



## **Single-Family Investor-Ownership Intervention Pilot Program Guidelines**

### **Background**

Investor ownership of single-family homes has dramatically increased both nationally and in the Twin Cities metropolitan area. While the trend of investor ownership has increased options for renters, it has reduced opportunities for affordable homeownership and contributed to the growing racial disparity gap in homeownership rates between white households and households of color.

In response to these conditions, the Minneapolis City Council passed legislative action (RCA-2023-01049) committing \$2 million of Housing Replacement District (HRD) funds to be used as development gap funding for investor-owned single-family properties. In partnership with the Community Planning and Economic Development Department (CPED) and in accordance with Minneapolis Homes: Financing (MHF) Program, Land Bank Twin Cities, Inc. (LBTC) is proud to support the administration of the Single-Family Investor-Ownership Intervention Pilot Program. Through this Pilot Program, participating developers will be able to purchase, rehabilitate, and resell investor-owned single-family homes to owner-occupants at or below 80% area median income (AMI).

### **Goal**

This Pilot Program seeks to disrupt the trend of investor ownership of one-unit properties and reduce racial disparities by creating homeownership opportunities for households below 80% AMI. The Pilot Program seeks to achieve this by providing participating developers with 0%, deferred loans for up to 75% of purchase price of eligible, investor-owned single-family properties.

### **Eligible Applicants**

Participating developers must demonstrate a development team that includes a developer or general contractor with experience on a [Minneapolis Homes](#) supported project within the past three years.

### **Eligible Properties**

Properties located in the City of Minneapolis that are vacant, investor-owned one-unit properties and are acquired by Land Bank Twin Cities, Inc., a nonprofit entity.

- 1) Vacant means a property that has not been occupied for a period of at least 30 days prior to acquisition.
- 2) Properties listed meet the definition of investor ownership, which is owned by an entity or its subsidiaries that has 10 or more one- to two-unit rental properties in the seven-county metro area, consistent with the Minneapolis Federal Reserve definition.

## Eligible Funding

Participating developers will be eligible for the lessor of:

- 1) 75% of the posted purchase price from LBTC to participating developer.
- 2) Demonstrated project gap need up to the limits of the Minneapolis Homes: Financing subsidy limits.

Funding will be a 0% interest, deferred loan for developer acquisition from LBTC, secured by a note and mortgage at the time of LBTC sale to the developer. Upon sale to a qualified homebuyer, CPED staff will release the note and mortgage and require that title hold the net proceeds of sale up to the CPED mortgage amount. CPED staff will verify sources and uses within 10 business days of receipt of documentation after homebuyer closing. Any unneeded gap will be payable to the City, and demonstrated project gap will be forgiven. If there is excess gap subsidy available, then developer may convert funds to affordability gap using an affordability gap instrument (note/mortgage or other approved document) provided by the City and recorded with the homebuyer in the City's name.

- 1) Project Gap: the difference between the total development cost of a project and its fair market value upon completion.
- 2) Affordability Gap: the difference between either:
  - a) Perpetually Affordable Housing (PAH): the fair market value of a financed unit and its affordable sales price.
  - b) Recapture: the fair market value of a financed unit and what a homebuyer can obtain for first mortgage financing.

## Fee

A program fee of 3.5% of the purchase price will be due by participating developer at the developer acquisition closing.

## Capacity

Due to funding limitations, this Pilot Program will be limited to twelve (12) participating developers, each of which will be eligible for a single property acquisition. If all twelve program spots are not filled when the application period ends, participating developers may be eligible to acquire additional properties.

## Financing Available

LBTC has acquisition and construction financing available on a limited basis for qualifying projects. Please contact Land Bank's Director of Community Lending, Scott Anderson, for more information: [sanderson@landbanktwincities.org](mailto:sanderson@landbanktwincities.org).

## Timeline

TASK	TIMELINE
1) Application Period	February 12 - 23, 2024
2) Application Review Process + Notification of Acceptance	Within 2 business days
3) Property Selection Period	Open until April 26, 2024
4) Property Specific Proposal	Due prior to submitting offer
5) Purchase Agreement (Investor-Owner + LBTC)	Upon proposal approval
6) Resale Agreement (LBTC + Developer)	Upon executed PA
7) Approval of Funding by CPED	During Due Diligence Period
8) Acquisition Closing (LBTC + Developer)	45 days after execution of PA
9) Rehabilitation Completion, Sale to Qualified Homebuyer, & CPED Monitoring	12 months after acquisition closing

## **Process**

### **1) Application Period**

The application period officially opens on February 12 at 1:00PM CST, following the informational webinar. Applications will be accepted through Friday, February 23 at 11:59PM CST or until all twelve spots are filled, whichever comes first. Applications will be accepted and prioritized in order of application submission. If you are interested in participating, please apply as soon as possible for consideration. Only completed applications accompanied by all required documents will be accepted for program consideration.

### **2) Application Review Process + Notification of Acceptance**

All applicants will be notified within five (5) business days of the submission of their application regarding program acceptance. The first twelve (12) participating developers to submit completed applications will be accepted into the Pilot Program. Once all spots are filled, any additional applications will be reviewed and qualified applicants will be added to a waitlist, prioritized in order of application submission.

### **3) Property Selection**

Once applications have been reviewed and participating developers have been notified of their acceptance into the Pilot Program, LBTC staff will work with participating developers to identify and schedule tours of eligible properties. LBTC staff will compile, update, and send out weekly a list of eligible properties. Developers will notify LBTC staff of properties of interest and schedule property tours with LBTC staff. The property selection period will run from notification of acceptance into the pilot program until April 26, 2024 or once LBTC has a property under contract for all participating developers.

### **4) Property Specific Proposal Submission**

Once a property of interest is selected, participating developers will be required to submit a property-specific proposal, including:

- a) Minneapolis Homes: Financing Proforma
- b) Scope of work for rehabilitation + blight analysis
- c) A broker's price opinion (BPO), comparative market analysis (CMA), or appraisal that states the after-rehabilitation appraised value.
- d) Pre-approval letter for financing, demonstrated line of credit, or financial reserves dated within 90 days of application.

### **5) Purchase Agreement (Investor-Owner + LBTC)**

Once the property-specific proposal is submitted and reviewed (1-2 days), LBTC staff will negotiate and execute a purchase agreement with the investor-owner of the selected property, contingent upon CPED funding approval. Participating developers will have until May 3, 2024 to work with LBTC to execute a purchase agreement on a selected property.

### **6) Resale Purchase Agreement (LBTC + Participating Developer)**

Once a purchase agreement is executed between LBTC and the investor-owner, LBTC and the participating developer will enter into a resale purchase agreement, which will result in a back-to-back closing. In the resale purchase agreement, LBTC will agree to sell the selected property to the participating developer at LBTC's purchase price plus a 3.5% program fee.

### **7) Approval of Funding by CPED**

On behalf of participating developers, LBTC will submit Pilot Program applications and property-specific proposals to CPED for final review of eligibility and funding consideration.

### **8) Acquisition Closing by LBTC & Participating Developer**

LBTC will coordinate closing details with the investor-owner, participating developer, and CPED, including communication of the closing date and required documents. Funds will be wired in advance of closing and credited to the participating developer (buyer) at closing.

### **9) Compliance Monitoring, Rehabilitation Completion, & Sale to Qualified Home Buyer**

After acquisition, CPED will assume responsibility for the oversight of MHF program requirements, including scope of work, homebuyer income certification, final reconciliation to determine needed gap, and project outcome documentation.

## **Frequently Asked Questions**

### **How many applicants will be accepted into the Pilot Program?**

Twelve (12) applicants will be accepted in the initial round of the Pilot Program. Additional applicants will be waitlisted. If funds remain after the initial round of acquisitions, waitlisted applicants will be notified in order of application received.

### **How many properties will each participating developer be eligible to purchase?**

Participating developers will be allotted funding to apply toward the acquisition of one property. We understand that participating developers may have the capacity and desire to acquire multiple properties. If fewer than twelve developers apply during the application period, participating developers may have the opportunity to acquire additional properties.

### **How will you decide which applications will be accepted into the Pilot Program?**

Participating developers will be accepted and prioritized in order of application submission. If you are interested in participating, please apply as soon as possible to reserve your spot in the pilot program.

### **When will applicants know if they've been accepted into the Pilot Program?**

All applicants will receive a response from LBTC staff within 1-2 business days of submission of their application.

## **Compliance Requirements**

- 1) An Affirmative Action Plan with current workforce hiring goals for minority and women are required for all projects that receive more than \$100,000 of financing.
- 2) The CPED Prevailing Wage and Registered Apprenticeship Policies apply to any project with eight or more units, even if fewer than eight units receive financing.
- 3) Section 3 requirements apply for any project that receives more than \$200,000 of federal funds within a year.
- 4) Small and Underutilized Business Program goals are required for any project that receives more than \$175,000 of City subsidy.
- 5) Developers will be required to comply with non-discrimination laws and affirmatively market the availability of units.

**Pilot Program Application + Resources**

- 1) Pilot Program Application (PDF Link)
- 2) [Minneapolis Homes: Financing Webpage](#)
- 3) Minneapolis Homes: Proforma (Excel link)
- 4) [Minneapolis Homes: Financing Guidelines](#)
- 5) [Minneapolis Homes: Subsidy / Income Limits](#)
- 6) [Minneapolis Homes: Financing Rehabilitation Standards \(Appendix D\)](#)

**Questions?**

Please direct all questions and application submissions to Garrett Peterson, Program Manager.

[gpeterson@landbanktwincities.org](mailto:gpeterson@landbanktwincities.org).