



## Neighborhood Revitalization Program Design Pilot Project

### Program Delivery Overview

The Arrowhead Economic Opportunity Agency (AEOA) is requesting \$500,000 in funding from the Iron Range Resources and Rehabilitation Board (IRRRB) to provide grants to eligible homeowners and rental units in the Taconite Assistance Area (TAA). The Neighborhood Revitalization Pilot Project is intended to provide funds to AEOA, on behalf of the municipalities, which can be used for rehabilitation of owner occupied and rental properties of four units or less, for households and tenants whose incomes are over the traditional guidelines for available existing programs. The eligible program improvements are improvements which promote energy conservation and efficiency improvements. The business provided to local suppliers and work provided to contractors will also retain local jobs as well as create additional new opportunities.

AEOA will administer the IRRRB funded Neighborhood Revitalization Program for the eligible properties in the TAA. In Saint Louis, Lake and Cook Counties AEOA will coordinate projects from the grant application process and will assist property owners to solicit qualified contractors to complete their projects. Upon completion of the work AEOA staff will conduct a final inspection on the IRRRB funded portion of the project and upon a successful inspection AEOA will process payments for the IRRRB funds to those contractors. The funding from IRRRB will be the last funds applied to these projects. As a pilot program, AEOA will provide this service until the funds are exhausted or there are no eligible candidates remaining for this program. In Itasca and Aitkin Counties AEOA will partner with the local Community Action Agencies which would be KOOTASCA in Itasca County and Lakes and Pines in Aitkin County to provide these same services.

AEOA will also look to add additional resources beyond those listed in this application as they become available for low interest loan options and available programs which would benefit the property owners and enhance this program.

## **Need for the Proposed Neighborhood Revitalization Grants**

In 2010 the Northeast Minnesota Housing Team had determined that 19,291 homes on the Iron Range need rehabilitation. Current rehabilitation programs provided by AEOA are targeted to households whose incomes are generally below \$40,000. The void for rehabilitation is in the \$40,000 - \$80,000 income range where owners or tenants do not qualify for assistance yet their income makes rehabilitation of the dwelling unlikely. Each community surveyed a neighborhood of designated households to determine the need and those surveys showed that there were over 700 housing units identified throughout the IRRRB service area. Each applicant must be able to demonstrate the impact, leverage, and timeliness of the project. The impact of this project will need to show results such as attracting new investment, creating or retaining local jobs, removing slum and blight, supporting smart growth and sustainable communities, and promoting energy conservation and efficiency.

## **Proposed Grant Process**

AEOA, on behalf of the TAA will apply for funds from the IRRRB for these rehabilitation housing projects. Included with their application will be loan program guidelines for eligible households, cost estimates for each project, and a breakdown of the sources and uses of each project. The IRRRB portion of the project will be a 0% deferred loan (grant), which will be forgiven after either the current owner lives in the property for five years or in the case of a rental unit, until the current landlord owns the property for five years after the rehabilitation. The funding from the IRRRB will be the last source of money applied to the project. All other funds must be in place before IRRRB disburses project funding. In addition to IRRRB sources of funds for each project, additional sources for each project will be identified and may include sources such as: owner equity, traditional bank financing, Housing and Urban Development (HUD), St. Louis County Block Grant (CDBG), Duluth Energy Efficiency Program (DEEP), Minnesota Housing Financing Agency (MHFA), Greater Minnesota Housing Fund (GMHF), Electric Company Rebates (MN Power or Lake Country Power, municipal utilities), and Federal Tax Credits.

AEOA and their partners will contact local property owners, assist them as needed through the application process, provide information and applications as needed for potential matching funds and utility rebates for this program, assist owners as needed to solicit qualified contractors to complete their projects, pre-approve loan packages as needed and determine eligible activities prior to installation, conduct a final inspection on the IRRRB funded portion of the project, collect lien waivers and work with the owners to ensure the IRRRB funded portion of the project was completed as outlined in the scope of work.

## Eligible Recipients and Activities

### Eligible Recipients:

Owner occupied single family homes or rental units, of four units or less, whose owner's incomes for single family or tenant incomes for rentals are between \$40,000 and \$80,000 per year. Income will be averaged using income from the two years prior to the application and the projected income for the next twelve months after the application.

### Eligible Activities:

- Window replacement
- Door replacement
- Furnace replacement and ductwork upgrades
- Water heater replacement
- Wall and ceiling insulation upgrades
- Roofing replacement
- Siding replacement
- Solar installations
- Wind installations
- Geothermal installations

## Loan Application Specifics

The deferred loan amounts available per eligible property are:

35% of the total eligible rehabilitation project cost for households or tenants with incomes from \$40,000 - \$60,000

25% of the total eligible rehabilitation project cost for households or tenants with incomes from \$60,001 - \$80,000

In all cases, the maximum deferred loan awarded to the household will not exceed \$10,000 and the minimum loan amount will be \$2,500.

Please see the examples of the potential sources and uses for a proposed project:

**Example #1: Household Income: \$65,000      Identified Rehab. Costs: \$40,000**

Sources:	Uses:	
IRRRB:	\$10,000 Deferred Loan (0%)	25%
Federal Tax Credit:	\$2,000	5%
Electric Company Rebate:	\$500	1%
Owner Equity:	\$2,500	6%
Loans: Banks, DEEP, HUD, MHFA, GMHF	\$25,000	63%

**Example #2: Household Income: \$45,000      Identified Rehab. Costs: \$30,000**

Sources:	Uses:	
IRRRB:	\$10,000 Deferred Loan (0%)	33%
Federal Tax Credit:	\$2,000	7%
Electric Company Rebate:	\$500	2%
Owner Equity:	\$1,000	3%
CDBG Grant:	\$5,000	17%
Loans: Banks, DEEP, HUD, MHFA, GMHF	\$11,500	38%

**Proposed Budget**

AEOA will be allowed to retain an administrative fee of \$50,000 or 10% of the grant award of the IRRRB funding to administer the Neighborhood Revitalization Pilot Project. The administrative fees will be allocated in two equal payments, the first at the time of the grant award and the second after 50% of the program funds have been expended.

A nominal fee, not to exceed \$500, may also be charged to the homeowner or landlord for service and processing fees.