

**Program Guidelines NRP Home Improvement Program  
For  
Rental Properties**

**Fund Purpose:** To use NRP (as amortizing loans) in coordination with other financing programs to help rental property owners rehabilitate and improve permanent neighborhood rental properties. Before the Bottineau NRP loan can be provided, the program administrator will first attempt to place applicants in the MHFA Rental Properties Fix Up Fund or other available programs.

**Eligible Applicants:** Individual persons, for-profit corporations and partnerships, non-profit organizations, and community development corporations (CDC's) are eligible. Principles for for-profit corporations will be required to fully guarantee the debt.

Owners of properties that are receiving project-based rental subsidies must agree to continue participating in the subsidy program and to renew participation for the length of the term for the NRP loan.

**Eligible Properties:** Any rental residential property is eligible for loans from this program. Mixed use properties are eligible if more than 50% of the building's after rehabilitation above ground square footage is used for residential purposes. The rental property must be properly licensed by the City of Minneapolis. Single-room occupant, student dormitories, manufactured homes taxed as personal property and transitional properties for special populations are not eligible. Individual condominium, cooperative, and/or townhouse units that are absentee-owned are eligible. Condominium, cooperative, and/or townhouse associations are not eligible.

**Interest Rate:** 4% annual interest.

**Loan Term:** Maximum of 10 years. Approximately 1 year for every \$1,000 borrowed. Within the 10 year term, all loans (principle and interest balance) will be due and payable upon a transfer of title, upon conversion to contract for deed, or if the original borrower no longer owns the property.

**Loan Amount:** Minimum = \$500 per dwelling unit; Maximum = \$4,000 per dwelling unit. The maximum for any loan shall not exceed \$16,000. Owners may receive only one loan per property.

**Match Requirement:** Borrowers must provide at least 50% of the project cost from non-NRP resources.

Example A: If the property is a duplex, and the total project cost is \$16,000, the NRP Loan will be \$8,000.

Example B: If the property is a four-plex, and the total project cost is \$26,000, the NRP Loan will be \$13,000.

**Borrower's Match:** The program administrator may ask for documentation of the source, and terms and conditions of the match prior to closing the NRP loan.

**Total Project Cost:** It will be the borrower's responsibility to pay for all costs to finance the total project cost that are over and above the NRP loan.

**Eligible Improvements for Rental Program Loans:** The following will be eligible:

1. Projects that correct a City of Minneapolis housing maintenance code violation. (Outstanding written citations from the City of Minneapolis for code violations must be resolved before any loan request will be approved.);
2. Projects that correct residential conditions that do not meet local or state building codes;
3. Projects that will repair or remodel an existing structure by:
  - a. Reducing long-term maintenance costs
  - b. Correcting lead or asbestos hazards
  - c. Increasing the energy efficiency of the structure
  - d. Upgrading basic systems (plumbing, electric, HVAC, etc.)

**Ineligible Improvements:** work initiated prior to the loan application being received by the program administrator, recreation or luxury projects (pools, lawn sprinkler systems, playground equipment, saunas, whirlpools, etc.), furniture, non-built-in appliances, business-related uses, improvements of a non-capital nature, loans for working capital, debt service, or refinancing of existing debt. Questions about whether an improvement is NRP eligible, must be resolved by the City of Minneapolis.

**Questionable Improvements:** If the description of proposed work does not appear to qualify and the determination of the program administrator is questioned by the applicant, the applicant shall be advised of the proposed improvement being reviewed by the Bottineau Neighborhood Association Board of Directors. Decisions of the Board will be final. Questions about whether an improvement is NRP eligible, must be resolved by the City of Minneapolis

**Ability to Repay:** Properties are required to have a positive cash flow after rehabilitation.

**Loan to Value Ratio:** All loans secured by the property, including the new loan(s), must total 110% or less of the after improvement property value.

**Loan Security:** NRP loans will be secured by a Mortgage in the name of the City of Minneapolis.

**Work Completion:** Within 120 days (preferred) but no later than 180 days (limit) after loan closing. The Fund Administrator may authorize exceptions on a case by case basis. The Fund Administrator will verify installation of the improvements, ensure that any needed permits have been issued, and that the appropriate inspection and approval has occurred.

**Application Process:** Applications will be submitted directly to the fund administrator and will be processed in the order in which they are received.

**Loan Processing Fees:** The fee for originating the NRP loans will be paid from the NRP allocation for this program.

**Loan Servicing Fees:** The fees for servicing the NRP loans will be paid from either the NRP allocation for this program or from program income:

**Fees paid by the Borrower:** Mortgage registration tax and document recording fees will be paid by the borrower at the time of the loan closing.

**Disbursement Process:** Payment to the contractor (or owner in sweat equity situations) will be made upon completion of work and inspection by the program administrator. The following items must be received prior to final disbursement of funds:

1. Final proposal or invoice from contractor (or materials list from supplier)
2. Final inspection verification by program administrator
3. Completion certificate(s) signed by borrower and contractor
4. Proof of payment to contractor for any required “match” funds
5. Lien waiver for entire cost of work
6. Evidence of required city permit