

# **TRANSFORMATION HOMES**

## **PROGRAM GUIDELINES FOR STAFF ADMINISTRATION**

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# TRANSFORMATION HOMES PROGRAM GUIDELINES

The Transformation Homes Program Guidelines have been developed as a tool for guiding program administration. This document should not be interpreted as constituting any contractual agreement or liability by the City or EDA.

## **Statement of Purpose**

To help improve and maintain an aging housing stock by providing financial and technical assistance to homeowners so they may make home improvements and undertake expansions to accommodate their housing needs.

## **Program Objectives**

- To provide an incentive to homeowners or home buyers for initiating major remodeling on their homes to meet their housing needs.
- To increase the function and livability of small or outdated Richfield homes.
- To increase the range of housing options available to individuals and families who want to live or remain in Richfield.

## **Definitions**

### **Accessory Dwelling Unit:**

A dwelling unit that is located on the same lot as a principal residential structure to which it is accessory, and that is subordinate in area to the principal dwelling. These may be attached to either the primary home or the garage, but cannot be freestanding and must meet all applicable zoning code requirements.

### **Accessibility related improvements:**

Improvements designed to allow for aging in place and/or to accommodate those with limited mobility.

### **Application Period:**

The set time period during which applications are accepted and reviewed.

### **Architectural Consultant:**

Individual architect or architecture firm that participates in the HRA's Architectural Home Consultation program. Architects conduct an in-home meeting with the homeowners to discuss design of home remodeling projects.

### **City:**

The City of Richfield.

### **Duplex:**

A residential building used for occupancy by two (2) families living independently of each other, where both units are situated on the same parcel of land. At least one unit must be owner-occupied in order to be eligible for the Richfield Rediscovered program.

**EDA:**

Economic Development Authority in and for the City of Richfield

**HRA:**

Housing and Redevelopment Authority in and for the City of Richfield.

**Homebuyer:**

Loan applicant who is in the process of purchasing, remodeling and occupying a Richfield home.

**Homeowner:**

Loan applicant who owns and occupies or purchases and occupies the home to be remodeled.

**Lender:**

The primary lender working cooperatively with the EDA on home remodeling programs.

**Loan:**

Interest free loan offered by the EDA for remodeling payable upon sale of the house or forgiven after 30 years.

**Remodeler:**

A licensed builder or Remodeler who meets the criteria established by the EDA, including all state and local license requirements.

**Remodeling Advisor:**

Individual contracted with the HRA who meets with the homeowner to discuss ideas, estimate costs and answer questions.

**Energy Efficiency Improvements**

Home improvements that increase energy efficiency and reduce negative impacts on the environment. An energy audit must be completed and the results used to guide improvements.

**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 EDA for purposes of the loan application is considered private data.

## **Criteria for Program Eligibility**

In order for a project to be eligible for a Transformation Homes Loan, certain conditions must be met.

1. Project costs for remodeling improvements must be \$50,000 or more. The Transformation Loan will be calculated at 15% of the project cost as determined by the EDA, not to exceed \$25,000. Projects that include energy efficiency improvements or accessibility improvements totaling at least \$10,000 will be eligible for additional funding up to \$2,500. Energy efficiency improvements must include items from multiple categories such as materials, heating and cooling, appliances, electrical systems, and weatherization; subject to approval by the Housing Specialists. Calculations of project costs must account for any additional subsidies or financial assistance already received or anticipated. For ADU or duplex projects, loan amount will be calculated at 20% of the eligible project costs, not to exceed \$30,000.
2. The Homeowner shall provide a copy of the estimate and project specifications from the selected Remodeler for the work to be done. The Homeowner shall also submit house plans, a site plan, and any other reasonable information requested.
3. The Remodeler selected by the Homeowner shall be evaluated by the EDA to meet all remodeling criteria.
4. On a case by case basis, EDA staff may visit the applicant's property and prepare an action plan to ensure viability of the project.
5. No work may have commenced on the proposed project if application is being made under the Transformation Homes Program. Nor may any completed work be considered.

## **Conditions of the Loan**

1. An applicant's project cost must be a minimum of \$50,000. All aspects of the project must be completed within a reasonable period of time such that all the work may be considered part of one project.
2. Sweat equity may be allowed. The estimated loan amount would be the combination of contractor and materials cost, but cannot include the value of homeowner labor. Sweat equity projects must be completed within one year.
3. For applicants obtaining mortgage financing, the full EDA Loan amount may be placed in an escrow account, if required by the Lender. The escrow account will be drawn upon in prorated increments, simultaneously as funds are drawn upon from the primary Loan to make payments to the Remodeler. Payment will be disbursed at the discretion of the Lender, upon satisfactory EDA verification of work in progress. Before the Loan payment can be provided to the Lender, the Homeowner must sign the Promissory Note, an example of which is attached as Exhibit B.

4. In cases where an escrow account is not used, the primary Lender may require a simultaneous closing with the EDA Loan at the time permanent financing is secured. In these cases, the EDA may commit funds and authorize a project to begin prior to closing on the Loan. No funds will be disbursed until closing has taken place.
5. In those situations where the Homeowner is not utilizing the services of a Lender, partial and/or final loan payments may be issued to the homeowner at or near the end of the project. Payments will be made upon EDA approval of homeowner submitted documentation which will include a detailed list of expenditures, supplier and contractor invoices or receipts, and lien waivers.
6. Before final payment is issued (by Lender or EDA), inspections will be required by both EDA staff and the City Building Inspector. Upon satisfactory verification of work in progress, or upon completion, payments will be disbursed at the discretion of the lender or the HRA.
7. Copies of lien waivers or supplier/contractor invoices for the full amount of the payment must be provided at the time of final disbursement.
8. Loan funds are available on a limited basis. The EDA is not responsible for the unavailability of Loan funds to Homeowner.
9. No interest will accrue on the Loan; no monthly payments are required.
10. Payment of the Loan must be made in full within 30 days upon the sale, conveyance, assignment, lease or transfer of the property. A Satisfaction of Mortgage in recordable form will be provided upon receipt of payment. The Loan may also be paid in full at any time.
11. If the Homeowner still owns and occupies the property, the lien created by the Loan will be forgiven 30 years from the loan date listed on the Promissory Note and recorded Mortgage.
12. The Loan is a lien against the property. If at any time during the term of the loan, the EDA is asked to subordinate its position, the HRA subordination policy in effect at the time of the subordination request will apply. Please consult the Richfield HRA Subordination and Satisfaction Policy, available at <http://www.richfieldmn.gov/subordination> or by calling 612/861-9778.
13. Only one Loan is available to a Homeowner at any given property location. A Homeowner may apply for one additional Loan at a different property location no sooner than seven years following the original Loan.

### **Eligible Improvements**

Eligible improvements include:

- a.) Value-added improvements, such as: additions, finished basements, kitchen and bathroom remodels;

- b.) Maintenance and repair, such as roof replacement, electrical or plumbing improvements, or cosmetic updating such as painting or wall-to-wall carpeting, when done in conjunction with value-added improvements;
- c.) Energy efficiency and accessibility related upgrades; when done in conjunction with value added improvements;
- d.) Accessory Dwelling Units;
- e.) Conversion of a single family home to an owner-occupied duplex; and
- f.) Any other improvements as determined by the EDA.

Non-eligible improvements include:

- a.) Swimming pools, hot tubs and greenhouses;
- b.) Decorative landscaping.

### **Application Procedure**

1. Meet with a remodeling advisor or an architectural consultant, if requested by the EDA. ADU and duplex projects will be required to meet with an architect, either through the city's Architectural Consultation program or an architect of their choosing;
2. For ADU and duplex projects, applicants and their Remodeler will be required to meet with Planning and Inspections staff prior to submitting an application.
3. The Homeowner submits a complete application, which includes an application form, a copy of all bids demonstrating project costs, scopes of improvement, and plans, within the time frame established by the EDA.
4. An Application Fee is charged to cover the cost of administering the loan. The Application Fee is due at the time the application is submitted. The Fee will only be deposited if the Application is accepted for funding.
5. All applications submitted during the Application Period will be reviewed. In order to be considered for loan funds, the application must meet the following criteria:
  - a. Completeness of application;
  - b. Adherence to program guidelines;
  - c. Design and function of the project, including the presence of any special or unique element that meets city goals (e.g. energy efficiency, accessibility, etc);
  - d. Demonstrated financial readiness;
  - e. Builder references (if applicable);
  - f. In cases where the homeowner is doing part or all of the work, demonstrated evidence of experience and ability to complete the work within the required one-year time period, and
  - g. Amount requested.
6. Once applications are verified to have met the above criteria, they will be approved on a first-come first serve basis. If funding is limited and more than one applicant submits their complete application on the same day, then a random lottery will be held to select applications for funding. Selected applicants will be notified of funding no later than three weeks following the submittal deadline.

7. A commitment letter will be issued verifying the reservation of funds to be provided at closing.
8. If not pursuing a simultaneous closing, the homeowner will sign a mortgage and a promissory note agreeing to the terms of the loan. The mortgage filing fee and registration tax will be charge to the applicant. Following closing, work can begin on the project.
9. If a simultaneous closing with end-financing has been requested by the Lender, the homeowner may begin work once a commitment letter has been received, and building permits issued.
10. EDA staff may reject or accept an application at its sole discretion.

### **Hold Harmless**

To the fullest extent permitted by law, the Homeowner must agree to defend, indemnify and hold harmless the EDA and the City of Richfield, their officers, agents and employees from and against all claims, loss, damage, costs and expense arising from bodily or personal injury or sickness, illness, or death of persons or damage to property resulting from or alleged to have resulted from the Remodeler's work and operations.

### **Remodeler Criteria**

The Remodeler should meet a minimum set of standards and perform certain requirements in order to participate in the program:

1. Meet any Lender requirements when the Homeowner is seeking Lender financing.
2. Provide adequate evidence of builder's risk, comprehensive general liability and worker's compensation insurance coverage.
3. Provide a written warranty policy to the Homeowner and Lender.
4. Provide State Building/Remodeling Contractor license number.
5. Provide the following references:
  - Five satisfied customers;
  - Three major suppliers or subcontractors;
  - Names of building officials from two cities where the Remodeler has worked in the last three years.
  - Each Remodeler must fill out a Remodeler Form (Exhibit D).

### **Responsibility of Remodeler**

The Remodeler must perform work in accordance with the specifications and contract provided to the Homeowner. Any guarantee and/or warranties on the materials, supplies or quality of work must be obtained by the Homeowner. Lien waivers must be provided at time



of payment. All property permits must be obtained per city code. NOTE: The City of Richfield has a Point of Sale ordinance that requires all residential properties pass a housing code inspection before sale. The EDA is not responsible for insuring compliance with this ordinance. Proper inspections should be arranged by the seller and any repairs made as part of the purchase/remodel process.

### **Housing and Site Development Criteria**

The following requirements apply to all Transformation projects:

1. Each home shall be an owner-occupied detached single-family or two-family dwelling. Exceptions to this may be approved by the EDA.
2. At a minimum, off-street paved parking must be provided on the site in accordance with the zoning code.
3. Three and four bedroom homes as a result of remodeling are preferred. However, a minimum of two finished bedrooms and space for a third bedroom that could be easily finished will be acceptable.
4. Two full bathrooms as a result of remodeling are preferred. However, a minimum of one full bath and a 1/2 bath roughed in will be acceptable.
5. House design and appearance is a critical concern to the EDA. The house building lines, window placement, and orientation to street must present a balanced and pleasing view from all sides. Garage door dominance in design must be minimized. Blank walls without windows or doors are not allowed. Roof line variation will be reviewed.
6. If exterior work is included, exterior materials should be low maintenance. Masonite siding materials are not acceptable.
7. All landscaping and sod disturbed by the construction project must be repaired in a professional manner.
8. Adjoining properties must not be disturbed by the construction process.
9. Construction and the finished structure must improve or not have a detrimental impact on storm water drainage patterns in the neighborhood and on adjoining properties. Where roofs direct storm water toward minimum (five feet) side yards, gutters may be required as a condition of Loan payment.

### **Design Plan Review**

1. The EDA must be provided with a set of the building plans, including building elevations, and a copy of the land survey or site plan.

2. EDA staff will review the plans to ensure conformance with the Housing and Site Development Criteria. Plan review by the Building Official is a separate process.
3. All building plans must be prepared in consultation with an architect or a qualified draftsman.
4. If any element of the plan is in conflict with the above criteria, the Remodeler will be notified.
5. Revised plans must be resubmitted for final approval.
6. All plan reviews will be completed by the EDA in a timely manner. Each plan submitted will be processed individually.
7. The EDA may refer a set of plans to the County Assessor to make a preliminary determination of value if there is concern about the extent of value added as a result of remodeling.

## **Forms/Exhibits**

- A. Transformation Homes Application Form
- B. Promissory Note
- C. Mortgage Note
- D. Remodeler Form
- E. Summary of Costs and Loan Computation
- F. Letter of Commitment
- G. Satisfaction of Mortgage