



**REGULAR HOUSING AND REDEVELOPMENT AUTHORITY MEETING
VIRTUAL MEETING HELD VIA WEBEX
APRIL 19, 2021
7:00 PM**

Call to Order

Attendance Roll Call

Open Forum: Opportunity to address the HRA on items not on the Agenda; dial phone number 612-861-0651. As you call in, a moderator will assist you.

Approval of the minutes of the joint City Council and HRA work session of February 16, 2021, the regular HRA meeting of February 16, 2021 and the joint City Council, HRA, Planning Commission and Human Rights Commission work session of March 15, 2021.

AGENDA APPROVAL

1. Approval of the Agenda
2. **Consent Calendar contains several separate items which are acted upon by the HRA in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further HRA action on these items is necessary. However, any HRA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for HRA discussion and action. All items listed on the Consent Calendar are recommended for approval.**
 - A. Consider approval of revisions to the First Time Homebuyer Program Guidelines.
Staff Report No. 11
3. Consideration of items, if any, removed from Consent Calendar

RESOLUTIONS

4. Consider the adoption of a resolution approving revisions to the Inclusionary Affordable Housing Policy.
Staff Report No. 12
5. Consideration of a resolution authorizing staff to take steps to discharge discriminatory covenants from Housing and Redevelopment Authority-owned property.
Staff Report No. 13

HRA DISCUSSION ITEMS

6. HRA Discussion Items

EXECUTIVE DIRECTOR REPORT

7. Executive Director's Report

CLAIMS AND PAYROLLS

- 8. Claims
- 9. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Concurrent Housing and Redevelopment Authority and City Council Work Session

February 16, 2021

CALL TO ORDER

The work session was called to order by HRA Chair Supple at 5:30 p.m. via Webex.

HRA Members Present:	Mary Supple, Chair; Maria Regan Gonzalez; Sue Sandahl; and Erin Vrieze Daniels
HRA Members Absent:	None
Council Members Present:	Maria Regan Gonzalez, Mayor; Mary Supple; Simon Trautmann; Ben Whalen; and Sean Hayford Oleary
Council Members Absent:	None
Staff Present:	Katie Rodriguez, City Manager; John Stark, HRA Executive Director/Community Development Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.
Others Present:	None

Item #1

REVIEW THE INCLUSIONARY AFFORDABLE HOUSING POLICY AND CONSIDER POSSIBLE REVISIONS

Executive Director Stark provided a brief history of the Inclusionary Affordable Housing Policy (Policy). Housing Manager Urban presented a Power Point that went over some background information, current housing data, and the current Policy progress to date. Housing Manager Urban discussed the level of affordability, challenges with providing deeper affordability and staff recommendations around the level of affordability.

Council Member Hayford Oleary asked for clarity regarding the restricted resources to offer 30% of Area Median Income (AMI) units. Housing Manager Urban explained.

Council Member Whalen spoke to the level of affordability and percentage of units at certain AMI percentages. While he would like to see the percentage of units greater, the current recommendations are an improvement.

Council Member Trautmann inquired about where the city was at obtaining the goal set forth by Met Council. Housing Manager explained we would not currently meet those goals.

Executive Director Stark spoke to the possibility of the city reaching the Met Council goals over a period of time.

Chair Supple added that she would like us to come up with creative ways to have the accessibility and affordability linked.

Housing Manager Urban discussed the desire of larger units and the higher costs of providing larger units compared to smaller units and asked for direction to be provided by policy makers.

Council Member Whalen inquired about requiring larger units at certain AMI percentages through utilizing Tax Increment Financing (TIF) and flexibility with stretching out the length of the TIF district.

Executive Director Stark explained the TIF extensions come in at the end of the District and that these options are being explored.

Chair Supple inquired about state legislature to allow deeper affordability and larger units.

Housing Manager Urban presented accessibility goals, current data, explained the differences between Type A and ADA Accessible units and community feedback. Housing Manager Urban proposed staff recommendations for accessibility which included encouraging a mix of bedroom size and possible funding sources.

Commissioner Vrieze Daniels inquired about how staff recommendations could encourage ADA Accessible units.

Council Member Whalen spoke to state requirements, or lack thereof, around ADA Accessible units and roll-in showers and the desire to add this requirement.

Executive Director Stark spoke of the success of incentivizing in the past with builders and options to encourage roll-in showers.

Housing Manager Urban presented information around the length of TIF districts, goals, and feedback and staff recommendations.

Housing Manager Urban presented information surrounding keeping the Policy a Policy versus making it an ordinance feedback and staff recommendations to keep it as a Policy and reasoning for keeping it a Policy.

Council Member Hayford Olearly expressed support for keeping it a Policy for the time being and possible changes within the zoning code to allow more affordable and market rate housing throughout the city.

Housing Manager Urban presented "In Lieu Fee" information.

Executive Director Stark added information surrounding the TIF district and "In Lieu Fee" and explained how the "But For" analysis works in a TIF district.

Council Member Whalen inquired about the "In Lieu Fee" payments and where those funds go.

Executive Director Stark explained.

Housing Manager Urban presented information surrounding the size of the project, current policy, feedback and recommendations.

Executive Director Stark spoke of difficulties of smaller developments.

Housing Manager Urban presented information for replacement for affordable housing removal, the current Policy requirement, goals and staff recommendations.

Commissioner Vrieze Daniels inquired about the requirements when affordable housing is lost or removed and the desire to increase replacement units.

Executive Director Stark explained the goal would be to at least replace the current affordable unit with a higher quality unit as a minimum requirement. Executive Director Stark explained the goal of the Policy to be a starting point and to continue to review the Policy and make additions/improvements.

Housing Manager Urban presented general feedback received from the community survey.

Mayor Regan Gonzalez offered feedback on the Policy and goals and spoke of the need for action at the state level.

Chair Supple thanked the community for their feedback.

Executive Director Stark explained the next steps in bringing the Policy to policy makers.

Council Member Whalen inquired about raising the affordability rates.

Council Member Hayford Olearly would like to see higher affordability rates, but supports the current recommendations due to feasibility.

Executive Director Stark suggested keeping Policy as is, but that staff do further research to incentivize the deeper affordability.

ADJOURNMENT

The work session was adjourned by unanimous consent at 6:56 p.m.

Date Approved:

Mary Supple
Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

February 16, 2021

CALL TO ORDER

The meeting was called to order by Chair Supple at 7:00 p.m. via Webex.

HRA Members Present: Mary Supple, Chair; Maria Regan Gonzalez; Sue Sandahl and Erin Vrieze Daniels.

HRA Members Absent: None

Staff Present: John Stark, Executive Director; Melissa Poehlman, Assistant Community Development Director; Julie Urban, Housing Manager; Kate Aitchison, Housing Specialist and LaTonia DuBois, Administrative Assistant.

Others Present: Mark Zweber, Power of Attorney for Clare Zweber, 6905 Xerxes Avenue South.

OPEN FORUM

Administrative Assistant DuBois provided instructions to call in for the open forum.

No Callers.

APPROVAL OF THE MINUTES

M/Regan Gonzalez, S/Sandahl to approve the minutes of the regular Housing and Redevelopment Authority meeting of January 19, 2021.

Motion carried 4-0

Item #1

**HOUSING AND REDEVELOPMENT AUTHORITY AND ECONOMIC
DEVELOPMENT AUTHORITY 2020 YEAR IN REVIEW**

Assistant Community Development Director Poehlman, Housing Manager Urban and Housing Specialist Aitchison presented the Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) 2020 Year in Review.

Commissioner Vrieze Daniels commended the amount of work being accomplished by the HRA and EDA staff.

Commissioner Regan Gonzalez also commended the amount of work and changes being made by the HRA and EDA staff.

Executive Director Stark thanked commissioners and the community for the support.

Item #2	AGENDA APPROVAL
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M/Sandahl, S/Regan Gonzalez to approve the agenda.

Motion carried 4-0

Item #3	CONSENT CALENDAR
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Executive Director Stark presented the Consent Calendar:

A. Consider a resolution approving temporary construction easements with the Metropolitan Council over property located at 6613-25 Portland Avenue. (Staff Report No. 8)

RESOLUTION NO. 1389

RESOLUTION APPROVING TEMPORARY EASEMENTS WITH METROPOLITAN COUNCIL

B. Consideration of the adoption of a resolution approving several documents and authorizations relating to the construction financing for the Cedar Point II apartments. (Staff Report No. 9)

RESOLUTION NO. 1390

RESOLUTION APPROVING AGREEMENTS AND ASSIGNMENTS WITH RYA APARTMENTS LLC AND
AUTHORIZING THE ISSUANCE OF A TAX INCREMENT LIMITED REVENUE NOTE

M/Sandahl, S/Vrieze Daniels to approve the Consent Calendar.

Motion Carried 4-0

Item #4	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM THE CONSENT CALENDAR
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None.

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Item #4	CONSIDER A REQUEST FOR A DEFERRED LOAN SETTLEMENT IN THE AMOUNT OF \$3,000 TO SATISFY A DEFERRED LOAN ISSUED TO CLARE ZWEBER AT 6905 XERXES AVENUE SOUTH. (S.R. NO. 10)
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Housing Specialist Aitchison presented Staff Report No. 10.

Commissioner Regan Gonzalez thanked Mr. Zweber for attending the meeting and informed him of support systems in the City of Richfield for those with dementia.

M/Vrieze Daniels, S/Regan Gonzalez to approve a loan settlement in the amount of \$3000 for Clare Zweber at 6905 Xerxes Avenue South.

Motion Carried 4-0

Item #5	HRA DISCUSSION ITEMS
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Commissioner Regan Gonzalez spoke of the joint work session of the City Council and the HRA regarding the Inclusionary Affordable Housing policy and the need for support from the state and federal government.

Chair Supple mentioned the flexible hours being offered by Section 8 Staff and made comments regarding Accessory Dwelling Units to allow more options for people. Chair supple asked about community input for the Portland and 494 project.

Assistant Community Development Director Poehlman provided the Congress for New Urbanism (CNU) project (Portland and 494 project) kick off information and information for how people can participate, and information submitted to property and business owners in the area for feedback.

Item #6	EXECUTIVE DIRECTOR'S REPORT
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None.

Item #7	CLAIMS
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M/Regan Gonzalez, S/Vrieze Daniels that the following claims be approved:

U.S. BANK	2/16/2021
Section 8 Checks: 132511-132591	\$166,900.36
HRA Checks: 33957-33972	\$105,362.56
TOTAL	\$272,262.92

Motion carried 4-0

Item #8	ADJOURNMENT
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The meeting was adjourned by unanimous consent at 8:03 p.m.

Date Approved: April 19, 2021

Mary B. Supple
HRA Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



HOUSING AND REDEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Concurrent Housing and Redevelopment Authority, City Council, Planning Commission and Human Rights Commission Work Session

March 15, 2021

CALL TO ORDER

The work session was called to order by HRA Chair Supple at 6:00 p.m. via Webex.

HRA Members Present:	Mary Supple, Chair; Sue Sandahl; Lee Ohnesorge and Erin Vrieze Daniels
HRA Members Absent:	Maria Regan Gonzalez
Council Members Present:	Mary Supple and Sean Hayford Oleary
Council Members Absent:	Maria Regan Gonzalez, Mayor; Simon Trautmann and Ben Whalen
PC Members Present:	Kathryn Quam, Chair; Peter Lavin; Brendan Kennealy; Brett Stursa; Jim Rudolph, and Brian Pynn
PC Members Absent:	Susan Rosenberg
HRC members Present:	Mara Glubka, Chair and Tyler Olsen
HRC members Absent:	Anne Flake; Tiffany Bighley; Michele Thompson; Kris Anderson; Kathrine Goodemote; Walter Burk; Fountia Thompson-Robinson and Tash Ostendorf
Staff Present:	Katie Rodriguez, City Manager; Melissa Poehlman, Assistant Community Development Director; Julie Urban, Housing Manager; and LaTonia DuBois, Administrative Assistant.
Others Present:	Jamar Hardy, Edina Realty and Jared Shepherd, Hoff Barry Attorneys

Item #1	PRESENTATION ON THE JUST DEEDS PROJECT, WHICH WORKS TO FACILITATE THE REMOVAL OF RACIALLY-RESTRICTIVE COVENANTS FROM PROPERTY DEEDS, AND HOW RICHFIELD CAN BECOME A PARTICIPATING COMMUNITY.
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Assistant Community Development Director Poehlman provided a brief introduction on racial covenants and introduced Jared Shepherd, Hoff Barry Attorneys and Jamar Hardy, Edina Realty.

Jared Shepherd and Jamar Hardy introduced themselves, provided background information and explained why they got involved with the Just Deeds project and the history of the Just Deeds project. Jared and Jamar presented the project goals, an overview of racist and exclusionary housing policies, explained the history of racial covenants, shared locations within the City of Richfield where racial covenants exist, and how the city can partner with the Just Deeds project to discharge covenants on city owned property and assist residents in rejecting racially restrictive covenants on their property.

HRA Chair Supple explained the next steps that could be taken by staff and policy makers to move forward with this work.

Planning Commissioner Stursa spoke of efforts being made by the Human Rights Commission around mapping prejudice and shared her support of the Just Deeds project.

HRA Commissioner Vrieze Daniels offered her support of the Just Deeds project.

HRC Commissioner Glubka also shared her support for the project.

HRA Commissioner Sandahl spoke of her experience with title law and restrictive covenants and inquired about rejecting racial covenants on Torren's property.

Jared Shepherd shared information for rejecting covenants on Torren's properties.

Planning Commissioner Lavin inquired about the city enacting an ordinance that would require the covenants to be stricken from the title.

Jared Shepherd shared his thoughts about engaging with individual resident's property history and confronting the history versus erasing it.

Jamar Hardy shared his insight as a realtor and bringing the experience to individual homeowners to make the decisions themselves.

Assistant Community Development Director Poehlman explained intents to provide information through the point of sale inspection process to direct homeowners to find information on their property.

Planning Chair Quam inquired about the opposition of this proposal.

Jared Shepherd shared goals to inform residents of property history and that he does not know of any opposition. The goal is not to erase history, rather to acknowledge history and to engage the community in discussion.

Assistant Community Development Director Poehlman explained how this is an example of systemic racism and the Just Deeds project is good conversation to figure out how certain policies effect people differently.

Council Member Hayford O'Leary offered his support for the Just Deeds project and stated how this is an important first step.

Housing Manager Urban explained how to find a restrictive covenant map through the Mapping Prejudice website.

Assistant Community Development Director Poehlman shared her feelings around racial covenants being discovered on city property.

Jamar Hardy explained that title companies and realtors don't discuss racial covenants on property with people when purchasing their home and most people are unaware they exist.

Jared Shepherd explained how the history of a property can be stacked or buried in the history of a plat. He emphasized the importance of engaging with community members to allow individuals to make the decision to reject the covenants.

HRA Commissioner Ohnesorge inquired about the process for property owners to reject the covenants on their property.

Jared Shepherd explained the process for homeowners to reject the covenants through the Just Deeds project.

HRA Chair Supple shared her support of the Just Deeds project and the city moving forward with this work.

Assistant Community Development Director Poehlman explained the next steps that will be taken by staff to get this program ready to roll out.

ADJOURNMENT

The work session was adjourned by unanimous consent at 7:02 p.m.

Date Approved: April 19, 2021

Mary Supple
Chair

LaTonia DuBois
Administrative Assistant

John Stark
Executive Director



STAFF REPORT NO. 11
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
4/19/2021

REPORT PREPARED BY: Kate Aitchison/Celeste McDermott, Housing Specialists
OTHER DEPARTMENT REVIEW: N/A

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
4/14/2021

ITEM FOR COUNCIL CONSIDERATION:

Consider approval of revisions to the First Time Homebuyer Program Guidelines.

EXECUTIVE SUMMARY:

The First Time Homebuyer Program (Program) Guidelines were approved by the Housing and Redevelopment Authority (HRA) in July of 2018 and updated to incorporate additional federal requirements in November 2018. Since the Program launched, there has been considerable interest in the Program, with fifteen First Time Homebuyer loans issued. An additional three applicants are currently pre-approved with two purchases pending.

Rising home prices since the Program Guidelines were approved have made it increasingly challenging for first-time homebuyers to purchase a home in Richfield. In order to most effectively use the funds and promote affordable home ownership in Richfield, staff recommends making the following changes to the Program Guidelines:

1. Increase the base loan amount from \$10,000 to \$15,000 and allow eligible households to receive an additional \$5,000 for a total loan amount up to \$20,000. Households eligible for the additional \$5,000 would need to meet at least one of the following criteria: 1) Applicant is a current Richfield renter; 2) The household has at least one dependent under the age of 18; or 3) One or more household member has a documented disability.
 - These criteria were selected based on research done by the Minnesota Housing Finance Agency that outlined the most effective methods of addressing disparities and targeting marginalized populations.
2. Authorize the HRA Executive Director to approve up to an additional \$5,000 as needed in special circumstances.
 - The current guidelines state "In certain situations, the HRA Executive Director may allow assistance in excess of the maximum in their discretion." These revisions will provide clarification for how much additional assistance the HRA Executive Director can approve administratively and provide examples of circumstances that may warrant additional funding.
 - These situations may include cases where applicants have a current need for safe housing, have exhausted all other funding options, or have other extenuating circumstances warranting additional funds.

RECOMMENDED ACTION:

By motion: Approve revisions to the First Time Homebuyer Program Guidelines.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The Program Guidelines were initially approved by the HRA in July of 2018 with revisions approved in November of 2018 to incorporate additional federal requirements.
- Additional revisions were approved in June to 2019 to expand eligibility to non-Richfield renters and allowed additional funding for those meeting the criteria outlined.
- In 2017 and again in 2018, the Star Tribune listed Richfield as the hottest housing market in the Twin Cities. This measure was based on price, time on the market, seller discounts and the number of short-sales/foreclosures in the community. That trajectory has continued, leading to a low inventory of houses for sale and a steep increase in home prices. It has become a very difficult market for low and moderate income households to purchase a home in Richfield.
- The demand for down payment assistance is great, as homebuyers struggle to meet rising home prices without taxing their monthly spending.
- There are currently three applications pre-approved, with many other households looking to secure a Purchase Agreement and utilize the Program.
- Fifteen down payment assistance loans have been issued through the Program.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- It is the HRA's policy to provide homeownership opportunities to households of a variety of income levels.
- In 2013, the Richfield HRA adopted a Housing Visioning Statement that states: "*Richfield is a sustainable community that is known for its strong, vibrant and eclectic, amenity-rich neighborhoods supported by a full range and balance of housing types that match the choices of its diverse residents at every stage of their lives.*"
 - The Housing Visioning Task Force explained that the phrase "match the choices of its diverse residents at every stage of their lives" to mean: "*that the City has what residents want, not just what they have to adapt to. The Task Force supports a broad definition of diversity. These varied housing offerings mean that residents can stay in the community their whole lives and find housing that meets their needs and their preferences.*"
- All Community Development Block Grant (CDBG) funded activities must meet one of three national objectives: benefiting low and moderate income persons, preventing or eliminating slums and/or blight, or meet an urgent need. In addition, activities must be consistent with priorities identified in the County's Consolidated Plan. Those priorities include a variety of housing activities such as housing rehabilitation, preserving and creating homeownership opportunities, public services to maintain or increase self-sufficiency, and neighborhood revitalization activities.

C. CRITICAL TIMING ISSUES:

- The revisions are recommended by staff in order to address current affordable housing needs and effectively utilize the funds during the CDBG program year.
- The CDBG 2020 program cycle ends July 1, 2021. If funds are not spent by that date then an extension will be filed.
- The 2021 CDBG program cycle ends July 1, 2022.

D. FINANCIAL IMPACT:

- For Federal Fiscal Year (FFY) 2019, \$145,000 was budgeted for the Program and \$135,000 has been spent with the remaining \$10,000 committed.
- For FFY 2020, \$110,000 has been budgeted for the Program with \$110,000 remaining.
- For FFY 2021 \$50,000 has been budgeted for the Program.
- The funding source for the Program is federally-funded CDBG, which Richfield receives as part of the Consolidated Pool through Hennepin County.
- Funds are distributed in the form of a no-interest loan to buyers that is forgiven on a pro-rated basis over ten years.
- The maximum individual loan amount is currently \$15,000. Staff is proposing raising that amount to \$20,000 for applicants who meet additional criteria.
- If the full amount of funding is not expended within the required time period, an extension can be filed, or the remaining funds can be moved to the Richfield Deferred Loan Program, which

provides rehabilitation loans for low and moderate-income households in Richfield.

E. **LEGAL CONSIDERATION:**

- The HRA Attorney drafted the Program Guidelines.
- Hennepin County staff have approved the proposed changes.

ALTERNATIVE RECOMMENDATION(S):

- The HRA may choose to not approve the recommended revisions to the First Time Homebuyer Program Guidelines.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
First Time Homebuyer Guidelines - Revised	Backup Material

**City of Richfield
First Time Homebuyer Program**

Part I: GENERAL PROGRAM DESCRIPTION

Program Overview

The Richfield Housing and Redevelopment Authority (HRA) offers a financial assistance program for homeownership funded by the City of Richfield's Community Development Block Grant (CDBG) program. The First Time Homebuyer Program provides financial assistance for low and moderate income households to become homeowners.

Administration of the First Time Homebuyer Program and the functions and responsibilities of the HRA staff shall be in compliance with the U.S. Department of Housing and Urban Development (HUD) CDBG regulations as well as all Federal, State and local nondiscrimination laws and with the rules and regulations governing Fair Housing and Equal Opportunity in housing and employment.

No family or individual shall be denied the equal opportunity to apply for or receive assistance under the First Time Homebuyer Program on the basis of race, color, gender, religion, creed, national origin, age, familial or marital status, handicap or disability, sexual orientation or reliance on public assistance.

The HRA office is accessible to persons with disabilities. Accessibility for the hearing impaired is provided by the Minnesota Relay Service and the City of Richfield.

Program Goals

The First Time Homebuyer Program has the following two goals:

- a. Assist low and moderate income families, particularly those who rent in Richfield, to purchase homes within the City of Richfield by providing assistance with down payment, closing costs and mortgage principle reduction.
- b. Promote responsible home ownership

Program Administration

The Program will be administered through the HRA. Interested applicants should contact HRA staff by calling 612-861-9778.

Data Privacy

The HRA is subject to Minnesota Statutes Chapter 13 (the "Minnesota Government Data Practices Act"). Under the Minnesota Government Data Practices Act, the names and addresses of applicants for or recipients of assistance under this program and the amount of assistance received under this program are public data. All other financial information submitted to the HRA for purposes of the loan application is considered private data.

Purpose of the Program Guidelines

The purpose of these guidelines is to establish policies for carrying out the First Time Homebuyer Program in a manner consistent with HUD requirements and local goals and objectives contained in the City of Richfield's Consolidated Plan and Annual Action Plans. The HRA is responsible for complying with

all changes in HUD regulations pertaining to the CDBG program. If such changes conflict with these guidelines, HUD regulations will have precedence. Application regulations include:

- 24 CFR Part 8: Nondiscrimination
- 24 CFR Part 570: Community Development Block Grant
- 24 CFR Part 35: Lead Based Paint Regulations

PART II: PROGRAM POLICIES

Financial Assistance

The financial assistance is in the form of a loan of up to \$150,000, or up to \$2015,000 if additional eligibility requirements are met, but no more than 10% of the purchase price. There is no interest on the loan and no payments are required. The loan is forgiven on a pro-rated basis of 10% each year and is fully forgiven after 10 years. If the home is sold, the title transferred, or no longer owner-occupied, within the first 10 years after the purchase date, then the remaining pro-rated amount will become due.

The Financial Assistance may be used to:

- Pay up to 50% of the amount the homebuyer is required to provide toward the down payment under the particular mortgage program they are utilizing. The homebuyer must contribute a minimum of \$1,000 of their own funds towards the downpayment.
- Pay up to 100% of the homebuyer's eligible closing costs. Borrowers are permitted to use program funds for interest rate buy downs if documentation is provided from the lender that shows the buy down is necessary to secure their primary mortgage.
- Reduce the mortgage principal up to 10% of the purchase price, up to \$2015,000, depending on eligibility. The applicant(s) housing ratio must be at least 25%, but cannot exceed 35% of their gross monthly qualifying income. The housing ratio is calculated using the current year's projected income. Under certain circumstances, the HRA Executive Director may allow the DTI to exceed 35%.

The financial assistance will be provided at a minimum amount of \$3,000.00 and a maximum amount of \$2015,000.00. In certain extreme situations, the HRA Executive Director may ~~allow~~ authorize additional assistance up to \$5,000 (for a total loan amount up to \$25,000) for applicants who demonstrate a need and meet other criteria in excess of the maximum at their discretion. Some examples of circumstances that may warrant additional funding are: an urgent need for safe housing, applicants who work in Richfield, or children who attend school in the Richfield school district. Applicants must have exhausted all other options and may be required to seek additional financial counseling. The HRA Staff will review the applicant's verified income and assets, estimated closing costs, purchase agreement, and lender's recommendations for financial assistance in compliance with uses described above. Lenders must provide a pre-approval letter indicating the maximum amount of financing the borrower would qualify for from the first mortgage lender.

The HRA will verify an applicant's income and assets through written verifications as provided by either the lender or by the applicant. The HRA staff may re-verify income and asset information provided by

the lender. The HRA will calculate the applicant's gross annual income using paystubs and recent tax returns or other qualifying verification as determined by HRA staff to ensure the applicant(s) qualifies as a low or moderate income household as required by CDBG regulations and to determine the maximum amount of assistance.

Financial assistance will be provided at the time of closing on the property with the following conditions:

- Selected applicants must meet the requirements of the program and be eligible for the financial assistance throughout the entire application process.
- The housing unit to be purchased and the purchase price must be accepted by the HRA as meeting the intent and requirements of the program.
- The financial assistance provided by the program is in the form of a no-interest loan that is forgiven 10 years from the initial purchase date. If the house is sold, transferred or no longer the primary place of residence within that 10 year period, the loan will be repaid on a pro-rated basis.
- The homebuyers must enter into a second mortgage and execute a Repayment Agreement with the HRA providing for repayment of the indebtedness 10 years from the initial purchase date or when the house is sold, transferred or no longer the primary place of residence, whichever occurs first.

Responsibilities of the First Time Homebuyer

The responsibilities of the prospective homebuyers are to:

- Obtain mortgage pre-qualification from a lender
- Submit a pre-application and mortgage pre-qualification to the HRA
- Complete, sign and return the full application packet, authorization for release of information form, and other certification and verification forms within the time frame specified.
- Register and attend the Home Stretch or Framework – Homebuyers workshop such as those offered by Community Action Partnership of Hennepin County (CAP-HC), Neighborhood Development Alliance (NeDA), NeighborWorks Home Partners, or PRG Inc. More information about homebuyer education can be found online at: <http://www.hocmn.org/buyingahome/homebuyer-education/>. Classes must have been completed within 12 months prior to closing. The applicant will be provided with a certificate of attendance. A copy of this certificate should be forwarded to the lender and the HRA.
- Select a real estate agent, if one is desired.
- Select a dwelling in Richfield for purchase that is owner-occupied or vacant and is an eligible dwelling under the program.
- Provide information throughout the process as required by the lender or the HRA staff.

- Execute a purchase agreement that includes the Environmental Review addendum supplied by the HRA, and any subsequent Amendments.
- Execute the lender's mortgage and related documents.
- Execute the HRA's Mortgage, Loan Agreement and Promissory Note.
- Close on the property within the time frame specified in the Purchase Agreement.
- Execute other required forms within the time frame specified or required.
- Take occupancy of the dwelling within 30 days after closing, homestead the property, and continue to occupy the dwelling as a Principal Place of Residence.
- Make principal, interest, property tax and insurance payments as required.
- Reimburse the HRA in accordance with the HRA's Mortgage, Loan Agreement, and Promissory Note should the First Time Homebuyer trigger repayment through sale, moving, transfer of ownership or foreclosure within 10 years or default on any other terms of these documents.

Responsibilities of the Lender

The lender must:

- Verify the prospective homebuyer's income and assets to determine that they meet the requirements of the program and submit a copy of the verification to the HRA. These copies must be submitted to the HRA as part of a completed application.
- Compute the Mortgage, Down Payment, Mortgage payments and Closing Costs of Acceptable Loans approved by the Program to determine the most cost-effective and appropriate form of financing for the First Time Homebuyer to use.
- Provide a title search and review the documents.
- Provide the HRA with a pre-approval letter stating the maximum mortgage amount the applicant is approved for.
- Provide the HRA other verification materials as requested by the HRA.
- Process a mortgage consistent with the Program.
- Meet all deadlines in a timely fashion, especially those that relate to the Closing. **All documents must be completed at least 10 days prior to the Closing and be delivered to the HRA at least seven days before the Closing.**
- Appraise property to determine the loan-to-value ratio. Provide copy to the HRA.

Responsibilities of the HRA

The responsibilities of the HRA for the Program are to:

- Establish Program requirements and administer the Program.
- Send applicants the application form, the authorization for release of information form and other certification and verification forms.
- Review the Application and other material for eligibility.
- Establish the initial eligibility of participants via the information provided in the pre-application process. Full approval will be determined upon completion and submission of a full application and supporting documents.
- Notify applicants when ineligible.
- Direct prospective buyers to register for the homebuyer workshops and provide information and forms related to the Program.
- Provide liaison services involving the prospective buyer, lender and any real estate agent that might be involved in the transaction.
- Review appraisal, purchase agreement, eligibility and mortgage for consistency with the Program requirements.
- Prepare and execute the HRA Mortgage, Loan Agreement, and Promissory Note.
- Provide financial assistance according to Program guidelines to the applicant at the time of Closing.
- Service the HRA Mortgage, Loan Agreement, and Promissory Note.
- Modify or terminate the Program as may be appropriate or required.

Pre-Application Process

At the time of application, applicants must provide the HRA with the following information and meet the eligibility requirements:

- Names and ages of all household members who will occupy the property purchased
- Address and telephone numbers
- Total gross annual income documentation..
- Lease start and end dates, if applicant is a Richfield renter.
- Letter from lender indicating the amount of a home loan for which applicant is pre-qualified
- Authorization for release of information/data privacy signed by all adults in the household.

The information listed above will provide the HRA sufficient information to determine if the applicant is eligible for the Program. The pre-application must be submitted **prior** to the execution of a purchase

agreement. Applicants will be notified if they are eligible or ineligible based on the information provided in the pre-application.

It is the responsibility of each applicant to ensure that the information is correct and that the HRA receives his or her application.

Supporting Documentation

Eligible applicants will be required to submit the following supporting documentation. Some items may be waived by the HRA Executive Director if not applicable and additional documentation may be requested:

- Authorized Purchase Agreement on a home in Richfield (must include Environmental Review Addendum supplied by HRA staff after Pre-Application is reviewed)
- Pay stubs for all household members earning income.
- Tax returns stubs for all household members earning income.
- Bank statements, financial statements and all other document(s) that verify gross assets.
- Copy of current lease, if applicant is a Richfield renter.
- Previous addresses.
- Proof of completion of an approved homebuyer workshop.

Summary of the Application Process

If the applicant qualifies to apply for the Program, the applicant should proceed with the application process, which includes:

- The applicant selects a participating lender and applies for mortgage pre-approval.
- The applicant completes and submits to the HRA: (i) a First Time Homebuyer application; (ii) authorization form for release of information to the HRA ; and (iii) a mortgage pre-approval letter from the lender.
- The applicant is notified by the HRA whether or not they are eligible for the Program based on the information provided.
- The applicant registers for and attends the homebuyer workshop series.
- The applicant searches for a home in Richfield.
- The applicant enters into a Purchase Agreement that includes the Environmental Review Addendum provided by the HRA and contacts the lender.
- The lender authorizes appraisal of home.

- The lender confirms applicant's mortgage eligibility and approves purchase.
- The applicant contacts the HRA with supporting documentation.
- The HRA confirms any/all lead-based paint hazards have been investigated and remediated prior to closing. See Lead Based Paint Hazard Requirements under Part Three of the guidelines for more information.
- The HRA reviews appraisal, Purchase Agreement, Loan Estimate, and eligibility verification for consistency with program goals and requirements.
- The HRA issues an approval letter or denial letter to applicant.
- If approved, an Environmental Review is completed on the property by the HRA.
- The HRA prepares the closing documents required by the City's First Time Homebuyer Program Guidelines.

Post Approval Process

After receiving the application and all of the supplemental documentation, the following procedures shall apply:

- If the application meets the program requirements, the loan funds (not to exceed \$15,000) will be reserved for the applicant and brought to the closing.
- The HRA loan closing will occur in conjunction with the transfer of property closing. The HRA will provide the full amount of the loan payable to the Buyer AND the Title Company conducting the closing.
- HRA staff will make its best effort to attend the closing. If HRA staff is unable to attend the closing, the loan closing or title insurance company conducting the loan closing will be responsible for recording the HRA's mortgage. The purchaser will pay the filing fee. If HRA staff has not attended the closing, the title company must provide Richfield staff with a copy of the first mortgage executed and filed, as well as an executed Promissory Note, Errors and Omissions Acknowledgement Agreement, and Certificate and Request for Notice: Foreclosure. These documents must be executed prior to any loan disbursement.
 - a. A lien will be placed against the Property by the HRA for the full loan amount through the Mortgage Deed.
 - b. The Mortgage is subject to Mortgage Registration Tax; the Buyer is responsible for the payment.
 - c. The Note may not be assigned or pledged.
- HRA staff will provide homeowners with a copy of their loan documents, along with information regarding loan subordinations and servicing.

Eligibility Requirements

To be eligible to participate in the Program and receive a loan up to \$~~2010~~2,000, the applicant must meet the following requirements at the time of application and throughout the process up until Closing.

- Must have no prior home ownership in the past 3 years (unless displaced due to divorce).

- Must be a U.S. citizen or have legal immigration status.
- Must be a First Time Homebuyer, as defined in Appendix A.
- Must not have a Gross annual Income that exceeds the maximum income limits which are revised annually to reflect the current year's CDBG maximum income limits. Income is calculated using prior year tax returns and verified by most recent paystubs. For information on calculating income, please contact a Richfield Housing Specialist.

FY 2021 CDBG Income Limits	
Calculated as 80% of the Area Median Income. Source: https://www.hudexchange.info/resource/5334/cdbg-income-limits/	
Household Size	Household Income Limit
1 Person Household	\$55,950
2 Person Household	\$63,950
3 Person Household	\$71,950
4 Person Household	\$79,900
5 Person Household	\$86,300
6 Person Household	\$92,700
7 Person Household	\$99,100
8 Person Household	\$105,500

- Must not have Gross Assets exceeding \$25,000.00, excluding retirement savings.
- Borrowers are required to invest at least \$1,000.00 of their own monies towards the purchase price of the home.
- Must meet the requirements of a Lender and qualify for a first mortgage.
- Loan must be a fixed-rate, prime loan. No adjustable or balloon mortgages.
- Must fulfill the Program obligations in a timely manner and must remain eligible to participate based on the program requirements and those of the lender through the time of Closing.
- Must not have a previous loan through the HRA that ended in foreclosure or any other loan that ended in foreclosure within the previous five years.
- Must not buy dwelling with a contract for deed.
- Must meet the requirements as specified elsewhere in these First Time Homebuyer Program Guidelines.

Applicants who meet one of the following criteria (in addition to meeting the requirements listed previously) will be eligible for a total loan amount up to \$15,000. The final loan amount is subject to current funding availability.

- Applicant is a current renter in Richfield with verifiable lease and proof of rent paid, showing at least 6 months tenancy in Richfield.
- Household has at least one dependent under the age of 18.
- One or more household member is disabled (as verified by a physician signed form)

Denial of Eligibility

The HRA will review and verify all applications for eligibility. Those applicants not meeting the eligibility requirements will be sent a written notice explaining the reason(s) for denial of program participation.

Appeals regarding interpretation of eligibility requirements may be made in writing to the HRA Executive Director, and then to the Director of Community Development and then to the City Manager, and then to the HRA Board. Appeals that clearly do not meet eligibility requirements will not be considered.

Eligible Dwellings

To be eligible the property must meet the following requirements:

- Be located within the City of Richfield.
- Be a single-family dwelling, a townhouse unit, duplex or a condominium unit that is vacant or owner occupied. No renters can be displaced at the time of purchase.
- Be a conforming use as defined by the Richfield Zoning Ordinance.
- Be in full compliance with the City of Richfield's Point of Sale Program. (Ordinance Section 408.01). All corrections must be addressed according to the Point of Sale Program requirements, either prior to sale or via escrow with the City of Richfield. More information found at: <http://www.richfieldmn.gov/pos>.
- Be free of lead-based paint hazards at the time of Closing. See page 11 for more detailed information regarding lead-based paint hazards.

Applicant Outreach

The HRA will publicize and disseminate information to make known the availability of homeownership assistance on a regular basis through a variety of media and other suitable means. The availability of assistance will be communicated to other services providers, realtors, and lenders in the community and advise them of the guidelines so that they can make proper referrals for the Program. Realtors and

lenders will be encouraged to provide additional services to eligible clients to ensure their successful utilization of the program.

Applicant Pool

The applicant pool for the Program shall consist of all those who have completed and returned to the HRA a pre-application form, written verification from their lender of pre-approval, and who have acknowledged that they will meet the eligibility requirements.

Funds will be available to the applicant pool on a first come, first serve basis. Eligible applicants will be approved for funding when they or their lender notify the HRA of the applicant's approved purchase agreement and the full application packet is completed and returned. If funding is limited and more than one applicant is at the purchasing stage, the HRA will provide funding to the applicant who qualifies for the most preference points. For updated program information, including the status of annual funding for the program, please refer to <http://www.richfieldmn.gov/downpayment>.

Preference points have been established to meet the goals of the HRA. Each preference category is worth one (1) point. The maximum points any one household could receive are five (5) points. Households with the highest point totals will be selected first. In the event of a tie, a drawing or lottery will be held to rank the applicants within each of the preference categories.

- Applicant is a current Richfield renter
- Applicant with dependents under age 18
- Applicant has lived in Richfield longer than 6 months prior to Closing
- Head or co-head of household has primary, longer-term employment in Richfield
- Applicant currently participates in Richfield's Kids @ Home Program
- Applicant has never owned a home (versus having owned a home over three years ago)

Approval from the applicant pool is tentative and conditional. Families selected for participation must fulfill the Program obligations in a timely manner and must remain eligible to participate based on the Program requirements and those of the lender through the time of Closing.

Lender Outreach

The HRA will solicit lender participation as needed. The HRA will review requests from lenders to be approved as a participating lender of the First Time Homebuyer Program. The lenders must exhibit a willingness to provide mortgage products to low and moderate income households.

PART III: PROGRAM RULES

Lenders

Lenders and their representatives must be willing to participate in the Richfield First Time Homebuyer Program. Applicants should ask the lender if they have received the City's First Time Homebuyer Program Guidelines and if they are familiar with the process. It is the applicant's responsibility to make

arrangements for obtaining pre-qualification or pre-indication of approval and for making an application for a mortgage. **A letter from the lender indicating the amount of the mortgage for which the applicant pre-qualifies must be provided with each pre-application.** The same lender must be used when the applicant goes for pre-approval of a mortgage prior to the purchase of a home, so it is recommended that the applicant selects the lender carefully.

Lead Based Paint Hazard Requirements

All applicants purchasing a dwelling built prior to 1978 will be provided with a lead based paint brochure and must sign a certification of receipt of the brochure.

The HRA will require an inspection of all dwellings built prior to 1978 for compliance with HUD's lead-based paint hazard regulations. This inspection is performed during the City of Richfield's standard Point of Sale Inspection. If LBP risks are found, stabilization of the defective paint, cleanup and clearance will be required before funds are approved for assistance at closing. The presence of LBP risks should be treated like any other defect found during an inspection and may be negotiated between buyer and seller. Clearance will be required before the home can be safely occupied and will assure that there are no remaining lead hazards. If the selling party is unwilling to address the LBP hazards, the property will not be eligible for assistance. The applicant will need to find another house that is or will be made LBP risk free in order to qualify for assistance.

Repayment of Assistance

Repayment of the down payment assistance loan shall occur upon the earliest of:

- Sale or transfer
- The property ceases for any reason to be the homebuyer's principal place of residence.
- Default on the mortgage with the HRA or any superior mortgage on the property.

Repayment of the loan shall be pro-rated, with the principal amount due reduced by 10% for each year of the homeowner's tenancy in their Richfield home, as established by the loan date on the filed mortgage with the HRA.

AGE OF LOAN	AMOUNT OF PRINCIPAL LOAN AMOUNT DUE
0 - 1 year	100 % of principal loan amount due
1 - 2 year	90% of principal loan amount due
2 - 3 years	80% of principal loan amount due
3 - 4 years	70% of principal loan amount due
4 - 5 years	60% of principal loan amount due
5 - 6 years	50% of principal loan amount due
6 - 7 years	40% of principal loan amount due
7 - 8 years	30% of principal loan amount due
8 - 9 years	20% of principal loan amount due

9 - 10 years	10% of principal loan amount due
10+ years	0% due, Loan Fully forgiven

When a loan made by the HRA is paid in full or forgiven, a document satisfying the lien will be prepared by the HRA, executed by the Executive Director or his or her delegate and delivered to the borrower for recording. The borrower is responsible for the cost of recording the satisfaction. Contact a Richfield Housing Specialist for more information about repayment of an HRA loan (612-861-9778).

Subordination of Mortgages

Richfield Housing and Redevelopment Authority (HRA) loan recipients requesting subordination of the interest of the HRA in real property must submit a Subordination Request Form, the required supporting documentation, and a processing fee. Forms are available on the City of Richfield website (www.richfieldmn.gov) or by calling the Community Development Department at 612-861-9760. Requests will not be considered until all documents and the processing fee have been received.

The following information must be submitted with the Subordination Request Form:

1. A typed letter dated and signed by the mortgagor, stating the reason for the requested subordination and the use of any equity being removed as part of the loan transaction.
2. A copy of the current appraisal (dated within six months of application) or other evidence of market value of the property that is acceptable to the HRA.
3. A copy of current title work (must indicate all debt against the property).
4. Explanation of remaining debts or liens with supporting documentation (i.e. most recent mortgage bill).
5. Estimated closing costs/settlement statement, where applicable.
6. A copy of the mortgagor's loan application.
7. Additional documentation may be required.

The HRA will subordinate its mortgage interest if all of the following conditions are met, to the extent that they are applicable:

1. Closing costs are reasonable. Generally this shall mean that the sum of all discount points, origination fees, and lender ancillary fees generally shall not exceed 3% of the new first mortgage amount.
2. If the HRA believes that the payment terms of the refinance are within the financial means of the borrower.
3. The total debt secured by the property, including the HRA lien and all superior mortgages, does not exceed 80% of the documented market value of the property.
4. Any equity being removed beyond the cost of the loan transaction will be used to improve the property. A typed letter, dated and signed by the applicant, must be submitted stating the use of any equity being removed.

5. The overall value of superior debt must not be increased by more than 50%.
6. If no more than one subordination request has been approved by the HRA in the past five years.
7. Property taxes, if not escrowed by the superior mortgage holder, must be current.

The HRA will not subordinate to reverse mortgages. In most cases, interest-only loans or loans with interest-only options, revolving lines of credits or debt consolidation will not be allowed unless the HRA determines that an acceptable reason warrants this type of loan.

The HRA may approve other subordination requests not meeting the conditions above on a case-by-case basis that are clearly in the best interests of the HRA, where the security of the HRA loan remains acceptable, and denial of the request will cause or contribute to a documented hardship on the part of the borrower.

The fee for a subordination request is established by the HRA. If the subordination request is denied, the fee will be returned with a letter explaining the reason(s) for denial. An additional fee is required for an appeal to the HRA and is non-refundable.

Subordination requests will be processed by HRA staff, who will submit the request with a recommendation for action, to the Executive Director. The Executive Director has the authority to grant a subordination request when, based on his or her discretion, the subordination is reasonable based on the criteria set forth in this Policy. The Executive Director may request review and final decision by the HRA. Requests for subordination should be submitted 30 days prior to the date the agreement to subordinate is needed. Exceptions may be made on a case-by-case basis.

In cases where a subordination request does not meet the Policy, the Executive Director may grant an administrative appeal under the following circumstances:

- Loan-to-value (LTV) ratio is greater than 80%, but no greater than 85%; or
- Equity being removed for anything other than property improvements does not exceed \$5000; or
- The amount of financing superior to the HRA lien does not increase more than the cost of settlement charges related to the refinancing; or
- The overall superior debt increases more than 50% but the value of superior debt is unusually low and/or sufficient equity protection exists

If an application is denied, the applicant may request an appeal in writing. Appeals will be submitted by staff to the HRA at the next regularly scheduled meeting, provided the request is made at least 10 days prior to that meeting. The HRA meets on the third Monday of each month.

Targeted Funding

At various times, the HRA may target Program funding for purchases in specific developments. Applicants purchasing in those developments would receive Program funding prior to all other applications.

Total Amount of Assistance

The total amount of assistance received through the Richfield HRA for the First Time Homebuyer Program cannot exceed \$~~2019~~,000.

Modification and Termination of Program

The HRA may modify or terminate the Program as it deems appropriate or as required by HUD. Once the HRA has provided financial assistance and the mortgage executed, financial assistance shall not be rescinded except as provide for in the executed HRA Mortgage, Loan Agreement, and Promissory Note.

APPENDIX A

DEFINITIONS

Acceptable Loans – Portfolio Products, Freddie Mac, Fannie Mae, FHA, VA and ARM's that at a minimum are at a fixed rate for the first seven years.

Applicant – an individual or household submitting an application for a loan.

Application – The form used to request assistance for the City's First Time Homebuyer funds.

ARM or Adjustable Rate Mortgage – a mortgage that offers an initial rate that is fixed for a certain number of years of repayment; the rate then adjusts every year thereafter for the remaining life of the loan.

CDBG or Community Development Block Grant Program – an annual entitlement program provided to the City of Richfield through the U. S. Department of Housing and Urban Development (HUD).

City – The City of Richfield.

Clearance – A lead based paint Certification that all lead issues have been remediated.

Closing – The consummation of the real estate transaction. The Closing includes the delivery of a deed, financial adjustments the signing of notes, mortgages, and the disbursement of funds necessary to complete the sale and loan transaction.

Closing Costs – Those costs required by the lender to be paid by the buyer for various fees, credit report costs, insurance, etc., at the time of Closing on a property.

Consolidated and Annual Action Plans – HUD requires the City of Richfield to submit a 5 year Consolidated Plan and an Annual Action Plan to guide housing, homelessness and Community Development activities.

Conventional Mortgage – A type of residential mortgage loan, usually from a bank or savings and loan association, with a fixed rate and term. It is repayable in fixed monthly payments over a period usually

30 – 40 years or less, secured by real property, and not insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

Down Payment – A type of payment made by a homebuyer indicating intention to purchase real estate offered for sale and obtain financing from a bank or mortgage company.

Environmental Review – The process of verifying that a project meets federal, state, and local environmental standards. The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. HRA staff is responsible for the completion of the environmental review.

Environmental Review Addendum – An addendum to the purchase agreement that states an Environmental Review will be completed by the HRA prior to closing. The addendum must be a part of the original purchase agreement in order to be valid.

Fannie Mae or Federal National Mortgage Association – A privately owned and operated corporation that buys mortgages from such lenders as banks and savings and loans, packages and resells them on the open market.

FHA or Federal Housing Administration – A Federal agency that administers many loan programs, loan Guarantee programs, and Loan Insurance programs designed to make more housing available.

First Time Homebuyer – A household who has not owned a dwelling of any kind within the preceding three years from the date of application or who has been displaced due to a divorce situation.

Gross Annual Income – The Gross annual Income of a Household for the purposes of this program is defined for purposes of reporting under Internal Revenue Service Form 1040 for individual Federal annual income tax purposes as per 24 CFR 570.3 Income (1)(iii).

Gross Assets – The current market value of the following minus existing indebtedness: *(Typically, it does not include 401K funds, pensions or other deferred compensation funds.)*

1. Cash on hand
2. Cash in checking accounts
3. Cash in savings accounts, including accounts held in trust.
4. Investment securities (government bonds, municipal bonds)
5. Stocks
6. Certificate of deposits and annuities

Guidelines – The set of standards, criteria, and specifications to be used in administering the Program.

Household – All persons residing in one housing unit; which may include one or more families, a single person, a married couple, or two or more unrelated persons.

Housing Counselor – A person who provides direct customer services primarily to groups, individuals, households seeking information and assistance with housing issues.

Housing Ratio - the percentage of income that goes toward housing costs including mortgage principal and interest, mortgage insurance premium, hazard insurance premium, property taxes, and homeowners association dues (when applicable).

HRA – The Housing and Redevelopment Authority in and for the City of Richfield, which administers the City's First Time Homebuyer Program.

HUD or U. S. Department of Housing and Urban Development – The principal federal agency responsible for implementing certain federal housing and community development programs.

Income - The amount of money or its equivalent received during a period of time in exchange for labor or services, from the sale of goods or property, or as profit from financial investments.

Lead Risk Assessment – A report that describes the health risk assessment, management process, estimates of the costs of recovery, and summaries of possible defensive measures required per HUD regulation CFR Part 35: Lead Based Paint Regulations.

Lender – Individual or firm that extends money to a borrower with the expectation of being repaid, usually with interest.

Loan Estimate – Document disclosing the approximate closing costs a mortgage applicant will pay at or before the mortgage settlement date.

Low Income Household– A household whose annual income does not exceed the low income limit as established by HUD with adjustments for smaller and larger families.

Minnesota Housing – The Minnesota Housing Finance Agency; a Minnesota State agency that administers a variety of first time homebuyer loan programs.

Moderate Income Household – A household whose annual income does not exceed 80 percent of the median income for the area, as determine by HUD with adjustments for smaller and larger families.

Mortgage – The conveyance of an interest in real property given as security for the payment of a loan.

Principal Place of Residence – To occupy the home as the primary residence on a permanent basis.

Program – The City's First Time Homebuyer Program.

Promissory Note – A written instrument containing a promise by the signer to pay and agreed amount.

Purchase Agreement – An agreement between buyer and seller of real property, setting forth the price, and terms of the sale. Also known as a sales contract.

Reducing the Mortgage Principal Amount – A method of benefitting the buyer through the use of a portion or all of the HRA provided financial assistance to lower the mortgage principle amount. In effect, this assistance acts as a larger down payment and helps to reduce the monthly mortgage payments. The available amount of assistance is up to 10% of the purchase price to a maximum of \$~~20~~19,000. The buyer's housing ratio must be between 25% and 35%.

Satisfaction of Mortgage – A document releasing a mortgage lien, indicating the borrower has paid the debt in full.

Second Mortgage – A loan on a property that already has an existing mortgage (the first mortgage). The second mortgage is subordinate to the first.

VA Loan – Department of Veterans Affairs, providing below-market financing with no down payment to veterans of the U.S. Armed Services.



STAFF REPORT NO. 12
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
4/19/2021

REPORT PREPARED BY: Julie Urban, Housing & Redevelopment Manager
 OTHER DEPARTMENT REVIEW: N/A

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
 4/13/2021

ITEM FOR COUNCIL CONSIDERATION:

Consider the adoption of a resolution approving revisions to the Inclusionary Affordable Housing Policy.

EXECUTIVE SUMMARY:

In 2018, the Housing and Redevelopment Authority (HRA) adopted an Inclusionary Affordable Housing Policy (Policy) requiring that all new development receiving financial assistance from the HRA include affordable housing. Specifically, the Policy requires all housing developers receiving public subsidy to either:

- Make at least 20% of all housing units be affordable to either renters earning less than 60% of the Area Median Income (AMI) or owners earning less than 115% of the AMI, or
- Pledge 15% of the net-present-value of the subsidy they receive to the Richfield Housing and Redevelopment Fund, and
- Provide 90-day notice of sale, and
- Agree to not discriminate against renters receiving rental subsidies (including the Section 8 Housing Choice Voucher program).

Policymakers reviewed the Policy in 2019 and again in September 2020 and February 2021. Staff was directed to prepare several revisions relating to deeper affordability, length of the affordability term, larger units, and accessible housing.

1. Providing more deeply affordable units increases costs. To balance those increased costs, the proposed revisions would allow for fewer units at the deeper the affordability provided:

Affordability Level	% of Units
RENTAL	
60% of Area Median Income (AMI)	20%
50% of AMI	15%
30% of AMI	10%
OWNER-OCCUPIED	
115% of AMI	20%
100% of AMI	15%
80% of AMI	10%

A mix of affordability would also be allowed.

2. The proposed revision would require that the affordable units be provided through a mix of bedroom sizes, similar to the mix provided by the development as a whole. In recognition of the greater need for larger units and the additional cost to provide them, flexibility in the total number of units required would be allowed if more two and three bedroom units are provided.

3. A requirement for accessible units would be added to the Policy. Either 5% Type A units or 3% fully-accessible units would be required, again at a mix of sizes. The affordability requirement would apply to the Policy-required units (i.e., the 2% Type A units currently required by Building Code could be market-rate). Roll-in showers would be required in the Type A units.

4. The Policy requires developments not providing affordable units to pay a fee "in lieu," equal to 15% of the tax increment generated (or other public subsidy), to the HRA's Housing and Redevelopment Fund. An additional cash payment of \$5,000 per unit to the City's Affordable Housing Trust Fund would be required if a developer chose to opt out of providing the Type A/accessible units.

4. The Policy currently requires an affordability term equal to the length of the subsidy being provided or a minimum of 10 years, whichever is greater. The minimum would increase to 15 years with the proposed revision.

5. The current Policy requires non-housing developments to replace any affordable housing being removed. The proposed revision would expand that requirement to housing developments as well.

6. Flexibility would be added for projects between 5 and 19 units. Projects of that size could be given an exception to the requirements by the Community Development Director, in recognition of the financial and administrative burden the Policy requirements could have on smaller developments.

The revisions also include some minor wording updates.

RECOMMENDED ACTION:

By motion: Adopt a resolution approving revisions to the Inclusionary Affordable Housing Policy.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- The HRA has been informally requiring projects receiving tax increment financing to include affordable housing or contribute to the HRA's Housing and Redevelopment Fund since 2001. The HRA formally adopted a written Inclusionary Affordable Housing Policy in September of 2018. A revision related to the HRA's single family housing programs was adopted in April of 2019.
- Work sessions on the proposed revisions were held in September 2020 and February 2021. Detailed information on the costs of the various requirements, as well as the positives and negatives of each was shared at the work sessions.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The Policy furthers the Comprehensive Plan goal to provide a full range of housing choices that meet residents' needs at every stage of their lives, and ensure a healthy balance of housing types that meets the needs of a diverse population with diverse needs.
- The Comprehensive Plan identifies the need in the community for an additional 66 units of housing affordable at 30% of the AMI. The proposed Policy change encourages the development of these more deeply affordable units.
- The Policy is consistent with the City's Housing Visioning Statement that calls for a full range and balance of housing types and its Inclusionary Affordable Housing Policy Statement, which encourages developments to contain a mix of market-rate and affordable units, with a higher proportion of market-rate units.

C. CRITICAL TIMING ISSUES:

- The Policy revisions would not apply to projects currently in process, although staff has been informally encouraging larger bedroom sizes and accessible units in the projects in process.

D. FINANCIAL IMPACT:

- Providing affordable housing requires a subsidy, and the deeper the affordability, the greater the amount of the subsidy. To balance that greater cost, the proposed Policy revisions require a lesser percentage of units the greater the affordability.

E. LEGAL CONSIDERATION:

- The HRA has the authority to create an Inclusionary Affordable Housing Policy that applies to the use of its financial resources.

ALTERNATIVE RECOMMENDATION(S):

- The HRA may choose to:
 - approve the revisions with changes;
 - delay consideration to allow for additional public input;
 - request an additional work session on the revisions, or
 - not approve the revisions.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
▢ Resolution	Resolution Letter
▢ Amended Policy	Backup Material
▢ Amended Policy REDLINED	Backup Material

RESOLUTION NO. ____

**A RESOLUTION APPROVING THE ADOPTION OF
AMENDMENTS TO THE INCLUSIONARY AFFORDABLE HOUSING POLICY**

WHEREAS, the Richfield Housing and Redevelopment Authority (HRA) adopted an Inclusionary Housing Policy in 2018 that furthers the development of affordable housing within in the City; and

WHEREAS, the HRA wishes to further support development of high quality housing in the community for households of various income levels, ages and sizes in order to help the City meet its goals of preserving and promoting economically diverse housing options in the City; and

WHEREAS, the HRA wants to ensure that both the public and private sectors continue to create affordable housing opportunities in the City; and

WHEREAS, the HRA believes that adoption of a policy setting criteria and incentives for developers to build new affordable units will assist the City in achieving its inclusionary housing goals; and

WHEREAS, the HRA regularly reviews its policies and periodically makes changes to ensure consistency with current City policies and market conditions.

NOW, THEREFORE, BE IT RESOLVED by the Housing and Redevelopment Authority in, and of, the City of Richfield, Minnesota, that:

1. The Inclusionary Affordable Housing Policy as revised is hereby approved and adopted.
2. HRA staff is authorized to carry out the policy effective immediately.

Adopted by the Housing and Redevelopment Authority in, and of, the City of Richfield, Minnesota this 19th day of April, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

City of Richfield
Richfield Housing and Redevelopment Authority
Richfield Economic Development Authority
Inclusionary Affordable Housing Policy

The City of Richfield, Richfield Housing and Redevelopment Authority, and Richfield Economic Development Authority are committed to building a community that is welcoming and affordable to a diverse population of individuals and families at all stages of their lives. As such, we hereby establish the following policy for the inclusion of affordable housing in development proposals.

Requirements

1. Housing Development Projects containing the construction of at least 5 new units that receive Financial Assistance from the HRA, EDA or City:
 - a. Must contain a percentage of units that are affordable at one or more of the following levels over a period of fifteen years or the duration of the subsidy (whichever is longer):
 - i.

Affordability Level	% of Units
RENTAL	
60% of Area Median Income (AMI)	20%
50% of AMI	15%
30% of AMI	10%
OWNER-OCCUPIED	
115% of AMI	20%
100% of AMI	15%
80% of AMI	10%

- ii. A combination of affordability levels may be considered (e.g., 10% at 60% AMI and 5% at 30% AMI).
 - iii. A mix of bedroom sizes similar to that of the overall building must be provided. A reduction in the overall number of affordable units may be considered if a greater number of 2 and/or 3 bedroom units are provided.

and

- b. Must contain a minimum of 5% rental units that are Type A, per ANSI A117.1 Section 1003 of the 2020 Minnesota Accessibility Code, with a roll-in shower or 3% of rental units that are Accessible, per ANSI A117.1 Section 1002 of the 2020 Minnesota Accessibility Code, with a roll-in shower. Grab bars must also be installed in Type A units, or the developer and any future owner must agree to pay for installation upon request. A combination of Accessible and Type A units may also be considered. Units beyond those required by the Building Code must meet the affordability and mix of bedroom sizes as required in 1a.

Or

- c. Must contribute to the Richfield Housing and Redevelopment Fund
 - i. 15% of the “net present value” of Tax Increment generated by the project (or 15% of the net present value of other types of assistance) must be pledged to the Richfield Housing and Redevelopment Fund over a period of fifteen years or the duration of the subsidy (whichever is longer), or
 - ii. A pro-rata combination of the above (i.e. 10% affordable units and a 7.5% contribution) may be considered, and
 - iii. The accessibility component of 1b must still be met (the units may be market-rate) or an additional up-front cash payment of \$5,000 per required unit made to the City’s Affordable Housing Trust Fund.

and

- d. Must agree to provide 90 days’ advance notice to the public body providing funding of any sale of the property,
and;
 - e. Must agree to not discriminate against households utilizing Housing Choice Vouchers (Section 8) or other forms of rental assistance.
2. Development Projects that receive Financial Assistance from HRA, EDA or City and which result in the loss of affordable housing:
- a. Affordable housing units eliminated by the project must be replaced on-site or at another location in Richfield by the developer at similar affordability levels, or;
 - b. 5-15% (depending on the magnitude of the loss of affordable housing) of the “net present value” of the Financial Assistance provided must be pledged to the Richfield Housing and Redevelopment Fund over a period of fifteen years or the duration of the subsidy (whichever is longer).

Incentives

3. Housing Development Projects which include affordable units (as outlined in 1a above) are eligible to apply to the City for the following considerations regardless of whether or not they receive Public Financial Assistance:
- i. Building Permit Fee Reductions e.g., ;
 - ii. 4d Property Tax Reduction (rental projects);
 - iii. Consideration of code flexibility (e.g., smaller setbacks, excessive impervious surface, etc.) in planned unit developments;
 - iv. A housing unit density bonus of 5-15% (e.g., a project in an area that allows 8-24 units/acre could add an additional 1-4 units/acre and remain in compliance).

Exceptions

4. With regards to “scattered-site single family housing development,” at least 20% of the units newly constructed or rehabilitated and converted to long-term affordability in any three-year period must meet the proscribed affordability requirements.

5. With regards to projects between 5 and 19 units, the Community Development Director may grant exceptions to the policy as circumstances warrant.
6. The City Council or Board of Commissioners of the Housing and Redevelopment Authority or Economic Development Authority may vary the application of this policy as circumstances warrant or as a developer identifies alternative means of addressing the spirit and intent of this policy, with the adoption of findings of the reasons for doing so.

Adopted as revised:

This ____ day of _____, 2021 by the Richfield City Council.

Mayor

City Manager

This ____ day of _____, 2021 by the Richfield Housing and Redevelopment Authority.

Chair

Secretary

This ____ day of _____, 2021 by the Richfield Economic Development Authority.

President

Secretary

City of Richfield
Richfield Housing and Redevelopment Authority
Richfield Economic Development Authority
Inclusionary Affordable Housing Policy

The City of Richfield, Richfield Housing and Redevelopment Authority, and Richfield Economic Development Authority are committed to building a community that is welcoming and affordable to a diverse population of individuals and families at all stages of their lives. As such, we hereby establish the following policy for the inclusion of affordable housing in development proposals.

Requirements

1. Housing Development Projects containing the construction of at least 5 new units ~~which that~~ receive Financial Assistance from ~~the~~ HRA, EDA or City:

a. Must contain ~~at least 20%~~ a percentage of units that are affordable ~~at one or more of the following levels over a period of fifteen years or the duration of the subsidy (whichever is longer);~~ units

i.

<u>Affordability Level</u>	<u>% of Units</u>
<u>RENTAL</u>	
<u>60% of Area Median Income (AMI)</u>	<u>20%</u>
<u>50% of AMI</u>	<u>15%</u>
<u>30% of AMI</u>	<u>10%</u>
<u>OWNER-OCCUPIED</u>	
<u>115% of AMI</u>	<u>20%</u>
<u>100% of AMI</u>	<u>15%</u>
<u>80% of AMI</u>	<u>10%</u>

ii. A combination of affordability levels may be considered (e.g., 10% at 60% AMI and 5% at 30% AMI).

iii. A mix of bedroom sizes similar to that of the overall building must be provided. A reduction in the overall number of affordable units may be considered if a greater number of 2 and/or 3 bedroom units are provided.

~~i. At least 20% of rental housing units must be made affordable to tenant households earning no more than 60% of the Area Median Income over a period of ten years or the duration of the subsidy (whichever is longer);~~

~~ii. At least 20% of owner-occupied housing units must be made affordable to, and initially sold to, households earning no more than 115% of the Area Median Income;~~

~~iii. At least 20% of the grand total of housing units in a mixed rental/ownership development must be affordable at the affordability levels established in 1.a)i and 1.a)ii;~~

and

b. Must contain a minimum of 5% rental units that are Type A, per ANSI A117.1 Section 1003 of the 2020 Minnesota Accessibility Code, with a roll-in shower or 3% of rental units that are Accessible, per ANSI A117.1 Section 1002 of the 2020 Minnesota Accessibility Code, with a roll-in shower. Grab bars must also be installed in Type A units, or the developer and any future owner must agree to pay for installation upon request. A combination of Accessible and Type A units may also be considered. Units beyond those required by the Building Code must meet the affordability and mix of bedroom sizes as required in 1a.

Or

~~b-c.~~ Must contribute to the Richfield Housing and Redevelopment Fund

i. 15% of the “net present value” of Tax Increment generated by the project (or 15% of the net present value of other types of assistance) must be pledged to the Richfield Housing and Redevelopment Fund over a period of ~~ten~~fifteen years or the duration of the subsidy (whichever is longer), or

ii. A pro-rata combination of the above (i.e. 10% affordable units and a 7.5% contribution) may be considered, and

iii. The accessibility component of 1b must still be met (the units may be market-rate) or an additional up-front cash payment of \$5,000 per required unit made to the City’s Affordable Housing Trust Fund.

and

~~c-d.~~ Must agree to provide 90 days’ advance notice to the public body providing funding of any sale of the property,

and;

~~d-e.~~ Must agree to not discriminate against households utilizing Housing Choice Vouchers (Section 8) or other forms of rental assistance.

2. ~~Non-Housing~~ Development Projects that receive Financial Assistance from HRA, EDA or City and which result in the loss of affordable housing:

a. Affordable housing units eliminated by the project must be replaced on-site or at another location in Richfield by the developer at similar affordability levels, or;

b. 5-15% (depending on the magnitude of the loss of affordable housing) of the “net present value” of the Financial Assistance provided must be pledged to the Richfield Housing and Redevelopment Fund over a period of ~~ten~~fifteen years or the duration of the subsidy (whichever is longer).

Incentives

3. Housing Development Projects which include affordable units (as outlined in 1a above) are eligible to apply to the City for the following considerations regardless of whether or not they receive Public Financial Assistance:

i. Building Permit Fee Reductions (~~e.g., 10% reduction for rehabilitation and/or 5% reduction for new construction~~);

- ii. 4d Property Tax Reduction (rental projects);
- iii. Consideration of code flexibility (e.g., smaller setbacks, excessive impervious surface, etc.) in planned unit developments;
- iv. A housing unit density bonus of 5-15% (e.g., a project in an area that allows 8-24 units/acre could add an additional 1-4 units/acre and remain in compliance).

Exceptions

4. With regards to “scattered-site single family housing development,” at least 20% of the units newly constructed or rehabilitated and converted to long-term affordability in any three-year period must meet the proscribed affordability requirements.

4.5. With regards to projects between 5 and 19 units, the Community Development Director may grant exceptions to the policy as circumstances warrant.

5.6. The City Council or Board of Commissioners of the Housing and Redevelopment Authority or Economic Development Authority may vary the application of this policy as circumstances warrant or as a developer identifies alternative means of addressing the spirit and intent of this policy, with the adoption of findings of the reasons for doing so.

Adopted as revised:

This ___ day of _____, 2021 by the Richfield City Council.

Mayor

City Manager

This ___ day of _____, 2021 by the Richfield Housing and Redevelopment Authority.

Chair

Secretary

This ___ day of _____, 2021 by the Richfield Economic Development Authority.

President

Secretary



STAFF REPORT NO. 13
HOUSING AND REDEVELOPMENT AUTHORITY
MEETING
4/19/2021

REPORT PREPARED BY: Julie Urban, Housing and Redevelopment Manager
OTHER DEPARTMENT REVIEW:

EXECUTIVE DIRECTOR REVIEW: John Stark, Executive Director
4/13/2021

ITEM FOR COUNCIL CONSIDERATION:

Consideration of a resolution authorizing staff to take steps to discharge discriminatory covenants from Housing and Redevelopment Authority-owned property.

EXECUTIVE SUMMARY:

The City has joined the Just Deeds project, which is a coalition of organizations whose mission it is to acknowledge, educate, and help to address systemic racism in housing in Minnesota. Coalition members provide free help to homeowners to find and discharge discriminatory covenants from property titles. Participating cities agree to raise awareness of the inequities caused by these racist tools, renounce the covenants on city-owned properties, and assist residents in discharging covenants on their properties.

Racial or discriminatory covenants were a common tool used from the early 1900s until the 1960s to prevent Black, Indigenous, People Of Color (BIPOC), and non-Christians from buying property and living in residential neighborhoods across the country, including in the City of Richfield. Property deed language commonly stated: "no person of any race other than the Caucasian race shall use or occupy any building on any lot, except that this covenant shall not prevent occupancy by domestic servants of a different race domiciled with an owner or tenant."

While unequivocally deemed illegal with the passage of the Fair Housing Act in 1968, this discriminatory practice had a far-reaching impact on the development of the Twin Cities and communities of color, resulting in racially segregated communities and creating severe inequities between white and BIPOC communities still felt today.

Using data collected by the Mapping Prejudice project, a map of the racial covenants that exist in Richfield has been created and is attached. There are 3,714 parcels in the City that contain some form of racial covenant on the property deed. Included in that list are three parcels owned by the Housing and Redevelopment Authority (HRA). The properties include: 6839 Cedar Avenue South, 7700 Pillsbury Avenue South, and 6321 Penn Avenue South.

Action taken by the State Legislature in 2019 has made it possible for property owners to formally discharge the covenant on their property title. The discharge doesn't remove the language but instead acknowledges it and its harmful intent and formally renounces this racist tool.

Staff is seeking authorization from the HRA to formally discharge the racial covenants from the HRA's property. Staff would also review titles of any future acquisitions and discharge those covenants at the time of purchase.

RECOMMENDED ACTION:

By motion: Adopt a resolution condemning the use of discriminatory covenants and authorizing staff to discharge discriminatory covenants on all existing and future Housing and Redevelopment Authority-owned property.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- In 2016, the Mapping Prejudice project at the University of Minnesota began mapping discriminatory covenants in Hennepin County, exposing these racist tools and raising awareness of the lasting impacts on BIPOC communities. Building on the Mapping Prejudice work, in 2019, the City of Golden Valley and its Human Rights Commission began working with the Just Deeds coalition to bring awareness to this painful history of discrimination and facilitate the disavowal of racial covenants.
- Staff became aware of racial covenants existing in Richfield when one was found during the platting process for the Municipal Center and when a builder through the HRA's Richfield Rediscovered Credit Program discovered one on a property he'd purchased and brought it to the attention of staff.
- The City began racial equity work in 2018, becoming a member of the Government Alliance for Racial Equity (GARE) and in 2020 took a significant step towards advancing this work by hiring a Racial Equity and Inclusion Administrator. Becoming a participant in the Just Deeds project is another step the City can take towards advancing racial equity in the community and ensuring that all our residents have the opportunity to thrive.
- In 2018, the HRA took action to begin erasing the inequities caused by housing discrimination perpetuated by racial covenants and other government policies by creating its First-time Homebuyer Program (Program). The Program was created in response to troubling data regarding the disparities in homeownership rates between white households and households of color. According to the 2019 American Community Survey (ACS), 70% of white households own a home while just 31% of households of color own a home in Richfield. The Program is designed and marketed towards people traditionally underrepresented in the homeownership market. Of the first 16 loans issued, 9 have been to households of color.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- Advancing equity is a core value and goal of the City.

C. CRITICAL TIMING ISSUES:

- Staff would begin the process to discharge the covenants on the existing HRA-owned properties following authorization.

D. FINANCIAL IMPACT:

- The cost to the HRA is in staff time. Hennepin County has waived the normal fees for recording the disavowal.
- The Minnesota Association of City Attorneys (MACA) will be providing pro-bono services to assist people with the process of discharging covenants.

E. LEGAL CONSIDERATION:

The covenants are no longer legally enforceable.

ALTERNATIVE RECOMMENDATION(S):

Decide not to renounce the racial covenants on HRA-owned property.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description

Type

- ▢ Resolution
- ▢ Map of Properties

Resolution Letter
Backup Material

RESOLUTION NO.

RESOLUTION CONDEMNING THE USE OF DISCRIMINATORY COVENANTS AND DISCHARGING DISCRIMINATORY COVENANTS ON HRA-OWNED PROPERTY

WHEREAS, discriminatory covenants were tools used by real estate developers to prevent Black, Indigenous, People of Color (BIPOC) and non-Christian individuals from buying or occupying property in certain areas, and they were common throughout the United States from the early 1900s to the 1960s; and

WHEREAS, the purpose of discriminatory covenants was to racially and religiously homogenize communities by excluding BIPOC and non-Christian individuals from communities. These tools segregated the metro area and built a hidden system of apartheid; and

WHEREAS, in 2016, the University of Minnesota founded Mapping Prejudice to expose the racist practices that shaped the landscape of the metro area. Mapping Prejudice researched restrictive covenants in Hennepin County and created the first-ever comprehensive map of racial covenants in an American city. The project mapped 24,131 covenants in Hennepin County, including 3,714 covenants in Richfield; and

WHEREAS, an example of a common covenant in Richfield declared that “No persons of any race other than the Caucasian race shall use or occupy any building or any lot, except that this covenant shall not prevent occupancy by domestic servants of different race domiciled with an owner or tenant;” and

WHEREAS, the discriminatory covenants in Richfield are spread throughout the community; and

WHEREAS, the Housing and Redevelopment Authority owns three properties containing racially-discriminatory covenants; and

WHEREAS, restrictive covenants are no longer enforceable. Legal efforts to eliminate Discriminatory Covenants include *Shelley v. Kraemer*, 334 U.S. 1 (1948), in which the United States Supreme Court prohibited courts from enforcing Discriminatory Covenants and the Minnesota Legislature in 1953 enacted statutes that prohibited new covenants, but existing covenants were still legal in Minnesota until 1962; and

WHEREAS, as a result of these judicial and legislative actions, today, Minnesota law and federal law prohibit discrimination in the sale or lease of housing based on race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, sexual orientation, or familial status and those state and federal prohibitions extend to the refusal to sell or to circulate, post or cause to be printed, circulated, or posted, any limitation, specification, or discrimination as to race, color, creed, religion, national origin, sex, marital status, status with regard to public assistance, disability, sexual orientation, or familial status; and

WHEREAS, in 2019, the Minnesota Legislature passed a law authorizing property owners to individually discharge or renounce discriminatory covenants by recording a discharge form in the county property records; and

WHEREAS, removing the covenant from a property deed merely erases the painful evidence of past wrongdoing, while formally renouncing the covenant acknowledges the painful past and shines the light on discriminatory practices and the impacts that can still be felt today; and

WHEREAS, discriminatory covenants promoted and established residential racial segregation, which historically and currently has impacted property ownership, accumulation of wealth, property transfers, mortgage eligibility, rental eligibility, property values, property tax base, internet access, and more. Discriminatory covenants fortified systemic racism and compounded economic divestment in specific communities within Hennepin County; and

WHEREAS, discriminatory covenants created disparities and benefitted White communities as 70% of white households own a home in Richfield compared to just 31% of households of color; and

WHEREAS, discriminatory covenants created demographic patterns that remain in place today; and

WHEREAS, the State of Minnesota, including the City of Richfield and its Housing and Redevelopment Authority, recognizes the harm that Discriminatory Covenants—and the racial, religious, and other discriminatory practices that they represent—cause to society in general and to the individuals who are adversely affected by racial, religious, and other discrimination through the presence of discriminatory covenants in the public land records.

BE IT RESOLVED by the Housing and Redevelopment Authority in and for the City of Richfield that:

1. The Housing and Redevelopment Authority in and for the City of Richfield disavows and condemns the past use of discriminatory covenants and prohibits discriminatory covenants from being used in the future.
2. Staff and the Housing and Redevelopment Authority Attorney are directed to investigate and to identify all real property owned by the Housing and Redevelopment Authority that contains discriminatory covenants and to prepare and record an affidavit or request an examiner's directive discharging such discriminatory covenants pursuant to Minnesota Statute § 507.18, subd. 5.

Adopted by the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota this 19th day of April, 2021.

Mary B. Supple, Chair

ATTEST:

Maria Regan Gonzalez, Secretary

Racially Restrictive Covenants in Richfield

