

HASTINGS ECONOMIC DEVELOPMENT & REDEVELOPMENT AUTHORITY

RENTAL REHABILITATION

PUBLIC PURPOSE. Supplemental financing of building improvements which accomplish one or more of the following purposes: to preserve and improve affordable apartments; to preserve and make appropriate improvements to buildings which contribute to the neighborhood or historic character; to correct conditions which threaten the health, safety and welfare of the residents or neighborhood.

FORM OF ASSISTANCE. The HEDRA will lend up to half of the qualified costs of the rehabilitation. The owner will have to finance or have another loan for the remainder.

APPLICATION PROCEDURE.

1. Complete the attached application for the HEDRA to determine if the project qualifies for the program. Household incomes and rents paid are needed. Complete the summary of the work, the costs and sources of funds. Also attach photographs, drawings, plans, specifications, signed estimates or bids to show the nature and cost of the work. The HEDRA Director (480-2347) will advise you on what is needed.
2. Arrange with your bank to borrow the amount you need for the balance. Have the banker write the HEDRA Director using the attached form letter.
3. The completed application and attachments will be presented to the Board of the HEDRA at their monthly meeting. The Board has to approve the loan and terms. Applicant should plan to attend.
4. If the loans are approved by both the HEDRA and the bank, documents will be signed and both loans will be closed at the same time. The loan funds will be disbursed by the bank or the HRA as the work is completed, on presentation of statements and invoices. Loan payments will be made to the bank and to the HEDRA separately.

REQUIREMENTS

1. The improved or new rental units must be rented at affordable rates at the time the work is completed. Current HUD Fair Market Rents will be provided by HEDRA staff.
2. The property must contain one or more apartments and conform to the zoning code.
3. Work must conform to building codes and structural maintenance code for rental properties. The borrower must secure building permits, certificates of occupancy and rental licenses as required by city ordinance. The contractor must be licensed or exempt by ordinance.
4. If the property is a designated heritage preservation site or contributing to a district, exterior work must be approved by the City's Heritage Preservation Commission. A copy of the

Certificate of Approval will be provided to the Authority.

5. The assistance funds must be spent on improvements to the building and the apartment(s) such as material and labor for interior and exterior replacement, repair and remodeling, HVAC, electrical and plumbing systems, health and safety, access and energy requirements, code compliance, design and fees. Demolition, additions, improvements to the grounds and repairs to accessory buildings must be specifically requested by the borrower and approved by the HEDRA.

STANDARD TERMS.

1. The HEDRA's loan may be up to \$20,000, but not exceed 50% of the rehabilitation costs (purchase not included). The remaining 50% is provided by the owner and/or bank loan.
2. A project agreement, mortgage, note and other security documents will be executed by the borrower.
3. The term and rates offered by the HRA may vary depending on the type of tenants, the size of the loan and the type of work. Typically, the term is 10 years. The interest rate is 0 for the first year and 4% for the next four years, and 9% for the last five years. The first payment is deferred for 12 months from the first draw.

ADDITIONAL MATERIAL NEEDED FOR APPROVAL

- a. Contractor's written and signed bids, and agreement or contract form specifying materials and labor to complete the work.
- b. Building permit application.
- c. City Planning application if required for variance, relocation, or special use.
- d. Preservation Commission Certificate of Approval if property is designated Historic.
- e. Completed rental proforma form.
- f. Lender's letter for the owner's 50% of the funding.
- g. Information for loan documents.

HASTINGS ECONOMIC DEVELOPMENT & REDEVELOPMENT AUTHORITY

Rental Rehabilitation Loan Program

APPLICANT _____ Phone _____

Property address _____

Mailing address if different _____

General description of work (add additional pages if necessary):

Number of apartments and bedrooms and proposed rent for each: _____

PROJECT COSTS

Mechanical, HVAC _____ Plumbing _____

Electrical, lighting _____ Appliances _____

Structural, walls _____ Roof, skylights _____

Windows, doors _____ Carpets, floors _____

Exterior _____ Architect, Engineer _____

Demolition/relocation _____ Permits, fees _____

Total estimated costs _____

HEDRA LOAN AMOUNT REQUESTED: \$ _____

Bank loan \$ _____ Owners cash \$ _____

Bank name: _____

Address _____

Person to contact _____ phone _____

PROPERTY OWNERS (APPLICANT)

Names of owners _____

Signature _____ date _____

INFORMATION FOR LOAN DOCUMENTS

1. Full names with middle initial, address and legal status of borrowers if husband and wife or the name and address if a corporation or partnership, and name of the officer or principal partner.

2. Legal description of property where work is to be done and to be mortgaged:

3. If purchasing the property on contract for deed, give name, address and phone of fee owner (will also need the signed consent form):

4. Mortgages or liens already recorded on the property. Applicant will provide information for each existing mortgagor or lien holder: name of lender, date of document, dollar amount of mortgage or lien, the document number and the date it was recorded by county. Give the current balance of each.

5. The cost of preparing and filing legal documents to secure the loan will be added to mortgage amount. This rarely exceeds \$300. Indicate if you prefer to pay them at the time of signing the documents.

6. Full legal names, middle initials (and if a corporation or partnership, title of their official position) of persons who will be signing the note and mortgage, if different from No. 1 above.

RENTAL REHAB -BANK'S LETTER

(BANK LETTERHEAD)

date

John Grossman
Hastings Economic Development and Redevelopment Authority
City Hall, 101 E 4th St.
Hastings MN 55033

RE: name of applicant and address of property

Dear Mr. Grossman,

This letter is evidence of our willingness to lend \$ _____ to the above applicant for the rehabilitation project which may also be funded in part by the Hastings Economic Development and Redevelopment Authority.

The loan will be for a term of _____ and at a rate of _____ %.

Yours truly,

Bank officer/lender

RENTAL REHABILITATION PROFORMA

1. Address of rental property:
2. Purchase price, down payment, and date
3. Mortgage or contract current balance:
4. Total square foot of building:
5. Affordability information

| Unit number | number of bedrooms | Monthly rent - all charges | Household size - persons | total household income - year |
|-------------|--------------------|----------------------------|--------------------------|-------------------------------|
| 1 | | | | |
| 2 | | | | |
| 3 | | | | |
| 4 | | | | |

6. Building cash flow information

| | | |
|--|--|---|
| Gross Rent | | total annual income |
| Effective Rent (vacancy) | | subtract 3% of gross rent |
| Operating Expenses (list) Insurance Maintenance Management fees Property taxes Miscellaneous (describe) | | |
| Total | | |
| Net operating income | | subtract total operating expenses from effective rent |
| Less debt service on purchase | | total annual payments (P&I) |
| Less other debt on property | | any other payments |
| Cash flow available for rehabilitation loan | | subtract debt service and other from net income |