

CITY OF MINNEAPOLIS

Minneapolis Homes: Financing

1-20 unit ownership housing
New Construction or
Rehabilitation

What is the NOFA?

- **Minneapolis Homes: Financing**
 - **New construction/rehab 1-20 unit ownership or ownership w/rental**
 - Stabilization
- Missing Middle Rental
 - New construction 2-20 unit rental
- 628 E Franklin Development Opportunity

Minimum Qualifications to Apply

- **Capacity:** Demonstrate financial capacity for the project
- **Experience:** Applicant or a member of applicant's team must have experience completing a similar project in the last two years
- **Responsible:** Must have a restoration agreement or similar solution for registered vacant buildings, rental license violations, or tax delinquent property
- **In Good Standing:** Must not have an uncured default on a City of Minneapolis restoration agreement or redevelopment contract

Securing Interim Financing



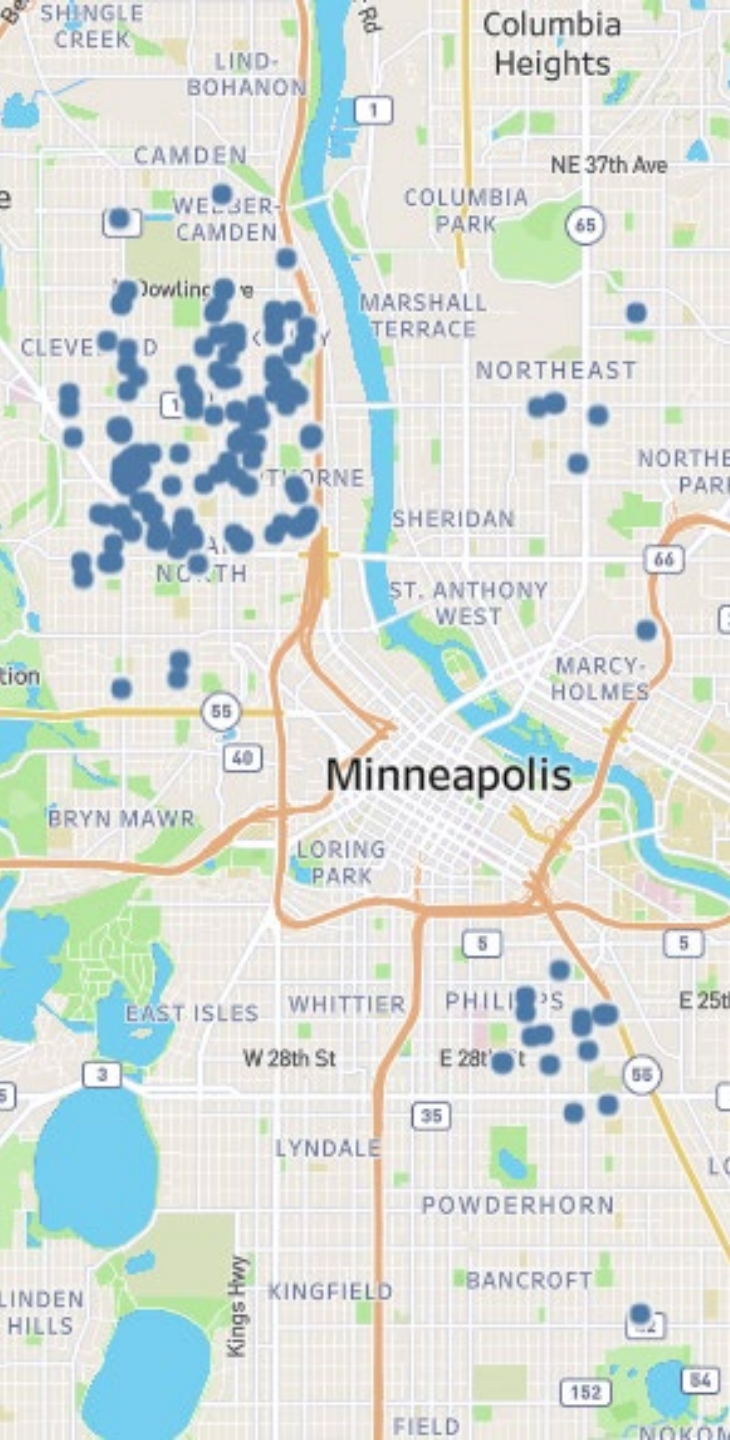
Land Bank | Twin Cities

Interim Construction Financing

- Eligible types of financing:
 - Any bank financing
 - [New Construction Lenders](#)
 - [Rehab Lenders](#)
 - Net proceeds from pending sale of other owned real estate
 - Developer cash
- Documentation of financing:
 - Pre-approval letter from lender, on letterhead, dated w/in 90 days
 - Bank statements w/in 30 days
 - Pending listing with amount of net sale proceeds expected

Land Bank Twin Cities

- Interim construction financing available for ownership projects
- Apply 4+ weeks prior to City application deadline, requires underwriting
- Documentation required including, not limited to:
 - Proforma, Development Plans, BPO/Appraisal
 - 2 years corporate financials and/or personal tax returns/financials
- **Contact:** Scott Anderson at 612.238.8755 or sanderson@landbanktwincities.org



City-owned property for sale

City-owned property for sale:

- Vacant lots
- Development sites (multiple vacant lots)
- Must submit offer to purchase along with application documents
- Program requirements apply including [Unified Housing Policy](#)
- Sales prices:
 - Based upon City-appraisal
 - Priced as listed

Privately-owned Sites:

- Provide documentation of site-control

Household Income Limits

- All City-financed units must be sold to income eligible households
- At least 10% of units in a development must be affordable to 80% AMI or lower households
- Income Limits vary by household size and are updated yearly by HUD
- To see the current year's income limits visit:
<https://www.huduser.gov/portal/datasets/il.html>

Minneapolis Homes: Financing Ownership Subsidy Limits and Sale Prices

- Subsidy limits vary by the number of bedrooms and income limit of the housing unit created
- Visit the **Ownership Subsidy and Affordable Sales Price Limits** on the webpage to see current income limits

Actual subsidy is based on demonstrated need

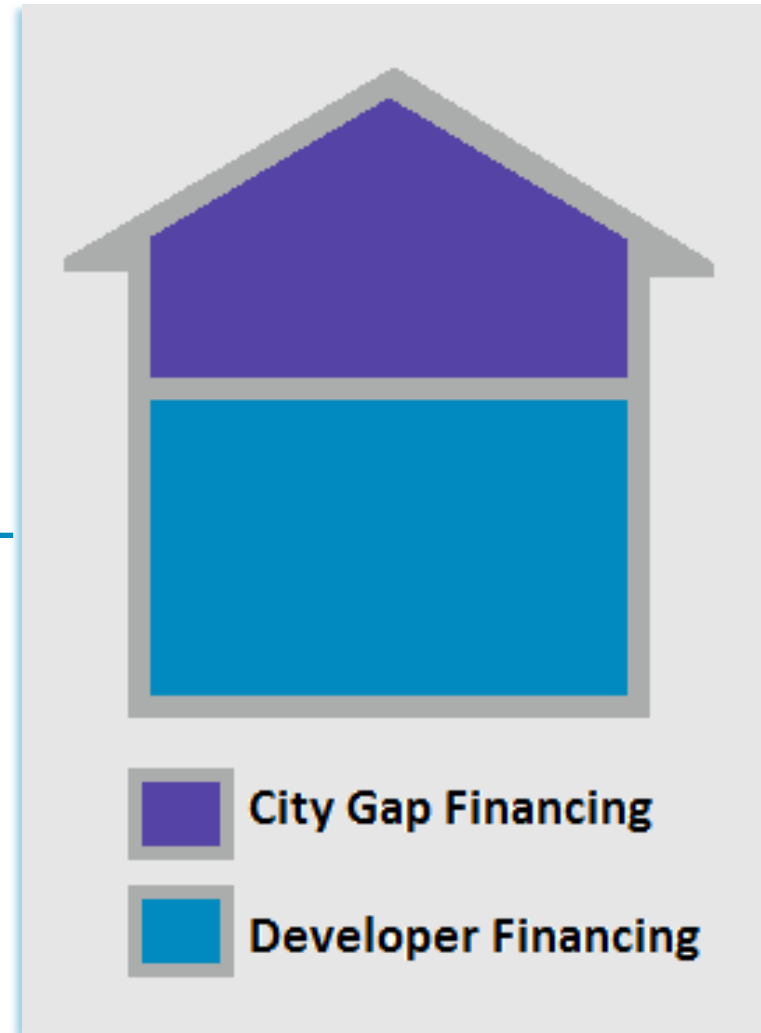
City Gap Funds

Project Gap

- Funds cover the gap between total development cost and the fair market value

Affordability Gap

- Funds cover the gap between the fair market value and an affordable homebuyer first mortgage



Affordability Gap

- Provided in two separate ways:

1. **Recapture:** down payment assistance

- Unit is sold for fair market value, down payment assistance is advertised in listing
- secured as a 0% interest mortgage and note that is repaid upon property sale
- funding of 15% of fair market value or less
- Only available for City-owned properties in North Minneapolis

2. **Perpetually Affordable Housing (PAH):** equity sharing formula

- Unit is sold for affordable price, equity sharing requirements are advertised in listing
- secured with a ground lease, declaration of covenants, or co-operative agreement
- ensures home affordability is maintained for a minimum 30-year term that is renewed for upon each property sale
- funding of 20% of fair market value or more
- Available City-wide on City-owned and privately-owned properties

Recapture:

North Minneapolis, City-owned property:



Per Unit Development Cost	\$340,000
Appraised Value	\$285,000
Affordable Price 61-80% AMI	\$253,000
Affordability Gap <i>(Appraised value – affordable price)</i>	\$32,000
Homebuyer Benefit <i>(Affordability gap/appraised value)</i>	11.2%
Project Gap <i>(Development cost – appraised value)</i>	\$55,000
Total Development Gap <i>(Affordability Gap + Project Gap)</i>	\$87,000

- Home sold for appraised value
- Affordability gap is provided to first homebuyer as a 0% loan, deferred for 30 years
- Affordability gap is due or recaptured when first homebuyer sells
- Affordability requirements apply to first homebuyer only, no restrictions on home value

What is Perpetually Affordable Housing (PAH)?

Equity sharing formula model of roughly 2% increase compounded annually to owner, remainder stays with property to keep affordable to subsequent buyer. Three options exist:

City of Lakes Community Land Trust (CLCLT) model

- 25% of value increase to homebuyer upon sale
- Additional value increase for certain improvements
- Secured with 99 year ground lease
- Contact CLCLT for partnership options

City of Minneapolis model

- 2% compounded annual return to homebuyer
- Secured with 30 year declaration of covenants that renews upon each sale
- Administered by CLCLT or Build Wealth Minnesota

Open to new models

- Must demonstrate equity sharing formula that achieves affordability for 30 year renewable term
- Options summarized in [Grounded Solutions Network report](#)

PAH – City of Lakes Community Land Trust (CLCLT)

- **To partner with City of Lakes Community Land Trust**, please contact:
 - Staci Horwitz at 612.594.7148 or Staci@clclt.org
- Partnership with CLCLT does not mean you split a developer fee.
- Developers pay a fee and/or allow CLCLT to use City of Lakes Community Realty LLC to market and sell the property
- Fee covers CLCLT doing the following:
 - Buyers meeting with an attorney prior to purchasing.
 - Working with the buyer from application to closing.
 - Stewarding the PAH requirements and reporting.
- Additional CLCLT funding may have construction and/or design requirements.

City of Minneapolis PAH Model

- New City program this year; program manual/curriculum for homebuyers coming in 2021
- Funding secured using a declaration of restrictive covenants
- Can partner with either City-approved administrators:
 - 1. Build Wealth of Minnesota, Inc.
 - info@buildwealthmn.org; 612-877-4182
 - 2. City of Lakes Community Land Trust
 - Staci Horwitz at 612.594.7148 or Staci@clclt.org

City of Minneapolis PAH Model

- Fee schedules for City-approved administrators

1. Build Wealth MN, Inc.

Service type	Payable by	Proposal
Initial Sale	Developer/project proforma	Flat fee per project of \$12,950
Monitoring	Homeowner	Annual flat fee of \$1,200
Resale	Homeowner/Seller	Flat fee of \$14,245
Refinance	Homeowner	Flat fee of \$5,550

2. City of Lakes Community Land Trust (CLCLT)

Service type	Payable by	Proposal
Initial Sale	Developer/project proforma	Flat fee per project of \$5,500
Monitoring	Homeowner	Annual flat fee of \$600 (\$50/month)
Resale	Homeowner/Seller	Flat fee of \$1,800
Refinance	Homeowner	Flat fee of \$500

Perpetually Affordable Housing: City-wide, any property



Per Unit Development Cost	\$340,000
Appraised Value	\$340,000
Affordable Price 61-80% AMI	\$253,000
Affordability Gap <i>(Appraised Value – Affordable Price)</i>	\$87,000
Homebuyer Benefit <i>(Affordability Gap/Appraised Value)</i>	25.5%
Project Gap <i>(Development Cost – Appraised Value)</i>	\$0
Total Development Gap <i>(Affordability Gap + Project Gap)</i>	\$87,000

- Home is sold for affordable price
- Affordability gap is secured through a perpetually affordable housing model
- Equity sharing formula strives for perpetual affordability
- Affordability requirements apply for first homebuyer and every subsequent homebuyer

Perpetually Affordable Housing: City-wide, any property



Per Unit Development Cost	\$340,000
Appraised Value	\$340,000
Affordable Price 41-60% AMI	\$171,500
Affordability Gap <i>(Appraised Value – Affordable Price)</i>	\$168,500
Homebuyer Benefit <i>(Affordability Gap/Appraised Value)</i>	49.5%
Project Gap <i>(Development Cost – Appraised Value)</i>	\$0
Total Development Gap <i>(Affordability Gap + Project Gap)</i>	\$168,500

- Home is sold for affordable price
- Affordability gap is secured through a perpetually affordable housing model
- Equity sharing formula strives for perpetual affordability
- Affordability requirements apply for first homebuyer and every subsequent homebuyer

Key Programmatic Requirements

- Homes that receive City funding have requirements for:
 - Project costs and documentation
 - Construction standards and contracting
 - Affirmative marketing
 - Income qualification of homebuyers
 - Timeline for completion

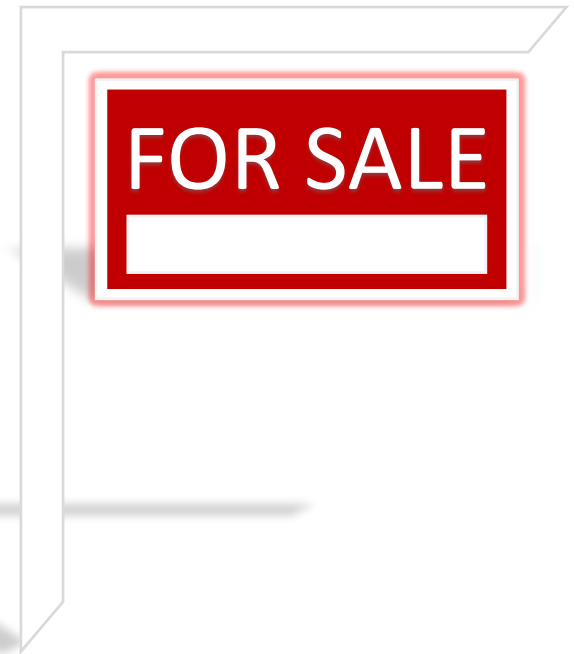


Project costs and documentation

- **Cost Reasonable Homes:** project costs are reasonable and within industry standards
- The Proforma has automatic calculations that include the following maximum caps:
 - **Developer fee** – % of total development costs minus holding costs*
 - 9-units or less: **10%**
 - 10 to 20-units: **15%**
 - **Realtor and marketing fees** - **7%** of the sale price
 - **Contingency** - **5%** of total hard construction costs
 - **General Contractor fee** – **8%** for developers that are also performing as GC
 - **Soft costs** - **15%** of total development cost
- Documentation of all project costs must be submitted to the City of Minneapolis and reconciled in a final Proforma

Minimum Affirmative Marketing

- Homes must be publicly posted on MLS if ownership, exceptions must be pre-approved by Minneapolis Homes staff
- Awarded ownership homes will be posted on the Minneapolis Homes website
- Provide signage including the City of Minneapolis logo at the project site
- Sales price must be supported by an appraisal from CPED's appraisal panel



Construction standards and requirements

- **Cost reasonable and good faith contracting:** Minimum requirement to ensure publicly and widely advertised bidding of each division of construction.
- **Bidding Required:** If developer does not receive at least two (2) responsive, responsible bids for each bid section, additional steps may be required. Please contact Minneapolis Homes staff if this occurs.
- All contractors and professional services must be searched against the [SAM.gov](https://www.sam.gov) excluded parties list system and evidence must be provided to the City

Design Standards:

- All projects (new construction and rehab) must meet the [Minnesota Overlay of Green Communities criteria](#).
- New construction 1-3 unit projects also require compliance with the [Department of Energy Zero Energy Ready Homes program](#) and will collect documentation after funding awards are made. Where inconsistency exists between the two standards, the higher standard will apply.

Minimum Construction Standards (Green Communities Criteria)

All homes must meet the mandatory requirements of the Minnesota Overlay of Enterprise Green Communities :

- Must achieve **Energy STAR New Home Certification** – includes sizing heating and cooling equipment in accordance with Manual J see www.energystar.gov/partnerlocator
- Use **native plants** in landscaping
- Use **water conserving fixtures** that have WaterSense label
- Install **ENERGY STAR appliances** (if provided)
- Install **LED or CFL lights**
- Use **low/no VOC** paints, coating, primers, adhesives, and sealants
- Use **low/no formaldehyde** emitting composite wood
- **Avoid water damage** through grading and waterproofing
- **Radon mitigation** per state building code
- **Homeowner manual** and orientation

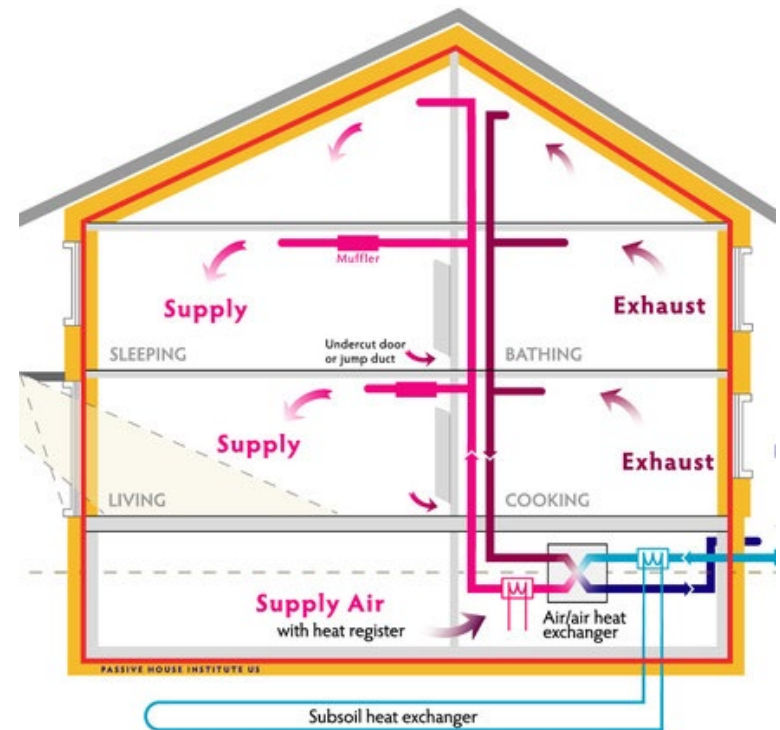
What is the Zero Energy Ready Homes (ZERH) Program

- U.S. Dept of Energy certified program
- Built so that a renewable energy system can offset most or all of annual energy consumption
- Higher levels of insulation
- Duct work in an optimized location
- Conserve water and energy
- Provide higher level of indoor air quality



Sustainability Certification Incentive

- Incentive of 20% of total development costs, not to exceed \$90K per unit
- Actual subsidy based on demonstrated need
- Certify home as one of the three ultra-efficient building types
 - Passive House Institute
 - Passive House Institute US
 - Install solar array to achieve Net Zero Energy on ZERH Home
- Meet all program requirements



City-owned parcels: Soil Testing/Unsuitable Soils

- CPED provided soil tests this year at no cost. In the future Developers should include obtaining a report in their proforma.
- **When Unsuitable Soils are discovered:**
- Developer notifies CMS and provides documentation for soil correction reimbursement,
- CMS approves/denies and informs SPC
- SPC will route the contract exhibit for approval
- The Real Estate team will process the reimbursement



Civil Rights Compliance Policies

- Civil Rights Requirements
 - The City encourages local workforce hiring and the use of local, minority and women contractors and businesses.
 - Workforce goals: 20% of total project trade hours performed by females and 32% of total project trade hours performed by minorities
- Affirmative Action Plan: applies if developer receives >\$100,000 of City and/or federal assistance in a particular year
- Section 3: applies if developer receives >\$100,000 of federal assistance in a particular year
- Small Underutilized Business Program (SUBP): applies if developer receives >\$175,000 of assistance

Civil Rights Compliance Policies

Requirements	1 Unit	2 Unit	3 Unit	4 – 7 Units	8-9 Units	10 – 20 Units	20+ Units
Civil Rights	Projects must comply with Civil Rights Contract Compliance requirements based upon the amount of assistance received or number of units.						
Small and Underutilized Businesses			\$175,000	\$175,000	\$175,000	\$175,000	\$175,000
Affirmative Action Plan	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
CPED Prevailing Wage					Yes	Yes	Yes
Apprentice Training Program					Yes, Contractors over \$50,000	Yes, Contractors over \$50,000	Yes, Contractors over \$50,000
Pre-Construction Booklet			Yes	Yes	Yes	Yes	Yes
Bidding Rules	Single Family	Single Family	Single Family	Multifamily	Multifamily	Multifamily	Multifamily

Civil Rights Compliance

- **Non-Discrimination:** Per City Ordinance, 139.50 (a)(1) states:

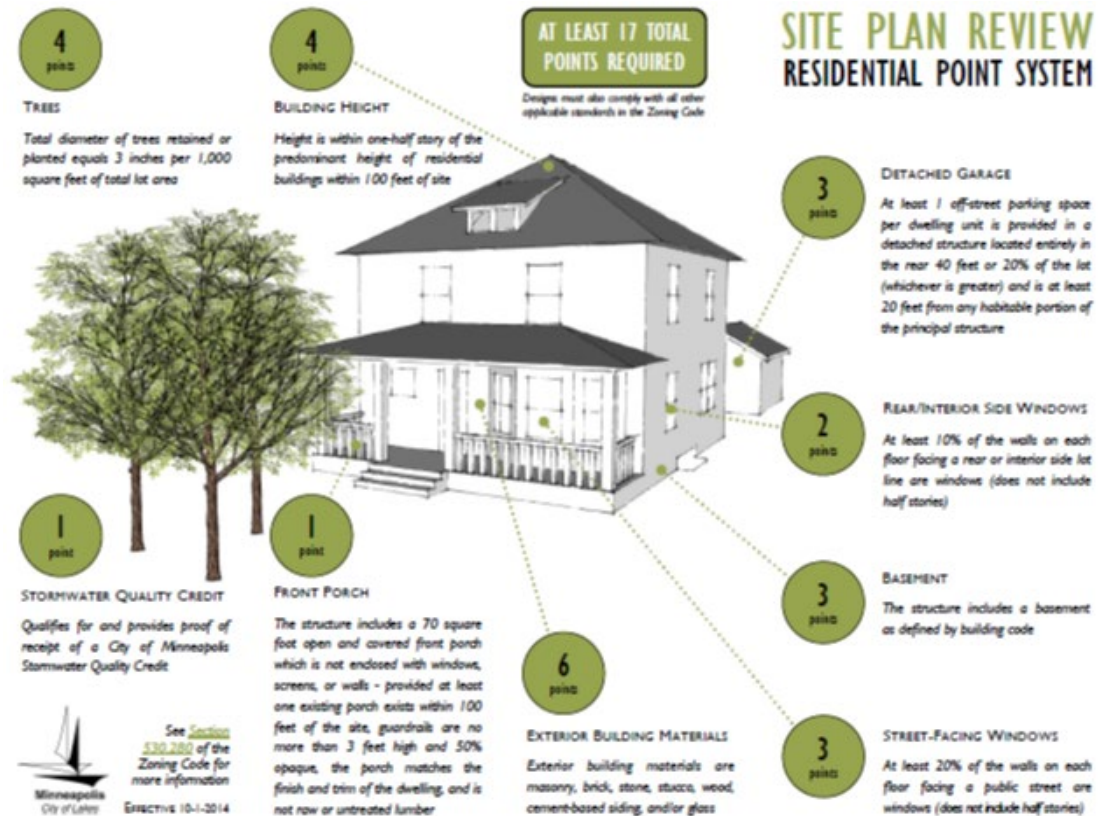
The contractor will not discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, national origin, sex, sexual orientation, gender identity, disability, age [forty (40) to seventy (70)], marital status, familial status, or status with regard to public assistance. The contractor will take affirmative action to ensure that all employment practices are free of such discrimination.

- **EEO/AA Statement:** In all solicitations for employees, you must state you are an equal opportunity and affirmative action employer



Development Review – 1 to 3 unit homes

- It is recommended to reach out to development review early in the process
- Some sites may require re-zoning
- With the adoption of the 2040 Plan near the end of 2019, some zoning requirements will be in flux and changing.
- Zoning and Land Use staff will work to keep developers up to date on anticipated changes and timelines.

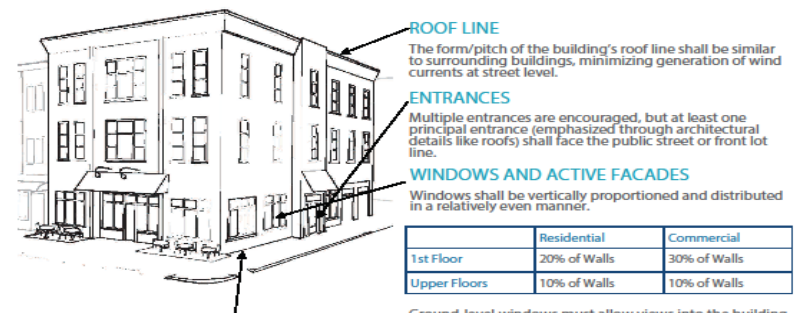


Development Review – 4 to 20 units

- Projects containing 3 or more units require Preliminary Development Review (PDR).
- Projects containing 4 or more units follow a different site plan review process.
- Site plan review requires a public hearing before the City Planning Commission.
- The process typically takes 8 weeks from the time a complete application is submitted.
- Contact Zoning staff to get a planner assigned to the project.

SITE PLAN REVIEW MEDIUM TO LARGE SCALE DEVELOPMENTS

This bulletin offers guidance on meeting the design standards for medium to large scale developments subject to Site Plan Review.



BUILDING FOOTPRINT AND MASSING

The first floor of buildings shall be located within 8 feet of the front lot line and for corner buildings, within 8 feet of both front and side lot lines.

The area between the lot line and the building shall include landscaping and/or pedestrian amenities like seating.

BUILDING DESIGN

Exterior walls shall provide visual interest; blank walls that do not include windows or other architectural details shall not exceed 25 feet in length.

The primary exterior building materials shall be durable, such as masonry, brick, stone, stucco, wood, cement-based siding, and/or glass.

The appearance and materials of the rear and side walls shall be similar to and compatible with the front of the building.

Ground-level windows must allow views into the building at eye level (4-7 feet above the adjacent grade).

At least 70% of the linear first floor or ground level of buildings shall be designed to accommodate active functions along each wall facing a public street, public

CONTEXT

Buildings shall be located and designed to minimize blocking of views of important city elements and shadowing on public spaces and adjacent properties.

Site plans shall promote natural surveillance, visibility, and safety.

ON-SITE PARKING AND CIRCULATION

On-site parking facilities shall be located toward the rear or interior of the site, within the principal building served, or entirely below grade.

Vehicular access and circulation shall be designed to minimize conflicts with pedestrian traffic and surrounding residential uses. When possible, vehicular curb cuts shall be consolidated.



FOR MORE INFORMATION

Consult Chapter 530 of the City's Zoning Ordinance Online at: <http://www.minneapolismn.gov/zoningmaps/>

Last Updated: 11/1/2017

Submitting for Development Review

- Projects are submitted electronically through ProjectDox
- Currently no hard copies are being accepted
- Submittals include:
 - Building permit application
 - Site plan review application
 - Residential construction management agreement
 - Survey
 - Site plan
 - Construction plans
- Plans may be submitted prior to the selection of a licensed contractor or without a copy of a construction contract, but both items must be submitted for review and approval before permits are issued
- New 1 or 2-unit dwellings are reviewed in **15 business days for first submittal** and **5 business days for resubmittal** after successful submission of all applicable information
- Projects containing 3 or more units require Preliminary Development Review (PDR).



Application & Project Timelines

- Due date Monday, March 13 at 1:00 p.m.
 - **Minneapolis Homes: Financing Ownership proposals**
Submit to mplshomes@minneapolismn.gov
- Expected award around June 2023
- Units available in 2024-2025

	Stabilization	Rehabilitation	New Construction (1-3 units)	New Construction (4-20 units)
Council Approval, if selected	3 months after application due date, in the discretion of the City Council.			
Return executed contract	Ten (10) business days to return Financing Contract after receipt			
Closing on Financing	Up to 12 months from City Council approval	Up to 6 months from City Council approval	Up to 12 months from City Council approval	
Closing on City-owned property (if applicable)	Not applicable	Same timeline as financing, extensions of this timeframe will incur a fee of \$1,000 per every 30 days		
Start Construction	Up to 30 days to start construction after approval of plans or issuance of the notice to proceed by Minneapolis Homes staff, whichever is sooner			
Project Completion	Within to 6 months of the date of financial closing with the City	Within 12 months of the date of financial closing with the City	Within 18 months of the date of financial closing with the City	
Total Project Timeline	18 Months from City Council approval			30 Months from City Council approval

Application – Required Documents

Developer Application (submit one copy of each document)

- [Application \(doc\)](#)
- **Documentation of Financing**

Property Offer (submit for each property address applied for)

- [Offer to Purchase \(PDF\)](#) or documentation of site control
- **New construction plans**
- **BPO or Appraisal** - Broker's price opinion that supports the sales price
- [Proforma \(xls\)](#)

Questions?

- For more information:
 - Tara.Roberts@minneapolismn.gov
 - 612-289-3301



Survey/Evaluation

Please help us improve!

Complete this anonymous survey about your experience with this video

[\(SURVEY LINK\)](#)

