



Growing Affordable Inclusive Neighborhoods (GAIN)

Program Guide

November 22, 2023

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Program purpose

The Growing Affordable Inclusive Neighborhood (GAIN) program was created in November 2021 to help facilitate the creation of affordable homeownership options. The original design of the program was to provide \$10,000 of down payment assistance for a home valued under \$300,000. While market conditions did not allow the original design of the program to be effective, the need to create affordable homeownership options is still necessary in Olmsted County.

In July 2023, the Olmsted County Board of Commissioners reallocated \$5 million to the Olmsted County Housing Department to revise the GAIN program, with the underlying objective to create affordable homeownership options in Olmsted County.

The GAIN program is intended to enhance the supply of affordable housing options in Olmsted County. Other programs, such as down payment assistance and the community land trust can and should be matched with GAIN to allow affordable homes to reach potential home buyers with more modest levels of income.

The sections below outline the components of the revised GAIN program.

Revolving loans vs. grants

During our due diligence process, staff found one of the most significant barriers to creating affordable housing options was access to low interest capital. Thus, one of the primary objectives of the revised GAIN program will be to use the funds as low-interest capital for the purchase of land and construction of homes.

Program objectives

The GAIN program intends to create incentives to develop smaller lower priced owner occupied homes. For the purposes of this program, a home could include single-family homes, townhomes and condos that are owner occupied. Conceptually, these could be starter homes for first time homebuyers or homes for seniors to downsize into. All GAIN home/lot package must sell for less than \$350,000.

The Olmsted County Housing and Redevelopment Authority (HRA) will consider providing development incentives to public, private, and nonprofit projects to achieve one or more of the following objectives.

1. Encourage development or redevelopment consistent with the goals and objectives of the Olmsted County Housing Department's Mission 'To provide Olmsted County residents with opportunities to obtain quality affordable housing'.
2. To increase the supply of affordable single family housing options.
3. To encourage the redevelopment of blighted or blighting areas.
4. To provide a balanced and sustainable housing stock.
5. To increase the Olmsted County tax base.

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6. To encourage additional unsubsidized development.
 7. To meet other public objectives as determined by the Olmsted County Housing and Redevelopment Authority Board.
 8. To develop housing at a reduced cost.

Funding priorities

1. The creation of Housing that provides affordable single-family homes for groups such as:
 - a. Black, Indigenous and people of color (BIPOC)
 - b. First-time home buyers
 - c. Low-income housing
 - d. Individuals 55+ 'Senior Housing'
 - e. Immigrant housing
2. Homes should be owner occupied for a minimum of five years.
3. Project will be prioritized for families at or below 80% Area Median Income (AMI)
4. Provide for the preservation of existing Naturally Occurring Affordable Housing (NOAH) stock.
5. Project takes advantage of infill sites.

Program components

The revised GAIN program proposes to create affordable housing by using funding in the following ways:

- Area 1: Buy and sell property (revolving loans)
- Area 2: Predevelopment activities (grant)
- Area 3: Affordable housing construction (revolving loans)
- Area 4: Development Agreements (loans and grants)
- Area 5: GAIN Program Staff

Each of these categories is described in additional detail below.

Area 1: Buy and sell property

The work within this program segment intends to be a revolving fund of money that can support the development of properties today and into the future.

Buy property

Land is a needed component to developing affordable housing stock in our community. The GAIN program proposes to acquire property that supports the development of affordable housing. The property may be in the form of existing developed lots, newly platted lots, and undeveloped properties. GAIN staff will evaluate the opportunities

presented by the property to meet the objectives and priorities identified by the GAIN program.

The Olmsted County HRA may choose to acquire property for housing development, or the County provide loans to development partners to acquire lots for future housing development.

Selection Considerations

Property to be considered for inclusion will need to show that they can support the objectives and priorities of the GAIN program and satisfy the selection considerations below:

- Any environmental concerns identified on the property must not preclude or impact the proposed intent of the development.
- Utilities are available or will be available in a timely fashion concurrent with the proposed development.
- Zoning is established or is likely to be established that supports the proposed use on the site.
- Development of housing that fits the character of the neighborhood and does not disproportionately concentrate housing types, income levels, or other amenities in any one area of Olmsted County.

Sell property

The Olmsted County HRA or our partners may choose to sell all or portions of acquired parcels. All property sales will conform to the procurement policy for Olmsted County HRA. The sale of property purchased under the GAIN program will be accompanied with a development agreement between OCHRA and the purchaser which identifies and documents how the property will be developed to support the objectives and policies of the GAIN program. The property sale may also include deed restrictions and other measures as determined to guide the development to support the GAIN program. If the land is sold by a partner agency, any outstanding loan must be repaid when the property is transferred.

Area 2: Predevelopment activities

The OCHRA will seek out opportunities that support the creation of affordable homeownership and/or mixed housing developments that align with the objectives and priorities of the GAIN program. The intent of this activity is to support the HRA and non-profit /501C3 organizations that have undeveloped or underdeveloped properties to undertake predevelopment activities to analyze, evaluate and conceptualize the development potential of the properties.

Eligible expenses

Below is a listing of eligible expenses which include but are not limited to:

- Preplanning services
- Surveying – topographic and boundary
- Environmental due diligence
- Site investigation
- Site analysis
- Preliminary concepts
- Preliminary budgeting
- Title review work

Eligible project

All projects will need to provide the following information to the GAIN project manager to determine initial eligibility.

- Project Application (Attachment 'X')

The GAIN project manager will determine initial eligibility on a requested project and finalize materials for consideration. The application and supporting materials will be used to evaluate how a proposed project aligns with the objectives and priorities identified in the GAIN program. Eligibility will be based on the following:

- Potential to move the GAIN program forward.
- Alignment with the goal to develop an affordable home.
- Complexity of the site.
- Environmental conditions.
- Engagement of owner/developer.
- Other contributions and support.

Area 3: Affordable home construction

The GAIN program will use lots owned by the Olmsted County HRA to build affordable homes that facilitate the development of modest homeownership opportunities across Olmsted County. The work within this program segment intends to be a revolving fund of money that can support the development of properties today and into the future.

The GAIN program will use a request for proposal (RFP) process to solicit builders to competitively bid for the opportunity to construct a home on an Olmsted County HRA owned parcel of land with a specific set of requirements or specifications.

Quality standards

Olmsted County HRA's objective is to reduce cost without sacrificing quality. The RFP for home construction will outline standards that the GAIN home will need to achieve for a detached single-family home, attached single family home, and twin /duplex style home participating in the GAIN program. Below are examples of elements that may be outlined in an RFP and documented in the construction agreement between the Olmsted County HRA and the builder. Each RFP may be different depending on location, need and site context:

1. Maximum home construction cost.
2. Minimum 1 finished bedroom and 1 finished full bathroom. Building plans should indicate if future phases of development would accommodate additional bedrooms and or bathrooms.
3. Contractor will provide at least a 1-year home warranty on all work.
4. Proper connection for all appliances.
5. 30-year or equivalent architectural asphalt shingle roof.
6. Soffits, Fascia, Gutters & Downspouts provided.
7. Quality and functional building exterior finishes.
8. Quality and functional interior finishes.
9. Windows to have minimum Energy Star performance values for either vinyl or fiberglass high efficiency windows.
10. Adequate insulation in ceilings and attic.
11. Electrical panel with 200-amp capacity.
12. Ducted, gas, forced air central or electric heating system with an energy efficiency rating of 92% or higher for heating.
13. Energy Star Certificate.

Included in build package.

An RFP may outline what is to be included in the building package, below is a listing of items that may be part of a building package and documented in the construction agreement between the Olmsted County HRA and the builder. Each RFP may be different depending on location, need and site context:

1. Builder/developer profit.
2. Permit and inspection fees.
3. Impact fees and parkland dedication fees.
4. Utility connection fees.
5. Survey.
6. Seller closing cost.
7. Owner's title insurance policy.
8. Refrigerator.
9. Stove / oven.
10. Microwave.

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11. Washing machine.
 12. Dryer.
 13. Heating and cooling system.
 14. Driveway.
 15. Walkways and sidewalks

Building process outline

Below is an outline of the process involved in the creation of homes for the GAIN program.

1. Request for proposal process (RFP): Olmsted County HRA will make the lot available via competitive RFP process to all Qualified Builders for GAIN.
2. Qualified builder – Must meet the following:
 - a. Builder must possess a General Contractor’s License issued by the State of Minnesota
 - b. Demonstrate ability - The builder will provide documentation of previous work completed. This should include previous experience in residential construction, general contracting, and any other applicable experience.
 - c. Credit worthiness - The builder must demonstrate the financial ability to complete the project. This should include a documentation of available credit from a financial institution.
 - d. House plan - The builder shall submit a building plan for the site.
 - e. Sources and uses of funds—The builder shall submit an accurate budget for the project, including the sources and uses of funds. The sale price and profit should be projected on the sources and uses of funds.
3. Builder fee - The builder for a GAIN home may include a builder fee of up to 10%. This is intended to be the profit for the builder.
4. GAIN program construction agreement - Once the building plans are finalized for a project, the builder and the HRA will enter into a construction agreement for the property. The agreement will outline the construction process and the responsibilities of both the builder and the HRA.
5. Construction process—Once a qualified builder enters into a construction agreement, the construction process will commence. The builder will be responsible for carrying costs associated with paying the subcontractors and other entities aiding on the project between draw requests.
6. Draw Requests – The builder may request a payment one time per month. For payments to be completed, the builder must present lien waivers for the work completed. In addition to the lien waivers, HRA staff will do a physical inspection of the site to ensure the work has been completed and that any applicable permits are closed. The builder will need to have documentation of all completed inspections by the appropriate building authority to support the draw request.
7. Construction completion

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- a. Upon completion of the project, the builder may request a final payment. Completion of a project is determined when a home can obtain a Certificate of Occupancy.
 - b. Retainage – Olmsted County HRA may require a retainage of fees to ensure that all punch list items are completed to the satisfaction of the HRA or owner.
8. Home Sale HRA owned lot - The HRA will hire a realtor to market the property. The sale price of the property shall be the total cost of construction, including all fees and commissions. The builder shall provide the Olmsted County HRA documentation confirming the final sale price for the home after closing.
 9. Builder fee payment - When the home sells and closes, the builder will be paid their builder's fee. The builder's fee is a budgeted items that is agreed to in the construction agreement (and shall not exceed 10% of the home construction cost). This will ensure that all program criteria are met, and the property sale price does not exceed the agreed upon amount in the construction agreement.
 10. Price adjustments - If a property fails to sell within 30, 60, and 90 days after being placed on the market, HRA staff may make price adjustments as necessary to sell the property. The price adjustments will come from the GAIN Program overall funds. This will not impact the builder fee.

Area 4: Development agreements

There are numerous alternatives and opportunities for development of GAIN program home ownership opportunities. This section allows a private development group to develop and submit proposals for consideration under the GAIN program that can support the priorities and objectives of the GAIN program. The Olmsted County HRA is open to unique development proposals to support the development of affordable housing. Development opportunities and options will be considered and evaluated. The work within this program segment intends to be a revolving fund of money that can support the development of properties today and into the future. A proposal should:

1. Complete a Project application (**Attachment 'X'**)
2. Identify how the project meets the priorities and objectives of the GAIN program.
3. Provide an overview of unique opportunity provided by the proposal.
4. Provide specific investment requirements or needs from the GAIN program and the outcomes or results anticipated.
5. Provide specifics on how the requested investment by the Olmsted County HRA will result in the investment being returned to the revolving funds of the GAIN program; an example may be:
 - a. Zero interest construction loan
 - b. Low interest construction loan
6. Development agreement - Once selected the owner/developer/builder and the HRA will enter into a development agreement. The agreement will outline the

development / construction process and the responsibilities of both the builder and the HRA.

All development agreement proposals will require the approval of the Olmsted County Housing and Redevelopment Authority Board.

Area 5: GAIN program staff

To accomplish the objectives and priorities of the GAIN program the Olmsted County Housing and Redevelopment Authority proposes to provide appropriate staffing efforts to accomplish those tasks associated with the program outlined in this document. As the program develops, either a funding source will need to be identified for the position (such as developer fees) or the position will need to be folded back into the existing organizational structure.

Use of funds overview

The revised GAIN program proposes to create affordable housing by using funding in the following ways:

Approval authority

Due to the nature and number of transactions, the GAIN program seeks to have a variable approval process that allows some flexibility for the Housing Director to progress forward with projects in a timely manner.

When the Olmsted County Finance controller or their designee affirms there are program funds available, funding requests under \$25,000 will be approved by the Program Manager for the GAIN program. Funding request from \$25,000 - \$350,000 will be approved by the Olmsted County Housing Director or their designee. All funding requests over \$350,000 will be approved by the Olmsted County Housing and Redevelopment Authority Board. This includes the buying and selling of property.

Approval Chart

Approver	Under \$25,000	\$25,000 - \$350,000	Over \$350,000
Program Manager	X		
OC HRA Director		X	
OC HRA Board			X

GAIN program restrictions with other development resources

There are no restrictions on GAIN Funds being utilized in addition to other assistance resources. Applicants will need to determine which assistance resources best meet their needs. Applicants are encouraged to work with other development assistance resources providers to understand their program requirements.

Fair housing

All applicants of the GAIN program shall have equal housing opportunity regardless of their race, color, creed, religion, national origin, sex, marital status, status regarding public assistance, disability, familial status, or sexual orientation.

Records retention

The GAIN program application, eligibility information, program documents and legal documents will be stored for seven (7) years. Program applications and eligibility information for denied or approved applicants who did not enroll will be stored for seven (7) years. Files will be destroyed per Olmsted County policy after the retention period.

Measures of success

The following have been defined as the measure of success that will be tracked and documented and provided to the Olmsted County Housing and Redevelopment Authority:

- Total number and total value of GAIN housing owner-occupied homes constructed and sold under \$350,000.
- Number and value of GAIN funding requests to support predevelopment activities.
- Number of acres of land acquired by the GAIN program.
- Number of lots created under the GAIN program.

Attachments

Attachment 'X' Application