

EXHIBIT A

PROGRAM GUIDELINES

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COLUMBIA HEIGHTS NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH) LOAN PROGRAM GUIDELINES

The Columbia Heights Naturally Occurring Affordable Housing (NOAH) Loan Program is designed to supplement existing loan programs available from MHFA, CEE, private lenders and other housing resources. Center for Energy and Environment shall serve as the administrator for the Loan Program and will secure the most beneficial financing based on the borrower's needs independent of the funding source.

Multi-Family Deferred Loan

Interest Rate: 0%

Amortization Type: Deferred (No Monthly Payments Required).

Loan Amount: Minimum of \$2,000 and Maximum of \$50,000. Notwithstanding the foregoing, for any Eligible Property that includes an owner-occupied unit, the Loan Amount shall be prorated to cover costs, subject to the Matching Funds Requirement, related only to the non-owner-occupied rental units and common spaces within the Eligible Property.

Matching Funds Requirement: 50%. The borrower must match the City Loan Amount 1:1. The borrower must show they have sufficient funds necessary to cover the matching amount and any additional funds for the entire project as outlined in the bid(s). Additional funds may come from the borrower's personal savings, gifts, or other non-City loans.

Loan Term: 20 years. If the property has not been sold or title transferred and continues to meet the Income Requirements and Rental Requirements (if applicable) as listed in the Program Guidelines for 20 years from the date of the loan the loan shall be 100% forgiven. If the property is sold, title transferred or does NOT meet the Income Requirements and Rental Requirements (if applicable) as listed in the Program Guidelines prior to 20 years from the date of the loan 100% of the loan will be due, and immediately payable [in the case of sale or title transfer, or as provided in the loan documentation in the case of failure to meet the Income Requirements and Rental Requirements, if applicable].

Eligible Properties: 2+ unit rental properties located within the City of Columbia Heights. An eligible rental property may contain an owner-occupied unit. Properties held in a Trust are NOT eligible.

Properties must be conforming uses or legal nonconforming uses under the Columbia Heights Land Use Code. CEE shall verify with the City for property eligibility at time of application.

Ineligible Properties: Single family homes, single unit condominiums/townhomes, cooperatives, manufactured homes or properties used for commercial purposes. Properties held in a Trust.

Eligible Borrowers: All borrowers must be legal residents of the United States or a business registered with the Minnesota Secretary of State.

Ineligible Borrowers: Residents that are not legal residents of the United States, Non-Occupant Co-Borrowers, and Properties in a Trust.

Ownership/Occupancy: Owner-occupied or non-owner-occupied properties. Also see Loan Amount and Eligible Properties.

Loan - to - Value Ratio: The ratio of all loans secured by the property, including the new loan, should not exceed 110% of the property value. Half of the improvement value may be added to the initial property value. Value can be established by the Property Tax Statement, or an Appraisal dated within the past 12 months.

Income Requirements: All units must have a household income which does not exceed 50% of the area median income ("AMI") as determined by the United States Department of Urban Development ("HUD") for applications received in **January, February, or March** of each calendar year and 80% for applications received from **April through December** of each calendar year. Income will be verified based on the adjusted gross income from the most recent federal tax return. The household income will include anyone listed on the lease (and spouse) or anyone who has a legal interest in the property.

If a tax return was not required **because of income level**, the income will be determined by the projected gross income.

If units are unable or unwilling to provide federal tax returns, the income will be demonstrated by projected gross income from either: two recent consecutive paystubs for each member of the household that is 18+ and listed on the lease, or a signed attestation by all household members 18+ and listed on the lease.

Rental Requirements: Rent for all rental units shall not exceed 30% of the household monthly income, determined in the same manner as for the income requirements. A copy of the current lease shall be used to verify rent.

Debt - to - Income Ratio: N/A

Credit Requirements: 1) All mortgage payments must be current 2) All real estate taxes must be current.

In Good Standing: Borrowers must be in good standing with the City of Columbia Heights. **CEE shall verify with the City for good standing at time of application.**

Multiple Loans per Property/Borrower: More than one loan per property/borrower is allowed, however, the outstanding balance(s) for this loan CANNOT exceed \$50,000. Notwithstanding the foregoing, not more than one loan per property/borrower every five years, commencing from the date of the first loan, is permitted.

Property Prioritization Inspection (PI): Required

Eligible Use of Funds: Most permanent interior and exterior improvements as determined by the Prioritization Inspection (PI). The City shall be asked to approve uses of funds when eligibility is uncertain. Examples of eligible projects include: ventilation and cooling systems; furnaces, boilers, and water heaters; windows, doors, and siding; insulation; roof repair; tree removal; property regrading; sewer line repair or replacement; electrical system repairs or updates; mold and radon mitigation; accessibility improvements; renovations to increase the number of units; and fire suppression systems.

Ineligible Use of Funds: Payment for work initiated prior to the loan being approved and closed, unless due to emergency. Recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), non-permanent appliances, and funds for homeowner labor or refinancing existing debts are NOT allowed. **Payment for work performed in connection with an owner-occupied unit.**

Bids: At least two (2) bids are required (unless a “sweat equity” project). All contractors must be properly licensed or registered and permits must be obtained when required. If the Borrower is having difficulty obtaining a 2nd bid CEE may contact the City to request waiver of the 2nd bid requirement.

Sweat Equity / Homeowner Labor: Work may be performed by property owners on a “sweat equity” basis. Loan funds may be used only for the purchase of materials. Loan funds cannot be used to purchase tools/ equipment or compensate for labor. Rental of equipment to complete the project is eligible. Only one material cost list is required.

Post Installation Inspection: Permits must be obtained and signed off by a City inspector where required; when not required, a post installation inspection will be performed by a CEE representative to ensure the work has been completed before any funds will be released.

Loan Security: All loans will be secured with a mortgage in favor of the City of Columbia Heights.

Borrower Fees: Borrower will be responsible for a 1% origination fee, title report, document preparation fee, mortgage filing and service fees, credit report fees and any applicable closing fee.

Underwriting Decision: Applicants must have acceptable credit history. CEE will approve or deny loans based on a credit report, income verification and other criteria as deemed necessary through CEE’s underwriting guidelines. CEE’s decision shall be final.

Work Completion: All work must be completed within 120 days of the loan closing. However, when warranted, CEE may authorize exceptions on a case-by-case basis.

General Program Conditions

Application Processing: Loans will be distributed on a first come first serve basis as borrowers qualify. **Applicants must provide a completed application package including the following in order to be considered for funding.**

- Completed and signed application form
- Proof of income for Borrower and Tenant
- Verification of rent

- Bids or estimates for proposed projects
- Other miscellaneous documents loan officers may require.

Disbursement Process: Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work. An inspection will be performed by a City Inspector and/or a CEE representative to verify the completion of the work. The following items must be received prior to final disbursement of funds:

- Final invoice or proposal from contractor (or materials receipt from supplier);
- Final inspection verification by a City Inspector (or CEE);
- Completion certificate(s) signed by borrower and contractor;
- Lien waiver for entire cost of work;
- Evidence of City permit (if required)

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