



Southwest LRT Community Works Steering Committee

Thursday, September 15, 2016

1:30 – 3:00 PM

Council Chambers, St. Louis Park City Hall

Agenda

- | | |
|---|---|
| I. Welcome and Announcements
<i>Chair Jan Callison, Hennepin County Commissioner</i> | 1:30 to 1:35 PM |
| II. LRT Project Update
<i>Jim Alexander, Southwest Project Office</i> | 1:35 to 1:45 PM |
| III. Approval of the May 2016 Meeting Minutes
<i>Chair Jan Callison, Hennepin County Commissioner</i> | 1:45 to 1:50 PM
<i>(Action)</i> |
| IV. Committee Updates
<i>Technical Implementation Committee (TIC)</i>
<i>Business & Community Advisory Committees (BAC/CAC)</i> | 1:50 to 1:55 PM |
| V. Finance Strategy Update
<i>Julie Wischnack, City of Minnetonka</i> | 1:55 to 2:10 PM |
| VI. Naturally Occurring Affordable Housing (NOAH) Fund
<i>Margo Geffen, Hennepin County</i>
<i>Warren Hanson, Greater Minnesota Housing Fund</i>
<i>Rachel Robinson, Greater Minnesota Housing Fund</i> | 2:10 to 2:40 PM |
| VII. Round Robin City Development Update
<i>City staff</i> | 2:40 to 3:00 PM |

*The next Southwest Community Works Steering Committee meeting will be held on Thursday, **November 17, 2016** at the St. Louis Park City Hall at 1:30 PM.*



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Beyond the Rails
swlrtccommunityworks.org

Southwest LRT Community Works
Steering Committee

2016 Meeting Schedule

Meetings are held on the third Thursday of the month at 1:30 PM at the St. Louis Park City Hall, Council Chambers.

January 21st

March 17th

May 19th

July 21st

September 15th

November 17th

**Southwest LRT Community Works Steering Committee
Roster (May 2016)**

Representing	Name	Member	Email Address
Hennepin County	Jan Callison (Chair)	Member	jan.callison@hennepin.us
	Linda Higgins	Member	Linda.higgins@hennepin.us
Hennepin County Regional Railroad Authority	Marion Greene	Member	Marion.greene@hennepin.us
	Peter McLaughlin	Alternate	Peter.mclaughlin@hennepin.us
Metropolitan Council	Jennifer Munt	Member	jennifer.munt@metc.state.mn.us
City of Minneapolis	Linea Palmisano	Member	Linea.palmisano@minneapolismn.gov
	Lisa Goodman	Alternate	Lisa.goodman@minneapolismn.gov
City of St. Louis Park	Anne Mavity	Member	anne@annemavity.org
	Sue Sanger	Alternate	suesanger@comcast.net
City of Edina	James Hovland	Member	jhovland@ci.edina.mn.us
	Mary Brindle	Alternate	mbrindle@comcast.net
City of Hopkins	Kristi Halverson	Member	khalverson@hopkinsmn.com
	Aaron Kuznia	Alternate	akuznia@hopkinsmn.com
City of Minnetonka	Tony Wagner	Member	twagner@eminnetonka.com
	Terry Schneider	Alternate	tschneider@eminnetonka.com
City of Eden Prairie	Kathy Nelson	Member	knelson@edenprairie.org
	Brad Aho	Alternate	baho@edenprairie.org
Minnehaha Creek Watershed District	Dick Miller	Member	dickrmiller@gmail.com
	Kurt Rogness	Alternate	krogness@minnehahacreek.org
Minneapolis Park and Recreation Board	Anita Tabb	Member	atabb@minneapolisparcs.org,
	Meg Forney	Alternate	megf@visi.com
SouthWest Transit	Nancy Tyra-Lukens	Member	ntyra-lukens@edenprairie.org
Urban Land Institute-Minnesota	Caren Dewar	Ex-officio	caren.dewar@uli.org
	Cathy Bennett	Alternate	Cathy.bennett@uli.org
Community Advisory Committee	Russ Adams	Ex-officio	russ@metrostability.org
Business Advisory Council	Will Roach	Ex-officio	Will.Roach@bakertilly.com



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Agenda Item 2: SWLRT Project Update

Reviewed By:

- Chair
- TIC Principals
- TIC
- Hennepin County staff
- Other _____

Steering Committee Action Requested:

Information

Background/Justification:

Jim Alexander from the Southwest Project Office (SPO) will provide an update on the LRT project, including upcoming major milestones, following recent action to secure full funding of the local share of project costs.

Previous Action on Request:

Recommendation: Information

Financial Implications? No

Are These Funds Budgeted?

Attachments: None

Comments:





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Agenda Item 3: May 2016 Southwest Community Works Steering Committee Minutes

Reviewed By:

- Chair
- TIC Principals
- TIC
- Hennepin County staff
- Other _____

Steering Committee Action Requested:

Action

Background/Justification:

Minutes from the May 2016 meeting, submitted for approval.

Previous Action on Request:

Recommendation:

Attachments: Draft Minutes

Comments:

Financial Implications? No

Are These Funds Budgeted:





Southwest Community Works Steering Committee

DRAFT Meeting Minutes

Thursday, May 19, 2016– 1:30 – 3:00 PM, St. Louis Park City Hall

Meeting Attendees:

Steering Committee Members and Alternates:

Chair Jan Callison, Hennepin County member
James Hovland, Edina member, Vice Chair
Marion Greene, HCRRA member
Nancy Tyra-Lukens, Southwest Transit, member
Cathy Bennett, ULI MN alternate
Russ Adams, Community Adv. Comm. (CAC) member

Linda Higgins, Hennepin County member
Dick Miller, MCWD member
Linea Palmisano, Minneapolis member
Kristi Halverson, Hopkins member
Tony Wagner, Minnetonka member
Will Roach, Business Adv. Comm. member

Other attendees: Katie Walker (HC), Meg McMonigal (St. Louis Park), Kerri Pearce Ruch (HC), Julie Wischnack (Minnetonka), Barry Schade (Bryn Mawr neighborhood), Allyson Lueneburg (HC), John Doan (HC), Kersten Elverum (Hopkins), Janet Jeremiah (Eden Prairie), Michael Hayman (MCWD), Greg Hunt (St. Louis Park), Louis Smith (MCWD), Lars Erdahl (MCWD), Kathryn Hanson (SPO), Ryan Kronzer (SPO), , Ann Beuch (Blake Road Corridor Collaborative), Lydia Major (LHB), Gordon Hughes (ULI MN), Pat Macia (ULI MN), James Wisker (MCWD)

- I. **Welcome and Announcements:** Chair Callison called the meeting to order at 1:05 PM. She provided updates on housing and TOD grants, as well as noted packet items from the U of MN’s Transitways Impact Research Program and Hennepin County TOD. The City of Hopkins took action on the Southwest Corridor Housing Strategy and Eden Prairie has a Council briefing scheduled. Hennepin awarded TOD grants to Hopkins for pedestrian improvements at 8th Avenue and Excelsior Blvd and to St. Louis Park for the PLACE development.
- II. **Approval of March 2016 meeting minutes:** Chair Callison requested action on the March 2016 minutes. Dick Miller moved the minutes and Linda Higgins seconded; minutes were approved on a voice vote.
- III. **Committee updates:** Katie Walker provided an update on the last TIC meeting, where the group discussed grant funding for projects, development updates and a meeting with Bottineau city staff to share information. John Doan provided an update on the PLACES public art initiative. FORECAST Public Art is currently conducting an analysis of opportunities for public art along the SW LRT Corridor and the group will meet next in early June. Russ Adams updated on the last CAC meeting, where the group received project and station art updates from SPO, viewed the Eden Prairie video from Southwest Community Works and discussed equity issues in the project. Will Roach updated on the last BAC meeting. The BAC has worked on articulating the business case for SWLRT and members participated in a Chamber session with Lt. Gov. Smith. A legislative update will be provided at the next BAC meeting.
- IV. **Legislative Update:** Commissioner Higgins asked members to please contact their own legislators and any other legislators with whom they have relationships to make the case for SWLRT funding. Commissioner Callison noted that it’s tough going at the legislature.

EDEN PRAIRIE ■ MINNETONKA ■ EDINA ■ HOPKINS ■ ST. LOUIS PARK ■ MINNEAPOLIS

METROPOLITAN COUNCIL



V. Blake & Beltline Stations Technical Assistance Panel (TAP): Pat Macia presented to members on behalf of ULI-MN about the TAP for Beltline and Blake station areas. He noted that the purpose of a TAP is to bring together a group of professionals to provide an unbiased view of a project and provided an overview of TAP members. He then reviewed key themes and recommendations for the Blake Road station area. Members questioned the opportunity for shared parking, possibly in a ramp, at the station area and if Cold Storage was the best site for both rental and homeownership opportunities. Mr. Macia noted that the group focused on rental and the plan was complicated due to the road plan. However, this could be a good site for condo development in the future, provided there is a legislative change on condo liability. Mr. Macia also reviewed key themes and recommendations for Beltline, which he noted is not as complicated as the Blake station area. One recommendation was to split the structured parking in two, connecting on the 3rd level to provide an arched entryway into development.

VI. Beltline Station FTA Joint Development: Lydia Major from LHB presented on concepts for joint development at the Beltline station. Ms. Major noted that LHB has worked on this project for over a year, in conjunction with CBRE and that the ULI TAP panel also provided feedback. For Beltline, LHB presented a 4-story parking ramp with build-to-suit office and residential; mixed use buildings with parking underneath. The idea is to create a gateway as you're traveling down the highway. They also envision innovative storm water management and plaza space on the site. LHB developed images to illustrate the concepts, including a creative wrap on the ramp. Ms. Major noted that the ramp is not wrapped with retail or housing to make a deal easier to structure. She noted that circulation is complicated in the area and LHB proposes lifting the area's density to 4-6 stories. In response to questions, Ms. Major noted that the plans envision market rate rental units but affordable units could be mixed in and that the ped ramp was made easier by the ability to build off the planned flyover bike trail.

VII. Blake Station TOD Early Implementation: Ms. Major also presented on the work done at the Blake station area. She spoke about an area termed the "Hiawatha" site near Cottageville Park. It currently has affordable housing but there are options to do more placemaking, related to Cottageville Park and Minnehaha Creek. LHB envisions a pop-up park facility, trailhead or kiosk in the short term and redevelopment in the longer term, with affordable and market rate housing in 3-5 story buildings with parking underneath. She noted that the lift station currently located on the site will be moving. LHB also provided two options for the 43 Hoops site. The first option, which keeps 43 Hoops in place, would require acquisition of the gas station site. The concept plan shows a lot of surface parking as that is an important amenity to 43 Hoops, and rail access and bike parking are also included, although not as much as originally planned. Longer term, residential development could occur over top of 43 Hoops. In the 2nd concept, 43 Hoops does not stay on the site and it has housing in 2 buildings. Ms. Major noted that they heard the need to keep commercial focused on Blake. Housing could be constructed later on over 1-story retail but code says that retail must move out during housing construction. A comment was made that parking overwhelms both options and Hopkins believes that these sites are better for housing than either ULI or LHB expressed. There's also the possibility for connections to the south on Blake as sites redevelop. For the Cold Storage site (325 Blake), all agreed that it is catalytic site – most likely to go first in the station area. LHB noted that the Creek is a big amenity and the site could handle buildings up to 9 stories, with a possibility for office although that's difficult in the current market. A second option for Cold Storage is townhomes, with "maker space" and using the storm water areas as amenities. A question was asked about how to present these concepts to developers and Ms. Major noted that a pro forma was prepared for the site. Mayor Hovland noted that dialogue is needed about how to bring resources to development at these areas. Louis Smith responded that the area is poised for implementation and it would be good to get the Blake subcommittee involved. It was noted that more private sector representation may be needed on the subcommittee.

VIII. Adjournment: The Committee adjourned at 2:46 PM. The next Southwest Community Works Steering Committee meeting will be on July 21, 2016.



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Agenda Item 4: Committee Updates

Reviewed By:

- Chair
- TIC Principals
- TIC
- Hennepin County staff
- Other _____

Steering Committee Action Requested:

Information

Background/Justification:

Staff will provide updates from the Technical Implementation Committee (TIC) meetings and the Business Advisory Committee (BAC) and Community Advisory Committee (CAC) meetings that have occurred since the last Steering Committee meeting.

Previous Action on Request:

Recommendation:

Attachments: None

Comments:

Financial Implications? No

Are These Funds Budgeted:





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Agenda Item 5: Finance Strategy Update	
Reviewed By: <input checked="" type="checkbox"/> Chair <input type="checkbox"/> TIC Principals <input checked="" type="checkbox"/> TIC <input checked="" type="checkbox"/> Hennepin County staff <input type="checkbox"/> Other _____	Steering Committee Action Requested: Discussion
<p>Background/Justification: Julie Wischnack, City of Minnetonka, will provide the Committee with an update on staff work done to date, upcoming work and potential legislation for the 2017 session. Staff would like feedback from the Steering Committee and anticipate follow-up with the Committee at the November 2016 meeting.</p>	
<p>Previous Action on Request: Steering Committee requested that staff revisit previous work on finance tools and a potential legislative strategy and report back to the Committee.</p>	
Recommendation:	Financial Implications? No Are These Funds Budgeted:
Attachments: None – materials will be distributed at the meeting.	
Comments:	





Agenda Item 6: Naturally Occurring Affordable Housing (NOAH) Fund

Reviewed By:

- Chair
- TIC Principals
- TIC
- Hennepin County staff
- Other: SW Housing

Workgroup

Steering Committee Action Requested:

Information/discussion

Background/Justification: Margo Geffen, Hennepin County, Warren Hanson and Rachel Robinson, Greater Minnesota Housing Fund (GMHF), will provide information on a fund designed to help preserve Naturally-Occurring Affordable Housing (NOAH). The preservation of NOAH and development of tools and resources to aid in this effort were key recommendations of the Southwest Corridor Housing Strategy. This initiative, managed by GMHF and funded in part by Hennepin County, is a new resource for this work. The Southwest Housing Workgroup has discussed preservation at its last two meetings and there is much interest in this funding opportunity.

Previous Action on Request:

Recommendation:

Attachments:

- NOAH Impact Fund brochure
- NOAH Impact Fund introduction

Comments:

Financial Implications? No

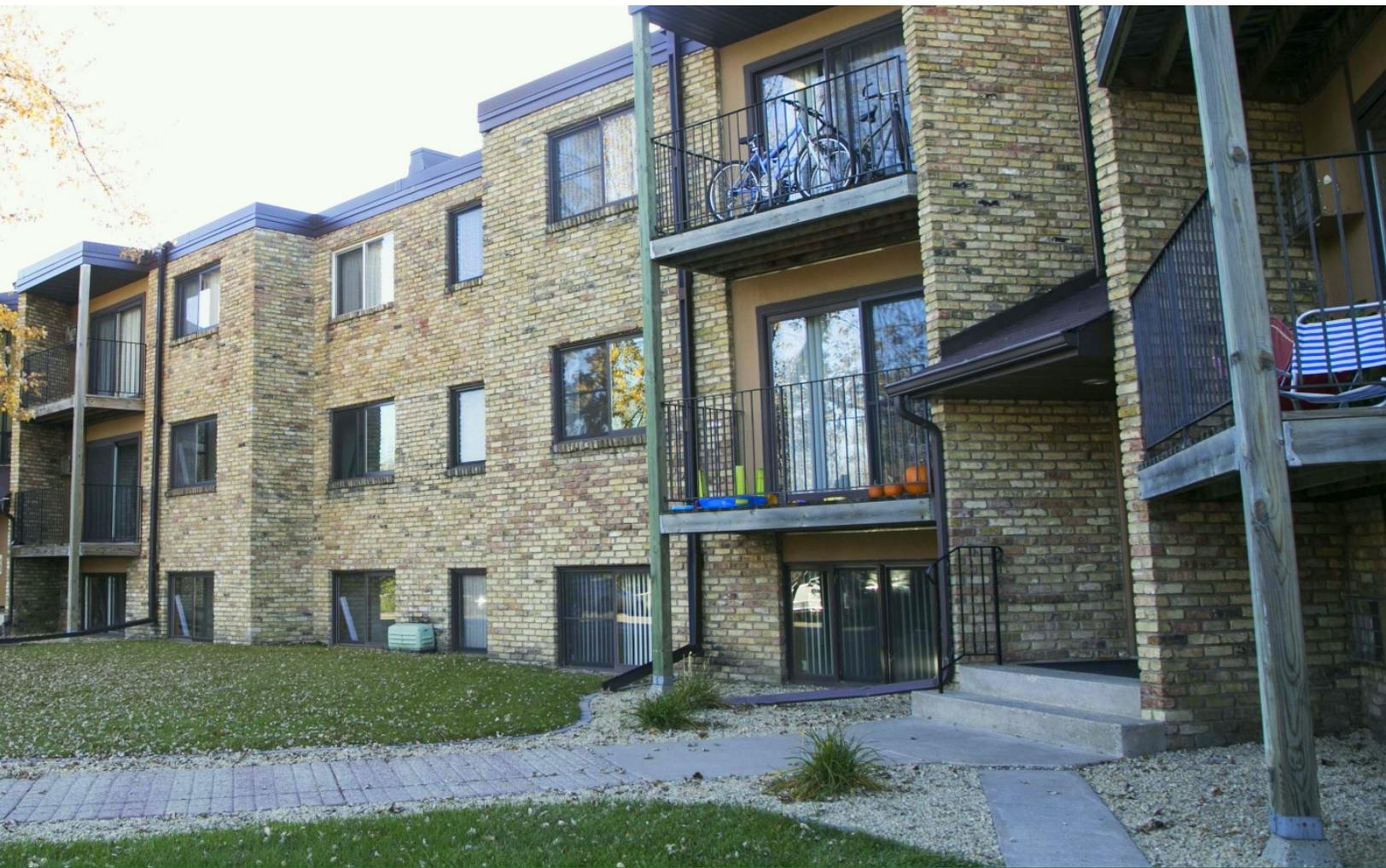
Are These Funds Budgeted:





Preserving Naturally Occurring Affordable Housing

NOAH Impact Fund



A New Social Impact Investment Opportunity

**Preserving the Affordability of
Naturally Occurring Affordable Housing
for Working Families and Seniors with Low and Moderate Incomes**



NOAH Impact Fund

Preserve 2,000 Unsubsidized Affordable Rental Apartment Homes in the Twin Cities Metropolitan Area for the Benefit of Low- and Moderate-Income Working Families, Individuals, and Seniors.

Goals of the NOAH Impact Fund

- Preserve the affordability of 2,000 units of at-risk, naturally occurring affordable housing for low- and moderate-income families and individuals, including seniors.
- Assemble \$50 million in impact investment capital in partnership with mission-minded investors.
- Invest capital in partnership with responsible nonprofit and for-profit owner-operators committed to the impact program goals.
- Fully deploy capital within 24 months to achieve near-term and long-term economic and social impacts.
- Provide full repayment of investor principal in ten years and a competitive double-bottom-line return on investment.
- Maintain fifteen-year affordability for low- and moderate-income residents.
- Invest in affordable properties in opportunity areas that provide social benefit, including:
 - Public transportation
 - Gainful employment
 - High-performing K-12 schools
 - Access to higher education
 - Community services
 - Health-oriented amenities

Naturally occurring affordable housing (NOAH) is essential to the economic vitality of Twin Cities communities and enables employees to live near work and school while supporting employers to retain a stable workforce. Nationwide, affordable rental housing is at risk. An increasing number of naturally affordable rental developments are being converted to higher-market rents or are simply operated under poor management and in disrepair. These conditions threaten the stability of families and communities.

In response, Greater Minnesota Housing Corporation has created the NOAH Impact Fund to finance the acquisition and preservation of naturally affordable Class B and Class C rental housing in partnership with high performing owner-operators with the shared social goal of preserving affordability for the long term. All investments will target rental properties at risk of conversion to higher rents and the threat of displacement of low- and moderate-income residents.

Under the program, the Fund will provide 90 percent of the equity required to acquire the property, and the operating partner will co-invest 10% of the equity. The balance of the acquisition financing will come from conventional lenders who provide up to 80 percent LTV.

The Fund will support the stability of low and moderate-income households by relieving financial pressures, preventing displacement, and enabling families to thrive at work, school, and in the community.

The Fund will provide a double-bottom-line return on investment inclusive of social impact and economic benefit.



State-of-the-art asset management provided for the NOAH Impact Fund by Cinnaire, with \$2.95 billion currently under its management.

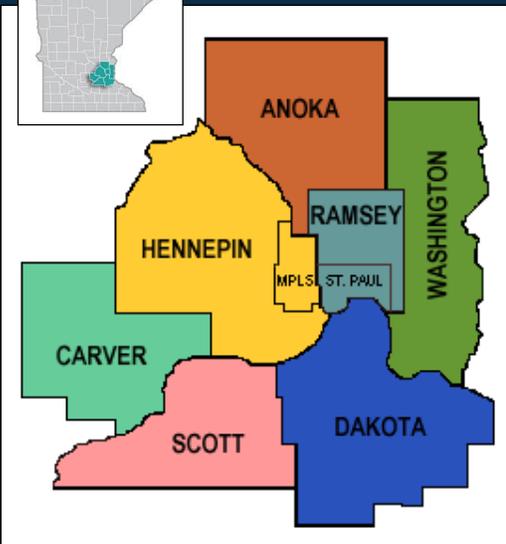
Now Seeking Impact Investors

Impact investing allows mission-motivated investors to move their dollars beyond charitable giving and grant making, to consider both financial return and social good.

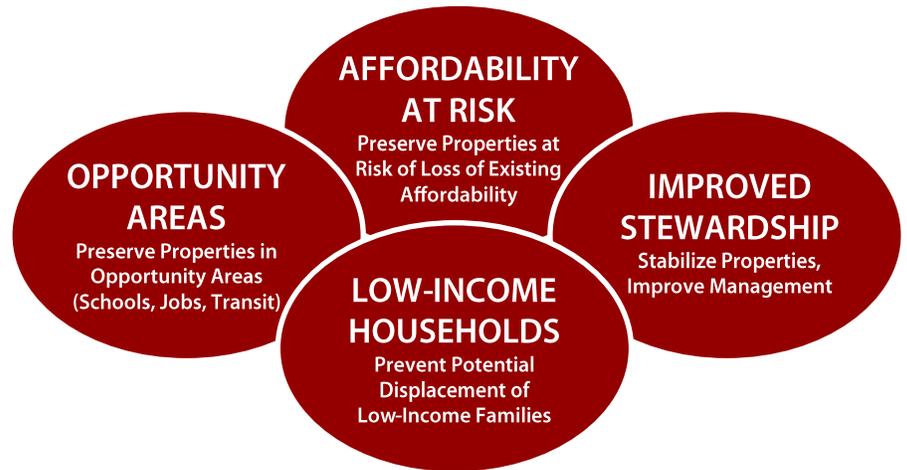
The NOAH Impact Fund works with socially motivated institutional investors to make real estate investment commitments to stabilize the lives of low-income households and communities through the preservation of naturally occurring affordable housing, with a competitive double-bottom-line return on funds invested.

Socially motivated investors are encouraged to contact the Fund to learn more.

MINNESOTA



Sales of naturally affordable rental housing properties are accelerating throughout the Twin Cities metro, creating a higher demand for affordable housing and an impact investment opportunity for mission-minded investors interested in stabilizing low-income families by preserving unsubsidized housing affordability.



The Need for Preservation of Naturally Occurring Affordable Housing

Naturally occurring affordable housing is by its nature Class B and Class C rental property, built between 1940 to 1990. Rents are lower-ranging between \$550 and \$1,200 per month, affordable to low- and moderate-income households, and provide the majority of affordable housing nationally, without subsidy.

The need to preserve naturally occurring affordable rental housing is great as these properties are now being acquired at record pace by national investors who view the Twin Cities metropolitan market as a prime investment opportunity. Prices for the sale of these properties are rising dramatically, as are rents. These conditions are causing the loss of affordable housing and the displacement of low-income families and individuals.

Yet many of these properties are convenient to jobs that pay well, good schools, and healthy recreational amenities, making them ideal workforce housing and a high priority for preservation of long-term affordability. Current economic conditions which prompt creation of this impact investment fund include:

- 3% Rental Vacancy Rate in the Twin Cities Metropolitan Area
- High Demand for Rental Housing to Continue Through 2030
- Unemployment Very Low at 2.7% [\(as of Q3 2015\)](#)
- New Workforce In-migration From Other Markets
- Gentrification Areas Attracting National Speculators
- Rental Properties Selling for Premium Prices to National REITs
- Local Preservation Buyers Disadvantaged due to Cost of Capital

The Fund targets CRA-qualified affordable housing investments and investments which qualify as endowment-funded Program Related Investments for Foundations.



Affordable housing's key social impacts

Having safe, stable, affordable housing delivers benefits to residents that extend well beyond having a roof over one's head. While some effects are obvious, there are many intangible benefits that flow from having stable housing. Taken together, these benefits cumulatively add up to better life outcomes for all residents.

- Having affordable housing frees up household income for other important necessities like good food and health care.
- Reducing the risk of being displaced or evicted relieves stress, improves chronic health conditions, and reduces spending on health care.
- Children raised in stable households are shown to have greater brain development and are better prepared to start school and achieve strong educational outcomes.
- Workers living in high opportunity areas are more likely to enjoy long-term success in their careers and provide greater economic opportunities for their families.

In short, the foundation of housing can have a dramatic effect on an individual's outlook for life. Gaining access to safe, stable, affordable housing improves access to opportunities and helps people reach their full potential.



GMHF pilot demonstrates the potential for preserving Naturally Occurring Affordable Housing

The NOAH Impact Fund has already executed a pilot project to demonstrate the viability of the investment program, building on the best practices nationally of affordable housing developers that have acquired and manage new portfolios of existing unsubsidized affordable housing.

In August 2015, the Fund financed the equity portion of a \$6.8 million acquisition, rehabilitation and preservation of a 72-unit, affordable multifamily rental property in New Brighton, Minnesota in partnership with Real Estate Equities (REE), a socially motivated, for-profit owner-operator of affordable and market-rate housing.

NOAH Impact Fund

A Subsidiary of Greater Minnesota Housing Corporation
 332 Minnesota Street, 1201 East
 Saint Paul, Minnesota 55101
 651-221-1997 ph
 651-221-1904 fax
 www.gmhf.com

Contacts:

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 President & CEO
 whanson@gmhf.com
 651-221-1997 x107

Rachel Robinson
 NOAH Fund Manager
 rrobinson@gmhf.com
 651-221-1997 x114



Celebrating 20 Years (1996-2016)





Celebrating 20 Years (1996-2016)

*Preservation of Naturally
Occurring Affordable Housing*

Greater Minnesota Housing Corporation

NOAH Impact Fund

A Twin Cities Social Impact Investment Opportunity

Preservation of Naturally Occurring Affordable Housing (NOAH) in the Twin Cities Metropolitan Area

September 15, 2016

Greater Minnesota Housing Fund

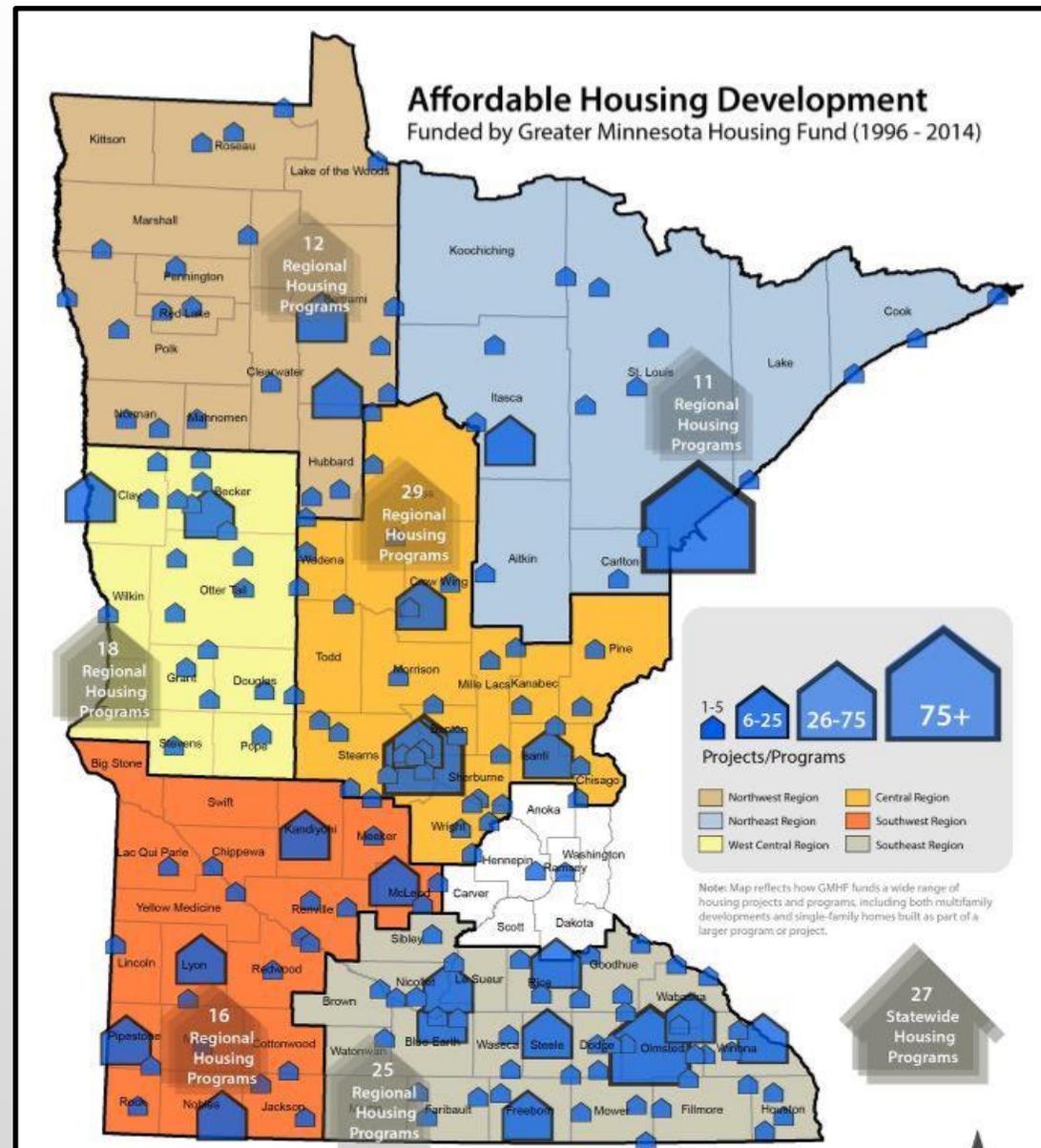
Serving all 87 Counties in Minnesota Since 1996

20-Year Track Record

- Over \$200 million in direct low-cost financing
- Leveraging \$1 billion in development
- Financed over 12,000 affordable homes for low-income renters and homebuyers
- Operates Minnesota Equity Fund (MEF), which has invested over \$100 million in affordable housing



NOAH Impact Fund



NOAH Impact Fund

Equity Capital for Acquisition and Preservation of Naturally Occurring Affordable Housing

A social impact fund to preserve the affordability of unsubsidized affordable housing in opportunity areas in the Twin Cities metro area where affordability is at risk

- **Capitalization**

- \$25-\$30 million in a combination of private and public capital
- Leverages \$100+ million in NOAH property acquisitions & preservation

- **Mission Impact**

- 1,000+ NOAH rental homes acquired within 2+ years
- Affordability preserved for 15 years for low income families, individuals, and seniors

- **Qualified Partners**

- Acquisitions will be in concert with high-performing nonprofit and socially motivated for-profit operating partners, with proven track records at scale
- Expert stewardship is critical to preserve assets and affordability



Naturally Occurring Affordable Housing

The Largest Source of Affordable Housing Regionally and Nationally

- **NOAH properties: Class B/C buildings**
- **Built between 1940 and 1990**
- **Typically \$550-\$1,200/month rents**
- **Affordable to families at or below 60% AMI**
- **Units are unsubsidized**
- **74% of all affordable units are unsubsidized**
- **167,100 unsubsidized NOAH units in metro area**
- **Dramatically increased loss of affordable units**



Crossroads at Penn
698 Units, Richfield, MN



Fountain Terrace
72 Units, New Brighton, MN

NOAH Impact Fund



NOAH Acquisition Cost, Rents, and Affordability

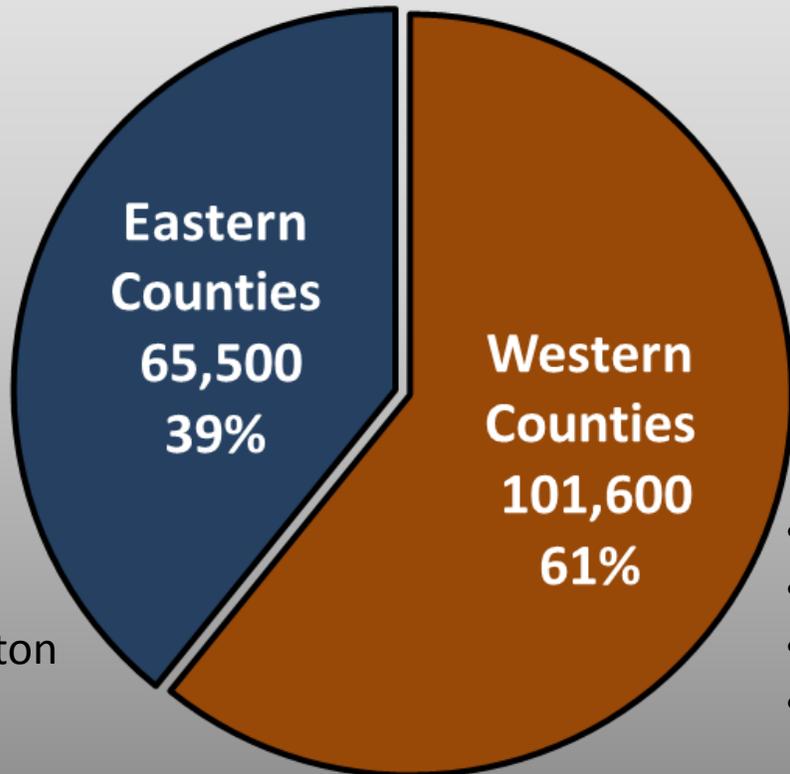
Key Asset Factor	Lowest Cost Lowest Rent	Lower Cost Lower Rent	Low Cost Low Rent	Moderate Cost Moderate Rent	Higher Cost Higher Rent	Highest Cost Highest Rent
Cost of Acquisition Per Unit (Excluding Rehabilitation)	\$20,000 - \$40,000	\$40,000 - \$60,000	\$60,000 - \$90,000	\$90,000 - \$120,000	\$150,000 - \$180,000	\$200,000 - \$250,000
Required Rents 1BR to 3BR	\$500 - \$700	\$700 - \$900	\$800 - \$1,100	\$1,000 - \$1,300	\$1,200 - \$1,500	\$1,300 - \$1,800
Affordable To HH Income (4 People) Area Median Income	≤ \$25,980	≤ \$34,640	≤ \$43,300	≤ \$51,960	≤ \$69,280	≥ \$86,600
Area Median Income (AMI)	≤ 30% AMI	≤ 40% AMI	≤ 50% AMI	≤ 60% AMI	≤ 80% AMI	≥ 100% AMI
Residential Asset Class	<i>NOAH PROPERTIES</i>					Market Rate Properties
						

Note: Rents are also dependent on the cost of financing, both mortgage debt and equity capital.

Distribution of NOAH Properties in Metro Area

167,100 NOAH Units in Twin Cities 7-County Metro Area

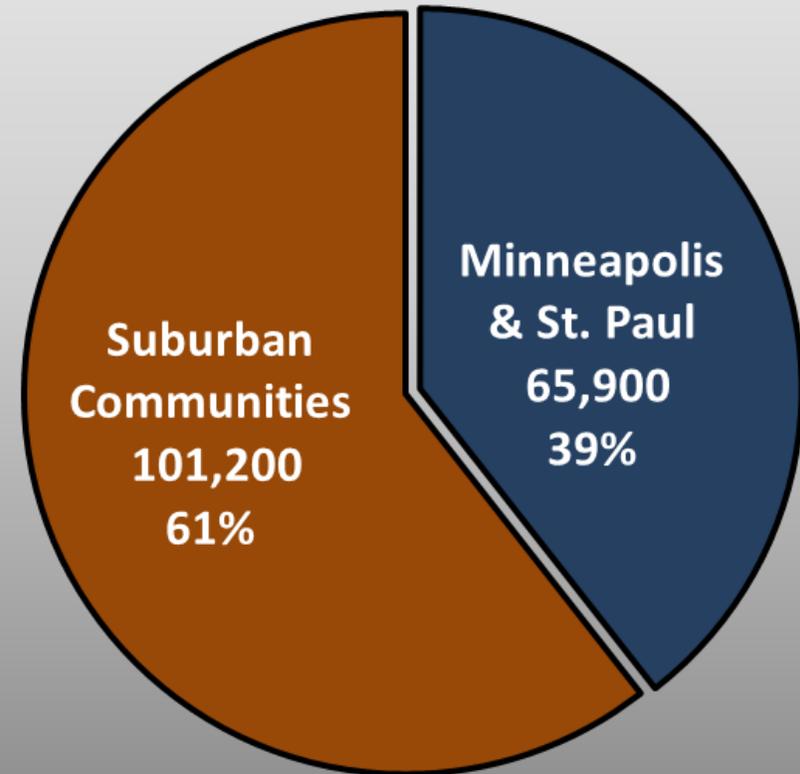
NOAH Units in West Metro compared to East Metro



- Ramsey
- Dakota
- Washington

- Hennepin
- Anoka
- Carver
- Scott

NOAH Units in Urban Core compared to Metro Suburbs



Existing & Proposed Light Rail Transit Corridors

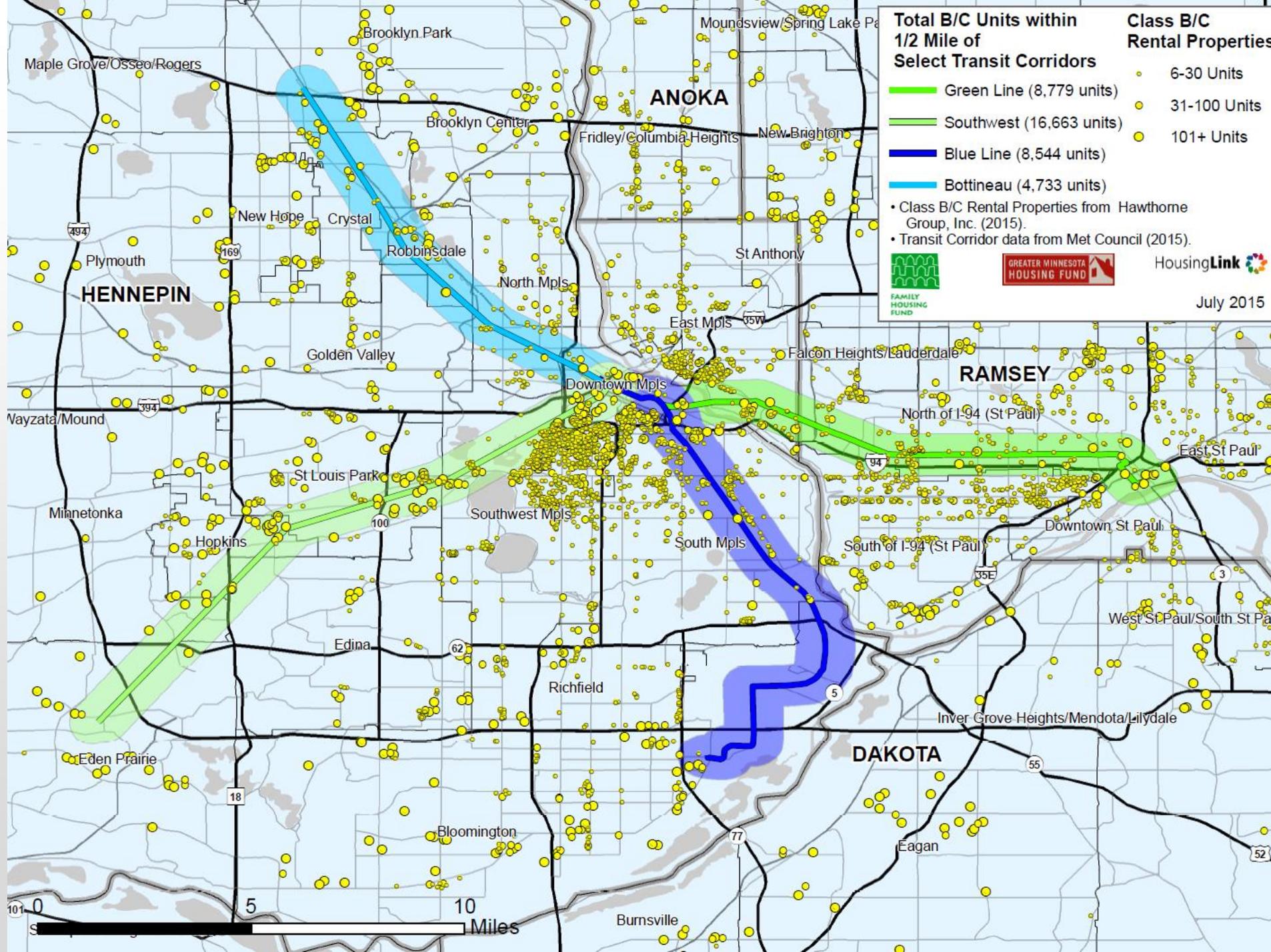
*Relative to Existing Class B/C Rental Properties**

Targeted Class B/C properties further social equity by their proximity to LRT investments.

Existing Green and Blue LRT Lines have over 16,000 Class B/C units within a ½ mile.

Proposed SW and Bottineau Lines have over 20,000 Class B/C units within a ½ mile.

** Yellow markers indicate location of all Class B & C rental properties in the seven-county Twin Cities Metro Area*



NOAH at Risk -- A Perfect Storm (the need)

Key Factors Causing the Loss of Naturally Occurring Affordable Housing

- **National investors rapidly acquiring NOAH property, aggressively raising rents 10-15% in year one & pushed hard thereafter**
- **Metro area losing affordable housing faster than new affordable housing can be developed**
- **Higher rental demand due to shift from homeownership to rental since recession, demand for rental housing to continue through 2030 per Met Council**
- **Rents are increasing faster than incomes, lower-income households are losing ground as higher-wage households readily pay higher rents**
- **Families struggle to secure affordable apartments with vacancies at 3%**



Goals of NOAH Impact Fund

Preserve Affordability of NOAH Properties in Opportunity Areas

OPPORTUNITY AREAS

Preserve Properties in
Opportunity Areas
(Schools, Jobs, Transit)

AFFORDABILITY AT RISK

Preserve Properties at
Risk of Loss of Existing
Affordability

LOW INCOME HOUSEHOLDS

Prevent Potential
Displacement of Low
Income Families

IMPROVED STEWARDSHIP

Stabilize Properties,
Improve Management

NOAH Impact Fund Structure

Replicable Structure Delivers Lower Cost of Capital to Compete in Market

- The NOAH Impact Fund blends Private Capital, Patient Capital, and Public Agency Capital with Equity to produce a **blended very low-cost source of equity**.
- With a blended capital stack that maximizes participation by private bank regulated capital, this model is **fully replicable** in the Twin Cities metro area over time, and in any region in the country.
- This model advances the field of affordable housing by **accessing the private market** while achieving a **double bottom line** of investment returns and mission.



Impact Investors:

Financial Institutions, Philanthropies, Public Agencies, GMHF Sponsor

Class A Investor:
Bank

Class B Investor:
Bank

Class C Investor:
Bank,
Foundations,
Agencies

Class D Investor:
Minnesota
Housing,
Foundation's

Class E Investor:
Hennepin County

Equity Investor:
For-Profit Entity
with Tax Liability

Credit Reserve
GMHF

Capital Invested into NOAH Fund

NOAH Impact Fund

Financial Return to Impact Investors

Investor Relations

Underwriting
(GMHF & TECAM)

Asset Mgmt
(GMHF & Cinnaire)

Trust Mgmt

Equity Invested into NOAH Projects



Project cash Flow to Fund

Property Portfolio

NOAH Rental Property

NOAH Property Acquisition Summary

Individual Real Estate Transaction Financing

NOAH Property Level Financing

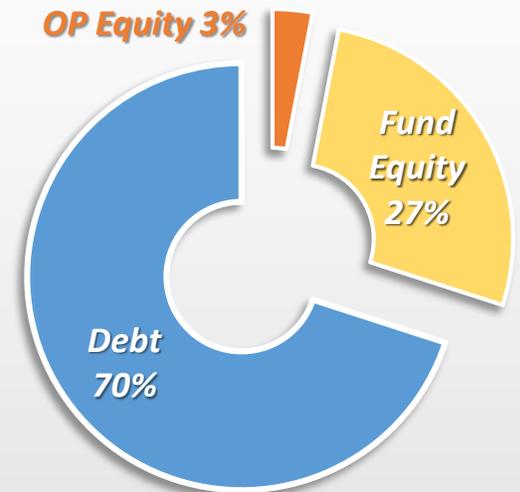
- 75% of units will be affordable to 80% AMI for at least 15 years
- 70% of project costs will be funded by a first mortgage
- 30% of project costs will be funded by equity
- Equity source is 90% from Fund and 10% from Operating Partner
- Each property acquired with a qualified non-profit or for-profit

Property Cash Flow Waterfall

- After mortgage payments all remaining cash flow will flow
 - 90% to the NOAH Impact Fund
 - 10% to the Operating Partner

Refinancing to Repay NOAH Investors

- Operating Partner refinances property at 10 year point
- Refinancing proceeds repay outstanding debt and remaining equity capital



Project Financing Model

Uses of Funds:

\$ 9,000,000 Purchase Price
\$ 1,000,000 in Costs and Repairs
\$10,000,000 Total Development Cost

Sources of Funds:

\$ 7,000,000 First Mortgage
\$ 2,700,000 NOAH Impact Fund
\$ 300,000 Operating Partner Capital
\$10,000,000 Total Sources of Funds

Regional Impact at Scale

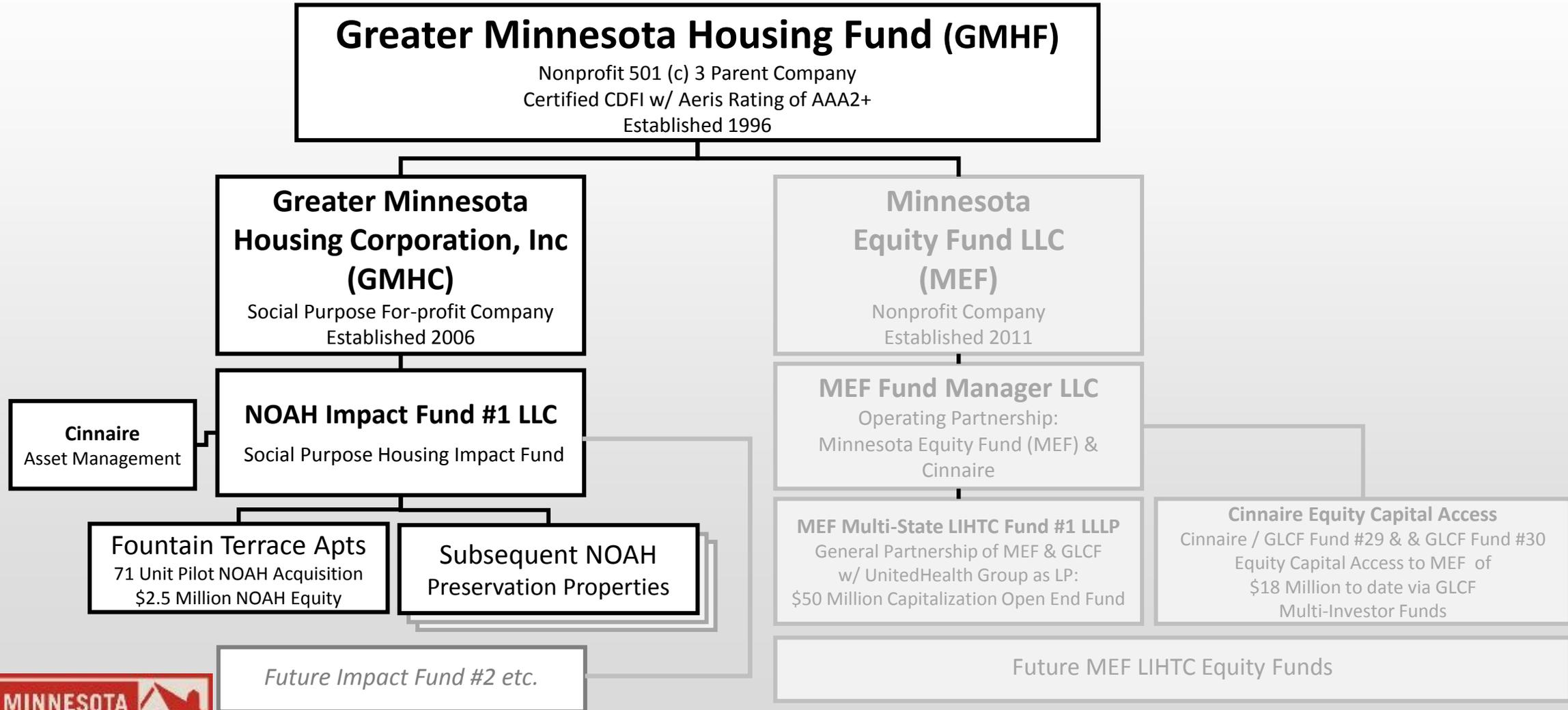
1,000+ NOAH Units Preserved in the Twin Cities Metropolitan Area

- **Regional NOAH Impact Fund will have regional impact at scale**
- **National impact funds may only make limited local acquisitions**
- **Acquisition of 1,000 units within in 2.5 years**
- **Prevents displacement of over 3,000 low-income residents**
- **Significant intervention to loss of affordable rents**
- **Loss prevention counteracts tight vacancies on affordable units**
- **Innovative capital stack engages public agencies to greater leverage than direct public financing**
- **Fund does not compete with limited gap funding for new production**



GMHF Organizational Structure

Parent Company, Subsidiary Organizations & Funds



NOAH Impact Fund

Pilot NOAH Preservation Transaction

Demonstrating the Preservation of Naturally Occurring Affordable Housing

GMHF's NOAH Impact Fund undertook pilot projects in 2015 to demonstrate viability, test proof of concept

Fountain Terrace Apartments: New Brighton, MN, 72 Units

- \$6.8 million total acquisition/rehab cost
- \$95,000 per unit cost
- \$2.25 million GMHF equity investment (33% of cost)
- Partnership with Real Estate Equities, a for-profit with extensive development & management history

Marquis Apartments: Rochester, MN, 40 units

- \$3 million total acquisition/rehab cost
- \$75,000 per unit cost
- \$1.3 million GMHF mezzanine loan (40% of cost)
- Operating Partner is Phoenix Development

NOAH financing prevented dramatic rent increases & displacement of low-income renters and is a viable model for preserving unsubsidized affordable rental housing



GMHF's NOAH Impact Fund investment ensures long-term affordability of Fountain Terrace, a 72-unit affordable multifamily rental property in New Brighton, Minnesota

NOAH Impact Fund Selection Criteria

Fund will Select Properties that will be Operated by Experienced & Socially Minded Owners

Owner-Operator Criteria: Experience & Capacity

- **Successful experience owning & managing multifamily real estate**
- **Positive performance in existing real estate portfolio**
- **Organizational capacity and staffing to increase portfolio size**
- **Ability to provide 10% cash equity, w/out negative financial impact**
- **Experienced property management -- via a related entity or 3rd party**
- **Motivated by double bottom line: good business, mission impact**
- **Willingness and ability to enter into binding affordability agreements**

More Information

For more information please contact:

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SOUTHWEST LRT

community works

green means go.



Agenda Item 7: City Development Update

Reviewed By:

- Chair
- TIC Principals
- TIC
- Hennepin County staff
- Other:

Steering Committee Action Requested:

Information

Background/Justification: City Staff from Corridor cities will provide a quick round-robin update of development projects along SW Corridor that are planned or in progress.

Previous Action on Request:

Recommendation:

Attachments: None.

Comments:

Financial Implications? No

Are These Funds Budgeted:

