



**ECONOMIC DEVELOPMENT AUTHORITY MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
MARCH 19, 2018
7:15 PM (IMMEDIATELY FOLLOWING THE HRA MEETING)**

Call to Order

Approval of the minutes of the regular Economic Development Authority meeting of January 16, 2018.

AGENDA APPROVAL

1. Approval of the Agenda

OTHER BUSINESS

2. Consideration of the approval of program guidelines for the Apartment Remodeling Program.
Staff Report No. 4

EDA DISCUSSION ITEMS

3. EDA Discussion Items

EXECUTIVE DIRECTOR REPORT

4. Executive Director's Report

CLAIMS AND PAYROLLS

5. Claims and Payrolls
6. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



ECONOMIC DEVELOPMENT AUTHORITY MEETING MINUTES

Richfield, Minnesota

Regular Meeting

January 16, 2018

CALL TO ORDER

The meeting was called to order by President Supple at 7:15 p.m.

HRA Members Mary Supple, Chair; Pat Elliott; Michael Howard; Sue Sandahl and Erin Vrieze Daniels.

Staff Present: Steve Devich, Executive Director, Julie Urban, Housing Manager and Kate Aitchison, Housing Specialist.

CONSIDERATION OF THE ELECTION OF OFFICERS FOR THE RICHFIELD ECONOMIC DEVELOPMENT AUTHORITY (SR No.1)

President Supple opened nominations.

Commissioner Elliott moved that all elections from the Housing and Redevelopment Authority stand for the Economic Development Authority (Mary Supple as President, Pat Elliott as Vice President, and Erin Vrieze Daniels as Secretary).

M/Elliott, S/Vrieze Daniels, to move all elections for the 2018 Richfield Housing and Redevelopment Authority to be the same for the 2018 Richfield Economic Development Authority.

Motion carried 5-0.

APPROVAL OF THE MINUTES OF THE REGULAR EDA MEETING OF NOVEMBER 20, 2017

M/Howard, S/Vrieze Daniels to approve the minutes of the November 20, 2017 Economic Development Authority regular meeting.

Motion carried 5-0.

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| Item #1 | EDA APPROVAL OF THE AGENDA |
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M/Sandahl, S/Vrieze Daniels, to approve the agenda.

Motion carried 5-0.

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| Item #2 | CONSIDERATION OF THE CONSENT CALENDAR |
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Executive Director Devich Presented the Consent Calendar

- A. Consideration of the approval of resolutions designating official depositories for the Economic Development Authority for 2018, including the approval of collateral. (SR No. 2)
- B. Consideration of the approval of designating the Community Development Director as the Acting Executive Director of the EDA for 2018 in the event the Executive Director is absent from the City (SR No. 3).

M/Elliot, S/Vrieze Daniels, to approve the consent calendar.

Motion carried 5-0.

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| Item #2 | EDA DISCUSSION ITEMS |
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Commissioner Howard reported that due to the EDA's funding of the Kids @ Home program, additional funds are available. Families can apply to be part of the program through January 26, 2018. There is room for seven additional households.

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| Item #5 | EXECUTIVE DIRECTOR REPORT |
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Executive Director Devich stated that he has nothing to report.

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| ADJOURNMENT |
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The meeting was adjourned by unanimous consent at 7:20 p.m.

Date Approved: February 20, 2018

Mary B. Supple
EDA President

Kate Aitchison
Housing Specialist

Steven L. Devich
Executive Director



STAFF REPORT NO. 4
ECONOMIC DEVELOPMENT AUTHORITY
MEETING
3/19/2018

REPORT PREPARED BY: Julie Urban, Housing Manager

DEPARTMENT DIRECTOR REVIEW: John Stark, Community Development Director
3/12/2018

OTHER DEPARTMENT REVIEW: N/A

CITY MANAGER REVIEW: Steven L. Devich, City Manager
3/14/2018

ITEM FOR COUNCIL CONSIDERATION:

Consideration of the approval of program guidelines for the Apartment Remodeling Program.

EXECUTIVE SUMMARY:

The Economic Development Authority (EDA) has an interest in maintaining and improving the City's apartment housing stock. To that end, the EDA authorized funding for a Richfield Apartment Remodeling Program (ARP) in the 2018 EDA Budget. The EDA is being asked to adopt program guidelines to govern the use of the funds.

The proposed program guidelines include the following components:

- Eligible properties are those licensed apartments with four or more units and that are more than 30 years old.
- Loans are limited to \$50,000 per building and \$5,000 per unit.
- Loans are in the form of 0% interest, deferred loans with a 15-year term.
- 1:1 matching funds are required.
- Priority would be given to properties that qualify as Naturally Occurring Affordable Housing (i.e., rents affordable at 60% of the Area Median Income) and that do not displace tenants.
- Loan recipients are prohibited from discriminating against Section 8 voucher holders.
- In the event of a sale of the property, Borrower's are required to provide the City with 90 days' written notice, prior to closing on the sale of a property.

RECOMMENDED ACTION:

By motion: Adopt program guidelines for the Apartment Remodeling Program and authorize staff to prepare loan documents in consultation with the EDA Attorney.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

- There are just under 5,000 rental apartments in the City. Built primarily in the 1960s, the City's apartments are aging and in ongoing need of maintenance and improvements.
- The Housing and Redevelopment Authority (HRA) has operated an apartment remodeling program in the past utilizing funds from the Metropolitan Council and Minnesota Housing; however, the funding ran out in 2010.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- It is the City's policy to support the rehabilitation and upgrading of the existing housing stock.

C. CRITICAL TIMING ISSUES:

- Approving guidelines at this time will help projects to be completed and funds to be expended before the end of the budget year.

D. FINANCIAL IMPACT:

- \$100,000 is available for the program for 2018.

E. LEGAL CONSIDERATION:

- The EDA Attorney has reviewed the program guidelines and will prepare loan documents.

ALTERNATIVE RECOMMENDATION(S):

1. Approve the guidelines for the Apartment Rehabilitation Program with modifications.
2. Decide not to approve the guidelines for the Apartment Rehabilitation Program.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

| Description | Type |
|---|---------|
| □ Draft Apartment Remodeling Program Guidelines | Exhibit |

Richfield Economic Development Authority Apartment Remodeling Program Procedural Guidelines

Statement of Purpose

The Richfield Apartment Remodeling Program (ARP) was established by the Richfield Economic Development Authority (EDA) to encourage investment in the City's apartment buildings and improve the City's rental housing stock. The purpose of ARP is to provide financial incentives to owners of residential apartment property to make physical improvements to their properties.

NOTE: Procedural Guidelines are a tool for guiding program administration. Procedural Guidelines do not constitute a contractual agreement or liability on the part of the City or the Economic Development Authority (EDA).

Program Objectives

- To maintain and improve Richfield's rental housing stock.
- To offset costs associated with deferred maintenance and updates associated with rental housing.
- To incentivize owners to invest private resources into apartment buildings.
- To preserve naturally-occurring affordable rental housing.
- To stabilize and improve neighborhoods.

Criteria for Eligibility

1. Residential rental property with four or more units.
2. Only one Loan will be provided per eligible property.
3. The building(s) to be improved must be at least 30 years old.
4. The Property must be located within the City of Richfield municipal boundaries.
5. The Applicant must have a current rental housing license for the Property and be in compliance with applicable city codes and ordinances.
6. The combined loan-to-value ratio of all loans secured by the property must not exceed 110% of the property value.
7. The Applicant must be current on mortgage/contract for deed payments and property taxes.

Terms and Conditions of the ARP Loan

1. Funds will be awarded in the form of a fifteen-year, zero-interest, forgivable Loan.
2. If a Borrower sells or transfers title of the property before the maturity date, the Borrower will be responsible for repaying the Loan in full.
3. If a Borrower retains ownership and continues to rent the Property for the full length of the loan term, the lien will be forgiven fifteen years from the date of the loan.
4. Minimum loan amount = \$5,000
Maximum loan amount per building = \$50,000

Maximum amount per unit = \$5,000

The EDA Board may consider requests for loan amounts more than the maximum.

5. Loan funds must be matched on a 1:1 basis by other funds.
6. Funding is available on a limited basis. The EDA is not responsible for unavailability of Loan funds to Applicants.
7. Funding an application is at the EDA's discretion.

Application Procedure

The Applicant must:

1. Complete the Application Form (Exhibit A).
2. Submit completed Application Form and all required documentation, including a rehabilitation plan, at least one bid(s), and digital photos. The EDA reserves the right to require a second bid.
3. Submit the \$300 application fee.

The EDA will:

1. Review applications for completeness and compliance with ARP Guidelines.
2. Review and award Applications on a first-come, first-served basis, based on the date of receipt and completeness of the application, as determined by the EDA. Priority may be given to buildings that qualify as Naturally Occurring Affordable Housing (NOAH) and to projects that don't displace current tenants.
3. If the Application is determined to be eligible and funds are available, will provide a Loan commitment letter to the Applicant.

Loan Process

1. Upon receipt of a Commitment letter, the Borrower has 30 days to close on the loan.
2. A lien will be placed against the Property by the EDA for the full Loan amount through a Mortgage (Exhibits B and C). The Borrower will provide the EDA with an executed mortgage in recordable form. The Loan recipient must also provide to the EDA an executed Loan Agreement, Errors and Omissions Acknowledgement Agreement, and Certificate and Request for Notice: Foreclosure. (See examples in Exhibits B, C, D, and E.) The Borrower will pay the cost of recording the mortgage.
3. Work must be completed and funds requested within 180 days of the Loan closing date.
4. Loan funds will be paid upon completion of the work. The following items must be received prior to final disbursement of funds:
 - 1) final invoice from contractor;
 - 2) lien waivers for the full amount of the payment, and
 - 3) a Completion Certificate signed by the city inspector, the Borrower, and Contractor (Exhibit E).
5. If at any time during the life of the ARP Loan an Event of Default occurs or the Loan matures prior to the original fifteen year term, the Loan will be required to be repaid in full.
6. A satisfaction of Mortgage (Exhibit G) in recordable form will be provided upon receipt of repayment of the Loan or at the end of the repayment period. The ARP Loan may also be paid in full at any time.

Eligible/Ineligible Improvements

1. Value-added improvements, such as remodeling kitchens and/or bathrooms.
2. Maintenance and repair, such as roof replacement, window/door replacement, or electrical updates.
3. Furnaces, water heaters, and central air conditioning.
4. Cosmetic improvements, such as painting or flooring replacement/repair.
5. Improvements to common areas, as approved by EDA staff.
6. Energy-efficient-related improvements, such as insulation, caulking, or air sealing.
7. Permanent landscaping, as determined by EDA staff.
8. Swimming pools, hot tubs, and appliances (except for built-in appliances) are **not** eligible for loan funds.
9. Improvements begun prior to the day of closing are **not** eligible for loan funds.

Contractors/Permits

1. All work must be performed by a licensed Contractor(s), when required by city/state ordinance.
2. All proper permits must be obtained per city code.
3. During the rehabilitation process, required inspections must be arranged by the Applicant or Contractor. Additional inspections may be requested by EDA staff.
4. Work can be performed on a “sweat equity” basis; however, loan funds cannot be used to compensate for labor, only for materials. The owner must clearly demonstrate the ability to complete the work in a quality manner and within the program time requirement. The EDA reserves the right to deny a loan if it determines that this requirement is not likely to be met. When required by city ordinance, a building permit must be obtained by the Borrower.

General Conditions

1. Borrowers shall not discriminate against holders of Section 8 vouchers or other forms of rent assistance.
2. In the event of a sale of the property, Borrowers shall provide the EDA with 90 days’ written notice, prior to closing on the sale of the property.

General Program Marketing

Program marketing is entirely at the discretion of the EDA. It may include the following:

- Promotional Articles
- Direct Mail or Email contact
- Website announcements

Data Privacy

The EDA is subject to Minnesota Statutes Chapter 13 (the “Minnesota Government Data Practices Act”). Under the Minnesota Government Data Practices Act, the names and addresses of applicants for or recipients of assistance under this program and the amount of assistance

received under this program are public data. All other financial information submitted to the HRA for purposes of the program application is considered private data.

Hold Harmless

Applicants shall indemnify and hold harmless the EDA and the City, their officers, agents, and employees from and against all claims, loss, damage, cost, and expense alleged to have resulted from any remodeling or rehabilitation work completed with the funds provided under ARP.

No EDA officer authorized to take part in administering the ARP Loan Program, in his or her official capacity, shall have a personal financial interest or benefit financially from the Loan. No member, official, or employee of the EDA shall be personally liable to the Buyer, or any successor in interest, for any act or omission of the EDA or for any amount which may become due to the Applicant or successor or on any EDA obligations.

Definitions

Applicant—Person or persons who apply for ARP funding.

ARP Loan or Loan—Interest-free loan offered by the EDA for rehabilitating a Property. The maximum loan amount is \$50,000 and \$5,000 per unit. The Loan is payable upon sale of the Property or forgiven after 15 years.

Borrower – The person receiving the loan.

City — The City of Richfield.

Combined Loan-to-Value Ratio (CLTV) – The sum of all debt owed against a property divided by the total value of the property.

Contractor – A professional, appropriately licensed by the Minnesota Department of Labor, hired by the Applicant to complete all or a portion of the Improvements.

Economic Development Authority (EDA) – The Richfield Economic Development Authority.

Deferred Loan – Payment of the loan is deferred until such time as the loan matures. The loan requires no payments or interest as long as the terms of the Note and Mortgage are being met.

Event of Default – A default under a Mortgage or Loan Agreement executed by the Buyer for purposes of an ARP Loan.

Improvements — Each and all of the remodeling or rehabilitation to be constructed on the Property by the Applicant, as specified in the Rehabilitation Plans approved by the EDA.

Loan Agreement – A contract between a Borrower and the EDA that regulates the mutual promises made by each party.

Mortgage and Holder — The Mortgage shall include financing creating an encumbrance or lien upon the Property or any part thereof, as security for a loan. The Holder includes any insurer or guarantor (other than the Buyer) of any obligation or condition secured by such mortgage or deed of trust.

Naturally Occurring Affordable Housing (NOAH) - Residential rental properties that maintain affordable rents without public subsidies. Properties charge rents that are affordable to a household earning less than 60 percent of the Area Median Income (AMI), as published annually by the Department of Housing and Urban Development.

Property – The rental property identified in the ARP application.

Rehabilitation Plans — Collectively, the plans, drawings, and documents related to the Improvements.

Rental Property — A property from which the owner receives payment from an occupant(s) in return for occupying the property for at least 12 months prior to applying for an ARP Loan.

Sweat Equity – Improvements made to a property by the property's owner.

DRAFT