

RENTER OPPORTUNITY TO PURCHASE (OTP) ORDINANCE

By Fletcher

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Amending Title 12 of the Minneapolis Code of Ordinances relating to Housing.

The City Council of the City of Minneapolis do ordain as follows:

Section 1. That the Minneapolis Code of Ordinances be amended by adding thereto a new Chapter 246 to read as follows:

CHAPTER 246. RENTER PROTECTIONS

246.10. Findings and purpose. (a) Sections 246.10 to 246.180 of this chapter shall be referred to as the renter opportunity to purchase ordinance (“the ordinance”). As a home rule charter city, the City of Minneapolis has broad authority through its police powers to enact regulation to further the public health, safety, and general welfare of its citizens and City. In recognition of rising racial disparities, housing displacement and loss of affordable housing, the City of Minneapolis finds and acknowledges:

- (1) The persistent low-vacancy rate increases in rent, and stagnant wages for renters have made it difficult for renters to access safe, affordable housing in Minneapolis.
- (2) The vacancy rate in Minneapolis has remained below five percent (5%) since 2015 and is even lower for apartment units under one thousand dollars (\$1,000) in monthly rent.
- (3) Between 2010 and 2019, the cumulative change in median rent and household income for renters steadily rose for both White and non-White. However, by 2019, racially diverse renters in Minneapolis became significantly more cost burdened by rent than White renters, according to a rent stabilization study conducted by the Center for Urban and Regional Affairs of the University of Minnesota.
- (4) Exacerbating these conditions are the loss of an estimated 15,000 units of affordable housing since 2000, as outlined in the Minneapolis 2040 Comprehensive Plan.
- (5) Minneapolis has become a target for investors leading to the loss of affordable housing and displacement of renters who are disproportionately low-income and racially diverse.
- (6) According to the “Evictions in Minneapolis” report completed in 2016, 45-48% of renter households in two of Minneapolis’ most racially diverse zip codes (55411 and 55412) experienced at least one eviction episode in the last three years. In one 2019 study conducted by the University of Minnesota’s Center for Urban and Regional Affairs, 58% of renters became homeless after being evicted.
- (7) As the City of Minneapolis experiences increased economic growth and a high demand for housing, housing prices continue to rise leading to the displacement of low-income residents and loss of affordable housing.

(8) Since 2000, housing costs for renters have increased by seventeen percent (17%), while renter income has increased by only four percent (4%).

(9) Renters comprise the majority of households in Minneapolis, growing by nearly fourteen thousand (14,000) households, a seventeen percent 17% increase, between 2000 and 2017.

(10) Renters are more likely to be low-income than homeowners and racially diverse households are more likely to rent than to be homeowners in Minneapolis.

(11) Minneapolis has one of the highest rates of disparities between Black and Non-Black home ownership rates and the majority of Minneapolis residents are renters. In 2018, Minneapolis adopted Minneapolis 2040, a comprehensive plan with a policy focus on racial equity goals, including racial equity goals related to housing. The 2040 plan outlines multiple housing policy goals including affordable housing production, preservation and expanding home ownership opportunities (in particular for people of color).

(12) Of the more than eighty-nine thousand (89,000) renter households in Minneapolis, nearly fifty thousand (50,000) earned less than sixty percent (60%) of area median income (AMI) in 2016. Three out of four low-income households (those earning less than fifty percent 50% of AMI) in Minneapolis are housing cost-burdened, paying more than thirty percent (30%) of their income for rent.

(b) For these reasons, the City of Minneapolis has adopted policies to support renters and address racial disparities including adoption of the Minneapolis 2040 plan, the Unified Housing Policy, the Renters-First Policy, and the Strategic and Racial Equity Action Plan. In addition, in order to further advance these goals and address the challenges identified above, the City has a compelling need to adopt the Renter Opportunity to Purchase Ordinance in the interest of:

(1) *Ownership/Equity*. Promoting equitable ownership opportunities, for Black, Indigenous and People of Color (BIPOC) communities for whom data demonstrates significant disparities in home ownership rates.

(2) *Renter Rights/Preventing Displacement*. As most Minneapolis residents are renters and a disproportionate number of racially diverse renter households are cost burdened and face multiple penalties from property sale including displacement, this policy seeks to prevent involuntary displacement of all renters, in particular, racially diverse renters.

(3) *Preserving Affordability/Stability*. By promoting renter or Qualified Organizations (QOs) opportunities to purchase, Minneapolis can preserve affordable and promote housing stability for renters.

246.20. Definitions. Words used in this chapter shall have the meanings ascribed in section 244.40, unless otherwise defined herein:

(a) *Appraised value* means the value of the rental housing accommodation (RHA) as of the date of the appraisal, based on an objective, independent property valuation, performed according to professional appraisal industry standards.

(b) *Bona fide offer of sale* means an offer of sale for an RHA for a price and other material terms at least as favorable to a renter, renters, Renter's Organization (RO), or QO as those that the Owner has offered, accepted, or is considering offering or accepting, from a Purchaser in an arm's length third-party transaction. In the absence of an arm's length third-party contract, an Offer of Sale containing a sales price

less than or equal to a price and other material terms comparable to that at which a willing seller and a willing buyer would sell and purchase the RHA, or an appraised value.

(c) *City* means the City of Minneapolis.

(d) *Governing document* means a constitution, articles, bylaws, operating agreement, or other writings that govern the purpose and operation of a RO and the rights and obligations of its members, which shall include provisions on the RO's decision-making processes and appointing officers and other authorized agents to act on its behalf.

(e) *Governing principles* means the governance and management principles stated in a RO's Governing Documents.

(f) *Interest in a rental dwelling license* shall have the meaning ascribed in section 244.1800.

(g) *Investor Owned* means properties owned by an investment trust, as defined in Section 856 of the Internal Revenue Code, a corporation, or a limited liability company (LLC) where at least one member is a corporation

(h) *Minimum renter participation percentage* has the meaning outlined in the Minimum Renter Participation Percentage section.

(i) *Offer for sale* means an offer to sell a RHA that includes all material and commercially reasonable terms.

(j) *Program manager* means the Directors of the Departments of Community Planning and Economic Development and Regulatory Services or their designees and other appropriate City Departments, having authority over the formation, necessary contracting, budgeting and administrative duties associated with the implementation and maintenance of the renter opportunity to purchase ordinance established by this Chapter.

(k) *Qualified organization (QO)* has the meaning outlined in section 246.60.

(l) *Rental housing accommodation (RHA)* means any real property, including the land appurtenant thereto, containing one or more rental units and located in the City.

(m) *Renter* means a renter, sublessee, lessee, sublessee, or other person entitled to the possession, occupancy, or benefits of a rental unit within an RHA. If the names of two or more people appear on a rental agreement, then all renters aged eighteen (18) years or older, shall be afforded the rights outlined in this ordinance. The singular term "Renter" or "Renter" includes the plural.

(n) *Renter organization* means renters in a RHA with five or more units, who have organized themselves as a legal entity that can acquire real property representing at least a simple majority (greater than 50%) of the rental units in the RHA meeting the requirements outlined in Section 246.80, has adopted governing documents and governing principles and has appointed officers and any other authorized agents specifically designated to execute contracts on its behalf.

(o) *Rental unit* means any dwelling unit occupied by one or more renters in the City of Minneapolis.

(p) *Sale* means the execution of any agreement pursuant to which the owner of the RHA agrees to some, but not all, of the following: relinquishing property possession, extending an option to purchase, assignment of all rights and interests in a property, requiring that purchaser pay costs associated with property following purchase and transfer of ownership interest of a corporation or LLC who has as its sole asset a RHA. Sale also has the meaning of purchase or transfer of control of an ownership entity that possesses one or more RHAs. However, the following transfers of RHAs are not considered a sale of real estate, and are thus not subject to the requirements of this ordinance:

- (1) Inter-vivos transfers, even if for consideration, between: spouses, domestic partners, parents (including step-parents and adoptive parents,) guardians and their children, siblings (including half-siblings, step-siblings and adoptive siblings), grandparents and their grandchildren, aunts or uncles, nieces or nephews, great-aunts, great-uncles and their grand-nieces or grand-nephews, or first or second cousins, or the spouses of any of these relatives, or any combination thereof.
- (2) A transfer for consideration, by a decedent's estate to members of the decedent's family, or to a partnership, corporation, or other entity controlled by a member of the decedent's family, if the consideration arising from the transfer will pass from the decedent's estate to, or solely for the benefit of, charity. The term "members of the decedent's family" includes: a spouse, domestic partner, parent (including stepparents and adoptive parents), child, sibling (including half-siblings, stepsiblings, and adoptive siblings), grandparent, grandchild, aunt or uncle, niece or nephew, great-aunt or great uncle, grand-niece or grand-nephew, or first or second cousins, or the spouses of any of those relatives; or a trust for the primary benefit of a member of the decedent's family.
- (3) Transfers of legal title or an interest in an entity holding legal title to a RHA pursuant to a bona fide deed of trust or mortgage, and thereafter any transfer by foreclosure sale or deed in lieu of foreclosure pursuant to a bona fide deed of trust or mortgage.
- (4) Transfers of bare legal title into or out of a revocable trust, without actual consideration for the transfer, where one or more transferors is a current beneficiary of the trust.
- (5) Transfers by devise, descent, or operation of the law upon the death of a natural person.
- (6) Transfers pursuant to court order or court-approved settlement.
- (7) Any transfer to a public agency, including but not limited to a transfer by eminent domain or under threat of eminent domain.
- (8) Any transfer of a fractional interest in a RHA that is less than 50% of an undivided interest in the RHA.
- (9) Corporate transfers of the following types:
 - a. Corporate transfers directly caused by a change in the form of the entity owning the property, provided that the transfer is without consideration.
 - b. Any transfer from one co-tenant to another co-tenant by operation of law.
 - c. Any transfer of a minority title interest.
 - d. Low Income Housing Tax Credits (LIHTC):
 1. The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to admit one or more limited partners or investor members who will make capital contributions and receive tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 2. The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to allow for the exit of one or more limited partners or investor members who have made capital

contributions and received tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).

3. A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, the sole purpose of which is to qualify for and enter into a new credit period, as defined in Section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for purposes of the rehabilitation of the housing accommodation; provided that, before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or legal entity.

4. A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, if each of the following conditions is satisfied:

i. The credit period, as defined in section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for the housing accommodation has ended.

ii. Immediately prior to the transfer, the housing accommodation is subject to: an extended low-income housing commitment, as that term is defined in Section 42(h)(6)(B) of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42(h)(6)(B)); or a comparable restrictive covenant as a result of a federal, state, or local programs with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42.

iii. Before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or legal entity.

iv. Immediately following the transfer, the housing accommodation shall, for a term of not less than 10 years, either remain subject to an existing or become subject to a new extended low-income housing commitment or a comparable restrictive covenant because of a federal, state, or local program with occupancy, rent, and low-income requirements at least as restrictive as under 26 U.S.C. § 42.

(11) County or government transfers pursuant to a court order or court approved settlement (bankruptcy, foreclosure, or tax sale) or a transfer by eminent domain or under threat of eminent domain.

(q) *Supportive partner* means any person or organization certified by the program manager to provide technical support services to renters and ROs pursuant to this chapter.

(r) *Third-party purchaser* means any prospective purchaser of a RHAs other than a renter or QO.

246.30. Scope and applicability. This ordinance shall apply to the sale or transfer of all RHA property in the City of Minneapolis unless otherwise exempted. Before an owner of a RHA may sell a RHA the owner shall give the renter(s) of such RHA, then the City and QOs an opportunity to purchase the RHA at a price and terms that represent a bona fide offer of sale as further described in this Chapter 246.

246.40. Exemptions and exemptions notice requirement. (a) The ownership occupancy situations and transfers outlined in this section shall be exempt from the ordinance. Owners of a RHA who claim any of the exemptions below must provide in writing, notice to renters, QOs and to the City, a notice of exemption to ordinance. The notice of exemption shall be sent by registered or certified mail, return

receipt requested, by commercial overnight delivery service that maintains proof of delivery, or by personal service, at least thirty (30) days prior to the property being marketed for sale or ninety (90) days prior to sale of the property. Notice to renters shall be sent to their address at the RHA unless a renter has supplied, in writing, to the owner, a different address for notice.

The notice of exemption shall be substantially in a form prescribed by the City and shall provide, at a minimum:

(1) A statement of the renters, RO's, City's or QO's rights under the right of first offer and right of first refusal, including the right to challenge a claim of exemption to the ordinance.

(2) A description of the specific exemption and/or transfer that the owner believes to be applicable containing all material facts, the date that the proposed exemption took effect or will take effect and the specific reason the owner asserts the transfer may be exempt from the right of first offer and right of first refusal. The specific reason cited must be one of the exemptions identified below.

(b) *Occupancy/type exemptions.* The following RHAs are not subject to the requirements of this ordinance.

(1) Rental properties owned by an individual, comprised of four (4) or fewer units are exempt if the individual has an interest in five (5) or fewer rental dwelling licenses in the City of Minneapolis. However, if the individual has RHAs registered under a different individual or business name that are owned or controlled by the same individual, then the exemption will not apply regardless of whether the individual has registered multiple rental licenses under different individual or corporate names.

(2) RHAs having at least five rental units and all rental units are vacant on the date of the sale of the RHAs. The vacancies cannot have arisen from eviction of the renters.

(3) One to four (1-4) unit buildings that are homesteaded, relative homesteaded or partially homesteaded.

(4) Single family RHAs that are individually, not investor owned and where, the individual holds an interest in five (5) or fewer rental dwelling licenses in the City of Minneapolis (whether in their individual name or in the name of a corporation or LLC, if controlled or owned by the individual).

(5) Properties that are defined as duplexes that are individually, not investor owned and the owner/individual, occupies one of the two units of the duplex.

(6) Any accessory dwelling unit ("ADU," inclusive of any junior accessory dwelling unit) located on the same parcel as a single-family dwelling where the owner occupies either the single-family dwelling or an accessory dwelling unit (inclusive of any junior accessory dwelling unit) on the same parcel as the single-family dwelling or owner-occupied accessory dwelling unit.

(7) RHAs with one to four (1-4) units that have received their certificate of occupancy and rental license within the last ten (10) years.

(8) RHAs owned by the local, state, or federal government.

(9) RHAs owned by and operated as a hospital, convent, monastery, extended care facility, convalescent home, or dormitories owned by educational institutions.

(10) Group living accommodations subject to licensing by the Minnesota Department of Human Services or the Minnesota Department of Health.

(11) Properties owned by housing cooperatives, if the cooperative entity is owned and controlled by a simple majority (greater than 50%) or more of the current residents. This definition includes non-profit mutual housing associations and limited equity housing cooperatives.

(12) Properties utilized as assistive housing developments for people with disabilities and/or the elderly or transitional housing developments for people experiencing homelessness.

(13) Properties with rent and/or income restrictions: the transfer of properties with a recorded covenant governing occupancy, rent and/or income requirements running in favor of a federal, state or local government unless a first right of refusal and/or first right of offer is approved by such federal, state or local government entity.

~~(c) Transfers exempted. The following transfers of RHAs are not subject to the requirements of this ordinance:~~

~~(1) Inter vivos transfers, even if for consideration, between: spouses, domestic partners, parents (including step parents and adoptive parents,) guardians and their children, siblings (including half-siblings, step-siblings and adoptive siblings), grandparents and their grandchildren, aunts or uncles, nieces or nephews, great-aunts, great-uncles and their grand-nieces or grand-nephews, or first or second cousins, or the spouses of any of these relatives, or any combination thereof.~~

~~(2) A transfer for consideration, by a decedent's estate to members of the decedent's family, or to a partnership, corporation, or other entity controlled by a member of the decedent's family, if the consideration arising from the transfer will pass from the decedent's estate to, or solely for the benefit of, charity. The term "members of the decedent's family" includes: a spouse, domestic partner, parent (including stepparents and adoptive parents), child, sibling (including half-siblings, stepsiblings, and adoptive siblings), grandparent, grandchild, aunt or uncle, niece or nephew, great aunt or great uncle, grand-niece or grand-nephew, or first or second cousins, or the spouses of any of those relatives; or a trust for the primary benefit of a member of the decedent's family.~~

~~(3) Transfers of legal title or an interest in an entity holding legal title to a RHA pursuant to a bona fide deed of trust or mortgage, and thereafter any transfer by foreclosure sale or deed in lieu of foreclosure pursuant to a bona fide deed of trust or mortgage.~~

~~(4) Transfers of bare legal title into or out of a revocable trust, without actual consideration for the transfer, where one or more transferors is a current beneficiary of the trust.~~

~~(5) Transfers by devise, descent, or operation of the law upon the death of a natural person.~~

~~(6) Transfers pursuant to court order or court approved settlement.~~

~~(7) Any transfer to a public agency, including but not limited to a transfer by eminent domain or under threat of eminent domain.~~

~~(8) Any transfer of a fractional interest in a RHA that is less than 50% of an undivided interest in the RHA.~~

~~(9) Corporate transfers of the following types:~~

~~a. Corporate transfers directly caused by a change in the form of the entity owning the property, provided that the transfer is without consideration.~~

~~b. Any transfer from one co-tenant to another co-tenant by operation of law.~~

~~c. Any transfer of a minority title interest.~~

~~(10) County or government transfers pursuant to a court order or court approved settlement (bankruptcy, foreclosure, or tax sale) or a transfer by eminent domain or under threat of eminent domain.~~

246.50. Phased implementation. The City shall employ a phased-in approach for implementing the opportunity to purchase ordinance. The phased-in approach will proceed according to a schedule and methodology that balances the compelling policy rationale with the need for an orderly and well-managed implementation. However, the timeline may be adjusted by the program manager to be more aggressive or less aggressive depending on resources and the speed with which the City and its partners gain technical knowledge of managing the ordinance and the financial resources necessary to support it. The phased-in approach will prioritize implementation of the ordinance as follows:

(a) *Phase 1:* Phase 1 will prioritize smaller RHAs that are 10 or more years old, including single family, duplexes, triplexes and four-unit buildings. The anticipated timeline for Phase 1 is six months after the necessary staffing resources are retained (three new full time equivalent employees.)

(b) *Phase 2:* Phase 2 will continue to prioritize smaller RHAs that are 10 or more years old and in addition, RHAs with up to ten (10) units that are 10 or more years old. The anticipated timeline for Phase 2 is 12 months after Phase 1.

(c) *Phase 3:* Phase 3 will continue to prioritize the RHA types identified in phases 1 and 2 and in addition, RHAs with up to nineteen units aged 10 or more years old. The anticipated timeline for Phase 3 is six months after the necessary staffing resources are retained (two new full-time equivalent employees.)

(d) *Phase 4:* Phase 4 will prioritize all RHA types, with RHAs aged 10 or more years old. The anticipated timeline for Phase 3 is six months after the necessary staffing resources are retained (two new full-time equivalent employees.)

(e) *Phase 5:* Phase 5 will prioritize all building ages for RHA of 1-4 units and 10+ years old for all other RHA with enhanced service levels for all buildings. The anticipated timeline for Phase 5 is 12 months after the completion of Phase 4.

In all other respects, the process, rights and obligations arising from this ordinance, which property owners, renters, Ros, the City and QOs are subject to pursuant to this ordinance, follow the processes outlined in the subsequent sections.

246.60. Qualified organizations. (a) *Certification, term, and renewal.* The program manager shall certify QOs (QO) that meet the requirements of this ordinance on a rolling basis. To be considered a QO, an organization must meet the following requirements:

- (1) Be registered to do business within the State of Minnesota, to the extent required by law.
- (2) Agree to obligate itself and any successors in interest to maintain the affordability of the RHA according to the requirements outlined in Section 246.100.
- (3) Have demonstrated the capacity (including, but not limited to, the legal and financial capacity) to own and manage RHAs long-term, either by itself or through a management agent or partnerships. The program manager may request evidence of capacity including, but not limited to, experience, references, financial records, list of lenders/equity partners, developer's asset management plan, property management plans, description of affordability levels and other criteria that the program manager deems necessary.
- (4) The organization should demonstrate experience with or capacity to own and operate affordable housing.

The program manager may prescribe any other additional requirements necessary to effectuate the purpose of this ordinance that the program manager deems necessary. An organization's certification as a QO shall be valid for four (4) years. The program manager shall solicit new applications for QOs at least once each calendar year, at which time existing QOs shall be eligible to apply for renewed certification. A list of qualifying QOs shall be published on the City's website and made available by the program manager upon request.

The process to identify QOs shall include publication of a notice and request for qualifications (RFQ). The RFQ will be provided to any entity that has enrolled to receive City RFPs on an ongoing basis and in addition, the City will make the RFQ available on its public webpage for at least two weeks and leverage relationships with external housing partners to help publicize the publication of the RFQ.

(b) *Conflicts of interest; disqualification of QOs.* A QO may not act in a manner that is averse to the interests of renters occupying a rental property that is subject to this ordinance. The program manager shall promptly investigate any complaint alleging that a QO has a conflict of interest or has failed to comply with the requirements of this ordinance. If, after providing the QO with notice and opportunity to be heard, the program manager determines that an organization listed as a QO has a conflict of interest or has failed to comply with the requirements of this ordinance, the program manager may limit, suspend, or revoke that organization's certification as a QO.

246.70. Supportive partners. (a) *Certification of Supportive Partners.* The program manager shall establish criteria for the identification and selection of organizations who may serve as supportive partners under this ordinance. To be considered a supportive partner, an organization must be registered to do business within the State of Minnesota, to the extent required by law.

Supportive partners shall be selected based on their expertise and ability to counsel renters on first-time homeownership, obtaining financing for the purchase of RHAs, the formation and governance of collective ownership structures (including ROs), ongoing property management and to otherwise provide support for renters who seek to exercise their rights under this ordinance. The certification as a supportive partner shall be valid for four (4) years. The program manager shall solicit new applications for supportive partner status at least once each calendar year, at which time existing supportive partners shall be eligible to apply for renewed certification. A list of supportive partners shall be published on the City's website and made available by the program manager upon request.

The process to identify supportive partners shall include publication of a notice and request for qualifications (RFQ.) The RFQ will be provided to any entity that has enrolled to receive City RFPs on an ongoing basis and in addition, the City will make the RFQ available on its public webpage for at least two weeks and leverage relationships with external housing partners to help publicize the publication of the RFQ.

(b) *Requirement to select supportive partner.* Renters and/or a RO in a RHA with five (5) or more units seeking to exercise a right of first offer or right of first refusal must select a supportive partner and disclose the supportive partner to the owner of the RHA within the timeframes set forth in section 246.90. The requirement to select a supportive partner shall not apply if the RHA only contains four (4) or fewer rental units or if there are no certified supportive partners on the list maintained by the program manager pursuant to subsection (a).

(c) *Conflicts of interest; disqualification of supportive partners.* A supportive partner may not act in a manner that is averse to the interests of renters occupying a RHA that is subject to this ordinance. The program manager shall promptly investigate any complaint alleging that a supportive partner has a conflict of interest or has failed to comply with the requirements of this ordinance. If after providing the supportive partner with notice and opportunity to be heard, the program manager determines that a supportive partner has a conflict of interest or has failed to comply with the requirements of this ordinance, the program manager may limit, suspend, or revoke that organization's certification as a supportive partner.

246.80. Minimum renter participation requirement. (a) For properties with five (5) or more dwelling units, in order to exercise the rights outlined in this ordinance, an RO must be established and the minimum renter participation requirement must be met. In RHAs with two to four units, no RO is required, but in order to exercise their rights under this ordinance, the minimum renter participation requirement must be met. The minimum renter participation percentage to form a RO means greater than fifty (50) per cent of the renter-occupied housing units. The minimum renter participation percentage shall be calculated based on the number of renter-occupied dwelling units in a property, rather than the number of individual renters. If there is more than one (1) renter residing in a dwelling unit, multiple renters in the unit may participate as members of the renter association for the unit to be counted towards the participating percentage of units so long as they meet the following criteria:

- (1) They are aged eighteen (18) years old or older; and
- (2) They are named on the lease.

(b) The minimum renter participation percentage requirement will be presumed to have been achieved for a period of one (1) year after it is initially established. Once achieved, the minimum renter participation percentage requirement presumes that the residents of the RHA agree to the following:

- (1) To form a renter organization; and
- (2) To exercise their rights pursuant to this ordinance, to purchase the rental housing accommodation.

After the majority of dwelling units agree to form a RO, the renters have the power to decide how to proceed with exercising their rights under this ordinance.

Specifically, a majority of the rental unit dwellings must agree that one or more of the renters can proceed with exercising their rights under this ordinance. The minimum renter participation requirement shall be calculated based on the number of units, rather than on the number of individual renters. Once the minimum renter participation requirement is met, any combination of renters in the rental units can agree to exercise their rights under this ordinance.

246.90. Process, rights and timeline. (a) *Right of first offer.* Before an owner of a RHA may offer it for sale or solicit any offer to purchase from or accept any unsolicited offer to purchase from any third-party purchaser, they must provide the renter(s) and/or RO (in a RHA with five or more units,) the City and QOs the first opportunity to submit a statement of interest and to make an offer. The owner shall notify each renter of the owner's intent to sell the RHA by certified mail and by posting a copy of the notice in a conspicuous place in common areas of the RHA. The owner shall notify the City and QOs, at the same time as notifying renters and/or ROs of the owner's intent to sell the RHA, by sending an e-mail to each of the e-mail addresses included on the City's list of QOs and to the email address designated by the City. The owner shall file a copy of the notices with proof that they have been sent to the renters, Ros, the City and QOs after notice is sent to renters, Ros, the City and QOs.

The notice shall include, at a minimum:

- (1) A statement that the owner intends to sell the RHA.
- (2) A statement of the opportunity to purchase rights of renters, Ros, the City and QOs and the accompanying timelines for exercising those rights.
- (3) A statement that the owner will provide due diligence materials to the renters and QOs if a statement of interest is received.
- (4) A statement in language formats specified by the Program Manager stating that if the renters require the notice in a language other than English, they can contact the City and request the notice in their language and/or the assistance of interpretive services.

The right to submit a statement of interest in response to an owner's notice of intent to sell are cascading subject to the following order:

- (1) Renter(s) and/or ROs;

- (2) If the renter(s) or RO fails to submit a statement of interest within the period of time required, does not assign their rights or forfeits their rights, then the right to submit a statement of interest falls to the City and to qualified organizations/QOs. The City may proceed with its rights under the OTP or, assign its rights to a QO. QOs may proceed their rights under the OTP but may not assign their rights.
- (3) If the City or a QO fails to submit a statement of interest within the time-period required, or forfeits their rights, then the owner may immediately proceed to offer the RHA for sale to, and solicit offers of purchase from, prospective third-party purchasers, subject to the right of first refusal.

The owner shall provide to each renter (single unit), RO, the City and QO that submits a statement of interest in response to the notice of intent to sell a RHA the following due diligence information, at a minimum:

- (1) An itemized list of monthly operating expenses, utility consumption rates, and capital expenditures for each of the two preceding calendar years.
- (2) A list of any known defects and hazards for repair or remediation, including all pending or unabated notices of violation or orders issued by any housing or code inspectors of the City, State of Minnesota or other authorized code enforcement agency.
- (3) The number of units and type of units and apartment numbers (efficiency, one bedroom, two bedroom, etc.), the number of affordable housing dwelling units in the building, the contract rent for every dwelling unit in the building, any scheduled rent increases, a listing of which units are occupied, which are unoccupied and any lease expirations within six months or notices of intent not to renew.
- (4) Covenants, conditions, restrictions and reserves.

The owner must deliver this due diligence information to the renter(s), RO, the City and QO personally, by first-class mail to the address of the leased premises (for the renters and RO) or to the address or email for the City and QOs. The notice may, in addition to but not in place of personal delivery or first class mail, be delivered by email or other electronic means to the residential renter at the residential renter's email address or electronic account on file with the property owner.

(b) *Timelines to submit a statement of interest* (including possible assignment of rights to a QO): After receipt of the owner's notification, due diligence materials, and disclosures, the renter(s) or RO in the RHA shall have the number of days provided below, depending on the number of units of the property, to form a RO and deliver a statement of interest to the owner and the city. Renters in a RHA with one to four units do not need to form a RO.

- (1) 51 or more units (RO formation required): 60 days plus five extra days for QO if renters/RO fail to submit offer/assign rights.
- (2) 5-50 units (RO formation required): 45 days plus five extra days for QO if renters/RO fail to submit offer/assign rights.

- (3) 1-4 units (no RO required): 30 days plus five extra days for QO if renters/RO fail to submit offer/assign rights.

The statement of interest shall be a clear expression from the renters and/or RO that they intend to further consider making an offer to purchase the RHA or further consider assigning their rights to a QO.

If the renter(s) or RO waive their rights or fail to submit a statement of interest with the period of time required, the owner shall notify the City and all QOs via e-mail on the same day of the waiver and of the right of the City and each QO to submit a statement of interest to the owner. Upon receipt of this notice, the City or a QO that intends to further consider making an offer to purchase the RHA shall deliver a statement of interest to the owner and every QO via e-mail within the remaining time in the renter timeline or a minimum of five (5) business days, whichever is greater.

The statement of interest shall be a clear expression that the City or the QO intends to further consider making an offer to purchase the RHA.

If the renter(s), RO, the City or QOs do not deliver a statement of interest within the time periods specified, the Opportunity to Purchase process concludes. At this time, the owner may immediately proceed to offer the RHA for sale to prospective third-party purchasers, and can accept offers from any buyer of the owner's choosing. At this stage, it is no longer possible for renter(s), ROs, the City or QOs to exercise a right of first refusal in response to 3rd party offers.

(c) *Timelines to Submit an Offer.* Upon receipt of a statement of interest from the renter(s), RO, the City or QO, an owner shall afford the renter(s), RO or QO an additional number of days, depending on the number of units in the property, to deliver an offer to purchase the RHA. If the owner accepts the offer, the parties shall enter into a contract to purchase the RHA and pay a deposit of at least two percent (2%) of the purchase price. The time in which the offer and earnest money must be submitted begins immediately after the statement of interest is submitted:

- (1) 51 or more units: 105 days
- (2) 5-50 units: 90 days
- (3) 1-4 units: 45 days

If the renter(s) or RO waive their rights or fail to respond within the timeframe provided above, the owner shall notify the City and all QOs, via email, of their right to submit an offer. Upon receipt of this notice, the City and/or each QO that intends to purchase the RHA shall deliver an offer to the owner within the remaining number of days in the renter timeline and any extensions thereof, or a minimum of five (5) business days, whichever is greater. After receipt of an offer, the owner shall either accept the offer from the renter, RO, the City or QO and close; or shall reject the offer and market the property for 3rd party contracts and afford renters the right of first refusal described below.

(d) *Right of first refusal.* If an owner received an offer under the OTP and rejected the offer, then before an owner may sell a RHA, they must provide each renter, RO, the City or QO that submitted a statement of interest or offer in response to the right of first opportunity, the right of first refusal to purchase the RHA at a price and terms that represent a bona fide offer of sale.

If the owner has a contract with a third-party purchaser for the sale of the RHA, the owner shall deliver all the items for the offer of sale to each renter, RO, the City or QO within two (2) days of entering into a contract with the third-party purchaser. The owner also shall provide the City a written copy of the offer of sale and a statement certifying that the items were delivered to each renter, RO, the City or QO that submitted a statement of interest or an offer.

The owner's offer of sale shall include, at minimum:

- (1) The asking price and terms of the sale, the terms and conditions of which shall be consistent with the requirements of this ordinance and applicable timeframes.
- (2) A copy of the contract with the third-party purchaser.
- (3) A statement stating that if the renter(s) or RO requires the offer of sale in a language other than English, they may contact the City and request the offer of sale in their language and/or the assistance of an interpreter.
- (4) Any updates to the due diligence information since it was originally provided.

The owner shall deliver the offer of sale to each renter, RO, the City and QO on the same day, and to the extent possible, at the same time, by e-mail, in addition to sending it via certified mail.

(e) *Timelines to accept right of first refusal/offer of sale.* If an owner receives a third-party offer, the owner must afford a right of first refusal to the renters, RO, the City or QO. The renters, RO, the City or QO will have the specified number of days depending on the number of units in the property to match the third party offer and pay a deposit of no more than five percent of the purchase price. This right applies regardless of whether a third-party offer has been presented.

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| (1) | 51+ units: | 45 days |
| (2) | 5-50 units: | 30 days |
| (3) | 1-4 units: | 30 days |

The number of days to accept an offer of sale may be extended if the parties to the transaction agree, to allow any of the parties to the transaction to exercise additional due diligence.

If the renter(s) or RO that received an offer of sale accepts it, their acceptance supersedes acceptance by the City or any QO that received an offer of sale.

If the renter(s) or RO that received an offer of sale rejects it or does not accept it by end of the specified number of days, then the owner shall notify the City and all QOs who received an offer of sale on the day the offer of sale is rejected or on the deadline, whichever occurs first, by email:

- (1) The City and the QOs will then have the remaining number of days and any extensions thereof, or a minimum of five (5) business days, whichever is greater, to accept the owner's offer of sale.

(2) Whichever party (the City or QOs) notifies the owner of its decision to accept the owner's offer of sale first, shall be deemed to have accepted the offer of sale, and the City and no other QO may accept the owner's offer of sale, whether or not the specified number of days has elapsed.

If the renter(s), the City and/or QO that received an offer of sale rejects it or fails to respond within the specified number of days, the owner may immediately proceed with the sale of the RHA to a third-party purchaser consistent with the price and material terms of that offer of sale.

(f) *Time to secure financing and close the transaction.* The owner shall afford the renter(s), RO, the City or QO with which it signs a contract to purchase the RHA a specified number of days, depending on the number of units in the property, after the date of entering into a contract to secure financing as follows:

- (1) 51+ units: 150 days
- (2) 5-50 units: 120 days
- (3) 1-4 units: 60 days

Extensions may be mutually agreed upon by both parties. If the renter(s), RO, the City or QO do not secure financing and close the deal within the specified number of days and any extensions thereof, the owner may immediately proceed with the sale of the RHA to a third-party purchaser consistent with the price and material terms of that offer of sale.

(g) *Termination of right of first offer.* Upon rejection of all offers to purchase made within the notice period, the expiration of the notice period or the failure to close the transaction within the time-periods set forth above, the owner may list and market for sale the rental property and may solicit and accept offers from a third-party purchaser.

246.100. Covenants and reporting. (a) If a QO purchases an RHA through the right of first offer or right of first refusal, the City will require covenants be filed and imposed on the property consistent with the following:

a. *Rent stabilization.* The RHA shall only increase rent once annually on each unit by no more than the Consumer Price Index for Urban Workers (CPI-W).

b. *Existing government programs.* Rental units in a RHA that has an active federal, state, or local affordable housing subsidy attached to them that places rent or income restrictions for renters residing in it are exempt from the rent stabilization requirement. Examples of such programs include the Minneapolis Affordable Housing Trust Fund, Minneapolis Naturally Occurring Affordable Housing (NOAH) Preservation Fund, Minneapolis Small and Medium Multifamily Loan Program (SMMF), Low Income Housing Tax Credit (LIHTC) program, and Housing Assistance Payment (HAP) contracts.

(b) *Surcharge.* The owner of a RHA that has been purchased through the right of first offer or right of first refusal may apply to the program manager to charge a monthly surcharge for up to eight (8) years, if the owner demonstrates through an application process to the City that the surcharge is justified by capital rehabilitation or renovation to the RHA necessary to maintain the health and safety of the renters. If the owner applies to the program manager for a rent increase above CPI-W, the owner must provide all necessary and reasonable information requested in support of its application and must verify the total

cost of the rehabilitation or renovation and that the proposed rehabilitation or renovation has been completed. To pay for the rehabilitation or renovation, the owner may charge a monthly surcharge to each unit for eight (8) years apportioned equally over each month. An owner may not charge this surcharge to any unit in the RHA without first obtaining prior written authorization from the program manager.

(c) *Compliance report from owner.* Each year on the anniversary of the sale of the RHA, the owner must submit a compliance report to the program manager containing the following information:

- (1) Current occupancy status.
- (2) Copies of any leases by new renters within the last twelve (12) months.
- (3) List of renters who have vacated the rental housing within the last twelve (12) months.
- (4) List of any renters who have given notice of non-renewal in the next twelve (12) months.
- (5) Any rent increases scheduled within the last 12 months.

(d) *Annual Report from City.* The program manager shall publicly report annually on the exercise of opportunity to purchase rights. Such reports shall include, but shall not be limited to the following:

- (1) Statistics on the number and types of sales of RHAs.
- (2) Statistics on the number of renters (single unit), ROs, and QOs that file a statement of interest and exercise the right of first offer and/or right of first refusal.
- (3) Number and types of units in the RHAs for which renters, ROs, and QOs exercise the right of first Offer and/or right of first refusal.

246.110. Assignment of rights. (a) The renter, renters, RO in a RHA or the City, may assign their rights to a QO. If the renter or RO do not want to purchase the building themselves, they can assign the right to purchase to a QO in exchange for better building conditions including, but not limited to:

- (1) Rental stabilization agreements.
- (2) Long-term building affordability covenants.
- (3) Agreements guaranteeing ongoing renter rights in building decision-making.

(b) These benefits must be memorialized in writing in a formal contract or memorandum of understanding between the parties.

(c) Within fifteen (15) days of the assignment agreement, the renter or RO that assigns their right to purchase a RHA, shall submit to the program manager documentation of the assignment and any development agreement, memorandum of understanding, or similar document detailing all material terms involved in the assignment of rights.

(d) Assignment rights can only be given to QOs approved by the City and assignment cannot be sold for direct financial value, including assignment in exchange for cash, credit or direct other financial value.

246.120. Financial incentive for property owners. The Program Manager may develop guidelines for providing a financial incentive to property owners to comply with this ordinance. The financial incentive shall be directly commensurate with the period-of-time within which their ability to market their property for sale is restricted as a result of this ordinance. Any financial incentive for owner's shall be conditioned on their full and complete compliance with the ordinance. Nothing in this provision commits the City Council to providing a financial incentive for property owners under this ordinance.

246.130. Confidential information protected. Any information exchanged between an owner, renters, ROs or QOs under this ordinance shall be kept confidential to the greatest extent permitted by law. This section shall not prohibit disclosure of information necessary to effectuate the purpose of this ordinance to any owner, renter, RO or QO, or to the City or its agents or contractors, nor shall this ordinance be construed to limit disclosure of information in response to a lawfully issued subpoena or court order or request under the Minnesota Data Practices Act, Minnesota Statutes Chapter 13.

246.140. Prohibited conduct. (a) The sale of any RHA subject to this ordinance and not exempt is prohibited unless the owner complies with all provisions of the ordinance. Renters, ROs or QOs may not sell, for direct financial benefit, any rights afforded to them under this ordinance or sell a waiver of any such right, nor shall they assign or otherwise transfer any such right except as authorized to do so under this ordinance.

(b) Parties subject to this ordinance shall refrain from the following conduct:

- (1) Owners shall not coerce renters or ROs to waive their rights under this ordinance.
- (2) Retaliate against or harass the other party in the exercise of their rights under this ordinance.
- (3) Engage in conduct intended to prevent the parties from exercising their rights under this ordinance.
- (4) Use rights afforded to them under this ordinance to harass, antagonize or in other ways, act in bad faith against the other party in carrying out their rights under this ordinance.

(c) Nothing shall prohibit the parties from entering into a written agreement to shorten or extend the deadlines set forth herein. If an agreement to do so is reached, a copy must be provided to the program manager in a manner required by the manager.

246.150. Implementation. The program manager shall adopt administrative regulations and policies necessary to implement the requirements of this ordinance and may adopt additional rules and regulations for purposes of administering this ordinance, including but not limited to rules and regulations governing the reporting of information regarding transactions subject to the requirements of this ordinance.

246.160. Enforcement and remedies. (a) In addition to any other remedy available at law, failure to comply with the provisions of this ordinance may result in criminal prosecution, adverse rental license

action, and/or administrative fines, restrictions, or penalties as provided in Chapter 2 of this Code. A notice of violation, as described in section 244.150, shall not be required to establish, or enforce a violation of this section. The city attorney, any renter or RO of a RHA subject to this ordinance or a QO eligible to purchase RHA under this ordinance may, to the extent permitted by law, bring a civil action to enforce this ordinance and shall be entitled to the remedies set forth in this section to the greatest extent permitted by law.

(b) Administrative fines may be imposed on a per unit basis at the discretion of the Program Manager.

(c) A prevailing plaintiff in any action to enforce this ordinance shall be entitled to damages according to proof and reasonable attorneys' fees and costs. Any court of competent jurisdiction may order that any transfer or sale of RHA made without complying with the requirements of this ordinance be enjoined or rescinded and may order that an owner of a RHA comply with the requirements of this ordinance.

(d) If a renter, renters, RO or QO believe that an owner has not complied with the requirement to provide them with an offer of sale related to the right of first offer or right of first refusal or the timelines provided in this ordinance, they may notify the City to seek enforcement of such rights.

246.170. Severability. If any of the parts or provisions of this ordinance or the application thereof to any person or circumstance is held invalid or unconstitutional by a decision of a court of competent jurisdiction, the remainder of this ordinance, including the application of such part or provisions to persons or circumstances other than those to which it is held invalid, shall not be affected thereby and shall continue in full force and effect. To this end, the provisions of this ordinance are severable.

246.180. Effective date. This ordinance shall become effective six (6) months after a sufficient funding source is identified and made available and shall begin with Phase I of section 246.50.