

# Preserving Small Scale Affordable Housing



mini Technical Assistance Program

Provided to Enterprise Community Partners



April 2016



# **URBAN LAND INSTITUTE**

## **CENTER FOR LEADERSHIP, 2016**

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# THE CHALLENGE

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- 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

# OUTLINE

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## **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

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## Overall Trends

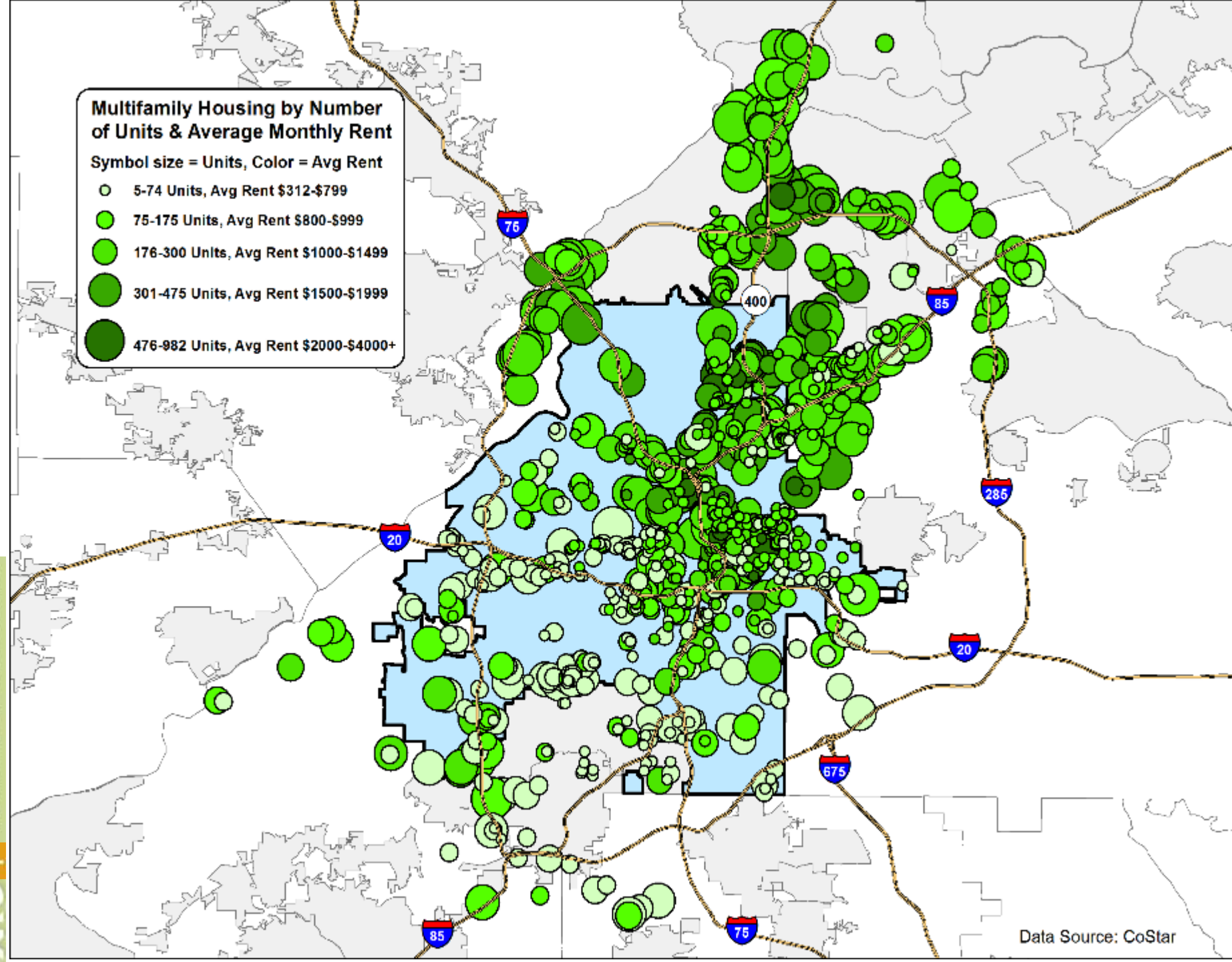
## Neighborhood Analysis

- Ownership types
- Breakdown of unit types
- Average age
- Zoning categories

# Part 1: Market Analysis

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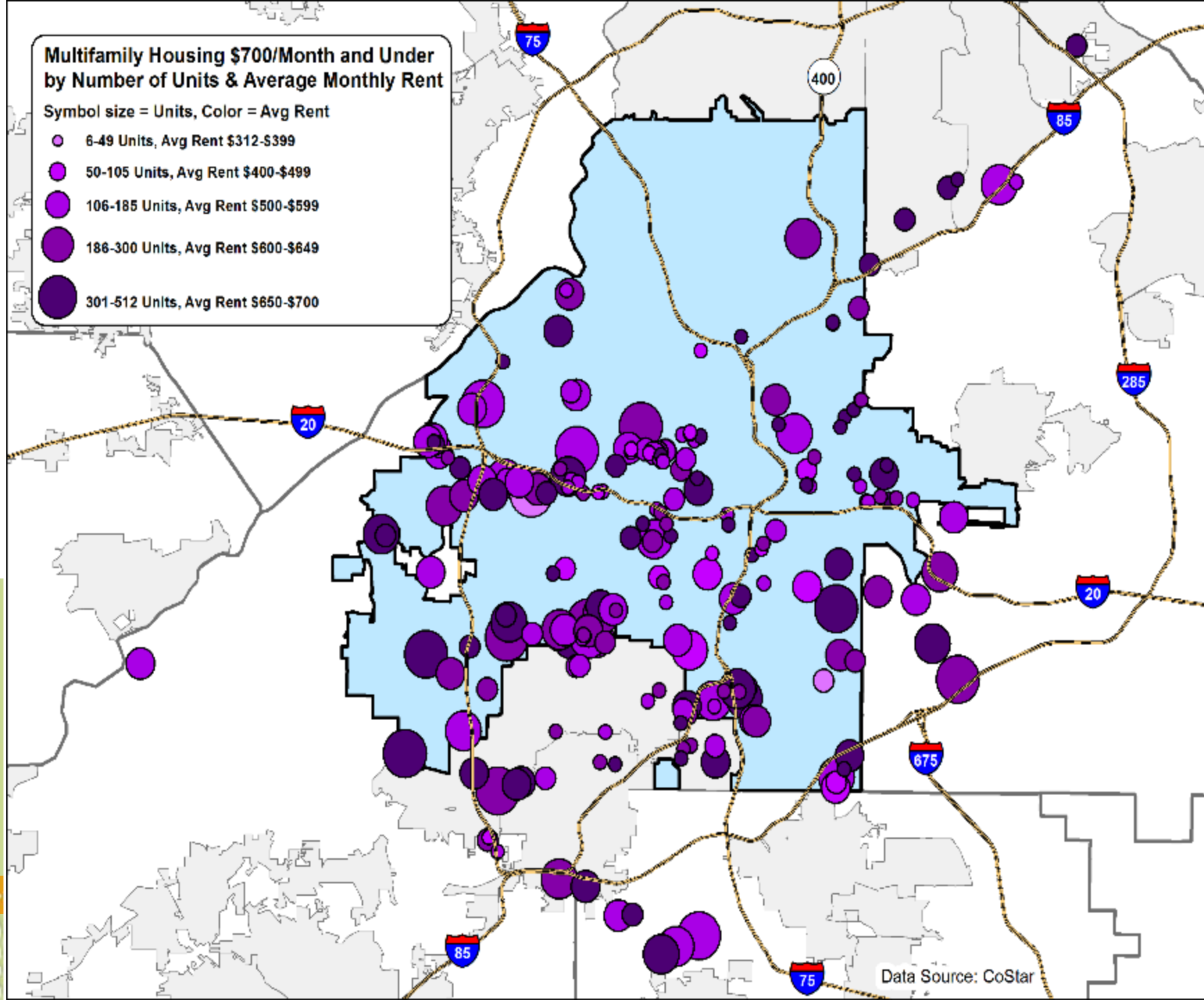
## Overall Trends



# Multifamily Housing \$700/Month and Under by Number of Units & Average Monthly Rent

Symbol size = Units, Color = Avg Rent

- 6-49 Units, Avg Rent \$312-\$399
- 50-105 Units, Avg Rent \$400-\$499
- 106-185 Units, Avg Rent \$500-\$599
- 186-300 Units, Avg Rent \$600-\$649
- 301-512 Units, Avg Rent \$650-\$700



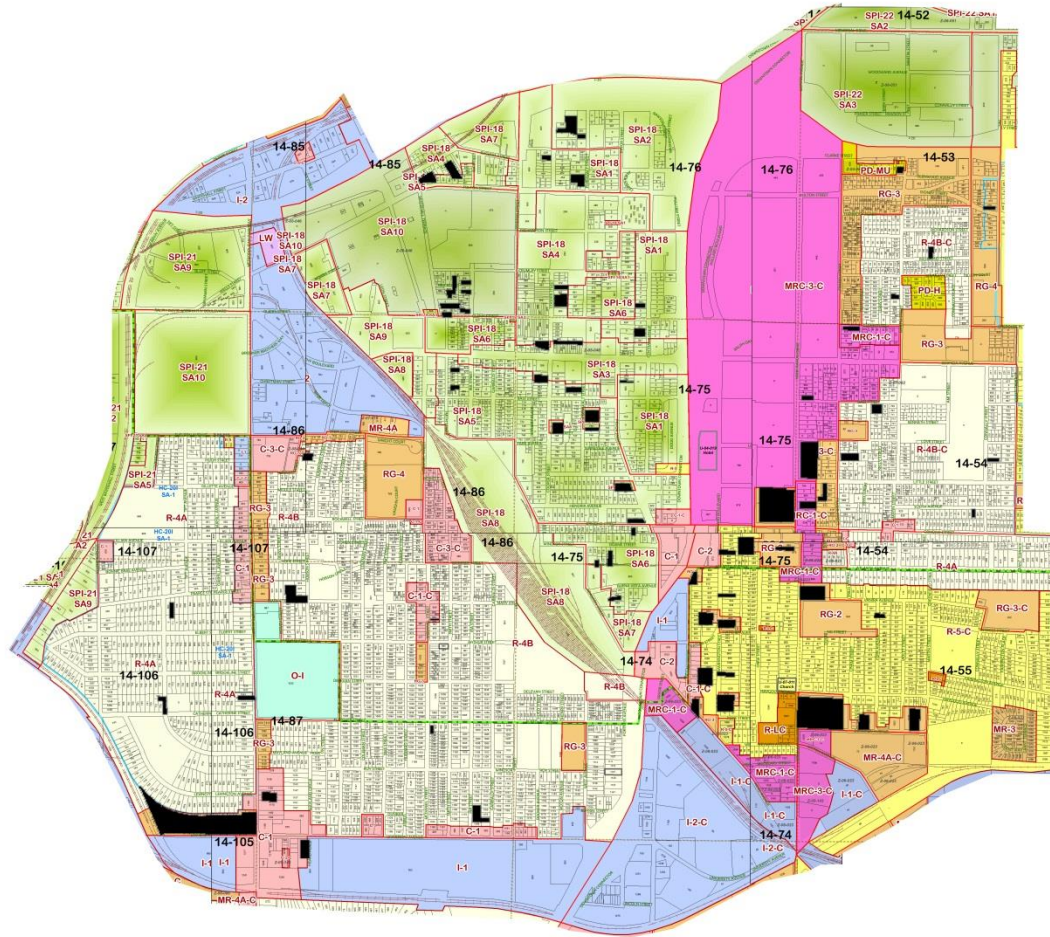
Data Source: CoStar

# Part 1: Market Analysis

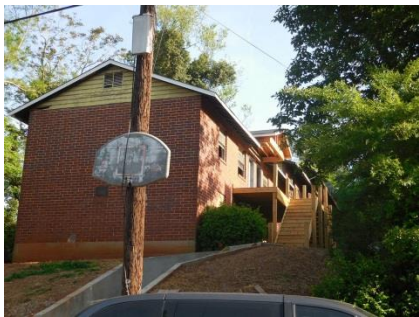
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## Neighborhood Analysis

# NPU V



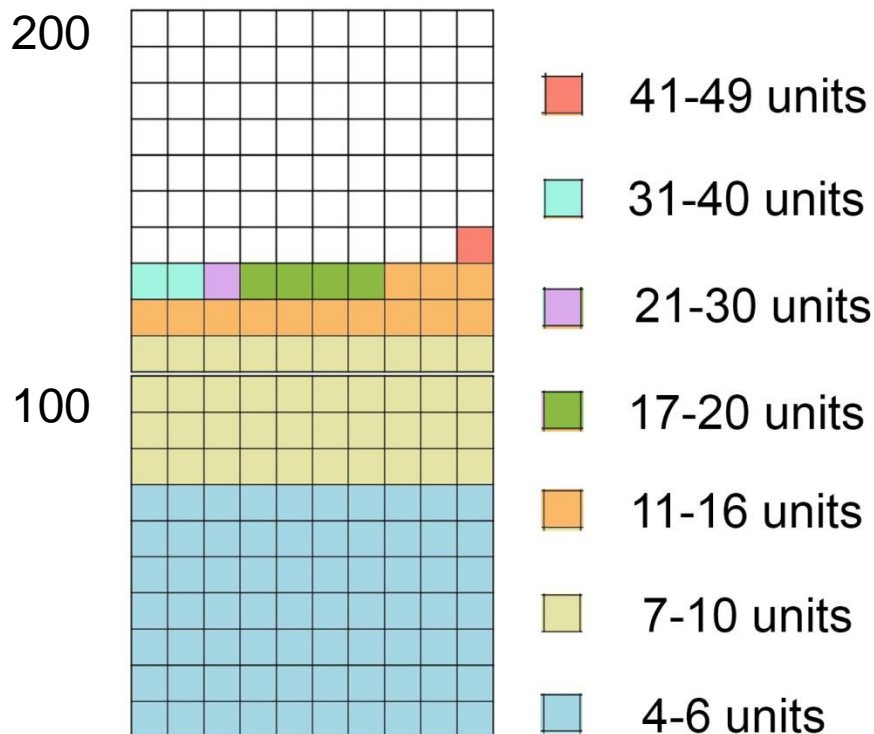
- Properties with 4-49 units are identified with black boxes
- 10 unique zoning categories for affected properties
- Portions in Beltline Overlay District
- Bisected by the I-75/85



# UNIT MATRIX – NPU V

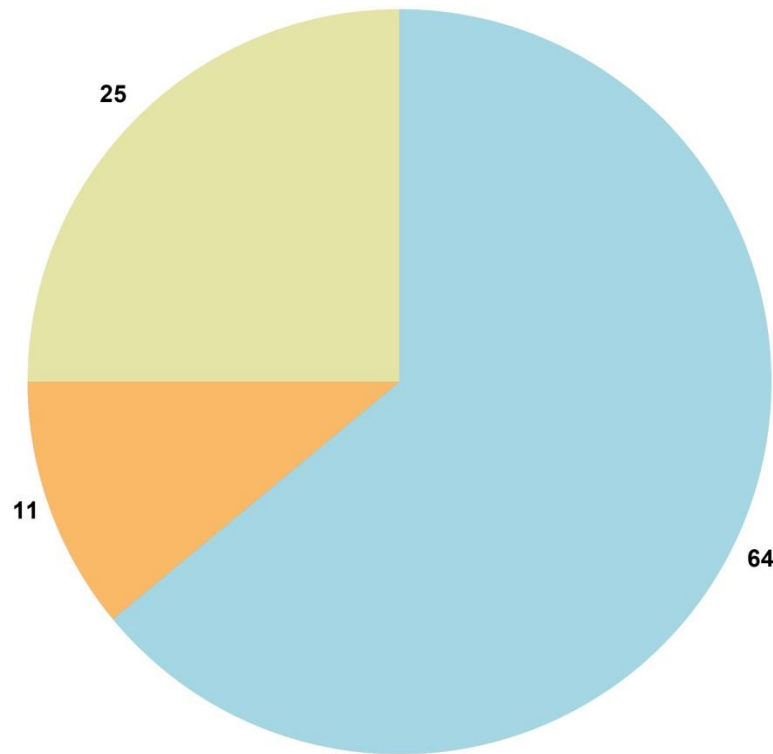
136 total properties / 923 units

Average age range: 55-72 years old



# OWNERSHIP TYPES – NPU V

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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	Zoning Classification																																						
	R-1	R-2	R-3	R-3A	R-4	R-4A	R-4B	R-5	RG-1	RG-2	RG-3	RG-4	RG-5	RG-6	RL-C	MR-1	MR-2	MR-3	MR-4A & B	MR-5A & B	MR-6	O-I	LW	NC	C-1	C-2	C-3	C-4	C-5	MRC-1	MRC-2	MRC-3	I-1	I-2	PD-H	PD-OC	PD-MU		
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

Single Family  R-4a R-4B R4-B-C	Does not allow two or more family dwellings (would require re-zoning and/or lot consolidation to add units)  <b>low density</b>
Two Family & Residential General  RG-2 RG-3 RG-4 R-5	Maximum two-family dwellings    <b>medium density</b>
Multi-Family  MR-3 PD-MU SPI-18	Protect in-town neighborhoods from suburban-type development Turner Field area  <b>high density</b>

# MARKET SUMMARY – NPU V

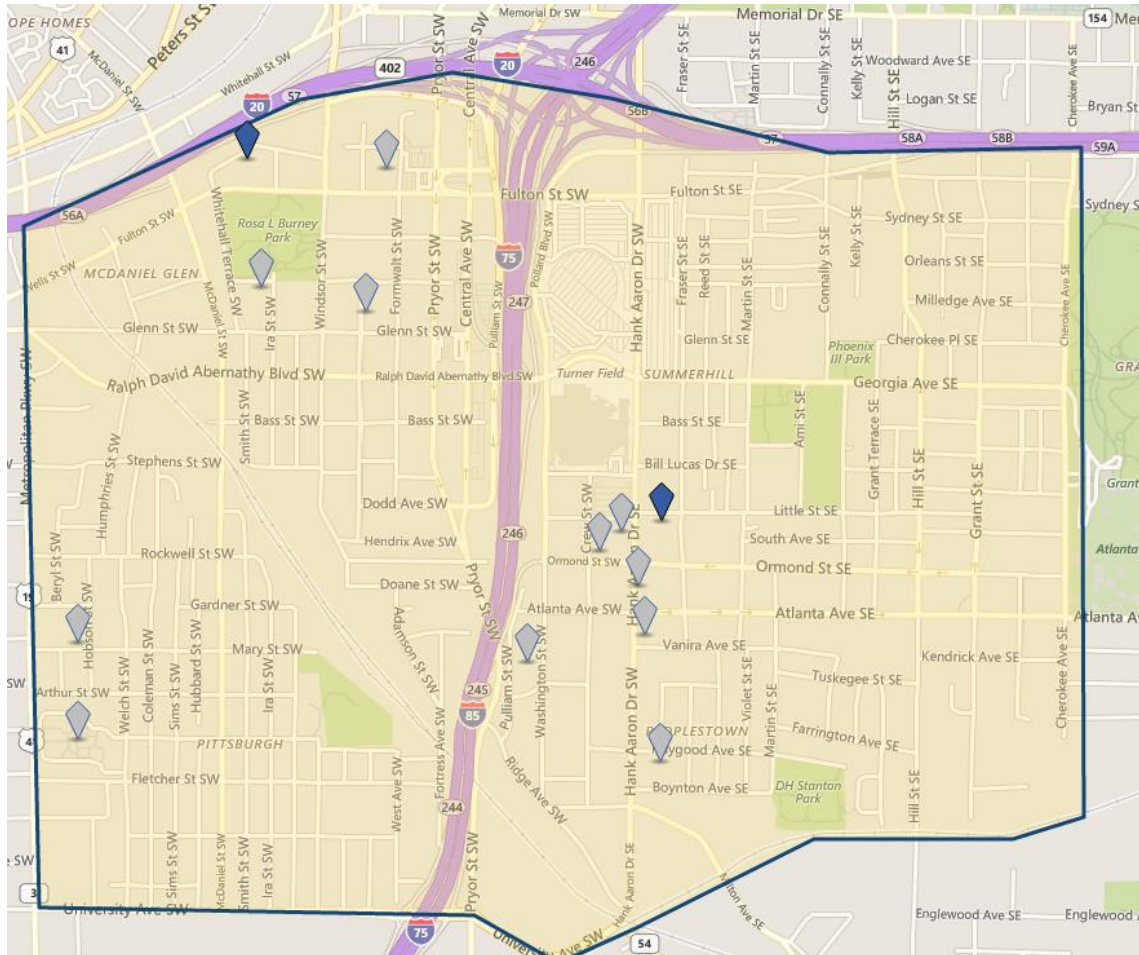
CoStar tracks 13 properties with 4-49 units in the NPU V area.  
Two are currently for sale (shown with blue pins on map below).

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

Rents	Survey	5-Year Avg
Studio Asking Rent	-	-
1 Bed Asking Rent	\$946	\$875
2 Bed Asking Rent	\$758	\$672
3+ Bed Asking Rent	\$1,202	\$1,065
Vacancy Rate	3.9%	4.5%
Sales	Past Year	5-Year Avg
Sale Price Per Unit	-	\$21,970
Asking Price Per Unit	\$61,416	\$24,300

Average Size: 732 SF

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



Source: CoStar

# MARKET SUMMARY – NPU V

4-49 units

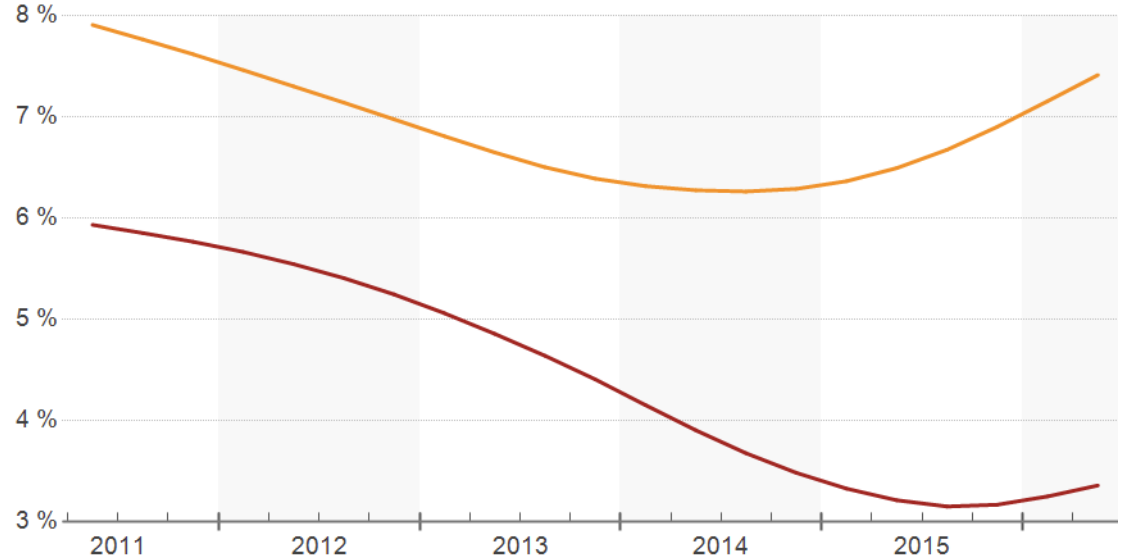
NPU V

258 Units

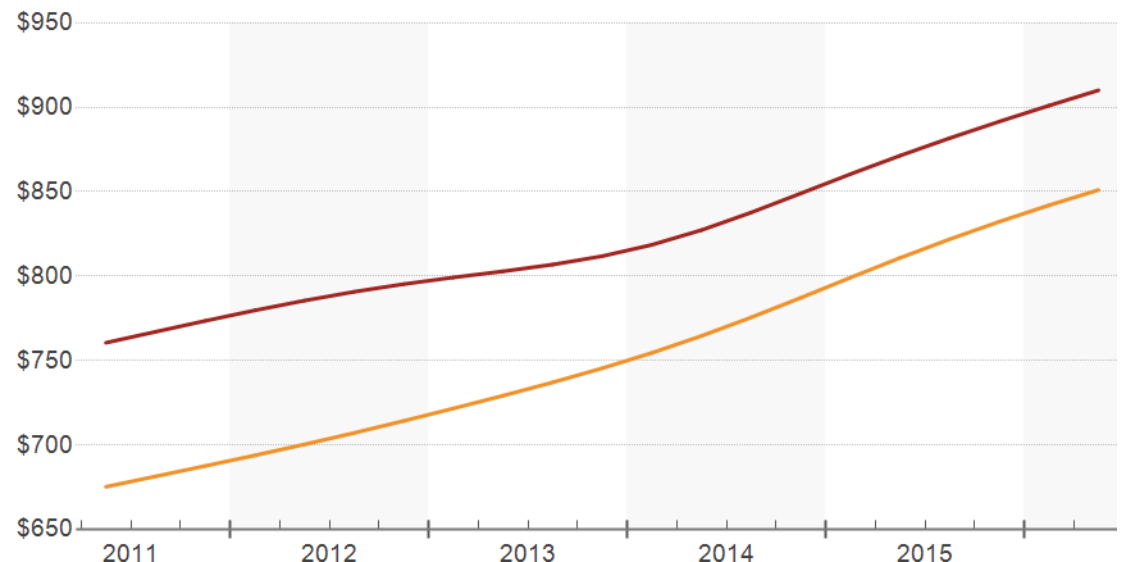
vs.

City of Atlanta 14,430 Units

## Vacancy Rate



## Avg. Asking Rent

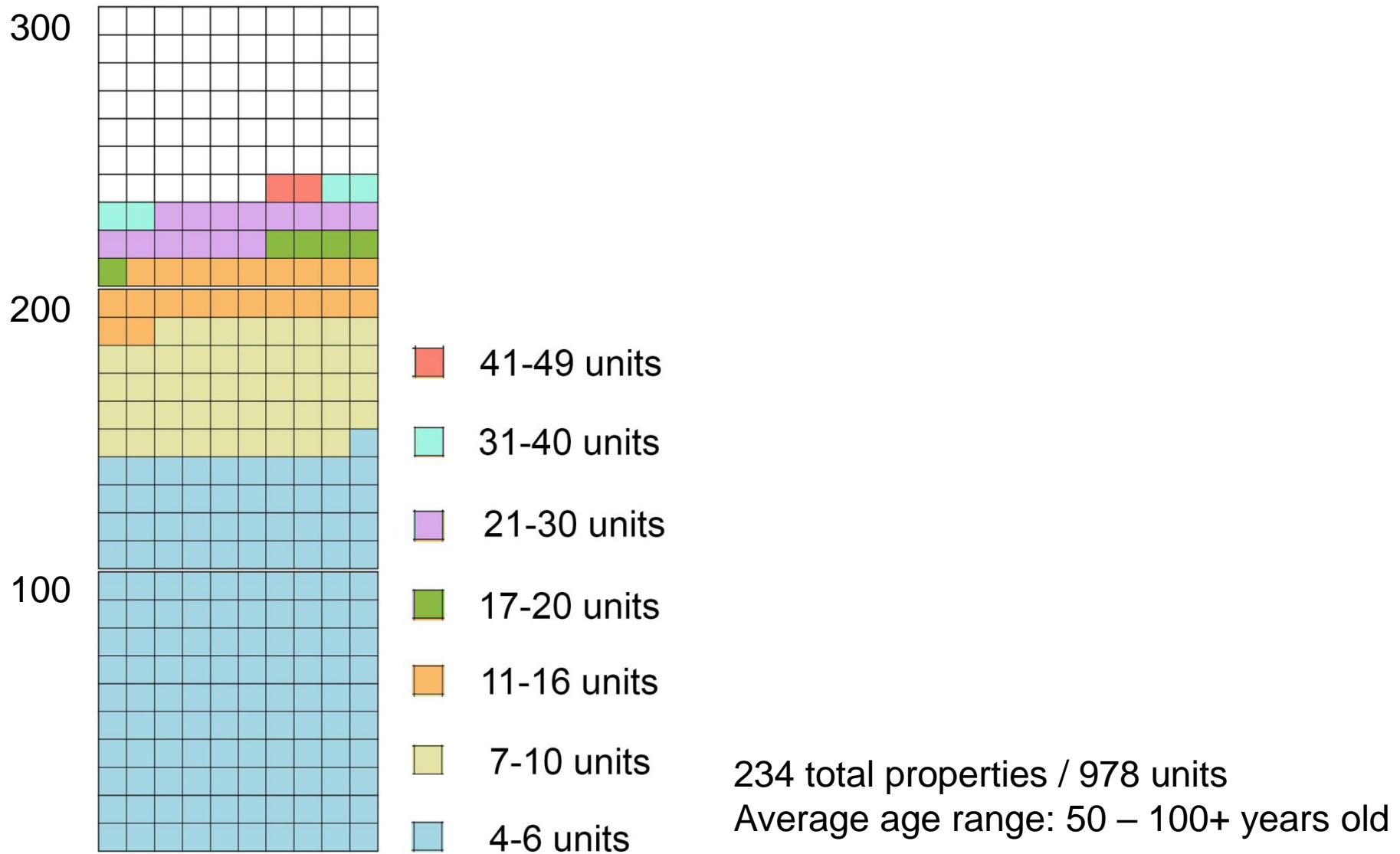


## 5 unique zoning categories for affected properties

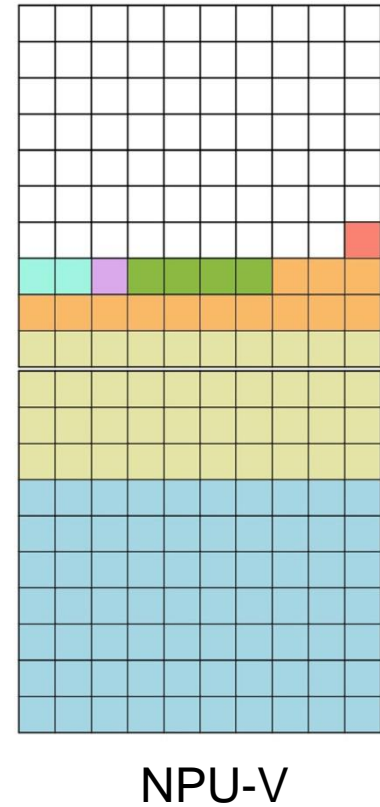
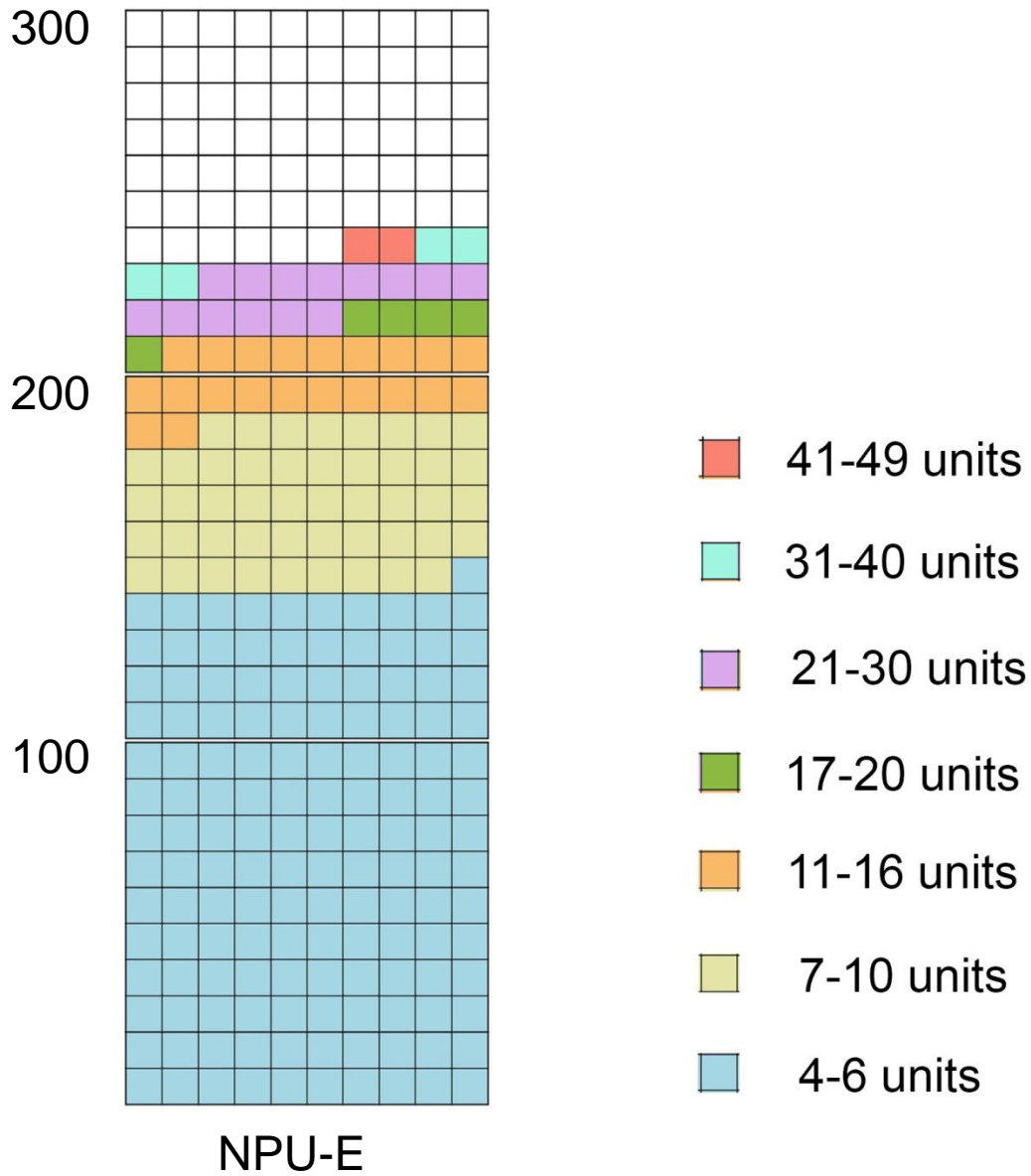
Many buildings in R-5 zoning, would not be grandfathered in to be multi-family



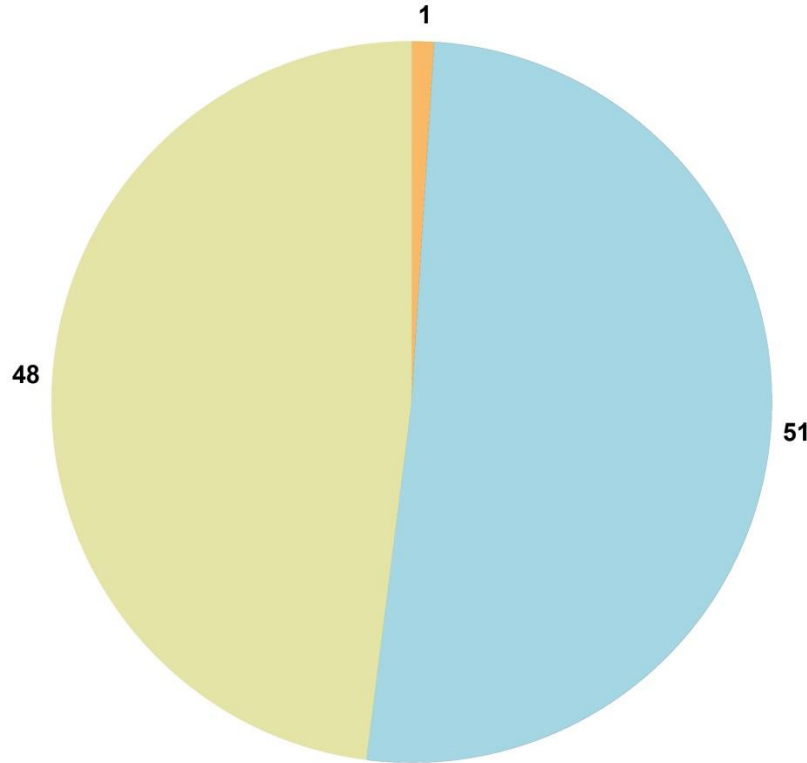
# UNIT MATRIX – NPU E



# UNIT MATRIX COMPARISON



# OWNERSHIP TYPES – NPU E (all)



51 % investor group

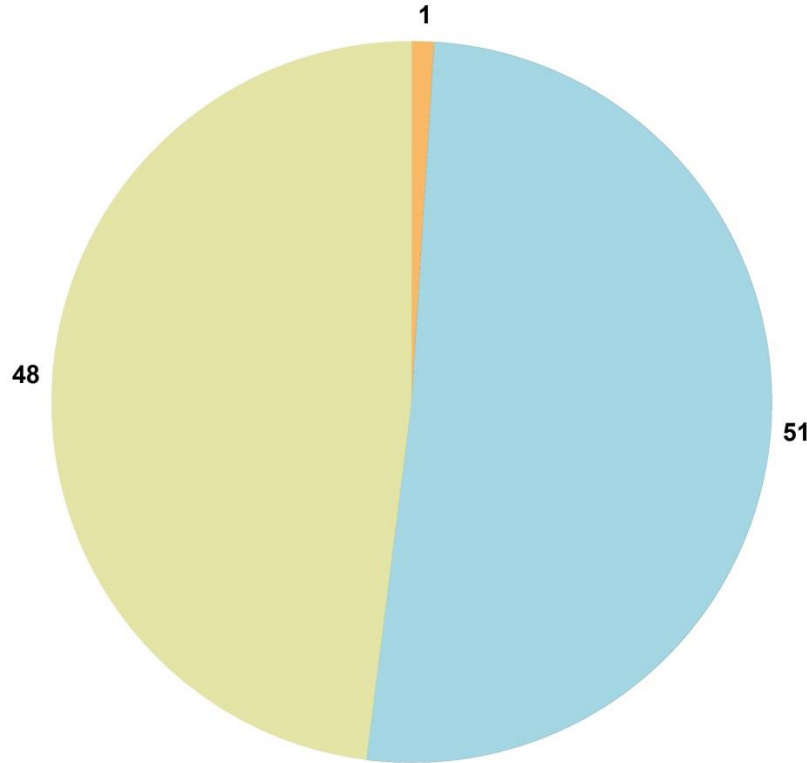
48% individual

1% public

*1 owner holds multiple properties*

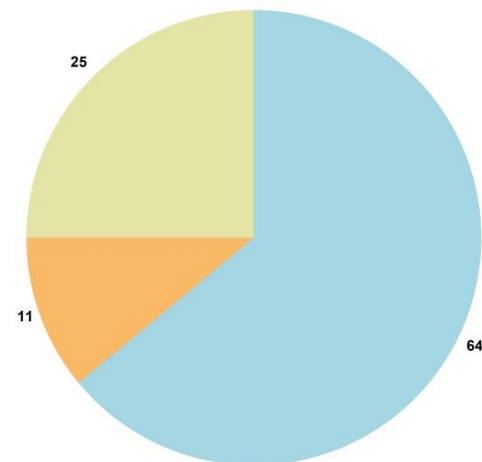
# OWNERSHIP TYPES comparison

## NPU E to NPU V



51 % public or investor  
48% individual  
1 % public

*1 owner holds multiple properties*



NPU-V

# EXISTING ZONING CATEGORIES

Two Family &  
Residential General

RG-5  
R-5

Maximum two-family dwellings

medium density

Multi-Family

C-1  
SPI-16  
SPI-17

Protect in-town neighborhoods from  
suburban-type development  
Turner Field area

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).

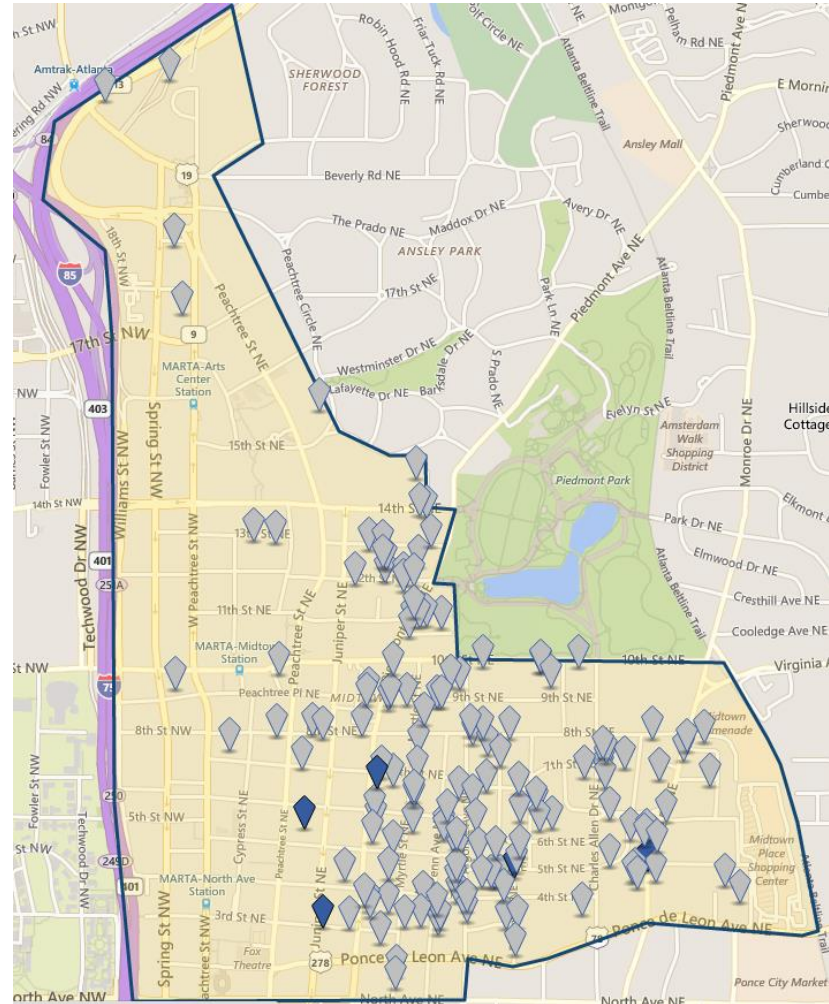
1,803 Units Total  
32 Listed as Rent Restricted

Rents reported on 955 Units:

Rents	Survey	5-Year Avg
Studio Asking Rent	\$855	\$737
1 Bed Asking Rent	\$932	\$822
2 Bed Asking Rent	\$1,363	\$1,147
Vacancy Rate	4.5%	4.0%
	\$975	
Sales	Past Year	5-Year Avg
Sale Price Per Unit	\$131,629	\$108,782
Asking Price Per Unit	\$132,043	\$64,393

Average Size: 828 SF

Studio: 37%  
1B: 41%  
2B: 16%  
3B: 1%  
Unknown: 5%



# MARKET SUMMARY – MIDTOWN

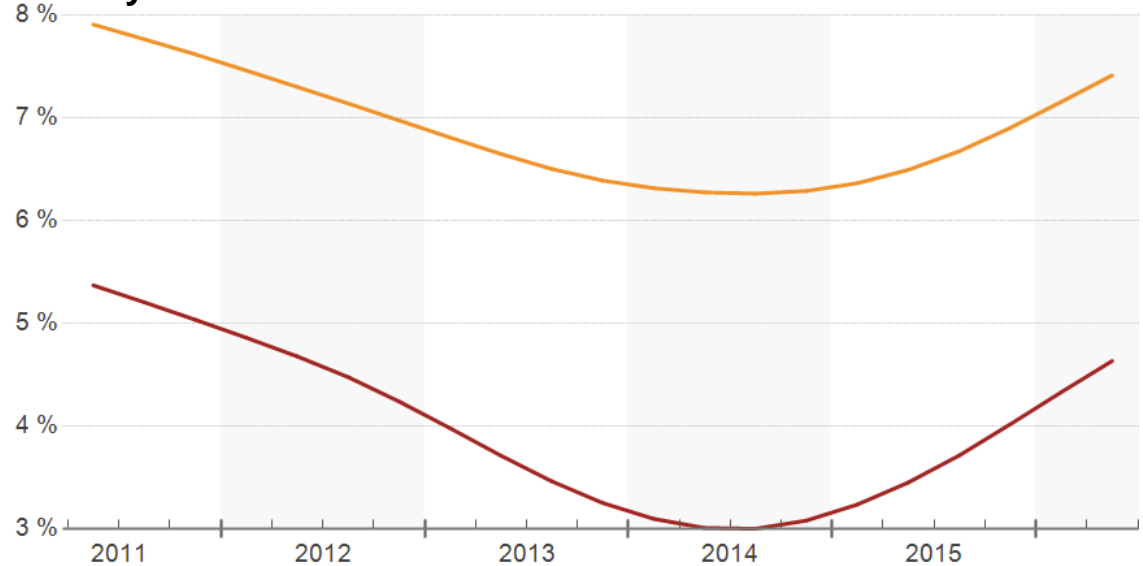
4-49 units

Midtown (East) 1,803 Units

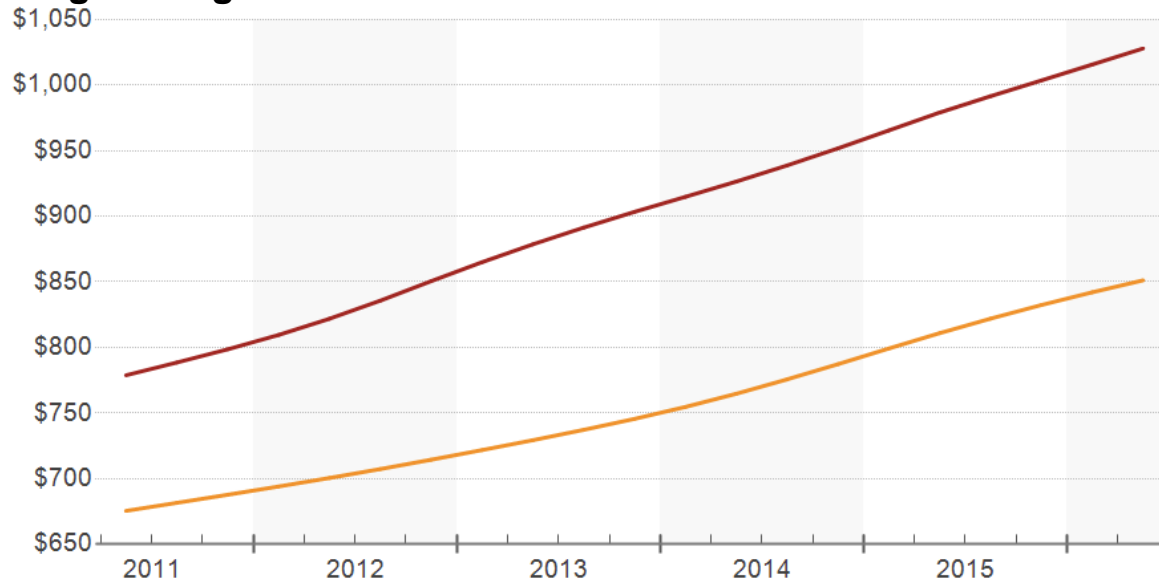
vs.

City of Atlanta 14,430 Units

**Vacancy Rate**



**Avg. Asking Rent**



# Part 2: Case Studies

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# NPU-V

# Stable: 1044 Hank Aaron

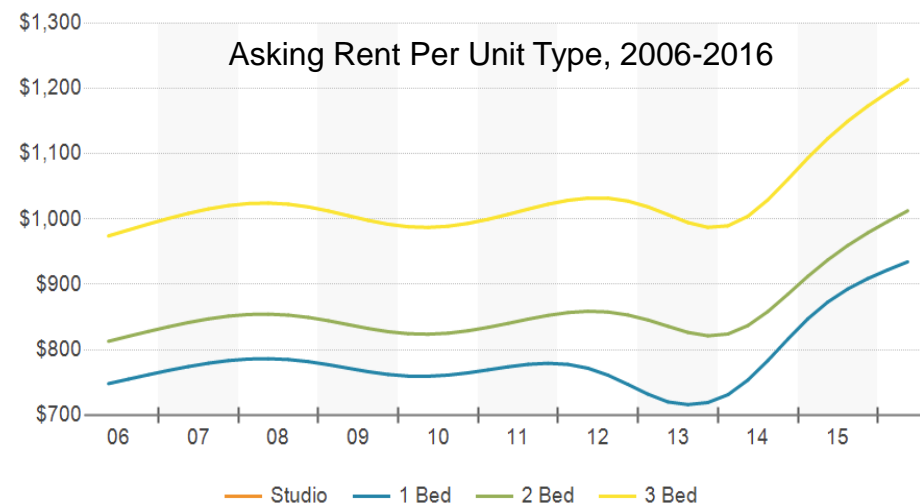


Owner: Boynton Village Properties (Atlanta)

Age: 40 years

Rent Subsidized

Beds	Units	Avg SF	Asking Rent/Unit	Asking Rent/SF
1	5	540	\$914	\$1.69
2	11	693	\$994	\$1.43
3	22	831	\$1,191	\$1.43
4	5	964	\$1,314	\$1.36
Totals	43	777	\$1,123	\$1.44



# 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



208 12<sup>th</sup> Street

*"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

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## 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**

# NPU-E (east)

# Distressed: 717 Piedmont

## 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**



# NPU-V

# Distressed: 696 Hank Aaron

## 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)

# BUILDING CHALLENGES

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## **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.

# Part 3: Strategies & Opportunities

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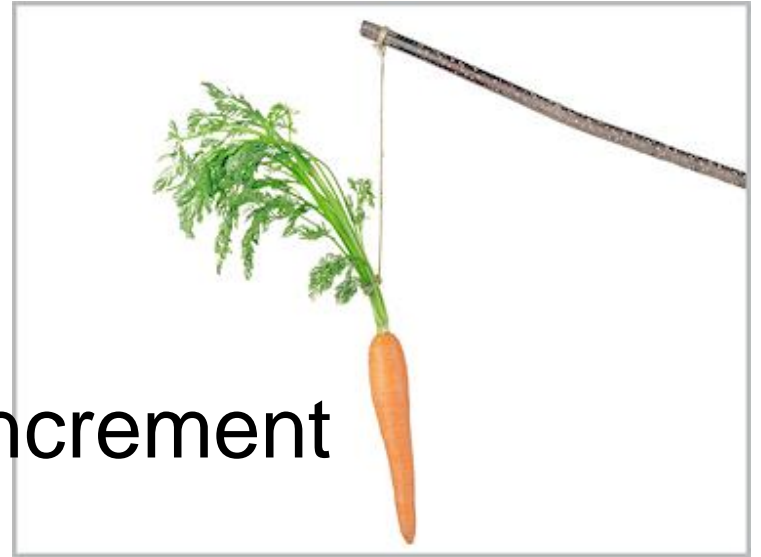
**Carrot verses Stick**

**The Golden Rule**

**Financing**

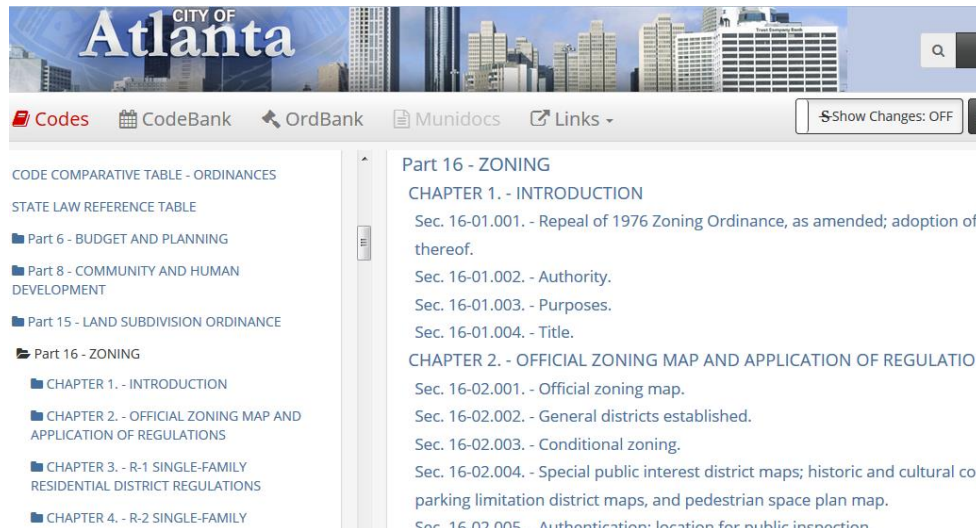
# Carrot

- 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



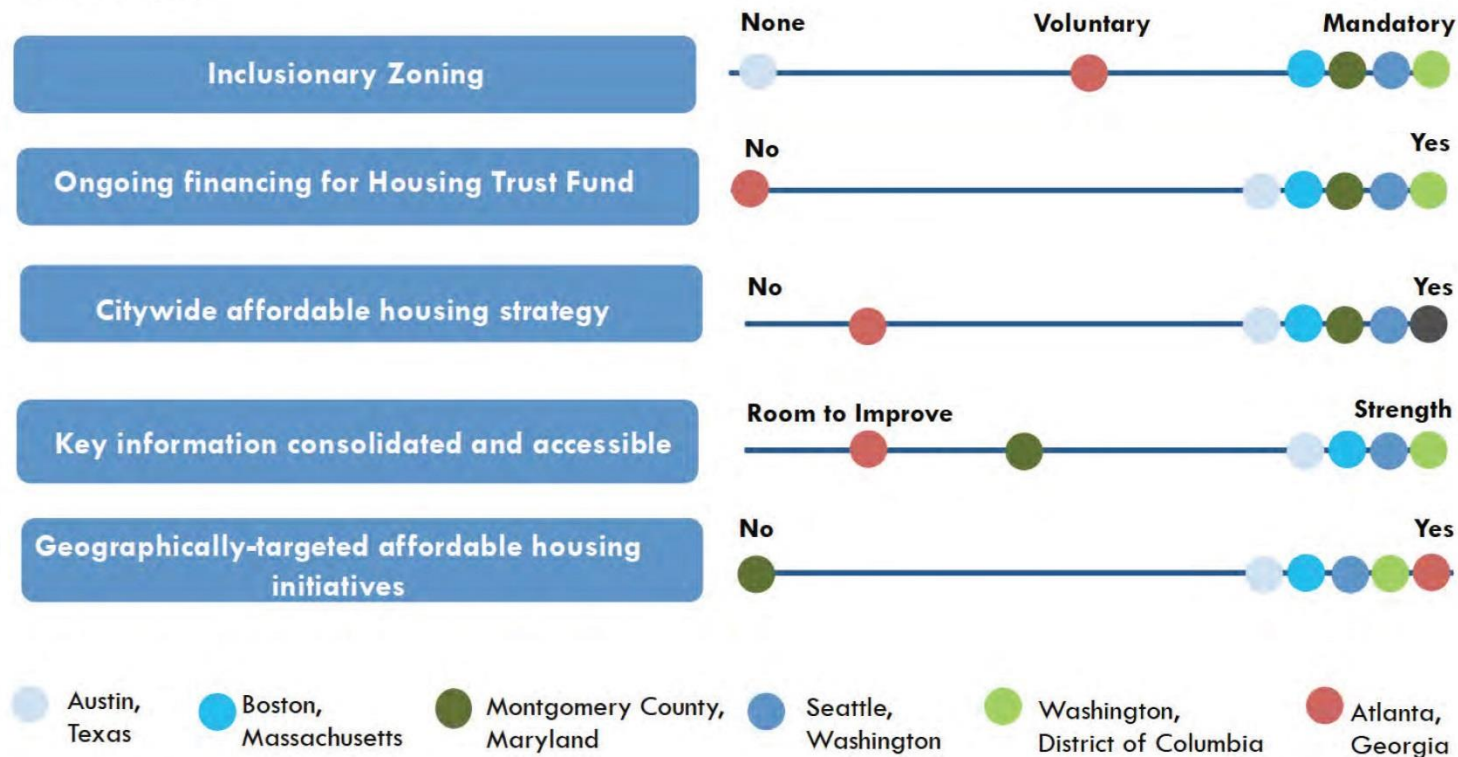
## LAND BANK AUTHORITY (LBA)

- **Neighborhood Stabilization Program (NSP3)**
- **Four Ways to Acquire Property:**
  1. Donations
  2. Judicial In Rem / Tax Foreclosure
  3. Traditional Market Purchase
  4. Government Seizure

# Financing

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?



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

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## Interviews:

Alan Ferguson, Sr., *Invest Atlanta*

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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*