

Section 1: Program Overview

HOME funds will be available for the renovation or new construction and sale of single-family dwellings, under the Home Ownership Works (HOW) program. HOME funds may be used for any of the following activities: acquisition, demolition, renovation/repairs or new construction.

Home Ownership Works (HOW)

Home Ownership Works (HOW) is designed to address the goal of providing home ownership opportunities for households who otherwise would have difficulty in attaining home ownership. It is also designed to address the problem of abandoned and foreclosed houses through either rehabilitation or demolition and new construction. The program serves the following objectives:

- Provides decent, long term affordable home ownership opportunities for households who would normally experience challenges in achieving home ownership
- Addresses the problem of vacant and deteriorated structures
- Helps the City maintain a base of owner occupants
- Helps combat the impacts of the foreclosure crisis

Properties will be treated by the HOW Program through one of the following methods:

- Properties will be owned by the City of Minneapolis during the renovation/construction period. All properties will meet the HOW Program Standards which exceed the minimum City code requirements. Non-profit housing development construction managers will develop the scope of work and monitor the construction. Private licensed general contractors will be selected through a sealed bid process conducted by the City to complete the project. Non-HOME funds will be used to provide interim financing, when possible.
- Non-profit developers will identify properties to acquire and develop under the HOW program. They will provide the City with a scope of work and pro-forma to either rehabilitate the home or construct a new home on the site. All properties will meet the HOW Program Standards which exceed the minimum City code requirements. City staff will inspect the property, review the scope and the pro forma and make a determination on program eligibility and the estimated amount of subsidy necessary to complete the project. City will provide an average per unit subsidy of \$50,000 to the developer. City staff will monitor construction on all approved projects.

The program allows for closing costs and down payment assistance on a need basis.

Section 2: Underwriting Projects, Developers, and Homebuyers

Target Buyers

Buyers must meet HOME low/moderate income household requirements [households whose annual income does not exceed eighty percent (80%) of the median income for the area]. These households are either trying to purchase a home, but are having trouble qualifying for a mortgage or locating a decent home in their price range. Properties with four or more bedrooms will be sold to households of three or more people who will occupy the property. All purchasers will be required to attend homebuyer education and Housing Maintenance seminars prior to closing. If more than one comparable offer is received from qualified buyers, preference will be given to first-time homebuyers or buyers who are being displaced due to public action. If there are equal offers after applying the preference described above, a lottery will be held.

Target Houses

It is anticipated that a large number of properties will be FHA foreclosures or REO properties in need of moderate to substantial rehabilitation. Moderate rehab properties selected would be single family or duplex homes. Duplexes will be converted to single-family dwellings, where appropriate. The program will operate within the shaded areas on the attached Target Area Map.

Development Assistance

Recapture

It is anticipated that the majority of purchasers buying properties assisted with HOME funds will receive direct buyer assistance. In instances where purchasers receive direct assistance a note and mortgage will be placed against the property with repayment of the entire amount of direct buyer assistance due from the Net Proceeds of sale at the time of sale or maturity of the 1st mortgage. . If there are not sufficient Net Proceeds to repay the entire amount of the City's direct buyer assistance, the balance of direct buyer assistance will be forgiven. Remaining Net Proceeds of sale may be retained by the original occupant of the HOME unit. Net Proceeds is defined as any and all consideration of any kind whatsoever, whether direct or indirect, that is received by the Borrower for, or in connection with, any sale, assignment, conveyance, transfer, lien or encumbrance of the property less any senior debt secured against the property and customary closing costs as defined on the HUD 1 settlement statement. If there is no transfer of 100% of the original occupant's interests in the property at the time of default or maturity or if the transfer is not an arms-length transaction, Net Proceeds means the fair market value of the property less outstanding senior debt. No resale provision will apply.

Affordability period in recapture will be based on the amount of direct HOME subsidy received by the buyer, however the maturity date of the homebuyer assistance loan will be a 30-year term. The period of affordability in recapture is based on the amount of direct subsidy received by the homebuyer in accordance with the following table:

Per unit amount of HOME funds	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

If the purchaser does not transfer 100% of the purchaser's interest in the Property and fails to maintain the property as their principal residence during the affordability period, the full direct buyer assistance amount plus any development subsidy amount shall be immediately due and payable regardless of Net Proceeds of sale.

Resale

The only instance where the City will use a resale provision will be when properties are sold through the City of Lakes Community Land Trust, who already has mechanisms in place to ensure long term affordability for target buyers as part of their program. The Land Trust has as their mission the conveyance of decent housing at affordable prices to low and moderate income families. In cases where a lower income purchase needs additional financial assistance to ensure that the home is affordable the Land Trust will provide direct assistance.

Under the land trust model, the homebuyer only purchases the improvements. The land trust retains fee title to the land. The homeowner can recover its purchase price for the improvements and its share of market value appreciation. At resale, the home is made affordable to substitute income qualified homebuyers because the new homebuyer only has to finance the improvements and the sale price is restricted by the terms of the ground lease. At resale, the purchase price must be affordable to a reasonable range of low-income homebuyers defined in the Target Buyers paragraph above. These requirements are spelled out in a Declaration of Restrictive Covenants and all necessary documents related to the developer's program (i.e. land trust Ground Lease and Housing Subsidy Covenant.) In consideration for the title of the land, the Land Trust provides an affordability investment that makes the home affordable for low-moderate income households in perpetuity. In most cases they provide anywhere from 2-3 times the value of the land (for example, land value may only be \$15,000, but they are providing \$50,000 in affordability assistance to the home). They are using the land as the mechanism to ensure the long-term affordability.

The proposed resale restriction will comply with federal requirements, ensuring the initial purchaser with a fair return on their initial investment. To determine a fair return on investment the Land Trust will calculate a fair return on investment using the following methodology:

- 1) A calculation of Market Value Appreciation will be performed. An independent 3rd party appraiser will establish the Current Appraised Value of the property, and the Initial Appraised Value of the property will be subtracted to establish the Increase in Market Value Appreciation.
- 2) A 25% Shared Appreciation Factor will be applied to the Increase in Market Value Appreciation to determine the initial purchaser's Share of Market Value Appreciation.
- 3) Fair Return on Investment will be calculated by adding the Share of Market Value Appreciation, plus downpayment costs, plus principal paid on Qualified Capital Improvements. Qualified Capital Improvements means those certain improvements made to the Improvements on the Premises at initial purchaser's expense which add significant value to the Improvements and which are capital in nature. Improvements which would qualify as Qualified Capital Improvements include, without limitation: the construction of additions, rooms, garages, bathrooms and kitchen remodeling. However, expenditures

for maintenance, such as roof replacement, and the updating or replacement of appliances such as furnaces, water heaters and kitchen appliances, would not qualify as Qualified Capital Improvements herein.

See Exhibit A for an example of a sample calculation for resale of a CLCLT assisted unit.

The resale of any eligible property will not exceed 95 percent of the area median purchase price or after-rehabilitation price for single family housing, as determined by the HUD Secretary.

All purchasers will be required to maintain the property as their principal residence for the period of affordability as shown below. If the purchaser does not owner occupy the property for the required time period the entire amount of the HOME funds invested in the property will be due and payable to the City of Minneapolis.

The affordability period(s) for resale is based on the total amount of HOME funding in the project in accordance with the following table:

Per unit amount of HOME funds	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

Buyer Financing

First Mortgage Lending

Under the Home Ownership Works program, eligible households may be able to apply for a mortgage loan through one of the City's participating lenders. If needed, down payment and closing cost loans will be available through various lenders and non-profit organizations. Purchasers will need a minimum of a 1% down payment or \$1,000 whichever is greater, plus an estimated 3% for closing costs and pre-pays.

Affordability – Direct Buyer Assistance

Most of the Home Ownership Works buyers are only able to purchase with direct buyer assistance in the form of a second mortgage provided by the City using HOME funds. The use of these HOW second mortgages will continue and are needed to keep the properties affordable to low and moderate-income households. A deferred second mortgage up to a maximum amount of \$14,999 may be available to households, through this HOME funded program, on an as-needed basis. The recapture provision will be enforced through a second mortgage. The term of the second mortgage is tied to the term of the first mortgage. The entire amount of the direct buyer assistance will be repaid from the net sales proceeds, if any, at the time of sale or refinance. The net proceeds are the sales price minus superior loan repayment (other than HOME funds) and any closing costs. Any repayments received upon sale will be placed into the Minneapolis HOME account for future production or as direct buyer assistance for affordability. Failure to occupy the property as the principal residence would require an immediate repayment of the full amount of HOME funds invested in the property.

Non-profit Participation

The developer or their agent will perform property selection, buyer outreach, marketing, rehabilitation, construction and counseling. However, in instances where the properties will be owned by the City of Minneapolis during the development process, the City will contract with a local non-profit entity to perform construction management services and marketing. The non-profit entity will also be required to provide homebuyer counseling.

Property Selection and Purchase

The City and/or a Developer will identify a property for inclusion in the HOW Program. Once a property is identified, the City will review the estimated proforma and, when appropriate, authorize the purchase of the property and the use of HOME funds for the development.

Citizen Participation

The City will follow the approved process for neighborhood notification for all properties acquired and disposed by the City through this program.

Council Approval

The City Council has approved the HOW Program Guidelines which mirror the Consolidated Plan language.

Rehabilitation

Rehabilitation standards would include the housing maintenance standards, HOW Property Standards, energy efficiency, lead abatement, and ease of maintenance and long term maintenance issues and visitability/accessibility standards, where feasible. While the homes will be rehabilitated to be an asset to the neighborhood and to avoid high maintenance costs, some economies will be made to avoid excessive rehabilitation costs. For example, newer roofs, furnaces, water heaters, etc., which are functioning properly and with an expected 7 to 10 year usable life expectancy, may not be replaced. The general rule will be to ensure that the owner does not experience major replacement costs for a minimum of the first seven years of ownership, and that the home will be eligible for FHA financing.

New Construction

Due to the increased costs of acquiring and renovating sub-standard housing, new construction is allowed in the HOW Program. Provided homeowners do the required general and annual maintenance, these newly constructed homes should assure homeowners minimal mechanical and structural problems for over twenty years. Homeowner occupancy requirements for new construction will be 15 years. Any sale or transfer of the property from its original owner within the affordability period will comply with the affordability requirements specified above under "Resale." Any repayments received will be placed into the Minneapolis HOME account for future production or as buyer affordability assistance.

Marketing

HOW properties will be marketed and advertised after renovation/construction through newspapers and MLS. Marketing will be established on a pay per performance basis and will be performed by realtors active in and familiar with the Minneapolis market. The marketing for resale of any eligible property will be affordable to households at or below 80% of AMI and will not exceed 95 percent of the area median purchase price or after-rehabilitation price for single family housing, as determined by the HUD Secretary

Section 3: Subsidy Layering

Development Subsidy Layering Guidelines

City programs will not invest any more HOME funds, in conjunction with other governmental (federal, state, and local sources), than is necessary to provide affordable housing as defined by the HOME regulations. The subsidy amount is determined by subtracting the sales price from the cost of development (sum of acquisition, construction and soft costs). The maximum HOME funding included in any single family housing project will not exceed the Twin Cities Area Maximum HOME Subsidy Limits {Metro Area 221(d)(3)(ii) limits] established by HUD.

Direct Assistance to the Purchaser Subsidy Layering Guideline

Single family programs may provide direct assistance for affordability and closing costs to buyers of a single family home. Affordability assistance will be used to bridge the gap between the buyer's maximum affordable first mortgage amount as determined by the mortgage lender underwriting process and the sale price. In addition, direct assistance can be provided to cover the buyers' eligible closing costs. The City has set a maximum housing debt ratio of 33% and a total monthly debt to income ratio of 50% as the standard for determining if it is appropriate to provide direct subsidy to the purchaser. The City will not invest any more HOME funds, than is necessary to make the single family housing project affordable to an income eligible household as defined by the HOME regulations. The maximum HOME funding included in any single family housing project will not exceed the Twin Cities Area Maximum HOME subsidy Limits [Metro Area 221(d)(3)(ii) limits] established by HUD.

Borrower Debt to Income Ratios

Qualified Buyer whose annual income is at or below 80% Area Median Income to render an Improved Property affordable, i.e. housing-related debt ratio not to exceed 33% and total combined debt ratio not to exceed 50%.

Section 4: Developer Capacity

Evaluating the development and fiscal capacity of developers

All eligible developers have been vetted through a request for qualifications process and approved by the Minneapolis City Council. However, before any new developer is added, they will be vetted by City staff based on their experience on successfully taking on similar projects, experience with the Minneapolis Plan Review process, experience with the Minneapolis Department of Civil Rights and familiarity with the use of public funds. This process will be evaluated by a team of City's Housing Division staff—a project coordinator, a senior project coordinator and the unit's manager. Based on the decision rendered, the senior project coordinator will present a recommendation for acceptance as an eligible developer to the Minneapolis City Council.

Regarding the fiscal capacity of the developer, on an annual basis, each eligible developer will submit their audited financials for review. Upon receipt, a representative from Minneapolis Finance Department will review and provide recommendations related to the soundness of the entity. Should there be any significant red flags, the developer will be required to provide a satisfactory response to enable the City to continue to contract with them under the HOW program.

Section 5: Market Conditions

Ensuring there is adequate need for projects based on neighborhood market conditions

City has determined that for the purposes of this section, we will limit this program to the “Targeted Communities” within its borders. Embedded in the resulting area is a geography that has lost housing units due to abandonment, foreclosure and demolition so there continues to be a need for redeveloping (rehabilitation or new construction) single family units in these areas. The criteria in designating the target communities are based on Minnesota Statutes, Section 469.202, subdivisions 2 and 3:

- Census tracts in the City where the unemployment rate for the tract as determined by the 2010 Federal Decennial Census exceeds twice the unemployment rate for the Minneapolis and Saint Paul Standard Metropolitan Statistical Area;
- Census tracts in the City where the median household income in the tract is no more than 80 percent of the median household income for the Minneapolis and Saint Paul Standard Metropolitan Statistical Area;
- Census tracts in the City where 70 percent or more of the residential dwelling units in the area were built before 1960;
- Neighborhoods in the City that have a disproportionate number of vacant residential buildings and mortgage foreclosures as evidenced by a foreclosure rate of at least 1.5% in 2008.

The City has layered the aforementioned designated areas to create a map (see attached) that identifies the portions of the City that meet at least three of the four criteria (the “Core Area”). In addition, Minnesota Statutes, Section 469.202, subdivision 3, permits the City to add to the qualifying area, an additional area extending up to four contiguous city blocks in all directions from the Core Area.

Section 6: Residential Loan Subordination Policy

Processing/Review Fee

- The City will be entitled to charge a reasonable fee for processing and review of each occasion where subordination is requested, even if there are multiple loans to be subordinated for a property. If a subordination request is resubmitted because of a change in the loan amount, an additional charge may be imposed. The Servicer must submit the fee at the time of the request.
- The Servicer of a CPED loan is entitled to a reasonable fee for processing a subordination request. The Servicer may charge an additional fee per document for each additional loan.
- The maximum amount of the City and Servicer fees and any subsequent changes must be approved by the Director of CPED.

Conditions for Subordination

Subject to conditions identified below, subordination may be granted to permit the mortgagor to benefit from an interest rate reduction or to shorten the term of their primary mortgage loan. This refinance may include any and all debt that is superior to the CPED's debt in lien status and may also include cash from the equity of the home. In no instance may the combined loan-to-value (CLTV) of the CPED loan and any other loan exceed 100% after the new refinance is closed.

- If the CLTV is above 80%, cash may only be obtained to complete repairs and improvements to the home. Any cash proceeds must be escrowed with the mortgage company or title insurance company and cash disbursements may only occur after construction work is completed. Any remaining proceeds left over after the work is completed may go for additional work to the home or it must be paid to the Servicer of the mortgage loan to reduce the principal balance of the loan. (To avoid closing and escrowing the home improvement funds, the borrower may complete the project prior to closing and then obtain a refinance including the cost of the work that was completed. The borrower must clearly document all the expenses associated with that work by receipts. No reimbursement may occur for the borrower's own labor or for tools and equipment, except equipment rental. All work must be considered permanent attachments to the home.)
- If the CLTV is 80% or less, the mortgagor may obtain cash without the completion of home repairs or improvements.
- Except as provided for under bullet 2 above, under no condition may the borrower receive proceeds from the refinance transaction, except to reimburse expenses paid by the borrower during the loan process, i.e. credit report and appraisal fee. If any cash is identified as a result of changes in the closing transaction, it must be applied to the principal balance of the new loan.
- CPED reserves the right to deny any subordination request it deems not in its best interest.
- The original signed subordination document may not be released by the Servicer to the mortgage company or title company until the loan is closed. Upon receipt of the signed Closing Disclosure (signed by the mortgagors and the closer) the executed subordination agreement can be forwarded to the title company for recording. A copy of the recorded document must be returned to the Servicer when available.

Required Documentation

The following documentation will be required to process/review loan subordination requests:

- Outstanding principal balance of current loans(s), monthly payment(s), interest rate and remaining term. Please indicate whether payment quoted is PI or PITI.
- Correct legal description of property.
- New mortgagee name as it will appear on the Note and Mortgage and name and phone number of the loan representative for the new mortgage.
- Amount of the new mortgage, monthly payment (PI), interest rate, and term.
- Proof of the present value of home (current appraisal, or if Streamline Refinance, a copy of the current County Assessor Tax Value Statement).
- Copy of Loan Estimate Form
- Copy of Title Insurance Commitment
- Completed CPED Lender Data Request Sheet

**EXHIBIT A
SAMPLE CALCULATION OF FORMULA PRICE
UNDER THE GROUND LEASE**

The "Initial Appraised Value" is \$187,000.00.

"Land Lessee's Purchase Price" is \$125,500.00.

Based on the above information the following table can be use to calculate the Formula Price.

a) Calculation of Market Value Appreciation: For the purpose of determining the Formula Price, Market Value Appreciation shall be determined by subtracting from the Current Appraised Value the Initial Appraised Value. Following is a table for calculating Market Value Appreciation:

Current Appraised Value (at time of sale)	<u>\$197,000</u>
Minus Initial Appraised Value (at date of Ground Lease)	<u>– \$187,000</u>
Equals Increase in Market Value Appreciation	<u>= \$ 10,000</u>

b) Calculation of Land Lessee's Share of Increases in Market Value: For the purpose of determining the Purchase Option Price, Land Lessee's Share of Market Value Appreciation shall be determined by multiplying the Market Value Appreciation by twenty-five percent (25%). Following is a table for calculating Land Lessee's Share of Increase in Market Value of the Improvements:

Market Value Appreciation	<u>\$ 10,000</u>
multiplied by Shared Appreciation Factor	<u>x 25%</u>
equals the Land Lessee's Share of Market Value Appreciation	<u>= \$ 2,500</u>

c) Land Lessee seller's income: This amount establishes the estimated amount that the Land Lessee seller will receive upon sale. This figure includes the Land Lessee's Share of Market Value Appreciation, *applicable down payment costs*, and *earned principal paid on the Improvements*.

Land Lessee's Share of Market Value Appreciation	<u>\$ 2,500</u>
plus applicable down payment costs	<u>+ _____</u>
plus principal paid on Improvements	<u>+ 8,400</u>
less recapture down payment assistance	<u>- _____</u>
equals approximate Land Lessees seller's income	<u>= \$ 10,900</u>

d) Calculation of Formula Price.
The Purchase Option Price shall be determined by adding Land Lessee's Share of Market Value Appreciation to Land Lessee's Purchase Price. Following is a table for calculating the Purchase Option Price:

Land Lessee's Purchase Price	<u>\$ 125,500</u>
plus Land Lessee's Share of Market Value Appreciation	<u>+ \$2,500</u>
plus CLCLT Marketing Fee	<u>+ \$1,000</u>
equals Formula Price	<u>= \$129,000</u>

Section 7: Property Standards

EXHIBIT B

SINGLE FAMILY HOUSING STANDARDS

NOTE: All details and/or materials listed may be subject to change or deletion, as required by specific location or structure. All changes must be approved in writing by CPED Project Staff.

The City of Minneapolis will adopt the following standards for all projects associated with the HOME/HOW Program. These guidelines are to be used in conjunction with the minimum code associated with all permits pulled for the completion of the project. Additionally, all developers will perform sustainability techniques and use Energy Star products and standards.

BASEMENT

1. Basement floors shall be concrete with no tripping hazards or exposed dirt.
2. Replace hazardous or unserviceable stairways
3. All structural concerns need to be addressed, including cracks and limestone foundations must be properly tuck-pointed.
4. Remove all deteriorated mortar, brick, block and spalling material from all perimeter foundation walls. Provide and patch to a smooth uniform condition using matching materials. Apply two coats of Dryloc or approved equal to all foundation walls.
5. Provide and install guardrails and continuous handrails to all basement stairways per code.

PLUMBING

1. Provide a minimum of a single laundry tub, washer bib-cocks and back flow preventer.
2. Provide one exterior sill-cock centrally located to reach front and rear yards.
3. When the water heater needs to be replaced, install a new 40-gallon water heater in 2 bedroom homes and 50-gallon water heater in 3+ bedroom homes.
4. Sewer systems must be individual and separate from adjacent buildings / properties. If the existing sewer system is retained, it must be cleaned out to the city sewer main. Install a Clean Out, if there is no Main Clean Out.
5. Provide an exterior vent for clothes dryer through the rim joist area. If rim joist venting is not accessible, alternatives can be discussed. Window venting is not acceptable. Glass block venting may be acceptable as determined by City.
6. Replacement of bathtubs shall be restricted to either cast iron tubs or fiberglass tub enclosures. NO STEEL TUBS!

HEATING & VENTILATION

1. If an existing heating plant will be retained, general contractor must provide written certification from a licensed heating contractor that the plant is at least 80% efficient, and the existing system meets code. All valves on radiators must be operational.
2. If replacement is required, replacement units shall be a minimum of 90% efficient and be placed on a 2" concrete pad or legs.
3. All kitchens must have a hood fan, which shall be vented to the outside where possible. Where not possible, please notify CPED at the time plans and specs are submitted for review.
4. Bathroom fans shall be 2 speed, low speed controlled by wall switch and shall be vented to the exterior.
5. Whole House Ventilation: Provide a low speed ceiling exhaust fan vented to the exterior, and a wall switch set for continuous half speed venting with full speed boost.
6. Provide and install mechanical ventilation that meets the Minnesota Building, Mechanical and Residential Energy Code requirements and as required to meet the Green Communities Criteria.

ATTIC ACCESS

1. Install attic access with weather-stripping and insulate to code.

ELECTRIC

1. Minimum of 100-amp service per unit.
2. Dwelling and garage must be wired to code (Note: all non-grounded outlets shall be changed to grounded type).
3. Dwelling to have a minimum of two exterior receptacles for the (1) front and (1) rear.
4. Each outside entry door to have lighting.

INSULATION

NOTE: Order energy audit and insulate according to energy audit recommendations. In the event of any inconsistencies between the Energy Audit and these Rehab Standards, the Energy Audit shall prevail.

Minimally the following standards shall apply:

1. If rim joist is accessible, insulate to R-19.
2. Insulate sidewalls, if sidewalls are enclosed insulate to R-14 with the "blow-in-blanket" system or R-13 batts to code on all exposed framing areas.
3. Insulate attic to R-50.
4. If sidewall framing is exposed, provide 6-mil poly vapor barrier, otherwise use vapor barrier paint on interior of outside walls.

5. If insulation is exposed at the exterior foundation, it must be covered with a finish approved by CPED.
6. Provide a copy of the Energy Certificate of Completion

WINDOWS

1. Existing Windows—Rehab Wood Single Pane: Remove weight hardware and insulate pockets. Install full – tilt jamb liners. Refinish and re-glaze sash as required. Weather-strip sash and plow to fit liners. Include locks and lifts. Install two track aluminum combination windows with full screen.
2. New Windows—Sash kit or Whole Unit: Remove weight hardware and insulate pockets. Insulated low–e glazing. Include locks, lifts, and full screens.
3. All storm/screen window units must compliment the fabric and color of the prime window.
4. All windows must be equipped with locks and lifts.
5. All windows are to be adjusted, weather-stripped, and made weather tight.

DOORS

1. When replacing primary entry doors, install a pre-hung insulated, metal door, include a locking knob set and dead bolt lock keyed alike.
2. Storm doors should be installed when required by code.
3. Interior doors should be serviceable with matching hardware installed.

INTERIOR TRIM

1. When replacing, provide and install new matching trim in same species, style, and color.

FINISH FLOORING

1. Ceramic tile (where used on floors) shall be installed in concrete or on cement board. No vinyl base allowed.
2. Sand, seal and apply two coats of poly to hall hardwood floors. Patch floors as necessary per industry standards.
3. All damaged and or worn floor covering shall be replaced with new per industry standards.

SPECIAL WALLS

1. If new ceramic tile is used in the tub area it will be installed on cement board.

DECORATING

1. No painting over wallpaper.
2. Fill all holes, chips, dings and any other imperfections in all ceilings, walls, trim, closets and any other areas to a smooth sound condition, primed and ready for paint.

3. Prepare, prime and paint all ceilings, walls, cove, window casing, door casings, jambs, windows, doors, base, and any other components using the following: Semi-gloss paint will be used in the kitchen, baths, basement stairwell, attic and rear entry areas. Flat paint or eggshell should be used for all bedrooms, living room, dining room, and stairway to the second floor.

EXTERIOR WALLS

1. Where existing wood siding and trim is retained, the contractors shall remove all damaged, rotten and deteriorated wood prior to applying paint. Developer shall provide a written warranty that all painted surfaces will not peel or flake for two years from acceptance, final payment.
2. Where vinyl siding is installed, it must be .042 mil. When aluminum covering for trim is installed, it must be .019 gauge.
3. All painted stucco shall first be power washed and painted with Valspar Duramax Elastomeric Exterior Masonry and Stucco Paint or approved equal. Developer shall provide a written warranty that all painted surfaces will not peel or flake for two years from acceptance, final payment.
4. When aluminum coil stock is used include covering the window wells and the outside blind stop.
5. Provide a mailbox.
6. Provide front and rear address numbers.

ROOFING

1. Remove and replace any asphalt shingled roof in a deteriorated condition or that cannot be warranted for seven years. All rotted wooden materials must be replaced.
2. Roofing shall be 240#, self-sealing, 3 tab, strip shingles; or appropriate roofing for flat roofs.
3. NO STAPLES shall be used to fasten shingles.
4. When roof is replaced, all roof caps and flashings shall be replaced. All flashing must be metal. Valleys must be metal inverted V type (26 gauge). All vents, flashing, and valleys will match the shingle color.
5. Provide and install new gutters to all horizontal roof edges, to include downspouts, elbows, leaders, extenders and concrete splash blocks.
6. All existing gutters and downspouts shall be kept in a professional state of repair to include all necessary hardware, downspouts, elbows, leaders, extenders and concrete splash blocks and or any other missing components.

SITE WORK

1. Existing garages in deteriorated condition that will not be treated will be removed.
2. Existing fences or other exterior amenities, i.e. gaslights, clothes poles in deteriorated condition, that will not be treated, will be removed.

3. If there is no garage, provided there is access, a minimum of one hard-surfaced (bituminous or concrete) off-street parking space must be provided.
4. If there is an existing deck or porch which needs repair or replacement, the ground under the deck or porch must be covered with poly and landscape rock.
5. Remove all foundation growth and outlaw brush, stumps and the roots anywhere on the lot.
6. Provide fill and raise the grade around the foundation to provide proper drainage away from structure.
7. Repair any bare dirt areas, any bad sections and areas damaged during construction, including the boulevard areas.
8. Provide and install 20 gauge corrugated window wells as required to basement windows. Window well shall be mechanically fastened to the building wall.
9. Dig out and remove all dirt six inches below the bottom of the window sill and fill with peat gravel.
10. Provide and install at least a 30-inch carriage walk extending from the public sidewalk to the street curb.
11. Remove and dispose of all damaged public walks that are cracked, damaged or raised and provide new per the City of Minneapolis sidewalk standards.

MISCELLANEOUS

1. All buildings shall meet all applicable codes.
2. All necessary documents will need to be received by CPED prior to the approval and release of the final payment.

LEAD BASED PAINT

1. Developers are required to certify and ensure that their activities comply with the same lead regulatory requirements that apply to Community Block Grant Development programs. These requirements are in the Lead Disclosure Rule (24 CFR part 35, subpart A), and the Lead Safe Housing Rule's provisions for rehabilitation (subpart J), and for acquisition, leasing, support services, or operation (subpart K), and the accompanying procedural requirements in subparts B and R. Developers must provide reports to the lead hazard contractor(s). (See attached chart)
2. Developers shall provide the following reports upon completion:
 - a. EPA/State of MN Licensing requirements of all Sub-contractors or Post abatement clearance report
 - b. Pre-occupancy clearance report
 - c. Adhesion-cohesion test conducted by an independent third party for encapsulated components.
 - d. Detailed written description of the hazard reduction activities per 35.1340, c, Clearance report.

RADON

Test for Radon in the home. Provide and install Passive/Active radon control system if the test results exceed the Minnesota Green Standard.

GREEN COMMUNITIES CRITERIA

Apply Mandatory items in the 2008 national Green Communities Criteria as modified by the 2009-2010 Minnesota Overlay to the Green Communities Criteria to those improvements enacted upon (replacement of any equipment, system, building components, assembly of components, or appliance) at time of rehabilitation and or new construction. The intended method of satisfying Green Communities Criteria and Certification Form. Sections 1-8 are required to be completed.

HUD HEALTHY HOMES

Dry

Ensure proper drainage methods and water flows away from housing; clean repair gutters and downspouts repair leaks seal roofs and windows.

Safe

Install safety devices on doors, cabinets, window blinds and outlets; label and store all poisonous items out of reach of children in the property containers; install smoke detectors and carbon monoxide detectors; have appropriate fire extinguisher available.

Well-ventilated

Service and maintain heating and cooling systems; provide exhaust fans for kitchens, bathroom and dryers to the outside to reduce mold; change furnace filter regularly.

Pest-free

Provide property storage and disposal for food products, caulk and seal holes; use least toxic pest management methods.

Contaminant-free

Remove lead based paint hazards properly; reduce volatile organic compounds in paint, carpet, etc.

Clean

Install dust walk-off systems in entry ways; provide smooth cleanable surfaces; provide effective storage space and containers; choose flooring that is easy to clean; vacuum with HEPA filters; implement weekly cleaning regimen.

Well-maintained

Provide important maintenance calendar for inspecting, cleaning, repairing, replacing housing components/systems.

Upon completion of the property the developer shall ensure the following:

1. All city-ordered repairs have been completed and the appropriate releases have been obtained.
2. That all work indicated in the approved scope of work has been completed.
3. That all work has been completed in workmanship manner per the industry standards.
4. That property meets the existing MN State Electrical Code, MN State Plumbing Code, City of Minneapolis Housing Maintenance Code, MN State Energy Code and International Residential Code.

EPA's Lead-Based Paint Renovation, Repair, and Painting Program:
April 22, 2010

All persons working on pre-1978 properties, regardless of source of funds require the following EPA Licenses:

- EPA Lead Firm License (No Exemptions)
- EPA Certified Renovator (8-hour training)
- EPA Refresher Course (4 hour training) for experienced abatement contractors and supervisors.

HUD Lead-Safe Housing Rule, 24 CFR 35

Projects with Federal Funding: \$0 - \$5,000

See Work Safe Practices Sec 35.1350

Projects with Federal Funding: \$5,000 - \$25,000

See Interim Controls Sec. 35.1330

Projects with Federal Funding: Over \$25,000

See Abatement Sec 35.1325