Preserving Small Scale Affordable Housing

mini Technical Assistance Program
Provided to Enterprise Community Partners

April 2016
THE CHALLENGE

• Demonstrate the necessity to preserve naturally affordable small buildings (4-49 units) in different markets in Atlanta

• Areas studied for this survey:
  – Mature – east Midtown (NPU-E east)
  – Emerging but Vulnerable - NPU V
PART 1: Market Analysis:

• NPU-V (Peoplestown, Mechanicsville, Summerhill)

• NPU-E (Midtown east of Peachtree Street)

PART 2: Case Studies

PART 3: Strategies for Preservation
Part 1: Market Analysis

Overall Trends

Neighborhood Analysis

• Ownership types
• Breakdown of unit types
• Average age
• Zoning categories
Part 1: Market Analysis

Overall Trends
Part 1: Market Analysis

Neighborhood Analysis
-Properties with 4-49 units are identified with black boxes
-10 unique zoning categories for affected properties
-Portions in Beltline Overlay District
-Bisected by the I-75/85
UNIT MATRIX – NPU V

136 total properties / 923 units
Average age range: 55-72 years old

Source: Fulton County Tax Assessor
OWNERSHIP TYPES – NPU V

- 64% investor group
- 25% individual
- 11% public or nonprofit

7 owners hold multiple properties
# CITY ZONING CATEGORIES

## Zoning/Future Land Use Compatibility Table

| Land Use Designation          | R-1 | R-2 | R-3 | R-3A | R-4 | R-4A | R-4B | R-5 | R-6 | RG-1 | RG-2 | RG-3 | RG-4 | RG-5 | RG-6 | RL-C | RLC-1 | RLC-2 | MR-2 | MR-3 | MR-4A | MR-4B | MR-5A | MR-5B | MR-6 | C4   | LW   | NC   | C1   | C2   | C3   | C4   | C5   | MRC-1 | MRC-2 | MRC-3 | MRC-4 | MRC-5 | CI   | FD-OI | FD-OC | FD-AMU |
|------------------------------|-----|-----|-----|------|-----|------|------|-----|-----|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|
| Open Space                   |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Single-Family                |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Low-Density Residential      |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Medium-Density Residential   |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| High-Density Residential     |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Very High-Density Residential|     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Low-Density Commercial       |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| High-Density Commercial      |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Industrial                   |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Office/Institutional         |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Office/Institutional/Residential |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |
| Mixed-Use                    |     |     |     |      |     |      |      |     |     |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |       |       |       |       |

Shaded areas represent compatible zoning classifications. Non-shaded areas represent zoning classifications that are not compatible with land use designations.
## EXISTING ZONING CATEGORIES – NPU V small buildings

<table>
<thead>
<tr>
<th>Zoning Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>Does not allow two or more family dwellings (would require re-zoning and/or lot consolidation to add units)</td>
</tr>
<tr>
<td>R-4a, R-4B, R4-B-C</td>
<td>Low density</td>
</tr>
<tr>
<td>Two Family &amp; Residential General</td>
<td>Maximum two-family dwellings</td>
</tr>
<tr>
<td>RG-2, RG-3, RG-4, R-5</td>
<td>Medium density</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>Protect in-town neighborhoods from suburban-type development Turner Field area</td>
</tr>
<tr>
<td>MR-3, PD-MU, SPI-18</td>
<td>High density</td>
</tr>
</tbody>
</table>
MARKET SUMMARY – NPU V

CoStar tracks 13 properties with 4-49 units in the NPU V area. Two are currently for sale (shown with blue pins on map below).

258 Units Total
142 Listed as Rent Subsidized
Rents reported on 258 Units:

<table>
<thead>
<tr>
<th>Rents</th>
<th>Survey</th>
<th>5-Year Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio Asking Rent</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1 Bed Asking Rent</td>
<td>$946</td>
<td>$875</td>
</tr>
<tr>
<td>2 Bed Asking Rent</td>
<td>$758</td>
<td>$672</td>
</tr>
<tr>
<td>3+ Bed Asking Rent</td>
<td>$1,202</td>
<td>$1,065</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>3.9%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales</th>
<th>Past Year</th>
<th>5-Year Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Price Per Unit</td>
<td>-</td>
<td>$21,970</td>
</tr>
<tr>
<td>Asking Price Per Unit</td>
<td>$61,416</td>
<td>$24,300</td>
</tr>
</tbody>
</table>

Average Size: 732 SF

- Studio: 0%
- 1B: 52%
- 2B: 37%
- 3B: 9%
- Unknown: 2%

Source: CoStar
MARKET SUMMARY – NPU V

- 4-49 units
- NPU V 258 Units vs.
- City of Atlanta 14,430 Units

Source: CoStar
Properties with 4-49 units are identified with black boxes.

5 unique zoning categories for affected properties.

Many buildings in R-5 zoning, would not be grandfathered in to be multi-family.
UNIT MATRIX – NPU E

234 total properties / 978 units
Average age range: 50 – 100+ years old

Source: Fulton County Tax Assessor
OWNERSHIP TYPES – NPU E (all)

51% investor group
48% individual
1% public

1 owner holds multiple properties
OWNERSHIP TYPES comparison
NPU E to NPU V

51% public or investor
48% individual
1% public

1 owner holds multiple properties
## EXISTING ZONING CATEGORIES

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Family &amp; Residential General</td>
<td>Maximum two-family dwellings</td>
</tr>
<tr>
<td>RG-5</td>
<td></td>
</tr>
<tr>
<td>R-5</td>
<td></td>
</tr>
<tr>
<td>Multi-Family</td>
<td>Protect in-town neighborhoods from suburban-type development Turner Field area</td>
</tr>
<tr>
<td>C-1</td>
<td></td>
</tr>
<tr>
<td>SPI-16</td>
<td></td>
</tr>
<tr>
<td>SPI-17</td>
<td></td>
</tr>
</tbody>
</table>

- Medium density
- High density
MARKET SUMMARY – MIDTOWN

CoStar tracks 148 properties with 4-49 units in the eastern Midtown area. Four are currently for sale (shown with blue pins on map below).

1,803 Units Total  
32 Listed as Rent Restricted

Rents reported on 955 Units:

<table>
<thead>
<tr>
<th>Rents</th>
<th>Survey</th>
<th>5-Year Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio Asking Rent</td>
<td>$855</td>
<td>$737</td>
</tr>
<tr>
<td>1 Bed Asking Rent</td>
<td>$932</td>
<td>$822</td>
</tr>
<tr>
<td>2 Bed Asking Rent</td>
<td>$1,363</td>
<td>$1,147</td>
</tr>
<tr>
<td>Vacancy Rate</td>
<td>4.5%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sales</th>
<th>Past Year</th>
<th>5-Year Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Price Per Unit</td>
<td>$131,629</td>
<td>$108,782</td>
</tr>
<tr>
<td>Asking Price Per Unit</td>
<td>$132,043</td>
<td>$64,393</td>
</tr>
</tbody>
</table>

Average Size: 828 SF

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>37%</td>
</tr>
<tr>
<td>1B</td>
<td>41%</td>
</tr>
<tr>
<td>2B</td>
<td>16%</td>
</tr>
<tr>
<td>3B</td>
<td>1%</td>
</tr>
<tr>
<td>Unknown</td>
<td>5%</td>
</tr>
</tbody>
</table>
MARKET SUMMARY – MIDTOWN

4-49 units
Midtown (East) 1,803 Units
vs.
City of Atlanta 14,430 Units
Part 2: Case Studies
# NPU-V

**Stable: 1044 Hank Aaron**

**Owner:** Boynton Village Properties (Atlanta)

**Age:** 40 years

**Rent Subsidized**

<table>
<thead>
<tr>
<th>Beds</th>
<th>Units</th>
<th>Avg SF</th>
<th>Asking Rent/Unit</th>
<th>Asking Rent/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>5</td>
<td>540</td>
<td>$914</td>
<td>$1.69</td>
</tr>
<tr>
<td>2</td>
<td>11</td>
<td>693</td>
<td>$994</td>
<td>$1.43</td>
</tr>
<tr>
<td>3</td>
<td>22</td>
<td>831</td>
<td>$1,191</td>
<td>$1.43</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>964</td>
<td>$1,314</td>
<td>$1.36</td>
</tr>
<tr>
<td>Totals</td>
<td>43</td>
<td>777</td>
<td>$1,123</td>
<td>$1.44</td>
</tr>
</tbody>
</table>

**Asking Rent Per Unit Type, 2006-2016**
NPU-E (east)  Stable: 842 Glendale Terrace

Owner: Private Properties, LLC
Age: 57 years
No. of Units: 10
Average Rent: $995 / 1bed
Owner has provided a set-aside for affordable units

“We are interested in providing units for teachers, policemen… so that they don’t get pushed out of the city where they work.”

-Roland Broda, Owner representative
Part 2: Case Studies

Housing Wage Calculator

- Household Income @ 30% AMI: $20,000 per year ($9.62 per hour)
- 30% income expenditure on rent
- 3 person household
- Monthly Rent: $500/Month
Pro forma analysis
Price to Purchase: **$500,000** (Sold for $450,000 in 2014)
Total Square Feet: **3,300**

Renovation
Total Units: **8**
Rent: **$500/month, $1.21/SF** (affordable @ ~30% AMI=$20K)
Unit Size: **400 SF**
Total Construction (Hard & Soft) Costs: **$185/SF**
Total Project Costs (Land+ Hard Costs+ Soft Costs): **$962,000**
Total Revenue: **$4,000/Month ($48,000 Annual)**
Net Operating Income (NOI): **$34,200** (After Vacancy & Operating Expense)
Annual Cash Flow After Debt Service (5% Interest Rate) & Operating Expenses: **-$12,300**

Pre-tax Return on Equity: **-5%** - Does not meet “developer return hurdle”

Options to Meet 15% Hurdle:
- Increase Monthly Rent to $1,200/Month, $2.90/SF **YES** (Loss of Affordability)
- Reduce Interest on Loan to 0%? **NO** (4% Return)
- Reduce Purchase Price to $0? **NO** (10% Return)
- Reduce Interest on Loan to 2.5% & Reduce Purchase Price to $0? **YES**
Pro forma Analysis

Price to Purchase: $175,000 (Sold for $175,000 in 1996)
Total Square Feet: 7,000

Renovation
Total Units: 8
Rent: $500/month, $0.57/SF (affordable @ ~30% AMI=$20K)
Unit Size: 875 SF
Total Construction (Hard & Soft) Costs: $185/SF
Total Project Costs (Land+ Hard Costs+ Soft Costs): $1.15M
Total Revenue: $4,000/Month ($48,000 Annual)
Net Operating Income (NOI): $34,200 (After Vacancy & Operating Expense)
Annual Cash Flow After Debt Service & Operating Expenses: $-21,600

Pre-tax Return on Equity: -7.5% - Does not meet “developer return hurdle”

Options to Meet 15% Hurdle:
- Increase Monthly Rent to $1,450/Month, $1.66/SF YES (Loss of Affordability)
- Reduce Interest on Loan to 0%? NO (1.8% Return)
- Reduce Purchase Price to $0? NO (-5.4% Return)
- Reduce Interest on Loan to 2.5% & Reduce Purchase Price to $0? NO (4% Return)
**The Architectural Barriers Act (1968)**

This Act stipulates that all buildings, other than privately owned residential facilities, constructed by or on behalf of, or leased by the United States, or buildings financed in whole or in part by the United States must be physically accessible for people with disabilities. The Uniform Federal Accessibility Standards (UFAS) is the applicable standard.

**Dwellings Covered by the Design Requirements**

The design requirements apply to buildings built for first occupancy after March 13, 1991, which fall under the definition of “covered multifamily dwellings.” See page 12 for a discussion of “first occupancy.” Covered multifamily dwellings are:

1. all dwelling units in buildings containing four or more dwelling units if such buildings have one or more elevators, and
2. all ground floor dwelling units in other buildings containing four or more units.

Source: Fair Housing Manual
Part 3: Strategies & Opportunities

Carrot verses Stick

The Golden Rule

Financing
Carrot

- Federal Tax Credits
- Tax Abatements / Tax Increment
- Grants
- Low interest/Forgivable Debt
- Community Land Trust
- Tax Exempt Bonds
- Reduce Impact fees (not an option)
Stick

- Inclusionary zoning
- Tax Lien Acquisitions
- Eminent Domain
Golden Rule

An estimated 80% of the current affordable housing inventory exists within the small multifamily building housing stock

LAND BANK AUTHORITY (LBA)

• Neighborhood Stabilization Program (NSP3)

• Four Ways to Acquire Property:
  1. Donations
  2. Judicial In Rem / Tax Foreclosure
  3. Traditional Market Purchase
  4. Government Seizure
Financial

Best practices and case studies in peer cities informed the Housing Strategy.

What innovative practices are these areas using to address their affordable housing challenges?

- Inclusionary Zoning
  - None
  - Voluntary
  - Mandatory

- Ongoing financing for Housing Trust Fund
  - No
  - Yes

- Citywide affordable housing strategy
  - No
  - Yes

- Key information consolidated and accessible
  - Room to Improve
  - Strength

- Geographically-targeted affordable housing initiatives
  - No
  - Yes

Source: HR&A Analysis

Source: Invest Atlanta, “A Housing Strategy for the City of Atlanta”
Financing

• Home Multi-Family Financing (funded)

• Housing Opportunity Bonds (existing/not funded)

• Housing Trust Fund (needed/suggested)
Acknowledgements

Interviews:

Alan Ferguson, Sr., *Invest Atlanta*
Chenee Joseph, *Atlanta Housing Authority*
Christopher Norman, *Fulton County / City of Atlanta Land Bank Authority*
Edrick Harris, *Prestwick Companies*
Eric Pinckney and Amon Martin, *Integral*
Mtamanika Youngblood, *Historic Development Corporation*
Tskaka Warren, *City of Atlanta Office of Planning*
Roland Broda, *Elmhurst Capital*
City of Atlanta Demographics and Economics, *ARC Presentation by Michael Alexander*