



Residential and Redevelopment Authority Blighted Properties Demolition & Forgivable Residential Loan Program Policy Guidelines & Application

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HRA

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BLIGHTED PROPERTIES DEMOLITION & FORGIVABLE RESIDENTIAL LOAN PROGRAM APPLICATION

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BLIGHTED PROPERTIES DEMOLITION & FORGIVABLE RESIDENTIAL LOAN PROGRAM POLICY

INTRODUCTION

PURPOSE/BACKGROUND: The city of Elk River Housing and Redevelopment Authority (HRA) has developed a program to meet the untapped need for assistance with demolition and other redevelopment activities when either there is no current development plan or where future development visions are hindered by current blight.

In some cases, despite a potential for future redevelopment, hazardous conditions or other public safety factors may become a community's immediate concern. Securing and maintaining vacant dilapidated structures is costly. Therefore, the Elk River HRA has created the Blighted Properties Demolition & Forgivable Residential Loan program to include loan funds for demolition activities when an imminent redevelopment opportunity does not currently exist.

FUNDING AVAILABILITY: Available funding amounts vary per budget cycle.

DEADLINES/REQUIREMENTS: Applications are due on the first Monday of each month. Completed applications and supporting documentation must be received by the city of Elk River **by 4:30 p.m.** on the due date to be considered for funding.

APPLICATION FEE: The applicant must submit an application fee of \$500 plus legal and any other out-of-pocket costs incurred by the HRA at the time of submittal.

QUALIFYING PROJECTS: A project qualifies for a loan if the following conditions are met:

1. Upon completion of the project, the property and structures will be owner-occupied dwellings;
2. The structures constitute a threat to public safety because of inadequate maintenance, dilapidation, obsolescence, or abandonment;
3. Upon completion of the demolition, the HRA reasonably expects that the property will be improved and these improvements will result in redevelopment benefits to the municipality.
4. The structure must be defined per MN State Statue 117.025, Subdivision 7 as "structurally substandard". "Structurally substandard" means a building:
 - (1) that was inspected by the local government and cited for one or more enforceable housing, maintenance, or building code violations;
 - (2) in which the cited building code violations involve one or more of the following:
 - (i) a roof and roof framing element;
 - (ii) support walls, beams, and headers;
 - (iii) foundation, footings, and subgrade conditions;
 - (iv) light and ventilation;
 - (v) fire protection, including egress;
 - (vi) internal utilities, including electricity, gas, and water;

- (vii) flooring and flooring elements; or
- (viii) walls, insulation, and exterior envelope;
- (3) in which the cited housing, maintenance, or building code violations have not been remedied after two notices to cure the noncompliance; and
- (4) has uncured housing, maintenance, and building code violations, satisfaction of which would cost more than 50 percent of the estimated market value for the building, excluding land value.

ELIGIBLE APPLICANTS: Eligible applicants for this program must be the owner of the property at the time of the application or before disbursement of funds.

ELIGIBLE PROGRAM COSTS: the Blighted Properties Demolition & Forgivable Residential Loan program can pay up to \$25,000 of the demolition costs for a qualifying site. "Demolition costs" means the costs of demolition, destruction, removal, and clearance of all structures and other improvements on the project site, including interior remedial activities, and proper disposal thereof. As used in this subdivision, "structure" has the meaning given it in section 116G.03, subdivision 11. Costs incurred before the loan is awarded are not eligible for payment.

TERMS: Loans for demolition costs may be made subject to the following terms and conditions:

1. The agreement to repay the loan must be a personal obligation of the property owner, payable primarily from an identified source of income of the property owner, or other security subject to review and approval by the HRA commission.
2. The loan shall bear interest at a rate equal to two percent;
3. If the property owner ceases to occupy the property as his/her/their primary residence prior to the fifth anniversary of the closing date, the property owner will immediately repay the principal amount of the loan and accrued interest to the date of repayment;
4. The principal amount of a loan may not exceed \$25,000;
5. Loan proceeds shall be disbursed for eligible demolition costs as incurred or paid by the borrower and upon submission of invoices and other supporting documentation satisfactory to the commission.

FORGIVENESS: The HRA will forgive the principal of the loan and interest accrued but unpaid thereon up to 100 percent of the original loan amount, not to exceed the costs of demolition, after 5 years of maintaining the property as an owner occupied dwelling. Upon request from the HRA, the property owner will provide evidence that the property has been owner occupied for 5 years.

REQUIRED APPRAISALS OR ASSESSMENTS: Land appraisals of the current (as-is) and expected (post-construction) value of the site are required so that the HRA can determine the fair market value. Both appraisals must be done by an independent appraiser using accepted appraisal methodology. In lieu of an appraisal, the applicant may use the current and projected assessed values as determined by the local assessor. Values cannot be determined in any other manner. The value of the property after the

proposed development is completed is also requested.

AWARDING LOANS: The HRA will award loans to projects that provide the highest return in public benefits for the public costs incurred and meet all of the statutory requirements. In order to evaluate the applications for public benefits with respect to the costs incurred, the law specifies priorities that the HRA must consider. Awards are based on the availability of funds.

SIMULTANEOUS MICROLOANS

The simultaneous use of different HRA microloan programs by any one borrower or for any one project is prohibited.

CALL OF LOAN

A loan shall become due and payable in full if the owner-occupant relocates outside of the city of Elk River prior to the maturity date of the loan.

COST OF REVIEW

The applicant will be responsible for all legal, recording, and other fees required for protection of a security interest in the loan, payable by a \$500 processing fee, which is paid at the time of application, plus legal and any other out-of-pocket costs incurred by the HRA. In addition to the processing fee, all legal and filing fees shall be paid by the borrower at loan closing.

PROCEDURAL GUIDELINES FOR APPLICATION AND APPROVAL

1. All applicants shall first contact a primary lending institution which will be assisting with the financing of the overall project.
2. The applicant shall then meet with city staff to obtain information about the microloan program, discuss the project, and obtain application forms.
3. The applicant shall complete and submit an application form to the city, along with a \$500 processing fee plus legal and any other out-of-pocket costs incurred by the HRA. The fee is used to cover processing expenses and any remaining funds will be returned to the applicant. The applicant must provide a letter of commitment for conventional financing from the primary lending institution.
4. The HRA is a governmental entity and as such must provide public access to public data it receives. Data deemed by applicant to be nonpublic data under State law should be so designated or marked by applicant. See Minnesota Statutes, Chapter 13, as amended.
5. The application will be reviewed by the city staff to determine if it conforms to all city policies and ordinances and to consider the following:
 - a. The availability and applicability of other governmental grants and/or microloan programs.
 - b. Whether the proposed project after demolition will result in conformance with building and zoning codes.

- c. Whether it is desirable and in the best interests of the public to provide funding for the project.
6. The HRA Commissioners will review each application in terms of its consistency with the goals of the city's Comprehensive Plan and Housing and Redevelopment Authority's Strategic Plan and in relation to the project's overall impact on the community's economy.
7. The HRA Commissioners will evaluate the project application in terms of the following:
 - a. Project Design - Evaluation of project design will include review of proposed activities, time lines and a capacity to implement the project.
 - b. Financial Feasibility - Availability of funds, private involvement, financial packaging and cost effectiveness.
 - Appropriate ratio of private funds to Microloan funds.
 - Sufficient cash flow to cover proposed debt service as demonstrated by financial statements.
 - Letter of Commitment from applicant pledging to complete the project during proposed project duration, if the loan application is approved.
 - Letter of Commitment from other financing sources stating terms and conditions of their participation in the project if applicable.
 - c. All other information as required in the application and/or additional information as may be requested by the Economic Development staff.
 - d. Project compliance with all city codes and policies.
 - e. Microloan Objectives - the applicant must demonstrate how the proposed activities will meet at least one of the following objectives:
 - The project contributes to the fulfillment of the city's approved and adopted economic development and/or redevelopment plans.
 - The project prevents or eliminates slums and blight.
8. The HRA Commissioners will approve, deny, or request a resubmission of any application submitted under this policy.

MICROLOAN POLICY REVIEW

The above criteria will be reviewed on an annual basis to ensure that the policies reflected in this document are consistent with the economic development goals set forth by the city.

RIGHT OF REFUSAL

The HRA may deny any application if it is found not consistent with the goals of the city's Comprehensive Plan and Housing and Redevelopment Authority Strategic Plan, or Mississippi Connections Plan and in relation to the project's overall impact on the community's economy.

PREFERRED SCORE:

Precedence will be placed on applications which meet a "preferred" score of 75 or more. To fulfill this requirement of reviewing applications in an objective and fair manner, the following criteria have been assigned maximum point values in order to systematically award loans. All assigned scores will be relative to scores awarded to other applications.

**Blighted Properties Demolition & Forgivable
Residential Loan Application**

Cover Page

Applicant: _____

Applicant Address: _____

City: _____ Zip Code: _____

**Project Manager Contact (if different from
above)** _____

Phone: _____ - _____ - _____

E-mail: _____

Mailing Address: _____

Application Author

Author's Phone & email

Provide a written executive summary of the project, including the applicant's involvement in the project to date and how the applicant intends to manage the project should a loan be awarded.

I. SITE IDENTIFICATION AND HISTORY

SITE INFORMATION

1. Name of Site: _____
Site Address: _____
City: _____ Zip Code: _____

Acreage of Site: _____ Sq. Ft. of Site: _____

2. A. Does the applicant own the property?

B. If not, at what point will the applicant acquire the property?

C. What is the purchase price? _____

Attach the Purchase Agreement or other evidence of the commitment of both parties.

D. Is it anticipated that the property owner will retain ownership of the property once the demolition is complete?

3. **Provide** a legal description of the site.

SITE VALUATION

4. What is the current appraised or assessed value of the Site? _____
Attach the appraisal or assessor's value.

5. What is the projected appraised or assessed value after the demolition activities have been completed (prior to development)?

Attach the appraisal or assessor's value.

6. What is the projected value after the proposed development is complete?

MAPS AND SITE FEATURES

7. **Attach** an accurate and legible site and location map indicating the site showing locations of prominent and relevant site features such as buildings, retaining walls, etc. (NOTE: maps shall include property boundaries, a north arrow and bar scale). The map(s) should show the following:

a) The current condition of the site including labeled structures and where and for what

- activities the HRA money will apply.
- b) The proposed potential development of the site including labeled structures if known.
8. Please **provide** current photographs of the site. **Note: Photographs are a very important part of review process.**

HISTORY

9. Please **attach** a synopsis on the history and general background of the site. This includes, but is not limited to, a description of the former and current uses of the site, as well as an explanation of what has occurred on the site, leading to its current dilapidated condition.

CURRENT CONDITIONS

10. How many buildings are currently on site?
 Residential _____ How many are occupied? _____ If vacant, for how long? _____
11. Year building(s) was/were built: _____

II. COST ANALYSIS

14. How much money are you seeking from the HRA?

 (May not exceed \$25,000)
15. Fill out the budget table below indicating the uses, and amounts of **all** funds that will be used for eligible costs as defined. The table should indicate the total project budget non-incurred costs.

III. SOURCES AND USES OF FUNDS

Demolition Uses of Funds for the Project (Budget Table)

| Use of Funds (Activity) | Amount | Date Activity Will Occur |
|-----------------------------------|---------------|---------------------------------|
| Demolition | | |
| Interior Abatement for Demolition | | |
| Other: | | |
| | | |
| | | |
| Total | | |

IV. ANALYSIS OF LOAN NEED

- 16. Describe how the structures on the property constitute a threat to public safety, are functionally obsolete, or are economically unfeasible to repair.

- 17. Describe how demolition of the site will reduce blight and improve the property's economic vitality, functionality and aesthetics.

- 18. Describe how close the property is to existing sufficient public infrastructure.

- 21. Describe how the community is stabilized, health is improved or any environmental benefits are achieved by the demolition of the site.

V. FINANCIAL INFORMATION

- 22. Submit **Historical Financial Statements:** Financial statements should cover the past three years. Financial Statements should include: Personal Tax Returns,

Personal Financial Statement, and details on existing debt agreements. A commitment letter from the primary financial institution must accompany the application.

23. Are you committed to using the property as your primary residence for at least 5 years?

VI. ATTACHMENTS CHECK LIST

Please attach the following:

- _____A) Residential Loan Program
 - 1. Site Information
 - 2. Site Valuation
 - 3. Maps and Site Features
 - 4. History
 - 5. Current Conditions

- _____B) Cost Analysis

- _____C) Sources and Uses of Funds

- _____D) Analysis of Loan Need

- _____E) Financial Statements
 - 1. Three Years of Personal Tax Returns
 - 2. Details of Existing Debt Agreements

- _____H) Letter of Commitment from Applicant Pledging to Complete During the Proposed Project Duration

- _____I) Letter of Commitment from the Other Sources of Financing, Stating Terms and Conditions of their Participation in Project

- _____J) Application Fee of \$500 plus legal and any other out-of-pocket costs incurred by the HRA

- _____K) Inspection report by an appropriate local government which identifies that
 - the property is cited for one or more enforceable housing, maintenance, or
 - building code violations.

VI. AGREEMENT

I / We certify that all information provided in this application is true and correct to the best of my/our knowledge. I / We authorize the City of Elk River Housing and Redevelopment Authority to check credit references and verify financial and other information. I / We agree to provide any additional information as may be requested by the HRA.

APPLICANT SIGNATURE _____

BY _____

DATE _____

APPLICATION REVIEW WORKSHEET

TO BE COMPLETED BY CITY STAFF

1. In the event of multiple applicants, and limited funds dedicated to the program, the attached worksheet will be used to determine how the funds will be allocated.

The project meets the criteria set forth in Section IV of the Blighted Properties Forgivable Residential Loan Policy. Check those which apply.

- Upon completion of the project, the property and structures will be owner-occupied dwellings; (50 points)
- The current primary structure constitutes a threat to public safety because of inadequate maintenance, dilapidation, obsolescence, or abandonment; (10 points)
- Upon completion of the demolition, the HRA reasonably expects that the property will be improved and these improvements will result in redevelopment benefits to the municipality; (10 points)
- The project results in the sale and/or redevelopment of structurally substandard properties as inspected by the appropriate local government and cited for one or more enforceable housing, maintenance, or building code violations. ; (5 points)

Subtotal Section 1 (maximum 75 points) _____

2. Consideration of Capacity. Check those which apply. Must meet all four to score 20 points. 0 points if any boxes are unchecked.

- Applicant included a realistic implementation /project schedule; (5 points)
- Applicant has the ability to administer and monitor project; (5 points)
- Applicant has the ability to conform to city, state and federal requirements;(5 points)
- Applicant has obtained a letter of commitment to finance the project from their primary lender; (5 points)

Subtotal Section 2 (maximum 20 points) _____

3. Vacancy, Development Potential and Proximity to City Services

The length of vacancy of the property;

- 0-1 year: 1 point
- 2 years: 2 points
- 3 years: 3 points
- 4 years: 4 points
- 5+ years: 5 points

Subtotal Section 3 (maximum 10 points) _____

Subtotal Sections 1-3 (maximum 105 points) _____

| |
|---|
| Sub - Total Points: _____ of a possible 105 points. |
|---|