

etc;

4. Such other written/printed verifications as deemed appropriate by Tri-CAP. Income verification that is more than one year old will not be considered current or valid and must be re-verified.

F. Assets: There will be no asset limitation associated with SCDP loans. The area is primarily rural with the population being generally asset rich/income poor. Liquid assets shall be viewed as a potential loan leverage source. Assets shall be defined as being in the following two (2) separate categories for the purpose of this program.

1. Liquid assets are those defined as cash on hand or deposits in savings or checking accounts.
2. Non-liquid assets are those that are real property, vehicles, or any other material possession. This will include any real property owned by the household excluding the structure to be rehabilitated and a parcel of land not exceeding five acres. Other miscellaneous assets such as but not limited to; farm equipment, boats, snowmobiles, all terrain vehicles, motorcycles, automobiles EXCLUDING all household furnishings, personal effects and one automobile.

G. Data Privacy: Information on program applicants shall be gathered and released in accordance with the Minnesota Data Practices Act. Your name, address and the amount of assistance you receive are considered public data under the Minnesota Data Practices Act. Other information that you provide to the housing rehabilitation program about you and your household is considered private data.

Your private data will be used only when it is required for administration and management of the program. Persons or agencies with whom this information may be shared include:

- Staff and other persons involved in program administration.
- Local loan committee members who approve applications.
- Auditors who perform required audits of this program.
- Authorized personnel from the Minnesota Dept. of Employment and Economic Development, the U. S. Dept. of Housing and Urban Development or other local, state and federal agencies providing funding assistance for your loan.
- Members of the local governing board for the purpose of addressing/resolving applicant complaints (as addressed in the project's policy and procedural manual).
- Those persons who you authorize to see it.
- Law enforcement personnel in the case of suspected fraud or other enforcement authorities as required.

H. Evidence of Fraud: Any administering party participating in the Program shall refer evidence of fraud, misrepresentation, collusion or other misconduct on the part of the applicant or contractors in connection with the operation of the Program to the State of Minnesota Attorney General for investigation and possible legal action.

IV. Conflict of Interest

- A. General Conditions:** No member of the governing body of the locality and official, employee, or agent of the local government of the City of Freeport, who exercises policy, decision making function or responsibilities in connection with the planning and implementation of the Owner Occupied Housing Rehab 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, TRI-CAP or the City of Freeport ends. Specific prohibitions are as follows:
1. **Program Participation:** No elected member of the governing body of the locality, appointed official, or agency of the local units of government, TRI-CAP or the City of Freeport as defined above, shall accrue direct or indirect program benefits.
 2. **Contractual Relationships:** No elected member of the governing body of the locality, no official, employee, or agent of the local units of government, TRI-CAP or the City of Freeport as defined above, shall obtain direct or indirect interest in any contract, subcontract, or agreement in any activity in this program that provides financial compensation for services.
 3. **Prohibition Extensions:** This prohibition extends to contracts or direct benefits in which a spouse, minor child or business partner may have personal financial interest.
- B. Determination of Conflict of Interest:** When questions arise or a situation is unclear, an initial Opinion of Conflict of Interest shall be sought from the City Attorney. That Attorney's Opinion will outline areas that the situation is within or outside applicable Federal Regulations 24 CFR 570, Uniform Administration Requirements and States Statutes 412.311 or 471-87 through 471-89. Upon determination that a conflict exists, a disclosure and description of the nature of the conflict must be made public and together with the Attorney's opinion shall be forwarded to DEED staff. After careful review, DEED may grant an exception.

V. Eligible Properties

- A. Substandard Residential Property:** Residential dwelling units must be determined to meet the following classifications in order to be eligible for assistance under this SCDP housing rehabilitation program.
1. The property does not meet HUD's Section 8 Housing Quality Standards.
 2. The property does not meet applicable Fire Code, Occupancy Codes, Minnesota Energy Efficiency Standards, National Electrical Code, Uniform Mechanical and Plumbing Codes.
 3. The property contains health and safety hazards such as lead based paint, asbestos, contaminated water supply, raw sewage, etc.
 4. The property fails to provide suitable shelter in some other obvious and apparent manner
 5. The property is located within the project target area, within Freeport city limits.
 6. The property must be a permanent structure.
 7. The homeowner must individually or in aggregate have a qualifying interest in the property consisting of at least:
 - a. A 1/3 interest in the fee title. Such interests must be subject to a mortgage and must demonstrate the ability to secure the signatures of half remainder men and spouses

- with interest in the property of loan guarantors.
- b. A 1/3 interest as purchaser in a contract for deed. Such interests must secure the signatures of all parties and spouses that have interest in the property both as contractor vendor and contract vendee.
 - c. A valid life estate. Such life estates must be recorded and must appear in the records of the county. All remaindermen must be listed and must also sign the mortgage as loan guarantors.

For single family owner occupied properties, the property must be occupied by low/moderate income households and the applicant must occupy the property as a principal place of residence and the property must be classified as “homestead” for tax purposes.

B. Substandard Unit Identification: Local criteria have been established for the purpose of the identification of substandard and ranking of residential units based on the number and severity of deficiencies. Each home will be classified based on the following criteria:

Class 1 Designation – Good Condition: The residential unit is newer than 10 years old, no apparent repairs are necessary.

Class 2 Designation – Fair Condition: Residential unit is older than 10 years with some apparent deficiencies present. No structural or electrical deficiencies are evident.

Class 3 Designation – Poor Condition: Obvious major repairs are needed to major systems. Residential unit is not in compliance with some MN Energy Standards.

Class 4 Designation – Very Poor Condition: The structure has one structural deficiency and/or two or more major system defect; exterior rot, roofing, electrical, windows/doors, energy, etc.

Class 5 Designation – Beyond Repair: The structure has major structural failures and failures to major building systems. The cost of rehabilitation exceeds its economic, historical or socioeconomic value.

C. Suitability for Rehabilitation: Residential dwellings must be determined as suitable candidates for rehabilitation in order to receive SCDP funds. That determination shall be based on a number of factors including structural viability/housing deficiencies, market-housing design viability, historic significance, zoning, location, cost of rehabilitation and post market value, housing replacement costs and other socioeconomic factors.

1. **Structural Viability:** Will be determined by the number and severity of structural and house system deficiencies existing in the rehabilitation candidate. Funding from SCDP and leveraged sources must be available to address all existing structural deficiencies.
2. **Residential Design/Local Market Value:** The residential unit design must allow for residential reuse of the unit after the current owner has moved on. The residential design must be such that the unit will have an after rehabilitation market value or a layout that allows for modifications to the unit within its after rehabilitation market value that exceeds the cost of rehabilitation.

3. **Historic Significance:** Residential units that possess historic significance will be reviewed outside of normal market value economic considerations.
4. **Zoning/Property Location:** Residential units located within industrial or commercial zones may be declared as not suitable for rehabilitation.
5. **After Rehabilitation Market Value:** If the type and number of housing repairs needed to bring the home into compliance with the adopted housing standards exceeds the after rehabilitation market value of the unit, the unit may be declared as not suitable for rehabilitation. Denial of assistance due to this factor shall be based on the after rehabilitation market value as established through an appraisal. After Rehabilitation Market Value is defined as: Current EMV+ 50% of cost of rehabilitation.
6. **Housing Replacement Costs/Socioeconomic Factors:** When a residential unit has been determined to be unsuitable for rehabilitation due to economic or market factors other factors **must** be considered in approving assistance to the household. These factors include:
 - a. Lack of housing alternatives
 - b. Cost of relocation
 - c. Expense of housing alternatives
 - d. Abnormal low market values due to depressed market
 - e. Physical condition and age of resident

D. Declaration of Unsuitable for Rehabilitation: When a residential unit has been determined as not suitable for rehabilitation the governing body, Freeport City Council, shall review information provided by the Field Administrator that shall consist of the following:

1. Inspection report
2. Estimated cost of repairs
3. Zoning/location
4. After Rehabilitation Appraisal
5. Historic Review (SHPO)
6. Socioeconomic factors

The Field Administrator will also provide the City Council with the analysis made based on Section 3: Lack of housing alternatives; cost of relocation; expense of housing alternatives, abnormal low market value in a depressed market; and physical condition/age of resident. The City Council shall then make a determination to declare the residential unit as unsuitable for rehabilitation or decide that other factors warrant the rehabilitation of the unit, in which case the project proceeds.

- E. **Target Area:** The property to be rehabilitated must be located within the target area, which for the purposes of this housing rehabilitation program, will be the target area identified on the attached map in the City of Freeport.
- F. **Eligible Structures:** The property must be a residential structure of no more than two units. The following structures will be eligible to receive assistance through this housing rehabilitation program:

1. Owner occupied single family detached homes
2. Owner occupied duplex homes

G. Ownership Requirements: The homeowner must individually or in aggregate have a qualifying interest in the property consisting of at least:

1. A 1/3 interest in the fee title. Such interests must be subject to a mortgage, and must demonstrate the ability to secure the signatures of all remaindermen and spouses with interest in the property, as loan guarantors;
2. A 1/3 interest as purchaser in a contract for deed. Such interests must secure the signatures of all parties and spouses that have interest in the property both as contractor vendor and contract vendee;
3. A valid life state. Such life estates must be recorded and must appear in the records of the county. All remaindermen must be listed. Two thirds (2/3) of the remaindermen must sign the mortgage as loan guarantors;

H. Occupancy Standards: The property to be rehabilitated shall be the principal place of residence of the applicant. Failure to meet occupancy standards will result in denial of applications or repayment of the unforgiven portion of the SCDP loan.

I. Homeowner's Insurance: The applicant must carry current homeowner's insurance both at the time of the application and through the completion of rehabilitation with a minimum of hazard insurance coverage. Where the applicant does not have said insurance at the time of application, the applicant will be issued a Temporary Denial and the application will be placed on hold until insurance can be secured.

J. Tax Delinquency: Applicants receiving rehabilitation assistance must be current with property tax payments. Verification must be provided in the file. Where property taxes are not current, at the time of application, the applicant will be issued a Temporary denial and the application will be placed on hold until property taxes are paid current.

K. Default & Bankruptcy: Applicants shall not be eligible to receive SCDP funding if the property to be rehabilitated is in default of home mortgage, contract for deed, or comparable obligation. An applicant will be ineligible to receive assistance through the rehabilitation program if the applicant is currently involved in bankruptcy proceedings.

L. Flood Plain: No housing units located within a 100 year flood plain will be rehabilitated.

VI. Project Funding

A. Owner Occupied Program Design: The SCDP project shall have two funding thresholds based on income.

HUD Section 8 Income Guidelines

| | 1 person | 2 person | 3 person | 4 person | 5 person | 6 person | 7 person | 8 person |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| Very low income: (<50% median income) | \$21,650 | \$24,700 | \$27,800 | \$30,900 | \$33,350 | \$35,850 | \$38,300 | \$40,800 |

Low-income: \$34,600 \$39,550 \$44,500 \$49,450 \$53,400 \$57,350 \$61,300 \$65,250

Households that are at or below the Very Low Income (VLI) level will receive a 90% SCDP grant and 10% other sources of funding. Other sources of funding include Federal Home Loan Bank grant (for those that are 50% of area median income), state lead grant, and MHFA loans.

Households that are between VLI and Low Income (LI) will receive an 80% SCDP grant and 20% other sources of funding. Other sources of funding include homeowner, state lead grant, and MHFA loans.

B. Maximum Financing: The maximum SCDP loan amount extended to any applicant shall not exceed \$19,000 for single family owner occupied dwelling unit. The maximum SCDP loan amount may be exceeded for completion of rehabilitation repairs related to health and safety; however, under no circumstances will the grant be greater than \$24,000. While \$19,000 is the maximum SCDP loan, the average SCDP loan per household will generally be \$17,256. If the total cost of repairs exceeds the maximum SCDP loan limits, the applicant will be responsible to secure additional financing beyond the required matching leverage amount for the applicant's income threshold. TRI-CAP will assist the applicant to secure leverage funding. If the applicant is unable to secure the necessary funding, then the scope of the project will be reduced in a manner that is consistent with the funding priorities and adopted Housing Standards.

C. Financing Definitions: The Freeport SCDP Housing Rehabilitation Program will have different financing categories based on applicant income. The financing will consist of:

1. **Deferred Loans:** a 0% deferred loan will be defined as a loan without interest or periodic payments which must be repaid in the event the improved property is sold, transferred, conveyed or ceases to be the borrower's principal place of residence. All deferred loans are forgiven after a ten year period (forgiven 10% each year).
2. **Leverage Funds:** Shall be any funds used to provide for rehabilitation activities performed at an eligible applicant's dwelling unit other than the funds provided by the Small Cities Development Program. Leverage sources will be determined by income, homeowner debt and debt carrying capacity, homeowner credit worthiness and property eligibility. Leverage will be based on household income and funding source limitations.

Leverage Fund Sources: The following fund sources will be accessed based on applicant income eligibility:

- a. **Very Low Income:** Deferred loans and grants. These will be provided by the following programs and sources: Minnesota Housing Finance Agency's Rehabilitation Loan program (RLP) – encompassing all MHFA programs: Home Improvement Loan, Deferred, Federal Home Loan Bank, state lead grant, D.O.E. Weatherization, Energy Assistance Repair Program, Farmers Home Administration's 504 Rural Housing Grant Program, Federal Home Loan Bank program, and where applicable, client contributions or other available financing sources.
- b. **Lower Income:** Subsidized and unsubsidized loans. These loans will be provided by the following programs and sources: Minnesota Housing Finance Agency's

Rehabilitation Loan program (RLP) – encompassing all MHFA programs: Home Improvement Loan, Deferred, Federal Home Loan Bank, state lead grant, Farmers Home Administration’s 504 Rural Housing Loan Program; local bank loans, and where applicable, client contributions and other available financing sources.

D. Other Leverage Sources:

- 1. Liquid Assets:** In some cases, homeowners may wish to use liquid assets for leverage funds. When this occurs, homeowners will be required to turn the funds over to TRI-CAP before any proceed to work is sent to a contractor. These funds will be deposited in an escrow account and will be released only after the homeowner has signed a completion certificate.
- 2. Sweat Equity:** Homeowner labor on rehabilitation will not be considered an acceptable means of completing improvements in a timely manner, and thus not allowed.

Leverage Fund Policy: Loan proceeds will be held in escrow accounts from all sources, except where prohibited by other lending sources, until the improvement has been completed to the satisfaction of the applicant and the Rehabilitation Administrator. The escrow will be held in a special account labeled as “leverage funds” and cannot be released until the applicant has signed a completion certificate indicating that they are releasing the funds to the contractor.

VII. Eligible Improvements

- A. General Conditions:** It is the goal of this housing rehabilitation program to rehabilitate substandard housing to the standards that meet or exceed HUD’s Housing Quality Standards and are, in part, based on the Minnesota Energy Efficiency Standards. It will be the primary focus of the rehabilitation program to eliminate health, safety, energy and structural deficiencies in the dwelling units within the residential areas of Freeport. In all cases those types of housing deficiencies will be addressed before any other improvement can be considered. There will be no work funded through the SCDP for strictly cosmetic purposes.
- B. Eligible Improvements:** Only permanent improvements can be funded through the SCDP. Permanent improvements shall be those that include conversions, alterations, renovations, or repairs upon and in connection with existing dwelling units, which correct defects and deficiencies in those units which affect the safety, habitability, structural integrity or energy efficiency of the property. Upon completion the property must meet or exceed HUD’s Housing Quality Standards and must meet the following general requirements:
 1. The structure shall be livable, safe, structurally sound and habitable;
 2. All improvements shall meet all governing applicable codes and shall not be governed solely by the Freeport Rehabilitation Standards. However, existing situations may be grandfathered in if the code violation is not one that is associated with any health, safety, energy or structural violations.
- C. Priority Improvements:** Shall be defined as improvements that are mandatory and must be completed before other types of repairs are considered. Applicants who own properties with priority improvements will be given priority over other applicants. Those repairs include,

but are not limited to the following:

1. Fire Code, National Electrical Code, Uniform Plumbing Code and mechanical Code violations affecting health and safety.
2. Elimination of lead based paint and asbestos
3. Repairs affecting the structural integrity of the building
4. Modifications to make the home accessible to handicapped members of the household (Section 504). Handicaps must be medically documented.
5. Those structures where overcrowding exists shall be prioritized. Overcrowding shall be determined by the building design and the number and sex of the occupants.
6. Violations of HUD's Housing Quality Standards.
7. Violations of the Minnesota Energy and Efficiency Standards.
8. SHPO mandated repairs are priority. If the structure has been determined historically significant by the Minnesota Historical Society, plans for exterior improvements to the structure must be reviewed by the Minnesota Historical Society.

D. Funding Prohibition: Improvements that are largely cosmetic or do not improve housing systems are generally ineligible. Specifically, the following activities are ineligible:

1. Household appliances, saunas, whirlpool baths, decorative cabinetry, detached garages, decks, patios, landscaping (unless it is undertaken due to repairs resulting from eligible activities), wood burning heating systems, fireplaces, fencing, water softener, window air conditioners, or central air. (Central air condition may be allowable with documented medical justification.)
2. SCDP funds shall not be used for the payment, in whole or in part to finance or to satisfy an existing debt.
3. SCDP funds shall not be used for the payment, in whole or in part, for the satisfaction of assessments for public improvements. However, SCDP funds can be used to fund improvements that may be a portion of city improvements as long as those improvements are located on or under an eligible applicant's property. Such improvement must be documented as to location of improvement and reason for assessment.
4. Additions are generally ineligible unless the work is being undertaken to address over crowding or accessibility issues. Documentation of such conditions is required in the file.

E. Waiver of Program Requirements: TRI-CAP as the field administrator may request a waiver of program requirements on behalf of an applicant that meets basic SCDP eligibility.

Waivers may be requested to address the following housing deficiencies:

1. Repairs that address code violations that effect health and safety.
2. Repairs that effect the elimination of lead based paint and asbestos.
3. Repairs affecting structural integrity.
4. Modifications to make the home handicapped accessible in cases where a medically documented need exists.
5. Modifications to address over crowding conditions.
6. State Historical Preservation Office (SHPO) mandated repairs

Waivers may be requested that involve the following program areas:

1. Maximum loan amount may be increased
2. Minimum matching requirements may be waived provided that the household debt capacity exceeds 25% debt to income for housing debt (housing repairs plus housing mortgage related debt (PITI principal, interest, insurance, taxes). Or there is inadequate housing equity to meet industry standards. Waiver shall not be considered for consumer installment related debt.

In order to request a waiver of Program Requirements, TRI-CAP shall present a request containing the following documentation to the approving entity:

1. Identification of necessary repairs and modifications.
2. Identification of financial, repair cost, or debt carry issues that make the waiver necessary.
3. Income/ownership eligibility status applicant.
4. Submitted bid amounts and selection of approved bid.
5. Proposed financing package.

A determination shall be made by the approving entity. TRI-CAP shall inform the applicant of the approving entity's decision.

F. Lead Based Paint

1. **General Conditions:** The elimination of lead based paint is a priority of this Small Cities Development Program. The following procedures shall apply to the housing rehabilitation activities:
 - a. All housing units built prior to 1978 will include a lead assessment.
 - b. The Risk Assessment Report will be part of the rehabilitation project file.
 - c. All applicants shall receive, review and sign, "Protect Your Family from Lead in Your Home". Rehabilitation files must indicate that owner have received a copy of the brochure. This document shall be part of the applicant file.
 - d. Homeowners must receive the HUD Notice "Summary Risk Assessment Notice" and the file must show receipt of the Notice.
 - e. Work write ups/specifications will incorporate the required lead hazard reduction options from the Risk Assessment Report and include language on required lead safe work practices, site preparation, prohibited practices and clearance.
 - f. Owner-Contractor language will include prohibition of use of lead based paint, requirement for trained workers/supervisors and conducting work in accordance with lead safe work practices.
 - g. Licensed workers and supervisor must carry out lead hazard reduction work.
 - h. A clearance examination where lead hazard reduction was carried out. Trained Sampling Technicians will conduct clearance examinations. Copy of the clearance report will be kept in the project file.

2. Relocation Procedure

In the case of extensive lead hazard reduction, the applicant will be advised that the work will proceed only with temporary relocation of all residents in the dwelling. It will be the responsibility of the applicant to temporarily relocate during the lead hazard reduction work and the applicant will assume all costs associated with the relocation.

VIII. Historical Society Review

- A. SHPO Review:** All properties erected before 1950 will be reviewed by the Minnesota Historical Society to determine if the structure is historically significant before bids are let and any rehabilitation occurs. The file must contain documentation of approval from SHPO to proceed with rehabilitation.
- B. Historic Procedure:** After the initial property inspection has been completed by the Housing Inspector, the following will be submitted to the SHPO officer:
1. A summary of the work to be done at the property;
 2. Photographs of the structure;
 3. Property description;
 4. Any other information request by SHPO.

Prior to the issuance of the "Proceed to Work," a response from SHPO must be in the file indicating approval of proposed work and/or required amendments to the proposed work. Any changes in the scope of the project required by SHPO must be initiated.

IX. Marketing

- A. General Marketing:** TRI-CAP and SEH, on behalf of the City of Freeport, will conduct outreach in the target area and will solicit applications for the program in the following ways:
1. Notifying all applicants on the waiting list for compilation of an applicant list.
 2. Conduct community meetings(s) to inform Freeport residents of the availability of and application process for the program.
 3. Issue press releases advertising community meetings and/or information on SCDP grant application both to local newspapers and to local radio stations.
 4. Make direct mailing of program information to the homeowners in the community if necessary to generate additional applicants.
 5. Develop brochures and send them out in the billing statements of our local utility vendors.
 6. Develop posters and post them in prominent areas in the communities as well as distributing brochures at commodity distribution sites, where applicable.
- B. Fair Housing/Affirmative Action:** It is the policy of the City of Freeport to work affirmatively to ensure that all persons regardless of race, creed, national origin, sex, marital status, age, handicap or reliance on public assistance shall be treated equally and fairly for purposes of this SCDP Housing Rehabilitation program.
1. Program promotion conducted by TRI-CAP and/or the City of Freeport shall be inclusive and will exercise care to avoid promotion methods that exclude eligible

applicants.

2. TRI-CAP will provide all applicants with printed information on Fair Housing at the time of application.
3. Affirmative promotion shall actively pursue methods of reaching potential applicants that are difficult to reach.
 - a. Spanish language flyers, applications, etc. will be provided
 - b. Spanish translation will be provided for applicants in all phases of the rehabilitation process if needed/requested by the applicant.

X. Application & Applicant Selection Process

A. Application Procedures: Applications will be received on a first come, first served basis, starting from the waiting list, which will be prioritized from the date at which the interested party first contacted TRI-CAP. TRI-CAP will use the following guide to assess the preliminary eligibility of the applicant.

1. Whether or not the applicant is income eligible for an SCDP loan and what leverage package the applicants are eligible for.
2. What home equity is present.
3. Location of the applicant's property in relation to the program target area.

B. Housing Inspection: Once an applicant has been determined to be eligible for an SCDP loan, than an inspection of the property will be conducted by a Housing Rehabilitation Specialist (HRS). The HRS will determine what work is necessary to bring the property into compliance with the Housing Standards. The HRS will then prepare a Scope of Work (work write-up) that will rectify any violations to the Housing Standards, local codes, and will also include any improvements requested by the applicant that fall outside of the mandatory improvements. The Scope of Work shall be considered a binding contract between the applicant and the contractor performing work at the applicant's property.

C. Scope of Work: Shall contain the following project and contractual documents:

1. Instructions to the bidder;
2. Bid Proposal;
3. Program Warranties;
4. General Conditions;
5. Special Conditions;
6. Specifications categorized by trade;
7. Diagrams and layouts.

XI. Contracting Procedures

A. Participating Contractors: All contractors participating in the SCDP must have on file a Contractor's Application at the TRI-CAP Housing Department office. The application must contain proof of insurance coverage via a Certification of Insurance Coverage. The

contractors will be responsible for securing insurance of the amounts specified on the application form. Where a contractor is not licensed, the contractor must have on file with TRI-CAP a "Licensing Exemption Form."

- B. Bid Solicitation:** The Contract is between the applicant and the contractor. The applicant will be provided a list of contractors recognized by TRI-CAP by virtue of the contractor's filed application at TRI-CAP. However, applicant is free to choose any contractor. In order for a contractor who is not on TRI-CAP's list to be awarded a bid, the contractor must furnish TRI-CAP a Certificate of Insurance and must complete a Contractor application. Upon doing so, the contractor shall be awarded the bid.
- C. Single-source Bids:** If only one bid is received, that bid will be compared to the cost estimate provided by the Field Administrator during the inspection process to ensure reasonableness.
- D. Bidding:** The contractor bids off of bid specifications and a scope of work prepared by TRI-CAP's Housing Rehabilitation Coordinator following their inspection of the property and discussion with the homeowner. Contractors will be allowed to bid on any and all rehabilitation projects. However, TRI-CAP will closely monitor the number of jobs that a contractor receives to ensure that the work is carried out in a timely manner
- E. Bid Awards:** The Contract shall be awarded to the lowest bidder, unless one of the following circumstances occur:
1. The contractor has failed to follow the procedures as outlined in the instructions to the bidders.
 2. The contractor fails to bid according to the specifications and it proves impossible to compare the contractor's bid with the other contractors.
 3. The bid is determined to be unrealistically low by the HRS and the contractor agrees to withdraw the bid.
 4. The homeowner 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.
 5. All bids in a trade category are determined to be unrealistically high or non-competitive, in which case all bids in the questionable trade category will be thrown out and different contractors solicited for bids.
- F. Contractor Notification:** Upon closing, the HRS issues a Notice to Proceed to the accepted contractors. That notice will allow the contractor sixty (90) days in which to complete the awarded contract. Ninety (90) days will be the allotted amount of time except under the following conditions:
1. The work is weather dependent and weather conditions have not allowed the completion of the work.
 2. The Notice to Proceed is issued too late in the building season to allow weather dependent work to be completed on time.
 3. The homeowner preferred contractor is too heavily committed to perform the work within the allotted time and informs the homeowner and the HRS that he is too heavily committed and a work schedule is established and is acceptable to the homeowner, the HRS, and the contractor.

4. Unforeseen difficulties develop with the approved work and force a delay.

G. Contractor Contract: Each selected contractor will enter into a contract with the home owner. The contract will outline the terms for completion of the rehabilitation on the home and will include the following:

- Project start date
- Project completion date
- General conditions
- Warranties
- Special conditions
- Change order procedures
- Payment terms
- Termination procedures

H. Failure to Start/Complete Project: Upon receipt of the Proceed to Work a contractor will have 90 calendar days in which to complete the contracted work. Failure to begin work within the first 60 days will be grounds to terminate the contract.

The 90- day time period shall **not** be exceeded except through the issuance of a change order. In the absence of a change order, a contractor who violates the time period shall be penalized 5% of the unpaid balance for each week that the contractor is in violation.

I. Interim Inspections: After work begins, interim inspections will be scheduled by the rehab specialist to monitor work progress and work quality. If a dispute arises between a homeowner and a contractor, the HRS will attempt to find a means of resolving the conflict.

J. Payment Procedures: All contractors will agree to the payment schedule contained within the Contractor's Application which is as follows:

1. No pre-payments are allowable for any reason.
2. Lien waivers are required for all sub-contractors before payment will be made.
3. Partial payments are not allowable for any work that is not completed. Payments are limited to a maximum of 85% of the total due on the completed portions of the project.
4. Payments will be made only after the work is completed according to the specifications contained within the Scope of Work and meets with the approval of the Applicant and the Inspector. In order for the contractor to be paid, a signed (by both the Applicant(s), contractor and the Rehab. Advisor). Completion Certificate must be presented at the time of payment.
5. Fifteen percent (15%) must be withheld from each partial payment. Final payment for all work completed, including any withheld amounts, may be made after all work by a contractor is completed, the final inspection has been conducted and the inspector, homeowner and contractor have signed off on the work.
6. Payments will be made only upon presentation of the following documents:
 - a. Billing Statement
 - b. Lien Waiver

- c. Sworn Contractors Statement
- d. Completion Certificate

K. Change Orders: Change Orders to the contract require the signature of the homeowner, the contractor, and the Housing Coordinator. Change orders will specify who is responsible for the increased cost. These costs may be the responsibility of the homeowner and, if so, these funds must be placed in the appropriate escrow account. Change orders will be allowed only for the following reasons.

1. To rectify hidden deficiencies that are discovered once the work has begun.
2. To change a specification due to unforeseen difficulties arising after work has begun.
3. To address a deficiency that was inadvertently dropped from the project during project packaging.
4. To approve changes in the contract time period.

L. Termination of Contract: A contractor's contract can be terminated under the following procedures:

1. Poor work performance on the job site and the demonstrated inability to rectify the poor workmanship. The cost of repairing poor workmanship and the higher costs of awarding the bid to the next lowest bidder shall be deducted from any amount owed to the initial contractor for work completed. In all cases, the contractor shall be given the opportunity to rectify the problem before removal procedures are instituted. The Inspector shall institute the following procedures when negotiating a workmanship problem:
 - a. Shall set up a meeting at the job site with the contractor and homeowner to attempt to come to a consensus.
 - b. Shall contact the contractor the second time by certified mail notifying the contractor that the workmanship is still poor and specifying the areas that need to be addressed to satisfy the contract, giving the contractor a fifteen (15) day time limit in which to make the required repairs.
2. Causing undue damages to a homeowner's property and the inability or unwillingness to correct the damages. The cost of repairing damages will be deducted from any money owed the contractor for work already completed.
3. Where collusion or fraud has been determined to exist on the part of the contractor.
4. Lack of sufficient insurance coverage.
5. The inability of the contractor to perform the work within the allotted time.
6. Irreconcilable and irresolvable differences between the contractor and the homeowner.
7. Contractors who are removed from a contract shall be removed from the Contractor's List and shall be prohibited from being awarded any SCDP contract with TRI-CAP.

XII. Loan Packages

- A. **Loan Files:** TRI-CAP, on behalf of the City of Freeport's Small Cities Development Program, shall maintain files on each applicant throughout the duration of the program. Each applicant's file shall include the following:
1. **Work Progression Chart:** This form allows easy monitoring of the file and enables those working with it to see at a glance just what stage the project is at. This form will be attached to the inside cover of the file.
 2. **SCDP Loan Application:** This form will provide information relative to family size and composition, employment information, household income, applicant affordability, and monthly expenses. The form will also provide data on the property to be improved. Verification of all income, as well as a copy of the applicant's most recent property tax statement, shall be attached to the application. Proof of property ownership (Warranty Deed, Torrens, Recorded Contract for Deed, Recorded Life Estate, etc.) must also accompany the application. The lead paint warning will be included at the bottom of this form and will be signed by the applicant attesting that they have read and understand the dangers associated with lead based paint.
 3. **Third Party Income Verification:** this form provides third party verification of an applicant's income. These forms shall be signed by a representative attesting to the source of income.
 4. **Property Inspection Form:** The Inspection Report shall be prepared by the Housing Inspector. The Inspection Report is designed to include a specific account of the condition of the property and all corrective actions necessary.
 5. **SHPO Response:** A letter from SHPO indicates their approval or requirements for the project.
 6. **Scope of Work:** the Scope of Work is the contract between the applicant and contractor and specifies the exact work which will be performed at the eligible household's property.
 7. **Repayment Agreement:** This form is the legal mechanism by which a Lien is placed against the improved property until the loan is repaid, with no interest, at the time of property ownership transfer within ten (10) years.
 8. **Other Pertinent Information:** Other information important to the approval and completion of the project.
 9. **Close Out Packet:** A letter is sent to the homeowner informing them of completion and contains copies of the Repayment Agreement and Completion Certificates.

XIII. Loan Repayment & Program Income

- A. **Repayment Procedures:** The Freeport Housing Rehabilitation Program consists of repayment terms for owner occupied projects. Deferred loan funds (80-90% - 0% deferred loan with 10-20% matching funds) secured by repayment agreement will be repaid under the following terms:

The loan shall be forgiven after a 10 year period (forgiven 10% each year). Any remaining principal is due in full should the property be sold, transferred or is not longer maintained as the applicant's principal place of residence. The City of Freeport retains the right to modify any repayment requirements of the deferred loan on a case by case basis.

- B. **Generated Income:** Generated income is defined as any return or proceeds generated by the Small Cities Development Generated funds. All generated income received by the City of Freeport will be retained in a separate accounting code. Generated income

received during an open grant period will be used toward the rehabilitation of units within the target area consistent with these policies. The City, through SEH, will report generated income to DEED during the grant period.

At project closeout, current generated income balances will be submitted in a report to DEED. The City will be responsible for reporting generated income annually to DEED. The City will utilize any future generated income for rehabilitation activities consistent with these policies.

C. Loan Subordination Procedure:

1. Authorized Loan Subordination: Without further approval, the City of Freeport will authorize the subordination of its SCDP project loan under the following circumstances:
 - a. The Borrower wishes to borrow funds for housing debt only (i.e. home repair) or refinance, as evidenced by loan documents from a lender.

XIV. Denial/Complaint/Appeals Procedures

- A. Applicant Denial Procedure:** If a household's application is denied for any reason, a letter of denial will be sent to the household within 10 working days. The denial letter will clearly outline the reason for denial and inform the applicant that an appeals procedure is available.

1. **Applicant Complaint Procedure:** Initial client complaints about any aspect of Tri-CAP's service delivery, staff, program restrictions; or contractor relations/workmanship may be pursued verbally or in writing to the Housing Department. The complaint shall be responded to by the Housing coordinator who shall work with staff, the contractor, and the client to resolve the problem within two (2) weeks.

- B. Applicant Appeal Procedure:** If a household is dissatisfied with the level of assistance they have received, and where an applicant complaint cannot be resolved with TRI-CAP, TRI-CAP will notify the applicant in writing that a written procedure for appeal is available. The appeals procedure is as follows:

1. 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.
2. All program appeals should be addressed to:
Heidi Peper
SEH
1200 25th Avenue South
P.O. Box 1717
St. Cloud, MN 56302-1717
3. A Review Committee shall be established made up of representatives from the City, TRI-CAP and SEH. This appeal review process shall utilize the standard TRI-CAP Appeal form.
4. If the Review Committee and the Housing Coordinator do concur on the findings, the Housing Coordinator shall respond to the applicant, in writing, including the

results of the review, an explanation of the findings and the next step the applicant can take if he/she is still not satisfied with the response.

5. If the Review Committee and the Housing Director do not concur on the findings, the appeal will be presented to Short Elliott Hendrickson, Inc., whose written decision shall be final and presented to the applicant within fifteen (15) working days.
6. Any further appeal actions will be forwarded to the MN Department of Employment and Economic Development, along with the following information:
 - a. A copy of the written complaint and request for satisfaction under the appeals process
 - b. A copy of all correspondence between TRI-CAP and the appealing client concerning the appeal disposition.
 - c. The final appeal disposition.

AMENDMENTS, DIRECTIVES

This procedural guideline may be amended or supplemented from time to time by the City of Freeport/TRI-CAP by issuance of revised pages to be effective on the date of issue.

ADOPTION

These procedural guidelines governing the administration of the Freeport Owner-occupied Rehabilitation program have been adopted by action of the Freeport City Council on August 9, 2006.

ATTEST: _____

WITNESSED: _____

Memo

From: Adrianna Hennen, Clerk-Treasurer

To: Freeport City Council

Date: 6/22/15

Re: Letter to Clerk's Association

Councilmember Mike Eveslage has spoken with the (former?) president of the Minnesota Clerk's Association about the recent events and outcomes in Freeport regarding our previous Clerk. From my understanding the former president recommended to Mike to submit a letter to the Association explaining the actions of the previous Clerk, Mason Schirmer.

Mike, I'm going to ask that you explain to council your knowledge and thoughts of this during the meeting.

Council it will then be up to you all to decide if you want to proceed with writing a letter to the Association. If you decide to do so I will be in contact with Paynesville Clerk (former president) to see exactly the type of information they would find beneficial in knowing.