



ECONOMIC DEVELOPMENT AUTHORITY

AGENDA SECTION	BUSINESS ITEMS
MEETING DATE	06/02/2025

ITEM:	NOAH Program Discussion and Proposal.	
DEPARTMENT: Community Development	BY/DATE: CD Coordinator, 05/30/2025	

BACKGROUND:

At its February meeting, the EDA directed Community Development staff to develop a proposal to support naturally occurring affordable housing (NOAH) in Columbia Heights. Per the Greater Minnesota Housing Fund, NOAHs are “residential rental properties that are affordable, but... unsubsidized by any federal program. Their rents are relatively low compared to the regional housing market.”*

Based on the EDA’s neighborhood and housing revitalization goals, staff’s recommendation during the February discussion was to use the funds in the City’s Affordable Housing Trust Fund to support the new NOAH program. The EDA agreed with this recommendation for program financing. The Affordable Housing Trust Fund currently holds \$142,878.18 from the 2024 local affordable housing sales tax issuance (also known as Local Affordable Housing Aid – LAHA – funds). Additional LAHA dollars are expected to be disbursed to the City annually; these dollars will be allocated to the Trust Fund and ensure continuity of financial support for the program over time.

Specific income and expenditure requirements are assigned to LAHA funds. Notably, for rental housing, occupying households must earn at or below 80% of the greater of state or area median income (AMI), with priority given for use of funds for households at or below 50%. Income limits do not apply to the property owners unless the units are owner-occupied. Rental properties are also subject to affordability criteria and must be affordable to the local workforce; based on common methods of assessing housing affordability, this means that rents of participating units should not exceed 30% of the occupying household’s income, or 30% of a certain percentage of AMI. All of these restrictions make LAHA funds well-suited to use for NOAH preservation. However, LAHA funds may not be used for administrative and staffing costs. For this reason, the EDA will need to identify a separate budget stream for all administrative costs associated with the program.

In order to design the new program, staff consulted the Minnesota Center for Energy and Environment (CEE). CEE is a nonprofit organization that partners with many Minnesota cities on housing grant and loan programs. Given its years of experience and its ongoing government partnerships across the Twin Cities metro area, CEE has both the capacity and the expertise necessary to act as loan originator, loan servicer, and, as applicable for any projects not subject to City permitting, property inspector.

Taking into account the rules around LAHA fund use and the EDA’s previous discussions about NOAH priority areas, staff have developed a proposal for a deferred loan program targeted toward the rehabilitation of multi-family (2+ units) NOAH rental properties.

The loan program would include the following elements:

- A remodeling advisor visit,
- Loan origination, and
- Loan administration.

Program details:

- Deferred loan: no reimbursement required, loan forgiven if the recipient completes the full term of the loan. If the recipient sells or transfers the property, they are required to reimburse the loan in full.
- Loan amount: from \$2,000 to \$50,000
- Loan term (duration): 30 years

Additional terms:

- Manufactured homes and co-ops are not eligible for loans.
- No owner-occupancy restrictions: for example, a building owned by an LLC is eligible for a loan.
- Loan funds to be held in escrow from loan closing through work completion and inspection, then disbursed to recipients.

In order to ensure that participating properties remain affordable, the EDA would enter into a development agreement with each loan recipient. Each agreement would include a recorded declaration or covenant stipulating that affordability requirements (income- and/or rent-based) shall remain in effect for the full term of the loan.

Staff have calculated that the approximate Year 1 program administrative cost (not including actual loan disbursements) for a deferred loan program as described would be at least \$10,097. This estimate is based on one loan originated and would increase with each additional loan originated. The Year 2 approximate program administrative cost – for one loan, with no additional loans originated in Year 2 – would be at least \$5,012. This Year 2 cost would repeat on an annual basis until the conclusion of the loan’s term, regardless of the NOAH program’s duration. Even if the EDA were to dissolve the NOAH program, its contract with CEE would require annual administrative and loan servicing fees until the conclusion of all of the loans’ terms.

The details and terms described in staff’s current proposal are flexible and can be modified based on the EDA’s preferences and priorities for the program. The program could also include additional restrictions, for example, caps on percentage of project cost, a minimum number of licensed bids for any given project, or choosing to assign origination fees to the recipients to lighten the City’s share of the administrative costs.

At this time, staff are asking the EDA for feedback about this program proposal:

- Does the general design of the program match the EDA’s intent for NOAH preservation?
- Does the EDA wish to modify any of the details or terms proposed in this staff report?

Following tonight’s discussion, staff can update the proposal and add or remove terms prior to bringing contract documents before the Commission at its next meeting.