



Perpetually Affordable Ownership Housing Model
Program Manual
Version 2

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Chapter 1: Introduction

1.01 Organization Structure and Mission Statement

The City of Minneapolis Community Planning and Economic Development department (CPED) has a mission to grow a vibrant, livable, safely built city for everyone. To achieve CPED's mission, CPED's Housing Policy and Development division works to achieve the following goals:

1. Increase housing supply, diversity and affordability in all neighborhoods
2. Produce more affordable rental housing and preserve subsidized affordable rental housing, for 30 years or more
3. Preserve unsubsidized naturally occurring affordable housing (NOAH)
4. Improve and sustain access to homeownership, especially among low-income and Black, Indigenous, and People of Color and Immigrant (BIPOC) residents
5. Support renters
6. Prevent and end homelessness
7. Maximize potential of publicly owned land to meet City housing goals

[Minneapolis Homes](#) is an umbrella program that has a series of products aimed at creating affordable and sustainable homeownership opportunities in Minneapolis, connected most closely to the fourth housing division goal listed above.

1.02 Policy Background and Market Context

Policy discussions have evolved in the City to include stronger recognition of racial inequities and to create strategies that achieve broader City goals of eliminating racial disparities.

- In October 2019 ([2018-0770](#)) the Mayor and City Council passed the Minneapolis 2040 comprehensive plan, which includes relevant goals to eliminate disparities in wealth, opportunity and housing, the creation of affordable and accessible housing, and growing equitably with more residents and jobs.
- Concern for displacement risk and the urgent need for affordable housing led to passage of Inclusionary Zoning policy ([2019-01660](#)) and the Strategic and Racial Equity Action Plan ([2019-00801](#)).
- The Neighborhoods 2020 racial equity analysis ([2019-00515](#)) framed the importance of providing deeper investment in marginalized BIPOC communities in order to reduce disparities and inequities.
- Finally, the goals for the CPED department were established on ([2020-00193](#)), indicating a need to provide deeper investments in BIPOC communities and improve access and support for BIPOC owned businesses.

Due to these policy conversations with community, the City conducted [a study](#) through Grounded Solutions Network that was released in July 2020. The study underscored that a majority of homes in the City of Minneapolis are inaccessible to households that are below 80% of Area Median Income (AMI) – and that inaccessibility disproportionately effects BIPOC households due to the intersection of policies that have led to disparities in wealth access.

Within the Twin Cities Metro, incomes have increased at a rate of roughly 2.5% annually for the last twenty years, while home sale prices in Minneapolis have increased at a rate of approximately 8%. Perpetually affordable housing seeks to intervene in these market trends by making homes accessible through a significant write down of a home's purchase price (20% of a home's value or more). In exchange for the deeper subsidy investment, perpetually affordable housing seeks to sustainably maintain affordability by limiting equity gains so that multiple households can be served by a single, significant investment in affordability and access.

Through the study, the City sought to conscientiously engage BIPOC communities and low-wealth households in communities most at risk of displacement. The recommendation to develop more options for perpetually affordable housing and to develop a city-sponsored perpetually affordable housing model, which is the subject of this manual, was collaboratively developed through these community engagement sessions.

1.03 Other Perpetually Affordable Housing Models

The City is open to other perpetually affordable housing models, such as co-ops, ground leases, and other agreements that sell properties for at least 20% below their market value and then seek to preserve affordability by utilize an equity sharing formula that results in an approximate 2.5% annual increase of a home's value, to strive for perpetual affordability in most markets. Options for other models are detailed in the Grounded Solutions Network study. Currently [City of Lakes Community Land Trust](#) is the only other approved PAH model operating in the City of Minneapolis.

Chapter 2: Minneapolis Homes: Perpetually Affordable Housing (PAH) Land Trust Model

2.01 Program Description – What is City PAH?

In short, the City of Minneapolis' Perpetually Affordable Housing Land Trust Model (City PAH Program) sells homes for at least 20% below their market value and then seeks to preserve affordability by permitting a 2.5% annual compounded increase in a home's value, as detailed in a declaration of covenants recorded against the property.

2.02 Initial Enrollment Requirements and Selection of Income Tier

The City PAH Program initially sells a property or housing unit for an affordable price that is at least 20% below the property's appraised value. The City's PAH Program seeks to create affordable ownership housing at three income tiers, with affordable prices set in the middle of the income tier and adjusted for bedroom size. The City publishes affordable prices annually on [its website](#) using mortgage assumptions that are published by the Metropolitan Council, perpetually affordable housing administrator fees proposed to the City, and income assumptions that are published by the U.S. Department of Housing and Urban Development. When applicable, the City shall include homeowner association fees that will adjust the published affordable price. These assumptions are used to calculate

an affordable mortgage that does not exceed 29% of household income for a household in the middle of each income tier.

Income Tier	Property Sale Price Limit
61% - 80% of AMI	Price affordable to a household at 70% AMI
41% - 60% of AMI	Price affordable to a household at 50% AMI
40% and below AMI	Price affordable to a household at 30% AMI

Because of the City PAH requirement to enroll a home at least 20% below a home’s appraised value, in some markets it may be required to enroll a housing unit at a lower income tier to achieve the required price discount.

Example: A 50-unit condominium project with 2-bedroom units is being built and the fair market value (FMV) of the units is \$250,000. At the time of the project, income tier options for enrolling units in the PAH program are:

Income Tier	Example Affordable Price	Price Discount
61-80% AMI	\$230,000	8% - not PAH eligible
41-60% AMI	\$165,000	34% - PAH eligible
40% AMI or below	\$91,500	63% - PAH eligible

Once a property is enrolled in a PAH program at an income tier, it remains reserved to that income tier in perpetuity. In other words, if a housing unit is enrolled at the 41-60% AMI tier, it is expected that the housing unit will remain affordable to and purchased by households below 60% AMI for the first sale and each subsequent sale of the property. The affordability of a property is achieved through an equity sharing formula of 2.5% of base price compounded annually, that is secured with a declaration of restrictive covenants filed against the property.

Example: a PAH unit with a FMV of \$340,000 was discounted to an affordable price of \$250,000 (a 26% discount). The first purchaser paid \$250,000 for the unit and a declaration of covenants was recorded to restrict the home value increase at a rate of 2.5% compounded annually. After five years of ownership, the first purchaser is ready to sell to a new affordable buyer. The unit would have a cap on the sales price at \$276,020, as calculated by the Qualified Administrator (see example table below):

Year	Maximum PAH Sales Price
0 (initial purchase)	\$250,000
1	\$256,250
2	\$262,656
3	\$269,223
4	\$275,953
5 (resale year)	\$282,851

To further preserve affordability of the enrolled property, the market value of the property for property taxes shall be based on the maximum PAH sales price instead of the full appraised value of the property. In the case where the PAH Property is a 2-4 unit building that has one ownership and the remaining rental units, the market value of the property for property taxes will be determined on a case by case basis by the City Assessor.

2.03 Pathways for Enrollment

There are several ways that a property can be enrolled in the City's PAH Program:

- 1) [Minneapolis Homes: Financing](#) (MHF) Unit Sales: the MHF program advertises funding and property through an application process to create new and stabilize existing affordable homeownership housing units in buildings with 1-20 units of housing conducted at least annually. Applicants can select the City PAH model or other perpetually affordable models through their application. If an application indicates enrollment in the City PAH model, is recommended by staff, and is approved by the Minneapolis City Council, the contract between the City and the applicant will detail City PAH enrollment requirements.
- 2) [Minneapolis Homes: Financing](#) (MHF) Stabilization: homeowners, current renters, or developers can choose to enroll a home in City PAH to maintain affordability of a housing unit by applying through the MHF program. Stabilization proposals provide acquisition and/or rehabilitation funding to stabilize existing homeowners or renters in their currently occupied housing unit.
- 3) [Inclusionary Zoning](#) (IZ): IZ aims to create mixed-income communities by requiring affordable housing units within new housing developments of 20 units or more. At the time a development project submits for its building permit, the project is reviewed for IZ compliance and the required number of affordable units and applicable income tier to be served are determined by City staff. All IZ ownership units are required to enroll in the City's PAH Program. A Declaration of Inclusionary Zoning Covenants that includes affordability terms and requirements is recorded against the property prior to issuing a certificate of occupancy for an IZ building until each IZ unit is sold and a PAH Declaration can be recorded against the unit.

2.04 Qualified Administrator Role and Responsibilities

Regardless of a housing unit's enrollment pathway, the person enrolling the City PAH Property must work with a qualified administrator (QA). Once a City PAH property is initially sold, the homeowner of the City PAH Property may request to switch to a new QA with proper notice, as outlined in section 6.01. A list of QAs acceptable to the City and their applicable pricing for services is available on the [Minneapolis Homes: Financing website](#). Roles of a QA include:

- **Education:** QAs are responsible for providing City PAH curriculum delivery for prospective homebuyers on how to purchase a City PAH Property, homeowner expectations, and what to expect upon resale of a City PAH Property.
- **Initial Sale:** QAs review the income documents of potential homebuyers, verify eligibility to purchase a City PAH Property, and work in partnership with the current owner of the City PAH Property to facilitate recording of the City PAH Declaration of covenant documents.

- **Monitoring:** Once a City PAH Property is sold, the QA performs at least annual monitoring to ensure that the City PAH Property continues to be owner-occupied and in compliance with homeowner expectations, detailed in section 4.08.
- **Refinance:** QAs communicate with lien holder(s) and implement the subordination request procedures, detailed in chapter 5.
- **Resale:** QAs review the condition of City PAH Properties prior to listing for sale, calculate the affordable sale price, review the income documents of potential homebuyers, verify eligibility to purchase a City PAH Property, and work in partnership with the current owner of the City PAH Property to facilitate recording of the City PAH Declaration with the new buyer, detailed in chapter 6.
- **Reporting and Data Practices:** QAs maintain City PAH Property files and report on program outcomes to the City of Minneapolis and its funders or auditors.

The QA responsible for administering a PAH Property can change upon each resale. In other words, the seller of a City PAH property has the option to choose a QA from the list posted on the City website upon each listing and sale of a City PAH Property.

2.05 Considerations for Certain Property Types

The City is open to a variety of development types through the City PAH program. Below is a list of considerations for certain development types:

- **2-4 unit owner occupied properties with rental units:** City PAH permits a mix of owner and rental occupied units in a property. The building must meet the 20% discount requirement of the PAH program and will be required to utilize the 2.5% annual compounding formula to manage increase in price. There are not requirements imposed for the rental units and their rents. Net rent (gross rent less expenses) or 75% of anticipated rent should be included in the calculation of a homebuyer's income.
- **Sale through Contract for Deed:** The City permits Contract for Deed programs in compliance with the City's policy (Exhibit E). The Contract for Deed program must be approved by the City and the property will only be enrolled in the City's PAH Program either by the Contract for Deed Vendor prior to marketing the property for sale or after a completed purchase.
- **Condo developments and/or co-operatives with association fees:** Association fees must be included in the calculation of affordable price described in Section 2.02. The entity enrolling a property in the City PAH Program should contact the selected QA and include 1) the cost of association fees for their project 2) a brief description of the project, including the total number of units and number of PAH Units anticipated. The QA will work with the City to determine the adjusted affordable price and the QA will monitor compliance of the City PAH Unit.
- **Stabilization:** Currently owner-occupied buildings are eligible to enroll in the City PAH model. The procedures for enrolling an existing building are described in Chapter 3.

Chapter 3: Stabilization Procedures of Occupied Properties

Existing housing can be enrolled by applying for Stabilization funding through the Minneapolis Homes: Financing application process. Eligible expenses for funding are detailed in the Minneapolis Homes: Financing program manual and guidelines. When City funding is provided to an existing renter- or owner-occupied property, the following procedures apply.

The QA will review the current tax assessed value of the property and consider it as the fair market value. Upon request by the homeowner or renter receiving assistance, the QA may order a 3rd party appraisal to establish the fair market value. Direct assistance through the MHF program must be at least 20% of the fair market value. Eligible costs for direct assistance include rehabilitation expenses, payment of taxes or mortgage payments in default, and/or Affordability Gap to reduce the cost of the owner's first mortgage to a sustainable monthly payment.

Example: An existing homeowner has lived in their home for 15 years. The homeowner's income has decreased, and they are in danger of losing their home because of mortgage payments they cannot sustain. The Qualified Administrator looks up their current tax value, which is \$300,000. The homeowner owes \$200,000 on their first mortgage currently. The QA examines the household income of the homeowner and determines that they can afford the monthly payments on a refinanced 1st mortgage of \$130,000, meaning there is a need for \$80,000 of direct assistance from the City. In this example, the base price of the City PAH Property would be \$220,000 and would increase by 2.5% annually after enrollment.

Example Calculation		
Fair Market Value:	\$300,000	Either the tax assessed value or the value of a 3 rd party appraisal
Current 1 st mortgage:	\$200,000	
Affordable 1 st mortgage:	\$130,000	Calculated by the QA assuming a housing payment of 29%
Back taxes owed	\$10,000	
Direct assistance need	\$80,000	(Current 1 st mortgage minus affordable first mortgage) plus back taxes owed
Base PAH price	\$220,000	Fair market value less the direct assistance provided

Chapter 4: Initial Homebuyer Selection and Sale Procedures

4.01 Marketing Requirements for City PAH Properties

City PAH Properties that are voluntarily enrolled by an existing homeowner do not have marketing requirements for initial enrollment. All other City PAH Properties must be marketed in compliance with this manual and, depending on pathway of enrollment, with the MHF or IZ manuals. In the event of a conflict between manuals the most restrictive requirement applies.

At least three (3) business days prior to posting a property on the MLS, the seller shall submit the posting language to the selected QA for confirmation that the requirements of this section are met. The QA and the City may additionally market the City PAH Property through their own websites, newsletters, or other publications using seller provided listing information.

Sellers may list properties through a realtor of their choosing and must ensure City PAH Properties:

- Are publicly marketed on the Multiple Listing Service for a minimum of ten (10) calendar days
- Include non-discrimination, equal housing opportunity language on all marketing materials
- Are advertised for the affordable price determined by the seller's selected QA
- Include language to the public and realtors indicating that the property is subject to affordability and price increase requirements

Additional marketing beyond minimum requirements through culturally specific mediums and public platforms that are free to access is encouraged.

4.02 Eligibility Requirements for Homebuyers

All households must:

- Own and occupy the PAH Unit as their Principal Residence
- Meet HUD Part 5 income eligibility requirements
- Be eighteen (18) years of age or older or have been declared emancipated by a court having jurisdiction
- Complete an eight-hour pre-purchase homebuyer education workshop offered by a HUD approved Housing Counseling Agency or complete the Framework online homebuyer education course
- Utilize a first mortgage product that is considered an "A" or "prime" lending product. It must be a fixed rate FHA, VA, or Conventional loan, unless pre-approved by Minneapolis Homes staff. (NOTE: Contract for Deed is permitted and must be in compliance with the City's Contract for Deed policy, attached as Exhibit D)
- Meet with an attorney of the household's choosing to review the City's Declaration and ensure clear understanding of the shared equity formula. The cost of meeting with an attorney can be billed to the Qualified Administrator up to \$300.

4.03 Homebuyer Income Qualification

Household income of owner occupants of PAH Units must be at or below the income tier cap of the enrolled PAH Property (80% and below, 60% and below, or 40% and below) at the time of purchase (or, in the case of a Contract for Deed, at the time the contract is signed). Incomes adjust for household size and are published annually by HUD. QAs will [use guidance published by HUD](#) to ensure compliance with Part 5 income qualification (24 CFR 5.609). Additional affordability requirements may apply to a project. Where one income limit exceeds the other, the lower will be applied. For 2-4 unit properties that are owner occupied with rental units, adjusted net rents from the rental units will be included in the owner occupant's income calculation.

See Appendix C for HUD Part 5 income certification requirements and forms.

HUD Part 5 calculates annual income of all household members and typically uses third party verification and/or source documents to determine eligibility. Documents that should be provided by each household member include:

- Three consecutive months of pay stubs
- Bank statements from checking (6-month average) and savings (current balance) accounts

4.04 Homebuyer Affordable Price Financing

The City PAH Program discounts the FMV of a property to an affordable price, the homebuyer still must finance the affordable price. Options for homebuyers to finance the affordable price include:

- **First mortgage financing:** Lenders that have approved the City PAH Declaration are listed in Appendix H. The City is open to new lenders approving its PAH Declaration – if there is a preferred mortgage lender that a homebuyer is working with the City will provide the PAH Declaration to seek lending approval.
- **Cash/net proceeds from sale of other property:** Homebuyers may use cash or asset resources to assist with financing a City PAH Property. Note that asset income is included in the determination of household income, and households with significant assets may not income qualify for the City PAH Property as a result.
- **Down payment assistance:** A variety of down payment assistance programs are offered through banks, foundations, non-profits, and/or government agencies, these programs may be utilized to finance the affordable price of a Property and deepen the affordability of payments for a household.
- **Contract for deed:** Homebuyers may purchase City PAH Properties through a contract for deed that meets the City of Minneapolis contract for deed policy, see Appendix D.

Potential homebuyers must both be income qualified and have enough financing for the affordable price to proceed through the selection process.

4.05 Homebuyer Preference Policy

The City of Minneapolis has established a preference policy to provide residents of certain North, Northeast, and Central Minneapolis neighborhoods who were displaced since January 1, 2007, or at risk of displacement due to extreme economic forces with preference for certain housing units in Minneapolis. Eligible neighborhoods can be found in the map found on Appendix F.

Properties that will have preference applied will be identified at the time of enrollment through the City PAH Program and preference will only apply to the initial sale of a property. The way units are designated for preference differs depending on enrollment pathway:

- **MHF – unit sales:** City Council designates 50% of units for enrollment when approving staff recommendations through the NOFA.
- **MHF – stabilization:** no preference policy requirements apply.
- **Inclusionary Zoning:** no preference policy requirements apply.

If a unit is designated to comply with the preference policy, Applicants will be required to affirmatively market the property as outlined in Section 4.01 and include the form in Appendix E and eligible map in Appendix F with all marketing materials.

4.06 Homebuyer Selection Process

In the event multiple offers are received for any City PAH Property, QAs must implement the following selection criteria:

- 1) **Income Eligibility** – if households are not income eligible, as defined in program guidelines, they will be disqualified
- 2) **Household Size** – applicants whose household size is less than the number of bedrooms in the unit plus one will only be selected if there are no qualified applicants of a compatible size for the unit
- 3) **Preference Policy** – applicants who meet the criteria of a City approved preference policy (only applies to initial sale of designated units)
- 4) **Current Renters** – households that don't own a home

If all of the selection criteria above are applied and there are still multiple applicants for a housing unit, then a randomized selection will be conducted by the QA. The QA does not have the ability to add additional selection criteria. The selected homebuyer is then designated as the qualified purchaser by the QA.

4.07 Homebuyer Closing Procedures

The seller of a City PAH Property must coordinate with the selected QA leading up to the closing on a property with a selected homebuyer. QAs are responsible for communicating the following conditions to closing to the title company:

1. Written confirmation from the QA of the resale affordable price and either

- a. the name of the qualifying purchaser or
 - b. notification that the City is exercising the purchase option
2. A standard title company form deed or conveyance deed, executed and acknowledged by Owner granting the property to the qualifying purchaser or the City, as applicable, which shall be recorded in the Hennepin County official property records at closing;
3. If the sale is to a qualifying purchaser, a PAH Declaration with the same form, term and substance as the current declaration executed and acknowledged by the qualifying purchaser and the City, which shall be recorded in the Hennepin County official property records at closing.

At closing, the Owner shall convey the property to the qualifying purchaser or the City, as applicable, by conveyance deed. The Owner shall additionally cause a mutually acceptable title company to issue a title insurance policy in the amount of the resale affordable price insuring title to the property vested in the qualifying purchaser or the City, as applicable, subject only to standard printed form exceptions, exclusions, liens for current taxes and assessments not yet due or payable, the new PAH Declaration, a senior lien and such other matters as were exceptions to title as of current ownership or are accepted by the qualifying purchaser, or the City, as applicable, in writing. All closing costs and title insurance premiums shall be allocated pursuant to customary practices of the locality.

4.08 Owner Expectations

After closing on the City PAH Property, Owners are expected to:

- Maintain the PAH Unit as their principal residence
- Provide the QA with a completed occupancy certificate by February 1 of each year for the previous calendar year
- Maintain the property in compliance with all applicable laws, ordinances and regulations and in a livable, healthy, and functional condition with all appliances and fixtures in good working order
- Pay when due all taxes, assessments, homeowner's association dues and all other service bills and utility charges that relate to the property
- Perform any other agreements or obligations on Owner's part to be performed under the PAH Declaration,
- Pay the first mortgage, or senior lien, and ensure that no additional liens other than what is detailed in Section 5.01 are placed on the City PAH Property in violation of the declaration.

4.09 Annual Monitoring

QAs will reach out to Owners in the 4th Quarter of each calendar year to:

- To complete the Occupancy Certificate from Owners that the PAH Unit remains owner occupied, has not been refinanced in violation of Chapter 4, and continues to meet program requirements
- Communicate increases in value
- Invoice the applicable QA annual monitoring fee if not paid monthly

Upon request from the City Assessor, QAs will also communicate the current value of enrolled properties to the City Assessor.

4.10 Qualified Capital Improvements

A “Qualified Capital Improvement” is:

(a) a permanent improvement or structure or other asset added to a property that adds to the value of the PAH Unit and either (i) increases the habitable square footage of the PAH Unit (such as basement finishing, an addition, or an accessory dwelling unit), (ii) adds a new garage, or (iii) constitutes a substantial permanent capital improvement that is a significant upgrade to the PAH Unit (such as remodeling of kitchens/bathrooms that are at least 10 years old) (a “Track A Improvement”); or

(b) a major system upgrade (such as an upgrade to furnaces, plumbing, electrical, foundation, roofing, and energy efficiency). The Qualified Capital Improvement must have a minimum cost of \$2,000 and constitute a substantial upgrade over the existing system (a “Track B Improvement”).

To qualify as a Qualified Capital Improvement, the owner must pay for the improvement themselves. Improvements made with grant funds shall not qualify as a Qualified Capital Improvement.

For work to qualify as a Qualified Capital Improvement, the Owner shall:

- 1) Contact the QA for a consultation for a possible improvement. As determined by the QA, the consultation may include a walk-through, review of construction plans and/or contractor bids, or a referral to resources.
- 2) Pass a housing inspection by the QA.
- 3) Complete and submit to the QA a Qualified Capital Improvement Application in the form required by the City, with all supporting documentation including permits (if required) and bids (if required under Track B below), prior to starting work. All work must be properly permitted and in compliance with City code.
- 4) Receive approval by the QA of the Qualified Capital Improvement. The QA will approve the Qualified Capital Improvement if (a) the owner follows the process described in this Section, (b) the proposed funding of the project is reasonable, and (c) the proposed work does not significantly impact the future affordability of the PAH Unit or is a luxury item.
- 5) Complete the work, obtaining final permit approvals (if required).
- 6) Contact the QA to receive an executed Qualified Capital Improvement Acknowledgement, in the form required by the City, which will document the approval and completion of the Qualified Capital Improvement.

If an executed Qualified Capital Improvement Acknowledgment is received, upon property sale a credit may be applied to the Seller’s proceeds as described in Section 6.06. The credit shall be determined as follows:

Track A Improvements: The Owner or the QA will order a third-party appraisal of the PAH Unit. The appraisal will separately state the increase in value attributable to the Qualified Capital Improvement. The full increase in value due to the Qualified Capital Improvement will be credited to the Seller’s proceeds as described in Section 6.06.

Track B Improvements: If the Qualified Capital Improvement is made within 5 years of the sale date, 50% of the actual costs incurred by the owner (as shown on a verified proof of payment) for the major system upgrade after any rebates will be credited to the Seller's proceeds as described in Section 6.06. As part of the Qualified Capital Improvement Application, the owner shall receive at least two licensed contractor bids. Repairs will not qualify as a major system upgrade and are not eligible for a credit. If the PAH Unit is sold more than 5 years after the completion of the major system upgrade, the upgrade will not be eligible for a credit.

If the Qualified Capital Improvement is a combination of a Track A Improvement and a Track B Improvement, the Qualified Capital Improvement will be evaluated as a Track A Improvement.

Chapter 5: Refinance and Subordination Procedures

5.01 Purposes of Financing

Subject to the City's prior written approval, Owner may encumber title to the property for the sole purpose of securing;

- (a) Financing to purchase the property for its affordable price, or
- (b) Refinancing up to the amount of the original financing, or
- (c) Refinancing up to the amount of the original financing, plus fifty percent (50%) of the difference between the Resale Affordable Price less the Owner's Affordable Purchase Price.

Refinancing under option (c), above, is eligible only for:

1. Making capital improvements to the property, which means those certain improvements made to the home at Owner's expense which add significant value to the home, and which are capital in nature. Improvements like the construction of additional rooms, garages, bathrooms and kitchen remodeling. Expenditures for maintenance, such as roof replacement, and the updating or replacement of appliances such as furnaces, water heaters and kitchen appliances, would not qualify as a capital improvement herein.
2. Meeting post-secondary educational expenses incurred by a household member after the date of purchase,
3. Meeting the costs of an Owner's or Owner's immediate family member's Catastrophic Illness, or
4. Securing funds required to implement a dissolution of marriage or domestic partnership agreement.
5. Refinancing shall not be permitted to obtain a loan or use equity to repay credit card debt or purchase automobiles or other personal property. Owner shall not cause or permit any other mortgages, encumbrances or liens upon the property. Owner shall submit to the QA on an annual basis a certification that Owner has not refinanced the property in violation of the refinancing chapter (Chapter 5) of this manual.

5.02 Refinancing Procedures

If an Owner desires refinancing, the Owner shall contact the QA and indicate intent. The QA shall review the request for conformance with this Chapter and the recorded PAH Declaration, and upon verifying eligibility shall communicate approval of the refinance to the lender. The Owner shall pay the QA's refinance fee as part of the closing process.

5.03 Subordination

The PAH Declaration shall be subordinate only to City-approved financing.

5.04 Damage and Destruction; Condemnation; Insurance

If the Property is condemned or the improvements located on the property are damaged or destroyed, all proceeds from insurance or condemnation shall be distributed in accordance with the PAH Declaration, subject to the requirements of the senior lien. Insurance shall be maintained in the types and amounts required under the senior lien. Unless Owner, the City, and senior lender otherwise agree in writing, insurance proceeds shall be applied to restore or repair the property damaged.

If Owner, the City, and senior lender determine that restoration or repair cannot be made or if the property is condemned, the insurance or condemnation proceeds shall be distributed:

1. First to pay the outstanding value of the senior lien and all associated fees of the senior lender,
2. Remaining proceeds up to the Resale Affordability Price to the Owner, and
3. Remaining proceeds in excess of the Resale Affordability Price will be distributed fifty percent (50%) to the City and fifty percent (50%) to the Owner.

Chapter 6: Resale of a City PAH enrolled property

6.01 Selection of QA

The Seller may select the QA to facilitate the marketing and resale of their home from the list of eligible QAs on the City of Minneapolis website. Upon selection, homeowners must provide written notice to the existing QA from their original purchase and the selected resale QA of their intent to sell.

Notice of proposed transfer, except in the case of a transfer to a spouse or upon Owner's death or divorce, is required if Owner desires to transfer the property. The existing QA shall calculate the affordable resale price within 5 business days and provide to the resale QA and Owner, and the resale QA shall implement the Resale Procedures detailed in this chapter. Once a homeowner selects a resale QA and begins a sale process, the homeowner cannot initiate an additional QA transfer.

6.02 Resale Inspection

After the QA's receipt of the notice of proposed transfer, the resale QA shall coordinate with the Seller to schedule an inspection appointment and shall seek to schedule the appointment within 7 business days or such longer period as is convenient to the Seller. The resale QA may inspect the property to

determine if damage exists that prevents the healthy, functional, and safe continued occupancy of the property.

In the event any damage is noted, the resale QA shall determine the repair costs and shall deliver written notice to Owner specifying the damage and the estimated repair costs. Once notified, the Owner may select one of the following options:

- (a) Repair the damage prior to marketing. If the Owner repairs the damage, the QA shall have the right to re-inspect the property and determine if the damage is fully repaired.
- (b) Place funds for repairing damage in an escrow account, to permit the new qualifying purchaser or the City to complete the repairs.
- (c) Request that the QA complete repairs, in which case the owner proceeds shall be reduced by the repair costs.

6.03 Resale Marketing

Properties may not be marketed until an inspection has occurred, a strategy to address repairs is selected as outlined in the previous section, and affordable price determined. Once the affordable price is determined, the property shall be marketed consistent with section 4.01.

6.04 Resale Buyer Selection

Homebuyers will be selected by the QA consistent with section 4.06, except preference policy does not apply to the resale of property.

6.05 Resale Closing Procedures

The City PAH closing procedures detailed in section 4.07 apply. In addition, the QA will determine the proceeds payable to the seller upon resale.

6.06 Resale Seller's Proceeds

The Seller's proceeds from a transfer of the property shall be calculated as follows:

1. The resale affordable price;
2. Plus, the amount of any Qualified Capital Improvements in accordance with Section 4.10;
3. Less the amount necessary to release any senior debt or any junior liens such as down payment loans;
4. Less closing costs;
5. Less the resale fee;
6. Less any repair costs due to the City or qualifying purchaser;
7. Less any unpaid fees due hereunder plus interest at the rate of 5% per year from the date due through the date paid.

The Owner is responsible for paying the senior 1st mortgage loan, regardless of the affordable resale price or sale proceeds.

Chapter 7: City PAH model failure procedures

The City of Minneapolis relied on nationwide best practices to develop the City PAH model and expects the model to perform in most real estate markets. Nevertheless, the City cannot predict future market conditions. In the event of extreme market changes, the following procedures will apply:

7.01 Unsuccessful Marketing

If Owner and the QA, acting diligently and in good faith, are unable to locate a qualifying purchaser after one hundred and eighty (180) business days from the date of the QA's receipt of the notice of proposed transfer, then Owner shall provide the City with notice of such and the City may exercise its option to purchase the property, further detailed in Section 7.05. If the City does not exercise its purchase option, Owner may request, and the City shall issue a certificate in recordable form stating that the City has waived its purchase option and that the Owner may sell the property for fair market value free of the terms of the declaration, provided the transfer is an arms-length transaction and the Owner shall pay to the City fifty percent (50%) of Owner's proceeds in excess of the affordable resale price. Nothing in the PAH Declaration constitutes a promise or guarantee by the City that Owner will be able to resell the property for the resale affordable price or any other price.

7.02 Affordable Price is No Longer Affordable

In the event the Area Median Income decreases substantially, or mortgage underwriting criteria vary significantly and there are no buyers within an income tier that can qualify for purchase of a PAH Property, the following remedies can be pursued:

- 1) Implementing the "unsuccessful marketing" procedures outlined in section 7.01, or
- 2) Requesting City staff to seek a City Council approval of revised affordability criteria that better reflect current market conditions

7.03 Fair Market Value is Below Affordable Price

In the event of a substantive market crash that results in an extreme loss of value for the PAH Property and the fair market value is below the Resale Affordable Price determined by the City PAH model, the QA must contact the City. The City shall order a third-party appraisal to verify fair market value is below the Resale Affordable Price. Upon verification, the City may either exercise its option to purchase the property for its Resale Affordable Price or authorize the Owner to sell the property for fair market value free of the terms of the declaration, provided the transfer is an arms-length transaction. If the City ordered third-party appraisal is higher than the Resale Affordable Price, then the sales procedures outlined in Chapter 6 apply.

7.04 Extraordinary Repair Costs

If there is substantive property damage and repair cost exceeds 50% of the difference between the Resale Affordable Price less the Owner's Affordable Purchase Price, then the Owner may need to pursue the following remedies:

- 1) Pay out of pocket for repairs in order to sell

- 2) Seek financing from a grant-based home improvement program
- 3) Request City staff to seek City Council approval for additional investment to rehabilitate the property

7.05 City’s Purchase Option

The City reserves the right to purchase a PAH Property from the Owner in the event of default or unsuccessful marketing. The City shall not be held liable by reason of its exercise or non-exercise of the purchase option.

The following timelines apply for the City to exercise its purchase option in different scenarios:

City Purchase Option Scenario	City Timeline to Exercise its Option to Purchase
City PAH Declaration default	90 calendar days after notice of default is sent to Owner by City if default is not cured within applicable timeframe as specified in the PAH Declaration
Owner default under the senior lien (first mortgage)	At least five (5) business days before the date of a foreclosure sale
Unsuccessful marketing	Thirty (30) calendar days after receipt of an unsuccessful marketing notice detailed in Chapter 7

If the City elects to exercise its purchase option, the City may assign the purchase option to a governmental entity, non-profit organization, or a qualifying purchaser, who shall be subject to the PAH Declaration.

If the City does not elect to exercise its purchase option, it will issue a certificate in recordable form releasing the declaration, as detailed in the “unsuccessful marketing” section 7.01.

Chapter 8: Owner Default

8.01 Events of Default

The occurrence of any one of the following events or circumstances shall constitute an “event of default” by Owner:

1. Owner has transferred or attempted to transfer the property in violation of the covenants and restrictions contained in the declaration (“unauthorized transfer”).
2. The QA has determined that the property is not Owner’s principal residence or that Owner has made a material misrepresentation to the QA.
3. Owner fails to pay real estate taxes, assessments or homeowner’s association dues, when due or Owner fails to maintain insurance in such amounts as required under the declaration; or Owner places any mortgages, encumbrances or liens upon the property in violation of the declaration; and such event or condition shall not have been cured within thirty (30) calendar days following the date of written notice to cure by the QA to Owner.
4. Owner fails to perform any other agreements or obligations on Owner’s part to be performed

under the declaration, and such failure continues for thirty (30) business days following the date of written notice to cure by the City to Owner, or in the case of a default not susceptible of cure within thirty (30) business days, Owner fails to promptly commence such cure within thirty (30) business days and thereafter fails to diligently prosecute such cure to completion.

5. Owner causes or permits a default under the senior lien and fails to cure the same in accordance with the cure provisions in the senior lien.
6. Owner places or allows a lien to be placed on the property in violation of the declaration.
7. Owner declares bankruptcy or makes an assignment of assets for the benefit of creditors.

8.02 City Options to Cure PAH Model Default

In the event of default by the Owner, the City may pursue any or all of the following remedies:

City shall have the right to take any or all of the following steps:

- a. Exercise its purchase option
- b. Institute an appropriate court action including, but not limited to, specific performance, an injunction to prevent a transfer, voiding a transfer that occurred in violation of the PAH Declaration and seeking damages including seeking rental or sale proceeds
- c. Recover any assistance Owner received in connection with the acquisition of the property
- d. Exercise all other remedies permitted by law or equity

8.03 Right to Cure

Although the City has no obligation to do so, the City may perform any act required of Owner in order to prevent a default under, or an acceleration of the indebtedness secured by, the senior lien or the commencement of any foreclosure or other action to enforce the collection of such indebtedness. If the City elects to cure any such default, Owner shall pay the expenses incurred by the City in effecting any cure upon demand within thirty (30) business days, together with the interest thereon at the maximum interest rate permitted by law. Failure of Owner to timely reimburse the City shall constitute an event of default under Chapter 8.

Chapter 9: Miscellaneous

9.01 Reporting, Record Retention, and Documentation

The QA must retain financial records, supporting documents, statistical records, environmental review records, and all other records pertaining to the project for six years after property resale. Records that are the subject of audit findings shall be retained for six years after such findings have been resolved. Records for non-expendable property acquired with funds under the agreement shall be retained for six years after final disposition of such property. Records for any displaced person must be kept for six years after he or she has received final payment.

9.02 Conflict

In the event of any conflict between this manual and the PAH Declaration, the PAH Declaration recorded against the property controls.

Appendix A: Glossary

Below is a summary of key terms and definitions present throughout this program manual and in Minneapolis Homes programming. Terms that are not defined herein shall have the meanings given to them in the PAH Declaration.

Affordability Gap – The difference between the appraised value of a home and the amount that a homebuyer can afford to pay for a first mortgage.

Area Median Income (AMI) – Is determined by HUD. If everyone’s incomes in the Twin Cities Metro area were lined up lowest to highest, the area median income would lie directly in the middle. AMI varies by household size.

Contract for Deed – a contract between the buyer and seller of real property in which the seller provides the buyer financing in the purchase and the buyer pays for the title to the real property over time and only upon full payment does the buyer obtain fee title to the property.

HUD – U.S. Department of Housing and Urban Development (federal funding source)

IZ – Inclusionary Zoning

PAH Declaration – The City’s form of Limited Equity Home Ownership Declaration and Option to Purchase Agreement recorded against the property at the time the property is enrolled in the City’s PAH Program.

PAH Property – The real estate being purchased by the income qualified homebuyer whether that is a single-family home, a single condominium unit or a 2-4 unit property.

PAH Unit – The residential unit in which the income qualified homebuyer will reside.

Perpetually Affordable Housing (PAH) Program – Uses a ground lease, declaration of covenants, or co-operative agreement with an equity sharing formula that ensures home affordability is maintained for a minimum 30-year term that is renewed for upon each property sale, without the likely need for additional affordability gap subsidy

Qualified Administrator (QA) – the entity selected by the Developer or Owner off of the City’s approved QA list to administer a PAH property’s compliance with the City’s PAH Program requirements as reflected in the PAH Declaration for the property and this manual as updated from time to time.

Resale Affordable Price – the affordable purchase price at which the Owner purchased the property increased by 2.5% on each anniversary of the date of the PAH Declaration, compounded annually.

Stabilization – Financing assistance to help a current tenant or owner-occupant remain in the home they live in

Minneapolis Homes: Perpetually Affordable Housing Guidelines

Program Goal

The goal of the Minneapolis Homes: Perpetually Affordable Housing (PAH) Ownership Land Trust program is to eliminate racial disparities in homeownership and provide sustainable and accessible homeownership opportunities to low to moderate-income households throughout the City of Minneapolis.

Eligible Homebuyer

- Must be at or below 80% AMI and in alignment with additional Minneapolis Homes: PAH Ownership Land Trust program income and household size guidelines.
- Homebuyers must complete homebuyer education.

Eligible Financing

- Must utilize any fixed-rate portfolio FHA, VA, Fannie Mae, or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an “A” or “prime” lending product.
- May use a contract for deed financed and held by a nonprofit developer provided that the nonprofit developer does not sell the contract for deed without the written approval of the City. The contract for deed program must be approved by the City prior to participation in the PAH program, and the Contract for Deed Vendor must co-sign the Declaration providing for perpetual affordability.
- Down payment assistance programs that are not financed through the Minneapolis Department of Community Planning and Economic Development (CPED) may be layered to provide greater opportunity for the borrower to secure the purchase of a home.

Eligible Units

Projects of one to 20 units for ownership housing on a parcel or contiguous parcels within the City of Minneapolis. Units are financed through Minneapolis Homes: Financing created through Inclusionary Zoning or may be enrolled in the program through other methods as approved by the CPED Director.

Unit Type and Affordable Sales Price

Unit type is the combination of the number of bedrooms in a PAH unit and the income tier for the household being served. The program has three income tiers, the applicable tier is set on a per-unit basis at the time of application. Households in lower income tiers may apply for homes available in higher income tiers, subject to underwriting guidelines being met.

Income Tier	Unit Sale Price Limit
61% - 80% of AMI	Price affordable to a household at 70% AMI
41% - 60% of AMI	Price affordable to a household at 50% AMI
40% and below AMI	Price affordable to a household at 30% AMI

The initial affordable price for each income tier will utilize the following assumptions and be published annually:

- Metropolitan Council assumptions to calculate mortgage loan principal and interest payments, insurance, and taxes
- City assumptions for perpetually affordable housing administrator fees
- Department of Housing and Urban Development published Income calculations for Area Median Income, adjusted for household size.
- When applicable, the City shall include homeowner association fees specific to the project proposed.

The above assumptions will be utilized to calculate an affordable mortgage that does not exceed 30% of household income, adjusted by the number of bedrooms in a unit. The program will also apply a standard to ensure that a household's total debt ratio does not exceed 50%.

Initial Sales Requirements

The PAH unit affordable price must be set with a minimum discount of 20% below the market price. A declaration of restrictive covenants for 30 years that is renewed upon each property sale will be recorded upon sale. The Declaration utilizes shared equity resale requirements that prevent additional subsidy needed to maintain affordability and that apply to the first purchaser and each subsequent purchaser of the unit.

Marketing of Units

All available PAH units must be broadly advertised and affirmatively marketed, including public posting using culturally specific mediums and public platforms that are free to access, for a minimum 10-day application period. The marketing plan must be submitted with proposals aligned with the PAH manual. Individuals interested in receiving notices about available PAH units may sign up for the Minneapolis Homes newsletter.

Selection of Homebuyers

The following criteria will be applied in the following order to select homebuyers for PAH units:

- 1) Income Eligibility – if households are not income eligible, they will be disqualified
- 2) Household Size – applicants whose household size is less than the number of bedrooms in the unit plus one will only be selected if there are no qualified applicants of a compatible size for the unit
- 3) Preference Policy – applicants who meet the criteria of a City approved preference policy.
- 4) Current Renters – households that don't own a home

If all of the selection criteria above are applied, and there are still multiple applicants for a housing unit, then a lottery will be conducted by the Qualified Administrator.

Resale

PAH Transfer Procedures, as detailed in the manual and PAH Declaration, requirements apply. PAH units in the City's land trust, which includes all ownership units created through inclusionary zoning, will appreciate using a fixed rate of return formula that increases the below-market affordable price by 2.5% compounded annually, dependent upon the market. Additional credit can be provided for specific capital improvements to the home during the time of ownership detailed in the manual. The example below is a PAH unit initially sold at the discounted market price of \$250,000 and would have a cap on the sales price at \$282,920, as calculated by the Qualified Administrator, if resold five years later with no capital improvements (see example table below).

Year	Maximum PAH Sales Price
0	\$ 250,000
1	\$ 256,250
2	\$ 261,375
3	\$ 267,909
4	\$ 274,607
5	\$ 282,920

Administration Fees

Qualified Administrators are expected to ensure the following tasks are completed in accordance with the PAH manual. QAs will be eligible to earn fees through the sale of City PAH units.

Function	Description
Education	Providing education to prospective homebuyers about the City PAH model
Initial Sale	Marketing and initial sale of a PAH unit
Monitoring	At least annual monitoring to ensure homes remain owner-occupied, communicate increases in value, and continue to comply with program requirements
Resale	Marketing and resale of a PAH unit
Refinance	Costs incurred by QAs to process subordination requests or communicate with 1 st mortgage lenders, if requested by the homeowner

Qualified Capital Improvement Credit

Qualified Capital Improvement is any permanent structure or other asset added to a property that adds to its value. Expenditures for maintenance, such as repairing roofs and appliances such as furnaces, water heaters, and kitchen appliances, do not qualify as Qualified Capital Improvement. The City of Minneapolis' Qualified Administrators have the right to approve/disapprove any proposed Capital Improvement. Generally, the Qualified Administrator will approve a proposed Capital Improvement provided the Homeowner follows the process outlined in the process flow; the proposed funding of the project is reasonable, and the proposed work does NOT significantly impact the future affordability of the property or be perceived as a luxury item.

The City of Minneapolis recognizes that some home improvements completed add either market value or some long-term value. Thus, this policy would allow providing credit to the resale formula for a home in the City's Perpetually Affordable Housing (PAH) model for two tracks for Qualified Capital Improvements (QCIs): appraisal-based permanent improvement, structure or another asset that adds to the value to the PAH unit and either (i) that increase the habitable square footage (such as basement finishing or accessory dwelling unit) (ii) adds new garage, patio or deck, or (iii) substantial permanent capital improvement that is a significant upgrade (remodeling a bathroom, bedroom, or kitchen) (Track A) or cost-based for significant systems replacement or upgrades (Track B).

To qualify for the credit, the QCI must have a minimum cost of \$2,000, obtain the required permit (if needed), and pass a housing inspection by the qualified administrator. The homeowner must apply (Attachment A) to their qualified administrator before starting the work on the QCI, which the qualified administrator will acknowledge (Attachment B) after the inspection of work is completed. If a homeowner is not satisfied with the valuation of the improvement, they may request a re-valuation from the qualified administrator.

Suppose a QCI involves work that includes a combination of both Track A & Track B. In that case, the default will be the Track A process (e.g., in adding insulation to a new bedroom, it will fall under increasing square footage, not increasing energy efficiency)

Grant funds used for home improvements (either Track A or B) are not eligible for inclusion in the credit.

TRACK A: Additional bathroom(s) and/or bedroom(s)

At the time of the sale, our resale formula recognizes 100% of the increase in value directly attributable to the addition of permitted bedroom(s) and/or bathroom(s).

To receive this credit, you must complete the QCI Application before the work starts on adding the bathrooms and/or bedrooms and provide documentation that the work is properly permitted; the homeowner and the Qualified Administrator will execute the QCI Acknowledgment after completion of the work, which will document the approval and completion of the improvement.

The City requires that the homeowner consult with their Qualified Administrator before construction. The consultation can include a walk-through, review of plans and/or contractor bids, or refer to resources.

At resale, the usual fee simple appraisal is performed as specified in the Declaration of Covenants. In this appraisal, the QCI is called out as a separate line item to determine the value of the QCI. 100% of the value of this approved improvement will be added to the Purchase Option Price outlined in the land lease or affordability covenant.

TRACK B: Significant systems upgrades

Our resale formula recognizes 50% of the cost of major systems replacements done within five years before resale. The major systems upgrades include replacements/ significant upgrades (not repair) of items such as roofs, furnaces, plumbing, electrical, foundation, and energy efficiency. (See list attached.)

To receive this credit, the homeowner must apply (Attachment A) to their qualified administrator before starting the work on the QCI, provide at least two licensed contractor bids and proof of payment, and the qualified administrator and homeowner will execute the Acknowledgment (Attachment B) after the inspection of work is completed.

The City requires that the homeowner consult with their Qualified Administrator before construction. The consultation can include a walk-through, review of plans and/or contractor bids, or refer to resources.

If you sell within five years after the work is performed, you will receive 50% of the actual costs (after any rebates, i.e., Energy Trust) as a credit to be added to the Purchase Option Price. If the home is sold after five years, no credit will be provided for Capital Improvements.

Appendix C: Declaration Template

Exempt from Mortgage Registry Tax
Pursuant to Minnesota Statutes §287.04(f)

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

City of Minneapolis
Department of Community Planning and
Development City
505 4th Ave South
STE 320
Minneapolis, MN 55415-1345
Attn: Residential & Real Estate and Development

[site address]

(Space Above This Line for Recorder's Use)

MINNEAPOLIS PERPETUAL AFFORDABILITY HOUSING LAND TRUST
PROGRAM
LIMITED EQUITY HOME OWNERSHIP DECLARATION AND OPTION TO
PURCHASE AGREEMENT
(Minneapolis Homes or Inclusionary Zoning)

Section 1. Parties.

THIS LIMITED EQUITY HOME OWNERSHIP DECLARATION AND OPTION TO PURCHASE AGREEMENT (“Declaration”) is made as of _____, 20___, (the “Effective Date”) by and between _____ as _____ [indicate manner in which owner takes title] (“Owner”) and the City of Minneapolis, a Minnesota municipal corporation (the “City”). Owner is purchasing that certain real property in the City with a street address of _____, Minneapolis, Minnesota 55____, and more particularly described on Exhibit A attached hereto (the “Property”). Capitalized terms used in this Declaration have the meanings given to them in Section 4 below.

Section 2. Recitals.

The following recitals of fact are a material part of this Declaration:

(a) [The City has developed its Minneapolis Homes Program to provide home ownership opportunities to individuals and families with low and moderate incomes by providing either direct or indirect affordability gap assistance or stabilization assistance.] **OR** [*In*

accordance with Chapter 535 of the Minneapolis Code of Ordinances and the City's Unified Housing Policy (the "IZ Requirements") the City has imposed inclusionary zoning affordability standards on a portion of new ownership housing development in the City.];

(b) The City's intent is to preserve the affordability of such homes by restricting the resale price;

(c) Such homes constitute a valuable community resource; and

(d) It is necessary, proper and in the public interest for the City to protect and preserve this resource under the Minneapolis Perpetual Affordability Housing Land Trust Program by administering occupancy and resale controls by means of this Declaration.

NOW, THEREFORE, in consideration of the substantial economic benefits received by the Owner from the [Minneapolis Homes Program] **OR** [the City's IZ Requirements] and the public purposes to be achieved under the Minneapolis Perpetual Affordability Housing Land Trust Program, Owner and the City agree as follows:

Section 3. Owner's Affordable Purchase Price.

The Owner's Affordable Purchase Price for the Property is \$ _____. This is the purchase price that is Affordable to a household earning [70%/50%/30%] of Area Median Income, adjusted for household size and is at least 20% less than the Fair Market Value of the Property. [The Affordable Purchase Price shall be established by using a Household Size that assumes occupancy by one person per bedroom plus one. The Fair Market Value of the Property as of the date of Owner's purchase is \$ _____. [(The City's Development Gap Subsidy of \$ _____ allowed Owner Developer to construct the improvements on the Property and the City's Affordability Gap Subsidy of \$ _____ allowed Owner to purchase the Property from Owner Developer at the Affordable Purchase Price **OR** The City provided \$ _____ in Stabilization Assistance to the Property). The Total City Assistance for the Property is \$ _____.] (Add in if only Minneapolis Homes)

OWNER ACKNOWLEDGES AND AGREES THAT TO THE EXTENT ANYTHING IN THIS DECLARATION COULD BE DEEMED A RESTRAINT ON OWNER'S ABILITY TO TRANSFER THE PROPERTY, THAT ANY SUCH LIMIT (A) IS REASONABLE, (B) IS SUPPORTED BY ADEQUATE CONSIDERATION RECEIVED BY OWNER, (C) IS NECESSARY TO IMPLEMENT THE CITY'S PUBLIC POLICY OBJECTIVE OF DEVELOPING AND PRESERVING AFFORDABLE HOUSING, (D) SHOULD BE ENFORCED AS WRITTEN, AND (E) ENABLED OWNER TO BUY THE PROPERTY FOR A PURCHASE PRICE WHICH IS MATERIALLY BELOW THE FAIR MARKET VALUE. OWNER THEREFORE, KNOWINGLY AND VOLUNTARILY, TO THE FULLEST EXTENT PERMITTED BY LAW, WAIVES THE RIGHT TO RAISE ANY DEFENSE TO THE ENFORCEMENT OF THE COVENANTS, CONDITIONS, RIGHTS AND RESTRICTIONS CONTAINED HEREIN, WHETHER AT LAW OR IN EQUITY.

Section 4. Definitions.

As used in this Declaration, the capitalized terms set forth below shall have the following meanings:

(a) *["Affordability Gap Subsidy" means the subsidy provided by the City under the Minneapolis Homes Program which allowed Owner to purchase or retain the Property at an Affordable Purchase Price for at least 20% below appraised market value.][Delete if IZ]*

(b) "Affordable Purchase Price" for Owner is defined in Section 3.

(c) "Area Median Income" ("AMI") means the median income for a household, adjusted for household size, residing in the City, as determined by the City pursuant to publications issued by the United States Department of Housing and Urban Development for the Minneapolis/St. Paul Metropolitan Statistical Area, from time to time.

(d) "Arms-Length Transaction" means a transaction between two unrelated and unaffiliated parties in which both parties are independent and acting in their own self-interest to attain the most beneficial deal they can for themselves.

(e) "**Catastrophic Illness**" means an **illness** or injury that incapacitates Owner for an extended period of time, or that incapacitates a member of Owner's family, which incapacity requires Owner to take time off from work for an extended period to care for that family member, and taking extended time off from work creates a financial hardship for Owner because he or she has exhausted all of his or her sick leave and other paid time off.

(f) "City" is defined in Section 1.

(g) "Closing Costs" means the reasonable and customary costs incurred by Owner in transferring the Property.

(h) "Conveyance Deed" is defined in Section 8.1(b).

(i) "Damage" means deficiencies in the Property occurring during Owner's ownership of the Property, including without limitation: (1) violations of applicable building, plumbing, electric, fire or housing codes; (2) needed repair to appliances furnished to Owner upon purchase of the Property; (3) holes and other defects (except for holes from picture hangers) in walls, ceilings, floors, doors, windows, screens, carpets, drapes, countertops and similar appurtenances; and (4) repairs needed, as determined by the Qualified Administrator, to put the Property into saleable condition, including without limitation cleaning and painting.

- (j) “Declaration” is defined in Section 1.
- (k) “Development Gap Subsidy” means the direct subsidy provided by the City to the Owner Developer to acquire and/or construct the improvements on the Property pursuant to the MHF Funding Agreement. *[Delete if IZ]*
- (l) “Effective Date” is defined in Section 1.
- (m) “Events of Default” are defined in Section 11.1.
- (n) “Fair Market Value” means the cash purchase price for the Property without the restrictions of this Declaration that a willing buyer would pay to a willing seller at the time of sale, neither being under a compulsion to buy or sell, as determined by an independent, certified appraiser acceptable to the City who has experience in residential appraisals in the City of Minneapolis.
- (o) “Fee Schedule” means the City’s PAH Program Fee Schedule published _____ as updated from time to time, any changes to be noticed to Owner in writing at least thirty (30) days prior to the effective date of such adjustment.
- (p) “Gross Annual Income” means “Annual Income” as defined at 24 CFR 5.609 which is the definition for the “Section 8” Program.
- (q) “Income Certification” has the meaning set forth in Section 6.3.
- (r) “IZ Unit” means a unit that was required to meet affordability standards pursuant to the City’s IZ Requirements.
- (s) “MHF Funding Agreement” is defined in Section 5.1.
- (t) “Monitoring Fee” means the annual fee published on the City’s Fee Schedule.
- (u) “Notice” is defined in Section 13.5.
- (v) “Notice of Proposed Transfer” is defined in Section 7.1.
- (w) “Occupancy Certificate” is defined in Section 13.4.
- (x) “Owner” is defined in Section 1, and upon Owner’s death includes the personal representative administering the Owner’s estate.

(y) “Owner Developer” is the entity the City provided Development Gap Assistance to through the MHF Funding Agreement or that was required to produce the IZ Unit on the Property described in Section 5.1.

(z) “Owner’s Proceeds” means the amount due to Owner upon Transfer of the Property as provided in Section 8.3.

(aa) “PAH Manual” means the program manual for the City of Minneapolis’ Perpetual Affordability Housing Land Trust Program which details the operational and resale restrictions that apply to properties in the City of Minneapolis’ Perpetual Affordability Housing Land Trust as updated from time to time.

(bb) “PAH Program” the City of Minneapolis Perpetually Affordable Housing Land Trust Model as described in this Declaration and the PAH Manual.

(cc) “Permitted Exceptions” means those title exceptions that are listed on Exhibit B attached hereto and incorporated herein by reference.

(dd) “Principal Residence” means the location at which an individual resides for at least ten (10) months out of each calendar year or such shorter period of time as the City, in its sole discretion, shall determine.

(ee) “Property” is defined in Section 1.

(ff) “Purchase Option” is defined in Section 9.1.

(gg) “Purchase Option Assignee” is defined in Section 9.3.

(hh) “Qualified Administrator” means the entity selected by the Owner off the list of City approved Qualified Administrators to administer the Property’s compliance with the terms of this Declaration consistent with the PAH Manual, or, if noticed in writing by the City, the City of Minneapolis.

(ii) “Qualifying Purchaser” means persons and families adjusted for Household Size whose Gross Annual Income does not exceed **[80% / 60% / 40%]** of Area Median Income and meeting all other requirements as outlined in the City’s PAH Manual.

(jj) “Refinance Fee” means a flat fee as identified on the City’s Fee Schedule.

(kk) “Repair Costs” means the costs to repair Damage to the Property as reasonably determined by the Qualified Administrator pursuant to Section 7.2 below.

(ll) “Resale Affordable Price” means the Affordable Purchase Price increased by 2.5% interest calculated on a 360 day basis, compounded annually.

(mm) “Resale Fee” means a Qualified Administrator flat fee as identified on the City’s Fee Schedule to be paid by the Owner pursuant to Section 7.1.

(nn) “Senior Lender” means a bank, savings and loan association, insurance company, pension fund, publicly traded real estate investment trust, governmental entity, or charitable organization engaged in making loans which customarily makes residential purchase money loans which has loaned money to Owner or a Qualifying Purchaser to purchase or refinance the purchase of the Property.

(oo) “Senior Lien” means a single mortgage for the purpose of securing a loan from the Senior Lender to finance or refinance the purchase of the Property that meets all of the requirements described in the PAH Manual.

(pp) “Stabilization Assistance” means financing assistance provided by the City to help a current tenant or owner-occupant remain in the home they live in.

(qq) [“Total City Assistance” means the amount of Development Gap Assistance plus the amount of Affordability Gap Assistance the City has invested in the Property.] ***[Delete if IZ]***

(rr) “Transfer” means any voluntary or involuntary sale, assignment or transfer of any interest in the Property.

(ss) “Unauthorized Transfer” is defined in Section 11.

(tt) “Unsuccessful Marketing” means a failure to locate a Qualifying Purchaser for one hundred eighty (180) days after following the procedure outlined in the Declaration and PAH Manual.

Section 5. [MHF Financing/Inclusionary Zoning]. (Delete one)

5.1 MHF Funding Agreement. The City and _____, a Minnesota limited liability company (“Owner Developer”) entered into that certain MHF Funding Agreement, dated as of _____, 20____. The MHF Funding Agreement is on file with the City as a public record and is incorporated herein by reference. In consideration for the public assistance provided pursuant to the MHF Funding Agreement, the Property is income and price restricted to be affordable to persons or households earning not more than **[80%/60%/40%]** of Area Median Income. This Declaration is being executed and recorded in accordance with the MHF Funding Agreement and partially satisfies the requirements therein. **OR [Inclusionary Zoning.** This Declaration is being executed and recorded in accordance with the affordability standards of new housing development in the City pursuant to the City’s IZ Requirements and Owner acknowledges having received adequate consideration as a result of being able to acquire the Property at the Affordability Purchase Price.] ***(Delete one) (Delete both if Stabilization Funding and keep INTENTIONALLY LEFT BLANK)***

Section 6. Affordable Restrictions.

6.1 Restrictions. Owner shall own and occupy the Property as Owner's Principal Residence, and Owner shall not lease the Property, or any portion thereof, without the City's prior written consent. Owner shall submit to the City on an annual basis a certification as required by Section 13.4 below that Owner has occupied the Property as Owner's Principal Residence for at least ten (10) months in the preceding year. The Owner may not short-term rent or lease any portion of the Property for less than 30 days. Owner shall use and shall cause all occupants to use the Property for residential purposes and any other incidental activities permitted by the then-applicable zoning code. In the event the City has reasonable cause to believe that Owner is violating the provisions of this Declaration, the Qualified Administrator, may inspect the Property after a reasonable attempt to provide such Owner with 24 hours advance written notice.

6.2 Term. This Declaration shall remain in effect for thirty (30) years from the Effective Date until such time as the Property is Transferred pursuant to the terms of this Declaration, at which time a declaration with substantially the same form, term and substance as this Declaration shall be recorded and become effective for thirty (30) years from the effective date of such declaration. Within six months after the date that is the 29.5th anniversary of this Declaration, Owner must either (1) renew the Term of this Agreement for an additional thirty (30) years by recording a new Declaration provided by the City substantially with the same form, term and substance as this Declaration or (2) repay to the City the difference between the Resale Affordable Price and the Fair Market Value as determined at the completion of the 29th year. Notwithstanding the foregoing, the City's rights to pursue remedies for a default under this Section 6.2 shall survive termination of this Declaration due to the tolling of the 30 year anniversary date.

6.3 Owner Representations and Warranties. In applying to purchase the Property, Owner submitted an Income Certification form. Owner acknowledges that reasonable efforts may be made to verify such Income Certification, including without limitation calling Owner's employers or other sources of income to confirm the income shown. Owner represents and warrants to the City that the Income Certification and any financial and other information Owner previously provided to City for the purpose of qualifying to purchase the Property was true and correct at the time it was given and remains true and correct as of the date of this Declaration.

Section 7. Transfer Procedures.

7.1 Notice of Proposed Transfer. Except as provided in Sections 7.5 and 7.6(a), if Owner desires to Transfer the Property, Owner shall deliver written notice to the Qualified Administrator ("Notice of Proposed Transfer") and pay the Resale Fee, and the Qualified Administrator shall calculate the Resale Affordable Price and notify Owner of the same.

7.2 Inspection. The Owner and the Qualified Administrator shall coordinate to schedule an inspection of the Property within seven (7) days (or such longer period as is convenient to the Owner) after the Qualified Administrator's receipt of the Notice of Proposed Transfer. The Qualified Administrator may inspect the Property to determine if any Damage exists. In the event any Damage is noted, the Qualified Administrator shall determine the Repair Costs and shall deliver written notice to Owner specifying the Damage and the Repair Costs. Owner shall either: (a) repair the Damage at Owner's cost, (b) place the Repair Costs in an escrow account with the Qualified Administrator to permit the new Qualifying Purchaser or City to complete the repairs or (c) request that the Qualified Administrator complete the repairs, in which case, the Owner's Proceeds shall be reduced by the Repair Costs. If Owner elects to repair the Damage, the City or Qualified Administrator shall have the right to re-inspect the Property under the terms of this Section 7.2 after the repairs are complete. If the City or Qualified Administrator determines in their sole discretion that Damage still remains, Owner shall cause the title company at closing to pay the remaining Repair Costs to the City or to the Qualifying Purchaser, as applicable, but only to the extent such funds are available after payment of the Senior Lien. If Owner elects to repair the Damage, all repairs and the re-inspection shall be completed without extending the closing date, unless extended by mutual written agreement of both the City and Owner.

7.3 Marketing the Property. Owner shall work with the Qualified Administrator to market the Property in accordance with the requirements of the PAH Manual and locate a Qualifying Purchaser for Transfer of the Property at the Resale Affordable Price. Owner and the Qualified Administrator shall use diligence and good faith in marketing the Property and locating a Qualifying Purchaser as evidence by all of the following:

- Listing the Property on the MLS Listing for a minimum of ten (10) calendar days; and
- Requesting that the City list the Property on the City's website.

If Owner and the Qualified Administrator, acting diligently and in good faith, are unable to locate a Qualifying Purchaser after one hundred and eighty (180) days from the date of the Qualified Administrator's receipt of the Notice of Proposed Transfer, then Owner shall provide the City with notice of such and the City may exercise its option to purchase the Property under the terms of Section 9 below. If the City does not exercise its purchase option, Owner may request, and the City shall issue a certificate in recordable form stating that the City has waived its purchase option and that the Owner may sell the Property for Fair Market Value free of the terms of this Declaration, provided the Transfer is an arms-length transaction and the Owner shall pay to the City fifty percent (50%) of Owner's Proceeds in excess of the Resale Affordable Price. Nothing in this Declaration constitutes a promise or guarantee by the City that Owner will be able to resell the Property for the Resale Affordable Price or any other price.

In the event multiple offers are received for the Property, the Qualifying Purchaser will be selected using the selection process outlined in the PAH Manual.

Notwithstanding the foregoing, Owner is not required to engage the Qualified Administrator for real estate broker services in the sale of the Property.

7.4 Monitoring Fee. To compensate the Qualified Administrator for the activities of monitoring compliance with this Declaration, Owner shall pay to the Qualified Administrator the Monitoring Fee annually.

7.5 Transfer to Certain Relatives Without Monetary Consideration.

(a) If an Owner marries after purchasing the Property, the spouse may become a co-Owner without having to meet the requirements for a Qualifying Purchaser. An Owner intending to add a spouse as a co-Owner must present his or her marriage certificate to the Qualified Administrator for review, and the proposed co-Owner shall execute an addendum to this Declaration and any other City documents related to the Property by which the co-Owner shall assume the same rights and responsibilities with respect to those documents as the Owner.

(b) The Owner may transfer the Property without monetary consideration to a child or children of the Owner, provided such child or children meet the requirements for a Qualifying Purchaser.

(c) The Owner may transfer the Property into an inter vivos trust in which the Owner is the beneficiary.

In the case of a Section 7.5 (b) or 7.5(c) Transfer, the Owner must give the Qualified Administrator at least 30 days prior written notice, provide the Qualified Administrator with related documentation requested by the Qualified Administrator and obtain the Qualified Administrator's prior written confirmation that the Transfer qualifies under this Section. Any such transferee shall take title subject to all the terms and conditions of this Declaration and shall execute and record such documents as the Qualified Administrator deems necessary.

7.6 Transfer Upon Owner's Death or Divorce.

(a) Upon Owner's death or pursuant to a court approved distribution of assets in a divorce proceeding, the Property may be Transferred to any co-Owner previously approved by the City without further City approval, but such co-Owner shall notify the Qualified Administrator within thirty (30) days of the Transfer.

(b) Upon the death of Owner and all City approved co-Owners, the Property may be Transferred by inheritance, will, or any other lawful process to a Qualifying Purchaser. The proposed transferee shall submit an Income Certification form and any other information reasonably requested by the Qualified Administrator to verify that the proposed transferee meets the requirements for a Qualifying Purchaser. The City shall have forty-five (45) days after receipt of all required information to determine whether the proposed transferee is a Qualifying Purchaser. If the City determines that the proposed transferee is a Qualifying Purchaser, the Property may be Transferred to the proposed transferee for no consideration. The proposed transferee shall execute a new Declaration with substantially the same form, term and substance as this Declaration and any other City documents related to the Property by which the proposed

transferee shall assume the same rights and responsibilities with respect to those documents as Owner. If the City determines that the proposed transferee is not a Qualifying Purchaser, the Property shall be Transferred pursuant to Sections 7.1 – 7.3, inclusive. Failure of the non-Qualifying Purchaser to follow the foregoing procedures shall constitute an Event of Default of this Declaration and the City may then exercise any of the remedies set forth in Section 11.2 below.

Section 8. Closing.

8.1 Conditions to Closing. Except as provided in Sections 7.5, 7.6(a) and Transfers by foreclosure or the Senior Lender’s acceptance of a deed in lieu of foreclosure (an “Exception Transfer”), all Transfers shall be monitored by the Qualified Administrator with a mutually acceptable title company. It shall be a condition to closing, other than an Exception Transfer, that the title company involved in the closing has received the following:

(a) Written confirmation from the Qualified Administrator of the Resale Affordable Price and either (i) the identity of the Qualifying Purchaser or (ii) notification that the City is exercising the Purchase Option;

(b) A standard title company form deed, executed and acknowledged by Owner (or the City as attorney in fact for Owner) granting the Property to the Qualifying Purchaser or the City, as applicable (“Conveyance Deed”), which shall be recorded in the Hennepin County official property records at closing unless the sale is pursuant to a contract for deed approved by the City;

(c) If the Transfer is to a Qualifying Purchaser, a declaration with the same form, term and substance as this Declaration executed and acknowledged by the Qualifying Purchaser and the City, which shall be recorded in the Hennepin County official property records at closing;

8.2 Closing Procedures for Sale to Qualifying Purchaser or the City. At closing, Owner shall convey the Property to the Qualifying Purchaser or the City, as applicable, by Conveyance Deed. Owner shall cause a mutually acceptable title company to issue to the Qualifying Purchaser or the City, as applicable, a standard coverage owner’s form of title insurance policy in the amount of the Resale Affordable Price insuring title to the Property vested in the Qualifying Purchaser or the City, as applicable, subject only to standard printed form exceptions, exclusions, liens for current taxes and assessments not yet due or payable, the new Declaration, a Senior Lien and such other matters as were exceptions to title as of _____ [date of sale to first Owner] or are accepted by the Qualifying Purchaser, or the City, as applicable, in writing, as set forth in the Permitted Exceptions attachment. All closing costs and title insurance premiums shall be allocated pursuant to local customary practices.

8.3 Owner’s Proceeds. The Owner’s Proceeds from a Transfer of the Property shall be calculated as follows:

- (a) The Resale Affordable Price;
- (b) Less the amount necessary to release the Senior Lien;
- (c) Less Closing Costs;
- (d) Less the Resale Fee;
- (e) Less any Repair Costs due to the City or Qualifying Purchaser pursuant to Section 7.2;
- (f) Less any unpaid fees due hereunder plus interest at the rate of 5% per year from the date due through the date paid.

8.4 Resale Affordable Price and Senior Lien.

The City and Owner acknowledge that the Senior Lien holder will not release the Senior Lien unless it is repaid in full. If the Senior Lien holder does not release the Senior Lien because Owner has not or cannot fully repay it, then the sale will be cancelled or Owner will be in default under the Senior Lien.

Section 9. City’s Purchase Option.

9.1 Grant of Option. Owner grants to the City an option to purchase the Property at the Resale Affordable Price if Owner and the Qualified Administrator are unable to locate a Qualifying Purchaser after one hundred eighty (180) days from the date of the Qualified Administrator’s receipt of the Notice of Proposed Transfer as set forth in Section 7.1 above or upon the occurrence of an Event of Default under Section 11.1 below (“Purchase Option”).

9.2 Exercise of Option. The City may exercise the Purchase Option as follows:

(a) If the purchase option is triggered as a result of an Unsuccessful Marketing of the Property to a Qualifying Purchaser, the City may exercise the Purchase Option within thirty (30) days after such Unsuccessful Marketing

(b) If the Purchase Option is triggered as a result of an Event of Default under Sections 11.1(a) – (g), then the City may exercise the Purchase Option within ninety (90) days after the City gives written notice of default to Owner.

(c) If the Purchase Option is triggered as a result of Owner’s default under the Senior Lien as defined in Section 11.1(e), then the City may exercise the Purchase Option at any time prior to five (5) business days before the date of a foreclosure sale, as the same may be postponed from time to time, under the Senior Lien.

9.3 Assignment of Purchase Option. Prior to or after exercise of the Purchase Option, the City may assign the Purchase Option to a governmental entity, non-profit organization, or a Qualifying Purchaser (“Purchase Option Assignee”), who shall be subject to this Declaration.

9.4 Grant of Power of Attorney. Owner hereby grants to the City an irrevocable power of attorney coupled with an interest to act on Owner’s behalf to execute, acknowledge and deliver any and all documents relating to the Purchase Option, including, but not limited to a Conveyance Deed.

9.5 Non-Liability of City. The City shall not be held liable by reason of its exercise or non-exercise of the Purchase Option.

Section 10. Maintenance, Taxes, Assessments and Utilities.

10.1 Maintenance. Owner shall not destroy or damage the Property, allow the Property to deteriorate, or commit waste on the Property. Owner shall maintain the Property in compliance with all applicable laws, ordinances and regulations and in a good and clean condition and all appliances and fixtures shall be in good working order.

10.2 Taxes, Assessments and Utilities. Owner shall pay when due all taxes, governmental assessments and charges of every kind against the Property. Owner shall also pay, when due, all other service bills and utility charges that relate to the Property. Owner may, in good faith and with reasonable diligence, contest the amount or validity of any taxes relating to the Property if, during any such contest, the enforcement of the lien of such taxes is stayed.

Section 11. Default and Remedies.

11.1 Events of Default. The occurrence of any one of the following events or circumstances shall constitute an “Event of Default” by Owner under this Declaration.

(a) Owner has actually Transferred or attempted to Transfer the Property in violation of the covenants and restrictions contained in this Declaration (“Unauthorized Transfer”).

(b) The City has determined that the Property is not being used as Owner’s Principal Residence or that Owner has made a material misrepresentation to the City.

(c) Owner fails to pay real estate taxes, assessments or homeowner’s association dues, when due or Owner fails to maintain insurance in such amounts as required under this Declaration; or Owner places any mortgages, encumbrances or liens upon the Property in violation of this Declaration; and such event or condition shall not have been cured within thirty (30) days following the date of written notice to cure by the City to Owner.

(d) Owner fails to perform any other agreements or obligations on Owner's part to be performed under this Declaration, and such failure continues for thirty (30) days following the date of written notice to cure by the City to Owner, or in the case of a default not susceptible of cure within thirty (30) days, Owner fails to promptly commence such cure within thirty (30) days and thereafter fails to diligently prosecute such cure to completion.

(e) Owner causes or permits a default under the Senior Lien and fails to cure the same in accordance with the cure provisions in the Senior Lien.

(f) Owner places or allows a lien to be placed on the Property in violation of Section 12.1 below.

(g) Owner declares bankruptcy or makes an assignment of assets for the benefit of creditors.

11.2 Remedies. Upon the occurrence of an Event of Default by Owner, City may exercise any or all of the remedies set forth below:

- (a) The City shall have the right to exercise the Purchase Option;
- (b) The City shall have the right to institute an action for specific performance of the terms of this Declaration, for an injunction prohibiting a proposed Transfer in violation of this Declaration, or for a declaration that a Transfer is void, an action for disgorgement of rental or sale proceeds and/or damages to reimburse the City for its enforcement costs;
- (c) The City shall have the right to recover any assistance Owner received in connection with the acquisition of the Property; and
- (d) The City shall have the right to exercise all other remedies permitted by law or at equity.

Section 12. Lender Provisions.

12.1 Purposes of Financing. Subject to the City's prior written approval, Owner may encumber title to the Property for the sole purpose of securing (a) purchase money financing, (b) refinancing (but only up to the amount of the original financing), or (c) refinancing up to the amount of the original financing, plus fifty percent (50%) of the difference between the Resale Affordable Price less the Owner's Affordable Purchase Price. Owner shall not cause or permit any other mortgages, encumbrances or liens upon the Property. Owner shall submit to the Qualified Administrator on an annual basis a certification that Owner has not refinanced the Property in violation of this Section 12.1.

12.2 Subordination. This Declaration shall be subordinate to the City-approved Senior Lien.

12.3 Default and Foreclosure. Owner shall provide a copy of any notice of default under the Senior Lien to the City within three (3) days after Owner's receipt. In the event of any default under the Senior Lien, the City, in addition to any other rights and remedies it may have under this Declaration, at law or in equity, shall have the right to:

- (a.) cure such default pursuant to Section 12.4; or
- (b.) exercise its Purchase Option pursuant to Section 9.2(c)

The City's rights under this Section 12.3 shall not prevent the Senior Lender from commencing a judicial or nonjudicial foreclosure of the Senior Lien. If the City, in its sole discretion, does not act pursuant to Sections 12.3(a-b) above, and the Senior Lender acquires the Property through foreclosure or acceptance of a deed-in-lieu of foreclosure, this Declaration shall terminate and future sales of the Property shall not be subject to the resale restrictions provided herein except if Owner or any member of Owner's household or family is the immediate purchaser from Senior Lender, in which case, this Declaration shall be reinstated in its entirety.

12.4 Right to Cure. Although the City has no obligation to do so, the City may perform any act required of Owner in order to prevent a default under, or an acceleration of the indebtedness secured by, the Senior Lien or the commencement of any foreclosure or other action to enforce the collection of such indebtedness. If the City elects to cure any such default, Owner shall pay the expenses incurred by the City in effecting any cure upon demand within thirty (30) days, together with the interest thereon at the maximum interest rate permitted by law. Failure of Owner to timely reimburse the City shall constitute an Event of Default under Section 11.1(d).

12.5 Restrictions on Foreclosure Proceeds. If a creditor acquires title to the Property through a deed in lieu of foreclosure or otherwise, then Owner shall not be entitled to the proceeds of sale to the extent that such proceeds otherwise payable to Owner when added to the proceeds paid or credited to the Senior Lender exceed the Resale Affordable Price ("Excess Proceeds"). Owner shall instruct the holder of such Excess Proceeds to pay such Excess Proceeds to the City in consideration of the benefits received by Owner through purchase of the Property through the Minneapolis Perpetual Affordability Housing Land Trust Program.

Section 13. Miscellaneous.

13.1 Damage and Destruction; Condemnation; Insurance. If the Property is condemned or the improvements located on the Property are damaged or destroyed, all proceeds from insurance or condemnation shall be distributed in accordance with this Section 13.1, subject to the requirements of the Senior Lien. Insurance shall be maintained in the types and amounts required under the Senior Lien. Unless Owner, the City, and Senior Lender otherwise agree in writing, insurance proceeds shall be applied to restore or repair the Property damaged. If Owner, the City and Senior Lender determine that restoration or repair cannot be made, or if the Property is condemned, the insurance or condemnation proceeds shall first be allocated to pay the outstanding value of the Senior Lien and all associated fees of the Senior

Lender, with the balance distributed between the Owner and City as follows. Any remaining proceeds in excess of the Resale Affordability Price shall be distributed fifty percent (50%) to the City and fifty percent (50%) to the Owner.

13.2 No Discrimination; Lead-Based Paint Prohibition. Owner shall comply with all applicable laws and regulations regarding non-discrimination and lead-based paint prohibitions.

13.3 Indemnity. Owner agrees to defend, indemnify and hold the City harmless from all losses, damages, liabilities, claims, actions, judgments, costs and reasonable attorney’s fees that the City may incur as a direct or indirect consequence of (a) Owner’s purchase or use of the Property or any activity, work or other things done, permitted or suffered by Owner in, on or about the Property; (b) Owner’s breach of this Declaration or violation of any applicable laws; or (c) any act or omission of Owner or any guest or invitee of Owner.

13.4 Owner Occupancy Verification. To ensure compliance with this Declaration’s requirement that Owner use the Property as his/her Principal Residence, Owner shall provide the Qualified Administrator with a completed Occupancy Certificate, (the form of which is available from the Qualified Administrator or at _____) by February 1 of each year for the previous calendar year.

13.5 Notices. Any notice, demand or other communication required or permitted to be given under this Declaration (a “Notice”) by either party to the other party or to the Qualified Administrator shall be in writing and sufficiently given or delivered if transmitted electronically or by registered or certified United States mail, postage prepaid, return receipt requested addressed as follows:

If to City: (via electronic mail only) to
Mplshomes@minneapolismn.gov

If to Owner: _____

If to Qualified Administrator: At the address for such Qualified Administrator posted

Any such Notice transmitted in accordance with this Section 13.5 shall be deemed delivered upon receipt, or upon the date delivery was refused. Any party may change its address for notices by written Notice given to the other party in accordance with the provisions of this Section 13.5.

13.6 Remedies Cumulative. Subject to applicable law, the City's rights and remedies, whether provided by law, in equity or by this Declaration, shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude the exercise of any other or further rights or remedies for the same or any other default or breach. No waiver with respect to the performance of any of Owner's obligations shall be effective except to the extent the particular obligation is expressly waived, nor shall it be a waiver with respect to any other rights or remedies of any other of Owner's obligations.

13.7 Attorneys' Fees for Enforcement. If any action or legal proceeding is instituted by Owner or the City arising out of this Declaration, the prevailing party therein shall recover reasonable attorneys' fees and costs in connection with such action or proceeding. For purposes of this Agreement, reasonable fees of any in-house counsel for the City shall be based on the fees regularly charged by private attorneys with an equivalent number of years of professional experience in the subject matter area of the law for which the City's in-house counsel's services were rendered who practice in law firms located within the City of Minneapolis.

13.8 Integration. This Declaration constitutes an integration of the entire understanding and agreement of the Owner and the City with respect to the subject matter hereof. Any representations, warranties, promises, or conditions, whether written or oral, not specifically and expressly incorporated in this Declaration, shall not be binding on any of the parties, and Owner and the City each acknowledge that they have not relied, in entering into this Declaration, on any representation, warranty, promise or condition, not specifically and expressly set forth in this Declaration. All prior discussions and writings have been, and are, merged and integrated into, and are superseded by, this Declaration. Owner acknowledges having met with an attorney of Owner's choosing to review this Declaration and ensure clear understanding of its implications.

13.9 Severability. In the event that any provision of this Declaration is determined to be illegal or unenforceable, such determination shall not affect the validity or enforceability of the remaining provisions hereof, all of which shall remain in full force and effect.

13.10 Successors and Assigns. It is intended and agreed that the covenants provided in this Declaration shall be covenants running with the Property and that they shall in any event and without regard to technical classification or designation, legal or otherwise (except for Senior Lender's rights under Section 12.3 above) be binding on Owner, the successors and assigns of Owner and all parties having or acquiring any right, title or interest in all or any part of the Property. This Declaration shall be binding upon and inure to the benefit of the successors and assigns of the City. The City may assign or transfer its rights under this Declaration upon thirty (30) days' written notice to Owner. It is expressly agreed by Owner that Owner may assign his or her rights in the Property and this Declaration only by Transfer pursuant to the terms of Sections 7 and 9 hereof.

13.11 Headings. The headings within this Declaration are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this Declaration.

13.12 Time for Performance. Time is of the essence in the performance of the terms of this Declaration. All dates for performance (or cure) shall expire at 5:00 p.m. on the performance or cure date. Any performance date which falls on a Saturday, Sunday or City holiday is automatically extended to the next City working day.

13.13 Amendments. Any modification or waiver of any provision of this Declaration or any amendment thereto must be in writing and signed by a person or persons having authority to do so, on behalf of both the City and Owner.

13.14 Controlling Agreement. Owner covenants that Owner has not executed and will not execute any other agreement with provisions contradictory to or in opposition to the provisions of this Declaration. Owner understands and agrees that this Declaration shall control the rights and obligations between Owner and the City.

13.15 Governing Law. This Declaration shall be governed by, and construed and enforced in accordance with, the internal laws of the State of Minnesota.

13.16 Counterparts. This Declaration may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Declaration and all of which, when taken together, will be deemed to constitute one and the same agreement.

13.17 Recordation. Owner shall cause this Declaration to be properly recorded in the official property records of Hennepin County, Minnesota.

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
PERMITTED EXCEPTIONS

Appendix D: Homebuyer Occupancy Certification



Occupancy Certificate

June 17, 2024

I/We, _____ (name[s]), am/are the owner(s) of the home located at _____ (property address).

<input type="checkbox"/> Yes <input type="checkbox"/> No	I/We certify that I/we currently reside as owner-occupants in this unit.
<input type="checkbox"/> Yes <input type="checkbox"/> No	I/We certify that I/we remain on title to the property and that no new names have been added to title since the property's closing date.
<input type="checkbox"/> Yes <input type="checkbox"/> No	I/We certify that homeowners' association dues and/or homeowner's insurance are paid and current.
<input type="checkbox"/> Yes <input type="checkbox"/> No	I/We have enclosed a copy of two different utility bills showing our address.

I/We declare under penalty of perjury that the above information is true and correct.

Homeowner Signature

Date

Homeowner Signature

Date

Appendix E: HUD Part 5 income determination

The QA must use the guidelines under 24 CFR 5.609 to calculate annual household or individual income. The Developer must compare a household or individual's Annual Income to the most recent HUD Income Limits to determine a household or individual's income eligibility. Minneapolis Homes publishes the most recent HUD Income Limits on its website. HUD Part 5 income limits must not exceed the 115% AMI limit of Minnesota Housing. Where one income limit exceeds the other, the lower will be applied.

The Developer may use the Income Eligibility Calculation Worksheet on the Minneapolis Homes website to calculate household income. The Developer should obtain independent third-party verification for all income sources. The Developer may use the Income Verification Forms on Minneapolis Homes' website to document income sources. When independent third-party verification of income is not available, the Developer may accept source documents that verify the household's income. The Developer must assess the documentation to determine completeness. Additional written or verbal clarification may be required from the entity providing the verification. All supporting documentation must be retained in the project file. The Developer may not charge the household a fee for income verification.

Links to verification forms used by MN Housing to achieve HUD Part 5 Income certification:

- [Income Eligibility Calculation Worksheet](#) *
- [Household Questionnaire](#) *
- [Employment Verification](#) *
- [Bank Verification](#) *
- [Stocks / Bonds Verification](#)
- [Asset Verification - 401K](#)
- [Divestiture of Assets Verification](#)
- [Real Estate Verification](#)
- [Alimony / Child Support Verification \(Payer\)](#)
- [Alimony / Child Support Self-Certification](#)
- [Alimony / Child Support Verification \(Enforcement Agency\)](#)
- [Live-in Aide Agreement](#)
- [Live-in Aide Verification](#)
- [Military Pay Verification](#)
- [Workers Compensation Verification](#)
- [Unemployment Compensation Verification](#)
- [Veteran's Benefits Verification](#)
- [Self Employment Verification - New Business](#)
- [Self Employment Verification - Existing Business](#)
- [Regular Contributions Verification](#)
- [Public Assistance Verification](#)
- [Phone Verification/Clarification Record](#)
- [Zero Income Certification](#)

* Required in all project files. All other documents should be included based on borrower application demands.

On a case by case basis, the City’s Department of Community Planning and Economic Development (“CPED”) will allow its financing to be used in connection with a contract for deed financing structure offered by a seller of a housing unit financed by CPED (“Seller”). The purpose of this flexibility is to help homebuyers by providing them with time to correct the conditions that are prohibiting them from qualifying for prime or “A” rated mortgage financing. It is CPED’s intent that the buyer will qualify for a fixed rate mortgage loan prior to or by the end of the term of the contract for deed.

If CPED funds were provided initially to the Seller to construct the home, Sellers will be required to seek CPED approval of their proposed contract for deed financing structure. The structure must be consistent with these minimum standards prior to marketing the property using a contract for deed as a possible purchase option. Projects that have been assisted with HOME dollars cannot use a contract for deed structure due to federal HOME funding restrictions.. Following are the minimum standards that CPED expects in any contract for deed financing structure. Any modifications to these requirements must be approved specifically in writing by CPED:

1. The contract for deed financing structure must be offered by a duly established and legally organized Seller with at least two years history and experience serving affordable housing programs in Minnesota.
2. The Seller must demonstrate that it has the necessary budget and financing to maintain the contract for deed financing structure through the full term of the contract for deed.
3. The financing structure must be for owner-occupied housing only.
4. The credit underwriting of a proposed applicant must be completed by an underwriter with a background as an FHA Direct Endorsement Underwriter or have at least three years experience underwriting first mortgage loans for sale to Fannie Mae or Freddie Mac.
5. It must be the judgment of the underwriter that the buyer will reasonably be able to take the steps necessary to correct the conditions prohibiting them from qualifying for a fixed rate mortgage loan and be able to do so within 36 months of acceptance into the contract for deed financing structure. Underwriters will be required to re-qualify buyers based on their income level at the time of permanent finance closing for purposes of meeting affordability requirements in the development gap financing.
6. The initial term of the contract for deed may not extend beyond 36 months. However, the Seller may allow for an extension of up to an additional 24 months

provided that in the judgment of the underwriter the buyer meets the following conditions:

- a. The buyer has demonstrated that they have taken positive steps toward resolving the conditions identified in number 5 above, and
 - b. That the delay in correcting those conditions within the approved time period was reasonable and correctable such that at the end of the extension period they would qualify for a mortgage loan.
7. All buyers must attend and complete homebuyer education through HomeStretch™ (sponsored by the Minnesota Homeownership Center, 651-659-9336 or www.hocmn.org), Framework® (online homebuyer education available at www.hocmn.org), or the Minneapolis Urban League American Dream Program
 8. All buyers must additionally complete Financial Wellness (budget and credit counseling) through a CPED-approved counseling agency within the initial 36-month term of the contract for deed.
 9. After all parties have signed the contract for deed, the contract vendor must arrange for and provide budget counseling and oversight throughout the term of the contract for deed.
 10. The servicer of the contract for deed must provide for payment monitoring that includes contacting the borrower within 15 days of any missed payment.
 11. The interest rate on the contract for deed may not exceed 2.5% above the interest rate for a mortgage loan offered by Wells Fargo, U.S. Bank, TCF bank or another major mortgage lending company serving the Minneapolis-St. Paul metropolitan area. In any case, the rate may not exceed State Usury Law.
 12. The buyer's monthly payment must include principal, interest, taxes, insurance, replacement reserve (unless such replacement reserve is included as part of a basis point structure by the Non-Profit Seller), and association dues, if any, and the servicer must have the demonstrated capacity to monitor and make the appropriate escrow payments in compliance with state and federal laws.
 13. During the term of the contract for deed, the Seller will be required to establish a reserve of \$1,500 per year collected monthly from the buyer to cover repairs to the home as needed. The actual structure of the reserve may be in the form of additional payments over and above the regular monthly payment as specified in #12, above, or included as a basis point in the structure of the interest rate charged on the contract for deed.
 - a. Upon obtaining permanent financing to pay off the contract for deed, any replacement reserve funds not previously needed for repair/replacement expenses will be returned to the buyer, unless such replacement reserve is included as part of a basis point structure by the Seller.

- b. In the event of cancellation of the contract for deed, a walk-through inspection of the property will be conducted with the buyer, the Seller and CPED Construction Management representative to determine the move-out condition of the property and to document necessary repairs to bring the home back to the HUD Minimum Property Standards Model Building Code, City of Minneapolis Ordinances, and MN State Plumbing and Electrical Codes. Any funds not required to restore the property to a marketable condition or for cost related to the default will be returned to the buyer, unless such replacement reserve is included as part of a basis point structure by the Seller. The contract for deed shall specify in writing that in the event of a cancellation of the contract for deed the buyer shall not be eligible to receive nor shall receive any "relocation benefits" payment pursuant to any federal, state or local regulations. Additionally, no rental situation will be allowed prior to the contract for deed signing, as this may trigger relocation benefits.
14. The buyer will be required to obtain a new or updated appraisal report on the subject property to verify and certify value equal to or in excess of the purchase price of the contract for deed. Appraisals must be performed by a State licensed appraiser and conform to Uniform Standards of Professional Appraisal Practices (USPAP).
15. The buyer is required to come to the closing with one-year's prepaid homeowners insurance for the full replacement value of the home.
16. The financing structure must provide for a minimum cash investment of \$1,000 or 1% of the purchase price, whichever is higher, from the buyer's own cash, except that the buyer may obtain a gift from a family member to cover this payment. The cash investment may go toward the payment of the down payment; however, the closing costs, appraisal updates and review fees, prepaid interest, taxes, and insurance are in addition.
17. Annual inspections of the property will be required and performed by the Seller. If a code violation or health and safety maintenance issue arises, the buyer will be asked to address the issue within 60 calendar days of written notice by the Seller. If the problem is not resolved in the specified time limit, the servicer may proceed to initiate cancellation of the contract for deed and eviction of the borrower.
18. Buyer must obtain an updated title insurance policy at the time the contract is signed insuring that, upon completion of the contract for deed, the Buyer will own fee title to the property subject only to exceptions as would be reasonably acceptable to a traditional property purchaser.
19. The Seller is required to record the contract for deed with the County Recorder within 30 days of closing on the contract for deed.

Appendix G: Community Preference Policy: Ownership Housing Affirmative Marketing Supplemental Form

The goal of the [Community Preference Policy: Ownership Housing](#) is to disrupt involuntary displacement of Minneapolis residents. Preference policy opportunities apply to current residents or those who have experienced displacement from identified eligible Minneapolis neighborhoods due to extreme economic forces or housing crisis. Community preference policy intends to serve current and previous Minneapolis community members, focusing on anti-displacement of Black, Indigenous, People of Color, and Immigrant (BIPOC) and low wealth communities; which are disproportionately impacted.

Eligible neighborhoods

Audubon Park	Bancroft	Beltrami	Bottineau
Bryant	Camden Industrial	Central	Cleveland
Columbia Park	Corcoran	East Phillips	Ericsson
Field	Folwell	Harrison	Hawthorne
Humboldt Industrial	Jordan	Lind-Bohanon	Logan Park
Marshall Terrace	McKinley	Midtown Phillips	Near-North
Northeast Park	Northrop	Phillips West	Powderhorn Park
Regina	Sheridan	Shingle Creek	Standish
Sumner-Glenwood	Victory	Ventura Village	Waite Park
Webber-Camden	Whittier	Willard-Hay	Windom Park

Complete below and include as supplement for offer to purchase with required documentation.

- Does the primary occupant and purchaser **currently reside** in any of the eligible neighborhoods?

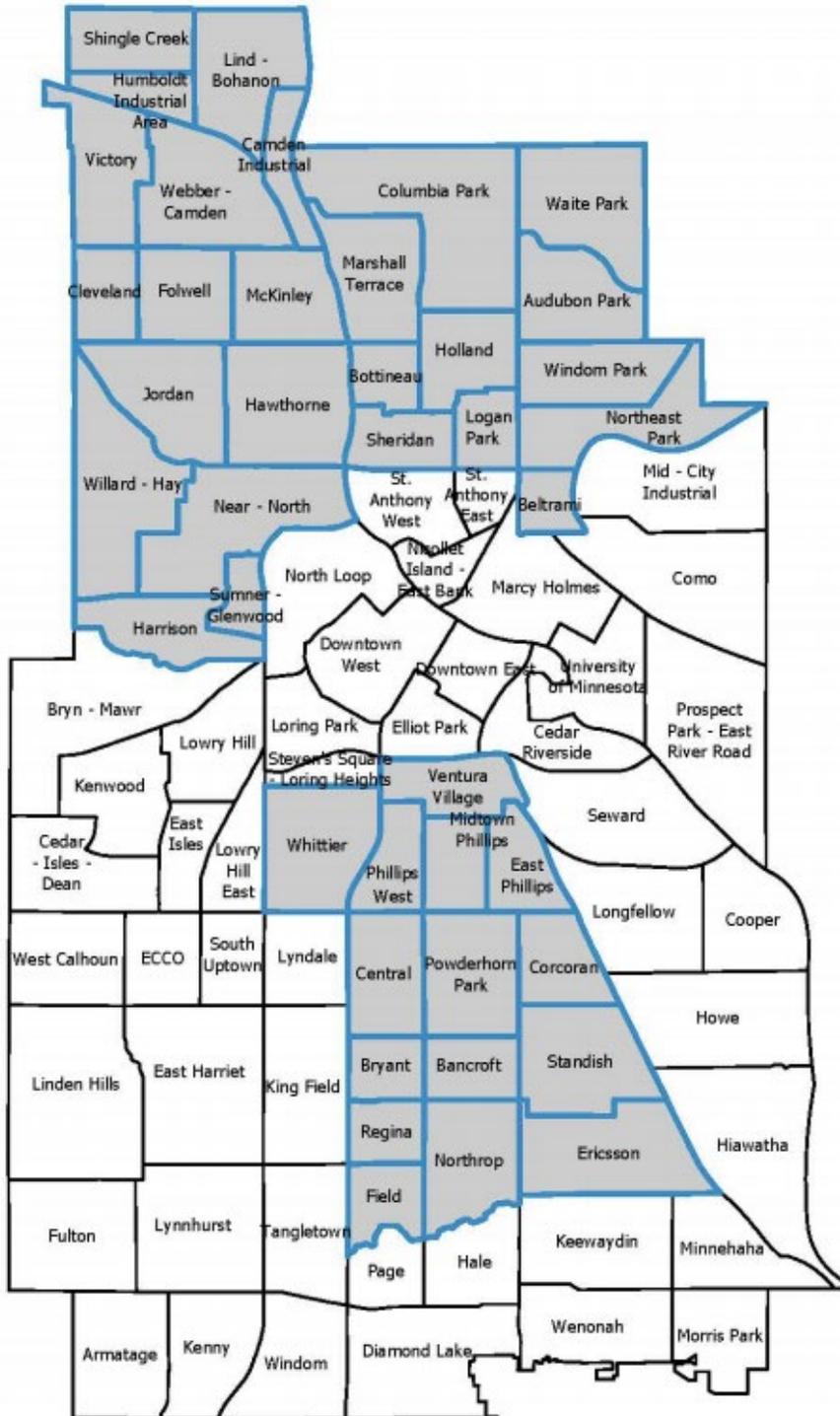
Yes **No**
 If yes, stop here applicant is eligible. If no, continue to question 2.
- Was the primary occupant and purchaser **involuntarily displaced** from any of the eligible neighborhoods anytime between January 1, 2007 to present?

Yes **No**
 If yes, continue to question 3. If no, stop here, applicant is not eligible.
- If the primary occupant and purchaser was involuntarily displaced from any of the eligible neighborhoods between January 1, 2007 to present, what factor(s) caused the involuntary displacement? (**documentation required – proof of forfeiture, foreclosure, property condemnation, eviction or other with dates**)

Tax Forfeiture

Bank/Mortgage Foreclosure
 Property Condemnation (*resulted in eviction*)
 Other extreme economic forces (*provide explanation below*)

Appendix H: Community Preference Policy: Ownership Housing Eligible Neighborhoods Map



Appendix I: Participating Lenders in City PAH model

<p>Lender Name: Bremer Bank Loan Officer(s): Nancy Healy Address: 1715 County Road B2 West Phone: 651-288-3882 Email: njhealy@bremer.com</p>	<p>Lender Name: Loan Officer(s): Address: Phone: Email:</p>
<p>Lender Name: Loan Officer(s): Address: Phone: E-mail:</p>	<p>Lender Name: Loan Officer(s): Address: Phone: Email:</p>
<p>Lender Name: Loan Officer(s): Address: Phone: Email:</p>	<p>Lender Name: Loan Officer(s): Address: Phone: Email:</p>
<p>Lender Name: Loan Officer(s): Address: Phone: Email:</p>	<p>Lender Name: Loan Officer(s): Address: Phone: Email:</p>