

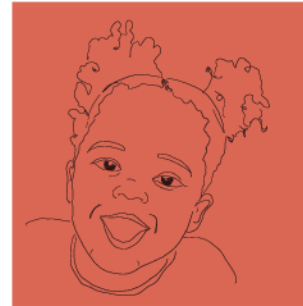
# Naturally Occurring Affordable Housing (NOAH)



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**Deidre Lal Schmidt**  
**April 4, 2018**

**National Housing Conference**  
**Restoring Neighborhoods Series**



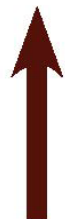
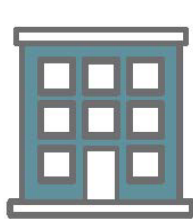
# The Problem



## Housing is Unaffordable for More People

- Demand for rental apartments is increasing at an unprecedented rate
- Supply of workforce housing is aging and shrinking
- High cost of constructing new apartments is driving market rents to skyrocket
- Wages not keeping up with rising housing costs

### *The Perfect Storm:*



GROSS RENT  
INCREASE

**+9%**



MEDIAN RENTER  
INCOME DECREASE

**-11%**

# “The Space Between”

## THE SPACE BETWEEN

Realities and Possibilities in Preserving  
Unsubsidized Affordable Rental Housing



[http://www.fhfund.org/wp-content/uploads/2013/06/Space\\_Between\\_Final\\_June-2013.pdf](http://www.fhfund.org/wp-content/uploads/2013/06/Space_Between_Final_June-2013.pdf)

## The Loss of Affordable Rental Housing

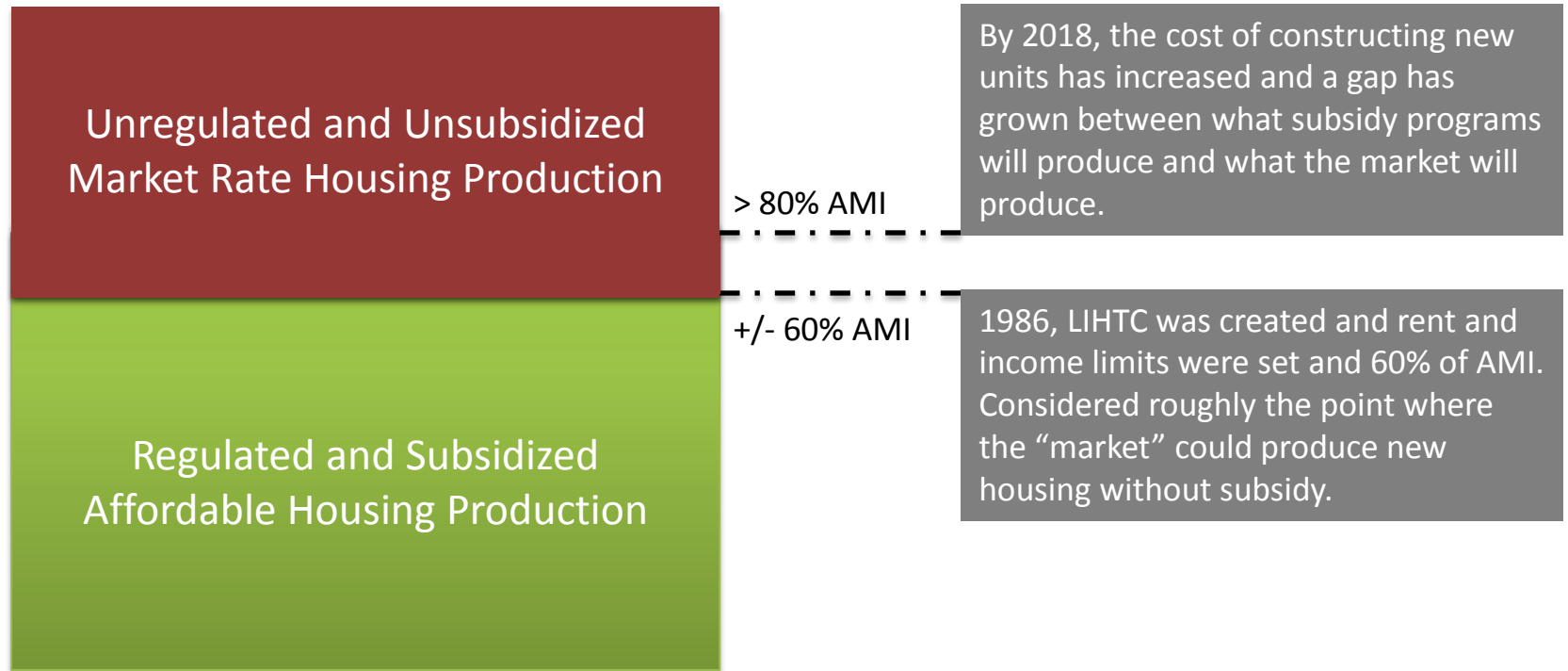
Loss to  
Up-Market

Affordable  
Portion of  
Rental Housing

Loss to  
Deterioration  
& Demolition

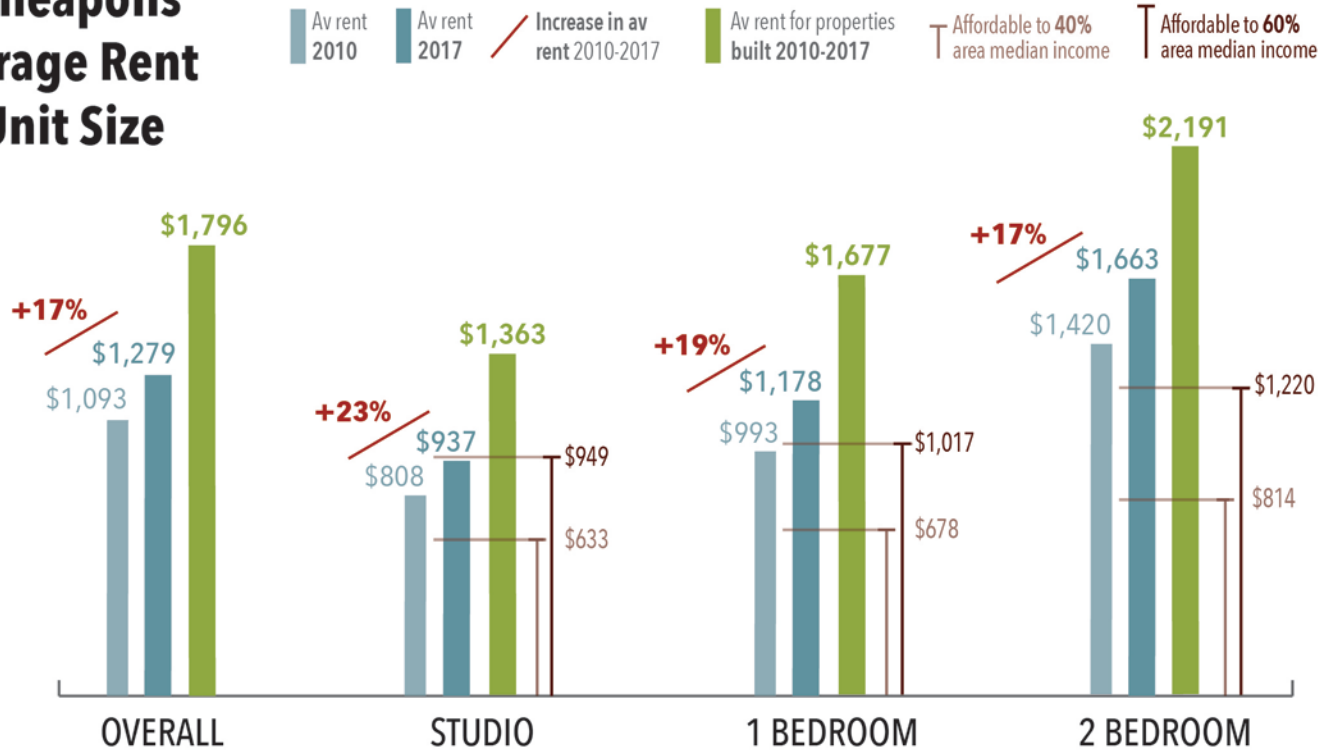


# New Production Programs Leave a Gap

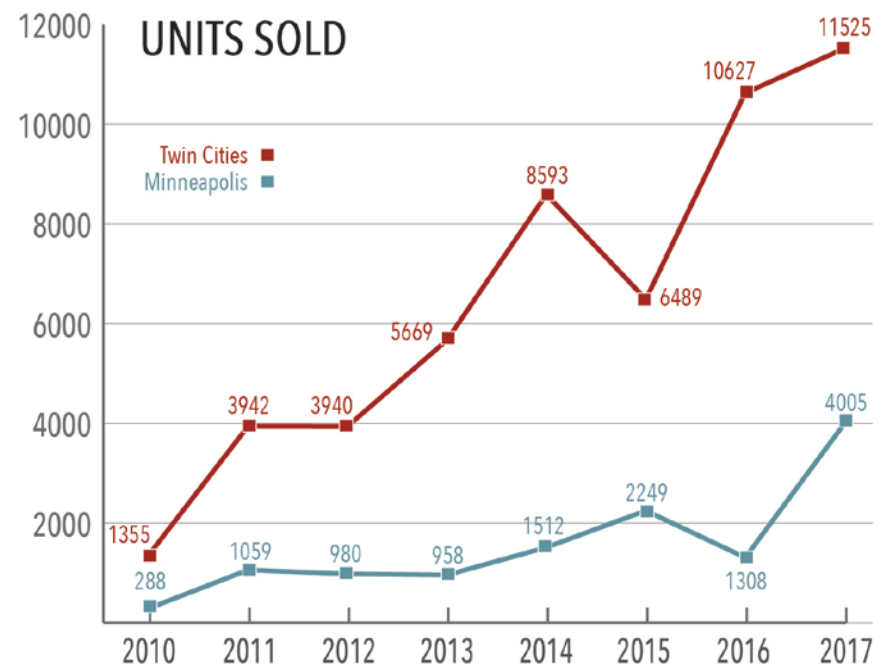
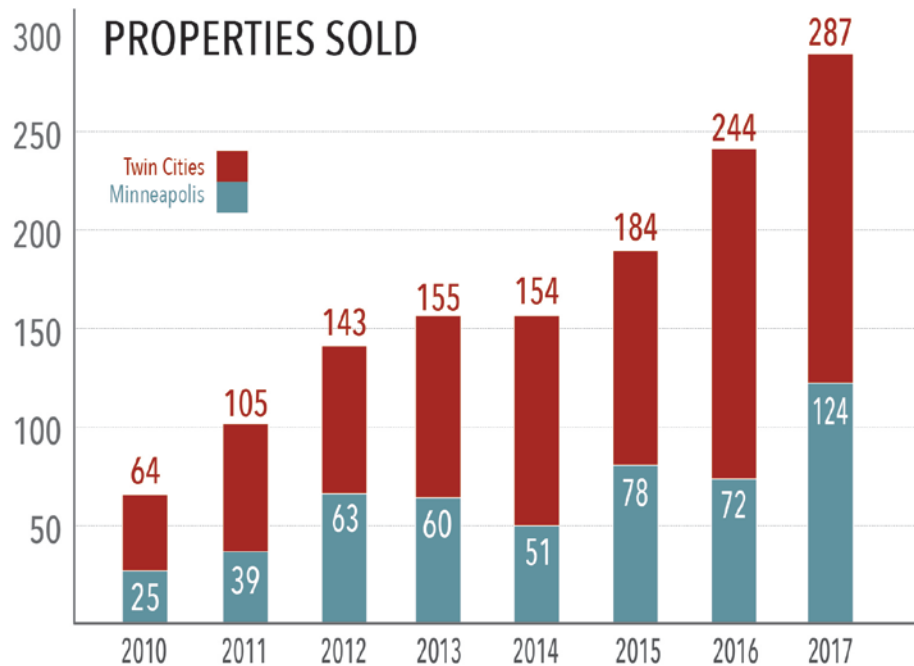


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# Minneapolis Average Rent by Unit Size



Source: Minnesota Housing Partnership "Market Watch: Minneapolis" | [www.mhponline.org/market-watch-mpls](http://www.mhponline.org/market-watch-mpls)



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# “Sold Out” - High Profile Losses

## *A Recent Scenario*

- 698-unit apartment complex in Richfield, MN
- Reasonably priced apartments for 2,300 residents
- 2% vacancy for below-market apartments
- Building was sold and upscaled
- Stopped accepting Section 8 Housing Choice Vouchers, implemented minimum credit scores
- Raised rents by 40%
- More than 1,000 people displaced



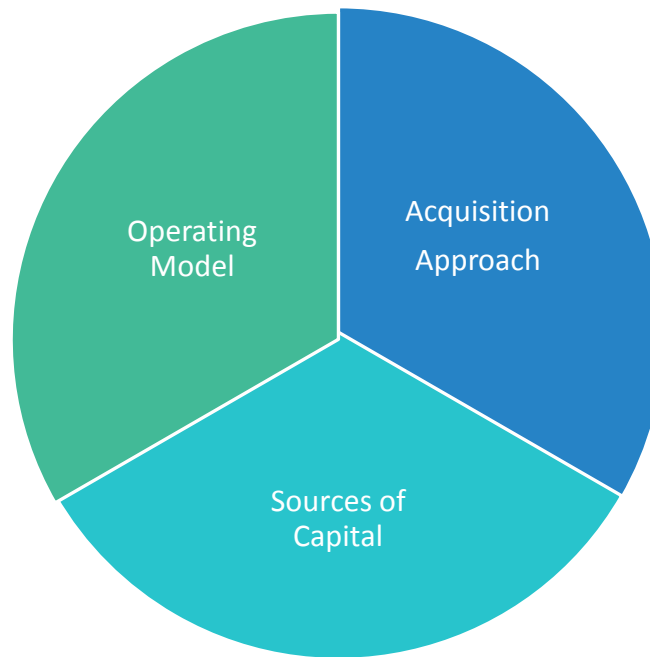
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<https://www.mhponline.org/publications/sold-out>

# CommonBond and NOAH

CommonBond has approached unsubsidized affordable rental housing preservation methodically, built a mission case and a business plan organized around three important factors for success.

Operating this product type will be different than subsidized housing. Understanding and preparing for those differences will help us succeed.



Operating and capital models will deliver results if we are able to acquire properties. We will use networks and creative structures to acquire now and when the market changes.

Purchasing and rehabbing these properties will require the use of different resources, some existing, some that we are developing ourselves.





# Mission-Driven Funding



THE HOUSING GAP IS  
WIDENING...

## YOUR INVESTMENT CAN CLOSE THE GAP.

*Invest in the preservation of affordable  
workforce housing. You'll support our  
economy, our neighborhoods, and our  
diverse cultures through CommonBond  
Communities' Housing Opportunity  
Fund.*

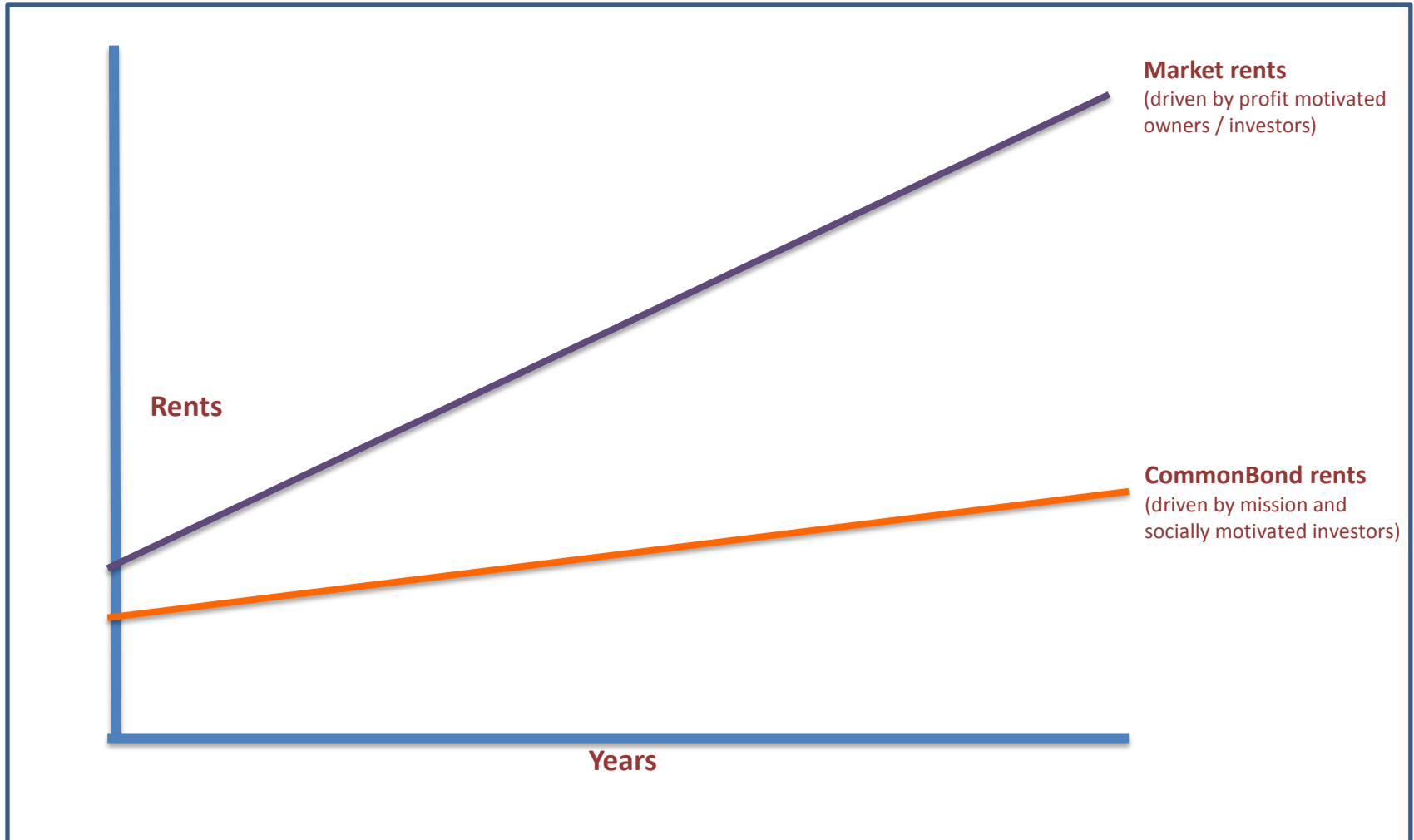


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## HOUSING OPPORTUNITY FUND: AN INVESTMENT WITH A SOCIAL IMPACT



# What success looks like





# CommonBond NOAH Case Comparison



## Rainbow Plaza Anoka, MN

- 105 units
- \$9.1m, Freddie & Mercy (JP Morgan Chase)
- +/- 60% AMI
- Vouchers in great schools (8-10 score)

## Boulder Ridge Apple Valley, MN

- 112 units
- \$18m, FHA & Enterprise Community Loan
- 69% - 74% AMI
- Large family units



## Pine Point Coon Rapids, MN

- 68 units
- \$6.9 m, Freddie & NHT-E (Kresge)
- +/- 60% AMI
- Vouchers in schools w/ strong performance for kids of color



# Boulder Ridge

## Apple Valley, MN



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# Rainbow Plaza

Anoka, MN



# Pine Point

Coon Rapids, MN



# CommonBond NOAH Case Comparison



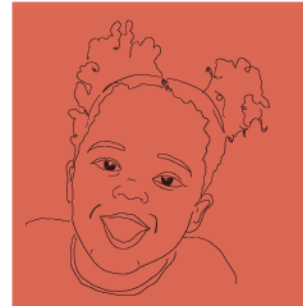
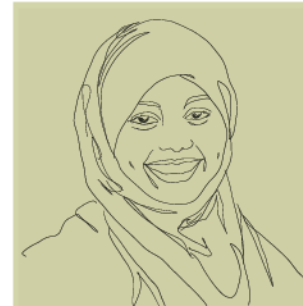
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Uses	Boulder Ridge \$18.0 Million		Rainbow Plaza \$9.1 Million		Pine Point \$6.9 Million	
Acquisition		90%		82%		79.50%
Improvements		5%		14%		15%
Soft Costs		1%		2.5%		3%
Reserves		3%		.5%		.5%
Fees		1%		1%		2%
Sources						
First	HUD	59%	Freddie	64%	Freddie	66%
Equity					NHT - E	25%
Corporate Debt	Enterprise Pohlad	31% 7.5%	Mercy	22%		
GP Equity (CBC)		2.5%		14%		9%

# Thank you! Stay in touch.



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# Area Median Incomes / Rents



## Twin Cities AMI for Family of Four \$85,800

	Income / annual	Rent / month
<b>1 Person Household –</b>		<b>Efficiency</b>
<b>30%</b>	\$18,030	\$450
<b>60%</b>	\$36,060	\$901
<b>80%</b>	\$46,000	\$1,149
<b>4 Person Household-</b>		<b>3 Bedroom</b>
<b>30%</b>	\$25,740	\$579
<b>60%</b>	\$51,480	\$1,159
<b>80%</b>	\$65,700	\$1,338