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CITY OF SAINT PAUL

Naturally Occurring Affordable Housing (NOAH) Loan Fund



Why preserve NOAH, and why now?

Every year, Minnesota loses more affordable homes than we build.

We lost **52,000** naturally occurring affordable units from 2013 to 2019 in the metro through rent increases.

In that time, we only closed financing on **7,762** affordable (rent and income restricted) units.

Source: [MN House of Representatives NOAH Funding Proposal \(2022\)](#)

NOAH Preservation has many iterative benefits.

- Direct anti-displacement strategy that advances racial and economic equity through a place-based approach;
- Fast and cost-effective strategy;
- Flexible strategy that expands housing choices; and
- Long-term, environmentally sustainable strategy.

Source: [Enterprise Community Partners report on Preserving Affordability, Preventing Displacement \(2020\)](#)



Strategy: New NOAH Program

- Naturally Occurring Affordable Housing (NOAH) Preservation Fund
 - Three-unit minimum building size: goal of supporting a mix of small and large projects
 - \$3 million initial investment from the Housing Trust Fund
 - Fund officially launches very soon
- Acquisition focus
 - Complement Rental Rehab program
 - Support acquisition of properties by emerging developers, co-ops and nonprofits
 - Preserve long term (20-30 year) affordability and maintain housing stability when buildings transact



NOAH Program: Research and Outreach

- Housing staff began researching a NOAH Preservation Fund in 2020
 - Engaged with internal and external stakeholders
 - Researched existing program and best practices
 - \$3 million in Housing Trust Fund dollars flagged as a potential source
- Efforts were paused until late 2022 due to staff turnover and COVID-related programs in 2020 and 2021, including Emergency Rental Assistance and ARPA for 30% Area Median Income (AMI) development
- Program development resumed in early 2023
- Round 1 RFP launches very soon, Round 2 anticipated for later in 2024



NOAH Program: Terms of Funding

- All projects must have a minimum of a 20-year affordability commitment (up to 30 years)
- All projects must have a minimum of 80% of units held affordable by rent & income limits
 - 60% of units restricted at (or below) 60% AMI
 - 20% of units restricted at (or below) 50% AMI
- Loan amounts to any given borrower will be determined on a case-by-case basis to balance:
 - 1) Availability of funds
 - 2) Project underwriting
 - 3) Alignment with HRA preservation priorities
 - 4) Higher awards given to projects with deeper affordability (e.g. higher award for 50% AMI vs. 60% AMI)
- City aims to fund between 3-5 projects with initial \$3M allocation
- Funds secured by subordinate 20–30-year mortgage



NOAH Program: Preservation Priorities

- Properties located within 1/4 mile of existing or planned BRT or LRT lines, in alignment with other Saint Paul policies
- Support a variety of project sizes, including a mix of small projects and larger proposals
- Acquisition of property by limited equity housing cooperatives
- Acquisition of properties by small and emerging developers, such as developers who participated in the City's Emerging and BIPOC Developer Training and Engagement Initiative or in community initiatives such as the LISC Developers of Color Cohort, Greater MN Housing Fund capacity building initiatives, or ULI Real Estate Diversity Initiative, etc.
- Deeper levels of affordability (i.e. units affordable/occupied by households with lower incomes such as 30% Area Median Income (AMI) or 50% AMI units instead of 60% AMI units)
- Longer affordability commitment (e.g. 25 or 30 years instead of 20 years)
- Projects that maximize the leverage of outside funding and have lower subsidy per unit
- Commitment to serve households with housing barriers



NOAH Program: Application Process

- Training opportunities throughout March & April
- Application process
 - Pre-application meeting
 - NOAH loan application
 - Financial proforma
 - Current property rent roll
 - 3 years of operating & management expenses for the property or a similar one
 - Purchase agreement or other evidence of site control for proposed acquisition
 - Potential borrowers are encouraged to include a termination clause within the purchase agreement in case the project is not selected.
 - *Tenant relocation plan
- Scoring matrix to balance preservation priorities, applicant capacity, & financial feasibility



NOAH Program: Maximum Award Amounts

Maximum Award per Housing Unit

Building/Portfolio Size

**Affordability
Commitment**

	1-49 units	50-199 units	200+ units
30% AMI	\$60,000	\$40,000	\$35,000
50% AMI	\$45,000	\$30,000	\$20,000
60% AMI	\$25,000	\$20,000	\$15,000

Example 1

- *Property size:* 10 units
- *Affordability commitment:* 100% of units at 50% AMI
- *Mortgage term:* 20 years
- *Per-unit max:* \$45,000
- *Total award request:* up to \$450,000
 - 10 affordable units * \$45,000 per-unit max

Example 2

- *Property size:* 50 units
- *Affordability commitment:* 60% of units at 60% AMI. 20% units at 50% AMI
- *Mortgage term:* 30 years
- *Per-unit max:* \$20,000 for 60% AMI, \$30,000 for 50% AMI
- *Total award request:* up to \$900,000
 - 30 60% AMI units * \$20,000 = \$600,000
 - 10 50% AMI units * \$30,000 = \$300,000



Thank you!

Questions?

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