

MINNEAPOLIS NOAH PRESERVATION FUND

Description: The Minneapolis Naturally Occurring Affordable Housing (NOAH) Preservation Fund is established to assist eligible preservation buyers to acquire and preserve NOAH rental property in Minneapolis that is at risk of increased rents in order to protect low-income tenants occupying such housing that are at risk of involuntary displacement.

Definitions:

Naturally Occurring Affordable Housing (“NOAH”): Rental housing units provided by the private market without government subsidy that have rents affordable to households with incomes at or below 60% of the area median income, and/or rental housing units that previously received local subsidy or low income housing tax credits, and are no longer subject to income and/or rent restrictions.

Eligible NOAH Properties: NOAH Properties in Minneapolis that are good quality without significant physical or deferred maintenance needs, that are in locations determined by the City to be at risk of increased rents and are occupied by low-income tenants at risk of involuntary displacement.

GMHF NOAH Impact Fund: \$25 million Fund created by the Greater Minnesota Housing Fund (GMHF) to assist in the acquisition, stabilization, and preservation of NOAH property in the Twin Cities metro area.

Freddie Mac Demonstration Initiative: Freddie Mac Multifamily, NorthMarq Capital, Mercy Housing, CommonBond Communities, and National Housing Trust (NHTCDF) financing structure, including both senior and junior debt financing, to improve feasibility of NOAH property acquisition and preservation by nonprofit organizations.

Eligible Borrower: Non-profit housing owner operators with a mission to provide long term affordable housing opportunities and demonstrated experience and capacity in owning and operating high quality and well managed affordable housing.

Terms of Funding:

- \$1.5 million in one or more loans to Eligible Borrower(s) to be used in accordance with the criteria of the Fund as flexible, low interest, first loss money to assist with acquisition financing of NOAH properties
- Non-recourse loan secured solely by a subordinate mortgage
- Interest rate of 0% or 1%
- Term of 10-15 years
- Loan amount not to exceed \$25,000 per unit
- The City will disburse the funds in one or more draws as requested by Borrower(s)
- NOAH acquisitions will be funded on a first-come, first-served basis

- Funding will be tied to projects that are also participating in or qualification by GMHF NOAH Impact Fund or Freddie Mac Demonstration Initiative. This requirement allows the City to rely on reliable third party underwriting to expedite City approval and benefit from leverage of other programs.
- The Director of Community Planning and Economic Development (CPED) is authorized to approve loans administratively that meet the criteria established herein, without further approval by the City Council.
- Upon CPED Director approval, the appropriate City staff will be authorized to execute loan documents prepared by the City Attorney's Office consistent with the requirements of the Fund.

Eligible Expenses:

- Property acquisition expenses, including establishment of a Replacement Reserve for the property as determined appropriate by either GMHF or Freddie Mac and approved by the City

Affordability and Tenant Protection Requirements:

- For 15 years, 75% or more units must serve households at 80% AMI or less with rents affordable to households at 80% AMI or less
- PREFERENCE for longer affordability
- Owners must accept Housing Choice Vouchers
- Limits on rent increases for restricted rent units
 - Lease-compliant residents will not be involuntarily displaced (no lease terminations without cause)
 - Rent increases for existing tenants will be limited based on the goal of non-displacement of low-income households to a maximum of 5% per year for two years after acquisition
 - Rents may be increased and adjusted upwards as necessary to proforma levels as units turn over from initial households, while still within applicable affordability guidelines.
 - The City will review screening criteria to ensure there are no onerous requirements in conflict with the Fund's affordability and affirmative marketing goals
 - Acquisitions will be exempt from Minneapolis Relocation Policy, subject to Borrower providing notice to all existing tenants of foregoing Affordability and Tenant Protection Requirements
- Must have an affirmative marketing strategy approved by City, GMHF NOAH Impact Fund or Freddie Mac Demonstration Initiative

Borrower Contributions and Fees:

- Borrowers will contribute 3% of the acquisition cost in cash at closing
- Fees paid to Borrower for the acquisition of the properties will not exceed 2% of the acquisition costs