

# TRANSFORMATION HOME LOAN

## 2011 Application Package



### Program Description

A “home transformation” means a major home remodel, increasing its livable space and its value. Residents who enjoy their neighborhood, like the schools, and know the benefits of the community are choosing to adapt their existing homes to meet their current needs. The Transformation Home Loan was developed to provide an incentive for homeowners or homebuyers in Richfield to begin major remodeling activity. Program features include:

- ➔ **Remodeling Advisor Services.** Dave Schaffer will provide initial remodeling advice and on-going assistance as you plan your project. Leave a message for Dave on the Remodeling Connection: 612-861-9772.
  
- ➔ **The Transformation Loan.** The Transformation Loan provides homeowners with a financial incentive to move forward on major remodeling projects. To qualify for the loan, the cost of the remodeling project must be \$50,000 or more. The loan amount equals 15% of the total remodeling cost up to \$25,000. It’s interest-free, there are no payments, and it is payable upon sale of the property, or forgiven after 30 years. Funds are limited.

### Loan Conditions

1. **The Transformation Loan can only be used for projects not yet begun. Loans will not be considered for work in progress or work completed.**
  
2. 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.
  
3. Projects generally must include value-added improvements such as expanding space. Plans will be reviewed for design considerations.
  
4. Sweat equity may be allowed. The estimated loan amount would be based on the combination of contractor and material cost, but cannot include the value of homeowner labor. Sweat equity projects must be completed within one year.
  
5. The loan will be calculated up to 15% of the initial contract price but not to exceed \$25,000. No interest will accrue on the loan; no monthly payments are required.
  
6. Loan funds are available on a limited basis. Call to ask if funds are available. The HRA is not responsible for the availability of loan funds to the homeowner.
  
7. An application fee of \$350 is charged to cover the cost of administering the program. The application fee is due at the time the application is submitted. If the HRA rejects an application, the fee will be refunded. If the homeowner withdraws an application, the fee, minus administrative costs incurred, will be refunded.

8. Photographs of the area to be remodeled (in digital format) must be submitted as part of the application package.
9. Applications will be reviewed on a first-come, first-served basis, with priority being given to projects that are most ready to move forward. Submitted applications will be reviewed for appropriateness and completeness. Project readiness will be determined by those that have completed drawings, have total project funding in place (e.g. have a loan commitment or have closed on financing), and/or have a remodeler under contract. Funding will not be held for projects that are not ready.
10. **A Pre-Remodeling Condition Report is required by the HRA to meet City financing and auditing requirements.** A property evaluator (not an appraiser) contracted by the HRA will spend approximately an hour at your home to assess the age of mechanical systems, measure square footage, and otherwise note the condition of the home prior to remodeling. Based on the evaluator's results, the HRA may choose to reject an application and not fund a project.
11. You will be sent a commitment letter verifying the reservation of funds to be provided at closing. A copy of the letter may also be provided to your lender.
12. At the 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 charged to the applicant. **Following closing, work can begin on the project.**
13. An HRA staff person may place a sign in your yard that says, "We're Remodeling!" The sign will be removed upon remodeling completion, or sooner.
14. Partial loan payments may be issued to the homeowner before the project is complete. Payments will be made upon HRA approval of homeowner-submitted documentation, which will include a detailed list of expenditures, supplier and contractor invoices or receipts, and lien waivers.
15. For applicants obtaining mortgage financing, the full Loan amount can 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 HRA satisfactory verification of work in progress
16. Before final payment is issued, (by Lender or HRA) inspections will be required by both the Richfield Remodeling Advisor (as requested by the HRA) 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.
17. Photographs of the completed remodeling project (in digital format) must be submitted upon completion of the project or the applicant must provide access to HRA staff to take photographs of the completed project.
18. Copies of lien waivers for the full amount of the payment must be provided by the applicant at the time of final disbursement.

19. 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 with no pre-payment penalties.
20. If the Homeowner still owns and occupies the property, the lien created by the Loan will be forgiven 30 years from the date of the Promissory Note and Mortgage.
21. The Loan is a lien against the property. If at any time during the term of the loan, the HRA 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 Housing and Redevelopment Authority (HRA) Subordination and Satisfaction Policy, available at <http://www.cityofrichfield.org/CD/subordination.htm> or by calling 612-861-9760.
22. Only one Loan is available to a Homeowner at any given property location.

Please be informed that financial data submitted to the HRA for purposes of the loan application is considered private, according to Minnesota Statute Chapter 13. However, the fact that you apply for a loan and the final loan amount is considered public data according to the same statute.

#### **Summary of Remodeler Requirements**

The HRA does not recommend any particular remodeler. Selected remodelers must complete a Remodeler Form, and comply with the general criteria established by the Richfield HRA and the City of Richfield. It is the homeowner's responsibility to check on contractors thoroughly before selecting them. Your builder should:

1. Demonstrate financial capability by providing a statement from a financial institution of sufficient construction capital.
2. Possess adequate Builder's Risk, Comprehensive General Liability and Worker's Compensation insurance coverage.
3. Have a written warranty policy to be shared with the homeowner or written evidence of commitment to perform warranted repairs required by Minnesota State Statute.
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.

If the remodeler has not participated in the Transformation Homes Program previously, the HRA will require a Remodeler Form to be completed.

#### **Summary of Housing Design**

The HRA will require the following:

1. Each home shall be a detached single-family dwelling. Exceptions to this may be approved by the HRA.
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 HRA. The house building lines, rooflines, doors and window placement should minimize blank wall mass. House and garage orientation to the street must present a balanced and pleasing view from all sides. Wherever possible, the garage presence must be minimized. New garages should be flush with or behind the front elevation of the house.
6. If exterior work is included, exterior materials should be low maintenance. Masonite siding materials are not acceptable.
7. The site must be fully landscaped upon completion, including attractively placed foundation plantings and complete sod installation, lot line to lot line.
8. Adjoining properties must not be disturbed by the construction process. Construction planning is important since five-foot side yard setbacks limit construction space.
9. The construction process, site grading, and the finished structure must improve or not have a detrimental impact on storm water drainage patterns in the neighborhood. Re-working an existing site grade to improve neighborhood drainage may be requested. If a roof is pitched towards neighboring homes, gutters may be required to divert storm water, in addition to improved grading.

### **Design Plan Review**

You must provide a set of the building plans, including building elevations, and a copy of the land survey or site plan to the HRA. HRA 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. All building plans must be prepared in consultation with an architect or a qualified draftsman.

- If any element of the plan is in conflict with the above criteria, the Remodeler will be notified.
- Revised plans must be resubmitted for final approval.
- All plan reviews will be completed by the HRA in a timely manner. Each plan submitted will be processed individually.
- The HRA 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.

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## PROMISSORY NOTE

1. FOR VALUE RECEIVED, the undersigned ("Borrower") agrees to pay to the Housing and Redevelopment Authority in and for the City of Richfield, a body corporate and politic under the laws of the State of Minnesota, ("Noteholder"), the sum of \_\_\_\_\_ (\$ \_\_\_\_\_) (the "Original Note Amount"), without interest, on the Maturity Date as hereinafter defined.

2. The Borrower acknowledges that the Original Note Amount is the amount loaned to the Borrower by the Noteholder and is equal to \_\_\_ percent of the construction cost of the home remodeling project undertaken by the Borrower and outlined in Exhibit B. The project is located at \_\_\_\_\_, Richfield, Minnesota, which property is legally described as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (the "Subject Property").

3. The Maturity Date shall be the first date prior to \_\_\_\_\_, 30 years from the date of this Note, upon which any of the following events shall occur:

- a) the Subject Property is voluntarily or involuntarily sold, transferred or otherwise conveyed;
- b) the Subject Property is rented, leased, unoccupied or assigned for a period exceeding one year;
- c) there exists any default under the terms of this or any other mortgage secured by the Subject Property;
- d) there exists any other event which would cause the Subject Property to be occupied by other than the Borrower for a period of more than one year.

Notwithstanding anything else herein to the contrary, if there has been no event prior to \_\_\_\_\_ which causes the occurrence of the Maturity Date, then the Borrower shall thereafter be relieved of the obligation to repay the Original Note Amount, and the lien hereby created shall be terminated.

4. The encumbrance evidenced by this Note in the Original Note Amount shall be subordinate to any lien created and recorded prior to this Note.

5. In the event that the Borrower is notified directly or indirectly that foreclosure proceedings, by advertisement, action or otherwise, have been commenced or will be commenced, foreclosing any lien or liens against the Subject Property or any part thereof, the Borrower shall immediately notify the Noteholder in writing of such proceedings.

6. Upon payment of this Note as provided herein, the Noteholder will, within 30 days of written demand by the Borrower, execute a release and satisfaction or partial release and partial satisfaction of this Note.

7. Presentment, protest and notice of dishonor are hereby waived by the Borrower. The Borrower shall pay all costs incurred by the Noteholder hereof in the collection of this Note, including reasonable attorney's fee.

8. To secure payment of this Note, the Borrower will execute a mortgage deed, a copy of which is attached hereto as \_\_\_\_\_.

9. If the Noteholder requires the Borrower to pay in full and the Borrower refuses to do so within the required period of time, the Borrower will be responsible for all costs incurred by the Noteholder in enforcing this Note, including reasonable attorney's fees.

10. Any notice required to be given under this Note will be given if delivered by hand or mailed by first class mail, postage prepaid to the Borrower's home address, or if to the HRA, at 6700 Portland Avenue South, Richfield, MN 55423.

11. If there is more than one Borrower under this Note, each person shall be considered a Borrower within the meaning of this Note and each shall be jointly and severally responsible for payment under the Note.

Dated: \_\_\_\_\_ BORROWER(S)  
\_\_\_\_\_  
\_\_\_\_\_

STATE OF MINNESOTA )  
                                  ) SS  
COUNTY OF HENNEPIN )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ and \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

This document drafted by:  
The Housing and Redevelopment Authority  
in and for the City of Richfield  
6700 Portland Avenue South  
Richfield, MN 55423  
(612) 861-9760