



Opportunity to Purchase Policy Options for the City of Minneapolis



Authored By:

Scott Bruton, PhD
Coalition for Nonprofit Housing and Economic Development

Gretchen Nicholls
LISC Twin Cities

Prepared By:
Coalition for Nonprofit Housing and Economic Development

LISC Twin Cities



Acknowledgements

The authors express their gratitude to the stakeholders and experts who provided their input and expertise throughout this process through interviews, focus group sessions, and feedback on a preview of policy options.

The authors also would like to acknowledge the important contributions made to this report by the Minneapolis Staff Working Group: Community Planning and Economic Development—Andrea Brennan (Interim Director), Katie Topinka (Housing Policy Coordinator), Dean Porter-Nelson (Housing Stability Specialist); Regulatory Services—Kim Keller (Director), Andra Brosneag (Interagency Coordinator), Saray Garnett-Hochuli (Director of Operations+ Engagement, Regulatory Services); City Attorney’s Office—Joel Fussy (Assistant Minneapolis City Attorney); Mayor and City Council Offices-- Andrea Inouye (Minneapolis Mayor’s Office), David Zaffrann (Policy Aide, Minneapolis City Council Ward 3 for Councilmember Fletcher), Sara Ganglehoff (Policy Aide, Minneapolis City Council Ward 11 for Councilmember Schroeder), Robin Garwood (Policy Aide, Minneapolis City Council Ward 2 for Councilmember Gordon), Dani Hans (Policy Aide, Minneapolis City Council Ward 5 for Councilmember Ellison).

The authors also thank Kate Speed (Program Officer, LISC Twin Cities), Ramon Jacobson (Executive Director, LISC DC), Adam Kent (Deputy Director, LISC DC) for their help in analyzing the Minneapolis real estate market and multifamily affordable housing financing systems in Minneapolis and Washington, DC.

About the Coalition for Nonprofit Housing and Economic Development

Established in 2000, the Coalition for Nonprofit Housing and Economic Development (CNHED) is an association of 180 organizational members working to foster just and equitable community development solutions that address the needs and aspirations of low-and moderate-income District of Columbia residents. CNHED’s members represent a broad spectrum of nonprofits, for-profits, and government agencies that build, preserve, and manage affordable housing; protect tenants’ rights; provide homeownership counseling; advise and lead capital to small businesses and community projects; connect residents to career pathways; deliver critical family services; and engage, represent, and benefit low-and moderate-income residents of the District. Through the power of convening diverse stakeholders, CNHED advances effective advocacy, public education, capacity building, practical research, and information sharing. For more information, visit cnhed.org.

About LISC Twin Cities

The Local Initiatives Support Corporation, known as LISC, is the country’s largest community development organization, with staff in thirty-six cities and a rural program serving over 2,000 counties in forty-five states supporting projects to revitalize communities and bring greater economic opportunity to residents. LISC Twin Cities provides capital, strategy, and know-how to its Twin Cities community development partners. Since its founding in 1988, LISC Twin Cities has invested more than \$900 million dollars of its own funds and leveraged \$2.9 billion in additional investments to support local community development projects. For more information, visit LISC Twin Cities.

Executive Summary

Purpose of the Report

In February 2020, the City of Minneapolis (the City) retained the Coalition for Nonprofit Housing and Economic Development (CNHED), based in Washington D.C., and LISC Twin Cities to assist with the development of an opportunity to purchase policy to support the City’s goals of preserving housing stability, preventing involuntary displacement, and creating tenant ownership opportunities for low- and moderate-income Minneapolis renters. In March 2020 adaptations were made to the process in response to social distancing requirements imposed due to the coronavirus pandemic.

Consultants worked closely and met regularly with a City staff team in the policy development process led by the Department of Community Planning and Economic Development, with support from the City Attorney’s Office, the Regulatory Services Department, the Mayor’s Office, and Policy Aides from the four City Council offices that are leading the work on an opportunity to purchase policy (Councilmembers Fletcher, Schroeder, Ellison, and Gordon).

Three potential goals were identified for an opportunity to purchase policy:

- Create tenant ownership opportunities
- Prevent involuntary displacement
- Preserve housing stability

Guiding Policies that inform the actions taken by the City to address housing needs include:

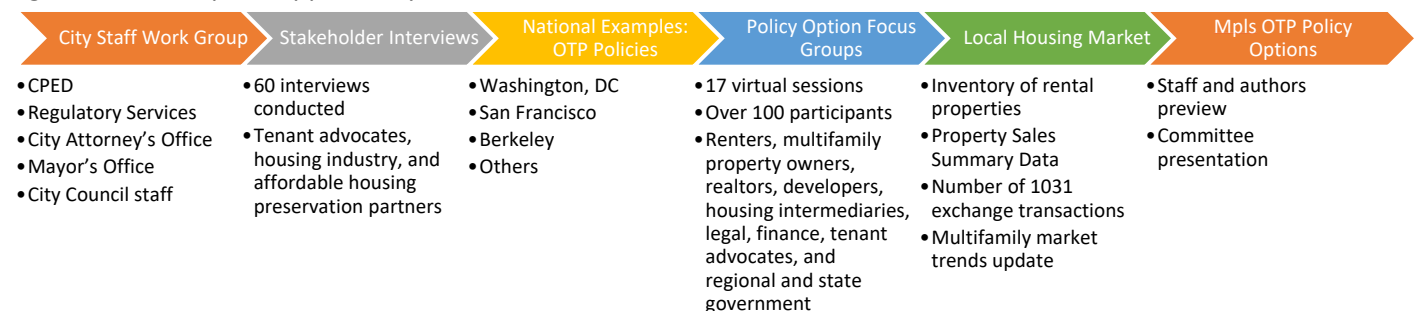
- Minneapolis 2040 (Comprehensive Plan)
- Unified Housing Policy
- Strategic and Racial Equity Action Plan
- 4d Affordable Housing Incentive Program
- Advance Notice of Sale (Affordable Housing Building Sale Ordinance, Chapter 244, Article XVIII)

Research Process

To assist the City in assessing opportunity to purchase policy options, this study gathered information on the existing and potential rental property sale process and timeline, as well as a scan of implementation-related capacities that would be required.

The process included a review of similar policies in other cities and states, an assessment of administrative tasks that would be required for an opportunity to purchase policy, stakeholder engagement through interviews and focus groups.

Figure A: Minneapolis Opportunity to Purchase Assessment Process

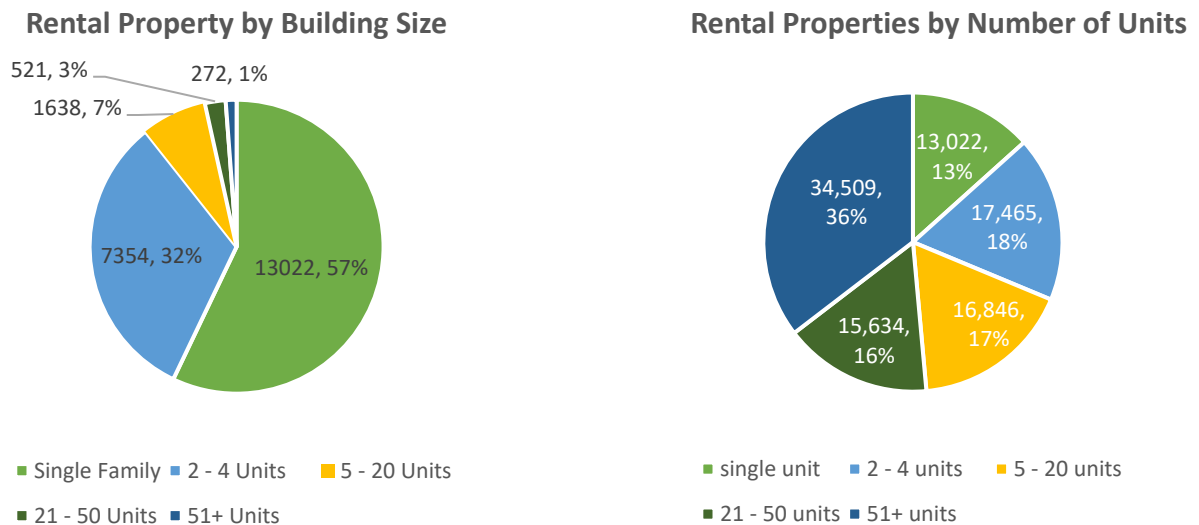


Minneapolis Housing Market

Rental Housing Inventory and Apartment Sales

To better assess the implications for an opportunity to purchase policy in Minneapolis, rental properties were divided into five categories: single family, 2-4 units, 5-20 units, 21-50 units, and 51+ units. According to 2020 rental licensing data, the vast majority of rental properties in the City of Minneapolis are single family (57 percent), followed by 2-4-unit properties (32 percent), and 5-20 units (7 percent). Rental properties with twenty-one or more units are located predominately in the downtown area, southern portions of the city, and within proximity of the University of Minnesota.

Figure B: Minneapolis Rental Properties by Building Size and Number of Units



Source: Minneapolis Rental License data (March 2020).

Rental apartment sales between 2005-2019 using Hennepin County eCRV data to identify the volume of transactions per year. The total number of property sales per year ranged from a low of 599 in 2011 to a high of 1,309 in 2005, with an average of 733 per year. The median sales price per unit ranged from a low of \$37,500 in 2009 to a high of \$151,304 in 2019, a four-fold increase. While the overall number of annual property sales has been relatively steady since 2010, the median price per unit has increased almost every year since then for an increase of 233 percent between 2010 and 2019. New construction properties (ten years old or less) were not included, due to the potential negative impacts on attracting national and international equity into the market.

Tenant Protections

Concerns over tenant rights and support for anti-displacement measures have taken hold as housing values and rents continue to increase and vacancy rates remain at historic lows. In response, the City of Minneapolis has enacted a number of policies and provisions to strengthen efforts to stabilize renters in their homes, such as: the 4d Affordable Housing Incentive Program, Advance Notice of Sale (Affordable Housing Building Sale Ordinance, Chapter 244, Article XVIII), and Minneapolis ordinance that places limitations on tenant screening criteria. Tenant protections such as Just Cause Eviction and Rent Stabilization have not been enacted in Minneapolis. Rent Control is prohibited by law in the State of Minnesota, unless authorized by a local referendum.

Financing Systems

The elements of a financing system are critical for the success of an opportunity to purchase transaction.

These elements include:

- predevelopment funding for earnest money and due diligence, including, but not limited to, appraisal, legal, survey, environmental, physical needs assessment, market study, architectural, etc.;
- acquisition financing to purchase the property;
- construction loan for rehab, repairs, and improvements; and
- permanent financing.

To successfully achieve affordable housing and community ownership goals, the City of Minneapolis should consider ways to leverage public and private resources by collaborating with Community Development Financial Institutions (CDFIs) such as LISC, the Land Bank Twin Cities, Greater Minnesota Housing Fund, Northcountry Cooperative Foundation, Shared Capital Cooperative, Sunrise Bank, and others. A listing of available multifamily financing sources is provided in the report.

Minneapolis Multifamily Housing Market

Minneapolis real estate has appreciated 31.09 % over the last ten years, which is an average annual home appreciation rate of 2.74 %, according to NeighborhoodScout.com. This puts Minneapolis in the top 20 % nationally for real estate appreciation. Looking at just the latest twelve months, Minneapolis real estate appreciation rate has been at or slightly above the national average, at 5.03 %. In 2016 Minneapolis had moved into the top twenty emerging real estate markets in the country.¹ The ability to track the frequency of apartment sales transactions is somewhat illusive due to an uncertain number of sales that happen off-market.

Minneapolis Single-Family Housing Market

The October 2020 Housing Supply Overview provided by the Minneapolis Area Realtors states that pending sales in the Twin Cities area were up 8.3 percent overall, and the single-family median sales price increased to \$325,000.² The single-family segment most in demand are properties priced between \$190,001-\$250,000 and averaging 32 days on the market. An analysis by the Federal Reserve Bank of Minneapolis to be released in early 2021 reveals that 1,494 single-family properties are under corporate ownership (owning ten properties or more).³ Based on the number of single-family rental licenses in Minneapolis (13,022), an estimated 8.7 percent of single-family rentals are under corporate ownership.

Community Engagement

For this report, the critical work to gather diverse perspectives on the potential impacts of an opportunity to purchase policy took place in three stages between March and November 2020. All engagement processes were done remotely through virtual platforms to accommodate COVID-19 pandemic safety measures.

Stakeholder Interviews: The authors conducted interviews with sixty individuals with a range of housing, real estate, and policy expertise in March 2020 (with follow-up interviews as needed) to gather initial input on opportunity to purchase goals, scope, concerns, and potential benefits. The authors interviewed key stakeholders involved with the San Francisco Community Opportunity to Purchase (COPA) and Berkeley Tenant Opportunity to Purchase Act (TOPA) policies to gather information and insights about their experience. CNHED has decades of experience with the DC Tenant Opportunity to Purchase Act (TOPA) process, has researched it

¹ Norada Real Estate Investments, Marco Santarelli, July 20, 2020.

² Housing Supply Overview, Minneapolis Area Realtors, October 2020.

³ Metro Regional Parcel Dataset Attributes, based on Minnesota Parcel Data Transfer Standard, October 2020 Edition.

for previous studies, and contacted government officials and technical assistance providers to gather additional information for this study.

Focus Group Sessions: Stakeholder feedback was gathered from over one hundred participants on a range of opportunity to purchase policy options, issues, and opportunities to be considered, and preferences during May and June 2020. The authors convened fourteen virtual sessions for the following stakeholder groups:

- **Housing Industry Partners** (two sessions):
 - **Participating organizations:** Met Council, MN Housing, Family Housing Fund, Federal Reserve Bank of Minneapolis, Wells Fargo, Faegre & Drinker, MN Housing Partnership, Metropolitan Consortium of Community Developers, Housing Link, MN Homeownership Center, Ryan Companies, Minneapolis Area Realtors Association, Sheridan Adventures (housing finance consultant).
- **Affordable Housing Preservation Partners** (three sessions):
 - **Participating organizations:** Project for Pride in Living, Urban Homeworks, Hope Community, City of Lakes Community Land Trust, Aeon, Beacon Interfaith Housing Collaborative, Greater MN Housing Fund, Shared Capital Cooperative, Land Bank Twin Cities, Northcountry Cooperative Foundation.
- **Tenant Advocates** (two sessions):
 - **Participating organizations:** Homeline, Jewish Community Action, Mid-Minnesota Legal Aid, Housing Justice Center, Inquilinx Unidxs Por Justicia, Alliance for Metro Stability.
- **Minneapolis Renters** (three sessions offered in English, Spanish, and Somali)
 - Facilitation and translation provided by Inquilinx Unidxs Por Justicia and New American Development Center.
- **Building Minneapolis Together:**
 - **Participating organizations:** Lupe Development, Downtown Chamber of Commerce, CommonBond Communities, Walls Properties, Sherman Associates, ULI MN.
- **MN Multifamily Housing Association:**
 - **Participating organizations:** Multifamily Housing Association, Hornig Companies, Excelsior Group.
- **Minneapolis Area Realtors Association:**
 - **Participating organizations:** Minneapolis Area Realtors Association members, Habitat for Humanity.
- **Equity in Place:**
 - **Participating organizations:** Alliance for Metro Stability, Urban Homeworks, Frogtown Neighborhood Association, University of Minnesota Center for Urban and Regional Affairs (CURA).

Preview of Minneapolis Opportunity to Purchase policy options: All focus group participants were invited to participate in one of three sessions to preview the proposed Minneapolis opportunity to purchase policy options in advance of the presentation to the Minneapolis City Council’s Business, Housing, Inspections, and Zoning Committee on November 17, 2020. The purpose was to report back to stakeholders on the proposed policy options developed through the research process, gather additional feedback, and notify participants about the November 17 presentation and final report timeline.

[Opportunity to Purchase Programs in Other Jurisdictions](#)

The authors researched over a dozen other jurisdictions that have opportunity to purchase policies in place, are considering enacting them, or previously had them. These jurisdictions included the following states, cities, and counties: California (Berkeley, Los Angeles, Oakland, Richmond, San Francisco, Santa Monica, West

Hollywood), Illinois (Chicago), Maryland (Baltimore, Montgomery County, Prince Georges County, Takoma Park), Minnesota, New Hampshire, New York, Oregon (Portland). Washington, DC, San Francisco, and Berkeley provided the most helpful models for developing the three options for the City of Minneapolis; however, the programs in Chicago, New Hampshire, and Montgomery County also provided valuable innovations that were incorporated into the options.

Minneapolis Opportunity to Purchase Options

This section presents three options for creating an opportunity to purchase program for the City of Minneapolis. The specific recommendations in each of these three options are based on research on opportunity to purchase programs in several jurisdictions across the United States, interviews and focus groups with Minneapolis stakeholders (tenants, tenant advocates, legal services providers, affordable housing developers, and market-rate housing developers), input from City agency and Council staff, research on the Minneapolis housing market, and the authors' experience with opportunity to purchase programs in other jurisdictions and affordable housing development and finance in Minneapolis.

This overview also contains recommendations for the: administration and enforcement of opportunity to purchase program Options 1, 2, and 3; provision of technical assistance and tenant support for Options 1 and 2; and acquisition and rehabilitation financing supports for Options 1, 2, and 3.

Options 1, 2, and 3 are proposed as complete policy paths that the City could pursue. However, the City may consider interchanging parts of options in developing an opportunity to purchase program. For example, the City could choose Option 1, but only allow Tenants to assign rights to a Qualified Organization. As another example, the City could choose Option 2, but require a Tenant Organization or a Qualified Organization to enroll in the 4d Affordable Housing Incentive Program rather than developing a rent stabilization program.

If the City chooses to adopt an opportunity to purchase policy, it will need to make many choices, including but not limited to:

- whether to adopt Option 1, 2, or 3, or an option that combines aspects from more than one Option;
- whether or not to allow tenants or Tenant Organizations to assign their opportunity to purchase rights and if assignment should be limited only to a Qualified Organization;
- what scale of properties will fall under the opportunity to purchase policy (e.g., single family, 2-4 units, 5+ units);
- if properties under a certain age will be required to comply with the opportunity to purchase policy;
- if Tenant Organizations will be required to work with technical assistance providers in order to exercise their opportunity to purchase rights;
- whether the opportunity to purchase policy should prioritize tenant rights, rent stabilization, or rent restrictions;
- which criteria will be used to certify Qualified Organizations; and
- which exemptions for types of properties and transfers will be allowed for the opportunity to purchase policy.

Option 1: Tenants' rights and anti-displacement

Option 1 focuses on tenants' rights and preventing displacement of tenants and existing tenant communities.

- Option 1 does not require the preservation or increase in affordability in a Rental Housing Accommodation and it allows tenants to assign their rights to a third party of their choice.
- Only a Tenant or Tenant Organization may exercise rights under this option.

- Option 1 provides the residents of a property with the greatest discretion in choosing development options and the future of their community.
- While not required for the functioning of Option 1, City funding for the provision of technical and legal assistance to Tenant Organizations by community-based organizations is highly recommended to increase successful exercise of the opportunity to purchase.

Option 2: Tenants’ rights, anti-displacement, tenant protections, and rent stabilization

Option 2 balances the interests of the residents of a property in deciding the future of their community with the policy priorities of increased tenant protections and rent stabilization.

- A Tenant, Tenant Organization, or Qualified Organization may exercise rights under this option.
- Tenants may exercise their rights and assign them.
 - The Tenant in a single-unit Rental Housing Accommodation may assign their rights to a person or entity.
 - A Tenant Organization may assign its rights in a 2-4 unit Rental Housing Accommodation to a person or entity.
 - A Tenant Organization in a 5+ unit Rental Housing Accommodation may assign its rights to a Qualified Organization that has met certain criteria for owning and managing affordable Rental Housing Accommodations set by the City.
- Any person or entity that purchases a property using the opportunity to purchase policy and continues its use as a rental housing accommodation would be required by the City to abide by just cause eviction, source of income discrimination, and rent stabilization restrictions.
- While not required for the functioning of Option 2, City funding for the provision of technical and legal assistance to Tenant Organizations by community-based organizations is highly recommended to increase successful exercise of the opportunity to purchase.

Option 3: Anti-displacement, tenant protections, and rent stabilization

Option 3 focuses on preventing displacement of tenants and existing tenant communities and preserving or increasing affordability in a Rental Housing Accommodation.

- Only Qualified Organizations that have met certain criteria for owning and managing affordable Rental Housing Accommodations set by the City may exercise rights under this option.
- By limiting exercise of the opportunity to purchase to Qualified Organizations, Option 3 minimizes the time needed to evaluate a property, submit an offer, respond to an offer, secure financing, and close a deal.
- Any entity that purchases a property using the opportunity to purchase policy would be required by the City to abide by just cause eviction and source of income discrimination restrictions and to enroll the Rental Housing Accommodation in the 4d Affordable Housing Incentive Program.

Figure C: Comparison of Minneapolis Opportunity to Purchase Options

	Policy Objective	Housing Type	Type of Right	Right to Exercise	Affordability Restrictions	Assign Rights
Option 1	Tenant rights and anti-displacement	1, 2-4, 5-20, 21-50, and 51+ units	Right of First Offer and Right of First Refusal	Tenants	No	Yes
Option 2	Tenants' rights, anti-displacement, tenant protections, and rent stabilization	1, 2-4, 5-20, 21-50, and 51+ units	Right of First Offer and Right of First Refusal	Tenants and/or Qualified Organization	Yes	Yes
Option 3	Anti-displacement, tenant protections, and affordability restrictions	1, 2-4, 5-20, 21-50, and 51+ units	Right of First Offer and Right of First Refusal	Qualified Organization	Yes	No

Administration and Enforcement

Option 1, 2, and 3 administrative and enforcement tasks for the opportunity to purchase program. The City should strive to:

- provide information and answer inquiries about the process;
- receive Offer of Sale notices from owners;
- receive Statements of Interest from Tenants, Tenant Organizations, or Qualified Organizations;
- publish notices of Offers of Sale and Statements of Interest on website on at least a weekly basis;
- receive opportunity-to-purchase-related complaints;
- adjudicate opportunity-to-purchase-related complaints;
- issue cease and desist orders for violations;
- issue, upon request, letters to title companies stating whether it has received any complaints with respect to the Owner's compliance;
- receive signed declarations from Owners affirming that the sale of a Rental Housing Accommodation complied with the requirements of the Right of First Offer and Right of First Refusal in order to assist with evaluation and tracking of the program.

Options 2 would require additional administrative and enforcement tasks to manage the Qualified Organization selection process and provide guidance on tenant protection and rent stabilization requirements. The City should strive to:

- receive Qualified Organization applications and evaluate them based on criteria established by the City;
- publish notice of Qualified Organization applications and receive and evaluate public comments;
- maintain current list of Qualified Organizations and their contact information for use by Tenants, Tenant Organizations, and Owners; and
- receive annual reports on rent increases and surcharges from properties participating in the rent stabilization program.

Options 3 would require additional administrative and enforcement tasks to manage the Qualified Organization selection process, provide guidance on tenant protection, and additional 4d program staffing. The City should strive to:

- receive Qualified Organization applications and evaluate them based on criteria established by the City;
- publish notice of Qualified Organization applications and receive and evaluate public comments;
- maintain current list of Qualified Organizations and their contact information for use by Tenants, Tenant Organizations, and Owners.

Staffing Requirements

Options 1, 2, 3: Equivalent of four FTEs during initial 18-24 months: 6-12 months startup and 12 months for troubleshooting and process adjustments.

- **Manager** for all processes related to the Right of First Offer and Right of First Refusal and point person for providing information and answering inquiries about these rights;
- **Attorneys** to assist in evaluating and adjudicating complaints and issuing cease and desist orders; and
- **Administrative staff** to receive and process notices and complaints, compliance reports, and declarations, as well as to publish notices of Offers of Sale and Statements of Interest on a City website.

Option 2: Equivalent of two additional FTEs to manage with the Qualified Organization certification process and the rent stabilization program.

Option 3: Equivalent of two additional FTEs to manage with the Qualified Organization certification process and additional enrolments in the 4d Affordable Housing Incentive Program.

The City staff team is performing a staffing analysis based on known procedures and capabilities and using workload information from this report. The above recommendations should be reevaluated once the City staffing analysis is complete. Further, when the program has been stabilized, the City should again reevaluate staffing needs.

Reporting requirements

For Options 1, 2, and 3, the City should publicly report annually on the exercise of opportunity to purchase rights. Such reports shall include, but shall not be limited to the following: statistics on the number and types of sales of Rental Housing Accommodations; statistics on the number of Tenants (single unit), Tenant Organizations, and/or Qualified Organizations that file a Statement of Interest and exercise the Right of First Offer and/or Right of First Refusal; and number and types of units in the Rental Housing Accommodations for which Tenants, Tenant Organizations, and/or Qualified Organizations exercise the Right of First Offer and/or Right of First Refusal.

For Options 2 and 3, the Owner of a Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal annually shall submit a compliance report to the City containing the following information: current rent roll, copy of any lease by a new tenant within the last 12 months, list of tenants vacating the rental housing within the last 12 months, any rent increases within the last 12 months, and any surcharges charged to Tenants and the number of years remaining until the end of the surcharge.

Exemptions

The report contains a range of exemptions, based on opportunity to purchase programs in other jurisdictions, that the City should consider including when adopting an opportunity to purchase program. Below is a summary of the types of exemptions detailed in the report.

Notice of Transfer: An Owner claiming any of the exemptions below must provide to the Tenants and to the City a Notice of Transfer of an interest in a Rental Housing Accommodation or of any ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation.

Exemptions based on type of property

- A single-family home owned by a real person as their sole residential rental property.
- A single-family home that an owner occupies as their principal residence, including a single-family home with an accessory dwelling unit or other secondary dwelling unit, where an owner occupies either the single-family home or the secondary unit as their principal residence.
- Properties owned by cooperative corporations, if the property is owned, occupied, and controlled by a majority of residents.
- Properties that do not include one or more tenants, such as those owned by and operated as a hospital, convent, monastery, extended care facility, convalescent home, or dormitories owned by educational institutions, or properties properly licensed as a hotel or motel.

Exemptions based on type of transfer

- Family/estate/trust transfers
- Corporate transfer
 - Any transfer of a property directly caused by a change in the form of the entity owning the property, provided that the transfer is without consideration.
 - Any transfer from one co-tenant to another co-tenant by operation of law.
 - Any transfer of a minority title interest.
 - Certain types of transfers of interest in a property participating in the federal Low Income Housing Tax Credits (LIHTC) program.
- Court/government transfers
 - A transfer pursuant to court order or court-approved settlement (bankruptcy, foreclosure, tax sale, etc.)
 - A transfer by eminent domain or under threat of eminent domain

Technical Assistance and Tenant Support

The role of technical assistance is essential to the success of an opportunity to purchase policy. Categories of essential technical assistance needed include:

- **Education and communication:** provide broad public awareness of the policy requirements and technical and financial resources available.
- **Tenant organizing:** provide outreach to renters to activate their right to purchase and navigate the process.
- **Legal advice:** provide information on policy regulations and rights, and support with interpreting and understanding real estate transaction documents for renters.

Non-essential supports are also valuable for the success of an OTP policy:

- **Homeownership training:** curriculums such as Homestretch and other programs that provide housing counselors and mortgage and real estate professionals to prepare potential buyers for homeownership.
- **Interim property hold (Qualified Organizations):** ability to purchase property on behalf of a tenant organization to enable a longer period of time to develop a transitional plan or take-out strategy (e.g., configure a governance structure for a limited equity housing cooperative).

The City will need an ecosystem of technical providers to enable renters to fully activate their rights and responsibilities regarding an opportunity to purchase policy. To activate essential and enhanced technical supports, additional resources will be needed to expand staffing capacity and services through both public and private investments. The City already has an ecosystem of organizations available to assist in these efforts.

Figure D: Essential and Enhanced Technical Services

Essential Technical Services	Enhanced Technical Services
Education and Communication <ul style="list-style-type: none"> • Neighborhood organizations • Cultural community organizations • Minneapolis Area Realtors Association • MN Multifamily Housing Association • MN Housing Partnership Tenant Organizing <ul style="list-style-type: none"> • Inquilinxs Unidxs Por Justicia • Homeline • Jewish Community Action • Northcountry Cooperative Foundation • Hope Community Legal Advice <ul style="list-style-type: none"> • Housing Justice Center • Mid Minnesota Legal Aid • Homeline • Real estate lawyers 	Homeownership Training <ul style="list-style-type: none"> • Habitat for Humanity • African Development Center • Build Wealth • PRG • Project for Pride in Living (PPL) • NeighborWorks Home Partners • City of Lakes Community Land Trust Acquisition/Interim Hold (stop gap to enable community ownership models) <ul style="list-style-type: none"> • Land Bank Twin Cities • Hope Communities • Urban Homeworks • PPL • Others

Contents

Acknowledgements.....	i
Executive Summary.....	ii
Purpose of the Report.....	ii
Research Process.....	ii
Minneapolis Housing Market.....	iii
Minneapolis Multifamily Housing Market.....	iv
Minneapolis Single-Family Housing Market.....	iv
Community Engagement.....	iv
Opportunity to Purchase Programs in Other Jurisdictions.....	v
Minneapolis Opportunity to Purchase Options.....	vi
Administration and Enforcement.....	viii
Staffing Requirements.....	ix
Reporting requirements.....	ix
Exemptions.....	x
Technical Assistance and Tenant Support.....	x
Introduction.....	1
Purpose of the Report.....	1
Research Process.....	2
Minneapolis Housing Market.....	3
Race, Class, and Housing in Minneapolis.....	3
Tenant Protections:.....	4
Housing Market Trends.....	4
Twin Cities Home Ownership Market.....	5
Rental Property Composition.....	6
Rate of multifamily transactions.....	12
Utilization of 1031 exchange for property transactions.....	15
Minneapolis Transaction Process.....	16
Multifamily Transaction Process.....	17
Single-Family Transaction Process.....	17
Community Engagement.....	17
Opportunity to Purchase Policies in Other Jurisdictions.....	23
Overview.....	23
Baltimore, Maryland.....	26
Washington, District of Columbia: Tenant Opportunity to Purchase Act (TOPA).....	26
Montgomery County, Maryland.....	28
Santa Monica, California.....	29
Takoma Park, Maryland: Tenant Opportunity to Purchase Act (TOPA).....	29
New Hampshire.....	29
Minnesota.....	30
Washington, District of Columbia: District Opportunity to Purchase Act (DOPA).....	30
Los Angeles, California.....	31
Prince Georges County, Maryland.....	31
Chicago, Illinois: Single-Room Occupancy Preservation Ordinance.....	32
West Hollywood, California.....	34
San Francisco: Community Opportunity to Purchase Act (COPA).....	34
Richmond, California.....	37

Berkeley, California: Tenant Opportunity to Purchase Act (TOPA).....	37
Oakland, California	38
California	39
Portland, Oregon	40
New York	40
Minneapolis Opportunity to Purchase Program Options	40
Overview	40
Opportunity to Purchase Options	41
Administration and Enforcement.....	45
Technical Assistance and Tenant Support.....	46
Legal Assistance.....	48
Financing Systems for an Opportunity to Purchase Policy	49
Minneapolis Financing System Options	53
Option 1: Tenant Opportunity to Purchase	57
Option 2: Tenant/Qualified Organization Opportunity to Purchase with Preservation Restrictions	69
Option 3: Qualified Organization Opportunity to Purchase with Preservation Restrictions	83
Appendix: Community Engagement	95
Stakeholder Interview Summary.....	95
Focus Group Discussions: Feedback on OTP Policy Options.....	107
Housing Industry Partners.....	108
Affordable Housing Preservation Partners	109
Tenant Advocates.....	111
Minneapolis Renters	113
Building Minneapolis Together (Developers).....	114
MN Multifamily Housing Association (Multifamily Property Owners)	115
Minneapolis Area Realtors Association.....	117
Equity in Place	119

Introduction

From 2016-2018, staff in the City of Minneapolis' Community Planning and Economic Development (CPED) department led the creation of Minneapolis 2040, the City's Comprehensive Plan. This document was the first in the City's history to focus on policy with a racial equity lens, and it established fourteen goals for the next two decades in the development of Minneapolis.⁴ One of the most important of these goals pertains to the City's housing needs and challenges.

Minneapolis 2040 envisions that all Minneapolis residents will be able to afford and access quality housing throughout the City. A follow-up report—"The Way Home: Safe, Dignified and Affordable Housing for Minneapolis Residents 2018-2019 Progress Report"—developed seven goals for achieving the housing objectives of Minneapolis 2040:

- Increase housing supply, diversity, and affordability in all neighborhoods
- Produce more affordable rental housing and preserve subsidized affordable rental housing, for 30 years or more
- Preserve unsubsidized naturally occurring affordable housing (NOAH)
- Improve and sustain access to homeownership, especially among low-income and Black, Indigenous, and People of Color (BIPOC) residents
- Support renters
- Prevent and end homelessness
- Maximize potential of publicly owned land to meet City housing goals⁵

Our real estate system is firmly entrenched in policies and practices that maintain white wealth and ownership. The advantage of quick cash sales by wealthy investors has shortened transaction periods to ten days in some cases, excluding most potential investors. The scales are tipped decidedly to those with the greatest financial capacity, as homeownership, stability, and wealth building become further out of reach for many people.

Since 2009, the US housing market has undergone significant shifts in the way that real estate is financed and distributed. The post-Great Recession foreclosure crisis that devastated black homeownership has evolved in deleterious ways. The housing market recovered in large part by further extracting wealth from low-and middle-income households: rising rents and housing costs have helped prop up the recovery of Real Estate Investment Trusts (REITs) and other institutional investors and white property owners, further compounding housing insecurity for low-income and people of color. Minneapolis has the largest gap between Black and non-Black home ownership rates in the United States according to an analysis by Zillow in early 2020.⁶ These circumstances and the disproportionate impact of COVID-19 on people of color has prompted many municipalities and states to face the profound impacts of housing instability. Stable, safe, affordable housing is coming to be considered as fundamental to the health of our communities.

Purpose of the Report

In February 2020, the City of Minneapolis retained the Coalition for Nonprofit Housing and Economic Development (CNHED), based in Washington D.C., and LISC Twin Cities to assist with the development of an Opportunity to Purchase policy to support the City's goals of preserving housing stability, preventing

⁴ www.Minneapolis2040.com

⁵ <https://ims.minneapolismn.gov/download/Agenda/949/TheWayHome20182019ProgressReport.pdf/46967/1832/The%20Way%20Home%202018-2019%20Progress%20Report>

⁶ <https://www.zillow.com/research/black-homeownership-rate-2020-26526/>

involuntary displacement, and creating tenant ownership opportunities for low- and moderate-income Minneapolis renters.

Guiding Policies

Previous policy actions taken by the City to address these and other housing needs include:

- Minneapolis 2040 (Comprehensive Plan)
 - Affordable and Accessible Housing: In 2040, all Minneapolis residents will be able to afford and access quality housing throughout the city (Minneapolis 2040 Goal 3)
- Unified Housing Policy
- Strategic and Racial Equity Action Plan
- 4d Affordable Housing Incentive Program
- Advance Notice of Sale (Affordable Housing Building Sale Ordinance, Chapter 244, Article XVIII)

Within these guiding policies, seven Minneapolis housing strategies were identified in Minneapolis 2040:

- Increase housing supply, diversity, and affordability for all neighborhoods
- Produce more affordable rental housing and preserve subsidized affordable rental housing, for 30 years or more
- Preserve unsubsidized naturally occurring affordable housing (NOAH)
- Improve and sustain access to homeownership, especially among low-income and Black, Indigenous, People of Color (BIPOC) residents
- Support renters
- Prevent and end homelessness
- Maximize potential of publicly owned land to meet City housing goals

In accordance with these strategies, three potential goals were identified for an opportunity to purchase policy:

- Create tenant ownership opportunities
- Prevent involuntary displacement
- Preserve housing stability

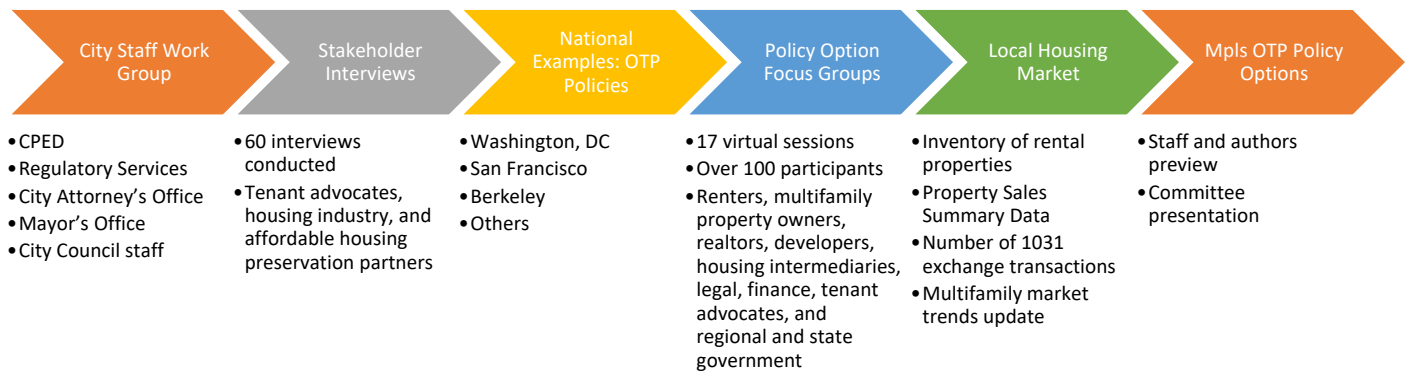
Research Process

CNHED and LISC Twin Cities worked closely and met regularly with a City staff team in the policy development process led by the Department of Community Planning and Economic Development, with support from the City Attorney's Office, the Regulatory Services Department, the Mayor's Office, and Policy Aides from the four City Council offices that authored the staff directive (Councilmembers Fletcher, Schroeder, Ellison, and Gordon). In March 2020, adaptations were made to the process in response to social distancing requirements imposed due to the COVID-19 pandemic.

To assist the City in assessing opportunity to purchase policy options, this study gathered information on the existing and potential rental property sale process and timeline, as well as a scan of implementation-related capacities that would be required.

The process included a review of similar policies in other cities and states, an assessment of administrative tasks that would be required for an opportunity to purchase policy, and stakeholder engagement through interviews and focus groups.

Figure 1: Minneapolis Opportunity to Purchase Assessment Process



Minneapolis Housing Market

Race, Class, and Housing in Minneapolis

As noted earlier, Minneapolis has the largest gap between Black and non-Black home ownership rates in the United States, according to an analysis by Zillow in early 2020.⁷ Racial disparities in homeownership significantly contribute to the widening wealth gap between white and non-white households. Renters are more susceptible to housing instability, which deepens economic, health, and educational disparities.

Compounding the disparities in homeownership rates, more households are shifting to rental. Between 2008 and 2018, the City of Minneapolis saw the share of renter households grow from 49 percent to 53 percent, making renters the majority of households in Minneapolis, according to the American Community Survey (ACS). The median rental cost is \$985 per month, and the median house value is \$235,900. Almost 37 percent of Minneapolis households are cost burdened, with higher levels of cost-burden for renter households (48.2 percent) than homeowners (22 percent).⁸

Figure 2: Minneapolis Demographic Data on Race and Ethnicity

Race and Ethnicity	Households by income (2018 dollars)
<ul style="list-style-type: none"> • White: 63.8% • Of Color: 36.2% <ul style="list-style-type: none"> ○ Black or African American: 19.4% ○ Asian: 6.1% ○ American Indian and Alaskan Native: 1.4% ○ Other race: 4.6% ○ Two or more races: 4.6% ○ Hispanic or Latino: 9.6% 	Median Income: \$58,993 Poverty rate: 20% Less than \$35,000: 32% \$35,000 - \$49,999: 12% \$50,000 - \$74,999: 16% \$75,000 - \$99,999: 11% \$100,000 or more: 29%

Source: <http://www.mncompass.org/profiles/city/minneapolis>.

⁷ <https://www.zillow.com/research/black-homeownership-rate-2020-26526/>

⁸ <http://www.mncompass.org/profiles/city/minneapolis>

Tenant Protections:

Concerns over tenant rights and support for anti-displacement measures have taken hold as housing values and rents continue to increase and vacancy rates remain at historic lows. In response, the City of Minneapolis has enacted a number of policies and provisions to strengthen efforts to stabilize renters in their homes, such as

- 4d Affordable Housing Incentive Program,
- Advance Notice of Sale (Affordable Housing Building Sale Ordinance, Chapter 244, Article XVIII), and
- Minneapolis ordinance that places limitations on tenant screening criteria

Tenant protections such as Just Cause Eviction and Rent Stabilization have not been enacted in Minneapolis. Rent Control is prohibited by law in the State of Minnesota, unless authorized by a local referendum. Considering the economic impacts and loss of jobs due to the coronavirus pandemic, the threat of evictions is likely to unfold when the state eviction moratorium is lifted. Minnesota law includes a Successor in Interest provision that obligates the new owner of a property to honor the existing tenant leases during its duration, but this provision does not prevent the current owner or new owner from choosing not to renew a lease before or after the sale of a property.

Housing Market Trends

Minneapolis real estate has appreciated 31.09 percent over the last ten years, which is an average annual home appreciation rate of 2.74 percent.⁹ This puts Minneapolis in the top 20 percent nationally for real estate appreciation. Looking at just the latest twelve months, Minneapolis real estate appreciation rate has been at or slightly above the national average, at 5.03 percent. In 2016, Minneapolis had moved into the top twenty emerging real estate markets in the country.¹⁰ Increasingly in today's housing market the system is set up to provide advantages for those who can expedite a transaction with quick access to equity. Further, the ability to track the frequency of apartment sales transactions is somewhat illusive due to an uncertain number of sales that happen off-market.

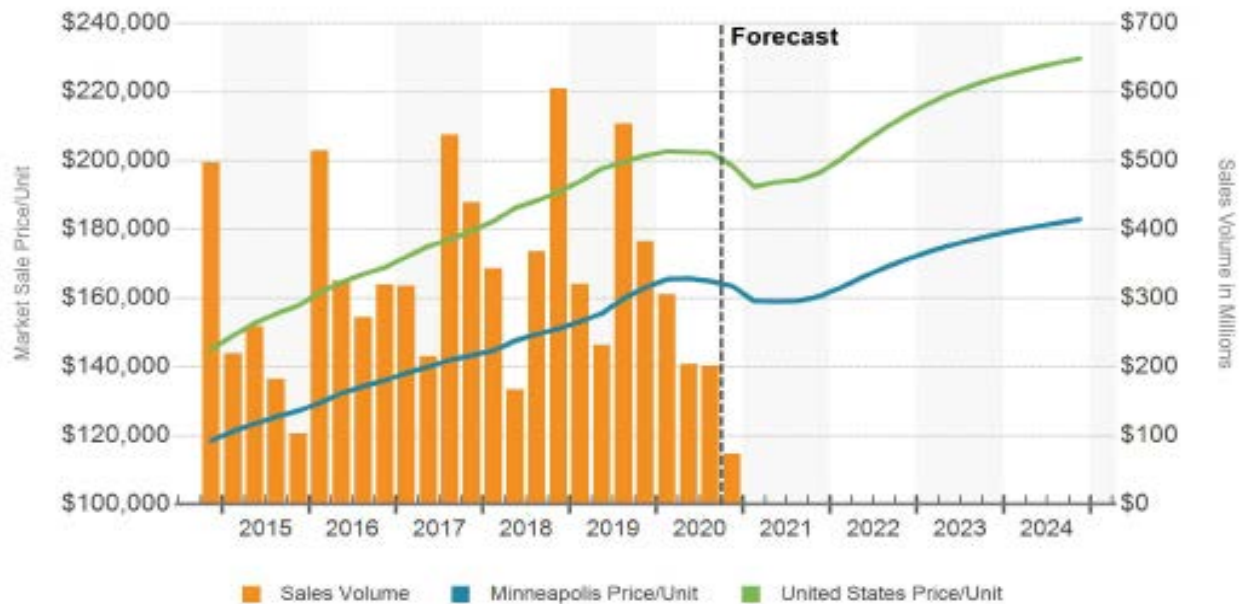
Highlights from the CBRE Minneapolis MN Multi-Family Market Report of November 10, 2020 include:

- Like many emerging secondary metropolitan areas across America, Minneapolis' appeal and ability to emerge relatively unscathed out of an economic downturn will be tested. The coronavirus has just begun to exact a toll on the Twin Cities, and while Minneapolis/St. Paul has the economic backbone to weather a recession as well as most, a dual-pronged crisis like this one is largely without a peer.
- The majority of investors purchasing properties in the multifamily sector have been national, with local and foreign investors selling more of their assets in Minneapolis than purchasing new ones.
- A tight vacancy rate, strong demand, and solid rent growth in the Minneapolis market have captured the attention of investors, both local and out-of-state.
- Sales volume has slowed significantly as lenders and investors deal with a lack of liquidity in the market while capital sources sort out the new normal in risk assessment and valuation.

⁹ [NeighborhoodScout.com](https://www.neighborhoodscout.com)

¹⁰ Norada Real Estate Investments, Marco Santarelli, July 20, 2020.

Figure 3: Sales Volume and Market Sale Price Per Unit



Source: CBRE Multi-Family Market Report, Minneapolis, November 10, 2020 (CoStar data).

Figure 4: Key Indicators of Minneapolis Multi-Family Housing Market

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Absorption Units	Delivered Units	Under Construction Units
A Class	52,145	13.0%	\$1,684	\$1,634	744	373	9,019
B Class	91,937	5.2%	\$1,266	\$1,256	21	216	1,987
C Class	90,535	3.5%	\$993	\$988	(82)	0	0
Market	234,617	6.3%	\$1,289	\$1,270	683	589	11,006

Source: CBRE Multi-Family Market Report, Minneapolis, November 10, 2020 (CoStar data).

Twin Cities Home Ownership Market

The October 2020 Housing Supply Overview provided by the Minneapolis Area Realtors describes record lows in interest rates, which strengthen buyer purchasing power. The report states that pending sales in the Twin Cities area were up 8.3 percent overall, and the single-family median sales price increased to \$325,000.¹¹ The single-family segment most in demand are properties priced between \$190,001-\$250,000 and averaging 32 days on the market.

With the strong demand for homeownership and low interest rates, there remains a severe inventory shortage of entry-level-priced homes, which will get worse as prices continue to rise. Once interest rates reverse course and start to climb back up again, homeowners who purchased their residences in the current low-rate environment may not have an incentive to sell. Less mobility likely would translate into sustained home shortages and further affordability challenges.¹²

¹¹ Housing Supply Overview, Minneapolis Area Realtors, October 2020.

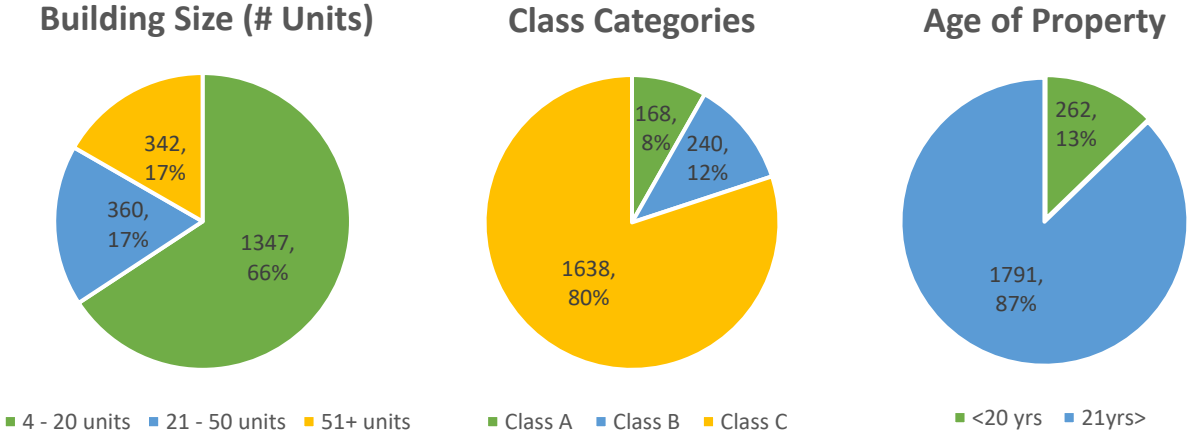
¹² Diane Williams, "Low Mortgage Rates Benefit Home Buyers But Not Without Housing Market Repercussions," *Forbes*, May 22, 2020.

Another consideration for the future single-family housing market is the potential influx of corporate and institutional investors purchasing portfolios of properties to rent in response to economic challenges caused by the pandemic. During the Great Recession, as many people were losing their homes to foreclosure, the Federal Government launched a pilot program that allowed private investors to easily purchase foreclosed homes from Fannie Mae. The investors acquired large portfolios of single-family properties and rented out the homes, shifting larger portions of the available housing stock from ownership to rental. Corporate landlords are known for focusing on short-term profits to benefit shareholder at the expense of tenant needs and safety.¹³ According to a report commissioned by the National Association of Real Estate Brokers (NAREB), African Americans have lost over half their wealth since the beginning of the recession through falling homeownership rates and job loss.¹⁴ In the current COVID-19 related economic conditions, once mortgage forbearance protections are lifted, the market will likely see more foreclosures. An analysis by the Federal Reserve Bank of Minneapolis to be released in early 2021 reveals that 1,494 single-family properties are under corporate ownership (owning ten properties or more).¹⁵ Based on the number of single-family rental licenses in Minneapolis (13,022), an estimated 8.7 percent of single-family rentals are under corporate ownership.

Rental Property Composition

According to March 2020 CoStar data, tracking multifamily properties that are four or more units, there are 2,049 multifamily properties in the City. Of those properties, 66 percent are smaller buildings (4-20 units), 17 percent are medium buildings (21-50 units), and 17 percent are larger properties (51+ units). The vast majority (87 percent) were built prior to 2000, with 13 percent constructed within the last 20 years. Because of the age of most of the multifamily housing stock, the majority (80 percent) are Class C properties, 12 percent are Class B, and 8 percent are Class A.

Figure 5: Minneapolis Multifamily Properties (4+ units)



Source: CoStar (March 2020).

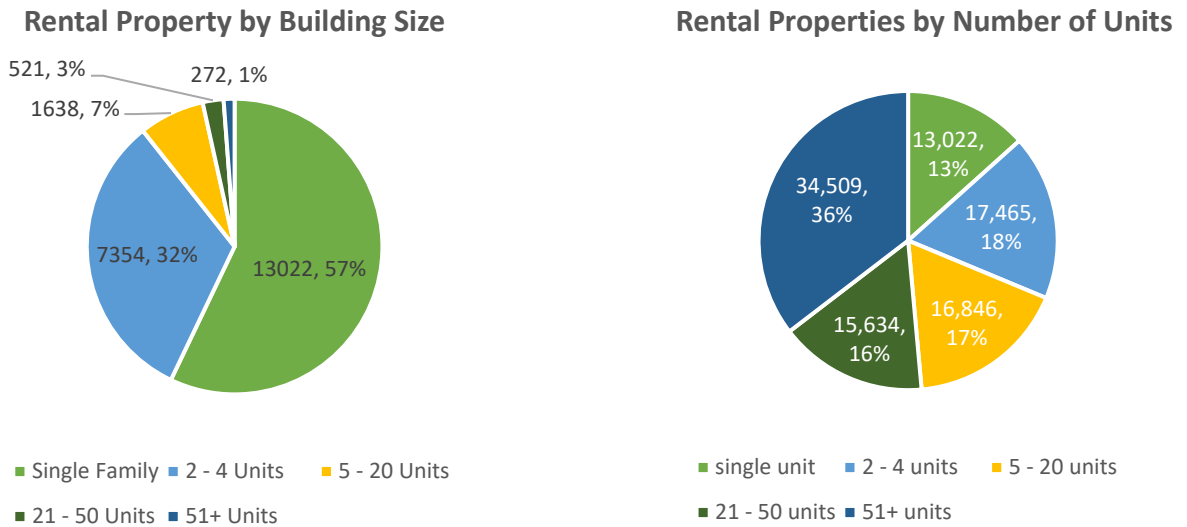
A breakdown of the rental licenses illustrates the distribution of rental properties throughout the City, ranging from single-family to larger multifamily buildings. The vast majority of the City’s rental stock is in single-family homes. This is especially true in certain geographic areas, such as Camden, Near North, and Powderhorn. In

¹³ Alana Semuels, “When Wall Street is Your Landlord,” *The Atlantic*, February 13, 2019.
¹⁴ Vanessa Gail Perry, “2020 State of Housing in Black America: Challenges Facing Black Homeowners and Homebuyers During the COVID-19 Pandemic and An Agenda for Public Policy,” Commissioned by NAREB, 2020 Edition.
¹⁵ Metro Regional Parcel Dataset Attributes, based on Minnesota Parcel Data Transfer Standard, October 2020 Edition.



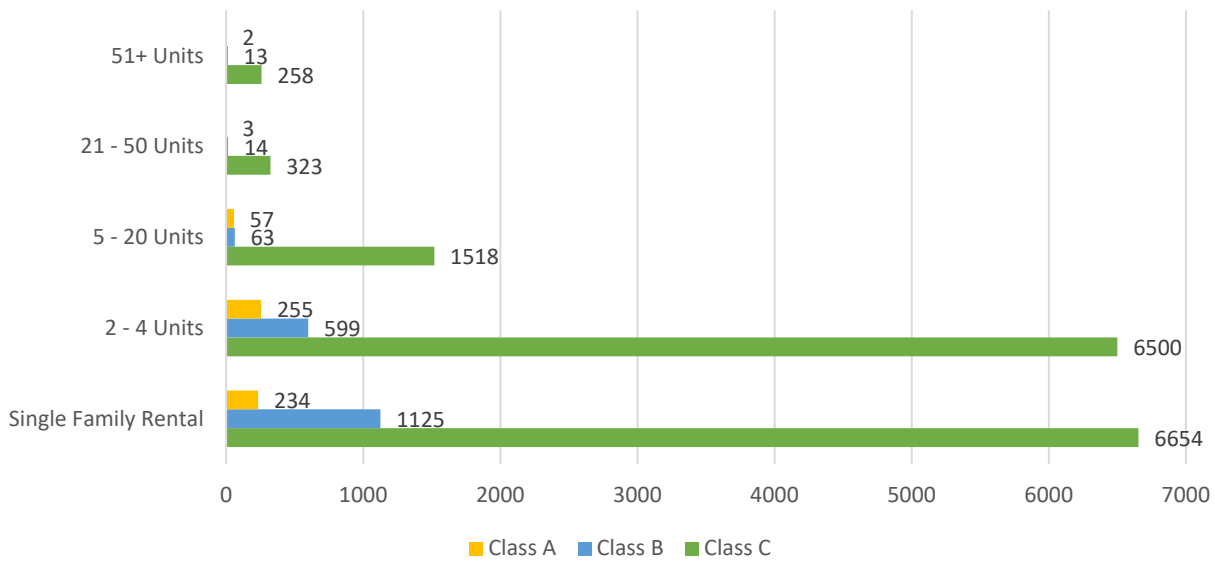
these areas of the City, most renters live in single-family homes. A breakdown of the rental housing stock for each geographic area is provided below. Of the rental housing stock, the vast majority (80 percent) are Class C properties, 12 percent are Class B properties, and 8 percent are Class A properties.

Figure 6: Minneapolis Rental Properties by Building Size and Number of Units



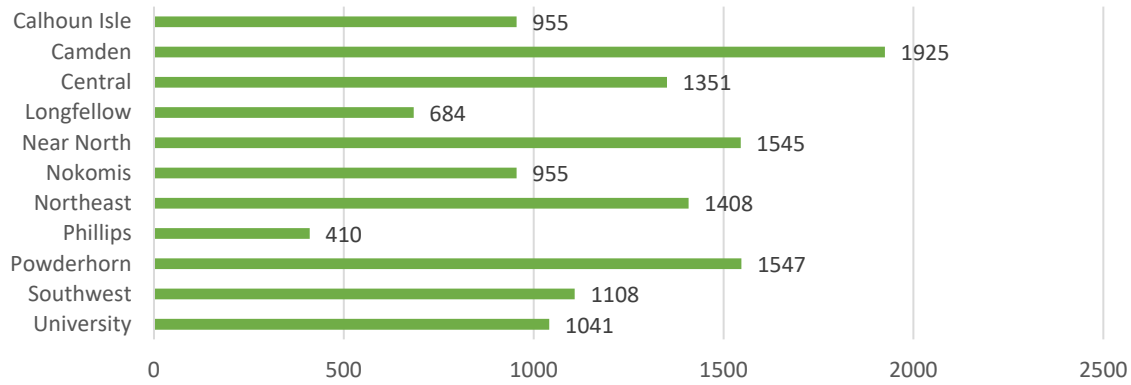
Source: Minneapolis Rental License data (March 2020).

Figure 7: Rental Properties by Class



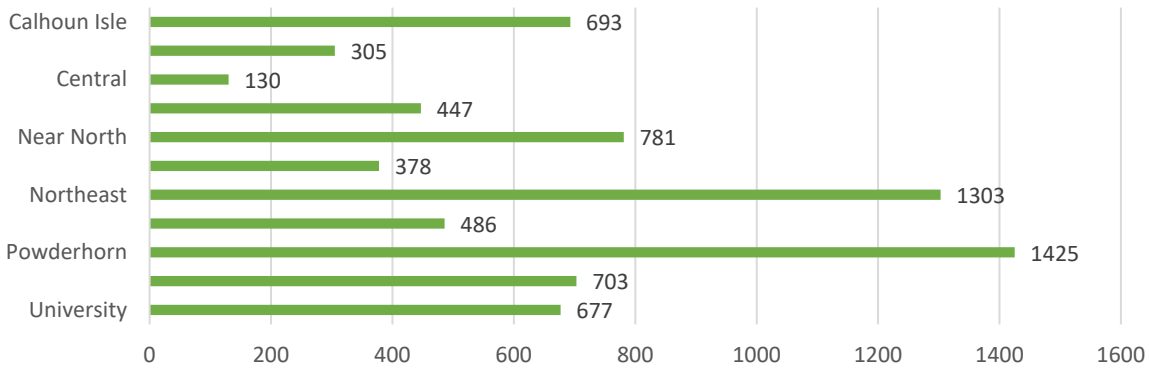
Source: Minneapolis Rental License data (March 2020).

Figure 8: Single Family by Subregion



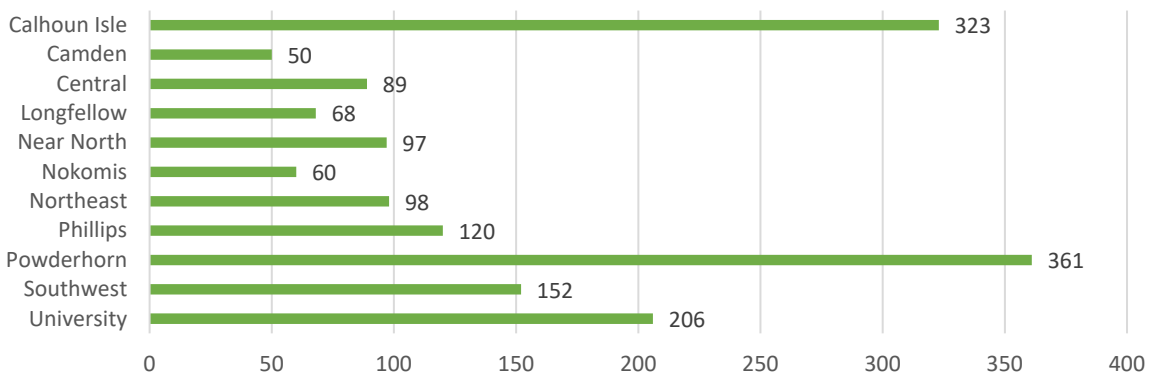
Source: Minneapolis Rental License data (March 2020).

Figure 9: 2-4 Units by Subregion



Source: Minneapolis Rental License data (March 2020).

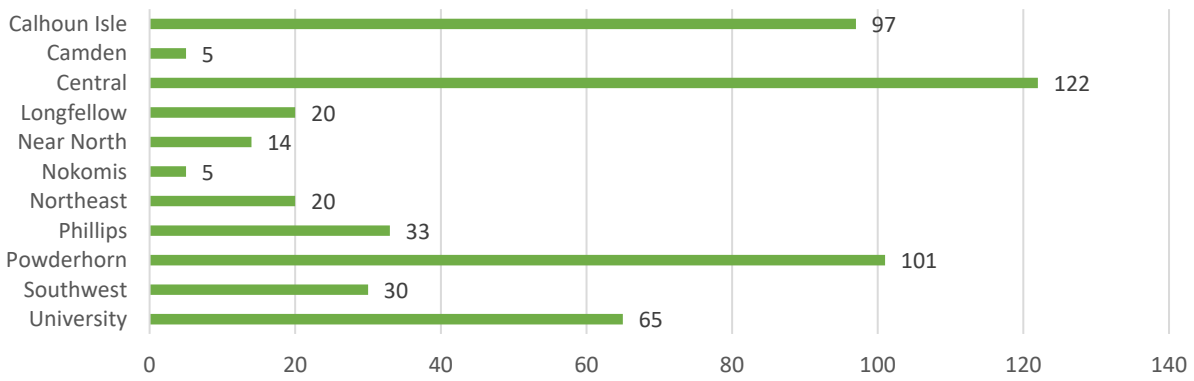
Figure 10: 5-20 Units by Subregion



Source: Minneapolis Rental License data (March 2020).

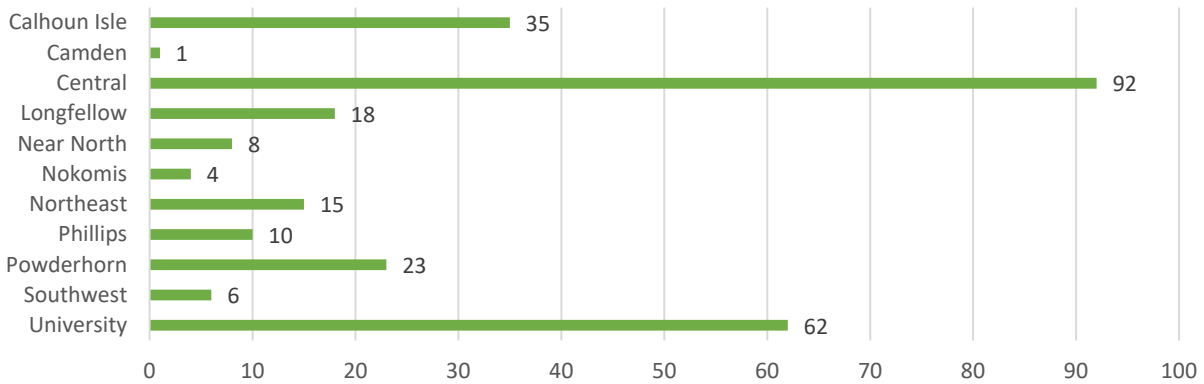


Figure 11: 21-50 Units by Subregion



Source: Minneapolis Rental License data (March 2020).

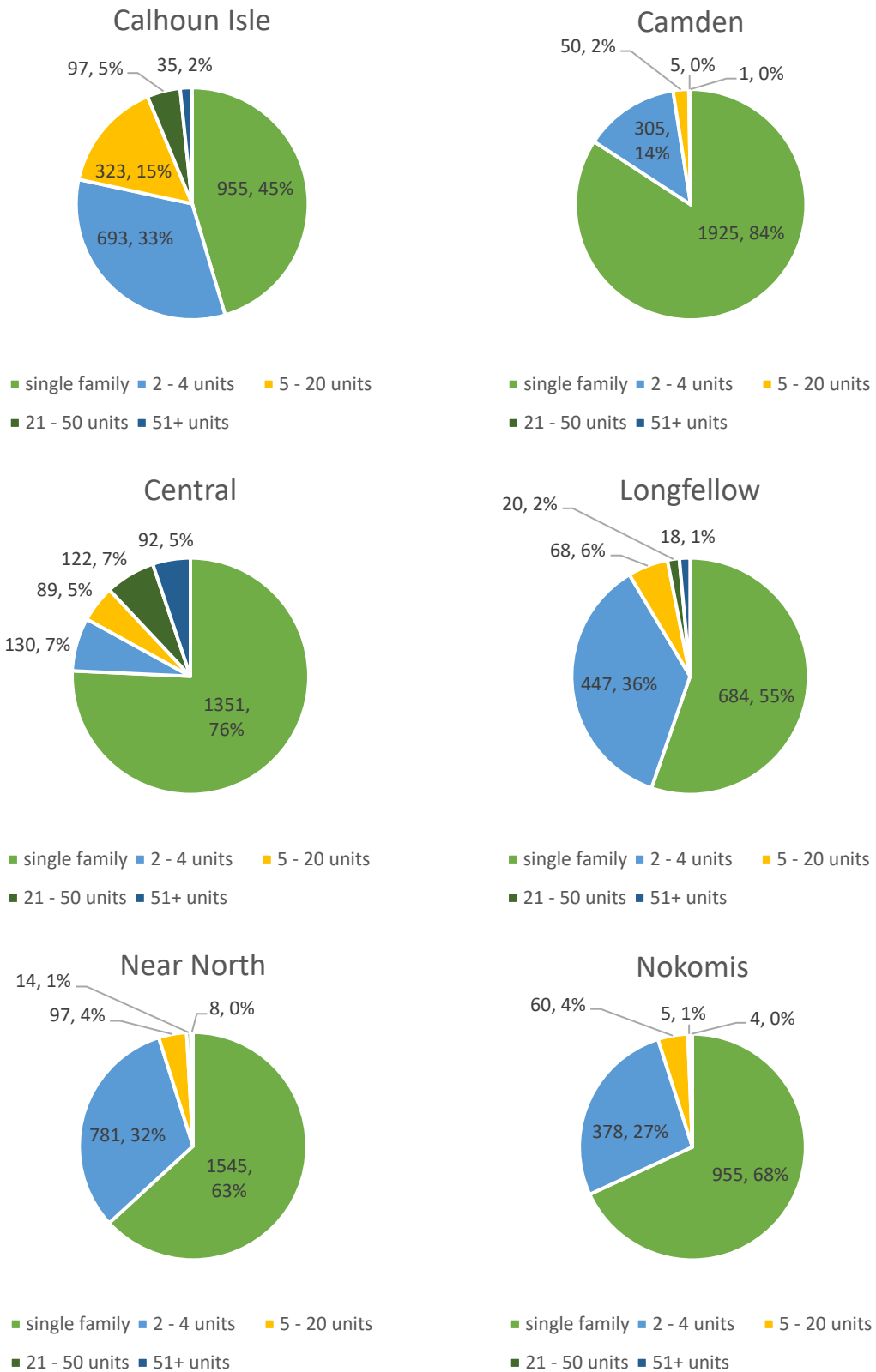
Figure 12: 51+ Units by Subregion

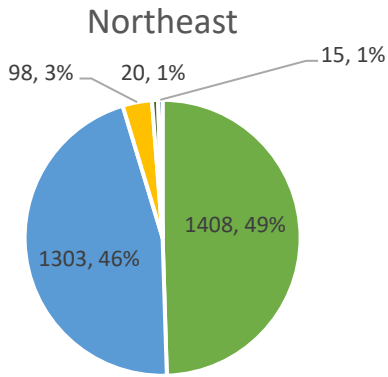


Source: Minneapolis Rental License data (March 2020).

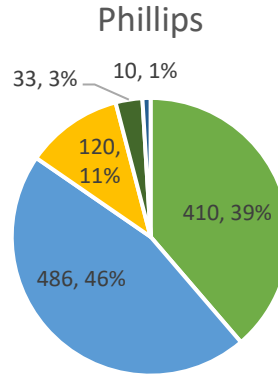


Figure 13: Rental Properties by Subregion

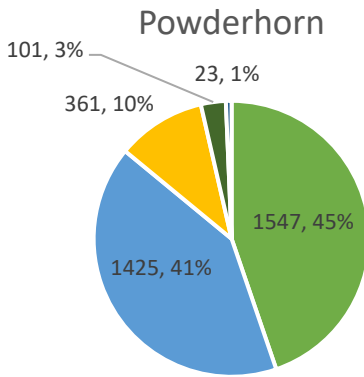




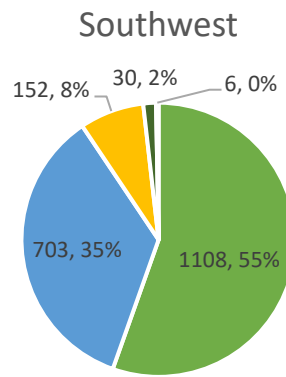
■ single family ■ 2 - 4 units ■ 5 - 20 units
 ■ 21 - 50 units ■ 51+ units



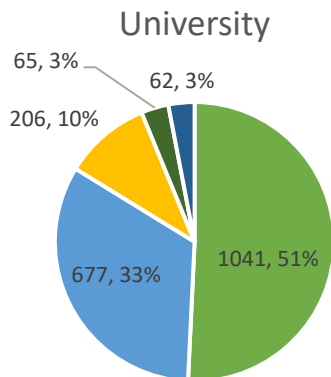
■ single family ■ 2 - 4 units ■ 5 - 20 units
 ■ 21 - 50 units ■ 51+ units



■ single family ■ 2 - 4 units ■ 5 - 20 units
 ■ 21 - 50 units ■ 51+ units



■ single family ■ 2 - 4 units ■ 5 - 20 units
 ■ 21 - 50 units ■ 51+ units



■ single family ■ 2 - 4 units ■ 5 - 20 units
 ■ 21 - 50 units ■ 51+ units

Source: Minneapolis Rental License data (March 2020).

Rate of multifamily transactions

LISC Twin Cities staff analyzed apartment sales between 2005-2019 using Hennepin County eCRV data to identify the volume of transactions per year. The total number of property sales per year ranged from a low of 599 in 2011 to a high of 1,309 in 2005, with an average of 733 per year. Across all sales, the median number of units per property was two, the average number of units was four, and the median year built was 1909. The median sales price per unit ranged from a low of \$37,500 in 2009 to a high of \$151,304 in 2019, a four-fold increase. While the overall number of annual property sales has been relatively steady since 2010, the median price per unit has increased almost every year since then for an increase of 233 percent between 2010 and 2019.

The following includes a summary of all sales for properties broken out by 2-4 unit, 5-20 unit, 21-50 unit, and 51+ unit sales for properties built before 2010, as well as tables showing trends. Note that January-May 2020 sales data is included in the table for informational purposes but, due to the impact of COVID-19 on the Spring 2020 sales market, this data is not included in the summary column or charts.

New construction properties (ten years old or less) were not included, due to the potential negative impacts on attracting national and international equity into the market. Stakeholder concerns were raised over investors not participating in the market if resale limitations were placed on their ability to sell, constricting the ability to add new market rate units to the housing supply.

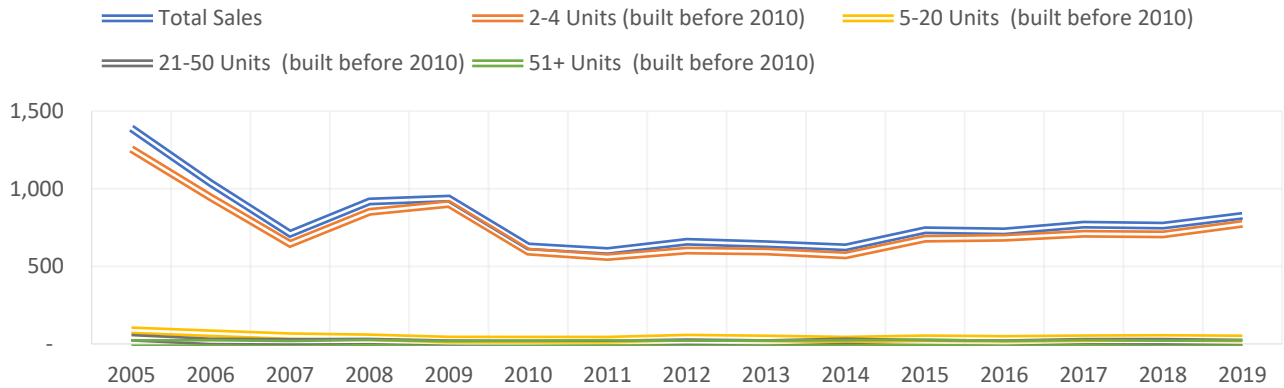
Figure 14: Minneapolis Apartment Sales Summary Data (January 2005-Aug 2020)

Minneapolis Apartment Sales Data	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Jan-Aug)	Median 2005-2019	Median 2005-Aug 2020
Total Sales	1,390	1,036	710	918	937	629	599	658	643	622	733	725	769	763	825	427	733	729
Median Sales Price (Net)	272,000	265,000	229,950	106,100	81,500	105,000	106,000	139,950	170,000	470,000	214,500	247,500	271,600	300,000	325,000	360,000	229,950	238,725
Median Sales Price/ Unit (Net)	117,500	119,500	95,000	45,625	37,500	45,000	45,333	60,050	77,500	81,044	95,545	112,500	120,000	138,606	151,304	150,000	95,000	95,273
Average Sales Price (Net)	405,906	330,991	346,467	257,417	128,918	223,095	218,942	270,381	263,764	1,379,770	576,381	336,504	551,664	499,760	583,200	826,543	336,504	341,486
Average Sales Price/ Unit (Net)	119,979	118,802	102,304	62,917	52,031	58,068	61,779	69,368	86,856	86,473	104,275	119,041	132,253	147,009	159,929	163,220	102,304	103,289
Total # Units	5,827	3,999	2,676	3,417	2,456	2,609	2,350	2,528	2,710	1,404	3,134	2,177	3,257	2,539	3,016	2,081	2,676	2,643
Median # Units	2	2	2	2	2	2	2	2	2	8	2	2	2	2	2	2	2	2
Average # Units	4	4	4	4	3	4	4	4	4	19	4	3	4	3	4	5	4	4
Median Year Built	1918	1910	1908	1908	1905	1907	1908	1909	1909	1924	1909	1910	1910	1910	1909	1912	1909	1909
2-4 Units (built before 2010)	1,256	944	645	851	902	594	560	602	596	571	678	684	710	706	774	383	684	681
Median Sales Price/ Unit (2-4 Units)	120,000	124,975	100,000	43,750	37,467	45,295	45,875	62,475	80,000	86,500	97,288	114,341	121,556	142,500	153,064	154,500	97,288	98,644
Average Sales Price/ Unit (2-4 Units)	126,070	124,755	106,495	62,306	52,298	58,832	62,148	70,309	89,433	95,556	104,385	120,412	132,932	147,139	161,344	163,926	104,385	105,440
Total # Units	2,816	2,077	1,438	1,835	1,948	1,281	1,206	1,313	1,283	1,233	1,443	1,455	1,527	1,484	1,651	867	1,455	1,449
% of Total Unit Sales	48%	52%	54%	54%	79%	49%	51%	52%	47%	88%	46%	67%	47%	58%	55%	42%	52%	52%
% of Total Property Sales	90%	91%	91%	93%	96%	94%	93%	91%	93%	92%	92%	94%	92%	93%	94%	90%	93%	93%
5-20 Units (built before 2010)	88	69	50	43	29	28	28	41	36	28	37	33	37	39	36	30	37	37
Median Sales Price/ Unit (5-20 Units)	55,772	60,000	56,417	59,375	40,000	43,693	43,125	46,035	51,833	58,938	60,000	77,273	90,000	120,357	117,813	121,324	58,938	59,156
Average Sales Price/ Unit (5-20 Units)	63,215	62,463	60,023	68,649	46,441	42,103	61,165	57,564	57,568	80,779	82,175	90,134	123,633	135,600	136,892	160,627	63,215	65,932
Total # Units	917	704	495	475	283	236	263	416	342	239	347	327	413	441	380	298	380	364
% of Total Unit Sales	16%	18%	18%	14%	12%	9%	11%	16%	13%	17%	11%	15%	13%	17%	13%	14%	14%	14%
% of Total Property Sales	6%	7%	7%	5%	3%	4%	5%	6%	6%	5%	5%	5%	5%	5%	4%	7%	5%	5%
21-50 Units (built before 2010)	40	16	13	15	5	3	4	11	6	16	8	5	14	14	9	7	11	10
Median Sales Price/ Unit (21-50 Units)	52,000	48,077	53,000	68,182	45,417	52,713	42,134	53,518	54,765	104,106	120,256	82,927	121,020	109,846	126,071	114,761	54,765	61,473
Average Sales Price/ Unit (21-50 Units)	59,309	49,947	56,720	70,843	45,083	52,977	39,054	59,060	47,999	95,734	120,712	152,096	122,649	171,010	120,437	123,841	59,309	65,076
Total # Units	1,176	458	429	417	153	89	121	300	138	491	264	155	408	371	288	204	300	294
% of Total Unit Sales	20%	11%	16%	12%	6%	3%	5%	12%	5%	35%	8%	7%	13%	15%	10%	10%	11%	11%
% of Total Property Sales	3%	2%	2%	2%	1%	0%	1%	2%	1%	3%	1%	1%	2%	2%	1%	2%	2%	2%
51+ Units (built before 2010)	6	7	2	9	1	4	7	4	5	7	10	3	8	4	6	7	6	6
Median Sales Price/ Unit (51+ Units)	60,992	18,349	103,782	51,923	8,333	51,910	56,790	41,097	15,709	79,038	121,158	72,632	112,304	145,308	174,008	133,442	60,992	66,812
Average Sales Price/ Unit (51+ Units)	81,936	28,712	103,782	80,070	8,333	60,291	47,709	77,200	37,188	56,766	165,459	69,366	128,661	151,363	174,872	175,128	77,200	78,635
Total # Units	918	760	314	690	72	1,003	760	499	947	582	1,080	240	909	243	697	712	697	705
% of Total Unit Sales	16%	19%	12%	20%	3%	38%	32%	20%	35%	41%	34%	11%	28%	10%	23%	34%	20%	22%
% of Total Property Sales	0.4%	0.7%	0.3%	1.0%	0.1%	0.6%	1.2%	0.6%	0.8%	1.1%	1.4%	0.4%	1.0%	0.5%	0.7%	1.6%	1%	1%
Total # Sales (built before 2010)	1,390	1,036	710	918	937	629	599	658	643	622	733	725	769	763	825	427	733	729

Source: Hennepin County eCRV Apartment Sales Data, 2005-2020.

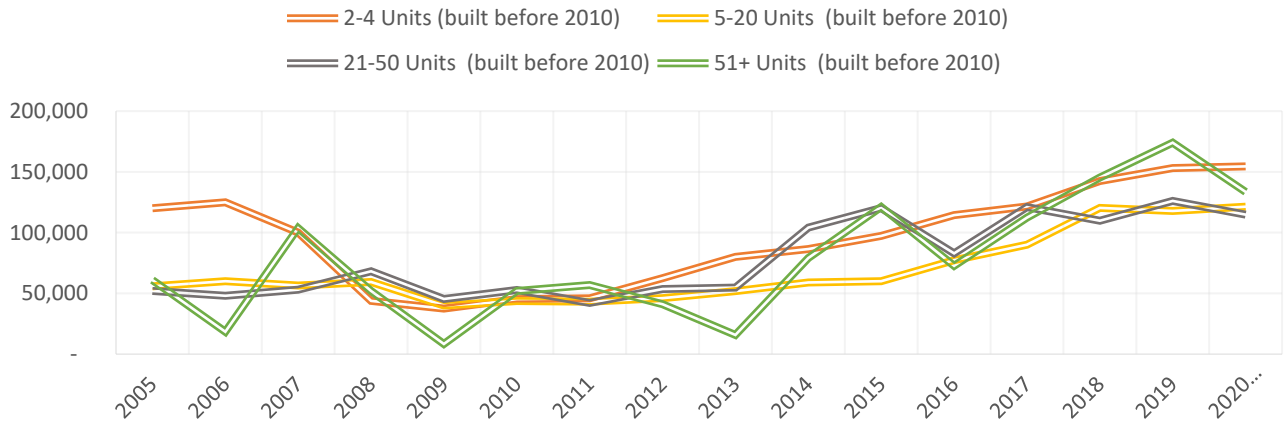
Note: the above sales do not include site assemblage.

Figure 15: Minneapolis Apartment Sales, 2005-2019



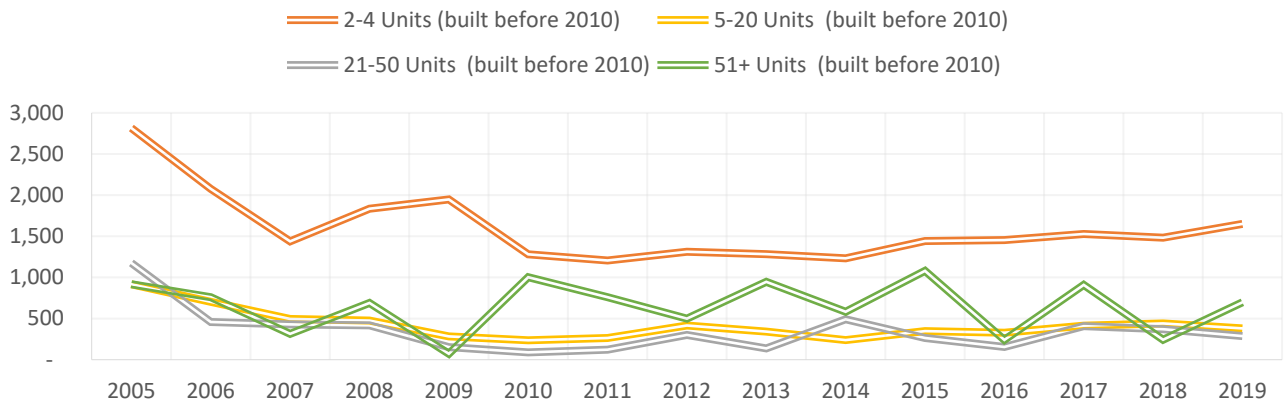
Source: Hennepin County eCRV Apartment Sales Data, 2005-2020.

Figure 16: Median Sales Price per unit, January 2005-August 2020



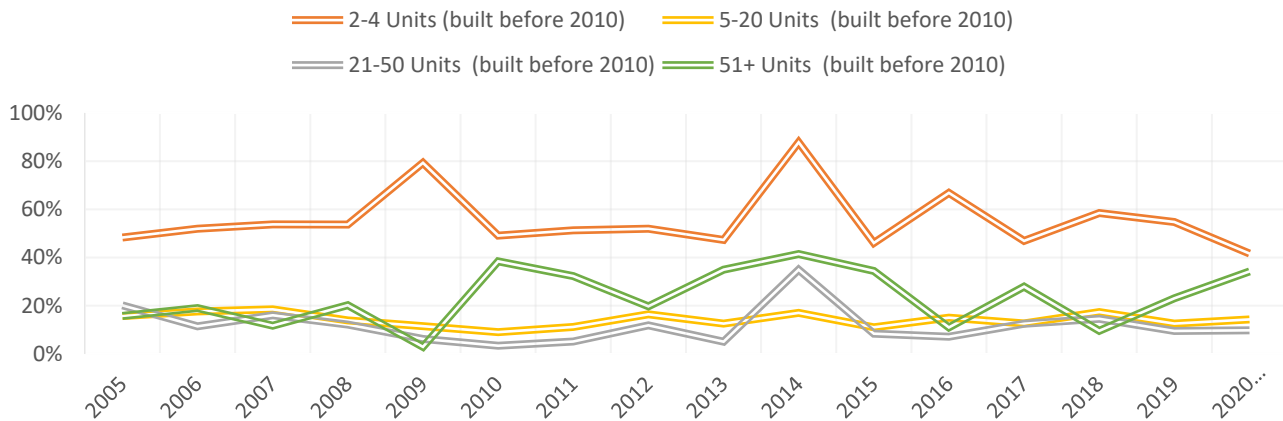
Source: Hennepin County eCRV Apartment Sales Data, 2005-2020.

Figure 17: Number of total units sold by building size, 2005-2019



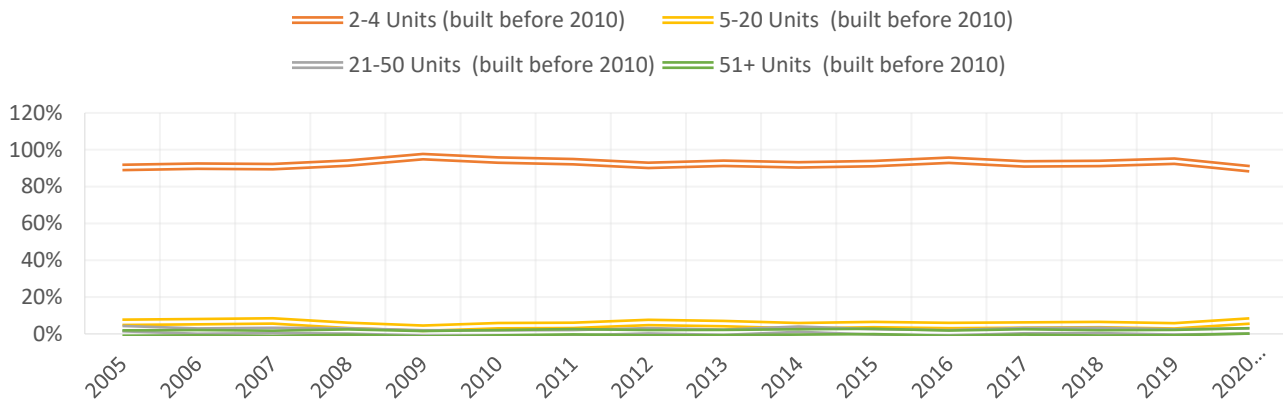
Source: Hennepin County eCRV Apartment Sales Data, 2005-2020.

Figure 18: Percent of total units sold by building size, January 2005-August 2020



Source: Hennepin County eCRV Apartment Sales Data, 2005-2020.

Figure 19: Percent of total property sales by building size, January 2005-August 2020



Source: Hennepin County eCRV Apartment Sales Data, 2005-2020.

Utilization of 1031 exchange for property transactions

The term 1031 exchange is defined under section 1031 of the IRS Code.¹⁶ This strategy allows an investor to “defer” paying capital gains taxes on an investment property when it is sold, as long as another “like-kind property” is purchased with the proceeds from the sale of the first property. To use this strategy effectively, the investor must exchange one property for another property of similar value. In the process, the investor can defer capital gains tax, thus freeing up more capital for replacement in the new property. There are four main types of like-kind exchanges investors can choose from: simultaneous, delayed, reverse, and construction or improvement exchange.

According to national data, approximately 30 percent of multifamily properties that are sold use 1031 exchanges to defer capital gains taxes. 1031 exchanges are most often employed by individuals rather than corporate investors or real estate investment trusts (REITs).¹⁷ To comply with the timeline for 1031 exchanges

¹⁶ <https://www.irs.gov/pub/irs-news/fs-08-18.pdf>

¹⁷ Interview with Keith Collins, Executive Vice President, Institutional Properties, Multifamily CBRE, July 7, 2020.

a property owner must both sell their property and close on a new property within 180 days. Utilizing a 1031 exchange option can incentivize the investor to pay more or agree to less favorable terms because of the limited timeline eligibility.

Hennepin County eCRV data was used to identify the number of apartment sales (5+ units) that utilized 1031 exchange in 2019 (not including related party or land assembly for redevelopment). The findings are as follows:

Figure 20: Minneapolis 1031 exchanges by property size in 2019

Building Size	Number of Properties Sold	Number of 1031 Exchanges
5 - 20 units	40	13
21 - 50 units	11	5
51 + units	12	6
TOTALS	63	24 (38% of properties)

Source: Hennepin County eCRV data, 2019.

Data for 2-4 unit property sales was incomplete; therefore, 1031 exchange data is not reflected for that property type. (Note that the average property size was forty units due to a couple of very large properties.) The ratio of 5+ unit multifamily properties sold in Minneapolis in 2019 that utilized 1031 exchanges is consistent with the national average (approximately 30 percent).

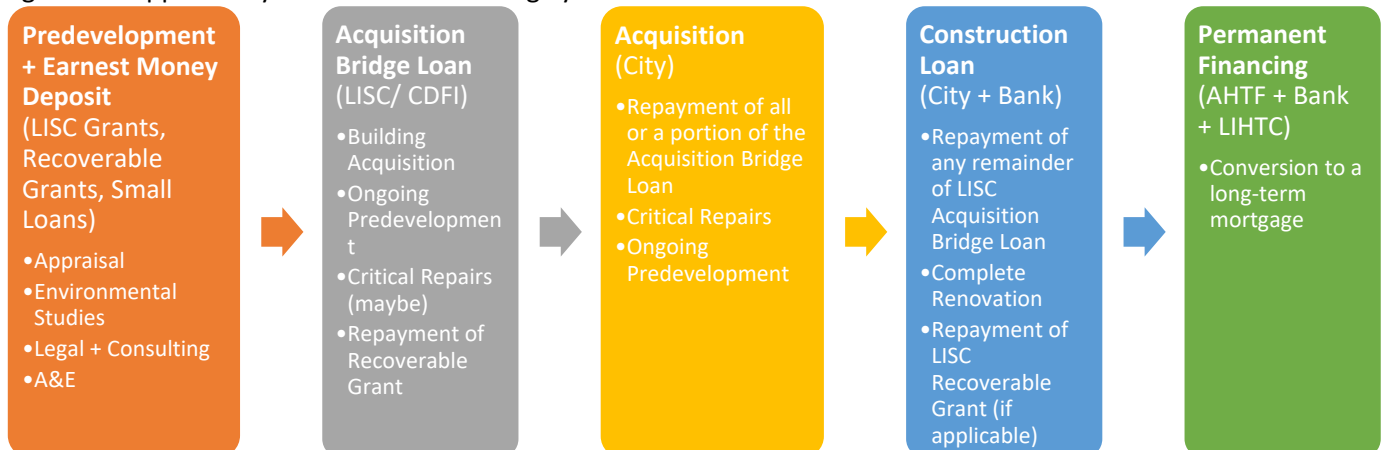
Minneapolis Transaction Process

Financing Systems:

The elements of a financing system are critical for the success of an opportunity to purchase transaction. These elements include:

- predevelopment funding for earnest money and due diligence, including, but not limited to, appraisal, legal, survey, environmental, physical needs assessment, market study, architectural, etc.;
- acquisition financing to purchase the property;
- construction loan for rehab, repairs, and improvements; and
- permanent financing.

Figure 21: Opportunity to Purchase Financing System



Multifamily Transaction Process

Stakeholder interviews indicated that the typical due diligence period for larger multifamily properties is 30 days with a closing timeline of 60 days. However, stakeholders indicated that the increasing prominence of larger investors and cash buyers has diminished the due diligence period to 10-15 days and closing timeline to 30-45 days following the execution of a purchase agreement. Buyers that want to exert a competitive edge will speed up the timeline to get preference from the seller.

In general, high-capacity nonprofit developers and affordable housing preservation buyers can compete with larger investors on price and timeline, whereas smaller for profit and nonprofit developers, who are not as equipped with in-house expertise or require board approval of the due diligence, are at a disadvantage when competing for time. Similarly, the process to obtain bank financing can take 30-60 days and those affordable housing preservation buyers are not able to compete with cash buyers that can move to closing more quickly. Sellers will often place a premium on the execution of the transaction, which can be more important than getting the highest price. The buyer that plans for near-term property upgrades (value-add capital expenditures) that would allow for increased rental rates, and the one who offers the shortest closing timeline will usually be preferred over a buyer that requires more time to assemble financing. Through interviews and focus group feedback, stakeholders with expertise in real estate explained that attention to underwriting the buyer (assessing financial risk) can matter as much or more to the seller than the sales price.

For multifamily properties, the timeline is informed by the purchase price, the number of competing potential buyers, property conditions issues, the number of sources needed for financing, and the seller's motivation. If the seller is willing to be patient or motivated to keep a property affordable, it provides more opportunity to a wider range of buyers.

Single-Family Transaction Process

According to Minneapolis Realtors, the typical single-family due-diligence period is seven to ten calendar days, but this can depend on the ability to get an inspector. Due diligence, arriving at a fair sales price, and the terms of the sale are usually accomplished before inspection and those negotiations, including the research to arrive at fair price, are often done within a day, particularly in a strong sellers' market. A buyer is limited by their ability to get financing, which is informed by the property's assessed value, the amount of equity they have, and credit history.

Community Engagement

For this report, the critical work to gather diverse perspectives on the potential impacts of an opportunity to purchase policy took place in three stages between March and November 2020. All engagement processes were done remotely through virtual platforms to accommodate COVID-19 pandemic safety measures.

Stakeholder Interviews: The authors conducted interviews with sixty individuals with a range of housing, real estate, and policy expertise in March 2020 (with follow-up interviews as needed) to gather initial input on opportunity to purchase goals, scope, concerns, and potential benefits. The authors interviewed key stakeholders involved with the San Francisco Community Opportunity to Purchase (COPA) and Berkeley Tenant Opportunity to Purchase Act (TOPA) policies to gather information and insights about their experience. CNHED has decades of experience with the DC Tenant Opportunity to Purchase Act (TOPA) process, has researched it for previous studies, and contacted government officials and technical assistance providers to gather additional information for this study.

Focus Group Sessions: Stakeholder feedback was gathered from over one hundred participants on a range of opportunity to purchase policy options, issues, and opportunities to be considered, and preferences during May and June 2020. The authors convened fourteen virtual sessions for the following stakeholder groups:

- **Housing Industry Partners** (two sessions):
 - **Participating organizations:** Met Council, MN Housing, Family Housing Fund, Federal Reserve Bank of Minneapolis, Wells Fargo, Faegre & Drinker, MN Housing Partnership, Metropolitan Consortium of Community Developers, Housing Link, MN Homeownership Center, Ryan Companies, Minneapolis Area Realtors Association, Sheridan Adventures (housing finance consultant).
- **Affordable Housing Preservation Partners** (three sessions):
 - **Participating organizations:** Project for Pride in Living, Urban Homeworks, Hope Community, City of Lakes Community Land Trust, Aeon, Beacon Interfaith Housing Collaborative, Greater MN Housing Fund, Shared Capital Cooperative, Land Bank Twin Cities, Northcountry Cooperative Foundation.
- **Tenant Advocates** (two sessions):
 - **Participating organizations:** Homeline, Jewish Community Action, Mid-Minnesota Legal Aid, Housing Justice Center, Inquilinx Unidxs Por Justicia, Alliance for Metro Stability.
- **Minneapolis Renters** (three sessions offered in English, Spanish, and Somali)
 - Facilitation and translation provided by Inquilinx Unidxs Por Justicia and New American Development Center.
- **Building Minneapolis Together:**
 - **Participating organizations:** Lupe Development, Downtown Chamber of Commerce, CommonBond Communities, Walls Properties, Sherman Associates, ULI MN.
- **MN Multifamily Housing Association:**
 - **Participating organizations:** Multifamily Housing Association, Hornig Companies, Excelsior Group.
- **Minneapolis Area Realtors Association:**
 - **Participating organizations:** Minneapolis Area Realtors Association members, Habitat for Humanity.
- **Equity in Place:**
 - **Participating organizations:** Alliance for Metro Stability, Urban Homeworks, Frogtown Neighborhood Association, University of Minnesota Center for Urban and Regional Affairs (CURA).

All focus group sessions included the same presentation content, including:

- Overview of Minneapolis policies, housing strategies, and opportunity to purchase goals (provided by City staff).
- Review of opportunity to purchase Examples:
 - Tenant Opportunity to Purchase,
 - Tenant Opportunity to Purchase—Permanent Affordability,
 - Community Opportunity to Purchase (Qualified Organizations), and
 - Single-Family Opportunity to Purchase
- Discussion questions

The authors recorded sessions to verify the accuracy of notetaking. The comments of each stakeholder group are summarized below to reflect the general comments and perspectives or participants. Specific responses are included in the Appendix to indicate the spectrum of participant responses.

Preview of Minneapolis opportunity to purchase policy options: All focus group participants were invited to participate in one of three sessions to preview the proposed Minneapolis opportunity to purchase policy options in advance of the presentation to the Minneapolis City Council’s Business, Housing, Inspections, and Zoning Committee on November 17, 2020. The purpose was to report back to stakeholders on the proposed policy options developed through the research process, gather additional feedback, and notify participants about the November 17 presentation and final report timeline.

Housing Industry Partners

Housing industry partners expressed an overall openness and support for policy options that allowed tenants to have greater influence over the future of their homes. Flexibility will be key to enable various pathways for that to happen, and City and public funds may be provided as incentives for the preservation of affordability. By cascading the assignment of rights from tenants to Qualified Organizations, there would be increased opportunities to intervene in NOAH (naturally occurring affordable housing) preservation opportunities. The policy also should build on or reinforce existing policies such as Advanced Notice, the 4d Affordable Housing Incentive Program, and other preservation and anti-displacement measures. Also, the policy should encourage 15-year asset-management reserves to transition property to successful tenant ownership.

Participants made suggestions to provide flexibility to broaden the pool of “Qualified Organizations” to work with tenant organizations and a rolling application process to invite new partners. They also believed that additional capacity would be needed by developers to market themselves to tenant organizations for consideration.

Participants raised concerns about how these policies would impact the rental housing market by altering the normal business models of investors. For example, new construction investors may opt out of the Minneapolis market if limitations are placed on their ability to sell. Some participants suggested that there should be a window of time for new construction investments to transfer to long-term owners without being required to comply with an opportunity to purchase policy.

Affordable Housing Preservation Partners

Participants raised concerns about a Qualified Organization approach whereby they would compete with each other to bid on properties. They were concerned that an opportunity to purchase policy could lead to more properties being sold off-market unless strong compliance measures were enforced. Affordable housing providers also benefit from off-market transactions of NOAH properties, which could also be disrupted by an opportunity to purchase policy. Some participants worried that there could be the potential that the policy would drive up pricing because opportunity to purchase actors might feel compelled to spend more. A Qualified Organization also could take an interim position to allow tenants more time to build out a successful ownership structure (condominiums or limited equity housing cooperatives). Participants indicated that it is important that options are provided to allow creative or hybrid models to emerge and that the experiences of Artspace, PPL, and the Land Bank could be considered as ways to augment pathways to tenant ownership.

Simplicity and clarity of opportunity to purchase rules are essential to minimize negative impacts on the market. The success of the strategy will rely on sufficient access to technical assistance for tenants and financing at the ready.

Some participants noted that currently there are no good financing options for cooperative housing. Many lenders that were financing housing cooperatives in the 1980s and 1990s got burned, and it will be difficult to bring them back. Acquisition sources are available, but permanent financing, rehab and construction financing

is really the issue. Considerations should also be made for alternative financing options (e.g., Sharia-compliant).

Tenant Advocates

Adhering to the core purpose of housing as a right, tenant advocates felt strongly that the City should adopt a tenant opportunity to purchase policy to address the imbalance of power in the current system, acknowledge the importance of racial equity, and mitigate past wrongs. They also recommended that the City adopt additional tenant protections, such as just cause eviction and rent stabilization, to guard against the misuse of evictions to clear out properties to avoid opportunity to purchase requirements.

Participants questioned notions of negative impacts on the housing market, suggesting that it was only speculation, and not based in evidence or research. They noted that any slow-down of the housing market could potentially be a good thing for creating more affordable housing options. Properties sold at market rates will do nothing to ensure affordable housing. Participants noted that significant public subsidies would be needed to achieve affordability, no matter which opportunity to purchase policy is chosen. Because private investors can act more quickly than those that rely on public resources, the timeline for transactions must be extended to provide a level playing field. Participants also held that the use of 1031 exchanges (a deferment of capital gains taxes) increase the cost of rental properties, where a seller is willing to pay more to benefit from the tax loophole.

Participants asserted that If Qualified Organizations are established, tenants and tenant advocacy organizations should be part of defining criteria and participate in the selection process. Considerations should be made for including BIPOC developers, or, if needed, providing capacity-building resources to become qualified. Participants also indicated that explicit guidance must be given for what constitutes a bona fide offer, and what is required to match it (e.g., purchase agreement details).

Minneapolis Renters

Renters felt that an opportunity to purchase policy should be focused on anti-displacement above all else. They considered tenant rights and the preservation of affordable housing equally important. Further, additional tenant protections are necessary to eliminate the ability of landlords to empty their buildings prior to sale (e.g., just cause eviction, rent stabilization, and a look-back period).

Renters considered access to information (education) and resources the most important things needed to support tenants. They considered multilingual notifications are necessary to provide information to renters about their rights. The City would need to educate and communicate with the public about what an opportunity to purchase policy means, given that most people are not familiar with the concept.

The participants considered financial and technical supports the most essential elements for a successful opportunity to purchase policy. They believed that Including homeownership training and legal advisors to understand the fine print of mortgage transactions so people can understand what they are signing and the terms of the sale to be very important. They indicated that tenant organizing would key for helping renters to understand their rights and requirements. Further, public financing would be needed to fill financial gaps to preserve affordable housing. Additionally, Islamic financing options are needed to enable everyone to access homeownership.

Building Minneapolis Together (Developers)

Participants emphasized that owning and operating rental housing is a business. The more policy limitations and requirements the City invokes, the more difficult it is to maintain those businesses. It was suggested that

the City should assess the full impact of all the new housing policies before adding more. While it was pointed out that for some sellers an opportunity to purchase process would be fine (assuming they can get the price they want), others felt that the policy would impact the value of real estate at the time of sale and upfront valuation for new construction. Not everyone wants to list their properties for sale because it advertises the listing price, alerting assessors to increase property values.

Bids or offers are often unsolicited—especially for properties at the end of rent restrictions, such as LIHTC. Mission-oriented sellers will accept lower offers to help preserve affordability. Mission-based developers are not typically successful in getting NOAH properties. An opportunity to purchase policy could be another tool in the toolbox to assist with that objective. Qualified Organizations would be the best option, but buyers may not have capital on hand to acquire and rehab properties. The group advised that sufficient underwriting capacity be in place to ensure capital needs are met for the long run. Concern was raised about long-term asset management under tenant ownership (1980s housing cooperatives experienced problems with tenant associations not being able to follow through).

Long-term preservation of existing housing stock is most important and is the most cost efficient. The City should provide more ways for properties to be maintained well, and support reinvestment, or invest resources into NOAH preservation funds to buy properties for sale in the marketplace, creating less administrative and overhead costs.

Minnesota Multifamily Housing Association

Participants believed that an opportunity to purchase policy would increase transactional costs for both time and money (e.g., additional legal fees incurred). Multifamily properties are subject to rigorous underwriting and financial scrutiny, especially when recapitalization of the property is needed. Some participants worried that the ability of renters to sell their Right to Purchase to the highest bidder would undermine the goal of an affordable housing strategy. It is likely that the market will create workarounds to exploit opportunities.

Property owners argued that an opportunity to purchase policy would potentially undermine an owner's motivation to make improvements and upgrades to their property. Termed "value-add," these improvements are good for the long-term housing stock. The reinvigoration of the private housing stock through value-add is positive and does not require public funds. It adjusts pricing, but that is the trade-off when making significant capital investments.

Participants emphasized the need for a clear definition of "transaction terms" (e.g., do closing dates need to match? loan to cost match? etc.). Property owners will often select buyers for reasons other than highest price. Other factors include speed of transaction (due diligence period and closing date), loan terms, earnest money, etc. Sellers often put a premium on the execution of the transaction as much as they do the financial terms.

Participants expressed concerns over the use of "Qualified Organizations," and the failed history of limited equity housing cooperatives. If a limited pool of Qualified Organizations is designated, it gives unfair advantage to a few. Some participants expressed concerns that if the designation is open to many, it could invite bidding wars that would increase the purchase price. Some participants noted that some previous housing cooperatives required bailouts from the City when residents were not making needed capital investments, noting that it is a big jump from a rental lease to owning a building.

Minneapolis Area Realtors Association

Members of the Realtors Association are opposed to a Right of First Refusal policies, referencing the Minneapolis First Look program that disadvantaged first-time homebuyers, creating what they perceived as an unfair advantage for tenants and nonprofit developers in the market and an uneven playing field. They believed that Realtors should be perceived as preservation partners, assisting their clients (including first-time homebuyers, buyers of color, and immigrants) to achieve their dream of homeownership, while also competing with corporate buyers.

Participants noted that it often takes a lot of time to position a buyer for homeownership (credit repair, etc.). They wondered if it would be better to create a program for buyers instead of tying their prospects to a landlord's decision to sell the property. Timing is important in real estate, and to get people into the right home. Strong support also was expressed for a limited equity housing cooperative option to create more pathways for ownership.

Participants were concerned that incorporating single-family rental in an opportunity to purchase policy may not be feasible because a single-family property can toggle between rental and homestead. But to guard against more corporate owned REITs purchasing single-family properties, they suggested limiting the policy to owners that have thirty single-family units or more (for example).

Participants liked an opportunity to purchase policy to a short-sale transaction, contingent on getting approval from a lender. They hypothesized that the extended timeline would reduce offers because buyers prefer a definite situation and will pay more for it. The Realtors contend that an opportunity to purchase policy will create hardship and damage to sellers of rental property.

Equity in Place

Advocates for racial equity point out that the market is not a power-neutral force. Inequities are the result of decades of public policy that effectively shut out low-wealth people and renters from participating in the market. An opportunity to purchase policy would create opportunities for tenants to have the right to influence what happens to their homes, proclaiming that renters' rights should be first and foremost. If the tenants decide not to purchase, then a Qualified Organization should be able to purchase with a required long-term affordability plan.

Participants believed that to advance racial equity, market disruptions should be considered a positive. Policies that intervene in the speculative market in meaningful ways that actually benefit renters and people of color in local housing systems can help rebalance the scales. Participants voiced similar thoughts regarding the 1031 exchange, which is a tax deferral that allows those with resources to flip properties for their own financial gain, which is not beneficial to renters who are at the mercy of the market. Participants believed that additional tenant protections are needed to guard against evicting tenants to avoid opportunity to purchase policy requirements, but the fact that there are potential loopholes for landlords should not be a reason to not move forward with this policy. Additional protections are needed with or without an opportunity to purchase policy.

Participants asserted that the "ability to buy" should be looked at through a racial lens. The claim that "anyone who can buy" excludes a lot of people. Less profitable for a property owner can also mean more affordable. All housing types should be included (multifamily, single family, and 2-4 units) to better accommodate the full range of family sizes. The City should lean into the complexity on the single-family rental properties and figure out how to include them in an opportunity to purchase policy. If they are not

included, it would leave out a significant number of renters on the north side of the City, which would undermine the goals of racial equity.

Participants indicated that Qualified Organizations should be vetted by an advisory group that includes renters. Some developers may present good qualifications in their applications but have a bad track record with tenant interactions and accountability. It is important to get a renter's perspective. It also would be important to ensure that developers of color are able to access opportunity to purchase policy opportunities.

Opportunity to Purchase Policies in Other Jurisdictions

Overview

The authors researched over a dozen other jurisdictions that have opportunity to purchase policies in place, are considering enacting them, or previously had them. These jurisdictions included the following states, cities, and counties: California (Berkeley, Los Angeles, Oakland, Richmond, San Francisco, Santa Monica, West Hollywood), Illinois (Chicago), Maryland (Baltimore, Montgomery County, Prince Georges County, Takoma Park), Minnesota, New Hampshire, New York, Oregon (Portland).

Washington, DC, San Francisco, and Berkeley provided the most helpful models for developing the three options for the City of Minneapolis; however, the programs in Chicago, New Hampshire, and Montgomery County also provided valuable innovations that were incorporated into the options.

Figure 22: Opportunity to Purchase Policy Elements in Other Jurisdictions

Jurisdiction	Policy Name	Year Enacted	Policy Objective	Housing Type	Type of Right	Right to Exercise	Affordability Restrictions	Assign Rights
Baltimore, MD	Right of First Refusal	1979	Tenant rights	1 unit	Right of First Refusal	Tenant	No	
Washington, DC	Tenant Opportunity to Purchase Act (TOPA)	1980	Tenant rights	1, 2-4, and 5+ units	Right to Purchase and Right of First Refusal	Tenants	No	Yes
Montgomery County, MD	Right of First Refusal	1981	Preservation of affordable housing	4+ units	Right of First Refusal	Tenants or Housing Opportunities Commission	Yes	
Takoma Park, MD	Tenant Opportunity to Purchase Act (TOPA)	1986	Tenant rights	1, 2-6, 7+ units	Right of First Refusal	Tenant Association, Tenant, or City	No	Yes
New Hampshire	Manufactured home park right to purchase	1988	Tenant rights	Manufactured home parks	Right of First Refusal	Tenants	No	No
Minnesota	Manufactured home park right to purchase	1991	Tenant rights	Manufactured home parks	Right of First Refusal	Tenants	No	No
Washington, DC	District Opportunity to Purchase Act (DOPA)	2008; regulations issued 2018	Preservation of affordable housing	5+ units	Right to Purchase subordinate to TOPA	Qualified Developer	Yes	Yes, to a Qualified Developer
Prince George's County, MD	Right of First Refusal	2013	Preservation of affordable housing	20+ units	Right of First Refusal	County	No	Yes
Chicago, IL	Single-Room Occupancy Preservation Ordinance	2014	Preservation of affordable housing	SROs	Right of First Offer	Registered Developer	Yes	No
San Francisco, CA	Community Opportunity to Purchase Act (COPA)	2019	Preservation of affordable housing	3+ units	Right of First Offer and Right of First Refusal	Qualified Nonprofit Developer	Yes	No
Berkeley, CA	Tenant Opportunity to Purchase Act (TOPA)	Current legislation	Tenant rights and preservation of affordable housing	1, 2, and 3+ units	Right of First Offer and Right of First Refusal	Tenants and Qualified Organization	Yes	Yes, to a Qualified Organization

Figure 23: Opportunity to Purchase Policy Timelines in Other Jurisdictions

Jurisdiction	Policy Name	Housing Type	Type of Right	Right to Exercise	Registration of Interest (days)	Due Diligence Materials	Negotiation Period (days)	Closing (days)
Baltimore, MD	Right of First Refusal	Single-family	Right of First Refusal	Tenant	N/A		30	60 (90 if using federal, state, or local program to assist)
Washington, DC	Tenant Opportunity to Purchase Act (TOPA)	5+ units	Right to Purchase and Right of First Refusal	Tenants	45	Owner must provide within 7 days of request	120 + 15 if third-party contract exists	120 (180 for limited equity cooperatives) + 120 w/ lender letter
		2-4 units		Tenants/Tenant	15 (+7 for individual tenant to act if group does not)		90 (+ 30 for an individual tenant) + 15 if third-party contract exists	90 + 120 w/ lender letter
		Single-family		Elderly tenant or tenant with a disability	20		25 + 15 if third-party contract exists	45 + 30 w/ lender letter
Montgomery County, MD	Right of First Refusal	4+ units	Right of First Refusal	Tenants	45	Owner must provide with offer of sale w/in 5 days of signing third-party contract	90 (concurrent w/ registration of interest)	180 after receipt of offer of sale (+ with mutual agreement)
				Housing Opportunities Commission	N/A		60	
Takoma Park, MD	Tenant Opportunity to Purchase Act (TOPA)	7+ units	Right to Purchase and Right of First Refusal	Tenant or City	45	Owner must provide within 7 days or request	120	120 (180 for limited equity cooperatives) + 120 w/ lender letter
		2-6 units			14 (+7 for individual tenant +7 for City)		30 (+30 for individual tenant +30 for City)	90+
		Single-family			7 (+7 for City)		14	30+ (60 if using govt. asst.)
New Hampshire	Manufactured home park right to purchase	Mfd. home parks	Right of First Refusal	Tenants	N/A		60	Undefined
Minnesota	Manufactured home park right to purchase	Mfd. home parks	Right of First Refusal	Tenants	N/A	Owner must provide	45	Undefined
Washington, DC	District Opportunity to Purchase Act (DOPA)	5+ units	Right of First Refusal	Qualified Developer	30	Owner must provide within 7 days of request	150 +15 if tenants register for TOPA	60 + 120 if tenants get extension under TOPA
Prince George's County, MD	Right of First Refusal	20+ units	Right of First Refusal	County or pre-qualified developer	7	Owner must provide with offer of sale w/in 5 days of signing third-party contract	60	180
Chicago	SRO Preservation Ordinance	SROs	Right of First Offer	Registered Developer	N/A		180	365 (+ with mutual agreement)
San Francisco, CA	Community Opportunity to Purchase Act (COPA)	3+ units	Right of First Offer	Qualified Nonprofit Developer	5		25 + 60 to perform due diligence	Undefined
			Right of First Refusal		5 (30 if no Right of First Offer)			Undefined
Berkeley, CA	Tenant Opportunity to Purchase Act (TOPA)	3+ units	Right of First Offer	Tenants and/or Qualified Nonprofit	30 (3-29 units) 45 (30+ units)	Owner must provide	60 (3-9 units), 90 (10-29 units) 120 (30+ units)	120 to secure financing + 40 w/ lender letter + 14 to close
			Right of First Refusal		N/A			30 Tenants 14 Qualified Nonprofit
		2 unit and 1 unit w/ multiple households	Right of First Offer		20		45	90 to secure financing + 30 w/ lender letter) + 14 to close
			Right of First Refusal		N/A		30 Tenants 14 Qualified Nonprofit	
		1 unit	Right of First Offer	Tenant and/or Qualified Nonprofit	20		21	30 + 15 w/ lender letter + 14 to close
Right of First Refusal			N/A	10				

Baltimore, Maryland

Baltimore adopted a tenant right of first refusal for single-family properties in 1979, which is still in operation today.¹⁸

As with several other jurisdictions in the United States, Baltimore has a city right of first refusal for affordable housing built with public funds.¹⁹

Washington, District of Columbia: Tenant Opportunity to Purchase Act (TOPA)

In 1973, an inter-racial coalition of tenants representing all parts of the District protested and demanded stronger rent control laws, legislation discouraging speculation, and enforcement of building codes in response to a wave of mass evictions, condominium conversions, rapid gentrification, and housing conditions complaints. In response, lawmakers passed a series of laws and regulations between 1974 and 1980, which were intended to prevent displacement and increase tenants' rights. The first, rent control, straddled the pre- and post-Home Rule period, and was passed as Regulation 74-20 in 1974 and as part of the Rental Accommodations Act of 1975. Initially, rent control applied to all buildings constructed before 1976. The rent control laws also included just cause eviction, which provided greater housing stability to tenants in the District by ensuring that landlords could only evict tenants for nonpayment of rent, violations of their lease, and, under specific terms, for personal use of the unit. After the expiration of their initial lease, tenants were able to go month-to-month without the need to sign a new lease. The Condominium Act of 1976 established rules to stabilize the condominium conversion process and to provide compensation to tenants displaced by it. The District passed the Rental Housing Act of 1977, to provide tenants with the first right to purchase their building, if it went up for sale; however, the law did not provide a process by which tenants could claim their right or the conditions necessary to do so. The District passed the Condominium and Cooperative Conversion Stabilization Act of 1979 and paused the onslaught of condominium conversions with a ninety-day moratorium, which was extended for another ninety days.

The Rental Housing Conversion and Sale Act of 1980, which included the Tenant Opportunity to Purchase Act (TOPA), gave renters the right of first refusal when their buildings were for sale. The law specifically cited the displacement of low-income and senior households, a need to preserve affordable rental housing, and the formation of tenant associations as policy goals. To support use of TOPA, the District provided attorney fees and provided grants and loans, using federal and, eventually, local funds to purchase buildings for the creation of limited equity housing cooperatives.

Several organizations assisted low- and moderate-income tenants and tenant associations across the District in preventing displacement and exercising their TOPA rights, including Washington Intercity Self Help (WISH), the Southern Columbia Heights Tenants Association (SCHTA), Ministries United to Support Community Life Endeavors (MUSCLE), and the Southern Vicariate Cluster Tenant Association. Organizations such as Housing Counseling Services (HCS) and the Latino Economic Development Center (LEDC) provided technical assistance to tenant associations throughout the 1980s and 1990s in Ward 1.

In the late 1990s, the District began to experience a new wave of gentrification, which led local officials to believe that there was a critical need to more proactively deal with displacement pressures. In approximately 2004, the District began allocating federal Community Development Block Grant (CDBG) funds to community-

¹⁸ <https://www.huduser.gov/portal/Publications/pdf/HUD%20-%203698.pdf>. For the current iteration of the law governing the right of first refusal, see <https://ca.baltimorecity.gov/codes/Art%2013%20-%20Housing.pdf>.

¹⁹ Peter Damrosch, "Public Rights of First Refusal," *Yale Law Journal*, January 2020, Vol. 129, Issue 3, pp. 812-864. <https://www.yalelawjournal.org/note/public-rights-of-first-refusal>.

based organizations (CBOs) to provide organizing and technical assistance to support residents receiving TOPA notices, forming limited equity housing cooperatives, facing poor housing conditions, and facing displacement. During the early years of this CBO funding, HCS also administered a \$100,000 fund allocated through the NBAP that paid for attorneys' fees and pre-development costs for qualifying tenant associations at TOPA buildings. Each tenant association had to apply for such funds, sign a memorandum of understanding, and get bids for the services requested. Each tenant association was eligible for up to \$10,000. Most of the funds were used for retainers for attorneys and their ongoing billing. Some tenant associations used the funds to help pay for feasibility analysis costs (environmental, architectural, etc.).

Almost all Tenant Organizations that exercise their TOPA rights to preserve affordable rental housing or to create a limited equity housing cooperative do so with technical assistance from a CBO. The process of educating tenants on their TOPA rights and responsibilities, organizing a Tenant Organization, hiring a lawyer, choosing a development option, soliciting potential development partners, negotiating with potential development partners, securing funding, and purchasing a property through TOPA is complicated and time consuming. Tenant associations and their boards generally have no experience with TOPA, so they must rely on the experience and commitment of technical service providers to successfully navigate these processes. Residents of buildings that receive technical assistance from a CBO are far more likely to register for their TOPA rights than those who do not. Annually, CBOs provide TOPA rights information and technical assistance to approximately 7,000 tenants residing in properties from one to several hundred units. Of the 454 TOPA notices were issued for 5+ unit properties during 2015-2019, CBOs provided TOPA technical assistance to tenants at 57 percent of those properties. Of those properties where tenants received TOPA technical assistance 65 percent registered for their TOPA rights. Of the 190 TOPA properties that did not receive CBO assistance, only 21 percent registered for their TOPA rights.²⁰

TOPA is administered by the District's Department of Housing and Community Development's Rental Conversion and Sales Division (RCSD), which also administers condominium conversions. RCSD staff receive TOPA Offer of Sale notices from property owners and TOPA registrations of interest from Tenant Organizations and publishes a weekly report on TOPA-related notices on its website. TOPA enforcement is not actively monitored by the RCSD and is complaint driven. The RCSD receives TOPA-related complaints from property owners, tenants, and Tenant Organizations. The RCSD adjudicates complaints over TOPA procedural issues and can issue cease and desist orders for violations; however, the RCSD has little power after a sale has been completed. Title companies rely on compliance reports issued by the RCSD to verify TOPA compliance prior to insuring a sale. Title companies' reluctance to insure a sale that has unresolved TOPA complaints serves as one of the main TOPA enforcement mechanisms. Following a sale, TOPA enforcement typically is left to tenants or a Tenant Organization to file a lawsuit.

There are no restrictions on the ability of tenants in 5+ and 2-4 unit properties ability to assign their rights or on their choices of development models or affordability levels. Instead of purchasing the building themselves, a Tenant Organization in a 5+ unit property or a tenant group or tenant in a 2-4 unit property can exercise its rights in partnership with another individual or entity or they can assign their rights to another individual or entity. Possible partners or assignees include nonprofit or for-profit developers. If the tenant(s) or Tenant Organization do not want to purchase the property themselves, they can assign the right to purchase in exchange for better building conditions, limits on rent increases, agreements to adopt long-term affordability

²⁰ Kathryn Howell, Scott Bruton, and Anna Clemens, "Creating and Sustaining Limited Equity Cooperatives in the District of Columbia" (Washington, DC: Coalition for Nonprofit Housing and Economic Development, February 2020), 4-7, 35-36. https://cnhed.org/wp-content/uploads/2020/10/Creating-and-Sustaining-Limited-Equity-Cooperatives-in-Washington-DC_REV.pdf

covenants, or other benefits; these benefits normally are memorialized in a development agreement or memorandum of understanding.²¹

In March 2017, a local media source began reporting on the efforts of one attorney that had decided to recruit tenants in single-family properties to request payments from property owners in exchange for not pursuing their TOPA rights for the full duration of time allowed under the law. In response to criticism from realtors of this attorney's tactics, the Council's Committee on Housing and Neighborhood Revitalization brought together stakeholders representing tenant interests and those representing realtors to discuss making changes to the use of TOPA for single-family housing to inhibit the tactics used by the attorney. These stakeholders negotiated for several months on proposed changes to the bill and were near consensus for legislative changes when the Chairman of the Council intervened to push for single-family housing to be exempted from TOPA. In April 2018, the District adopted a law exempting single-family units from TOPA, except for elderly tenants or tenants with a disability who had existing leases. For these groups of tenants, the law adopted most of the changes that had been negotiated by the group of stakeholders during the prior months.²²

Under the changes to TOPA for single-family properties, an elderly tenant or tenant with a disability who took occupancy of a single unit prior to April 15, 2018 may only assign their right to purchase in exchange for the right to immediately use and occupy the tenant's unit for a period of 12 months following the sale of the single-family accommodation at the rate of rent charged to the tenant as of the date of the Offer of Sale. If the tenant assigns their rights, the assignee may also reassign the rights to a private or nonprofit corporation or a partnership of which the assignee or buyer is an owner, managing member, or officer who can legally bind the entity. No consideration shall be allowed in exchange for a secondary assignment. A tenant may not receive consideration for vacating their unit prior to the 12-month period for the Owner to use or occupy the unit.²³

Montgomery County, Maryland

Montgomery County, Maryland, a suburb of Washington, DC, adopted its Right of First Refusal (ROFR) policy in 1981. Montgomery County and its combined public housing and housing finance agency, the Housing Opportunities Commission (HOC), have the right to match contracts on rental facilities of four or more units built before 1981 or on rental buildings being sold for conversion to condominiums. Certified tenant associations also have the right to match the contract on rentals built prior to 1981.²⁴

The County can waive the right if the purchaser commits to preserving the building as a rental property for five years with rent acceptable to the County or makes a cash contribution to the County's Housing Initiative Fund, which supports affordable housing.²⁵

The County, either through the HOC or a designated nonprofit housing developer, has exercised the right of first refusal at least six times. For example, to preserve some naturally occurring affordable units and hard-to-find three-bedroom units, the HOC bought an unsubsidized 1950s apartment building and is renovating it for moderate-income tenants. A partnership between the Department of Housing and Community Affairs (DHCA) and the HOC allows HOC the first right to purchase up to one-third of the inclusionary housing units within a subdivision produced through the county's Moderately Priced Dwelling Unit (MPDU) law and operate these

²¹ <https://code.dccouncil.us/dc/council/code/sections/42-3404.06.html>

²² <https://wamu.org/story/18/03/06/d-c-council-votes-exempt-single-family-homes-law-giving-renters-first-shot-buying-residence/>. <https://code.dccouncil.us/dc/council/code/sections/42-3404.09.html>.

²³ <https://code.dccouncil.us/dc/council/code/sections/42-3404.09.html>.

²⁴ http://montgomeryco-md.elaws.us/code/coor_ptii_ch53a.

²⁵ http://montgomeryco-md.elaws.us/code/coor_ptii_ch53a_sec53a-5.

units as federally subsidized public housing. Since 1973, this arrangement has resulted in the purchase of over seven hundred homes in market-rate properties, which are made available to very-low-income families through the public housing program. When projects subject to the MPDU law are in location-efficient areas near transit and other amenities, this arrangement provides an opportunity to create well-located public housing.²⁶

Santa Monica, California

City of Santa Monica voters passed the Tenant Ownership Rights Charter Amendment (TORCA) in 1984. TORCA allowed rental units to be converted into condominiums without a permit to remove them from rent control if the tenants were offered an opportunity to purchase their units and two-thirds supported the conversion application. While TORCA did not protect tenants from owner-occupancy evictions if they rented after the conversion, the City Council passed an ordinance a few months later that prohibited owner occupancy evictions in all condominium units unless a removal permit had been obtained for the conversion. If the tenant declined to purchase the unit, they could choose to remain in the unit indefinitely and could not be displaced by the conversion. A tax was levied on each conversion, with the funds being used for the development and administration of TORCA programs, or to assist low to moderate income households. The program ended in 1996.²⁷

Takoma Park, Maryland: Tenant Opportunity to Purchase Act (TOPA)

Takoma Park, Maryland, a suburb of Washington, DC, adopted its Tenant Opportunity to Purchase Act (TOPA) in 1986.²⁸ Takoma Park's version of TOPA covers single-unit properties and all sizes of multifamily properties.²⁹

New Hampshire

The New Hampshire-based nonprofit Community Loan Fund (CLF) came into being in 1983 as one of the nation's first nonprofit community loan funds.³⁰ One of its initial projects was to facilitate the creation of New Hampshire's first manufactured housing cooperative in 1984: Meredith Center Cooperative.³¹

New Hampshire passed a law in 1988 that allows manufactured homes in ROCs to be titled as real property and provides tenants with the first right of refusal when the owner of their manufactured home park wishes to sell the property.³² The CLF and its ROC-NH have helped residents purchase 132 manufactured home parks in New Hampshire to convert to cooperative ownership in the form of resident-owned communities (ROCs): over

²⁶ <https://www.nhc.org/policy-guide/affordable-rental-housing-preservation-the-basics/program-profiles-rental-preservation/>.

²⁷ [https://weho.granicus.com/MetaViewer.php?view_id=&event_id=836&meta_id=104347](https://weho.granicus.com/MetaViewer.php?view_id=&event_id=836&meta_id=104347;);
https://www.surfsantamonica.com/ssm_site/the_lookout/news/News-2005/October-2005/10_20_05_TORCA_Owners_Get_Boost.htm; <https://finance.smgov.net/fees-taxes/torca-tax#:~:text=Description,agreed%20to%20purchase%20their%20units.>

²⁸ <https://www.washingtonpost.com/archive/realestate/1986/11/15/takoma-park-approves-ordinance-that-gives-tenants-a-right-to-buy/45afb9fd-90a6-4961-9ce4-5693f954d679/>.

²⁹ <https://www.codepublishing.com/MD/TakomaPark/#!/TakomaPark06/TakomaPark0632.html>.

³⁰ <https://communityloanfund.org/projects/impact-stories-temple-wilton/>.

³¹ <https://communityloanfund.org/projects/impact-stories-meredith/>.

³² <https://communityloanfund.org/focus/ROC-NH/park%20for%20sale/>;
<http://www.gencourt.state.nh.us/rsa/html/XVII/205-A/205-A-21.htm>.

30 percent of all the parks in the state.³³ The CLF developed a 30-year fixed-rate mortgage for manufactured homes in ROCs in 2002.³⁴ In 2007, Fannie Mae entered into a \$10 million pilot program with St. Mary's Credit Union and ten resident-owned communities (ROCs) to purchase mortgages for up to 750 homes included in these communities. Fannie Mae remains the only secondary mortgage market participant in the nation.³⁵ The CLF created ROC USA in 2008 to work with residents in other states on achieving cooperative ownership. ROC USA has worked with residents in another 113 manufactured home parks in fifteen other states.³⁶ In September 2017, the New Hampshire Housing Financing Agency expanded the Fannie Mae program to allow more mortgage lenders and insurers to participate. The Agency services the loans and is the conduit for selling the loans to the secondary mortgage market.³⁷ The program offers 30-year fixed-rate mortgages offering 95 percent financing, with typical loans ranging from \$50,000-\$70,000.³⁸

Minnesota

Minnesota passed a manufactured home park right to purchase law in 1991. Also, manufactured home park tenants are protected by just cause eviction in the state.³⁹ Further, if a homeowner is required to relocate from a manufactured home park due to the closure or conversion of a manufactured home park, they are entitled to a payment from the Manufactured Home Relocation Trust Fund equal to the actual relocation costs for relocating their manufactured home to a new location within twenty-five miles up to a maximum of \$7,000 for a single-section or \$12,500 for a multi-section manufactured home. Homeowners are eligible to apply for relocation expenses if they made \$15 annual payments to the trust fund through the park owner.⁴⁰

Washington, District of Columbia: District Opportunity to Purchase Act (DOPA)

The District Opportunity to Purchase Act (DOPA) is an affordable housing preservation tool that gives the Mayor the authority to purchase certain apartment buildings in order to maintain existing rental affordable units for tenants and increase the total number of affordable rental units within the District. DOPA is subservient to TOPA, so the District is only able to act if tenants at the property fail to exercise their TOPA rights. DOPA allows the District to purchase properties with five or more units if at least a quarter of the apartments are affordable for people making less than 50 percent of the area median income.

The District passed DOPA in 2008; however, during the Great Recession and its aftermath the District's appropriations for affordable housing decreased and three successive Mayoral administrations did not establish the regulations and processes needed to put DOPA into effect. In 2016, Mayor Muriel Bowser's Housing Preservation Strike Force Report recommended that the District finally implement the law, describing it as an important supplement to TOPA in helping to prevent the displacement of low-income tenants. The District released regulations in November 2018 and put out a Request for Qualifications to recruit Pre-Qualified Developers to assist in exercising DOPA rights. The District published its list of chosen Pre-Qualified

³³ <https://www.opensocietyfoundations.org/voices/how-one-community-defended-their-homes-and-defeated-private-equity>; <https://communityloanfund.org/focus/roc-nh/>. Nota bene: tenants of manufactured home parks in New Hampshire are protected by just cause eviction. <https://www.gencourt.state.nh.us/rsa/html/XVII/205-A/205-A-mrg.htm>.

³⁴ <https://www.manufacturedhomes.com/blog/fannie-mae-manufactured-home-financing-nh/>.

³⁵ <https://www.thehomestory.com/new-hampshire-has-put-manufactured-housing-on-solid-groundwill-other-states-follow/>.

³⁶ <https://www.nhbr.com/nh-manufactured-home-owners-buy-their-communities-in-48m-megadeal/>.

³⁷ <https://www.thehomestory.com/new-hampshire-has-put-manufactured-housing-on-solid-groundwill-other-states-follow/>.

³⁸ <https://www.manufacturedhomes.com/blog/fannie-mae-manufactured-home-financing-nh/>.

³⁹ <https://www.revisor.mn.gov/statutes/cite/327C.09>.

⁴⁰ <https://www.revisor.mn.gov/statutes/cite/327C.095>.

Developers in spring 2019. To date, the District has not exercised its DOPA to assign its rights to purchase a property to a Pre-Qualified Developer.⁴¹

Los Angeles, California

In 2008, the City Council of the City of Los Angeles passed a motion to direct staff to review the Washington, DC TOPA program and report on how such an approach may be implemented in Los Angeles. The Los Angeles Chief Legislative Analyst performed a study of the program. Los Angeles did not decide to adopt its own TOPA program.⁴²

Prince Georges County, Maryland

In 2013, the Prince George's County Council passed legislation to create the Right of First Refusal (ROFR) Program with the intent of expanding the availability of affordable rental housing in the County. On October 6, 2015, the County Council passed legislation that clarified that the ROFR Program would apply to all areas of Prince George's County. The ROFR program is overseen and its regulations administered by the County's Department of Housing and Community Development (DHCD).⁴³

Among other requirements, the Code provides that a Property Owner that seeks to sell a multifamily rental facility that consists of twenty or more dwelling rental units must provide written notice of the sale to the Director of DHCD after the owner enters into a bona fide contract of sale to sell the multifamily rental facility. DHCD is authorized under the Code to exercise its ROFR rights and purchase the property (or assign its rights to purchase the property to a third-party) in accordance with the timeframes and terms of the Code.

The Prince George's County Department of Housing and Community Development has authority pursuant to Sec. 13-1119 of the Prince George's County Code to promulgate and amend, as deemed necessary, regulations to govern the right of first refusal ("ROFR") for Prince George's County, Maryland ("County") to buy multifamily rental facilities as a means of revitalization and to preserve housing opportunities for low- to moderate income households and in the County.⁴⁴

In December 2019, the Prince George's County Department of Housing and Community (DHCD) issued a Request for Qualifications (RFQ) seeking responses from qualified nonprofit and mission-oriented for-profit developers with strong affordable housing track records and demonstrated experience in acquiring, owning, operating, rehabilitating, and developing quality rental housing with affordability covenants who are interested in serving in a pool of qualified parties to serve as assignees to exercise DHCD's Right of First Refusal. The intent of the RFQ was to establish and maintain an inventory of qualified Developers experienced in mixed-income housing and mixed-finance to own and operate rental housing Units, as well as possessing the capability to rehabilitate or redevelop housing units to extend long-term affordability of rental housing. The

⁴¹ <https://www.dcregs.dc.gov/Common/NoticeDetail.aspx?NoticeId=N0075840>.

<https://www.washingtoncitypaper.com/news/housing-complex/blog/20987068/dc-finally-rolls-out-rules-for-an-almost-decade-old-affordable-housing-law>; <https://dchfa.org/wp-content/uploads/2018/04/strike-force-report-final-11-9.pdf>

⁴² https://clkrep.lacity.org/onlinedocs/2007/07-3291_ca_06-20-08.pdf; https://clkrep.lacity.org/onlinedocs/2007/07-3291_rpt_cla_6-6-08.pdf; https://weho.granicus.com/MetaViewer.php?view_id=&event_id=836&meta_id=104347.

⁴³ https://library.municode.com/md/prince_george's_county/codes/code_of_ordinances/229965?nodeId=PTIIT117PULOLAPRGECOMA_SUBTITLE_13HOPRST_DIV14COREHO.

⁴⁴ <https://www.princegeorgescountymd.gov/984/Apartment-Multifamily-Rental-Owners>.

initial term of the Roster of Responders will be for a period not to exceed two years, which may be extended at DHCD's discretion.⁴⁵

While PGC's ROFR legislation does not mandate affordability levels be agreed to or covenanted in order to exercise the right, PGC is moving in the direction of exercising the ROFR through their new list of pre-qualified partners who are committed affordable housing and mixed-income developers. In PGC's selection of to whom to assign the right it is considering prioritizing proposals that commit to maintaining rent levels through a fifteen year or longer rent stabilization commitment (with preference for proposals that contain a longer commitment). The goal of the rent stabilization commitment would be to prevent displacement and to maintain existing mixed-income communities.

Chicago, Illinois: Single-Room Occupancy Preservation Ordinance

In the first decades of the twentieth century, Chicago's population was booming, and the city struggled to meet a swelling demand for housing. Single room occupancy residential hotels (SROs) were among an array of new housing options developed in the city during this period. SROs were a subset of residential hotels designed with lower-income workers in mind; these buildings provided a modest resting place for workers who needed easy access to jobs in the city and for whom ownership was either not feasible or not desirable. By 1915, there were approximately 3,700 SRO hotels in Chicago. After World War Two, higher end residential hotels were torn down or converted to other uses. Residential hotels for lower-income workers and seniors were reclassified as single room occupancy buildings.⁴⁶

Because SROs typically do not require a move-in fee, security deposit, or background or credit checks, they still represent low-barrier rental housing opportunities for lower-income individuals. However, during the later decades of the twentieth century and the early decades of the twenty-first century, the number of SROs in Chicago has significantly declined. In the 1960s, 1970s, and 1980s, SRO hotels gained a reputation as dangerous housing for the poor and marginalized. During these decades approximately 80 percent of Chicago's 38,845 SRO units were lost. During the 1980s and 1990s, the Chicago Coalition for the Homelessness advocated for Chicago government, service providers, and community groups to use SRO hotels to provide permanent supportive housing to homeless individuals. Chicago Mayor Richard M. Daley's 2003 Plan to End Homelessness made permanent supportive housing a top tool in its efforts to end homelessness. During the first decade of the twenty-first century, the hot Chicago housing market and gentrification led to many SRO properties being converted into high-income rental housing.⁴⁷

Between 2008 and 2014, approximately 30 percent of Chicago's SROs closed, and between 2011 and 2014, developers converted more than 1,600 SROs and residential hotel rooms into higher-priced residential buildings. By 2014, there were 77 SROs in Chicago, totaling approximately 5,000-6,000 units. To combat this decline in SROs and affordable rental units, ONE Northside, the Chicago Coalition for the Homeless, the Lawyers' Committee for Better Housing and the Shriver Center on Poverty Law came together to form the Chicago For All coalition to advance an ordinance to preserve SROs as affordable housing. The coalition

⁴⁵ <https://www.princegeorgescountymd.gov/DocumentCenter/View/33210/Roster-of-ROFR-Developers>; <https://www.ballardspahr.com/-/media/files/alerts/pgc-dhcd-rfq-for-developers---rofr-12-19-2019.pdf?la=en&hash=FED74602A05742EFDAECCC92F3BD4E80>.

⁴⁶ <https://www.enterprisecommunity.org/download?fid=10383&nid=7828>; <https://www2.illinois.gov/dnrhistoric/preserve/siteassets/pages/illinois-historic-sites-advisory-council/residential%20hotels%20in%20chicago%201900%20-%201930%20mpd.pdf>.

⁴⁷ <https://www.enterprisecommunity.org/download?fid=10383&nid=7828>; <https://nextcity.org/features/view/the-80-a-week-60-square-foot-housing-solution-thats-also-totally-illegal>.

successfully advocated for the passage of the Single Room Occupancy and Residential Hotel Preservation Ordinance in 2014.⁴⁸

The SRO ordinance protects a resident that has lived in a particular SRO from termination of their tenancy if they complain about code violations, engage in resident organizing activity, or were involved in an effort to purchase the property and provides a rebuttable presumption that an owner's conduct was retaliatory if they act against a tenant who engaged in such activities.⁴⁹

SRO owners can opt out of complying with the ordinance by paying a "preservation fee" or by selling to a buyer that will meet certain affordability restrictions. SRO building owners can opt out of the 180-day notice period altogether if they pay the city a \$20,000 "preservation fee" for each unit in the building. In this situation, owners are also required to pay each long-term resident who will be displaced by the sale a one-time relocation assistance fee as described of \$8,600.⁵⁰ SRO owners also can be exempt from the ordinance if they are selling to a buyer/transferee that is required (by contract, recorded covenant, or other agreement) to maintain at the property for at least 20 years at least 33 percent of the units at the property as affordable to households at or below 40 percent of the median gross household income for the Chicago region.⁵¹

Purchasers who utilize the ordinance to purchase an SRO must maintain at least 80 percent of the building's existing units as affordable to low-, very low-, and extremely low-income individuals and families for at least 15 years. If the owner accepts an offer from a purchaser that will maintain the property as affordable housing, then the owner and purchaser must include a clause in the purchase and sale agreement that requires the property to be maintained for not less than 15 years as subsidized or unsubsidized affordable housing for very low-income individuals and families. However, for each unit the purchaser agrees to maintain as subsidized or unsubsidized affordable housing for extremely low-income individuals and families, the purchaser may set aside one unit as subsidized or unsubsidized affordable housing for low-income individuals and families. Also, any unit that is subsidized such that the resident's portion of the rent 30 percent or less of their adjusted gross monthly household income may be rented to a low-income individual or family.⁵²

⁴⁸ <https://www.enterprisecommunity.org/download?fid=10383&nid=7828>;
https://www.chicago.gov/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2014/November/11.12.14A_PPSRO.pdf; <https://www.washingtonpost.com/news/wonk/wp/2014/11/12/what-happens-when-housing-for-the-poor-is-remodeled-for-millennials/>; <https://www.chicagomag.com/Chicago-Magazine/The-312/June-2013/The-Long-Slow-Divide-of-Chicagos-SROs/>; <https://sjnchicago.medill.northwestern.edu/blog/2018/03/29/staying-power-inside-last-days-one-chicagos-remaining-cage-hotels/>; <https://www.dnainfo.com/chicago/20140910/uptown/city-unveils-law-solve-sro-crisis-but-some-fear-dangerous-precedent/>; <https://www.wbez.org/stories/the-slow-disappearing-act-of-the-chicago-sro/c0aad346-ca95-4004-83d4-2b701e553b93>; <https://www.wbez.org/stories/chicago-sro-owners-say-proposed-city-ordinance-is-hostile/f6d2a835-8e9a-4843-8d39-67c0b7f44d19>; <https://www.chicagohomeless.org/chicago-tribune-chicago-sro-ordinance-help-poor-write-big-check/>.

⁴⁹ <https://chicago.legistar.com/LegislationDetail.aspx?ID=1903894&GUID=85F84C55-14AC-4370-B6AB-CD1190240D76&Options=Advanced&Search=>.

⁵⁰ *Ibid.*; <https://www.enterprisecommunity.org/download?fid=10383&nid=7828>;
https://www.chicago.gov/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2014/November/11.12.14A_PPSRO.pdf;
https://www.chicago.gov/content/dam/city/depts/dcd/Housing%20Programs/SRO_Preservation_Initiative.pdf.

⁵¹ <https://chicago.legistar.com/LegislationDetail.aspx?ID=1903894&GUID=85F84C55-14AC-4370-B6AB-CD1190240D76&Options=Advanced&Search=>.

⁵² *Ibid.*

In situations where the building is maintained as affordable, but not all long-term residents are able to remain in or return to the building, the owner must also comply with the one-time relocation assistance fee. If the owner sells to a buyer that has not committed to maintaining the affordability of at least 80 percent of the building's existing units, the owner must pay each long-term resident who will be displaced by the sale a one-time relocation assistance fee in the amount of three months' rent or \$2,000, whichever is greater.⁵³

The Single-Room Occupancy Preservation Ordinance created the SRO Improvement and Stabilization Program to incentivize the preservation of SRO units. All preservation fees collected pursuant to the ordinance are required to be used solely for the operation of the SRO Improvement and Stabilization Program.⁵⁴ The ordinance requires the SRO Improvement and Stabilization Program to provide incentives such as: forgivable loans for the purpose of rehabilitating SROs, gap financing grants to fill the difference between prospective preservation purchasers and prospective buyers that intend to convert SROs to other uses, and city-funded social and case management services. The ordinance also directed Chicago's commissioner of planning and development to investigate the possibility of providing Cook County property tax credits for SRO owners who maintain affordable housing.⁵⁵

West Hollywood, California

On November 2, 2015, the West Hollywood City Council instructed city staffers to evaluate whether the city could or should give renters a right of first refusal when a landlord wants to sell their home. The item was proposed by Councilmember Lauren Meister. In her proposal, Meister noted that from 1986 through 2014, 684 apartments in 161 buildings were removed from the West Hollywood housing market under the Ellis Act, a state law that allows a building owner to evict tenants if he decides to get out of the rental housing business. In a number of instances those buildings have been demolished and replaced by others.⁵⁶

San Francisco: Community Opportunity to Purchase Act (COPA)

Over an eleven-year period from 2008 to 2019, San Francisco advocates built the political will to increase the preservation of affordable housing and then to create an opportunity to purchase program. In 2008, anti-displacement groups in San Francisco identified property acquisition as a means of mitigating eviction pressures. In 2009, the San Francisco Board of Supervisors passed a funding set aside for a housing preservation program. In 2014, San Francisco created a formal property acquisition program. In 2014, a city-wide Tenant Convention voted Right to Purchase as a priority. In 2015, advocates began organizing and developing policy recommendations for a right to purchase policy. In April 2019, the San Francisco Board of Supervisors passed, in a unanimous vote, the Community Opportunity to Purchase Act (COPA). COPA went into effect on June 2, 2019 and began to be enforced on September 3, 2019.⁵⁷ Additionally, California passed

⁵³ Ibid.; <https://www.entreprisecommunity.org/download?fid=10383&nid=7828>;
https://www.chicago.gov/content/dam/city/depts/mayor/Press%20Room/Press%20Releases/2014/November/11.12.14A_PPSRO.pdf;

https://www.chicago.gov/content/dam/city/depts/dcd/Housing%20Programs/SRO_Preservation_Initiative.pdf.

⁵⁴ <https://chicago.legistar.com/LegislationDetail.aspx?ID=1903894&GUID=85F84C55-14AC-4370-B6AB-CD1190240D76&Options=Advanced&Search=>.

⁵⁵ Ibid.

⁵⁶ <https://www.wehoville.com/2015/11/03/weho-agrees-to-study-first-refusal-right-for-renters/>;

https://weho.granicus.com/MetaViewer.php?view_id=&event_id=836&meta_id=104347.

⁵⁷ <https://sfmohcd.org/sites/default/files/Documents/MOH/COPA/COPA%20-%20Legislation-09-03-2019.pdf>;
<https://sfmohcd.org/sites/default/files/Documents/MOH/COPA/COPA%20-%20Final%20Program%20Rules-09-03-2019.pdf>;
<https://www.sfweekly.com/news/city-grants-nonprofits-first-priority-in-building-sales/>;
<https://nextcity.org/daily/entry/nonprofits-may-soon-have-the-first-chance-to-buy-apartment-buildings-in-san>;
<https://www.sfweekly.com/news/housing-equity-front-and-center-in-last-board-meeting-of-2018/>;

the Tenant Protection Act of 2019 in September 2019, which went into effect on January 1, 2020. This bill provides rent control, just cause eviction, and condominium conversion relocation protections to tenants across the state and augments similar local protections where they already exist.⁵⁸

COPA intends to stabilize communities by preventing displacement and preserving affordable housing. It applies to the sale of any non-condominium residential building of three or more units. COPA gives Qualified Nonprofits certified by the city a right of first offer prior to the property going on the market and a right of first refusal when the property owner has a bona fide offer from a potential buyer.⁵⁹ Tenants do not have any official role in the opportunity to purchase process. San Francisco offers a partial transfer-tax exemption for properties purchased through the COPA process. COPA also requires Qualified Nonprofits to collaborate with the seller to facilitate 1031 exchanges.⁶⁰

If a Qualified Nonprofit purchases a property through COPA, then it must:

- honor existing leases and subleases,
- maintain property as rent restricted in perpetuity,
- limit the average of rent and utilities paid by all residential tenants to 30 percent of 80 percent of AMI (adjusted for household size),
- limit the gross household income of new tenants to 120 percent of AMI or less (adjusted for household size), and
- abide by just cause eviction protections for all new and existing tenants.⁶¹

During the initial six months after COPA went into effect, only one of the Qualified Nonprofits was able to successfully exercise the rights: Mission Economic Development Agency (MEDA). During that time, MEDA was able to close on three properties and to sign a contract to purchase three more. Each of the properties was between three and twenty-seven units, with an average of six units per building. MEDA puts in a clause that they will cooperate with an owner's 1031 exchange and will alter timelines to fit.⁶²

COPA is supported by a set of financing tools that assist with transactions, which are coordinated out of the Mayor's Office of Housing and Community Development (MOHCD).

- *San Francisco Housing Accelerator Fund*: The Accelerator Fund provides acquisition-only and acquisition + rehabilitation loans for vacant land and existing properties with flexible terms up to four years. There is no single-loan lending limit and assists small buildings (up to 25 units) through medium and large buildings (25-70+ units).⁶³

<https://medasf.org/san-franciscos-community-opportunity-to-purchase-act-reflections-on-copa-one-year-in/>;
<https://www.bisnow.com/san-francisco/news/multifamily/copa-104119>; <https://www.levelupgroupsf.com/COPA>.

⁵⁸ https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1482;

<https://sfrb.org/article/summary-ab-1482-california-tenant-protection-act-2019>;

<https://la.curbed.com/2019/9/24/20868937/california-rent-control-law-bill-governor>;

⁵⁹ <https://sfmohcd.org/sites/default/files/Documents/MOH/COPA/COPA%20-%20Final%20-%20Program%20Rules-09-03-2019.pdf>; https://sfmohcd.org/sites/default/files/COPA%20-%20Qualified%20Nonprofit%20List-%2008-17-2020_0.pdf.

⁶⁰ <https://sfmohcd.org/sites/default/files/Documents/MOH/COPA/COPA%20-%20Final%20-%20Program%20Rules-09-03-2019.pdf>.

⁶¹ <https://sfmohcd.org/sites/default/files/Documents/MOH/COPA/COPA%20-%20Final%20-%20Program%20Rules-09-03-2019.pdf>.

⁶² Interview with MEDA staff and <https://medasf.org/san-franciscos-community-opportunity-to-purchase-act-reflections-on-copa-one-year-in/>.

⁶³ <https://www.sfhaf.org/>.

- *Small Properties Program (SSP)*: SSP Notice of Funding Availability (NOFA) provides direct city financing for acquisition/preservation for multifamily rental buildings of 5-25 units to protect and preserve long-term affordable housing in properties throughout San Francisco that are vulnerable to market pressures resulting in rising tenant rents, increased evictions, and property sales. \$37 million is available for acquisition and preservation financing.⁶⁴
- *Preservation and Seismic Safety Program (PASS)*: Most rental properties in San Francisco are around one hundred years old and require seismic retrofits, which necessitates major due diligence when evaluating properties. PASS provides low-cost city permanent financing for up to a forty-year term, which is capitalized with general obligation bonds (2019 Proposition A). Loans may be used for acquisition, improvement, and/or rehab of at-risk multi-unit residential buildings, conversion to permanent affordable housing, and financing needed for seismic, fire, health, and safety upgrades.⁶⁵
- *Small Sites Program*: The Small Sites Program provides nonprofit capacity building grants through a NOFA for the acquisition and preservation of multifamily rental buildings of 5-25 units. Buildings with fewer than five units are considered on a case-by-case basis. Per unit loan limits are set by the size of the property: \$300,000 per unit for buildings of 10-25 units; \$375,000 per unit for buildings of 3-9 units; and \$175,000 per bedroom for group or single room occupancy (SRO) housing. \$3.45 million is available for Capacity Building Grants.⁶⁶

These financing tools are administered in close coordination, which provides the ability to secure acquisition, critical repairs, rehabilitation, and permanent financing within COPA's short timelines (Figure 23) for Qualified Nonprofits to exercise their rights. Without this close coordination and quick approval process, the COPA timelines would make the process unworkable. For the minority of multifamily rental properties in San Francisco that are larger than twenty-five units, the inability to use some of the funds below is a significant impediment to their acquisition through COPA because of the short timelines. Further, affordable housing funding sources such as LIHTC, which are normally an option for larger properties, have longer application and approval timelines than COPA.

While COPA's intent is to prevent displacement of existing tenants and preserve affordable housing in San Francisco, the income and affordability restrictions that it and its supporting financing tools place on properties acquired by Qualified Nonprofits may have the effect of changing the household income demographics as units turn over. Many multifamily rental properties have rents and tenants with household incomes that are well below the averages that are targeted by COPA and the financing tools. While the higher affordability restrictions and requirements to spend a certain portion of household income when setting rent levels are intended to cross subsidize the purchase, rehabilitation, and maintenance of the property by lowering the subsidy cost to the city, they also result in decreasing affordability levels in these properties over time. MEDA is considering the possibility of creating LIHTC pools to increase affordability levels at their properties acquired through COPA and other means, but this strategy requires careful planning and 3-5 year holding strategy.⁶⁷

⁶⁴https://static1.squarespace.com/static/585458b3d482e91d10cc3613/t/5bdb94e04fa51a6960d30136/1541117159438/Engbretson2018_MPR.pdf.

⁶⁵https://sfmohcd.org/sites/default/files/Documents/MOH/PASS/PASS%20Program%20Regulations_20190315%20Final.pdf.

⁶⁶ <https://sfmohcd.org/small-sites-program>.

⁶⁷ Interview with MEDA staff.

Richmond, California

On September 20, 2019, the Richmond City Council voted 7-1, with the Mayor being the only opposing vote, requested that their staff develop a tenant opportunity to purchase ordinance for the city with the intention to prevent displacement of longtime tenants.⁶⁸ At subsequent City Council meetings the Association for United Richmond Housing Providers (AURHP) and several property owners opposed the policy, and the Richmond City Council unanimously halted its pursuit of the TOPA ordinance on November 19, 2019.⁶⁹

Berkeley, California: Tenant Opportunity to Purchase Act (TOPA)

Since 2015, community-based organizations such as the East Bay Community Law Center have been researching the effectiveness of an opportunity to purchase policy as an anti-displacement strategy for Berkeley and engaging with elected officials and city staff about adopting such a policy. On November 28, 2017, the Berkeley City Council adopted the Housing Action Plan, which instructed City staff to develop an opportunity to purchase ordinance modeled after that of Washington, DC. On June 11, 2019, City staff provided its research to the Council and discussed the administrative and implementation requirements of such a policy. On September 24, 2019, the Council approved the recommendation to develop an opportunity to purchase ordinance. Between that date and March 10, 2020, staff in the Mayor's office worked to develop an opportunity to purchase ordinance with the help of the East Bay Community Law Center (EBCLC), the Northern California Community Land Trust (NCLT), Bay Area Community Land Trust (BACLt), tenant advocates, legal professionals that specialize in tenant rights, experts familiar with the Washington DC policy and its implementation history, and City of Berkeley staff from the Planning Department, the Housing, and Community Services Department, and the Rent Board.⁷⁰

The City of Berkeley currently is considering the draft ordinance for a Tenant Opportunity to Purchase Act (TOPA) that would provide Tenants, Tenant Organizations, or Qualified Organizations certified by the city with the right of first offer and right of first refusal when the owner of a residential rental property puts it up for sale. The Berkeley TOPA is a hybrid of the Washington, DC and San Francisco models in that it provides tenants with the right of first offer and right of first refusal, as well as the ability to assign their rights, but it restricts tenants' choices to preserving or creating affordable housing and only allows them to assign their rights to Qualified Organizations that have been certified by the city. Tenants exercising their opportunity to purchase rights would be required to work with a community-based technical assistance provider. Further, it allows Qualified Organizations to act on their own if the tenants at a property do not exercise their TOPA rights.⁷¹

Rental units in Berkeley are subject to a variety of tenant protections that supplement those proposed in its TOPA legislation. As with San Francisco, Berkeley is subject to the provisions of California's Tenant Protection Act of 2019. Berkeley also has a long history of local tenant protection legislation. In June 1980, Berkeley residents passed the Rent Stabilization and Eviction for Good Cause Ordinance. The Ordinance regulated most residential rents in Berkeley and provided tenants with increased protection against unwarranted evictions and is intended to maintain affordable housing and preserve community diversity. However, in 1995, the

⁶⁸ <https://richmondconfidential.org/2019/09/20/council-greenlights-tenant-purchase-proposal-veolia-deals/>; <https://richmondpulse.org/2019/09/18/richmond-council-backs-plan-to-let-renters-buy-first/>; <https://eastbaytimes-ca.newsmemory.com/?publink=077f891c8>.

⁶⁹ <https://richmondconfidential.org/2019/11/20/no-topa-bill-for-richmond-council-holds/>; <https://richmondpulse.org/2019/11/20/council-halts-proposed-tenant-opportunity-to-purchase-ordinance/>; <https://richmondstandard.com/richmond/2019/11/20/richmond-council-quits-quest-for-topa-ordinance/>.

⁷⁰ <https://www.cityofberkeley.info/uploadedFiles/Clerk/2020-03-05%20Agenda%20Packet%20-%20Land%20Use.pdf>.

⁷¹ Ibid.

California legislature enacted Costa-Hawkins Rental Housing Act. While tenants who have resided in their units since before 1995 remain under the Berkeley Rent Stabilization Ordinance, and their rents increase by a set percentage annually, Costa-Hawkins allows owners to set a market rent for most tenancies once a new tenant occupies a unit. Tenants who remain under rent stabilization are at greater risk of eviction because their landlords may be motivated by the higher rents that they would be able to charge new tenants.⁷²

The proposed Berkeley TOPA legislation contains a variety of protections and restrictions for tenants of properties subject to the process.

- Owners are not allowed to coerce a Tenant or Tenant Organization to waive their TOPA rights.
- Tenants or Qualified Organizations are not allowed to sell any rights provided to them under TOPA.
- A buyer that purchases a property through the TOPA process may not evict a Tenant, including those who do not exercise their TOPA rights, except for good cause under the Berkeley's Rent Stabilization and Eviction for Good Cause Ordinance and applicable state law.
- A TOPA buyer will not be allowed to refuse to rent to any person based on their source of income used to pay rent.
- A property purchased using TOPA rights will be subject to permanent affordability restrictions, which will limit future rents and sales prices to levels affordable to households with incomes at income levels specified by whether the property is purchased by Tenants or a Qualified Purchaser.
- Properties bought through the TOPA process that are not subject to Berkeley's Rent Stabilization and Eviction for Good Cause Ordinance restrictions on rent increases but are subject to rent restrictions allowed under California's Costa-Hawkins Rental Housing Act will limit rent increases to the Consumer Price Index plus a pro rata share of capital improvements for common areas or mutually agreed to capital improvements for the unit.
- These restrictions will be enforced through a restrictive covenant, a community land trust lease, or through a covenant associated with the creation of a limited equity housing cooperative.⁷³

The Berkeley TOPA legislation also intends to facilitate the opportunity to purchase process in a variety of ways. It exempts buyers exercising TOPA rights from having to pay the Berkeley's affordable housing mitigation fee for condominium conversion if the conversion creates limited equity condominiums. It commits Berkeley to publicizing its list of Qualified Organizations as potential purchasers to facilitate voluntary sales in a manner that would avoid or minimize search, transaction, and broker costs. Further, it obliges any Qualified Organization using TOPA to purchase a property to work in good faith with the owner to facilitate a 1031 exchange.⁷⁴

Oakland, California

A group of community land trusts, tenant advocacy organizations, and the East Bay Community Law Center began developing an opportunity to purchase ordinance for Oakland in 2018. The East Bay Community Law Center's draft ordinance for Berkeley provided the foundation for the ordinance that Councilmember Nikki Fortunato Bas introduced on January 30, 2020 at the Oakland City Council's Rules and Legislation Committee. The Moms 4 Housing Tenant Opportunity to Purchase Act was inspired by Moms 4 Housing, a group of women who squatted in an empty, investor-owned house in West Oakland for two months before they were evicted and arrested. Their actions garnered national attention and symbolized the Bay Area's housing crisis. After the arrest of the Moms, the property owner, Southern California-based real estate investor firm Wedgewood, agreed to negotiate to sell the house to the nonprofit Oakland Community Land Trust (OCLT). Through over a

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid.

hundred LLCs, Wedgewood had acquired and flipped more than a thousand homes throughout the Bay Area, a region with the highest levels of income inequality in the nation. The owner also agreed to give the OCLT or other nonprofits a chance to buy dozens of other single-family homes it owns in Oakland.⁷⁵

California

California requires owners of HUD-subsidized housing and expiring Section 8 projects who intend to terminate the subsidy for any reason or prepay their mortgages to give a year's notice to tenants, the state housing authority, the local housing authority, and local governments. The notification program is paired with a right of first refusal that allows state-registered preservation buyers to match offers from other parties under certain circumstances.⁷⁶

In July 2020, California Assemblymember Richard Bloom introduced Assembly Bill 1703 "Right to First Offer," with the support of advocacy organization Housing California and public interest law firm Public Advocates. The intent of AB 1703 was to prevent home losses to the speculative market by giving tenants and community organizations the right to make first offers on renter-occupied homes and apartments. AB 1703 did not get a hearing before the end of the legislative session and likely will be considered for reintroduction.⁷⁷

AB 1703 would require owners of residential property including single-family residential property occupied by a tenant or a multifamily residential property, to notify each tenant and a qualified organization first when they intend to sell the property. A qualified organization would include local public entities, nonprofit affordable housing developers, and community land trusts. A qualified organization would have 10 days to notify a property owner of their interest to purchase a property and then have, depending on the number of units on the property 40 to 60 days to submit an offer to purchase. If a qualified organization purchased the property, it would have to keep the rent affordable to low- and moderate-income households, capping the maximum average rent to be affordable to households with incomes at 80 percent of AMI. Property owners will be able to sell their properties to any party if they do not receive interest or offers from a qualified organization in the mentioned time frames. The bill also provides a qualified organization with a rejected offer 10 days to invoke a right of first refusal to accept a third-party offer that was accepted by the property owner. If a property owner accepts an offer for a property containing 2-4 units, the qualified organization would have 90 days after the contract date to secure funding. For a 4+ unit property, a qualified organization would have 120 days to secure funding.⁷⁸

The bill also would require the qualified organization to commit to providing the tenants of a single-family property or a current or future resident organization in a multifamily property with 18 months to purchase the entire property, or, if ownership of the land will be retained by a community land trust under a 99-year ground lease, the opportunity to purchase improvements made to the property, after the qualified organization takes title of the property. Additionally, the bill would require a mortgagee, trustee, beneficiary, or authorized

⁷⁵ <https://www.mercurynews.com/2020/01/30/oakland-councilwoman-to-introduce-moms-4-housing-inspired-ordinance/>; <https://abc7news.com/oakland-housing-moms-4housing-affordable-bay-area-crisis/5892653/>; <https://www.teenvogue.com/story/viral-police-raid-moms-4-housing-winning-housing-rights-oakland>; <https://www.nbcbayarea.com/investigations/examining-wedgewood-a-look-at-the-home-flipping-giant-in-battle-with-homeless-mothers/2208119/>.

⁷⁶ <https://www.nhc.org/policy-guide/affordable-rental-housing-preservation-the-basics/program-profiles-rental-preservation/>.

⁷⁷ <https://thebusinessjournal.com/bill-would-require-rental-owners-to-give-nonprofits-right-of-first-refusal-in-sale/>; <https://www.publicadvocates.org/resources/press/for-immediate-release-assemblymember-richard-bloom-introduces-ab-1703-right-to-first-offer/>.

⁷⁸ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1703.

agent, upon filing a notice of default, to provide to the mortgagor or trustor a list of qualified organizations located within the county where the property is located. The mortgagee, trustee, beneficiary, or authorized agent would also be required to notify the tenants of the property of the filing of a notice of default.⁷⁹

Portland, Oregon

Portland has a city right of first offer when the owner of certain types of subsidized housing decides to take an action that would remove the property's affordability. The owner must provide a notice of 90 days to the City of Portland. During the 90-day notification period, the owner may not sell or contract to sell the property but may engage in discussions with other interested parties. Within this period, the City or its designee may make an offer to purchase or attempt to coordinate a purchase by an owner committed to maintaining affordability. Further owners of subsidized properties that have decided to take such actions must provide a notice of 90 days to tenants. During this 90-day period the owner may not initiate a no-cause eviction.⁸⁰

In December 2019, Portland City Commissioner Chloe Eudaly indicated that she would not vote for a controversial zoning change, termed a residential infill project, without the passage of countermeasures to protect renters from eviction by developers seeking to build new units. The residential infill project would allow up to four units to be built on single-family lots. Eudaly called for a "tenant opportunity to purchase," that would require landlords to give tenants 90 days' notice and right of first refusal on a property. She also wanted the City to allocate funding to finance construction of backyard cottages and other accessory dwelling units to give middle-class homeowners the means to build.⁸¹

New York

In January 2020, New York State Senator Zellnor Myrie, who represents Central Brooklyn, stated that he was drafting tenant opportunity to purchase legislation based on Washington, DC's TOPA. Senator Myrie indicated that the draft legislation would enable tenants to purchase their buildings to convert to limited equity housing cooperatives or to assign their right to purchase to a nonprofit affordable housing developer to buy and manage the property. The policy is a piece of the Housing Justice for All Coalition's platform. In New York, the Housing Justice for All Coalition has the passage of tenant opportunity to purchase legislation in its platform and groups including the Community Service Society, the Urban Homesteading Assistance Board, and the New Economy Project are pushing for the state to dedicate revenue to finance and provide supportive services for such purchases.⁸²

Minneapolis Opportunity to Purchase Program Options

Overview

This section presents three options for creating an opportunity to purchase program for the City of Minneapolis. The specific recommendations in each of these three options are based on research on opportunity to purchase programs in several jurisdictions across the United States, interviews and focus groups with Minneapolis stakeholders (tenants, tenant advocates, legal services providers, affordable housing

⁷⁹ https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1703.

⁸⁰ <https://www.portlandoregon.gov/citycode/article/451768>.

⁸¹ <https://www.wweek.com/news/city/2019/12/26/city-commissioner-chloe-eudaly-says-she-wont-vote-for-an-upcoming-multiple-unit-building-policy-without-added-tenant-protections/>.

⁸² <https://gothamist.com/news/tenants-would-get-priority-buy-their-landlords-building-under-new-bill>;
<https://therealdeal.com/2020/01/31/bill-make-landlords-give-tenants-first-shot-to-buy-buildings/>.

developers, and market-rate housing developers), input from City agency and Council staff, research on the Minneapolis housing market, and the authors' experience with opportunity to purchase programs in other jurisdictions and affordable housing development and finance in Minneapolis.

This overview also contains recommendations for the: administration and enforcement of opportunity to purchase program Options 1, 2, and 3; provision of technical assistance and tenant support for Options 1 and 2; and acquisition and rehabilitation financing supports for Options 1, 2, and 3.

Options 1, 2, and 3 are proposed as complete policy paths that the City could pursue. However, the City may consider interchanging parts of options in developing an opportunity to purchase program. For example, the City could choose Option 1, but only allow Tenants to assign rights to a Qualified Organization. As another example, the City could choose Option 2, but require a Tenant Organization or a Qualified Organization to enroll in the 4d Affordable Housing Incentive Program rather than developing a rent stabilization program.

If the City chooses to adopt an opportunity to purchase policy, it will need to make a significant number of choices, including but not limited to:

- whether to adopt Option 1, 2, or 3, or an option that combines aspects from more than one Option;
- whether or not to allow tenants or Tenant Organizations to assign their opportunity to purchase rights and if assignment should be limited only to a Qualified Organization;
- what scale of properties will fall under the opportunity to purchase policy (e.g., single family, 2-4 units, 5+ units);
- if properties under a certain age will be required to comply with the opportunity to purchase policy;
- if Tenant Organizations will be required to work with technical assistance providers in order to exercise their opportunity to purchase rights;
- whether the opportunity to purchase policy should prioritize tenant rights, rent stabilization, or rent restrictions;
- which criteria will be used to certify Qualified Organizations; and
- which exemptions for types of properties and transfers will be allowed for the opportunity to purchase policy.

Opportunity to Purchase Options

Option 1: Tenants' rights and anti-displacement

Option 1 focuses on tenants' rights and preventing displacement of tenants and existing tenant communities.

- Option 1 does not require the preservation or increase in affordability in a Rental Housing Accommodation and it allows tenants to assign their rights to a third party of their choice.
- Only a Tenant or Tenant Organization may exercise rights under this option.
- Option 1 provides the residents of a property with the greatest discretion in choosing development options and the future of their community.
- While not required for the functioning of Option 1, City funding for the provision of technical and legal assistance to Tenant Organizations by community-based organizations is highly recommended to increase successful exercise of the opportunity to purchase.

Option 2: Tenants' rights, anti-displacement, tenant protections, and rent stabilization

Option 2 balances the interests of the residents of a property in deciding the future of their community with the policy priorities of increased tenant protections and rent stabilization.

- A Tenant, Tenant Organization, or Qualified Organization may exercise rights under this option.
- Tenants may exercise their rights and assign them.

- The Tenant in a single-unit Rental Housing Accommodation may assign their rights to a person or entity.
- A Tenant Organization may assign its rights in a 2-4 unit Rental Housing Accommodation to a person or entity.
- A Tenant Organization in a 5+ unit Rental Housing Accommodation may assign its rights to a Qualified Organization that has met certain criteria for owning and managing affordable Rental Housing Accommodations set by the City.
- Any person or entity that purchases a property using the opportunity to purchase policy and continues its use as a rental housing accommodation would be required by the City to abide by just cause eviction, source of income discrimination, and rent stabilization restrictions.
- While not required for the functioning of Option 2, City funding for the provision of technical and legal assistance to Tenant Organizations by community-based organizations is highly recommended to increase successful exercise of the opportunity to purchase.

Option 3: Anti-displacement, tenant protections, and rent stabilization

Option 3 focuses on preventing displacement of tenants and existing tenant communities and preserving or increasing affordability in a Rental Housing Accommodation.

- Only Qualified Organizations that have met certain criteria for owning and managing affordable Rental Housing Accommodations set by the City may exercise rights under this option.
- By limiting exercise of the opportunity to purchase to Qualified Organizations, Option 3 minimizes the time needed to evaluate a property, submit an offer, respond to an offer, secure financing, and close a deal.
- Any entity that purchases a property using the opportunity to purchase policy would be required by the City to abide by just cause eviction and source of income discrimination restrictions and to enroll the Rental Housing Accommodation in the 4d Affordable Housing Incentive Program.

Table 24: Comparison of Minneapolis Opportunity to Purchase Options

	Policy Objective	Housing Type	Type of Right	Right to Exercise	Affordability Restrictions	Assign Rights
Option 1	Tenant rights and anti-displacement	1, 2-4, 5-20, 21-50, and 51+ units	Right of First Offer and Right of First Refusal	Tenants	No	Yes
Option 2	Tenants’ rights, anti-displacement, tenant protections, and rent stabilization	1, 2-4, 5-20, 21-50, and 51+ units	Right of First Offer and Right of First Refusal	Tenants and/or Qualified Organization	Yes	Yes
Option 3	Anti-displacement, tenant protections, and affordability restrictions	1, 2-4, 5-20, 21-50, and 51+ units	Right of First Offer and Right of First Refusal	Qualified Organization	Yes	No

Table 25: Comparison of Minneapolis Opportunity to Purchase Options Timelines

	Housing Type	Type of Right	Right to Exercise	Registration of Interest (days)	Due Diligence Materials	Negotiation Period (days)	Accept Offer of First Refusal (days)	Secure Financing (days)	Close (days)
Option 1	51+ units	Right of First Offer	Tenant Organization	45	Owner must provide in response to Statement of Interest	120	-	120 + 40 w/ lender letter	15+
		Right of First Refusal		-		-	45		
	21-50 units	Right of First offer		30		90	-	90 + 40 w/ lender letter	15+
		Right of First Refusal		-		-	30		
	5-20 units	Right of First Offer	30	60		-	60 + 30 w/ lender letter	15+	
		Right of First Refusal	-	-		30			
	2-4 units	Right of First Offer	20	60		-	60 + 30 w/ lender letter	15+	
		Right of First Refusal	-	-		20			
1 unit	Right of First Offer	Tenant	20	30	30 + 15 w/ lender letter	15+			
	Right of First Refusal	-	-	20					
Option 2	51+ units	Right of First Offer	Tenant Organization and/or Qualified Organization	45 (+5 for QOs)	Owner must provide in response to Statement of Interest	120 (90*)	-	120 + 40 w/ lender letter	15+
		Right of First Refusal		-		-	45 (20*)		
	21-50 units	Right of First Offer		30 (+5 for QOs)		90 (60*)	-	90 + 40 w/ lender letter	15+
		Right of First Refusal		-		-	30 (20*)		
	5-20 units	Right of First Offer	30 (+5 for QOs)	60		-	60 + 30 w/ lender letter	15+	
		Right of First Refusal	-	-		30 (20*)			
	2-4 units	Right of First Offer	20	60		-	60 + 30 w/ lender letter	15+	
		Right of First Refusal	-	-		20			
	1 unit	Right of First Offer	Tenant and/or Qualified Organization	20		30	30 + 15 w/ lender letter	15+	
		Right of First Refusal	-	-		20			
Option 3	51+ units	Right of First Offer	Qualified Organization	20	Owner must provide in response to Statement of Interest	90	-	120 + 40 w/ lender letter	15+
		Right of First Refusal		-		-	20		
	21-50 units	Right of First Offer		20		60	-	90 + 40 w/ lender letter	15+
		Right of First Refusal		-		-	20		
	5-20 units	Right of First Offer		20		60	-	60 + 30 w/ lender letter	15+
		Right of First Refusal		-		-	20		
	2-4 units	Right of First Offer		20		60	-	60 + 30 w/ lender letter	15+
		Right of First Refusal		-		-	20		
1 unit	Right of First Offer	20	30	-	30 + 15 w/ lender letter	15+			
	Right of First Refusal	-	-	20					

* Timeline for a Qualified Organization that is not working with a Tenant Organization.

Table 26: Comparison of CoStar Data on Property Days on Market 2018-2019 vs. Minneapolis Opportunity to Purchase Options Maximum Timelines

	Housing Type	Average Days on Market 2018-2019* **	Highest Days on Market 2018-2019* **	Maximum Days Using Right of First Offer	Maximum Days Using Right of First Offer and Right of First Refusal
Option 1	51+ units	86	140	320	365
	21-50 units	85	126	265	295
	5-20 units	143	773	195	225
	2-4 units	36	511	185	205
	1 unit	43	1606	110	130
Option 2	51+ units	86	140	325	370
	21-50 units	85	126	270	300
	5-20 units	143	773	200	230
	2-4 units	36	511	185	205
	1 unit	43	1606	110	130
Option 3	51+ units	86	140	285	305
	21-50 units	85	126	225	245
	5-20 units	143	773	185	205
	2-4 units	36	511	185	205
	1 unit	43	1606	110	130

* Costar data for January 1, 2018 through December 31, 2019. Total property sales: 51+ unit properties = 14; 21-50 unit properties = 9; 5-20 unit properties = 38. Data does not include off-market transfers.

** Minneapolis Area Realtors data is used for single family and 2-4 unit properties from January 1, 2018 through December 31, 2019. Total property sales: single family = 10,584 properties; 2-4 unit properties = 855 properties.

Administration and Enforcement

The successful administration of Options 1, 2, or 3 would require a variety of administrative and enforcement tasks of the City. The City should strive to:

- provide information and answer inquiries about the Right of First Offer and Right of First Refusal processes;
- receive Offer of Sale notices from Owners;
- receive Statements of Interest from Tenants, Tenant Organizations, or Qualified Organizations
- publish notices of Offers of Sale and Statements of Interest on a its website on at least a weekly basis;
- receive opportunity-to-purchase-related complaints from Owners, Tenants, Tenant Organizations, and/or Qualified Organizations;
- adjudicate opportunity-to-purchase-related complaints from Owners, Tenants, Tenant Organizations, and/or Qualified Organizations;
- issue cease and desist orders for violations of the Right of First Offer and Right of First Refusal;
- issue, upon request, letters to title companies stating whether it has received any complaints with respect to the Owner's compliance with the Right of First Offer and Right of First Refusal for a particular Rental Housing Accommodation; and
- receive signed declarations from Owners affirming that the sale of a Rental Housing Accommodation complied with the requirements of the Right of First Offer and Right of First Refusal.

The above tasks will require the following basic staffing:

- Manager for all processes related to the Right of First Offer and Right of First Refusal and point person for providing information and answering inquiries about these rights;
- Attorneys to assist in evaluating and adjudicating complaints and issuing cease and desist orders; and
- Administrative staff to receive and process notices and complaints, compliance reports, and declarations, as well as to publish notices of Offers of Sale and Statements of Interest on a City website.

Options 2 would require additional administrative and enforcement tasks to manage the Qualified Organization selection process and provide guidance on tenant protection and rent stabilization requirements.

The City should strive to:

- receive Qualified Organization applications and evaluate them based on criteria established by the City;
- publish notice of Qualified Organization applications and receive and evaluate public comments;
- maintain current list of Qualified Organizations and their contact information for use by Tenants, Tenant Organizations, and Owners; and
- receive annual reports on rent increases and surcharges from properties participating in the rent stabilization program.

Options 3 would require additional administrative and enforcement tasks to manage the Qualified Organization selection process, provide guidance on tenant protection, and additional 4d program staffing.

The City should strive to:

- receive Qualified Organization applications and evaluate them based on criteria established by the City;
- publish notice of Qualified Organization applications and receive and evaluate public comments; and
- maintain current list of Qualified Organizations and their contact information for use by Tenants, Tenant Organizations, and Owners.

When considering which City agency should be tasked with the above administrative and enforcement responsibilities, the City government should provide additional staffing capacity to that agency to accomplish them and budget for the funds to pay for that capacity.

In Washington, DC, the Rental Conversion and Sale Division within the Department of Housing and Community Development is tasked with administration and enforcement of TOPA, as well as condominium conversion and a condominium warranty program. Six full-time staff perform these duties: an administrator of the Division, three lawyers, and two administrative staff. These six staff spend roughly 50 percent of their time on their TOPA responsibilities.

Based on the above administration and enforcement responsibilities, the example of Washington, DC, and the time it took City staff to start up the Inclusionary Zoning and Advance Notice programs, the City should assume that starting up an opportunity to purchase program would take six to twelve months. Following the start of the program, the City should plan for several months to a year for trouble shooting program implementation and making process adjustments. During the initial eighteen to twenty-four months of the program, the City should consider funding the equivalent of four FTEs to perform this work for Option 1. For Options 2, the City should consider the Equivalent of two additional FTEs to manage with the Qualified Organization certification process and the rent stabilization program. For Option 3, the City should consider funding the Equivalent of two additional FTEs to manage with the Qualified Organization certification process and additional enrolments in the 4d Affordable Housing Incentive Program.

The City staff team is performing a staffing analysis based on known procedures and capabilities and using workload information from this report. The above recommendations should be reevaluated once the City staffing analysis is complete. Further, when the program has been stabilized, the City should again reevaluate staffing needs.

Technical Assistance and Tenant Support

Housing developers receive technical assistance from their employees and external technical services providers to help them to successfully navigate the complex process of purchasing of properties. The process of educating tenants on their rights and responsibilities under an opportunity to purchase program, forming and managing a Tenant Organization, hiring a lawyer, choosing a development option, soliciting potential development partners, negotiating with potential development partners, securing financing, contracting for the purchase of a Rental Housing Accommodation, and securing acquisition and rehabilitation financing is complicated and time consuming. Technical and legal assistance providers already exist in the City. If the City adopts an opportunity to purchase program that provides the Right of First Offer and Right of First Refusal to Tenants, the City should fund such organizations to hire additional staff to expand their ability to assist Tenants in these tasks.

The role of technical assistance is essential to the success of an opportunity to purchase policy. Categories of essential technical assistance needed include:

- **Education and communication:** provide broad public awareness of the policy requirements and technical and financial resources available.
- **Tenant organizing:** provide outreach to renters to activate their right to purchase and navigate the process.
- **Legal advice:** provide information on policy regulations and rights, and support with interpreting and understanding real estate transaction documents for renters.

Non-essential supports are also valuable for the success of an OTP policy:

- **Homeownership training:** curriculums such as Homestretch and other programs that provide housing counselors and mortgage and real estate professionals to prepare potential buyers for homeownership.
- **Interim property hold (Qualified Organizations):** ability to purchase property on behalf of a tenant organization to enable a longer period of time to develop a transitional plan or take-out strategy (e.g., configure a governance structure for a limited equity housing cooperative).

The City will need an ecosystem of technical providers to enable renters to fully activate their rights and responsibilities regarding an opportunity to purchase policy. To activate essential and enhanced technical supports, additional resources will be needed to expand staffing capacity and services through both public and private investments. The City already has an ecosystem of organizations available to assist in these efforts.

Figure 27: Essential and Enhanced Technical Services

Essential Technical Services	Enhanced Technical Services
Education and Communication <ul style="list-style-type: none"> • Neighborhood organizations • Cultural community organizations • Minneapolis Area Realtors Association • MN Multifamily Housing Association • MN Housing Partnership Tenant Organizing <ul style="list-style-type: none"> • Inquilinx Unidxs Por Justicia • Homeline • Jewish Community Action • Northcountry Cooperative Foundation • Hope Community Legal Advice <ul style="list-style-type: none"> • Housing Justice Center • Mid Minnesota Legal Aid • Homeline • Real estate lawyers 	Homeownership Training <ul style="list-style-type: none"> • Habitat for Humanity • African Development Center • Build Wealth • PRG • Project for Pride in Living (PPL) • NeighborWorks Home Partners • City of Lakes Community Land Trust Acquisition/Interim Hold (stop gap to enable community ownership models) <ul style="list-style-type: none"> • Land Bank Twin Cities • Hope Communities • Urban Homeworks • PPL • Others

Washington, DC has funded the provision of technical assistance for tenants going through the TOPA process since approximately 2004. DC currently funds the equivalent of 8 FTEs at nonprofit, community-based organizations to perform these services. The opportunity to purchase program currently under consideration by Berkeley, California proposes the funding of 6 FTEs by local community-based organizations for this purpose. Berkeley’s program would require tenants to work with a technical assistance provider, while Washington, DC does not have such a requirement.

Based on decades of experience in Washington, DC, tenants are far more likely to successfully exercise their opportunity to purchase rights with the help of technical assistance service providers. Further, when abuses of the District’s TOPA program occur, they are most often observed when a property owner, broker, or lawyer acting in their own self-interest organizes tenants to assign their rights for little or no benefit to the tenants without providing any objective advice on the process. Berkeley’s proposed program recognizes both dynamics by requiring tenants to receive help from city-approved technical assistance providers in order to exercise their rights, thereby improving chances of success and limiting the possibility of manipulation of the tenants by parties who would benefit from the assignment of the right to purchase.

The City should consider the funding of technical assistance provision by local nonprofit organizations as essential to the success of either Option 1 or Option 2 and should give significant consideration to requiring tenants to work with a City-funded provider in exercising their opportunity to purchase rights. Given the size of the City and the number of multifamily rental properties that are offered for sale each year, it should consider funding at least 8 FTEs to provide technical assistance.⁸³ Further, based on experiences of Washington, DC's technical services providers, the City should fund no fewer than 3 FTEs at any provider to foster the retention of organizational experience and memory, ensure continuity of service to tenants if an employee becomes ill or leaves the provider, and allow for the training of new staff as turnover occurs. If the City funds this level of level of technical assistance or greater, then it could consider adopting a requirement for tenants to receive assistance from a City-funded technical services provider as a condition for exercising opportunity to purchase rights.

If the City chooses Option 1 or 2, local nonprofits that are funded by the City to provide technical assistance should contact the community-based organizations currently funded by the DC government to seek mentoring on adapting their service provision models to the demands required to assist many different tenant groups exercising opportunity to purchase rights simultaneously. Further, the technical assistance providers also should seek standard documents, such as articles of incorporation, bylaws, development agreements, etc. to use as models for developing Minneapolis-opportunity-to-purchase-specific documents to facilitate the process.

Legal Assistance

Tenants exercising their opportunity to purchase rights under Options 1 and 2 will require legal assistance in negotiating with development partners, drafting a contract for the sale of the property, and in securing financing. For Tenants in single unit properties, these services usually are provided by realtors, real estate lawyers, and title insurers, and the fees for these services are combined in the purchase process. For multifamily properties, Tenants will require legal assistance in negotiating directly with the Owner and in securing financing, or with negotiating with a development partner who will then negotiate with the Owner and secure financing.

In Washington, DC, Tenants exercising their TOPA rights for multifamily properties most often receive legal assistance under three different models: (1) pro-bono, nonprofit, legal services organizations, (2) for-profit law firms providing pro-bono legal assistance, and (3) for-profit law firms who are paid for their services as part of the closing of the sale of the property. In each of these three models, lawyers new to the TOPA process tend to receive mentoring from other attorneys who have several years of experience in the process.

If the City adopts Option 1 or Option 2, which provide tenants with opportunity to purchase rights, it should consider providing funding to pro-bono, nonprofit legal services organizations and/or a pool of funding for retainers for for-profit law firms to support their development of familiarity with the opportunity to purchase process and to establish models for legal representation for Tenant Organizations exercising their rights. Further, the City should work with legal services providers and interested law firms in seeking mentoring support from attorneys in Washington, DC that have significant years of TOPA experience in developing models for representing Tenant Organizations.

⁸³ In the decades preceding 2004, several local, community-based nonprofits in DC provided technical assistance to tenants in exercising their TOPA rights using a variety of nongovernmental sources of funding. The City could opt to let existing nonprofits who already provide tenant technical assistance to find their own sources of funding to assist tenants with an opportunity to purchase program; however, following such a funding model would provide little assurance of funding or service provision continuity to support the program in future years.

In the early years of TOPA, Washington, DC provided funding for legal services, then in the mid-2000s it created a fund to which Tenant Organization could apply for legal retainers and pre-development costs, which was administered by one of the District-funded technical assistance providers. In 2017, the District's Council created the TOPA Application Assistance Program and appropriated \$540,000 to fund TOPA legal assistance for tenant associations exercising their TOPA rights.⁸⁴

The City should consider adopting a program to fund legal and predevelopment assistance. The following parameters are based on Washington, DC's TOPA Application Assistance Program. The program would provide funding for legal assistance and pre-development technical assistance for Tenant Organizations and be administered by one of the City-funded opportunity to purchase technical assistance providers. In order to be eligible for the program, the majority of members of a Tenant Organization must meet the definition of low to moderate income households. The Tenant Organization must have been offered the right to purchase and submitted a Statement of Interest to the City and the Owner. The Tenant Organization must commit in writing to preserve the property as a Rental Housing Accommodation or as a limited equity housing cooperative affordable to low-income households in perpetuity (or for a period of decades determined by the City if perpetuity is not considered a legally enforceable option). The maximum amount of pre-application financial assistance provided to a Tenant Organization to pay for services per Right of First Offer/Right of First Refusal would be \$20,000. The assistance would be applied to invoiced fees as work is performed. Invoice payment would be administered by the technical assistance provider administering the program. Funds would not be used to pay for any costs of litigation. If the Tenant Organization or the entity to which it assigns its rights successfully purchases the property, then the full amount of the assistance provided by the program would be repaid to the program within 30 days of the purchase of the property.

Financing Systems for an Opportunity to Purchase Policy

The elements and staging of a financing system are critical for the success of an opportunity to purchase transaction. This includes:

- predevelopment funding for earnest money and due diligence, including, but not limited to, appraisal, legal, survey, environmental, physical needs assessment, market study, architectural, etc.;
- acquisition financing to purchase the property;
- construction loan for rehab, repairs, and improvements; and
- permanent financing.

The District of Columbia offers an example of how a financing system could work.

District of Columbia Multifamily Transaction Process

Stage I: Earnest Money Deposits

- Amount: typically, 5 percent of the acquisition price
- Sources: CDFI partners can provide recoverable grants or loan capital for this purpose
- Criteria:
 - Deposit is held in escrow and either refunded if the purchase does not move forward or repaid upon acquisition.
- Purpose/Timeline:
 - Secures intent to purchase, and thereby extends the TOPA timeline to activate the next phase.
- Other:

⁸⁴ To date, the DC Department of Housing and Community Development has not implemented this program.

- Critical piece that allows for enough time for due diligence prior to acquisition.

Predevelopment

- Amount: typical range is \$25,000-\$75,000 depending on the size of the project and amount of rehab or construction.
- Sources: CDFI partners can provide recoverable grants (i.e., 0 percent interest loans), grants, or loan capital for this purpose.
- Criteria:
 - Feasible path toward moving toward next phase in development (e.g., acquisition or renovation).
- Purpose/Timeline:
 - Critical early-stage investments that pay for key predevelopment necessary to get to acquisition or construction financing.
- Repayment:
 - Recoverable Grants and Loans are repaid upon reaching next phase in development.

Stage II: Acquisition Bridge

- Amount: depends on the property but anticipate a range of \$100,000/unit to \$150,000/unit, based on recent median sales prices in Minneapolis.
- Sources: CDFI partners can provide loan capital for an initial acquisition stage. Credit enhancements are beneficial to ensure underwriting approval (LISC DC has utilized an Affordable Housing Preservation Fund Credit Enhancement since 2019)
- Criteria:
 - Typically, a soft commitment of take-out financing is in place (see Secondary Acquisition #2 below).
 - If not, a feasible redevelopment plan needs to be in place.
 - Under DC Preservation Fund, the credit enhancement allows for a soft commitment to not be required.
- Purpose/Timeline:
 - Facilitates the purchase of the building before the TOPA deadline.
- Other:
 - *First Right Purchase Program (FRPP)*: The District created the FRPP in 1978 with a grant from the US Department of Housing and Urban Development. Its original intent was to support the nascent opportunity to purchase activities that preceded the passage of TOPA. The District initially used FRPP funds to pay for attorney's fees and to provide grants and loans for the creation of limited equity housing cooperatives. Over the decades since, the FRPP has provided a rolling application process for Tenant Organizations going through the TOPA process to apply for everything from predevelopment to acquisition and critical repairs to take out funding. Currently, the FRPP is funded as a soft segregation of \$10 million within the Housing Production Trust Fund (see below).
 - *Affordable Housing Preservation Fund (AHPF)*: In 2018, the District created the leveraged AHPF to provide acquisition, critical repairs, and predevelopment funding. In its first year, the District added \$10 million to the fund, which was leveraged to create a \$40 million fund. Managed by LISC DC and Capital Impact Partners, the fund is targeted at buildings larger than five units in which at least half the residents earn less than 80 percent of MFI. Projects that receive AHPF loans are required to take on a ten-year covenant to maintain at least 50 percent of the units at rents affordable to households below 80 percent of MFI, with the rent levels set

by the annual rates set for the District's Inclusionary Zoning (IZ) program. While the AHPF allows for up to 125 percent loan-to-value ratio, it also requires a 5 percent interest rate and permanent financing. The District contributed an additional \$10 million to the AHPF in fiscal year 2019 and another \$11.5 million for fiscal year 2020 for a total leveraged fund of \$126 million.

Secondary Acquisition #2 (sometimes)

- Sources: City funding programs available to replace acquisition bridge loan.
 - FRPP
 - AHPF
- Criteria:
 - Local subsidy that takes out the acquisition bridge.
 - Structured as soft debt that is typically paid on a 75 percent of cash flow basis.
- Purpose/Timeline:
 - Serves as acquisition financing for projects that have very low rents and cannot support a lot of debt.
 - City funding is unable to meet the TOPA timeline in many instances, hence the need for the LISC Acquisition Bridge.
- Other:
 - Depends on funding; typically devoted to limited equity housing cooperatives and projects with very low rents.

Stage III: Construction Loan

- Sources:
 - LISC Loan Capital
 - LIHTC Equity
 - HPTF
 - Bank Loan

Stage IV: Permanent Financing

- Multifamily
 - District government: District Government: The District provides Tenant Organizations and their partners or assignees the ability to apply for funding from the following federally and locally funded sources to finance the preservation and creation of rent-restricted and covenanted affordable housing. Tenant Organizations and their partners or assignees do not receive any assurances that they will receive funding through these sources.
 - *Housing Production Trust Fund (HPTF)*: The HPTF provides loans and grants to both nonprofit and for-profit developers of affordable housing for new construction and preservation. It is funded by a dedicated revenue stream of 15 percent of the District's Deed Transfer and Recordation Taxes, general funds from the District budget, and some federal funds. Applications occur through an annual Request for Proposals (RFP). The HPTF can be used for housing that serves households at 0-80 percent of Median Family Income (MFI): 50 percent for 0-30 percent of MFI, 40 percent for 31-50 percent of MFI, and 10 percent for 51-80 percent of MFI. Development projects that accept HPTF funding take on covenants to maintain affordability levels for 40 or more years.
 - *Low Income Housing Tax Credit (LIHTC)*

- *DC Low Income Housing Tax Credit (DCLIHTC)*
 - *HUD Section 108 Loan Fund*
 - Private sector:
 - LISC Loan Capital + Capital Magnet Fund
 - Bank loan
- Single family
 - District government: The District also supports single-family homeownership for low-to moderate income households through the following programs. While these programs are available to tenants going through the process, they also are available to all qualified households seeking to become homeowners.
 - *Home Purchase Assistance Program (HPAP)*: HPAP helps low- and moderate-income District residents purchase their first homes through down payment and closing cost assistance. Most HPAP funds go to applicants with incomes at 30-80 percent of AMI and who successfully complete training from nonprofits to become ready to purchase. The preparation provided by nonprofits includes credit counseling, homebuyer clubs, and more.
 - *Employer Assisted Housing Program (EAHP)*: EAHP helps District employees purchase their first homes through down payment and closing cost assistance.

San Francisco Financing Assistance

The San Francisco Community Opportunity to Purchase Act (COPA) has a set of financing tools that assist with transactions, which are coordinated out of the Mayor’s Office of Housing and Community Development (MOHCD):

Acquisition and Predevelopment

- *San Francisco Housing Accelerator Fund*: The Accelerator Fund provides acquisition-only and acquisition + rehabilitation loans for vacant land and existing properties with flexible terms up to four years. There is no single-loan lending limit and assists small buildings (up to 25 units) through medium and large buildings (25-70+ units).⁸⁵
- *Small Properties Program (SSP)*: SSP Notice of Funding Availability (NOFA) provides direct city financing for acquisition/preservation for multifamily rental buildings of 5-25 units to protect and preserve long-term affordable housing in properties throughout San Francisco that are vulnerable to market pressures resulting in rising tenant rents, increased evictions, and property sales. \$37 million is available for acquisition and preservation financing.⁸⁶

Permanent Financing

- *Preservation and Seismic Safety Program (PASS)*: Most rental properties in San Francisco are around one hundred years old and require seismic retrofits, which necessitates major due diligence when evaluating properties. PASS provides low-cost city permanent financing for up to a forty-year term, which is capitalized with general obligation bonds (2019 Proposition A). Loans may be used for acquisition, improvement, and/or rehab of at-risk multi-unit residential buildings, conversion to permanent affordable housing, and financing needed for seismic, fire, health, and safety upgrades.⁸⁷

⁸⁵ <https://www.sfhaf.org/>.

⁸⁶ https://static1.squarespace.com/static/585458b3d482e91d10cc3613/t/5bdb94e04fa51a6960d30136/1541117159438/Engbretson2018_MPR.pdf.

⁸⁷ https://sfmohcd.org/sites/default/files/Documents/MOH/PASS/PASS%20Program%20Regulations_20190315%20Final.pdf.

Technical Assistance Supports

- *Small Sites Program*: The Small Sites Program provides nonprofit capacity building grants through a NOFA for the acquisition and preservation of multifamily rental buildings of 5-25 units. Buildings with fewer than five units are considered on a case-by-case basis. Per unit loan limits are set by the size of the property: \$300,000 per unit for buildings of 10-25 units; \$375,000 per unit for buildings of 3-9 units; and \$175,000 per bedroom for group or single room occupancy (SRO) housing. \$3.45 million is available for Capacity Building Grants.⁸⁸

These financing tools are administered in close coordination, which provides the ability to secure acquisition, critical repairs, rehabilitation, and permanent financing within COPA's short timelines (Figure 23) for Qualified Nonprofits to exercise their rights. Without this close coordination and quick approval process, the COPA timelines would make the process unworkable. For the minority of multifamily rental properties in San Francisco that are larger than twenty-five units, the inability to use some of the funds below is a significant impediment to their acquisition through COPA because of the short timelines.

Minneapolis Financing System Options

Limited public funding

In the wake of economic recovery efforts by the Federal, State, and local governments spurred by the coronavirus pandemic, the availability of public resources will be extremely limited. The state now faces a potential \$4.7 billion deficit in the next two-year budget as COVID-19 continues to devour more resources than the state receives in revenue, according to a forecast by the Department of Minnesota Management and Budget. Cities also are revising budgets in the wake of COVID-19, with the City of Minneapolis projecting a \$98 million budget gap in 2020 (reduced from \$156 million through a wage and hiring freeze). The ability to maintain current or increase public funding for affordable housing related activity will be challenging in the near future.

Multifamily Affordable Housing Resources

A variety of public and private resources are available (or emerging) to help stabilize or provide new affordable housing options in Minneapolis. The elements include:

- **predevelopment funding** for earnest money and due diligence, including, but not limited to, appraisal, legal, survey, environmental, physical needs assessment, market study, architectural, etc.;
- **acquisition financing** to purchase the property;
- **construction loan** for rehab, repairs, and improvements; and
- **permanent financing.**

⁸⁸ <https://sfmohcd.org/small-sites-program>.

Figure 28: Minneapolis Multifamily Financing Sources

Funding Type	City Sources	State/Federal Sources	Nonprofit/CDFI Sources
Predevelopment Funding			<ul style="list-style-type: none"> • LISC Feasibility and Recoverable grants • LISC loans and equity • GMHF loans and equity
Acquisition Financing	<ul style="list-style-type: none"> • NOAH Preservation Fund • Minneapolis Small/Medium Multifamily Fund (SMMF) • Minneapolis Home Financing • Housing Revenue Bonds and Tax-Exempt Mortgage Notes 		<ul style="list-style-type: none"> • GMHF NOAH Impact Fund • LISC loans and equity • Land Bank Twin Cities • GMHF loans and equity • Shared Capital Cooperative
Construction/Rehab Loan	<ul style="list-style-type: none"> • Minneapolis allocation - LIHTC • Minneapolis Missing Middle Rental Pilot • Minneapolis Homes Financing 	<ul style="list-style-type: none"> • Federal LIHTC (9% and 4%) • MN Housing Deferred Loans (HOME, NHTF, LMIR, FFCC, PARIF) • MN Housing Infrastructure Bonds • MN Housing programs to prevent/end homelessness 	<ul style="list-style-type: none"> • LISC loans and equity • GMHF loans and equity • Land Bank Twin Cities • Shared Capital Cooperative
Permanent Financing	<ul style="list-style-type: none"> • Minneapolis Affordable Housing Trust Fund (AHTF) • NOAH Preservation Fund • Housing Revenue Bonds and Tax-Exempt Mortgage Notes • Minneapolis allocation of LIHTC 	<ul style="list-style-type: none"> • Federal LIHTC (9% and 4%) • MN Housing Deferred Loans (HOME, NHTF, LMIR, FFCC, PARIF) • MN Housing Infrastructure Bonds • MN Housing programs to prevent/end homelessness 	

Financing options that would be best positioned to support a Minneapolis opportunity to purchase policy include:

- **Minneapolis Small and Medium Multifamily (SMMF Pilot) Loan Program:**
 - Partnership between the Land Bank Twin Cities (Land Bank), Local Initiatives Support Corporation (LISC), and the City of Minneapolis to preserve occupied small-to-medium multifamily (SMMF) buildings, defined as 2-49 units in Class B and C buildings, operating without government subsidy and at risk of market rate conversion.
 - Land Bank acquires, rehabs, stabilizes, and manages the property for 2-4 years before selling to community-based preservation buyer.
 - LISC provides interim financing (up to 4 years) to the Land Bank for acquisition, rehab, and soft costs. Up to 75 percent LTV. The City of Minneapolis participates in LISC loan for acquisition, up to \$50,000/unit. City funds are 0 percent interest and subordinate. Amount is determined on a property-by-property basis.
 - Eligibility Requirements:
 - Rents 75 percent of units at or below 80 percent of AMI, including 20 percent at 60 percent of AMI. Remaining 25 percent of units may have higher rents. Rent increases for existing tenants limited to 6 percent per year for two years after acquisition.

- Property must generate positive cashflow; acquisition price supported by an appraisal or broker’s price opinion (BPO).
 - Priority given to buildings with 10-20 units; rents below 50 percent of AMI; vulnerable populations; neighborhoods with high tenant evictions; buildings with larger units; etc.
- **Minneapolis Affordable Housing Trust Fund (AHTF):** The AHTF Program provides gap financing for affordable and mixed-income rental housing, housing production and preservation projects in Minneapolis. Program funds are offered through an annual competitive RFP process. The funding sources for the AHTF are primarily federal Community Development Block Grant (CDBG) funds, federal HOME Investment Partnership funds, and local funds.
- **LISC Predevelopment, Recoverable Grants, and Capacity Building Grants:** LISC Twin Cities provides a variety of financing and funding supports that would enhance the predevelopment and capacity building activities surrounding a Minneapolis opportunity to purchase policy, drawn from public and private sources. These include:
 - Early Feasibility and Seed Grants: small grants (\$2,500-\$7,500) to help test a compelling idea and perform a baseline level of “due diligence” to feasibility prior to making a larger investment. During the feasibility phase, Twin Cities LISC staff is available to provide advice and make connections to help solve a particular problem or challenge.
 - Recoverable Grants: predevelopment “Recoverable Grants” (\$20,000-\$50,000) are unsecured, non-recourse, 0 percent interest loans for projects that have established a baseline level of feasibility and are ready to move forward in the due diligence process. This helps pay for predevelopment expenses such as earnest money, architectural/design, legal, appraisal, survey, title reports, environmental reports, application fees, a development consultant, or other necessary due diligence needed to secure public or private financing prior to beginning construction. A LISC Recoverable Grant is typically repaid at the close of construction financing with construction loan proceeds.
 - Loans and Equity: LISC offers short-term, interest-only loans for predevelopment, acquisition and construction/ bridge financing that are typically repaid at the close of construction financing. LISC can also provide medium-term (7-10 year), amortizing mini-permanent loans that are typically repaid through a refinance at the end of the loan term. In most cases, LISC loans are fully or partially collateralized by a first or second lien on real estate. LISC interest rates are determined based on the term and risk-rating of each individual transaction, but in general, as a risk-based lender. LISC interest rates are typically higher than private/senior lender interest rates. LISC loans are meant to fill funding gaps where private lenders and investors typically do not exist.
- **NOAH Impact Fund and Small NOAH Fund (Greater MN Housing Fund):** The NOAH (Naturally Occurring Affordable Housing) Fund provides for the acquisition and preservation of naturally occurring Class B and Class C housing in partnership with high performing owner-operators with the shared social goal of preserving affordability for the long-term, targeting rental properties at risk of conversion to higher rents, and the threat of displacement of low- and moderate-income residents. The Fund provides 90 percent of the equity required to acquire the property, and the operating partner will co-invest 10 percent of the equity. The balance of the acquisition financing will come from conventional lenders who provide up to 80 percent LTV ratio.
- **Greater Minnesota Housing Fund (GMHF) Interim Financing Products:**

- **Predevelopment Loans:** To pay for third-party reports, fees, deposits, and other project-specific start-up costs.
 - **Acquisition Loans:** To finance a significant portion of the purchase price for property acquisition.
 - **Construction/Rehabilitation Loans:** To pay hard and soft costs for new construction, adaptive reuse, or acquisition/rehabilitation projects.
 - **Tax Credit Bridge Loans:** To bridge projected LIHTC equity for new construction, adaptive reuse, or acquisition/rehabilitation projects.
 - **Historic Tax Credit (RTC) Bridge Loans:** To bridge projected equity pay-ins for historic rehabilitation projects with an affordable housing component.
 - **Mini-Perm Loans:** To provide interim amortizing debt for new construction and preservation projects.
- **Shared Capital Cooperative:** Any business or housing organization in the United States operating and governed on a cooperative basis is eligible to apply for financing. Borrowers include worker, consumer, producer, and housing cooperatives. A housing cooperative must be a member of Shared Capital Cooperative to borrow. Loans of \$5,000-\$500,000 are available for one to ten years. For projects of up to \$1 million or more, we can partner with other lenders. Loans are made to cooperatively owned small business, microenterprises, commercial real estate, and multifamily and affordable housing.
 - Real estate purchase/mortgage
 - Refinance a mortgage
 - Rehab, repairs, and improvements
- **Community Asset Transition (CAT) Fund (in development):** LISC is working with the Land Bank Twin Cities and other community partners to assemble credit enhancement (PRIs, equity investments, low-cost/first loss debt) for strategic acquisition of properties, particularly in the neighborhoods and cultural districts impacted by the recent uprisings following George Floyd's murder, with a long-term goal of community ownership and wealth building. The core of this strategy is a partnership with the Land Bank (as the borrower and acquisition/hold entity), but it includes capacity-building support around disposition strategies, including commercial land trust, residential, or investment cooperatives, nonprofit/CDC ownership, developers of color and black-owned business ownership, etc. This could include both commercial/ mixed-use and residential. Examples of such projects include the Corcoran 5 (69 units of NOAH in south Minneapolis that the Land Bank recently acquired on behalf of the tenants), and Indigenous Roots, which the Land Bank acquired on their behalf until it could raise enough equity/capital to purchase the building outright. Potential investors include: Private investors, MN Council of Foundations Integrated Capital Recovery Program, and Hennepin County.
- **Family Housing Fund: 2-4 unit buildings (in development):** The Family Housing Fund is developing a new approach to improve low- and moderate-income households' ability to purchase 2-4 unit buildings as owner-occupant landlords. We will focus our strategy on people of color to address wealth and homeownership disparities. Because 2-4 unit buildings are eligible for consumer mortgage financing, they represent an opportunity for new owner-occupants to build wealth and to offset the costs of ownership with rental income, while also providing well-managed rental units in their communities. The Family Housing Fund will convene and coordinate partners across public, private, and nonprofit sectors to (1) execute a development strategy for new, low-cost construction, as well as acquisition and rehabilitation of 2-4 unit properties, and (2) create financial support and training for new owner-occupants to ensure they are successful homeowners and responsible landlords.

Single-Family Affordable Housing Resources

For single-family to fourplex housing, the financing system elements include:

- Down payment assistance
- Acquisition/mortgage financing to purchase the property
- Construction loan for rehab, repairs, and improvements
- Habitat for Humanity: single-family property acquisition fund (in development): Twin Cities Habitat for Humanity is exploring the development of an acquisition fund for single-family properties to provide greater access to new homeowners. This strategy is in response to the limited housing stock available for homes priced under \$200,000.

Figure 29: Minneapolis Single-Family Financing Sources

Funding Type	City Sources	State/Federal Sources	Nonprofit/CDFI Sources
Down Payment Assistance	<ul style="list-style-type: none"> • Homeownership Opportunity Minneapolis (HOM) 	<ul style="list-style-type: none"> • MN Housing Impact Fund (allocated to lending partners) • MN Housing Deferred or Monthly Payment Loans • MN Housing Infrastructure Bonds 	<ul style="list-style-type: none"> • NeighborWorks Home Partners • Center for Energy and Environment • Build Wealth MN
Acquisition/Mortgage Financing	<ul style="list-style-type: none"> • Missing Middle Rental Pilot • Minneapolis Homes Financing • City Perpetually Affordable Housing (PAH) 	<ul style="list-style-type: none"> • MN Housing Impact Fund (allocated to lending partners) 	<ul style="list-style-type: none"> • Habitat for Humanity • NeighborWorks Home Partners • Center for Energy and Environment • Build Wealth MN • City of Lakes Community Land Trust • PRG
Construction/Rehab Loan		<ul style="list-style-type: none"> • MN Housing Impact Fund (allocated to lending partners) 	<ul style="list-style-type: none"> • NeighborWorks Home Partners • Center for Energy and Environment

The following sections include detailed opportunity to purchase policy options, including definitions, technical language, and timelines for the City to consider when developing an opportunity to purchase policy.

Option 1: Tenant Opportunity to Purchase

Policy objectives:

Tenant rights

Definitions:

“Appraised value” means the value of the Rental Housing Accommodation as of the date of the appraisal, based on an objective, independent property valuation, performed according to professional appraisal industry standards.

“Bona fide offer of sale” means an offer of sale for a Rental Housing Accommodation for a price and other material terms at least as favorable to a Tenant, Tenant Organization, or Qualified Organization as those that



the Owner has offered, accepted, or is considering offering or accepting, from a Purchaser in an arm's length third-party transaction. In the absence of an arm's length third-party contract, an Offer of Sale containing a sales price less than or equal to a price and other material terms comparable to that at which a willing seller and a willing buyer would sell and purchase the Rental Housing Accommodation, or an appraised value.

"City" means the City of Minneapolis

"Governing Document" means a constitution, articles, bylaws, operating agreement, or other writings that governs the purpose and operation of a Tenant Organization and the rights and obligations of its members, which shall include provisions on the Tenant Organization's decision-making processes and appointing officers and other authorized agents to act on its behalf.

"Governing Principles" means the governance and management principles stated in a Tenant Organization's Governing Documents.

"Owner" means one or more persons, corporation, partnership, limited liability company, trustee, or any other entity, who is the owner of record of the Rental Housing Accommodation at the time of giving notice of intention to sell, and each person, corporation, partnership, limited liability company, trustee, or any other entity, who, directly or indirectly, owns 50 percent or more of the equity interests in the Rental Housing Accommodation at the time of giving notice of intention to sell. "Owner" may refer to any person acting as an authorized agent of the Owner.

"Rental Housing Accommodation" is any real property, including the land appurtenant thereto, containing one or more Rental Units and located in the City.

"Rental Unit" is any unit in any real property, including the land appurtenant thereto, that is available for residential use or occupancy located in the City, together with all housing services connected with the use and occupancy of such property such as common areas and recreational facilities held for use by the Tenant.

"Sale" is defined in the Sale Defined subsection.

"Tenant" means a tenant, subtenant, lessee, sublessee, or other person entitled to the possession, occupancy, or benefits of a rental unit within a Rental Housing Accommodation. If the names of two or more persons appear on a rental agreement, those persons shall determine which person may exercise a vote under this chapter. The singular term "Tenant" includes the plural.

"Tenant Organization" means Tenants who have organized themselves as a legal entity that can acquire real property, represents at least a majority of the Rental Units in the Rental Housing Accommodation, has adopted Governing Documents and Governing Principles, and has appointed officers and any other authorized agents specifically designated to execute contracts on its behalf. Households in which no member has resided in the Rental Housing Accommodation for at least 90 days and those households in which any member has been an employee of the owner during the preceding 120 days are ineligible to be members of a Tenant Organization and to be counted toward calculating majority representation.

Sale Defined:

Before an owner of a Rental Housing Accommodation may sell it or issue a notice to vacate for purposes of demolition or discontinuance of housing use, the owner shall give the tenant(s) an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a bona fide offer of sale.

“Sale” or “sell” includes, but are not limited to, the execution of any agreement pursuant to which the owner of the Rental Housing Accommodation agrees to some, but not all, of the following:

- Relinquishes possession of the property;
- Extends an option to purchase the property for a sum certain at the end of the assignment, lease, or encumbrance and provides that a portion of the payments received pursuant to the agreement is to be applied to the purchase price;
- Assigns all rights and interests in all contracts that relate to the property;
- Requires that the costs of all taxes and other government charges assessed and levied against the property during the term of the agreement are to be paid by the lessee either directly or through a surcharge paid to the owner;
- Extends an option to purchase an ownership interest in the property, which may be exercised at any time after execution of the agreement but shall be exercised before the expiration of the agreement;
- Requires the assignee or lessee to maintain personal injury and property damage liability insurance on the property that names the owner as the additional insured;
- A master lease that meets some, but not all, of the factors described above;
- The transfer of an ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation as its sole or principal asset (the value of the accommodation relative to the entity’s other holdings), which, in effect, results in the transfer of the Rental Housing Accommodation as a sale or to issue a notice to vacate for the purposes of demolition or discontinuance of housing use.

A “sale” also includes the purchase or transfer of control of an ownership entity that possesses one or more Rental Housing Accommodations. For example, if Corporation A owns Rental Housing Accommodations B, C, and D and Corporation A is sold to Corporation X, then this transaction would trigger a sale for the purposes of the opportunity to purchase program.

Right to exercise:

The Tenant may exercise in a single-unit Rental Housing Accommodation. A Tenant Organization may exercise in a multi-unit Rental Housing Accommodation.

Assignment of rights:

The Tenant in a single-unit Rental Housing Accommodation may assign their right. A Tenant Organization in a multi-unit Rental Housing Accommodation may assign their right.

Instead of purchasing the building themselves, a Tenant (single unit) or Tenant Organization can exercise its rights in partnership with other groups or they can assign their rights to another person or entity. Possible partners or assignees include nonprofit or for-profit developers. If the Tenant or Tenant Organization do not want to purchase the building themselves, they can assign the right to purchase in exchange for better building conditions, limits on rent increases, agreements to adopt long-term affordability covenants, or other benefits; these benefits normally are memorialized in a development agreement or memorandum of understanding. Within 15 days of the sale of a Rental Housing Accommodation, a Tenant or Tenant Organization that assigns their right to purchase a Rental Housing Accommodation to a third party, shall submit to the City documentation of the assignment and any development agreement, memorandum of understanding, or similar document detailing all material terms involved in the assignment of rights. The City shall retain these documents to commitments made between the purchaser and the Tenant or Tenant Organization a matter of public record that can be referenced for oversight purposes, by future tenants of the property, and by potential future purchasers.

Type of right:

Right of First Offer: Before an owner of a Rental Housing Accommodation may offer it for sale to, solicit any offer to purchase from, or accept any unsolicited offer to purchase from any Third-Party Purchaser, they must provide the Tenant(s) the first opportunity to submit a Statement of Interest and to make an offer.

Right of First Refusal: Before an owner may sell a Rental Housing Accommodation, they must provide each Tenant or Tenant Organization that submitted a Statement of Interest in response to the Right of First Offer an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a Bona Fide Offer of Sale.

Offer of Sale:

Right of First Offer: The Owner shall notify each Tenant of the Owner's Intent to Sell the Rental Housing Accommodation by certified mail and by posting a copy of the notice in a conspicuous place in common areas of the Rental Housing Accommodation. The notice shall include, at a minimum:

- a statement that the Owner intends to sell the Rental Housing Accommodation;
- a statement of the opportunity to purchase rights of Tenants and the accompanying timelines for exercising those rights;
- a statement that the Owner shall provide due diligence materials to the Tenants; and
- a statement in English, Spanish, Amharic, and Hmong stating that if the Tenant requires the notice in a language other than English, they can contact the City and request the notice in their language and/or the assistance of an interpreter.

The Owner shall file a copy of the notices with proof that they have been sent to the Tenants with the City. The Owner shall provide to each Tenant (in the case of a single-unit property) or Tenant Organization that submits a Statement of Interest in response to the notice of Intent to Sell a Rental Housing Accommodation the following due diligence information, at a minimum:

- a floor plan of the property;
- an itemized list of monthly operating expenses, utility consumption rates, and capital expenditures for each of the two preceding calendar years;
- a list of any known defects and hazards, and any related costs for repair or remediation;
- the most recent rent roll: a list of occupied units and list of vacant units, including the rate of rent for each unit and any escalations and lease expirations;
- covenants, conditions, and restrictions, and reserves;
- any other disclosures required by Minneapolis or Minnesota law.

The Owner must provide this due diligence information to the Tenant (in the case of a single-unit property) or Tenant Organization via certified mail within 7 days of receipt of a Statement of Interest. For each day delay in the receipt of the complete due diligence information for the Tenant or Tenant Organization, the relevant timeline will be extended by one day.

Right of First Refusal: Before an Owner may sell a Rental Housing Accommodation, they shall give each Tenant (in the case of a single-unit property) or Tenant Organization that previously submitted a Statement of Interest in response to the Right of First Offer an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a Bona Fide Offer of Sale. If the Owner has a contract with a Third-Party Purchaser for the sale of the Rental Housing Accommodation, the Owner shall deliver all the items for the Offer of Sale to each Tenant or Tenant Organization within 2 days of entering into a contract with the Third-

Party Purchaser. The Owner also shall provide the City with a written copy of the Offer of Sale and a statement certifying that the items were delivered to each Tenant or Tenant Organization. The Owner's Offer of Sale shall include, at minimum:

- the asking price and terms of the sale, the terms and conditions of which shall be consistent with the applicable timeframes;
- a statement as to whether a contract with a Third-party Purchaser exists for the sale of the Rental Housing Accommodation, and if so, a copy of such contract;
- a statement stating that if the Tenant or Tenant Organization requires the offer of sale in a language other than English, they may contact the City and request the offer of sale in their language and/or the assistance of an interpreter; and
- any updates to the due diligence information since it was originally provided.

The Owner shall deliver the Offer of Sale to each Tenant or Tenant Organization by e-mail, in addition to sending it via certified mail.

Timelines:

Time to Submit a Statement of Interest: After receipt of the Owner's notification, due diligence materials, and disclosures, Tenants in a multi-unit Rental Housing Accommodation shall have a specified number of days, depending on the number of units in the property, to form a Tenant Organization and deliver a Statement of Interest to the Owner and the City. The Tenant of a single-unit Rental Housing Accommodation does not need to form a Tenant Organization.

- 51+ units: 45 days
- 21-50 units: 30 days
- 5-20 units: 30 days
- 2-4 units: 20 days
- 1 unit: 20 days

The Statement of Interest shall be a clear expression from the Tenant (single unit) or Tenant Organization that they intend to further consider making an offer to purchase the Rental Housing Accommodation. For multi-unit properties, the statement of interest also shall include documentation demonstrating that the Tenants' decision was supported by the standards for opportunity to purchase decision making.

If a Tenant (single unit) or a Tenant Organization waives its right or does not deliver a statement of interest within the specified number of days, the Owner may immediately proceed to offer the Rental Housing Accommodation for sale to, and solicit offers of purchase from, prospective Third-Party Purchasers, subject to the Right of First Refusal.

Time to Submit an Offer: Upon receipt of a Statement of Interest from a Tenant (single unit) or Tenant Organization, an Owner shall afford the Tenant, Tenant Organization, or their assignee an additional number of days, depending on the number of units in the property, to deliver an offer to purchase the Rental Housing Accommodation. If the Owner accepts the offer, the parties shall enter into a contract to purchase the Rental Housing Accommodation and pay a deposit of no more than 5 percent of the purchase price.

- 51+ units: 120 days (90 days for a Qualified Organization not working with a Tenant Organization)
- 21-50 units: 90 days (60 days for a Qualified Organization not working with a Tenant Organization)
- 5-20 units: 60 days

- 2-4 units: 60 days
- 1 unit: 30 days

Time to Accept Right of First Refusal Offer of Sale: If an Owner confers a Right of First Refusal on the Tenant (single unit) or Tenant Organization that previously submitted a Statement of Interest, then upon receipt of the Offer of Sale from the Owner, the Tenant, Tenant Organization, or their assignee shall have a specified number of days, depending on the number of units in the property, to accept the offer of sale, assume the contract, and pay a deposit of no more than 5 percent of the purchase price.

- 51+ units: 45 days (20 days for a Qualified Organization not working with a Tenant Organization)
- 21-50 units: 30 days (20 days for a Qualified Organization not working with a Tenant Organization)
- 5-20 units: 30 days (20 days for a Qualified Organization not working with a Tenant Organization)
- 2-4 units: 20 days
- 1 unit: 20 days

The number of days to accept any Offer of Sale shall be extended to allow the Tenant, Tenant Organization, or their assignee to exercise their Right to an Appraisal, if they believe that the Owner has not provided a Bona Fide Offer of Sale.

If the Tenant, Tenant Organization, or their assignee that received an Offer of Sale rejects it or fails to respond within the specified number of days, the Owner may immediately proceed with the sale of the Rental Housing Accommodation to a Third-Party Purchaser consistent with the price and material terms of that Offer of Sale.

Time to Secure Financing: The Owner shall afford the Tenant (single unit) or Tenant Organization or their assignee with which it signs a contract to purchase the Rental Housing Accommodation a specified number of days, depending on the number of units in the property, after the date of entering into a contract to secure financing.

- 51+ units: 120 days
- 21-50 units: 90 days
- 5-20 units: 60 days
- 2-4 units: 60 days
- 1 unit: 30 days

If, within the specified number of days after the date of entering into a contract, the Tenant (single unit), Tenant Organization, or their assignee presents the Owner with the written decision of a lending institution or agency that states that a decision with respect to financing or financial assistance will be made within a specified number of additional days, depending on the number of units in the property, after the date of contracting, the Owner shall afford the Tenant or Tenant Organization or their assignee an extension of time consistent with the written estimate up to the maximum number of additional days.

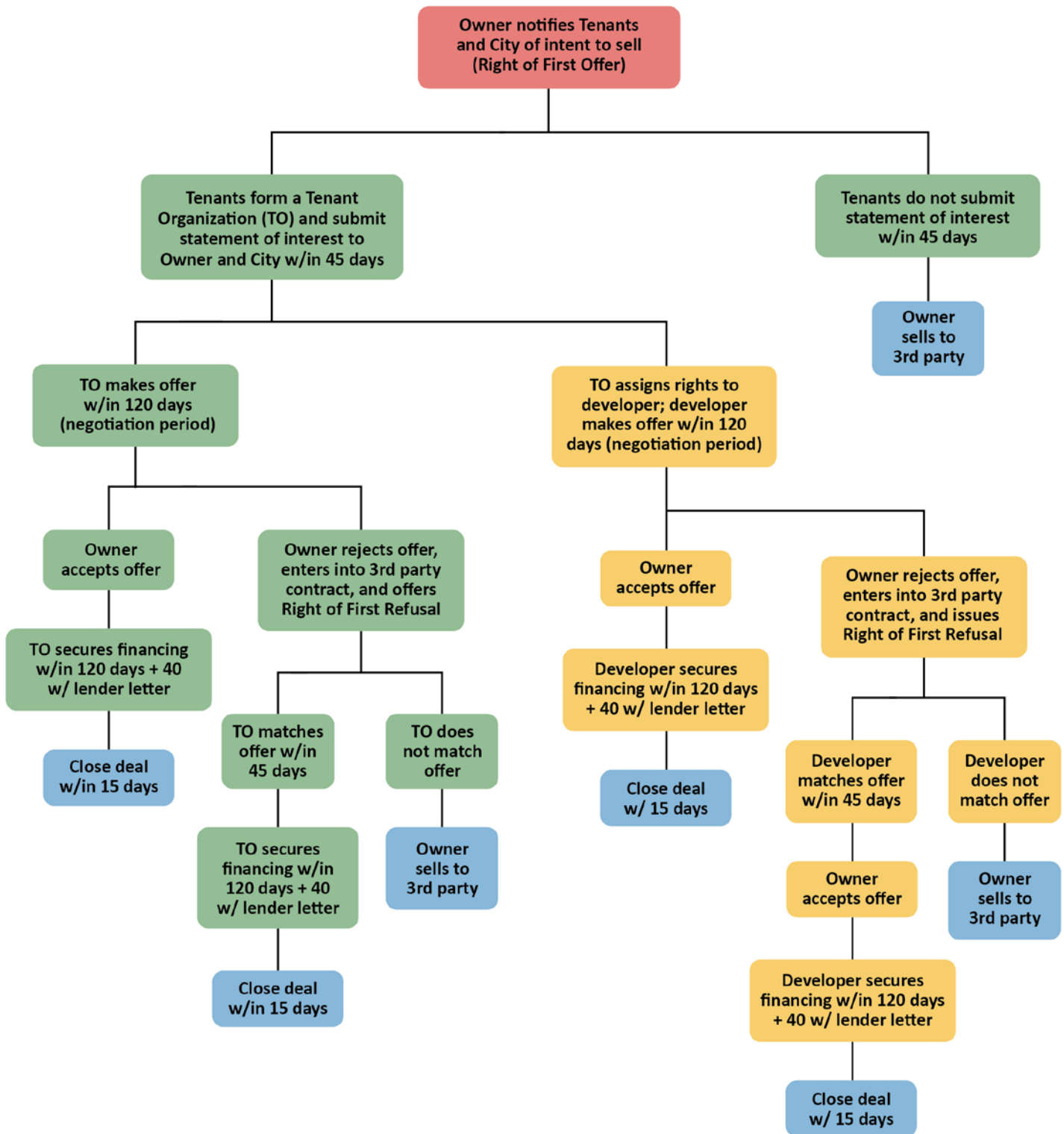
- 51+ units: 40 days
- 21-50 units: 40 days
- 5-20 units: 30 days
- 2-4 units: 30 days
- 1 unit: 15 days

If the Tenant (single unit), Tenant Organization or their assignee does not secure financing and close the deal within the specified number of days and any extensions thereof, the Owner may immediately proceed with the sale of the Rental Housing Accommodation to a Third-Party Purchaser consistent with the price and material terms of the Offer of Sale.

Time to Close: In addition to the specified number of days allowed to secure financing, the Owner shall afford the Tenant (single unit), Tenant Organization or their assignee an additional 15 days to close. So long as they are diligently pursuing closing, the Owner shall afford them a reasonable extension beyond this 15-day period to close.

- 51+ units: 15+ days
- 21-50 units: 15+ days
- 5-20 units: 15+ days
- 2-4 units: 15+ days
- 1 unit: 15+ days

Figure 30: Option 1 Process for 51+ Unit Properties



Restrictions:

An Owner shall not:

- coerce a Tenant or Tenant Organization to waive their rights under the Right of First Offer or Right of First Refusal or
- interfere with a Tenant or Tenant Organization's ability to organize to exercise their rights or to receive technical or legal assistance in exercising them.

Reporting requirements:

The City shall publicly report annually on the exercise of opportunity to purchase rights. Such reports shall include, but shall not be limited to the following:

- statistics on the number and types of sales of Rental Housing Accommodations;
- statistics on the number of Tenants (single unit) and Tenant Organizations that file a Statement of Interest and exercise the Right of First Offer and/or Right of First Refusal; and
- number and types of units in the Rental Housing Accommodations for which Tenants and Tenant Organizations exercise the Right of First Offer and/or Right of First Refusal.

Exemptions:

The City should consider including the following exemptions when implementing Option 1.

Notice of Transfer: An Owner claiming any of the exemptions below must provide to the Tenants and to the City a Notice of Transfer of an interest in a Rental Housing Accommodation or of any ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation. The Notice of Transfer shall be sent by registered or certified mail, return receipt requested, by commercial overnight delivery service that maintains proof of delivery, or by personal service, at least 90 days prior to the proposed date of transfer. Notice to Tenants shall be sent to their address at the Rental Housing Accommodation unless a Tenant has supplied in writing to the Owner a different address for notice. The Notice of Transfer shall be substantially in the form prescribed by the City and shall provide, at a minimum, a statement of the Tenant or Tenant Organization's rights under the Right of First Offer and Right of First Refusal, an accurate description of the transfer containing all material facts, the date of the proposed transfer, and the reason the owner asserts the transfer may be exempt from the Right of First Offer and Right of First Refusal. In addition, a Notice of Transfer for a housing accommodation to be transferred for the purposes of receiving tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42) shall include a description of the applicable federal subsidy and a description of the steps in the transaction employed by the developer to avail itself of the subsidy.

Exemptions based on type of transfer

- Family/estate/trust transfers
 - An inter-vivos transfer, even though for consideration, between spouses, domestic partners, parents (including stepparents and adoptive parents) or guardians and their children, siblings (half-siblings, stepsiblings, and adoptive siblings), grandparents and their grandchildren, aunts or uncles and their nieces or nephews, great-aunts or great-uncles and their grand-nieces or grand-nephews, or first or second cousins, or the spouses of any of these relatives, or any combination thereof.
 - A transfer for consideration, by a decedent's estate to members of the decedent's family, or to partnership, corporation, or other entity controlled by a member of the decedent's family, if the consideration arising from the transfer will pass from the decedent's estate to, or solely for

the benefit of, charity. The term “members of the decedent’s family” includes: a spouse, domestic partner, parent (including stepparents and adoptive parents), child, sibling (including half-siblings, stepsiblings, and adoptive siblings), grandparent, grandchild, aunt or uncle, niece or nephew, great-aunt or great uncle, grand-niece or grand-nephew, or first or second cousins, or the spouses of any of those relatives; or a trust for the primary benefit of a member of the decedent’s family.

- A transfer by devise or intestacy, or any other transfer made in connection with a bona fide effort to pass an interest in real property to one’s devisees or heirs (including, but not limited to, such transfers made in connection with a living trust).
- A transfer of bare legal title into a revocable trust, without actual consideration for the transfer, where the transferor is the current beneficiary of the trust.
- A transfer to a named beneficiary of a revocable trust by reason of the death of the grantor of the revocable trust.
- A transfer of the housing accommodation by the trustee of a revocable trust if the transfer would otherwise be excluded if made by the grantor of the revocable trust.
- Corporate transfers
 - Any transfer of a property directly caused by a change in the form of the entity owning the property, provided that the transfer is without consideration.
 - Any transfer from one co-tenant to another co-tenant by operation of law.
 - Any transfer of a minority title interest.
 - Low Income Housing Tax Credits (LIHTC)
 - The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to admit one or more limited partners or investor members who will make capital contributions and receive tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 - The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to allow for the exit of one or more limited partners or investor members who have made capital contributions and received tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 - A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, the sole purpose of which is to qualify for and enter into a new credit period, as defined in Section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for purposes of the rehabilitation of the housing accommodation; provided that, before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or entity.
 - A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, if each of the following conditions is satisfied:
 - The credit period, as defined in section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for the housing accommodation has ended;
 - Immediately prior to the transfer the housing accommodation is subject to:
 - An extended low-income housing commitment, as that term is defined in Section 42(h)(6)(B) of the United States Internal Revenue Code of

1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42(h)(6)(B)); or

- A comparable restrictive covenant as a result of a federal, state, or local program with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42;
 - Before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or entity; and
 - Immediately following the transfer, the housing accommodation shall for a term of not less than 10 years, either remain subject to an existing or become subject to a new extended low-income housing commitment or a comparable restrictive covenant as a result of a federal, state, or local program with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42.
- Court/government transfers
 - A transfer pursuant to court order or court-approved settlement (bankruptcy, foreclosure, tax sale, etc.).
 - A transfer by eminent domain or under threat of eminent domain.

Exemptions based on type of property

- A single-family home owned by a real person as their sole residential rental property.
- A single-family home that an owner occupies as their principal residence, including a single-family home with an accessory dwelling unit or other secondary dwelling unit, where an owner occupies either the single-family home or the secondary unit as their principal residence.
- Properties owned by cooperative corporations, if the property is owned, occupied, and controlled by a majority of residents.
- Properties that do not include one or more tenants, such as those owned by and operated as a hospital, convent, monastery, extended care facility, convalescent home, or dormitories owned by educational institutions, or properties properly licensed as a hotel or motel.

Exemptions based on housing affordability and anti-displacement

Participation in rent stabilization program:

- An Owner may sell rental housing without providing any right of first refusal, if the City approves a written Agreement Not to Convert that will remain in effect for at least 10 years after the sale and that:
 - the City received from the prospective buyer at least 90 days before the sale;
 - prohibits the buyer from converting the rental housing for the period of the Agreement; and
 - requires the buyer for the period of the Agreement to increase rent annually on each unit no more than the Consumer Price Index for Urban Workers (CPI-W).
- The City may approve or reject an agreement with the buyer only after considering the physical condition of the rental housing, including any rehabilitation necessary to correct dangerous defects and the need to preserve low- and moderate-income rental housing in the City.
- After the initial 5 years of the agreement, the City may allow the buyer to increase rents above CPI-W only when it decides that a greater increase is justified by capital rehabilitation or renovation to the Rental Housing Accommodation necessary to maintain the health and safety of the tenants. If the Owner petitions the City for a rental increase above CPI-W, the Owner must provide all necessary and

reasonable information requested in support of its petition and must verify that the proposed rehabilitation or renovation has been completed. An Owner must not increase the rent for any unit in the rental housing above CPI-W without first obtaining prior written authorization the City.

- The City annually must verify the Owner's compliance with the rent increase limits required Agreement.
 - Each year on the anniversary of the Agreement, the Owner must submit a compliance report to the City containing the following information:
 - current rent roll,
 - copy of any lease by a new tenant within the last 12 months,
 - list of tenants vacating the rental housing within the last 12 months, and
 - any rent increases within the last 12 months.

Enforcement and Penalties:

Offer of Sale: If a Tenant, Tenants, or a Tenant Organization believe that an Owner has not complied with the requirement to provide them with an Offer of Sale related to the Right of First Offer or Right of First Refusal, they may notify the City to seek administrative enforcement of these rights.

Timelines: If a Tenant, Tenants, or a Tenant Organization believe that an Owner is not complying with any of the timelines involved with the Right of First Offer or Right of First Refusal, they may notify the City to seek administrative enforcement of these timelines.

Notice of Transfer: An Owner's failure to provide a Notice of Transfer, or the provision of a notice that is fraudulent or contains material misrepresentations or material omissions, shall create a rebuttable presumption that the transfer constitutes a sale for the purposes of the Right of First Offer and Right of First Refusal. An aggrieved Tenant or Tenant Organization has 45 days from the City's receipt of the Notice of Transfer to file a notice indicating an intent to file a petition for relief to the Owner and the City. The Tenant or Tenant Organization then has 30 days to file a petition for relief.

Right of First Offer and Right of First Refusal Compliance Reports: The City will issue Right of First Offer and Right of First Refusal compliance reports for Rental Housing Accommodations to title companies, upon request.

Owner Certification and Disclosures: Every Owner of a Rental Housing Accommodation in the City shall, within 15 days of the sale of the Rental Housing Accommodation, submit to the City a signed declaration, under penalty of perjury, affirming that the sale of that Rental Housing Accommodation complied with the requirements of the Right First Offer and Right of First Refusal. Such declaration shall include the address of the relevant Rental Housing Accommodation and the name of each new Owner of the Rental Housing Accommodation. The City shall publish all such addresses on its website.

Civil Action: Any party may seek enforcement of any right or provision under the Right of First Offer and Right of First Refusal through a civil action filed with a court of competent jurisdiction to the extent permitted by law and, upon prevailing, shall be entitled to remedies.

Civil Penalties: An Owner who willfully or knowingly violates any provision of this Chapter shall be subject to a cumulative civil penalty imposed by the City in the amount of up to \$1,000 per day, per Tenant-occupied unit in a Rental Housing Accommodation, for each day from the date the violation began until the requirements of the law are satisfied, payable to [affordable-housing-related fund or to pay for costs of administering the Right of First Offer and Right of First Refusal programs].

Legal Remedies: Remedies in civil action brought to enforce the Right of First Offer and Right of First Refusal shall include the following, which may be imposed cumulatively: (1) damages in an amount sufficient to remedy the harm to the plaintiff; (2) in the event that an Owner sells a Rental Housing Accommodation without complying with the law, and if the Owner’s violation of the law was knowing or willful, mandatory civil penalties in an amount proportional to the culpability of the Owner and the value of the Rental Housing Accommodation. There shall be a rebuttable presumption that this amount is equal to 10 percent of the sale price of the Rental Housing Accommodation for a willful or knowing violation, 20 percent of the sale price for a second willful or knowing violation, and 30 percent of the sale price for each subsequent willful or knowing violation. Civil penalties assessed under an Owner’s knowing and willful violation shall be payable to the Minneapolis Affordable Housing Trust Fund; and (3) reasonable attorneys’ fees.

Equitable Remedies: In addition to any other legal remedy or enforcement measure that a Tenant, Tenant Organization, or the City may seek, any court of competent jurisdiction may enjoin any Sale or other action of an Owner that would be made in violation of the Right of First Offer or Right of First Refusal.

Option 2: Tenant/Qualified Organization Opportunity to Purchase with Preservation Restrictions

Policy objectives:

Tenant rights and preservation of affordable housing

Definitions:

“Appraised value” means the value of the Rental Housing Accommodation as of the date of the appraisal, based on an objective, independent property valuation, performed according to professional appraisal industry standards.

“Bona fide offer of sale” means an offer of sale for a Rental Housing Accommodation for a price and other material terms at least as favorable to a Tenant, Tenant Organization, or Qualified Organization as those that the Owner has offered, accepted, or is considering offering or accepting, from a Purchaser in an arm’s length third-party transaction. In the absence of an arm’s length third-party contract, an Offer of Sale containing a sales price less than or equal to a price and other material terms comparable to that at which a willing seller and a willing buyer would sell and purchase the Rental Housing Accommodation, or an appraised value.

“City” means the City of Minneapolis

“Governing Document” means a constitution, articles, bylaws, operating agreement, or other writings that governs the purpose and operation of a Tenant Organization and the rights and obligations of its members, which shall include provisions on the Tenant Organization’s decision-making processes and appointing officers and other authorized agents to act on its behalf.

“Governing Principles” means the governance and management principles stated in a Tenant Organization’s Governing Documents.

“Owner” means one or more persons, corporation, partnership, limited liability company, trustee, or any other entity, who is the owner of record of the Rental Housing Accommodation at the time of giving notice of

intention to sell, and each person, corporation, partnership, limited liability company, trustee, or any other entity, who, directly or indirectly, owns 50 percent or more of the equity interests in the Rental Housing Accommodation at the time of giving notice of intention to sell. "Owner" may refer to any person acting as an authorized agent of the Owner.

"Qualified Organization" is defined in right to exercise subsection.

"Rental Housing Accommodation" is any real property, including the land appurtenant thereto, containing one or more Rental Units and located in the City.

"Rental Unit" is any unit in any real property, including the land appurtenant thereto, that is available for residential use or occupancy located in the City, together with all housing services connected with the use and occupancy of such property such as common areas and recreational facilities held for us by the Tenant.

"Sale" is defined in the Sale Defined subsection.

"Tenant" means a tenant, subtenant, lessee, sublessee, or other person entitled to the possession, occupancy, or benefits of a rental unit within a Rental Housing Accommodation. If the names of two or more persons appear on a rental agreement, those persons shall determine which person may exercise a vote under this chapter. The singular term "Tenant" includes the plural.

"Tenant Organization" means Tenants who have organized themselves as a legal entity that can acquire real property, represents at least a majority of the Rental Units in the Rental Housing Accommodation, has adopted Governing Documents and Governing Principles, and has appointed officers and any other authorized agents specifically designated to execute contracts on its behalf. Households in which no member has resided in the Rental Housing Accommodation for at least 90 days and those households in which any member has been an employee of the owner during the preceding 120 days are ineligible to be members of a Tenant Organization and to be counted toward calculating majority representation.

Sale Defined:

Before an owner of a Rental Housing Accommodation may sell it or issue a notice to vacate for purposes of demolition or discontinuance of housing use, the owner shall give the tenant(s) an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a bona fide offer of sale.

"Sale" or "sell" includes, but are not limited to, the execution of any agreement pursuant to which the owner of the Rental Housing Accommodation agrees to some, but not all, of the following:

- Relinquishes possession of the property;
- Extends an option to purchase the property for a sum certain at the end of the assignment, lease, or encumbrance and provides that a portion of the payments received pursuant to the agreement is to be applied to the purchase price;
- Assigns all rights and interests in all contracts that relate to the property;
- Requires that the costs of all taxes and other government charges assessed and levied against the property during the term of the agreement are to be paid by the lessee either directly or through a surcharge paid to the owner;
- Extends an option to purchase an ownership interest in the property, which may be exercised at any time after execution of the agreement but shall be exercised before the expiration of the agreement;

- Requires the assignee or lessee to maintain personal injury and property damage liability insurance on the property that names the owner as the additional insured;
- A master lease that meets some, but not all, of the factors described above;
- The transfer of an ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation as its sole or principal asset (the value of the accommodation relative to the entity's other holdings), which, in effect, results in the transfer of the Rental Housing Accommodation as a sale or to issue a notice to vacate for the purposes of demolition or discontinuance of housing use.

A "sale" also includes the purchase or transfer of control of an ownership entity that possesses one or more Rental Housing Accommodations. For example, if Corporation A owns Rental Housing Accommodations B, C, and D and Corporation A is sold to Corporation X, then this transaction would trigger a sale for the purposes of the opportunity to purchase program.

Right to exercise:

The Tenant or a Qualified Organization may exercise in a single-unit Rental Housing Accommodation. A Tenant Organization or a Qualified Organization may exercise in a multi-unit Rental Housing Accommodation. The City will create an application process for vetting and certifying Qualified Organizations. Below is an example set of criteria that the City may consider in developing its Qualified Organization certification process. This example is modeled equivalent certification criteria in the Washington, DC DOPA, San Francisco COPA, and Berkeley TOPA programs.

In order to become a Qualified Organization, any interested developer may apply to the City for this certification. The City will consider applications to become a Qualified Organization on a rolling basis. The City should develop an application form and evaluation criteria that consider the following requirements and qualifications for Qualified Organization certification:

- Be registered a license to do business in the City;
- Agree to obligate itself and any successors in interest to maintain the affordability of the Rental Housing Accommodation according to the requirements to exercise the Right of First Offer and Right of First Refusal;
- Demonstrate the capacity to own and manage, either by itself or through a management agent or partnerships, a Rental Housing Accommodation for its remaining useful life. Capacity considerations include:
 - Demonstrated capacity and expertise in acquiring, renovating, and owning not fewer than ten units of affordable rental housing, or renovating and selling not fewer than ten units of affordable homeownership housing, in the City, including documentation of the following:
 - Comprehensive list of prior affordable housing development and market-rate housing development in the City, including project addresses, number of units, description of project renovation, description of project financing;
 - Qualifications and capacity of proposed personnel and contractors to carry out the development of a Rental Housing Accommodation;
 - List of lenders and equity sources used in prior projects;
 - Description of affordability levels (whether naturally occurring affordable housing or rent or income restricted housing) applicable to prior projects;
 - Affirmative statement that the developer has never been in financial default as either a borrower or a guarantor; or, if to the contrary, explaining in complete detail all circumstances pertaining thereto;

- Description of Developer's typical asset management plan;
 - Description of Developer's typical management plan; and
 - Other criteria the City determines appropriate.
- Certification that the person or each principal in the entity is not an owner of a property that is a registered vacant building on the City of Minneapolis 249 list, tax delinquent property, or property with significant code or rental license violations, unless the property is currently in the process of being rehabilitated in compliance with a restoration agreement or has a similar solution that is actively being implemented;
 - Certification that the person or each principal in the entity does not have an uncured default on a City of Minneapolis restoration agreement and/or redevelopment contract to rehabilitate or construct a property; and
 - Affirmative commitment to affordable housing in all future proposals submitted in response to a Right of First Offer or a Right of First Refusal.

Before final consideration of a Developer's application, the City shall publish for public comment basic information on a rolling basis a list of all Developers that apply to each request and allow at least 30 days for the submission of comments in support or against a Developer's application to become a Qualified Organization.

Assignment of rights:

The Tenant in a single-unit Rental Housing Accommodation may assign their rights to another person or entity. A Tenant Organization may assign its rights in a 2-4 unit Rental Housing Accommodation to a person or entity. A Tenant Organization in a 5+ unit Rental Housing Accommodation may assign its rights to a Qualified Organization.

Instead of purchasing the building themselves, a Tenant (single unit) or Tenant Organization can exercise its rights in partnership with a person or entity (single unit and 2-4 units, respectively) or a Qualified Developer (5+ units). If the Tenant or Tenant Organization do not want to purchase the building themselves, they can assign the right to purchase in exchange for better building conditions, limits on rent increases, agreements to adopt long-term affordability covenants, or other benefits; these benefits normally are memorialized in a development agreement or memorandum of understanding.

Within 15 days of the sale of a Rental Housing Accommodation, a Tenant or Tenant Organization that assigns their right to purchase a Rental Housing Accommodation, shall submit to the City documentation of the assignment and any development agreement, memorandum of understanding, or similar document detailing all material terms involved in the assignment of rights.

Type of right:

Right of First Offer: Before an owner of a Rental Housing Accommodation may offer it for sale to, solicit any offer to purchase from, or accept any unsolicited offer to purchase from any Third-Party Purchaser, they must provide the Tenant(s) and each Qualified Organization the first opportunity to submit a Statement of Interest and to make an offer.

Right of First Refusal: Before an owner may sell a Rental Housing Accommodation, they must provide each Tenant, Tenant Organization, or Qualified Organization that submitted a Statement of Interest in response to the Right of First Offer an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a Bona Fide Offer of Sale.

Offer of Sale:

Right of First Offer: The Owner shall notify each Tenant of the Owner's Intent to Sell the Rental Housing Accommodation by certified mail and by posting a copy of the notice in a conspicuous place in common areas of the Rental Housing Accommodation. The notice shall include, at a minimum:

- a statement that the Owner intends to sell the Rental Housing Accommodation;
- a statement of the opportunity to purchase rights of Tenants and Qualified Organizations and the accompanying timelines for exercising those rights;
- a statement that the Owner shall provide due diligence materials to the Tenants and Qualified Organizations; and
- a statement in English, Spanish, Amharic, and Hmong stating that if the Tenant requires the notice in a language other than English, they can contact the City and request the notice in their language and/or the assistance of an interpreter.

The Owner shall notify each Qualified Organization, at the same time as notifying Tenants, of the Owner's Intent to Sell the Rental Housing Accommodation, by sending an e-mail to each of the e-mail addresses included on the City's list of Qualified Organizations.

The Owner shall file a copy of the notices with proof that they have been sent to the Tenants and Qualified Organizations with the City at the same time notice is sent to Tenants and Qualified Organizations.

The Owner shall provide to each Tenant (single unit), Tenant Organization, and Qualified Organization that submits a Statement of Interest in response to the notice of Intent to Sell a Rental Housing Accommodation the following due diligence information, at a minimum:

- a floor plan of the property;
- an itemized list of monthly operating expenses, utility consumption rates, and capital expenditures for each of the two preceding calendar years;
- a list of any known defects and hazards, and any related costs for repair or remediation;
- the most recent rent roll: a list of occupied units and list of vacant units, including the rate of rent for each unit and any escalations and lease expirations;
- covenants, conditions, and restrictions, and reserves;
- any other disclosures required by Minneapolis or Minnesota law.

The Owner must provide this due diligence information to the Tenant (single unit), Tenant Organization, and Qualified Organization via certified mail within 7 days of receipt of a Statement of Interest. For each day delay in the receipt of the complete due diligence information for the Tenant, Tenant Organization, or Qualified Organization, the relevant timeline will be extended by one day.

Right of First Refusal: Before an Owner may sell a Rental Housing Accommodation, they shall give each Tenant (single unit), Tenant Organization, or Qualified Organization that previously submitted a Statement of Interest in response to the Right of First Offer an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a Bona Fide Offer of Sale. If the Owner has a contract with a Third-Party Purchaser for the sale of the Rental Housing Accommodation, the Owner shall deliver all the items for the Offer of Sale to each Tenant, Tenant Organization, or Qualified Organization within 2 days of entering into a contract with the Third-Party Purchaser. The Owner also shall provide the City with a written copy of the offer of sale and a statement certifying that the items were delivered to each Tenant, Tenant Organization, or Qualified Organization. The Owner's Offer of Sale shall include, at minimum:

- the asking price and terms of the sale, the terms and conditions of which shall be consistent with the applicable timeframes;
- a statement as to whether a contract with a Third-party Purchaser exists for the sale of the Rental Housing Accommodation, and if so, a copy of such contract;
- a statement stating that if the Tenant or Tenant Organization requires the offer of sale in a language other than English, they may contact the City and request the offer of sale in their language and/or the assistance of an interpreter; and
- any updates to the due diligence information since it was originally provided.

The Owner shall deliver the Offer of Sale to each Tenant, Tenant Organization, and Qualified Organization on the same day, and to the extent possible, at the same time, by e-mail, in addition to sending it via certified mail.

Timelines:

Time to Submit a Statement of Interest: After receipt of the Owner's notification, due diligence materials, and disclosures, Tenants in a multi-unit Rental Housing Accommodation shall have a specified number of days, depending on the number of units in the property, to form a Tenant Organization and deliver a Statement of Interest to the Owner and the City. The Tenant of a single-unit Rental Housing Accommodation does not need to form a Tenant Organization.

- 51+ units: 45 days
- 21-50 units: 30 days
- 5-20 units: 30 days
- 2-4 units: 20 days
- 1 unit: 20 days

The Statement of Interest shall be a clear expression from the Tenants that they intend to further consider making an offer to purchase the Rental Housing Accommodation or further consider assigning their rights to a Qualified Organization.

If the Tenant (single unit) or Tenant Organization waive their rights, the Owner shall notify all Qualified Organizations via e-mail on the same day of the waiver and of the right of each Qualified Organization to submit a statement of interest to the Owner. Upon receipt of this notice, a Qualified Organization that intends to further consider making an offer to purchase the Rental Housing Accommodation shall deliver a statement of interest to the Owner and every other Qualified Organization via e-mail within the remaining time in the Tenant timeline or a minimum of 5 days, whichever is greater.

The statement of interest shall be a clear expression that the Qualified Organization intends to further consider making an offer to purchase the Rental Housing Accommodation. If a Qualified Organization has delivered a statement of interest, the Owner shall disclose to each such Qualified Organization via e-mail the names of Tenants in each occupied unit of the Rental Housing Accommodation, as well as any available contact information for each Tenant.

If neither Tenants nor Qualified Organizations deliver a statement of interest within the time periods specified, the Owner may immediately proceed to offer the Rental Housing Accommodation for sale to, and solicit offers of purchase from, prospective Third-Party Purchasers, subject to the Right of First Refusal.

Time to Submit an Offer: Upon receipt of a Statement of Interest from a Tenant (single unit), Tenant Organization, or Qualified Organization, an Owner shall afford the Qualified Organization an additional number of days, depending on the number of units in the property, to deliver an offer to purchase the Rental Housing Accommodation. If the Owner accepts the offer, the parties shall enter into a contract to purchase the Rental Housing Accommodation and pay a deposit of no more than 5 percent of the purchase price.

- 51+ units: 120 days
- 21-50 units: 90 days
- 5-20 units: 60 days
- 2-4 units: 60 days
- 1 unit: 30 days

If the Tenant (single unit) or Tenant Organization waives its rights, the Owner shall notify all Qualified Organizations, via email, of their rights to submit an offer. Upon receipt of this notice, each Qualified Organization that intends to purchase the Rental Housing Accommodation shall deliver an offer to the Owner within the remaining number of days in the Tenant timeline and any extensions thereof, or a minimum of 5 days, whichever is greater.

Time to Accept Right of First Refusal Offer of Sale: If an Owner confers a Right of First Refusal on the Tenant (single unit), Tenant Organization, and/or Qualified Organization that previously submitted a Statement of Interest, then upon receipt of the Offer of Sale from the Owner, the Tenant, Tenant Organization, and/or Qualified Organization shall have a specified number of days, depending on the number of units in the property, to accept the offer of sale, assume the contract, and pay a deposit of no more than 5 percent of the purchase price.

- 51+ units: 45 days
- 21-50 units: 30 days
- 5-20 units: 30 days
- 2-4 units: 20 days
- 1 unit: 20 days

The number of days to accept any Offer of Sale shall be extended to allow the Tenant, Tenant Organization, or Qualified Organization to exercise their Right to an Appraisal, if they believe that the Owner has not provided a Bona Fide Offer of Sale.

If the Tenant (single unit) or Tenant Organization that received an Offer of Sale accepts it, their acceptance supersedes acceptance by any Qualified Organization that received an Offer of Sale.

If the Tenant (single unit) or Tenant Organization that received an Offer of Sale rejects it or does not accept it by end of the specified number of days, then the Owner shall notify all Qualified Organizations who received an Offer of Sale on the day the Offer of Sale is rejected or on the deadline, whichever occurs first, by email.

- The Qualified Organizations will then have the remaining number of days and any extensions thereof, or a minimum of 5 days, whichever is greater, to accept the Owner's Offer of Sale.
- Whichever Qualified Organization notifies the Owner of its decision to accept the Owner's offer of sale first shall be deemed to have accepted the Offer of Sale, and no other Qualified Organization may accept the Owner's Offer of Sale, whether or not the specified number of days has elapsed.

If each Tenant (single unit), Tenant Organization, and/or Qualified Organization that received an Offer of Sale rejects it or fails to respond within the specified number of days, the Owner may immediately proceed with the sale of the Rental Housing Accommodation to a Third-Party Purchaser consistent with the price and material terms of that Offer of Sale.

Time to Secure Financing: The Owner shall afford the Tenant (single unit), Tenant Organization, or Qualified Organization with which it signs a contract to purchase the Rental Housing Accommodation a specified number of days, depending on the number of units in the property, after the date of entering into a contract to secure financing.

- 51+ units: 120 days
- 21-50 units: 90 days
- 5-20 units: 60 days
- 2-4 units: 60 days
- 1 unit: 30 days

If, within the specified number of days after the date of entering into a contract, the Tenant (single unit), Tenant Organization, or Qualified Organization presents the Owner with the written decision of a lending institution or agency that states that a decision with respect to financing or financial assistance will be made within a specified number of additional days, depending on the number of units in the property, after the date of contracting, the Owner shall afford the Tenant, Tenant Organization, or Qualified Organization an extension of time consistent with the written estimate up to the maximum number of additional days.

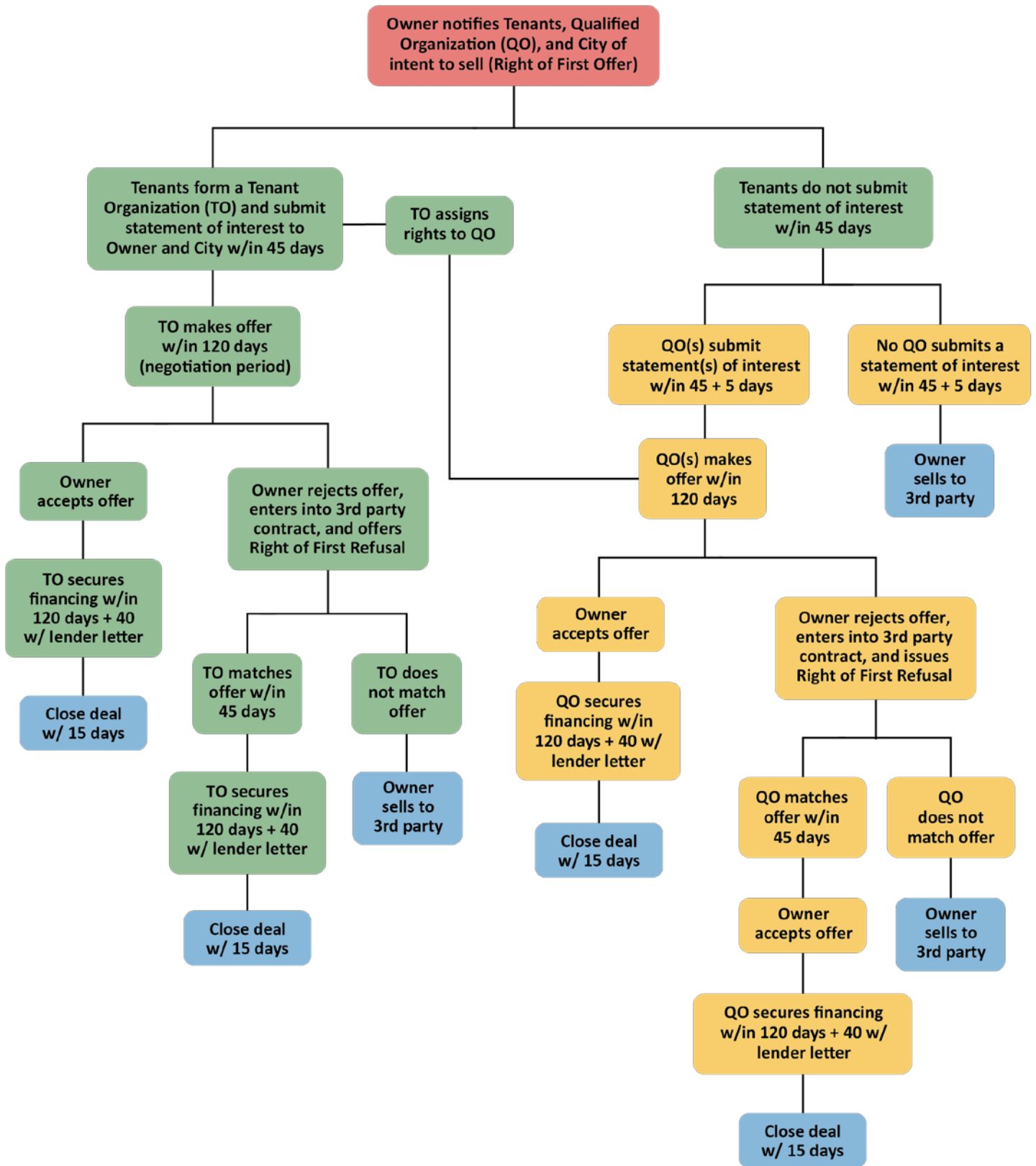
- 51+ units: 40 days
- 21-50 units: 40 days
- 5-20 units: 30 days
- 2-4 units: 30 days
- 1 unit: 15 days

If the Tenant (single unit), Tenant Organization, or Qualified Organization does not secure financing and close the deal within the specified number of days and any extensions thereof, the Owner may immediately proceed with the sale of the Rental Housing Accommodation to a Third-Party Purchaser consistent with the price and material terms of that Offer of Sale.

Time to Close: In addition to the specified number of days allowed to secure financing, the Owner shall afford the Tenant (single unit), Tenant Organization, or Qualified Organization an additional 15 days to close. So long as they are diligently pursuing closing, the Owner shall afford them a reasonable extension beyond this 15-day period to close.

- 51+ units: 15+ days
- 21-50 units: 15+ days
- 5-20 units: 15+ days
- 2-4 units: 15+ days
- 1 unit: 15+ day

Figure 31: Option 2 Process for 51+ Unit Properties



Restrictions:

An Owner shall not:

- coerce a Tenant or Tenant Organization to waive their rights under the Right of First Offer or Right of First Refusal or
- interfere with a Tenant or Tenant Organization's ability to organize to exercise their rights or to receive technical or legal assistance in exercising them.

Owners of a Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal shall place a restrictive covenant on the recorded title deed to the Rental Housing Accommodation that runs with the land and is enforceable by the City against the purchaser and its successors with the following restrictions:

- *Just cause eviction:* No current or future Tenant in the Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal may be evicted except for good cause.
- *Source of income discrimination:* Owners of a Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal shall not refuse to provide Rental Housing Accommodations to any person based on the source of funds used to pay for the Rental Housing Accommodations.
- *Affordability restrictions:* Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal shall be bound by the following rent stabilization restrictions.
 - Rent stabilization: The Rental Housing Accommodation shall only increase rent once annually on each unit by no more than the Consumer Price Index for Urban Workers (CPI-W).
 - Rental Units in a Rental Housing Accommodation that has an active federal, state, or local affordable housing subsidy attached to them that places rent or income restrictions for Tenants residing in it are exempt from the rent stabilization requirement. Examples of such programs include the Minneapolis Affordable Housing Trust Fund, Minneapolis Naturally Occurring Affordable Housing (NOAH) Preservation Fund, Minneapolis Small and Medium Multifamily Loan Program (SMMF), Low Income Housing Tax Credit (LIHTC) program, and Housing Assistance Payment (HAP) contracts.
 - The Owner of a Rental Housing Accommodation that has been purchased through the Right of First Offer or Right of First Refusal may apply to the City to charge a monthly surcharge for up to eight years, if the Owner demonstrates through an application process to the City that a greater increase is justified by capital rehabilitation or renovation to the Rental Housing Accommodation necessary to maintain the health and safety of the tenants. If the Owner applies to the City for a rent increase above CPI-W, the Owner must provide all necessary and reasonable information requested in support of its application and must verify the total cost of the rehabilitation or renovation and that the proposed rehabilitation or renovation has been completed. To pay for the rehabilitation or renovation, the Owner may charge a monthly surcharge to each unit for eight years apportioned equally over each month. An Owner may not charge this surcharge to any unit in the Rental Housing Accommodation without first obtaining prior written authorization from the City.
 - The City annually must verify the Owner's compliance with the rent increase limits required Agreement.
 - Each year on the anniversary of the Agreement, the Owner must submit a compliance report to the City containing the following information:
 - current rent roll,
 - copy of any lease by a new tenant within the last 12 months,

- list of tenants vacating the rental housing within the last 12 months, and
- any rent increases within the last 12 months.

Reporting requirements:

The City shall publicly report annually on the exercise of opportunity to purchase rights. Such reports shall include, but shall not be limited to the following:

- statistics on the number and types of sales of Rental Housing Accommodations;
- statistics on the number of Tenants (single unit), Tenant Organizations, and Qualified Organizations that file a Statement of Interest and exercise the Right of First Offer and/or Right of First Refusal; and
- number and types of units in the Rental Housing Accommodations for which Tenants, Tenant Organizations, and Qualified Organizations exercise the Right of First Offer and/or Right of First Refusal.

The Owner of a Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal annually shall submit a compliance report to the City containing the following information:

- current rent roll,
- copy of any lease by a new tenant within the last 12 months,
- list of tenants vacating the rental housing within the last 12 months,
- any rent increases within the last 12 months, and
- any surcharges charged to Tenants and the number of years remaining until the end of the surcharge.

Exemptions:

The City should consider including the following exemptions when implementing Option 2.

Notice of Transfer: An Owner claiming any of the exemptions below must provide to the Tenants, Qualified Organizations, and to the City a Notice of Transfer of an interest in a Rental Housing Accommodation or of any ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation. The Notice of Transfer shall be sent by registered or certified mail, return receipt requested, by commercial overnight delivery service that maintains proof of delivery, or by personal service, at least 90 days prior to the proposed date of transfer. Notice to Tenants shall be sent to their address at the Rental Housing Accommodation unless a Tenant has supplied in writing to the Owner a different address for notice. The Notice of Transfer shall be substantially in the form prescribed by the City and shall provide, at a minimum, a statement of the Tenant or Tenant Organization’s rights under the Right of First Offer and Right of First Refusal, an accurate description of the transfer containing all material facts, the date of the proposed transfer, and the reason the owner asserts the transfer may be exempt from the Right of First Offer and Right of First Refusal. In addition, a Notice of Transfer for a housing accommodation to be transferred for the purposes of receiving tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42) shall include a description of the applicable federal subsidy and a description of the steps in the transaction employed by the developer to avail itself of the subsidy.

Exemptions based on type of transfer

- Family/estate/trust transfers
 - An inter-vivos transfer, even though for consideration, between spouses, domestic partners, parents (including stepparents and adoptive parents) or guardians and their children, siblings (half-siblings, stepsiblings, and adoptive siblings), grandparents and their grandchildren, aunts or uncles and their nieces or nephews, great-aunts or great-uncles and their grand-nieces or

- grand-nephews, or first or second cousins, or the spouses of any of these relatives, or any combination thereof.
- A transfer for consideration, by a decedent's estate to members of the decedent's family, or to partnership, corporation, or other entity controlled by a member of the decedent's family, if the consideration arising from the transfer will pass from the decedent's estate to, or solely for the benefit of, charity. The term "members of the decedent's family" includes: a spouse, domestic partner, parent (including stepparents and adoptive parents), child, sibling (including half-siblings, stepsiblings, and adoptive siblings), grandparent, grandchild, aunt or uncle, niece or nephew, great-aunt or great uncle, grand-niece or grand-nephew, or first or second cousins, or the spouses of any of those relatives; or a trust for the primary benefit of a member of the decedent's family.
 - A transfer by devise or intestacy, or any other transfer made in connection with a bona fide effort to pass an interest in real property to one's devisees or heirs (including, but not limited to, such transfers made in connection with a living trust).
 - A transfer of bare legal title into a revocable trust, without actual consideration for the transfer, where the transferor is the current beneficiary of the trust.
 - A transfer to a named beneficiary of a revocable trust by reason of the death of the grantor of the revocable trust.
 - A transfer of the housing accommodation by the trustee of a revocable trust if the transfer would otherwise be excluded if made by the grantor of the revocable trust.
- Corporate transfers
 - Any transfer of a property directly caused by a change in the form of the entity owning the property, provided that the transfer is without consideration.
 - Any transfer from one co-tenant to another co-tenant by operation of law.
 - Any transfer of a minority title interest.
 - Low Income Housing Tax Credits (LIHTC)
 - The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to admit one or more limited partners or investor members who will make capital contributions and receive tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 - The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to allow for the exit of one or more limited partners or investor members who have made capital contributions and received tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 - A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, the sole purpose of which is to qualify for and enter into a new credit period, as defined in Section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for purposes of the rehabilitation of the housing accommodation; provided that, before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or entity.
 - A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, if each of the following conditions is satisfied:

- The credit period, as defined in section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for the housing accommodation has ended;
- Immediately prior to the transfer the housing accommodation is subject to:
 - An extended low-income housing commitment, as that term is defined in Section 42(h)(6)(B) of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42(h)(6)(B)); or
 - A comparable restrictive covenant as a result of a federal, state, or local program with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42;
 - Before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or entity; and
 - Immediately following the transfer, the housing accommodation shall for a term of not less than 10 years, either remain subject to an existing or become subject to a new extended low-income housing commitment or a comparable restrictive covenant as a result of a federal, state, or local program with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42.
- Court/government transfers
 - A transfer pursuant to court order or court-approved settlement (bankruptcy, foreclosure, tax sale, etc.).
 - A transfer by eminent domain or under threat of eminent domain.

Exemptions based on type of property

- A single-family home owned by a real person as their sole residential rental property.
- A single-family home that an owner occupies as their principal residence, including a single-family home with an accessory dwelling unit or other secondary dwelling unit, where an owner occupies either the single-family home or the secondary unit as their principal residence.
- Properties owned by cooperative corporations, if the property is owned, occupied, and controlled by a majority of residents.
- Properties that do not include one or more tenants, such as those owned by and operated as a hospital, convent, monastery, extended care facility, convalescent home, or dormitories owned by educational institutions, or properties properly licensed as a hotel or motel.

Exemptions based on housing affordability and anti-displacement

Participation in rent stabilization program with at least 50 percent of units subject to rent stabilization:

- An Owner may sell rental housing without providing any right of first refusal, if the City approves a written agreement that:
 - the City received from the prospective buyer at least 90 days before the property is offered for sale;
 - prohibits the buyer from converting the Rental Housing Accommodation to another use for 10 years after the sale; and
 - requires the buyer for the period of the Agreement to increase rent annually on each unit no more than the Consumer Price Index for Urban Workers (CPI-W).

- The City may approve or reject an agreement with the buyer only after considering the physical condition of the rental housing, including any rehabilitation necessary to correct housing code violations and structural defects, and the need to preserve low- and moderate-income rental housing in the City.
- After the initial 5 years of the agreement, the Owner of a Rental Housing Accommodation that has been purchased through the Right of First Offer or Right of First Refusal may apply to the City to charge a monthly surcharge for up to eight years on the rent stabilized units, if the Owner demonstrates through an application process to the City that a greater increase is justified by capital rehabilitation or renovation to the Rental Housing Accommodation necessary to maintain the health and safety of the tenants. If the Owner applies to the City for a rent increase above CPI-W, the Owner shall provide all necessary and reasonable information requested in support of its application and must verify the total cost of the rehabilitation or renovation and that the proposed rehabilitation or renovation has been completed. After the rehabilitation or renovation has been completed, the Owner may charge a monthly surcharge to each unit for eight years apportioned equally over each month. An Owner shall not charge this surcharge to any unit in the Rental Housing Accommodation without first obtaining prior written authorization from the City.
- The City annually will verify the Owner’s compliance with the rent increase limits required Agreement.
 - Each year on the anniversary of the Agreement, the Owner shall submit a compliance report to the City containing the following information:
 - current rent roll,
 - copy of any lease by a new tenant within the last 12 months,
 - list of tenants vacating the rental housing within the last 12 months,
 - any rent increases within the last 12 months, and
 - any surcharges charged to Tenants and the number of years remaining until the end of the surcharge.

Enforcement and Penalties:

Offer of Sale: If a Tenant, Tenants, a Tenant Organization, or a Qualified Organization believe that an Owner has not complied with the requirement to provide them with an Offer of Sale related to the Right of First Offer or Right of First Refusal, they may notify the City to seek administrative enforcement of these rights.

Timelines: If a Tenant, Tenants, a Tenant Organization, or a Qualified Organization believe that an Owner is not complying with any of the timelines involved with the Right of First Offer or Right of First Refusal, they may notify the City to seek administrative enforcement of these timelines.

Notice of Transfer: An Owner’s failure to provide a Notice of Transfer, or the provision of a notice that is fraudulent or contains material misrepresentations or material omissions, shall create a rebuttable presumption that the transfer constitutes a sale for the purposes of the Right of First Offer and Right of First Refusal. An aggrieved Tenant, Tenant Organization, or Qualified Organization has 45 days from the City’s receipt of the Notice of Transfer to file a notice indicating an intent to file a petition for relief to the Owner and the City. The Tenant, Tenant Organization, or Qualified Organization then has 30 days to file a petition for relief.

Right of First Offer and Right of First Refusal Compliance Reports: The City will issue Right of First Offer and Right of First Refusal compliance reports for Rental Housing Accommodations to title companies, upon request.

Owner Certification and Disclosures: Every Owner of a Rental Housing Accommodation in the City shall, within 15 days of the sale of the Rental Housing Accommodation, submit to the City a signed declaration, under penalty of perjury, affirming that the sale of that Rental Housing Accommodation complied with the requirements of the Right First Offer and Right of First Refusal. Such declaration shall include the address of the relevant Rental Housing Accommodation and the name of each new Owner of the Rental Housing Accommodation. The City shall publish all such addresses on its website.

Civil Action: Any party may seek enforcement of any right or provision under the Right of First Offer and Right of First Refusal through a civil action filed with a court of competent jurisdiction to the extent permitted by law and, upon prevailing, shall be entitled to remedies.

Civil Penalties: An Owner who willfully or knowingly violates any provision of this Chapter shall be subject to a cumulative civil penalty imposed by the City in the amount of up to \$1,000 per day, per Tenant-occupied unit in a Rental Housing Accommodation, for each day from the date the violation began until the requirements of the law are satisfied, payable to [affordable-housing-related fund or to pay for costs of administering the Right of First Offer and Right of First Refusal programs].

Legal Remedies: Remedies in civil action brought to enforce the Right of First Offer and Right of First Refusal shall include the following, which may be imposed cumulatively: (1) damages in an amount sufficient to remedy the harm to the plaintiff; (2) in the event that an Owner sells a Rental Housing Accommodation without complying with the law, and if the Owner's violation of the law was knowing or willful, mandatory civil penalties in an amount proportional to the culpability of the Owner and the value of the Rental Housing Accommodation. There shall be a rebuttable presumption that this amount is equal to 10 percent of the sale price of the Rental Housing Accommodation for a willful or knowing violation, 20 percent of the sale price for a second willful or knowing violation, and 30 percent of the sale price for each subsequent willful or knowing violation. Civil penalties assessed under an Owner's knowing and willful violation shall be payable to the Minneapolis Affordable Housing Trust Fund; and (3) reasonable attorneys' fees.

Equitable Remedies: In addition to any other legal remedy or enforcement measure that a Tenant, Tenant Organization, Qualified Organization, or the City may seek, any court of competent jurisdiction may enjoin any Sale or other action of an Owner that would be made in violation of the Right of First Offer or Right of First Refusal.

Option 3: Qualified Organization Opportunity to Purchase with Preservation Restrictions

Policy objectives:

Preservation of affordable housing

Definitions:

"Appraised value" means the value of the Rental Housing Accommodation as of the date of the appraisal, based on an objective, independent property valuation, performed according to professional appraisal industry standards.

"Bona fide offer of sale" means an offer of sale for a Rental Housing Accommodation for a price and other material terms at least as favorable to a Tenant, Tenant Organization, or Qualified Organization as those that the Owner has offered, accepted, or is considering offering or accepting, from a Purchaser in an arm's length third-party transaction. In the absence of an arm's length third-party contract, an Offer of Sale containing a

sales price less than or equal to a price and other material terms comparable to that at which a willing seller and a willing buyer would sell and purchase the Rental Housing Accommodation, or an appraised value.

“City” means the City of Minneapolis

“Governing Document” means a constitution, articles, bylaws, operating agreement, or other writings that governs the purpose and operation of a Tenant Organization and the rights and obligations of its members, which shall include provisions on the Tenant Organization’s decision-making processes and appointing officers and other authorized agents to act on its behalf.

“Governing Principles” means the governance and management principles stated in a Tenant Organization’s Governing Documents.

“Owner” means one or more persons, corporation, partnership, limited liability company, trustee, or any other entity, who is the owner of record of the Rental Housing Accommodation at the time of giving notice of intention to sell, and each person, corporation, partnership, limited liability company, trustee, or any other entity, who, directly or indirectly, owns 50 percent or more of the equity interests in the Rental Housing Accommodation at the time of giving notice of intention to sell. “Owner” may refer to any person acting as an authorized agent of the Owner.

“Qualified Organization” is defined in Right to exercise subsection.

“Rental Housing Accommodation” is any real property, including the land appurtenant thereto, containing one or more Rental Units and located in the City.

“Rental Unit” is any unit in any real property, including the land appurtenant thereto, that is available for residential use or occupancy located in the City, together with all housing services connected with the use and occupancy of such property such as common areas and recreational facilities held for us by the Tenant.

“Sale” is defined in the Sale Defined subsection.

“Tenant” means a tenant, subtenant, lessee, sublessee, or other person entitled to the possession, occupancy, or benefits of a rental unit within a Rental Housing Accommodation. If the names of two or more persons appear on a rental agreement, those persons shall determine which person may exercise a vote under this chapter. The singular term “Tenant” includes the plural.

“Tenant Organization” means Tenants who have organized themselves as a legal entity that can acquire real property, represents at least a majority of the Rental Units in the Rental Housing Accommodation, has adopted Governing Documents and Governing Principles, and has appointed officers and any other authorized agents specifically designated to execute contracts on its behalf. Households in which no member has resided in the Rental Housing Accommodation for at least 90 days and those households in which any member has been an employee of the owner during the preceding 120 days are ineligible to be members of a Tenant Organization and to be counted toward calculating majority representation.

Sale Defined:

Before an owner of a Rental Housing Accommodation may sell it or issue a notice to vacate for purposes of demolition or discontinuance of housing use, the owner shall give the tenant(s) an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a bona fide offer of sale.

“Sale” or “sell” includes, but are not limited to, the execution of any agreement pursuant to which the owner of the Rental Housing Accommodation agrees to some, but not all, of the following:

- Relinquishes possession of the property;
- Extends an option to purchase the property for a sum certain at the end of the assignment, lease, or encumbrance and provides that a portion of the payments received pursuant to the agreement is to be applied to the purchase price;
- Assigns all rights and interests in all contracts that relate to the property;
- Requires that the costs of all taxes and other government charges assessed and levied against the property during the term of the agreement are to be paid by the lessee either directly or through a surcharge paid to the owner;
- Extends an option to purchase an ownership interest in the property, which may be exercised at any time after execution of the agreement but shall be exercised before the expiration of the agreement;
- Requires the assignee or lessee to maintain personal injury and property damage liability insurance on the property that names the owner as the additional insured;
- A master lease that meets some, but not all, of the factors described above;
- The transfer of an ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation as its sole or principal asset (the value of the accommodation relative to the entity’s other holdings), which, in effect, results in the transfer of the Rental Housing Accommodation as a sale or to issue a notice to vacate for the purposes of demolition or discontinuance of housing use.

A “sale” also includes the purchase or transfer of control of an ownership entity that possesses one or more Rental Housing Accommodations. For example, if Corporation A owns Rental Housing Accommodations B, C, and D and Corporation A is sold to Corporation X, then this transaction would trigger a sale for the purposes of the opportunity to purchase program.

Right to exercise:

A Qualified Organization may exercise for a Rental Housing Accommodation.

In order to become a Qualified Organization, any interested developer may apply to the City for this certification. The City will consider applications to become a Qualified Organization on a rolling basis. The City should develop an application form and evaluation criteria that consider the following requirements and qualifications for Qualified Organization certification:

- Be registered a license to do business in the City;
- Agree to obligate itself and any successors in interest to maintain the affordability of the Rental Housing Accommodation according to the requirements to exercise the Right of First Offer and Right of First Refusal;
- Demonstrate the capacity to own and manage, either by itself or through a management agent or partnerships, a Rental Housing Accommodation for its remaining useful life. Capacity considerations include:
 - Demonstrated capacity and expertise in acquiring, renovating, and owning not fewer than ten units of affordable rental housing, or renovating and selling not fewer than ten units of affordable homeownership housing, in the City, including documentation of the following:
 - Comprehensive list of prior affordable housing development and market-rate housing development in the City, including project addresses, number of units, description of project renovation, description of project financing;

- Qualifications and capacity of proposed personnel and contractors to carry out the development of a Rental Housing Accommodation;
 - List of lenders and equity sources used in prior projects;
 - Description of affordability levels (whether naturally occurring affordable housing or rent or income restricted housing) applicable to prior projects;
 - Affirmative statement that the developer has never been in financial default as either a borrower or a guarantor; or, if to the contrary, explaining in complete detail all circumstances pertaining thereto;
 - Description of Developer's typical asset management plan;
 - Description of Developer's typical management plan; and
 - Other criteria the City determines appropriate.
- Certification that the person or each principal in the entity is not an owner of a property that is a registered vacant building on the City of Minneapolis 249 list, tax delinquent property, or property with significant code or rental license violations, unless the property is currently in the process of being rehabilitated in compliance with a restoration agreement or has a similar solution that is actively being implemented;
 - Certification that the person or each principal in the entity does not have an uncured default on a City of Minneapolis restoration agreement and/or redevelopment contract to rehabilitate or construct a property; and
 - Affirmative commitment to affordable housing in all future proposals submitted in response to a Right of First Offer or a Right of First Refusal.

Before final consideration of a Developer's application, the City shall publish for public comment basic information on a rolling basis a list of all Developers that apply to each request and allow at least 30 days for the submission of comments in support or against a Developer's application to become a Qualified Organization.

Assignment of rights:

A Qualified Organization may only assign its right to an ownership entity that it controls.

Type of right:

Right of First Offer: Before an owner of a Rental Housing Accommodation may offer it for sale to, solicit any offer to purchase from, or accept any unsolicited offer to purchase from any Third-Party Purchaser, they must provide each Qualified Organization the first opportunity to submit a Statement of Interest and to make an offer.

Right of First Refusal: Before an owner may sell a Rental Housing Accommodation, they must provide each Qualified Organization that submitted a Statement of Interest in response to the Right of First Offer an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a Bona Fide Offer of Sale.

Offer of Sale:

Right of First Offer: The Owner shall notify each Tenant of the Owner's Intent to Sell the Rental Housing Accommodation by certified mail and by posting a copy of the notice in a conspicuous place in common areas of the Rental Housing Accommodation. The notice shall include, at a minimum:

- a statement that the Owner intends to sell the Rental Housing Accommodation;
- a statement of the opportunity to purchase rights of Qualified Organizations and the accompanying timelines for exercising those rights;

- a statement that the Owner shall provide due diligence materials to the Qualified Organizations; and
- a statement in English, Spanish, Amharic, and Hmong stating that if the Tenant requires the notice in a language other than English, they can contact the City and request the notice in their language and/or the assistance of an interpreter.

The Owner shall notify each Qualified Organization, at the same time as notifying Tenants, of the Owner's Intent to Sell the Rental Housing Accommodation, by sending an e-mail to each of the e-mail addresses included on the City's list of Qualified Organizations.

The Owner shall file a copy of the notices with proof that they have been sent to the Tenants and Qualified Organizations with the City at the same time notice is sent to Tenants and Qualified Organizations.

The Owner shall provide to each Qualified Organization that submits a Statement of Interest in response to the notice of Intent to Sell a Rental Housing Accommodation the following due diligence information, at a minimum:

- a floor plan of the property;
- an itemized list of monthly operating expenses, utility consumption rates, and capital expenditures for each of the two preceding calendar years;
- a list of any known defects and hazards, and any related costs for repair or remediation;
- the most recent rent roll: a list of occupied units and list of vacant units, including the rate of rent for each unit and any escalations and lease expirations;
- covenants, conditions, and restrictions, and reserves;
- any other disclosures required by Minneapolis or Minnesota law.

The Owner must provide this due diligence information to the Qualified Organization via certified mail within 7 days of receipt of a Statement of Interest. For each day delay in the receipt of the complete due diligence information for the Qualified Organization, the relevant timeline will be extended by one day.

Right of First Refusal: Before an Owner may sell a Rental Housing Accommodation, they shall give each Qualified Organization that previously submitted a Statement of Interest in response to the Right of First Offer an opportunity to purchase the Rental Housing Accommodation at a price and terms that represent a Bona Fide Offer of Sale. If the Owner has a contract with a Third-Party Purchaser for the sale of the Rental Housing Accommodation, the Owner shall deliver all the items for the Offer of Sale to each Qualified Organization within 2 days of entering into a contract with the Third-Party Purchaser. The Owner also shall provide the City with a written copy of the offer of sale and a statement certifying that the items were delivered to each Qualified Organization. The Owner's Offer of Sale shall include, at minimum:

- the asking price and terms of the sale, the terms and conditions of which shall be consistent with the applicable timeframes;
- a statement as to whether a contract with a Third-party Purchaser exists for the sale of the Rental Housing Accommodation, and if so, a copy of such contract; and
- any updates to the due diligence information since it was originally provided.

The Owner shall deliver the Offer of Sale to each Qualified Organization on the same day, and to the extent possible, at the same time, by e-mail, in addition to sending it via certified mail.

Timelines:

Time to Submit a Statement of Interest: After receipt of the Owner's notification, due diligence materials, and disclosures, Qualified Organizations shall have a specified number of days to deliver a Statement of Interest in purchasing the Rental Housing Accommodation to the Owner and the City.

- 51+ units: 20 days
- 21-50 units: 20 days
- 5-20 units: 20 days
- 2-4 units: 20 days
- 1 unit: 20 days

The Statement of Interest shall be a clear expression from the Qualified Organization that it intends to further consider making an offer to purchase the Rental Housing Accommodation.

The Owner shall, subject to seeking Tenant approval for disclosure of any confidential or personal information, disclose to each Qualified Organization that submits a Statement of Interest, via e-mail, the names of Tenants in each occupied unit of the Rental Housing Accommodation, as well as any available contact information for each Tenant.

If a Qualified Organization does not deliver a Statement of Interest within the specified number of days, the Owner may immediately proceed to offer the Rental Housing Accommodation for sale to, and solicit offers of purchase from, prospective Third-Party Purchasers, subject to the Right of First Refusal.

Time to Submit an Offer: Upon receipt of a Statement of Interest from a Qualified Organization, an Owner shall afford the Qualified Organization an additional number of days, depending on the number of units in the property, to deliver an offer to purchase the Rental Housing Accommodation. If the Owner accepts the offer, the parties shall enter into a contract to purchase the Rental Housing Accommodation and pay a deposit of no more than 5 percent of the purchase price.

- 51+ units: 90 days
- 21-50 units: 60 days
- 5-20 units: 60 days
- 2-4 units: 60 days
- 1 unit: 30 days

Time to Accept Right of First Refusal Offer of Sale: If an Owner confers a Right of First Refusal on a Qualified Organization that previously submitted a Statement of Interest, then upon receipt of the Offer of Sale from the Owner, the Qualified Organization shall have a specified number of days to accept the offer of sale, assume the contract, and pay a deposit of no more than 5 percent of the purchase price.

- 51+ units: 20 days
- 21-50 units: 20 days
- 5-20 units: 20 days
- 2-4 units: 20 days
- 1 unit: 20 days

The number of days to accept any Offer of Sale shall be extended to allow the Qualified Organization to exercise their Right to an Appraisal, if they believe that the Owner has not provided a Bona Fide Offer of Sale. Whichever Qualified Organization notifies the Owner of its decision to accept the Owner's offer of sale first shall be deemed to have accepted the Offer of Sale, and no other Qualified Organization may accept the Owner's Offer of Sale, whether or not the specified number of days has elapsed.

If each Qualified Organization that received an Offer of Sale rejects it or fails to respond within the specified number of days, the Owner may immediately proceed with the sale of the Rental Housing Accommodation to a Third-Party Purchaser consistent with the price and material terms of that Offer of Sale.

Time to Secure Financing: The Owner shall afford the Qualified Organization with which it signs a contract to purchase the Rental Housing Accommodation a specified number of days, depending on the number of units in the property, after the date of entering into a contract to secure financing.

- 51+ units: 120 days
- 21-50 units: 90 days
- 5-20 units: 60 days
- 2-4 units: 60 days
- 1 unit: 30 days

If, within the specified number of days after the date of entering into a contract, the Qualified Organization presents the Owner with the written decision of a lending institution or agency that states that a decision with respect to financing or financial assistance will be made within a specified number of additional days, depending on the number of units in the property, after the date of contracting, the Owner shall afford the Qualified Organization an extension of time consistent with the written estimate up to the maximum number of additional days.

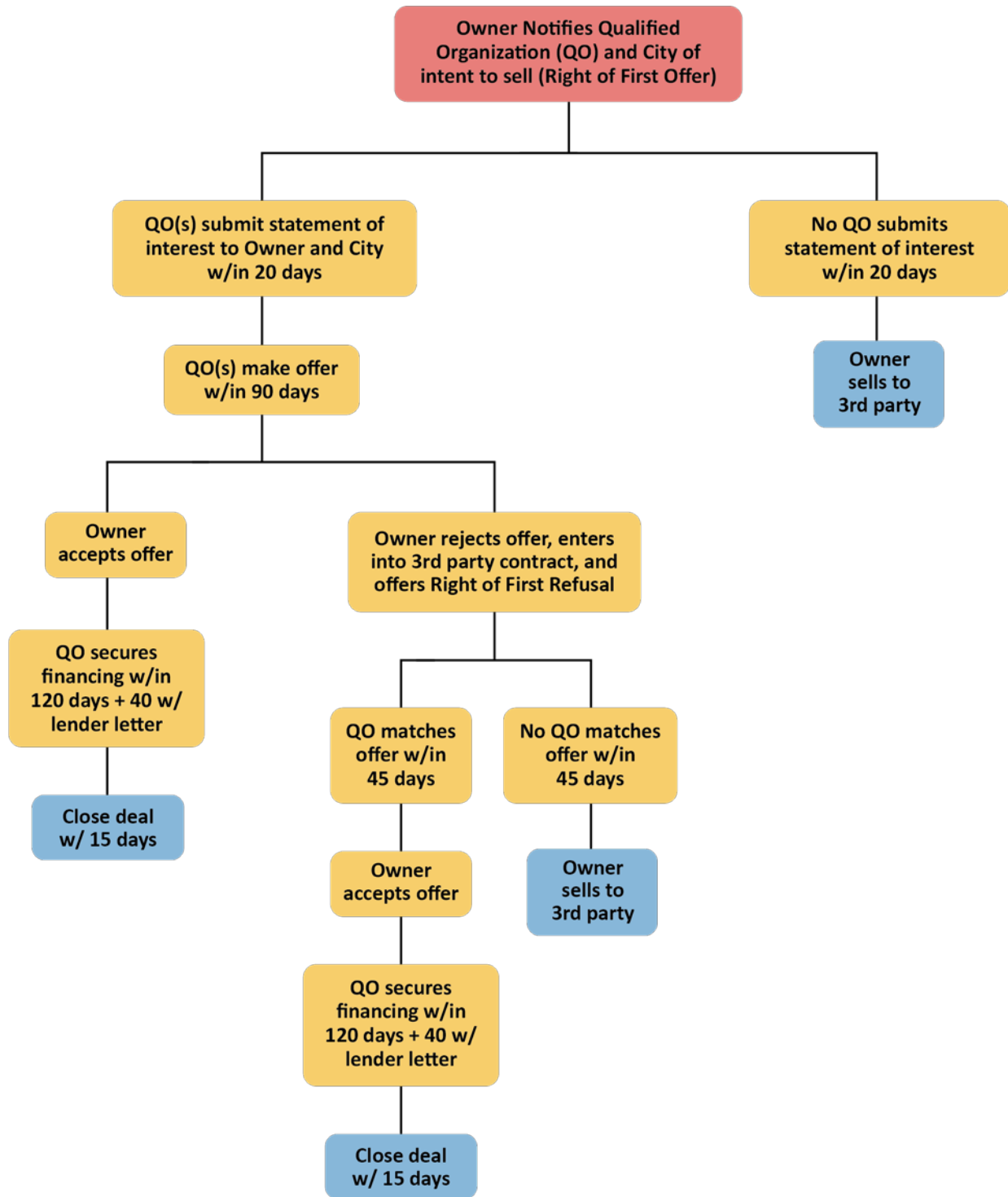
- 51+ units: 40 days
- 21-50 units: 40 days
- 5-20 units: 30 days
- 2-4 units: 30 days
- 1 unit: 15 days

If the Qualified Organization does not secure financing and close the deal within the specified number of days and any extensions thereof, the Owner may immediately proceed with the sale of the Rental Housing Accommodation to a Third-Party Purchaser consistent with the price and material terms of that Offer of Sale.

Time to Close: In addition to the specified number of days allowed to secure financing, the Owner shall afford the Qualified Organization an additional 15 days to close. So long as they are diligently pursuing closing, the Owner shall afford them a reasonable extension beyond this 15-day period to close.

- 51+ units: 15+ days
- 21-50 units: 15+ days
- 5-20 units: 15+ days
- 2-4 units: 15+ days
- 1 unit: 15+ days

Figure 32: Option 3 Process for 51+ Unit Properties



Restrictions:

Owners of a Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal:

- shall not evict a Tenant except for good cause;
- shall not refuse to provide Rental Housing Accommodations to any person based on the source of funds used to pay for the Rental Housing Accommodations; and
- shall enroll the Rental Housing Accommodation in the 4d Affordable Housing Incentive Program within 90 days of closing the sale.

Reporting requirements:

The City shall publicly report annually on the exercise of opportunity to purchase rights. Such reports shall include, but shall not be limited to the following:

- statistics on the number and types of sales of Rental Housing Accommodations;
- statistics on the number of Qualified Organizations that file a Statement of Interest and exercise the Right of First Offer and/or Right of First Refusal; and
- number and types of units in the Rental Housing Accommodations for which Qualified Organizations exercise the Right of First Offer and/or Right of First Refusal.

The Owner of a Rental Housing Accommodation purchased through the Right of First Offer or Right of First Refusal annually shall submit a compliance report to the City containing the following information:

- current rent roll,
- copy of any lease by a new tenant within the last 12 months,
- list of tenants vacating the rental housing within the last 12 months,
- any rent increases within the last 12 months, and
- any surcharges charged to Tenants and the number of years remaining until the end of the surcharge.

Exemptions:

The City should consider including the following exemptions when implementing Option 3.

Notice of Transfer: An Owner claiming any of the exemptions below must provide to the Qualified Organizations and to the City a Notice of Transfer of an interest in a Rental Housing Accommodation or of any ownership interest in a corporation, partnership, limited liability company, association, trust, or other entity that owns a Rental Housing Accommodation. The Notice of Transfer shall be sent by registered or certified mail, return receipt requested, by commercial overnight delivery service that maintains proof of delivery, or by personal service, at least 90 days prior to the proposed date of transfer. The Notice of Transfer shall be substantially in the form prescribed by the City and shall provide, at a minimum, a statement of the Tenant or Tenant Organization's rights under the Right of First Offer and Right of First Refusal, an accurate description of the transfer containing all material facts, the date of the proposed transfer, and the reason the owner asserts the transfer may be exempt from the Right of First Offer and Right of First Refusal. In addition, a Notice of Transfer for a housing accommodation to be transferred for the purposes of receiving tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42) shall include a description of the applicable federal subsidy and a description of the steps in the transaction employed by the developer to avail itself of the subsidy.

Exemptions based on type of transfer

- Family/estate/trust transfers

- An inter-vivos transfer, even though for consideration, between spouses, domestic partners, parents (including stepparents and adoptive parents) or guardians and their children, siblings (half-siblings, stepsiblings, and adoptive siblings), grandparents and their grandchildren, aunts or uncles and their nieces or nephews, great-aunts or great-uncles and their grand-nieces or grand-nephews, or first or second cousins, or the spouses of any of these relatives, or any combination thereof.
- A transfer for consideration, by a decedent's estate to members of the decedent's family, or to partnership, corporation, or other entity controlled by a member of the decedent's family, if the consideration arising from the transfer will pass from the decedent's estate to, or solely for the benefit of, charity. The term "members of the decedent's family" includes: a spouse, domestic partner, parent (including stepparents and adoptive parents), child, sibling (including half-siblings, stepsiblings, and adoptive siblings), grandparent, grandchild, aunt or uncle, niece or nephew, great-aunt or great uncle, grand-niece or grand-nephew, or first or second cousins, or the spouses of any of those relatives; or a trust for the primary benefit of a member of the decedent's family.
- A transfer by devise or intestacy, or any other transfer made in connection with a bona fide effort to pass an interest in real property to one's devisees or heirs (including, but not limited to, such transfers made in connection with a living trust).
- A transfer of bare legal title into a revocable trust, without actual consideration for the transfer, where the transferor is the current beneficiary of the trust.
- A transfer to a named beneficiary of a revocable trust by reason of the death of the grantor of the revocable trust.
- A transfer of the housing accommodation by the trustee of a revocable trust if the transfer would otherwise be excluded if made by the grantor of the revocable trust.
- Corporate transfers
 - Any transfer of a property directly caused by a change in the form of the entity owning the property, provided that the transfer is without consideration.
 - Any transfer from one co-tenant to another co-tenant by operation of law.
 - Any transfer of a minority title interest.
 - Low Income Housing Tax Credits (LIHTC)
 - The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to admit one or more limited partners or investor members who will make capital contributions and receive tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 - The transfer of interests in a partnership or limited liability company that owns an accommodation as its sole or principal asset; provided, that the sole purpose of the transfer is to allow for the exit of one or more limited partners or investor members who have made capital contributions and received tax benefits pursuant to section 42 of the United States Internal Revenue Code of 1986 approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42).
 - A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, the sole purpose of which is to qualify for and enter into a new credit period, as defined in Section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for purposes of the rehabilitation of the housing accommodation; provided that, before

and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or entity.

- A transfer of interest in an entity that owns a housing accommodation or a transfer of title to a housing accommodation, if each of the following conditions is satisfied:
 - The credit period, as defined in section 42 of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42), for the housing accommodation has ended;
 - Immediately prior to the transfer the housing accommodation is subject to:
 - An extended low-income housing commitment, as that term is defined in Section 42(h)(6)(B) of the United States Internal Revenue Code of 1986, approved October 22, 1986 (100 Stat. 2189; 26 U.S.C. § 42(h)(6)(B)); or
 - A comparable restrictive covenant as a result of a federal, state, or local program with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42;
 - Before and after the transfer, the owner of the housing accommodation shall be controlled, directly or indirectly, by the same person or entity; and
 - Immediately following the transfer, the housing accommodation shall for a term of not less than 10 years, either remain subject to an existing or become subject to a new extended low-income housing commitment or a comparable restrictive covenant as a result of a federal, state, or local program with occupancy, rent, and income requirements at least as restrictive as under 26 U.S.C. § 42.
- Court/government transfers
 - A transfer pursuant to court order or court-approved settlement (bankruptcy, foreclosure, tax sale, etc.).
 - A transfer by eminent domain or under threat of eminent domain.

Exemptions based on type of property

- A single-family home owned by a real person as their sole residential rental property.
- A single-family home that an owner occupies as their principal residence, including a single-family home with an accessory dwelling unit or other secondary dwelling unit, where an owner occupies either the single-family home or the secondary unit as their principal residence.
- Properties owned by cooperative corporations, if the property is owned, occupied, and controlled by a majority of residents.
- Properties that do not include one or more tenants, such as those owned by and operated as a hospital, convent, monastery, extended care facility, convalescent home, or dormitories owned by educational institutions, or properties properly licensed as a hotel or motel.

Enforcement and Penalties:

Offer of Sale: If a Qualified Organization believes that an Owner has not complied with the requirement to provide them with an Offer of Sale related to the Right of First Offer or Right of First Refusal, they may notify the City to seek administrative enforcement of these rights.

Timelines: If a Qualified Organization believes that an Owner is not complying with any of the timelines involved with the Right of First Offer or Right of First Refusal, they may notify the City to seek administrative enforcement of these timelines.

Notice of Transfer: An Owner's failure to provide a Notice of Transfer, or the provision of a notice that is fraudulent or contains material misrepresentations or material omissions, shall create a rebuttable presumption that the transfer constitutes a sale for the purposes of the Right of First Offer and Right of First Refusal. An aggrieved Qualified Organization has 45 days from the City's receipt of the Notice of Transfer to file a notice indicating an intent to file a petition for relief to the Owner and the City. The Qualified Organization then has 30 days to file a petition for relief.

Right of First Offer and Right of First Refusal Compliance Reports: The City will issue Right of First Offer and Right of First Refusal compliance reports for Rental Housing Accommodations to title companies, upon request.

Owner Certification and Disclosures: Every Owner of a Rental Housing Accommodation in the City shall, within 15 days of the sale of the Rental Housing Accommodation, submit to the City a signed declaration, under penalty of perjury, affirming that the sale of that Rental Housing Accommodation complied with the requirements of the Right First Offer and Right of First Refusal. Such declaration shall include the address of the relevant Rental Housing Accommodation and the name of each new Owner of the Rental Housing Accommodation. The City shall publish all such addresses on its website.

Civil Action: Any party may seek enforcement of any right or provision under the Right of First Offer and Right of First Refusal through a civil action filed with a court of competent jurisdiction to the extent permitted by law and, upon prevailing, shall be entitled to remedies.

Civil Penalties: An Owner who willfully or knowingly violates any provision of this Chapter shall be subject to a cumulative civil penalty imposed by the City in the amount of up to \$1,000 per day, per Tenant-occupied unit in a Rental Housing Accommodation, for each day from the date the violation began until the requirements of the law are satisfied, payable to [affordable-housing-related fund or to pay for costs of administering the Right of First Offer and Right of First Refusal programs].

Legal Remedies: Remedies in civil action brought to enforce the Right of First Offer and Right of First Refusal shall include the following, which may be imposed cumulatively: (1) damages in an amount sufficient to remedy the harm to the plaintiff; (2) in the event that an Owner sells a Rental Housing Accommodation without complying with the law, and if the Owner's violation of the law was knowing or willful, mandatory civil penalties in an amount proportional to the culpability of the Owner and the value of the Rental Housing Accommodation. There shall be a rebuttable presumption that this amount is equal to 10 percent of the sale price of the Rental Housing Accommodation for a willful or knowing violation, 20 percent of the sale price for a second willful or knowing violation, and 30 percent of the sale price for each subsequent willful or knowing violation. Civil penalties assessed under an Owner's knowing and willful violation shall be payable to the Minneapolis Affordable Housing Trust Fund; and (3) reasonable attorneys' fees.

Equitable Remedies: In addition to any other legal remedy or enforcement measure that a Qualified Organization or the City may seek, any court of competent jurisdiction may enjoin any Sale or other action of an Owner that would be made in violation of the Right of First Offer or Right of First Refusal.

Appendix: Community Engagement

The critical work to gather diverse perspectives on the potential impacts of an opportunity to purchase policy revolved around two stages of input between February and June 2020:

- **Stakeholder Interviews:** conducted with individuals to gather initial input on opportunity to purchase goals, scope, concerns, and potential benefits
- **Focus Group Discussions:** to review policy options and invite feedback, issues, and opportunities to be considered, and preferences.

At the early stages of the project timeline, the COVID-19 pandemic emergency measures were instigated, restricting social contact. All engagement processes were done remotely through virtual platforms to accommodate safety measures.

Stakeholder Interview Summary

Phone interviews were conducted with forty-seven participants from three different stakeholder categories:

Tenant Advocates and Organizers (15 interviews)	Housing Industry Partners (20 Interviews)	Affordable Housing Preservation Partners (16 interviews)
<ul style="list-style-type: none"> • Legal Advisors • Tenant Organizers • Regional and community-based organizations 	<ul style="list-style-type: none"> • Financial agencies, institutions, and consultants • Legal advisors • Local, Regional, and State Government • Developers and property owners • Realtors and Brokers • Housing intermediaries 	<ul style="list-style-type: none"> • Nonprofit Developers • Community Development Financial Institution (CDFI) • Land Bank • Land Trust

Participants were asked about:

- previous knowledge of opportunity to purchase policies,
- potential benefits or goals of an opportunity to purchase policy,
- who the primary right to purchase should be assigned to (tenants, city, or predesignated developers),
- rental property types that the policy should apply to (multifamily, single family),
- whether long-term affordability should be required,
- potential concerns, and how those concerns could be mitigated, and
- whether the City should implement an opportunity to purchase policy.

Given that opportunity to purchase policies are not widely understood, the interviews presented a useful way to introduce the basic policy concept, imagine how it might be implemented, and gather initial reactions about its potential positives and negatives. Themes that emerged from the interviews include:

Anti-displacement

- Housing stabilization—Allows renters the decision-making power over what happens to their homes.
- Neighborhood stabilization—community ownership
- Anti-displacement strategy, keep community in place.
- Market intervention to better serve communities of color and low wealth.
- Enable community ownership models (cooperatives, land trusts).

Preservation of affordable housing

- Preservation of affordable units.
- Win-Win: Seller gets full sale price, ability to strategically purchase properties.

Increase homeownership

- Address racial disparities in homeownership.
- Increase home ownership options (first time homeowners).
- Access to ownership provides pathway to build equity and financial wealth.

Renter rights

- Gives renters leverage when property is positioned for potential upscale.
- Renter rights—Renters have invested in the property through their rents, empower active role in housing destiny.
- Levels the playing field—more balanced power between renters and property owners.
- Net community benefits of more equity, more fairness, more opportunity for communities of color, populations facing barriers.



Cascade/Tiered approach

- Right should start with renters—if they chose not to act, city or nonprofit should be able if there is a compelling interest in the preservation of affordable housing.
- Suggest a tiered approach—renters have first option, then to others to preserve affordable housing
- Tiered level with renters having first right—ideally open to many different preservation actors.
- Cascading right with tenants who have paid landowner’s mortgage, next to community developer, and city as final option.
- Tenants get first right to purchase. If pass, city can step in (delegate to developer).
- Capture all possibilities for mission-based options (keeping rents affordable)—need to prevent entities from getting into a bidding war with themselves.
- Tenants first, option to work with developer/land trust, and final option to the city.
- Start as local as possible—give first right opportunity to residents in that location.
- As much flexibility as possible—start with renters.
- First priority is renters—can assign their rights to the city (second most neutral partner), and the city will pull in partners for the transaction—a cascade effect for assigning rights.
- Residents should have the right to choose—partner with nonprofit or resident ownership group that meets certain standards.

Tenant Right

- Right of tenant is primary—gives renters options.
- Target tenants to uplift and empower.
- Tenant right to purchase only if there are adequate supports in place (e.g., education, funding, legal advice) to set people up for success.

Developer Right

- Best option would be a mission-based developer/nonprofit.
- Create a vetting process for entities that can be licensed to be assigned on behalf of the tenants – model is charter schools, authorized by Department of Education.

City Right

- City should not have the right to purchase—should not be sole decision maker.
- City should not be in the position of picking winners and losers.

Other Considerations

- Make sure there is an expedited process, not get in the way for transferability of property.
- Build on Advance Notice policy—weave into current policy.
- Whatever would yield the most affordable and broadest option for residents.

Include all multifamily properties

- Policy should cover all types of property—city can decide which properties to give assistance to.
- Do not know a strong basis for excluding properties from the policy.
- Blanket coverage would be preferred, even if there are limited resources.
- Include all properties—drawing a line would be arbitrary.
- Property owners would find ways to get around the policy if exclusions were created.

NOAH properties

- Prioritize properties that have NOAH-targeted income levels.
- Focus on a targeted housing type—NOAH. Drive toward the greatest potential benefits.
- Cover those that have majority of units considered affordable (for class B and C buildings flipping causes disruption, less able to recover).

Subsidized properties

- Subsidized properties should be excluded (complicates LIHTC transactions).
- Exempt if YR15 or YR30 tax credit project—needs to be controlled/run in accordance with affordable housing mission.
- Exclude properties sold between nonprofits, long-term affordable leases, homeless transitional housing.

Larger multifamily properties

- Bigger bang for the buck with larger properties—smallest should be ten units.
- Larger properties have advantage of scale to meet goals (more bandwidth for mechanics of operation, stability to survive challenges).
- Consider long term asset management—helpful to have more units (25 or more?).

New properties

- Exclude recently developed multifamily (new market rate multifamily is typically sold or refinanced in first 3-5 years).
- Upper end properties may not be necessary—renters have other housing options.

Smaller multifamily properties

- Start at 4-unit properties (exempt 2-3 unit properties)—smaller properties are more likely to be Ma and Pa owners.
- For efficiency of resources, do not include properties with low number of units (12-20 would be manageable).

Incremental strategy/Ownership structure

- Suggest limited approach, phase in, or expand over time (consider capacity issues for TA).
- Incremental build out as impacts on the housing market are assessed.
- Phased in approach to implement policy—balance between reasonable and burden.
- Structure of ownership (exclude small operators?).

Include all single-family properties

- Cover all housing types.
- Especially needed in North Minneapolis—vast majority of housing is single family, take over by private equity firms is increasing.
- Policy should apply to all renters.
- History of segregated housing stock in Minneapolis resulted in some housing types being excluded in sections of the city. Single-family renters invest and care for properties, should also have right to purchase.
- Excluding single-family homes would exclude black folks.
- Landlords will take advantage of gray areas of ownership – should apply across the board.
- Single family serves larger families—should not be excluded.
- Single-family rental has been increasing since the recession.
- Could be most efficient approach for TOPA—opportunity for renter to buy the home.
- Good way to get inventory back in the market and create ownership opportunities of rental households.
- Way to prevent remote investors from buying up properties—good outcome.
- Method to get renters into a rent-to-own position (finance/attitudinal) is easier to work on single-family options.
- Blowing up the system—change to something better. Why not?
- Tool to reduce disparities between white and households of color.

Exclude single-family properties

- Current home sale process facilitates the tenant right to purchase. Minneapolis Area Realtors want single-family homes exempted from TOPA policy. They believe this issue is already solved for in the market.
- Does not align with Minneapolis 2040 plan – ability to tear down and do triplex.
- Suggest alternative—Senior Housing Regeneration Program (Greater Minneapolis Housing Corp).
- Exempt properties in default and foreclosure limbo (bankruptcies).
- Difficult to regulate wide range of single-family rental owners—what oversight could be provided?
- Slows down timeline for selling home. Foresee pushback more broadly.

Ownership structure

- Yes, if owned by investor or corporation. It is a scale thing. Model is broken in the first place—impossible for a corporation to own more than ten homes and not go to ruin—inefficiency of scattered site rentals.
- Possible threshold of units (five or more) triggers policy, acts as a multifamily operator.
- Do not penalize single-family owner that just wants to sell and move on, added burden to sell in tough market.

Other considerations

- PPL experience with rent-to-purchase programs saw low success rates. Need mediating institution involved all along.
- City already penalizes single-family properties that convert from ownership to rental (\$3,000), which discourages investor owners.
- If renters had access to resources, it would be a different proposition (typically 49-68 percent cost burdened). Do we really want to encourage these people to buy property?

Long term affordability linked to public resources

- Require long-term affordability if city or state financing is involved. If not, no requirement should be made.
- Requirement for affordability should be triggered by funding source.
- If public resources are used.
- When city money is used, preservation requirements should be made for longest amount of time possible.
- If city acquires and resources are used it is appropriate for covenant, should have sunset—not in perpetuity.
- Minneapolis Inclusionary Housing policy requires affordable mix.
- Unacceptable that we allow a handful of people to walk away with public equity. This is what we have done for 50 years.

Affordability requirement regardless of public resources

- Primary benefit is to preserve affordable housing, especially if developer purchases - remain deeply affordable.
- That is the whole point. Reason for OTP is to keep units affordable.
- No matter what because preserving affordability is the goal.
- Should be some sort of limited requirement to ferret out people trying to work the system
- Long-term permanent affordability is critical. Rapidly appreciating markets. Appreciation of equity - ultimate goal is preserving affordable housing. Covenant will ensure.

Maintain flexibility of outcome

- If no public funding, benefits are negotiated to identify favorable terms—but would have less leverage to ensure affordability.
- Should be flexible/scalable depending on the level of public funds.
- Depends on the building. If extremely low income, then they are accustomed to rental restrictions. Mid-level adds more complexity.
- Might be good to focus on missing middle market - greater stability with resident incomes.
- Depends on the funding source—what part of the market to focus on. If resources for rehab - build in accountability for public funds.
- Some people are trying to build equity, not permanent affordable housing—provide an exit or opt-out, in lieu option.
- If selling to tenants, less inclined to require. Or adopt land trust model. Build wealth in tenant base.

Renters to decide

- Renter should have input on the goals.
- Different consideration for tenant purchase as collective—different financial considerations.
- Make sure the covenant will not displace residents.
- Like to see wealth transfer to tenants, not too much of a cap on wealth creation for those that took the risk on ownership.
- Residents should be able to choose vision for the property.

Transition from rental to ownership

- Unique challenges for properties transitioning from rental to ownership (housing cooperative and condominium examples).
- Duplex/triplex transitioning to ownership (owner rents out other units) will need good support for buyers acting as landlords.
- Concern about potential back-lash at the legislature working to pass Manufactured Home Park OTP.
- Concern as neighborhood – ability for new owner to manage and maintain building.
- Challenges for long term success of cooperatives/condominium associations. Difficulty of democratic ownership.

Technical supports

- Be clear of what an arms-length transaction means (all kinds of goofy deals between buyers and sellers).
- Complicated transactions—make sure TA/legal supports are sufficient.

Time required

- Provide sufficient time for the process—issues arise if too short or too long.
- Tying up property for a long time. 45-60 day period is fine. 200+ days inconveniences the seller in significant ways.
- Mandatory due diligence must be built into the process—requirement to turn over materials, language that limits the kind of terms that must be matched.

Potential impacts on property owner

- Too cumbersome and onerous to property owners, adds unnecessary costs.
- Concern for deflated property values where there is a presumptive limitation on the sale.
- Multiple rounds of bidding - price negotiations often go higher or lower than list price.

Potential impacts on renters

- Renters getting into situations they are not prepared for.
- Anything that might lead to displacement.
- Assignability and salability of right—do not let people get exploited.
- Tenant protections from property owners emptying building prior to sale.
- With SF homes, concern that investors will go straight to renters – will not know to access neutral legal counsel and will be susceptible to fraud. Be careful about scams that could emerge (e.g., seller financing, contract for deed). Make sure consumer is not ripped off.
- Making sure tenants know what they are getting into - ability to manage over the long haul.
- Complexity to tenant ownership/education - will require a lot of handholding, time consuming, expensive. Will take a lot to get to work.

Potential abuses of the policy

- Caution where right of first refusal can be manipulated, ways to structure offer that builds in barriers to exercise option to purchase. Provide requirements for buyer, high earnest money, short contingency.
- Always ways for seller to game the system - looking out for how the process can be manipulated.

Alignment with other policies

- ULI members feel that OTP, in addition to the other policies in the city, is a disincentive to do business in Minneapolis. Need to understand the impact of all policies.
- Make sure the policy is structured in a way with tenants in stronger bargaining position, access to capital, making sure sufficient attention is paid to enforceability (do not create too many loopholes). Advance Notice lost impact due to 1031 exchange tax break.
- Creating tenant right to property where no ownership interest already exists – removing right from owner and handing it to a tenant.
- Too many conditions will make it less successful. Pair with tenant protections in advance of sale.

Disruption of capital investment for new housing

- From a capital perspective, Minneapolis needs more than local capital to build new housing supply. Yields have tightened in other markets - outside investors have identified Minneapolis as undersupplied market. Appeal of Minneapolis market includes job diversity, migration, liquidity (ease/ability to get into or out of a project). Contingent on an investment profile, investors are in for three years and then sell, or are long-term owners. Assessing liquidity, need confidence they could get out in three years. Depends on volume of projects, ease of sales. Minneapolis is having a lot of sales between investors. Benefit is more money coming into our market. If we add a year to the sale process, it makes the market less liquid. Will not compete with other markets for investors. Loss of capital - no longer attractive to outside investors, cumbersome exit opportunity. Wood frame projects need to raise \$30 million within two months. Concrete projects - one project was traded in 2014, exponentially harder to raise capital investment. Priorities - constraints to capital in the city results in loss of money for new housing supply. Catastrophic affect to increasing supply. Need an analysis on the market - want to prevent or compress the timeline.
- If policy puts limits on ability to finance—it could have chilling consequences for the city. Impact on affordability.
- 1031 exchange—number of days to turn property around, IRS codes for capital gains.

Harm of inaction

- More concern over the status quo—what happens if we DON'T implement an OTP policy?
- Do not be overly concerned with unintended consequences. It will be a new approach - anticipating consequences is purely speculative for both sides. Draw from evidence to back-up claims vs. fears.
- Rapidly appreciating markets - prices still are at the point where is can be exercised—at some point TOPA will be too hard to do.

Enforcement

- Property owners will figure out how to get around the policy. Lack of political will to enforce it.
- Providing sufficient enforcement of the policy (close loopholes).
- OTP must be well crafted - clear about stages of progress - documents not to be too onerous - clear standards for partners. For coops, need clarity over who constitutes the residents, voting base. Clarity of process, timeline, clean/clear title.

Resources needed

- Requires adequate funding - not false hope to tenants.
- Implementing the policy without resources – not able to operationalize.
- Will there be money to support the policy?

- Caution from overextending—incentive/aspect of funding enough to go around, support system. Tenants do not know rights - have capacity to support them.
- Worry about substantial public resources needed, providing overpayment to owners.
- Will not be cheap (ex: NOAH)—previous landlord has driven the property into the ground, ready to hop out—kept rents low by not fixing things. Will be more expensive than we are imagining (based on experience).

Commit resources

- Sufficient resources, access to organizing resources, accessible communication—multiple languages.
- Requires political will—shift the way resources are being used so that the policy can be meaningful
- Money really matters—got to invest.

Blanket policy vs. targeted approach

- Apply policy universally to reduce ways to get around it.
- Clear process tested with a pilot project.
- Phased in model - time for market/TA system to ramp up. Written with scalpel rather than paint brush.
- Priority for TOPA on vintage buildings, not higher end as target for the policy. Target the policy toward demographic that is currently experiencing housing instability, age of building.
- Are incentives possible? Tax reduction during the transaction period? Huge funding source? Try pilot - good landlord to volunteer to model what it could look like - positive story to show what is possible.

Technical supports

- Landlord training, good education and TA, lending products for coops, mix of training/TA/education.
- TA supports, legal assistance, financing available and speed of accessing.
- Preapproved list of vendors so we know tenants are getting good expertise.
- Require home-buyer education.
- Accompany policy with an array of resources (legal, TA, financial acquisition/rehab fund).
- Promote an agriculture coop model. Different from a leasehold/LEC coop. Central organization built with experts to get things done (e.g., Land-o-Lakes, etc.). Independent farmers are part of a larger organization - access to capital, insurance, markets, etc. Other ownership structures are also possible—could be done together.
- Supporting broader coop sector still has a long way to go. More infrastructure to be developed to ensure resident success.
- Communicate and educate.

Process timeline

- Buyer has some time for due diligence (60 days), to include title commitment, survey, environmental, capital needs assessment. Mandate that seller/buyer share due diligence that exists.
- Limit time from to 45-60 (maybe 90?) days.
- Adequate time to exercise opportunity.

Tenant Protections

- Create stronger tenant protections (e.g., rent control, just cause, condominium conversion limits).

Market research and thorough vetting

- Provide research on how policy impacted other markets.
- Procedure that everyone can inform - fine tune.
- Clear, thoughtful process. Voices heard from all sides. Dialogue also should be had with greater Twin Cities perspective.
- More government investment in tenant organizations; roundtable discussions with everyone involved about details (especially those that could oppose—owners/developers).

Policy development

- Make sure the policy can be enforced and sufficiently administered.
- Do not let perfection get in the way of good.
- Clearly defined requirements to purchase.
- Standard purchase agreement - how to buy subject to changing these provisions.
- Separate 2040 Plan and TOPA to evaluate which are working.
- Address concerns about seller financing, contract for deed. Ensure arms-length appraisals (now required). Not allowing seller financing. Make sure truth-in-housing is implemented.

Developers

- Work with developers best positioned to do repairs, participate in complex refinancing programs.
- Partnerships with nonprofits are important. Local nonprofits that offer coaching, budgeting, long-term planning programs, to put people in better position to thrive in opportunity.

Leans to yes

- It is a way to combat gentrification, proactive step city can take.
- Do not think OTP is the silver bullet to fix affordable housing, but it has shown itself in DC and other places to be an important tool.
- Balance of power tips against renters - profound racial equity implications.
- Tenant power to make decisions over housing—radical justice.
- Helps build community, provide stability for schools, employers, public health. Work in community to build neighborhoods that matter, community support, invest in community ownership.
- The landscape of property is increasingly moving toward people with money, limiting choice. Tenant families are losing power, creating massive health and economic issues. Need more housing options not geared toward extraction—mitigate against it. It is a choice based in values.
- Commitment to affordable housing—do not believe this is a silver bullet, but one way people can address their housing needs.
- Should be restricted to 4+ units. If that works well, move to under four units. That is where majority of concern lies. People are harmed by this marketplace—something must be done. Attractive option if done right. Timely, needed, wise, as long as it works in the market—limited scope, sets out to solve problems while minimizing unintended consequences.
- The biggest group to help would be tenants in less dense properties (less than 20 units) with marginalized populations—provide a tool to climb another rung on the ladder. Focus on NOAH buildings (built 1970-1990) that allows residents to maintain affordability. They could partner with a nonprofit or create own ownership structure.
- Beneficial to neighborhoods to take ownership stake, organizations to help people along that journey.
- Try to intervene in market thoughtfully. Err to real estate preservation over tenant empowerment. Intervention not by tenants but by entity that has overall market perspective (location, demographic focus).
- Be as proactive as we can now (wait 5 years—what will we have lost?)
- I think every city should. More housing needs to be shifted from commodity to community. Make sure housing is always reasonably priced.
- In some form. Right now, affordable housing is clearly an issue—social justice, displacement, economic issue. Act now to maintain affordability.
- Right now, would create real opportunity to create affordable housing, community ownership models. Expand homeownership for single family. Enhance what is already being done.
- Consider including commercial property in TOPA—build broader coalition for support.

Leans to no

- Not without evaluating the impact of all Minneapolis policies first.
- We are still in freefall—will be a recession. Investors are pulling out of construction loans, tightening credit market. Concern over what landscape will look like, how many companies will be out of business. Throwing another encumbrance into the mix will discourage investment. Which is exacerbated by unemployment.
- There is so much swirling in housing market—even before COVID-19. Ordinances effective in June with no guidance. Unclear city can effectively operationalize ordinance. Not sure bandwidth is there.
- Hate to see OTP movement leapfrog over creating changes in rental policy. Make leasing better, other flexible options. Community investment pools—do not think ownership is the only way to achieve goals of stability.

Undecided

- Effective only if the administration is thought through—big financial commitment is behind it.
- Does the city have sufficient resources? Prices are increasing.
- The city needs a segment of units (5-10 percent) which would be helpful to provide rent and pricing stability.
- Need to be very careful. Hope that after recommendation that the city will undertake an extensive public engagement process. Previous policies (e.g., Energy TISH?) created a heavy lift by realtors—too quick. Need to be vetted with wider policy to help all stakeholders understand and have input. Realtors support pathways to ownership—dedicated to closing the racial gaps, all hands/policies on deck.
- It depends. Regional economy—many jurisdictions, implications. Worry about the city doing this on their own. Regional, across border affects. Worry about Minneapolis putting itself at a disadvantage. Mechanism to apply more regionally. Identify externalities.
- Depends on the details. Should consider all policies. COVID will triple homelessness.

Focus Group Discussions: Feedback on OTP Policy Options

Focus groups were conducted to gather stakeholder feedback on a range of opportunity to purchase policy options during May and June 2020. Fourteen virtual sessions were convened to engage 101 participants representing the following stakeholder groups:

- **Housing Industry Partners** (two sessions): Local and state governmental agencies, housing intermediaries, developers, financial institutions, real estate attorneys and consultants, realtors.
- **Affordable Housing Preservation Partners** (three sessions): Nonprofit developers, community development financial institutions, land bank, land trust.
- **Tenant Advocates** (two sessions): tenant organizers and legal assistance providers.
- **Tenants** (three sessions—offered in English, Spanish, and Somali)
- **Building Minneapolis Together**: For profit and nonprofit developers, development intermediaries, chambers of commerce.
- **MN Multifamily Housing Association**: Multifamily property owners.
- **Minneapolis Area Realtors Association**: Realtors.
- **Equity in Place**: Equity advocates, CURA, nonprofit developers.

All focus group sessions included the same presentation content, including:

- Overview Minneapolis policies, housing strategies, and opportunity to purchase goals (provided by city staff)
- Review of opportunity to purchase Examples:
 - Tenant Opportunity to Purchase
 - Tenant Opportunity to Purchase—Permanent Affordability
 - Community Opportunity to Purchase (Qualified Developers)
 - Single-Family Opportunity to Purchase
- Discussion questions

Sessions were recorded for accuracy. The comments of each stakeholder group are summarized below to reflect the general comments and perspectives (a bulleted format is used to reflect the spectrum of ideas shared).

Housing Industry Partners

Two focus group sessions were held with Housing Industry Partners (seventeen participants) including representatives from: Met Council, MN Housing, Family Housing Fund, Federal Reserve Bank of Minneapolis, Wells Fargo, Faegre & Drinker, MN Housing Partnership, Metropolitan Consortium of Community Developers, Housing Link, MN Homeownership Center, Ryan Companies, Minneapolis Area Realtors Association, and Sheridan Adventures (housing finance consultant). These comments are summarized from their input:

- Tenants should influence the future of the property. Empowering tenants outweighs permanent affordability, but city resources should be provided as incentives for long-term affordability. More flexibility is better.
- Cascade assignment of rights from tenants to qualified developers.
- Shared ownership models can be challenging.
- Technical assistance to tenants should be culturally sensitive.
- OTP would provide more breathing room for NOAH property purchases.
- Smaller properties (5-20 units) are not eligible for tax credits—would be challenging to require affordability without gap financing.
- Provide an expedited timeline for smaller properties (single family to four unit).
- What funding sources are the best fit for this strategy? Affordable Housing Trust Fund? Is a separate program needed? The funding source could complicate the strategy. OTP does not change the ability to get financing.
- Long-term affordability should be linked to public financing assistance.
- The 4d Affordable Housing Incentive Program solves for preserving affordability.
- Build on the foundation of Advanced Notice.
- Additional role would be needed by developers to market themselves to tenant organizations. Consider the added capacity needed to support that work.
- Determining qualified developers sets up winners and losers. Provide flexibility to broaden the pool of potential qualified development partners. Consider a rolling application process used in other jurisdictions (rotation of qualified developers). The city should commit to helping developers become qualified. Focus on including developers of color.
- Using qualified developers could have a healthier “edge affect”—other cities could adopt if developer gains steam for implementing the strategy, proven model.
- State law prohibits a landlord to break a lease at point of sale. Additional tenant protections may not be needed. Rent control in New York City resulted in disinvestment in buildings.
- Build in ways for owners to keep building in good repair, stabilize and maintain property (reserve requirements). Long-term 15-year training reserves would be important for transition to successful tenant ownership (expiring LIHTC terms could be point of shift to tenant ownership model).
- When these types of burdensome requirements are placed on the market it alters the business models and presents a disincentive for some investors to participate in the market. New construction often attracts other national (or international) investors, and if these limitations were placed on their ability to sell, they may not participate in the market. Investors will shift to other cities.
- Unclear what problem we are solving for single-family rental. Is there a more effective strategy? Intermediaries already support low-income households making transition into homeownership. Budget and credit counseling are needed.
- Concerns about seller-financed deals for single-family rental. What if there is not appropriate recording? Direct to consumer creates the possibility of sellers taking advantage of buyers.
- Important anti-displacement strategy—include right to assign to a third party.
- National Realtors Association survey shows that 82 percent of households aspire to homeownership someday.

- Community partners are needed to help with accountability and enforcement.
- Caution over too many city requirements. With many city policies at hand, how do they affect each other?
- What alternatives would provide similar results (e.g., tax incentives, property tax abatement, etc.)?

Timeline:

- Price is the determinant. Higher priced properties could take 150 days. \$200-\$300K could take four hours. Half are done in under three weeks, half are done in over three weeks.
- First Look program provided one week before property went to the market.
- When finance structures are available, timelines can go quickly (e.g., ROC USA for tenant owned manufactured home parks).
- Important to strike a balance that allows affordable housing funds, find way to deploy quickly.

Housing types to include/exclude:

Include	Exclude
<ul style="list-style-type: none"> • NOAH properties at risk (aging or vintage properties are preferred). • Properties with previous public investment. • Lower hanging fruit is smaller properties—easier. • Single-family rental. • Properties that have licenses revoked or have a history of violations would be high priority. • Small and large projects should be allowed. 	<ul style="list-style-type: none"> • Transactions between nonprofits (involving LIHTC financing) or properties that are proposed to utilize LIHTC financing. • New housing—maintain the ability to get out of investment (keep as liquid as possible).

Affordable Housing Preservation Partners

Three focus group sessions were held with Affordable Housing Preservation Partners (seventeen participants) including representatives from: Project for Pride in Living, Urban Homeworks, Hope Community, City of Lakes Community Land Trust, Aeon, Beacon Interfaith Housing Collaborative, Greater MN Housing Fund, Shared Capital Cooperative, Land Bank Twin Cities, and Northcountry Cooperative Foundation. These comments are summarized from their input:

- TOPA recognizes tenant rights in a similar way to property rights. It asserts the rights of the tenant when it comes to the property they live in.
- Questions arose around how a qualified developer system works. Do they compete with each other to bid on properties? Who determines who gets qualified? Assuming that most qualified developers are not people of color (BIPOC-led), it can fall short of a racial equity impact.
- A potential result would be properties trading off-market to avoid TOPA requirements. Strong compliance measure will be needed to guard against that. Interestingly many affordable housing providers courting NOAH properties will benefit from off-market transactions to have less competition (which hopefully reduces costs). An OTP policy could disrupt some of those relationships.
- Anticipate a lot more push back by single-family rental property owners, especially smaller family-owned investment rental (Mom and Pop operators). It is an intriguing idea for places like Dinkytown, where homeownership has become obsolete because big developers buy up the properties.
- Important to consider the condition of buildings. Consider creating a formula that takes into consideration the amount of rehab necessary for each unit. If the rehab exceeds the unit price, there is a question as to whether we are doing the tenants any favors by preserving the housing to take over as owners.

- Those with experience (Artspace) said that working with tenants to qualify to purchase a property and agree on a strategy is very challenging. The fewer number of units the easier to organize. A promising zone would be 12-75 units or so. Not that others would be excluded, but to focus on a more manageable strategy. A qualified developer could step in in an interim position to allow tenants more time or way to mitigate some of the challenges for moving into successful ownership (condominium or limited equity housing cooperative). As a qualified developer, the property could be held for 2-5 years to function as an acquisition vehicle to either hold it long-term or facilitate the transfer all the way through to tenant ownership with or without permanent affordability.
- There is a potential role for the Land Bank as temporary acquisition and asset holder while tenant group pulls together finance for long term ownership. Challenge is doing that without increasing the future purchase price to the tenants.
- Nonprofit developers could provide more affordable rental housing. That is a different objective than driving wealth to the tenants. Indicates a hybrid possibility of the Land Bank and PPL doing interim hold and then having a requirement or a pathway to sell to tenants. Previously efforts by PPL and CLCLT supported a “rent-to-own” program, and the success rate was about 50 percent.
- With the Corcoran 5 (Frenz deal), IX did lion’s share of governance, organizing, and served as a tenant advocate. There is so much work to do in that space. IX is personal bridge between Land Bank as the new landlord and the new owner. In addition, they provide a lot of other supports like translation.
- Currently there are no good financing options for cooperative housing. A lot of lenders were financing coops in the 1980s and 1990s and got burned, so it is difficult to bring them back into the possibility. Acquisition sources abound, but permanent financing, rehab financing, and construction financing is really the issue.
- Is there a possibility that the policy would drive up pricing because OTP actors might feel compelled to spend more? The sale is not always won by who can close with cash the fastest.
- Rather than enacting a Right to Purchase, another option is the Right to Negotiate in Good Faith, which is what is used for manufactured home parks. It allows the seller to negotiate in good faith with residents’ offers and skirts the potential challenges and legal complexities of assigned rights. This approach has successfully been used to support community ownership strategies for manufactured home parks in Minnesota and New Hampshire.
- The implications for the housing market are tied to the details of how this program would be designed. Does it introduce new uncertainty? Does it cast a cloud over property title? As long as there is a common understanding of the rules and what the time frames are and provides a clean process that provides residents the option to move ahead with a purchase, and adequate provision for what it takes for that to go forward in a smooth way, it feels like the implications would be relatively minimal.
- Worst case scenario/devil’s advocate says that, based on what is going on in the economy right now, and then we put a program out there that is hindering people’s ability to do what they need to do with their property and assets, and a whole bunch of owners start to leave the market, and then suddenly we have 500 sales happening, which puts additional strain on the capacity to organize tenants, we are creating a pretty big problem. How do we think about some of those scenarios and challenges?
- Is there a way to have Sharia-compliant financing options in this process?

Timeline:

- A typical NOAH transaction provides 45-60 days due diligence for securing third party reports. It sometimes does not take that long, but it is a fair window.
- Transaction processes used for cooperatives in manufactured home parks require 90 days due diligence, but that is linked to the ability to secure predevelopment financing. For organizing a coop, it usually takes 120 days, which includes a month alone for cooperative members to vet options.

- Transactional timelines depend on the seller’s motivation. Some allow for 60 days for due diligence; others allow 45 days (more typically an institutional seller). 60 days sounds reasonable and attainable. You would be pressed to find someone that would give you more than 90 days if it is an asset that is being pursued by another buyer. Equity funds are able to do cash with 30 days and no contingencies, almost sight unseen in some cases).
- Make sure we are buying these properties with full knowledge of what we are getting and are able to cover additional costs of repair. Any longer than 90 days would be tough.
- It depends on what sources of financing you are using. If you have a dedicated source of funds, a 30-60-day financing timeline seems reasonable. Traditional affordable housing programs can take much longer due to the limited amount and competition for those sources. Identify which sources would be used for this strategy, and what kind of volume is estimated. Also, do not compete for the limited subsidy funds used for new construction, etc.

Housing types to include/exclude:

Include	Exclude
<ul style="list-style-type: none"> • Include all rental properties but focus in on the characteristics that are most likely to succeed (manageable size to organize, and enough residents to combine resources for asset management over time). • Variety of different ways to work with different size properties. • Universal is the way to go because there is possibility in every part of the market. • Could be beneficial to move bad actors out of the market. • Smaller properties will be challenged to cover major capital improvements. It is important that smaller properties be networked with other properties to absorb shortfalls. • 20+ units is a good standard—offers large enough scale to attract financing and the transaction costs are workable. • Makes more sense to apply to larger properties, which enable greater efficiencies. • Multifamily NOAH, already under threat, should be the focus of this policy. • Keep the single-family option. Tenants can work with the City of Lakes Community Land Trust to help them purchase a duplex and rent out the other unit to get extra income. 	<ul style="list-style-type: none"> • Harder to make the numbers work when you have fewer units. • Since most rental properties are smaller properties, is there another tool that would provide a similar experience (may not be OTP). Not sure what would work, but important to ask the question. • If existing affordable properties that already have restrictions on them (e.g., LIHTC, bonds, housing vouchers, etc.)—properties that are already protected – they should not be subject to OTP. • Single family/duplex/triplex OTP is a strong fit for land trust model. It is hard to go to scale, and the tool seems to be different.

Tenant Advocates

Two focus group sessions were held with tenant advocates (ten participants) including representatives from: Homeline, Jewish Community Action, Mid-Minnesota Legal Aid, Housing Justice Center, Inquilinxs Unidxs Por Justicia, and the Alliance for Metro Stability. These comments are summarized from their input:

- Minneapolis should adopt a tenant opportunity to purchase policy. Housing is a right, and renters are the most vulnerable to displacement due to the imbalance of power by those that own property. It is important to acknowledge the importance of racial equity and undoing past wrongs. OTP is a critical anti-displacement measure that works to build and strengthen existing communities.
- Additional tenant protections (e.g., Just Cause, rent control) are needed to guard against potential abuses, such as landlords evicting all tenants before putting the property for sale to avoid OTP requirements. Regardless of what protections are in place, landlords may try to find ways to get around the requirements. Therefore, the lack of full tenant protections should not detract from passing an OTP policy.
- The assertion that an opportunity to purchase policy would have negative impacts on the housing market was brought into question. Advocates asked whether there is any research or evidence that substantiates these concerns. Such an effect could be viewed as a positive. The potential for slowing down the rising home values would create more affordable housing options. They warn against speculative impacts guiding policy. In addition, it was pointed out that the use of 1031 exchanges (a deferral of capital gains tax) actually increase the cost of rental properties, where a seller is willing to pay more to benefit from the tax loophole.
- Properties sold at market rates will do nothing to ensure affordable housing. Significant public subsidy will be needed to achieve affordability, no matter which OTP option you use. Because private investors can always move faster than anyone putting together public resources for affordable housing, the timeline for transactions must be extended to provide a more level playing field.
- If qualified developers are established, tenants and tenant advocacy organizations should be part of defining criteria and participate in the selection process. Considerations should be made for including BIPOC developers, or if needed, providing capacity building resources to become qualified.
- For single-family rental properties, families should be able to pair with nonprofits (e.g., Urban Homeworks) to offer contract for deed options. Typically, single-family renters would not be able to compete head-to-head with a corporate investor, so creative strategies would be needed for an OTP policy to be meaningful. Given that most rental properties in north Minneapolis are single-family properties, it should be considered
- If long-term affordable housing was the critical goal, nonprofit developers offered the best chance to secure the needed financing and expertise to achieve it. What level of affordability (percent of AMI) would the City require, and for how long?
- Questions were raised about meeting the terms of sale. Would they need to match every provision? Explicit guidance must be given for what constitutes a bona fide offer, and what is required to match it (e.g., purchase agreement details). Concern was expressed about overpaying for property. How do you ensure that an offer is real?

Timeline:

- Some said sixty days is a reasonable amount of time to form a tenant association, others said up to fourth months depending on the number of units in the building. Organizing supports would require dedicated staff to meet with residents weekly to provide information and identify interest. Additional time would be needed to figure out what strategy to pursue (e.g., identify an investment partner, terms and conditions, ownership through a land trust or limited equity housing cooperative, etc.).
- To shorten the timeline, tenants that formed an association could work with an interim buyer (such as the Land Bank Twin Cities) to purchase and hold the property while tenants deliberated over what outcome to pursue.

Housing types to include/exclude:

Include	Exclude
<ul style="list-style-type: none"> • Make it as universal as possible (simplify do not complicate) 	<ul style="list-style-type: none"> • New multifamily properties are often built and change hands quickly among investors. It would make sense to exempt building within the first five years of construction. • Properties that utilize tax credits

Minneapolis Renters

Three focus group sessions were held with Minneapolis tenants (thirty-two participants) offered in three different languages (English, Spanish, Somali). Thanks to Inquilinx Unidxs Por Justicia and New American Development Center for providing outreach and translation supports for these sessions. These comments are summarized from their input:

- Additional tenant protections were extremely important to renters. Without those protections, it leaves huge loopholes for landlords to empty a building before putting it up for sale, avoiding any opportunity to purchase policy requirements. Eviction is a key tool used by landlords. Protections are needed regardless of TOPA. Although not ideal, renters suggested the option of a lookback period to identify unfair evictions prior to sale. Low income and buildings with people of color are the most affected.
- Additional tenant protections could include just cause eviction, rent stabilization, and look back periods.
- The desire for long-term affordability was about equal with the desire for Tenant Rights. They felt it was more important to do the right thing than the quick thing (create an expedited system). More information is needed for how affordability would be defined (based on local incomes or regional median income).
- An OTP policy should be focused on anti-displacement above all else.
- A strong educational plan will be needed by the City to inform the public about what an opportunity to purchase policy means. Most people are not familiar with that idea.
- There is a need for housing that can accommodate large families (5-6 bedrooms). Single-family housing is often the only option. We want to buy homes in the same neighborhoods to keep our families close.
- Islamic financing options are needed to enable everyone to access homeownership.
- Make sure a property is valued in a way that takes account of disrepair. Properties that have had long-term disinvestment will be problematic for any new owner.
- Financial supports and information/education are the most important elements for a successful TOPA policy. Including homeownership training. Legal advisors are needed to understand the fine print of mortgage transactions, so people understand what they are signing, and the terms of the sale. Tenant organizing is key for helping renters understand their rights and requirements. Public financing is needed to fill financial gaps to preserve affordable housing.
- Access to information (education) and resources are the most important things needed to support tenants
- Landlords should notify renters when they are going to sell the property, including multi-lingual information about what their rights are.

Timeline:

- Tenants should have at least 90 days to organize into an association (or as long as possible). It takes time to organize and communicate with neighbors. It will take 3-6 months minimum to organize into

an association and decide what strategy to take. It requires a lot of door-knocking and weekly meetings. Property owners have been known to intimidate and discriminate against renters to discourage organizing. Residents have different work schedules, which makes it difficult to organize.

Housing types to include/exclude:

Include	Exclude
<ul style="list-style-type: none"> • Include as much as possible • Include luxury apartments—they should not be excluded just because they pay more in rent • Include a percentage of affordable units in luxury apartment buildings • Do not include income restrictions—creates an arbitrary cut-off 	

Building Minneapolis Together (Developers)

A focus group session included members of Building Minneapolis Together (six participants) including representatives from Lupe Development, Downtown Chamber of Commerce, CommonBond Communities, Walls Properties, Sherman Associates, and ULI MN. Thanks to Steve Cramer with the Downtown Chamber of Commerce for providing outreach for the session. These comments are summarized from their input:

- A majority felt that housing is a business, not a right. Concern was expressed over whether an opportunity to purchase policy would be considered a “taking.” Disrupting the normal cycle of real estate transactions and market forces would negatively impact an owner’s ability to market their property and extended timelines, which may result in the loss of equity. An OTP policy may make current property owners disinterested in owning property in Minneapolis.
- Primary concern is how this policy would impact the value of real estate at the time of sale and upfront valuation for new construction.
- For some sellers, the process would be fine—patient sellers will execute for a price they want.
- This could still lead to displacement for some—not all renters will agree on the best course of action. Could a super majority be required for the formation of a tenant organization?
- Long term preservation of existing housing stock is most important and is the most cost efficient. Find ways for properties to be maintained well, and support reinvestment.
- Better to put energies and resources into Enterprise/NOAH Fund that buys properties for sale in the natural marketplace. Less administrative and overhead costs.
- Not everyone wants to list their properties for sale—do not like to advertise the listing price because assessors will increase the property value.
- Offers are often unsolicited – especially for properties at the end of rent restriction (LIHTC).
- Mission-oriented sellers will accept lower offers to help preserve affordability. Mission-based developers are not typically successful in getting NOAH properties. Opportunity to purchase could be another tool in the toolbox to assist with that objective.
- Sufficient underwriting to ensure capital needs—make sure properties are adequately capitalized for the long-run.
- Qualified developers would be the best option, but buyers may not have capital on hand to acquire and rehab properties. Market moves more quickly than financing may be available. Should there be a capital stack available to move quickly for a specific number of units per year?

- Any option to maintaining/increasing affordability should have financial commitment to maintenance — needs to be part of a solution.
- Large investments will be needed for technical assistance. Which will potentially reduce the capital needed for housing (competition for available resources).
- Concern for long-term asset management under tenant ownership. It is difficult to maintain governance and leadership over time. Outcomes of 1980s housing cooperatives experienced problems with tenant associations not being able to follow through.
- Lease to buy ownership programs supported by PPL saw only one-third of buyers ultimately able to purchase the homes (targeted to the Native American community). For a single-family option to succeed, it would require a programmatic approach and significant supports.
- Probability is low that people will utilize this option, meanwhile creating a burden to all real estate owners. Focus instead on helping renters become buyers in the free market system. Seems less efficient and uniquely burdensome on owners.
- Seems like an inefficient approach (similar to inclusionary zoning).
- The city should assess the full impact of all the new housing policies before adding more. Many developers have voiced their concern about this.

Timeline:

- If the process can happen quickly (30 days or less) it would have limited impact on the seller.
- Need 30-45 days for due diligence, 30 days to close.
- If it is 60-90 days it creates a non-functional marketplace, which will create unintended consequences.
- If the process takes 90-120 days after an offer is received, it could have a substantial impact on the owner, and a broader impact on real estate values in Minneapolis. Fewer buyers coming to the table will impact the amount of private equity in the market, which means projects would support less debt, reducing the amount of new development.
- Unclear how you keep a seller hanging on for 6 months.

Housing types to include/exclude:

Include	Exclude
<ul style="list-style-type: none"> • NOAH properties twenty units or less (greatest loss of NOAH in the city). Will get a solution more quickly than larger properties. There is little national interest in properties with twenty units or less. 	LIHTC

MN Multifamily Housing Association (Multifamily Property Owners)

A focus group session included members of the MN Multifamily Housing Association (five participants) including representatives from Hornig Companies, Excelsior Group, and MMHA staff. Thanks to Marty McDonough with the MN Multifamily Housing Association for providing outreach for the session. These comments are summarized from their input:

- It is unclear how the city can provide sufficient resources for an opportunity to purchase policy to be effective, given the current economic conditions and considering the technical and financial supports required.
- Most multifamily property owners undergo rigorous underwriting and are heavily scrutinized for their financial capacity (typically requiring personal guarantees to get financing authorized).

- The renter’s ability to sell their Right to Purchase will drive up the cost. It potentially creates a business model where residents can sell their rights to the highest bidder, which undermines that goal of an affordable housing strategy (drives up the transaction cost). Sale of rights can cause market distortion.
- Especially for prime properties that investors are interested in, markets get creative and find workarounds. When the city tries to regulate transactions like this, there is going to be people that will get very creative to exploit the opportunity. For instance, renting a unit in a property so that they can influence what the renters decide to do, or to see what other investors are bidding on the transaction.
- This policy will increase transactional costs for both time and money. A process like this could require more engagement of legal counsel. These additional expenses are not compensated for.
- A clear definition is needed to outline “transaction terms” (e.g., Do closing dates need to match? Loan to cost match? etc.).
- Property owners will often select buyers for reasons other than highest price. Other factors include speed of transaction (due diligence period and closing date), loan terms, earnest money, etc. Sellers often put a premium on the execution of the transaction as much as they do the financial terms.
- Consider the impact an OTP policy would have on 1031 exchanges. 1031 exchanges are typically conditioned on a sequence of exchanges taking place, which results in some having much shorter timelines because the clock has been running on the transaction. The need to close quickly can influence how much the price or terms a buyer is willing to agree to. The potential downside of not being able to complete the 1031 exchange incentivizes the pace of the transaction. 1031 exchanges are always stressful because the dates are hard and fast.
- There are some investors that employ 1031 exchanges very, very frequently, and some that very rarely or almost never employ that strategy. It can be beneficial, but it is cumbersome, and it is a deferral of taxes, it is not an elimination of income tax. Maybe there is a way to negotiate with the IRS to allow for extension periods to accommodate affordable housing initiatives.
- 1031 exchanges are most often employed by individuals (smaller investors). Big properties are typically owned by institutions, which in fact are not taxed because frequently they are made up of teachers and municipal workers and unions that actually own the big institutional properties. It is infrequent that the big properties are owned by individuals.
- Strong concern was voiced over the use of qualified developers. It assumes that the pool of developers would be limited to nonprofits only and would discriminate against developers that have been critical of the city—it would become a political process. There are for profit developers that successfully maintain NOAH housing at lower costs. Identifying a handful of “qualified developer” creates an unfair advantage.
- Qualified developers could also mean an unlimited list if you meet the qualifications. Open to many potential investors. But if everyone is on the list, the seller will just send it out for a bidding war.
- Most people being displaced and mistreated by owners selling and flipping their properties are living in five units and below. That is where most of the families are renting—offering larger units.
- Previous experience in unwinding a number of limited equity housing cooperatives that the city had funded. The residents were in charge of running them (owned by nonprofits, but residents managed them), and they were disasters because residents refused to raise the rents on themselves—they were not making capital investments. They needed cooperative consultants to help educate the residents, not just property managers. It is a big jump from a rental lease to owning a building.
- Concern over potentially destabilizing the housing market when there is a financial crisis, because there are no resources to draw upon to shore up the properties. We have not diversified, we have

concentrated, and it eventually falls on the taxpayer to figure it out. If local and state resources are insufficient, then we look to the federal government for assistance (if it comes at all).

- Rather than create a new policy, can the city get behind existing strategies that really work, such as the City of Lakes Land Trust. Or other strategies such as helping people make money in real estate through owner-occupied duplexes, triplex, four-plex, or ADU.
- Killing off value-add: Although there are mostly complaints, there is value in the upgrading of properties that are in need of improvements (e.g., roofs, windows, boilers, etc.). These improvements are good for the long-term housing stock, which will be potentially lost if an OTP policy was enacted. The reinvigoration of the private housing stock through value-add is a very good thing. The government has not had to be involved. It adjusts pricing, but that is the trade-off when making significant capital investments.
- In many cases owners are coming in with capital on the deal or are being required to by their lender to do those improvements. Buyers often need to put significantly more capital on the table beyond the asking price to get the deal done. Which is good for the housing stock.
- Deed restrictions for converting to condominiums. Cannot be converted to a condominium for a minimum of 10 years due to liability underwriting.
- There is not always an upside to ownership. Those that have lived through a recession know that values do not only go up.

Timeline:

- In recent years it is incredible what has happened with transactions—due diligence periods have shrunk to 10 days in many cases, with non-refundable earnest money at the execution of the purchase agreement.

Housing types to include/exclude:

Include	Exclude
<p>“Most tired” properties are likely best candidates for OTP—probably not good for the housing ecosystem long-term.</p> <p>Hard to narrow. Trying to think of reasons why some would be excluded. The market probably narrows itself.</p>	<p>Sale of rights can cause market distortions.</p>

Minneapolis Area Realtors Association

A focus group session included members of the Minneapolis Area Realtors Association (five participants) including a representative from Habitat for Humanity. The realtors that participated in the session were predominately working with 1-4 unit properties. Thanks to Eric Myers with the Minneapolis Area Realtors Association for providing outreach for the session. These comments are summarized from their input:

- Do not like Right of First Refusal. Concern about creating an unfair advantage for tenants and nonprofit developers in the market, creating an uneven playing field. Strong support for housing cooperative models, and want people to become owners, but the policy will create hardship and damage to sellers of rental property.
- Clients of realtors are also competing with corporate buyers in the market. Sellers like to have lots of options to choose from. Hedge funds do have an advantage, but often are not willing to pay as much as a regular homebuyer. Same thing with nonprofits—seller may opt to sell to them rather than top



offer or faster close option. Challenges that nonprofits have are the same challenge that ownership buyers have every day. If anyone has an unfair advantage in the marketplace, that just takes away more opportunities from the first-time homebuyers.

- Prediction that an OTP policy will shut down sales—sellers will not want
- It often takes a lot of time to position a buyer for homeownership (credit repair, etc.). Even with a Habitat loan, it took two years for a buyer to eventually close on a house. Would it be better to create a program for buyers vs. being tied to a landlord’s decision to sell a building?
- The new city requirements for tenant screening that includes lowered credit scores may result in renters being less qualified to purchase the property.
- Timing is important in real estate. Also, important to get people into the right home.
- From a legal perspective, how would this not move into a “takings” case? Previous court rulings in the District of Columbia determined that OTP was not a taking.
- Strong support for a limited equity housing cooperative option.
- Concern over right of first refusal. How can a seller be made whole without access to full open market where they can accept the highest offer?
- Experience with short sale situations contingent upon getting approval by lender is comparable. The buyer enters into the contract, but knows they might not get the property. The extended timeline informs the offer (maybe 25 percent less). Buyers prefer a definite situation and will pay more.
- Right of first refusal gives tenant, city, or developer an unfair advantage in the marketplace. Unfair for people trying to get access to homeownership at affordable levels.
- Affordable housing is a supply problem—need more units. Property taxes are adding to the problem (and can be fixed quickly through tax reform). Property tax is included in the selling price and can make-or-break the ability of someone to afford the property.
- Nonprofit developers can already purchase NOAH properties that come on the market. Most smaller properties (1-4 units) are sold on the open market. There are some 5+ properties that never go on the market, the opportunity for nonprofits to purchase are the same as all the buyers.
- Preference to qualified developers would provide greater efficiency in the market. Could move more quickly (with dedicated funding).
- Curious about what financing mechanism would work. To achieve long-term affordability the buyer needs to capitalize for thirty years, which gets wrapped up into the purchase price. If long-term affordability were required that would significantly increase the acquisition price. The duration of affordability would have a big impact on the acquisition price.
- Instead of creating this great pause/long process for nonprofits, let us help them speed up so they can compete with the regular market. The regular market will adjust on a dime.
- Realtors should be listed as preservation partners. When a person is looking for a house they come to a realtor. Locating and identifying ownership opportunities is our job.
- OTP is less about new housing, and more about preserving affordability of existing units. More of an anti-displacement policy rather than creation of units or scaling up affordability.
- There is lots of NOAH housing available without government assistance.
- The emphasis on local control is problematic from a free market perspective. Challenge the notion that the free market has failed to provide enough affordable housing. That is not the intention of a free market. The intention is to provide freedom for people to buy what they want to buy. For sellers to have an open market to sell to. We should not control the free market; we should supplement it so that nonprofits can participate.
- Realtors work with buyers of color, immigrants, etc. that want access to ownership opportunities. Do not create an unfair advantage that causes others to lose opportunities.

- What is this policy trying to solve? Tenant ownership gets a lot more complicated if you include 1-4 unit buildings. What is the nature of our rental stock? The Federal Reserve is looking at what percentage of our housing stock is investor-owned and map them throughout the city.
- Previous experience with Minneapolis First Look program (right of first refusal) disadvantaged first time homebuyers. Properties were bought by the city and nonprofit developers before they hit the marketplace. Bought up all the best properties. Buyers missed a lot of opportunities.
- Difficult to know if a 1-4 unit property is rental or not. A lot of single-family housing is investor owned and can toggle between rental and homestead.
- If there is a lot of corporate investor-owned, single-family rental, limit the policy to owners that have thirty units or more (for example).
- If an OTP policy were in place, owners may consider converting a building to a condominium rather than selling it (leave the nonprofits out).
- If the community is concerned about investors entering into the Minneapolis market at bigger scale, then OTP is a good option, because there is a lot of information out there about single-family focused, investor-owned REITS that are interested in acquiring 500-1000 units. How can nonprofits create similar mechanisms to compete against corporate investors/REITS?
- Want tenants to have opportunity but not at the detriment of others that also want to buy.

Timeline:

- Open market multifamily property due diligence is typically 3-4 weeks. Single family is 7-10 days. It depends on the ability to get an inspector, which is in short supply. Apartments take longer.
- Due diligence for multifamily properties is less than a month. Arriving at a fair sales price and terms is usually done before inspection, but negotiations and research to arrive at a fair price and terms are usually done within a day. Single family is ten days or less. Larger apartment buildings are 30 days or less.

Housing types to include/exclude:

Include	Exclude
	<ul style="list-style-type: none"> • 1-4 unit properties—does not create impact for tenants, not likely corporate owners, need to sell on the open market to recover what owners have invested to maintain properties.

Equity in Place

A focus group session included members of Equity in Place (nine participants), including representatives from the Alliance for Metro Stability, Urban Homeworks, and the U of MN’s Center for Urban and Regional Affairs (CURA). Thanks to Owen Duckworth with the Alliance for Metropolitan Stability for providing outreach for the session. These comments are summarized from their input:

- Renters’ rights are first and foremost and would be an important part of any opportunity to purchase policy.
- The choice should live with the tenants themselves having control over what future they want. Further restricting them into what the broader system considers valid or qualified will artificially limit who is available to do this. Good to guard against all those things that lead to racial injustice in the current landscape.



- Concerns around 1031 swaps and loss of other equity investors and potential market disruptions or intervention concerns are considered a pro. It is important to intervene in the speculative market in meaningful ways and have policies that actually benefit renters and people of color in our local housing systems. 1031 exchange is actually a tax evasion, allowing those with resources to flip properties for their own financial gains, which is not beneficial to renters, the people that are at the mercy of the market.
- If a seller has a capital gains tax burden, they could be financially motivated to do a mass eviction prior to putting their building up for sale. It is important to think about the pros/cons and risks/benefits.
- Important to work toward additional tenant protections to guard against unscrupulous landlords. Protections are needed, but the fact that there are potential loopholes for landlords to do bad things that they can already do, should not be a reason to not move forward with this policy. Additional protections are needed with or without tenant opportunity to purchase. St. Paul will have a just cause policy shortly. Hopefully, that will be a breakthrough for other municipalities.
- The market is not a power neutral force in which everyone has equitable access right now. A lot of that is the result of decades of public policy that effectively shut out low wealth people and renters from participation in that market. What is needed are policies that create opportunities for tenants to have power so that they are not just being crushed by the market but can actually exercise rights in which they can get further control over their housing. It is profound and transformative and necessary.
- Prepare renters for the shift from renting to owning (maintenance, asset-management, and stewardship of property). People need to understand what that will take before making a decision.
- To be successful, OTP will require dedicated funds for tenants to make down payments, or to access capital to purchase a property.
- No clear evidence that investors will leave a city if an OTP policy is enacted. That has not been evident in the Washington, DC market. Similar to when the car industry claimed they would collapse if they were required to install seatbelts—now they use it as a marketing pitch. Capitalism has a way of adjusting to regulations.
- Arguments by real estate professionals that everyone is able to buy is not looking through a racial lens. “Anyone who can buy” excludes a lot of people. Less profitable can also mean more affordable. The question in policy is whether homes are more important than profit. There is no shortage of real estate speculation and corporate real estate developers will still find a way to manipulate this commodified housing market.
- If the tenants decide not to purchase, then a qualified developer should be able to purchase with a required long-term affordability plan.
- Qualified developers should be vetted by an advisory group that includes renters. Some developers may be good candidates (look good on paper), but their human experience is not that great. Good to get a renter’s perspective.
- In our racialized landscape, the quick access to predictable public and private financing is only available predominantly to white organizations and institutions. This would not help move that needle at all.
- It is important to be able to access a single-family home if a renter desires to move into ownership. Many families need more space for growing families that are renting. There are others that are in apartment buildings because that is what they can afford (sometimes overcrowded). So, by eliminating the option to actually buy a house would be unfortunate. Consider ways to help renters bridge into homeownership.
- The city should lean into the complexity on this single-family rental property and figure out how to include them in OTP. If they are not included, it would exclude a significant number of renters on the north side. Which would undermine the racial equity goals of OTP.

- The policy should be as easy as possible for tenants to exercise and be an all-of-the-above strategy in terms of potential purchasers. Be sure to include teeth in the ordinance to enforce or prevent these negative outcomes, which are actionable and punishable, and have extreme consequences. The consequence for renters is that they lose their housing. The penalties for landlords that try to get around the law to pad their pockets should be more severe.
- Cities utilize a lot of resources to facilitate new development that often results in displacing people, so investing in the resources that help people maintain their homes and purchase the places they currently live in and maintain communities is moving more toward what equity looks like.

Timeline:

- Sufficient time should be allowed to effectively organize and build relationships to protect tenants. Need to create awareness about the right to purchase. There are excellent organizations that provide the initial infrastructure for assisting tenants. There is a timeline question, but there is also an infrastructure question—there is a good foundation to begin this work, and more will be needed.
- Pushing as much time as possible for organizing and lining up financing. Notification of sale should go to the tenants and city, and well as a public notification (centralized place) to allow other players like affordable housing providers to activate if able.

Housing types to include/exclude:

Include	Exclude
<ul style="list-style-type: none"> • Single-family homes and duplexes since that is the dominant housing type in the city (apply different policy requirements to different housing types). • Policy should apply to all tenants, and that includes public housing as well as large multifamily properties 	

