

Memorandum

Date: February 16, 2004

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: NRP and Housing

For the past 12 years, NRP has been succeeding in its mission of making neighborhoods better places to live, work, learn and play by empowering residents to set priorities, develop action plans, identify investment strategies and allocate resources. The results, in terms of the improved livability of our neighborhoods and the visible signs of progress that have occurred, are obvious, substantial and visible.

One of the primary areas where neighborhoods have invested resources is in improving the city's housing stock. After reviewing the housing programs conducted by neighborhoods in Phase I it is clear that many neighborhoods modeled their individual programs after successful efforts in other neighborhoods. Many of the programs have unique and creative features that helped address specific priorities in their neighborhood, but the fundamental elements are very similar. Since each neighborhood created and conducted its own program, each neighborhood had to issue its own RFP or RFQ, select a vendor, market the program, and monitor performance.

The Minneapolis City Council, in the amendments added to Council Member Lanes' revisions to the NRP ordinance, requested that a housing report be developed to ascertain the level of progress being made on meeting NRP's legislated requirement to invest 52.5% of its resources on housing and housing related programs, projects and activities. The report, which was distributed to the Policy Board in November, shows that 48.1% of the programs revenues have been allocated for housing and housing related purposes. For neighborhood action plans, however, the percentage was 52%.

The need to invest in improving the city's housing stock continues as NRP's first priority in Phase II. The Board's reaffirmed commitment to funding the Affordable Housing Reserve Fund is one example.

In addition to including the housing progress audit in its revised ordinance, the City Council also requested that NRP adopt a plan to address any shortfall that occurred in Phase I and ensure that the final figures for program investment meet the goals included in the legislation.

It has always been NRP's intent and expectation that the legislative mandate would be satisfied and that the program allocation methods adopted by the Policy Board on July 24, 2000 would be

the means by which this satisfaction was accomplished. I have reviewed the housing programs included in neighborhood action plans and discussed ideas and strategies with neighborhoods and the vendors administering NRP's housing programs to determine if NRP can improve on the existing programs and approaches to investing in neighborhood housing activities and significantly increase the leveraging of our limited resources.

We should be committed to doing so without losing the civic engagement and resident empowerment that occurred in Phase I and continues today. It is in the best interests of NRP, the residents, the neighborhoods, and the city that NRP make addressing its housing goal the focus of its initial Phase II activities.

The plan that I am proposing and that follows will allow neighborhoods to invest their funds in their priorities and at the same time minimize administrative costs and duplicative activities. This is an ambitious change that will need neighborhood support if it is to succeed and maximize NRP's ability to impact the city's housing stock.

This plan has several major components.

1. NRP will establish seven housing investment funds. The guidelines for these funds have been developed by NRP staff based on a comprehensive review of existing guidelines for already established and successful loan, grant and development programs. The seven funds will be:
 - 1) Home Improvement Revolving Loan Fund for 1-4 Unit Structures
 - 2) Interest Subsidy Fund for Leveraging MHFA and Other Resources
 - 3) Rental Property Improvement Loan Fund
 - 4) Deferred Loan Fund
 - a) Matching
 - b) Non matching
 - c) Value added
 - 5) Purchase and Major Rehab Loan Fund
 - 6) First time Homebuyer Assistance Fund
 - 7) Affordable Housing Investment Fund
2. NRP will provide a prospectus on the purpose and guidelines for each fund to each neighborhood organization and conduct informational seminars for interested residents and organizations.

3. NRP will solicit a vendor(s) to administer each of the funds in this program. The vendor(s) will be responsible for:
 - processing applications;
 - closing loans;
 - conducting inspections;
 - disbursing funds;
 - servicing loans;
 - achieving leveraging goals;
 - providing marketing materials;
 - providing reports to neighborhoods and NRP on results; and
 - maintaining records for each of the participating neighborhoods on the use of their funds.

They will also provide support and assistance to applicants with the prioritization of projects and soliciting bids.

4. Neighborhoods will have the opportunity, as an early access investment from their neighborhood Phase II allocation, to invest some of their neighborhood NRP dollars in one or more of these funds. Funds invested in Funds 1-6 above may be, if requested by the neighborhood, restricted to projects initiated for properties in their neighborhood. Dollars invested in Fund 7 will be available for appropriate projects anywhere in the city.
5. Neighborhoods will have a specified period of time (the “Enrollment Period”) within which to designate a portion of their Phase II NRP allocation for investment in any of these funds. The funds may be reopened in the future for additional investments, depending upon performance and neighborhood interest. **Participation will be strictly voluntary.**
6. After the initial offering is completed NRP will determine the total dollars committed to each fund and compare this result to the program goal based on 52.5% of the revenues expended and projected from 1990 through 2009. The amount invested will be scheduled for transfer to the selected vendor(s). The schedule for transfer will be based on vendor capacity, leveraging opportunities, and NRP revenue availability.
7. Fund 7 will use an RFP process and the guidelines developed for the Affordable Housing Reserve Fund 2004 RFP as the basis for selecting projects to be supported from the revenues designated for this fund.
8. Neighborhoods may invest any amount (including nothing) in any or all of these funds according to their neighborhood priorities and their interest in helping NRP achieve its housing goals. **Any investments must be included, by fund name, as a strategy in the neighborhoods Phase II neighborhood action plan.** If the neighborhood wishes to invest a portion of its unexpended Phase I resources in any of these funds it may do so by following the NRP’s Plan Modification Policy.

9. Funds invested by neighborhoods will be held “in trust for NRP and the neighborhoods” by the fund administrator until they are expended.

The Guidelines for each fund, and General Guidelines that will apply to Funds 1-5, are attached.

If the Board believes that this approach has merit, I would recommend that the proposed program and the fund guidelines be distributed to neighborhoods for their review and comment. The actual level of investment in the funds will not be known, of course, until neighborhoods receive their allocations and information on the amount needed to meet our housing goal. It is my hope that we will be able to distribute that information in April.

Fund 1
Home Improvement Loan Fund
For
1-4 Unit Owner Occupied Structures
(Program Guidelines)

1. **Fund Purpose:** To use NRP funds to help property owners improve their existing structures.
2. **Interest Rate:** 1-2% less than the interest rate for similar MHFA loans.
3. **Income Limit:** No maximum income limit.
4. **Loan Term:** The size of the loan and the borrower's ability to repay will determine the terms. Generally, however, the term will be 1 year for each \$1,000 borrowed up to a maximum of \$15,000 and 15 years.
5. **Loan Amount:** Minimum = \$1,000; Maximum = \$15,000.
6. **Eligible Properties:** The property being improved must have been constructed before January 1, 1990 and be an:
 - a) Owner occupied structure that contains 4 dwelling units or less; or
 - b) Owner-occupied "licensed lodging house"; or
 - c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit improvements must be for individual units only.

Properties with 10 or more non-medical "911" calls to the property proposed for improvement within the 12 months immediately preceding the date of their application are ineligible. Properties with 10 or more non-medical "911" calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Eligible Improvements:** The following will be considered:
 - a) Projects that correct a City of Minneapolis housing maintenance code violation (if violations have occurred the health and safety issues must be the first areas addressed with the proceeds from the loan);

b) Projects that correct other substandard conditions that do not meet local or state building codes;

c) Projects that will:

- (1) Improve the exterior or interior of the structure**
- (2) Reduce long-term maintenance costs**
- (3) Correct lead or asbestos hazards**
- (4) Increase energy efficiency of the property**
- (5) Improve security, mobility and accessibility for the elderly or occupants with physical disabilities**

- 8. Debt to Income Ratio: Applicants must have the ability to repay the loan and a debt to income ratio of 55% or less.**
- 9. Loan to Value Ratio: All loans secured by the property, including the new loan, must total 120% of the property value or less.**
- 10. Loan Security: All loans will be secured by a mortgage lien.**
- 11. Work Completion: Within 120 days (preferred) but no later than 270 days (limit) after loan closing.**
- 12. Application Processing: Applications will be submitted directly to the fund administrator and will be processed in the order in which they are received. Applicants with outstanding Minneapolis Inspections Department orders will receive first priority and resolving the outstanding orders must be the first use of loan funds.**

Fund 2
Interest Subsidy Fund
For
1-4 Unit Structures
(Program Guidelines)

1. **Fund Purpose:** To use NRP funds to help property owners improve their existing structures. Applicants must meet the eligibility criteria for the MHFA Community Fixup Fund and Rental Rehabilitation Loan programs. Both owner occupied and rental units qualify for assistance from this fund.
2. **Interest Rate:** 1-2% less than the interest rate for similar MHFA loans.
3. **Income Limit:** Annual household income that meets the eligibility guidelines of MHFA.
4. **Loan Term:** Determined according to MHFA guidelines.
5. **Loan Amount:** Minimum = \$1,000; Maximum = \$15,000.
6. **Eligible Properties:** The property being improved must have been constructed before January 1, 1990 and be an:
 - a) Owner occupied structure that contains 4 dwelling units or less; or
 - b) Owner-occupied “licensed lodging house”; or
 - c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit improvements must be for individual units only.

Properties with 10 or more non-medical “911” calls to the property proposed for improvement within the 12 months immediately preceding the date of their application are ineligible. Properties with 10 or more non-medical “911” calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Eligible Improvements:** The following will be considered:
 - a) Improvements eligible for the MHFA Community Fixup Fund and Rental Rehabilitation Loan programs and defined in the MHFA Procedural Manual (if violations of the City of Minneapolis housing maintenance code have occurred the

health and safety issues must be the first areas addressed with the proceeds from the loan);

b) Projects that correct a City of Minneapolis housing maintenance code violation;

c) Projects that correct other substandard conditions that do not meet local or state building codes;

d) Projects that will:

- (1) Improve the exterior or interior of the structure
- (2) Reduce long-term maintenance costs
- (3) Correct lead or asbestos hazards
- (4) Increase energy efficiency of the property
- (5) Improve security, mobility and accessibility for the elderly or occupants with physical disabilities

8. **Work Completion:** Within 120 days (preferred) but no later than 270 days (limit) after loan closing.

9. **Loan Security:** No mortgage lien is required for loans less than \$3,000. A mortgage lien will be required for loans of \$3,000 or greater.

10. **Loan Servicing:** MHFA will service the loans.

11. **Loan Costs:** Servicing costs will be paid by MHFA. Borrowers will pay all filing fees. Administrative fees will be paid by the NRP fund.

12. **Application Processing:** Applications will be submitted directly to the fund administrator and will be processed in the order in which they are received. Applicants with outstanding Minneapolis Inspections Department orders will receive first priority and resolving the outstanding orders must be the first use of loan funds.

Fund 3
Rental Property Improvement Loan Fund
(Program Guidelines)

1. **Fund Purpose:** To use NRP funds to help rental property owners improve their existing structures.
2. **Interest Rate:** Determined based on the type of improvements desired and loan amounts.
3. **Income Limit:** No maximum income limit.
4. **Loan Term:** The size of the loan and the borrower's ability to repay will determine the terms. The maximum length for any loan, regardless of amount, will be 15 years.
5. **Loan Amount:** Minimum = \$1,000 per dwelling unit; Maximum = \$8,000 per dwelling unit. The maximum for any loan shall not exceed \$56,000.
6. **Eligible Properties:** Properties must be either owner occupied with 4 or more units or absentee owned residential property containing any number of units. Mixed use properties are eligible for this program but only the residential portion of the property is eligible to receive financing.

Properties with 10 or more non-medical "911" calls to the property proposed for improvement within the 12 months immediately preceding the date of their application are ineligible. Properties with 10 or more non-medical "911" calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Eligible Improvements:** The following will be considered:
 - a) Projects that correct substandard conditions that do not meet local and state building codes;
 - b) Improvements eligible for the MHFA Rental Rehabilitation program and defined in the MHFA Procedural Manual;
 - c) Projects that will:
 - (1) Improve the exterior or interior of the structure
 - (2) Reduce long-term maintenance costs

- (3) Correct lead or asbestos hazards
 - (4) Increase energy efficiency of the property
 - (5) Improve security, mobility and accessibility for the elderly or occupants with physical disabilities
8. **Debt to Income Ratio:** Applicants must have the ability to repay the loan and a debt-to-income ratio of 55% or less.
9. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 120% of the property value or less.
10. **Application Processing:** Applications will be submitted directly to the fund administrator. Funds will be available on a first-come, first-served basis until all available funds are committed.
11. **Underwriting Decision:** The underwriting decision will be made by the fund administrator and will strongly consider the after rehabilitation cash-flow of the building. The property must have a positive cash flow after rehabilitation and the borrowers must have an acceptable credit history. **Outstanding written citations from the City of Minneapolis for code violations must be resolved before any loan request will be considered.** Property owners must be current on mortgage payments, real estate taxes and water bills.
12. **Other Restrictions:** Owners of assisted projects must agree, in their loan documents, that they will properly maintain their property for the duration of the loan and not convert rehabilitated units to condominium ownership for a period of at least 15 years.

Fund 4
Deferred Loan Funds
Matching, Non Matching and Value Added
(Program Guidelines)

4A. Matching

1. **Fund Purpose:** To use NRP funds to help moderate and lower income property owners improve their existing structures.
2. **Interest Rate:** In exchange for the match, no interest will be charged on these loans. The principal shall be due upon sale or transfer of the property or 15 years after the date of closing, whichever occurs first.
3. **Income Limit:** Annual household income, adjusted for family size, must be below 80% of area median income. Adjusted gross income from the applicant's most recent Federal Tax return will be used to determine household income.
4. **Loan Term:** The loan principal is due upon sale, transfer of title, or 15 years after the date of the closing on the loan, whichever occurs first.
5. **Loan Amount:** Minimum = \$1,000 per dwelling unit; Maximum = \$7,500 per dwelling unit.
6. **Eligible Properties:** The property being improved must have been constructed before January 1, 1990 and be an:
 - a) Owner occupied structure that contains 4 dwelling units or less; or
 - b) Owner-occupied "licensed lodging house"; or
 - c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit improvements must be for individual units only.

Properties with 10 or more non-medical "911" calls to the property proposed for improvement within the 12 months immediately preceding the date of their application are ineligible. Properties with 10 or more non-medical "911" calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Eligible Improvements:** Eligible improvements will be identified and prioritized during a comprehensive building analysis performed on-site by the fund administrator or its agents. The following will be considered:
- a) Projects that correct a City of Minneapolis housing maintenance code violation (if violations have occurred the health and safety issues must be the first areas addressed with the proceeds from the loan);
 - b) Projects that correct other substandard conditions that do not meet local or state building codes;
 - c) Projects that correct other substandard conditions that do not meet local and state building codes;
 - d) Projects that will:
 - 1) Improve the exterior or interior of the structure
 - 2) Reduce long-term maintenance costs
 - 3) Correct lead or asbestos hazards
 - 4) Increase energy efficiency of the property
 - 5) Improve security, mobility and accessibility for the elderly or occupants with physical disabilities
8. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 120% of the property value or less.
9. **Match Requirement:** The amount of the NRP loan must be matched at least dollar for dollar by other funds provided by the borrower. *(Example: If the total cost for a project will be \$ 7,000, the borrower would be able to apply for up to \$3,500 from this fund. The loan would be conditional upon the borrower providing evidence that the remaining dollars for the project have been committed.)*
10. **Application Processing:** Applications will be submitted directly to the fund administrator. If the demand for financing by the advertised closing date exceeds the supply of funds, a public random selection of applications will be conducted by the fund administrator to identify the order in which applications will be processed. If the demand for funds by the advertised deadline does not exceed the funds available, applications will be processed in the order in which they are received. **Applicants with outstanding Minneapolis Inspections Department orders will receive first priority and resolving the outstanding orders must be the first use of loan funds.** Neighborhoods may restrict eligibility to property owners in their neighborhood.

Applicants can only apply for one of the three deferred loan programs.

4B. Non Matching

1. **Fund Purpose:** To use NRP funds to help lower income property owners improve their existing structures.
2. **Interest Rate:** No interest will be charged on these loans.
3. **Income Limit:** Annual household income, adjusted for family size, must be below 50% of area median income. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return.
4. **Loan Term:** The principal shall be due upon sale or transfer of the property or 30 years after the date of closing, whichever occurs first.
5. **Loan Amount:** Minimum = \$1,000 per dwelling unit; Maximum = \$7,500 per dwelling unit.
6. **Eligible Properties:** The property being improved must have been constructed before January 1, 1990 and be an:
 - a) Owner occupied structure that contains 4 dwelling units or less; or
 - b) Owner-occupied "licensed lodging house"; or
 - c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit improvements must be for individual units only.

Properties with 10 or more non-medical "911" calls to the property proposed for improvement within the 12 months immediately preceding the date of their application are ineligible. Properties with 10 or more non-medical "911" calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Eligible Improvements:** Eligible improvements will be identified and prioritized during a comprehensive building analysis performed on-site by the fund administrator or its agents. The following will be considered:
 - a) Projects that correct any City of Minneapolis housing maintenance code violations (if violations have occurred the health and safety issues must be the first areas addressed with the proceeds from the loan);
 - b) Projects that correct other substandard conditions that do not meet local and state building codes;

c) Projects that will:

- 1). Improve the exterior or interior of the structure**
- 2). Reduce long-term maintenance costs**
- 3). Correct lead or asbestos hazards**
- 4). Increase energy efficiency of the property**
- 5). Improve security, mobility and accessibility for the elderly or occupants with physical disabilities**

- 8. Loan to Value Ratio: All loans secured by the property, including the new loan, must total 120% of the property value or less.**
- 9. Match Requirement: No match from the borrower is required.**
- 10. Application Processing: Applications will be submitted directly to the fund administrator. If the demand for financing by the advertised closing date exceeds the supply of funds, a public random selection of applications will be conducted by the fund administrator to identify the order in which applications will be processed. If the demand for funds by the advertised deadline does not exceed the funds available, applications will be processed in the order in which they are received. Applicants with outstanding Minneapolis Inspections Department orders will receive first priority and resolving the outstanding orders must be the first use of loan funds.**

Applicants can only apply for one of the three deferred loan programs.

4C. Value Added Matching Deferred

- 1. Fund Purpose: To use NRP funds to help property owners make improvements to their existing structures that increase the value of the property.**
- 2. Interest Rate: 0-1% less than the interest rate for similar MHFA loans. Interest is accrued but no payment of interest is required if the borrower remains in the property being improved for 15 years or more after the date of closing on the loan.**
- 3. Income Limit: There are no income limits for these loans.**
- 4. Loan Term: Loan principle and interest are due upon sale, transfer of title, or if the original borrower moves out of the property within 15 years of the date of closing for the loan.**
- 5. Loan Amount: Minimum = \$1,000 per dwelling unit; Maximum = \$15,000 per dwelling unit.**
- 6. Eligible Properties: The property being improved must have been constructed before January 1, 1990 and be an:**

- a) Owner occupied structure that contains 4 dwelling units or less; or
- b) Owner-occupied “licensed lodging house”; or
- c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit improvements must be for individual units only.

Properties with 10 or more non-medical “911” calls to the property proposed for improvement within the 12 months immediately preceding the date of their application are ineligible. Properties with 10 or more non-medical “911” calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Eligible Improvements:** Eligible improvements are projects that will add value to the property. Space additions, finishing unused space, major remodeling of kitchens or bathrooms, new garages or converting a one-car garage into a two-car garage, and enclosing attached additions (i.e. a 3 season porch) are examples of the types of projects that are eligible for this fund.
8. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 120% of the property value or less.
9. **Match Requirement:** The amount of the NRP loan must be matched by 3 times that amount from the property owner. *(Example: If the applicant wants to borrow \$3,500 from this fund the borrower must provide at least \$10,500 from non NRP sources for the project. The loan would be conditional upon the borrower providing evidence that the required dollars for the project have been committed.)*
10. **Application Processing:** Applications will be submitted directly to the fund administrator. If the demand for financing by the advertised closing date exceeds the supply of funds, a public random selection of applications will be conducted by the fund administrator to identify the order in which applications will be considered. If the demand for funds by the advertised deadline does not exceed the funds available, applications will be processed in the order in which they were received. Applicants with outstanding Minneapolis Inspections Department orders will receive first priority and resolving the outstanding orders must be the first use of loan funds.

Applicants can only apply for one of the three deferred loan programs.

Fund 5
Purchase and Major Rehab Loan Fund
(Program Guidelines)

1. **Fund Purpose:** To use NRP funds to help owner occupants purchase homes in need of significant rehabilitation and renovation.
2. **Interest Rate:** 1-2% less than the loan rate for similar MHFA loans.
3. **Income Limit:** There are no income limits for these loans.
4. **Loan Term:** Loan principle, interest and administrative fees are due upon sale, transfer of title, or if the original borrower moves out of the property within 15 years of the date of the loan closing. After 15 years only the principle and interest (no administrative fees) will be due upon sale, transfer of title, or if the original borrower moves out of the property.
5. **Loan Amount:** Minimum = \$5,000; Maximum = \$30,000.
6. **Eligible Properties:** The property being purchased must be an:
 - a) Owner occupied structure that contains 4 dwelling units or less; or
 - b) Owner-occupied “licensed lodging house”; or
 - c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit purchases and improvements must be for individual units only.

Properties with 10 or more non-medical “911” calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.

7. **Loan Security:** All loans will be secured through a mortgage lien.
8. **Loan Servicing:** Servicing will be done by the fund administrator or its designee.
9. **Loan Costs:** Servicing costs will be paid by the fund administrator. Borrowers will pay all filing fees and borrowers who move within 15 years will also repay the administrative costs of the fund administrator.

10. **Eligible Uses:** Down payments, closing costs and projects identified as a result of the property review conducted by the fund administrator or its agents in 13 below.
11. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 120% of the property value or less.
12. **Match Requirement:** The amount of the NRP loan must be matched by 3 times that amount from the property owner. *(Example: If the applicant wants to borrow \$3,500 from this fund the borrower must provide at least \$10,500 from non NRP sources for the project. The loan would be conditional upon the borrower providing evidence that the required dollars for the project have been committed.)* Loans will be finally approved only after evidence is provided that an appropriate mortgage has been secured and the match is committed.
13. **Property Review:** Before a loan receives final approval, a comprehensive building analysis will be performed on-site by the fund administrator or its agents. The following will be identified and provided to the potential home owner for their information:
 - a. Projects that must be done to correct any City of Minneapolis housing maintenance code violations;
 - b. Projects that are needed to correct other substandard conditions that do not meet local and state building codes;
 - c. Projects that will:
 - 1). Improve the exterior or interior of the structure
 - 2). Reduce long-term maintenance costs
 - 3). Correct lead or asbestos hazards
 - 4). Increase energy efficiency of the property
 - 5). Improve security, mobility and accessibility for the elderly or occupants with physical disabilities

The purchaser will provide the fund administrator with a copy of the executed purchase agreement, a copy of the mortgage loan commitment letter, and written documentation relative to the loan closing date (if this is not already stated in the purchase agreement or the loan commitment letter). The closing must occur within 6 months of the date the loan is awarded or the loan will not be issued.

14. **Application Processing:** Applications will be submitted directly to the fund administrator and will be processed in the order in which they are received. Applicants with outstanding Minneapolis Inspections Department orders will receive first priority and resolving the outstanding orders must be the first use of loan funds.

Fund 6
First Time Homebuyer Assistance Fund
(Program Guidelines)

1. **Fund Purpose:** To use NRP funds to help renters become first time home buyers. Applicants must successfully complete a homebuyer and homeowner education course sponsored by the Home Ownership Center within 120 days of being notified that they are eligible to receive a loan from this fund.
2. **Interest Rate:** 1-2% less than the interest rate for similar MHFA loans.
3. **Income Limit:** Annual household income, adjusted for family size, must be below 80% of area median income. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return. Preference will be given to households with incomes below 50% of area median income.
4. **Loan Term:** Loan principle and interest are due upon sale, transfer of title, or if the original borrower moves out of the property within 15 years of the date of closing for the loan. After 15 years, only the principle shall be due and it shall only be repaid at the time of sale.
5. **Loan Amount:** Minimum = \$1,000; Maximum = \$30,000.
6. **Eligible Properties:** The property being purchased must be an:
 - a) Owner occupied structure that contains 4 dwelling units or less; or
 - b) Owner-occupied "licensed lodging house"; or
 - c) Individual condominium, cooperative, and/or townhouse unit.

Condominium, cooperative, and/or townhouse unit purchases and improvements must be for individual units only.

Properties with 10 or more non-medical "911" calls to the property in any consecutive 12 month period after receiving a loan from this fund shall have their loan called and immediately payable.

Neighborhoods may require that their contribution to the fund be used only for properties within the geographic boundaries of their neighborhood.
7. **Loan Security:** All loans will be secured through a mortgage lien.
8. **Loan Servicing:** Servicing will be done by the fund administrator or its designee.
9. **Loan Costs:** Servicing costs will be paid by the fund administrator. Borrowers will pay all filing fees.

10. **Eligible Uses:** Down payments and closing costs.
11. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 110% of the property value or less.
12. **Match Requirement:** The borrower must provide 20% of the down payment and/or closing cost total from their own funds to secure an NRP loan. *(Example: If the applicant must pay \$10,000 for the down payment and closing costs, they must pay at least \$2,000 of this amount from their own funds. They could borrow up to \$8,000 for these costs from NRP. The NRP loan would be conditional upon the borrower providing evidence of their contribution and securing an appropriate mortgage.)*
13. **Property Review:** The applicant must submit their request for funding at least 30 days prior to purchasing a property. Before a loan receives final approval, a comprehensive building analysis will be performed on-site by the fund administrator or its agents. The following will be identified and provided to the potential home owner for their information:
- a) Projects that must be done to correct any City of Minneapolis housing maintenance code violations (if violations have occurred the health and safety issues must be the first areas addressed with the proceeds from the loan);
 - b) Projects that are needed to correct other substandard conditions that do not meet local and state building codes;
 - c) Projects that will:
 - 1). Improve the exterior or interior of the structure
 - 2). Reduce long-term maintenance costs
 - 3). Correct lead or asbestos hazards
 - 4). Increase energy efficiency of the property
 - 5). Improve security, mobility and accessibility for the elderly or occupants with physical disabilities

The purchaser will provide the fund administrator with a copy of the executed purchase agreement, a copy of the mortgage loan commitment letter, and written documentation relative to the loan closing date (if this is not already stated in the purchase agreement or the loan commitment letter). The closing must occur within 6 months of the date the loan is awarded or the loan will not be issued.

14. **Application Processing:** Applications will be submitted directly to the fund administrator. If the demand for financing by the advertised closing date exceeds the supply of funds, a public random selection of applications will be conducted by the fund administrator to identify the order in which applications will be considered. If the demand for funds by the advertised deadline does not exceed the funds available, applications will be processed in the order in which they were received and additional requests will be solicited until all of the available funds are committed.

Fund 7
Affordable Housing Investment Fund
(Program Guidelines)

1. **Fund Purpose:** To assist with the development of long-term (at least 20 years) affordable housing units for low-income families and individuals, including the elderly and persons with special needs.
2. **Income Limit:** The funded projects must serve families and individuals with annual household income, adjusted for family size, below 50% of area median income. Priority will be given to mixed income projects and projects that target households at or below 30% of the median income.
3. **Loan Term:** Loan principle and interest is due upon sale or transfer of title within 15 years of the date of first occupancy, or at any time if the original borrower no longer complies with the affordability requirements contained in their loan agreement.
4. **Loan Amount:** Determined based on the dollars committed to this fund, the recommendations of the Technical Review Team rating applications and the decisions of the NRP Policy Board
5. **Eligible Projects:** Any project reviewed and sponsored by the recognized NRP neighborhood organization for the geographic area in which the project will occur that is submitted in a timely manner in response to the RFP announcing the availability of funds. At least 20% of the units in projects of 10 units or more must be affordable at or below 50% of the family size adjusted Metropolitan Median Income
6. **Eligible Activities:** Construction of new affordable housing units, conversions of an existing unit to an affordable housing unit, conversion of non-residential property to affordable housing, rehabilitation of vacant or substandard rental or ownership housing, preventing the loss of viable non-federally subsidized affordable units through acquisition and/or rehabilitation, and preventing the loss of viable federally subsidized units through acquisition and /or rehabilitation. Multi-neighborhood collaborations will be given priority. Predevelopment costs (such as architect fees, engineering, environmental surveys, legal work, etc.) incurred prior to closing are eligible for reimbursement as project costs. Up front costs associated with developing and submitting the proposal for funding are not eligible for reimbursement.
7. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 120% of the property value or less.

8. **Match Requirement:** The amount of the NRP loan must be matched by at least 3 times that amount from other private and public sources. *(Example: If the applicant wants to borrow \$350,000 from this fund the borrower must provide at least \$1,050,000 from non NRP sources for the project. The loan would be conditional upon the borrower providing evidence of unencumbered site control and total project financing that is in place and available for closing on the project.)*
9. **Application Processing:** Proposals will be submitted directly to the fund administrator as responses to an RFP developed by NRP. A technical review team selected by NRP will review the proposals and may conduct interviews with applicants. Additional information clarifying components of proposals may be requested from applicants. For rehab proposals, a physical inspection of the property may be required. Proposals will be evaluated against criteria established by NRP and the team will develop recommendations for consideration by the NRP Policy Board. The NRP Policy Board will approve all funding awards and determine the number of awards that will be given and the amounts.

Program Guidelines
That Apply to
Funds 1-5

1. **Initial Applications:** There will be beginning dates for the submission of applications and applicants will be considered in the order in which their application is received. If more applications are received for the deferred loans (Funds 4a-c) than can be funded, a lottery will be conducted to select the sequence in which applications will be processed.
2. **Preference:** Applicant eligibility for MHFA and private financing will be assessed prior to consideration for Funds 1-6. Applicants who do not qualify for loans or financial support from other sources will be given preference.
3. **Work by Owner:** Work can be performed by the owner on a “sweat equity” basis. Loan funds, however, can only be used for materials. The costs for the purchase or rental of tools or equipment are not eligible for reimbursement and no compensation will be provided for property owner or family labor. Materials must be purchased and installed prior to the disbursement of the loan proceeds.
4. **Licenses/Permits:** All contractors on a project must be licensed by the State of Minnesota and/or by the City of Minneapolis. Evidence of a valid and current license must be provided to the fund administrator before the contractor begins any work. Permits must be obtained when required by city ordinance.
5. **Bidding Requirements:** At least two bids must be obtained for projects using \$10,000 or more in NRP funds.
6. **Assistance and Support:** The fund administrator will offer property owners assistance with evaluating and prioritizing improvements to their property and evaluating bids submitted by potential contractors. The services provided will include an informational visit, advice on possible or proposed projects, and assistance with collection and evaluation of bids.
7. **Ineligible Improvements:** No funding will be provided for:
 - a) recreational or luxury projects (such as pools, lawn sprinkler systems, playground structures, saunas, whirlpools, etc)
 - b) furnishings, furniture or equipment
 - c) skylights
 - d) non-permanent appliances
 - e) debt service of any kind
 - f) bank charges or loan origination fees
 - g) refinancing of existing debts
 - h) work completed and materials purchased prior to the loan closing.

Project eligibility questions will be referred to the fund administrator, and, if questions remain, to NRP.

8. **Underwriting Considerations:** Applicants must have credit scores of 500 or better. Property owners must be current on all mortgage payments and real estate property taxes. The fund administrator may deny loans based on credit reports, income verification or past payment history.
9. **Loan Security:** All revolving and deferred loans will be secured with a mortgage in favor of the NRP.
10. **Work Completion:** All work must be completed within 270 days of loan closing.
11. **Total Project Cost:** It is the borrower's responsibility to obtain the funds needed to finance the proposed project and improvements. If the final cost exceeds the original loan amount, the borrower must make up the difference from non-NRP sources.
12. **Custody of Funds:** All funds committed by the neighborhoods will remain in the custody of the fund administrator until payment is appropriate for completed work. Required matching funds will be paid to the contractor directly by the borrower before any NRP funds are disbursed. The borrower will provide evidence of this transfer to the fund administrator. The fund administrator will hold NRP funds "in trust for NRP" in an interest bearing money market fund or other instrument acceptable to NRP. All interest received will be classified as "program income" for the fund from which it was derived and be reported to NRP on a regular schedule.
13. **Administrative Costs:** A portion of the investment fund will be set aside for the administrative costs for the program. This fund will be used to cover origination fees, project reviews and verifications of installation. Servicing fees, unless otherwise indicated in the guidelines for a specific program, will be paid from revolved loans and their interest payments.
14. **Applications:** Applicants must provide all of the information requested in the application package for their fund. The package will include: a completed application form that includes a description of the proposed project(s) and cost estimates, a copy of the applicant's most recent federal income tax form, a copy of the applicants most recent property tax statement, and a signed "Data Privacy Act Statement and Consent Form". Failure to provide any of the requested items will result in ineligibility for consideration. Guidance on completing the applications will be available and provided by the fund administrator.
15. **Disbursement Process:** Payments to contractors (or owners in "sweat equity" situations) will be made after completion and inspection of the required work. If the project does not require a permit, an inspection will be performed by the fund

administrator or its agents to verify satisfactory completion of the work. The following items must be received prior to final disbursement of funds:

- (a) Evidence that any city permits required have been issued
- (b) Final invoice from contractor (or materials receipt from supplier)
- (c) Final inspection verification by the city or fund administrator
- (d) Completion certificate(s) signed by the borrower and contractor
- (e) Proof of payment to the contractor for any required matching funds
- (f) Lien waivers for the entire cost of the project

16. Signage: Borrowers will display a sign provided by the fund administrator indicating that the work being conducted is being financed by NRP and the neighborhood. NRP will assist the fund administrator with the design of the signs. The signs should be displayed while work is being done and for 30 days thereafter. A holdback of \$500 from the final disbursement will be retained until the sign is returned.

17. Number of Loans: Households and properties can receive one loan or deferred loan at any one time. Once an applicant is approved for a loan from any one of the investment funds, no applications for new projects will be accepted from that household or for that address until the previous loan is paid in full and closed.