

**Rental Rehabilitation Loan Program
Policy and Procedure Manual**

Table of Contents

Purpose:.....	1
Definitions:	1
Funding Availability:	3
Loan Limits and Terms:	3
Eligibility Requirements:	3
Project Eligibility:	4
Property Eligibility:	4
Eligible Rehabilitation Improvements:	5
Procedures.....	7
1. Initial Contact:	7
2. Application Cycle	7
3. Loan Processing and Approval:	7
4. File Issued:	7
5. Property Evaluation:	7
6. Scope of Work:	7
7. Bidding:.....	8
8. Contractor Selected:.....	8
9. Loan Closing:.....	8
10. Pre-Construction Conference:.....	8
11. Project Commencement:	8
12. Project Management and Completion:.....	8
13. Escrow Agreement:.....	8
14. Payment Requests:	8
15. Project Completion:	9
16. File Closeout:	9
17. File Audit:	9
18. Compliance Monitoring:	9
EXHIBIT A RENT AND INCOME LIMITS	10
EXHIBIT B PROPERTY REHABILITATION STANDARDS	11
EXHIBIT C SCORING CRITERIA.....	17

Purpose:

The purpose of the Rental Rehabilitation Loan Program is to provide owners of affordable rental housing in Dakota County with a financial tool to improve the safety, integrity, accessibility, and curbside appeal of their property. An additional goal of the program is to help improve the surrounding neighborhood by upgrading existing housing stock. This policy and procedure manual sets forth the policies and uniform procedures under which the loan program will be administered.

Definitions:

Affordability Period: Affordability Period means that period of time starting at the completion of Rehabilitation of a minimum of fifteen (15) years during which Assisted Rental Dwelling Units must comply with the rent and occupancy restrictions.

Americans with Disabilities Act (ADA): ADA means the Americans with Disabilities Act enacted in 1990 as Public Law 101-336.

Applicant: Applicant means the person, persons, or entity which makes application for a Loan.

Assisted Rental Dwelling Unit: Assisted Rental Dwelling Unit means a unit within the Property which has been rent and occupancy restricted under the Rental Rehabilitation Loan Program.

Borrower: Borrower means an applicant who receives a loan and executes a promissory note in evidence of the loan, in conformance with the requirements of the Rental Rehabilitation Loan Program and who has 100% interest in one of the following types of ownership in the Property to be improved: a fee title or a fee title subject to a mortgage or other lien securing a debt.

Borrower Contribution: Borrower Contribution means the amount of funds the Borrower contributes towards the total project cost in an amount that is at least one third of the project cost.

CDA: CDA means the Dakota County Community Development Agency, the administrator of the Rental Rehabilitation Loan Program.

Completion Certificate: Completion Certificate means a certification by the Borrower that the Rehabilitation to the Property made under the Rental Rehabilitation Loan Program has been completed.

Economically Feasible: Economically feasible means that the Loan to value ratio does not exceed 95% including an estimate of increased value from the Rehabilitation, in an amount equal to 50% of the rehabilitation expenses.

Gross Annual Income: Gross Annual Income means the anticipated annual income before taxes and withholdings. Gross annual income includes all sources of incomes of all residents of a household who are over the age of 18 years that is anticipated to be received over the 12 months following the date of eligibility determination.

Housing Quality Standards (HQS): HQS means those regulations set by the Department of Housing and Urban Development (HUD) in 24 CFR 982.401 to establish minimum housing conditions that are decent, safe, and sanitary.

Indebtedness: Indebtedness means the principal, interest, taxes, insurance and utilities owed on the Property to be improved.

Loan: Loan means a loan offered under the Rental Rehabilitation Loan Program in compliance with the policies and procedures set forth in this document.

Occupancy Certification: Occupancy Certification means a certification by the Borrower, in a form prescribed by the CDA, that the Assisted Rental Dwelling Units comply with the income and rent restrictions of the Rental Rehabilitation Loan Program.

Proceed to Work Order: Proceed to Work Order means the written notice given by the CDA to the contractor that rehabilitation work may commence as of the date of the order. Work started prior to the date of the Proceed to Work Order will not be eligible for reimbursement or inclusion in the Rental Rehabilitation Loan Program.

Program Administrator: Program Administrator means a person employed by or designated by the CDA responsible for underwriting Loans made under the Rental Rehabilitation Loan Program.

Property: Property means a structure designed for residential use containing four or more Rental Dwelling Units and the parcel of real estate upon which it is located.

Rehabilitation: Rehabilitation means improvements made to a Property under this program.

Rehabilitation Advisor: Rehabilitation Advisor means a person employed by or designated by the CDA responsible for specifying and inspecting the Rehabilitation.

Rehabilitation Feasibility: Rehabilitation Feasibility means that the Loan amount is sufficient enough to rehabilitate the Property in order to meet the minimum Rehabilitation Standards.

Rehabilitation Standards: Rehabilitation Standards mean the minimum criteria to aid in meeting the objectives by assuring livable, healthful, safe, and physically sound rental housing, set forth in Exhibit B.

Rental Dwelling Unit: Rental Dwelling Unit means a housing unit that includes self-contained cooking, sleeping and bathroom facilities that is occupied by a person or household other than the Borrower and for which rent in cash or in kind is received by the Borrower.

Rental Rehabilitation Loan Program: Rental Rehabilitation Loan Program means the program described and administered by this policy and procedure manual.

Funding Availability:

The Rental Rehabilitation Loan Program is dependent on the availability of discretionary funds to Dakota County and available to this program.

Loan Limits and Terms:

The maximum Loan available to projects serving the eligible population may not exceed the lesser of \$20,000 per Assisted Rental Dwelling Unit or \$500,000 per development. The minimum Loan amount will be \$50,000. Loan funds can only be used toward the Rehabilitation attributed to the Assisted Rental Dwelling Units. Loans will be underwritten to ensure funds are needed to make the project Economically Feasible.

All funds awarded by the Rental Rehabilitation Loan Program will be in the form of a loan. Terms of the Loan will be based on the length of affordability and ability of the Borrower to repay. Repayment of the Loan will be required on the date or dates on which any of the following occur:

1. Any transfer or sale of the development;
2. Any refinancing of the current Indebtedness;
3. Any occurrence of an event of default, including non-compliance;
4. Any prepayment of the loan as a result of foreclosure or the granting of a deed in lieu of foreclosure; or
5. End of the Period of Affordability.

The Borrower shall pay to the CDA as repayment in full of the Loan the aggregate amount of all advances made by the CDA or the Loan amount.

Eligibility Requirements:

Project Eligibility:

The project must meet certain threshold criteria to be determined eligible for a Loan. The CDA retains the right to reject in whole or in part any application for any reason.

1. **Organizational Capacity:** Applicants must demonstrate that the skills and experience of the project team are appropriate to the size and complexity of the project.
2. **Site Control:** Applicants must be able to provide evidence of ownership.
3. **Relocation Plan:** If applicable, Applicants must show that a relocation plan has been developed to ensure that comparable units within the community are available and that there are adequate funds to cover relocation costs. Rental Rehabilitation Loan funds cannot be used for relocation costs.
4. **Borrower Contribution:** Applicants must be able to demonstrate a minimum Borrower Contribution of one-third of the total cost of the Rehabilitation.
5. **Participation in the Section 8 Program:** Applicants must agree that while the Loan is outstanding, they will participate in the Section 8 Rental Assistance Program. Participation means that to the extent the Borrower has units that meet the requirements of the Rental Rehabilitation Loan Program, they will not exclude from consideration qualified families receiving assistance through the Section 8 Housing Choice Voucher Program.
6. **Financial Health:** Applicants must demonstrate that the Property has and will maintain a stable and positive cash flow.
7. **Creditworthiness:** Applicants must be able to show a history of creditworthiness and their ability to repay the Loan.
8. **Feasibility:** Applicants must demonstrate that the project is Economically Feasible.

Property Eligibility:

A Property eligible for Rehabilitation is a property used solely for residential purposes located in Dakota County and meets the following requirements:

1. The Property must be in need of repairs or improvements that are considered eligible rehabilitation improvements, as defined in this manual.
2. The Property must be in compliance with applicable zoning ordinances, land use guidelines, and any applicable rental or housing maintenance codes.

3. The Borrower must restrict rents and occupancy of the Assisted Rental Dwelling Units for the entirety of the Affordability Period, a minimum of fifteen years. The Assisted Rental Dwelling Units must have gross rents restricted to 30% of 50% of the area median income and restrict occupancy of the Assisted Rental Dwelling Units to households with incomes at or below 50% of area median income. Gross rent is the rent charged by the Borrower plus an allowance for tenant-paid utilities, determined by the most current CDA Utility Allowance Schedule. Rent and Income Limits are shown in Exhibit A.
4. The Property must be structurally sound and meet Rehabilitation Feasibility criteria as determined by the Rehabilitation Advisor. An exception may be made where threats to health and safety exist and no alternatives to the continued occupancy of the structure can be identified.
5. The Borrower must maintain property insurance. If the Property is located in a flood plain, the Property must be covered by flood insurance.
6. Property taxes, assessments, and any other liens on the Property, whether taxed as real property or personal property, must be current.

Eligible Rehabilitation Improvements:

Loan funds shall be used to finance improvements to the Property that encourage health and safety as well as aesthetic improvements. The Property, after rehabilitation, must meet the minimum Property Rehabilitation Standards detailed on Exhibit B. The CDA reserves the right to deny the use of certain fixtures or types of materials if it is determined that another suitable fixture of material is more cost effective. Eligible improvements include:

1. Improvements made to comply with state, county, or municipal health, housing, building, fire, HQS, and housing maintenance codes.
2. Improvements made to improve the attractiveness, curbside appeal, and livability of the property.
3. Improvements made to garage and/or parking facilities.
4. Improvements made to make the building more accessible to persons with disabilities and compliance with ADA regulations.
5. Services related to the improvements that do not exceed five percent (5%) of the Rehabilitation amount. Services may include energy audits, architectural services, engineering services or inspections, material testing, title work, credit report fees, appraisal fees, building permit fees, and filing fees.

All eligible rehabilitation improvements will be prioritized according to the following scale.

1. Priority A Improvements
 - a. Remove and repair various health, safety and other related deficiencies. This would include improvements to the structure in order to comply with the Property Rehabilitation Standards and HQS.
 - b. Improvements that will add to the structural soundness of the Rental Dwelling Units.
2. Priority B Improvements
 - a. General improvements which add to the Property's value or livability.
 - b. Cosmetic improvements to the exterior of the Property including landscaping.
 - c. Modifications or improvements to the Property to make it accessible for disabled persons.
 - d. Improvements necessary to eliminate or reduce lead-based paint hazards.

Certain improvements are not eligible under the Rental Rehabilitation Loan Program. Those items include but are not limited to the following:

1. Improvements begun or completed before the date of the Proceed to Work Order.
2. New construction of building additions or additional Rental Dwelling Units.
3. New construction of decks, fireplaces, outbuildings or recreational or entertainment facilities.
4. Assessments for public improvements.

Loans must be used to finance improvements that can be completed with twelve (12) months from the date of the issuance of a Proceed to Work Order. The CDA, at its discretion, may adjust priorities or grant an extension if it serves the purpose of the program.

All construction or work performed under contract shall be in compliance with an approved CDA warranty covering workmanship and materials.

All work or construction completed with Loan funds must be in compliance with all applicable building and housing codes and standards.

Procedures

1. **Initial Contact:** All inquiries will be handled by the Program Administrator. Information on the program will be made available on the CDA website. All inquiries will be referred to the website or sent a program brochure.
2. **Application Cycle:** The CDA will accept applications in accordance with this Procedure Manual. The closing date for receipt of applications will be 4:30 p.m. on December 1st. The CDA will base its selection decision upon the application and attachments received on the application due date.

If the application all required attachments are not legible and complete, the application will be returned. No applications, attachments or documentation will be accepted after the application due date unless requested by the CDA. Applications will not be accepted by facsimile.

3. **Loan Processing and Approval:** The applications will be reviewed for eligibility and then ranked by a review committee comprised of the Program Administrator and other CDA staff. The ranking of applications will be in accordance with the scoring criteria outlined in Exhibit C. The Program Administrator will reserve and obligate funds for the project from the most appropriate sources. Qualified Applicants will be sent a letter informing them of their approval, the name of the Rehabilitation Advisor to whom their file has been assigned, explanation of funding sources and restrictions, and a description of what happens next. Letters will be sent to those whose applications are denied with an explanation of the reason for their rejection.
4. **File Issued:** The Rehabilitation Advisor is given the approved file. Included in the information given to the Rehabilitation Advisor is the Borrower's name, address and phone number, rental property address, date built, description of desired work, amount and source of financing that will be contributed by Borrower. Also included will be any special requirements and/or restrictions placed on the Borrower/Property by any particular funding source.
5. **Property Evaluation:** Rehabilitation Advisor will inspect the Property and determine the Rehabilitation Feasibility. All hazards and conditions that are not in compliance with CDA Rental Rehabilitation Property Standards must be addressed.
6. **Scope of Work:** The Rehabilitation Advisor and Borrower will determine what work will take place. The agreed upon work will be a combination of the Borrower's desired improvements and the items mandated by the CDA. A scope of work will be drafted by the Rehabilitation Advisor and mailed to the Borrower.

7. **Bidding:** The Borrower will be responsible for obtaining bids from a minimum of two qualified, responsible contractors for each item contained in the scope of work. The Borrower cannot also be a contractor on the project.
8. **Contractor Selected:** Bids will be reviewed by the Rehabilitation Advisor and the Borrower. The project will be awarded to the lowest, qualified, responsible bidder. The selected contractor must furnish proof of insurance with the following minimum coverage: commercial liability insurance of \$1,000,000, workers compensation insurance with coverage equal to MN Statutes, and automobile liability insurance of \$300,000 with the Borrower and the CDA named as additional insured and a 30 day written cancellation notice. The contractor and Borrower must enter into a construction contract acceptable to the CDA.
9. **Loan Closing:** The Rehabilitation Advisor will submit the contract amount and required documentation to the Program Administrator. The Program Administrator will conduct the closing and ensure all required documents are recorded with Dakota County. The Borrower will be required to enter into a loan agreement, mortgage, promissory note, declaration of restrictive covenants, and escrow agreement with the CDA.
10. **Pre-Construction Conference:** The Program Administrator notifies the Rehabilitation Advisor of the loan closing. The Rehabilitation Advisor, contractor(s) and Borrower will meet to discuss the project. A final scope of work and pricing information will be determined. A draw schedule is established and funding process explained. A contract is signed by the Contractor and Borrower.
11. **Project Commencement:** The Rehabilitation Advisor will send out a Proceed to Work Order to the contractor(s). The contractor will be responsible for obtaining all necessary permits and inspections and his/her own expense. The contractor will be responsible for all payments owed to material suppliers, employees and subcontractors.
12. **Project Management and Completion:** The Rehabilitation Advisor will monitor the project as necessary. Mandatory inspections will occur at each payment request and upon project completion. The Borrower will authorize all payments by signing off on a Completion Certificate.
13. **Escrow Agreement:** The Borrower will be required to enter into an escrow agreement. All funds (CDA and Borrower) will be deposited with a title company. The title company will collect all lien waivers with payment requests.
14. **Payment Requests:** All payment requests will be made on an AIA form and approved by the Borrower and Rehabilitation Advisor. The request will be submitted to the title company. The title company will process the request and make the appropriate payments from the escrowed funds. Retainage in the

amount equal to 10% of the contract will be held until a Completion Certificate is signed.

15. **Project Completion:** A Completion Certificate must be signed by contractor and Borrower when the Rehabilitation is complete. Performed work and installed materials must be warranted by the contractor for a period of one year. The contractor shall furnish to the Borrower copies of any manufacturer-issued warranties on products installed.
16. **File Closeout:** The file will be reviewed for compliance by the Rehabilitation Advisor and given to the Program Administrator to be combined with the eligibility file.
17. **File Audit:** The CDA will designate a staff person to complete a review of the file within three months of project completion. Responsible parties are informed of corrections that need to be made. File will be stored at the CDA.

Compliance Monitoring: The Borrower will submit annual reports including an Occupancy Certification, detailing tenant income and rent information and other reports documenting compliance with the Rental Rehabilitation Loan Program requirements. The Program Administrator will review these reports for compliance with funding specific requirements. The Borrower will be responsible for acquiring and maintaining self certifications of income from the tenants. Non-compliance will be considered an event of default on the Loan and trigger repayment of the Loan.

EXHIBIT A RENT AND INCOME LIMITS

The current income and rent limits are established by the Department of Housing and Urban Development. These limits are updated annually.

<i>Income Limits By Household Size</i>								
	1	2	3	4	5	6	7	8
50%	27,500	31,400	35,350	39,250	42,400	45,550	48,650	51,800

Maximum Gross Rents By Bedroom Size							
	0	1	2	3	4	5	6
50%	687	736	884	1,021	1,139	1,256	1,374

EXHIBIT B

PROPERTY REHABILITATION STANDARDS

The following minimum housing standards are hereby accepted for implementation in the Rental Rehabilitation Loan Program throughout Dakota County.

1. **SITE.** The Property site shall be reasonably free from hazards to the health, safety and general welfare of the tenants. The site shall not be subject to serious adverse environmental conditions, natural or manmade, such as:
 - 1.1. Dangerous walks, steps, or instability; all steps and walks should be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken and missing materials, etc., and be provided with sufficient pitch to prevent water accumulation.
 - 1.2. Flooding, poor drainage, septic tank back-ups, sewer hazards, or mudslides; the property should have positive drainage away from the dwelling units to prevent standing water at the foundation.
 - 1.3. Excessive accumulations of trash; any materials which accumulate on the Property should be removed, or screened and arranged in a manner which does not detract from the general appearance of the neighborhood.
 - 1.4. Fire hazards; the site should be free from fire hazards, such as the storage of highly flammable materials, etc.
2. **ACCESS.** The Property shall have adequate access for the tenants.
 - 2.1. The building(s) and the Rental Dwelling Units shall be usable and capable of being maintained without the unauthorized use of other private properties. The Property should be adjacent to an access street or road.
 - 2.2. Alternative means of egress shall be provided in case of fire (e.g., fire stairs or egress through windows).
3. **STRUCTURE AND MATERIALS.** The building(s) and Rental Dwelling Units shall be structurally sound, free from threats to the health and safety of the occupants, and shall protect the occupants from the environment.
 - 3.1. Ceiling, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage. Where crawl spaces or basements exist, all first floor structural wood members, including floor joists, plates, piers and pilings should be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members should be repaired or replaced as required. The

exterior and interior walls should be weather tight in a manner that prevents, as much as possible, heat loss in the winter and cooling loss in the summer. This includes the repainting or installation of siding to protect the exterior surface from the elements. The interior walls should be repaired or replaced as required to facilitate this criterion.

- 3.2. The roof structure shall be firm and the roof shall be weather-tight. All roof framing members should be free from cracks and rot. The roof sheathing should be solid and free from sagging, buckling and heaving. If the roof appears to be well worn, it should be replaced. If possible, the roof should be stripped all the way down to the sheathing and replaced. If costs dictate, a second layer of roofing can be installed over the first layer. If there are already two or more layers of roofing materials, the roof should be stripped down to the sheathing and replaced.
- 3.3. The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding, or other serious damage. Concrete block or brick foundations, piers and pilings should be inspected for loose mortar joints. All empty or cracked mortar joints should be tuck-pointed in an acceptable manner to match, as closely as possible, the rest of the structure. The joints should be recessed.
- 3.4. The condition and equipment of interior and exterior stairways, halls, porches, walkways, etc. shall not present a danger of tripping or falling. All exterior steps, walkways, and porches should be free of tripping hazards. Crumbling, cracked, broken, missing or uneven conditions should be repaired or replaced as necessary. The condition of all interior stairways should not present a danger of tripping or falling. Handrails should be properly installed on all stairways.
- 3.5. All out-buildings such as garages and storage sheds should be repaired to a usable condition or removed from the Property.
- 3.6. The general appearance of the outside of the building and the Property, after Rehabilitation, should make a positive contribution to the general appearance of the neighborhood.

4. **WATER SUPPLY.** The water supply shall be free from contamination.

- 4.1. The building(s) shall be served by an approved public or private sanitary water supply. There shall be water heaters of sufficient capacity to serve present and anticipated future residents.
- 4.2. Hot and cold water shall be supplied to all kitchens, baths and laundry facilities in all Rental Dwelling Units and common areas.
- 4.3. All water lines should be protected from freezing.

5. **INTERIOR AIR QUALITY.** The building(s) should be free of pollutants in the air at levels which threaten the health of the occupants.
 - 5.1. The building(s) shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants. All gas or oil fired appliances should have proper venting to the outside of the building(s) for combustion gases.
 - 5.2. Air circulation shall be adequate throughout the building(s) and Rental Dwelling Units. All windows designed to open shall open easily, be provided with proper window hardware and with storm windows and screens properly installed and maintained. All windows with easy access from the outside shall have locks.
 - 5.3. Bathroom areas shall have at least one openable window or other adequate exhaust ventilation, vented to the outside. Kitchen areas should also have proper ventilation.
6. **ILLUMINATION AND ELECTRICITY.** Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the tenants. Sufficient electrical sources shall be provided to permit use of essential electrical appliances while assuring safety from fire.
 - 6.1. Living and sleeping rooms shall include at least one window; if the room is located in the basement, the window must meet egress requirements.
 - 6.2. A ceiling or wall-type light fixture shall be present and working in the bathroom and kitchen areas. A ceiling or wall light fixture, operated by a wall switch, should be present in the kitchen, bath, bedrooms, and hallways.
 - 6.3. At least two electric outlets shall be present and operable in the living area, kitchen, and each bedroom area. Outlets installed in a kitchen or bathroom in the general location of water shall be protected by ground fault interrupter. All outlets installed as a result of the Rehabilitation should be of the grounded type.
 - 6.4. Each Rental Dwelling Unit should be provided with at least 100-amp service and a sufficient number of circuits to service present/anticipated use of the unit.
 - 6.4.1. There should be separate circuits for any air conditioners (window included), electric dryers, electric stoves and other special appliances.
 - 6.4.2. There should be a separate minimum 20-amp circuit for the heavy workload area in the kitchen.
 - 6.4.3. With the exception of kitchens (see 6.4.2 above), all other rooms should be assessed relative to their use of electricity and additional outlets and switches installed based on usage and safety factors.

- 6.5. Connection at the main service to the Rental Dwelling Units should be in an acceptable manner.
 - 6.5.1. Placement of the connection should be out of reach of children.
 - 6.5.2. Proper anchoring should be used.
- 6.6. All exposed “knob and type” wiring should be removed and replaced in conduit to prevent splicing and/or unsafe usage.
- 6.7. All hazardous conditions such as broken switches and outlets, missing covers, bare wiring, and fixtures not properly installed or anchored, shall be repaired or replaced in an acceptable manner. It is recommended that all “pendant” type fixtures be replaced with an appropriate ceiling or wall fixture.
- 6.8. Even though a room may meet acceptability criteria 6.3 above, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords, or other unsafe practices, additional outlets shall be installed.
- 7. **THERMAL ENVIRONMENT.** The building(s) and each Rental Dwelling Unit shall have and be capable of maintaining a thermal environment healthy for the human body.
 - 7.1. The building(s) shall contain safe heating and cooling facilities which are in proper operating condition and provide adequate heat or cooling to each room in each Rental Dwelling Unit appropriate for the climate to insure a healthy living environment. All parts of the venting system for central heating and cooling units should be in proper working condition. For example:
 - 7.1.1. Vent pipes should be free of rust and be properly maintained.
 - 7.1.2. Where vent pipes are connected to a masonry chimney, that chimney should be properly maintained so that all mortar joints are tightly sealed.
 - 7.2. Unvented room heaters which burn gas, oil or kerosene are unacceptable.
 - 7.3. Attic space should be insulated to a rating of R-30 (or R value specified in local code) with acceptable insulating material. When adding insulation to the attic, it must be brought up to a rating of R-44 minimum if possible. Cellulose bags should be labeled with acceptable rating derived from flame-spread tests.
 - 7.4. Weather stripping should be applied as needed around all doors and windows.
 - 7.5. Storm windows and doors should be installed whenever possible.

- 7.6. Any inside walls that are on an exterior wall, if opened down to the studs during the course of the Rehabilitation, should be fully insulated with an acceptable insulating material.
- 7.7. All joints in the building envelope should be caulked and sealed. All brittle or loose caulking should be replaced.
- 7.8. Supply and return heating and air conditioning ducts should be insulated whenever they run through unheated spaces.
- 7.9. It is strongly recommended that whenever space heaters or floor furnaces are used, they be replaced with a properly installed, more efficient central heating and cooling system.
8. **SANITARY FACILITIES.** Each Rental Dwelling Unit shall include its own sanitary facilities which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.
 - 8.1. A flush toilet in a separate, private room, a fixed basin with hot and cold running water, and a bathtub or shower with hot and cold running water shall be present in each Rental Dwelling Unit and shall be fully operational. The toilet, basin, and tub or shower should all be located in the same room, if at all possible.
 - 8.2. These facilities shall utilize an approved public or private sewage disposal system. Where a public sewage system is not available, a visual inspection is required by the Rehabilitation Advisor for any raw sewer seeping to the surface on the exterior and for any evidence of interior backup.
9. **SPACE AND SECURITY.** Each Rental Dwelling Unit shall afford the residents adequate space and security.
 - 9.1. A living room, kitchen area, and bathroom shall all be present.
 - 9.2. The Rental Dwelling Unit shall contain at least one sleeping or living and sleeping room of appropriate size for each two persons.
 - 9.3. Exterior doors and windows accessible from outside the building shall be lockable.
 - 9.4. Each Rental Dwelling Unit must have smoke detectors in accordance with local codes. Smoke detectors should be installed on each floor and in each bedroom. It is recommended that all smoke detectors be U.L. approved and be hard wired. U.L. approved battery type or a combination electric/battery type may also be used.
10. **FOOD PREPARATION AND REFUSE DISPOSAL.** Each Rental Dwelling Unit shall contain suitable space and equipment to store, prepare, and serve food in a sanitary manner. There shall be adequate facilities and services for the

sanitary disposal of food wasters and refuse, including facilities for temporary storage, where necessary.

10.1. Each Rental Dwelling Unit shall contain the following equipment in operating condition:

10.1.1. Cooking equipment appropriate for the type and size of Rental Dwelling Unit;

10.1.2. Refrigerator of appropriate size for the Rental Dwelling Unit; and

10.1.3. Kitchen sink with hot and cold running water.

10.2. The sink shall drain into an approved public or private sewer system.

10.3. Adequate space for the storage, preparation and serving of food shall be provided. Food storage space should be cabinets or pantry type storage. Food preparation space should be counters or other horizontal workspace.

10.4. There shall be adequate facilities and services for the sanitary disposal of food wastes and refuse, including facilities for temporary storage where necessary.

11. **SANITARY CONDITION.** The building(s) and its equipment shall be in sanitary condition.

11.1. The building, its equipment, and each Rental Dwelling Unit shall be free of vermin and rodent infestation.

12. **COMPLIANCE WITH OTHER CODES.** The completed Rehabilitation must meet current applicable building codes.

12.1. The completed Rehabilitation must meet the current Minnesota State Building Code.

12.2. The Contractor will be responsible for applying for and fulfilling any and all applicable building permits and meeting the local building codes.

EXHIBIT C

SCORING CRITERIA

1. Rehabilitation which preserves affordable rental housing where rents of non-Assisted Rental Dwelling Units are below the county-wide average rents according to the CDA's annual rental market survey. (10 points possible)
2. Rehabilitation which increases the supply of affordable rental housing. (5 points possible)
3. Rehabilitation that makes use of all available funding (for development receiving local, state, federal, private, or owner investment in excess of 60% of total rehabilitation costs, 15 points, 50-59% of total rehabilitation costs 10 points, 40-49% of total rehabilitation costs 5 points)
4. Rehabilitation that will impact neighborhood character based on ratio of total rehabilitation costs to County's assessed market value. (20 points possible)