



Owner -Occupied Residential Rehabilitation Program

City of Hastings Economic Development

PROGRAM INFORMATION, GUIDELINES AND APPLICATION INSTRUCTIONS

City of Hastings
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CITY OF HASTINGS

OWNER-OCCUPIED 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, with 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, you must fit one or more of the following qualifications:

- 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:

Eric Maass, Economic Development Coordinator
101 4th Street East
Hastings, MN 55033
EMaass@hastingsmn.gov

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

SECTION 4: REVIEW PROCESS

A. Staff Review

Staff shall 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, 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 ED 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. Loans will have a fixed interest rate which shall be based on the Prime rate as published in the Wall Street Journal at the time the loan application is submitted. The loan is payment and interest free for the first year. The interest rate is subject to the following interest rate discounts, which may be combined:
 - Applicants committing 15% or more in cash equity to a project will receive a 0.25% discount on their interest rate.

- Projects that have been approved for financing from a private commercial lender for at least 60% of the total project cost will receive a 0.25% discount on their interest rate.
- A 0.25% discount on interest will be provided for any project that involves any one of more of the following:
 - Installation of fire suppression systems
 - Installation of environmental infrastructure, such as vapor mitigation systems.
 - Abatement of hazardous building materials, such as asbestos
 - Installation of solar, geothermal, or wind energy systems or technologies
- c. The interest rate determined after any possible discounts shall be the fixed interest rate throughout the duration of the loan.
- 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 home owner 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 staff.

SECTION 6: REPAYMENTS AND DEFAULT

A. Repayments

All payments are due on the 1st of each month.

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):

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

Legal Description of property where work is to be done:

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

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):

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):

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)

Eric Maass
Hastings Economic Development and Redevelopment Authority
City Hall, 101 E 4th St.
Hastings MN 55033

RE: name of applicant and address of property

Dear Mr. Maass,

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,
