

**EDINA HOUSING &
REDEVELOPMENT AUTHORITY**

EDINA REVOLVING LINE OF CREDIT PROGRAM AGREEMENT

This Edina Line of Credit Program Agreement (the “Agreement”) is entered into on this _____ day of _____, 2020, by, between and among the **HOUSING AND REDEVELOPMENT AUTHORITY OF EDINA, MINNESOTA**, a body politic and corporate under the laws of the State of Minnesota (hereinafter referred to as the “HRA”) and **WEST HENNEPIN AFFORDABLE HOUSING LAND TRUST, DBA HOMES WITHIN REACH**, a Minnesota non-profit corporation (hereinafter referred to as the “HWR”).

RECITALS

WHEREAS, the HRA was established for the purpose of undertaking urban redevelopment projects and assisting with the development of affordable housing;

WHEREAS, HWR, a Community Land Trust, is nonprofit organization which aim to provide long-term affordable housing opportunities for lower-income families which creates younger households, retains community wealth, and enhances residential stability;

WHEREAS, HRA has supported HWR since 2007 through the allocation of the HRA’s Community Development Block Grant program funds. Since that time, fourteen (14) houses have been placed into a Land Trust to remain affordable for 99 years; and

WHEREAS, HRA, in wanting to continue this positive trend, has approved a line of credit program (“Program”) with the HWR to purchase, rehabilitate, and sell three (3) homes in the community to increase affordable housing options; and

WHEREAS, the HRA has approved the Revolving Loan Program Summary (the “Program Guidelines”), which are attached hereto as EXHIBIT A and fully incorporated into this Agreement, providing, in part, a summary and background of the Program, Program eligibility requirements, Program terms, a list of Program-eligible improvements, and other Program specific policies and procedures; and

WHEREAS, HWR has a template Home Improvement Contract which is attached hereto as EXHIBIT B.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, the parties do hereby agree as follows:

1. LINE OF CREDIT. The Program will provide a line of credit to HWR to acquire, rehabilitate, and sell affordable homes to qualified applicants. The line of credit shall be One Million Three Hundred Thousand and No/100 Dollars (\$1,300,000.00). It is understood that the withdrawal of funds will be greater than the funds being returned as the HRA. These funds are to be dispensed as stated herein, for the purposes stated herein.

- 1.1. Each draw will be interest-free.
- 1.2. The maximum of the Line of Credit is \$1,300,000.
- 1.3. The authorized agent of the HRA may approve each draw without HRA approval.

2. PROGRAM OPERATIONS. The following three phases detail the operation of the program, fund distribution, and repayment procedures. This section will take precedence over Exhibit A if any dispute or difference exists. The HRA shall create a payment request form within five (5) business days of this completed Agreement. HWR must only utilize the Program's funds in accordance with established Community Land Trust Practices as submitted in Exhibit A, attached hereto.

2.1. **Purchase.** HWR will select a property located in the City of Edina and HWR will extend an offer to purchase the property. If the offer is accepted, HWR will submit a payment request form to the HRA for a distribution of funds from the Program to cover 100% of the purchase price and estimated closing fees. This payment request form must also include the property's address, legal description, estimated value based upon the most recent Hennepin County tax assessment or appraisal, and approximate scope of rehabilitation work needed. After the payment request form is emailed to the HRA, an authorized agent of the HRA will determine whether the request will be approved or denied within one business day of the receipt of the submission and notify HWR via email. If approved, the HRA will transfer funds to HWR's bank account at least three business days prior to the closing date. HWR shall instruct the title company in charge of the closing to immediately record all relevant documents against the title to the property on the closing date. HWR will send the HRA final documentation regarding the purchase of the house.

2.2. **Rehabilitation.** HWR will select a General Contractor and enter into a Home Improvement Contract attached as Exhibit B. This contract establishes the plans and specifications of improvements, repairs, or alterations of the purchased home. HWR will request funds from the Program via the payment request form for rehabilitation and project costs. Project costs will be estimated in the Preliminary Sources of Uses submitted prior to acquisition of the property. This request must include the completed Home Improvement Contract, the scope of work, and specifications with cost estimates. After the written payment request form is delivered to the HRA, an authorized agent of the HRA will transfer the funds in to the HWR bank account within one business day of the receipt of the submission. HWR and the General Contractor shall then commence and complete rehabilitation in accordance with the Home Improvement Contract. HWR must conduct a final inspection and appraisal of the property once the rehabilitation is completed. HWR must submit all necessary permits, approvals, written changes to the Home Improvement Contract, and lien waivers to Edina's HRA.

2.3. **Sale.** HWR will then select a qualified applicant, as described below in Section 3.1 as the purchaser of the home. HWR shall inform the HRA of the sale price, sale date, and the buyer's profile. A critical aspect of keeping these homes affordable is the Ground Lease which allows HWR to continue owning the land the home is on. HWR must execute a Ground Lease with the buyer as a part of the home sale process. Five (5) working days after home sale, HWR must

deliver 50% of proceeds of that sale to the HRA, to be returned to the Program. After approximately 60-90 days from the sale of the home, when all project costs are paid, any remaining balance is sent to the HRA to be returned to the Program. HWR will make repayments to the Program after the home is sold to a qualified applicant. The HRA will receive the sale price of the house minus the value of the land, rehabilitation costs, and project costs after the sale. HWR shall instruct the title company in charge of the closing to immediately record all relevant documents against the title to the property on the closing date. HWR will send the HRA final documentation regarding the purchase of the house.

3. APPLICANT QUALIFICATIONS. In order for an applicant to be qualified to participate in the Program through the HWR, the applicant and co-applicant:

- A. must be 21 years of age or older;
- B. must be a citizen of the United States or a legal resident;
- C. may not have other liquid assets, excluding retirement accounts, totaling in excess of \$25,000.00 net of liabilities or the amount consistent with Section 8 guidelines, whichever is greater;
- D. must have a total gross income that is at or below 80% of area median income (“AMI”); and
- E. must not be above a 45% debt ratio.

4. AGREEMENT TERM AND TERMINATION. This Agreement is effective upon execution of the Agreement by the HRA. The Agreement expires three years from the date the Agreement became effective (Termination Date).

4.1. The Agreement may extend if HWR is in the rehabilitation or sale phase of the Program at the time of the Termination Date. The Agreement will then terminate after HWR makes the final repayment to HRA after the closing sale.

4.2. If HWR materially fails to comply with any term of this Agreement, fails to maintain its non-profit corporate status with the I.R.S. or the State of Minnesota, or fails to administer the work in a manner to endanger the performance of this Agreement, the HRA may immediately terminate this Agreement in its entirety.

4.3. If HWR is not in default, either HWR or HRA may terminate this Agreement for any reason upon 30 days written notice to the other party.

5. TITLE. The Borrower warrants that all work performed pursuant to this Agreement shall be in compliance with existing laws, ordinances, pertinent regulations, standards, and specifications. This Agreement does not act as a substitute for any permits or approvals that are otherwise required by the HWR in order to complete any of the terms of this Agreement.

6. MISCELLANEOUS.

6.1. **Authorized Representatives.**

The HRA’s Authorized Representative is:

City of Edina
Affordable Housing Development Manager
4801 West 50th Street
Edina, Minnesota 55424-1330

The HWR's Authorized Representative is:

West Hennepin Affordable Housing Land Trust dba Homes Within Reach
Executive Director
5101 Thimsen Ave #202
Minnetonka, MN 55345

- 6.2. **Assignment.** HWR may neither assign nor transfer any rights or obligations under this Agreement without the prior consent of the HRA and a fully executed Assignment Agreement, executed and approved by the same parties who executed and approved this Agreement, or their successors in office.
- 6.3. **Amendments.** Any amendment to this Agreement must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original Agreement, or their successors in office.
- 6.4. **Waiver.** If the HRA fails to enforce any provision of this Agreement, that failure does not result in a waiver of the right to enforce the same or another provision of the Agreement in the future.
- 6.5. **Liability and Indemnification.** HWR will indemnify, save, and hold the HRA, its agents, and employees, harmless from any claims or causes of action, including attorney's fees incurred by the HRA arising from the performance of this Agreement by HWR or HWR's agents or employees. This clause will not be construed to bar any legal remedies HWR may have for the HRA's failure to fulfill its obligations under this Agreement. HWR shall maintain such books and records as will satisfactorily demonstrate to Federal, State, and HRA's Auditors that HWR has used the funds in accordance with this Agreement.
- 6.6. **Insurance.** HWR agrees that it will, at all times during the term of this Agreement, have and keep in force a general liability insurance policy with coverage in the amount of at least \$1,000,000 per occurrence. A copy of HWR's insurance declaration page, Rider or Endorsement, as applicable, which evidences the existence of this insurance coverage naming the HRA as an additional insured must be provided to the HRA before work under this Agreement is begun.
- 6.7. **Audits.** HWR's books, records, documents, and accounting procedures and practices relevant to this Agreement are subject to examination by the HRA, as appropriate, for a minimum of six (6) years from the end of this Agreement.

- 6.8. **Government Data Practices.** HWR and HRA must comply with the Minnesota Government Data Practices Act, Minn. Stat. Ch. 13, as it applies to all data provided by HWR under this Agreement, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by HWR under this Agreement. The civil remedies of Minn. Stat. § 13.08 apply to the release of the data referred to in this clause by either HWR or the HRA. If HWR receives a request to release the data referred to in this clause, HWR must immediately notify the HRA. The HRA will give HWR instructions concerning the release of the data to the requesting party before the data is released.
- 6.9. **Governing Law, Jurisdiction, and Venue.** Minnesota law, without regard to its choice-of-law provisions, governs this Agreement. Venue for all legal proceedings out of this Agreement, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Hennepin County, Minnesota.
- 6.10. **Severability.** If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications that can be given effect, and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby.
- 6.11. **Authorized Signatories.** The parties each represent and warrant to the other that (1) the persons signing this Agreement are authorized signatories for the entities represented, and (2) no further approvals, actions or ratifications are needed for the full enforceability of this Agreement against it; each party indemnifies and holds the other harmless against any breach of the foregoing representation and warranty.
- 6.12. **Entire Agreement.** This Agreement, together with the Grant Application, constitutes the complete and exclusive statement of all mutual understandings between the parties with respect to this Agreement, superseding all prior or contemporaneous proposals, communications, and understandings, whether oral or written, concerning the grant funds.
- 6.13. **Headings.** The headings appearing at the beginning of the sections contained in this Agreement have been inserted for identification and reference purposes only and shall not be used in the construction and interpretation of this Agreement.
- 6.14. **Survivability.** All covenants, indemnities, guarantees, releases, representations and warranties by any party, and any undischarged obligations of the EDA, the City and Recipient arising prior to the expiration of this Agreement (whether by completion or earlier termination), shall survive such expiration.

Dated: _____, 2020.

**HOUSING AND REDEVELOPMENT
AUTHORITY OF EDINA, MINNESOTA**

BY: _____
James Hovland, Its Chair

BY: _____
Scott Neal, Its Executive Director

Dated: _____, 2020.

**WEST HENNEPIN AFFORDABLE HOUSING
LAND TRUST DBA HOMES WITHIN REACH**

BY: _____
Its _____

EXHIBIT A

Proposed Program: Revolving Loan Program Summary

Purpose: Create and preserve affordable homeownership for work-force families (80% below AMI)

Partnership: City of Edina, HRA and West Hennepin Affordable Housing Land dba Homes Within Reach

Program Goals:

- Preserves homeownership opportunities for low-to-moderate income households
- Retains community and homeowner wealth
- Enhances residential stability
- Preserves long-term housing affordability

Applicant Qualifications:

- Applicant Criteria Applicant must be 21 years of age or older.
- Applicant (and co-applicant) must be a citizen of the United States or a legal resident.
- Applicant (and co-applicant) may not have other liquid assets, excluding retirement accounts, totaling in excess of \$25,000 net of liabilities or the amount consistent with Section 8 guidelines, whichever is greater.
- Total gross income is at or below 80% of area median income.
- Applicant cannot be above a 45% debt ratio (back end bank ratio once payoff of debt takes place).

Housing Production in creating and preserving a Community Land Trust home.

The following is an outline of the three major HWR housing production phrases. Detail as it relates to the outline of general categories follow the chart. The list of tasks does not include detail steps, such as application, credit review and income verification.

<u>CLT Housing Production</u>	
1. Application Process	
	Application/Credit Reports/Qualifications/Selection
	Informational Meeting
	Orientation & Homebuyer Education
	Interviews and Income verification
	Meeting with Lender process application
	Pre-approvals
2. Acquisition	
	Property Search
	Property Selection
	Purchase Offer
	LC Approval
	Contingency Inspections
	Determine Scope of Rehab, Finalize Offer, Remove Contingencies
	Acquire property
	Inspections - Energy, Radon & PIRA, Finalize Scope of Rehab
	Rehab
	Final Inspections
3. Selling/Closing Process	
	Mortgage Application and Approval
	Selection of Property
	HWR Resident Committee Interview, Finalize Income Eligibility
	Execute PA , Home Inspection, Attorney Review
	Closing - Coordination with Funders, Buyers, Closer

1. Applications Process:

1. Submission of HWR application with required financial attachments.
 - a. Approval for HWR to pull credit report
 - b. HWR orientation (Informational Meeting) and compliance with qualifications and criteria

- c. Applicant meet with HWR staff to review credit reports and assist in meeting qualifications and finalize income verification to ascertain eligibility and determine work plan to be credit worthy to meet with loan officer
 - d. Attendance of a Home Stretch Class sponsored by Minnesota Homeownership Center is required. This education is to provide basic tools to move through the process and own a home.
 - e. Participation in the interviews and working sessions with HWR staff
 - f. Income verification of eligibility per HOME regulations
 - g. Select lender from HWR approved lenders and process application
2. Attendance by prospective applicant to a HWR Informational Meeting
 3. Pre-approval from one of five lending institutions: Alerus Mortgage, Bremer Bank, Mortgages Unlimited, US Bank, and Trustone Home Mortgage.

2. Acquisition & Rehab:

1. Property Search
 - a. Criteria to Real Estate Agent based on annual goals & projections, funding resources, application pool/profile realtor previews
 - b. Inspects multiple properties before selecting one to continue the process
 - i. Initial Inspection - Property Search Criteria
 - ii. Location
 1. Neighborhood setting with close proximity to services and transportation
 2. Structural integrity and conditions of the home and property
 - c. Key areas of inspection
 1. Foundation/Structural Integrity
 2. Condition of driveway and garage
 3. All wells and private sewage system approved by government authority
 4. Water intrusion - condition of yard/slope to home foundation
 5. Condition of exterior - siding, soffits, roof, chimney stack (interior and exterior)
 6. Mechanical - HVAC system and hot water heater
 7. Ventilation in kitchen and all bathrooms
 8. Adequately functioning plumbing
 9. No hazardous wiring or fixtures i.e. GFIs in kitchen, baths and garage and grounded circuits for all appliances
 10. Insulation (attic, foundation, doors & windows) etc.
 11. Condition of windows, exterior and interior doors
 12. Lead base paint - exterior and interior

- d. Property Selection
 - i. Research Hennepin Property Information
 - ii. Create Preliminary Project Budget to determine if acquisition is feasible
 - iii. Determine affordability gap & funding sources
 - iv. Acquisition Approval from City – location and LC for acquisition.
 - v. Initial Offer: Decision Point
- e. Purchase Offer of Selected Property (foreclosed properties take additional time)
 - i. Multiple offers in negotiating initial purchase price prior to the contingency period.
 - ii. If Applicable: Counter Offer
 - iii. Offer – Accepted / Not Accepted
 - iv. Execute Purchase Agreement
 - 1. Non-profit Purchase Letter and
 - 2. Seller Acceptance of Voluntary Offer
- f. Request and Finalize Line of Credit for acquisition
 - i. WHAHLT/HWR submits invoice to City including:
 - 1. Request access to Line of Credit
 - a. Preliminary Sources and Uses
 - b. Purchase Agreement
 - ii. City of Edina approves LC via email to HWR within 24 hours of submission.
 - iii. City of Edina transfer funds to WHAHLT’s bank account three days prior to acquisition closing date.
- g. Due-Diligence Period – Purchase Agreement Contingency Period
 - i. Includes at least three levels of inspections
 - 1. WHAHLT Contractor
 - 2. House Masters
 - 3. Hennepin County
 - ii. There are multiple inspections after acquisition of the property.
 - 1. Energy Audit
 - 2. Radon Test
 - 3. PIRA
 - 4. Others if deemed necessary
- h. Determine Rehab/Construction Requirements using the three inspections
 - i. Complete HWR Inspection Form
 - ii. Finalize Offer and Remove Contingencies if appropriate or renegotiate price or release the PA

- iii. Send Purchase Agreement that includes copies of nonprofit purchase letter and seller's acceptance of voluntary offer along with the Preliminary Sources & Uses, MLS listing and tax statement to the City of Edina. Title commitment and appraisal is submitted at a later date
- iv. Implement Pre-Closing Action Items
- v. Pursuant to HWR Property Acquisition Checklist
- vi. Acquire Property
- vii. Pursuant to required real estate transaction – law and lending practices
- i. Post Purchase Action Items -
 - i. Ready the property to move to the Selling Home Process & Procedures and Application Checklists
 - ii. During the selling/selection process, a qualified family is approved and rehab/repair work has begun on the home and completed prior to selling the home
 - iii. Identify and perform rehabilitation work that is necessary to make the acquired home hazard free and safe and ready the home for sale to a qualified homebuyer
 - iv. Send documents of the acquisition to City of Edina-HRA
 - 1. Purchase HUD settlement statement
 - 2. Copy of Warranty showing transfer to HWR
- j. **Rehab process includes but is not limited to:**
 - i. Inspections
 - 1. Radon, Blower/Energy Tests and PIRA if necessary
 - ii. Preparation of inspection report
 - iii. Determine scope of work and cost estimates
 - iv. Determine rehab work plan, provide written specifications
 - v. Negotiate and execute scope of work – proposal/contract
 - vi. Commence and complete work
 - vii. Contractor presents to WHAHLT/HWR invoice for work with all permits and required inspections
 - viii. Final inspection of work completed with permits/approvals and lien waivers
 - ix. WHAHLT/HWR makes payment to contractor

3. Selling Process:

During the selling/selection process, a qualified family receives approval by HWR and a preliminary approval by the lending institution and rehab/repair work has begun on the home and completed prior to selling the home.

1. HWR supervises the process to sell the home using the Community Land Trust practice and the funding requirements.

- a. Mortgage application and request pre-approval for a mortgage
- b. HWR Resident Committee Interview
- c. Selection of Property – show and select a home by a qualified applicant with a mortgage pre-approval by an approved CLT lender
- d. Execution of Purchase Agreement and all attachments and riders if necessary
- e. Applicant Inspection of home
- f. Applicant typically is required by lending institution to have a third party inspection and HWR encourages the applicant to engage in a third party inspection - even if it is not required.
- g. Attorney review of documents (including the ground lease) and review with prospective homebuyer
- h. Closing transaction
- i. Selling of the home improvements
- j. Execution of the Ground Lease and Mortgage
- k. 5 working days after home sale, 50% of the sale proceeds are sent to the Edina HRA. Remaining balance is sent to the Edina HRA after project costs are closed out – 60-90 days after sale of the home.
- l. Final documentation regarding the sale is sent to the City of Edina – HRA that includes
 - ii. Appraisal, which is completed after rehab is completed prior to sale of the home.
 - iii. Applicant income qualifications
 - iv. Copy of the Seller's Purchase Agreement
 - v. Title Commitment
 - vi. Lender's Underwriters worksheet (Fannie Mae 1008)

EXHIBIT B