



2017 Atlanta Center for Leadership

mTap Program
May 11, 2017



Team of Experts

- **Bree Caldwell**, DaVinci Development Collaborative, LLC
- **Brian Whitfield**, Smith Dalia Architects
- **Chris Goldsmith**, Walker & Dunlop Investment Sales
- **Joel Dixon**, Catalyst Investment Partners, Ltd.
- **Natallie Keiser**, Annie E. Casey Foundation

Overview

Site Context

Community Context

Site Study/Concept Design

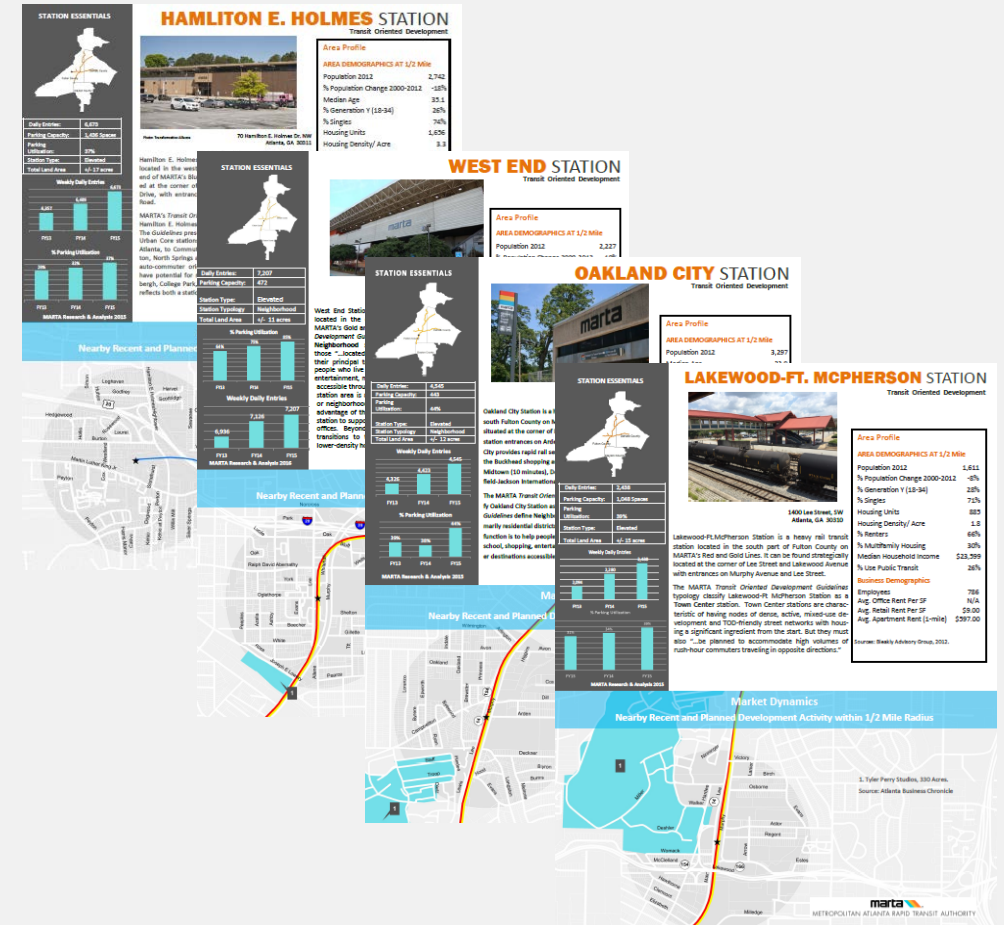
Financial Feasibility

Conclusion



Assignment

- Identify mixed-use TOD opportunities located on MARTA's South and West Rail Lines.
- Client wishes to obtain advice and recommendations on:
 1. The viability of a mixed-used development targeted to the creative community at one of MARTA's stations on the south or west rail lines;
 2. The key attributes of such a development;
 3. The support from the surrounding neighborhoods for such a development; and
 4. The potential funding sources and other partners for such a development.



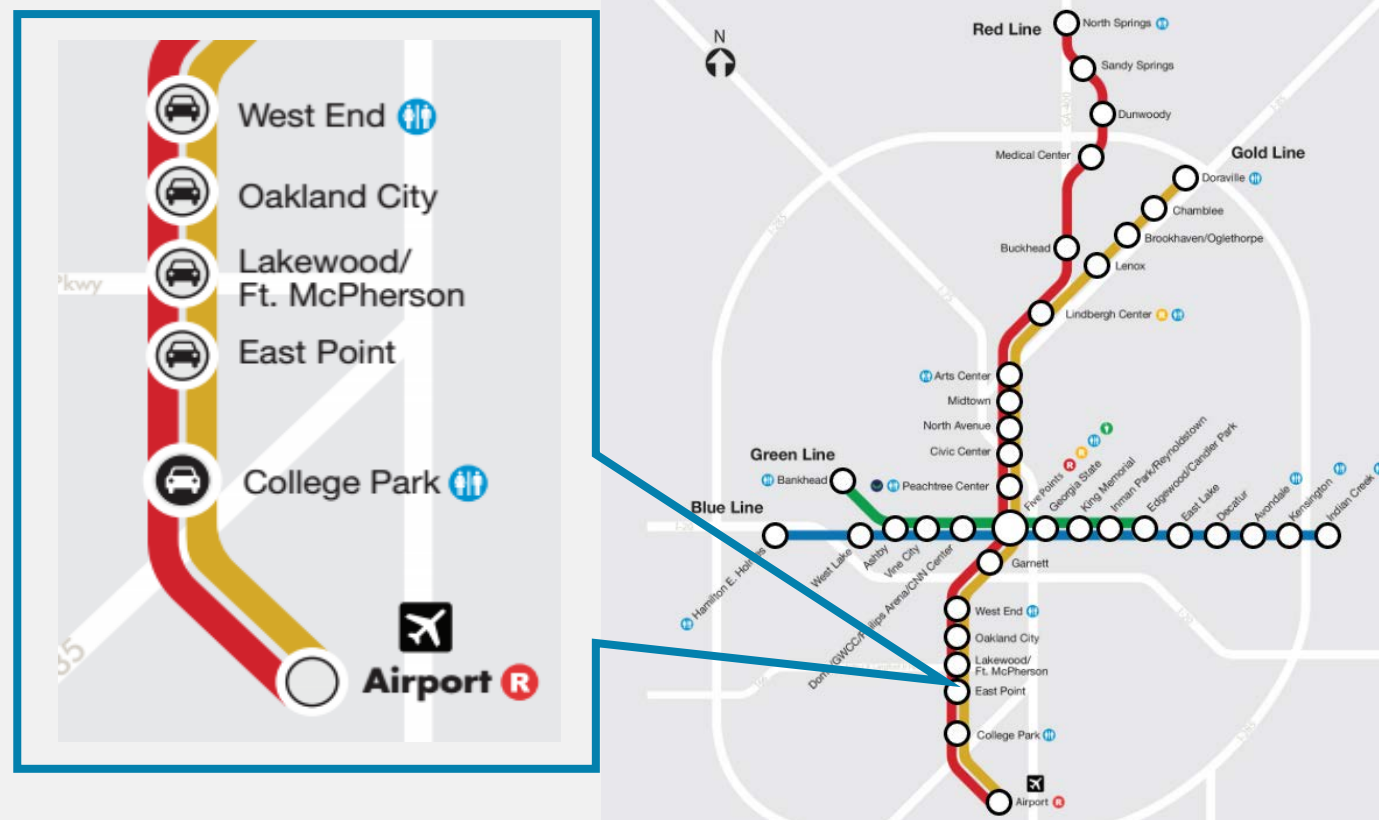
Team Process



1. Establish a criteria to evaluate the five prospective stations;
2. Research and conduct interviews with key local stakeholders in creative community, prospective financing sources and project partners;
3. Create conceptual project development for recommended station;
4. Identify basic sources and uses budget and operating pro forma for recommended station;
5. Prepare project findings, recommendations and risk analysis for presentation.

Recommended Priority Station

Lakewood-Ft.
McPherson
Station



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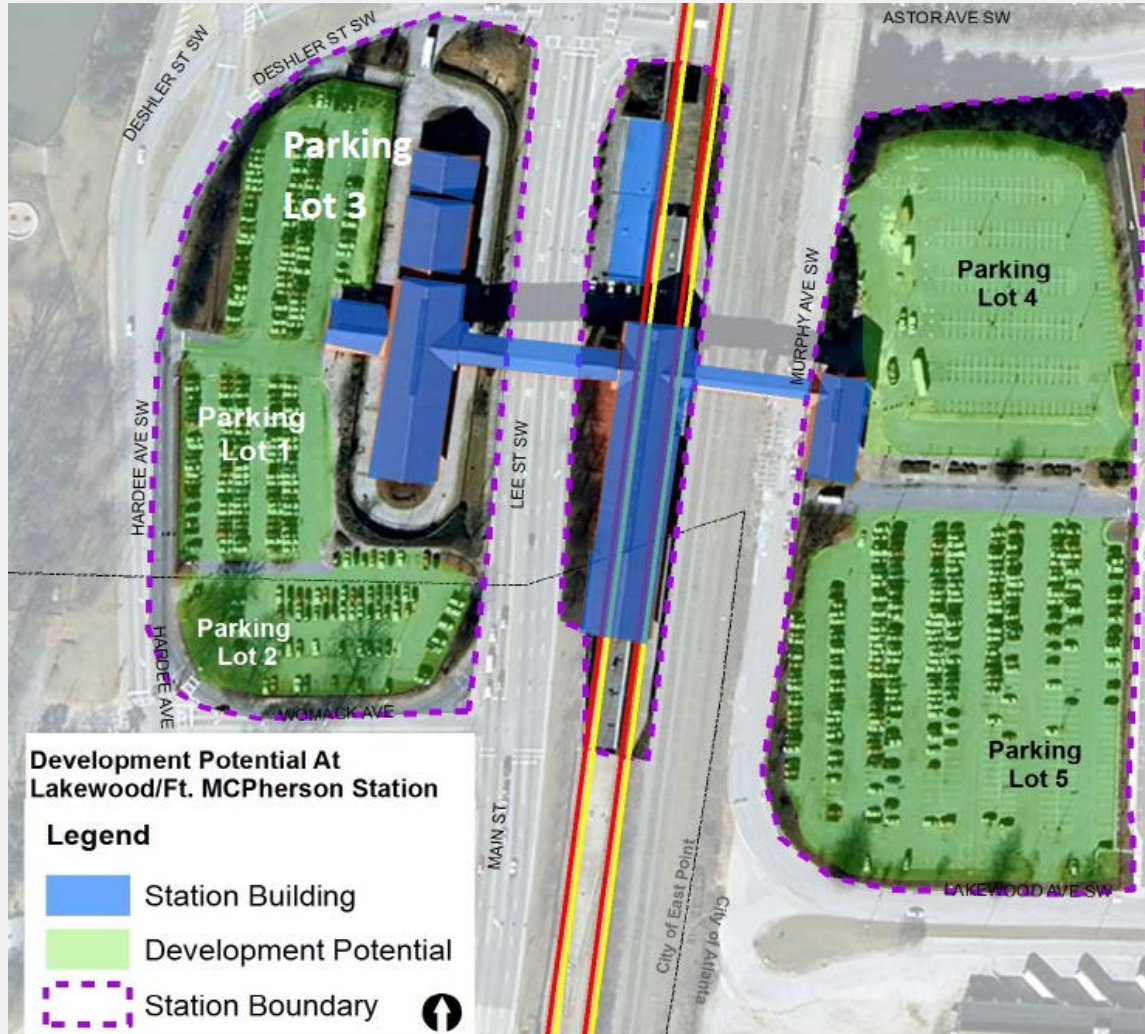
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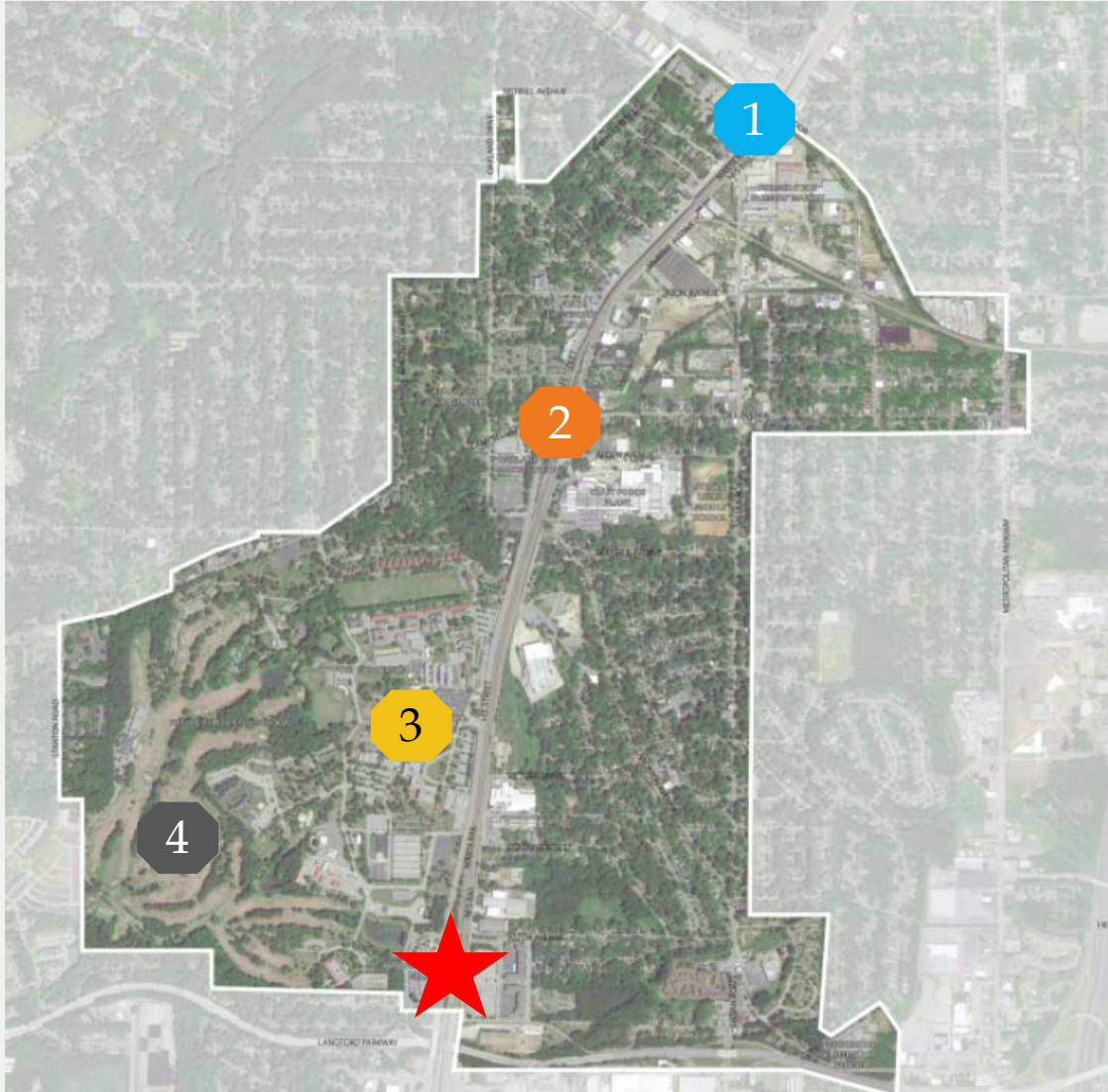


Site Context – Lakewood-Ft. McPherson Station



- Heavy rail transit station located in the south part of Fulton County on MARTA's Red and Gold Lines
- 2,438 daily entries
- 1,048 parking spaces
- 39% parking utilization
- Elevated station
- +/- 15 acres, of which 8 acres is surface parking

Core Focus Area



- 1 Beltline Westside Trail
- 2 Oakland City
- 3 Fort McPherson
- 4 Tyler Perry Studios
- ★ Recommended Site - Lakewood-Ft. McPherson Station

Demographics

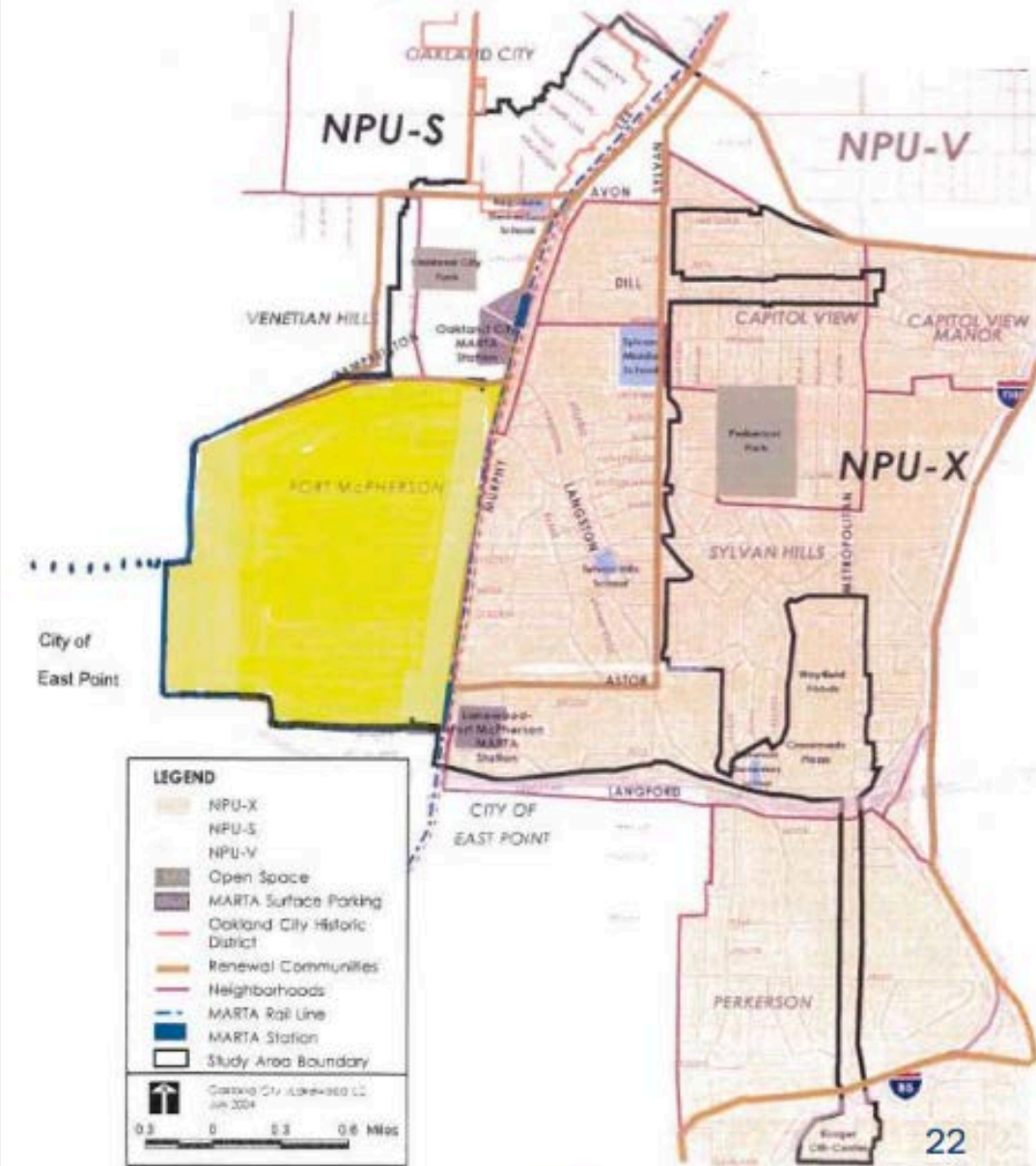
- This analysis takes a holistic view of local demographics to determine financial feasibility
- Highlights Within One-Mile Radius
 - 5% growth projected over the next five years
- Average Household Size – 2.2 people
- Average Household Income - ~\$43K
- Based on our research, this is in-line with what a “household” of entry level artists earn
 - Assuming 30% rent:income ratio
 - Max rent \$1,070/month based on income

DEMOGRAPHIC PROFILE		
	Atlanta MSA	1 Mile Radius
Population (2017)	5,843,277	6,809
Median Age (in years)	36.6	37.5
Average Household Income	\$85,630	\$42,936
Average Household Size	2.67	2.19
Renter-Occupied Housing	34.1%	58.4%

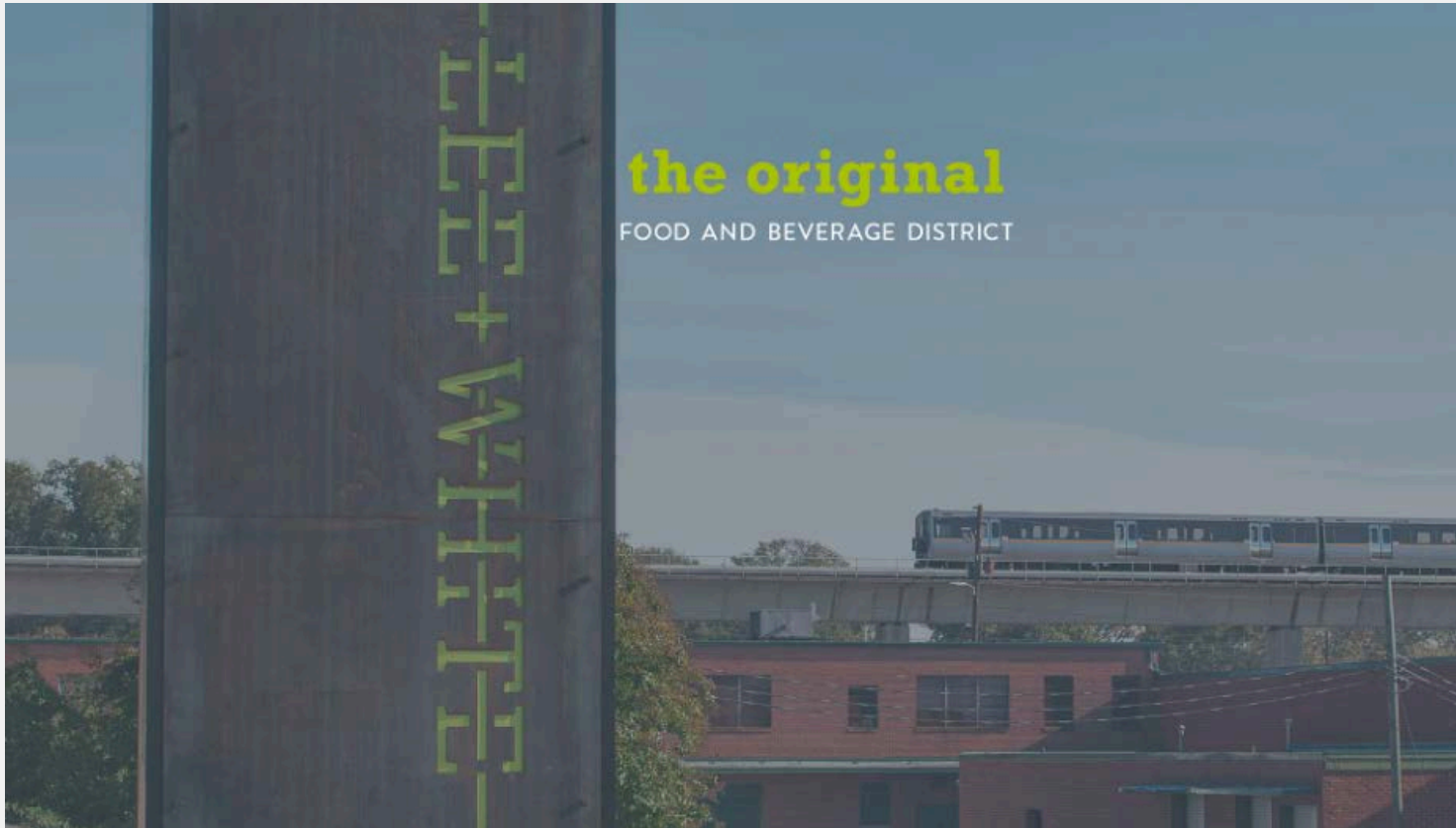
Source: Nielsen/Claritas

Surrounding Uses

- Neighborhoods: Adair Park, Oakland City, Sylvan Hills, Venetian Hills, Capital View, Villages of East Point
- Columbia at Sylvan Hills mixed income apartment complex (TOD on east side of Ft. Mac/Lakewood station)
- Atlanta Aerotropolis area including proximity to airport, East Point, College Park and Hapeville
- Includes Beltline TAD, The Campbellton Road TAD, Opportunity Zone & Urban Enterprise Zone

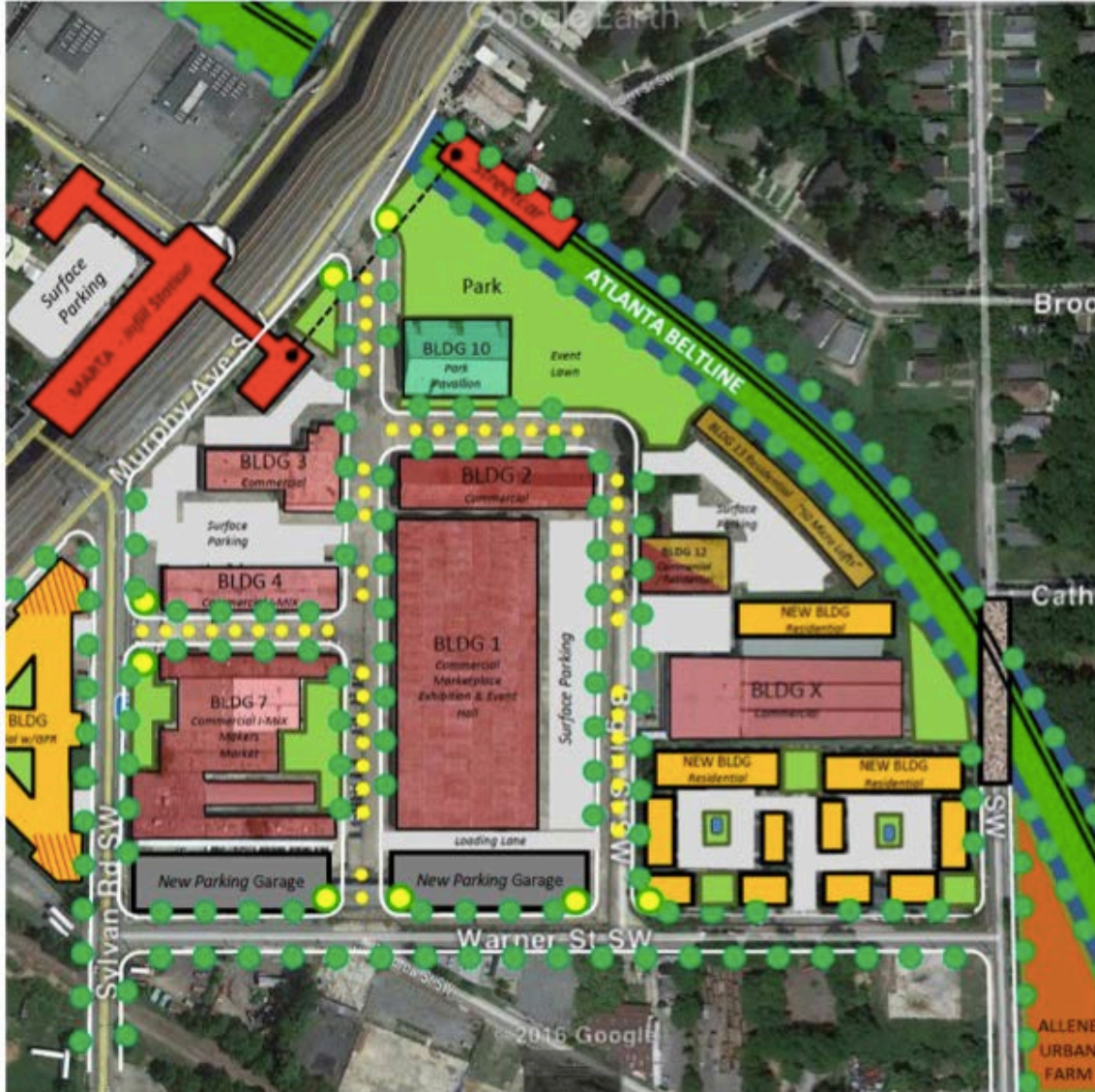


Community Amenities



- Beltline Westside Trail
- State Farmer's Market/Murphy's Crossing site
- Lee+White Commercial District
- Greenspace: Perkerson Park, James Orange Park
- Rail/Bus Transit + Hartsfield/Jackson Intl Airport

Murphy Crossing – Beltline Westside Trail



Beltline Westside Trail & Former State Farmers' Market

- 3-mile trail opens August 2017
- Site Manager selection for 16-acre Farmers' Market site currently out for RFQ

***This diagram is a concept and does not constitute an approved site plan or other use commitment



Linear Greenway – Fort Mac Mile Concept



Fort Mac LRA Master Development

- Main street development: remove walls along Lee Street
- Launch initial small commercial district with charter school, small/medium grocery chain, variety of retail space
- Mac Mile: Connecting mile-long trail from Fort Mac to Beltline westside trail
- Master planned central mixed use business district

Tyler Perry Studios

- Ongoing build-out of additional filming assets and 16 studios
- Development of pedestrian round-about plaza at entrance gateway from Lee St/Deshler St; eventually feed into Fort Mac master central business district

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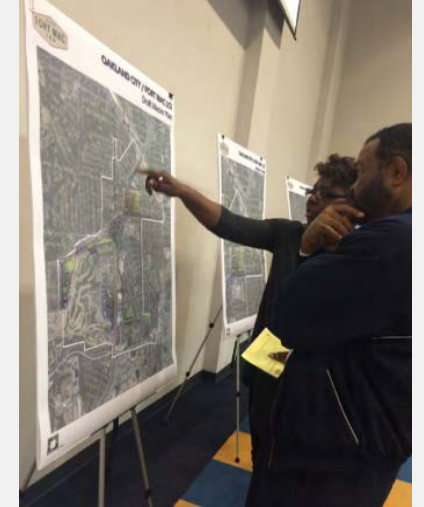
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Community Context

2015 Ft. Mac LCI Community Engagement

- Support for high density, mixed income multi family residential at station – while supporting preservation of surrounding single family
- Support for ground level retail/commercial uses at station
- 62% of survey respondents state need for indoor performance space
- Top business attraction priorities – creative industries and community retail



Creative Community – Interview/Research Results

Creative Community Demand

- Consider specific needs of artists:
 - Erratic income & income verification challenges
 - Need for varying residential lease lengths
 - Various types of artistic professions
- Prefer long term commitment to artists (deed restriction, equity)
- Current studio/commercial space gap
 - Arts Exchange sold; Studioplex & Goat Farm pricing increases
 - Lack of sprung dance floors
 - Lack of large shared fabrication space for sculptors, metal workers, carpenters
 - Geography attractive - East Point 2 new studios
- Brand station itself as arts center

Creative Community Demand

C4 Survey of Local Artists

- 60% rely on multiple sources for household income, e.g. layering a full time job & free lance work
- 72% have no dependents
- 50% do not rely on their own car for transportation
- 41% are renters & 43% of those spend \$1,000 > monthly
- 63% have household income > \$45,000
- 74% either do not rent a studio or rent a studio for <\$100 a month



Creative Community – Interview/Research Results

Artist Preferred Residential Attributes

- Curate residency & require community service
- Protect residential from studio toxins
- Mix of housing – incomes, family configurations
- Simple, functional, pleasing & authentic design,
- High ceilings, lots of natural light
- High speed wifi throughout residential & studios
- Recycling area – shared with studios
- Zip car stations & bike facilities



Tetris - Paris

Creative Community – Interview/Research Results

Artist Preferred Studio/Commercial Space Attributes

- Balance private, communal, public spaces
- Outdoor work & social areas (projection, graffiti wall, sculpture)
- Shared, versatile indoor space (workshops, exhibits)
- Flexibility for changing needs (movable interior walls)
- High ceilings - substantial natural light & quality artificial lighting
- Durable, washable floor & wall materials
- Attention to ventilation (flammable disposal ; vent hoods; kilns)
- Large sinks with paint traps, cabinets & coffee area
- Paid artistic manager for activating space



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Successful Artist Housing Projects/Models



THE GOAT FARM ARTS CENTER

Art Pushing Culture

St. Joe Lofts

Artist Housing & Community



THE CREATIVES
PROJECT

artspace



marta 

 Urban Land
Institute



Boston, MA 2005
Permanent Affordable Live-Work housing for Artists 89 Units w/ rental studios from 900 sf-2,300 sf
<http://midwaystudiosboston.com>



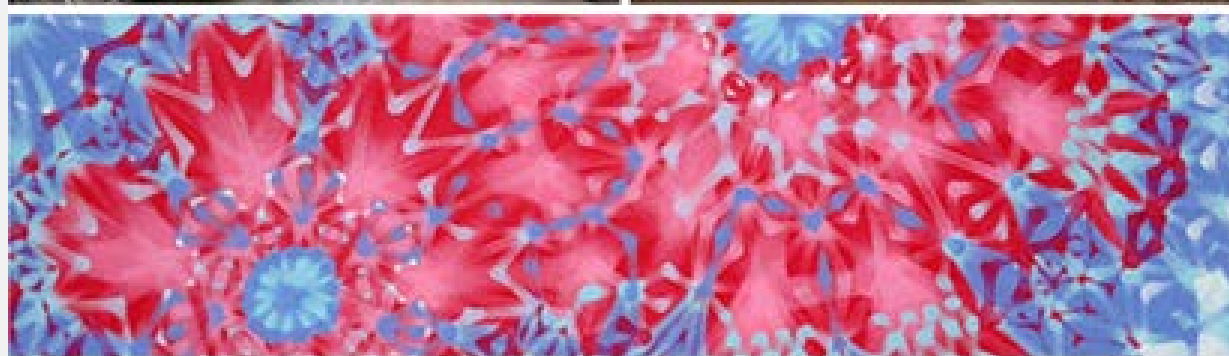
Located in 20 States w/ 2,000 Live-Work Units, Affordable Live-Work, Studios, and Arts Centers, Property Development, Asset Management, Consulting Services
<http://www.artspace.org>

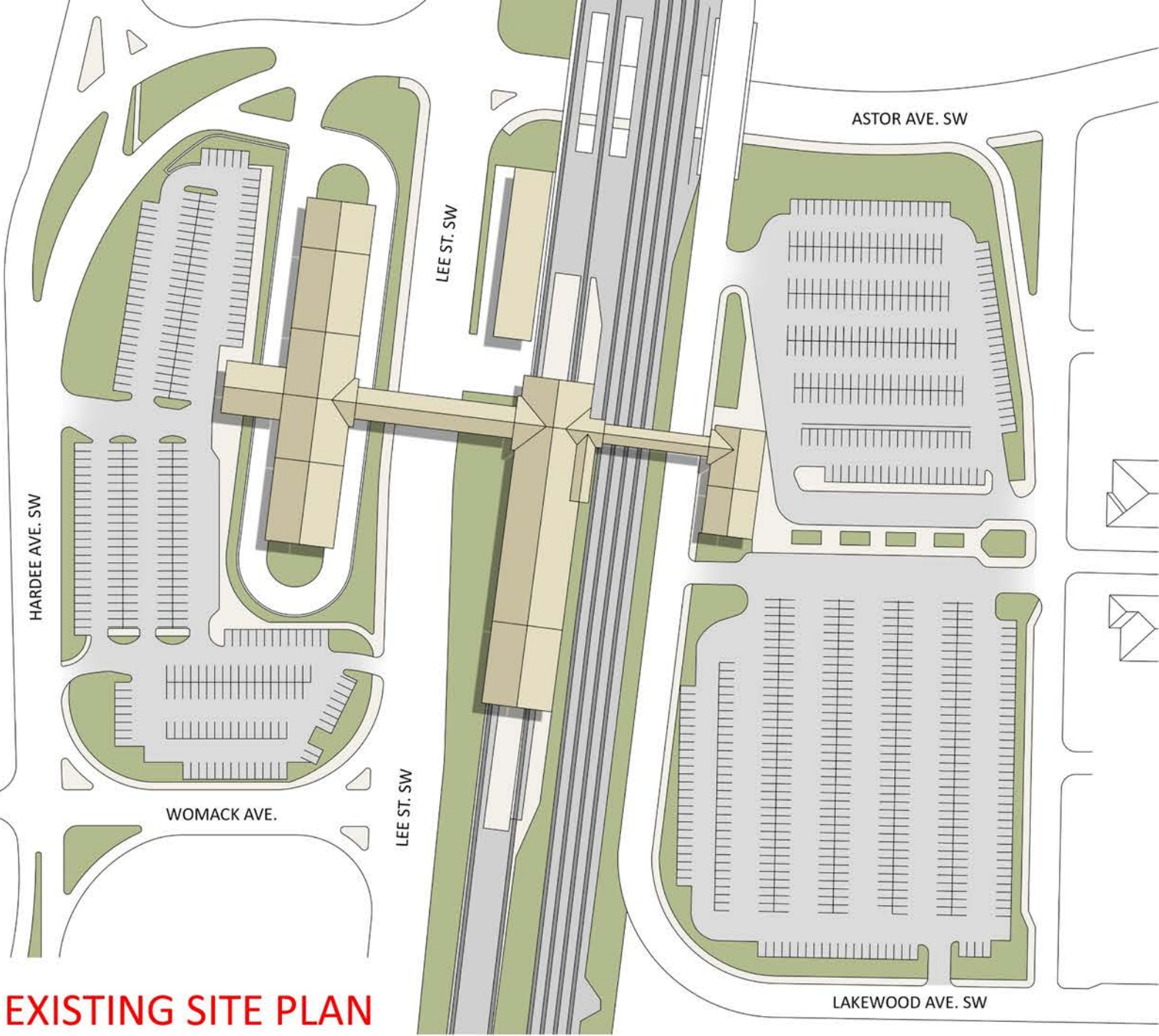


Atlanta, GA 2011
Artist-in-Residency Program (TCP); 8 Artists Subsidized Housing and Free Studio Space Participation in the Community Arts Program
<http://www.thecreativesproject.org/programs>



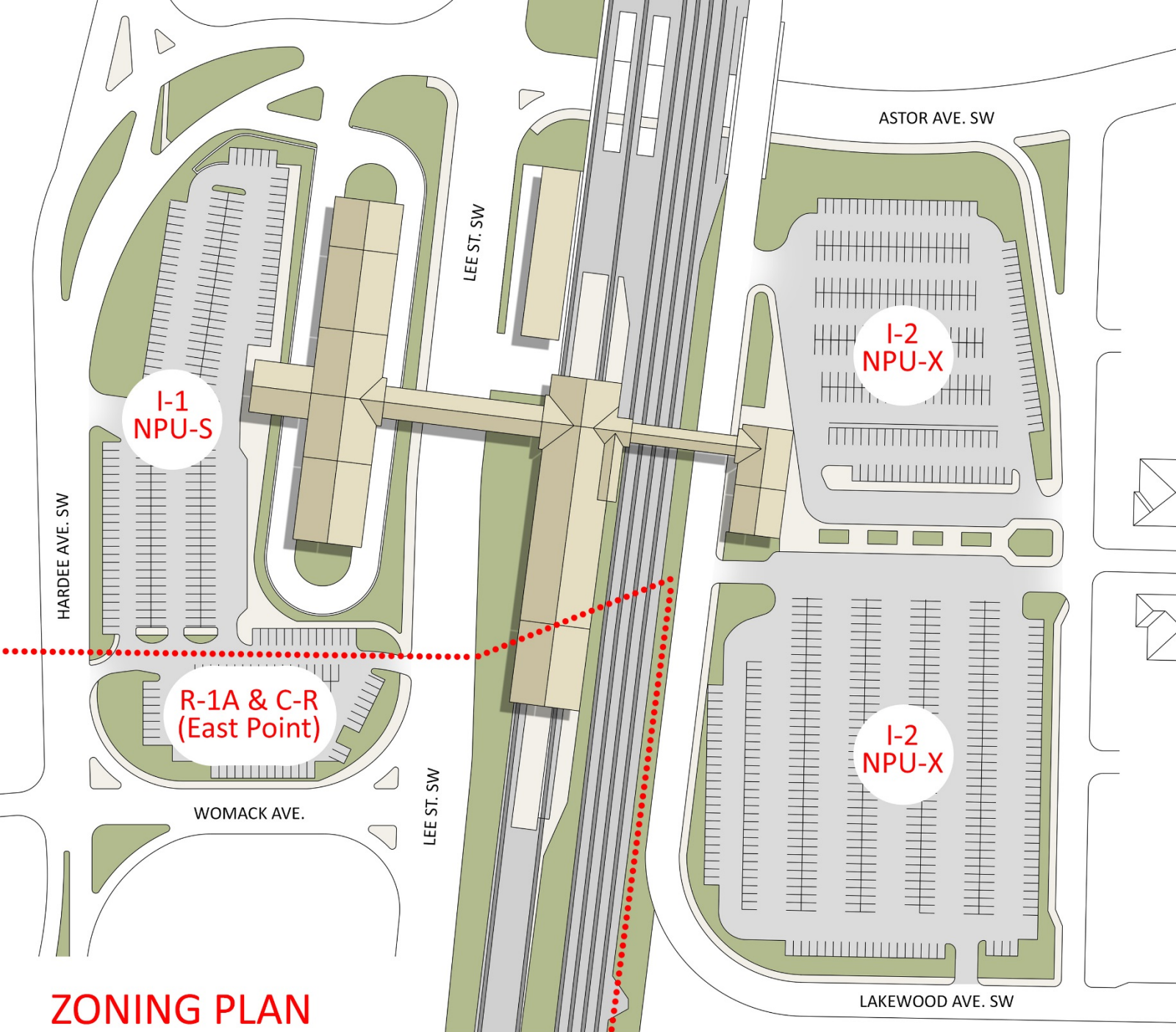
New Orleans, LA 2011
50 Artist Income-Restricted and 11 Market-Rate Units Exhibition and Event Space
<http://stjoelofts.com/home>





EXISTING SITE PLAN





ZONING PLAN

CURRENT ZONING:

City of Atlanta

- 1. NPU-S (I-1 Industrial)
- 2. NPU-X (I-2 Industrial)

East Point

- 3. R-1A (Residential 1A)
- 4. C-R (Commercial - Residential)

PROPOSED ZONING:

I-MIX (Industrial Mixed-Use District)

To provide for the establishment of low impact industrial, commercial, office, and residential uses and promote vibrant urban living and sustainable urban spaces where convenient pedestrian circulation and mass transit facilities reduce the need for auto dependence.



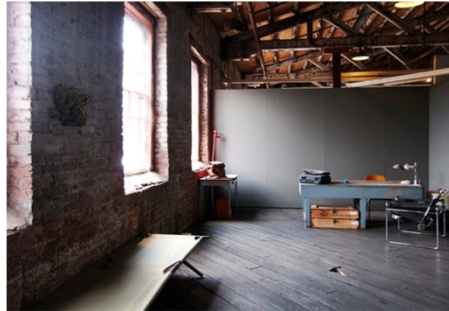
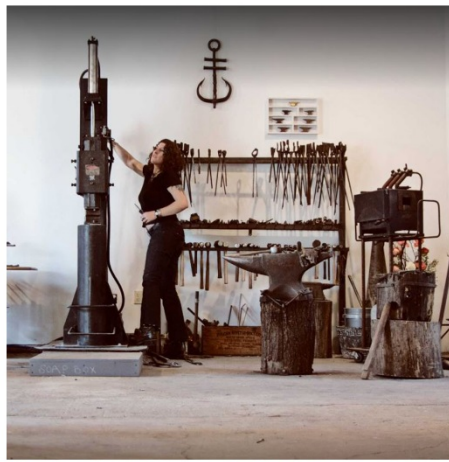
PHASE I: SITE PLAN

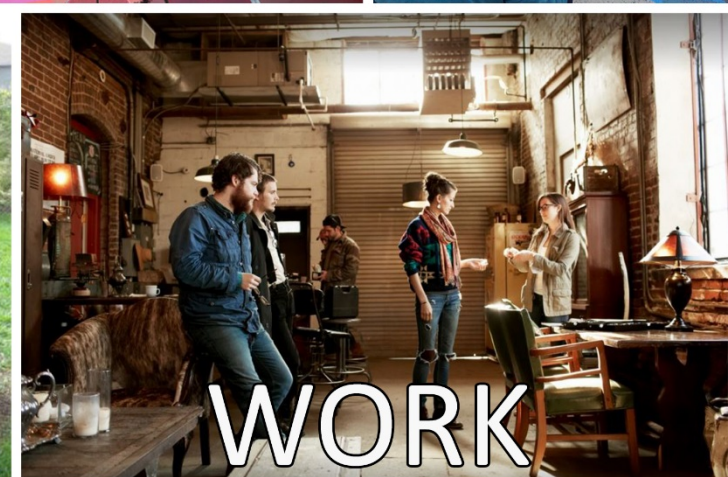
RESIDENTIAL:

90 UNITS W/ 18 STUDIO SPACES
RANGE: 81-108 UNITS W/ 0-27 STUDIOS
(9) 3 story clusters with 10 units & 2 studios each

COMMERCIAL:

9,300 sf of FLEXIBLE SPACE
PROGRAM: Exhibition, Retail, Gallery, Performance,
Community Space





PERFORMANCE
EXHIBITION
CAFE

SCULPTURE
GARDEN
(BUS PLATFORM)

GALLERY
(BRIDGE)

GALLERY
(BRIDGE)

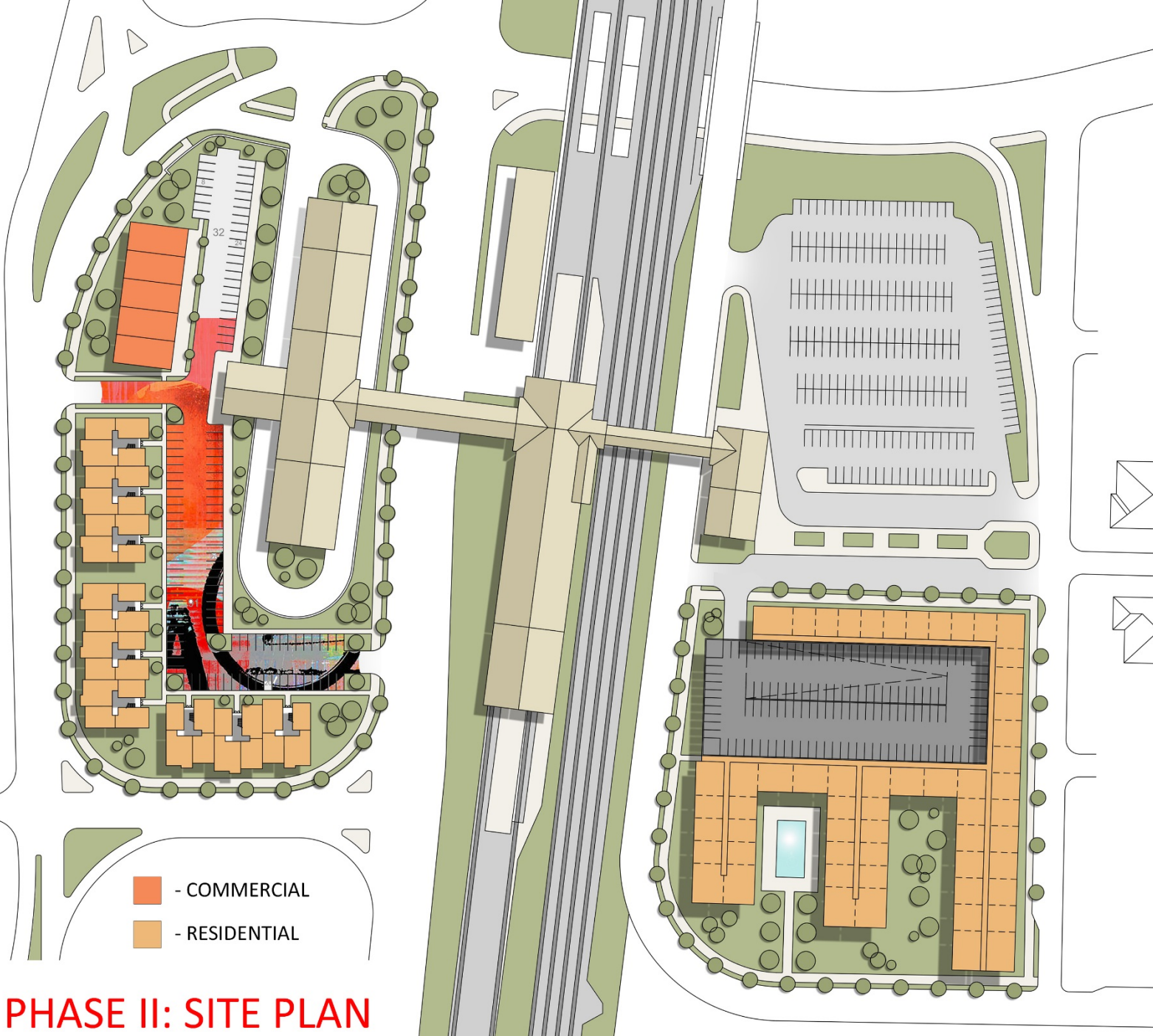
WALL MURALS
(TRAIN PLATFORM)

SITE MURAL

LIVE/WORK
ARTIST HOUSING

PHASE I: ART INSTALLATIONS





PHASE II: SITE PLAN

RESIDENTIAL:

280 UNITS

RANGE: Approx. 260-290 UNITS

Oversized Parking Deck: 500 Spaces

COMBINED:

370 Residential Units

90 Artist Live/Work

280 Multi-Family

9,300 sf Commercial

Multi-Purpose Spaces

Parking

420 Spaces (40% of existing surface parking)

370 Spaces (1 per Residential Unit)

790 Spaces Required

360 Spaces (Surface Parking)

500 Spaces (Parking Deck)

860 Spaces Provided

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Market Conditions-State of The Multifamily Market

- The economic expansion that started after the Great Recession spurred a nationwide construction boom
 - Development costs are up to 40% more expensive today than just three years ago
- Research/Observations based on discussions/interviews with national developers and equity providers
 - Alliance Residential, Pollack Shores, Worthing Companies, Wood Partners, Prestwick
 - Bridges Investment (aka Urban View), Columbia Ventures, Enterprise Community Partners, HJ Russell, The Goat Farm
- We investigated feasibility without public sector subsidies
 - Appeal to the broadest range of project developers, investors and lenders
 - Model threatened by potential decrease in corporate tax rate

Financial Analysis – “Garden” Proforma

- **Pros**

- Cheapest product to construct
~\$130k/unit
- Shortest development time
- Rents are lower than competition (Pad on Harvard - \$1,450/mo)

- **Cons**

- Lowest density/acre
- Surface parked initially - ability to build deck later
- Inefficient operating margins
- Cost burdened renter
 - Rent:Income ratio > 30%

Lakewood Lofts			
Development Proforma - Garden Construction			
Number of Units	108		
Avg. Unit Size	747 Square Feet		
	Total	Per Unit	Per Sq. Ft
Land Costs	\$1,260,000	\$12,000	\$16
Hard Costs	\$10,460,000	\$97,000	\$130
Soft Costs	\$2,160,000	\$20,000	\$27
Total Development Cost	\$12,150,000	\$129,000	\$173
Rent Analysis			
Rent Needed to Achieve 7.5% Return on Cost	\$1,215		
Rent:Income Ratio	34%		

Financial Analysis – “Modular” Proforma

- **Pros**

- Potential significant cost savings
 - 40% reduction in construction time
 - Loan interest carry
 - Stabilization more quickly
- ~10-20% reduction in costs passed directly to renter
- Market participants reaffirmed potential

- **Cons**

- Non Traditional “Look”
 - Artist community may view this as a strength or weakness
- Unproven method
 - Deep pool of research but limited real life applications

Lakewood Lofts	
Development Proforma - Modular Garden Construction	
Rent Reduction vs. Traditional Construction Method	\$150
Rent Needed to Achieve 7.5% Return on Cost	\$1,065
Rent:Income Ratio	30%

Capital Stack

- Social Impact Funds
 - Bridges Investments (“Urban View”)
- Philanthropic Foundations
 - Most Common Attribute of Existing, Successful Artist Housing Developments
- Preferred Equity
 - Avondale MARTA station development capitalized with this structure
- Local Developers/Stakeholders
 - HJ Russell, Enterprise Community Partners, Columbia Ventures
- Local/Regional Banks
 - These groups were most interested in providing financing for The Pad on Harvard
 - BB&T/Iberia/Synovus
- Non Recourse – Lower Leverage/Higher Rate
 - Centennial Bank, Mutual of Omaha, Bank of the Ozarks
- Mezzanine Financing to help bridge the gap between traditional debt/equity structure

Equity
~40%
~\$5M
90/10 JV

Debt
~60%
\$8M

Implementation Approach Options

Approach	Opportunities	Challenges
Sell Outright	Largest Investor Universe	Loss of Control Rents Escalate Quickly
Ground Lease	Passive Control	Small Investor Pool Small Lender Pool
Joint Venture	Active, Partial Control	Partner(s) Partial Control Limited Investor Pool
MARTA Only	Full Control Rent Control Long-Term	Sole Funder Bureaucratic Funding Hurdles

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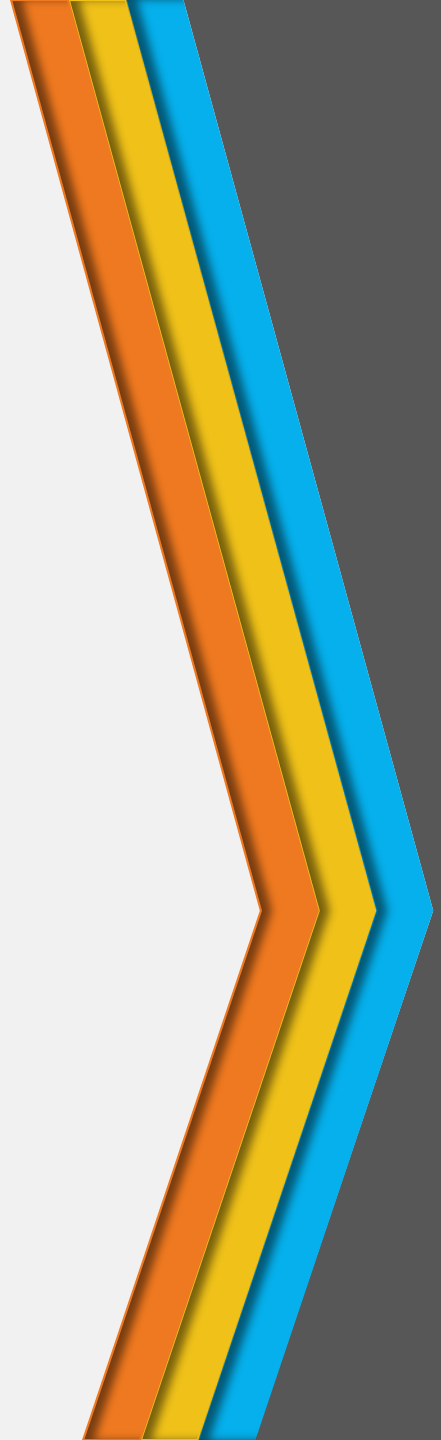
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Conclusion

Our thoughts are intended as concepts and direction. They are a Starting Point...not a Solution.

Next Steps

1. Continue to Monitor the Surrounding Development Activity
2. Continued Community Engagement
3. Identifying and Attracting Funding Source and/or Public Private Partnerships
4. Continued Site Study and Phase Implementation to Activate Site

Is MARTA ready and willing to be a catalyst in activating this site by either discounting/deferring the land?

Conclusion

Community Engagement

- Community Engagement is vital to the long-term successful development MARTA's Lakewood-Ft. McPherson Station
- Engagement efforts are most effective when they are creative and expansive
- Know your community and audience
 - Suggest creating committee of Artists and local community to assist in design of the site.
 - African American artistic organizations as well as Latino and other ethnicities that could be represented on such a committee.
 - Having inclusive input in the design makes it more likely that the product will be more inclusive of a variety of types of artists.

Potential Partners/Creative Financing Solutions

- **Philanthropic Organizations/Non-Profits**

- Common attribute of similar successful projects nationwide
- Family Foundation/Wealthy Individual
- Not susceptible to traditional yield driven structures
 - Ensures long-term affordability/prevention of displacement
- Most developers will entertain this type of fee development

- **Social Impact Funds**

- Large institutions getting into space (Prudential, Goldman etc.)
- Already in Atlanta – Urban View/ Columbia (Edgewood)
- Typically seek “market returns” in more pioneering locations

- **Ideally targeting sources besides LIHTC**

- Highly competitive allocation process
- Restricts developer/investor/lender universe

- **Alternative Structures**

- Limited equity co-op (no landlord profit)
- Community Land Trust Model (affordability in perpetuity)

- **Creative Financing Solutions**

- Bonds for Title Program
 - Area/artist incomes outlined on the previous pages comply with the affordability mandate (15% of units at 80% AMI)
 - Abatement value ~\$600K, which reduces basis and required rents by 5%

- **Invest Atlanta Incentives**

- Housing Opportunity Bonds – “gap financing”; short or long-term; carries 4-5% interest rate
 - Complies with affordability mandate if developed at aforementioned rent levels
- New Market Tax Credits - \$60M of funds currently available

- **Creative Lending Structures**

- Upstart Co-Lab/Calvert Community Investment Notes
 - Offers one- to fifteen-year investment terms with fixed interest rates from 1 – 4%
- Transformation Alliance - SPARCC



Conclusion

Take Aways

- Lakewood-Ft. McPherson Station is a viable location for this type of development
- There is a market for affordable creative community housing
- There are potential local partners interested in the creative community
- The market conditions are favorable

Thank you to all who participated!

MARTA | Wonderroot | The Creatives Project |
Dashboard | The Goat Farm | Enterprise
Community Partners | Columbia
Residential/Ventures | Ft. McPherson Local
Redevelopment Authority | Bleakly Advisory
Group | Transformation Alliance | Prestwich | HJ
Russell Company | Integral Group | Alliance
Residential | Pollack Shores | Worthing Companies
| Wood Partners | Bridges Investment | Columbia
Ventures |

