



Missing Middle Rental Pilot Program Guidelines

Program Goal

The goal of the Missing Middle Rental Pilot Program is to produce new two to 20 unit rental housing projects on vacant land throughout the City of Minneapolis and provide affordable housing to tenants below 50% of area median income.

Eligible Applicant

- Applicants must demonstrate a development team that includes a developer or general contractor with experience performing a comparable scale of real estate development within the past two years
- Applicants cannot own vacant and boarded buildings without a restoration agreement, Tier 3 rental properties without a reasonable explanation and management plan for the property's Tier 3 status, or have uncured defaults with City of Minneapolis redevelopment or financing projects

Eligible Projects and Properties

Projects of two to 20 units for rental housing on a parcel or contiguous parcels within the City of Minneapolis. Any land located in the City of Minneapolis is eligible. Projects resulting in any net loss of units from the immediately prior building on a site are not eligible.

Affordability Requirements

City financing is only available for the affordable housing units. Projects must meet the design/unit comparability standards and other requirements of the City of Minneapolis' Unified Housing Policy for City-assisted projects. A minimum of 20% of the units must be affordable to households at or below 50% of the area median income (AMI). Affordability must be maintained for a minimum of 30 years.

Available Financing

Type of Financing: Development Gap Financing for projects will be structured as a loan secured with a note and mortgage and deferred at 0% interest for 30 years or the term of primary financing if longer than 30 years. Affordability requirements will be evidenced with a declaration of covenants. Development Gap is the difference between the total development cost of a project and the amount of debt and equity that the project can support.

Financing Availability: Total development gap financing for Missing Middle rental projects is up to \$70,000 per affordable unit. Projects that demonstrate a compelling basis for deeper subsidy will be eligible for up to \$95,000 per affordable unit. Some examples of compelling basis include restricting units to AMI levels below program minimums, providing larger affordable units of 3+ bedrooms, and/or providing a longer term of affordability than program minimums.

Layering: Projects financed through the Missing Middle Pilot cannot layer funds through the following City programs:

- Affordable Housing Trust Fund
- Housing Revenue Bonds
- 4% or 9% tax credit

Development Requirements

All projects must comply with the Minnesota Overlay for Enterprise Green Communities as posted by Minnesota Housing and must meet the requirements of visitability design or request a waiver.

Proposal Requirements

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

- Be cost reasonable and reflect industry standards for construction cost, market value, and soft costs. Developer fee is limited to 10% of total development cost for projects less than 10 units and 15% for all others.
- Provide a project budget showing sources and uses, including documentation of committed financing. Proposals from owner occupants must demonstrate sufficient financing both for interim (acquisition and construction) and permanent (purchase or conversion upon home completion) financing.
- Provide a conceptual design showing building elevations and a site plan.
- Demonstrate site control of and feasibility of a two or more-unit development on non-City owned property or include an offer to purchase of a City-owned property.

Criteria for Selection

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

Cost-Effectiveness (Examples include):

- Development teams with significant experience constructing and managing similar projects to what is proposed for the site
- Proposals that minimize City subsidy request by leveraging other gap financing sources or reducing total development cost
- Proposals that maximize residential density of the project site
- Proposals that will develop current City-owned land
- Proposals that are easily replicable and will serve as a demonstration for other sites

Meets Local Affordable Housing Needs (Examples include):

- Developers who demonstrate an historic rate of service and/or a robust marketing plan to Black, Indigenous, people of color, immigrant, or disabled households
- Projects that will serve households at income levels below program minimums
- Projects that create a greater proportion of affordable units than program requirements
- Projects that provide larger units of 3+ bedrooms
- Projects created in partnership with community residents as an anti-displacement strategy. NOTE: Demonstration of cooperation with community residents is necessary to receive preference

Equitable Wealth-Building Opportunities (Examples include):

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

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

- Projects that provide access to households with disabilities
- Projects that seek certification through or incorporate design features from a sustainable building program, such as Leadership in Environment and Energy Design (LEED), Department of Energy Net Zero Energy Ready (DOE Net Zero), Passive House Institute US+ (PHIUS+), Passive House Institute (PHI), or Enterprise Green Communities_

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

Compliance Requirements

- An **Affirmative Action Plan** with current workforce hiring goals for minority and women are required for all projects that receive more than \$100,000 of financing.
- **The CPED Prevailing Wage** and **Registered Apprenticeship Policies** apply to any project with eight or more units, even if fewer than eight units receive financing.
- **Small and Underutilized Business Program goals** are required for any project that receives more than \$175,000 of City subsidy.
- **Developers will be required to comply with non-discrimination laws and affirmatively market the availability of units.**
- **Projects must comply with the City of Minneapolis' Relocation Policy and CPED Multifamily bidding rules.**