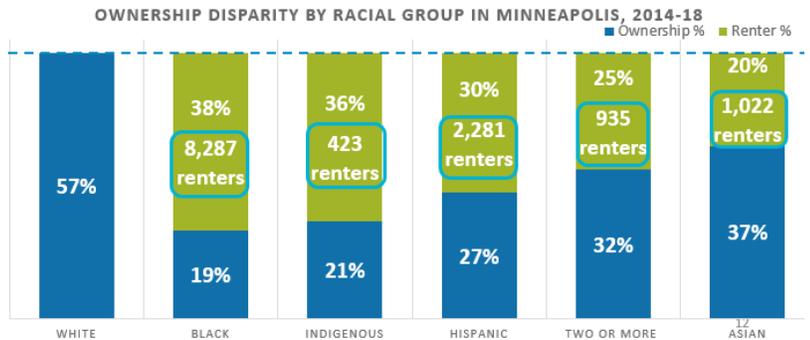


Minneapolis Homes Program Changes

The City of Minneapolis is making changes to help residents buy and sustain homes.

The City seeks to eliminate racial disparities in homeownership through its [Minneapolis Homes program](#), by providing down payment assistance and production of new units of housing, property for sale, and homebuyer and developer capacity building opportunities. A consultant, [Grounded Solutions Network](#) (GSN), was hired to [conduct a study](#) and identify solutions to create more affordable ownership opportunities that can serve Black, Indigenous, People of Color, and Immigrant (BIPOC) renters.

Eliminating disparities in homeownership means serving **12,948 BIPOC renters** in the City of Minneapolis.



Displacement Risk

GSN looked at market trends from 2008-2018 in the city and found:

- In Minneapolis, the median income for all households is about \$60,000; for BIPOC renters median income is closer to \$40,000.
- There is a shortage of homes affordable to buyers with incomes below \$60,000 (20% of homes); and very limited availability (less than 3% of homes) affordable to buyers with incomes below \$30,000.
- Home prices are rising the most in areas that are the most affordable.

Recommendations

Increase perpetually affordable housing

- Continue support of City of Lakes Community Land Trust.
- Offer a City-sponsored perpetually affordable housing model to increase options for perpetual affordability.
- Reserve City land in South and Northeast Minneapolis for perpetually affordable housing.
- Increase focus on making existing units perpetually affordable through acquisition and rehabilitation.

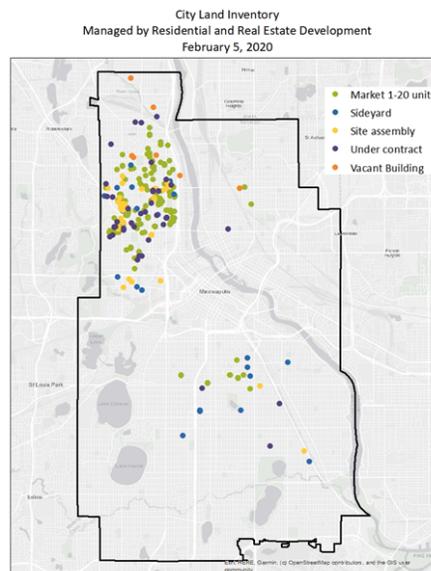
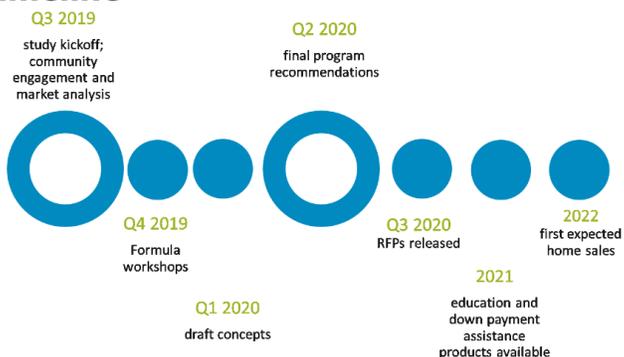
Diversify financed housing units

- Produce up to 20-unit infill housing developments.
- Leverage City-owned property for density.

Serve lower income households

- Eliminate 81-115% AMI bracket in down payment assistance and housing production products.
- Provide enough funding to serve households that make less than \$80,000, \$60,000 or \$40,000 a year and reserve all City-owned land for households below 80% AMI.

Timeline



Provide access for new, community led, or BIPOC led developers

- Consolidate housing production financing into a common application.
- Issue an open application for Qualified Administrators of perpetually affordable housing programs.
- Provide full subsidy need through City programs and encourage leverage.



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For reasonable accommodations or alternative formats please contact Aarica Coleman at aarica.coleman@minneapolismn.gov. People who are deaf or hard of hearing can use a relay service to call 311 at 612-673-3000. TTY users can call 612-263-6850.

Perpetually Affordable Homeownership (PAH) Recommendation

Minneapolis' PAH program would subsidize the new construction and acquisition of housing that is perpetually affordable to **households below 80% of area median income (AMI)**. These units would be administered and stewarded by Qualified Administrators¹ who would ensure units stay affordable for a period of 30 years; the affordability period would reset at each resale. Purchasers of PAH homes purchase at a price that is at least 20% below the appraised value, or Market Price, of a home.

Affordability & Subsidy

Households would be eligible for homes based on their annual income. Prices for the homes are based on incomes at 70%, 50% and 30% of AMI. The affordable price paid would vary based on income levels (see attached table).

Income limits are based on the U. S. Department of Housing & Urban Development (HUD) standards and will vary based upon household size. Affordable prices will also reflect the varying incomes of different sized households.

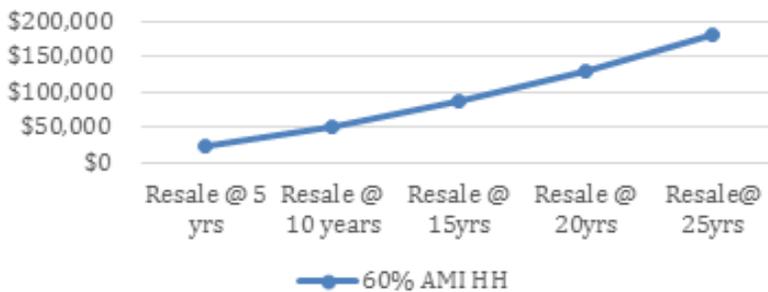
Income Limits and Affordable Pricing (4-person household, 3 bedroom home)		
AMI Level	Income Limit	Affordable Price
61% - 80% of AMI	\$78,500	\$264,000
41% - 60% of AMI	\$62,050	\$166,000
Below 40% of AMI	\$41,350	\$67,500

The City would provide subsidy for the affordability gap² and/or project gap³ for each PAH housing unit.

Resale Formula

PAH housing units would be subject to the City's 2% fixed resale formula or other resale formulas of other city-approved Qualified Administrators. Under the City's resale formula, the affordable price at which the homeowner can sell the home appreciates up to 2%, compounded annually. This keeps the home perpetually affordable for future homeowners in most market scenarios. At resale, homeowners have access to wealth creation opportunities after paying of the balance of their initial mortgage, see chart below.

Net Homeowner Return



*Assumes 5% annual housing price inflation, 2% annual income inflation and constant 4.78% mortgage rate

A **4-person** household with an annual income of **\$50,000** pays **\$166,000** for a perpetually affordable home and has a stable mortgage payment of less than **\$730 per month**.

Homebuyer benefits

- Predictable wealth building opportunity
- Transparent resale formula
- Perpetual affordability in varying markets

In markets where housing prices are rapidly increasing the 2% resale formula is a good method of ensuring units stay affordable over time. Both home prices and the AMI in Minneapolis have increased at an average rate of at least 2% over spans of 10 years or more. There have been periodic downturns in the housing market, if the homeowner chooses to sell their home during a downturn there is the chance with almost any resale formula that they will not be able to realize the full resale value of their home.

Inclusionary Zoning (IZ) Units

Ownership units produced through the City's Inclusionary Zoning (IZ) policy would be part of the PAH program, be subject to its resale requirements, and be stewarded by a Qualified Administrator. IZ ownership units would not receive subsidy like units developed through the PAH program and would primarily serve incomes at or below 80% of AMI at an affordable price based on an income of 70% of AMI, lower income brackets may be served in order to achieve the 20% discount required.

¹Qualified Administrators will be selected through an RFQ process. Applications are open to any community organization interested in stewarding PAH units

²The Affordability Gap is the difference between the Affordable Price and the larger of the Total Development Costs or Market Price

³The Project Gap is equal to the Total Development Costs minus the Market Price