

Minneapolis Homes: Financing Program Guidelines Spring 2025

Program Goal

The goal of the Minneapolis Homes: Financing Program is to eliminate racial disparities in homeownership and develop one to 20 units of ownership housing affordable projects and accessible to low- to moderate-income households throughout the City of Minneapolis. The Minneapolis Homes: Financing Spring 2025 funding is limited to the development of one- to three-unit ownership housing on vacant lots in the Near North and Camden Communities through recapture financing that serves households at or below 80% of area median income (AMI). NOTE: Two- to three-unit projects will require prevailing; however, a waiver may be obtained at funding award based on funding source. Financing can be used for project gap and/or affordability gap. Applicants may apply to purchase a City-owned lot to build a 1-3-unit ownership project or propose to build on a privately-owned parcel.

Eligible Applicant

- Applicants must demonstrate capacity and ability to start construction within three months of City Council funding award. Applicants must demonstrate a development team that includes a developer and general contractor with experience performing a comparable scale of real estate development within the past two years. Spring 2025 applicants must have experience completing City funded developments under the Minneapolis Homes Program.
- Applicants must provide all approved Minneapolis Homes projects addresses and completion status as well as addresses and completion status of their total current development pipeline (City- and NON-City-funded projects).

Eligible Projects and Properties

Projects of one- to three-unit ownership housing on a City or privately-owned parcel or contiguous parcels located in Near North and Camden Communities.

Financing Available

Financing can be used for project gap and/or affordability gap up to the total development assistance financing.

- **Project Gap:** the difference between the total development cost of a project and its fair market value upon completion.
- **Affordability Gap Recapture:** the difference between the fair market value of a financed unit and what a homebuyer can obtain for first mortgage financing.
- **Development Assistance:** the combination of project gap and affordability gap provided to a financed unit. Development assistance is provided as a 0% loan secured with a note and mortgage to finance the construction of the financed unit. Upon completion of the financed unit, project gap is forgiven, and affordability gap is secured by a recapture note and mortgage, defined further in the Financed Unit Sales Method.

Affordable price for each income tier will utilize the following assumptions and be published annually by the City in the 2nd quarter of a calendar year:

- Metropolitan Council assumptions to calculate mortgage loan principal and interest payments, insurance, and taxes.
- City assumptions for average applicable condominium association fees.
- Department of Housing and Urban Development published Income calculations for Area Median Income, adjusted for household size.
- Project specific condominium association fees.

The above assumptions will be utilized to calculate an affordable purchase price that does not exceed 29% of household income based on income tier, adjusted by the number of bedrooms in a unit. The program will additionally apply a standard to ensure the buyer's total debt ratio does not exceed 50% of AMI.

Financed Unit Sales Method

Recapture: Sales to homebuyers where direct assistance to a homebuyer as affordability gap is a minimum of \$1,000 up to 15% of home value; affordability gap funding is secured with a 30-year mortgage and note that is deferred at 0% interest and repaid upon sale. Affordability requirements apply only to the first purchaser of the unit.

Affordability Requirements

City financing is only eligible for the affordable units. Affordable units must be reasonably comparable (features, quality, and size) to market rate units in the project. Projects must meet the design/unit comparability standards and other requirements of the City of Minneapolis' Unified Housing Policy for City-assisted projects. A minimum of 10% of the units in all projects must be affordable to households at or below 80% AMI.

Development Requirements All projects must meet the 2023-24 MN overlay to the 2020 Enterprise [Green Communities criteria](#). **New construction** one- to three-unit projects also require compliance with the [Department of Energy Zero Energy Ready Homes program](#) (new this year) Version 2 Compliance and will collect documentation after funding awards are made. Where inconsistency exists between the two standards, the higher standard will apply. Projects must meet visitability design requirements or request a waiver.

NOTE: Two- to three-unit projects will require MN State prevailing or living wage; however, the City may waive this requirement at funding award based on the funding source.

Proposal Requirements

The City will conduct a Notice of Funding Availability (NOFA) process to solicit applications for funding proposals. Proposal requirements will be fully outlined in the release of the NOFA. All proposals must meet the following requirements.

- Be cost reasonable and reflect industry standards for construction cost, market value and soft costs. Developer fee is limited to 10% of total development cost per project.
- Provide a project budget showing sources and uses, including documentation of committed financing.
- Provide a conceptual design showing building elevations and a site plan; preferably a design that has already been developed under the Minneapolis Homes Program.
- Include an offer to purchase (if proposal is on City-owned land) and feasibility of the proposed development; closing will be dependent on demonstration of financing along with other program requirements.

Criteria for Selection

All proposals that meet eligibility, affordability, and submission requirements stated above will be considered. In reviewing and selecting proposals, the City will consider the extent to which the project demonstrates the following additional criteria:

Cost-Effectiveness (Examples include):

- Proposals that minimize City subsidy request by leveraging other gap financing sources or reducing total development cost
- Proposals that are easily replicable and will serve as a demonstration for other sites

Meets Community Needs and Community Engagement (Examples include):

- Developers who demonstrate an historic rate of service and/or a robust marketing plan to Black, Indigenous, people of color, immigrant, disabled households
- Projects that provide larger units of 3+ bedrooms
- Projects created in partnership with community residents as an anti-displacement strategy. NOTE: Demonstration of cooperation with community residents is necessary to receive preference

Equitable Wealth-Building Opportunities (Examples include):

- Projects led by development teams that reflect historically underrepresented and structurally disenfranchised communities of the City of Minneapolis
- Projects led by developers with historic utilization rate of ex-offenders or returning citizens, Section 3, DBE businesses, and workforce utilization to exceed Minneapolis Civil Rights criteria
- Partnership with workforce development organizations. NOTE: A letter of support from the organization must be included to receive preference

Incorporates Unique Design Features that achieve City Goals (Examples include):

- Projects that provide access to households with disabilities
- Projects that seek certification through or incorporate design features from a sustainable building program, such as Department of Energy Net Zero Energy Ready (DOE Net Zero) and Enterprise Green Communities (EGC) as required.

The City reserves the right to reject any or all proposals or parts of proposals, and to negotiate modifications of proposals submitted. The City reserves the right to not award funding to projects in which the City deems costs are not reasonable or may award funding conditioned on reducing the development costs.

Available Financing Sources

The City of Minneapolis utilizes a variety of financing sources through this program. Sources may have requirements that are more restrictive than program guidelines. When there is a conflict between source requirements and program guidelines, the source requirements will apply and will be reflected in the financing contract.

Compliance Requirements

- An **Affirmative Action Plan** with current workforce hiring goals for minority and women are required for all projects that receive more than \$100,000 of financing.
- **Section 3** requirements apply for any developer that receives more than \$200,000 of federal funds within a year.
- **Small and Underutilized Business Program goals** are required for any project that receives more than \$175,000 of City subsidy.
- **Developers will be required to comply with non-discrimination laws and affirmatively market the availability of units.**