Regional NOAH Impact Fund

Regional Council of Mayors
September 14, 2020
Greater Minnesota Housing Fund (GMHF)

25-Yrs of Investments

- 87 Minnesota counties
- 16,139 affordable homes
- $376 million in low-cost development financing
- Leverage of $1.2 billion
- Established in 1996 through a collaboration of:

McKNIGHT FOUNDATION

Blandin Foundation™ STRENGTHENING RURAL MINNESOTA
GMHF Social Impact Enterprises

**GREATER MINNESOTA HOUSING FUND**

- **MINNESOTA EQUITY FUND**
  - $20M-$30M in Tax Credit Equity
  - Invested Annually

- **NOAH IMPACT FUND**
  - $10M-$15M Impact Capital
  - Invested Annually

- **Development LENDING**
  - $20M-$30M Development Loans
  - Awarded Annually

- **GRANT MAKING & Technical Assistance**
  - $1M in Grants
  - & Multiple Projects
  - Assisted with TA Annually
NOAH Impact Fund focuses on market-rate, unsubsidized affordable housing.

Affordability: From Shelter to Homeownership

- Temporary Homeless Shelter
- Transitional Housing for the Homeless
- Permanent Supportive Housing with Services
- Affordable Rental Housing
- Permanently Affordable Home Ownership (Community Land Trust)
- Affordable Home Ownership
- Market-Rate Rental
- Market-Rate Home Ownership

very low-income, low-income, moderate-income, middle-income and above

Temporary Shelter

Affordable Housing

Point of access to market housing options
Greater Minnesota Housing Fund
Serving all 87 Counties in Minnesota

NOAH Impact Fund

Preservation of Naturally Occurring Affordable Housing (NOAH) in the Twin Cities Metropolitan Area
• NOAH properties: Class B/C buildings
• Built between 1940 and 1990
• Typically $550-$1,200/month rents
• Affordable to families at or below 60% AMI
• Units are unsubsidized
• 74% of all affordable units are unsubsidized
• 167,100 unsubsidized NOAH units in metro area
• Dramatic losses of affordable units

Naturally Occurring Affordable Housing
The Largest Source of Affordable Housing Regionally and Nationally

Crossroads at Penn, 698 Units, Richfield,
Fountain Terrace, 72 Units, New Brighton

NOAH Impact Fund
**NOAH Housing Affordability & Acq. Costs**

**Most Affordable**
- Acquisition Cost: $60K-$85K
- Average Rents: $700-$900
- Affordable to <40% AMI

**Affordable**
- Acquisition Cost: $85K-$100K
- Average Rents: $800-$1,000
- Affordable to <50% AMI

**Moderately Affordable**
- Acquisition Cost: $100K-$150K
- Average Rents: $1,000-$1,450
- Affordable to <60% AMI

**Up-Market**
- Acquisition Cost: $150K-$285K
- Average Rents: $1,450-$2,000
- Affordable to <80% AMI

**Luxury**
- Acquisition Cost: $285K-$350K
- Average Rents: $2,000-$3,200
- Affordable to >80% AMI

**Not Targeted**

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**Targeted NOAH Preservation Properties**
Location of NOAH Properties in Metro Area

NOAH Units in West Metro compared to East Metro

- Western Counties: 101,600 (61%)
- Eastern Counties: 65,500 (39%)

NOAH Units in Urban Core Compared to Metro Suburbs

- Suburban Communities: 101,200 (61%)
- Minneapolis & St. Paul: 65,900 (39%)

Hennepin County
Anoka County
Carver County
Scott County
Ramsey County
Dakota County
Washington County
NOAH at Risk -- A Perfect Storm

Key Factors Causing the Loss of Naturally Occurring Affordable Housing

• National investors rapidly acquiring NOAH property
• Aggressively raising rents in year one, pushed hard thereafter
• Metro area losing affordable housing faster than new affordable housing can be developed
• Higher rental demand due to shift from homeownership to rental since recession, high demand through 2030 per Met Council
• Rents increasing faster than incomes, low-income households losing ground
• Families struggle to secure apartments with vacancies at 3%
Case Study: Crossroads a Penn, Richfield
A story of loss of Naturally Occurring Affordable Housing (NOAH)
Crossroads at Penn aka The Concierge

- 698 1-BR Low Income “Workforce Housing” Units
- Housing 2,230 people when purchased
- 140 Households with Section 8 rent vouchers
- Purchase Price of $59,000 per unit ($41 Million)
- Upgraded to target young professionals
- $10M Renovation – Kitchens, Baths, pet spa, fitness center
- 31% rent increases, from low $700’s to $900 - $1250
- Requiring credit score of 625
- No Section-8 or GRH
High Rental Property Speculation Activity

• **Rental Buying Pressure & Price Competition**
  - 21% of metro rental housing stock turned over 2006-2014
  - 38,000 units out of 182,602 total rental housing stock
  - 4,180 units changed hands *per year* on average over 8 yrs
  - 561 transactions
  - Average price: $80k per unit

• **Cities with Highest Turnover of Rental Ownership:**
  - Burnsville: 48% of its rental housing stock
  - Brooklyn Center: 39% of its rental housing stock
  - New Brighton: 33% of its rental housing stock
  - 8 cities in metro had a sales of 20% or more of stock

Note: Only includes sales of rental buildings, valued over $239k

- Total rental housing stock based on 2013 America Community Survey from the US Census.
Affordability At Risk

In Tipping Point Areas

Rapidly Rising Rents

- Access to Jobs
- Good Schools
- Transit Access
- Community Services
- Rising Values
Goals of NOAH Impact Fund
Preserve Affordability of NOAH Properties in Opportunity Areas

- **OPPORTUNITY AREAS**
  Preserve Properties in Opportunity Areas (Schools, Jobs, Transit)

- **AFFORDABILITY AT RISK**
  Preserve Properties at Risk of Loss of Existing Affordability

- **LOW INCOME HOUSEHOLDS**
  Prevent Displacement of Low Income Families

- **IMPROVED STEWARDSHIP**
  Stabilize Properties, Improve Management
Preserve Affordability of Priority Class B & C Properties
Acquisition of 700-1,000 units within in 2.5 years
Prevent displacement of over 2,000-3,000 low-income residents
Focus Preservation Efforts in “Opportunity Areas”
  • At Risk for Loss of Affordability Due to Gentrification & Rising Rents
  • Near Well-Performing Schools, Employment, Public Transit & Services
Serve Household Incomes Below 80% AMI Per Charitable Purpose
Mixed Income Property: 75%+ Units for HH below 80% AMI
Mixed Income Strategies May Enable Cross Subsidy for Lower Rents
Initial Rents Levels at 60% AMI, not to Exceed 80% AMI Rents

Affordable Rents at 60% AMI: Efficiency: $910 Mo, 1 BR: $975 Mo, 2 BR: $1,170, 3 BR $1,351
80% of Area Median Income (AMI) in Hennepin County: $69,280 / 4 Person HH
A social impact fund designed to preserve the affordability of naturally occurring affordable housing (NOAH) in opportunity areas in the Twin Cities metro area where affordability is at risk of loss

• **Capitalization:** $25-$30 million, leveraging $100+ million in NOAH acquisitions

• **Mission Impact:** 700-1,000+ NOAH rental homes with affordability preserved for at least 15 years for families, individuals, and seniors with low to moderate incomes

• **Qualified Partners:** NOAH acquisitions in concert with high-performing nonprofit and socially motivated for-profit operating partners
NOAH Fund #1 – $32.5M Impact Investors

<table>
<thead>
<tr>
<th>NOAH FUND INVESTORS</th>
<th>TOTAL POOL #1 CAPITAL: $32.5M</th>
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<tbody>
<tr>
<td>WESTERN BANK</td>
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Pilot Demonstration Project
Fountain Terrance Apartments
New Brighton, MN

• Built by Bethel College 1965
• 72 Naturally Affordable Units
• All 2 Bedroom Units
• 100% Occupied
• $80,000 Per Unit Acquisition
• Off Market Relationship Sale
• $9,000 PU Upgrades (Kitchen, Bath, Electric, Fixtures, Floors)
• $950-$1,050 Rents (were $830-$870)
• Agree to Rent Restrictions 15 Yrs
• Short 45-60 days to close – Achieved
• $2.25 Million – NOAH Fund Equity / 10 Yrs / 9% IRR
• New Brighton: 33% Rental Stock Sold (2006-2014)
## NOAH IMPACT FUND I - Preservation Investment Status

<table>
<thead>
<tr>
<th>NOAH Project Name</th>
<th>Preservation Partner</th>
<th>NOAH Property Location</th>
<th>Number of Properties</th>
<th>NOAH Units</th>
<th>NOAH Fund I Equity Invested</th>
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<td>Bloomington &amp; Brooklyn Center</td>
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<td>St. Paul North End</td>
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<td><strong>TOTAL NOAH FUND I PRESERVATION</strong></td>
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<td><strong>$23.4 M</strong></td>
<td><strong>$83.7 M</strong></td>
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84% of Households Are Below 60% AMI

- 30% AMI or Less: 41%
- >30% to 50% AMI: 29%
- >50% to 60% AMI: 14%
- >60% to 80% AMI: 9%
- Over 80% AMI: 7%

*LOWEST INCOME HH MOST AT RISK OF HOMELESSNESS*

Over 80% AMI is limited to no more than 25% of all Households.
SECTION-8 VOUCHER HOLDERS MOST AT RISK OF HOMELESSNESS

NOAH Pool I LLC

37%
of all HH Served Utilize

Section 8

Section-8 HH
37%
178 Units

Non-Section-8 HH
63%
303 Units

As of Q1 2019
Over 3,200 NOAH homes have been preserved by Non-Profit and For-Profit Preservation Buyers since 2017 in MN
NOAH Preservation by Aeon

Huntington Place, Brooklyn Park

- 834 Units!
- All 1 Bedroom Units -- $950 mo rents
- Home to 2,500 residents
- Acquired from Dominium (January 2020)
- City of Brooklyn Park Invested $5M
- Aeon Investing $6M Improvements
- Dominium Invested $8M in Improvements
- 3,000 Police Calls in 2018
- Planning a Phase II new construction
Lower Cost Equity & Gap Funding is Essential to NOAH Preservation:

• To compete for properties in opportunity areas with affordability risk
• To structure transactions that preserve long-term affordability
• To achieve timely closings on a 60-day transaction timetable
• To recruit qualified operating partners with NOAH portfolio plans
• To achieve a predictable IRR for private leverage of impact investors
• To achieve housing stabilization for residents
An Overview of NOAH Impact Fund II

Phase II: $33.5M Capital Raise
Following Successful Deployment of NOAH Impact Fund I of $32.5M

Ramsey County Board Commissioners
September 10, 2019

A 2020 Impact Investment Fund for the Preservation of NOAH
In Your City...

• What NOAH pressures exist?
• What NOAH resources are available?
• Examples of NOAH Preservation?
• NOAH Preservation Lessons Learned?
End
GMHF’s COVID-19 Response

• Tenant COVID-19 “Rent Relief” Grants:
  Assistance to unemployed at-risk tenant households:
  • 43% HH of Color
  • 97% HH in Greater MN

• Research on COVID-19 Eviction Threats:
  Monthly survey of 30,000 affordable apartments

• GMHF Forbearance Due to COVID-19:
  GMHF offers flexible loan forbearance

• Flexible Covid-19 Operating Grant Support:
  Grants to affordable housing organizations

• GMHF Covid-19 Best Practices Collaboration:
  Collaborative planning & national best practices
Housing for a Diverse Workforce

Resident Ownership of Rural Manufactured Home Parks

GMHF financed Northcountry Cooperative Foundation (NCF) so the 122-unit manufactured home park Zumbro Ridge Estates in Rochester, MN could become resident owned. 40% of Zumbro Ridge Estates residents are Latinx, Native American or Asian.

Green & Healthy Workforce Housing in Worthington

GMHF financed Viking Terrace Apartments, 60 units of green & healthy housing to support a diverse workforce and community. Over 50% of Worthington’s population is now people of color, and home to JBS pork processing, and animal vaccine research & manufacturing.