

Minneapolis Homes: Perpetually Affordable Housing Guidelines



Program Goal

The goal of the Minneapolis Homes: Perpetually Affordable Housing (PAH) Ownership Land Trust program is to eliminate racial disparities in homeownership and provide sustainable and accessible homeownership opportunities to low to moderate income households throughout the City of Minneapolis.

Eligible Homebuyer

- Must be at or below 80% AMI and in alignment with additional Minneapolis Homes: PAH Ownership Land Trust program income and household size guidelines.
- Homebuyers must complete homebuyer education

Eligible Financing

- Must utilize any fixed-rate portfolio FHA, VA, Fannie Mae, or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an "A" or "prime" lending product.
- May use a contract for deed financed and held by a nonprofit developer provided that the nonprofit developer does not sell the contract for deed without the written approval of the City. The contract for deed program must be approved by the City prior to participation in the PAH program and the Contract for Deed Vendor must co-sign the Declaration providing for perpetual affordability.
- Down payment assistance programs that are not financed through the Minneapolis department of Community Planning and Economic Development (CPED) may be layered to provide greater opportunity for the borrower to secure the purchase of a home.

Eligible Units

Projects of one to 20 units for ownership housing on a parcel or contiguous parcels within the City of Minneapolis. Units are financed through Minneapolis Homes: Financing, created through Inclusionary Zoning, or may be enrolled in the program through other methods as approved by the CPED Director.

Unit Type and Affordable Sales Price

Unit type is the combination of the number of bedrooms in a PAH unit and the income tier for the household being served. The program has three income tiers, the applicable tier is set on a per unit basis at the time of application. Households in lower income tiers may apply for homes available in higher income tiers, subject to underwriting guidelines being met.

Income tier	Unit Sale Price limit
61% - 80% of AMI	Price affordable to a household at 70% AMI
41% - 60% of AMI	Price affordable to a household at 50% AMI
40% and below AMI	Price affordable to a household at 30% AMI

Initial affordable price for each income tier will utilize the following assumptions and be published annually:

- Metropolitan Council assumptions to calculate mortgage loan principal and interest payments, insurance, and taxes
- City assumptions for perpetually affordable housing administrator fees
- Department of Housing and Urban Development published Income calculations for Area Median Income, adjusted for household size
- When applicable, the City shall include homeowner association fees specific to the project proposed

The above assumptions will be utilized to calculate an affordable mortgage that does not exceed 30% of household income, adjusted by the number of bedrooms in a unit. The program will additionally apply a standard to ensure a household's total debt ratio does not exceed 50%.

Initial Sales Requirements

The PAH unit affordable price must be set with a minimum discount of 20% below the market price. A declaration of restrictive covenants for 30 years that is renewed upon each property sale will be recorded upon sale. The declaration utilizes shared equity resale requirements that prevent additional subsidy need to maintain affordability and that apply to the first purchaser and each subsequent purchaser of the unit.

Marketing of Units

All available PAH units must be broadly advertised and affirmatively marketed, including public posting using culturally-specific mediums and public platforms that are free to access, for a minimum 10-day application period. The marketing plan must be submitted with proposals and aligned with the PAH manual. Individuals who are interested in receiving notices about available PAH units may sign up for the Minneapolis Homes newsletter.

Selection of homebuyers

The following criteria will be applied in the following order to select homebuyers for PAH units:

- 1) Income Eligibility – if households are not income eligible they will be disqualified
- 2) Household Size – applicants whose household size is less than the number of bedrooms in the unit plus one will only be selected if there are no qualified applicants of a compatible size for the unit
- 3) Preference Policy – applicants who meet the criteria of a City approved preference policy
- 4) Current Renters – households that don't own a home

If all of the selection criteria above are applied and there are still multiple applicants for a housing unit, then a lottery will be conducted by the Qualified Administrator.

Resale

PAH Transfer Procedures, as detailed in the manual and PAH Declaration, requirements apply. PAH units in the City's land trust, which includes all ownership units created through inclusionary zoning will appreciate using a fixed rate of return formula that increases the below market affordable price by 2% compounded annually, dependent upon the market. For example, a PAH unit that was initially sold at the discounted market price of \$250,000 would have a cap on the sales price at \$276,020, as calculated by the Qualified Administrator, if resold five years later (see example table below).

Year	Maximum PAH Sales Price
0	\$ 250,000
1	\$ 255,000
2	\$ 260,100
3	\$ 265,302
4	\$ 270,608
5	\$ 276,020

Administration Fees

Qualified Administrators are expected to ensure the following tasks are completed in accordance with the PAH manual. QAs will be eligible to earn fees through the sale of City PAH units.

Function	Description
Education	Providing education to prospective homebuyer about the City PAH model
Initial Sale	Marketing and initial sale of a PAH unit
Monitoring	At least annual monitoring to ensure homes remain owner occupied, communicate increases in value, and continue to comply with program requirements
Resale	Marketing and resale of a PAH unit
Refinance	Costs incurred by QAs to process subordination requests or communicate with 1 st mortgage lenders, if requested by the homeowner