Naturally Occurring Affordable Housing (NOAHs)

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SEPTEMBER 24, 2018
Issues

There are at least 5.5 million rental housing units that are affordable without public subsidy support. These units run the risk of being bought by property investors eager to convert them to market rate housing.

- Most local community organizations do not have access to nimble financing or the capacity to develop and hold properties or transfer them to an appropriate steward.
- Lack of access to the financing and technical assistance to graduate from single family rehabs to small/mid-size multifamily buildings.
- Certain properties are being operated under poor management and are in disrepair or are otherwise in danger of falling out of the affordable housing stock due to obsolescence and abandonment.
- Traditional lenders are unwilling to serve this market for a number of reasons, including fixed-cost inefficiencies, low risk tolerance, and inability to package and bundle such loans into securities to be resold.
## Issues

### Large Properties
- Identifying properties
- Higher acquisition costs require readily available capital and capacity to close deals quickly.
- Financing gaps
- Tax incentives

### Small Properties
- Identifying properties
- Access to reliable data
- Lack of landlord training
- Incentives for development
- Innovative recapitalization solutions
Financing

- **Permanent Financing Products**
  - Freddie Mac NOAH Preservation Loan Program (qualifying nonprofits): underwriting flexibility, fee reductions, and rehab allowances

- **Funds**
  - Structured public and private pool of capital to assist with financing gaps.
Small Properties Fund Strategy: Pittsburgh, PA

Capitalization: A $50 MM fund that supports small property neighborhood assets and delivers technical assistance and capacity building, expert consultants in real estate asset and property management to neighborhood nonprofits.

LISC
- Fund manager
- Program Design
- Underwrite and manage loans

Local Foundation
- Grant and program related investments to support shared real estate program and low-interest loan capital.

Housing Authority
- Administer and allocate project based vouchers

City
- Rehab grant capital
- Long term subordinate soft Financing
Capitalization: A $50 MM off-balance sheet fund that supports both new construction and NOAHs by originating low-cost equity capital. The low-rate equity component (2% return) allows for deeper affordability targeting @ 25% and 30% of AMI. The fund is designed to create 1,000 units and leverages an additional $180 MM in debt and equity capital.

LISC
- Fund manager
- Program design
- Originate and underwrite investments

City
- Soft subsidy commitment through City’s Housing Trust Fund

Local Foundation
- Grant and program related investments
- Facilitating social impact investments from high-net worth individuals (2% return)
Hennepin County Small Properties

- **Buildings:** 37
- **Avg. Rent Per Unit:** $1,149
- **Avg. Rent Per SF:** $1.32
- **Avg. Vacancy Rate:** 3.0%

Bar chart showing the number of units in different size categories:
- 25 or less: 25 units
- 25-50: 5 units
- 50-75: 1 unit
- 75-100: 5 units
- 100 or more: 0 units

Bar color: #1A93E8

Legend: Number of Units