Development Assistance & Missing Middle Pilot
# Agenda for Today

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<th>Introduction and Overview</th>
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<td>Application and Funding</td>
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<td>Timeline and Project Administration</td>
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Who We Are

CPED
Who We Are

Our Team

CPED Administration

- Operations and Innovation
- CPED Administration
  - Long Range Planning
    - Community Planning, Public Art and Research
  - Housing Policy & Development
    - Homelessness Initiatives
    - Residential Finance
    - Residential & Real Estate Development
  - Economic Policy & Development
    - Business Development
    - Business Licensing
    - Employment and Training
  - Development Services
    - Zoning Administration
    - Land Use, Design and Preservation
    - Construction Code Services
    - Development Review Customer Service Center
What is Minneapolis Homes?

• Umbrella name for a variety of City of Minneapolis-sponsored scattered site housing programs
  • **PROPERTY:** City-owned land that can be used towards housing development
  • **FINANCING:** Financial tools and assistance to create and sustain housing in Minneapolis
  • **EDUCATION:** Trainings and educational resources that build capacity to access homeownership and development opportunities
What are we trying to achieve?

City Goals from Minneapolis 2040

Eliminate disparities
All communities thrive regardless of race, country of origin, religion, or zip code

Affordable and accessible housing
All residents will be able to afford and access quality housing throughout the city

More residents and jobs
more residents and jobs, and all people equitably benefit from that growth
Funding Available

Minneapolis Homes Development Assistance (aka Development Assistance)

- $2,500,000 committed
- Fundraising underway
- Actual funding awarded may change

Missing Middle Housing Pilot (aka Missing Middle)

- $500,000 committed
- Fundraising underway
- Actual funding awarded may change

- Land Bank Twin Cities offers interim construction financing
- Contact Scott Anderson, 612-238-8755 or sanderson@landbanktwincities.org.
## Funding Priorities

<table>
<thead>
<tr>
<th>Development Assistance</th>
<th>Missing Middle</th>
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<tr>
<td>• Equity</td>
<td>• Equitable Work Opportunities</td>
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<tr>
<td>• Efficiency and Capacity</td>
<td>• Cost-Effective</td>
</tr>
<tr>
<td>• Impact</td>
<td>• Meet Local Affordable Housing Needs</td>
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<tr>
<td>• Design</td>
<td>• Design Features</td>
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Eligible RFP Applicants

- **Capacity**: Must be a for-profit, non-profit, or government entity and demonstrate financial capacity for the project.

- **Experience**: Must have experience completing a similar project in the last two years.

- **Responsible**: Must have a restoration agreement or similar solution for registered vacant buildings, rental license violations, or tax delinquent property.

- **In Good Standing**: Must not have an uncured default on a City of Minneapolis restoration agreement or redevelopment contract.
Eligible Properties

<table>
<thead>
<tr>
<th>Development Assistance</th>
<th>Missing Middle</th>
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<tbody>
<tr>
<td>• City-owned lots only</td>
<td>• Any land located in the City of Minneapolis is eligible</td>
</tr>
<tr>
<td>• Lots in NE, South Mpls reserved for long term affordability (LTA)</td>
<td>• Parcel or contiguous parcels within the City of Minneapolis</td>
</tr>
<tr>
<td></td>
<td>• Projects resulting in any net loss of units from the immediately prior building on a site are not eligible</td>
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</tbody>
</table>
How we define “affordable housing”?

• Housing that costs less than 30% of household gross income.

• City of Minneapolis programs leverage federal, state, and local dollars to invest in communities. Leveraged funds typically have requirements for Area Median Income (AMI).

• Minneapolis aims to preserve housing affordable to households making between 30% - 80% of Twin Cities Metro AMI.

• Based on the source of funding adjusted AMI limits are used:
  • **All rental, some ownership projects**: HUD (Federal) AMI adjusts depending on household size
  • **Some ownership projects**: Minnesota Housing (State) AMI does not adjust for household size


*Source*: Minnesota Housing, FY2019 Income Limits 11-County Twin Cities Metro Area
<table>
<thead>
<tr>
<th>Applicable Program Limit</th>
<th>FY 2019 Limit</th>
<th>Household Size</th>
</tr>
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<tbody>
<tr>
<td></td>
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<td>1</td>
</tr>
<tr>
<td>Missing Middle: Rental</td>
<td>50% AMI</td>
<td>$35,000</td>
</tr>
<tr>
<td>Missing Middle: Ownership</td>
<td>80% AMI</td>
<td>$52,850</td>
</tr>
<tr>
<td>Development Assistance: Ownership, project gap and affordability gap or LTA</td>
<td>115% AMI</td>
<td>$115,000</td>
</tr>
</tbody>
</table>


Source: Minnesota Housing, FY2019 Income Limits 11-County Twin Cities Metro Area
Long Term Affordability (LTA) – Ownership Housing

City goal of increasing long term affordable units. LTA units are restricted for sale to buyers ≤ 80% AMI for at least 30 years. Developers can partner with existing approved LTA models or submit their model for approval.

**Partner with City-Approved LTA Provider**

- **To partner with City of Lakes Community Land Trust**, please contact:
  - Staci Horwitz at 612.594.7148 or Staci@clclt.org

- Partnership with CLCLT does not mean you split a developer fee.

- Developers pay a flat fee of approx. $2,000 and/or allow CLCLT to use City of Lakes Community Realty LLC to market and sell the property.

- Fee covers CLCLT doing the following:
  - Buyers meeting with an attorney prior to purchasing.
  - Working with the buyer from application to closing.
  - Stewarding the LTA requirements and reporting.

- CLCLT is willing to work with developer partners to secure additional affordability gap funding.

- Additional CLCLT funding may have construction and/or design requirements.

- **To partner with Twin Cities Habitat for Humanity**, please contact:
  - Chad Dipman at 612.209.3754 or Chad.Dipman@tchabitat.org

**Submit your LTA model for approval**

- **Complete the request for Program Design Qualifications:**
  - Appendix A: Proposal Cover Sheet
    - Organization, Contact information
  - Appendix B: Long Term Affordability
    - Describe experience, method of ensuring affordability

- Models must demonstrate an ability to ensure 30+ years of affordability to buyers ≤ 80% AMI through deed restrictions, resale covenants, secured mortgages, or other methods.

- City staff will review complete proposals and follow up with applicants.
City Gap Funds

**Project Gap**

- **Ownership Projects:**
  - Funds cover the gap between total development cost and the fair market sales price

- **Rental Projects:**
  - Funds cover the gap between total development cost and the debt service and equity that project rents can support

**Affordability Gap**

- **Ownership Projects:**
  - Funds cover the gap between the fair market sales price and what a borrower can qualify to purchase

- **Rental Projects:**
  - Not applicable
Gap Funds Available
Development Assistance

- Ownership projects only
- Your application **Proforma** must specify your requests for **Project** and **Affordability Gap**.

### Sale to 81% - 115% AMI household:

<table>
<thead>
<tr>
<th>Project Gap</th>
<th>Affordability Gap</th>
<th>Combined Loan Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF: Up to $70,000, 2-4 unit: Up to $95,000</td>
<td>$0</td>
<td>SF: Up to $70,000, 2-4 unit: Up to $95,000</td>
</tr>
</tbody>
</table>

### Sale to 80% AMI household or below:

<table>
<thead>
<tr>
<th>Project Gap</th>
<th>Affordability Gap</th>
<th>Combined Loan Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF: Up to $70,000, 2-4 unit: Up to $95,000</td>
<td>$1,000 - $37,500 based upon need</td>
<td>SF: Up to $80,000, 2-4 unit: Up to $105,000</td>
</tr>
</tbody>
</table>

### Restricted for sale to LTA 80% AMI household:

<table>
<thead>
<tr>
<th>Project Gap</th>
<th>Affordability Gap</th>
<th>Combined Loan Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF: Up to $70,000, 2-4 unit: Up to $95,000</td>
<td>$25,000 - $95,000 based upon need</td>
<td>SF: Up to $95,000, 2-4 unit: Up to $115,000</td>
</tr>
</tbody>
</table>
## Missing Middle Rental

- $70,000 per affordable rental unit
  - Cash flow must show number of units with 50% AMI rents
  - Proforma must show the debt service that the rental cash flow will support
- Affordable rents are limited to 50% AMI rents
- Affordable units must remain affordable for 30 year term
- Minimum of 20% of units must be affordable

## Missing Middle Ownership

- $70,000 per affordable ownership unit
  - $10,000 as affordability gap based upon need
  - Remaining $60,000 can be either affordability gap or project gap
- Affordable ownership unit must be affordable to a buyer at 80% AMI
- Affordability requirements apply to the first purchaser only in North Minneapolis (Near North and Camden communities)
- Affordability requirements in all other areas have a 30 year affordability term and must partner with a pre-approved Long Term Affordability provider
- Minimum of 10% of units must be affordable
Affordable Purchase Price and Rents

Ownership (MHDA, Missing Middle RFPs)

<table>
<thead>
<tr>
<th>% of Median</th>
<th>Affordable Home Price*</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% AMI</td>
<td>$163,500</td>
</tr>
<tr>
<td>60% AMI</td>
<td>$199,500</td>
</tr>
<tr>
<td>80% AMI</td>
<td>$254,500</td>
</tr>
<tr>
<td>115% AMI</td>
<td>$300,000+</td>
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</table>

Affordable Home Price assumptions based upon market interest rates and income qualification of borrowers within AMI ranges. Sales prices may vary.

Rental (Missing Middle RFP only)

<table>
<thead>
<tr>
<th># Bedrooms</th>
<th>Rent Amounts^</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>30% AMI</td>
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<tr>
<td>Efficiency</td>
<td>$525</td>
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<tr>
<td>1 Bedroom</td>
<td>$562</td>
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<tr>
<td>2 Bedrooms</td>
<td>$675</td>
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<tr>
<td>3 Bedrooms</td>
<td>$780</td>
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<tr>
<td>4 Bedroom</td>
<td>$870</td>
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</tbody>
</table>

Rent amounts must not exceed 50% AMI rents by bedroom size to qualify for Missing Middle financing.
Affordable Rents – Utility Allowance

- Affordable rent amounts are inclusive of utility costs.
- If tenants pay utilities, the total rent must be reduced to offset the cost and match the affordable rent amount.
- Use the HUD Utility Allowance.
Key Programmatic Requirements

- Homes that receive City funding have requirements for:
  - Project costs and documentation
  - Construction standards and contracting
  - Affirmative marketing
  - Income qualification of homebuyers
  - Timeline for completion
Project costs and documentation

• **Cost Reasonable Homes:** project costs are reasonable and within industry standards

• The Proforma has automatic calculations that include the following maximum caps:
  - **Developer fee** – % of total development costs minus holding costs*
    - 9-units or less: **10%**
    - 10 to 20-units: **15%**
    - **Realtor and marketing fees** - 7% of the sale price
  - **Contingency** - 5% of total hard construction costs
  - **General Contractor fee** – 8% for developers that are also performing as GC
  - **Soft costs** - 15% of total development cost

• Documentation of all project costs must be submitted to the City of Minneapolis and reconciled in a final Proforma

*See proforma for exact calculation*
Minimum Affirmative Marketing

• Homes must be publicly posted on MLS if ownership, [housing link] if rental, exceptions must be pre-approved by Minneapolis Homes staff

• Awarded ownership homes will be posted on the Minneapolis Homes website

• Provide signage including the City of Minneapolis logo at the project site

• Sales price must be supported by an appraisal from CPED’s appraisal panel
Construction standards and requirements

• **Cost reasonable and good faith contracting**: Minimum requirement to ensure publicly and widely advertised bidding of each division of construction.

• **Bidding Required**: If developer does not receive at least two (2) responsive, responsible bids for each bid section, additional steps may be required. Please contact Minneapolis Homes staff if this occurs.

• **All contractors** and **professional services** must be searched against the [SAM.gov](http://www.sam.gov) excluded parties list system and evidence must be provided to the City.
Minimum Construction Standards

All homes must meet the mandatory requirements of the Minnesota Overlay of Enterprise Green Communities:

• Must achieve **Energy STAR New Home Certification** – includes sizing heating and cooling equipment in accordance with Manual J see [www.energystar.gov/partnerlocator](http://www.energystar.gov/partnerlocator)

• Use **native plants** in landscaping

• Use **water conserving fixtures** that have WaterSense label

• Install **ENERGY STAR appliances** (if provided)

• Install **LED or CFL lights**

• Use **low/no VOC** paints, coating, primers, adhesives, and sealants

• Use **low/no formaldehyde** emitting composite wood

• **Avoid water damage** through grading and waterproofing

• **Radon mitigation** per state building code

• **Homeowner manual** and orientation
City-owned parcels: Soil Testing/Unsuitable Soils

• Only applicable to City-owned parcels
• CPED is providing soil tests and will charge $750 at closing
• If unsuitable soils are discovered after closing, the developer may be provided a soil correction allowance up to the net sales price of the vacant lot
• The soil correction allowance will be in addition to development assistance awarded through the RFP
• CPED’s Engineer, Abdul Jama, will have to review the documentation of unsuitable soils. He can be reached at Abdulkadir.Jama@minneapolismn.gov or 612-673-5033
Civil Rights Compliance Policies

• Civil Rights Requirements
  • The City encourages local workforce hiring and the use of local, minority and women contractors and businesses.
  • Workforce goals: 20% of total project trade hours performed by females and 32% of total project trade hours performed by minorities

• Affirmative Action Plan: applies if developer receives >$100,000 of City and/or federal assistance in a particular year

• Section 3: applies if developer receives >$100,000 of federal assistance in a particular year

• Small Underutilized Business Program (SUBP): applies if developer receives >$175,000 of assistance
## Civil Rights Compliance Policies

<table>
<thead>
<tr>
<th>Requirements</th>
<th>1 Unit</th>
<th>2 Unit</th>
<th>3 Unit</th>
<th>4 – 7 Units</th>
<th>8-9 Units</th>
<th>10 – 20 Units</th>
<th>20+ Units</th>
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<tbody>
<tr>
<td>Civil Rights Projects must comply with Civil Rights Contract Compliance requirements based upon the amount of assistance received or number of units.</td>
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<tr>
<td>Small and Underutilized Businesses</td>
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<td>Yes, Contractors over $50,000</td>
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<td>Apprentice Training Program</td>
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<td>Bidding Rules</td>
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<td>Single Family</td>
<td>Single Family</td>
<td>Single Family</td>
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Civil Rights Compliance

• **Non-Discrimination**: Per City Ordinance, 139.50 (a)(1) states:

  The contractor will not discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, national origin, sex, sexual orientation, gender identity, disability, age [forty (40) to seventy (70)], marital status, familial status, or status with regard to public assistance. The contractor will take affirmative action to ensure that all employment practices are free of such discrimination.

• **EEO/AA Statement**: In all solicitations for employees, you must state you are an equal opportunity and affirmative action employer.
Development Review – 1 to 3 unit homes

- It is recommended to reach out to development review early in the process.
- Some sites may require re-zoning.
- With the adoption of the 2040 Plan near the end of 2019, some zoning requirements will be changing by early 2020. Zoning and Land Use staff will work to keep developers up to date on anticipated changes and timelines.
• Projects containing 3 or more units require Preliminary Development Review (PDR).
• Projects containing 4 or more units follow a different site plan review process.
• Site plan review requires a public hearing before the City Planning Commission.
• The process typically takes 8 weeks from the time a complete application is submitted.
• Contact Zoning staff to get a planner assigned to the project.
Submitting for Development Review

• Projects are submitted electronically through ProjectDox or via hard copy

• Submittals include:
  • Building permit application
  • Site plan review application
  • Residential construction management agreement
  • Survey
  • Site plan
  • Construction plans

• Plans may be submitted prior to the selection of a licensed contractor or without a copy of a construction contract, but both items must be submitted for review and approval before permits are issued

• New 1 or 2-unit dwellings are reviewed in 15 business days for first submittal and 5 business days for resubmittal after successful submission of all applicable information

• 3+ units are 15-20 days for first review, 10 days for 2nd or further reviews.
Submitting for Development Review

Development Review Customer Service Center 250 South 4th Street – Room 300

Service Center Hours
Mon - Wed, Fri
8:00 AM – 3:00 PM
Thursday
9:00 AM – 3:30 PM

Customers requiring Plan Review, Zoning, Preservation & Design (HPC) or Housing/Rental License services must sign-in by 3:30 PM

**Free parking is available for our customers behind the Public Service Center. Enter the second driveway on 3rd Street. Bring your ticket and exchange it for a digital access code to exit the parking lot.**
Application – Required Documents

Development Assistance

Developer Application (submit one copy of each document)
- General Application (doc)
- Affirmative Action Plan – for projects receiving ≤ $100,000
- MHDA Application Addendum (doc)
- Documentation of Financing

Property Offer (submit for each property address applied for)
- Offer to Purchase (PDF)
- New construction plans
- BPO or Appraisal - Broker’s price opinion that supports the sales price
- Proforma (xls)
- Long Term Affordability Financing (if applicable) (xls)

Missing Middle

Developer Application (submit one copy of each document, see RFP for details)
- General Application (doc)
- Affirmative Action Plan – for projects receiving ≤ $100,000
- Missing Middle Application Addendum (doc)
- Documentation of Financing

Property Offer (submit for each project site applied for)
- Offer to Purchase (PDF) - if applying to purchase City-owned land
- Documentation of site control – if non-City owned land
- New construction plans
- BPO or Appraisal - Broker’s price opinion that supports the sales price
- Proforma (xls) – including rental cash flow or ownership tab
- Long Term Affordability Financing (if applicable) (xls)
Timeline for Council Approval

1. Developers submit application by Due Date
2. Council Approval Anticipated by February 2020
3. Contracts sent within 30 days of City Council approval
4. Developers have 7 days to review and return signed contract and good faith deposit
5. Developers have 180 days after City Council Approval to close on the property
6. 12 Months to Construct & Sell or Rent
Project Administration

• Submit all items in a phase at once
  • Phase 0: Application
  • Phase 1: Before financial contract
  • Phase 2: Before closing
  • Phase 3: Construction completion
  • Phase 4: Pre-sale
  • Phase 5: Project completion

• Utilize naming conventions outlined in the RFP
  • Ex: Developer Name_Application

• Records identified in the Housing Checklist must be retained for a minimum of six years by the Developer from the date the project is completed including affordability period
Questions?

Development Assistance and Missing Middle RFPs

Kevin Knase
Senior Project Coordinator
612-673-5231
Kevin.Knase@minneapolismn.gov