Community Planning & Economic Development
Crown Roller Mill, 105 Fifth Ave. S.
Suite 200
Minneapolis, MN 55401

Minneapolis
City of Lakes

February 13, 2006

TO: Interested Parties

RE: Modifications to the Affordable Ownership Housing Program for Spring, 2006 - Notice of 45 day Public Review and Comment Period.

The Department of Community Planning and Economic Development (CPED) is responsible for administering the Affordable Ownership Housing Program (AOHP) for the City of Minneapolis. The purpose of this program is to assist developers in the rehabilitation and construction of new single-family, duplex or multi-unit housing for owner-occupancy, including limited equity cooperatives. The program funds are used to assist housing developments with long-term or perpetual affordability mechanisms.

CPED is seeking public review and comment regarding the attached proposed changes to the AOHP guidelines for the Spring 2006 RFP process. Please send written comments to:

Cherre' Palenius, CPED
Multi-family Housing
105 Fifth Avenue South, Suite 200
Minneapolis, Minnesota 55401-2534
612.673.5241
cherre.palenius@ci.minneapolis.mn.us

Earl Pettiford
Single family Housing
105 Fifth Avenue South, Suite 200
Minneapolis, Minnesota 55401-2534
612.673.5231
earl.pettiford@ci.minneapolis.mn.us

All comments must be received no later than March 31, 2006.

AFFORDABLE OWNERSHIP HOUSING DEVELOPMENT PROGRAM
(Formerly the CPED Workforce Housing, Perpetual Affordability and Limited Equity Cooperative Programs)

The City of Minneapolis through its Community Planning and Economic Development (CPED) department is accepting comments on the Affordable Ownership Housing Development Program, which is a city-wide program to assist developers in the provision rehabilitation and construction of new affordable single-family, duplex or multi unit housing for owner-occupancy, including limited equity cooperatives. The program funds are used to assist housing developments with long-term or perpetual affordability mechanisms.

I. DEFINITIONS

Eligible Costs: The Affordable Ownership Housing Development Program will provide up to half of the total project gap funding. Funds may be used for both development cost gap and/or buyer affordability gap. Developers must provide documentation that the units will remain affordable for 30 years. Cooperative funds will generally be structured as long-term, low-interest deferred loans, as either blanket loans to the cooperative or individual share loans. The maximum CPED assistance will be $45,000 per unit for properties sold to households earning ≤50% of metropolitan median income (MMI) and the maximum CPED assistance of $30,000 per unit, for properties sold to households earning ≤60% MMI. CPED staff will undertake sufficient financial analysis of the projects to determine the appropriate amount of CPED assistance. Approximately half of the CPED funds will assist units at ≤50% MMI and approximately half will assist units at ≤60% MMI. For all projects with 10+ units, at least 20% of the units must be affordable to and occupied by households at <50% MMI.

Development cost gap: Financing for the difference between the cost of the improvement/construction of a property (including acquisition, demolition, rehabilitation, and construction), and the after-rehab or fair market value of the property upon sale established at the beginning of the project.

Buyer affordability gap: Financing for the difference between the fair market value of the property upon sale and the amount the actual homebuyer qualifies to purchase based on ratios similar to the City Living Program criteria of 33/38 if conventional and a 29/41 ratio if FHA.

Eligible Developers: A developer may be either a for-profit or non-profit entity. Developers must be proven development entities and must demonstrate professional development experience, a proven ability to undertake development projects of this type, and the ability to obtain sufficient financing. Land trust models, i.e. City of Lakes Community Land Trust, or limited equity cooperatives, are encouraged to apply.

II. PROJECT ELIGIBILITY AND REQUIREMENTS

A. Vacant land or single family, duplex and multi unit structures in need of substantial renovation or replacement, or a land trust homebuyer initiated program. No two-unit condominiums are allowed.
B. Vacant lots owned by the City of Minneapolis (formerly owned by the MCDA) are also eligible for treatment under the program. A list of these lots can be found on our web site at www.ci.minneapolis.mn.us/cped
C. Applications must be accompanied by evidence of site control (i.e. signed purchase agreement or option).

Deleted: In no case shall the total combined gap exceed $80,000 per unit (
Deleted: of
Deleted: 40
Deleted:)
Deleted: units
Deleted: at
Deleted: MMI
Deleted: $40,000 per unit
Deleted: (m
Deleted: 20
Deleted:)
Deleted: units at
Deleted: MMI
Deleted: $500,000
Deleted: $500,000

D. The completed units must be advertised and publicly offered and must be sold to the general public. The advertised price must be the home's fair market (appraised) value. After a six month period CPED may agree to price reductions if property fails to sell. However, A PRICE REDUCTION WILL NOT RESULT IN AN INCREASE IN THE GAP AMOUNT.
E. All projects must demonstrate compliance with city and federal requirements listed below.

III. APPLICATION PROCEDURE

Required proposal content: submit 4 copies of the following:

Completed CPED Affordable Ownership Program application form including all required attachments

Applications must be received no later than **June XX, 2006 by 4:00 PM**. Applications should be delivered or sent to:
Community Planning and Economic Development
Crown Roller Mill, Suite 200
105 - 5th Avenue South
Minneapolis, MN 55401
Attention: Cheryl Groettum

Deleted: July 15

Deleted: 2005

Deleted: 450

NO LATE PROPOSALS WILL BE ACCEPTED
EQUAL HOUSING OPPORTUNITY

IV. SELECTION CRITERIA

Program evaluation criteria are listed below:

Proximity to jobs and transit (projects that demonstrate transit access and are oriented to primary commercial and community corridors)	(up to 10 points)
Area Employer or other employee contributions	(up to 15 points)
Private leverage (over/and above the first mortgage financing)	(up to 10 points)
Other public leverage (over and above the required match)	(up to 10 points)
Long term affordability/land trust models	(up to 100 points)
Mixed-income (for multi-unit developments only)	(up to 10 points)
Developer experience and capacity	(up to 15 points)
Financial feasibility and readiness	(up to 15 points)
Non-impacted area	(up to 20 points)
Density appropriate to the location	(up to 10 points)
Treatment of blighted property	(up to 20 points)
Zero displacement	(up to 10 points)
Integration with broader city revitalization efforts	(up to 10 points)
Neighborhood support and financial contribution	(up to 15 points)
Reduction of CPED Land Inventory	(up to 15 points)
Preservation of expiring tax credit units	(up to 20 points)
Large family housing	(up to10 points)
Senior housing	(up to10 points)
Quality of management plan and cooperative training plan	(up to 10 points)
Quality of design	(up to 10 points)

Deleted: Contributions from area employer(s)

Deleted: 25

Deleted: Level of affordability (units at <30% MMI) . (up to 10 points)¶

The City reserves the right to reject any or all proposals or parts of proposals, to negotiate modifications of proposals submitted, and to negotiate specific work elements with a proposer into a project of lesser or greater magnitude than described in this RFP or the proposer's reply.

Staff will review and rank proposals and make recommendations for funding to the City Council. Preliminary funding commitments granted by the Council will be for a twelve-month period during which time developers must demonstrate compliance with program requirements, secure project funding, and conduct the project closing.

Developers are required to submit their proposals to the appropriate neighborhood group for review.

V. PROGRAM CLOSING

A. Prior to program closing the developer will be required to submit: documents creating or related to any partnership or joint venture arrangement for the project, documents related to purchase and financing, a title binder in a form satisfactory to CPED, evidence of insurance, zoning and utilities and other required documentation. The City of Minneapolis must be a certificate holder/mortgagee on all types of insurance.
B. Once all requirements are satisfied, the developer and CPED staff will arrange a mutually agreeable closing date.
C. Funds will be secured by a note and a mortgage recorded against the property.
D. Development cost gap funds will be disbursed periodically upon CPED inspection, starting at the point of 50% project completion.
E. Affordability gap funds will be disbursed at the buyer closing.

Formatted: Indent: Left: 0", Hanging: 0.25"

Deleted: F

Deleted: ¶

VI. SALE OF THE PROPERTY FOR HOMEOWNERSHIP

A. Properties must be completed within 12 months of program closing.
B. Pursuant to the final inspection, all punch list items must be corrected before closing with a purchaser will be authorized.
C. For rehab projects, a code compliance certificate or a Truth In Housing and Certificate of Occupancy must be submitted on or before closing.
D. A Certificate of Occupancy must be submitted for new construction projects.
E. A copy of the purchase agreement with the buyer must be provided to CPED, including copies of income verifications from all sources and/or a Fannie Mae 1003 application form signed by the home buyer and approved by the lenders underwriter
F. All homebuyers must attend and provide a certificate of attendance at a pre-purchase workshop and housing maintenance workshop prior to closing (or cooperative training program for limited equity cooperative projects).
G. Pursuant to the second mortgage strategy adopted by the city council in November of 2002, CPED second mortgage affordability loan documents will be required for all projects, unless the developer is contracting with the City of Lakes Community Land Trust. Cooperative funds will generally be structured as long-term, low-interest deferred loans, as either blanket loans to the cooperative or individual share loans.
H. At closing, the buyers must sign an affidavit of owner-occupancy.
I. CPED staff must receive written notice of the developer and the buyer closing at least 10 days prior to closing.
J. CPED will provide a Satisfaction of Mortgage for development gap financing only.

Deleted: . C

EQUAL HOUSING OPPORTUNITY

Program Contacts:

Multifamily Housing: Cherre Palenius (612-673-5241) cherre.palenius@ci.minneapolis.mn.us

Single Family Housing: Earl Pettiford (612-673-5231) earl.pettiford@ci.minneapolis.mn.us

Exhibits: CPED Affordable Ownership Program Application
CPED Contracting Requirements