

We are losing affordable homes faster than we can build them

The solution: preserve naturally occurring affordable housing

Naturally occurring affordable housing (NOAH) properties are older so they need renovation. These units are being lost — fast. If we don't save them in the next two to three years, they'll be gone.

**1 in 4 Minnesotans
can't afford a home.**



**9,000 affordable homes
have been built between
2011 and 2017.**



**At the same time, we
have lost about 9,100
homes.***



**Affordable homes are quickly disappearing in
this community. The time to act is now.**

*Sources: "State of the State's Housing Report, Minnesota Housing Partnership, March 2019
Met Council "At a Loss: Affordable Housing Production in 2017," Feb 2019

Why naturally occurring affordable housing?

There is currently much talk about growing affordable housing challenges and increasing homelessness in our communities. How did this happen? There are many contributing factors.

Wages for lower-income people have decreased in real dollars by more than 14% since 2010. Minnesota DEED shows that 17% of wage earners are at minimum wage (less than \$10/hour) and about 36% make \$15/hour or less. Perhaps half of the jobs we create annually have annual incomes that would qualify a household for affordable housing. Signs at McDonalds state, "Now paying \$15/hour". And we're still having a debate over a \$15/hour minimum wage by 2022?

The state demographer says **we're going to add 700,000 people** to Minnesota's population in the next handful of years. That's probably about 300,000 households. If almost half of them have incomes at or below what qualifies them for affordable housing, where will they live?

A growing number of **households are cost-burdened**, paying more than 30% of their meager incomes for their housing. Perhaps more startling, about half of those cost-burdened renter households pay more than 50% of their income for their housing!

Since the mid-1980s, the **federal government has backed away** from housing our lowest-income families (Section 8 and public housing). During that time, the U.S. population has grown from about 240 million to 315 million. This a primary factor in the growth of homelessness. It's revealing that the program that provides the most affordable housing capital housing is through the Internal Revenue Service (IRS), not HUD. It's equally revealing that the largest federal housing subsidy is the homeownership mortgage interest deduction.

The Twin Cities has thousands and thousands of 1960s, 1970s and early-1980s apartment properties that were affordable because they

Our impact

Since 2017, Aeon has saved 3,000 affordable homes, keeping thousands of residents in their homes.



were older, and demand was moderate. **These apartments are sometimes called NOAHs** – naturally-occurring affordable housing. Apartment demand has been high for several years, and investors have launched themselves at the opportunity. They buy these properties, spruce them up, increase rents substantially, and push out poorer residents. Many NOAH residents already pay rent equal to 50% or more of their incomes – a \$300+ increase pushes them out.

Though Aeon and a couple others are trying to save as many NOAHs as possible, the Twin Cities is still **losing upwards of 75-100 units per week**. The window to keep them affordable is closing. Soon, NOAH prices will be too high to keep them affordable. The NOAH window has closed in Seattle and Portland, contributing to awful and growing homelessness there.

Due to a single lost NOAH property in Richfield, at least **40 families became homeless**. This sudden relocation forced the Richfield school district to lay off dozens of staff. Serious overcrowding is also increasing. A few years ago, Aeon toured a property that had 17 people living in a one-bedroom apartment.

We also predict that **almost all manufactured home parks will be gone in the Twin Cities** – at least as reasonably affordable – within 10-15 years. There were about 13,500 manufactured homes in the Twin Cities. It's some of our most affordable housing. A lot of manufactured home parks have already been lost due to failing infrastructure and re-development. (Look up Lowry Grove to see an example.) We don't know how many parks remain.

Seniors are the fastest growing population of homeless people. About 30% of seniors are below the poverty level. Every day, thousands turn 65 years old. This means we will be stepping across the bodies of 75-year-olds sleeping on pieces of cardboard when we enter our office buildings. How do we know? Go to LA, or San Francisco, or Seattle, or Portland and walk their communities early in the morning. You think it can't happen here? You are wrong. It IS happening here.

It is folly to think that we can solve a problem without honestly facing it. The previous Minnesota Governor created an affordable housing task force. It came up with some mostly logical recommendations. But what they did not include was startling, at least in terms of scale: money. We've been told that they didn't want to scare people.

Homelessness is going to double in the Twin Cities. According to the Metropolitan Council, there is a "...need for an additional 39,700 affordable housing units from 2021 to 2030" (which we think is very, very low). That's nine years. We annually create only about 1,500 or so affordable units in the State. We're losing 4,000 to 5,000 NOAH and other affordable homes per year in the Twin Cities alone.

Assuming the loss will slow down (it eventually must) to average only 1,500 units lost per year over the nine years, including NOAH apartments, manufactured homes, and even regulated affordable housing yes state-wide, here's a conservatively low projection:

Met Council assertion of 9-year need	39,700
Projected 9-year loss (at 1,500/year)	13,500
Total Need	53,200
Annual production x 9 years, using existing types of funding	13,500
Adjusted Need	39,700
Using production/preservation costs per unit of \$250,000	9,925,000,000
Assuming 1st mortgages and some additional federal or local program not yet on the books	(4,962,500,000)
Total minimum resources needed to even meet the Met Council #s (about 5 X U.S. Bank Stadium, over 9 years)	4,962,500,000

That's \$5 billion. These numbers are rough but are close enough to start to understand the scale of the problem. Even if we are half wrong, it's a big number. \$50 million here and there won't keep homelessness from doubling over the next few years or so.

At Aeon, we're trying to channel James Baldwin: **"Not everything that is faced can be changed, but nothing can be changed unless it is faced."** Aeon is working to grab as many NOAH housing assets as possible at as reasonable a cost as possible – a cost that is FAR less than creating new affordable housing of any kind. Our plans are to improve them, preserve affordability, and as appropriate carve out homes for homeless persons and other special needs populations as needed in our communities. Without the assets under lock and key, that will be impossible.

For thousands of people who are already paying more than 50% of their income for housing, NOAH is the edge of the cliff before homelessness.

Aeon is just a community tool. We do not do this work alone. We need the commitment and resources of government agencies, social-minded investors, businesses and many others to keep thousands of homes affordable AND reasonable quality, and to keep more families from becoming homeless. We must **work together to face the problems of affordable housing and homelessness openly and honestly, stop talking, and act.** That's what Aeon is trying to do. Please join us.