Minneapolis Homes: Financing

Missing Middle Rental Housing Pilot
Program & Application Information

Minneapolis
City of Lakes

December 29, 2020

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What is Missing Middle Housing?

- Smaller-scale multifamily housing (e.g. duplexes, triplexes, brownstones, townhomes, row houses)

- Was commonly built throughout the U.S. prior to the implementation of more restrictive zoning ordinances in the 1950s

- Adoption of Minneapolis 2040 and subsequent zoning changes have created more opportunities for Missing Middle housing to be built in the City

Detached Single-Family Houses

Duplex: Side-By-Side + Stacked

Fourplex: Stacked

Courtyard Building

Cottage Court

Townhouse

Multiplex: Medium

Triplex: Stacked

Live-Work

Mid-Rise

Missing Middle Housing

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OPTICOS

Missing Middle Rental Pilot Overview

- Encourage the development of new small-scale rental housing projects in the City that include units affordable to households at or below 50% of Area Median Income (AMI)
  - Second year of the pilot program
  - Two rental projects were funded in the first year
- Financing is in the form of a 30-year, 0% interest deferred loan.
  - Up to $70,000 per unit affordable to households at or below 50% AMI
  - $25,000 per unit bonus available by committing to enhanced affordable housing and sustainability criteria
  - Loan will be secured with a note and mortgage on the property

Bonus Criteria

- **Large, affordable family-sized units:** A minimum of 10% of the total project units have at least three bedrooms and are affordable to households at or below 50% of AMI

- **Deeper affordability:** A minimum of 10% of the total project units have affordability levels at or below 40% of AMI

- **Longer affordability term:** The affordability term for project units is at least 40 years.

- **Enhanced sustainability:** Claiming ten or more optional criteria points in the Green Communities Energy Efficiency category

Minimum Developer Qualifications

- **Demonstrated financial capacity** to complete the project

- **Experience completing a similar project in the last two years**

- **Responsible property owner** with restoration agreement or similar solution for:
  - Registered vacant buildings
  - Rental license violations
  - Tax delinquent property

- **Must be in Good Standing with the City** (e.g. no uncured default on an existing restoration agreement or redevelopment contract)

Program Requirements

- 2 to 20 units of new rental housing

- At least 20% of the units affordable at and rented to households earning 50% of AMI or less

- The affordability term is minimum of 30 years
  - The affordability commitment will go with the property. The city will require a Declaration of Restrictive Covenant to be filed with Hennepin County.

- Vacant land in Minneapolis with demonstrated site control

- No net loss of units from previous development
  - Example if most recent building has six-unit building before demolition, would need to propose to build at least 6 units to meet program requirements

- Funds cannot be stacked with other City sources, such as housing revenue bonds, 4% or 9% tax credits, or affordable housing trust funds.

Rent & Income Limits

- At least 20% of units in a development must be affordable to 50% AMI or lower households

- Designated affordable units must be rented to income eligible households

FY 2020 Rent Limit	Unit Size						
	0	1	2	3	4	5	6
40% AMI	$724	$776	$931	$1,075	$1,200	$1,324	$1,447
50% AMI	$905	$970	$1,163	$1,344	$1,500	$1,655	$1,809

FY 2020 Income Limit	Household Size							
	1	2	3	4	5	6	7	8
40% AMI	$28,960	$33,120	$37,240	$41,360	$44,680	$48,000	$51,320	$54,600
50% AMI	$36,200	$41,400	$46,550	$51,700	$55,850	$60,000	$64,150	$68,250

Source: 2020 Minnesota Housing Finance Authority Income Limits and Maximum Rents (Hennepin County)

Rent & Income Limits

- Example: 1-bedroom apartment at 50% AMI.
  - Maximum housing cost: Rent + Utilities = $970

- Example: 3-person household at 50% AMI
  - Maximum household income: $46,550

FY 2020 Rent Limit	Unit Size						
	0	1	2	3	4	5	6
40% AMI	$724	$776	$931				1,447
50% AMI	$905	$970	$1,163				$1,809

Rent & utilities that can be charged for a 1 bedroom apartment @ 50% AMI

FY 2020 Income Limit	Household Size							
	1	2	3	4	5	6	7	8
40% AMI	$28,960	$33,120	$37,240	$41,360				,600
50% AMI	$36,200	$41,400	$46,550	$51,700				,250

Total income that can be earned by a household of 3 to qualify for a 50% AMI unit

Source: 2020 Minnesota Housing Finance Authority Income Limits and Maximum Rents (Hennepin County)
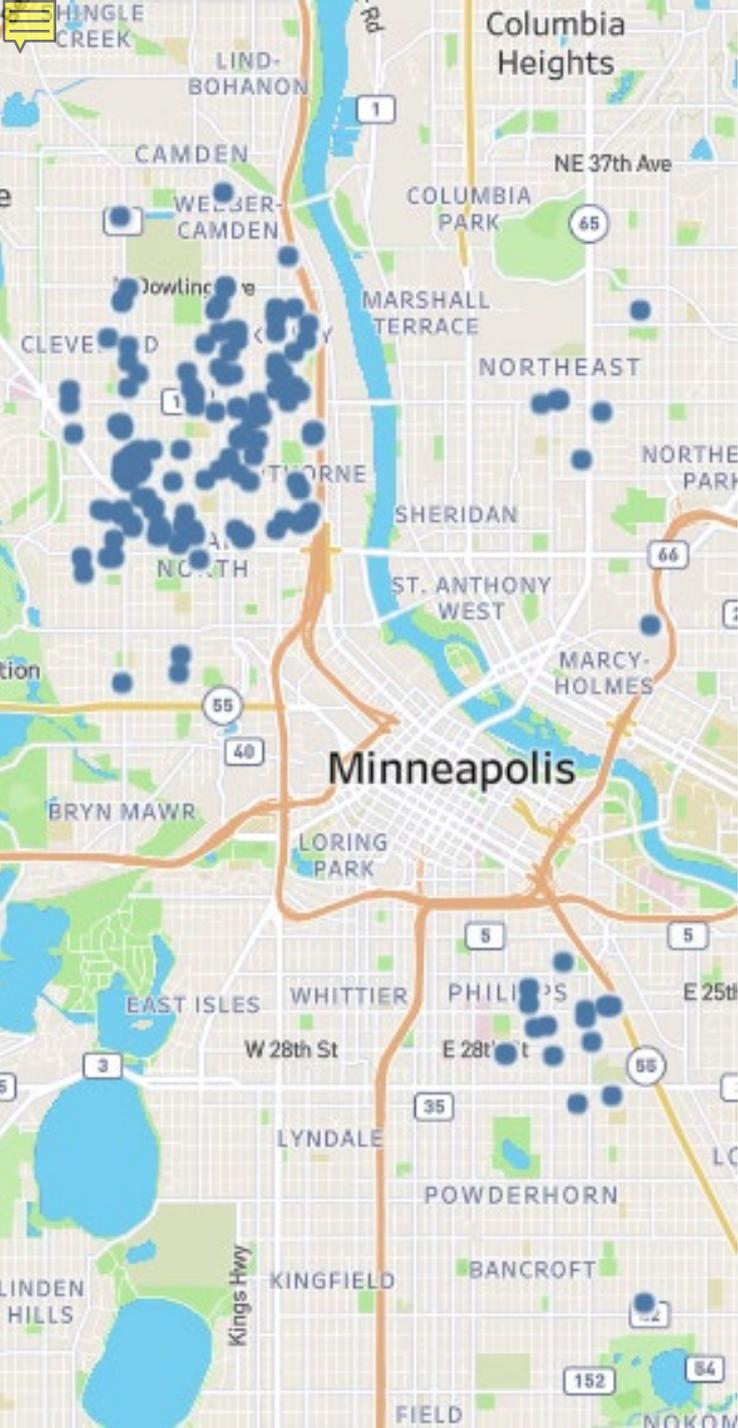
City-owned property for sale

- Must submit offer to purchase along with application documents
  - Need to meet requirements under the City's Unified Housing Policy in addition to Missing Middle Rental Pilot requirements.

- Sale prices:
  - Based upon City-appraisal
  - Priced as listed

- Available sites:
  - 1-3 unit City-owned development sites available
  - 4-20 unit City-owned development sites available

Application Requirements

- Application form (in Microsoft Word)

- Project proforma

- Preliminary site plan, architectural renderings and floor plans

- Construction scope of work

- Green Communities Intended Method's worksheet

- Proof of site control

- Letter of Interest from mortgage lender or other committed source of funding

- Financial statements or other proof of developer financial capacity

- Market study, if available

- As-is land appraisal, if available

- Offer to purchase, if City owned property is part of project

Application Submission Process

- Upload application materials in to project's SharePoint folder
    - Fill out online form for staff to create folder for your project.
    - You will receive a link to access your SharePoint Folder via email.
    - Permission to folder will end at submission deadline.
        January 29, 2021 at 1 PM CST

Application & Project Timelines

- Due date: Friday, **January 29 at 1:00 p.m.**

- Expected award: 2nd Quarter 2021

- Close on funding: 4th Quarter 2021

	Stabilization	Rehabilitation	New Construction (1-3 units)	New Construction (4-20 units)
Council Approval, if selected	3 months after application due date, in the discretion of the City Council.			
Return executed contract	Ten (10) business days to return Financing Contract after receipt			
Closing on Financing	Up to 12 months from City Council approval	Up to 6 months from City Council approval		Up to 12 months from City Council approval
Closing on City-owned property (if applicable)	Not applicable	Same timeline as financing, extensions of this timeframe will incur a fee of $1,000 per every 30 days		
Start Construction	Up to 30 days to start construction after approval of plans or issuance of the notice to proceed by Minneapolis Homes staff, whichever is sooner			
Project Completion	Within to 6 months of the date of financial closing with the City	Within 12 months of the date of financial closing with the City		Within 18 months of the date of financial closing with the City
Total Project Timeline	18 Months from City Council approval			30 Months from City Council approval

Application Review Criteria

- Cost effectiveness

- Meets local housing need

- Equitable wealth-building

- Incorporates unique design features

See the [Program Guide](#) for additional detail.

Contractual Requirements

- An [Affirmative Action Plan](#) with current workforce hiring goals for minority and women for a project that receive more than $100,000 of financing;

- The [CPED or Federal prevailing wage](#) requirements, depending on the source of funding used;

- The CPED Bidding requirements;

- The CPED Registered Apprenticeship Policies for a project with eight or more units;

- [Small and Underutilized Business Program](#) goals for a project that receives more than $175,000 of City subsidy;

- Section 3 requirements for any developer that receives more than $200,000 of federal funds within a year;

- Compliance with non-discrimination laws and affirmatively market the availability of units, including listing on HousingLink.

FOR RENT

Questions?

- Attend the City's Q&A on Wednesday, January 6, 4:00-5:30 p.m. Sign up here.

- For more information:

   Jamie.Radel@minneapolismn.gov

   612-673-5263 (leave a message)

Provide us with feedback!

Fill out our survey to provide <u>anonymous</u> feedback

<u>Missing Middle Survey Evaluation</u>