

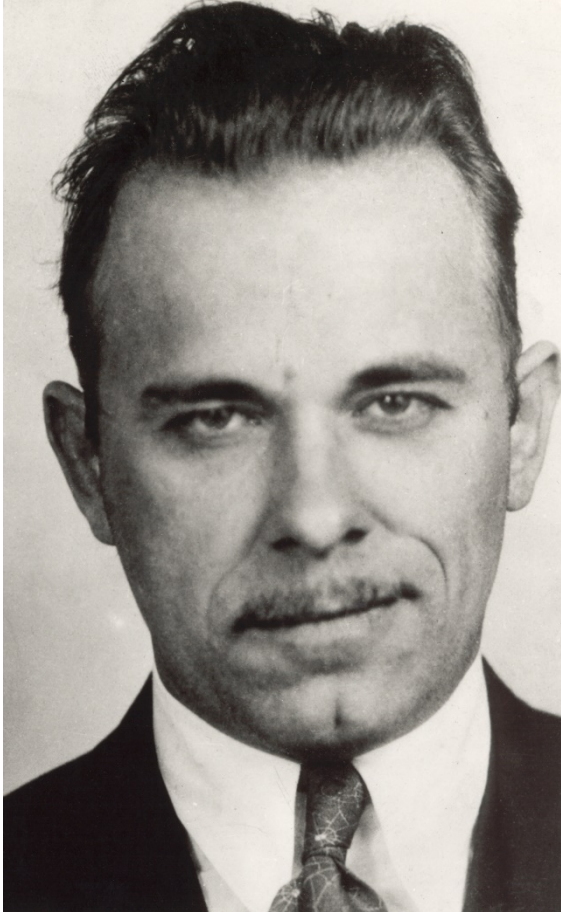
NOAH's: Avenue's Experience

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Why NOAH?

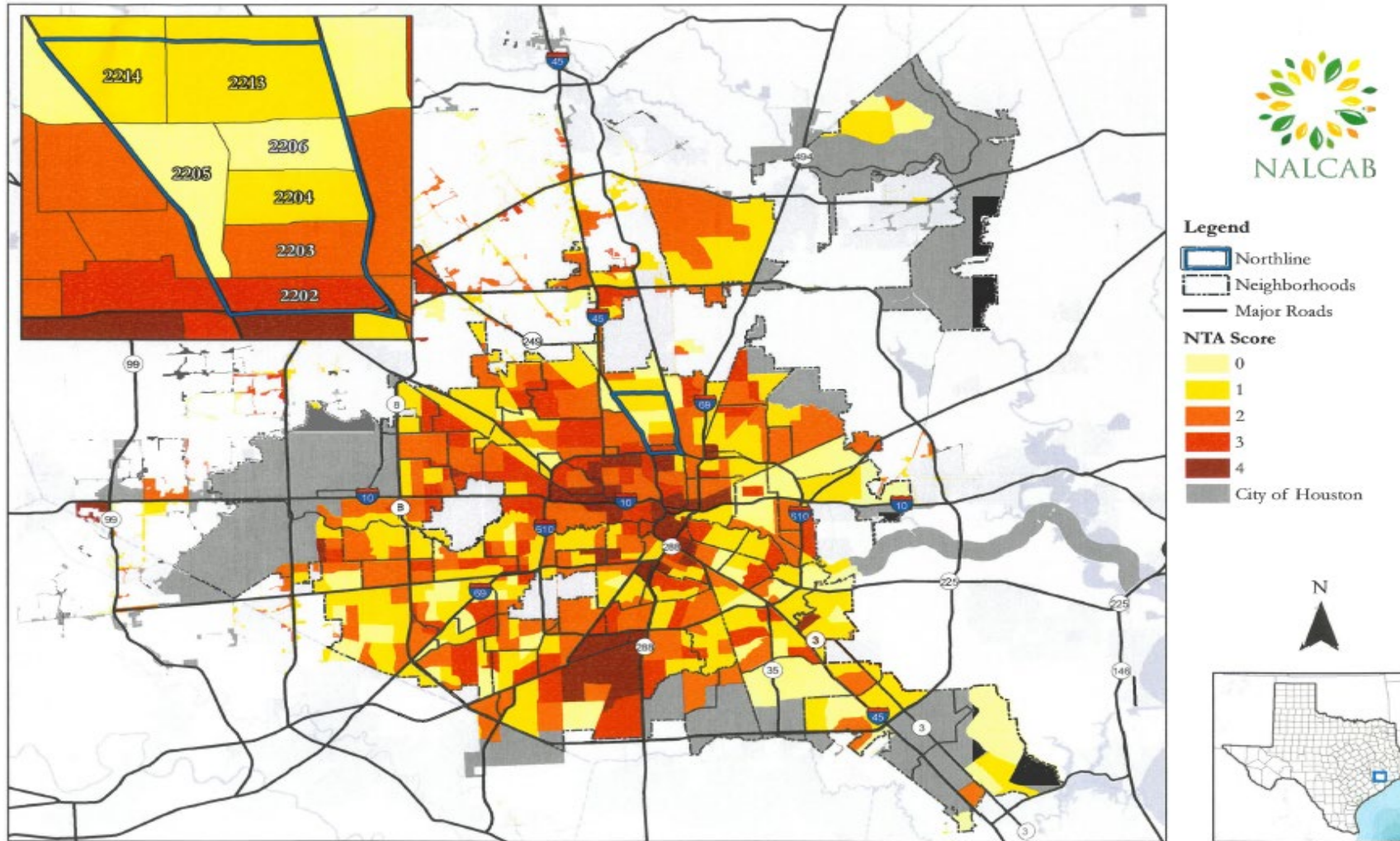


John Dillinger: “I rob banks because that’s where the money is.”

What is a NOAH?

- To Avenue, a NOAH is an apartment complex “at risk”
- Need a way to analyze risk
 - Gentrification measures: many out there
 - Avenue likes NALCAB’s methodology: Neighborhood Trend Analysis
 - Combination of factors including-
 - Median owner-occupied home value and median gross rent
 - Median household income
 - Population over 25 w/at least bachelor’s
 - Race/ethnicity

Neighborhood Trend Analysis



Neighborhood Trend Analysis
 Neighborhoods Experiencing Changes in Home Values, Rents,
 Educational Attainment, Household Income, and Race/Ethnicity, 2011-2016

0 2.5 5 10 Miles

Coordinate System: NAD 1983 Texas Statewide Mapping System
 Projection: Lambert Conformal Conic
 Datum: North American 1983
 False Easting: 1,000,000.0000
 False Northing: 1,000,000.0000
 Central Meridian: -100.0000
 Standard Parallel 1: 27.4167
 Standard Parallel 2: 34.9167
 Latitude Of Origin: 31.1667
 Units: Meter

Data Source: ACS

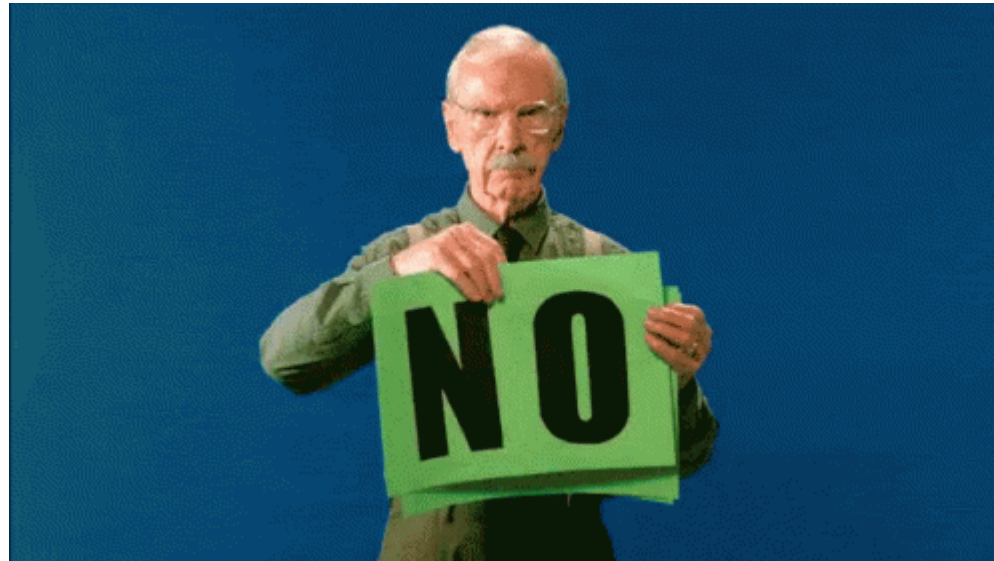
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NOAH's Avenue's Experience

- In 2017 Avenue received a grant from JP Morgan Chase to research and gain experience in acquisition of NOAH's
- Initial model was to use small amount of Avenue equity, leveraged against our strong balance sheet to find low-cost debt, to acquire apartment complexes in fair/good shape that are cash flowing
- Self-impose rent restrictions based on current (affordable) rents
- Easy: Just go on line and scour for apartment complexes for sale, reach out to brokers, etc.



NOAH's Avenue's Experience



NOAH's Avenue's Experience

- No success
- Houston apartment market very hot
- Apartments sell as commodities
- Many out of town buyers
- Very short time frames
- Concluded, if it is listed it is too late....

NOAH's Avenue's Experience

- Started off-market pursuits
- Process:
 - Identify properties in the areas we want to buy in
 - Identify properties of right size and condition (guesstimating)
 - Research online: appraisal district, tax office, Google
 - Reach out, preferably with call, sometimes with letter

NOAH's Avenue's Experience

- Partnership with NALCAB
 - Two successful pursuits: one on-market, one off-market
- Avenue
 - One off-market success

NOAH's Avenue's Experience

- 5609 Leeland



NOAH's Avenue's Experience

- Eastwood Villa



NOAH's Avenue's Experience

- Gale Winds



NOAH's Avenue's Experience

- Lessons learned-
 - Off-market approach works best
 - Allowed for better control of location, size, condition and perhaps most importantly timeframe
 - Often times working with small, local sellers
 - Good modelling template helpful
 - Income/expenses
 - Debt
 - Pro forma
 - Sources and uses

NOAH's Avenue's Experience

- Opportunities-
 - Partnerships with other non-profits
 - Impact investors (foundations, etc.)
 - Opportunity zones
 - Strike fund
 - Investor fund