Preserving Affordable Housing

A look at programs designed to stabilize communities

By Haisten Willis, The Washington Post, March 19, 2020

Preserving communities, preventing displacement

While efforts to create new affordable housing generate debate and policy proposals nationwide, a less discussed issue is how to preserve and improve the millions of homes and apartments that are already affordable.

Naturally Occurring Affordable Housing (NOAH) constitutes most of the affordable units in America. Although there's no strict definition, NOAH generally is understood to mean rental housing at least two decades old, short on amenities and affordable without a subsidy.

According to Harvard University's Joint Center for Housing Studies, 75 percent of the 12 million affordable rental units in America's major cities remain unsubsidized.

But left unprotected, NOAH doesn't tend to stay affordable, leaving occupants priced out. When their units finally see improvement, tenants often have no choice but to leave.

"There's an injustice when long-term residents are pushed out just because new investment comes in," said Anna Cash, program director of the Urban Displacement Project (UDP) at the University of California, Berkeley. "Oftentimes, they've been asking for new investment for a long time. The solution is not to keep places disinvested, but to make sure you have solid tenant protections."

Twin threats face NOAH in major cities, particularly in desirable neighborhoods. The first is consequences associated with properties being bought and improved with such amenities as hardwood floors, stainless-steel appliances and stone countertops. This scenario inevitably leads to rent hikes.

The second scenario is an already-underinvested property falling into disrepair and becoming uninhabitable. An estimated 100,000 NOAH properties are razed each year.

In both cases, residents leave.

"People are being shuffled around into underserved communities," said Cash. "The goal would be that people can stay in their neighborhood by choice if they want to as new investment comes in, and get more access to opportunity as a result."

At a crossroads

The Crossroads at Penn apartments in the Minneapolis suburb of Richfield was what might be considered a NOAH property. A decades-old 698-unit complex of onebedroom apartments, the Crossroads was home to mostly low-income residents, often of color.

In 2015, the Crossroads underwent extensive renovations under new ownership, including granite countertops and a clubhouse spa, and renamed it Concierge Apartments. Nearly all of the estimated 2,230 residents had to move, among them Maria Johnson.

"I found a notice slid under my door saying I may not be able to renew my lease," Johnson said. "It was overwhelming, like: 'What am I going to do?' The first thing you want to do is panic."

Crossroads residents technically were allowed to stay, if they met criteria, including a minimum credit score, two-tenant per unit limit and higher rent. Section 8 vouchers weren't accepted. The slip said Johnson had 30 days to go unless she met the criteria.

Eric Hauge, executive director of the tenant advocacy group Home Line, said the Crossroads is a textbook example of the instability inherent in NOAH. Johnson said she changed her college major to public policy following the incident and now sits on the board of Home Line. She's still a renter, and said to this day gets anxious any time a note slips under her door.

"We're a state where a landlord doesn't need cause for non-renewal of a lease, and it's common for leases to run month to month," Hauge said. "We need a lot more tenant protections in place."

The displacement of hundreds at the Crossroads created major ripples in Richfield, particularly in the school system where many students had to change schools. The situation became the subject of a PBS documentary, "Sold Out: Affordable Housing at Risk," in 2016.

Tenants eventually filed a class-action lawsuit under the Fair Housing Act, earning a $650,000 settlement, and the NOAH Impact Fund was created in Minnesota to help stabilize complexes like Crossroads. Just a few years later, the fund has preserved hundreds of units by financing the purchase and stabilization of low-income communities.

"It's a viable business model, and we've run many stress tests," said Warren Hanson, president and CEO of the NOAH Impact Fund in Minneapolis. "Nobody will lose any money, although they may be paid back late or later than scheduled. It's profitable."

The fund itself operates as part of the Greater Minnesota Housing Fund, which is supported by banks and foundations and finances about $60 million of debt and equity to affordable housing every year.

“The mission of the NOAH Impact Fund, the whole purpose of it, is to preserve the affordability of the housing and prevent the displacement of low-income tenants,” said Hanson.

By partnering with what it terms “socially motivated” investors, the NOAH Impact Fund aims to remove affordable housing from the speculative market and keep it safe and functional without adding the types of amenities that would lead to big rent hikes. The initial funding round raised $25 million, with which the fund aims to preserve 1,000 homes over 2 $^{1}/_{2}$ years,

What happened at the Crossroads and complexes like it across the country is the reason many say the term “NOAH” is a misnomer — there’s nothing “natural” about it, as evidenced by the ease with which it gets bought, renovated or neglected out of existence.

Steve King said he has seen it over and over again in the San Francisco Bay Area. As the executive director of the Oakland Community Land Trust, or OakCLT, his mission is the removal of housing from the speculative market, buying the land underneath buildings and leasing it out to create permanent affordability.

In writings, he proposes an alternate term — Housing Affordable Until the Market Speculation Starts. King suggests the acronym, HAUTMSS, be pronounced “hot mess.” “Referring to it as ‘natural’ glosses over the fact that there is a market and a political system that has simply not paid attention to those neighborhoods,” said King.

In a policy brief for UCLA’s Ziman Center for Real Estate, recent alumna Maya Saraf said NOAH often serves as de facto workforce housing because it’s affordable to those earning between 80 and 100 percent of area median income. Its disappearance is a problem for all high-cost metropolitan areas.

Along with renovations and rent hikes, threats to affordability include high demand because of population and job growth, a shift toward renting since the Great Recession, rents rising faster than incomes and low vacancy rates.

But preserving affordable housing is usually both cheaper and easier than building new. “The sale of a building can trigger significant precarity for renters,” said King. “Residents can reach out to us when help is needed or connect through community organizing groups. We’re not speculatively looking for opportunities, we’re looking to support residents where the help is needed.”

Solutions at scale

Like other big cities, Atlanta sees its fair share of displacement. City Councilman Andre Dickens has become a leader helping fight back, establishing a $40 million housing opportunity bond and boosting inclusionary zoning.

A housing opportunity bond provides low-interest loans to developers in order to finance buying, building or renovating affordable apartments. Inclusionary zoning requires developers to designate a percentage of any new housing to people with low or moderate incomes.

Dickens sees NOAH threatened across the region, and said landlords get no choice when property values — and thus taxes — rise. Maintenance costs and upkeep also climb, with costs typically passed to tenants.

“What’s affordable today may not be affordable tomorrow,” he said. “We have neighborhoods that saw 30 or 40 percent property value increases within the past five years. What does the landlord do? What can a landlord do?”

Dickens’s ideas include property tax freezes, tax abatements in exchange for affordable units, low-interest loans for functional upgrades, government subsidies and zoning tweaks. Another option is rebuilding burned-out or otherwise destroyed units abutting occupied homes. Support for rent control laws is also growing, and Freddie Mac tends to offer favorable loan terms to buyers of workforce housing in order to keep it affordable.

Margaret Stagmeier, an Atlanta landlord and managing partner at Tristar Real Estate Investment, said that no one strategy is paramount, and that preserving affordable housing is best done with a combination of tactics. The crucial task is convincing municipalities to support renovating rather than razing and rebuilding apartments, which she said cost twice as much.

“I keep telling everyone, ‘Don’t tear them down, all of them can be saved,’ ” she said. “It doesn’t matter if they’re burned out, full of black mold or they have plumbing issues, you can rebuild them.”

Renovating and stabilizing helps keep families in place and children in schools. Stagmeier argues it’s also the most realistic option.

“About 38 percent of housing in the U.S. was built before 1979,” she said. “Every community has an aging-apartment inventory issue. We cannot build our way out of the affordable housing crisis.”

Preserving affordability, natural or otherwise, is a challenge facing new Atlanta Housing Authority chief executive Eugene Jones Jr., who held similar positions in Toronto and Chicago. Like others, his chief strategies include purchasing land or buildings to promote stability.

“What we did in Chicago is we bought buildings that made sense and were appropriate based on our mission,” Jones said. “I’m not saying that Atlanta Housing is going to buy every building that comes up for sale in Atlanta, but those are some options to preserve affordable housing.”

While creating new affordable housing is important, Jones stressed that maintaining what's already there is crucial.

"You've got to maintain what you have," he said. "It's so hard to build new, you've got to maintain what you have."