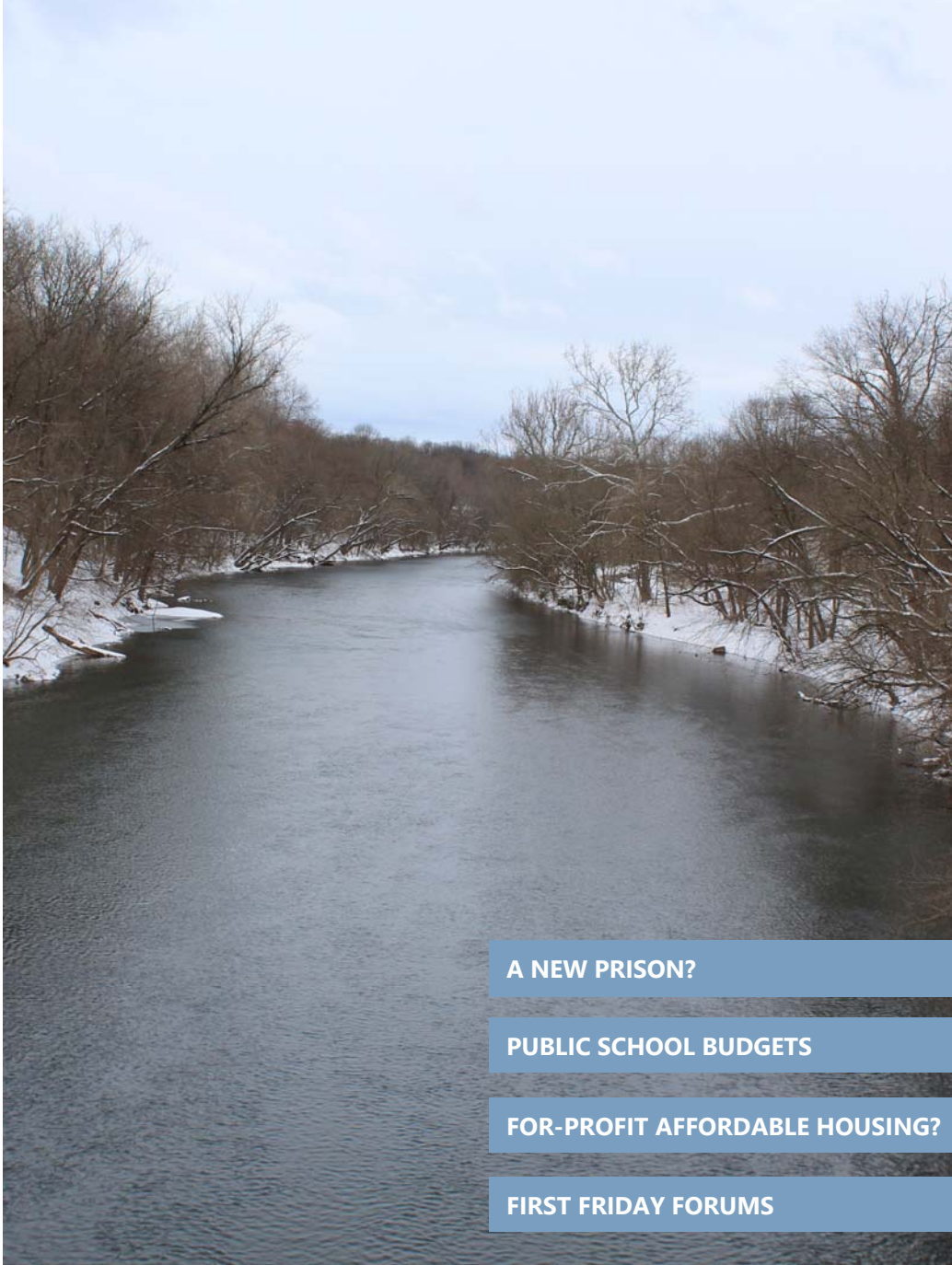


Winter 2021

Hourglass Quarterly



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FOR-PROFIT AFFORDABLE HOUSING?

A Study of NOAH in Charlotte, NC

As the pandemic continues to upend our lives and suppress the job market, many families are facing housing affordability concerns. The United States Department of Housing and Urban Development defines a family as being housing cost burdened if they are paying more than 30% of their monthly income on housing expenses. According to the American Community Survey Data from 2019 (before the pandemic), almost 27% of households in Lancaster County are cost burdened. That number jumps up to a whopping 47.78% for households that rent. This is not a new problem and has been exacerbated by the pandemic. This is also not a problem that is confined to Lancaster County. Communities throughout the country are working to find homes people can afford.

Charlotte, North Carolina is one of these places. In communities like Charlotte, the housing market has largely split into two categories: market rate housing built by profit-seeking private developers and affordable housing built with heavy subsidies by mission driven organizations. A third category has also been slowly working its way



into affordable housing discussions as a viable solution. Naturally Occurring Affordable Housing (NOAH) is affordable housing that does not require a government or nonprofit subsidy. Real Estate investor Mark Ethridge partnered with a group of local organizations and investors to create a pool of \$58 million to invest in NOAH. Called the Housing Impact Fund, the fund buys affordable units, fixes them up and manages the units while keeping rents low through a 20-year deed restriction that places legal rules on how the property can be used and priced. Compared to for-profit real estate investments with returns upwards of 15%, the return on investment in naturally occurring affordable housing is typically in the single digits. This requires a very patient investor who is willing to forgo a big payday in favor of long-term, stable returns.



A FastCompany article on the work of Ethridge and the group of investors provides an overview of the Housing



Impact Fund's first purchase .Lake Mist, cost \$18.5 million, including about \$4 million in financing from the city. With the \$58 million pool, the fund is targeting investment in around 1,500 units over the next two years, and Ethridge says several deals are currently in the works. Each property will have the same 20-year deed restriction, with 80% of units set aside for households earning less than the area median income.



*Lake Mist Development
Credit: Ascent Housing*

While this approach seems to be picking up steam in Charlotte, there are some detractors. Steve King writes in ShelterForce, "There is nothing natural about NOAH's affordability. This housing stock is most often found in lower-income neighborhoods and communities of color where decades of disinvestment and uneven development has unnaturally nurtured an "untapped market" ripe for speculative reinvestment. It may be unsubsidized and affordable for now, but it is also under-

maintained and precarious, with eviction and displacement a palpable, everyday threat." He continues, "While [NOAH] sounds benign, or even positive, it is a disaster waiting to happen for thousands of vulnerable households, as the prevailing system consistently fails to protect renters and empower them with viable alternatives to market-driven displacement"

These concerns can be valid and need to be taken into account when undertaking any affordable housing project. However, if implemented correctly, this investment model could have profound impacts on the way we approach affordable housing throughout the country.

"Charlotte may have Cracked the Code on Affordable Housing. Here's How." By Nate Berg. FastCompany, January 25, 2021.

"Thoughts on the Unnatural Occurrence of Cheap Housing." By Steve King. ShelterForce, April 25, 2017.

