GREATER MINNESOTA HOUSING FUND



Investing for Impact



Regional NOAH Impact Fund

Regional Council of Mayors

September 14, 2020

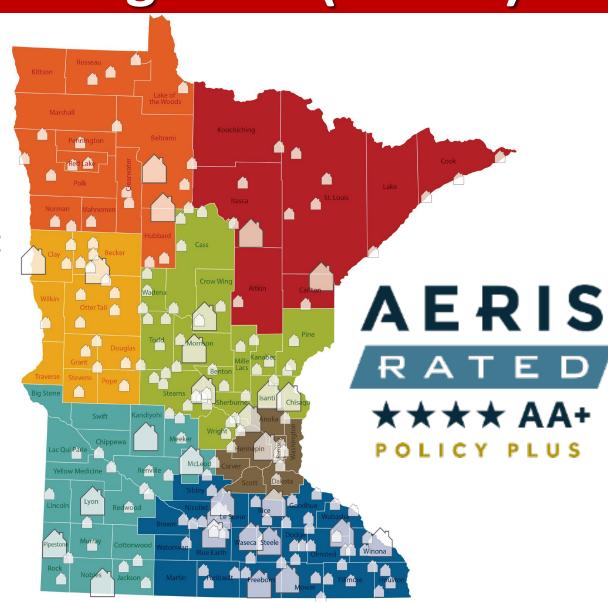
Greater Minnesota Housing Fund (GMHF)

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





GMHF Social Impact Enterprises





\$20M-\$30M in Tax Credit Equity Invested Annually



\$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



Affordability: From Shelter to Homeownership

Temporary Homeless Shelter

Transitional

Housing for the **Homeless**

Temporary Shelter

GREATER MINNESOTA HOUSING FUND

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

Affordable Housing

Point of access to market housing options



NOAH Impact Fund focuses on *market-rate*, unsubsidized affordable housing

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

Naturally Occurring Affordable Housing

The Largest Source of Affordable Housing Regionally and Nationally

- 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 <u>unsubsidized</u>
- 74% of <u>all</u> affordable units are unsubsidized
- 167,100 unsubsidized NOAH units in metro area
- Dramatic losses of affordable units



Crossroads at Penn,698 Units, Richfield,



Fountain Terrace, 72 Units, New Brighton



NOAH Housing Affordability & Acq. Costs



Up-Market



Acquisition Cost \$150K-\$285K

Average Rents \$1,450-\$2,000

Affordable to <80% AMI

Luxury



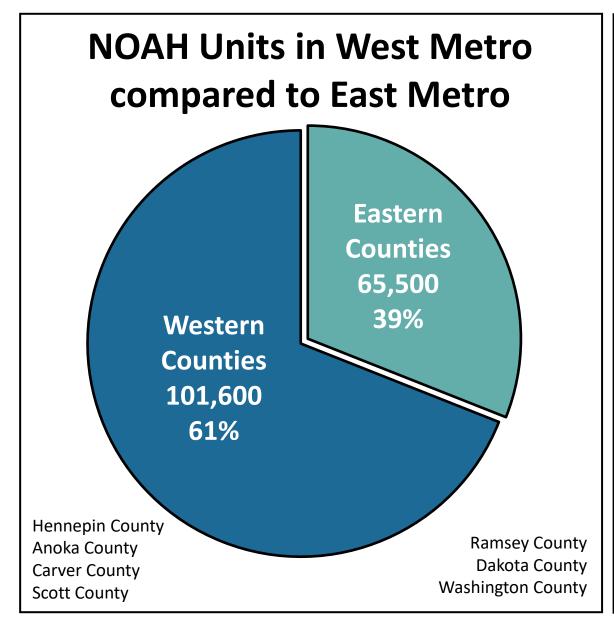
Acquisition Cost \$285K-\$350K

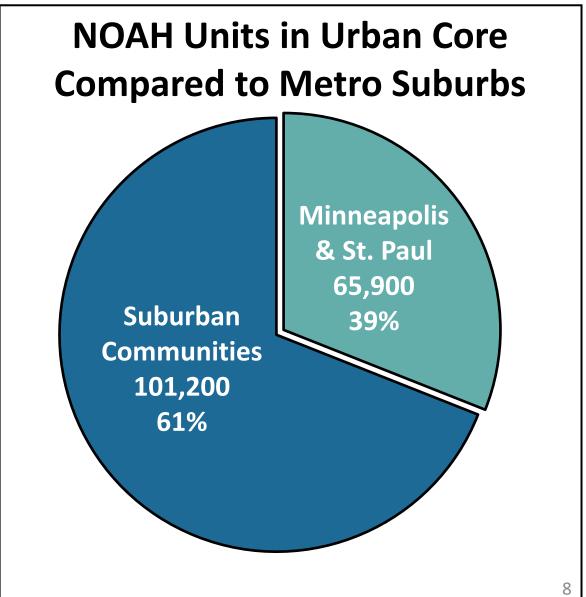
Average Rents \$2,000-\$3,200

Affordable to >80% AMI

Not Targeted

Location of NOAH Properties in Metro Area





NOAH at Risk --- A Perfect Storm

Key Factors Causing the Loss of Naturally Occurring Affordable Housing

- National investors rapidly acquiring NOAH property
- Aggressively <u>raising rents</u> in year one, pushed hard thereafter
- Metro area <u>losing affordable housing</u> 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 <u>vacancies at 3%</u>



Case Study: Crossroads a Penn, Richfield

A story of loss of Naturally Occuring 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 <u>per year</u> 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

Access to Good Jobs **Schools** Rapidly Rising Rents Rising **Transit Values** Access **Community Services**

In Tipping Point Areas

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

NOAH GOAL - Regional Impact at Scale \$25 Million Impact Capital Investments 700 -1,000 NOAH Units Preserved

- 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 <u>"Opportunity Areas"</u>
 - At Risk for Loss of Affordability Due to Gentrification & Rising Rents
 - Near Well-Performing Schools, Employment, Public Transit & Services
- Serve Household <u>Incomes Below 80%</u> AMI Per Charitable Purpose
- <u>Mixed Income</u> Property: 75%+ Units for HH below 80% AMI
- Mixed Income Strategies May Enable <u>Cross Subsidy</u> for Lower Rents
- Initial Rents Levels at 60% AMI, not to Exceed 80% AMI Rents

NOAH Impact Fund

Equity Capital for Acquisition and Preservation of Naturally Occurring Affordable Housing

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

















NOAH FUND INVESTORS

TOTAL POOL #1 CAPITAL: \$32.5M

WESTERN BANK \$5.67M

SUNRISE BANK \$5.67M

BREMER BANK \$5.67M

MHFA: \$5.0M

MCKNIGHT FOUNDATION: \$5.0M

HENNEPIN COUNTY: \$3.0M

GMHF: \$2.5M





- **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)





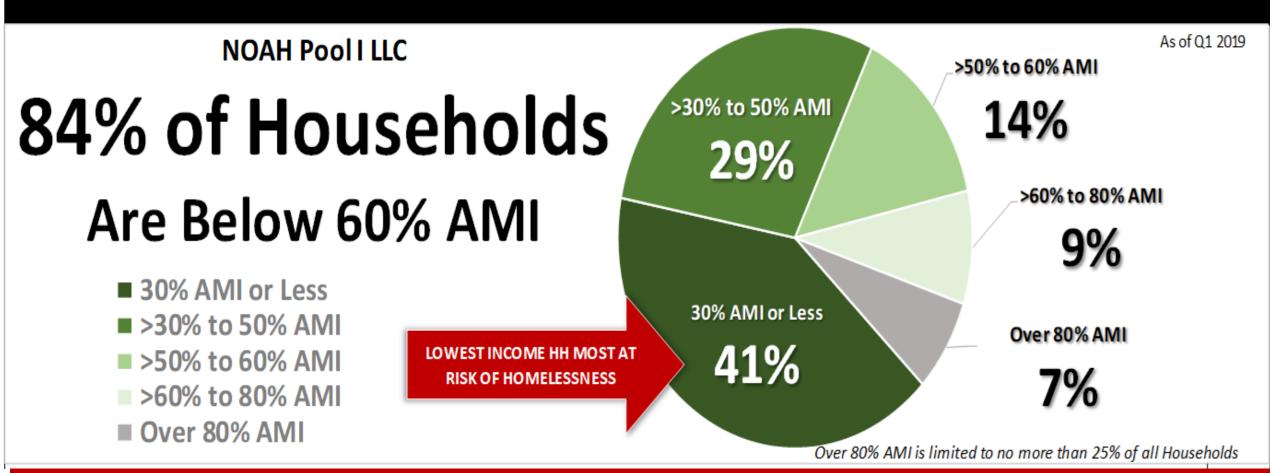


NOAH Impact Fund I – Impact Outcomes

NOAH IMPACT FUND I -	Preservation	Investment Status
NOAH IIVII ACI I OND I -	I I Coci vacioni	mvestillent status

Trescribilities of the fire of								
NO	AH Project Name	Preservation Partner	NOAH Property Location	Number of Properties	NOAH Units	NOAH Fund I Equity Invested	Total Devel Cost	
Acquired Properties	Fountain Terrace Apts.	Real Estate Equities	New Brighton	1	72	\$2.3 M	\$6.9 M	
	Towers Rental Portfolio	Aeon	Bloomington & Brooklyn Center	4	239	\$8.0 M	\$27.8 M	
	The Provinces Apartments	Aeon	Little Canada	1	118	\$3.0 M	\$14.0 M	
	Hyacinth Apartments	Hempel Companies	St. Paul North End	1	52	\$1.2 M	\$4.5 M	
	Villa Nova Portfolio	Aeon	Minneapolis & Edina	16	220	\$8.9 M	\$30.6 M	
TOTAL NOAH FUND I PRESERVATION			23	701	\$23.4 M	\$83.7 M		

ALL HOUSEHOLD INCOMES SERVED



NOAH Impact Fund I – Impact Outcomes

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

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

LESSONS LEARNED

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

A 2020 Impact Investment Fund for the Preservation of NOAH



Phase II: \$33.5M Capital Raise

Following Successful Deployment of NOAH Impact Fund I of \$32.5M

Ramsey County Board Commissioners

September 10, 2019



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 rousing

- 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

Facilitating Crisis-related Housing Needs Collaboration

Established a Tenant Rent Emergency Fund

Researching the Impact of COVID-19 on Tenants and Owners

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