

Minneapolis Homes: Financing and Missing Middle Rental Pilot

Questions and Answers

General Questions

1. **I am new to real estate development and don't know where to start.**
 - a. Getting into real estate development can seem daunting. Many developers that have partnered with City programs have gotten their start either through being licensed general contractors or working in some real estate related field (banking, mortgage, construction, etc.). The City's Business Development Division has a [Small Developers Technical Assistance Program called D-TAP](#). While in person trainings are currently paused, we recommend you go to the webpage to view the presentation from the training and to download the Course Curriculum by clicking on the image on the page

2. **Where do I go to apply?**
 - a. Minneapolis Homes: Financing: <http://www2.minneapolismn.gov/cped/housing/DevelopmentAssistance>
 - b. Missing Middle Pilot Program: <http://www2.minneapolismn.gov/cped/housing/MissingMiddle>

3. **Will you be sharing a 'sign-in sheet' from this event or otherwise providing a way for architects, developers, contractors, and passive house consultants to connect?**
 - a. We won't be sharing the event attendees, but the City posts the names of developers/contractors that have completed projects in the last three years on its website here: <http://www2.minneapolismn.gov/www/groups/public/@cped/documents/webcontent/wcmssp-195804.pdf>.

4. **Will there be more than one application period per year?**
 - a. The City may offer a second application period in 2021 depending on the outcome and responses to the current application. A second application period is not guaranteed and if available will likely only be for ownership proposals.

5. **What if any practices are in place to ensure that projects within North Minneapolis are Community driven and not bulldozed by bigger companies who do not reinvest in North Minneapolis?**
 - a. The City's evaluation criteria for applications includes prioritizing applications that show partnership with neighborhood organizations and community groups. We also look at experience in who has been served by projects built by applicants.

Property Questions

6. **Where can I locate the available city owned lots?**
 - a. Please visit either [Missing Middle](#) or [Minneapolis Homes: Financing](#) program webpages to view the 1-3 unit and 4-20 unit City-owned development sites available

7. **I am interested in multiple lots, what should I do?**

- a. Submit an offer to purchase for each lot you are interested in. It is likely that many lots will have multiple offers so we encourage you to submit offers for more lots than you intend to acquire and to indicate on your application how many projects you intend to develop and the priority order of your lot request.

8. Can property be purchased without subsidy?

- a. Yes. City advertised property through the NOFA can be purchased without subsidy.

9. If property is purchased without subsidy, which program rules apply?

- a. If applying to purchase without subsidy, the City's [Unified Housing Policy](#) applies. Among other things, the policy requires:
 - i. Ownership – 10% of units affordable to 80% AMI households
 - ii. Rental – 20% of units affordable to 60% AMI households

10. I have zoning questions, who do I talk to?

- a. Zoning Administration can be reached by dialing 311 or 612-673-3000.

11. What would be the process for purchasing a vacant parcel that is next to my home to add on to my home?

- a. The purchase of City-owned lots that are developable sites requires the creation of affordable units that comply with the City's Unified Housing Policy. Purchases for the purpose of adding on to existing homes do not comply with this policy. There are owner occupied rehabilitation programs that could facilitate an addition, visit our website at <http://www2.minneapolismn.gov/cped/housing/WCMSP-213535> for more information about those resources.

12. Are the environmental reports that were performed by the city and or demo contractor available for review?

- a. The City will order soil reports for lots when offers are received and the reports will be made available to the recommended applicant prior to City-Council approval. If the lot has significant soil issues, the City will work with the applicant to identify another project site and/or provide for soil remediation reimbursement up to the acquisition cost of the site. For lots that the City has awareness of soil concerns that is notated in the note section on the lot list.

13. Are city-owned vacant buildings eligible and if so, are any fees being waived?

- a. The only City-owned vacant building available for purchase through this application period is 628 E Franklin. Fees are not waived.

14. Can we rebut the city-owned vacant lot appraised values?

- a. No. Sale prices are as listed and publicly advertised.

15. Is there an appraisal on City-owned lots?

- a. Individual appraisals for lots are not available. The City uses a licensed appraiser to value City-owned property.

16. Does the appraisal price of a vacant lot have to come out of the buyer's pockets or are there grants?

- a. Buyers of City-owned property do need to identify an external source from non-City funds to purchase City-owned property.

17. If I want to build more than 20 units (30-40) to maximize site and proforma performance, can I still acquire a city owned lot through this program and just not request the gap funding?

- a. You can apply to purchase a City-owned lot without funding from either program. Your project must comply with the City's Unified Housing Policy. If you're applying to build ownership housing you will still need to submit the Minneapolis Homes: Financing application documents. If applying for rental you will need to submit the Missing Middle Rental application documents. This is to allow your application to be evaluated amongst all applications received.

General Application Questions

18. What steps need to be figured out prior to submitting my application?

- a. Your application requires completion of steps beforehand including identifying financing, having concept plans, identifying a project site and submitting an offer to purchase or providing site control documentation.

19. What do I need to submit with my application for Minneapolis Homes: Financing?

- a. Required documents for your application can be found on the webpage under "Applicant documents" and "Property Information". They include the application WORD document, document of financing, either the offer to purchase City-owned property or if using a private site then documentation of site control, plans for development including floor plans, elevations, and proposed lot layout, brokers price opinion or appraisal to support sales price/value, and completion of the City proforma. The Application WORD doc includes a checklist to help guide you.

20. Do I need to have my concept approved by the neighborhood before submitting?

- a. No, there is not a requirement to have neighborhood approval before submitting. There are benefits of contacting the neighborhood ahead of time, including working with them to support your project as framed in optional selection criteria. Neighborhoods will be invited to comment on projects received and given 45 days to do so. You may be invited to speak about your proposal at a neighborhood meeting.

21. There is a stated requirement that the applicant be able to demonstrate successful completion of a similar project within the past 2 years. Can you please elaborate? How firm is this requirement?

- a. Applicants should demonstrate experience either themselves or through partnership with a general contractor, developer, etc. The City encourages new developers to apply and has had multiple new developers through each round of funding, many of which started with rehabilitation of homes before moving on to new construction. The reason for the requirement of similar experiences is to ensure the development team can successfully support new applicants as they implement City development requirements.

22. Can the partnership be with a company who has done multifamily in the past but only single family in the last 2 years?

- a. We encourage you to partner with a contractor that has done a sufficient number and scale of projects to demonstrate capacity to take on a larger building if building multifamily.

23. What are the other requirements that should be noted for partnering with GC's?

- a. Compliance with the applicable policies:
 - i. [Multifamily bidding](#)
 - ii. [Single Family bidding](#)
 - iii. [Civil Rights Requirements](#)

24. Are mixed use projects eligible?

- a. Mixed use projects are eligible. City-financing is only available for the affordable residential units of your project.

General Financing Questions

25. How is financing obtained for the project?

- b. The City provides financing for affordable units on your project. Typically, financing from the City is a portion of financing for your project and you would have to obtain construction financing from another source in addition to your City request for financing. Developers can obtain a pre-approval letter from a construction financing lender, use their own capital, or money from a pending sale of property. A list of lenders that may provide construction financing can be found here:
<http://www2.minneapolismn.gov/www/groups/public/@cped/documents/webcontent/wcmssp-195456.pdf>. Additionally, Land Bank Twin Cities is another source of construction financing: <http://www.landbanktwincities.org/>. The list of lenders are intended as a resource, financing from any lending institution will be considered.

26. Does the total subsidy amount have to be drawn entirely before closing?

- c. City dollars can be drawn after closing on financing with the City and prior to closeout of the contract with the City which typically occurs immediately after occupancy.

27. Do we need to have funds available to get the project off the ground until the funding comes from the city? Or are we able to use the funding from the city as equity to secure funding for the rest of the project?

- d. Projects with funding commitments will be more competitive than those without. City funding is debt financing at 0% interest deferred. Funding for projects - both City and non-City sources - are closed on simultaneously and should be secured to allow for closing to occur.

Missing Middle Rental Pilot Questions

28. Is this program able to be used to redevelop a small commercial building into a mix-use apartment building?

- a. Rehabilitation of existing un-occupied structures is allowed through the Minneapolis Homes: Financing program for ownership, but is not allowed through the Missing Middle Rental Pilot

program for rental, as the goal of that program is producing new units of missing middle rental housing.

29. Are there any restrictions to refinancing a newly built property with the Missing Middle Program financing?

- a. The Missing Middle Rental Program requires construction of a newly built rental structure. Refinancing existing property is not allowed.

30. Do we have to use the Missing Middle program funds in order to receive the \$70k subsidy per unit?

- a. To receive City subsidy for rental, you must apply through the Missing Middle Rental Program.

31. Can you provide more information about the deferred loan in the missing middle rental program?

- a. There is a declaration of covenants that would require affordability for the assisted units. In the case of the missing middle rental program, the loan is a thirty year deferred loan with a 0% interest rate that is due and payable at the expiration of the 30 year term.

32. Is the 2020 Enterprise Green Communities the applicable year for the Missing Middle pilot?

- a. The City is currently using the 2015 Green Communities Guidelines with Minnesota Overlay. It is likely the City will transition to the 2020 Enterprise Green Communities criteria in conjunction with Minnesota Housing for 2021 awarded projects.

33. Which calculations are used for monthly rental performance?

- a. The maximum rents can be found on the Missing Middle webpage. For additional questions contact Jamie Radel.

Minneapolis Homes: Financing Questions

34. Can I apply for just project gap or just affordability gap?

- a. You can apply for just project gap or just affordability gap if that is all your project requires. You should consider the cost of your project and affordability of the sales price in making that decision.

35. For AMI, will the city be looking at 2020 or taking an average of multiple years of income?

- a. The City will use [HUD's AMI calculation for Minneapolis-St. Paul-Bloomington](#) which is updated on a yearly basis. The most recent calculation is for 2020.

36. Do you need to target and select an AMI range in the application and can that change if a different buyer comes along?

- a. During your application you do need to identify the AMI range you will be serving as the amount of funding you can request will vary based upon which income range you target. If your application is approved by Council, that AMI range and funding amount will become part of your contract and is not something that can change easily as it requires City Council action. You are able to sell the property you build to a household at an income lower than the income level you target and are encouraged to do so. Additional sources of affordability gap from non-City resources such as down payment assistance programs can help to make that possible.

37. Are there any options for owner occupancy projects? If so, what are the constraints for owner occupants? i.e. Length of occupancy, income restrictions etc.

- a. There are multiple options for owner occupancy. An income eligible applicant can apply to acquire, construct new, or rehabilitate existing privately owned or city-owned property. An existing owner occupant can apply through Stabilization to refinance their mortgage to an affordable level, payoff delinquent tax payments and/or HOA dues, or a renter can apply for funding to purchase their rental building. To participate through Stabilization you must agree to placement of your home in a Perpetually Affordable Housing model. Restrictions vary by type, please visit the Minneapolis Homes: Financing [program manual](#) for more specific information.

38. Which program is for current North Minneapolis homeowners whose mortgages may be unaffordable?

- a. For existing homeowners, the Minneapolis Homes: Financing program has an option called Stabilization that is available. Stabilization provides at least 20% of value of the home as funding from the City to help existing owners or renters hoping to purchase their rental building stay in their property. This can include affordability gap financing to help you refinance your mortgage to a lower balance to reduce your mortgage payment, rehabilitation of your home, and/or repayment of back taxes and HOA dues. To obtain funds from Minneapolis you must agree to placement of your home in a perpetually affordable housing model.

39. In the city PAH model, there is a 2% annual value increase "dependent upon the market"? What is this dependency?

- a. Typical annual value increases of properties have exceeded 2%, which is also the rate of income increase annually in the City over the last 20 years. The PAH model provides a 2% return, compounded annually to the owner in most situations. Situations where an owner would not see a 2% return are when the real estate market experiences a catastrophic reduction like we saw during the foreclosure crisis. While not common, there is a possibility the value could decrease greater than the upfront affordability investment which would result in no value appreciation for the buyer.

40. Does a PHI or PHIUS certified project need to have solar panels in order to capture the funding?

- a. A passive certified project only requires meeting the passive requirements to be certified. A solar panel is not required for passive projects, but if you are applying for funding under the third criteria which is net zero housing you must install solar panels on your Net Zero Energy Ready home to cover the energy use of the property to make it net zero.

41. Can you confirm that passive home incentive only applies to ownership projects?

- a. The Sustainability Funding Incentive only applies to ownership projects.

42. What is the Community Preference Policy and how does it apply?

- a. The [policy](#) seeks to disrupt involuntary displacement of Minneapolis residents by providing preference to applicants to purchase homes funded through Minneapolis Homes: Financing to specific eligible buyers. It provides preference to applicants to purchase homes who are:

- i. At or below 80% AMI
- ii. Renters and/or homeowners that were or are facing involuntarily displacement in eligible location areas due to the foreclosure crisis, tax forfeiture or economic displacement beginning January 1, 2007:
 1. Current City of Minneapolis residents residing in eligible location
 2. Previous City of Minneapolis residents

43. For the preference policy, it sounds like a prospective buyer who lives in an eligible neighborhood would qualify under the preference criteria, but Form E of the [program manual](#) indicates that evidence of prior displacement is needed. Is residence in an eligible neighborhood sufficient for a buyer to be eligible under the preference policy? Or is documentation of prior displacement required?

- a. The preference policy includes current residents of the eligible neighborhoods and not just those who were displaced.

628 Franklin Questions

44. Please tell us how the COVID Relief Funds for Homeless works for 628 Franklin Ave E and how / where to apply and what are the terms and amounts for that.

- b. For 628 Franklin, the availability of City resources would depend on the specifics of the proposal and how they compare to eligibility requirements. If the project is specific to COVID response, there is the possibility of Community Development Block Grant funding being available. If the project is a homeless shelter, there is the possibility of Emergency Solutions Grant funding being available. If your project is permanent housing, there is the possibility of Affordable Housing Trust Fund resources being available. None of these sources are guaranteed, and all resources are competitive. If you'd like to describe your proposal to staff in greater detail we can give further feedback as the specifics will depend on what is being proposed.

45. Is the property zoned for mixed use?

- a. 628 Franklin is zoned C1/neighborhood commercial so yes it is mixed use.