

Minneapolis Homes Development Assistance Program Manual V.4

Table of Contents

Chapter 1: Introduction	3
1.01 Organization Structure and Mission Statement.....	3
1.03 Minneapolis Homes Development Assistance Program Goal.....	3
1.04 Eligible Applicants	3
1.05 Award Process.....	3
Chapter 2: Responsibilities and Warranties	4
2.01 Program Manual.....	4
2.02 Redevelopment Contract	4
2.03 Unauthorized Compensation	4
2.04 Audit and Monitoring.....	4
2.05 Standard City Contract Requirements	4
Chapter 3: Property Eligibility Criteria	5
3.01 Property Eligibility and Acquisition	5
3.02 Minneapolis Homes Property Preparation	5
3.03 Environmental Hazards	5
3.04 Unsuitable Soils.....	6
Chapter 4: Eligible Activities	6
4.01 New Construction Requirements.....	6
4.02 Project Gap.....	6
4.03 Affordability Gap	7
4.04 Gap Implementation	8
Chapter 5: General Administration	8
5.01 Timeline.....	8
5.02 Good Faith Deposit.....	9

5.03 Construction.....	9
5.04 Insurance.....	9
5.05 Eligible Project Costs	9
5.06 Ineligible Project Costs.....	10
5.07 Disbursement of Minneapolis Homes Development Assistance	10
5.08 Affirmative Marketing.....	11
5.09 Establishing Sales Price	11
5.10 Project Completion and Final Reconciliation	11
Chapter 6: Household Eligibility Criteria.....	12
6.01 Eligibility Criteria	12
6.02 Minneapolis Homes Income Eligibility	12
6.03 Reporting Household Demographic Data	13
Chapter 7: Reporting, Record Retention, and Documentation	13
Chapter 8: Servicing of Deferred Loans and Deed Covenant.....	13
Appendix A: Minneapolis Homes Development Checklist.....	14
Appendix B: Minneapolis Homes Bid Procedures.....	18
Appendix C: HUD Part 5 Income Determination.....	20
Appendix D: Minnesota Housing Income Determination	21

Chapter 1: Introduction

1.01 Organization Structure and Mission Statement

The City of Minneapolis Community Planning and Economic Development (CPED) department 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 on the following division goals:

- Support city population growth by providing policy direction and financing of new infill housing production and higher density residential development.
- Expand homeownership opportunities with particular focus on reducing the racial disparity rate in homeownership by providing incentive programs and enhancing homeownership outreach efforts.
- Stabilize the City's existing housing through rehabilitation that incorporates sustainability qualities to the design and construction.
- Identify and provide policy direction and financing for lifecycle housing options for all people.
- Identify and implement strategies to affirmatively further fair housing.

CPED's Residential and Real Estate Development work unit is a subdivision of CPED's Housing division that focuses on 1-4 unit development and management of City of Minneapolis land banked inventory purchased by CPED. Minneapolis Homes is consistent with the CPED Residential and Real Estate Development Purpose Statement: to create healthy, mixed income housing markets in the City of Minneapolis by developing opportunities to purchase or maintain a home and responsibly managing City development properties.

1.02 Background

Minneapolis Homes is the umbrella name for a variety of single family housing strategies including the Development Assistance program. The program is funded through resources from the City of Minneapolis and its funding partners.

1.03 Minneapolis Homes Development Assistance Program Goal

To maintain and/or increase the supply of affordable, owner-occupied, 1-4 unit housing in neighborhoods and communities throughout the City of Minneapolis and reduce racial disparities in homeownership.

1.04 Eligible Applicants

Eligible applicants include for-profit organizations, non-profit organizations, and government entities. Applicants must demonstrate:

- Experience successfully completing a similar project within the last two years.
- Capacity to pay for the proposed acquisition and improvements on the proposed property.
- The Developer cannot be an owner of a property that is a registered vacant building on the [City of Minneapolis 249 list](#), tax delinquent property, or property with significant code or rental license violations, unless the property is currently in the process of being rehabilitated in compliance with a restoration agreement or has a similar solution that is actively being implemented.
- The developer cannot have an uncured default on a City of Minneapolis restoration agreement and/or redevelopment contract to rehabilitate or construct a property.

1.05 Award Process

Minneapolis Homes Development Assistance is offered through a competitive Request for Proposal (RFP) process as often as funding resources allow; typically in the spring and/or fall of each year. Please refer to the Minneapolis Homes Request for Proposal posted on CPED's website for fund availability and deadlines.

Chapter 2: Responsibilities and Warranties

2.01 Program Manual

This Program Manual, including subsequent changes and additions, is a supplement to the Redevelopment Contract executed between the City of Minneapolis and the Developer. It is incorporated into the Redevelopment Contract by reference. The City of Minneapolis reserves the right to alter, waive, or impose additional requirements and to amend any or all materials effective as of the date of issue unless otherwise stated.

2.02 Redevelopment Contract

Approved Minneapolis Homes proposals will require a Redevelopment Contract that is unique to each approved home project.

2.03 Unauthorized Compensation

The Developer may receive fees as outlined in this Program Manual. However, the Developer shall not receive or demand from the builder, remodeler, contractor, supplier, or household:

- Kickbacks
- Commissions
- Rebates
- Other compensation

In order to reduce the total development cost associated with an eligible Property, a Developer may receive discounts from the seller, builder, remodeler, contractor, or supplier. In these cases, the Developer must document this in its file and be appropriately represented on the final proforma as a source.

2.04 Audit and Monitoring

The Developer is required to keep on file a complete copy of all documents for each activity completed. The City of Minneapolis reserves the right to make site visits or conduct an audit related to all Project files utilizing any Minneapolis Homes Development Assistance to determine program compliance. For a list of documentation requirements, see Appendix A.

2.05 Standard City Contract Requirements

The selected developer will be required to enter into a Redevelopment Contract with the City that will contain standard City requirements such as insurance, indemnification and provisions to ensure redevelopment of the Property, e.g., construction and financing plan approval prior to closing, transfer and encumbrance limitations prior to completion, and reversionary rights. Other requirements vary depending upon the type of development and the source and amount of public investment, if any.

The following list is not exhaustive. Developers unfamiliar with these standard requirements are urged to seek further information from City staff.

Equal opportunity (affirmative action and nondiscrimination). The selected developer will be required to comply and ensure contractors comply with applicable provisions of Chapters 139 and 141 (Title 7, Civil Rights), Minneapolis Code of Ordinances, and other applicable federal, state and local regulations, statutes and ordinances pertaining to civil rights and nondiscrimination.

Small and Underutilized Business Program. Development projects that receive public financial assistance over \$175,000 must comply with Chapter 423 of the Minneapolis Code of Ordinances, which requires “good faith efforts” to meet goals for the use of businesses owned by women and minorities in construction and professional services. A list of certified businesses can be obtained by contacting the Small and Underutilized Business Program at 612- 673-3076 or at www.mnucp.metc.state.mn.us.

Section 3. A Developer who receives more than \$200,000 of federal HOME, CDBG or NSP funds from the City of Minneapolis with either one contract and/or cumulative within the past year and any contractor or subcontractor with a contract on such covered projects in excess of \$100,000 are subject to the Section 3 requirements outlined in 24 C.F.R. Part 135. The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons.

Zoning Responsibility. It is the selected developer's responsibility to undertake and finance any rezoning, variance and use permits necessary for approval of the proposed development.

Utilities. It is the selected developer's responsibility to identify the locations of and provide for the installation of electricity, gas, water, sewer service and other utilities servicing the site from the public mains to the individual units.

Construction Standards. Development must meet all Minneapolis City codes, and projects will be reviewed for energy efficiency.

Hold Harmless. The selected developer shall agree to defend, indemnify and hold the City harmless from any and all claims or lawsuits that may arise from the developer's activities under the provisions of the redevelopment contract, that are attributable to the acts or omissions, including breach of specific contractual duties of the developer or the developer's independent contractors, agents, employees or officers.

Chapter 3: Property Eligibility Criteria

3.01 Property Eligibility and Acquisition

Properties available for funding through the Minneapolis Homes program are City-owned vacant lots or structures that met one of the following requirements upon acquisition:

- Property is in a Redevelopment Project Area and property is identified as one that may be acquired
- Blight analysis demonstrating that the Property is "substandard" under Minn. Stat. Sec. 469.012 or is on the City of Minneapolis registered vacant building 249 list because it is a "hazardous building" under Minn. Stat. Sec. 463.15, subd. 3
- Property is necessary to provide housing for persons with low and moderate income
- Acquired from a governmental agency

3.02 Minneapolis Homes Property Preparation

The City of Minneapolis will ensure that:

- Properties have marketable title
- Properties are valued within six months of offering for sale

3.03 Environmental Hazards

The City of Minneapolis does not identify or abate all environmental hazards present in vacant structures or vacant lots. Purchasers are encouraged to research potential hazards and their treatment and all visits to and purchases of a property are at the purchaser's risk. Visit the [Minnesota Department of Health website](#) for more information about safety precautions, licensed abatement contractors, and mitigation techniques. Purchaser agrees to accept and purchase the property "AS IS WITH ALL FAULTS" and will not rely upon any representations or warranties of any kind whatsoever, express or implied, from the City, its employees, officers, agents or consultants as to any matters concerning the property.

3.04 Unsuitable Soils

Where it can be demonstrated that the Property contains substantial amounts of Unsuitable Soils, the Purchaser may be reimbursed soil correction expenses in the form of a reduction in the Purchase Price for the property as approved by the CPED Director or City Council. The reimbursement of net sale proceeds cannot reduce the Purchase Price to less than \$1.00.

Unsuitable Soils means abnormal, geotechnically substandard or contaminated soils, which in CPED staff's professional opinion, qualify for soil correction. Such abnormal, substandard or contaminated soils shall include, but are not limited to:

- Soils that contain substantive amounts of loose and/or organic soils
- Demolition debris and rubble
- Abandoned building foundations, pilings, underground utilities and storage tanks
- Illegally dumped and buried materials
- Hazardous wastes, pollutants or contaminants as those terms are defined under any federal, state or local statute, ordinance, code or regulation

CPED will provide a soil report and will charge \$750 at closing. If the developer elects to pursue additional soil reports it will not be a reimbursable cost.

Chapter 4: Eligible Activities

4.01 New Construction Requirements

Visitability Design

- Doors with at least 32 inches of clear space;
- At least one no-step entrance; and
- A half bath, or larger bathroom, on the main level.

Minneapolis Homes staff may consider some instances where visitability design is not achievable. Developers will be required to provide a narrative providing substantial evidence why visitability design isn't possible which will be evaluated by Minneapolis Homes staff and may or may not be approved.

All newly constructed homes must comply with the Enterprise Green Communities mandatory criteria as modified by the Minnesota Overlay and Guide to the Enterprise Green Communities Criteria. For additional requirements and guidance regarding Green Communities Criteria, refer to [Minnesota Housing's Minnesota Overlay and Guide to the Enterprise Green Communities criteria](#).

It is expected that the Developer submits the required site plan review application, including uploading the plans in ELMS, prior to the land sale and financial closing.

4.02 Project Gap

Minneapolis Homes Development Assistance is competitively awarded to fill a Project Gap. Project Gap is the difference between the total development cost to redevelop a property and its fair market sale price upon completion. Project Gap funds are a **forgivable loan** secured with a 0% interest note and mortgage, forgiven upon sale to a homeowner occupant.

Forgivable loans (in whole or in part) are required to be repaid if more Project Gap is disbursed to a Developer than the project requires. The process for determining the amount of Project Gap assistance is described in Section 5.07 of this manual.

4.03 Affordability Gap

Affordability Gap is the difference between the appraised value of a home and what an individual homebuyer can afford as monthly payments for their first mortgage financing. Affordability is determined according to the following underwriting criteria:

- A household must spend no less than 25% and no more than 33% of gross monthly income for housing payments. Housing payments include monthly principal and interest on the first mortgage and any subordinate mortgage, any Home Owners Association (HOA) fees, property taxes, hazard insurance, and mortgage insurance. Minneapolis Homes program staff may, in their sole discretion, waive the payment ratio requirements when the Developer provides a written waiver request.
- Total combined debt ratio must be at or below 50%
- Buyers must provide a cash contribution of a minimum of a 1% down payment or \$1,000, whichever is greater. Minneapolis Homes program staff may, in their sole discretion, waive the minimum contribution requirement when the Developer provides a written waiver request.

Developers must submit documentation of their homebuyer's income determination and a statement of the amount of affordability gap need to CPED at least ten (10) business days prior to Homebuyer Closing.

There are two types of homebuyer financing mechanisms that can be applied for—1) Down Payment and Closing Cost Assistance and 2) Long Term Affordability Homebuyer Financing.

Down Payment and Closing Cost Assistance

All homes that receive funding will be eligible for up to \$10,000 of homebuyer down payment and closing cost assistance if they sell to homebuyers with household income at or below 80% area median income (AMI). Additionally, Developers may reduce Project Gap in order to provide a higher amount of Affordability Gap (limited to homebuyers with incomes at or below 80% AMI) up to the maximums described in Section 4.04 based on total gap awarded. Developers should include the availability of down payment resources to income eligible borrowers at the time of marketing the property.

The full amount of homebuyer down payment and closing cost assistance is a **deferred loan** with 0% interest provided to the Developer, who then provides funds at closing to the homebuyer. Minneapolis Homes staff will provide a deferred loan note and mortgage for the amount of homebuyer down payment and closing cost assistance that must be executed at the homebuyer closing. In the event the Developer fails to provide an executed deferred loan note and mortgage, or the Developer provides funds at closing to a buyer who does not meet City program requirements or is ineligible for homebuyer down payment and closing cost assistance, Developer will not be reimbursed for the cost.

Deferred loans must be repaid by the homebuyer/homeowner 30 years from the date of the deferred loan or when one or more of the following conditions apply, as stated in the Minneapolis Homes note and mortgage:

- the Project is sold, transferred, or otherwise conveyed by the borrower
- the borrower ceases to reside in or own the Project as their principal residence
- the date of repayment of the first mortgage

Repayments will come from net proceeds of sale which equals the sales price of a property less senior debt secured against the property and closing costs included on a closing statement. If there are not sufficient net proceeds to repay the entire amount of the City's Affordability Gap Down Payment and Closing Cost Assistance to the borrower, the balance of

the assistance may be forgiven, based on approval of the City’s Finance Officer. Remaining net proceeds of sale may be retained by the original occupant.

Long Term Affordability Homebuyer Financing

Pre-approved long term affordability home sale models may apply for Long Term Affordability Homebuyer Financing that provides at least \$25,000 and up to \$95,000 of Affordability Gap, with a 1:1 match requirement for the first \$25,000 invested with non-City funds. Long Term Affordability Homebuyer Financing is secured with a **declaration of restrictive covenants** for a 30-year term. Long Term Affordability Homebuyer Financing has an income limit of 80% AMI, as defined by the United States Department of Housing and Urban Development.

Long term affordability homebuyer assistance is required to be repaid if the long term affordability model is unable to ensure affordability of the Project at 80% of area median income for the minimum 30-year term.

4.04 Gap Implementation

The Project and Affordability Gaps will be provided as follows.

Sale to 81% - 115% AMI household:

Project Gap	Affordability Gap	Combined Loan Cap
SF: Up to \$70,000, 2-4 unit: Up to \$95,000	\$0	SF: Up to \$70,000, 2-4 unit: Up to \$95,000

A total of \$70,000 is available as Project Gap. No Affordability Gap is available from City sources.

Sale to 80% AMI household or below:

Project Gap	Affordability Gap	Combined Loan Cap
SF: Up to \$70,000, 2-4 unit: Up to \$95,000	\$1,000 - \$37,500 based upon need	SF: Up to \$80,000, 2-4 unit: Up to \$105,000

A maximum of \$70,000 in Project Gap for SF and \$95,000 for a 2-4 unit project is available as Project Gap funds. Developers can utilize awarded Project Gap as Affordability Gap up to the Affordability Gap cap.

Restricted for sale to LTA 80% AMI household:

Project Gap	Affordability Gap	Combined Loan Cap
SF: Up to \$70,000, 2-4 unit: Up to \$95,000	\$25,000 - \$95,000 based upon need	SF: Up to \$95,000, 2-4 unit: Up to \$115,000

A maximum of \$70,000 in Project Gap for SF and \$95,000 for a 2-4 unit project is available as Project Gap funds. Developers can utilize awarded Project Gap as Affordability Gap up to the Affordability Gap cap.

Chapter 5: General Administration

5.01 Timeline

Upon receipt of the proposals, a review committee will evaluate and rank all proposals and make a recommendation to the City Council. Developers can expect to:

- Receive a Redevelopment Contract within thirty (30) days of City Council approval of funding
- Up to seven (7) days to return an executed Redevelopment Contract after receipt
- Up to 180 days to complete land sale and financial closing with City of Minneapolis funds after City Council approval, extensions of this timeframe will incur a fee of \$1,000 per every 30 days.

- 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
- Projects must be completed and closed with a homebuyer within 12 months of the date of land sale and financial closing

In accordance with the terms and conditions outlined in the Redevelopment Contract, the City will not disburse any undisbursed Minneapolis Homes Development Assistance after the expiration of the 12-month period, and any Minneapolis Homes Development Assistance that has been disbursed but not used shall be repaid to the City of Minneapolis. The City of Minneapolis, in its sole discretion, may extend the period Minneapolis Homes Development Assistance is available to the Developer and extensions of the Project completion timeframe will incur a fee of \$300 per contract amendment.

5.02 Good Faith Deposit

If selected, all Developers are required to provide a good faith deposit from non-City resources, equal to the greater of 10% of the sales price or \$2,000, payable when a redevelopment contract is signed between the Developer and the City of Minneapolis. The good faith deposit is in addition to the purchase price for the property. All of the good faith deposit will be refunded if the purchaser successfully performs according to the terms of the redevelopment contract between the purchaser and the City of Minneapolis. Failure to perform according to the contract can result in the City of Minneapolis retaining all or a portion of the good faith deposit in its discretion.

5.03 Construction

Developer will follow CPED's bid procedures, attached as Appendix B. It is expected that projects are bid during the 180-day period after City Council approval, prior to land sale and financial closing. The Minneapolis Homes staff will issue a letter authorizing Developer to apply for Site Plan Review before the land sale closing occurs. Minneapolis Homes staff will conduct site visits to monitor progress of construction.

5.04 Insurance

Developers are required to provide the following insurance.

- **Builder's Risk Insurance** equaling 100% of the insurable value of the Minimum Improvements (construction costs).
- **Commercial General Liability Insurance** along with an ISO Form B Additional Insured endorsement or Owner/Contractor Policy naming the City of Minneapolis as an additional insured. Limits against bodily injury and property damage are required at \$1,000,000 for each occurrence with an aggregate limit of \$1,000,000.
- **Worker's Compensation Insurance**, with statutory coverage.

5.05 Eligible Project Costs

Eligible costs include acquisition, hard costs, and soft costs directly related to eligible activities, which culminate in the construction of a Project. Projects receiving Minneapolis Homes Development Assistance are subject to the following caps:

- Developer fee cannot exceed 10% of the acquisition, construction, architectural, engineering, legal, accounting and other professional service fees, including but not limited to those for surveying, appraisal, market feasibility, and environmental and geotechnical testing and correction costs
- Realtor and marketing fees cannot exceed 7% of the home sale price
- Contingency of 5% of hard costs is required for new construction
- Developers that are also acting as general contractors are limited to a general contractor fee of 8% of documented construction costs
- Soft costs cannot exceed 15% of total development cost

Hard costs are:

- Demolition
- Site preparation, including soil corrections
- General construction costs
- Shoring
- Other costs approved by Minneapolis Homes staff

Soft costs incurred by the Developer must be reasonable, necessary, and must directly relate to the financing of acquisition and construction of a Project. Soft costs are:

- Architectural, engineering, or related professional services required to prepare plans, drawings, specifications, or work write-ups;
- Costs to process and settle the financing for a Project, such as:
 - Private lender origination fees
 - Credit reports
 - Fees for the title evidence
 - Fees for recordation and filing of legal documents
 - Building permits
 - Attorney fees
 - Appraisal and independent cost estimate fees
 - Builder or developer fees
- Costs for affirmative marketing and fair housing compliance

5.06 Ineligible Project Costs

The following improvements are not eligible for inclusion in a Minneapolis Homes Development Assistance funded project:

- Non-owner occupied housing
- Community focused projects, including community gardens, parks, or related public spaces
- Construction of public infrastructure that is not directly related to the Project, such as City water, sewer, curb, and gutter improvements
- Construction of private infrastructure that is not directly within the Land upon which the Project is located
- Administration costs that are not directly connected to the development of the Project
- Improvements for commercial use
- The following property improvements are not eligible: swimming pools, gazebos, decks that are larger than 400 square feet, hot tubs, or other luxury improvements at the discretion of Minneapolis Homes staff. Developers will be notified of perceived luxury items and asked to remove them from project plans.
- Fees (extension or amendment) charged by the City of Minneapolis
- Change orders that do not have express written authorization from Minneapolis Homes staff

5.07 Disbursement of Minneapolis Homes Development Assistance

Developer may not commence construction of the Improvements until receipt of a notice to proceed from the City. After commencement of construction and when signage is posted on the site as indicated in section 5.08, the City will make disbursements of the Combined Loan funds. No disbursement request may be submitted to the City within 30 days of the date of the previous disbursement request. The net sale proceeds will be held by the title company and disbursed to the Developer at the time the Actual Project Gap is determined, if and to the extent that the Project Gap Loan does not exceed the Actual Project Gap.

Minneapolis Homes Project Gap is needs-based assistance. Within ten (10) business days of the homebuyer closing, the Developer must submit documentation of all actual project costs and an updated proforma to determine Actual Project Gap.

All disbursement requests for the Project must include:

- CPED Draw Requisition form showing sources and uses of funds per each draw
- AIA Documents G702 and 703, including a signature from the assigned Construction Management Specialist
- Invoices from each provider to be paid or documentation of payment for all costs to be reimbursed
- Change orders documentation
 - Change orders for an expansion of the scope of work (e.g. adding a new fence, a new deck, significantly upgrading materials) or soil corrections require pre-approval by a Construction Management Specialist
 - Change orders for unforeseen conditions may proceed without City approval; however, Developer must notify the Construction Management Specialist via email and voicemail at the time of general contractor's request for said change.

In the event that the actual Project Gap need or Affordability Gap need for a project is less than the projected need, the developer will reimburse the City 100% of the difference between the projected Project Gap and the actual Project Gap. The Developer should contact Minneapolis Homes staff if they would like to apply unneeded Project Gap to Affordability Gap in compliance with section 4.04.

5.08 Affirmative Marketing

The Developer must affirmatively market housing opportunities created by the Minneapolis Homes program by:

- Ensuring housing opportunities are publicly posted for sale on the Multiple Listing Service (MLS) for a minimum of seven (7) days
- Agreeing to a public posting on the Minneapolis Homes website of the Developer contact information and development project address through the Minneapolis Homes program
- Including non-discrimination, equal housing opportunity language on all MLS postings and marketing materials
- Providing signage in weatherproof materials with professional lettering of a minimum size of 2' x 3' on the project site that includes the City of Minneapolis logo and states "this project is being developed with the assistance and cooperation of the City of Minneapolis".
- Including that \$10,000 of homebuyer assistance is available to buyers below 80% AMI, based upon need

Additional affirmative marketing activities will be competitively scored through the Minneapolis Homes RFP process. Exceptions to MLS posting may be approved by the City of Minneapolis, in its sole discretion, for home sale models that are affirmatively marketed, have a waiting list, and demonstrate outreach to underserved markets.

5.09 Establishing Sales Price

Documentation of sales price is required at two points during the project:

- Broker's price opinion: submitted with the request for proposal response, establishing third-party review of the proposed project sale price based on concept plans
- Summary appraisal: submitted prior to marketing the property for sale, establishing list price based on the full plans and specifications

Developers must use an appraiser from the approved CPED appraiser panel for the Summary appraisal. All other properties may not exceed the FHA mortgage limits, which will be posted on the Minneapolis Homes website and are adjusted annually. Properties that receive HOME funds are restricted to a maximum sales price established annually by HUD, which will be posted on the Minneapolis Homes website.

5.10 Project Completion and Final Reconciliation

The final proforma reflecting actual final costs, documentation of final costs, and all remaining items from the CPED checklist must be submitted no later than 10 business days after the homebuyer closing. Sale

Price proceeds as shown on the closing statement will be escrowed at the homebuyer closing and remain with Title until the amount of actual Project Gap has been determined by the City; and upon such determination, any excess Project Gap will be paid by Title to the City from the Sale Price proceeds held by Title.

Chapter 6: Household Eligibility Criteria

6.01 Eligibility Criteria

Households must:

- Owner occupy the Minneapolis Homes unit as their Principal Residence
- Meet the income eligibility determination required by the Minneapolis Homes funding source, as identified in the award and the contract (see Section 7.02)
- 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](#).
- 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 allowed, but must be in compliance with the City’s Contract for Deed policy)

6.02 Minneapolis Homes Income Eligibility

The types of funds awarded through the Minneapolis Homes program have differing requirements for income eligibility. Below is a summary of all funding types, income limits, and methodology for determining income eligibility. The most restrictive funding type allocated to a particular property dictates both the income limits and certification method applicable to that property; funds allocated can include the City of Minneapolis acquisition source originally invested in the property. The specific funding type, income limit, and methodology for income calculation Developers must follow is in the Redevelopment Contract.

Funding Name	Type of Funding	Income Limit	Income Calculation Method
Community Development Block Grant (CDBG)	Federal; Project or Affordability gap	HUD defined 80% of 13-county area median, adjusted for family size	HUD Part 5 Income certification 24 CFR 5.609
HOME	Federal; Project or Affordability gap	HUD defined 80% of 13-county area median, adjusted for family size	HUD Part 5 Income certification 24 CFR 5.609
Neighborhood Stabilization Program (NSP)	Federal; Project or Affordability gap	HUD defined 50% or 120% of 13-county area median, adjusted for family size	HUD Part 5 Income certification 24 CFR 5.609
Minnesota Housing	State; Project Gap	MN Housing defined 80% or 115% of 13-county area median	Minnesota Housing Impact Fund certification
City of Minneapolis	Municipal; Project or Affordability gap	MN Housing defined 80% or 115% of 13-county area median	Minnesota Housing Impact Fund certification
Land Bank Twin Cities	Non-profit; interim construction financing	MN Housing defined 115% of 13-county area median	Minnesota Housing Impact Fund certification

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

See Appendix D for Minnesota Housing Impact Fund certification requirements and forms.

6.03 Reporting Household Demographic Data

The Developer must ensure the Minneapolis Homes household demographic form is completed.

Chapter 7: Reporting, Record Retention, and Documentation

The Developer must retain financial records, supporting documents, statistical records, environmental review records, and all other records pertaining to the project for a minimum of six years from the date the Minneapolis Homes Project was completed. 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 this 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.

Chapter 8: Servicing of Deferred Loans and Deed Covenant

The City of Minneapolis will designate a servicer for deferred loans and deed covenants. Servicing, satisfaction, or subordination inquiries should be directed to the designated servicer.

Appendix A: Minneapolis Homes Checklist

Appendix B: Minneapolis Homes Bid Procedures

Appendix C: HUD Part 5 Income Determination

Appendix D: Minnesota Housing Income Determination



City of Minneapolis CPED Housing Development Checklist

Developer:

Developer Contact:

Phone:

Project Coordinator:

Construction Management Specialist:

*Provide all documents separate, named as bolded and underlined below and per phase in one complete submittal. Submit **blue** documents to the **Project Coordinator** and the **shaded** documents to the **Construction Management Specialist**. Developers with financing through Land Bank Twin Cities are encouraged to copy Land Bank Twin Cities staff on all submissions of phase documents.*

Phase 0: Application (Senior Project Coordinator may collect all application items)

- Program **Application** or RFP response
- Offer to Purchase**, if purchasing a **City-owned property**
- Broker's Price Opinion (BPO)** to establish after rehab or completed new construction estimated sales price
- Documentation of financing** dated within last 90 days
- Proforma** filled out in "Application Budget" column
- Elevation/Site/and Floor Plans** can be sketches
- Evidence of **Affirmative Action Plan** approved by Minneapolis Department of Civil Rights or documentation it has been submitted for approval
- Long Term Affordability Application** (if LTA project)

Phase 0: Additional Items for HOW Program (Provide the additional documents ONLY when property is not acquired from the City of Minneapolis)

- Voluntary Acquisition Form**
- Initial property acquisition **purchase agreement**
- HUD 1** settlement statement related to the initial property acquisition
- Property Deed** / evidence of ownership
- Evidence property** was **vacant** at time of acquisition a minimum of 90 days prior to acquisition
- Neighborhood notification letter**
- Confirmation that the property is located in an **eligible area**
- Environmental review record** (include SHPO and FEMA panel)

Phase 1: Financing Contract

- Signed **CPED Financing Contract** including title company information

Phase 2: Closing

Step 1: Pre-Bidding (All items must be submitted and approved prior to bidding):

- Plans/Specifications/Lot Survey**
- Pre-Construction Intended Methods **Green Communities Checklist**
- Initial **Energy Audit** or Energy Modeling Report

- Bid advertisement**, consistent with CPED Bidding Requirements in contract
- Construction Management Specialist Notice to Proceed with Bidding**

Additional Items Required for Rehab Projects (pre-bidding)

- Asbestos inspection report**

- Radon testing** results

For projects constructed prior to 1978 provide the following

- Lead Based Paint Inspection** and Risk Assessment Report (Hennepin County)

- Lead abatement scope** of work

- Lead calculations**

- Lead certifications**

- Notification of Lead Hazard Reduction** (Minnesota Department of Health (MDH))

Step 2: Post-Bidding (All items must be submitted 10business days before closing):

- Bid tally**

- General or subcontractor **Bids**

- General contractor's or developer's **Builders License**

- Executed general or sub**contractor agreements** with the developer

- Sworn Construction Statement**

- Building Permit:** evidence of a full submission to Development Review as required for a building permit (upon approval provide copy of stamped plans to Construction Management Specialist)

- sam.gov Excluded Party List System (**EPLS**) **search** for ALL vendors, suppliers, contractors, title company

- Title Commitment**

- Proforma** (contract exhibit) updated in column "Closing budget"

- Builders Risk Insurance** equaling 100% of the insurable value of the Minimum Improvements (construction costs).

- Comprehensive General Liability Insurance** along with an ISO Form B Additional Insured endorsement or Owner/Contractor Policy naming the City of Minneapolis as an additional insured. Limits against bodily injury and property damage are required at \$1,000,000 for each occurrence with an aggregate limit of \$1,000,000.

- Worker's Compensation Insurance** with statutory coverage.

Closing

- Developer schedules **CLOSING** with Real Estate Coordinator (if property acquired from City) or with PC (if property is a HOW project) after the Project Coordinator, in consultation with Construction Management Specialist, approves project to close

- Project Coordinator issues the **NOTICE TO PROCEED** after closing.

- ALTA Loan Policy** (title insurance policy)

Step 4: Disbursement (Developer can submit disbursement requests no more than every 30 days)

- Disbursement Request, including loan requisition** (Contract Exhibit)

- AIA Documents G702 and 703**

- Invoices** from each provider to be paid or reimbursed

- Onsite **project signage evidence**

Phase 3: Construction Completion

- Certificate of Occupancy**, Truth in Housing or Code Compliance as applicable
- Post-Construction **Final Green Communities Compliance Report**
- Home Energy Rating System (HERS)/Final Energy Audit**
- Final radon testing** results
- Construction Manager performs site review and issues **Final Inspection Approval**

Phase 3: Additional Items Required for Rehab Projects

- Asbestos manifest**
- 2 year **Paint Warranty**
- Mechanical certification** of original equipment by a licensed professional
- Sewer clean out certification** of original equipment by a licensed professional
- Roofing certification** of original equipment by a licensed professional

For projects constructed prior to 1978 provide the following

- Lead Clearance Report Post Abatement** (Hennepin County)
- Lead Clearance Report Pre-Occupancy** (Hennepin County)
- Lead Record Keeping Checklist** (Environmental Protection Agency (EPA))
- Lead Hazard Reduction Report** (MDH)
- Lead Safe Practices Form** (CPED)
- Lead Adhesion/Cohesion Report**

Phase 4: Occupancy

- Certification Application and Tennesen Warning**
 - HOME/HOW funded projects: Project Coordinator performs **Buyer Subsidy Layering Analysis**
- Project Coordinator provides **Closing Instructions** to developer
- SAM.gov **EPLS search** for ALL **remaining** vendors, suppliers, contractors, title company in addition to real estate company, agents, lenders and homebuyers.
- Homebuyer purchase agreement**
- Household income verification** (typically 6 months bank statements and 2 months paystubs or verification of employment)
- Income Eligibility Worksheet**
- Fannie Mae (FNMA) **1003 Mortgage Loan** Application
- FNMA **1008 Lender's Underwriting** Transmittal
- Documentation that **primary financing** is a fixed rate "A" or "prime" FHA, VA, FNMA, or Freddie Mac loan product as listed on the Uniform Residential Loan Application (Form 1003).
- Summary appraisal**. REQUIRED: Use appraisers from Approved CPED appraiser list
 - NSP or HOME/HOW funded projects: **Purchase Price** does not exceed 95 % of HUD's median area sales price requirement. Required for Neighborhood Stabilization Program (NSP) and Home Ownership Works (HOW) funds
- Pre-purchase Counseling Certificate** for all the adults in the household.
 - HOME/HOW funded projects: **Pre-purchase Housing Maintenance Certificate** for all the adults in the household.

Phase 5: Post Occupancy (Due within 10 business days of homebuyer closing)

- Final **Proforma** with column "Final Budget" completed with supporting_AIA Documents G702 and 703, and invoices
- Homebuyer Assistance** Note and Mortgage (Contract Exhibit)

- [Homebuyer Affidavit](#) (Contract Exhibit)
- [Homebuyer Household Characteristics Form](#) (Contract Exhibit)
- [Closing Disclosure/Previously HUD 1 Settlement Statement](#)
- [Homeowners insurance](#) certificate
- [Ground Lease](#) (Contract Exhibit) NOTE: Applies to land trust projects only

COMMENTS

Appendix B: Minneapolis Homes Bid Procedures

For Projects with less than 8 housing units receiving Project Gap assistance through the City of Minneapolis, the City requires fair, open and competitive procurement that demonstrates reasonable development costs as described below:

1. At a minimum, developers must separately, publicly and widely advertise for competitive bids for each division of construction listed on the sworn construction statement attached to these Bidding Requirements (“Bid Sections”) in the contract. If any Bid Section is valued over \$100,000, then bids need to be sealed until the advertised bid opening date. Developers are encouraged to separately and publicly advertise for all work. Requests for bids must be designed to procure fixed or maximum price bid contracts and all contracts, whether for Bid Sections or other work shall be entered into on that basis. Developers may not use “cost plus a percentage of cost” pricing for contracts.
2. For the purposes of these Bidding Requirements, public advertisement may be through electronic postings (For example, I Square Foot, Builders Exchanges, Finance and Commerce, etc.).
3. If the Project is receiving over \$175,000 of City assistance, the Developer and its contractors and suppliers must comply with the Small and Underutilized Business Enterprise Program (SUBP) requirements as outlined in Minneapolis City Code Chapter 423. Any questions about the SUBP Requirements should be directed to the City of Minneapolis Civil Rights Department – Contract Compliance Division (612) 673-3012 or contractcompliance@minneapolismn.gov.
4. If the Developer has received more than \$200,000 of federal HOME, CDBG or NSP funds from the City of Minneapolis in the past year, Developer is subject to the Section 3 requirements outlined in 24 C.F.R. Part 135. In addition, any contractor or subcontractor with a contract(s) with a cumulative total of over \$100,000 on a Section 3 covered project must also comply with the Section 3 requirements outlined in 24 C.F.R. Part 135. Section 3 requires that to the greatest extent feasible, job training, employment and contracting opportunities in connection with Section 3 covered projects be provided to low-income or very low-income residents or businesses.
5. In addition, Developers are encouraged to make good faith efforts to solicit the interests of Section 3 Business Concerns and Minority-owned Business Enterprises and Women-owned Business Enterprises even if the project is not subject to federal Section 3 or Minneapolis’ Small or Underutilized Business Enterprise Program requirements.
6. Developers must submit their plan for public advertisement as well as the specifications being bid to CPED staff for review and comment by CPED and the Minneapolis Department of Civil Rights prior to commencement of advertising and posted within 5 days of City approval. Invitations for bid must include complete, accurate and clear specifications with pertinent attachments in sufficient detail for bidders to properly respond. All bids need to be written, dated, signed and received before the advertised bid opening date. For Bid Sections valued at less than \$100,000, e-mail bids may be accepted, provided that they are received by the developer prior to the bid opening and included on the bid tally. The City of Minneapolis may elect to post developer’s bidding advertisement to the City’s bidding opportunities website.
7. Developer must invite City Staff to attend all bid openings for Bid Sections. City staff may attend such bid openings at City discretion.

8. For all Bid Sections, Developer shall provide the City with (i) copies of the sign-in sheet of all persons attending the bid opening, (ii) copies of all bids and (iii) a bid tally summarizing all bidders and pertinent financial information.
9. Developer must select the lowest responsive responsible bidder for each Bid Section unless CPED approves the selection of another bid. CPED may approve a bid other than the lowest responsive, responsible bidder, provided that the alternate selection is determined to be cost reasonable.
10. If Developer does not receive at least two (2) or more responsive, responsible bids for each Bid Section, the City may require Developer to pay for a cost reasonableness review by a consultant acceptable to the City. The City may require the Developer to rebid any Bid Section for which they do not receive at least two (2) or more responsive, responsible bids.
11. Pursuant to Executive Order 12549, "Debarment and Suspension," Developer shall ensure that no contracts are given to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in projects receiving federal assistance through <https://www.sam.gov/portal/SAM/##11> and provide evidence of compliance to the City.
12. Design-build arrangements where the design phase overlaps with the Construction phase of the Project are prohibited.
13. Developers or General Contractors who wish to self-perform work on a project may only do so if they submit a separate bid (or bids) on the relevant Bid Sections.

Appendix C: HUD Part 5 Income Determination

The Developer 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.

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.

Appendix D: Minnesota Housing Income Determination

The Developer and City of Minneapolis may, through the Redevelopment Contract, establish income limits for each eligible activity undertaken with Minneapolis Homes Development Assistance. These limits may not exceed 115% of state or area median income (AMI). The Developer may not charge the household a fee for income verification.

The Annualized Gross Income is the earned or unearned income of the parties in the Household as described below from sources outlined in the list below (not including the exceptions that follow).

Parties Whose Income Must be Included When Calculating Annualized Gross Income

The income of the following persons must be verified and included when calculating Annualized Gross Income for Homebuyers of Projects constructed or rehabilitated using Minneapolis Homes Development Assistance:

- Anyone who will have title to the subject Property and signs the Mortgage Deed.
- Anyone expected to reside in the subject Property and who will be obligated to repay the underlying mortgage loans (signs the Note) but who is not in title to the subject Property; i.e. the Co-Signer (not named in title to the subject Property and does not sign the Mortgage Deed).
- The legal spouse of the mortgagor who will also reside in the subject Property.

If the mortgagor is legally married and the spouse does not or is not expected to reside in the subject Property, the Household file must contain either the Non-Occupant Spouse Statement or another statement indicating the spouse is not obligated to repay the loan and is not named in title to the subject Property.

Any person whose income must be included in the Annualized Gross Income calculation who receives no income must sign either the Zero Income Statement or another statement indicating he or she receives no income.

Accommodation Parties

An accommodation party is anyone with an ownership interest in an eligible Project that is not a Borrower. Examples include but are not limited to a non-borrowing relative, spouse, or heir in title to an eligible Property, or a seller of a contract-for-deed to an Owner-Occupant. An accommodation party must sign the Minneapolis Homes Mortgage.

Co-Signers

Co-signers are permitted on first mortgage loans originated for Homebuyers of Projects receiving Minneapolis Homes Dollars. Co-signers are not vested in title and may reside in the subject Property.

Annualized Gross Income Calculation

Total Annualized Gross Income includes, but is not limited to:

- Base pay, which includes full-time, part-time or seasonal work with regular hours, expressed hourly, weekly or monthly, etc.;
- Variable income, which includes irregular hourly income, income from commissions, overtime and bonuses, income from irregular employment, shift differential, tips, profitsharing, sick pay, holiday pay and vacation pay;
- Self-Employment or Business Income;
- Income from financial assets, trusts or annuities, including but not limited to, dividends, royalties and interest earned from non-retirement accounts;
- Government Transfer Payments, including retirement benefits, disability benefits, medical benefits, social security benefits, pensions, veterans' benefits, workers' compensation, public assistance, unemployment benefits, federal education and training assistance and income maintenance benefits;
- Insurance or benefit payments, such as long-term care insurance, disability insurance, pensions or death benefits;
- Net rental income from investment property;
- Contract-for-deed interest income;
- Child and/or spousal support payments;

- Regular cash contributions;
- Employer-paid allowances such as housing, automobile, cell phone, etc.;
- Flexible benefit cash;
- Custodial account income;
- Estate income; and
- Other sources of income not specifically excluded below.

The following types of income are excluded from the Annualized Gross Income calculation:

- Income no longer available;
- One-time (non-recurring) income; for example, income received once that does not have a history and is unlikely to reoccur in the future;
- Income generated by IRA, VIP, 403(b), and 401(k) accounts;
- Food stamps, Meals on Wheels, contributions of food;
- Government-paid child care which is paid directly to the provider;
- Foster care income;
- Educational scholarships, grants, loans or tuition reimbursement;
- Earned Income Tax Credit refund payments;
- Potential roommate income or rental income of future duplex or accessory dwelling unit;
- Court-ordered child or spousal support not received;
- 529 plans;
- Custodian accounts where someone other than the parents are named as custodian;
- Unearned income of adult dependents; and
- Non-recurring payments from:
 - Inheritances
 - Insurance settlements
 - Lottery winnings
 - Gambling winnings
 - Capital gains
 - Liquidation of assets
 - Settlements for personal loss

See the Minnesota Housing Impact Fund website for forms used for income calculation to comply with Minnesota Housing Impact Fund program policy:

<http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358906164357&pagename=External/Page/EXTStandardLayout>

Click “Forms and Income Limits” and see the “Income Eligibility” section.