



**Preserving  
Naturally Occurring Affordable Housing  
(NOAH)**

Housing & Neighborhood Development Committee  
February 20, 2019

**Briefing Objectives**

- ▶ Committee Referral
- ▶ NOAH Guidelines
- ▶ Next Steps



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## Committee Referral

### Charge:

**On January 7, the development of a preliminary Naturally Occurring Affordable Housing (NOAH) policy recommendation for multifamily housing within 30-days to address how the City allocates funding for NOAH's in consideration with new construction, to include:**

1. What is the **level of funding** the city is willing to commit to NOAH's for project submission
2. Consider **geographical location** such that NOAH's are preserved that also offer expanded access to opportunity
3. Considering the need for 30% AMI housing, what is the **AMI goal** for keeping people in housing in their neighborhoods when gentrification is inevitable
4. What are the **terms to be included in a funding request** to the City including a range for unit renovation cost; percent of funding in equity, loans and city funding; deed restrictions for eligibility
5. Determine if there are **innovative ways to address funding** – tax reimbursement; permitting fees waiver

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## Overall Goals

- ▶ Preserve quality affordable and workforce housing through increasing the number of available deed restricted units.
- ▶ Provide subordinated, patient debt so that high performing for-profit and non-profit owner-operators can buy and / or upfit NOAH properties and preserve them as affordable.
- ▶ Allow existing owners to participate in return for deed restrictions and contingent upon demonstrated management and maintenance history.
- ▶ Align guidelines with other City policies.

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## Level of Funding

- ▶ Typical NOAH investment of \$10,000 - \$35,000 per unit
- ▶ Per unit investment will depend on acquisition price, level of rehabilitation needed, and incomes served
- ▶ Minimum leverage of 1:3 (public/private)

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## Geographic Targeting

- ▶ NOAH preservation is a citywide opportunity for:
  - ▶ Neighborhoods experiencing transformative rent growth, property appreciation and population inflows which threaten historical income diversity.
  - ▶ Areas with proximity to jobs, schools, and/or transportation infrastructure.



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## AMI Goals

- ▶ Maintain rents with current AMI brackets through deed restrictions
  - ▶ Majority of rents should be at 80 percent AMI or below
  - ▶ Prioritize funding for units at 60 percent AMI and below
  - ▶ Rents will be part of project evaluation and shared with Council
- ▶ Minimum of 10 percent of units available to 30 percent AMI tenants, with vouchers or other rental assistance
- ▶ Promote income diversity, when possible, through AMI mix or unrestricted units

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## Terms - NOAH Defined (Industry Standard)

- ▶ Multi-family rental property 15 years or older with at least 50 units
- ▶ In need of light to moderate rehabilitation
- ▶ Currently providing rents for households in AMI brackets that are at-risk relative to neighborhood dynamics
- ▶ Property can be rehabilitated to maintain quality of life for residents for 15 years or more

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## Terms - Eligibility

- ▶ NOAH rental housing at risk of conversion to higher rents and the threat of displacement of low-and-moderate-income residents
- ▶ High performing existing - or new - owner-operators
  - ▶ If existing ownership, must demonstrate satisfactory management and maintenance history, including reinvestment in property
- ▶ Scope of work addresses deferred maintenance and life safety issues
- ▶ Additional considerations will include
  - ▶ Evidence of current conditions (interior and exterior)
  - ▶ Replacement Reserves

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## Terms (continued)- Deed Restriction Goals

- ▶ Deed restriction terms of 15 years or more

## Terms - Housing Trust Fund Loan Structure

- ▶ Repayable loan, subordinate to senior debt
- ▶ Term of loan is same as term of deed restriction
- ▶ Interest-only payment due monthly; principal due at maturity if affordability period is not extended
- ▶ Leverage Goal: 1:3 (public/private)

## Terms: Critical timing considerations

- ▶ City participation committed within +/- 45 days of formal request.
- ▶ Deed restriction put in place simultaneously with closing of City loan

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## Questions/Next Steps

- ▶ Recommend approval of the proposed NOAH Policy and forward to Council for a briefing at an upcoming Strategy Session.