

## **Memorandum**

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Date: November 15, 2004

Subject: Revised Housing Proposals

On September 27 I provided the Policy Board with a draft of the revised Housing Fund Proposals that were initially brought to the Board last February. The revised draft was distributed to the neighborhoods on September 28 and comments were due November 12. The comments received from neighborhoods, residents, interested organizations and government agencies have again helped improve the guidelines for the proposed funds. Many of their comments and suggestions are now included in the revised proposal attached to this memo and offered for action.

Sixteen neighborhoods submitted questions, requests for clarification, or comments and a total of twenty-two neighborhoods responded. The overall response from the neighborhoods was positive and Elliot Park was one of several neighborhoods that adopted a resolution recommending that the Policy Board approve the "NRP Housing Fund Proposals and Program Guidelines". They stated in their resolution that "the proposal offers a broad range of attractive programs and is a welcome tool" for neighborhoods beginning Phase II. A number of very positive comments were also received about the level of response to the suggestions that had been previously offered.

Additional details of the various programs will still be in development as we progress toward implementation but we now need to know if anyone is interested in being a Fund Administrator. I am recommending, therefore, that the Policy Board act to adopt the attached Program Guidelines as the basis for housing funds that will be offered by NRP to the neighborhoods. If the proposed resolution is adopted, an RFP will be prepared to solicit the Fund Administrators needed to implement this proposal.

**RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board approves and adopts the "NRP Housing Fund Proposals & Program Guidelines" dated November 22, 2004 as the framework for NRP sponsored Housing Funds that will be offered to neighborhoods;**

**RESOLVED FURTHER, That the Director is authorized to begin development of a Request for Proposals to describe the proposed funds and seek potential Fund Administrators;**

**RESOLVED FURTHER, That the Director provide the Board with the draft RFP for review, comment, and approval by January 14, 2005.**

**NRP Housing Fund Proposals  
&  
Program Guidelines**

**November 22, 2004**

## **Fund 1**

### **NRP/MHFA Home Improvement Program For 1-4 Unit Owner Occupied Structures (Program Guidelines)**

1. **Fund Purpose:** To use NRP funds in combination with MHFA loan programs to help property owners improve their existing structures.

2. **Interest Rate:**

**MHFA Loans: 5-8.5%, depending on whether the financing is from MHFA's Fix Up Fund (FUF), Community Fix Up Fund (CFUF) or the Community Fix Up Fund Sub-Prime Program**

**NRP Loans: 1/2 of the interest rate of the MHFA Loan (i.e. if the MHFA loan is at 6% the NRP loan would be at 3%)**

3. **Income Limit:** Household income must not exceed 80% of the Metropolitan Median Income (MMI) for their family size. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return or their current salary pro-rated forward on an annual basis, whichever is higher. Lender guidelines will determine the treatment of rental income for an owner occupant of a multi unit building. There will be no income limit for households requiring accessibility improvements.
4. **Loan Term:** The maximum term for the MHFA loans will be 20 years. The maximum term for the NRP loans will be 20 years. Lenders may set the terms based on the income, debt, loan amount and household size of the applicant. The loans may be deferred or amortized with monthly interest only payments. All loans (principle and interest balance) will be due and payable: at the end of the term; upon a transfer of title; upon conversion to contract for deed; if the original borrower no longer occupies the property; or if the property is sold; whichever occurs first.

**If a neighborhood wishes to have its NRP funds matched by non-MHFA funds secured by the borrower they may include this requirement as a condition of receiving the NRP loan and specify the required level of match (i.e. one borrower dollar for each NRP dollar, two borrower dollars for each NRP dollar, etc.) in the guidelines for their program that are on file with the Fund Administrator. If a match is required, the NRP loan would be conditional upon the borrower providing evidence that the necessary matching funds have been secured. No match will be required, for any NRP loan, from households with < 51% of MMI for their family size.**

5. **Loan Amount:**

**MHFA Loans: Maximum = \$35,000 (For accessibility improvements there is no maximum and the amount available will be determined on a case-by-case basis.)**

**NRP Loans:** The loan amount will be based on the total funds requested from both MHFA and NRP and the applicant's household income but will not exceed \$15,000 for the structure.

- For loans to households with incomes  $>51\%$  but  $\leq 81\%$  of MMI the NRP amount of the total must be 50% or less
- For loans to households with incomes  $>31\%$  but  $\leq 51\%$  of MMI the NRP amount of the total must be 75% or less
- For loans to households with incomes  $\leq 31\%$  of MMI the NRP amount of the total may be up to 100% or \$15,000, whichever is less.

6. **Eligible Properties:** The property being improved must be an owner occupied structure with one to four dwelling units. No more than 49% of the structure can be used for business purposes. Individual condominium, cooperative, an/or townhouse units are eligible. Mobile homes are not eligible.

7. **Eligible Improvements:** The following will be eligible:

- a) Projects that correct a City of Minneapolis housing maintenance code violation. (If a citation has been issued the health and safety issues must be the first areas addressed with the loan);
- b) Projects that correct conditions that do not meet local or state building codes;
- c) Projects that address Truth-In Sale-of-Housing items;
- d) Projects that will repair or remodel an existing structure by:
  - (1) Improving the exterior or interior of the structure
  - (2) Reducing long-term maintenance costs
  - (3) Correcting lead or asbestos hazards
  - (4) Increasing the energy efficiency of the structure
  - (5) Improving security and accessibility for the elderly or occupants with physical disabilities
  - (6) Adding improvements that increase the value of the property.

8. **Questionable Improvements:** If the description of proposed work does not appear to qualify and the determination of the Fund Administrator is questioned, the proposed improvement will be referred to an Improvements Review Committee of neighborhood representatives, CPED and NRP staff appointed by the NRP Director for determination of eligibility. NRP's external counsel will provide support to the Committee and address questions about NRP eligibility of a specific improvement. Decisions of the review committee will be final.

9. **Debt to Income Ratio:** Applicants must have a debt to income ratio of 55% or less. If the debt to income ratio is  $> 48\%$  budget counseling will be required.

10. **Loan to Value Ratio:** All loans secured by the property, including the new loan(s), must total 110% or less of the after improvement property value.
11. **Loan Security:** All loans will be secured by a mortgage lien. MHFA loans will be secured by a Loan Note and Mortgage provided by MHFA. NRP loans will be secured by an Amortizing or Deferred Mortgage that is due on sale or transfer of the property, or upon conversion to contract for deed or absentee ownership.
12. **Work Completion:** Within 120 days (preferred) but no later than 180 days (limit) after loan closing. The Fund Administrator may authorize exceptions on a case by case basis. The Fund Administrator will verify installation of the improvements, ensure that any needed permits have been issued, and that the appropriate inspection and approval has occurred.
13. **Application Process:** Applications will be submitted directly to the fund administrator and will be processed in the order in which they are received. The Fund Administrator will first attempt to place applicants in the MHFA Fix Up Fund, MHFA Community Fix Up Fund, MHFA Community Fix up Fund Sub Prime Program, or the MHFA Home Energy Loan Program.
14. **Processing Fees:** Lenders that close an MHFA loan will be paid \$450-\$650 per loan by MHFA, depending upon which MHFA program funds the loan. If the applicant needs more funds than the MHFA program allows or does not qualify under the MHFA's guidelines, the Fund Administrator will attempt to qualify the applicant for an NRP loan using the criteria above. The fee for NRP loans will be paid from the NRP loan pool and will be up to \$300 per loan closed, up to \$150 for each Comprehensive Building Analysis, and up to \$50 for each installation verification. This fee schedule for the NRP loans may be changed, subject to written notification to and the approval of the neighborhood and NRP. In addition, the following fees are appropriate for NRP loans and may be paid from the NRP loan fund or the fund's program income:
- One-time set-up fee Up to \$25 per loan
  - Satisfaction pay-off fee Up to \$25 per loan
15. **Fees that Can Be Charged to the Borrower:** Mortgage registration tax and document recording fees may be charged to the borrower. Loans funded by MHFA's Community Fix Up Fund may be used to pay up to \$300 for rehabilitation advice and budget counseling.

## **Fund 2**

### **Rental Property Improvement Loan Fund (Program Guidelines)**

1. **Fund Purpose:** To use NRP funds to help rental property owners rehabilitate and improve permanent rental housing that is affordable to, and occupied by, low-income persons and households.
2. **Eligible Applicants:** Individual persons, for-profit corporations and partnerships, non-profit organizations, and community development corporations (CDC's) are eligible. Principals of for-profit corporations and partnerships will be required to fully-guarantee the debt.

Owners of buildings that are receiving project-based federal rental subsidies must agree to continue participating in the subsidy program and to renew participation for the length of term for the NRP loan.

3. **Eligible Properties:** Any rental residential property is eligible for loans from this fund. Mixed-use properties are eligible if more than 50% of the building's after rehabilitation above ground square footage is used for residential purposes. Single-room occupant, student dormitories, manufactured homes taxed as personal property, and transitional properties for special populations are not eligible.

At least 50% of the residential units in the building(s) proposed for rehabilitation or improvement must be occupied at the time of the funding commitment by tenant households with incomes of less than 50% of the size adjusted Metropolitan Median Income (MMI). Tenants with incomes above this guideline may occupy units in the Building(s) but NRP loan funds may be expended only on units occupied by eligible tenants.

4. **Interest Rate:** The fixed interest rate for the fund will initially be 4%. The interest rate will be reassessed semiannually. Any adjustment will only apply to the rate for new loans.
5. **Loan Term:** Loans are simple interest installment loans, with monthly amortization. The minimum loan term will be 6 months and the maximum will be 10 years. All loans (principle and interest balance) will be due and payable: at the end of the term; upon a transfer of title; upon conversion to contract for deed or condominiums; or if the property is sold; whichever occurs first.
6. **Loan Amount:** Minimum = \$1,000 per dwelling unit; Maximum = \$8,000 per dwelling unit. The maximum for any loan shall not exceed \$56,000. Neighborhoods may establish a lower maximum for capital that they contribute to this pool. Owners may receive only one loan per property, unless the neighborhood, Fund Administrator and NRP approve an exception.
7. **Property Restrictions:** Properties must be completed properties, which have either been:

- Occupied as a year-round permanent residence for at least 5 consecutive years; or
- Occupied for 90 days and have in place a completed interior, a foundation, and necessary plumbing, heating, and electrical systems.

Properties may be currently vacant.

After the improvements have been completed, and for 15 years thereafter, a certain proportion of the units must be occupied by households with incomes less than 50% of MMI. These proportions are:

- For a one unit property, the after rehabilitation unit must be occupied by a household that meets the income requirements;
- For a two unit property, one after rehabilitation unit must be occupied by a household that meets the income requirements;
- For a three unit property, two after rehabilitation units must be occupied by households that meet the income requirements;
- For a four unit property, three of the after rehabilitation units must be occupied by households that meet the income requirements;
- For a five-unit property, four of the after rehabilitation units must be occupied by households that meet the income requirements;
- For all other properties, at least 75% of the units must meet the income requirements

8. **Loan Security:** All loans will be secured by a mortgage lien.

9. **Eligible Improvements:** The following will be considered:

- Projects that correct conditions that do not meet local or state building codes;
- Projects that will repair or remodel an existing structure by:
  - Improving the exterior or interior of the structure
  - Reducing long-term maintenance costs
  - Correcting lead or asbestos hazards
  - Increasing the energy efficiency of the structure
  - Improving security and accessibility for the elderly or occupants with physical disabilities

10. **Ineligible Uses:** Loan funds may not be used for: refinancing; new garage construction; construction of new residential units; paying of assessments; conversion of non-residential space into rental units; improvements begun before the date of the initial closing; materials, fixtures or landscaping of any type; preparing the units for conversion to condominiums.

If the description of proposed work does not appear to qualify, the proposed improvement will be referred to the Improvements Review Committee.



11. **Ability to Repay:** Properties are required to have a positive cash flow after rehabilitation.
12. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 110% of the property value or less.
13. **Borrower Investment:** Borrowers must provide a minimum of 25% of the project cost from non NRP resources. The Fund Administrator may require a higher contribution from the borrower. Documentation of the source, and terms and conditions of the match must be provided to the satisfaction of the Fund Administrator prior to closing.
14. **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.
15. **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 approved.**
16. **Other Restrictions:** Owners of assisted projects must agree, in their loan documents, that if a tenant's income increases beyond the program's income limits, the owner will rent the next available unit to an income-eligible tenant.

With the exception of senior-only housing, the City requires that all publicly assisted rental projects accept the use of Section 8 rental assistance either by site-based or tenant-based housing vouchers. For projects of more than 10 units, the City requires that at least 20% of the units be affordable to and occupied by households with incomes < 50% of MMI.

### **Fund 3**

#### **Emergency Repair Fund (Program Guidelines)**

1. **Fund Purpose:** To provide financial assistance to homeowners that are in difficult financial circumstances and have either a hazardous or serious home repair situation that will cause further damage to the home or adversely affect the health and safety of the homeowner if it is not immediately addressed.
2. **Program Design:** The Emergency Loan Fund (ELF) is a last resort resource to help owner occupants who face emergency home repairs and are unable to obtain the funds needed to correct the problem from any other source. Existing funding sources (such as MHFA, CEE, the City of Minneapolis, etc.) will be used whenever possible. The ELF will be used for applicants who do not qualify for help through these traditional funding sources. Applicants will receive an inspection of their home that itemizes the emergency repairs that need to be addressed immediately and other conditions that should be resolved to prevent future repair situations.
3. **Interest Rate:** The funds provided will be structured as zero interest deferred loans.
4. **Definition of an Emergency:** An emergency is defined as a condition that makes a house uninhabitable, extremely dangerous to the occupants, is capable of causing severe health problems or threatens the integrity of the housing structure.
5. **Income Limit:** Household income must not exceed 50% of the Metropolitan Median Income (MMI) for the household's family size. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return or their current salary pro-rated forward on an annual basis, whichever is higher. Lender guidelines will determine the treatment of rental income for an owner occupant of a multi unit building. There will be no income limit for households requiring accessibility modification repairs.
6. **Loan Term:** All loans will be due and payable: upon a transfer of title; upon conversion to contract for deed; if the original borrower no longer occupies the property; or if the property is sold; whichever occurs first.
7. **Loan Amount:** The minimum loan amount will be \$500 and the maximum will be \$10,000.
8. **Eligible Properties:** The property being repaired must be an owner occupied structure with one to four dwelling units.
9. **Eligible Improvements:** The ELF can only be used for repairs or replacements that demand immediate attention and that if not repaired will lead to further problems, hardship, or hazardous conditions. Eligible improvements will be determined through an analysis of the emergency condition by the Fund Administrator. Eligible projects include but are not limited to:

- a) Repair of water damage
- b) Replacement or repair of heating/plumbing/electrical systems
- c) Replacement of hot water heaters
- d) Replacement or repair of roofs

The decision of the Fund Administrator on eligible improvements will be final.

10. **Ineligible Improvements:** Ineligible improvements include recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), upgrades or additions to the property, repairs that constitute "routine maintenance", repairs to decks or garages, furniture, or non built in appliances. These funds also cannot be used for working capital, debt service, or refinancing of existing debt. The Fund Administrator shall make final decisions on eligible work.
11. **Work Performance:** Work cannot be performed on a sweat equity basis by the property owner. Contractors must be licensed by the State of Minnesota or by the City of Minneapolis (whichever is appropriate) and must be bonded. Permits must be obtained when required by ordinance.
12. **Loan Security:** All loans will be secured by a mortgage lien.
13. **Work Completion:** Within 10 days (preferred) but no later than 30 days (limit) after loan closing. The Fund Administrator may authorize exceptions on a case by case basis. The Fund Administrator will verify installation of the improvements, ensure that any needed permits have been issued, and that the appropriate inspection and approval has occurred.
14. **Application and Processing:** Applications will be submitted directly to the Fund Administrator and will be processed in the order in which they are received until all funds available have been committed. The Fund Administrator will visit the applicant's property within 48 hours of being notified of the emergency. The Fund Administrator will first attempt to place applicants in the MHFA Fix Up Fund, MHFA Community Fix Up Fund, MHFA Community Fix up Fund Sub Prime Program, or the MHFA Home Energy Loan Program. If the cost of the project exceeds the amount of the NRP loan, it is the borrower's responsibility to obtain the funds necessary to complete the work.
15. **Loan Costs:** Any fees for loan origination, property inspection and analysis, and verification of installations or repairs will be negotiated with, and approved by, NRP. This fee schedule for the NRP loans may be changed, subject to written notification to and the approval of NRP. Appropriate and approved fees will be paid from the ELF.
16. **Special Circumstances:** Conditions that threaten the housing of an individual or household or the structures on adjacent properties may be identified by the community as emergencies that need to be addressed. If the neighborhood organization contacts the Fund Administrator, they will examine the property and facts of the situation and attempt to assist the property owner with accessing the funding pool most appropriate to their circumstances.

## **Fund 4**

### **Purchase and Major Rehab Loan Fund (Program Guidelines)**

1. **Fund Purpose:** To use NRP funds to provide significant affordability gap and rehabilitation funding for low income families and individuals that want to become owner occupants and purchase homes in need of significant rehabilitation and renovation.
2. **Interest Rate:** 1/3 of the most recently available national average 30-year fixed rate mortgage published in the Saturday edition of the Minneapolis Star Tribune. The rate will be locked in at the time the applicant is approved for participation in the program.
3. **Income Limit:** Household income must not exceed 80% of the Metropolitan Median Income (MMI) for their family size. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return or their current salary pro-rated forward on an annual basis, whichever is higher. Lender guidelines will determine the treatment of rental income for an owner occupant of a multi unit building and rental fees from the non owner occupied units may be excluded from the owner's income. There will be no income limit for households requiring accessible properties because of a verifiable disability in the household.
4. **Loan Term:** The maximum term for the NRP loans will be 30 years. Lenders may set the terms based on the first mortgage, household income, debt, NRP loan amount and household size of the applicant. The loans will be amortized with interest only payments. All loans (principle and interest balance) will be due and payable: at the end of the term; upon a transfer of title; upon conversion to contract for deed; if the original borrower no longer occupies the property; or if the property is sold; whichever occurs first. NRP loans are non transferable.
5. **Loan Amount:** Minimum = \$5,000; Maximum = \$40,000.
6. **Eligible Properties:** The property being purchased must be or become an owner occupied structure that contains 4 dwelling units or less.
7. **Loan Security:** All loans will be secured through an Amortizing Mortgage Lien.
8. **Loan Servicing:** Servicing will be done by the Fund Administrator or its designee. Servicing costs will be paid from program income.
9. **Loan Costs:** Borrowers will pay all registration and filing fees.
10. **Eligible Uses:** Funds may be used for down payments, affordability gap, closing costs and projects identified as a result of the property review conducted by the Fund Administrator or its agents in 14 below.

11. **Questionable Improvements:** If the description of proposed work does not appear to qualify, the proposed improvement will be referred to a review committee of neighborhood representatives, CPED and NRP staff appointed by the NRP Director for determination of eligibility. NRP's external counsel will provide support to the Committee and address questions about NRP eligibility of a specific improvement. The decision of the review committee will be final.
12. **Loan to Value Ratio:** All loans secured by the property, including the new loan, must total 120% of the property value or less.
13. **Match Requirement:** If a neighborhood wishes to have its NRP funds matched by funds secured by the borrower they may include this requirement as a condition of receiving the NRP loan and specify the required level of match (i.e. one borrower dollar for each NRP dollar, two borrower dollars for each NRP dollar, etc.) in the guidelines for their program that are on file with the Fund Administrator. If a match is required, the NRP loan would be conditional upon the borrower providing evidence that the necessary matching funds have been secured. Increases in value that occur as a result of the rehab project will be credited toward meeting the matching requirement. The dollar value to be credited for the increase will be determined by the Fund Administrator. **No match will be required, for any NRP loan, from households with < 51% of MMI for their family size.**

Loans will be finally approved only after evidence is provided that an appropriate first mortgage has been secured and the match, if any, is committed.

14. **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 before a closing is scheduled:
  - a) Projects that correct a City of Minneapolis housing maintenance code violation. (If a citation has been issued the health and safety issues must be addressed before the property is occupied);
  - b) Projects that correct conditions that do not meet local or state building codes;
  - c) Projects that address Truth-In Sale-of-Housing items;
  - d) Projects that will repair or remodel an existing structure by:
    - 1) Improving the exterior or interior of the structure
    - 2) Reducing long-term maintenance costs
    - 3) Correcting lead or asbestos hazards
    - 4) Increasing the energy efficiency of the structure
    - 5) Improving security and accessibility for the elderly or occupants with physical disabilities.

The potential purchaser will provide the Fund Administrator with a copy of income-qualification documents, 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.

15. **Application Processing:** Applications will be submitted directly to the Fund Administrator and will be processed in the order in which they are received. Applicants purchasing properties with outstanding Minneapolis Inspections Department orders must use their awarded loan funds to resolve the outstanding orders before pursuing any other work on the structure.
16. **Post purchase Education and Training:** All successful homebuyers must successfully complete a post purchase property maintenance curriculum approved by the Fund Administrator and NRP within 2 years of the date of the closing. The homebuyer will be responsible for paying the course fees.

## **Fund 5**

### **First Time Homebuyer Assistance Fund (Program Guidelines)**

1. **Fund Purpose:** To use NRP funds to help first time homebuyers. A first time homebuyer is a person who has not occupied a homesteaded property in the last 3 years. Applicants must successfully complete a pre-purchase homeownership counseling course prior to loan closing.
2. **Interest Rate:** 1/3 of the most recently available national average 30-year fixed rate mortgage published in the Saturday edition of the Minneapolis Star Tribune rounded to the nearest 1/8 of a percent. The rate will be locked in at the time the applicant is approved for participation in the program and this lock will apply for 90 days. The loan will be a simple interest deferred community second. At the time the applicant is approved for participation and the lock is made, the maximum amount of the NRP support that will be provided from this fund will be determined and reserved for the borrower. This reservation will continue until the borrower executes a purchase agreement or the 90 day lock period expires.
3. **Income Limit:** Annual household income, adjusted for family size, must be below 80% of Metropolitan Median Income (MMI) for their family size. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return or their current salary pro-rated forward on an annual basis, whichever is higher. Lender guidelines will determine the treatment of rental income for an owner occupant of a multi unit building. There will be no income limit for households purchasing universal design or accessible properties to address the accessibility needs of a member of their household.
4. **Loan Terms:** The length of the community second ("NRP") loan will be same as the term for the first mortgage. All loans (principle and interest balance) will be due and payable: at the end of the term; upon a transfer of title; upon conversion to contract for deed; if the original borrower no longer occupies the property; when the first mortgage is paid off; or if the property is sold; whichever occurs first.

The interest will be amortized and paid monthly over the term of the loan.

5. **Loan Amount:** Minimum = \$1,000; Maximum = \$30,000. Loans will be provided in increments of \$1,000. The amount of the loan that can be used as affordability gap is limited to no more than the amount required to buy the first mortgage down to an 80% loan to value.
6. **Eligible Properties:** The property being purchased must be in Minneapolis and must be:
  - An owner occupied one- or two-family residence, or
  - A condominium, cooperative, or townhouse unit.

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

- 7. Loan Security:** All loans will be secured through a mortgage lien. The first mortgage lender will coordinate the execution and recording of the NRP loan mortgage documents.
- 8. Loan Servicing:** The Fund Administrator or its designee will do the servicing. Servicing costs will be paid from program income.
- 9. Loan Costs:** Borrowers will pay all filing fees.
- 10. Eligible Uses:** Downpayment, closing costs and affordability assistance. If the downpayment exceeds the amount required by the first mortgage loan product, the amount of affordability assistance entered into the transaction may not lower the housing ratio (the percentage of the borrower's income spent on housing) below 25%.
- 11. Combined Loan to Value Ratio (CLTV):** All loans secured by the property, including the new loan, must total 120% or less of the lesser of the purchase price or appraised value.
- 12. Match Requirement:** The borrower must make a minimum investment of the lesser of 1% of the purchase price of the home or \$1,000. The borrower's cash contribution may be used to pay any cost in the transaction, including prepaids. The borrower's contribution must come from the borrower's assets and may not be from a grant, gift or sweat equity contribution. In addition, lenders must ensure compliance with the minimum borrower investment requirements of the first mortgage.
- 13. Property Review:** Before a loan receives final approval, a comprehensive building analysis (buyer's inspection) will be performed on-site by the Fund Administrator or its agents. The results of this inspection will be provided to the borrower and will be in addition to the City of Minneapolis Truth-In-Housing ordinance inspection.
- 14. Application Processing:** Applications will be submitted directly to the Fund Administrator. Applications will be processed in the order in which they were received and requests will be solicited until all of the available funds are committed.  
  
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 approved or the loan will not be issued.
- 15. Buyer Search Period:** Borrowers will have up to 90 days after their application for support from this fund has been approved to locate a property to purchase. A single extension of up to 60 additional days for extenuating circumstances may be granted by the Fund Administrator.



16. **Post purchase Education and Training:** All successful homebuyers must successfully complete a post purchase property maintenance curriculum approved by the Fund Administrator and NRP within 2 years of the date of the closing. The homebuyer will be responsible for paying the course fees.

## **Fund 6**

### **Purchase and Rehab Perpetual Affordability Fund Community Land Trust Homebuyer Initiated Program (HIP) (Program Guidelines)**

1. **Fund Purpose:** To use NRP funds to provide significant affordability gap and limited rehabilitation funding to low income families and individuals that want to become owner occupants and purchase homes in Minneapolis.
2. **Interest Rate:** Market rate through a Community Land Trust (CLT) or MHFA CASA approved mortgage lender.
3. **Income Limit:** Annual household income must be below 80% of Metropolitan Median Income (MMI) for their family size. Preference will be given to households with incomes below 50% of MMI. The determining income shall be the adjusted gross income from the applicant's most recent Federal Tax return or their current salary pro-rated forward on an annual basis, whichever is higher.
4. **Loan Term:** Limited equity home ownership model. In this program the owner receives, upon sale of the property, their down payment and any principle paid through the closing plus 25% of any increase in value based on the appraisal of the land and improvements at the time of sale. The affordability gap subsidy, plus 75% of any increase in value based on appraisal of the land and improvements at the time of sale, stays with the property. These amounts become the affordability subsidy for the next income-qualified household. Any portion of the original loan that was used to rehab the property will be treated as a one-time grant investment in the property. Only one rehab grant may be made per property.
5. **Loan Amount:** Minimum = \$25,000; Maximum = \$50,000 per property. The loan is structured as a perpetual affordability grant to the CLT, increasing in value as the value of the home increases. The full initial grant, plus 75% of any increase in value based on appraisal of the land and improvements, is transferred to the next income-qualified household at each resale.
6. **Loan Term:** 30 years. The loan to the CLT will be forgiven after 30 years provided that the initial buyer and each subsequent buyer during the term of the loan are income qualified households.

If any sale occurs during this period to a household that does not meet the income qualification, the principle of the loan plus simple interest of 4% per year from the date the loan was initially closed shall be immediately due and payable to the NRP for the neighborhood providing the loan.

7. **Eligible Properties:** The property being purchased must be an owner occupied single family structure.

8. **Loan Security:** The Loan Amount will be secured through a mortgage lien on the land title held by the CLT. The CLT's relationship with each income-qualified household will be defined in the CLT ground lease. The CLT ground lease will ensure that these funds continue to be used as affordability gap beyond the initial 30-year period.
9. **Loan Servicing:** The Fund Administrator or its designee will service the loan.
10. **Loan Costs:** Servicing costs will be paid by the Fund Administrator. The purchasing household will pay all filing fees.
11. **Eligible Uses:** NRP funds may be used for down payment and affordability gap subsidies and rehabilitation of the purchased property. Funds provided for down payment and affordability gap assistance will be used to directly write down the mortgage amount required from the income-qualified household. Rehab funds will not exceed \$25,000 and must be used in accordance with the property review conducted by the Fund Administrator or its agents as defined in section 15 below.
12. **Loan to Value Ratio:** All buyer mortgage loans and funds secured by the property, including NRP funds, must total 110% of the property value or less.
13. **Match Requirement:** The amount of the NRP funds must be matched at least 2 to 1 with other private and public sources of affordability and/or rehab funding. Buyer financing will be allowed as a contribution to the required match.
14. **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 before a closing is scheduled:
  - a) Projects that correct a City of Minneapolis housing maintenance code violation. (If a citation has been issued the health and safety concerns must be the first areas addressed with the loan);
  - b) Projects that correct conditions that do not meet local or state building codes;
  - c) Projects that will repair or remodel an existing structure by:
    - 1) Improving the exterior or interior of the structure
    - 2) Reducing long-term maintenance costs
    - 3) Correcting lead or asbestos hazards
    - 4) Increasing the energy efficiency of the structure
    - 5) Improving security and accessibility for the elderly or occupants with physical disabilities.
15. **Application and Processing:** Applications for funding will be submitted directly to the Fund Administrator and will be processed in the order in which they are received. The Fund Administrator will determine, using the CLT affordability formula and the results from the comprehensive building analysis, the amount of affordability gap

**funding and rehabilitation funding that will be made available for the property selected by the applicant.**

**Applicants will be processed until the amount committed for affordability gap funding and rehabilitation funding equals the amount committed to this fund. After all of the funds have been committed, new applications will be processed only to the extent that commitments already processed fail to close.**

**The CLT will provide the Fund Administrator with a copy of income-qualification documents, 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.**

- 16. Additional Requirements: Applicants must successfully complete a pre-purchase homeownership counseling program and receive a certificate prior to final loan closing.**

**The applicant must have either attended CLT Orientation and/or received one-on-one CLT education/counseling prior to being selected for participation in the program.**

**Prospective HIP homebuyers will be responsible for the following fees:**

- Non refundable Application Fee for processing the application: \$25 per household**
- Commitment Fee: \$75 per household upon acceptance**
- Home Inspection Fee: Performed by a certified rehab housing inspector (\$350-500)**
- Mortgage Application Fees: Determined by the mortgage lender (\$250-500)**
- Standard Home Purchase Closing Costs including escrow fees, title insurance, first years property taxes and homeowners insurance, appraisal and recording fees**
- Ground Lease Fee: \$15 per month after occupancy occurs**

- 17. Post purchase Education and Training: All successful homebuyers must complete a post purchase property maintenance curriculum approved by the Fund Administrator and NRP. The homebuyer will be responsible for paying the course fees.**

**Fund 7**  
**Affordable Housing Investment Fund**  
**(Program Guidelines)**

1. **Fund Purpose:** To assist the Affordable Housing Trust Fund (AHTF) with the development and construction of new long-term (at least 15 years) affordable rental 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 Metropolitan Median Income (MMI). NRP funds will be used for gap financing on mixed income projects and projects that target households at or below 30% of the median income.
3. **Loan Term:** The loan is structured as a perpetual affordability grant to the AHTF. The loan to the AHTF will be forgiven after 15 years provided that the developments receiving NRP funds continue to be affordable to low-income families and individuals for the period of the loan.

If any change occurs during this period and the project(s) funded no longer serve households that meet the income qualification, the principle of the loan plus simple interest of 4% per year from the date the loan was initially closed shall be immediately due and payable to the NRP for the neighborhood(s) providing the loan.
4. **Loan Amount:** Determined by the dollars committed to this fund by the neighborhoods. The guidelines of the AHTF will be used to determine the appropriate subsidy for projects awarded AHTF support. The AHTF will provide NRP with a report annually showing the amounts and projects receiving NRP funds.
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 AHTF RFP announcing the availability of funds is eligible for NRP funds.
6. **Eligible Activities:** Construction of new affordable housing units and positive conversions of existing units to affordable housing units will be the emphasis in non-impacted neighborhoods. Preservation, rehabilitation and stabilization of existing affordable units will be the emphasis in impacted neighborhoods.. 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. **Match Requirement:** The amount of the NRP funds used for a project must be matched by at least 3 times that amount from other private and public sources. *(Example: If a project is awarded \$350,000 from the NRP funds in 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.)*

8. **Application Processing:** Proposals will be solicited through the AHTF's semi annual RFP process and will be submitted directly to the CPED Affordable Multi Family Department. A committee of CPED staff will evaluate the funding requests based on the selection criteria of the AHTF.

CPED staff will make recommendations for funding to the Minneapolis City Council. Preliminary funding commitments granted by the Council will be for a twelve-month period during which time developers must demonstrate compliance with program requirements, secure project funding, and conduct the project closing.

9. **Neighborhood Approval:** Developers are required to submit their proposals to the appropriate neighborhood group for review and comment as part of the RFP response process. Neighborhood review, comment and approval is required for any and all AHTF projects that receive NRP funds.
10. **Other Requirements:** With the exception of senior-only housing, the City requires that all publicly assisted rental projects accept the use of Section 8 rental assistance either by site-based or tenant-based housing vouchers. For projects of more than 10 units, the City requires that at least 20% of the units be affordable to and occupied by households with incomes < 50% of MMI.
11. **Program Income:** Any program income generated from an NRP supported AHTF project will be credited back to the neighborhoods investing in the AHTF in proportion to their investment in the fund. This program income may be revolved into another neighborhood supported AHTF project.
12. **Fee Waiver:** Neighborhoods contributing funds to the AHTF will not be required to pay the CPED/City NRP Implementation Fee. The administrative machinery for the AHTF is already in place. As a result, CPED will not need to incur additional administrative costs if and when neighborhoods contribute their resources to this fund.
13. **Project Designation:** Neighborhoods may choose to designate their AHTF contributions for a specific project or they may provide their funds for any project selected through the Trust Fund evaluation process.

**Fund 8**  
**Lot Acquisition and Redevelopment Fund**  
**(Program Guidelines)**

1. **Fund Purpose:** To acquire and redevelop vacant, underutilized and blighted properties that will help the neighborhood achieve their improvement goals.
2. **Program Design:** The Lot Redevelopment Program (Program) is a planning and redevelopment mechanism designed to address redevelopment needs within neighborhoods. It brings together the expertise of the City's Community Planning and Economic Development Department (CPED), NRP and the neighborhoods to address the redevelopment of an individual property or assembling more than one property (parcels) for smaller, neighborhood-based redevelopment projects.
3. **Time for Program Implementation:** The program will initially operate through December 31, 2005. It may be extended beyond that date by the mutual agreement of NRP and CPED if neighborhood commitments to this fund indicate significant interest .
4. **Services to be Provided by CPED to the Neighborhoods:** The services to be provided by CPED include, but are not limited to, the following:
  - a) Reviewing development and design guidelines adopted by the Neighborhood that may affect the purchase and redevelopment of a site proposed for acquisition.
  - b) Assisting with neighborhood identification of possible lots for acquisition.
  - c) Researching possible reuses for the potential acquisition.
  - d) Identifying developers who would have the capacity to purchase the site and initiate and complete an appropriate redevelopment project consistent with any Neighborhood development and design guidelines
  - e) Committing up to \$ 250,000 to each contributing Neighborhood as a 1 to 1 match of Neighborhood funds committed to this pool for purchasing and redeveloping potential reuse properties or parcels.
  - f) Conducting an appraisal of the site to determine its fair reuse value.
  - g) Assembling and acquiring the lots needed for multi lot redevelopment projects.
  - h) Providing "Site Preparation" services to prepare the property or parcels for development including the following activities: (1) demolition of structures; (2) clearance of debris and demolished improvements; (3) environmental investigation; (4) geotechnical testing; and (5) retaining professional consultants to carry out lot preparation work.
  - i) Developing a plan for marketing the lot(s) to potential developers identified by CPED, NRP or the Neighborhood.

- j) Reviewing submitted proposals with the Neighborhood and NRP.**
- k) Providing Neighborhood approved developer recommendations in the formats needed for submission to the City Council for approval.**
- l) Preparing the “Development Agreement” between the City and the developer, reviewing the Development Agreement with, and receiving approval from, the Neighborhood and NRP, and securing the signature of the selected developer.**
- m) Completing the sale of the property to the developer by drafting required documents and ensuring that these documents are properly executed.**
- n) Monitoring construction and ensuring that the accomplished project is consistent with the intent and agreed to expectations of the Neighborhood.**
- o) Consulting with and securing neighborhood approval on concept, design or construction changes that add significant costs or vary from the original project approved by the Neighborhood.**

**5. Services to be Provided by the Neighborhoods:** The services to be provided by the neighborhoods include, but are not limited to, the following:

- a) Adopting the Lot Redevelopment Program as a neighborhood priority by including a lot redevelopment strategy in the Neighborhood's Phase I or Phase II Neighborhood Action Plan.**
- b) Allocating a dollar amount from the Neighborhood's sources of revenue (including but not limited to NRP funds) for the Lot Redevelopment Program.**
- c) Providing CPED with any development and design guidelines adopted by the Neighborhood that may affect the purchase and redevelopment of a site proposed for acquisition.**
- d) Identifying developers who would have the capacity to purchase the site and initiate and complete an appropriate redevelopment project consistent with any Neighborhood development and design guidelines**
- e) Identifying potential lots for redevelopment by address.**
- f) Approving lots for inclusion in the Lot Redevelopment Program prior to acquisition.**
- g) Determining the specific dollar commitment from Neighborhood revenues for the purchase and redevelopment of specific sites.**
- h) Helping with the marketing of the lot(s) to potential developers identified by the Neighborhood, CPED, and NRP.**



i) Reviewing submitted proposals with NRP and CPED and selecting an appropriate developer to recommend to the City Council.

j) Reviewing, providing comments, and approving the proposed Development Agreement.

k) Monitoring construction to ensure that the completed project is consistent with the Development Agreement.

l) Providing Neighborhood approval for concept, design or construction changes that vary from the original project approved by the Neighborhood.

6. **Services to Provided by NRP:** The services to be provided by NRP include, but are not limited to, the following:

a) Providing information to neighborhood organizations on the availability of the Lot Redevelopment Program.

b) Verifying the availability of neighborhood funds for possible lot acquisitions.

c) Reviewing neighborhood action plans to determine if the appropriate strategies or language is included in the plan to allow expenditures for lot acquisition.

d) Assisting neighborhoods with any plan modifications needed to ensure the legality of any proposed allocation or expenditure.

e) Assisting with the identification of lots for possible purchase.

f) Helping with the identification of potential developers.

g) Reviewing submitted proposals with the neighborhood and CPED and selecting an appropriate developer to recommend to the City Council.

h) Reviewing and providing comments on the proposed Development Agreement.

i) Monitoring and evaluating the results of the investments made by the neighborhood.

7. **Match Requirement:** The amount of the NRP funding commitment for a lot purchase and/or redevelopment must be matched by an equal amount from the City's Lot Redevelopment Program.

8. **Lot Acquisition:** Neighborhoods making contributions to this fund will execute a Memorandum of Understanding with CPED containing the terms under which the program will be conducted. Lot purchase requests will be submitted directly to CPED's Housing Policy and Development Division.

9. **Preferences for Purchase:** The program will give preference to lots that meet the following criteria:

- a) **Industrial or commercial properties with existing uses that are obsolete or incompatible with revitalization of the neighborhood.**
- b) **Existing land uses that clash with the structures in the surrounding area.**
- c) **Lots that can be redeveloped for homeownership.**
- d) **Redevelopment opportunities that will be marketed to first time homebuyers, seniors or households with incomes of less than 80% of MMI.**
- e) **Development designs that fit the neighborhood and are consistent with existing neighborhood approved redevelopment plans.**
- f) **Acquisition of lots that can result in development of ownership housing units that are affordable at 50% of Metropolitan Median Income in non-impacted areas.**
- g) **Projects that are designed to maintain unit and dwelling affordability for at least 15 years.**

**10. Program Restrictions:**

- a) **CPED funds will be provided as a match only for new lots acquired by the mutual consent of the parties to this agreement.**
- b) **Real property with buildings or improvements will only be acquired if the acquisition will eliminate blight or remove buildings or improvements that have been identified by the City as substandard or nonconforming uses.**
- c) **Any property acquired must have a title insurance commitment.**
- d) **Marketing will occur only after all of the site clearance activities in Section 4, subsection h above are completed.**
- e) **Construction of the dwelling must be initiated within 6 months of the lot sale closing and completed within 15 months thereafter.**
- f) **Occupancy of the completed dwelling must occur within 18 months of the lot sale closing.**
- g) **The CPED match for neighborhood funds (for all properties acquired) will be limited to a maximum of \$250,000 in any one neighborhood. Neighborhoods may commit other NRP dollars from their Phase I or Phase II allocations or from other sources for Site Redevelopment projects but they will not be matched by CPED resources for the Lot Redevelopment Program.**

**11. Lot Acquisition Payments: NRP reserves the right to withhold disbursements of NRP monies in this fund when CPED's provision of services has not been documented to NRP's reasonable satisfaction or the services in Section 4 above have not been provided in a**

**manner that is acceptable to the Neighborhood in which the acquisition is to occur. NRP will not withhold any disbursement on or after the date a Development Agreement approved by the Neighborhood has been entered into by the City and a developer. NRP monies from this fund will be paid to CPED at the closing.**

**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.
2. **Preference:** Applicant eligibility for MHFA and private financing will be assessed during the application assessment process for Funds 1-5. Applicants who do not qualify for loans or financial support from sources other than NRP will be given preference.
3. **Work by Owner:** Work can be performed by the owner on a “sweat equity” basis only if prior approval has been received from the Fund Administrator. 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 and invoices and an inspection by the Fund Administrator will be required before payments are processed.

Owners receiving a loan from Fund 3 (Emergency Repairs) cannot perform the work needed and applied for from that Fund.

4. **Contractor Licenses/Work 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 \$7,500 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. **Marketing:** The Fund Administrator will provide marketing materials for each of their funds, with the advice and approval of NRP. The time and materials cost for these products will be paid from the program income of the fund for which the materials are developed.
8. **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) non-permanent appliances
- d) debt service of any kind
- e) bank charges or loan origination fees
- f) refinancing of existing debts
- g) work completed and materials purchased prior to the loan closing.

Project eligibility questions will be referred to the Fund Administrator, Improvement Review Committee, and, if questions remain, to the Director of NRP.

9. **Underwriting Considerations:** Property owners must be current on all mortgage payments, real estate property taxes, water bills and trash collection payments. Applicants should have sufficient credit history to satisfy the lenders underwriting considerations. The Fund Administrator may deny loans based on credit reports, income verification or past payment history. Applicants rejected for credit history issues may correct those issues and reapply for participation but no earlier than 18 months after the date of their rejection.
10. **Loan Security:** All loans that use NRP funds will be secured with a mortgage in favor of the City of Minneapolis.
11. **Work Completion:** Completion limits for accomplishing funded work vary among the different fund pools. All work, however, must be completed within 270 days of loan closing. Loan recipients may apply for an extension if the work is partially completed. The Fund Administrator will review the request and determine if an extension is appropriate. Their decision will be final.
12. **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.
13. **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 the City of Minneapolis for crediting to NRP and the neighborhood that provided the funds being invested" 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.
14. **Fund Sales:** NRP reserves the right to request a sale of all or a portion of the loan portfolios in any of these funds to the secondary market. The Fund Administrator and the City will be consulted if such a sale is proposed.
15. **Administrative Costs:** NRP and the selected Fund Administrator(s), with guidance from CPED and other resources, will determine a mutually agreed upon portion of

the investment fund that will be set aside for the administrative costs, including collection, for the funds. Servicing fees, unless otherwise indicated in the guidelines for a specific program, will be paid from revolved loans and their interest payments.

16. **Applications:** Applicants must provide all of the information requested in the application package for their fund. The package will include: any forms needed to process consideration for an MHFA loan, 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.
17. **Subordination of Loans:** Loan subordinations will be allowed, in accordance with the existing policy of the City. Any changes in this policy and its application to NRP funded loan agreements will require the prior approval of NRP.
18. **Licensure of Multi Unit Properties:** Regardless of its ownership status, a multi-family dwelling must have and maintain a current rental license with the City of Minneapolis to be eligible for a loan from any of these funds. Any outstanding license or inspection issues must be resolved prior to receiving funds, unless the specific fund allows the loan to be used to resolve an outstanding inspection issue.
19. **Disbursement Process:** Payments to contractors (or owners in Fund Administrator approved "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
20. **Signage:** Borrowers will display a window sign provided by the Fund Administrator indicating that the work being conducted is being financed by NRP, its financial partner (if appropriate) 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.
21. **Number and Dollar amount of Loans:** Households and properties can only receive one loan at any one time, with the exception of loans approved from Fund 3 or loan packages that combine Funds 4 and 5. Funds 4 and 5 focus on different areas of a purchase transaction and may both be necessary to make a deal work. Applicants requesting assistance from the Emergency Loan Fund are allowed to have one loan from Funds 1 or 4 outstanding as long as they are current on their payments and

have complied with the terms of that loan. Except for these exceptions, 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.

The total dollar amount received by any household for all of its outstanding NRP loans shall not exceed \$60,000.

**Program Guidelines**  
**That Apply to**  
**All Funds**

1. **Program Income:** All income (principle and interest) that is received from loans, projects, penalties, reserves, fund balances and any other sources that was generated from an NRP housing fund shall be held in trust for the City of Minneapolis and the NRP for the neighborhood providing the initial funds for the activity by the Fund Administrator. Neighborhood accounts maintained by Fund Administrators will show the amount of investment and the revenues received for each loan or investment individually and by neighborhood for each neighborhood investing in that fund.
2. **Appeals:** Each Fund Administrator will develop, with NRP and neighborhood representatives investing in that fund, an appeals process to review rejected applicants. Neighborhoods will be offered the opportunity to participate in the appeals process.
3. **Establishing Fees:** NRP will, with the support and technical assistance of MHFA, CPED and DFD, negotiate with selected Fund Administrators the type and amounts of any fees that will be collected from the fund or individual transactions. Every effort will be made to minimize the number and amount of these fees for the level of service being requested.
4. **Fund Administrators:** All Fund Administrators will be selected through an RFP process (with the exception of Funds 7 and 8). Possible vendors to be solicited will be sought from neighborhoods, MHFA, CPED, DFD, LISC, Hennepin County and others. Responses to the RFP will be reviewed by a team established by the Director of NRP. Neighborhood and City representatives will be included on this team and the team will make its recommendations to the Director of NRP.

Responders may, if qualified, apply to be the Fund Administrator of up to 5 Funds. If appropriate, more than one respondent may be offered the opportunity to be a Fund Administrator but if more than one Fund Administrator is designated each of the selected organizations will service a unique geographic area. The Director of NRP will make recommendations to the Policy Board on the organizations to be given Fund Administration contracts.

5. **Fund Administration Contracts:** Each Fund Administrator will execute a contract with the City, acting on behalf of NRP, for the delivery of the services required under the fund that they have been awarded. For Funds 7 and 8, NRP will execute a Memorandum of Understanding with CPED for the administration and operation of these funds. Contract terms will be established by NRP, the selected administrator and a representative from the City.
6. **Education and Marketing:** After the Fund Administrators have been selected and contracts or Memorandums of Understanding have been signed NRP will conduct at least one informational and educational seminar on the funds for all neighborhoods. Fund Administrators will be responsible for the marketing of their funds to individual neighborhoods.



7. **Participation By Neighborhoods:** Investment by neighborhoods in these housing funds is strictly voluntary. Neighborhoods may: 1) invest a specific amount in a single fund (eg. \$100,000 in Fund 1); 2) invest specified amounts in different funds (eg. \$50,000 in Fund 1 and \$50,000 in Fund 2); or 3) invest a specified amount in a group of funds (eg. \$100,000 for applicants qualifying in Funds 1,2 or 4). The neighborhood investment must remain with the specific fund or group of funds initially selected for at least one year. After that time, the neighborhood would have the opportunity to change the amount invested in their choices, redirect funds to another housing fund or group of funds, or withdraw part or all of their investment (subject to the contractual obligations for already processed loans, etc.).
8. **Allocating Resources to the Housing Funds:** Resources from Phase I and Phase II may be invested in the housing funds. NRP staff will assist the neighborhood will determining how best to accomplish their investment objective and help process any needed actions.
9. **Geographic Use:** Neighborhoods may designate their contributions to these funds for use anywhere in the City of Minneapolis, in certain neighborhoods that they specify or only for properties within the geographic boundaries of their own neighborhood. Neighborhoods may solicit funds from other neighborhoods to assist with addressing their housing needs.
10. **Reporting:** Neighborhoods will receive reports quarterly from the Fund Administrators for the funds in which they have invested. The reports will show, at a minimum, the amounts invested and the results to that time. NRP will work with the neighborhoods and the Fund Administrators to ensure that these reports contain information that will be useful and is received in a timely manner.
11. **Evaluation:** A review of the costs and effectiveness of the housing fund approach to assisting neighborhoods with their housing investments will be conducted 18 and 36 months after the date on which all of the Fund Administration contracts have been executed. Neighborhoods will participate in the selection of the evaluation criteria and be critical contributors to the evaluations. The Director of NRP shall have the authority to recommend elimination of non-performing funds or changes in Fund Administrators at any time.