



## Renville County HRA/EDA Rental Rehab Program

Approved January 26, 2023

### Program Criteria

#### Eligible Uses

Rehabilitation of single and multi-family rental homes located in Renville County.

#### Maximum Assistance

Assistance will not exceed \$25,000 per unit with a maximum of \$50,000 per complex. Borrowers (landlord/property owner) must supply at least a 50% match of total project costs with borrowed, gifted, or personal funds.

#### Repayment

- Loans carry 0% interest.
- Loans for rehabilitation will be repayable in equal monthly installments over a period of five years.
- Loan repayments may be deferred for three months from the date of the approval letter.
- Loans will be due and payable in full when the borrower refinances, sells the home, or the property is no longer a residential rental property.
- Loans made under the Rental Rehab Program are not assumable.

#### Eligible Properties

Properties eligible for Rental Rehab funding must be located in Renville County, be the applicant's rental income property, and be used exclusively for residential rental purposes.

- Property must be renter occupied for the life of the loan.
- Property cannot be renter occupied by immediate family. (*Children, step-children, spouse, parent, grandparent*).
- Properties may not be under a contract for deed.
- Mobile homes shall not be eligible for Rental Rehab funds.
- No funds will be disbursed for the rehabilitation of a property on which property taxes are delinquent and unpaid.
- No funds will be disbursed for the rehabilitation of a property which is in default of a mortgage, contract for deed or comparable obligation or if the owner is currently engaged in bankruptcy proceedings.
- A property is eligible if it is owned by a private entrepreneur or housing co-operative.
- Rural Development and HUD properties are not eligible for this program.

## **Order of Funding**

Applicants shall complete the Rental Rehab Program Application and submit it, along with other required documentation, to the office of the Renville County HRA/EDA at 200 South Mill Street, PO Box 481, Redwood Falls, MN 56283. Applications shall be logged in the order received and qualifying applications funded in the order received until funds are fully utilized. Applicants shall be given written notice as to whether their application has been approved or denied.

## **Eligible Improvements**

Improvements must be physically attached to the property and must be permanent in nature. The following types of improvements are eligible:

- Improvements to and replacement of roofs, floors, exterior walls, interior walls, stairs, sidewalks, foundations, windows, doors and other basic housing features.
- Functional improvements to and the replacement of electrical systems, plumbing and plumbing fixtures, heating units, individual sewage treatment systems, etc.
- Improvements that address energy consumption and security.
- Structural additions.

### ***The following improvements and costs are ineligible:***

- Fireplaces or wood stoves.
- Decks, patios, or landscaping beyond that required in connection with foundation or basement work.
- Appliances or other improvements not permanently installed or attached to the structure.
- Improvements that are done prior to the approval of the loan from the Rental Rehab Program.
- Refinancing of existing indebtedness.
- Payment for labor of borrower.

## **Time of performance**

Applicants approved for rehabilitation funding will have six months from the date of approval letter to complete improvements.

## **Property Inspection**

After it has been determined that an application meets the financial qualifications and that funds are available, HRA/EDA staff may perform a physical inspection of the property to determine that it will meet program criterion E(3) regarding building condition. The property must meet applicable building code requirements upon completion of the improvements. The HRA/EDA may require a copy of the applicants building permit. Final project receipts will be turned into HRA/EDA staff at the conclusion of rehabilitation projects to verify that work has been completed.

## **Program Administration**

### **Administrative Responsibility**

The Rental Rehab Program shall be administered by the staff of the Renville County HRA/EDA under the direction of its Board of Directors. Applications shall be processed and approved by HRA/EDA staff. HRA/EDA staff shall have the authority to sign loan documents. Staff shall provide a monthly report to the HRA/EDA Board regarding funding commitments and expenditures under the Rental Rehab Program.

Loan repayments will be used to establish a revolving loan fund, which will be used in accordance with the guidelines for the Rental Rehab Program. The HRA/EDA will pay for the filing fees at the time the loan is made and for the satisfaction of the loan.

The HRAEDA will account for the assets and expenditures of the Rental Rehab Program by establishing a separate group of accounts in the EDA fund. Staff will establish a loan register to record the name of the borrower, the amount of the loan, the date approved, the terms of the loan, payments and current balances.

### **Application Process**

Applicants shall complete the Rental Rehab Program application. Applications will be accepted in person or by mail at the HRA office at 200 South Mill Street, PO Box 481, Redwood Falls, MN 56283. The application shall request information on the property, rental history of the property and the source of matching funds and other financing necessary to complete the proposed rehabilitation project. The form shall further provide a Notice to Applicant regarding data privacy, misrepresentation, lead-based paint warnings, and inspection considerations.

Eligible applications shall be processed and funded on a first-come, first-served basis. All applicants shall be notified in writing as to the approval or rejection of their application.

Applicants must sign a mortgage agreement prior to the beginning of rehabilitation or during the closing on the purchase of the property for which the loan is being made.

### **Rental Property Verification**

Copies of Certificates of Rent Paid (or equivalent of) on the property shall be submitted annually for the life of the loan to the HRA/EDA by February 15th of each year, beginning after the rehabilitation project is complete.

### **Verification of Matching Funds**

Rental Rehab Program loans are provided on a matching 50% basis. As part of the application process, staff will verify the source of matching funds.

### **Contracting and Construction**

Borrowers are responsible for obtaining bids for all construction labor and materials involved in the project prior to beginning rehabilitation to ensure that sufficient funds are available to complete the project. Copies of the bids shall be provided by the borrower to the HRA/EDA. The contract shall be between the borrower and the contractor. The HRA/EDA is not a party to the construction contract. Payment of local building permit fees and any inspection fees will be the responsibility of the borrower.

### **Disbursement**

HRA/EDA staff shall have the flexibility to disburse funds under the program in such a way as to meet the requirements of lending institutions involved. In general, if the borrower is securing matching funds from another lending institution, Rental Rehab Program funds shall be deposited into the loan account at the bank or credit union and disbursed by that institution. If the borrower is providing his/her own cash as matching funds, Rental Rehab Program funds will be disbursed upon receipt of proof of disbursement of matching funds by the borrower to contractors or material suppliers and receipt of invoices from contractors or materials suppliers in the amount of

the disbursement from the Rental Rehab Program. Checks will be issued jointly to the property owner and the contractor or material supplier.

### **Mortgages and Repayment Agreements**

A mortgage and repayment agreement shall be filed by HRA/EDA staff following disbursement of each loan. Loan terms will be for 5 years at 0% interest with monthly repayments equal to the loan amount divided by 60 months. There is no penalty for prepayment on the loan or to pay it off early.

### **Fair Housing and Equal Opportunity**

It is the policy of the Renville County HRA/EDA to comply fully with all Federal, State and local nondiscrimination laws and with the rules and regulations governing Fair Housing and Equal Opportunity in housing and employment. The HRA/EDA shall not deny any family or individual the equal opportunity to apply for or receive assistance under the Rental Rehab Program on the basis of race, color, sex, religion, creed, national or ethnic origin, age, familial or marital status, handicap or disability or sexual orientation.

### **Data Privacy**

Information on program applicants including, but not limited to, names, financial statements, income calculations and asset information is private data that must be administered in accordance with the Minnesota Government Data Practices Act. Applicants shall be provided with proper written notice as specified under the Act. Solely for the purpose of the administration of the program, information may be made available to the members of the Renville County HRA/EDA Board and its staff.

### **Conflict of Interest**

No member of the HRA/EDA Board or staff is eligible to participate in the Rental Rehab Program. No employee, officer or agent of the HRA/EDA shall participate directly or indirectly in the selection or in the award or administration of any loan if a conflict, real or apparent, would be involved. Such conflict would arise when a financial or other interest in a firm or individual benefiting from a loan or a contract under the program is held by an employee, officer or agent involved in making the award; a member of his/her immediate family; his/her partner; or an organization which employs, is negotiating to employ, or has an arrangement concerning prospective employment of any of the above. HRA/EDA officers, employees, or agents shall not solicit or accept gratuities, favors, or anything of monetary value from borrowers or contractors, or potential borrowers or contractors, participating in the Rental Rehab Program and shall not knowingly use confidential information for actual or anticipated personal gain. Borrowers or contractors shall not retain a person to solicit or secure an HRA/EDA loan or contract for a commission, percentage, brokerage, or contingent fee, except for bona fide employees or bona fide established commercial selling agencies.