Richfield Economic Development Authority Agenda
July 20, 2026 -- 7:15 PM

Note: Meeting begins immediately following HRA Meeting

Richfield Municipal Center
Council Chambers
6700 Portland Avenue South

1. **Call to Order**
2. **Roll Call**
3. **Open Forum**
   a. Participants can share their comments in person, by voicemail, or email, and may also request to participate virtually. For more information on submitting comments, refer to the Economic Development Authority Agenda and Minutes page on the City's Website.
4. **Approval of the Agenda**
5. **Approval of Minutes**
   a. **Approval of the Minutes of the Regular Economic Development Authority Meeting of May 18, 2026.**
6. **Presentations**
7. **Consent Calendar**

   Consent Calendar contains several separate items, which are acted upon by the Economic Development Authority in one motion. Once the Consent Calendar has been approved, the individual items and recommended actions have also been approved. No further EDA action on these items is necessary. However, any EDA Commissioner may request that an item be removed from the Consent Calendar and placed on the regular agenda for discussion and action. All items listed on the Consent Calendar are recommended for approval.

   a. **Consideration of a policy for use of the 4d (1) tax classification as a tool to create and preserve affordable housing.**
8. **Consideration of Items, if Any Removed From Consent Calendar**
9. **Public Hearings**
10. **Resolutions**
11. **Other Business**
12. **Executive Director's Report**
13. **EDA Discussion Items**
    a. **Continuation of Consideration of Transformation Home Loan Guideline Revisions.**
14. **Approval of Claims**
15. **Adjournment**

Auxiliary aids for individuals with accessibility needs are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.

Includes Materials - Materials relating to these agenda items can be found in the EDA agenda packet located by the entrance. The complete EDA agenda packet is available electronically on the City of Richfield's website.

Richfield Economic Development Authority Minutes
May 18, 2026
Note: Meeting begins immediately following HRA Meeting

Richfield Municipal Center
Council Chambers
6700 Portland Avenue South

1. **Call to Order**

The meeting was called to order by President Hanson at 7:14 p.m. in the Council Chambers.

Members Present:	Gordon Hanson, President; Sean Hayford Oleary; Mary Supple; John Young; Brett Stursa.
Members Absent:	
Staff Present:	Melissa Poehlman, Executive Director; Julie Urban, Assistant Community Development Director; Mark McKinley, Administrative Assistant.
Guest Presenters:	

2. **Roll Call**

3. **Open Forum**

a. **Participants can share their comments in person, by voicemail, or email, and may also request to participate virtually. For more information on submitting comments, refer to the Economic Development Authority Agenda and Minutes page on the City's Website.**

No open forum participants.

4. **Approval of the Agenda**

MOTION: made by Commissioner Stursa, seconded by Commissioner Hayford Oleary to approve the agenda.
Voting Aye: Hayford Oleary, Supple, Hanson, Young, Stursa
Motion carried: 5-0

5. **Approval of Minutes**

a. **Approval of the Minutes of the Regular Economic Development Authority meeting of April 20, 2026.**

MOTION: made by Commissioner Young, seconded by Commissioner Hayford Oleary to approve the meeting minutes from April 20, 2026.
Voting Aye: Hayford Oleary, Supple, Hanson, Young, Stursa
Motion carried: 5-0

6. **Presentations**

None.

7. **Consent Calendar**

None.

8. **Consideration of Items, if Any, Removed From Consent Calendar**

9. **Public Hearings**

None.

10. **Resolutions**

a. **Consideration of revisions to the Transformation Loan Program Guidelines and consideration of a resolution authorizing additional funds for the 2026 Transformation Loan Program.**

Assistant Community Development Director Urban presented the staff report and reviewed the proposed Transformation Loan Program Guidelines, including the methodology staff used to develop the recommendations based on application data from the past three years.

Commissioners discussed the proposed income limits, project size restrictions, and minimum and maximum project value requirements. Several commissioners requested additional information regarding the rationale for the proposed eligibility criteria and their potential impact on applicants.

Staff indicated there would be no negative impacts from delaying action on the guidelines and noted that approval of the resolution authorizing additional funding for the 2026 Transformation Loan Program would assist staff in program administration. Commissioners expressed support for approving the additional funding while continuing discussion on the guidelines at a future meeting.

Commissioners requested that staff provide additional information at the next meeting, including income level comparisons, the number of past applicants who would qualify under the proposed guidelines, identified program needs based on prior applications, and potential alternative eligibility options. Commissioners also discussed the possibility of implementing a scoring system to prioritize applications and reviewed how a future application window process could assist in evaluating and prioritizing applicants.

The Commission discussed procedures for separating action on the funding resolution from consideration of the program guidelines and agreed to continue the discussion on the Transformation Loan Program guidelines at the next EDA meeting.

EDA RESOLUTION NO. 68
RESOLUTION AUTHORIZING INCREASE IN 2026 BUDGET FOR TRANSFORMATION LOAN PROGRAM FROM $140,000 TO $157,500

MOTION TO CONTINUE: made by Commissioner Supple to postpone Transformation Loan Program Guidelines until next EDA meeting, Commissioner Young seconded.
Voting Aye: Hayford Oleary; Supple; Hanson; Young; Stursa
Motion carried: 5-0

No further discussion on this topic was had.

MOTION: Made by Commissioner Young to approve resolution authorizing additional funds for the 2026 Transformation Loan Program, Commissioner Hayford Oleary seconded.
Voting Aye: Hayford Oleary; Supple; Hanson; Young; Stursa
Motion carried: 5-0

11. **Other Business**

None.

12. **Executive Director's Report**

Executive Director Poehlman provided an update on the business resiliency funding review process.

Commissioner Supple inquired about documentation requirements for business owners.

Executive Director Poehlman explained how the review agency is working with applicants to navigate these documentation requirements and the requirements for receiving funding.

13. **EDA Discussion Items**

None.

14. **Approval of Claims**

U.S. BANK	**May 18, 2026**
EDA Check (Check #'s 23907-23921)	$10,550.00
TOTAL	**$10,550.00**

MOTION: made by Commissioner Young, seconded by Commissioner Supple to approve EDA claims.
Voting Aye: Hayford Oleary; Supple; Hanson; Young; Stursa
Motion carried: 5-0

15. **Adjournment**
EDA meeting adjourned with unanimous consent at 7:41 p.m.

Date Approved: July 20, 2026

Gordon Hanson
EDA President

Mark McKinley
Administrative Assistant

Melissa Poehlman
Executive Director

Report Prepared By:
Julie Urban, Assistant Community Development Director

Department Director:
Melissa Poehlman, Community Development Director

Item for Consideration:
Consideration of a policy for use of the 4d (1) tax classification as a tool to create and preserve affordable housing.

EXECUTIVE SUMMARY

The City of Richfield is committed to maintaining Richfield as an affordable place to live and supporting the creation and preservation of housing affordable to a range of income levels. One of the tools the City can use to create and preserve affordable housing for those with lower incomes is the 4d (1) tax classification (4d (1)). When the City or its Housing and Redevelopment Authority (HRA) or Economic Development Authority (EDA) provides financial assistance to an affordable multi-family property (Property) and places rent and income restrictions on the Property as a condition of the assistance, the Property may qualify for 4d (1). The 4d (1) classification provides a reduction in the tax classification for the Property from 1.25% to 0.25% resulting in substantial cost savings to the Property, which can help facilitate new construction as well as encourage the preservation and rehabilitation of existing affordable rental housing. The cost savings, however, reduces the City's tax capacity and shifts the costs to other City taxpayers, so both costs and benefits must be considered.

Two work sessions were held with the City Council and the HRA/EDA to discuss the use of 4d (1) and its impacts and provide guidance on a policy the City can use when it has the discretion to approve financing which would qualify a Property for 4d (1). The consensus was that 4d (1) should be a tool of last resort and used only in instances when other funding has been maximized and when the City's highest housing priorities will be met.

Policymakers placed the highest priority on maintaining Richfield as an affordable place to live, preserving and rehabilitating existing affordable rental housing, and diversifying the tax base. Based on these priorities, the policy establishes that the use of 4d (1) will be considered to preserve Naturally Occurring Affordable Housing (NOAH) that meets a variety of additional housing priorities (e.g., units that are physically accessible, units with two or more bedrooms). In the case of new construction, 4d (1) will only be considered when other financing tools have been exhausted, housing priorities are being met, and it makes financial sense for the City.

The City Council approved the policy on June 9. The EDA is being asked to ratify the policy and apply it when making financial decisions that create the conditions under which a property may qualify for the 4d (1) tax classification. Because 4d(1) has tax implications that affect the City as a whole, any financial decisions made by the EDA that enable 4d (1) will also be brought before the City Council for consideration. The proposed policy will guide these deliberations.

RECOMMENDED ACTION

By Motion: Adopt a resolution ratifying a policy governing the use of the 4d (1) tax classification to help create and preserve affordable housing.

HISTORICAL CONTEXT

- The 4d (1) tax classification provides a reduced tax classification rate for affordable housing properties. A specific financial request from Hempel Companies in January 2025 led the Council to request further study on the impacts of 4d (1) and to bring the topic to policymakers in a work session. Work sessions were held with the City Council and the HRA/EDA on February 17 and April 20.
- The City Council approved the 4d (1) policy on June 9, 2026.

EQUITABLE OR STRATEGIC CONSIDERATIONS OR IMPACTS

- There are two desired outcomes in the Strategic Plan that are impacted by the use of 4d (1) including maintaining Richfield as an affordable place to live and creating a diversified tax base.
- Creating and preserving affordable housing can also support the desired outcome of reducing racial inequities and barriers for traditionally excluded groups.

POLICIES (RESOLUTIONS, ORDINANCES, REGULATIONS, STATUTES, ETC.)

- Minnesota Statutes, section 273.128 establishes the 4d (1) tax classification, which provides a reduced property tax class rate of 0.25% for rental housing that provides housing affordable to households earning up to 60% of the area median income (AMI). The 4d (1) classification is automatically granted for properties receiving federal or state financial assistance that requires income and rent limits at 60% AMI for at least 20% of the units. Properties receiving local-level financial assistance may also qualify for 4d (1) if rent and income restrictions are required. Recipients of the tax classification are required to use the reduction for property improvements, rent stabilization, or increases to the property's reserve account.

CRITICAL TIMING ISSUES

- Staff have received several inquiries about 4d (1) in the past several months. Having an approved policy will enable staff to better respond to these requests.

FINANCIAL IMPACT

The 4d (1) tax classification provides an 80% reduction in taxes to qualified properties, which consequently reduces the City's tax capacity. The City has to increase its rate in order to make up for the reduced capacity, which shifts the tax burden to other taxpayers. The current properties with 4d (1) reduce the City's tax capacity by $445,456 (Payable 2026). The existing and potential financial impacts of 4d (1) were described in more detail in the two Council work sessions.

LEGAL CONSIDERATIONS

- The 4d (1) tax classification is automatic for properties that receive State and/or Federal funding that requires affordability. Cities where the percentage of the city's net tax capacity subject to 4d(1) exceeds two percent of the total net tax capacity are required to receive written approval from a city council; however, Richfield does not meet that threshold (0.46% of Richfield's tax capacity qualifies for 4d (1)).
- Owners may also qualify for 4d (1) if a city provides financial assistance in exchange for a commitment to affordability (at least 20% of units at 60% AMI). In cases where a property owner requests financial assistance from the City and/or the HRA/EDA, policymakers have the discretion to deny the funding and/or decide not to tie financial assistance to a commitment of affordability.
- The policy was reviewed by the City Attorney and the HRA/EDA Attorney.

ALTERNATIVE RECOMMENDATION(S)

- Recommend changes to the policy and ask the City Council to consider a revised policy.

ATTACHMENTS

1. 072026 Resolution 4d Tax Class Policy
2. 4d Policy 6.9.26

RESOLUTION NO.

RESOLUTION APPROVING THE ADOPTION OF A
4d (1) TAX CLASSIFICATION POLICY

WHEREAS, Minnesota Statutes, section 273.128, establishes the 4d (1) tax classification ("4d (1)"), which provides a reduced property tax class rate of 0.25% for multi-family rental housing that provides housing affordable to households earning up to 60% of the Area Median Income; and

WHEREAS, affordable multi-family rental properties ("Properties") that receive financial assistance from the federal government, the state of Minnesota, or a local unit of government may qualify for 4d (1) if the housing units are subject to rent and income restrictions under the terms of the financial assistance provided; and

WHEREAS, 4d (1) offers a financial benefit to Properties, making it a tool the Richfield Economic Development Authority ("EDA"), as a local unit of government, can use to encourage the preservation, rehabilitation and construction of affordable housing by providing financial assistance that requires income and rent restrictions; and

WHEREAS, 4d (1) can provide a benefit to the City by helping to advance several housing goals and priorities, it also comes at a cost to the City's tax capacity and can shift taxes onto other taxpayers; and

WHEREAS, in order to balance the costs and the benefits and ensure that the tool is used only in instances where the City's highest housing priorities are being met, the City has developed a policy to govern its use in cases where it is within its discretion; and

WHEREAS, the policy prioritizes preservation of Naturally Occurring Affordable Housing ("NOAH") that meets multiple City housing priorities and only considers 4d (1) for new construction when other financial resources are maximized and it makes financial sense for the EDA and the City; and

NOW, THEREFORE, BE IT RESOLVED

1. The 4d (1) Tax Classification Policy is hereby approved and adopted.

2. EDA staff is authorized to carry out the policy effective immediately.

Adopted by the Richfield Economic Development Authority this 20th day of July, 2026.

____
Gordon Hanson, President

ATTEST:

____
Melissa Poehlman, Executive Director

City of Richfield
Richfield Housing and Redevelopment Authority
Richfield Economic Development Authority
4d (1) Tax Classification Policy

The City of Richfield, Richfield Housing and Redevelopment Authority, and Richfield Economic Development Authority ("the City") are committed to maintaining Richfield as an affordable place to live and supporting the creation and preservation of housing affordable to a range of income levels. One of the tools the community can use to create and preserve affordable housing for those with lower incomes is the tax classification available under Minnesota Statutes, section 273.13, subd. 25 4d (1).

The 4d (1) tax classification provides a reduced property tax class rate for qualifying rental housing that meets income and affordability criteria as established in Minnesota Statutes, section 273.128. Because the property tax benefit realized by qualified properties comes at a cost to the City's tax capacity and that cost may be shifted to other taxpayers, when there is discretion available, City participation in establishing the statutory criteria for 4d (1) will be considered as a last resort financing tool in instances where other private, City, County, and State resources have been exhausted, and it furthers the City's highest housing priorities.

The percentage of Richfield's net tax capacity subject to 4d (1) does not currently exceed two percent of the City's total net tax capacity and, therefore, property owners seeking 4d (1) classification are not required to obtain written approval from the Richfield city council before making applications to the Minnesota Housing Finance Agency. Accordingly, the City's "approval" of 4d (1) will take the form of participation or cooperation in creating the statutory conditions for qualification of a project rather than the direct written approval required in cities exceeding the two percent net tax capacity threshold.

1. Naturally Occurring Affordable Rental Housing (NOAH)

The 4d (1) tax classification may be considered to preserve and improve NOAH housing under the following conditions:

A. The property contains at least 40 units;
B. The property is at risk of significantly increased rents and displacement of low-income households;
C. Significant rehabilitation is being undertaken (i.e., a minimum of $20,000/unit);
D. At least two of these high priority housing needs are/will be provided:
   - units with accessibility improvements;
   - units with two or more bedrooms; or
   - housing for residents receiving Section 8, Bring It Home, or Kids@Home rental assistance; and
E. At least two of these "next" priority housing needs are/will be provided:
   - rents affordable to households earning no more than 50% of the Area Median Income ("AMI");
   - housing for families with children in a Richfield school;
   - improved energy-efficiency *(must provide an independent energy audit and a plan for improved energy-efficiency based on items identified in the audit); or*

- housing with supportive services

Proposals that meet all three of the highest priorities but just one of the "next" priorities may also be considered.

2. New Construction of Affordable Housing

4d (1) will generally not be considered for new housing development unless it makes financial sense for the City and under the following conditions:

A. The project is 80 units or fewer, and fewer than 50 units is preferred;

B. The use of the land for housing is consistent with the Comprehensive Plan and meets Zoning Ordinance requirements;

C. The project complies with the City's Inclusionary Housing Policy ("IHP") and provides:

- more Accessible units than those required by the IHP;
- units with three and four bedrooms; and
- subsidized units affordable at 30% of the AMI or less;

D. Other City financing is not being used (e.g., tax increment financing, tax abatement, Affordable Housing Trust Fund), except that a land write-down for City-owned property may be considered along with 4d (1) if the proposed project is the highest and best use for the site, and the land write-down is necessary to secure additional financing;

E. The project has maximized funding from other public funding sources (e.g., Metropolitan Council, Hennepin County, Minnesota Housing); and

F. The site is challenging (e.g., small, difficult access), and the proposed project is the highest and best use for the site.

<u>Additional Conditions and Requirements</u>

1. All projects that receive the 4d (1) tax classification must meet the following requirements:
   - Agree to provide 90 days' advanced notice of any sale or transfer of the property;
   - Agree to not discriminate against households utilizing Housing Choice Vouchers (Section 8) or other forms of rental assistance;
   - In cases of NOAH rehabilitation, submit a rehabilitation plan and provide an annual reporting of the progress on the plan; and
   - Agree to a minimum assessed market value (i.e., cannot contest the apartment's assessed market value below the agreed upon minimum value);
2. All projects will be evaluated for the need for financial assistance, the impact to City and other levies, and the resulting shift in tax burden to other taxpayers;

3. The Council reserves the right to limit the number of units within a project that are qualified for the 4d (1) tax classification; and
4. The length of time approved for the 4d (1) classification will be based on a variety of factors including demonstrated need, total value of the reduced tax rate, cost per unit, the overall impact on the City's tax capacity, and the number and priority of housing needs met by the rate reduction.

City participation in any plan or program which enables an applicant to qualify for 4d (1) tax classification is discretionary. This policy expresses the priorities and purposes of the City's efforts to encourage the construction and maintenance of affordable housing. Like any policy, it cannot anticipate all circumstances or unique situations and is thus subject to adjustment and modification. The City Council or Board of Commissioners of the Housing and Redevelopment Authority or Economic Development Authority may vary the application of this policy as circumstances warrant with the adoption of findings of the reasons for doing so. The City Council must provide final approval of all 4d (1) applications and any exceptions to this policy.

Adopted as revised:

This __ day of ___________, 2026, by the Richfield City Council.

______________________	______________________
Mayor	City Manager

This ___ day of _________, 2026, by the Richfield Housing and Redevelopment Authority.

______________________	______________________
Chair	Secretary

This ___ day of _____________, 2026, by the Richfield Economic Development Authority.

______________________	______________________
President	Secretary

RC125-1-1098703.v2

Economic Development Authority Meeting 7/20/2026
Agenda Section: EDA Discussion Items
Agenda Item: 13.a.

Report Prepared By:
Celeste McDermott, Housing Specialist
Hilary Lovelace, Housing Specialist

Department Director:
Melissa Poehlman, Community Development Director

Item for Consideration:
Continuation of Consideration of Transformation Home Loan Guideline Revisions.

EXECUTIVE SUMMARY

In May 2026, the Economic Development Authority (EDA) reviewed proposed revisions to the Transformation Home Loan Program Guidelines (Guidelines) and a proposed increase in program funding. The EDA approved the funding increase but requested additional information regarding the proposed income limits and project value thresholds along with more data supporting the proposed changes.

The Transformation Home Loan Program (Program) is intended to provide a financial incentive to homeowners initiating major remodeling projects that increase the function and livability of small or outdated homes and increase the range of housing options available in Richfield. Program evaluation completed in 2025 found that the loan has increasingly represented a smaller share of total project expenses, which reduces its effectiveness as a financial incentive, especially for households with higher incomes. Applications approved in 2026 highlighted inconsistencies in how Program goals were interpreted, which demonstrated a need for clarity within the Guidelines. While the goals of the Program remain unchanged, updates to the Program Guidelines are proposed to better achieve those goals in response to changing housing conditions and demographics in Richfield.

Income Limits

Income guidelines were not included in the May report, causing some confusion. The income limits to be used for the Program are as follows:

HH Size	200% AMI	250% AMI
1	$185,400	$231,750
2	$212,000	$265,000

3	$238,400	$298,000
4	$264,800	$331,000
5	$286,000	$357,500

Staff propose establishing a maximum household income limit of 200% of Area Median Income (AMI) for standard projects and 250% AMI for projects that include an accessory dwelling unit (ADU), duplex conversion, or significant accessibility or energy-efficiency improvements. AMI is calculated annually by the United States Department of Housing and Urban Development (HUD). Review of loans approved in 2025 and 2026 showed that all but two households would have remained eligible under the proposed limits. These thresholds help ensure public funds are targeted toward households for whom the loan is most likely to serve as an incentive rather than subsidize projects that would be completed without assistance.

Maximum Project Value

Staff propose a maximum eligible project cost of $200,000 for standard projects. Projects that include an ADU, duplex conversion, or significant accessibility or energy-efficiency improvements would be exempt from this limit. Only one recipient over the past two loan cycles would have exceeded the proposed threshold. As project costs increase, the fixed loan amount becomes a smaller share of the total investment and less effective as an incentive. The proposed limit helps direct funds toward projects where the loan is most likely to influence project feasibility.

Staff continue to recommend that the EDA approve the revisions to the Guidelines as proposed.

RECOMMENDED ACTION
By Motion: Approve the recommended revisions to the Transformation Loan Program Guidelines.

HISTORICAL CONTEXT

- The Program provides a financial incentive to homeowners initiating major remodeling of their homes to meet their housing needs. Major remodeling projects are defined as exceeding $50,000 in cost. These projects are eligible for an incentive loan equal to 15% of the project cost, not to exceed $25,000. The loan is a no-interest, no-payments loan that is due and payable when the homeowner sells their home or is forgiven after 30 years.
- In 2023, additional incentives were added to projects that included an ADU, duplex conversion, or significant accessibility or energy efficiency upgrades.
- In 2025, Program evaluation showed that project valuations have increased over the years. It also identified several "next steps" to undertake for improving the Program.

- In discussion at the May 2026 EDA meeting, commissioners approved additional funding for the Program but requested more detailed information on income and the project cost limit in order to make a decision on Program Guideline revisions. Staff promised to provide additional information on how staff came to its recommendations, based primarily on a review of loans issued in the past two years. That information is provided in an attachment.

EQUITABLE OR STRATEGIC CONSIDERATIONS OR IMPACTS

- Approval of the revised Program Guidelines furthers several Strategic Plan priorities and outcomes, including a diversified tax base and prioritizing climate resilience.
- The Guideline revisions prioritize projects that make physical accessibility improvements, expanding housing choices for seniors and people with disabilities.

POLICIES (RESOLUTIONS, ORDINANCES, REGULATIONS, STATUTES, ETC.)

- The Comprehensive Plan promotes the rehabilitation and upgrade of the City's housing stock and a full range of housing choices that meets residents' needs and ensures a healthy balance of housing types for a diverse population.
- Several policy goals are met with the proposed Guideline revisions: the 2023-2026 Strategic Plan includes climate resiliency and equity and inclusion as priority goals and the targets of the City's Climate Action Plan include reducing high energy burden, increasing the use of renewable energy, and encouraging energy efficiency.

- Specific updates to the Guidelines include:
    - Requirement that the estimated total value of the property be under 120% of the City's assessed median value for detached, homesteaded homes. The current median home value is $335,689, so homes valued over $402,000 would be ineligible for a loan. This measure would allow property owners of 91% of homes in Richfield to apply.
    - Requirement that household income be at or below 200% of Area Median Income (AMI), adjusting for household size. The maximum household income would increase to 250% AMI for priority projects that include ADUs, duplex conversions, accessibility and significant energy-efficient upgrades.
    - Requirement that total project cost fall below $200,000 unless the project includes an ADU, duplex conversion, significant accessibility or energy-efficient upgrades.
    - Restrictions on providing loans to remodel homes built in the last 30 years or spaces that have been remodeled in the last 10 years, unless there's been damage to the space or accessibility accommodations are being made.
    - Newly created scoring criteria that prioritizes projects that diversify the housing stock through adding finished square footage and adding bedrooms and bathrooms to smaller homes.

CRITICAL TIMING ISSUES

- In preparation for the 2027 Transformation Loan cycle, staff need to begin planning Program marketing and updates to application materials.
- Staff are concurrently working on new program creation to serve low and moderate income households with maintenance needs, and may have more suggestions for changes to the Transformation Loan Program so that all City housing programs neatly align to serve housing needs rather than overlap or cause confusion. Ideally, these changes would be made at the same time, but recent applications have driven the need for changes before the next funding cycle.

FINANCIAL IMPACT

- The proposed increase in funding was approved by the EDA at its May meeting. The revised budget for 2026 will be $158,500.

LEGAL CONSIDERATIONS

- The EDA attorney has reviewed the proposed changes.
- The terms and conditions of the loan remain the same.

ALTERNATIVE RECOMMENDATION(S)

- The EDA may choose not to approve the recommended revisions to the Transformation Loan Program Guidelines.
- The EDA may choose to approve alternative revisions to the Transformation Loan Program Guidelines.

ATTACHMENTS

1. 072026 2026 Transformation Loan Guidelines- redlined FINAL
2. 072026 Transformation Loan ATTACHMENT A
3. 072026 Scoring rubric July 2026

TRANSFORMATION HOMES

PROGRAM GUIDELINES
FOR STAFF ADMINISTRATION

~~**REVISED: June 2023**~~

Revised:

May 2026
June 2023
February 2017

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Page Number

TRANSFORMATION HOMES PROGRAM GUIDELINES

The Transformation Homes Program Guidelines have been developed as a tool for guiding program administration. This document should not be interpreted as constituting any contractual agreement or liability by the City or EDA.

Statement of Purpose

To help improve and maintain an aging housing stock by providing financial and technical assistance to homeowners so they may make home improvements and undertake expansions to accommodate their housing needs.

Program Objectives

- To provide an incentive to homeowners or home buyers for initiating major remodeling on their homes to meet their housing needs.
- To increase the function and livability of small or outdated Richfield homes, and~~.~~
- To increase the range of housing options available to individuals and families who want to live or remain in Richfield.

Criteria for Program Eligibility

In order for a project to be eligible for a Transformation Homes Loan, certain conditions must be met.

1. Gross annual household income must not exceed 200% of the most current Twin Cities Area Median Income (AMI). For projects that include an ADU, duplex conversion, significant energy efficiency or accessibility upgrades, gross annual income must not exceed 250% of the AMI.

~~1.~~2. Property valuation for the most current year must be assessed at 120% or lower than the median assessed valuation for homesteaded single family homes in Richfield.

~~2.~~3. Project costs for remodeling improvements must be a minimum of $50,000 (not including maintenance and repair, described below) ~~or more.~~and a maximum of $200,000. Projects that include significant energy efficiency or accessibility upgrades have a maximum project cost of $300,000. Projects that include an ADU or~~,~~ duplex conversion do not have a maximum project cost.

~~3.~~4. The Project must include an interior value-added component~~,~~ and meet program objectives and eligibility requirements.

~~4.~~5. Each home shall be an owner-occupied detached single-family or two-family dwelling. ~~Exceptions to this may be approved by the EDA.~~

~~5.~~6. No work may have commenced on the proposed project before the application has been approved and loan paperwork executed ~~if application is being made under the Transformation Homes Program~~. Nor may any completed work be considered.

Eligible Improvements

Eligible improvements include:

a.) Value-added improvements, such as: additions, finishing~~ed basements~~ unfinished spaces, remodelings~~s to~~ difficult to use or substandard spaces, including kitchens and bathrooms~~kitchen and bathroom remodels~~, fixing dysfunctional floorplans~~;~~

b.) Maintenance and repair, such as roof replacement, electrical or plumbing improvements, or cosmetic updating such as painting or wall-to-wall carpeting, when done in conjunction with value-added improvements, as long as value-added improvements meet or exceed the $50,000 minimum project value;

c.) Energy efficiency and accessibility related upgrades; when done in conjunction with value added improvements;

d.) Accessory Dwelling Units;

e.) Conversion of a single-~~-~~family home to an owner-occupied duplex; and

f.) Any other improvements as determined by the EDA.~~.~~

Non-eligible improvements include:

a.) Swimming pools, hot tubs and greenhouses;

b.) Decorative landscaping.

~~b.)~~ Remodeling of homes that were built in the last 30 years or of spaces that have ~~recently~~ been remodeled in the last 10 years, unless there are demonstrated accessibility issues or damaged conditions.

The following requirements apply to all Transformation projects:

a) The project must meet all Building and Zoning Code requirements.

~~a)~~b) At a minimum, off-street paved parking must be provided on the site in accordance with the zoning code.

~~b)~~c) A minimum of ~~T~~three ~~and four~~ bedrooms on the property ~~homes~~ as a result of remodeling ~~are~~ is preferred. However, a minimum of two finished bedrooms and space for a third bedroom that could be easily finished will be acceptable.

~~c)~~d) Two full bathrooms on the property as a result of remodeling are preferred. However, a minimum of one full bath and a 1/2 bath roughed-~~-~~in will be acceptable.

~~d)~~e) House design, ~~and~~ appearance, and functionality are ~~is a~~ critical concerns to the EDA. The house building lines, window placement, and orientation to street must present a balanced and pleasing view from all sides. Garage door dominance in design must be minimized. Blank walls without windows or doors are not allowed. Roof-~~-~~line variation will be reviewed.

~~e)~~f) If exterior work is included, exterior materials should be low maintenance. Masonite siding materials are not acceptable.

~~Conditions of~~About the Loan

1. The Transformation Loan will be calculated at 15% of the project cost as determined by the EDA, not to exceed $25,000, with the following exceptions:

    a. Projects that include energy efficiency improvements or accessibility improvements totaling at least $10,000 will be eligible for additional funding up to $2,500. Energy efficiency improvements must include items from multiple categories such as materials, heating and cooling, appliances, electrical systems, and weatherization; subject to approval by the Housing Specialists. Calculations of project costs must account for any additional subsidies or financial assistance already received or anticipated.

    b. For ADU or duplex projects, loan amount will be calculated at 20% of the eligible project costs, not to exceed $30,000.

2. Loan funds are available on a limited basis. The EDA is not responsible for the unavailability of Loan funds to Homeowner.

3. All aspects of the project must be completed within a reasonable period of time such that all the work may be considered part of one project. Funding cannot be guaranteed for projects that are not completed within one year of the loan date.

4. Sweat equity may be allowed. The estimated loan amount would be the combination of contractor and materials cost~~,~~ but cannot include the value of homeowner labor or equipment purchases. Sweat equity projects must be completed within one year. Material costs must be tabulated in a spreadsheet, with corresponding receipts attached.

5. No interest will accrue on the Loan; no monthly payments are required.

6. If the Homeowner still owns and occupies the property, the lien created by the Loan will be forgiven 30 years from the loan date listed on the Promissory Note and recorded Mortgage.

7. The Loan is a lien against the property. If at any time during the term of the loan~~,~~ the EDA is asked to subordinate its position, the HRA subordination policy in effect at the time of the subordination request will apply. Please consult the Richfield HRA Subordination and Satisfaction Policy, available at http://www.richfieldmn.gov/subordination or by calling 612-861-9778.

8. Only one Loan is available to a Homeowner at any given property location. A Homeowner may apply for one additional Loan at a different property location no sooner than seven years following the original Loan.

9. Payment of the Loan must be made in full within 30 days upon the sale, conveyance, assignment, lease or transfer of the property. A Satisfaction of Mortgage in recordable form will be provided upon receipt of payment. The Loan may also be paid in full at any time without penalty.

Application ~~Procedure~~Process

~~1.~~ The Application Period will be from December 1st to January 31st of the following year, and loan award determinations will be made by February 15th. Adjustments to the Application Period timing may be made~~,~~ and changes announced 2 weeks in advance by the EDA.

~~2.~~1. Once the Application Period is open, t~~T~~he Homeowner submits a complete application, which includes an application form, a copy of all bids demonstrating project costs, scopes of improvement, and plans, within the time frame established by the EDA staff.

~~3.~~2. For ADU and duplex projects, applicants and their Remodeler will be required to meet with Planning and Inspections staff prior to submitting an application as well as with an architect, either through the city's Architectural Consultation program or an architect of their choosing;

~~4.~~3. An Application Fee is charged to cover the cost of administering the loan. The Application Fee is due at the time the application is submitted. The Fee will only be deposited if the Application is accepted for funding.

~~5.~~4. After the Application Period closes, all applications will be reviewed to verify that they meet the program criteria. Eligible applications will then be scored based on adherence to Program guidelines and approved based on funding availability. Selected applicants will be notified of funding ~~no later than three weeks following the submittal deadline~~by February 15th.~~.~~ ~~Once applications are verified to have met the above criteria, they will be approved on a first-come first serve basis.~~

~~6.~~5. If funds remain after the set application period, applications will continue to be accepted and reviewed on a first-come, first-served basis until the end of the calendar year. If funding is limited and more than one applicant submits their complete application on the same day, those applications will be evaluated using the established scoring criteria, and funding will be awarded to the highest-scoring applicant..~~, then a random lottery will be held to select applications for funding.~~

~~Design Plan~~Application Review

~~The EDA must be provided with a set of the building plans, including building elevations, and a copy of the land survey or site plan. The Homeowner shall provide a copy of the estimate and project specifications from the selected Remodeler for the work to be done. The Homeowner shall also submit house plans, a site plan, and any other reasonable information requested.The Remodeler selected by the Homeowner shall be evaluated by the EDA to meet all remodeling criteria.~~

1. EDA staff will review ~~the plans~~all application materials to ensure conformance with the ~~Housing and Site Development~~Program Criteria. In order to be considered for loan funds, the application must meet the following criteria:
    a. Completeness of application;

b. Adherence to program guidelines;
c. Design and function of the project, including the presence of any special or unique element that meets city goals (e.g., energy efficiency, accessibility, etc);
d. Demonstrated financial readiness;
e. Builder references (if applicable);
f. In cases where the homeowner is doing part or all of the work, demonstrated evidence of experience and ability to complete the work within the required one-year time period, and
g. Amount requested.

2. Plan review by the ~~Building Official~~ Inspections Division and Planning Division is a separate process, and it is the Applicant's responsibility to ensure that all Building and Zoning Code requirements are met and all necessary permits obtained.

3. All building plans must be prepared in consultation with an architect or a qualified draftsperson.

4. If any element of the plan is in conflict with the above criteria, the Remodeler will be notified. Revised plans must be resubmitted for final approval.

5. On a case-by-case basis, EDA staff may visit the applicant's property and prepare an action plan to ensure viability and quality of the project~~,~~ and/or request that the applicant meet with a remodeling advisor or an architect if there are design concerns.

6. All plan reviews will be completed by the EDA in a timely manner. Each plan submitted will be processed individually.

7. The EDA may refer a set of plans to the County Assessor to make a preliminary determination of value if there is concern about the extent of value added as a result of remodeling.

~~8. EDA staff may reject or accept an application at its sole discretion.~~

8. Those applicants not meeting the eligibility requirements will be sent a written notice explaining the reason(s) for denial of program participation. Appeals regarding the interpretation of eligibility requirements may be made in writing to the EDA Executive Director~~,~~ and then to the EDA Board. Appeals that clearly do not meet eligibility requirements will not be considered.

Loan Award and Disbursement

1. Upon approval, a~~A~~ commitment letter will be issued verifying the reservation of funds ~~to be provided at closing~~.

2. ~~If not pursuing a simultaneous closing, the~~The homeowner will sign a mortgage and a promissory note agreeing to the terms of the loan. The mortgage filing fee and

registration tax will be charged to the applicant. Following closing, work can begin on the project.

3. If a simultaneous closing with end-financing has been requested by the Lender, the homeowner may begin work once a commitment letter has been received~~,~~ and building permits issued.

4. ~~In those situations where the Homeowner is not utilizing the services of a Lender, partial and/or final loan payments may be issued to the homeowner at or near the end of the project.~~ The homeowner may request a partial payment installment if desired~~,~~ when at least 50% of the project costs have been expended. The homeowner must submit paid invoices or receipts along with project progress pictures with their request.

5. Before final payment is issued (by Lender or EDA), an inspection~~s~~ will be required by ~~both~~ EDA staff and all permits will need to be inspected and approved by the City ~~Building Inspector~~Inspections Division. Payments will be made upon EDA approval of homeowner submitted documentation which will include a detailed list of expenditures, supplier and contractor invoices or receipts for the full amount of the project costs, and lien waivers. ~~Upon satisfactory verification of work in progress, or upon completion, payments will be disbursed at the discretion of the lender or the HRA. Copies of lien waivers or supplier/contractor invoices for the full amount of the payment must be provided at the time of final disbursement.~~

~~6. For applicants obtaining mortgage financing, the full EDA Loan amount may be placed in an escrow account, if required by the Lender. The escrow account will be drawn upon in prorated increments, simultaneously as funds are drawn upon from the primary Loan to make payments to the Remodeler. Payment will be disbursed at the discretion of the Lender, upon satisfactory EDA verification of work in progress. Before the Loan payment can be provided to the Lender, the Homeowner must sign the Promissory Note, an example of which is attached as Exhibit B.~~

~~7.~~6. ~~In cases where an escrow account is not used, the~~The primary Lender may requ*est*~~ire~~ a simultaneous closing with the EDA Loan at the time permanent financing is secured.~~ In these cases, the EDA may commit funds and authorize a project to begin prior to closing on the Loan~~. No funds will be disbursed until closing has taken place.

Remodeler Criteria

The Remodeler should meet a minimum set of standards and perform certain requirements in order to participate in the program:

1. Meet any Lender requirements when the Homeowner is seeking Lender financing.

2. Provide adequate evidence of builder's risk, comprehensive general liability and worker's compensation insurance coverage.

3. Provide a written warranty policy to the Homeowner and Lender.

4. Provide State Building/Remodeling Contractor license number.

5. Provide the following references:
   - Five satisfied customers;
   - Three major suppliers or subcontractors;
   - Names of building officials from two cities where the Remodeler has worked in the last three years.
   - Each Remodeler must fill out a Remodeler Form (Exhibit D).

Responsibility of Remodeler

The Remodeler must perform work in accordance with the specifications and contract provided to the Homeowner. Any guarantee and/or warranties on the materials, supplies or quality of work must be obtained by the Homeowner. Lien waivers must be provided at time of payment. All property permits must be obtained per city code. NOTE: The City of Richfield has a Point of Sale ordinance that requires all residential properties pass a housing code inspection before sale. The EDA is not responsible for insuring compliance with this ordinance. Proper inspections should be arranged by the seller and any repairs made as part of the purchase/remodel process.

~~Housing and~~ Site Development ~~Criteria~~Standards

1. All landscaping and sod disturbed by the construction project must be repaired in a professional manner.

2. Adjoining properties must not be physically disturbed by the construction process.

3. Construction and the finished structure must improve or not have a detrimental impact on storm water drainage patterns in the neighborhood and on adjoining properties. Where roofs direct storm water toward minimum (five feet) side yards, gutters may be required as a condition of Loan payment.

Data Privacy

The EDA is subject to Minnesota Statutes Chapter 13 (the "Minnesota Government Data Practices Act"). Under the Minnesota Government Data Practices Act, the names and addresses of applicants for or recipients of assistance under this program and the amount of assistance received under this program are public data. All other financial information submitted to the EDA for purposes of the loan application is considered private data.

Hold Harmless

To the fullest extent permitted by law, the Homeowner must agree to defend, indemnify and hold harmless the EDA and the City of Richfield, their officers, agents and employees from and against all claims, loss, damage, costs and expense arising from bodily or personal injury or sickness, illness, or death of persons or damage to property resulting from or alleged to have resulted from the Remodeler's work and operations.

Definitions

Accessory Dwelling Unit:
A dwelling unit that is located on the same lot as a principal residential structure to which it is accessory, and that is subordinate in area to the principal dwelling. These may be attached to either the primary home or the garage, but cannot be freestanding and must meet all applicable zoning code requirements.

Accessibility related improvements:
Improvements designed to allow for aging in place and/or to accommodate those with limited mobility.

Application Period:
The set time period during which applications are accepted and reviewed collectively. All applications submitted within this period will be evaluated, and funding decisions will be made after all have been reviewed and scored.

Architectural Consultant:
Individual architect or architecture firm that participates in the HRA's Architectural Home Consultation program. Architects conduct an in-home meeting with the homeowners to discuss design of home remodeling projects.

Area Median Income:
The current median income for the Minneapolis-St Paul Metropolitan Statistical Area, Median Income most current values will be used, arranged by adjusted for household size, as published by the Department of Housing and Urban Development. huduser.gov/portal/datasets/il

City:
The City of Richfield.

Duplex:
A residential building used for occupancy by two (2) families living independently of each other, where both units are situated on the same parcel of land. At least one unit must be owner-occupied in order to be eligible for the Richfield Rediscovered program.

EDA:
Economic Development Authority in and for the City of Richfield

HRA:
Housing and Redevelopment Authority in and for the City of Richfield.

Homebuyer:
Loan applicant who is in the process of purchasing, remodeling and occupying a Richfield home.

Homeowner:
Loan applicant who owns and occupies or purchases and occupies the home to be remodeled.

Lender:
The primary lender working cooperatively with the EDA on home remodeling programs.

Loan:
Interest free loan offered by the EDA for remodeling payable upon sale of the house or forgiven after 30 years.

Remodeler:
A licensed builder or Remodeler who meets the criteria established by the EDA, including all state and local license requirements.

Remodeling Advisor:
Individual contracted with the HRA who meets with the homeowner to discuss ideas, estimate costs and answer questions.

Energy Efficiency Improvements
Home improvements that increase energy efficiency and reduce negative impacts on the environment. An energy audit must be completed and the results used to guide improvements.

Forms/Exhibits

A. ~~A.~~ Transformation Homes Application Form
~~A.~~B. Scoring Rubric

C~~B~~. Promissory Note

D~~C~~. Mortgage Note

E~~D~~. Remodeler Form

F~~E~~. Summary of Costs and Loan Computation

G~~F~~. Letter of Commitment

H. Satisfaction of Mortgage

ATTACHMENT A

Income

Area Median Income is calculated annually by the United States Department of Housing and Urban Development (HUD). Although HUD does not calculate above 100%, many localities and non-profits use one and a half times 100% to calculate 150% and so on. Below is a table of 2026 AMI by household size for the Minneapolis-St. Paul MSA:

HH Size	100% AMI	150% AMI	200% AMI	250% AMI
1	$92,700	$139,050	$185,400	$231,750
2	106,000	$159,000	$212,000	$265,000
3	$119,200	$178,800	$238,400	$298,000
4	$132,400	$198,600	$264,800	$331,000
5	$143,000	$214,500	$286,000	$357,500

Home Value

Staff propose limiting eligibility to properties with an estimated value below 120% of the City's median assessed value for detached homesteaded homes. The current median value is $335,689, and homes valued above approximately $402,000 would be ineligible. Staff estimate that approximately 91% of detached homesteaded properties in Richfield would remain eligible. Only one recipient over the past two loan cycles would have exceeded the proposed threshold.

This proposed change is based on a review of home values and the impact of the Program on property values and City tax revenue. Staff analyzed 72 properties that received Transformation Loans between 2004 and 2015 to evaluate the Program's impact on property values and City tax revenue. The analysis found that lower- and moderate-valued homes generally experienced greater valuation gains than higher-valued homes.

This threshold focuses resources on homes where improvements are most likely to increase livability, expand housing options, and generate long-term reinvestment and tax-base growth.

Scoring Criteria and Impacts

Staff propose that scoring criteria first prioritize any applications that include ADU, duplex conversion, or significant accessibility or more than $10,000 of energy-efficiency improvements. Next, applications from households with incomes below 200% AMI will be selected. Remaining funds will be allocated to applications that score the most points on criteria meant to incentivize fixing common housing issues in Richfield.

Of the 10 projects awarded funding in 2025 and 2026, two applications would not have been extended a Loan based on the revised Program Criteria, one for exceeding annual household income, and one for exceeding annual household income, exceeding maximum project cost, and having a home valuation above 120% of the estimated median value. Both of these applicants responded that they would have continued with the project if not awarded funding. Two projects that failed to meet revised Program Criteria, but met priority criteria (include an ADU, duplex conversion, or significant accessibility or energy-efficiency improvements) were also awarded in this time.

Transformation Loan Scoring Criteria

First Priority

Applications that meet program criteria, have a gross household income of no higher than 250% AMI and include one or more of the following features:

- Accessory Dwelling Unit
- Duplex Conversion
- Accessibility or energy efficiency improvements totaling $10,000 or more

Second Priority

Applications that meet program criteria and have a gross household income no higher than 200% of the most current Twin Cities Area Media Income.

HH Size	200% AMI	250% AMI
1	$185,400	$231,750
2	$212,000	$265,000
3	$238,400	$298,000
4	$264,800	$331,000
5	$286,000	$357,500

Remaining applications will be scored using the point system below, and remaining funds allocated to the highest scoring applications.

- Adding an addition to a home under 1,400 square ft- 1 pts
- Adding a bedroom to a home that has 2 bedrooms or fewer- 1 pt
- Adding a bathroom to a home that only has 1 bathroom- 1 pt
- Finishing an unfinished basement or attic- 1 pt
- Remodeling a kitchen or bathroom that has not remodeled in past 30 years- 1 pt
- Project is fixing a dysfunctional floor plan- 1 pt
- Deconstruction is being utilized for any demo work- 1 pt