Minneapolis
City of Lakes

Community Planning & Economic Development

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June 16, 2004

Subject: Request for Applications
Perpetual Affordable Pilot Program

Dear Prospective Applicant:

The Community Planning and Economic Development (CPED) is announcing the availability of $500,000 in rehabilitation, new construction and affordability funding under our Perpetual Affordability Pilot program (PA). The program is one of several programs that CPED uses to maintain existing housing and develop new housing for low and moderate income households in Minneapolis.

The PA program is specifically designed to assist profit and non-profit developers in the development of single family and duplex homes in Minneapolis for sale to owner occupants whose income is at or below 50% of median income for the Twin Cities SMSA. PA program funds will be provided as a grant for new construction and rehabilitation projects which need gap financing assistance to either cover the difference between total development costs and the amount for which a completed property can be sold (appraised value) or as a 2% affordability loan which will go directly to the buyer based on verification of need. Developers, however, must have access to their own construction financing. Developers must provide documentation that the project will remain affordable to the same income group for more than 30 years.

To be eligible for PA program funding, a project must be proposed for a property that is currently a vacant lot, single family home or duplex that has or will be acquired by a developer, and that needs substantial rehabilitation or should be demolished for new construction. The property can be either publically or privately owned.

Any developer who submits a proposal for a property that is being privately acquired must provide evidence of site control in the form of a purchase agreement. Actual ownership of a property is not necessary at this time and may not be advisable until you know if your project will be funded.

PA program development applications will be ranked in the order they are received but will also be evaluated according to a number of other criteria: 1) evidence of perpetual affordability, 2) cost effectiveness, 3) developer performance experience, 4) realism of project budget, and 5) compliance with guideline and submission requirements. (NOTE: A complete list of the selection criteria is on page 7 of the attached Application package.) All applications will also be reviewed by the appropriate neighborhood groups.

The $500,000 in program funds will be made available to any eligible project located in Minneapolis while funds last.

PA program applications must be submitted no later than 4:00 p.m., Friday July 30, 2004. Please read the Application procedure on pages 4-7 of the attached application package very carefully to ensure that you have included all necessary information. Applications are to be delivered to:

CPED Purchasing Department
Crown Roller Mill, Suite 200
105 - 5th Avenue South
Minneapolis, MN 55401
Attention: Earl Pettiford
EQUAL HOUSING OPPORTUNITY

If you have questions regarding the application process after reading the attached materials, please call me at 673-5231.

Sincerely,

Earl Pettiford
Senior Project Coordinator

June 14, 2004

PERPETUAL AFFORDABILITY PILOT PROGRAM APPLICATION

TABLE OF CONTENTS

SECTIONS		PAGE
I.	Eligible Developers	2
II.	Project Eligibility and Requirements	2
III.	Application Procedure	4
IV.	Selection and Funding Process and Criteria	7
V.	PA program Grant Closing	7
VI.	Disbursement of Grant Funds	8
VII.	Sale of the Property for Homeownership	9

EXHIBIT 1 - Perperual Affordability Program Application Form

EXHIBIT 2 - Maximum Buyer Incomes

EXHIBIT 3 - Sworn Construction Statement Form

REQUEST FOR APPLICATIONS

PERPETUAL AFFORDABILITY PILOT PROGRAM

The Community Planning and Economic Development (CPED) is accepting applications for the Perpetual Affordability Pilot Program which is a city-wide program to assist developers in the rehabilitation and new construction of single-family or duplex homes for owner-occupancy and provide affordability loans to low-moderate income residents. CPED is offering $500,000 in total funding.

To apply for the PA program, you need to complete the application form attached as Exhibit 1, and follow the instructions described in Section IV, Application Procedure on pages 4-7. If you have questions after reading this document about the general program requirements or the application procedure, please contact Earl Pettiford, Program Coordinator at 673-5231.

I. ELIGIBLE DEVELOPERS

A. A developer may be either a profit or non-profit.

B. 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.

II. PROJECT ELIGIBILITY AND REQUIREMENTS

A. Structures MUST BE VACANT and in need of substantial renovation or replacement. Properties that are automatically eligible for the program are those that are currently designated as vacant and boarded on the City Inspections Department's "249 List." Vacant, dilapidated properties that are not on the “249 List” are also eligible if their substandard condition can be documented. The “249 List” can also be found at the City web site www.ci.minneapolis.mn.us/inspections/board-bldgs.asp follow the prompts from there.

B. Some vacant lots owned by the MCDA/CPED are also eligible for treatment under the PA program. A list of these lots can be found on our web site at www.ci.minneapolis.mn.us/cped then click on Housing Policy and Development/Single Family Housing Development/Vacant Housing Recycling Program/Vacant lot database. If CPED receives valid offers to purchase and redevelop any of these lots without subsidy prior to the

submission of a PA program application, it reserves the right to withdraw such lots from PA program eligibility.

C. Applications that are submitted for a property that a developer plans to acquire privately must be accompanied by evidence of site control (i.e. signed purchase agreement or option) or they will not be accepted. A developer must deal directly with the owner to obtain site control. If there are any questions about the ownership of a particular property, you should call Hennepin County Property Tax Information at 348-3011.

D. The PA program does not permit developers to "arrange" with the previous owner of a building to have it become vacant in order to be eligible for the program. If this is found to be the case, the application will be disqualified for funding.

E. Developers can apply for PA program funds for assistance to cover only the costs of the acquisition and demolition of a structure, or assistance for all of the costs of acquisition, demolition, and construction/rehabilitation.

F. Staff will take into consideration several factors when evaluating applications such as the site's suitability for housing use, its suitability for new construction, the structure's suitability for rehabilitation, or long range development factors. These and other factors are described in detail in Section V, Selection and Funding Process and Criteria.

G. Rehab and new construction projects must be either single-family or duplex homes. No two unit condominiums are allowed. ALL HOMES MUST BE SOLD FOR OWNER-OCCUPANCY. All homes must be sold to buyers with a low or moderate income, which is defined as at or below 50% of median income for the Twin Cities SMSA.

H. Projects must meet FHA minimum property standards.

I. Rehabilitation projects must meet EPA standards for lead abatement and disclosure.

J. The project must be able to obtain a code compliance certificate or Truth In Housing upon completion if it is a rehab project and/or Certificate of Occupancy.

K. Rehab projects must also address lead abatement.

L. The completed project must be publically advertised. Initial advertised prices must be the home's fair market (appraised) value. Failure of the home to sell at that price after a six month period of time may result in price reductions if concurred with by CPED program staff. However, A PRICE

REDUCTION WILL NOT RESULT IN AN INCREASE IN THE CONSTRUCTION GAP GRANT AMOUNT.

III. APPLICATION PROCEDURE

A. **Applications must be submitted no later than 4:00 p.m., Friday July 30, 2004.** Applications should be delivered or sent to:

CPED Purchasing Department
Crown Roller Mill, Suite 200
105 - 5th Avenue South
Minneapolis, MN 55401
ATTENTION: Earl Pettiford

If there any questions about the application/procedure, or if you need additional program application packages, you should call Earl Pettiford, CPED program Coordinator, at 673-5231.

B. Applications must include the application form which is attached. SEPARATE APPLICATIONS MUST BE SUBMITTED FOR EACH PROPERTY.

1. The application includes property identification, site information, and development cost budget. Rehab proposals must contain a brief specification. New construction proposals must include drawings showing the floor plan on all levels, site plan, all elevations showing exterior treatment. At this stage, rehab/new construction costs do not need to be based on actual bids but only need to be estimates.

2. Developers must submit evidence of site control for privately-acquired properties in the form of an option to purchase or a purchase agreement contingent upon PA program funding. If there is any question about the proposed purchase price, CPED may also require an "as-is" appraisal. IF A PROPOSAL DOES NOT INCLUDE EVIDENCE OF SITE CONTROL, IT WILL NOT BE ACCEPTED. However, actual ownership of a property is not necessary for site control.

3. Developers must identify the probable source of their construction financing in the form of a conditional financing commitment letter from a construction lender.

4. Developers must complete a disclosure form requiring some basic information regarding the development entity, which is part of the application (Exhibit 1).

5. Developers must submit evidence that the home will remain affordable either through inclusion in a Land Trust or a mortgage interest for the amount of the construction financing.

C. Development Cost Budget for Rehab Proposals. (NOTE: The information listed in Section C and D, refers to the budget form which is part of the PA program Package Requirements and Application Form, attached as Exhibit 1.

1. PA program Rehab grant amounts will be determined by deducting the appraised value of redeveloped property from the total development costs. The maximum CPED funding is $33,000 and must be matched dollar for dollar. Program funds can be stacked with other CPED program funding.

2. Acquisition costs: the developer may negotiate the purchase price with the seller of the property. However, costs are subject to review and approval by CPED staff. Developer-obtained purchase agreements to acquire property must be contingent upon CPED concurrence with the purchase price. CPED reserves the right to require an "as-is" appraisal for a project if necessary to substantiate the price.

3. Rehab costs: Costs on which the grant amount is based may not include certain luxury items such as decks, fireplaces, air conditioning, saunas, whirlpools, hot tubs, swimming pools, elevators (or accommodations for future elevator), etc. If those items are included in the final physical product they will be considered buyer options and will not be paid for as part of the PA program grant amount. Repairs to existing decks or fireplaces are eligible.

4. Marketing costs: Including advertising, can not exceed 7% of sales price.

5. Contingency: maximum of 10% of rehabilitation cost.

6. Developer's profit: maximum of 8% of total development costs.

7. All other soft costs: (including taxes, insurance, property management, legal fees, points, utilities, interest, closing costs, appraisals, etc.): maximum of 15% of total development costs.

8. Sales price: for purposes of the application, sales prices should be the developer's estimate of the probable appraised value of the

completed home, as estimated without the amenities listed in Section III. C. 3 above.

9. Handicapped accessible units do not have to be pre-sold, but must be marketed to handicapped buyers for at least six months before CPED will consider a request from a developer to sell to a non-handicapped buyer.

D. Development Cost Budget For Proposals Requesting Acquisition, Demolition And/Or New Construction Assistance.

1. Grant amounts will be for the cost of acquisition, demolition, and construction up to a maximum of $33,000 per project. Costs are subject to review and approval by CPED staff. Purchase agreements should be subject to concurrence by CPED staff which may require an "as-is" appraisal to justify the price. Demolition costs may be bid for purposes of the proposal but bids for all components of the project will be required in the PA program Application package.

2. CPED lots are available for their fair reuse value subject to demonstration of need as shown by the project budget and approval by the CPED Board.

3. New construction costs: gross construction costs, including plans, specs, construction monitoring and contractor's profit. Luxury amenities will be treated the same as in rehab projects.

4. Marketing Costs: including advertising, can not exceed 7% of sales price.

5. Contingency: MAY NOT EXCEED 5% OF NEW CONSTRUCTION COSTS.

6. Developer's profit: may not exceed 8% of total development costs.

7. All other soft costs: (including taxes, insurance, property management, legal fees, profits, utilities, interest, closing costs, appraisals, etc.): maximum of 15% of total development costs.

8. Sales price: for purposes of the proposal, sales prices should be based on the developer's estimate of appraised value of the completed home, as estimated without the amenities listed in Section IV.C.3.

9. Handicapped accessible units do not have to be pre-sold, but must be marketed to handicapped buyers for at least six months before

CPED will consider a request from a developer to sell to a non-handicapped buyer.

IV. SELECTION AND FUNDING PROCESS AND CRITERIA

A. All Proposal received as of the deadline will be reviewed by CPED staff for compliance with all of the stated requirements.

B. After completion of CPED staff review all proposals will be forwarded to the appropriate neighborhood for 45 day review.

C. Once neighborhood review is complete all proposals will be forwarded to the MCDA Board of Commissioners/City Council for final approval.

D. The use of other types of public subsidies in combination with PA program funds is permitted.

E. Proposals submitted without funding commitments for all of the sources necessary will be considered when all commitments have been secured and may be approved for funding if there is still funding available.

F. The criteria used by CPED staff in reviewing all applications are listed below:

1. Realism of the project budget.
2. Compliance with PA program requirements.
3. Evidence of site control (if private acquisition is necessary).
4. General developer experience.
5. Neighborhood recommendation.
6. Projects that are located in non impacted locations.
7. Appearance of proposed home.
8. Reduction of MCDA/CPED Land Inventory.
9. Evidence of long term perpetual affordability

G. Applications that are incomplete or unacceptable as submitted will be rejected by CPED staff, and a letter will be sent to the developer outlining the specific reasons for rejection and the changes and corrections necessary for it to be reconsidered. The criteria that will be used in accepting or rejecting applications are those listed in Section IV.F.

H. Rejected applications that are completed/corrected by the developer can be reconsidered if available funding remains in the program.

V. PA PROGRAM GRANT CLOSING

A. Prior to PA program grant closing the developer will be required to submit:

1. Documents creating or related to any partnership or joint venture arrangement for the project.

2. Copies of pay-off agreements for any existing Contract for Deeds, if necessary.

3. A title binder in a form satisfactory to CPED.

4. CERTIFICATES OF INSURANCE for Worker's Compensation, Builder's Risk, and General Liability. The City of Minneapolis must be listed as an additional insured under the General Liability policy, which must have at least a $1,000,000 ceiling and be in the name of the developer not the selected contractor. The City of Minneapolis must be a certificate holder on all types of insurance required.

B. Once all requirements are satisfied, the developer and CPED staff will arrange a mutually agreeable closing date.

C. Funds will be secured by mortgages.

VI. DISBURSEMENT OF FUNDS

A. PA program Rehab Projects

1. Developers will receive disbursements for rehab projects only for actual rehabilitation costs.

2. A disbursement may be made upon 50% completion as verified by on-site inspection by CPED staff. Disbursement will be in an amount equivalent only to the hard costs incurred to that point up to the PA program funding maximum for the project.

3. If any funds remain, subsequent draws may be made. No more than 3 draws per project are allowed.

4. Disbursements will be made through a disbursing agent mutually agreeable to the developer and to CPED such as a title company or a bank. The disbursing agent will collect lien waivers.

B. PA program Projects With Acquisition and Demolition Assistance

1. Developers will receive 60% of the portion of PA program grant amount for acquisition and demolition costs once the acquisition and demolition are complete.

2. Disbursement is made through a disbursing agent who collects lien waivers.

3. The remaining 40% of the acquisition and demolition costs is paid at the substantial completion of construction. The final draw is made by the disbursing agent who collects copies of all lien waivers for the project.

C. PA program New Construction Projects

1. For new construction projects receiving acquisition and demolition assistance, Section VII.B. above applies.

2. If the project receives funds to pay for actual new construction costs, a draw may be requested at 50% completion.

3. Other draw procedures are consistent with those in Sections VII.A. and VII.B.

VII. SALE OF THE PROPERTY FOR HOMEOWNERSHIP

A. Properties must be completed within 6 months of PA program closing.

B. Final completion inspection must be made by CPED staff and any resultant punch list items must be corrected before closing can be authorized.

C. For rehab projects, a code compliance certificate or a Truth In Housing and Certificate of Occupancy must be submitted.

D. A Certificate of Occupancy must be submitted For new construction projects.

E. Copy of the purchase agreement with the buyer must be submitted to the CPED and must supply copies of income verifications from the lender.

F. At closing, the buyers must sign an affidavit of owner-occupancy.

G. CPED staff must receive notice of closing at least 10 days prior to closing.

H. CPED will provide a Satisfaction of Mortgage unless the mortgage is tied to long term affordability of the structure.

EXHIBIT 1

PERPETUAL AFFORDABILITY PROGRAM
DEVELOPER APPLICATION

1. Developer: Name_____
   Address _____
   _____
   Contact Person_____
   Phone_____
   Corporation _____ Partnership _____ Individual _____

2. Development Proposal: New Construction _____ Rehabilitation _____

3. Property: Address_____
   Lot size _____ X _____ = _____ square feet

4. Date house became vacant _____ 249 List ( ) Yes ( ) No

5. Estimated costs:_____

REHABILITATION/NEW CONSTRUCTION PROFORMA

Developer: _____

Property Address: _____

Acquisition Price: _____

1. Acquisition cost _____
2. Gross rehabilitation/construction cost _____
3. Contingency
   (up to 10% of gross rehab cost) _____ % _____
4. Marketing (up to 7% of sales price) _____ % _____
5. Financing & carrying costs (not to exceed 15% of total development cost)
   a. Interest during construction _____
      Estimated number of months _____
      Construction loan interest rate _____ %

b.	Taxes during construction		_____	
	Post construction taxes		_____	
c.	Insurance		_____	
d.	Title and recording		_____	
e	Legal fees		_____	
f.	Points: Construction loan	_____	_____	
	Mortgage loan	_____	_____	
g.	Closing costs		_____	
h.	Appraisals		_____	
i.	Utilities (post construction)		_____	
j.	Property management (post-construction) Estimated number of months	_____	_____	
k.	Other (specify) Architect		_____	
l.	Construction management		_____	
m.	Total (a-l)			_____

6. Developer's profit (may not exceed 8% of TDC minus developer profit) _____

7. Total Development Cost: TDC (1-6) _____

8. Appraised value after rehabilitation _____

9. Net deficit (gap financing needed) _____

6. Proposed financing (attach conditional financing commitments)

7. Attach documentation of site control (option to purchase, purchase agreement contingent upon funding, etc.). Proposals without site control will be considered incomplete.

8. Developers experience – Please describe briefly the development entity's professional development experience with other projects. (List specific projects, addresses, dates, etc.)

_____

_____

_____

_____

_____

_____

_____

_____

9. Developer signature_____ Date _____

Redeveloper's Statement for Public Disclosure

Non-Corporate information – please complete this section if you are purchasing as an individual or partnership.

Purchaser's Name **as you wish to take title**:

Name_____ Marital Status _____Social Security Number _____

Name_____ Marital Status _____ Social Security Number _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: Home _____ Work _____

Cell Phone _____ Fax _____

E-mail Address _____

Corporate information (for profit and non-profit) – please complete this section if you are purchasing as a corporation.

1. Name: _____

Address: _____ Phone: _____

City:_____ State: _____

Zip Code: _____ County: _____

Full name of person(s) who will be signing documents for your company:

Name: _____ Title: _____

Name: _____ Title: _____

2. This Firm was organized on _____, _____, organized or operating under the laws of the state of _____, as:

_____ A corporation
_____ A limited liability company
_____ A non-profit or charitable institution or corporation
_____ A partnership known as
_____ A business association or a joint venture known as
_____
_____ A Federal, State, or local government or instrumentality thereof
_____ Other

3. Does the corporation have a seal? ( ) yes ( ) no

4. Federal Tax ID number of corporation: _____

Corporate continued for previous page

5. List names and description of interest of partners, officers, principal members, and investors having an interest of ten percent (10%) or more of the corporation.

Name	Title	Description of Interest	% of Interest

6. Do you currently have any defaults/liens or judgments? ( ) Yes ( ) No
If yes, please explain:

_____

_____

7. Have you ever purchased property from the CPED or MHRA before? ( ) Yes ( ) No

Address: _____ Address: _____

8. Have you ever been displaced by a governmental entity? ( ) Yes ( ) No
If yes, please explain:

_____

_____

9. Are you currently or have you previously been involved in a lawsuit with the city of Minneapolis, one of its departments, or agencies? ( ) Yes ( ) No If yes, please explain:

_____

_____

Marketing Information

Describe your marketing plan for this Property (i.e. identification of marketing agent, process, and time frame).

_____

_____

Describe your plan for insuring Perpetual Affordability of the project.

EXHIBIT 2

HUD HOME PROGRAM INCOME LIMITS 2004

Income	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	16100	18400	20700	23000	24850	26700	28550	30350
50%	26850	30700	34500	38350	41400	44500	47550	50600

EXHIBIT 3

CONSTRUCTION STATEMENT

NOTICE: This statement must be complete as to names of all persons and companies furnishing labor and material to the subject property. Any increase in cost, from changes in construction or otherwise, must be immediately reported to CPED. Fill in every blank or state "none", or if included in another item, indicate which item by number.

PURCHASER' NAME _____

PROPERTY ADDRESS _____

SIGNED _____DATE _____

ITEMS	FURNISHED BY Laborers, Material Suppliers & Subcontractors	Total Cost		Amount Paid		Balance	
1. Air Conditioning							
2. Appliances							
3. Architectural Services							
4. Blacktopping							
5. Brickwork, Chimney & Fireplace							
6. Building Permit							
7. Cabinet Work & Cabinets							
8. Carpentry & Labor							
9. Carpeting							
10. Clearing Building Site							
11. Concrete – Floors, Steps & Driveway							
12. Concrete – Pre-stressed							
13. Contractor's Fee							
14. Counters & Vanity Tops							
15. Demolition							
16. Drywall – Materials							
17. Drywall – Taping							
18. Electric – Fixtures							
19. Electric – Wiring							
20. Excavating & Fill							
21. Floor Finishing							
22. Foundation – Blocks & Masonry							
23. Foundation – Waterproofing							
24. Garage Door							
25. Glass & Mirrors							

26. Grading & Backfill							
27. Hardware							
28. Heating							
29. Insulation							
30. Laminated Units & Trusses							
31. Landscaping							
32. Lumber							
33. Millwork: Trimwork							
34. Ornamental Iron							
35. Painting – Decorating							
36. Painting – Exterior							
37. Painting - Interior							
38. Plumbing – Labor							
39. Plumbing Materials							
40. Roofing							
41. Septic System							
42. Sheet Metal & Gutters							
43. Sod							
44. Stonework & Stone							
45. Structural Steel							
46. Stucco							
47. Survey							
48. Tile – Ceramic & Plastic							
49. Tile – Floor							
50. Water & Sewer Connections							
51. Well & Pump	**CONSTRUCTION TOTALS**						
Land/Lot Cost							
Contingency							
Marketing/Sales Commission							
Redeveloper Profit							
Interest							
Taxes During Construction							
Insurance							

Title and Recording Fees							
Legals Fees							
Points							
Closing Costs							
Appraisal							
Utilities							
Property Management							
Other:							