

CITY OF MINNEAPOLIS

# Missing Middle Housing Pilot

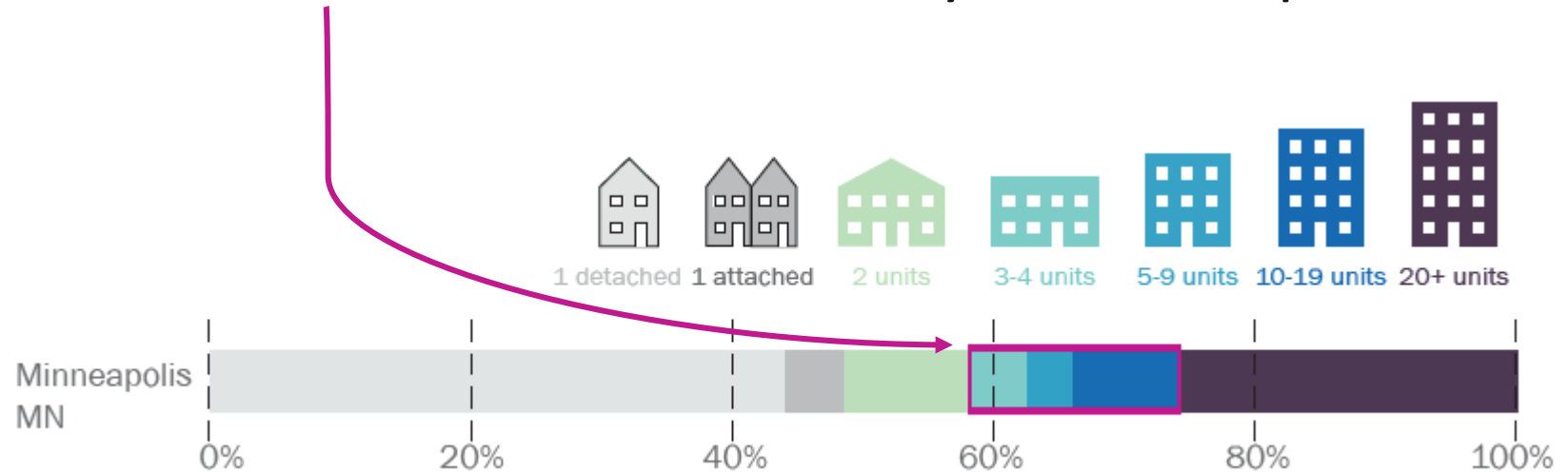
# Presentation Outline

- What is Missing Middle Housing
- Current Housing Markets
- Missing Middle Program Requirements
- Funding
- Goals and Funding Priorities



# What is Minneapolis Homes Missing Middle Housing?

- 3-20 unit housing developments
- Compact design requires less square footage and results in smaller building footprints
- Less than 20% of homes currently in Minneapolis



# Minneapolis Housing Today

- Since 2000, we have lost roughly 15,000 housing units that are considered affordable for 50% AMI households
- Approximately 49% of all households and especially households of color or indigenous households are housing cost-burdened (greater than 30% of income on housing)
- Single family homes make up approximately 45% of housing units, but consist of 70% of lots within the City



# Minneapolis Homeownership and Rental Markets

## Homeownership

Price	2018	2019	% Change
Median	\$233,000	\$260,000	11.6%
Average	\$289,078	\$317,144	9.7%
Per Sq. Ft.	\$185	\$208	12.1%

Source: Minneapolis Area Realtors [Local Market Update](#)

## Rental

Unit Type	Units Surveyed	Units Vacant	Average Rent	Vacancy Rate
Studio	4,321	170	\$1,049	3.9%
One Bedroom	14,028	512	\$1,246	3.6%
Two Bedroom	6,361	468	\$1,842	7.4%
Three Bedroom	366	23	\$2,426	6.3%
Three Den/Four+	114	0	\$4,523	0.0%

Sourced from Star Tribune Source: [Apartment Trends, a publication of Marquette Advisors](#)

# Missing Middle Housing Pilot Requirements

- **Rental:** a minimum of 20% of the units must be affordable to households at or below 50% AMI
- 30 years of affordability required
- Rent is based on Minnesota Housing's [Tax Credit Rents](#) for Hennepin County

**Rental – Income Limits By Household Size**

	1	2	3	4	5
50% AMI	\$35,000	\$40,000	\$45,000	\$50,000	\$54,000

**Rental – Max Gross Rents By Bedroom Size**

	0	1	2	3	4
50% AMI	\$875	\$937	\$1,125	\$1,300	\$1,450

# Missing Middle Housing Pilot Requirements

- **Ownership:** a minimum of 10% of the units must be affordable to households at or below 80% AMI
- In North Minneapolis, affordability assistance will be recaptured and recycled for future homeowners, consistent with the Minneapolis Homes Development Assistance program.
- In Northeast, South, Downtown, and Southwest Minneapolis, projects must partner with a long term affordable housing provider or document how they plan to ensure affordability for a minimum 30-year period

## Current LTA Providers:

- City of Lakes Community Land Trust (CLCLT)
- Twin Cities Habitat for Humanity
- Open to additional models

## Ownership – Affordable Home Sales Prices By Income

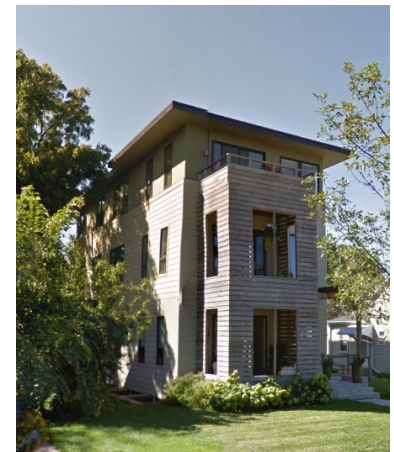
Household Income Level	Affordable Home Price
50% AMI (\$50,000)	\$163,500
60% AMI (\$60,000)	\$199,500
80% AMI (\$75,500)	\$254,500

Source: [Metropolitan Council](#)

Assumptions: 30-year fixed 5.125% mortgage, 29% front end, 3.5% down, property tax of 1.25%, mortgage insurance of .85%, \$100/month for hazard insurance

# Missing Middle Housing Pilot Funding

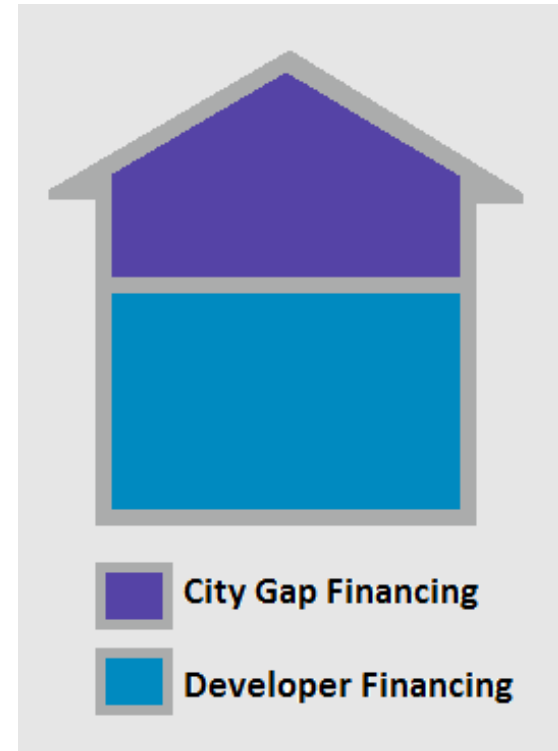
- Based on demonstrated need and only applicable to affordable units
- Up to \$70,000 per affordable unit
- Projects that demonstrate a compelling basis (lower-income level restrictions, longer affordability terms, etc.) for deeper subsidy will be eligible for up to \$95,000 per affordable unit





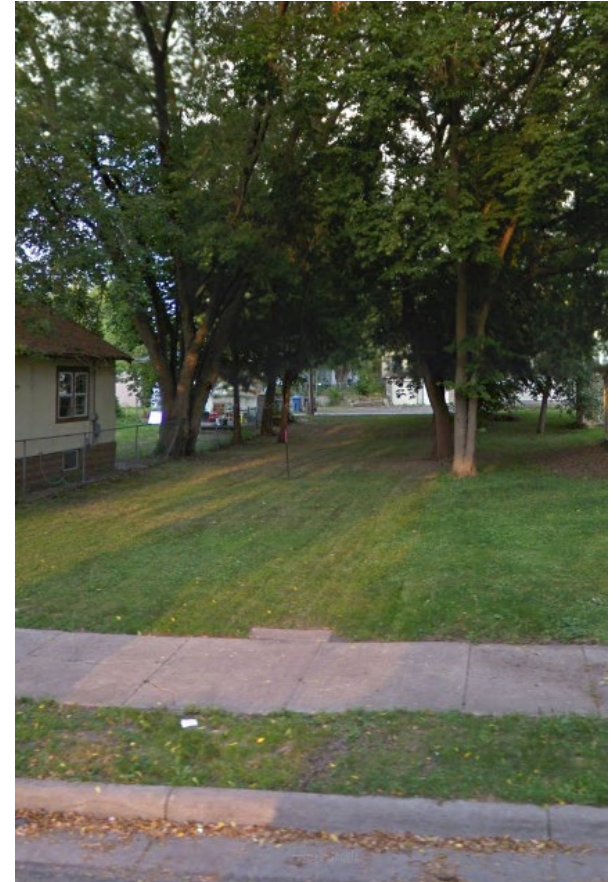
# Missing Middle Housing Pilot Funding

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



# Missing Middle Housing Pilot Eligible Properties

- Parcel or contiguous parcels within the City of Minneapolis
- Privately- or publicly-owned parcel(s) located in the City of Minneapolis are eligible
- Projects resulting in any net loss of units from the immediately prior building on a site are not eligible



# 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 Priorities

- **Equitable Work Opportunities**
  - Projects from development teams led by people of color or women
  - Partnerships with workforce development organizations
  - Projects led by developers with historic utilization of ex-offenders, Section 3, DBE businesses, etc.
- **Cost-Effective**
  - Minimizing City subsidy request
  - Maximizing density
  - Prioritizing development of City-owned land
- **Meet Local Affordable Housing Needs**
  - Historic rate of service to underserved communities
  - Projects with a greater proportion of affordable units
  - Projects that serve lower income levels
- **Design Features**
  - Accessible to disabled households
  - 3+ bedrooms
  - Sustainable certification (Passive House, LEED, etc.)

Questions?

