



**GROUND
ED
SOLUTIONS
NETWORK**

strong communities
from the ground up

**Grounded Solutions Network cultivates communities
– equitable, inclusive and rich in opportunity –
by advancing affordable housing solutions
that last for generations.**



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Minneapolis LTA Study Resale Formula Workshop

Agenda



- 1. Recap of July Site Visit**
- 2. Additional Market Analysis**
- 3. Initial Pricing and Income Targeting**
- 4. Resale Formula Comparison**



What we learned in July

Feedback we recieved



1. **Concern about lack of wealth-building in current LTA model**
2. **Desire for local community control over land and affordable housing assets**
3. **Project Gap in many neighborhoods** -- In some neighborhoods the cost of developing is greater than the appraised value (project gap). This also raises concerns for wealth-building



What does affordability look like?

City is becoming less affordable



Median home prices are not affordable to those earning 80% of AMI or less

% of AMI	2019 Income Limits	Affordable Home Price
100%	\$100,000	\$283,000 (median sales price)
80%	\$75,500*	\$254,500
60%	\$60,000	\$199,500
50%	\$50,000	\$163,500
30%	\$30,000	\$92,500

Source: [2018 Met Council Income Requirements](#); Minneapolis Area Realtors (MAR)

Assumptions:

- 4-person household
- Fixed-interest, 30-year home loan
- Interest rate of 54.775%
- A 29% housing debt-to-household income ratio
- A 3.5% down payment
- A property tax rate of 1.25% of the property sales price
- Mortgage insurance at 0.85% of unpaid principal
- \$100/month for hazard insurance
- *80% AMI HUD National Limit

Project and Affordability Gap



There are many factors that contribute to rising costs of new construction. In some neighborhoods the cost of NC far exceeds median sales prices

Total Development Cost (TDC) for Minneapolis Homes Programs = **\$330k-\$350k**

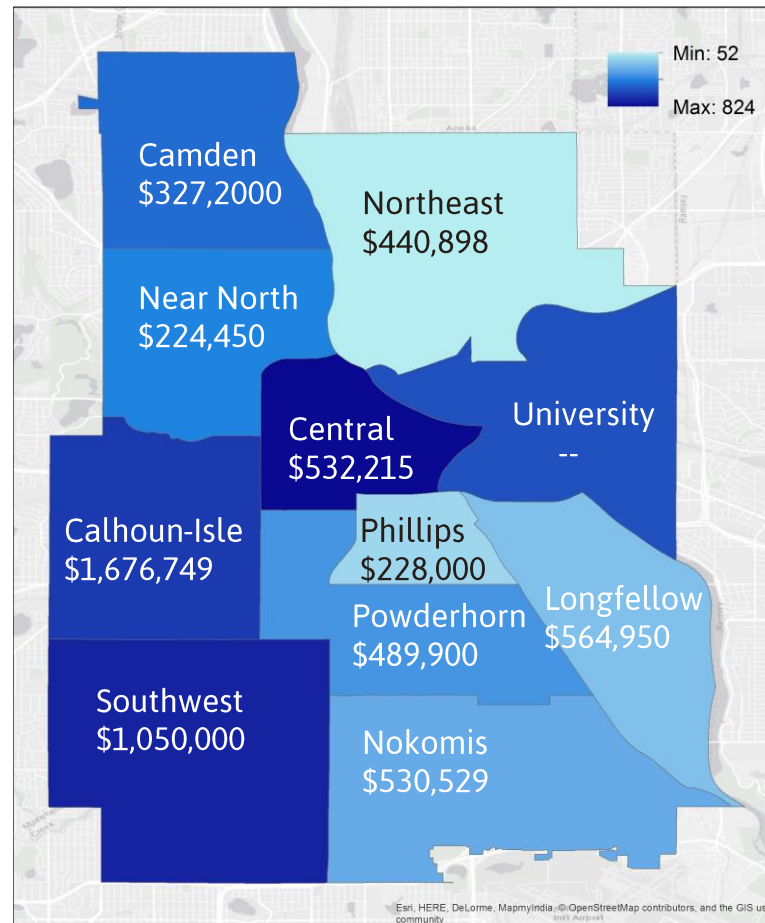
Project Gap:

\$\$ = TDC – Market Price

Affordability Gap:

\$\$ = Market Price – Affordable Price

Number of Newly-Constructed For-Sale Units
2014 - 2018



Project Gap in some neighborhoods can be almost as much as **\$100k...**

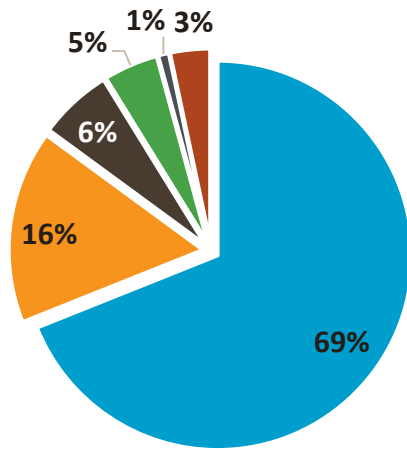
...And depending on what incomes you want to serve the total subsidy needed (including affordability gap) can be as much as **\$170k**

Households in Minneapolis



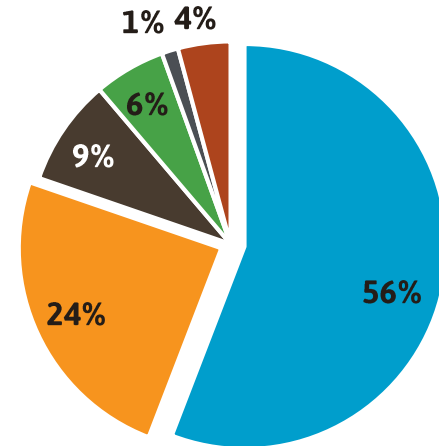
By the numbers...

All Households



- White alone, non-Hispanic
- Black or African-American alone, non-Hispanic
- Hispanic, any race
- Asian, non-Hispanic, including Pacific Islander
- American Indian or Alaska Native alone, non-Hispanic
- other (including multiple races, non-Hispanic)

Renting households by Race/Ethnicity



- White alone, non-Hispanic
- Black or African-American alone, non-Hispanic
- Hispanic, any race
- Asian, non-Hispanic, including Pacific Islander
- American Indian or Alaska Native alone, non-Hispanic
- other (including multiple races, non-Hispanic)

POC Renters in Minneapolis



By the numbers...

