CommonBond Breaks Out of the Box

The Minnesota-based nonprofit expands its reach to families above 60% of the AMI.

By Donna Kimura, Affordable Housing Finance, July 11, 2018

Leaders at CommonBond Communities recognized the need to help people who are narrowly missing out on qualifying for traditional affordable housing properties.

Many of the families they have had to turn away make slightly more than the 60% of the area median income (AMI) limit for a low-income housing tax credit apartment, which often leaves them struggling to afford to market-rent rents.

“There aren’t many federal, state, or local programs that support how we can address people at 61% of the AMI,” says Deidre Schmidt, president and CEO of CommonBond, the Midwest’s largest nonprofit developer and provider of affordable housing. “It forces us to look at what we can do outside of the government-subsidy programs.”

The search led the St. Paul, Minn.–based nonprofit to examine naturally occurring affordable housing (NOAH) properties. These are developments that have low rents without receiving federal subsidies.

In the last two years, CommonBond has acquired nearly 300 such units in three NOAH developments with the intent to keep them affordable. The first deal involved the $16 million purchase of the 112-unit Boulder Ridge development in Apple Valley, Minn. The deal was financed through the Enterprise Community Loan Fund, a local foundation, and CommonBond’s own capital.

The affordable housing firm, which did not raise rents to facilitate its ownership of the property, was able to make about $1 million worth of improvements.

CommonBond has acquired two more properties—the 68-unit Pine Point in Coon Rapids, Minn., and the 108-unit Rainbow Plaza in Anoka, Minn.—from a family that had owned the buildings since the 1980s and wanted the communities to remain affordable.

The fair market value for the properties was about $14.8 million, but the nonprofit structured a deal that allowed it to buy both communities for about $13 million.

This time, CommonBond worked with Freddie Mac on a pilot NOAH Preservation Loan, which provides qualifying nonprofits with important underwriting flexibilities, fee reductions, and rehab allowances. This helps the nonprofits acquire a property and preserve long-term affordability.

The work at Rainbow Plaza was aided by Mercy Housing, which leveraged grant funds from private foundations to invest in the property. For Pine Point, support came from the

National Housing Trust-Enterprise Preservation Corp. NorthMarq Capital collaborated with Freddie Mac on the two deals.

CommonBond has made minor rent increases at the two recent properties, but the rents still range in affordability from 50% to 77% of the AMI, according to Schmidt, who says the goal is for residents to remain in their homes and not have any forced displacements.

The nonprofit is also making these units available for the first time to households using vouchers.

When there’s attrition and an apartment becomes available, a new tenant is given the choice of having their unit renovated, which would result in a small rent increase, or to skip the improvements to keep the rent lower.

CommonBond hopes to acquire additional NOAH properties to serve more people who need affordable housing.

“We want to do work that achieves what we’re trying to accomplish from an affordability standpoint,” Schmidt says. “We also know that we don’t want to cannibalize the limited resources that we have to do deep affordable deals.”

CommonBond continues to develop LIHTC properties, but the organization’s work with NOAH developments allows it to look at deals that may not require as much rehab or government resources. This allows the organization to meet its mission and be more flexible, Schmidt says.