

Minneapolis Explores City Loans for Nonprofits to Preserve Affordable Housing

The fund would help nonprofit groups buy buildings that come up for sale.

By Emma Nelson, Minneapolis Star Tribune, March 28, 2017

When an affordable housing complex comes up for sale in Minneapolis, buyers who want to keep rents low could soon have access to loans from the city.

The 2017 city budget includes \$1.5 million to preserve "naturally occurring affordable housing," and pending City Council approval, that money will provide capital for nonprofits buying affordable rental properties.

Andrea Brennan, the city's director of housing policy and development, said the new fund would help nonprofit organizations raise capital from other sources, including a \$25 million fund that the Greater Minnesota Housing Fund will launch this year. To qualify for a city loan, buyers would have to keep 75 percent of the units affordable for 15 years.

"We're trying to give nonprofit housing providers a competitive edge," she said.

The city defines "naturally occurring affordable housing" as unsubsidized rental housing where at least 20 percent of units are affordable to households with incomes at or below \$51,480 for a family of four — 60 percent of the area median income. There are 38,000 such units in Minneapolis, comprising the bulk of the affordable housing in the city.

Apartment property sales have been on the rise in the metro area since 2010, often bringing higher rents or new regulations that force tenants to move. Between 2010 and 2015, 11 percent of rental housing stock in the metro area was sold, according to a 2016 report from the Minnesota Housing Partnership. Most of the turnover — more than 10,000 units — happened in Minneapolis.

Elizabeth Pemberton had two months to leave after the apartment building where she lived for more than a decade sold last year. "It was really a nightmare, and it disrupted my life a lot," she said.

Still, Pemberton, 47, considers herself lucky. She found another apartment, though it's smaller and the rent is \$100 more per month.

At a committee meeting Tuesday, Council Members Alondra Cano and Lisa Goodman, the author of the resolution establishing the fund, raised concerns about a requirement that properties be in good condition to qualify for financing. Many of the affordable properties in their wards need renovation, they said.

Unsubsidized affordable housing has often stayed affordable because the landlord has let it fall into disrepair, said Eric Hauge, director of organizing and public policy at tenant advocacy nonprofit Homeline.

"There's a reason why there's housing at this price point, and in some cases, in this condition," he said.

City staff are researching the needs for preserving "distressed" affordable housing in Minneapolis, and what role the city could play in that, Brennan said.

"It's just like a toe in the water in terms of what we could do," Goodman said of the fund. "I think it makes sense to just test out what the market says to us."