

FIX IT UP – A Transformation Loan Program

Purpose of the program is to rehabilitate multi-unit buildings into fewer units with the encouragement of owner-occupancy in higher rental density neighborhoods. For example:



- * *Turning a duplex into a single family home.*
- * *Reducing a tri-plex/four-plex into a duplex/single-family home.*
- * *A single family home needing major renovations.*
- * *Higher rental density areas.*

Program Guidelines:

1. Owner must occupy the property, or one of the units, during the loan repayment period. If this is used as a “flipped” property the owner must pay back the loan when he/she sells. The new owner would agree to a 5 year restrictive covenant that it cannot be a rental property, it must be owner occupied. This does not need to be a new purchase.
2. 1% interest loan up to \$75,000 (based on equity & need) for repairs/modifications. For acquisition, a pre-approval from the first lender would be needed. The overall loan amount is based on the bids received from contractors (need two bids per item).
3. The Community Development Department would perform a Housing Quality Inspection prior to the construction and loan approval, but a standard home inspection after the work is completed will not be required. All applicable building inspections must be met during the construction process. A completion appraisal is not required; however if the first lender requires it we would request a copy for our files.
4. Due to contractors scheduling, an as-is value plus necessary construction costs are used to determine loan amounts from each entity.
5. Owner to choose contractor (as long as they meet qualifications necessary to pull permits). Plans and timeline to be submitted before loan approval is given.
6. Mortgage will be filed at Register of Deeds office – typically in second position after first mortgage holder.
7. Required 10% reserves on City funds will be held for final inspection. Depending on the first lender’s requirements, the City can match dollar to dollar for disbursements. Funds can be held at City Hall, escrow agent or the first lender. Contractor gets paid directly as work is completed, passes inspection and owner signs off. Pre-pay invoices are not an allowable expense. Owner may be reimbursed for eligible expenses.
8. There are NO income guidelines and the repayment terms are based on affordability along with first mortgage monthly payment with a minimum payment of \$100/month.
9. Community Development Department has budgeted \$500,000 towards this program. Assistance will be on a first-come, first-serve basis while funds are available. The loan repayments can be recycled into the continuation of the program.

