

## Community Development Committee

Meeting date: November 5, 2018

For the Metropolitan Council meeting of November 14, 2018

**Subject:** Preservation of Naturally Occurring Affordable Housing

**District(s), Member(s):** ALL

**Policy/Legal Reference:** Minn. Stat. §§ 471.59; 473.195

**Staff Prepared/Presented:** Libby Starling, Director of Regional Planning, 651-602-1135

**Division/Department:** Community Development / Regional Planning

### Proposed Action

That the Metropolitan Council authorize the Regional Administrator to negotiate and the Chair to execute a Joint Exercise of Powers Agreement with the Minnesota Housing Finance Agency (Minnesota Housing) to provide \$1,400,000 in program support in the form of a grant to the Greater Minnesota Housing Fund for the Naturally Occurring Affordable Housing (NOAH) Impact Fund to further the NOAH Impact Fund's work to preserve naturally occurring affordable housing, using the investment guidelines listed in Attachment 1 to structure the Joint Exercise of Powers Agreement and Council's investment in the NOAH Impact Fund.

### Background

Over the last few years, naturally occurring affordable housing – that is, housing that has aged into affordable price points – has become increasingly endangered as investors see financial opportunity in purchasing and investing in older apartment buildings to allow for higher rents.

The Greater Minnesota Housing Fund (GMHF) launched the NOAH Impact Fund in 2017 to respond to the need for a quick-turnaround source of financial equity for mission-oriented investors willing to preserve affordability when naturally occurring affordable housing properties come onto the market. Key investors in the Phase I of the Fund included Minnesota Housing, Hennepin County, the McKnight Foundation, Bremer Bank, Sunrise Banks, Western Bank (a division of American National Bank), and the Otto Bremer Trust. With nearly all of the \$25 million of Phase I of the NOAH Impact Fund invested in preserving nearly 1000 units of naturally occurring affordable housing, GMHF is launching Phase II to continue its work. The NOAH Impact Fund is available for use only within the Council's seven-county area.

Under the proposed joint powers agreement, Minnesota Housing will use Council funds to increase its program support to the NOAH Impact Fund. The Council funds will be used as a long-term investment.

Greater Minnesota Housing Fund President Warren Hanson and NOAH Impact Fund Manager Rachel Robinson plan to be present at the November 5 Community Development Committee meeting.

### Rationale

This action supports direction in the Council's adopted *2040 Housing Policy Plan* which encourages the Council and its partners to "[a]ddress how 'naturally occurring' or unsubsidized affordable housing meets the region's housing needs." Using the Council's funds through the mechanism of the NOAH Impact Fund allows for the quick turnaround necessary to save the affordability of these properties.

### **Thrive Lens Analysis**

This action advances the Thrive outcome of Stewardship by preserving existing affordable housing and the Thrive outcome of Equity by preserving a mix of housing affordability across the region.

### **Funding**

The Council's 2018 Unified Budget authorized \$1.4 million of its general purpose levy to support the preservation of naturally occurring affordable housing in the region.

### **Known Support / Opposition**

Under state law, joint powers agreements between governmental units must be "entered into through action of their governing bodies." The Minnesota Housing Board of Directors will consider the proposed joint powers agreement at an upcoming meeting.

## Investment Guidelines

### *Purpose*

The Metropolitan Council preservation of naturally occurring affordable housing grant funds will be invested in the Naturally Occurring Affordable Housing Impact Fund managed by the Greater Minnesota Housing Fund to help finance the acquisition of naturally occurring affordable housing.

The Metropolitan Council is seeking this investment with the NOAH Impact Fund because of its ability to act quickly and nimbly to provide funding to mission-oriented developers who will maintain housing affordability.

### *Guidelines*

The NOAH Impact Fund will use the Council's resources to assist in the acquisition and preservation of naturally occurring affordable housing within the 7-county metropolitan region that is at risk of rent increases or rental policy changes due to property sale. The NOAH Impact Fund targets properties at 60% AMI rents and incomes with a requirement that a minimum of 75% of the units in the property be restricted to 80% AMI; these restrictions are enforced by a recorded Use Agreement. The Council's investment may be repaid at the term of the investment.

### *Reporting Requirements*

The NOAH Impact Fund will provide the Council annual reports on the projects that receive investments from the Phase II fund that includes the Council's resources until the Phase II fund is completely invested.