

CITY OF CALEDONIA, MINNESOTA

RESOLUTION 2018-014

**A RESOLUTION ADOPTING POLICIES FOR ADMINISTRATION
OF MN DEPARTMENT OF EMPLOYMENT & ECONOMIC DEVELOPMENT
SMALL CITIES DEVELOPMENT GRANT**

WHEREAS, the City of Caledonia has entered into an agreement with the State of Minnesota, Department of Employment and Economic Development for the allocation of grant funding by the United States Department of Housing and Urban Development under the Community Development Block Grant Program with the City of Caledonia acting as the legal sponsor for the project; and

WHEREAS, the City of Caledonia has entered into an agreement with Semcac and Community and Economic Development Associates (CEDA) to coordinate and administer the SCDP Grant Program; and

WHEREAS, certain guidelines, policies, and procedures are required to enable the City of Caledonia, Semcac, and CEDA to achieve the goals of the Small Cities Development Program;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Caledonia adopts the attached policies and plans, as listed herein, for the Small Cities Development Program:

Fair Housing Action Plan
Conflict of Interest
Drug-Free Workplace
Prohibition of Excessive Force/Civil Rights Policy
Residential Anti-Displacement and Relocation Assistance Plan
Income Reuse Plan
Section 3 Compliance Plan

BE IT FURTHER RESOLVED that the City Council of the City of Caledonia approves the following policies and procedures manuals: Owner-Occupied Housing Rehabilitation, Commercial Rehabilitation, and Rental Rehabilitation for the City of Caledonia.

ADOPTED by the Caledonia City Council this 27th day of August, 2018.

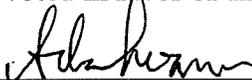

DeWayne "Tank" Schroeder, Mayor

ATTEST:


Adam G. Swann, Clerk-Administrator

STATE OF MINNESOTA)
COUNTY OF HOUSTON)
CITY OF CALEDONIA)

I, Adam Swann, city clerk and administrator of the City of Caledonia, do hereby certify that this is a true and correct transcript of the resolution that was adopted at a meeting held on the 27th day of August, 2018, the original of which is on file in this office. I further certify that 4 members voted in favor of this resolution and that 4 members were present and voting.

Signed 
Date August 29, 2018

Caledonia Small Cities Comprehensive Grant

Fair Housing Action Plan

Grant Number: CDAP-17-0038-O-FY18

Applicant Name: City of Caledonia, MN

The purpose of this plan is to formally declare the conviction and intention of the City of Caledonia to achieve the aims of the Fair Housing Act and to assist the Secretary of Housing and Urban Development for the promotion and assurance of equal opportunity in housing without regard to race, color, religion, sex, handicap, familial status, national origin and public assistance status. For the purpose of this plan the following definitions shall apply:

1. Discriminatory housing practices means: any act that is unlawful under the Fair Housing Act.
2. Dwelling Unit means: any building, structure or portion thereof, which is occupied as, or designed or intended for occupancy as, a residence by one or more families.
3. Fair Housing means: Title VII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988 (42 U.S.C. 36000-3620).
4. Familial status means: one or more individuals (who have attained the age of 18 years) being domiciled with:
 - a. A parent or another person having legal custody; or
 - b. The designee of such parent or other person having such custody, with the written permission of such parent or other person.
5. Handicapped means: with respect to a person, a physical or mental impairment which substantially limits one or more major life activities.

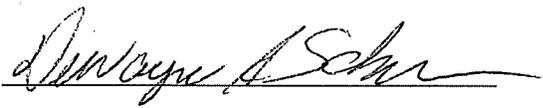
It will be the plan of the City of Caledonia to formally support equal opportunity for all residents or persons who wish to become residents of the City, and to ensure their rights to obtain decent, safe and sanitary housing. The City of Caledonia will not tolerate discriminatory practices within its jurisdiction. The following practices have been declared to be discriminatory and unlawful under the Fair Housing Act:

1. To refuse to sell or rent or negotiate for the sale or rental of any property based on race, creed, color, sex, religion, national origin, marital status, familial status, handicap, or in regard to public assistance.
2. Discrimination in terms, conditions, and privileges and in services and facilities.
3. Engage in any conduct which makes dwelling units unavailable or denies dwellings to persons.
4. Make, print, or publish, or cause to make, print or publish discriminatory advertisements.
5. To represent that dwelling unit is not for sale or rent when in fact it is.
6. To engage in blockbusting.
7. To deny access to or membership or participation in, or to discriminate against any person in his or her access to or membership or participation in, any multiple listing service, real estate broker's association, or other service organization or facility relating to the business of selling or renting a dwelling or in the terms or conditions or membership or participation.

Whenever a complaint alleging discriminatory housing practice is received within in jurisdiction of the City of Caledonia the City will assist households who may have been discriminated against by providing the following services:

1. The City of Caledonia and its agents will post Fair Housing information in public places and will provide information in the Spanish language as needed.

This Fair Housing Plan is adopted by the City Council for the City of Caledonia this 27th day of August, 2018.



Mayor, DeWayne Schroeder



City Clerk-Administrator, Adam Swann

City of Caledonia
Small Cities Development Program

Conflict of Interest Policy

Caledonia Comprehensive Grant Program

No member of the governing body of the locality and no official, employee or agent of the local government or who exercises policy, functions as a decision maker, or has responsibilities connected with the planning and implementation of the housing rehabilitation program shall directly or indirectly benefit from this program. This prohibition shall continue for one year after an individual's relationship with the local government organization ends. For example, if a City Council member owns a home and qualifies for the rehab program under the other criteria, his/her home cannot be rehabbed under the SCDP Program. Also, if a Council member is a contractor, they cannot bid on any SCDP projects in their jurisdiction. Any person as stated above either for contracting rehab or for having rehab done on their home may apply for an exemption to the rule. This request will be submitted to DEED Staff for review and approval.

NOTE: All applicants for the SCDP Program are required to complete a "Conflict of Interest Interview" form and the completed form will be kept in the applicant's file.

 8-28-2018

Mayor, DeWayne Schroeder Date

 8/28/18

City Clerk-Administrator, Adam Swann Date

Certification for a Drug-Free Workplace

U.S. Department of Housing and Urban Development

Applicant Name

City of Caledonia

Program/Activity Receiving Federal Grant Funding

Caledonia Small Cities Grant Program

Acting on behalf of the above named Applicant as its Authorized Official, I make the following certifications and agreements to the Department of Housing and Urban Development (HUD) regarding the sites listed below:

I certify that the above named Applicant will or will continue to provide a drug-free workplace by:

a. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Applicant's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

b. Establishing an on-going drug-free awareness program to inform employees ---

(1) The dangers of drug abuse in the workplace;

(2) The Applicant's policy of maintaining a drug-free workplace;

(3) Any available drug counseling, rehabilitation, and employee assistance programs; and

(4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

c. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph a.;

d. Notifying the employee in the statement required by paragraph a. that, as a condition of employment under the grant, the employee will ---

(1) Abide by the terms of the statement; and

(2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;

e. Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph d.(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;

f. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph d.(2), with respect to any employee who is so convicted ---

(1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or

(2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;

g. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs a. thru f.

2. **Sites for Work Performance.** The Applicant shall list (on separate pages) the site(s) for the performance of work done in connection with the HUD funding of the program/activity shown above: Place of Performance shall include the street address, city, county, State, and zip code. Identify each sheet with the Applicant name and address and the program/activity receiving grant funding.)

Owner Rehab, Commercial Rehab, Rental Mixed Use Rehab and Multi-Family Rehab within the designated target areas within the City limits of the City of Caledonia, MN.

Check here if there are workplaces on file that are not identified on the attached sheets.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official

DeWayne Schroeder

Title

Mayor

Signature

x 

Date

8-28-2018

Prohibition of Excessive Force/Civil Rights Policy

The City of Caledonia prohibits the use of excessive force by law enforcement agencies within its jurisdiction against individuals engaged in nonviolent civil rights demonstrations.

The City of Caledonia also will enforce applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such nonviolent civil rights demonstration within its jurisdiction.

DeWayne Schroeder 8-28-2018 Adam Swann 8/28/2018

Mayor, DeWayne Schroeder Date

City Clerk-Administrator, Adam Swann Date

**City of Caledonia Small Cities Comprehensive Grant Program
Residential Anti-Displacement and Relocation Assistance Plan**

- A. The City of Caledonia will replace all occupied and vacant occupiable low/moderate-income dwelling units demolished or converted to a use other than as low/moderate-income housing in connection with an activity assisted with funds provided under the Housing and Community Development Act 1974, as amended in 24 CFR, Part 570.606 and 24 CFR, Part 42.

All replacement housing will be provided within three years after the commencement of the demolition or conversion. Before entering into a contract committing the City of Caledonia to provide funds for an activity that will directly result in such demolition or conversion, the City of Caledonia will make public and submit to the Minnesota Department of Trade and Economic Development the following information in writing:

1. A description of the proposed assisted activity;
2. The location on a map and number of dwelling units by size (number of bedrooms) that will be demolished or converted to a use other than as low/moderate-income dwelling units as a direct result of the assisted activities;
3. A time schedule for the commencement and completion of the demolition or conversions;
4. The location on a map and the number of dwelling units by size (number of bedrooms) that will be provided as replacement dwelling units. If such data are not available at the time of the general submission, the City of Caledonia will identify the general location on an area map and the approximate number of dwelling units by size and provide information identifying the specific location and number of dwelling units by size as soon as it is available.
5. The source of funding and a time schedule for the provision of replacement dwelling units.
6. The basis for concluding that each replacement dwelling unit will remain a low/moderate-income dwelling unit for at least 10 years from the date of initial occupancy.
7. Information demonstrating that any proposed replacement of dwelling units with smaller dwelling units (e.g, a 2-bedroom unit with two 1-bedroom units) is consistent with the housing needs of low and moderate-income households in the jurisdiction.

The City of Caledonia may request the Minnesota Department of Trade and Economic Development to recommend that the U.S. Department of Housing and Urban Development approve an exception to required replacement housing if there is an adequate local supply of vacant low/moderate-income dwelling units in standard condition. Exceptions will be reviewed on a case-by-case basis as described in 24 CFR, Part 570.606 and 24 CFR Part 42.

- B. The City of Caledonia will provide relocation assistance, as described in 24 CFR, Part 570.606 and 24 CFR Part 42, to any lower-income person displaced by the demolition of any dwelling unit or the conversion of a low/moderate income dwelling unit to another use in connection with an assisted activity.
- C. Consistent with the goals and objectives of activities assisted under the Act, the City of Caledonia will take the following steps to minimize the displacement of persons from their homes:
 - 1. Enforce building and housing codes to encourage sound housing and discourage deterioration from occurring.
 - 2. Encourage a tenant based Section 8 Rental Assistance Program to help ensure that landlords maintain HQ's and also encourage landlords to continue to provide LMI housing.
 - 3. Work with Semcac to ensure that housing rehab programs continue that primarily help LMI homeowners maintain a quality housing stock for LMI families.
 - 4. Continue to seek developers of LMI family housing to provide housing for new families and those families that might ultimately be displaced through inevitable housing deterioration
 - 5. Continue to provide adequate areas of residential zoning and discourage displacement due to private commercial/industrial development and expansion.
- D. Definitions for the purpose of this plan are as follows:

A "low/moderate-income unit" is a unit with a market rental, including utility costs, that does not exceed the applicable fair housing market rent for existing housing and moderate rehabilitation, as established under Section 8 existing housing program.

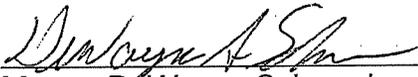
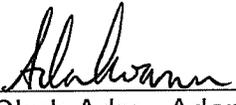
A "vacant occupiable dwelling unit" is a vacant unit that is in standard condition; or in substandard condition, suitable for rehabilitation; or in

dilapidated condition and occupied less than three months from date of the grantee agreement.

A "occupiable dwelling unit" is a unit that is in standard condition or has been raised to a standard condition from a substandard condition, suitable for rehabilitation.

A "standard condition dwelling unit" is a well-built unit with adequate space for persons living there. There are no major defects in the structure and only minor maintenance is required. Such dwelling will have the following characteristics: reliable roofs; sound wells and foundations; adequate and stable floors, walls and ceiling; surfaces and woodwork that are not seriously damaged nor have paint deterioration; sound windows and doors; adequate heating, plumbing, and electrical systems which don't present safety hazards; adequate insulation for local climatic conditions; and is in compliance with local building and housing codes.

A "substandard condition dwelling unit, suitable for rehabilitation" will show a lot of deferred maintenance with permanent damage to structural items. Conditions contributing to substandard dwelling include, but are not limited to, sagging, cracked, rotting, or leaking roofs, walls, foundations, ceilings, floors, doors, and windows; deteriorated surfaces and woodwork; unreliable heating, plumbing, or electrical systems which present safety hazards or inadequate insulation. The cost of rehabilitating the unit to a standard condition should not exceed the market value of the dwelling.

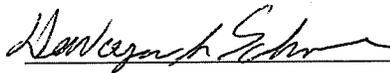
 8-28-2018  8/28/18
Mayor, DeWayne Schroeder Date City Clerk-Adm., Adam Swann Date

City of Caledonia Grant

Small Cities Development Program (SCDP) Income Reuse Plan

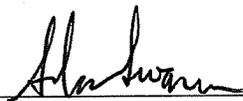
All income and repayments received through the Small Cities Development Program (SCDP) loans will be used for further rehabilitation activities and will be consistent with the application for funds and the Contract Agreement. If income received exceeds \$35,000 in any given federal fiscal year (Oct. 1 – Sept. 30), the funds will follow federal policies (similar to original grant) regarding federal objectives, tiered environmental reviews, lead base paint, and federal labor standards. If income received is below the \$35,000 threshold, it will still be used for rehabilitation activities, but following federal policies is not required.

A SCDP Post Closeout Program Income Report will be accurately completed and submitted to the Minnesota Department of Employment and Economic Development (DEED) by October 15 each year.



Mayor, DeWayne Schroeder Date

8-28-2018



City Clerk-Administrator, Adam Swann Date

8-28-2018

City of Caledonia

SCDP Section 3 Compliance Plan – 2018 SCDP Award

I. Policy:

The City of Caledonia in conjunction with the Small Cities Development Program (SCDP) has the following plan to direct employment and other economic opportunities generated by HUD financial assistance for housing and community development programs, to the greatest extent feasible, toward low and very low-income persons, particularly those who are recipients of government assistance for housing.

II. Scope:

This plan applies to the Small Cities Development Program.

III. General Provisions:

- A. Section 3 is a HUD requirement that is intended to ensure that when employment or contracting opportunities are available on HUD funded projects, preference is given to low and very low-income persons or businesses. Being a Section 3 business is not required however preference is given to those businesses.
- B. Caledonia will attempt to recruit low-income residents through: local advertising media, signs prominently displayed at project sites, contacts with community organizations and public or private agencies operating in Caledonia where the Section 3 program or project is located.
- C. Caledonia will participate in the SCDP Housing Rehab HUD program which promotes the training and employment of Section 3 residents.
- D. Caledonia will participate in a HUD program or other program which promotes the award of contracts to businesses which meet the definition of Section 3.
- E. Caledonia will require all contractors to complete and submit the Section 3 Business Certification Form prior to awarding contracts. While being a Section 3 business is not required for the program, Caledonia will give preference to qualified, competitive Section 3 businesses.



Mayor, DeWayne Schroeder

8-28-2018

Date

Policies and Procedures Manual

***Small Cities Development Program:
Owner-Occupied Housing Rehabilitation Program
for the City of Caledonia***

2018–2021



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I. Program Description

The City of Caledonia's overall goal under the Small Cities Development Program (SCDP) through the Minnesota Department of Employment and Economic Development (DEED) is to preserve the supply of decent, safe, sanitary and lead-safe affordable housing for lower-income families.

The City of Caledonia envisions the project to consist of moderate rehabilitation of owner-occupied housing. At a minimum, the property must be in compliance with applicable state and local codes, rehabilitation standards, ordinances, Section 8 Housing Quality Standards (HQS), zoning ordinances and be lead-safe at completion and through the effective period.

THIS IS NOT A REMODELING PROGRAM

II. Delegation of Authority

The City of Caledonia has contracted with Semcac to be the local administrator of the SCDP. Semcac is responsible for ensuring that only eligible applicants receive SCDP funds. Semcac will assure that all rehabilitation repairs will meet program eligibility criteria. The City and Semcac are bound by terms agreed to by all parties for this project's Contractual Agreement.

III. Borrower Eligibility

Borrowers must reside within the City of Caledonia and within the designated target areas:

Borrower must be eighteen years of age or older or have been declared emancipated by a court having jurisdiction.

Co-signers are not allowed on rehabilitation loans. All borrowers must occupy the property as their primary residence.

A borrower, individually or in the aggregate, must have at least one-third ownership interest in the residence to be rehabilitated.

Eligible forms of ownership interest include the following:

- Fee simple;
- Leasehold estate subject to a Community Land Trust.

Title may be held in the following ways:

- Individual, joint tenancy, a tenancy-in-common, or tenancy by the entirety

Note: Mobile homes, Contract for Deed and/or Life Estates are not eligible

Administrator is required to verify the legal description of the subject property, the borrower's ownership interest, and any existing liens. Title investigation may be conducted by the Administrator through documented contact with the County Recorder's Office/Registrar of Titles, or with an Owner's and Encumbrances Report.

At least one borrower must regularly reside in the property as their primary residence for at least nine months out of each year.

When the Administrator establishes that a separated spouse permanently resides outside of the household, that separated spouse may be excluded from signing the rehabilitation loan application, but must sign the mortgage. Examples of separated spouse documentation include:

- Legal separation documentation;
- Proof of initiated divorce proceedings; or
- Verification of separate principal residence and absence of joint accounts.

If a borrower is divorced, but the ex-spouse still holds title, the ex-spouse must either quit claim his/her interest or a divorce decree must be provided which states sole ownership (not only occupancy) in the applicant's name.

Borrowers must have vested interest in the property prior to participation in the program. If title has been acquired through quit claim deed or similar conveyance, it must be recorded at the County Recorder's Office.

Properties **not** eligible for financing are as follows:

- Unit in a Cooperative Corporation or a limited equity Cooperative Corporation;
- Recreational/seasonal home;
- Property intended to be used as an investment property (except the rental of a second unit in a duplex);
- Property primarily used for business (more than 50 percent of the floor space is used for business); and
- Mobile homes
- Homes located in the Flood Plain
- Homes being purchased by a Contract for Deed
- Homes in a Reverse Mortgage or Trust

Income

Participants are limited to those with a gross annual household income at 80 percent or below of the Houston County area median income.

Gross annual household income is the gross annual projected household income verified within 120 days of the application date of all residents age eighteen and over of the borrower's household, from whatever source derived (with the exception of incidental income from after-school employment of persons under eighteen years of age) and before taxes or withholdings. Gross annual projected household income includes:

- Salary, commissions, bonuses, tips, earnings from part-time employment;
- Interest, dividends, gains on sale of securities;
- Annuities, pensions, royalties;
- Veterans Administration compensation, public assistance, social security benefits, unemployment compensation and sick pay;
- Net rental income, income received from business activities or investments;
- Alimony, child support;
- Estate or trust income;
- Seasonal employment income;
- Ongoing educational grants; and

- Contract-for-deed income deducting principal, interest, taxes, and insurance paid by property administrator on outstanding debt against the property. (Deductions cannot exceed the contract-for-deed income.)

If a borrower's gross annual income is zero or a negative amount, the borrower is ineligible for financing.

If the borrower is self-employed or derives income from a business which he/she owns or co-owns, an average of the borrower's income over a two- year period will be evaluated to determine income.

If a portion of this borrower's income is from a part-time business operation, the average of the part-time income for the previous two years will be added to current income.

If the borrower is seasonally employed, an average of the income from the previous two years will be used to compute current income.

***NOTE:** Social Security received by borrower's children shall not be considered as income. Foster children will not be included to determine family size, and the income received for support of foster children will not be used to compute total income.

***NOTE:** If the borrower's income is based solely on self-employment, at least two years worth of income tax returns must be submitted. Those self-employed for less than two years are not eligible to apply for the SCDP rehabilitation loan.

Income Verification

Third party written verification of all sources of income shall be required. Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person, information conveyed and date of call.

To conduct third party verifications, the borrower must provide a written release that authorizes the third party to release required information. Third party verifications are helpful because they provide independent verification of information and permit the agency to determine if any changes to current circumstances are anticipated. Some third party providers may, however, be unwilling or unable to provide the needed information in a timely manner.

Some third-party providers (such as banks) may charge a fee to provide the information. In such cases, an attempt to find suitable documentation without the third party verification—for example, bank statements or a savings passbook. If suitable documentation is not available, costs associated with the third party verifications are considered eligible expenses under the SCDP; however, applicants must not be required to pay for verifications.

Other Requirements

All properties must be covered by hazard insurance which meets at a minimum the following requirements:

- Insurance must be in effect;
- Level of Coverage: Hazard insurance must be provided in an amount sufficient to cover all lien amounts or 100% of the insurable value and protect against loss or damage from

fire and other hazards covered by the standard extended coverage endorsement and should be of the type that provides for claims to be settled on a replacement cost basis.

***NOTE:** The borrowers must be current with their mortgage payments, property taxes, and have hazard insurance on their property in order to apply.

IV. Application Selection Process

The applicants will be chosen on a first-come, first-served basis according to the date of when their survey was returned to Semcac. A waiting list will be created, and households on the waiting list will be given priority. Homeowners will be contacted from the list until the program goal of fifteen homes are met or funds are depleted.

V. Financial Assistance

The program will have a maximum loan limit of \$22,000. This loan is a zero percent, seven-year deferred loan. If the borrower lives in the home for the full seven years, the loan is completely forgiven. If the borrower sells or moves out of the home in year one or year two, the whole amount of the loan must be repaid. If the borrower sells or moves out of the home in years three through seven, twenty percent of the loan amount will be forgiven each year. See chart below:

Year 1	100% repaid
Year 2	100% repaid
Year 3	80% repaid
Year 4	60% repaid
Year 5	40% repaid
Year 6	20% repaid
End of year 7 and after	0% or forgiven

When possible, other programs such as the Weatherization Program, Energy Related Repair Program, and Minnesota Housing's Fix-Up and/or Rehabilitation Loan Programs will be utilized to help meet all needs of the property and to also stretch the SCDP funds further so more properties are able to be helped.

VI. Inspections/Work Write-Ups

The following types of inspections are required prior to preparation of bid specification/scope of work:

- Property inspection to identify deficiencies under applicable state and local codes, rehabilitation standards, ordinances, Housing Quality Standards (HQS) and zoning ordinances.
- Properties built prior to 1978 must have a certified Risk Assessor perform a Lead Hazard Evaluation of the property, unless presuming that lead-based paint hazards exist. All homes built prior to 1978 will receive a Lead Brochure/Notice. If lead is present, temporary relocation of the household residents may be necessary during the work that will disturb lead paint.

After performing the initial inspection, the local administrator will determine what items to incorporate into the scope of work in order to ensure the property will comply with applicable state and local codes, rehabilitation standards, ordinances, HQS, zoning ordinances and be lead safe at completion.

Eligible Improvements

The proceeds of a loan under the Policies and Procedures Manual shall be used to finance the improvements that:

- Are permanent and meet the minimum provisions contained in the State Building Code;
- Correct a defect or deficiency in the property directly affecting the safety, habitability, accessibility or energy consumption of the property;
- Are in compliance with all health, fire prevention, building codes and standards (however, no application shall be denied solely because the improvements will not bring the property into full compliance with such codes and standards).

Accessibility - funds may be used to install only permanent modifications accommodating high priority mobility, homemaking and self-care needs of a disabled household resident. Accessibility improvements may include such items as:

- Construction of ramps;
- Installation of handrails and grab bars;
- Replacement of bathtubs with wheel-in-showers;
- Lowering of items such as sinks, electrical switches and cupboards;
- Widening of doorways; and
- Bathroom or bedroom space on the first level of the dwelling.

Ineligible Improvements/Use of Funds

Ineligible improvements include, but are not limited to, the following:

- Luxury upgrades—Improvements may not include materials or fixtures of a type exceeding those customarily used in the locality for properties of the same type as the property to be improved. The borrower will be responsible to pay the difference between the average cost of the materials and the item selected;
- Room additions;
- Recreational items such as hot tub, pool, deck, etc.;
- Public improvement assessments—Loan proceeds may not be used in whole or in part to pay public improvement assessments;
- Improvements already in place—Loan proceeds may not be used to pay for any work done prior to the date of the loan application; and
- Existing debt—Loan proceeds may not be used to pay off existing debt.

VII. Bidding/Contracting Process

The local administrator will provide assistance to the property owner in obtaining bids by devising bid specifications, scope of work forms, or other forms that may be of help in obtaining adequate bids and bids from diverse companies and companies with diverse workforces. The City of Caledonia requires the property owner ensure cost reasonableness. At least 3 bid packets will be sent out to bidders. If only 1 is received, then a cost comparison will be completed and kept in the file. All bidders have to meet

DEED requirements and have their MN licensed residential building contractors and meet Lead Certification Requirements for lead jobs.

Once bids are received, the local administrator will review the bids with the owner. The owner, with the local administrator's assistance, will then decide which bid to accept, preferably the lowest bid.

***NOTE:** If lead paint has been detected through the Lead Risk Assessment, only certified Lead Supervisors/EPA & MDH Lead Firms can bid on the job. Once work is completed, a Lead Clearance Exam has to be completed and passed.

Bidding contractors are required to carry a minimum of \$250,000 general aggregate coverage. If the contractor employs others, the contractor must provide proof of Worker's Compensation coverage.

Once bids have been reviewed, approved and all necessary paperwork is completed, the Proceed to Work Order(s) will be sent out and list the deadline to complete the work.

The City of Caledonia may, at its discretion, authorize the expenditure of funds in excess of the approved loan amount, not to exceed program maximums. The expenditure of funds may be less than the approved loan amount. In the case of an increase or decrease in funds requested, written explanation of any increase or decrease must be submitted to the local administrator, including the new or amended bid(s) or invoice(s) and a revised list of improvements/sworn construction statement.

The property owner may not authorize the commencement of any additional work or the expenditure of any additional funds until it has received written approval through a Change Order process with the administrator.

Once work is completed, the contractor must submit a final billing invoice, lien waiver(s), and other required program forms.

VIII. Payment Process

Minimum payment request to DEED is \$2,000. One partial payment request is allowed per job. The work for which partial payment is being requested must be completely finished and pass inspection before any partial payment request to the City will be processed. Inspection(s) will be completed by an HQS Inspector provided by Semcac.

Once work has been completed, and if applicable, a Lead Clearance Exam has to be completed and pass before any payment can be processed. The HQS Inspector also has to complete a final inspection of the property prior to submitting the pay request to the City.

Once all requirements are met, payment request will be submitted to the City of Caledonia to process payment to the contractor. The City may decide to front the funds to make payment to the contractor or they may hold payment until funds have been received from DEED through DEED's Disbursement Request process schedule.

IX. Compliance/Regulatory Areas

Historical Significance. Historic review of the property is required on all homes. If there is an historical significance with the property, the Minnesota Historical Society must be involved with the rehab

specifications so no alterations are done to change the historical significance of the property to be rehabbed.

Conflict of Interest. If a conflict exists, an approval must be obtained by DEED.

Data on Individuals. The names and addresses of individuals applying for and receiving loans for the rehabilitation of housing from DEED are public data. The amount of the loan is also public data. (M.S. 13.462, Subd 2.)

The following data are classified as private data on individuals regardless of the type of assistance they applied for or received.

Data Element	Citation classifying the data element as Private Data on Individuals
Grantee name	M.S. 462A.065
Credit reports	M.S. 462A.065
Financial statements	M.S. 462A.065
Net worth calculations	M.S. 462A.065
Income	M.S. 462A.065
Other financial information	M.S. 462A.065
Social Security Number	M.S. 13.355, Subd. 1
All Other Data	M.S. 13.462, Subd. 3

M.S. 462A.065 FINANCIAL INFORMATION.

Financial information, including but not limited to credit reports, financial statements and net worth calculations, received or prepared by the agency regarding any agency loan or grant and the name of each individual who is the recipient of an agency grant are private data on individuals, pursuant to section 13.02, subdivision 12.

M.S. 13.355 SOCIAL SECURITY NUMBERS.

The Social Security numbers of individuals collected or maintained by a state agency, statewide system, or political subdivision are private data on individuals, except to the extent that access to the Social Security number is specifically authorized by law.

M.S. 13.462 BENEFIT DATA.

Subdivision 1. **Definition.** As used in this section, "benefit data" means data on individuals collected or created because an individual seeks information about becoming, is, or was an applicant for or a recipient of benefits or services provided under various housing, home ownership, rehabilitation and community action agency, Head Start, and food assistance programs administered by state agencies, political subdivisions, or statewide systems. Benefit data does not include welfare data which shall be administered in accordance with section 13.46.

Subd. 2. **Public data.** The names and addresses of applicants for and recipients of benefits, aid, or assistance through programs administered by any political subdivision, state agency, or statewide system that are intended to assist with the purchase, rehabilitation, or other purposes related to housing or other real property are classified as public data on individuals. If an applicant or recipient is a corporation, the names and addresses of the officers of the corporation are public data on individuals. If an applicant or recipient is a partnership, the names and addresses of the partners are public data on individuals. The amount or value of benefits, aid, or assistance received is public data.

Subd. 3. **Private data.** Unless otherwise provided by law, all other benefit data are private data on individuals, and shall not be disclosed except pursuant to court order or to an agent of the state agency, political subdivision, or statewide system, including appropriate law enforcement personnel, who are

acting in an investigation or prosecution of a criminal or civil proceeding relating to the administration of a program described in subdivision 1.

X. Flood Plain Review Requirements

The target area will have to be investigated to see if it falls within a 100-year flood zone. To determine this, the target area can be looked up on the Flood Maps found on FEMA's website:
<http://msc.fema.gov>.

***NOTE:** The target area for the Caledonia Small Cities Project is not located within a 100 year flood plain.

XI. Miscellaneous

Reuse of Repayments/Default Funds. It is recommended that the reuse of repayment/default funds be targeted to continue rehabilitation of housing stock anywhere within the City of Caledonia. Use of these funds will be at the sole discretion of the City of Caledonia.

Amendment Process for Policies. The policy will be reviewed as necessary. The grant administrator(s) will make any needed revisions. Any revisions to the policy will be sent to DEED and the City of Caledonia.

XII. Appeals and General Complaints

Each person making application for financial assistance under the program shall have the right to appeal any determination of Semcac staff to the Executive Director of the Semcac. General complaints must be made in writing within 30 days and addressed to either or both of the following:

Semcac
PO Box 549
Rushford, MN 55971.

A written response to the complaint will be issued within 30 days.

Policies and Procedures Manual

***Small Cities Development Program:
Commercial Rehabilitation/
Program for the City of Caledonia***

2018–2021

**EQUAL HOUSING
OPPORTUNITY**

City of Caledonia 2018 SCDP

COMMERCIAL REHAB PROGRAM

POLICIES AND PROCEDURES

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ATTACHMENTS:

- Slum and Blight District Map

City of Caledonia 2018 SCDP Commercial Rehabilitation Program

Policies & Procedures

Section A – Program Objectives

The federal objective for commercial rehabilitation is to eliminate Slum & Blight and address Urgent Community Development Need (activities that are part of federal level or other, significant disaster recovery project)

SCDP funds may be used for exterior repairs/improvements, code violation corrections, handicap accessibility, energy improvements and health & safety. SCDP funds may not be used for “remodeling” type improvements. For example, if a roof is originally a flat roof, SCDP funds cannot be used to convert the roof into a pitched roof. Any construction that is not part of SCDP funded project must not be conducted in-conjunction with the SCDP project.

SCDP funds can only be used to a rehabilitate a legally recorded commercial building located on a parcel. If there are two buildings on a parcel, in order to qualify for SCDP funds, each building should have its own legal description. SCDP funds can only be used on shared rehab activity cost such as roof, awning, handicap accessibility ramps and etc. when both building owners involved are participating in the program.

If improvements not eligible for SCDP funds are needed or desired, private match dollars can be used which may include equipment purchases.

Commercial rehabilitation activities should be centered around buildings occupied by retail and independently owned small businesses.

Section B – Program Definitions

B.1 – Administrator.

“Administrator” of the Program shall be Community and Economic Development Associates (CEDA) of Chatfield, Minnesota. It shall be the responsibility of the Administrator to coordinate all aspects of the Program.

B.2 – Applicant.

“Applicant” means any business seeking to obtain assistance under the terms of this Program.

B.3 – Financing: Deferred Loans.

“Deferred Loan,” means financing which carries no interest and no periodic payments, but which is secured by a Repayment Agreement and lien against the property. *In the City of Caledonia Program, they are SCDP-funded, 0% interest, 5-year Deferred Loans.*

The full amount of the SCDP 0% Deferred Loan must be repaid to the Caledonia HRA in the event the property that is rehabilitated is sold, transferred or conveyed with five (5) years from the date of the Repayment Agreement. After seven years, these SCDP deferred loans are 100% forgiven.

Commercial property owners are eligible for SCDP Deferred Loans for up to 80% of the total project cost. Under extraordinary circumstances, the terms and conditions of repayment of a Deferred Loan may be modified or restructured.

B.4 – Financing: Low Interest Loans

There may be a low interest loan provided from the City of Caledonia at 2% interest.

B.5 – Financing: Security Position

The City of Caledonia Commercial Rehabilitation Program will not require a first-position security interest for Deferred Loan and/or Repayable 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 City.

B.6 – Rehabilitation Advisor

The “Rehabilitation Advisor” for the Program shall be an employee of CEDA or employee of an approved subcontractor of the Administrator. It shall be the responsibility of the Rehabilitation Advisor to provide technical expertise relating to building inspections, construction quality, code compliance and work write-ups.

B.7 – Building Standards.

The “Commercial Rehabilitation Building Standards” used for the City of Caledonia Commercial Rehabilitation Program shall be followed in conducting inspections, determining deficiencies and evaluating the quality of workmanship on a rehabilitation project. These Standards incorporate the 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 program.

Section C – Program Design and Eligibility for Assistance

C.1 – Maximum Financing

1. The maximum amount of Small Cities Development Program funds invested in any single commercial building is \$40,000. All funds provided from the Small Cities Development Program shall be secured as a zero percent interest “Deferred Loan”, which must be repaid in full in the event the property rehabilitated is sold, transferred, or conveyed within five (5) years from the date of the Repayment Agreement.

C.2 – Levels and Mix of Small Cities Development Program (SCDP) Financing

Small Cities Development Funding & Private Leverage Requirements:

- A. Small Cities funds will be used to provide commercial rehabilitation assistance in conjunction with funds from the property owner or some other source. The mix of funds for the total cost of commercial building repairs will be shared on the following basis:
 - 80% Grant, 0% interest, 5–year Deferred Loan
 - 10% Loan, 2%, monthly payments in years 5 (City of Caledonia EDA loan)
 - 10% Private, Equity or Bank Loan

**Example of Average Commercial Rehabilitation Project Funding
Based on a \$30,000 Project / 80% SCDP Funded:**

80% SCDP Grant (Deferred)	10% EDA Loan	10% Owner Match
\$24,000	\$3,000	\$3,000
5 Year Agreement	5 Years @ 2% interest	
Paid back if sold (pro-rated) prior to 5 years	Paid back in monthly installments over 5 years	

- B. In the event that the SCDP commitment exceeds \$40,000, the remaining costs will be funded solely by the applicant.

C.3 – Eligibility Qualifications

To be eligible for commercial 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. All buildings assisted by commercial rehabilitation must meet the Small Cities Development Grant Program’s federal objective of “prevention or elimination of slums and blight.” In addition, the property owner must be current on taxes and other city debt, and must have legal title to the property to be improved.

C.4 – Status and Location of Applicant

To be eligible for commercial rehabilitation assistance, the applicant must:

1. Be owner/occupant or renter/occupant or owner with a rental occupant of a building used for commercial purposes.
2. Be located in that designated Slum & Blight Target Area within the City limits of the City of Caledonia, as identified in the City's "Determination of Blighting Conditions" resolution and any subsequent revisions thereto. This area is identified in the Slum and Blight Map, which is attached to and incorporated into these Guidelines & Policies.

C.5 – Floodplain

If the property is located in a 100-year floodplain it cannot be rehabbed using SCDP funds. As per MN DEED's 2014 ruling: "No homes will be rehabbed with SCDP funds that are located in the 100-year floodplain".

C.6 – Historical Society Review

1. All properties that are 45 years or older will be reviewed by the Minnesota Historical Society to determine if the structure is historically significant before any rehabilitation occurs.
2. After the initial property inspection has been completed by the Housing Rehabilitation Advisor, the following will be submitted to the Minnesota Historical Society Officer (SHPO):
 - 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 SHPO.
3. Any changes in the scope of the project requested by SHPO will be initiated.
4. Upon SHPO approval, the Owner concurrence on the scope of work the project may proceed to bidding and construction.

Section D – Participating Financing Sources

Each Financing Source (Small Cities Development Program Loan/Grant, local lender, other) shall provide rehabilitation assistance financing according to its own rules, regulations, requirements and procedures. This shall apply to applicant eligibility, the type of repairs that 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 E – Eligible Properties to be Rehabilitated

E.1 – Type of Ownership

1. As regards a renter/occupant applicant:
 - The renter/occupant must be the renter of a building used for commercial purposes.
 - The length of the lease on the property and security for Program assistance will be reviewed on a case-by-case basis. Assistance may be denied if the lease is of such a short term as to (1) question the viability of the business, and/or (2) risk vacancy in the immediate future.
 - The property owner must join in the application and must co-sign all documents securing financial assistance from the Program.
 - Renter/occupants shall be provided with the appropriate anti-displacement notices and shall be protected for displacement due to the building owner's participation in the rehabilitation program.

E.2 – Suitable for Rehabilitation

1. A determination of the structure suitability of a commercial building for rehabilitation shall be made by the Rehabilitation Advisor, based on the "Caledonia Commercial Rehabilitation Building 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 (1) sign of major exterior deterioration.
 - Very Poor Condition: Structure has either (a) No more than one structural defect and more than one (1) sign of major exterior deterioration; or (b) more than one structural defect.
2. Poor and Very Poor Condition Buildings shall be Suitable for Rehabilitation when:
 - The building is still structurally sound on an overall basis. The building should be vertically plumb within three (3) degrees and shall have no significant rot on the majority of the floor joists, stud, 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 in the Small Cities Development Program (SCDP) grant application. The use of SCDP funds shall not exceed \$40,000 per project. If the total cost of a project exceeds that amount, the additional funds must come from other sources, including from the property owner.

E.3 – Not Suitable for Rehabilitation

1. Some commercial buildings 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 buildings that are not in need of significant repair. Following a

detailed inspection of the property, the Rehabilitation Advisor shall make a determination of the structural suitability of a building for rehabilitation on the basis of provisions noted in Section E.2, above. The Rehabilitation Advisor shall have authority to determine whether a commercial building is not in need of repair. If a building is determined to be in structurally good condition, it shall be excluded from participation in the Program, based upon the following criteria;

- Good Condition: The structure is less than ten (10) years old or there are no indications of exterior deterioration or energy efficiency measures were incorporated in the original construction.
 - Fair Condition: The structure displays some exterior deterioration, but of minimal severity. Energy efficiency improvements may be required to comply with standards and 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 buildings may have deteriorated to a point where rehabilitation is structurally not feasible. Following a detailed inspection of the property by the Rehabilitation Advisor as described above, the Inspector shall have authority to determine whether a commercial building is not feasible for repair. If a building 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: the structure has more than one structural defect and indications of extensive major exterior deterioration.

E.4 – Property Tax Delinquency/Debt Owed to County

No commercial building shall receive rehabilitation assistance if property taxes are delinquent and unpaid or if debt is owed to the City (including utilities). 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 obligations (including utility bills) are paid in full as of the most recent tax period.

E.5 – Default, Bankruptcy, Judgments

No commercial building 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 court judgments filed against the property or the owner.

E.6 – Commercial Rehabilitation Slum & Blight Conditions

Activities undertaken must support the federal objective of aiding in the prevention or elimination of slum and blight conditions, as set forth in 24 CFR 570.208(b), and as further defined in the City of Caledonia “Slums & Blights Resolution”.

E.7 – Multiple Commercial Buildings

Some commercial rehabilitation applicants may utilize more than one building in the operation of their business. Only one (1) principal building per applicant may be assisted, that is, the primary building used year ‘round as the applicant’s principal place of business. An applicant may qualify for participation on other properties providing the property is an additional bona fide business operation which meets all other requirements of these policies.

E.8 – 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 Commercial Rehabilitation Program. However, those improvements that benefit only the commercial portion of the building must be paid for with commercial rehabilitation program funds.

E.9 – Vacant Buildings

Vacant commercial buildings shall generally not be eligible for rehabilitation with SCDP funds.

E.10 – Other Ineligible Buildings

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

- Temporary or movable structures or out-buildings
- Satellite buildings used primarily for storage
- Secondary commercial buildings which serve only to compliment the primary facilities constituting the applicant’s principal place of business
- Detached garages or garage door openers
- Other structures that do not meet the test of a principal place of business
- Exceptions for secondary commercial buildings may be granted only when these conditions are met: (1) the applicant utilized more than one (1) building, each of which could be structurally considered suitable as a separate principal place of business; (2) the secondary building demonstrates greater need for repair than the applicant’s primary building; and (3) the secondary building is not eligible on the basis of other requirements or limitations of the Program.

E.11 – Priority of Applicants Receiving Rehabilitation Assistance

1. Priority of assistance for commercial rehabilitation shall be given to those businesses that originally expressed an interest in the Program at the time the Small Cities Development Grant application was submitted to the State and were included in the grant application for budget purposes. Additional businesses that express an interest in commercial rehabilitation after the State's approval of the grant was announced shall be placed on a waiting list for assistance if sufficient funds remain available.
2. Several factors may affect the order or sequence by which applicants may receive rehabilitation assistance. Furthermore, assistance may become unavailable for certain applicants, who may, therefore, be unserved by the Program. Applicants shall be notified that the availability of rehab assistance depends upon
 - A detailed inspection of the building.
 - The types of repairs that 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 building.
 - The Applicant's own initiative and diligence. In this regard, the document by which the Applicant shall be given the opportunity to accept or reject their offer for rehabilitation assistance shall contain the following acknowledgment:

"I understand that: (a) the grant program serves Applicants on a first-come, first-served basis; (b) once the bid documents for my building are prepared and turned over to me, it becomes my responsibility to contact contractors and obtain the necessary bids; (c) projects that have all the necessary bids turned in ahead of other projects are placed under contract sooner and move forward on that basis; and (d) because the program operates on a first-come, first-served basis, it is possible that the grant money may run out before all my bids are received and before I make a decision to move forward, and in that case, I will not receive any rehabilitation assistance."

Section F – Scope and Nature of Rehabilitation Repairs

F.1 – Final Condition

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

F.2 – Eligible Commercial Rehabilitation Improvements

1. Each commercial rehabilitation improvement must support these two criteria:
 - Upon completion of repairs, the building will have a remaining useful life such that the amount of funds invested in the structure may be amortized over its remaining useful life in an economically prudent manner.
 - Upon completion of repairs, the building will be safe, functional and useable.
2. Each commercial rehabilitation improvement must be physically attached to the property and must be a permanent general improvement. Such improvements shall include alteration, renovation or repairs that correct defects and deficiencies that directly affect the safety, habitability, energy consumption or esthetics of the property. For the purposes of commercial rehabilitation assistance under the Small Cities Development Program, only the following types of improvements addressing the definition of “slum & blight” are eligible:
 - Correction of code violations
 - Exterior improvements
 - Roof repairs will be eligible activity when incorporated with other exterior improvements. Roof repairs using SCDP funds will be treated as a low priority.

F.3 – Ineligible Commercial Rehabilitation Improvements

The following improvements are not eligible for financing with SCDP funds:

- Repairs that do not correct code violations or do not constitute exterior improvements.
- New construction or additions to buildings
- The payment, in whole or in part, of assessments for public improvements

F.4 – 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 that are not eligible for financing with SCDP funds. Such improvements shall be allowable as part of the “other source” participation outlined in Section L.2 and shall be separately identified on work write-ups and bid forms.

F.5 – Labor Standards

All commercial rehabilitation projects with a total cost in excess of \$2,000 must comply with federal labor standards requirements, including the Davis-Bacon Act, the Contract Work Hours and Safety Standards Act, and the Federal Fair Labor Standards Act.

Section G – Program Administrator

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

G.1 – Implementation Responsibilities

Administration The Program 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 Minnesota Historical Society regarding historic preservation requirements before rehabilitation work begins.
- Administer all other phases of the commercial rehab effort, including the procedures and steps listed below.
- 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 G.18. The Administrator will use the following guide to determine the eligibility of the applicant:
 - a) Whether or not the Applicant is eligible for a SCDP loan and what leverage package the applicant is eligible for.
 - b) What equity is present, credit history, debt loan capacity and property ownership.
 - c) Location of the applicant’s property in the target area.
 - d) Property ownership.

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

Marketing The Administrator shall:

1. Conduct outreach and will solicit applications for the program in the following ways:
 - a) Notifying all applicants on the City’s waiting list.
 - b) Issue press releases advertising community meetings on the SCDP program to both the local newspapers and local radio station.

- c) Make direct mailing of program information to the owners in the target areas if necessary to generate additional applicants.
 - d) Develop brochures and send them out in the billing statements of the local utility vendors.
 - e) Develop posters and post them in prominent areas in the community.
2. The Program Administrator shall provide regular reports to the Caledonia City Council on the program status, but Council approval of individual projects is not required. Project approval will be from the Program Administrator.

The City of Caledonia:

- The Caledonia Council shall be responsible for setting overall program policy, including approval, amendment and adoption of these guidelines.
- The Caledonia City Council shall be responsible for the monitoring of the contract administration of the program for overall compliance with all rules and regulations within the SCDP requirements. The City of Caledonia will provide for the collection of all loans and loan servicing in accordance with these guidelines.

G.2 – Applications

Applicants shall complete the “Application for Rehabilitation Assistance” form. This form shall request applicable information and further provide a “Notice to Applicant” informing the Applicant of data privacy, misrepresentation, inspection considerations and other matters.

G.3 – Verifications

All applicable information that is relevant to the Applicant’s 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.

G.4 – Displacement

The Administrator shall work with the Applicant to determine if the possibility exists of displacement from the building. If the potential for displacement appears likely, the Administrator shall provide to the applicant such written notices as are required. If displacement occurs, the Administrator shall work with the applicant to assure that the applicant’s displacement and relocation rights are protected.

G.5 – Notification of Status

1. The Administrator shall notify the Applicant in writing as to the approval or rejection of his/her/their application, and if approved, the maximum amount of assistance for which they qualify and the mix of assistance. The Applicant shall then be given the opportunity to accept or reject this offering in writing before proceeding with an inspection.
2. The notification of status shall include a “Notice of Right of Rescission”, in compliance with federal Truth-in-Lending requirements. This notice shall include an explanation of the Applicant’s right to cancel the transaction and information as to how the transaction may be canceled.

G.6 – Authorization for Initial Inspection

Following the Applicant’s written acceptance of the financing offer, the Rehabilitation Advisor shall conduct an initial inspection. This inspection shall be thorough, complete, and shall identify all rehabilitation needs of the commercial building.

G.7 – Work Write-up and Bid Specifications

Following initial inspection, the Rehabilitation Advisor shall prepare a written Scope of Work for the commercial building. This work write-up shall specify reasonable, workmanlike means by which rehabilitation needs are to be corrected and the structure brought up to the 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. Drawings and sketches shall be provided where they will be necessary or helpful. Applicants may wish to use architectural services, not provided by the Administrator, in developing the scope of work. The rehabilitation advisor will incorporate these architectural documents into the bid documents if desired. Costs for architectural services are the Applicant’s responsibility and may be applied toward the private match requirements.

G.8 – Bidding and Contracting Procedures

1. After receiving the Rehabilitation Advisor’s work write-up, the applicant shall solicit sealed bids from contractors. A minimum of two (2) 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 (2) bids, one general contract bid can be compared against the sum of individual bids by trade.
2. The Administrator may provide to the Applicant a Bidders List of contractors, if available. The Applicant will be requested to seek sealed bids from this list or from other contractors of their choice. The contractor list will be continually updated as more contractors come forward and qualify for the list. If the Applicant obtains bids from a contractor who is not currently on the Bidders List, insurance and license information must be gathered from this contractor before this is considered to be a qualified bid.

3. 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 outlines in “Instructions to Bidders.”
 - The Applicant does not want the lowest bidder to do the work. In that case, the Applicant must pay 100% of 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 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.
4. Contracts may be made with general contractors or individually by Employment. Contracts will be let by the Applicant with a Proceed to Work Order issued by the Administrator and shall be a contract between the Applicant and the contractor. Prior to initiating work, the contractor shall attend a preconstruction conference with the Administrator and the property owner to review the project and discuss various compliance issues.
5. Any repair work that begins before a written Proceed to Work Order is issued will not be paid for by funds from any financing source.
6. Projects not under contract within eight (8) months after the date when bids are delivered to the Applicant shall be dropped from the program. An offer of financing made to the Applicant shall be null and void after the expiration of this eight-month period.

G.9 – Qualification for Bidders List

1. Contractors must be bona fide tradesmen. Contractors must meet State licensing requirements where such requirements apply.
2. Contractors must possess insurance coverage which meets or exceeds these requirements:
 - Manufacturers and Contractor/Independent Contractors. Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$50,000 (each occurrence).
 - Auto (owned, Hired or Leased). Bodily Injury: \$100,000 (each occurrence) and \$300,000 aggregate. Property Damage: \$50,000 (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.
3. In cases where any work is sublet, the Contractor shall also require the subcontractors to comply with the insurance requirements set forth above.
 4. Contractors may be removed from the Bidders List and 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.

A debarment check will be completed on all contractors before contracts are awarded. This will be done through the www.sam.gov web site and https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp web site.

G.10 – Change Orders

This program will not pay for work that is not specified in the Scope of Work without change order approved by the Administrator, the Rehabilitation Advisor, the contractor and the Applicant. The applicant or another funding source shall pay for Change Orders that increase the costs of a project beyond the maximum amount specified in Section C.1.

G.11 – Interim Inspections

The Rehabilitation Advisor may conduct interim or progress inspections for each commercial building 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.

G.12 – 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 prepayment or advance of Program funds is allowed.

G.13 – Final Inspection and Acceptance of Work

The Rehabilitation Advisor shall conduct a comprehensive 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. This program will not pay for substandard or incomplete work identified by the Rehabilitation Advisor. 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 Program Administrator.

G.14 – Payment and Lien Waivers

SCDP funds shall be disbursed to the contractor upon approval and acceptance of the work by the property owner and the Rehab Advisor. Appropriate lien waivers must be provided by the contractor prior to the release of checks.

G.15 – Time for Completion

1. A maximum of 90 calendar days will be allowed for completion of contracted work on a commercial building, beginning as of the date of the contract for repair, 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.
2. This time period shall not be exceeded except by a written Change Order, which shall outline the circumstances that 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.

G.16 – Termination of Contract

Rehabilitation contracts may be terminated for convenience or for cause. The provisions contained in Section M.15 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.

G.17 – Permits and Fees

Payment of local building permit fees will be the responsibility of the Contractor. All Building Permit and State inspection fees should be included in the contractor's bid.

G.18 – Appeals Procedure and Resolution of Disputes

1. 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 N.
2. In the event of a dispute between the Applicant and the contractor, the Rehabilitation Advisor shall work with both parties to negotiate a satisfactory solution. In the event that this procedure fails to produce a satisfactory solution, the dispute shall be presented to the City Council Board by the Program Administrator. In the event that the Board is unable to resolve the dispute, judicial arbitration procedures shall be followed.

G.19 – Close-out

Upon completion of all rehab activities and acceptance of the work by all parties, the Administrator shall process such close-out documents as are required for the SCDP financing, including mortgage documents and/or repayment agreements.

Section H – Other Program Provisions

H.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 that may be in progress or may have begun prior to the Administrator issuing a written Proceed to Work Order.

H.2 – Applicant Labor

An Applicant will not be allowed to provide the labor for his/her own rehabilitation project.

H.3 – Fees to the Applicant

Neither the Administrator nor the City of Caledonia shall charge to the Applicant an origination fee, inspection fee or fee of any kind, other than building permit fees.

H.4 – Contractor's Warranty

1. The Contractor shall defend, indemnify, and hold harmless the Applicant, Administrator, Rehabilitation Advisor, Lead Inspector, the City of Caledonia 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 (2) years from the date of completion and acceptance of work.

Section I – Revolving Loan Fund

1. Pursuant to the terms of the City's SCDP application and Grant Agreement, a revolving rehabilitation loan fund shall be established. This fund shall contain any SCDP funds repaid under this program. Such repayments shall be used for additional eligible SCDP rehabilitation work at such time as they have sufficiently accumulated following close-out of the original SCDP grant.
2. The revolving loan funds will be held in a separate account and will be made available to applicants in the City of Caledonia who have a need for, and who qualify for, eligible SCDP rehabilitation assistance. Use of the revolving funds will be consistent with these guidelines.
3. The Revolving Loan Fund shall not be available for repeated uses by an Applicant for making additional repairs to the same commercial building. Any building assisted by the Small Cities Development Grant prior to its close-out shall not be eligible for assistance by the Revolving Loan Funds, unless specifically authorized by the City Council Board.
4. Accounting for the Revolving Loan Fund will include a separate group of journal and ledger accounts, including a cash account and a program income account. Procedures included in the financial management of the Revolving Loan Fund include: a recipient loan register account to record the name of the recipient (borrower), the amount of the loan, the date approved, the terms of the loan, payments and current balances, assurances that all funds are immediately deposited into the proper bank account.

5. Prior to close-out of the grant, the above tasks shall be the responsibility of the Program Administrator. After close-out the City of Caledonia is responsible, and it may, at its own discretion, choose an institution to service the loans or it may service the loans itself.

Section J – Equal Opportunity

1. It is the policy of this Commercial Rehabilitation Program to work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, or reliance on public assistance, will be treated fairly and equally in their participation in the Program. The City of Caledonia 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 or reliance on public assistance.
2. 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 of Caledonia 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 other-wise might not apply for assistance under the Program, such as single female heads of households, racial minorities or persons with handicaps or disabilities.
3. The City of Caledonia shall encourage participation by women and minority business enterprise (WMBE) parties in the Commercial Rehabilitation Program. WMBE contractors, material suppliers, vendors and others engaged in rehab related enterprises shall be encouraged to seek inclusion on the Bidders' List of the rehab program.

Section K – Data Privacy

1. Information on program applicants (including, but not limited to names, credit reports, financial statements, income calculations and asset information) is private data on individuals that 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. Personal financial data needed to evaluate the applicant's ability to access other funds will be evaluated by the Administrator, and upon approval of the project and

securing of the private financing, the personal financial data will be forwarded in its entirety to the private lender for retainage in their loan files.

2. Solely for the purpose of administering the Program, information may be made available to the staffs of the following agencies or organizations: the Program Administrator, banks and lending institutions participating as Financing Sources, the Minnesota Department of Employment and Economic Development and the United States Department of Housing & Urban Development.

Section L – Conflict of Interest

As per 2 §570.611, the conflict of interest provision applies to any person who is an employee, agent, consultant, officer, or elected official or appointed official of the grant. A public hearing clearly listing the applicant's name and position is necessary for those who had actively participated and played a role in the grant application process. Requests for exception to the Federal conflict of interest provision will be reviewed on a case by case basis.

Questions concerning conflict of interest shall be resolved by a written legal opinion from the Caledonia City Attorney who shall, if necessary, seek further assistance from the Minnesota Attorney General's Office. Small Cities Development Program staff shall be contacted if such a situation arises.

Section M – 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 N – Complaints and Appeals

N.1 – Client Complaint Process

1. This section shall apply to initial client complaints about any aspect of:
 - Program Administrator staff
 - Program restrictions, or Contractor relations/workmanship

Complaints may be pursued verbally or in writing to the Program Administrator. The Program Administrator will 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 which will be taken to the Caledonia City Council Board for action at its next regularly scheduled meeting.
- B. If the client is still unsatisfied, the complaint will be forwarded to the MN Department of Employment and Economic Development 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 Program Administrator and the appealing client concerning the appeal disposition.
 - 3) The final appeal disposition.

N.2 – Project Appeal Process

- 1. If a commercial property owner’s application for any reason is denied or a commercial property owner 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 Caledonia Small Cities Development 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 that 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) 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.
 - e) All appeals should be addressed to:

Community and Economic Development Associates (CEDA)
Attention: Caledonia SCDP Appeal
PO Box 483
Chatfield, MN 55923
 - f) The Applicant may appeal to the Caledonia City Council Board within ten (10) working days of application denial. At that time, the Applicant will be notified that he/she has the right to appear before the Board. The Caledonia City Council Board

will respond within a written decision, which shall be final, within thirty (30) working days.

- g) Any further appeal actions will be forwarded to the MN Department of Employment and Economic Development, 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 CEDA and the appealing client concerning the appeal disposition.
 - 3) The final appeal disposition.

Section O – Amendments/Approval

O.1 – Amendments

These procedural guidelines may be amended or supplemented from time to time by the Caledonia City Council and the Program Administrator in joint agreement, and by issuance of revised pages to be effective on the date of issue subject to approval by the Minnesota Department of Employment and Economic Development.

Attachments:

- ***Map of Slum & Blight Target District for Caledonia***

Policies and Procedures Manual

***Small Cities Development Program:
Rental Rehabilitation
Program for the City of Caledonia***

2018–2021

**EQUAL HOUSING
OPPORTUNITY**

The following policies and procedures have been adopted for residential rental rehabilitation activities in the City of Caledonia and are subject to change as recommended by the Minnesota Department of Employment and Economic Development.

SECTION A – PROGRAM OBJECTIVES

The Caledonia Residential Rental Rehabilitation Program is undertaken for the purpose of:

- A.1 Providing financial assistance for property owners to correct certain health, safety, or other deficiencies.
- A.2 Providing decent, safe and sanitary and affordable housing for lower income families through the physical rehabilitation of existing housing.
- A.3 Increasing the availability of affordable housing units for lower income families.

SECTION B – PROGRAM DEFINITIONS

- B.1 Administrator
“Administrator” of the Program shall be Community and Economic Development Associates (CEDA) of Chatfield, Minnesota. It shall be the responsibility of the Administrator to coordinate all aspects of the Program.
- B.2 Applicant
Applicant means any person seeking to obtain rehabilitation assistance under the terms of this Program.
- B.3 Deferred Loans
Deferred Loan means rehabilitation financing which carries no interest and no periodic payments, but which is secured by a Repayment Agreement and Lien against the property.
- B.4 Lead Risk
A Lead Risk Assessor will be sub contracted by CEDA to perform Lead Risk Assessments and Clearances, and will provide written reports to CEDA and the property owners.
- B.5 Housing Inspector/Rehabilitation Specialist
Housing Inspector for the Program shall be an employee of, or shall be subcontracted by, CEDA and shall provide technical expertise relating to inspections, construction quality, code compliance, and work write-ups.

- B.6 Suitable for Rehabilitation
Suitable for Rehabilitation means structurally sound and cost-effective to repair as determined by the Housing Inspector. The property must be determined feasible for rehabilitation. As a guideline, if funds exceeding 120% of the Fair Market Value of the structure is not feasible for rehabilitation. Exceptions to these guidelines may be granted by the Caledonia City Council.
- B.7 Target Area
Target means location of property within the designated target area of Caledonia.

SECTION C – GENERAL ELIGIBILITY FOR ASSISTANCE

Eligible Recipients

- C.1 The recipients must individually or in the aggregate have at least
1) a one-third interest in the fee title, or 2) a one-third interest as purchaser in a contract for deed with respect to the structure to be improved.
- C.2 All individuals having an ownership interest in such structure must join in the application including contract holders and all parties in a Life Estate. All parties must be income eligible.
- C.3 Lease holders are eligible to make application for SCDP funds. The length of the lease on the property and security for the deferred loan will be reviewed by the Caledonia City Council on a case by case basis. The property owner must join in the application and subsequent repayment agreements.
- C.4 Rehabilitation resulting in temporary or permanent displacement of tenants will require compliance with the adopted Residential Anti-displacement and Relocation Assistance Plan. Property owners will be required to provide relocation assistance to tenants as required under the Uniform Relocation and Real Property Acquisition Policies Act of 1970, as amended.
- C.5 No member of the governing body of the locality and no official, employee, or agent of the local government who exercises policy, decision making function or responsibilities in connection with the planning and implementation of the Rehabilitation Program shall directly or indirectly benefit from this program. This prohibition shall continue for one (1) year after an individual's relationship with the local government ends. Any potential conflicts of interest under

Minnesota Statutes 471.87 and 471.88 shall be evaluated on the basis of a legal opinion to be requested from the Caledonia City Attorney.

SECTION D – PROGRAM REQUIREMENTS

- D.1 Occupancy Requirements
Upon completion of the rehabilitation, 51% of unit(s) in a multi-family rental building must be occupied by LMI households at affordable rents as defined by the U.S. Department of Housing and Urban Development for a period of five (5) years.
- D.2 Affordable Rents
The property owner will be required to enter into specific rental agreements to assure that rents are affordable to Low and Moderate Income households for a five-year period. Tenants cannot pay more than 30% of their income for rent, and in no case can the rents exceed the Fair Market Rents for Houston County.
- D.3 General Notice
All tenants must be provided with a “General Notice” which explains the proposed project, and the tenant’s rights and responsibilities.
- D.4 Tenant Survey
All tenants will complete a tenant survey which provides information about household size and income, and other relevant information.

SECTION E – FAIR HOUSING & EQUAL OPPORTUNITY

The City of Caledonia will work affirmatively to ensure that all persons, regardless of race, color, creed, national origin, sex, religion, marital status, age, handicap, familial status or reliance on public assistance, will be treated fairly and equally for purposes of participation in the Program. Access to program information and materials will be provided to any interested persons.

SECTION F – FLOOD PLAIN

If the property is located in a 100-year floodplain it cannot be rehabbed using SCDP

funds. As per MN DEED's 2014 ruling: "No homes will be rehabbed with SCDP funds that are located in the 100-year floodplain".

SECTION G – LEAD BASED PAINT

All rehabilitation work funded by monies from the Rental Rehabilitation Program must comply with all applicable requirements of the Lead Based Paint Poisoning Prevention Act. "Watch Out For Lead Paint Poisoning" will be read or explained to tenants as part of the requirements of this Act. All applicants and tenants will receive a copy of the Lead Paint Warning.

SECTION H – DATA PRIVACY

All information about program applicants and tenants will be administered and maintained in accordance with the Minnesota Government Data Practices Act and the City's Grant Agreement with the Minnesota Department of Employment and Economic Development. In addition to tenant information, income, asset, and other financial information are considered private data and are subject to Privacy of information provisions.

SECTION I – HISTORIC PRESERVATION

Each unit proposed for rehabilitation will be reviewed by the State Historic Preservation Officer. If the structure has been determined historically significant by the Minnesota Historical Society, plans for improvements to the structure must be reviewed, commented on and approved by the Minnesota Historical Society, and the National Advisory Council, as required.

SECTION J – LABOR STANDARDS REQUIREMENTS

All rental rehabilitation projects involving eight (8) or more units require compliance with the Davis-Bacon Act and related Labor Standards. Davis-Bacon requires that workers receive no less than the prevailing wage rate as determined by the Department of Labor.

SECTION K – ELIGIBLE PROPERTIES FOR REHABILITATION

SCDP funds will be used to improve properties which meet the following criteria:

- K.1 The property to be improved must be a permanent structure located within the Project Target Area (City limits of Caledonia). A map of the area is attached.

- K.2 Upon completion of rehabilitation, the property must, at a minimum, comply with the City's adopted Housing Quality Standards and follow the City's building codes.
- K.3 The property must remain rental property for a period of five (5) years. If the property is sold or no longer is rental property, the SCDP loan funds must be repaid.
- K.4 The property must be determined feasible for rehabilitation. As a guideline, if funds exceeding 120% of the Fair Market Value of the structure are necessary to bring the structure in compliance with local codes, the structure is not feasible for rehabilitation. Exceptions to these guidelines may be granted by the Caledonia City Council.
- K.5 SCDP Rental Rehabilitation assistance is to be limited to 70% of the "per-unit" costs and a maximum of \$12,500 per unit with an overall building maximum of \$200,000.
- K.6 Proposed rehabilitation must not cause the displacement of low and moderate income persons, either physically or financially. If displacement does occur, the property owner will be required to provide relocation benefits as required by the Uniform Act to displaced tenants.

SECTION L – ELIGIBLE IMPROVEMENTS

Improvements made with SCDP funds shall satisfy the following requirements:

- L.1 Eligible improvements are those necessary to correct substandard conditions, to make essential improvements and to repair major systems (e.g. roof, ceiling, wall or floor structures, foundations, elevators, plumbing, heating, air conditioning or electrical systems) in danger of failure in accordance with the adopted rehabilitation standards.
- L.2 Each improvement must be a permanent general improvement. Permanent general improvements shall include alteration, renovation, or repairs upon and in connection with existing structures, which correct defects and deficiencies in the property affecting directly the safety, habitability, energy consumption, or aesthetics of the property. A permanent general improvement must be economically viable in terms of determination that upon completing the improvement(s), (1) the structure will have a remaining useful life such that the amount of SCDP funds may be amortized over such life in an economically prudent manner, and (2) the structure will be occupiable and safe.

L.3 Eligible Improvements may also include:

1. Any improvement to modify or rehabilitate the unit as handicapped accessible and habitable and improvements to enhance compliance with the accessibility requirements of the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1975.
2. Functional improvements to and the necessary replacement of electrical systems, plumbing fixtures, heating units, etc.
3. Certain costs required by law or regulation such as permits, title checks, recording fees, etc.
4. As a condition of obtaining SCDP funds, the Caledonia City Council may require specific improvements which are consistent with Revitalization Plans.
5. Each improvement must be made in compliance with all applicable health, fire prevention, building, housing and energy codes and standards; provided, however, that no application shall be denied solely because the improvement will not bring such property into full compliance with these codes.

L.4 Ineligible Improvements:

The following improvements are not eligible for financing under the SCDP program:

SCDP funds may not be used for rehabilitation work which would destroy the unique qualities or character of a property. Construction of new infill buildings or additions to existing buildings is ineligible for SCDP funding. SCDP funds may not be used to finance payment of inventory, equipment, accounts receivable, refinancing, or any other business costs other than those for rehabilitation.

L.5 Final Condition

Upon completion and final inspection, all repairs which are financed under the Program shall meet State of Minnesota plumbing, electrical, energy conservation, and other codes. All property shall also meet or exceed such local rehabilitation standards as may be established by the City of Caledonia.

SECTION M – FORMS OF ASSISTANCE

Rental Rehabilitation funding is to be provided in two (2) forms:

1. 30% leverage resources; leverage funds will come from owner’s private funds and/or a loan through a lender.
2. 70% from SCDP Deferred Loans.

This typical project would consist of \$18,000 in rehabilitation and would be distributed as follows:

**Rental Rehabilitation
Average Project Size \$18,000
70% SCDP Funded**

**30% Leverage Funds
\$5,500**

**70% SCDP Deferred
\$12,500
5 Year Agreement
100% Repaid if Sold**

- M.1 Rental SCDP Deferred loans of up to 70% of the total construction Cost (maximum \$12,500 per unit) will be provided to be financed as follows:
1. The interest rate shall be 0% annually;
 2. If the property is sold or transferred within five (5) years the full Deferred Loan amount, or an amount as negotiated and approved by the City Council shall be repaid to the City of Caledonia.
 3. Exceptions to (1) and (2) above may be granted by the Caledonia City Council.
- M.2 All SCDP loans shall be secured with a repayment agreement.

SECTION N – PROGRAM ADMINISTRATION

The following administrative procedures shall govern the operation of the Rehabilitation Program for the City of Caledonia.

N.1 Application and Selection Procedures

The Administrator will conduct outreach in the project areas and will solicit applications for the program in the following ways:

1. Notifying all applicants on the waiting list. Survey the waiting list to determine need and interest;
2. Have the local newspaper publish a news article about the program;
3. Make direct mailing of program information to the potential applicants in the project areas, if necessary, to generate additional applicants.

Applications will be selected for participation in the program by the Administering Agencies based upon applicability to the program guidelines. The administrator shall make the following determinations based on preliminary review of the applications.

1. Whether or not the applicant appears to be eligible for a deferred loan based upon program requirements.
2. If eligible for an SCDP Rental rehabilitation loan, whether or not the applicant appears to be an acceptable credit risk based upon credit history and repayment ability.

N.2 Property Inspections

Upon determination that a property owner applying for rehabilitation assistance is eligible based on the program guidelines, the Rehabilitation Specialist shall conduct an inspection of the property to determine the corrective actions necessary for the property to conform to the City's adopted building code and to follow Housing Quality Standards.

N.3 Work Write-ups

Upon completion of the initial inspection, the Rehabilitation Specialist shall prepare a work write-up indicating the work necessary to bring the property in compliance with the City's adopted building code and to follow Housing Quality Standards. Any improvements deemed necessary by the Rehabilitation Specialist for the property to conform to these shall be included as part of the work write-up.

N.4 Project Approval

Following completion of the work write-up, the Rehabilitation Specialist shall prepare a Project Summary. This summary shall include a copy of the original application as well as information which describes the existing building conditions, proposed improvements and estimated costs.

N.5 Contracting Procedures

- A. Contractors will be responsible for securing insurance of the amounts specified by the Administrator. The contractor application form must contain proof of insurance coverage via a Certificate of Insurance Coverage.
- B. The contract is between the applicant and the contractor. The applicant is free to choose any licensed and insured contractor.
- C. The Administrator staff will prepare the work write-ups for bidding purposes and include Davis Bacon and requirements of related acts, as required. Where necessary, the Administrator staff will assist the owners in obtaining bids, and review all bids received to determine that they are responsive and responsible. A minimum of two (2) bids shall be received for each improvement project.
- D. The contract shall be awarded to the lowest base bid unless one (1) of the following circumstances occurs:
 - 1. The bid is determined to be unrealistically low and the contractor agrees to withdraw the bid;
 - 2. The contractor has failed to follow the procedures as outlined in the instructions to the bidders.
 - 3. The owner does not want the low contractor to perform the work and agrees to pay the difference between the lowest bid and the preferred contractor's bid.
 - 4. There appears to have been collusion between two (2) or more contractors, in which case, all bids in the questionable trade category will be thrown out and different contractors solicited for bids; and
 - 5. The contractor fails to bid according to the specifications, with the other contractors.
- E. Upon acceptance of the bid by the applicant, the Administrator will package the project according to eligibility. A Repayment Agreement will then be prepared and signatures notarized.

- F. The property owner shall be responsible for acquiring their private funds. No payments shall be made to contractors from these funds without written authorization from the Administrator.
- G. A joint pre-construction conference shall be conducted prior to issuance of a Notice to Proceed with the work to discuss Davis Bacon and Related Acts compliance when applicable. This conference shall be attended by all contractors, subcontractors, property owners and the Labor Standards Officer.
- H. A Notice to Proceed is issued to the property owner(s) and the accepted contractors. That notice will allow the contractor ninety (90) working days in which to complete the awarded contract.
- I. Change Orders
All change orders to the contract require the approval of the Administrator staff as well as signatures of the owner, contractor and the Rehabilitation Specialist.
- J. Acceptance of Work
Interim inspections will be scheduled by CEDA staff to monitor work in progress. Final inspections shall be required to ensure that the work has been completed in a satisfactory manner. In the event of a dispute between the owner and contractor concerning the completion of rehabilitation, CEDA staff shall work with both parties to negotiate a satisfactory solution. If such a solution cannot be found, the Executive Director of CEDA and shall be the final authority on when the job has been satisfactorily completed.
- K. All contractors will agree to the payment guidelines:
1. No pre-payments are allowable for any reason;
 2. Payments will be made only after the work is completed according to the specification contained within the work write-up and meets with the approval of the applicant and the Administrator. In order for the contractor to be paid, a signed (by the applicant, the owner and the Administrator) Completion certificate must be presented at the time of payment; and
 3. Payments will be made only upon presentation of the following documents:
 - a. Invoice
 - b. Lien Waiver
 - c. Contractor Payment Request
 - d. Payment Inspection Report

N.6 Participation by Lending Institutions

- A. Applicants shall contact a lending institution of their choice to arrange financing for the private portion of the project. The lending institution shall determine whether or not an applicant is acceptable based on credit history and repayment ability. Applicants should request a letter of credit from the lending institution for documentation of committed private funds.

N.7 Repayment Requirement/Deferred Loan

- A. A recipient of a deferred loan and all individuals who signed the application for such loans shall enter into an agreement with the City of Caledonia for repayment of the loan. The agreement shall provide that in the event the property improved is sold, transferred, or otherwise conveyed within five (5) years from the date upon which the application was approved, the recipient shall be required to repay the full amount of the deferred loan. Recipients may negotiate repayments directly with the City Council in hardship situations. In the event of business closing, business assets only shall be considered in determining repayment ability. The Repayment Agreement shall be recorded by the Administrator in favor of the city as a Lien to ensure payment. Further, the Repayment Agreement shall be subordinate to the lending institutions and other loans.
- B. If any deferred/low interest loans are used for purposes other than an eligible improvement upon an eligible property or if the recipient's application is found to contain a materials misstatement of fact, the recipient shall be liable for repayment of the loan.
- C. As specified in the provisions of the Repayment Agreement, the recipient shall be required to notify the City of Caledonia immediately upon the sale, transfer or conveyance of the property.

N.8 Rehabilitation Assistance Deferred Loan Packages

- A. The Administrator shall maintain files of each applicant for assistance via the Rehabilitation Program for a period of not less than three (3) years following submission of the final financial report.

N.9 Complaint Procedure

- A. Complaints concerning the rehabilitation program shall be in writing and addressed to the Administrator Rehabilitation Staff. The Rehabilitation Staff will contact the applicant and attempt to resolve the problem. A written response will be made within fifteen (15) working days.
- B. If an applicant is not satisfied with his/her response, he/she may appeal to the Executive Director of the Administrator, whose decision will be final. The Executive Director's decision will be in writing and will be made within fifteen (15) working days.

N.10 Amendments, Directives

- A. These procedural guides may be amended or supplemented from time to time by the City of Caledonia, the Administrator or by issuance of revised pages to be effective as of the date of issuance.

