

HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 8, 2023

REGARDING: ESTABLISHMENT OF A NATURALLY OCCURRING AFFORDABLE HOUSING (NOAH) ACQUISITION LOAN PROGRAM AND ALLOCATION OF \$3,000,000.00 OF THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY ("HRA") HOUSING TRUST FUND DOLLARS TO THE PROGRAM

Requested Board Action

Approval of Program Guidelines for a Naturally Occurring Affordable Housing (NOAH) Loan Fund and allocation of **\$3,000,000** from of the Housing Trust Fund to NOAH Loan Fund.

Background

Housing staff began researching a NOAH Preservation Fund in 2020 by engaging with internal and external stakeholders and researching existing programs and best practices. At that time staff identified \$3 million in Housing Trust Fund dollars as a potential funding source. Program development was paused in 2021 and early 2022, as staff efforts focused on deployment of COVID response funds and federal American Rescue Plan Act (ARPA) funds. Efforts to expand the City's NOAH Preservation strategy were revived in late 2022 and have continued to move forward as part of an overall strategy to increase City investments in naturally occurring affordable housing (NOAH) preservation that also includes a Rental Rehab program and the local 4d program.

Today, NOAH Preservation remains a state and local priority, with recent state level investments approved for NOAH acquisition and rehab, and a continued interest in preventing displacement and ensuring a wide range of housing options for low and moderate income renters in Saint Paul. Furthermore, as costs of construction continue to rise, efforts to preserve NOAH are a valuable complement to investments in new development. Overall, NOAH preservation is a fast and cost effective strategy that expands housing choice to more neighborhoods, and is environmentally sustainable because it supports investment in existing buildings.

A Saint Paul NOAH loan fund will support acquisition of NOAH properties by development partners, including a targeted focus on loan opportunities for emerging developers, co-ops and nonprofits. Program design, including minimum requirements, will align with the following Affordable Housing Preservation Priorities. When evaluating projects, the best mix of multiple priorities will be considered when determining the overall merit of proposals, including:

- Properties located within a quarter mile of existing or planned light rail or bus rapid transit (BRT) lines
- Properties with a feasible plan for a housing cooperative or other form of community ownership as described by the applicant
- Acquisition of properties by small and emerging developers and owner/operators.
 - Developers who participated in the City's Emerging and BIPOC Developer Training and Engagement Initiative, or in other community initiatives for emerging developers, such as the ULI Real Estate Diversity Initiative (ReDI), LISC Developers of Color Cohort, Greater Minnesota Housing Fund Emerging Developers program, etc. are encouraged to apply for funding.
- Deeper commitment to restricted rent requirements, either through longer period of affordability (e.g. 30 years) or more deeply affordable units, i.e. 30% AMI or 50% AMI units
- Applications that maximize outside leverage such as mortgage financing, equity, or philanthropic sources and have lower subsidy per unit
- Property owner experience with, and a plan to participate in, programs which provide housing opportunities to individuals with housing barriers such as criminal history.

The HRA Board will receive regular reports after each loan closing, as well as an annual report on all approved NOAH Acquisition loans.

Loan repayment will be deferred for the term of the loan, with a minimum term of 20 years and a maximum term of 30 years, with an interest rate of 0%. Loan amounts will be set based on the financial underwriting and gap analysis for individual projects, with a maximum loan amount of \$25,000 per unit preserved at 60% of Area Median Income (AMI), \$45,000 per unit preserved at 50% of AMI and \$60,000 per unit preserved at 30% of AMI. In total, staff anticipates that the initial funding allocation of \$3,000,000 will enable a total of 3-5 project awards in the first year,

with a mix of small and large project awards intended to balance the goal of preserving as many affordable units as possible and building community wealth through opportunities geared towards emerging developers and owner operators.

Budget Action: The attached Financial Analysis form amends the 2023 Housing Trust Fund budget, allocating \$3,000,000 for the NOAH Loan Fund.

Future Action: N/A

Financing Structure: Future loans will be approved based on the structure proposed in the NOAH Loan Fund guidelines.

PED Credit Committee Review

Approved by Credit Committee on October 31, 2023.

Compliance

The following compliance requirements may apply:

- Two-bid Policy
- Affirmative Action
- Sustainability Initiative

For awards greater than \$250,000, the Early Notification System requirement is waived to allow for timely real estate transactions per the NOAH Loan Fund guidelines. This allows for timely real estate transactions such that borrowers willing to preserve and restrict the affordability of the units can compete with potential purchasers that may otherwise raise rents and not preserve the affordability of the units.

Green/Sustainable Development: N/A

Environmental Impact Disclosure: N/A

Historic Preservation: N/A

Public Purpose/Comprehensive Plan Conformance:

The NOAH Program meets objectives of the Housing chapter of the City’s 2040 Comprehensive Plan, including the following Policies in particular:

- H-16 – Increase housing choice across the city to support economically diverse neighborhoods.

- H-32 – Continue to use City/HRA resources to support affordable rental housing citywide with at least 30 percent of the total rental units (both market-rate and affordable) financially assisted by the City/HRA being affordable to households earning 60 percent or less of AMI.
- H-39 – Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.
- H-41 – Consider use of official controls to require affordable housing to achieve mixed-income neighborhoods.

Recommendation: Staff recommends (1) approval of the Naturally Occurring Affordable Housing (NOAH) Loan Fund guidelines and priorities, and (2) allocation of **\$3,000,000** from of the Housing Trust Fund to NOAH Loan Fund.

Sponsored by: HRA Board Chair Tolbert

Staff: Dean Porter-Nelson, 266-6652

Attachments

- **Program Guidelines**
- **Financial Analysis**
- **Map showing ¼ mile radius around Light Rail Transit and Bus Rapid Transit Lines**