Owner Occupied Housing Rehabilitation Program
City of Mankato
Guidelines & Policies

SECTION A

PROGRAM OBJECTIVES

The Mankato Owner Occupied Housing Rehabilitation Program is undertaken for the purposes of:

1. Providing financial assistance for homeowners to rehabilitate their dwellings and to meet the City of Mankato's housing rehabilitation needs.
2. Increasing the financial involvement of public agencies and private lending institutions in the improvement of the housing stock in the targeted areas to the benefit of low and moderate income households.
3. Making a visible and substantial impact upon housing conditions, community appearance, and overall quality of life in the area.

SECTION B

PROGRAM DEFINITIONS

B.1 — Administrator.

"Administrator" of the Program shall be the City Manager, or designee. It shall be the responsibility of the Administrator to coordinate all aspects of the Program.

B.2 — Annual Income.

"Annual Income" means the Applicant's anticipated total income, from all sources, received by all members of the household (even if temporarily absent), including all income derived from assets (excluding income that is temporary, nonrecurring or sporadic) for the 12 month period following the application for housing repair assistance. Annual Income is further defined in Section I.

B.3 — Applicant.

"Applicant" means any household seeking to obtain assistance under the terms of this Program. Married couples and co-owners shall be considered an applicant in the singular.

B.4 — Deferred Loan.

A "Deferred Loan" is financing which carries no interest and no periodic payments, but which is secured by a Repayment Agreement and lien against the property. A Deferred Loan must be repaid in the event the property which is rehabilitated is sold, transferred, conveyed, or ceases to be the applicant's principal place of residence within ten (10) years from the date of the Repayment Agreement. The repayment amount will be pro-rated as stated in Section O.1 Program Income. Under extraordinary circumstances, the terms and conditions of repayment of a Deferred Loan may be modified, or restructured, at the discretion of the Administrator.

B.5 — Dependent.

"Dependent" means a member of the household (excluding foster children) other than the household head or spouse, who is under 18 years of age or is a disabled person or is a full-time student.

B.6 — Household

“Household” means all the persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

B.7 — Income Guidelines.

"Income Guidelines" mean the set of income guidelines calculated by household size, as determined by the United States Department of Housing & Urban Development and in effect for the Mankato-North Mankato, MN Metropolitan Statistical Area (MSA).

B.8 — Net Household Assets.

"Net Household Assets" means the value of assets, which are defined in Section J.

B.9 — Principal Place of Residence.

"Principal Place of Residence" means the house, which the applicant occupies as their home for at least nine months of the calendar year and in which the applicant resides at the time of application for assistance.

B.10 — Rehabilitation.

Rehabilitation is not remodeling. Remodeling is for convenience or cosmetic purposes. Rehabilitation deals with, in order of priority:

1. Lead-based paint abatement, if applicable
2. Storm Damage and Preventive Improvements
3. Health issues and safety improvements
4. Energy conservation
5. Code Compliance improvements
6. Long-term preservation of structures, through the repair of such basic housing quality components as siding, roofs, and painting

Certain types of rehabilitation can be viewed as lack-of-maintenance or deferred-maintenance. Other types of rehabilitation can be viewed as items, which wear out or need replacement due to obsolescence. No Owner Occupied Housing Rehabilitation Program funds shall be utilized for a new addition or new building expansion, unless approved by the Administrator and necessary for the express purpose of code compliance or American Disabilities Act (ADA) Accessibility Guidelines.

B.11 — Rehabilitation Advisor.

The "Rehabilitation Advisor" for the Program shall be a designated employee or contractor of the Administrator. It shall be the responsibility of the Rehabilitation Advisor to provide technical expertise relating to all housing inspections, construction quality, code compliance, and scope of work write-ups, as well as adherence to HUD regulations and City of Mankato policies.

B.12 — Rehabilitation Standards.

The "Owner Occupied Housing Rehabilitation Building Standards" used for the Mankato Owner Occupied Housing Rehabilitation Program shall be followed in conducting inspections, determining deficiencies, and evaluating the quality of workmanship on a rehabilitation project. These Standards incorporate the Mankato City Code and Charter, the U.S. Department of Housing and Urban Development (HUD) Housing Quality Standards and the Building Officials Code Administrators (BOCA) Property Maintenance Code. The Uniform Federal Accessibility Standards, ADA Accessibility Guidelines, and Minnesota Energy Efficiency Standards shall also be used as appropriate to a rehabilitation project.

B. 13 — Section 3 Business.

As defined by HUD, a Section 3 business is a business that:

- Is 51 percent or more owned by Section 3 residents;
- Employs Section 3 residents for at least 30 percent of its full-time, permanent staff; or
- Provides evidence of a commitment to subcontract to Section 3 business concerns, 25 percent or more of the dollar amount of the awarded contract.

B. 14 — Section 3 Resident.

As defined by HUD, a Section 3 resident is

- a public housing resident; or
- a low- or very low-income person residing in the metropolitan area or non-metropolitan County in which the Section 3 covered assistance is expended.

SECTION C

GENERAL ELIGIBILITY FOR ASSISTANCE

C.1 — Eligibility Qualifications.

To be eligible for owner occupied housing rehabilitation assistance provided by any of the participating Financing Sources, the applicant must meet the eligibility qualifications set forth by the particular Financing Source for their specific program. Participation in the Program is limited to those Applicants which are determined to meet the requirements of these policies, including that the Applicant qualify as "low and moderate income" under definitions established by the U.S. Department of Housing & Urban Development. (Also see Section L.15.) All persons assisted by the Owner Occupied Housing Rehabilitation Program with Community Development Block Grant

(CDBG) funds must meet the CDBG program's federal objective of "benefit to low and moderate income persons."

C.2 — Status & Location of Applicant.

To be eligible for owner occupied housing rehabilitation:

1. The applicant must be owner/occupant of a single-family house used for residential purposes and meet the income requirements outlined in Section I and the ownership requirements of Section K.1.

2. The house must be the applicant's principal place of residence, as defined in Section B.10.

3. The house must be located within the targeted area, as designated by the City Council. Exceptions may be made for use of Emergency Repair Program funds.

C.3 — Floodplain.

1. The Administrator shall determine the location of each applicant's house in relation to any floodplains as identified by a Flood Insurance Rate Map (FIRM) and, should a building be located in such a floodplain, take such actions as are required by the Community Development Block Grant Program regulations.

C.4 — Historical Review

1. All rehabilitation projects will comply with the historical review requirements of the Financing Source used. Properties receiving CDBG funds will be reviewed by the Minnesota State Historic Preservation Office (SHPO) and properties receiving local funds will be reviewed by the Mankato Heritage Preservation Commission (MHPC) to determine if the structure is historically significant before any rehabilitation occurs.

2. After the initial property inspection has been completed by the Rehabilitation Advisor, the following will be submitted to the SHPO or MHPC.
    a. A summary of the work to be done at the property;
    b. Photographs of the structure;
    c. Property description;
    d. Any other information requested by the SHPO or MHPC.

3. Any changes in the scope of the project requested by the SHPO or MHPC will be initiated.

SECTION D

FAIR HOUSING & EQUAL OPPORTUNITY

It is the policy of this Owner Occupied Housing Rehabilitation Program to work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, sexual orientation, gender identity, or reliance on public assistance, will be treated fairly and equally in their participation in the Program.

The City will be responsible for the promotion of the Program at the local level and shall exercise care in avoiding promotion methods that may exclude potentially eligible applicants. Access to program

information and materials will not be denied to any person for any reason including race, color, creed, national origin, sex, religion, marital status, age, handicap, sexual orientation, gender identity, or reliance on public assistance. Affirmative promotion shall include efforts to reach those persons who traditionally may not have participated in similar programs.

In order to develop or maintain an effective affirmative promotion effort, the City shall review its promotion methods from time to time during the course of the Program to determine how the methods used can be improved to increase the participation of persons who otherwise might not apply for assistance under the Program, such as single female heads of households, racial minorities, or persons with handicaps or disabilities.

The City shall encourage participation by women-and minority-business enterprise (W/MBE) parties, as well as Section 3 businesses in the Owner Occupied Housing Rehabilitation Program.

SECTION E

DATA PRIVACY

Information obtained regarding program applicants (including, but not limited to, names, credit reports, financial statements, income calculations and asset information) is private data which 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 administering the Program, information obtained by permission may be made available to the staffs of the following agencies or organizations: the Mankato Economic Development Authority (EDA), the Community Development Division of the City of Mankato, Minnesota Housing, the Minnesota Valley Action Council, the Mankato City Council, banks and lending institutions participating as Financing Sources, and the United States Department of Housing & Urban Development (HUD).

If the applicant does not sign the appropriate releases, the application for rehabilitation assistance may be denied.

SECTION F

CONFLICT OF INTEREST

Federal regulations (24 CFR 570.611) and Minnesota Statutes 471.87-471.88 specify that elected officials, employees of the City of Mankato, and others who are in a position to participate in the decision-making process of the Program may not:

1. Obtain personal or financial interest or benefits, including money, favors, gratuities, entertainment or anything of value that might be interpreted as conflict of interest.

2. Obtain a direct or indirect interest in any contract, subcontract, or agreement for any activity. This prohibition extends to contracts for themselves or with those with whom they have family or business ties during their tenure or for one year thereafter.

Questions concerning conflict of interest shall be resolved by a written legal opinion from the City Attorney who shall, if necessary, seek further assistance from the Minnesota Attorney General's Office. HUD staff shall be contacted if such a situation arises that involves CDBG funds.

SECTION G

EVIDENCE OF MISCONDUCT

Any party participating in the Program shall refer any evidence of fraud, misrepresentation, or other misconduct in connection with the operation of the Program to the Minnesota Attorney General's Office for appropriate investigation and legal action.

SECTION H

PARTICIPATING FINANCING SOURCES

Each Financing Source (Community Development Block Grant (CDBG), the City of Mankato, banks, other lenders, Minnesota Housing, etc.) shall provide its rehabilitation assistance according to its own rules, regulations, requirements, and procedures. This shall apply to applicant eligibility, the type of repairs which can be made, and loan repayment requirements. Each Financing Source shall maintain its own fiscal systems. No funds from one Financing Source shall be co-mingled with funds from any other Financing Source. Where needed or desired, the services of the Rehabilitation Advisor shall be made available to the other Financing Sources.

SECTION I

INCOME OF APPLICANTS

In addition to the definitions contained in federal regulations, and for the purpose of establishing eligibility for housing rehabilitation assistance under the Owner Occupied Housing Rehabilitation Program, Annual Income, as defined in 24 CFR Part 5 and periodically updated, shall be projected forward for the next 12 months and shall include but not be limited to:

I.1 The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.

I.2 The annual income from operation of a business or profession. Annual income from self-employment shall be determined as the average net profit from the previous two to three years of self-employment as declared by the Applicant in Schedule C, F, E, or other forms, of the U.S. Internal Revenue Service Form 1040.

I.3 Interest, dividends, and other income of any kind from real or personal property.

I.4 Where the household has assets in excess of $5,000, Annual Income shall include the greater of:

- The actual income derived from all assets, or,
- A percentage of the value of such assets based on the current passbook savings rate.

I.5 The full amount of periodic payments received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment.

I.6 Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay.

I.7 Welfare assistance.

I.8 Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.

I.9 Pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the household, spouse, or other person whose dependents are residing in the unit.

Annual Income does not include the following:

I.10 Temporary, non-recurring or sporadic income such as the following:

- Casual, sporadic, or irregular gifts.
- Amounts that are specifically for or are reimbursement of the cost of medical expenses.
- Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), and settlement for personal or property losses.
- Educational scholarships paid directly to the student or to the educational institution, and amounts paid by the Government to a veteran, for use in meeting the costs of tuition, fees, books, and equipment. Any amounts of such scholarships, or payments to veterans, not used for the above purposes that are available for subsistence are to be included in income.
- The hazardous duty pay to a household member in the Armed Forces away from home and exposed to hostile fire.

I.11 Income from employment of children (including foster children) under the age of 18 years.

I.12 Payments received for the care of foster children.

I.13 Benefits such as Section 8 housing vouchers or other public housing assistance.

Income limits applicable for participants in the owner occupied housing rehabilitation program are adjusted periodically upon HUD notification. Please refer to the current published income limits.

SECTION J

ASSETS OF APPLICANTS

There is no asset ceiling for participation in the Owner Occupied Housing Rehabilitation Program. However, under the provisions of Section I.4, a portion of Household Assets in excess of $5,000 shall be counted as Annual Income. For the purposes of housing rehabilitation assistance under the Owner Occupied Housing Rehabilitation Program, assets may include but not be limited to the value of equity in real property, savings, stocks, bonds, and other forms of capital investment, but excludes the house being rehabilitated. More specifically:

J.1 Cash on hand, in checking accounts, savings accounts, or money market accounts (including accounts held in trust).

J.2 The cash value of securities, stocks, shares in investment funds, U.S. Savings Bonds, or other investment instruments.

J.3 The current market value of all interests in real estate, EXCLUDING the structure which is to be rehabilitated and a parcel of land of not more than five acres upon which the structure is located. (Included as an asset is land in which any Resident of the household holds title and is selling on a Contract for Deed. The value of Contract for Deed property shall be defined as 100% of the outstanding principal balance on the contract.) Principal and interest payments received on a Contract for Deed shall be counted as Annual Income.

J.4 All other miscellaneous property assets, but EXCLUDING household furnishings, clothing, and one automobile. (Included as miscellaneous property assets are such items as, but not limited to: golf carts, boats, snowmobiles, motorcycles, business machinery, business inventory, farm stock, and additional vehicles. Such miscellaneous assets shall not be counted to the extent that they are an expense of doing business [see Section I.2, above].)

SECTION K

ELIGIBLE PROPERTIES TO BE REHABILITATED

K.1 — Type of Ownership.

An owner/occupant applicant for housing rehabilitation must possess at least a one-third interest in one of the following types of ownership in the property to be rehabilitated:

- A fee title, or
- A life estate, residual interests, or
- A fee title or life estate subject to a mortgage or other lien securing a debt, or,
- A mutually binding, recorded contract for deed, where the borrower is rightfully in possession and the purchase price is payable in installments. In the event that a contract for deed arrangement is present, the City Attorney shall be consulted to determine: (a) if the contract vendee's participation in the housing rehab program is compatible with the terms of the contract for deed, (b) if permission from the contract vendor is needed before undertaking rehab, and (c) if the contract vendor needs to be a party to the rehab mortgage/repayment agreement, or
- Documentation of ownership for mobile homes, only for use of Emergency Repair Program funds.

K.2 — Suitable for Rehabilitation.

1. A determination of the structural suitability of a house for rehabilitation may be made by the Rehabilitation Advisor, based on the Rehabilitation Standards. Poor- and Very Poor-condition structures (described below) shall be considered to be substandard, based upon the following criteria and individual inspections by the Rehabilitation Advisor:

   - Poor Condition: No major structural defects. However, the structure has more than one sign of major exterior deterioration.

   - Very Poor Condition: Structure has either: (A) No more than one structural defect and more than one sign of major exterior deterioration; or, (B) More than one structural defect.

2. Poor- and Very Poor-condition buildings may be suitable for rehabilitation when:

- The building is still structurally sound on an overall basis. The building should be vertically plumb within three degrees and shall have no significant rot on the majority of the floor joists, studs, or rafters that are weight-bearing. Foundations and basement walls shall not be deteriorated to the extent, or so far out of alignment, that they do not adequately support the building and cannot be corrected without complete replacement.

- The benchmark amount of funding for rehabilitation is the average for rehabilitation projects established by the Program. For any one project, the use of Program funds shall not exceed the amount specified in Section L.1. If the total cost of a project exceeds that amount, the additional funds must come from other sources, including from the property owner.

3. The total cost of the rehabilitation shall not exceed fifty percent (50%) of the unit's estimated market value as determined by the County Assessor. Two exceptions to this rule are as follows:

    1. When a home, in addition to the customary rehabilitation expenditures, also includes necessary accessibility improvements for the handicapped.

    2. When it is determined that a home involves improvements over and above normal improvements that are necessary to correct a serious health and/ or safety condition(s)

4. In no case shall the cost of rehabilitation exceed 100% of the Estimated Market Value (EMV) as determined by the County Assessor or a certified professional appraiser, nor shall the rehabilitation cost, when added to the outstanding loan to value, be more than 90% of the EMV as determined by the County Assessor or a certified professional appraiser.

K.3 — Not Suitable for Rehabilitation.

1. Some houses may be in good condition and will not need rehabilitation assistance. Although an Applicant may be otherwise eligible for assistance, the Program will not assist any houses that are not in need of significant repairs. Following a detailed inspection of the house, the Rehabilitation Advisor shall make a determination of the structural suitability of a house for rehabilitation, on the basis of provisions noted in Section K.2, above. The Rehabilitation Advisor shall have authority to determine whether a house is not in need of repair. If a house is determined to be in structurally good condition, it shall be excluded from participation in the Program, based upon the following criteria:

    - Good Condition: Structure is less than 10 years old, or there are no indications of exterior deterioration, or energy efficiency measures were incorporated in the original construction.

    - Fair Condition: Structure displays some exterior deterioration, but of minimal severity. Energy efficiency improvements may be required to comply with standards. Fair condition properties shall only be considered as budgets may allow and only after substantial progress has been made toward meeting higher-priority improvements for "poor" quality buildings.

2. Some houses may have deteriorated to a point where rehabilitation is structurally not feasible. Following a detailed inspection of the structure by the Rehabilitation Advisor as described above, the Rehabilitation Advisor shall have authority to determine whether a house is not feasible for repair. If a house is determined to be structurally "beyond hope" of repair, it shall be excluded from participation in the Program, based upon the following criteria:

- Beyond Repair Condition: Structure has more than one structural defect and indications of extensive major exterior deterioration.

K.4 — Mobile Homes.

Mobile homes shall not be eligible for rehabilitation with CDBG funds. Exceptions to this rule include use of Emergency Repair Program funds. Additional exceptions may be granted by the City Council only under extraordinary or emergency circumstances. In the event of such an exception, the mobile home must be permanently affixed to real property by means of a foundation or pier footings, and the real property must meet the ownership requirements specified in Section K.1.

K.5 — Property Tax and Utility Bill Delinquency.

No house shall receive Owner Occupied Housing Rehabilitation Program assistance nor Emergency Repair Program assistance if property taxes or city utility bills are delinquent and unpaid. Applicants may apply for the program and have their eligibility determined, but no rehabilitation work shall be placed under contract unless property taxes and city utility bills are paid in full as of the most recent billing period and have a track record of consistent payment of at least three months.

K.6 — Default, Bankruptcy, Judgments.

No house shall receive assistance if: (1) the owner is in default of a mortgage, contract for deed, or comparable obligation; (2) the owner is currently engaged in bankruptcy proceedings; or (3) there are unpaid or pending court judgments filed against the property or the owner.

K.7 — Mixed-Use Buildings.

A mixed-use building that is partially utilized for commercial purposes and partially utilized for residential purposes may be assisted by the Owner Occupied Housing Rehabilitation Program or Emergency Repair Program. However, only those improvements that benefit the residential portion of the building can be paid for with Program funds. Improvements that benefit the commercial portion of a mixed-use building must be paid for with other funds. In the event a mixed-use building is proposed for rehabilitation, the Administrator shall seek such additional guidance as may be necessary to administer the Program funds

K.8 — Vacant Buildings.

Vacant houses may be eligible for rehabilitation, provided that upon completion of the rehabilitation, the eligibility requirements listed in Section C.2 are met.

K.9 — Other Ineligible Buildings.

Only permanent structures shall be assisted. The following are not eligible for assistance:

- Temporary or movable structures.
- Satellite buildings used primarily for storage.
- Detached garages.
- Other structures which do not meet the test of a principal place of residence.

K.10 — Priority of Applicants Receiving Rehabilitation Assistance.

1. Applications for owner occupied housing rehabilitation shall be accepted at any time during the lifetime of the program, or until all available funds are committed to rehabilitation projects. Applicants who qualify for owner occupied housing rehabilitation assistance shall be processed and inspected on a "first-come, first-served" basis.

2. Several factors may affect the order or sequence by which Applicants may receive owner occupied housing rehabilitation assistance. Applicants shall be notified that the availability of owner occupied housing rehabilitation assistance depends upon:

   - A detailed inspection of the house.
   - The types of repairs which are needed and allowable under the program's guidelines.
   - The cost of the repairs, based on bids.
   - The financial and structural feasibility of undertaking a repair job for the house.

SECTION L

SCOPE AND NATURE OF REHABILITATION REPAIRS

L.1 — Maximum Financing.

1. Owner Occupied Housing Rehabilitation Program Maximums. The maximum amount of Owner Occupied Housing Rehabilitation Program funds which shall be invested in any house is $25,000. The maximum amount of funds available to any particular household may be less than $25,000 based on the Deferred Loan Maximums required in Section L 2. The Applicant will be fully responsible for securing additional financing or the scope of the project will be reduced, consistent with Sections L.4 and L.6, below. Projects requiring in excess of the Deferred Loan maximums in Program funds shall require authorization from the Administrator for any amount in excess of the required maximum.

2. Emergency Repair Program Maximums. The maximum amount of Emergency Repair funds which shall be available to any household is $5,000.

L.2 — Levels & Mix of Owner Occupied Housing Rehabilitation Program Financing.

1. Leverage Requirement for Owner Occupied Housing Rehabilitation: Based on the availability of funds and the eligibility of the applicant and the property, Deferred Loans will be offered on the following schedule:

Gross Income % of Maximum Income Limits	% Homeowner Match	% Deferred Loan	Deferred Loan Maximum Amount
60% & Under	0%	100%	$25,000
61% - 80%	20%	80%	$20,000

2. Leverage Requirement for Emergency Repair: Based on the availability of funds and the eligibility of the applicant and the property owner, deferred loans will be offered on the following schedule:

Gross Income % of Maximum Income Limits	% Homeowner Match	% Deferred Loan	Deferred Loan Maximum Amount
60% & Under	0%	100%	$5,000
61% - 80%	20%	80%	$4,000

3. Leverage Sources**:** Leverage funds shall be any funds used to provide for rehabilitation activities performed at an eligible applicant's dwelling unit other than the funds provided by the CDBG or Neighborhood Improvement Fund (NIF). Leverage sources will be determined by income, homeowner debt and debt carrying capacity, homeowner credit worthiness and property eligibility. Leverage will be based on household income and funding source limitations. Staff works to assist clients in obtaining the best leverage source available.

L.3 — Leverage Sources and Types

1. Deferred Loans and Grants. These will be provided by the following programs and sources:, Minnesota Housing), Department of Energy (DOE.) Weatherization, Energy Assistance Repair Program Grant/Loan, and where applicable, client contributions.

2. Subsidized and Unsubsidized Loans. These loans will be provided by the following programs and sources: Minnesota Housing, local bank Loans, and where applicable, client contributions.

3. The Administrator will supply specifications and bidding documents or any other documentation required by the funding source. The Administrator will also coordinate contractor activities and payments with the other agency.

4. When an applicant does secure funds from a lending institution, the Administrator will provide specifications, bidding documents, warranties or any other documentation required by the lending institution before loan closing. Before any proceed to work is sent to a contractor, the Administrator will establish and coordinate the payment process with the lending institution.

5. In some cases, homeowners may wish to use liquid assets for leverage funds. When this occurs, homeowners will be required to provide a check for the leverage funds and place the check on file with the Administrator before any proceed to work is sent to a contractor.

6. Loan proceeds from all sources will be held until the improvement has been completed to the satisfaction of the applicant and an inspection has been conducted by the Rehabilitation Advisor. The funds will not be released until a certificate of completion has been signed by the Applicant, the contractor and the Administrator.

L.4 — Final Condition.

Upon completion of work and final inspection, all houses assisted under the Program shall meet or exceed the Rehabilitation Standards. Those repairs that are financed under the Program shall meet State of Minnesota plumbing, electrical, energy conservation, and other codes.

L.5 — Eligible Housing Rehabilitation Improvements.

1. Each housing rehabilitation improvement must be a permanent general improvement. Such improvements shall include alteration, renovation, or repairs which correct defects and deficiencies which directly affect the safety, habitability, energy consumption, or aesthetics of the property. Improvements must be economically feasible and must be consistent with the Rehabilitation Standards.

2. Any housing rehabilitation improvements that are made must be physically attached to the structure and must be permanent in nature. For the purposes of housing rehab assistance under the Owner Occupied Housing Rehabilitation Program, the following types of improvements are considered eligible:

    - Any improvement required to bring the dwelling up to the standards noted in Section L.4, especially improvements which relate to storm damage and prevention and, health and safety concerns. Storm Damage and Prevention includes: sump pump installation, tiling and floor repairs, waterproofing, grading and landscaping (for drainage purposes only), and basement window replacement.
    - Any improvement resulting in a substantial weatherization and increased energy-efficiency of the house.
    - Exterior painting and/or residing, as needed.
    - Improvements which are essential in making the house more accessible and habitable for handicapped members of the household. Handicaps must be documented as permanent and affecting major life functions as defined by government regulations.
    - Structural improvements to and the necessary replacement of roofs, floors, exterior walls, interior walls, stairs, sidewalks, foundations, and other basic housing features.
    - Functional improvements to and the necessary replacement of electrical systems, plumbing fixtures, heating units, etc.

L.6 — Priority of Eligible Housing Rehabilitation Improvements.

Storm Damage and Prevention, Health and safety deficiencies plus repairs necessary for improved energy-efficiency have priority and must be corrected before any other improvements are made. If the scope of the project must be reduced to comply with cost limits specified in Section L.1, these priority repairs shall not be omitted; in such cases, the Rehabilitation Advisor shall work with the homeowner to reduce the project by omitting repairs which are of lesser importance to the long-term needs of the structure.

L.7 — Ineligible Housing Rehabilitation Improvements.

The following improvements are not eligible for financing with Owner Occupied Housing Rehabilitation Program funds:

- Detached garages, garage door openers, or any out-buildings (unless there is evidence of the danger of lead-based paint as described in Section L.8).
- New building additions or expansions, unless approved by the Administrator and necessary for the express purpose of code compliance or ADA Accessibility Guidelines.

- Fireplaces, central air conditioning units, water softeners, or wood stoves.
- Decks, patios, fencing, or landscaping beyond that which is necessary in connection with foundation and basement work.
- Driveways and sidewalks, unless health and safety dangers are present.
- Major kitchen appliances, plush carpeting, decorative work, or other improvements determined by the Rehabilitation Advisor to be "luxuries" or "frills" in nature.
- 200 amp services, unless needed and justifiable.
- Room additions. Exceptions to this rule may be granted by the Administrator only under extraordinary circumstances and in consultation with CDBG staff at the HUD office, in instances when CDBG funding is utilized. Where such an exemption is granted, room additions shall only be allowed: (1) to accommodate the installation of a bathroom, or (2) where severe overcrowding is present.
- Owner Occupied Housing Rehabilitation Program funds shall not be used for the payment, in whole or in part, of assessments for public improvements; EXCEPTING, however that such funds may be used for that portion of improvements located on the property which will bring an individual water supply system or sewage disposal system into compliance with local, state, or federal sanitary standards.

L.8 — Ineligible Improvements Allowable with Other Funds.

The Applicant may use bank loans, his/her own funds on hand, and other funds in order to finance those improvements which are not eligible for financing with Owner Occupied Housing Rehabilitation Program funds. Such improvements shall be allowable as part of the "other source" participation outlined in Sections L.2 and L.3 and may be counted toward the required match, at the discretion of the Rehabilitation Advisor.

L.9 — Lead-Based Paint

1. All applicants for the Owner Occupied Housing Rehabilitation Program shall receive a notification of the hazards of lead-based paint.

2. The use of lead-based paint in any aspect or portion of the construction process covered by this program, or by any separate contracts or agreements entered into by the Owner and the Contractor, is expressly prohibited. All contracts for rehabilitation work shall contain language incorporating this prohibition.

3. For owner occupied housing rehabilitation projects receiving CDBG funding, every inspection of a house shall include a lead hazard assessment. All defective paint conditions shall be identified on the inspection report form and corrected in accordance with methods that ensure the safety of the residents and the contractor.

4. Lead-based paint abatement shall, where necessary, be in accordance with Minnesota Statutes 4761.0300. Additional guidance in lead-based paint abatement shall be found on the Minnesota Department of Health website."

L.10 – Eligible Emergency Repair Improvements:

Eligible improvements include repair to certain elements of a housing unit in emergency situations to alleviate dangerous, hazardous, and/or unsanitary conditions creating an immediate danger to the household's health or safety. Emergency repairs may include roofing, heating, or other

elements determined by the rehabilitation specialist or administrator to be urgent. This program will not fully rehabilitate a structure to code.

SECTION M

PROGRAM ADMINISTRATION

The following administrative procedures shall govern operation of the Owner Occupied Housing Rehabilitation Program, unless otherwise provided for by the procedures of another participating Financing Source.

M.1 — Implementation Responsibilities.

1. The Administrator shall:

- Coordinate all rehabilitation work delivered through the various Financing Sources.
- Collect and process applications and approve applicants as being eligible for rehabilitation assistance.
- Obtain clearance from the SHPO or MHPC regarding historic preservation requirements before rehabilitation work begins.
- Review all applications for consistency with these policies and approve or deny individual projects. An applicant may appeal any decision as provided for in Section P. The Administrator will use the following guide to assess the preliminary eligibility of the applicants.
    a. Whether or not the applicant is income eligible for an Owner Occupied Housing Rehabilitation Program Deferred Loan and what leverage package the applicants are eligible for.
    b. What home equity is present, credit history, debt load capacity, and property ownership.
    c. Location of the applicant's property in the targeted area
        i. Exceptions to the targeted area may be granted for use of Emergency Repair Program funds.

The Administrator shall provide regular reports to the City Council on the program status, but Council approval of individual projects is not required.

2. As in regards to Marketing, the Administrator shall:

Conduct outreach and will solicit applications for the Program as needed in the following ways:

a. Notifying all applicants on the Owner Occupied Housing Rehabilitation Program waiting list.
b. Issue press releases advertising community meetings on Owner Occupied Housing Rehabilitation Program application both to local newspapers and to the local broadcast media.
c. Make direct mailing of program information to the homeowners in the targeted areas if necessary to generate additional applicants.
d. Develop brochures and send them out in the city's utility billing statements.

e. Develop posters and post them in prominent areas in the community.

3. As regards the Mankato City Council:

- The City Council shall be responsible for setting overall program policy, including approval, amendment, and adoption of these Guidelines. All checks issued under the Owner Occupied Housing Rehabilitation Program shall be issued by the City.

M.2 — Application and Process.

Applicants shall complete the Owner Occupied Housing Rehabilitation Program application. This form shall (where applicable) request information concerning income, assets, and property. The form shall further provide a "Notice to Applicant" informing the applicant of data privacy, misrepresentation, lead-base paint warnings, and inspection considerations.

Where applicable, Applicants shall sign an "Authorization for Release of Information" form, allowing the proper verification of information as specified below.

The Administrator shall collect such supporting documentation as may be deemed necessary, including but not limited to income tax returns, paycheck stubs, bank deposit slips, property tax statements, and other materials relating to the financial status of the Applicant. All information concerning, assets, property, and other facts reported by the Applicant, or brought to the attention of the Administrator, which are relevant to their eligibility shall be independently verified. The Administrator shall, with written permission of the Applicant, obtain verifications from the appropriate sources and shall use the verified information to determine an applicant's eligibility for rehabilitation assistance.

Upon receipt of a completed Owner Occupied Housing Rehabilitation Program application, the Administrator shall:

1. Review the application to ensure all required information and documentation is provided, including but not limited to:
   - Completed Owner Occupied Housing Rehabilitation Application
   - Data Privacy Warning and Release Form
   - Lead-Based Paint Warning Receipt
   - Signed Release for Mortgage Verification
   - Signed Release for Employment Verification (if applicable)
2. Verify that the following requirements have been satisfied:
   - Applicant possesses valid ownership in the property
   - Property is located within a designated targeted area (exceptions to the targeted area may be granted for use of Emergency Repair Program funds).
   - Applicant qualifies as low to moderate income
   - Property taxes are current
   - Property insurance is current
   - Any and all mortgages on the property are current
   - All city utilities are current
   - The amount of outstanding mortgages on the property combined with the requested deferred loan amount will not exceed 90% loan to value ratio of the property

3. Issue an initial approval or denial letter based on the findings of the information above. An initial approval letter shall provide a preliminary estimate of funding available for the project.

A denial letter shall cite the reasons for the denial and notify the applicant of their right to appeal.

M.3 — Displacement.

The Administrator shall work with the Applicant to determine if the possibility exists of temporary displacement from the dwelling. The most likely time temporary displacement may occur is if interior lead-based paint work may occur for more than 24 hours. If the potential for temporary displacement appears likely, the Rehabilitation Advisor will work with the household to determine the best time for the temporary relocation. All costs associated with the temporary relocation will be the Applicant's responsibility

If permanent displacement is likely, the Administrator will determine if the rehabilitation is practical.

M.4 —Initial Inspection.

After an initial approval letter has been issued, the Rehabilitation Advisor shall conduct an initial inspection. This inspection shall be thorough, complete, and shall identify all rehabilitation needs of the house. If CDBG funding will be utilized, a Lead-Based Paint Hazard Risk Assessment will also be conducted for each unit in accordance with the requirements of the Minnesota Department of Health. A Summary Risk Assessment Notice will be sent to the Applicant upon receipt of the Lead-Based Paint Hazard Risk Assessment Report.

M.5 — Scope of Work Write-Up and Bid Specifications.

Following initial inspection, the Rehabilitation Advisor shall prepare a written scope of work write-up for the house. This work write-up shall specify reasonable, workmanlike means by which rehabilitation needs are to be corrected and the structure brought up to the Rehabilitation Standards and shall suggest materials and methods for making necessary repairs and improvements; and shall be prepared in sufficient detail so as to allow contractors to base their bids upon. Drawings and sketches shall be provided where they will be necessary or helpful.

Upon completion of the scope of work write-up, the Rehabilitation Advisor will submit a Request for Clearance to the SHPO or MHPC. No work may begin until the clearance letter from the SHPO or MHPC has been received by the city. The Rehabilitation Advisor will also confer with appropriate city staff in Planning and Zoning to verify compliance with city codes and guidelines.

M.6 — Bidding and Contracting Procedures.

1. After completion of the Rehabilitation Advisor's scope of work write-up, sealed bids from contractors will be solicited. A minimum of two bids per trade shall be required; three bids shall be encouraged. All bids will be reviewed by the Rehabilitation Advisor to determine that the bids are comparable. In seeking the minimum of two bids, one general contract bid can be compared against the sum of individual bids by trade. Bids will only be accepted from contractors meeting the following qualifications and documentation of qualification must accompany the bids:

   A. Contractors must complete the "Contractor's Qualification Statement" and return it to the Administrator.

B. Contractors must be bona fide tradesmen. Contractors must meet State licensing requirements where such requirements apply, including residential building contractor and residential remodeler license requirements.

C. Contractors must possess insurance coverage which meets or exceeds these requirements:

- Manufacturers and Contractor/Independent Contractors. Bodily Injury: $300,000 (each occurrence) and $300,000 aggregate. Property Damage: $100,000 (each occurrence).

- Auto (Owned, Hired, or Leased). Bodily Injury: $100,000 (each occurrence) and $300,000 aggregate. Property Damage: $100,000 (each occurrence).

- Worker's Compensation. The contractor shall obtain and maintain Worker's Compensation Insurance for all of his/her employees, according to State law and regulation.

D. In cases where any work is sublet, the Contractor shall also require the subcontractor's) to comply with the insurance requirements set forth above.

E. If CDBG funds will be utilized, contractors or sub-contractors must be listed in an acceptable status in the System for Award Management (SAM). A contractor's SAM status will be verified by Rehabilitation Advisor prior to issuance of a Notice to Proceed.

F. Contractors may be disqualified from contracting under the following circumstances: Failure to keep the required insurance in force; Failure to complete work in a timely manner; Performance of substandard work; Failure to correct deficiencies in substandard work; or Collusion between two or more contractors and/or the Applicant.

2. Bids will be awarded to the lowest qualified bidder unless one of the following occurs:

- The bid is found to be unrealistically low and the contractor agrees to withdraw the bid.
- The contractor has failed to follow the procedures outlined in instructions to the bidders.
- The Applicant does not want the lowest bidder to do the work. In that case the Applicant must pay the difference between the lowest bid and the preferred contractor's bid.
- There appears to have been collusion between two or more contractors and/or the Applicant. Collusion among contractors will result in their being barred from further participation in the Program. Collusion involving the Applicant will result in the rehab project being canceled and the Applicant being barred from the Program.
- The contractor fails to bid according to specifications and, following efforts by the Rehabilitation Advisor, it is impossible to compare that contractor's bid with those of the other bidders.

3. Contracts may be made with general contractors or individually by trade. Contracts will be let by the Applicant and shall be a contract between the Applicant and the contractor. A standard construction contract as listed in Section M.7 and issued by the Rehabilitation Advisor will be utilized.

4. Any repair work which begins before a written Notice to Proceed is issued will not be paid for by funds from any Financing Source, unless the other funding source authorizes such payment. However, the project may be ineligible for CDBG assistance.

5. Projects not under contract within 60 days after the date when bids are reviewed by the Rehabilitation Advisor shall be dropped from the program. An offer of financing made to the Applicant shall be null and void after the expiration of this 60 day period.

M.7 — Agreements and Contracts

Upon selection of contractors and determination of project budget, the Rehabilitation Advisor will draft the following agreements and contracts to be signed by the Applicant:

- Agency-Owner Contract
- Repayment Agreement (Promissory Note)
- Loan Security Instrument (Mortgage)
- Notice of Rights of Rescission
- Loan Term Sheet
- Applicant/Contractor Construction Contracts
- Contractors Notice to Proceed

The Rehabilitation Advisor will arrange a time for the Applicant to sign the required documentation. At that time, the Applicant must provide a check written to Blue Earth County for the necessary recording fees and taxes, if applicable. If the Applicant will be paying the required matching funds through liquid assets, the Applicant must also issue checks for the required match amount. After all documents have been signed and the time frame for the Right of Rescission has expired, the Rehabilitation Advisor will record the mortgage(s) at Blue Earth County.

M.8 — Change Orders.

Work which is not specified in the scope of work write-up will not be paid for by the Program without a written change order approved by the Administrator, the Rehabilitation Advisor, the contractor, and the Applicant before the work in the change order is undertaken. Change Orders which increase costs of a project beyond the maximum amount specified in Section L.1 shall be paid by the Applicant or by another Financing Source, as approved by the Administrator.

M.9 — Interim Inspections.

The Rehabilitation Advisor may conduct interim or progress inspections for each house assisted by the Program. The interim inspections shall be used: To monitor the work in progress and the quality of work being performed, and to determine the completeness and quality of repairs prior to any payments to contractors or subcontractors.

M.10 — Partial Payments to Contractors.

No interim or partial payments will be made without prior inspection by the Rehabilitation Advisor and approval by the Administrator. No partial payment or sum total of partial payments shall exceed 80% of the total contract amount. No pre-payment or advance of Program funds is allowed.

M.11 — Final Inspection and Acceptance of Work.

The Rehabilitation Advisor shall conduct a comprehensive and thorough final inspection of all repairs upon completion of all work. This final inspection shall be used to determine the

completeness and quality of repairs prior to the final payment to contractors or subcontractors. Substandard or incomplete work identified by the Rehabilitation Advisor will not be paid for. If lead-based paint abatement was completed as part of rehabilitation, a clearance report will be required. Prior to payment, a "Completion Certificate and Acceptance of Work" form shall evidence satisfaction with the work and shall be signed by the Applicant, the contractor and/or subcontractor, the Rehabilitation Advisor and the Administrator.

M.12 — Payment and Lien Waivers.

Owner Occupied Housing Rehabilitation Program funds shall be disbursed to the contractor upon approval and acceptance of the work as noted in Section M.10. Appropriate lien waivers must be provided by the contractor prior to the release of checks.

M.13 — Time for Completion.

A maximum of 90 calendar days will be allowed for completion of contracted work on a house, beginning as of the date of the contract for the repairs, or as of the date proposed by the contractor (when provided). Failure to begin work by the completion date shall be grounds for termination of the contract.

This time period shall not be exceeded except by a written Change Order, which shall outline the circumstances which require an extension of time and shall specify a revised completion date. In the absence of such a Change Order, failure to complete work on time shall be grounds for termination of the contract.

M.14 — Termination of Contract.

Rehabilitation contracts may be terminated for convenience or for cause. The provisions contained in Section M.13 shall be a basis for termination for cause. Other reasons for termination may include: unacceptable contractor work habits or performance, or an inability to resolve disputes associated with the project.

M.15 — Permits and Fees.

Payment of local building permit fees will be the responsibility of the Applicant/ Contractor. State inspection fees should be included in the contractor's bid.

M.16 — Appeals Procedure and Resolution of Disputes.

All Applicants and contractors shall have full right to appeal any decision or action relating to the administration of the Program. Such appeals shall be made in accordance with SECTION P.

M.17 — Close-Out.

Upon completion of all rehab activities and acceptance of the work by all parties, the Rehabilitation Advisor will coordinate a Certificate of Completion, which must be signed by the Applicant and each contractor.

SECTION N

OTHER PROGRAM PROVISIONS

N.1 — Refinancing and Work In Progress.

No funds from this Program shall be used to refinance existing indebtedness. No funds shall be used to pay for any repairs or improvements which may be in progress or may have begun prior to the Administrator issuing a written Notice to Proceed.

N.2 -- Financing: Security Position

The Owner Occupied Housing Rehabilitation Program will not require a first-position security interest for Deferred Loan financing. Upon request from a bank or other lender, the Program may subordinate its security interest to another party, at the discretion of the Administrator. Taking into consideration all outstanding loans, including the Owner Occupied Housing Rehabilitation Deferred Loan, that are secured against the property, the amount of outstanding loans should not exceed 90% of the estimated market value of the property as determined by the County Assessor or a certified professional appraiser.

N.3 — Fees to the Applicant.

Neither the Administrator nor the City of Mankato shall charge to the Applicant an origination fee, inspection fee, or fee of any kind, other than building permit fees noted in Section M.15 and the recording fees noted in Section M.7.

N.4 — Contractor's Warranty.

1. The Contractor shall defend, indemnify, and hold harmless the Applicant, Administrator, Rehabilitation Advisor, the City of Mankato and its officers, and the officers of any other Financing Source from all liability and claims for damages arising from bodily injury, death, property damage, sickness, disease, or loss and expense resulting from or alleged to result from a Contractor's operations under this Program.

2. The Contractor shall warrant to the Applicant and subsequent owners of the property that:

   - All materials, hardware, fixtures, and utilities of whatever kind used in making repairs are of good quality and free from defects in workmanship or material.
   - The Contractor shall repair, correct, or replace at no cost to the Applicant or subsequent owners any defective workmanship or materials or deficiencies subject to warranty, upon written notice within two years from the date of completion and acceptance of work.

SECTION O

PROGRAM INCOME & REVOLVING LOAN FUND

O.1 — Program Income

Program income may be generated from owner occupied housing rehabilitation through the repayment agreements. The agreements will stipulate that if an applicant sells the dwelling within

ten (10) years of receiving a rehabilitation deferred loan, he/she/they must repay a portion of the deferred amount, as shown in the table below:

Date property is sold, transferred or conveyed	Percent to be repaid
Within 0-12 months of repayment agreement	100%
Within 13-24 months of repayment agreement	90%
Within 25-36 months of repayment agreement	80%
Within 37-48 months of repayment agreement	70%
Within 49-60 months of repayment agreement	60%
Within 61-72 months of repayment agreement	50%
Within 73-84 months of repayment agreement	40%
Within 85-96 months of repayment agreement	30%
Within 97-108 months of repayment agreement	20%
Within 109-120 months of repayment agreement	10%

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Any program income generated in this manner from a project that was initially financed with CDBG funds will be immediately dedicated to CDBG Program approved activities. Any program income generated from a project that was initially financed with non-CDBG funds will be dedicated to a revolving loan fund set up by the City. This account is used solely for assisting income eligible households with home improvements when there is a gap not covered by other funds.

O.2 — Revolving Loan Fund

A revolving rehabilitation loan fund shall be established to collect any repayments of non-CDBG monies. Such repayments shall be used for additional housing rehabilitation. The revolving loan funds will be held in a separate account and will be made available to Applicants in the City of Mankato which have a need for, and which qualify for, rehabilitation assistance. Use of the revolving funds will be consistent with these guidelines.

The Revolving Loan Fund shall give priority to those houses which were not previously assisted by the Program. The Revolving Loan Fund shall not be available for repeated use by an Applicant for making additional repairs to the same house.

SECTION P

COMPLAINTS AND APPEALS

P.1 — Client Complaint Process

1. Initial client complaints about any aspect of: the City's service delivery; the City's staff; Program restrictions; or contractor relations/workmanship, may be pursued verbally or in writing to the Rehabilitation Advisor who shall work with the staff, the contractor, and the client to resolve the problem within two (2) weeks. If the applicant is still dissatisfied, the client may further pursue the complaint as follows:

a. A complaint may be filed with the City Manager who shall provide a response within two weeks
b. If the Client is still dissatisfied they may be asked to be placed on the next regular agenda of the City Council for action at its next regularly scheduled meeting.
c. If the client is still unsatisfied and CDBG funds were utilized in the rehabilitation project, the complaint will be forwarded to the Minneapolis HUD Office along with the following information:
    1) A copy of the written complaint and request for satisfaction under the appeals process.
    2) A copy of all correspondence between the Administrator and the appealing client concerning the appeal disposition.
    3) The final appeal disposition.

P.2 — Project Appeal Process

1. If a household's application for any reason is denied or a household is dissatisfied with the level of assistance they have received, the following procedure is to allow for a standardized appeal/complaint process to all applicants of the Owner Occupied Housing Rehabilitation Program. Upon complaint, an applicant will be informed of the following procedure:
    a. That a written procedure for appeal is available.
    b. In the case of denial of assistance or service, a written notice shall be sent to the applicant clearly stating under what condition the application was denied and also a copy of this appeal process.
    c. Initial client appeals about any aspect of service delivery expressed verbally or in writing shall be responded to within two (2) weeks. If the applicant is dissatisfied with the response then the client shall be informed of the following procedure.
    d. All appeals should be addressed to:

        Economic Development Specialist
        Community Development Division - City of Mankato
        PO Box 3368
        Mankato, Minnesota 56002-3368
        Attention: Owner Occupied Housing Rehabilitation Appeal

    e. The Applicant who wishes to appeal the initial response, must submit a request for appeal in writing within thirty (30) days of the initial response. This request must state the reason(s) for the appeal and should include any information that the Applicant feels is pertinent to the appeal.
    f. The Applicant may appeal to the City Manager within fifteen (15) working days. At that time, the Applicant will be notified that he/she has the right to appeal to the City Manager. The City Manager will consider the request and has authority to authorize a waiver to a city policy, should the situation warrant one. The City Manager will respond with a written decision within fifteen (15) working days.
    g. The Applicant may appeal to the City Council within fifteen (15) working days following the City Manager's decision. At that time, the Applicant will be notified that he/she has the right to appeal before the City Council. The City Council will respond with a written decision, *which shall be final*, within thirty (30 working days.
    h. In cases where CDBG funds are the Financing Source, any further appeal actions will be forwarded to the Minneapolis HUD Office, along with the following information:
        1) A copy of the written complaint and request for satisfaction under the appeals process.

2) A copy of all correspondence between the Administrator and the appealing client concerning the appeal disposition.
3) The final appeal disposition.

SECTION Q

AMENDMENTS / APPROVAL

Q.1 — Amendments

These procedural guidelines may be amended or supplemented from time to time by the City of Mankato by issuance of revised pages to be effective on the date of City Council approval.

Q.2 — City Council Approval

Upon a motion made and seconded, the "Guidelines & Policies" for the Owner Occupied Housing Rehabilitation Program are hereby approved and adopted, subject to any changes recommended by HUD in their capacity as funding agency for the Community Development Block Grant Program.

Adopted by the City Council of the City of Mankato on the _____ day of December__, 2017.

Signed: Witnessed:

Mayor City Manager