

New Leaf Neighborhood Overview

Frequently Asked Questions

This information is current as of March 26, 2024. The answers below reflect the goals, intentions and plans based on details currently available. Details, numbers and timelines will be finalized when the work moves forward.

Home Costs and the Neighborhood.....	4
How much will the homes cost?.....	4
What will the homes be like?	4
Since affordable homes are the primary goal, why have prices as high as \$320,000?	4
How many people will live in the neighborhood?	4
Are there existing communities like this?	5
Why does the plan for the neighborhood include its own community center?	5
What happens in case of severe weather?	5
What are the provisions for parking, garages, and exterior storage?	5
What streetscape and architectural design options are available?	5
Does the neighborhood plan provide diverse building appearances and curb appeal?	6
Are there other parcels of land for this project?	6
Cooperative Homeowners' Association Make-up and Purpose	7
Cooperative track record of success.....	7
Cooperative HOAs Keep Homes Affordable.....	7
Why is a co-op necessary for this project? Why couldn't this just be a typical neighborhood without the coop?	8
What prevents investors from renting out these homes?.....	8
What's included in the monthly co-op dues?	8
What will a homeowner own?	8
Does everyone in the co-op pay the same amount in dues?	9
If people buying the homes owned the land, wouldn't their home appreciate more?	9

NCF: Northcountry Cooperative Foundation	10
Why does NCF want to develop a neighborhood in Northfield?	10
Will this be naturally occurring affordable housing?	10
Homes and Foundation Types	11
Are these mobile or trailer homes?	11
How are these homes different from the homes in existing manufactured home communities? ..	11
Why can't all the homes be modular homes?	12
How do the homes connect to the land?	12
What would it take to make many/any of these homes accessible from the outside? Can we get close to zero entry for at least some of them?	12
How much will the foundation cost?	13
Does the foundation type impact the ongoing costs of utilities and home maintenance?	13
Are these homes safe in severe weather?	13
Can you get rid of the chassis?	13
Does the chassis interfere with attaching the home to a permanent foundation?	13
Do these homes have an energy rating? How can carbon goals of the climate action plan be met? How do the long-term costs of energy factor into the homeowner costs?	14
Miscellaneous	15
What's the anticipated timeline?	15
How will NCF use local builders and contractors, per City policy?	15
What are the overall advantages of a neighborhood of facility-built homes to address Northfield's need for affordable housing?	15
How would this neighborhood compare to a mobile home park, a land trust, or a "traditional" single-family neighborhood subdivision with a Homeowners' Association?	16
Homebuyer Financing & Resources	17
What lenders will provide a mortgage for the homeowner?	17
Will the home be titled as real property or as personal property?	17
How do community members without a social security number qualify?	17
What examples or evidence is there that manufactured homes will appreciate in value like traditional site-built single-family homes and offer the chance for families to build generational wealth?	17

Project Financing 19

 Can you share a draft pro forma? What are the sources and uses for the project? 19

 Who will finance the construction costs and how? 20

 How does NCF make money? Is there a financial incentive for NCF in doing this project? 20

 What financial support is expected from the Northfield HRA and City Council? 20

 What is the City's contribution to the project? Land, site improvements for roads and utilities, etc.? 20

 Is the City expected to pay for any of the infrastructure costs? Will the project pay full price for the water and sewer hookup fees? Is TIF anticipated to be used for the project? Will the developer pay park dedication fees? 20

 What costs would the \$300,000 grant from the state for a manufactured housing community cover? 21

 What can the Northfield HRA do to make this project happen? 21

Definitions 22

Home Costs and the Neighborhood

How much will the homes cost?

Homebuyers will have three choices. The prices will be between \$150,000 to \$200,000 for the smallest home and \$250,000 to \$325,000 for the largest.

The goal is to keep a family's total housing cost each month to 30% of their monthly income or less. That total cost includes the mortgage on the home, utility costs and dues owners will pay each month for common expenses. For example:

- One Northfield family makes about \$55,800 per year or \$4,650 a month. The goal cost for their mortgage, dues, and utilities would be \$1,395 or less.
- Another family's income is \$74,000 per year or \$6,167 a month. The goal cost for their mortgage, dues, and utilities would be \$1,850 or less.

The income examples above are based on the Rice County Average Median Income (AMI) from HUD's Office of Policy Development and Research. The \$55,800 income is 60% and \$74,000 is 80% of the AMI for a family of four. For a two-person household, 60% is \$41,850 and 80% is \$59,550.

In Northfield today, people with these incomes are new teachers, utility workers, hourly workers at the colleges and the hospital, Post Holdings, All-Flex, or Aurora Pharmaceuticals. The rooms are all on one level which makes the neighborhood attractive for seniors as well.

What will the homes be like?

All homes will have three bedrooms and two baths. They will be built in a facility and moved to the neighborhood. The size of the home and its finishings will determine the price. The most expensive homes will have a garage and basement.

Since affordable homes are the primary goal, why have prices as high as \$320,000?

Homebuyers will have options to meet their needs. Also, studies show that neighborhoods that have a mix of incomes are more successful long term.

How many people will live in the neighborhood?

There are 55 homes in the current design. We expect about 135 people to live in these homes.

Are there existing communities like this?

This development combines elements that exist in many communities around the country but have not been implemented here. There are new construction neighborhoods that use homes built in facilities all over the country. There are cooperative neighborhoods in Minnesota and around the country.

Why does the plan for the neighborhood include its own community center?

NCF has helped many cooperatives build community centers. The standard design features an office, bathrooms, full kitchen, storage, and a central gathering space.

The center becomes the heart of the community. It provides a place for the cooperative board to hold its monthly meetings and annual membership meeting. Most communities use the center for tutoring programs and classes, summer activities for school-aged children, a lending library and fresh food distribution center, and of course graduation parties, birthdays, holidays and other family events. Often, in partnership with other organizations, the space is used to help teens and adults prepare for job interviews, find financial and legal information, or simply sit and read a book.

What happens in case of severe weather?

We understand the concerns about safety; most of them stem from communities built in the 1960s and 1970s before the HUD Code improvements that make facility-built homes as safe as other homes. That said, families in New Leaf have options during severe weather.

- People can shelter in an interior room such as a closet or bathroom without windows.
- Homeowners can choose to include a storm cellar in their home.
- The community center includes a storm shelter.

Homes built to modern HUD code meet wind performance standards in line with the weather in this region.

What are the provisions for parking, garages, and exterior storage?

All homes will have a two-car driveway. Homeowners could choose to upgrade to a car port or full garage at the time of purchase or later if they choose.

The neighborhood plan also includes exterior storage units that homeowners may rent from the cooperative for storage and vehicles.

What streetscape and architectural design options are available?

The project will meet City of Northfield requirements for street design. In addition, the project has a variety of street widths and each street includes sidewalks and a boulevard to encourage walkability.

NCF anticipates the homes to have a select number of architectural design options, including the color of siding and home features like garages or carports. Locus Architecture is providing advice on the exterior details of the homes to enhance their curb appeal.

Does the neighborhood plan provide diverse building appearances and curb appeal?

As you've seen, most modern subdivisions offer very little visual variety. That's why a strong priority in the New Leaf plan features great community and street-facing appeal. Three home styles provide physical variety. A selection of colors ensures that every home is different from its neighbor. In addition, the homes all have front porch features to provide neighborhood engagement and a walkable feel.

NCF's experience shows that homeowners in cooperatives love gardening and place a high value on trees, landscaping, and flowers to have a beautiful surrounding environment. NCF will work with co-op members to put in place landscaping and beautification projects they identify.

Are there other parcels of land for this project?

The Southbridge site is ideal for this neighborhood. It's connection to surrounding neighborhoods, trails and walking paths, and proximity to schools and outdoor recreation. The New Leaf neighborhood complements surrounding housing options, which include affordable (subsidized) rental homes and site-built homes.

Cooperative Homeowners' Association Make-up and Purpose

All homeowners in the New Leaf neighborhood will be part of a cooperative homeowners' association. Owners will elect a board of directors and officers. This group sets the rules, goals, and governance standards for the community.

Setting up the community as a cooperative from the start means:

- Bringing homeowners together makes it more affordable to own the land
- Self-determination on the use of shared resources
- Membership rules and eligibility criteria that respect fair housing requirements
- No profit motive for outside investors
- Economy of scale to get discounts on common maintenance services as a group rather than each homeowner by themselves
- Ready-made organization to address community needs (after school programming, senior walking group, yard work for those that can't physically perform, etc.)

NCF brings its decades of experience to the community to support the work of homeowners. Ongoing support from NCF includes board member recruiting, education, budget planning, best practices, and leadership development.

Cooperative track record of success

Cooperatives have a proven track record of success in Minnesota and across the country, including in Northfield.

- Like the other cooperatives that NCF supports, New Leaf will remain affordable.
- NCF helps communities get lower interest rates to buy land under their homes.
- There are no shareholders to pay. The people voting on the membership dues are the people who will have to pay them.

Cooperative HOAs Keep Homes Affordable

Cooperative homeowners associations create affordable housing, good neighborhoods and build wealth for people. With "starter" homes no longer profitable for builders, cooperatives provide the American dream of homeownership.

The New Leaf Cooperative is structured as a "limited equity cooperative" (see definitions section). That structure allows funding to be directly connected to cooperative ownership. Limited equity maintains affordability over generations of housing sales. Homes appreciate in value and homeowners build equity.

When a homeowner sells, they receive the equity from the sale of their home. The homeowner also gets their money back for their share of the cooperative. That share does not appreciate. If the

homeowner paid \$1000, they will get \$1000. The new homeowner will only pay \$1000 for a share of the cooperative, just like the seller did. This is another way cooperatives keep homes affordable into the future.

Once the co-op has paid off the financing for the underlying land, the co-op can choose to reduce the monthly dues to its members.

Why is a co-op necessary for this project? Why couldn't this just be a typical neighborhood without the coop?

It could, but the financing of the land would need to be added to the mortgage sizing of each homeowner. The neighborhood would not have a community center. The homeowners would lose the benefits of maintenance and purchasing power support over time. The neighborhood would have less of a sense of shared mission and community.

What prevents investors from renting out these homes?

The co-op bylaws for the community require the homes to be owner-occupied.

What's included in the monthly co-op dues?

Most of the dues go to pay for the land which the co-op will own. Dues also pay for property management services, maintenance and care of commonly owned property.

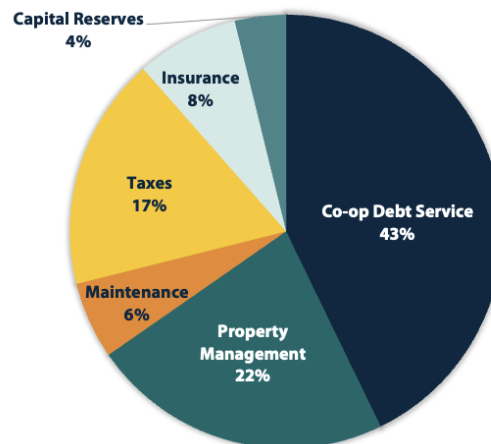
Co-op members decide if they want to buy additional services together and pay for them through dues.

What will a homeowner own?

Homeowners in a limited equity manufactured home community like New Leaf:

- Own their home
- Own their share in the corporation that owns the land and common areas.
- Will have a lease that forever ties the home to the lot in the community.

ESTIMATED BREAKDOWN OF CO-OP MONTHLY DUES



The estimated operating costs of New Leaf neighborhoods are based on the estimated amount that the co-op will need to secure in debt to purchase the property and the portfolio averages of operating expenses of existing co-ops.

See the table on the following page for more information.

What You Own	Proof of Ownership	Upfront Costs	Ongoing Costs	Rights & Responsibilities of Ownership	Resale & Appreciation
Home 	Deed	Down Payment & Closing Costs	Monthly mortgage payment, taxes, insurance, and utilities	Take care of your home Abide by co-op rules (including any resale restrictions when you sell your home)	Outgoing homeowner provides co-op notice when they intend to sell their home. Homeowner sells home and retains all equity from the sale.
Co-op Membership Share 	Proprietary Lease (gives homeowner exclusive right to the land underneath their home) Membership Agreement (governs member's participation and interest in the cooperative)	Membership share (one-time fee; the goal is to keep the share price as low as feasible)	Monthly membership dues (covers the costs to operate the cooperative)	Pay monthly dues Participate in the co-op (attend membership meetings, serve on the board and committees)	Co-op returns share to outgoing homeowner when home is sold. Share does not appreciate.

Does everyone in the co-op pay the same amount in dues?

Often co-ops choose to charge the same for every home. The New Leaf co-op will set dues that are fair for the services each home gets. This is a detail that will be finalized as the work moves forward.

If people buying the homes owned the land, wouldn't their home appreciate more?

The homebuyers do own the land as members of the cooperative. The co-op structure strikes a balance to help ensure homes remain affordable and at the same time appreciate in value.

NCF: Northcountry Cooperative Foundation

Why does NCF want to develop a neighborhood in Northfield?

New Leaf fills an immediate need. Many families can't afford to own a home in Northfield today. This work aligns with goals and objectives developed by the Northfield community. Those goals include:

1. **Housing for all who work and live in Northfield.** New Leaf homes are affordable to working families. Families that make \$67,000 per year will be able to afford a New Leaf home. Today, many of these families live in apartments in town or commute to work from outside the area. In addition, these are one level homes making them ideal for seniors.



2. **Assist in providing affordable housing.** The land for Northfield's New Leaf neighborhood is owned by the city. Also, the city will own the streets, water, wastewater and other utilities—just like it does in other neighborhoods.
3. **Encourage energy efficiency, maintenance, sustainability.** The homes meet the nation's highest requirement for energy efficiency—the Department of Energy's Net Zero Ready Home (ZERH) standard. Owning a home in the community in which they work will also sustain families and provide security that renting or commuting long distances can't provide.

Will this be naturally occurring affordable housing?

Yes, the plan is for the community to no longer need subsidy after the initial development. Based on our estimates, this project requires half as much initial subsidy as other projects that serve similar affordability targets. Unlike typical subsidized housing, this project is unlikely to become unaffordable after an externally-enforced affordability period.

Today NCF supports more than 1,000 households in 15 communities across Minnesota, Wisconsin and Iowa. It's part of a national network of similar nonprofits providing financial, organizational and practical advice to cooperative boards and residents. They educate homeowners, share what works—and doesn't—to create successful communities.

Cooperative homeowners associations create affordable housing, good neighborhoods and build wealth for people. With "starter" homes no longer profitable for builders, cooperatives provide the American dream of homeownership.

Homes and Foundation Types

Are these mobile or trailer homes?

No. They are drastically different from the old mobile or trailer homes built in the 1960s and 1970s. These homes are modern and built in a facility under strict quality and safety standards.

Federal regulations and materials used to build the homes have changed dramatically over the years. The January 2021 federal HUD code for homes built in a facility has requirements beyond those for any other home. In fact, homes in New Leaf will be superior to many traditional homes being sold today.

NCF and organizations like it around the country have decades of experience. They know what works—and what doesn't—to create successful communities.

How are these homes different from the homes in existing manufactured home communities?

New Leaf homes requirements go beyond today's HUD requirements.

- **Built to a High-Performing Code.** The code that manufactured homes are built to have come a long way since the HUD Code was first established in 1976. The building code for today's modern manufactured homes is virtually indistinguishable from the building code of other facility built homes, including modular.
- **Sustainable and Energy Efficient.** The homes will be U.S. Department of Energy certified Zero Energy Ready Home (ZERH). All ZERH homes and the facilities where they are built must meet strict requirements. They are certified by an approved quality assurance provider. This ensures homes are inspected, labeled and that the facility meets certification and maintenance standards.

The ZERH standard includes higher than normal R-values for insulation in the walls, ceiling, and floor. Additional energy efficiency components include:

- Solar-ready roof
- Electric heat pump or high efficiency gas furnace
- Heat pump water heater
- Energy-star appliances
- LED lighting
- Low-E windows
- Smart thermostat

All of these combine to make the home extremely energy efficient. Combining the ZERH standards and additional requirements saves homeowners \$70 to \$100 each month in utility bills compared to homes built without these features.

- **Accessible.** The foundation places homes lower to the ground. The change allows zero step entry access for some of the homes.ⁱ

Why can't all the homes be modular homes?

The New Leaf plan includes some modular homes. Modular homes are built in the same facilities with the same materials as New Leaf homes. The modular homes do offer larger floor plans with more options for cosmetic upgrades. However, the added cost for the modular home options makes the home unaffordable for many people in Northfield who earn hourly wages.

How do the homes connect to the land?

NCF worked with Tekton Engineers, a Northfield structural engineering firm, to design a permanent foundation. The system they designed installs the home near ground level. It includes frost footings, poured concrete walls, and a crawl space that is recessed into the ground. The home is attached to the permanent foundation with through-bolts just like site-built homes are attached with through-bolts to their foundations. The final design for each home is matched to the soil conditions for long term stability.

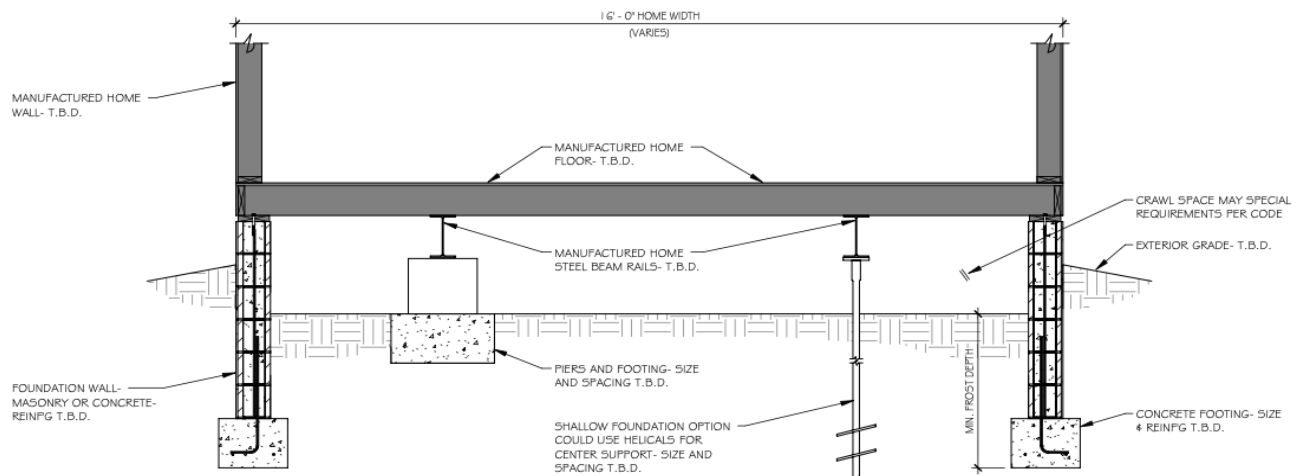


Figure 1 Foundation diagram by Tekton Engineers

What would it take to make many/any of these homes accessible from the outside? Can we get close to zero entry for at least some of them?

The homes may be placed within a foot of ground level, just like conventionally built homes.

How much will the foundation cost?

Our current estimates of foundation options are:

- Full basement: \$66,450
- Shallow foundation and crawl space: \$27,280

Other designs we considered include:

- Helical piers and grade beams: \$42,900
- Frost protected concrete slab: \$34,250

Does the foundation type impact the ongoing costs of utilities and home maintenance?

The crawlspace foundation is designed to minimize ongoing utility and maintenance costs compared to other less expensive foundation designs. The crawl space is insulated so that the utility connections withstand Minnesota's extreme temperatures. The 36-inch crawl space allows the underside of the home to be well-maintained. The homes offer an internal access hatch to enter the crawl space.

Are these homes safe in severe weather?

We understand the concerns about safety. The image many people have is homes built before the extensive requirements found in the new HUD Code. The fact is, when today's modern homes are installed correctly, the facility-built home is as safe as any other home. Homes in Northfield's New Leaf neighborhood will be to a standard beyond the rules specific to weather in this region.

Can you get rid of the chassis?

Almost. You won't even know it's there once the home is installed in the neighborhood. The hitch is removed and the chassis will recess into the crawl space.

In addition, HUD requirements include a chassis. And it's the most cost-efficient way to move the home from the facility where it is built to the neighborhood.

Does the chassis interfere with attaching the home to a permanent foundation?

No. The chassis is recessed within the foundation walls. Just like a home that's built on site is attached to its foundation using sill plates and through-bolts, these homes will be attached in a similar way with through-bolts through its bottom-facing framing.

Do these homes have an energy rating? How can carbon goals of the climate action plan be met? How do the long-term costs of energy factor into the homeowner costs?

We plan to use the new US Department of Energy's Zero Energy Ready Home (ZERH) standards as the specification for the home build. These include higher than normal R-values for insulation in the walls, ceiling, and floor. Additional energy efficiency components include:

- Solar-ready roof
- Electric heat pump or high efficiency gas furnace
- Heat pump water heater
- Energy-star appliances
- LED lighting
- Low-E windows
- Smart thermostat

All of these combine to make the home more energy efficient than most comparable homes with savings of approximately \$70-100/month in utility bills.

Miscellaneous

What's the anticipated timeline?

The project is in the planning and pre-development phase.

After groundbreaking, the site work, streets, and utilities will likely take about six months. Home sales for the first phase will also take about six months. Building and installing the homes will take another six months.

Once NCF has secured the land and financing, the physical development phase can begin. It will likely take 18 months from groundbreaking to getting all residents in the first phase moved in.

A housing study conducted on NCF's behalf revealed how quickly the homes are likely to sell. Based on this information, we anticipate three phases. About 15 to 20 homes will be available per phase.

How will NCF use local builders and contractors, per City policy?

NCF and our partners will work with city officials to meet or exceed all local policies, rules, and expectations. NCF is committed to soliciting estimates from local builders and contractors.

To date NCF has worked with Northfield-based firms Tekton Engineers and NCC Builders.

What are the overall advantages of a neighborhood of facility-built homes to address Northfield's need for affordable housing?

- Affordable homeownership
- Strong neighborhood
- Stable housing
- Active, engaged residents

Along with the advantages, people often ask about the risks as well. Most of the risks mentioned about the quality and safety of the homes are rooted in outdated information about modern facility-built homes that are sited and installed by professionals. Our experience is that time after time the risks people worry stem from the stigma all too familiar to people who live in manufactured home communities.

How would this neighborhood compare to a mobile home park, a land trust, or a “traditional” single-family neighborhood subdivision with a Homeowners’ Association?

In a “traditional” subdivision with an HOA the homeowners must pay for the land. This makes ownership unaffordable for too many families. Resident homeowners set the rules and the fees in cooperatives. Fees typically cover expenses and sound fiscal management responsibilities. The dues do not include profit for landowners or shareholders.

	1970s Mobile Home Park	New Leaf Neighborhood	Land Trust	Other Single Family Homes
Little up-front cost to homeowner				
Real Property home title				
Stable annual expenses				
Home appreciates, owner builds wealth			()	
Cooperative homeowners association				
Ongoing expert advice, education				

Homebuyer Financing & Resources

What lenders will provide a mortgage for the homeowner?

NCF is working to bring forward several lending options for homebuyers to have choices that match their family's needs. To do that, NCF will seek a combination of national and local lenders.

Already, NCF has a letter of intent from NeighborWorks Home Partners to create a lending product similar to those offered in New Hampshire, Vermont, and Maine. NeighborWorks created these products specifically for resident-owned communities like the New Leaf neighborhood. Key features include fixed rates, low down payments, and terms up to 30 years.

In addition, NCF has started outreach to local banks to understand their existing lending programs for manufactured housing and adapt them for this purpose. Once the project moves forward, these options will be finalized.

Will the home be titled as real property or as personal property?

Minnesota law now allows for cooperatively-owned homes to be titled as real property. This has not happened yet, however. NCF is working with title companies and legal experts to ensure this is an option for New Leaf homes.ⁱⁱ

How do community members without a social security number qualify?

Cooperative memberships don't require a social security number. The goal is to have multiple financing options for New Leaf homeowners. These options will include a home financing product that allows buyers with an Individual Taxpayer Identification Number (ITIN) to qualify. An Individual Taxpayer Identification Number (ITIN) is a 9-digit number the Internal Revenue Service (IRS) issues to people filing a tax return who are not U.S. citizens and who do not have or are not eligible for a Social Security number.

What examples or evidence is there that manufactured homes will appreciate in value like traditional site-built single-family homes and offer the chance for families to build generational wealth?

A New York Times report found that manufactured homes actually appreciated at a higher percentage over a period of time than traditional site-built homes (From 2014-19, U.S. Census data found manufactured homes rose 39% over their median value, as compared to 33% for traditional homes).ⁱⁱⁱ A more recent National Public Radio report confirmed no significant difference in the appreciation rate of manufactured homes versus site-built homes, showing manufactured home values rose 34.6% from

2016-21, compared to 35.4% for traditional homes.^{iv} Simply put, facility-built homes appreciate in value equal to site-built homes.

Further, the academic research from New Hampshire shows that manufactured homes in cooperatives (like New Leaf) appreciate in-line with site-built homes.^v However, this body of work indicates that the most important aspect of appreciation is homeowner control of the land and access to affordable financing. With the cooperative model and the financing options that will be available for this project, the New Leaf neighborhood will incorporate those two essential components.

Project Financing

Can you share a draft pro forma? What are the sources and uses for the project?

Please see below for a summary sources and uses as of 3/25/2024.

	Total	Per Unit
SOURCES:		
Homebuyer mortgages	\$8,216,750	\$149,395
Downpayment assistance	\$550,000	\$10,000
Land Development Loan	\$2,600,000	\$47,273
State of MN Appropriation	\$300,000	\$5,455
Gap Funding	\$4,700,000	\$85,455
TOTAL	\$16,366,750	\$297,577
USES		
Home purchases	\$4,370,000	\$79,455
Setting and Finishing	\$1,564,750	\$28,450
Foundation	\$1,847,000	\$33,582
Driveways, Car Ports, Garages	\$985,000	\$17,909
Streets and utilities	\$4,400,000	\$80,000
Soft costs (design, legal, financing)	\$2,200,000	\$40,000
Community center	\$1,000,000	\$18,182
TOTAL	\$16,366,750	\$297,577

Who will finance the construction costs and how?

NCF will take out a construction loan just like any other subdivision developer. The construction loan gets paid off as homes are sold and title transferred to the new owners.

How does NCF make money? Is there a financial incentive for NCF in doing this project?

NCF is a non-profit organization whose mission is to provide affordable housing solutions, just like other nonprofits you may be familiar with like Habitat for Humanity, Three Rivers Community Action Partnership, Beacon Interfaith Housing Collaborative, or CommonBond.

NCF's primary income comes from philanthropic supporters such as the McKnight Foundation, the Otto Bremer Trust, and the Bush Foundation. This public support greatly reduces the cost of NCF's services that it provides to the communities it supports. NCF charges modest annual fees to each cooperative it supports as well as a modest placement fee for each home it supplies.

What financial support is expected from the Northfield HRA and City Council?

NCF has asked the community to provide the land. Like in any other development, ongoing operations and maintenance of the streets, water and wastewater infrastructure, etc. will be part of city operations.

What is the City's contribution to the project? Land, site improvements for roads and utilities, etc.?

The Northfield HRA owns land located near the Spring Creek Development, which NCF would ask to be donated for the site of the new neighborhood. NCF would construct the neighborhood to Northfield municipal specifications, covering the construction costs of roads, utilities, etc.

Is the City expected to pay for any of the infrastructure costs? Will the project pay full price for the water and sewer hookup fees? Is TIF anticipated to be used for the project? Will the developer pay park dedication fees?

Our preliminary proforma has a target of \$4.7 million additional gap funding sources. These could be a combination of state and city subsidy sources. At an estimated remaining subsidy of \$85,455 per unit, this is a far more efficient use of precious housing resources than many other projects that receive funding statewide. The average Minnesota Housing subsidy award in 2023 was \$123,112 per unit.

What costs would the \$300,000 grant from the state for a manufactured housing community cover?

NCF worked with Northfield elected officials and the Minnesota Legislature to secure a \$300,000 direct appropriation to the City of Northfield. These funds will help defray the costs of constructing infrastructure (utilities, roads, etc.) for a manufactured housing cooperative. NCF anticipates the grant will be one of many funding sources for the project.^{vi}

This legislative session, NCF is advocating for the passage of State of Minnesota – 2024 Infrastructure Appropriation [PENDING - [HF 3210/SF 3232](#)]. This legislation is a \$10 million general obligation bonding request to establish a grant program for cities to receive up to 50% of the capital costs of public infrastructure necessary to construct a new cooperative manufactured housing development. The bipartisan legislation is chief-authored by Rep. Kristi Pursell (DFL-Northfield) in the House and Sen. Sandy Pappas (DFL-St. Paul), Chair of the Bonding Committee in the Senate. We hope for this to be another funding source to cover the gap in infrastructure costs for new neighborhoods.

What can the Northfield HRA do to make this project happen?

- Sign the site control agreement.
- Donate the land.
- Consider other options that would help make the homes more affordable. This could include streamlining or lowering permitting costs and inspection fees, sewer and water access charges, etc. However, we recognize most of those decisions would be made at the Planning Commission or City Council level.

Definitions

Area Median Income | Area median income — often referred to as simply “AMI” — is a key metric in affordable housing. Area median income is defined as the midpoint of a specific area’s income distribution and is calculated on an annual basis by the Department of Housing and Urban Development (HUD).

Affordable Housing | Affordable housing is generally defined as housing on which the occupant is paying no more than 30 percent of their gross income for housing.

Blanket Mortgage | A loan taken out by a cooperative that covers all the property’s debt.

Comprehensive Plan | The comprehensive plan, sometimes also referred to as a master plan or a general plan, is the foundational document of long-term planning and zoning in the United States. A comprehensive plan is an essential feature of long-term planning for cities and counties all over the United States, as both the process and the documentation for creating a broad, long-term vision for future land uses and the built environment of communities.

Cost-Burdened | According to the Department of Housing and Urban Development (HUD), a household is considered cost-burdened when it spends more than 30% of its income on rent and utilities and severely cost-burdened when it spends more than 50% of its income on these expenses.

Debt Service | The amount of money paid to a lender for a loan, including both interest and repayment of the loan itself.

Equity | The difference between the market value of property and the total amount of all mortgages and liens against the property, which reflects the dollar value of the owner’s interests. In accounting terms, equity equals assets less liabilities.

Expenses | The costs of operating the co-op, which usually fall into a few main areas: loan payments, administration, taxes, insurance, utilities, maintenance, and reserves.

Facility-built or Factory-built home | “Facility-built” or “Factory-Built Home” is a generic term that refers to any home that has been predominantly designed and constructed in a controlled factory or plant environment.

Homeowners Association (HOA) | A Homeowners Association (HOA) is a legal entity created within a residential community, such as a neighborhood, condominium complex, or planned development, to manage and govern the common areas and shared amenities of the community. Homeowners who purchase property within the community automatically become members of the HOA and are typically required to pay dues or fees to cover the costs of maintaining and managing the common areas and services.

Housing Cooperative | A housing cooperative forms when people come together to own and control the buildings in which they live. Residents form a cooperative corporation, to which they pay a monthly amount to cover operating expenses. The cooperative owns the land, the buildings, and any common areas. Members buy shares in the cooperative.

HUD Manufactured Home Building Code (aka: HUD Code) | The HUD Manufactured Home Building Code, is a set of construction and safety standards established by the U.S. Department of Housing and Urban Development (HUD) for manufactured homes. This code regulates the design, construction, performance, and quality of manufactured homes to ensure they meet specific safety, durability, and energy efficiency requirements. The HUD Code was enacted in 1976 as part of the National Manufactured Housing Construction and Safety Standards Act in response to concerns about the quality and safety of manufactured homes. Prior to the HUD Code, manufactured homes were commonly referred to as mobile homes and were subject to varying state and local building codes, resulting in inconsistencies and potential safety hazards.

The HUD Code establishes uniform standards for manufactured homes across the country, covering aspects such as structural integrity, fire safety, electrical systems, plumbing, thermal insulation, and overall construction quality. Homes that comply with the HUD Code receive a certification label indicating their compliance, which is required for financing, insurance, and resale purposes. The HUD Code has evolved over the years to incorporate technological advancements, energy efficiency standards, and improved construction practices, ensuring that manufactured homes continue to provide safe and affordable housing options for millions of Americans.

Homes are installed to local building code requirements, which vary from state to state and are codified in the appropriate building code. In Minnesota, the current standard is the 1997 Uniform Building Code and all homes must follow that standard.

Limited Equity Housing Cooperative | A limited equity housing cooperative (often referred to as an “LEC” or “LEHC”) puts restrictions on a unit’s sale price, with the restrictions outlined in the cooperative’s bylaws. This type of cooperative is designed to maintain long-term housing affordability. While most public sector programs have limited timelines—after which affordability disappears—a limited equity cooperative can continue offering benefits forever.

Limited equity cooperatives ensure long-term affordability in a number of creative ways, including limits on resale price. Condos and single-family homes, on the other hand, are always priced at market rate, and may lose affordability over time. Transaction costs for buying or selling are also much lower for cooperative members, since separate title searches and title insurance are unnecessary. Finally, cooperatives can borrow collectively for major improvements, pledging the building as collateral, and avoiding large special assessments common to condo ownership.

Limited Equity Formula | The formula describing how member equity may appreciate, and which affects the price at which the member may attempt to sell their co-op unit.

Market Rate Housing Cooperative | A market rate housing cooperative sells shares at full market value in the original sale and permits future unit sales at market value. Much like conventional real estate, a unit's sale price is determined by the market, allowing for potential accumulation (or loss) of equity by the members.

Membership Joining Fee (aka: Subscription Funds) | Money paid along with a Membership Agreement.

Membership Agreement (aka: Subscription Agreement) | The Membership Agreement (sometimes referred to as a "Subscription Agreement") is a written agreement between a person and the cooperative (in a form approved by the board of directors, and as specified in the co-op's bylaws) in which such person agrees to execute an Occupancy Agreement, make the required down payment, assume monthly carrying charges, and become a member of the cooperative.

Membership Dues | The monthly fee paid by each member of the cooperative. The money goes to cover the operating expenses of the cooperative.

Proprietary Lease | The lease signed by a cooperative and a co-op member, which gives the member the right to occupy a specific lot or unit within the co-op.

Resale | The process of transferring co-op shares from a member who is selling their share(s) in the co-op to a member who is purchasing share(s) in the co-op.

Reserves | Money set aside from net income to meet expected or unexpected expenses; usually kept in a form (like a savings account) that is easily converted to cash. Reserves are commonly set up in housing cooperatives to cover maintenance and operating expenses.

Share | Sometimes called a certificate, a share represents an individual's right to occupy a specific space in the housing co-op.

Workforce Housing | Workforce housing is generally understood to mean affordable housing for households with earned income that is insufficient to secure quality housing in reasonable proximity to the workplace.

Footnotes

ⁱ Zero step entry homes are designed so that no steps are required to enter or access any part of the home, from the front door to the showers and more.

ⁱⁱ <https://www.revisor.mn.gov/statutes/2021/cite/168A.1411>

ⁱⁱⁱ Kolomatsky. M. (2021, September 12). Mobile home values have been migrating upward at breakneck speed. *New York Times*. <https://www.nytimes.com/2021/12/09/realestate/mobile-home-values-have-been-migrating-upward-at-breakneck-speed.html>

^{iv} Yang, M. (2022, October 27). Mobile homes are rising in value but current residents can't cash out. *National Public Radio*. <https://www.npr.org/2022/10/27/1129699328/mobile-homes-housing-prices-value-inflation-houses-rent>

^v Ward, French, Giraud. (2006). Building Value and Security for Homeowners in "Mobile Home Parks:" A Report on Economic Outcomes. *Carsey Institute at the University of New Hampshire*. https://static1.squarespace.com/static/51149157e4b00dcd7b6e0e8a/t/5114d505e4b0f297c4870bfc/1360319749304/Building_value_and_security_2006.pdf

^{vi} <https://www.revisor.mn.gov/laws/2023/0/Session+Law/Chapter/64/>