



# **Owner-Occupied Residential Rehabilitation Loan Program**

**City of Hastings Economic Development**

**PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS**

City of Hastings  
101 4<sup>th</sup> Street East, Hastings, MN 55033-1955  
T: 651-480-2350 F: 651-437-7082  
[www.hastingsmn.gov](http://www.hastingsmn.gov)

# CITY OF HASTINGS

## OWNER-OCCUPIED RESIDENTIAL REHABILITATION LOAN PROGRAM

### PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

#### SECTION 1: GENERAL PROVISIONS

##### A. Purpose

The Hastings Economic Development and Redevelopment Authority (HEDRA) recognizes the need to preserve and improve affordable housing, to preserve and make appropriate improvements to buildings which contribute to neighborhood appearance and/or the historic character of the community and to correct conditions which threaten the health, safety and welfare of residents. The purpose of the Residential Rehabilitation Loan Program is to provide supplemental financing to residents in the City of Hastings to assist in the costs of building improvements to accomplish one or more of the purposes listed above.

##### B. Funding Amount

HEDRA will lend funds for up to half of project costs. There is, generally, a maximum loan amount of \$20,000, per property. The property owner will be responsible for the remaining project costs, through owner's equity and/or securing additional bank financing.

#### SECTION 2: ELIGIBILITY CONSIDERATIONS & REQUIREMENTS

##### A. Eligibility

In order to be eligible for the Owner-Occupied Rehabilitation Loan Program, one or more of the following qualifications must be met:

- a. Household income must be within the limits set by HUD, annually, for low-moderate income in the Metro Area. The current income limits are available from HEDRA staff.
- b. Property is a Designated Heritage Preservation Site or is contributing to a Historic District
  - i. Exterior work must be approved by the City's Heritage Preservation Commission.
  - ii. A copy of the Certificate of Approval will be provided to HEDRA.
- c. HEDRA may consider waiving the household income limits and/or historic designation requirement if other community needs are met.

##### B. Eligible Activities

Assistance funds must be spent on improvements to the residential building, including, but not limited to the following:

- a. Material and labor for interior and exterior replacement, repair and remodeling
- b. HVAC, electrical and plumbing systems
- c. Health and safety and/or emergency repair
- d. Access and energy requirements
- e. Code compliance, design and fees.
- f. Demolition, additions, improvements to the grounds and repairs to accessory buildings must be specifically requested by the borrower and approved by HEDRA.

**C. Timing of Project Expenses**

No project should commence until HEDRA has approved the loan application. Any costs incurred prior to the approval of the loan application are generally not eligible expenditures.

**SECTION 3: APPLICATION PROCEDURE**

**A. Preliminary Meeting**

Prior to submission of an application, the potential applicant shall meet with Economic Development staff to discuss the proposed project and program requirements.

**B. Application Format**

Applicants shall submit a loan application package consisting of the following:

- a. Completed Residential Rehab Loan Application, including requested attachments
- b. Contractor’s written and signed bids, including an agreement or contract form specifying materials and labor to complete the work
- c. Commitment Letter (equity, private funding, etc.) for at least 50% of project costs
- d. Documentation of applicant’s annual household income
- e. Preservation Commission Certificate of Approval, if property is designated Historic
- f. Building permit application
- g. City Planning application, if required for variance, relocation or special use

**C. Application Submittal**

The completed application and all required attachments shall be submitted to:

Morgan Hill, Economic Development Coordinator  
101 4<sup>th</sup> Street East  
Hastings, MN 55033  
[mhill@hastingsmn.gov](mailto:mhill@hastingsmn.gov)

Please note, acceptance of applications is subject to the availability of Residential Rehab dollars.

**SECTION 4: REVIEW PROCESS**

**A. Staff Review**

The Economic Development staff shall the review the application for completeness and verification that the proposed project meets the standards and eligibility requirements of the program. Once a complete application is analyzed, Economic Development staff will prepare a recommendation to HEDRA.

**B. City Compliance**

Work must conform to building codes and structural maintenance codes. The borrower must secure building permits and, if necessary, certificates of occupancy, as required by city ordinance. The contractor must be licensed or exempt by ordinance.

**C. Negotiation of Terms**

Upon completion of the application review with a favorable recommendation, the Economic Development staff will meet with the applicant to negotiate terms, including loan amount, interest rate, term of loan, and repayment schedule. The agreed upon terms will be part of the loan package recommendation presented to HEDRA.

- a. Maximum loan term is 10 years.
- b. An interest rate of 0.25% above the prime rate will be assessed on the loan balance at the beginning of loan term.

- c. The loan is payment and interest free for the first year. The interest rate will be adjusted to reflect any changes in the prime rate at the beginning of year three, and every two years after until the loan is paid in full.
- d. In order to allow for flexibility, changes in loan terms and conditions may be determined based on project need and/or the beneficial impacts of the project, as approved by HEDRA.

**D. Formal Review**

HEDRA will meet to formally review the application and staff recommendations. Applicants are encouraged to attend the meeting to provide additional information and/or answer any questions by HEDRA members.

**E. Notice of Award/Denial of Application**

If the application is approved and negotiation of terms are agreed upon, the applicant will be sent a notice of award letter. The notice letter will have a timeline of when loan documents should be completed and a suggested loan closure date. If the application is not approved, the applicant will be sent a letter of denial stating the reason for denial.

**SECTION 5: DISTRIBUTION OF FUNDS TO APPROVED APPLICANTS**

**A. Loan Agreement**

Prior to the city's distribution of funds, all appropriate documentation, including loan agreement, mortgage, promissory note, repayment schedule, and any others deemed appropriate, shall be prepared and executed.

**B. Evidence of Expenditures**

The business must provide documentation related to Residential Rehab fund expenditures prior to the release of funds. Documentation may include invoices, receipts, final bills of sale, cancelled checks, or other documentation as deemed appropriate by ED staff.

**SECTION 6: REPAYMENTS AND DEFAULT**

**A. Repayments**

All payments are due within 30 days of the billing date.

**B. Prepayment of Loan**

There is no prepayment penalty.

**C. Late Payments**

Any payments not paid within ten (10) days of the due date will pay a late fee equal to 5% of the amount of the installment due. Loan recipient will be contacted by HEDRA staff requesting the account is brought current. After sixty (60) days, HEDRA staff will send a letter requesting full remittance of late payments.

**D. Default**

Failure by the loan recipient to make any payment of principal or interest within ninety (90) days after payment is due and payable or as otherwise required in the loan documents shall be considered a default. In the event of a default, all sums due and owing to the city shall, at the city's option, become immediately due and payable. The applicant/loan recipient will receive a written notice specifying the following:

- a. The default.
- b. The action required to cure the default.
- c. The date, not less than sixty (60) days from the date of the notice, by which the default must be fully satisfied to avoid foreclosure or other collective action.

## **SECTION 7: PROJECT & LOAN CLOSURE REQUIREMENTS**

### **A. Project Closeout**

Upon completion of the project funded by the Owner-Occupied Residential Rehab Loan Program, the resident shall notify the city that the project has been completed. Loan recipients may document closure with photographs of completed work, as well as other statements related to the project.

### **B. Loan Closeout**

Thirty (30) days before closing out the loan, the business should contact the city for the final payment amount. Once final payment is submitted, the loan applicant will be sent a copy of originating loan documents, as well as a letter confirming loan is closed and “paid in full”.



**SECTION 3: ESTIMATED PROJECT COSTS**

Mechanical, HVAC: \$ \_\_\_\_\_

Plumbing: \$ \_\_\_\_\_

Electrical, lighting: \$ \_\_\_\_\_

Appliances: \$ \_\_\_\_\_

Structural, walls: \$ \_\_\_\_\_

Roof, skylights: \$ \_\_\_\_\_

Windows, doors: \$ \_\_\_\_\_

Carpets, floors: \$ \_\_\_\_\_

Exterior: \$ \_\_\_\_\_

Architect, Engineer: \$ \_\_\_\_\_

Demolition: \$ \_\_\_\_\_

Permits, fees: \$ \_\_\_\_\_

Other (attach description) \$ \_\_\_\_\_

**Total Estimated Costs \$** \_\_\_\_\_

**SECTION 4: SOURCES OF FINANCING**

Bank Loan: \$ \_\_\_\_\_

Bank Name: \_\_\_\_\_

Loan Officer Name & Contact Info: \_\_\_\_\_

Owner/Business Equity: \$ \_\_\_\_\_

Other Sources of Funding (amount and description): \$ \_\_\_\_\_

**Total Financing: \$** \_\_\_\_\_

**SECTION 5: PROPERTY INFORMATION**

Full legal names of Property Owner(s):

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Legal Status of Borrowers (corporation, partnership, single person, married persons, etc.):

Legal Description of property where work is to be done:

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If purchasing for contract for deed, give name, address and phone number of fee owner:

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Mortgages and/or liens already recorded on the property (include name of lender, date of document, dollar amount of mortgage or lien, the document number and date recorded by county, as well as the current balance of each):

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The costs of preparing and filing legal documents to secure the loan will be added to the mortgage amount. This rarely exceeds \$300. Please indicate if you prefer to pay them at the time of document signing:

Full legal names of those signing note and mortgage (if different than property owner):

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**SECTION 6: AGREEMENT**

I/We certify that all information provided in this application (and its attachments) is true and correct to the best of my/our knowledge. I/We authorize the City of Hastings to check credit references and verify financial and other information. I/We agree to provide any addition information as may be requested by the City of Hastings and HEDRA.

APPLICATION SIGNATURE: \_\_\_\_\_

PRINTED NAME & TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_



**Example of BANK'S COMMITMENT LETTER**

(LETTERHEAD)

date

Morgan Hill  
Hastings Economic Development and Redevelopment Authority  
City Hall, 101 E 4<sup>th</sup> St.  
Hastings MN 55033

RE: name of applicant and address of property

Dear Mrs. Hill,

This letter is evidence of our willingness to lend \$ \_\_\_\_\_ to the above applicant for the rehabilitation project which may also be funded in part by the Hastings Economic Development and Redevelopment Authority.

The loan will be for a term of \_\_\_\_\_ and at a rate of \_\_\_\_\_ %.

Yours truly,

\_\_\_\_\_