



# Richfield Economic Development Authority Apartment Remodeling Program Procedural Guidelines

## **Statement of Purpose**

The Richfield Apartment Remodeling Program (ARP) was established by the Richfield Economic Development Authority (EDA) to encourage investment in the City's apartment buildings and improve the City's rental housing stock. The purpose of ARP is to provide financial incentives to owners of residential rental property to make physical improvements to their properties.

NOTE: Procedural Guidelines are a tool for guiding program administration. Procedural Guidelines do not constitute a contractual agreement or liability on the part of the City or the Economic Development Authority (EDA).

## **Program Objectives**

- To maintain and improve Richfield's rental housing stock.
- To offset costs associated with deferred maintenance and updates associated with rental housing.
- To incentivize owners to invest private resources into apartment buildings and other rental housing.
- To preserve naturally-occurring affordable rental housing.
- To stabilize and improve neighborhoods.

## **Criteria for Eligibility – January – July**

1. Residential rental property with four or more units.
2. Only one Loan will be provided per eligible property during the 15-year loan period.
3. The building(s) to be improved must be at least 30 years old.
4. The Property must be located within the City of Richfield municipal boundaries.
5. The Applicant must have a current rental housing license for the Property and be in compliance with applicable city codes and ordinances.
6. The combined loan-to-value ratio of all loans secured by the property must not exceed 110% of the property value.
7. The Applicant must be current on mortgage/contract for deed payments and property taxes.
8. Priority will be given to buildings that qualify as Naturally Occurring Affordable Housing (NOAH), charging less than 60% of the area median income (AMI) for rent and to projects that don't displace current tenants.

## **Criteria for Eligibility – August – December**

1. If funds remain in the program by August 1 of each year, an eligible property may also be a one-, two-, or three-unit residential rental property.
2. In the case of an owner-occupied property, only the rental unit is eligible for loan funds.
3. Group residential facilities and short-term rentals are not eligible for rental assistance.

4. The Property must have been a licensed rental property for a minimum of three years.
5. All other Criteria for Eligibility (#2-7) also apply to 1-3 unit properties.

### **Terms and Conditions of the ARP Loan**

1. Funds will be awarded in the form of a fifteen-year, zero-interest, forgivable Loan.
2. If a Borrower sells or transfers title of the property before the maturity date, the Borrower will be responsible for repaying the Loan in full.
3. If a Borrower sells or transfers title of a 1-3 unit property to an existing renter with a household income no more than 80 percent of the area median income (AMI), the loan would also be forgiven.
4. If a Borrower retains ownership and continues to rent the Property and maintains a current rental license for the full length of the loan term, the lien will be forgiven fifteen years from the date of the loan.
5. Apartment building minimum loan amount = \$5,000  
Apartment building maximum loan amount per building = \$50,000  
Apartment building maximum loan amount per unit = \$5,000  
1-3 unit building minimum loan amount = \$3,000  
1-3 unit building maximum loan amount per building = \$25,000  
1-3 unit maximum loan amount per unit = \$10,000  
1-3 unit building maximum total amount of loan funds awarded to a single property owner = \$50,000  
The EDA Board may consider requests for loan amounts more than the maximum.
6. Additional funds up to \$1,000/unit, up to a maximum of \$10,000, may be awarded to properties that have had a certified energy audit performed, and the additional funds are needed to complete energy-saving improvements identified in the energy audit. Note: anticipated energy rebates and/or tax credits should be reported as a source of revenue but may not be counted as part of the required match.
7. Additional funds up to \$1,000/unit, up to a maximum of \$10,000, may be awarded to properties making accessibility improvements to accommodate a tenant(s) with disabilities. Common areas may count as one unit.
8. Loan funds must be matched on a 1:1 basis by other funds.
9. Funding is available on a limited basis. The EDA is not responsible for unavailability of Loan funds to Applicants.
10. Funding an application is at the EDA's discretion.

### **Application Procedure**

The Applicant must:

1. Complete the Application Form (Exhibit A).
2. Submit completed Application Form and all required documentation, including a rehabilitation plan, at least one bid(s), and digital photos. The EDA reserves the right to require a second bid.
3. Submit the \$300 application fee.

The EDA will:

1. Review applications for completeness and compliance with ARP Guidelines.

2. Review and award Applications on a first-come, first-served basis, based on the date of receipt and completeness of the application, as determined by the EDA. Priority may be given to buildings that qualify as Naturally Occurring Affordable Housing (NOAH) and to projects that don't displace current tenants.
3. If the Application is determined to be eligible and funds are available, will provide a Loan commitment letter to the Applicant.

### **Loan Process**

1. Upon receipt of a Commitment letter, the Borrower has 30 days to close on the loan.
2. A lien will be placed against the Property by the EDA for the full Loan amount through a Mortgage and Promissory Note (Exhibits B and C). The Borrower will provide the EDA with an executed mortgage in recordable form. The Loan recipient must also provide to the EDA an executed Promissory Note, Loan Agreement, Errors and Omissions Acknowledgement Agreement, and Certificate and Request for Notice: Foreclosure. (See examples in Exhibits B, C, D, E, and F.) The Borrower will pay the cost of recording the mortgage.
3. Work must be completed and funds requested within 180 days of the Loan closing date.
4. Loan funds will be paid upon completion of the work. The following items must be received prior to final disbursement of funds:
  - 1) final invoice from contractor;
  - 2) lien waivers for the full amount of the payment, and
  - 3) a Completion Certificate signed by the city inspector, the Borrower, and Contractor (Exhibit G).
5. If at any time during the life of the ARP Loan an Event of Default occurs or the Loan matures prior to the original fifteen-year term, the Loan will be required to be repaid in full.
6. A satisfaction of Mortgage (Exhibit H) in recordable form will be provided upon receipt of repayment of the Loan or at the end of the repayment period. The ARP Loan may also be paid in full at any time.

### **Eligible/Ineligible Improvements**

1. Value-added improvements, such as remodeling kitchens and/or bathrooms.
2. Maintenance and repair, such as roof replacement, window/door replacement, and electrical updates.
3. Maintenance and repair items identified in a rental licensing inspection report. **Note:** if a property has open work orders from a rental licensing inspection report, they must either be addressed before a loan application is submitted or as part of the loan rehabilitation plan.
4. Safety improvements such as egress window installation, hard-wired smoke and carbon monoxide detectors.
5. Energy Star-Certified furnaces, water heaters, and central air conditioning.
6. Cosmetic improvements, such as painting or flooring replacement/repair.
7. Accessibility-related improvements such as door widening, grab bars, ramps, roll-in showers.
8. Improvements to common areas, as approved by EDA staff.
9. Energy-efficient-related improvements, such as insulation, caulking, or air sealing.
10. Permanent landscaping, as determined by EDA staff.
11. Grading/site work as it relates to preventing water infiltration.
12. Other maintenance, repair, and/or safety-related improvements, as approved by EDA staff.

13. Swimming pools, hot tubs, and appliances (except for built-in appliances) are **not** eligible for loan funds.
14. Improvements begun prior to the day of closing are **not** eligible for loan funds.

### **Contractors/Permits**

1. All work must be performed by a licensed Contractor(s), when required by city/state ordinance.
2. All proper permits must be obtained per city code.
3. During the rehabilitation process, required inspections must be arranged by the Applicant or Contractor. Additional inspections may be requested by EDA staff.
4. Work can be performed on a “sweat equity” basis; however, loan funds cannot be used to compensate for labor, only for materials. The owner must clearly demonstrate the ability to complete the work in a quality manner and within the program time requirement. The EDA reserves the right to deny a loan if it determines that this requirement is not likely to be met. When required by city ordinance, a building permit must be obtained by the Borrower.

### **General Conditions**

1. Borrowers shall not discriminate against holders of Section 8 vouchers or other forms of rent assistance.
2. In the event of a sale of the property, Borrowers shall provide the EDA with 90 days’ written notice, prior to closing on the sale of the property.

### **General Program Marketing**

Program marketing is entirely at the discretion of the EDA. It may include the following:

- Promotional Articles
- Direct Mail or Email contact
- Website announcements

### **Data Privacy**

The EDA 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 program application is considered private data.

### **Hold Harmless**

Applicants shall indemnify and hold harmless the EDA and the City, their officers, agents, and employees from and against all claims, loss, damage, cost, and expense alleged to have resulted from any remodeling or rehabilitation work completed with the funds provided under ARP.

No EDA officer authorized to take part in administering the ARP Loan Program, in his or her official capacity, shall have a personal financial interest or benefit financially from the Loan. No member,

official, or employee of the EDA shall be personally liable to the Buyer, or any successor in interest, for any act or omission of the EDA or for any amount which may become due to the Applicant or successor or on any EDA obligations.

## **Definitions**

*Applicant*—Person or persons who apply for ARP funding.

*ARP Loan or Loan*—Interest-free loan offered by the EDA for rehabilitating a Property. The maximum loan amount is \$50,000 and \$5,000 per unit. The Loan is payable upon sale of the Property or forgiven after 15 years.

*Borrower* – The person receiving the loan.

*City* — The City of Richfield.

*Combined Loan-to-Value Ratio (CLTV)* – The sum of all debt owed against a property divided by the total value of the property.

*Contractor* – A professional, appropriately licensed by the Minnesota Department of Labor, hired by the Applicant to complete all or a portion of the Improvements.

*Economic Development Authority (EDA)* – The Richfield Economic Development Authority.

*Deferred Loan* – Payment of the loan is deferred until such time as the loan matures. The loan requires no payments or interest as long as the terms of the Note and Mortgage are being met.

*Event of Default* – A default under a Mortgage or Loan Agreement executed by the Buyer for purposes of an ARP Loan.

*Improvements* — Each and all of the remodeling or rehabilitation to be constructed on the Property by the Applicant, as specified in the Rehabilitation Plans approved by the EDA.

*Loan Agreement* – A contract between a Borrower and the EDA that regulates the mutual promises made by each party.

*Mortgage and Holder* — The Mortgage shall include financing creating an encumbrance or lien upon the Property or any part thereof, as security for a loan. The Holder includes any insurer or guarantor (other than the Buyer) of any obligation or condition secured by such mortgage or deed of trust.

*Naturally Occurring Affordable Housing (NOAH)* - Residential rental properties that maintain affordable rents without public subsidies. Properties charge rents that are affordable to a household earning less than 60 percent of the Area Median Income (AMI), as published annually by the Department of Housing and Urban Development.

*Property* – The rental property identified in the ARP application.

*Rehabilitation Plans* — Collectively, the plans, drawings, and documents related to the Improvements.

*Rental Property* — A property from which the owner receives payment from an occupant(s) in return for occupying the property for at least 12 months prior to applying for an ARP Loan.

*Short-Term Rental* — A dwelling unit, or portion of a dwelling unit, offered for tourist or transient occupancy for a period of less than thirty (30) consecutive days for a fee.

*Sweat Equity* — Improvements made to a property by the property's owner.