



Feasibility Study for McMichael Property in Historic South Atlanta



Center for Leadership and mTap Team

Urban Land Institute's Center for Leadership is a 9 month program for real estate industry professionals with at least 7 years experience who have a vision for Atlanta's future and a commitment to community service and civic engagement.

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Presentation Overview

- Executive Summary
- Market Study
- Zoning
- Design
- Financials
- Recommendation



Executive Summary

Issue: Feasibility study for increased residential density development of 4 acres of vacant property FCS owns in Historic South Atlanta.

Summary: The mTap team evaluated the site, regulations, market, design, community desires, and financial aspects for future development. The McMichael Property is well situated for a multifamily development that maintains and respects the historic and residential fabric of the community. *Haven @ South Atlanta* achieves the objectives of FCS and provides new housing opportunities.

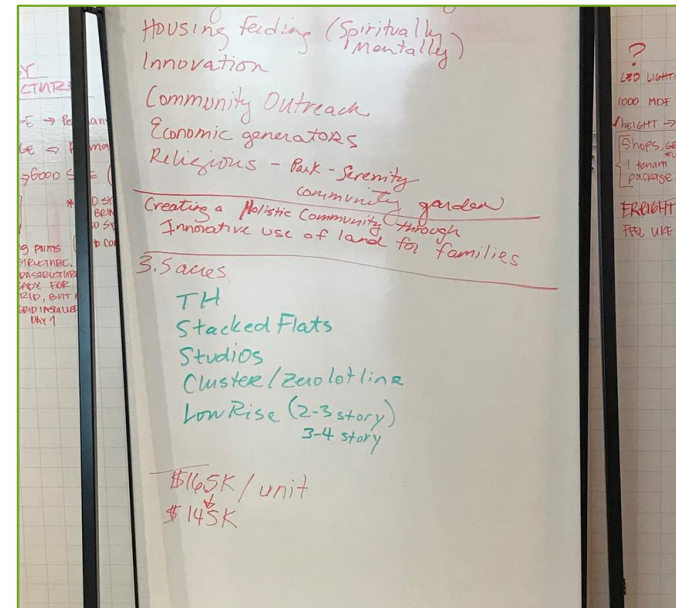
“Common Ground”

FCS Mission

“Empowering neighborhoods to thrive under the belief that all people have value, dignity, and something to offer to the community.”

mTap Mission

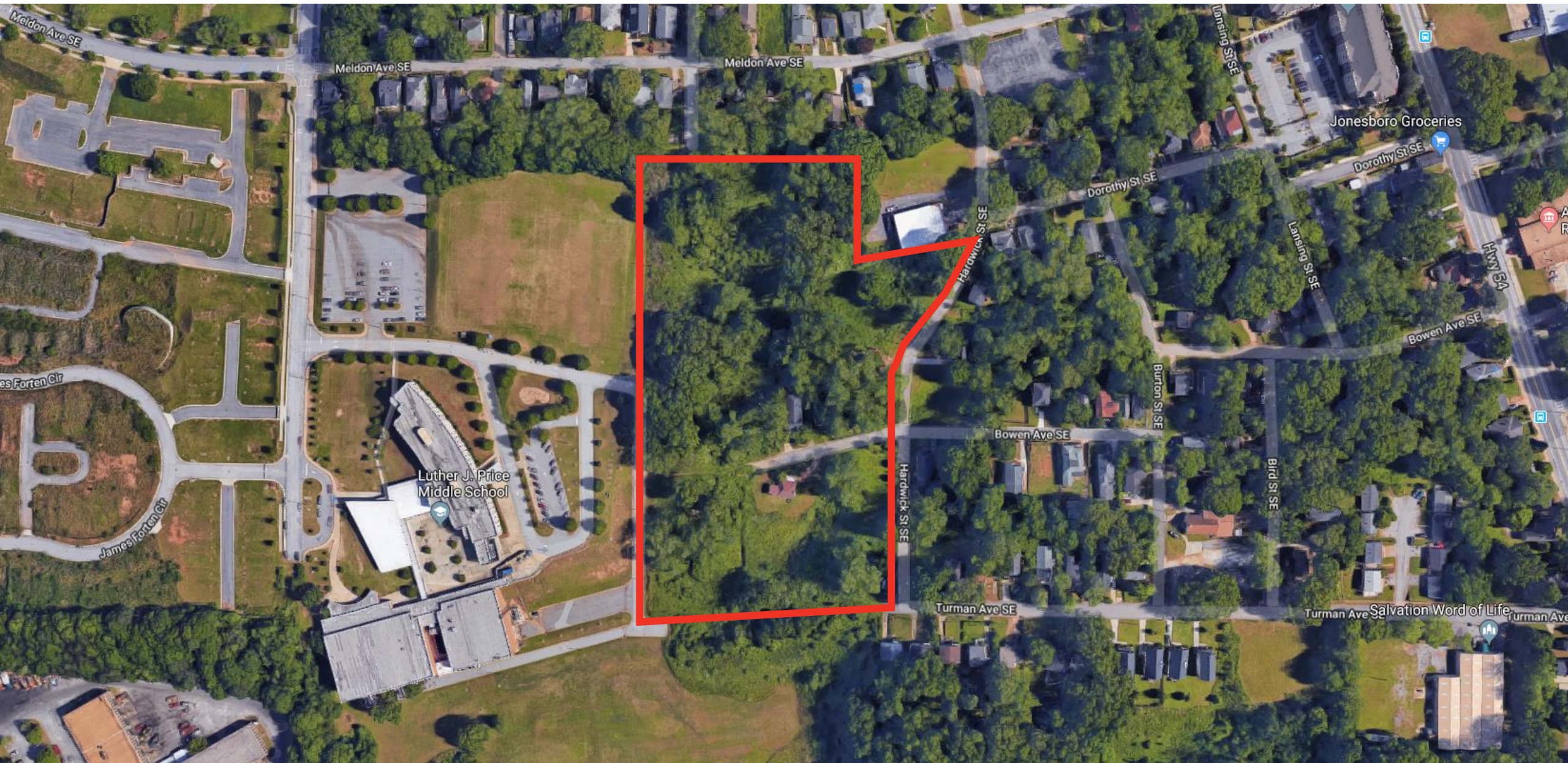
“Creating a holistic community through innovative use of land for families.”



Historic South Atlanta Background

- Neighborhood developed during Reconstruction after the Civil War
- In 1869, Freedman's Aid Society established Clark University and the college brought education, culture and business
- Established as an elite middle class African American community with more than 700 owner occupied homes
 - Housing developed in craftsman and Victorian style 1920s-1940s
 - Relocation of Clark College in 1941 shifted the direct influence and many residents moved to the westside of Atlanta
 - *Haven @ South Atlanta* pays tribute to Bishop Gilbert Haven who purchased the 450 acres that became Clark University

SITE BOUNDARY



IMMEDIATE SURROUNDINGS

Current Site Challenges

- Poor Road Connectivity
- Limited Retail Options
- Food Desert
- Poor Public transportation options
- Vacant homes and commercial buildings
- Land Topography



Current Site Advantages/Opportunities

- Access to Interstate
- Proximity to Summer Hill Redevelopment
- Proximity to Price Middle School
- Close Proximity to The Villages at Carver and YMCA
- Access to Downtown



Respecting Historic Land Use Patterns

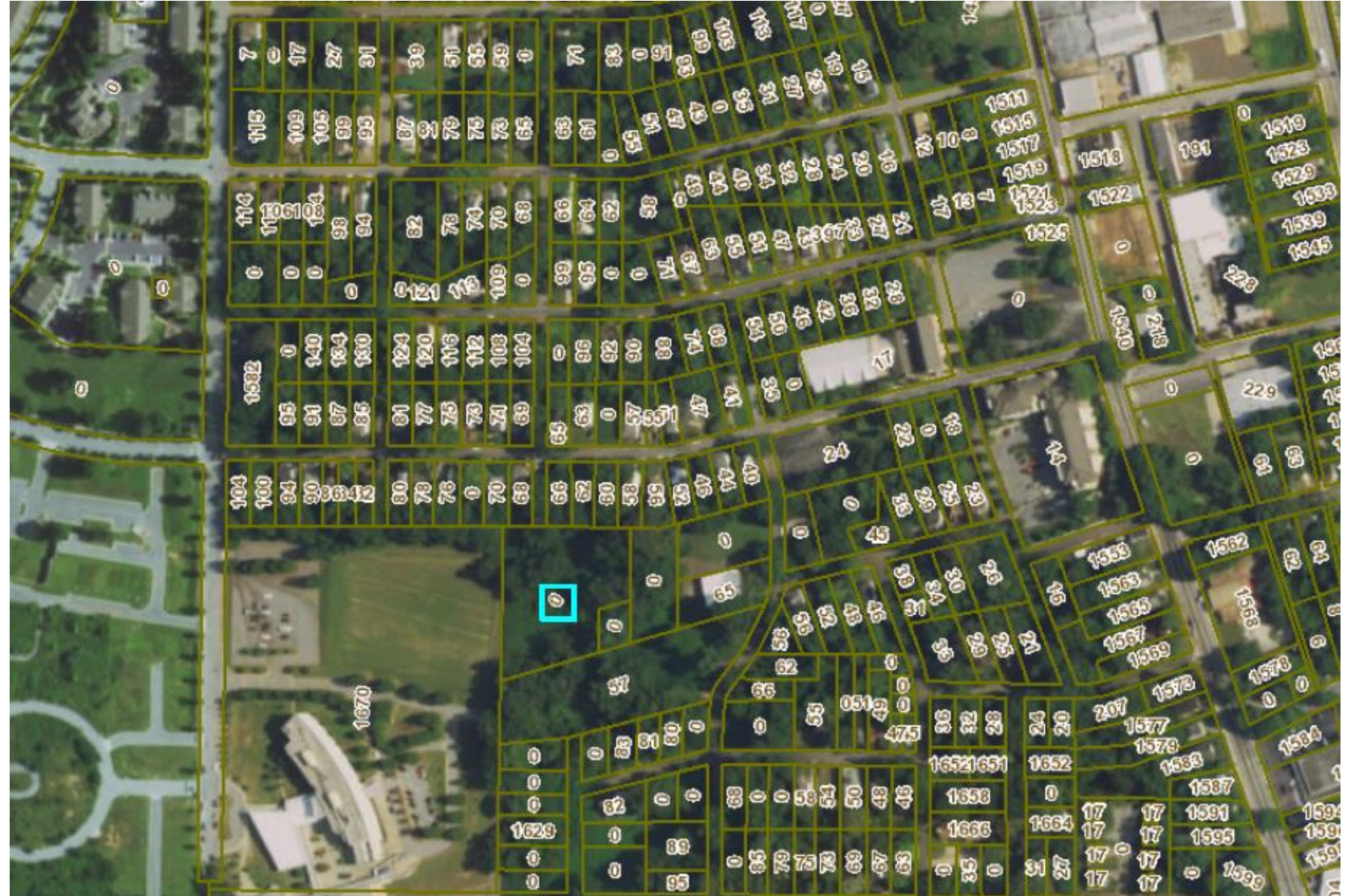
Grid pattern

Narrow streets

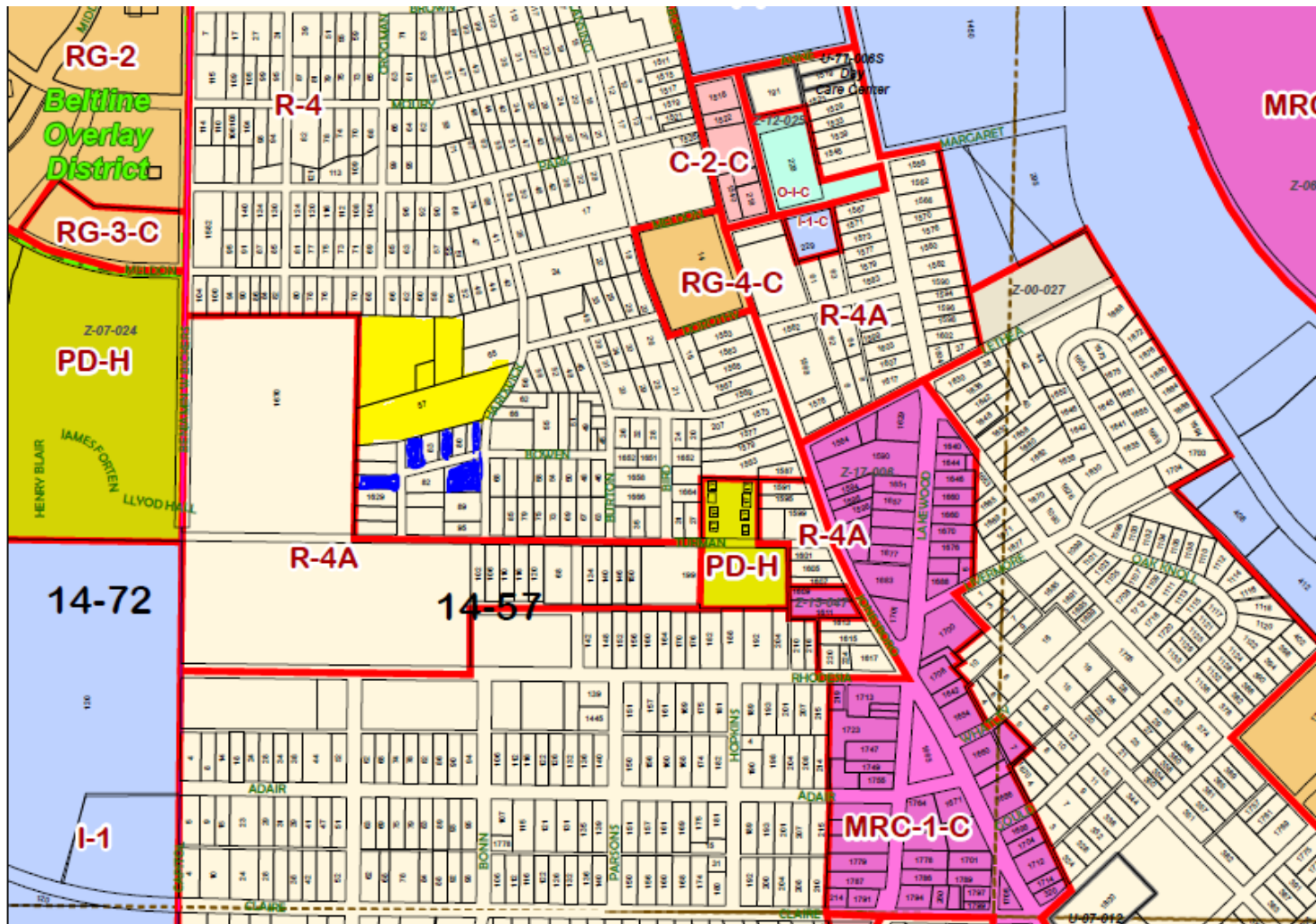
R-4 lots

~50 ft wide

~130 ft deep



Rezoning from R4



Large parcel

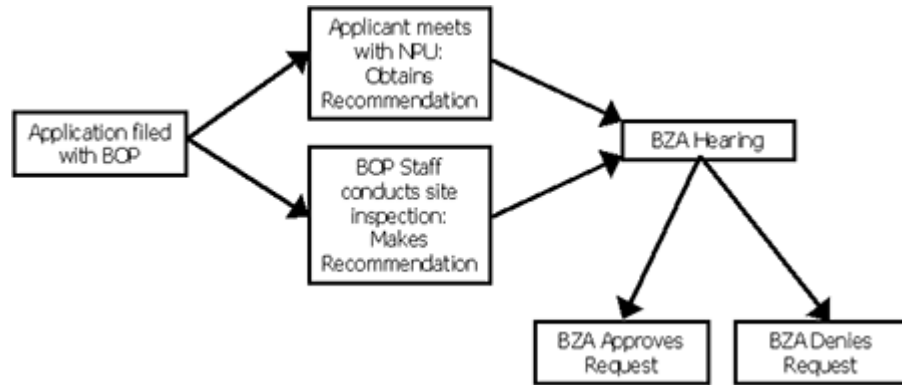
- MR-3 (max FAR .696)
- .428 FAR micro/ multi

Platted lots

- R-5 (duplex)
- Potential community garden

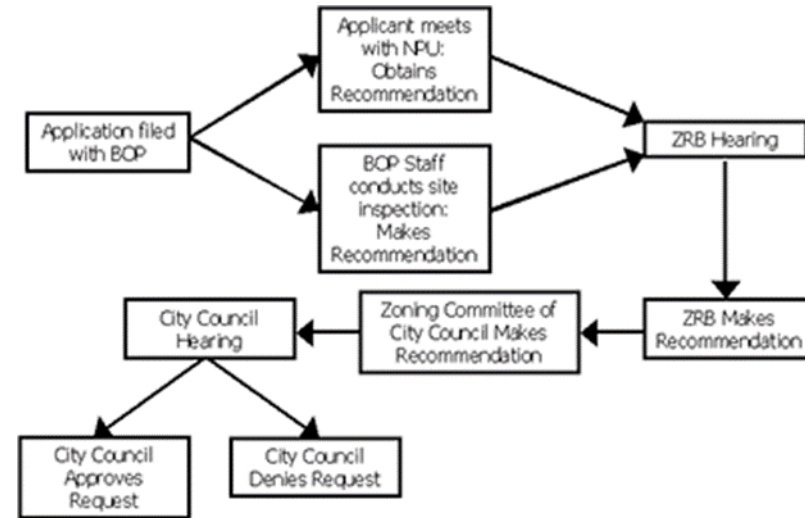
3 month typical Application Process

Variance



Parking, setbacks, site design

Rezoning

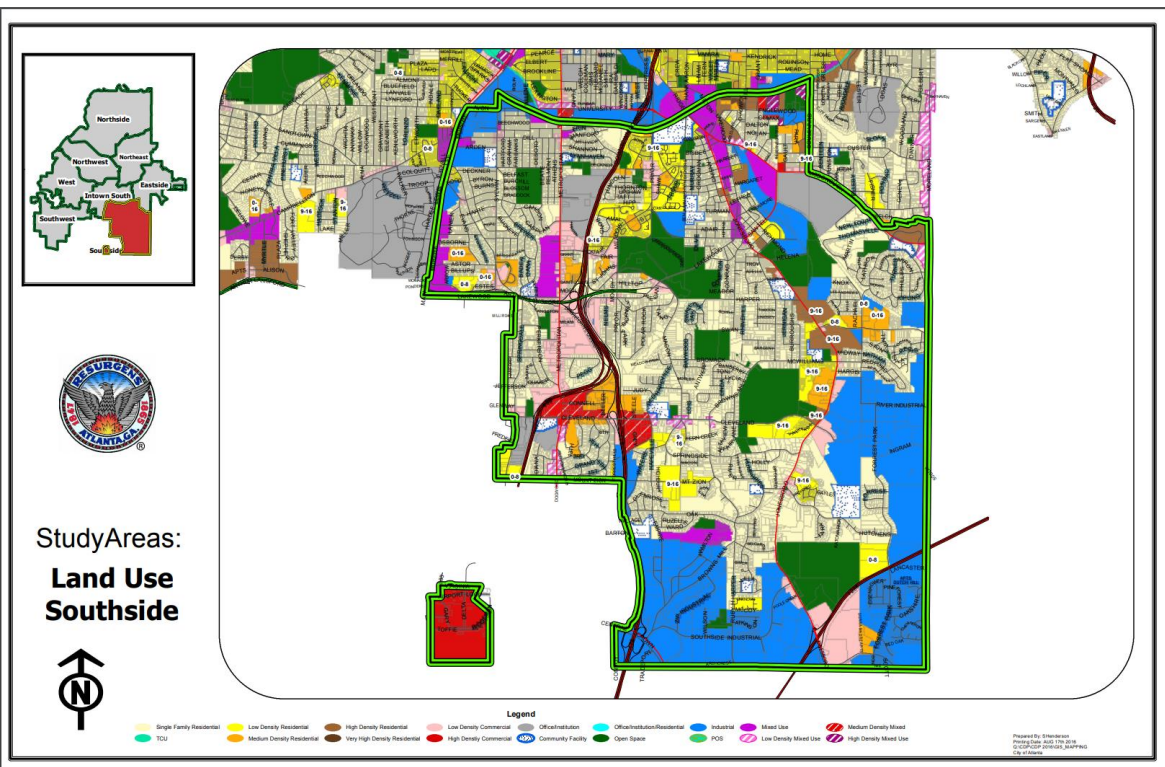


Zoning must be consistent with the Future Land Use designation

Future Land Use

Current: Single Family Residential

Change: Medium Density Residential



- Applications considered by City Council 4 times/yr
- Low Density Residential would only allow MR2 (max FAR .348)

Demographics

	1 mile – 2017	3 mile – 2017	1 mile – 2022	3 mile – 2022	1 Mile – Change	3 Mile - Change
Population	8,172	97,823	8,513	103,309	+341 4%	+5,486 6%
Households	3,416	38,858	3,567	103,309	+151 4%	+2,518 6%
Median Household Income	\$21,552	\$31,086	\$22,272	\$33,838	+720 3%	+2,752 9%
Number of Families	1,764	19,173	1,830	20,178	+66 4%	+1,005 5%
Avg. Family Size	3.31	3.23	3.31	3.24	0 (0.0%)	0 (0.0%)
Median Age	33.1	33.9	34.3	34.7	+1.2 4%	+0.8 2%
Housing Units	4,292	47,686	4,484	50,788	+192 4%	+3,102 7%
Owner Occupied Housing Units	23.4%	29.1%	23.2%	28.9%	-0.2%	-0.2%
Renter Occupied Housing Units	56.2%	52.4%	56.3%	62.6%	0.1%	0.2%
Education (Some College and above)	48.1%	53.6%	N/A	N/A	N/A	N/A

Demographics Summary

Ethnicity



■ Black ■ White ■ Hispanic ■ Other

Employment Industry



■ Services ■ Retail ■ Finance/ Ins./ RE ■ Other

- Average family size is 3.31 with an estimated 0.74% annual growth rate
- Mom is the head of the household w/ an avg. age of 33
- Median HH Income \$21,552
- 24.3% of population is less than 14- years old
- 48.1% of population has some college or has completed a higher education degree

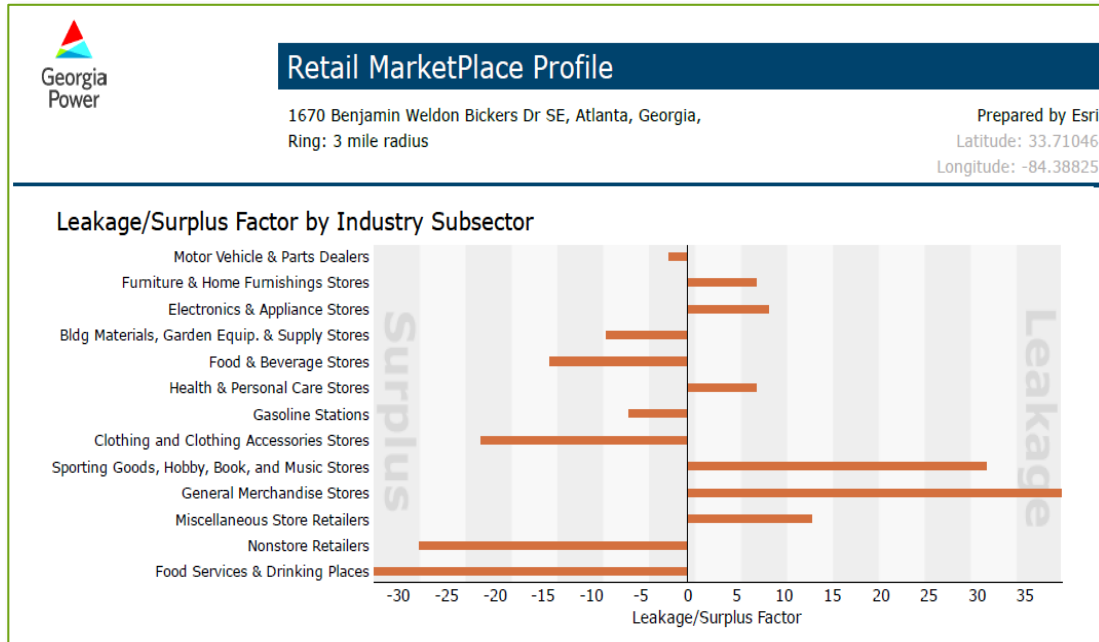
Tapestry Report Findings

This report identifies neighborhood segments in the area, and describes the socioeconomic quality of the immediate neighborhood.





Rank	Tapestry Segment	Percent
1	City Commons (11E) (3-mile 29.2%)	45.9%
2	Modest Income Homes (12D)	31.5%
3	Set to Impress	15.9%
4	Family Foundations (12A)	6.7%



Retail Leakage Report



- Leakage occurs when money leaves an economy.
- Based on the adjacent highlighted leakage report, the following industries demonstrated demand within a 3- mile radius of the noted subject area

Industry	Radius	Gap (\$)	Example
General Merch.	3	\$87,706,534	  
Other Motor Vehicle Dealers	3	\$14,512,939	 
Health & Personal Care	3	\$7,119,523	   

Community Partners



"This is a special community with a lot of amazing features. You have to look at it differently while focusing on housing families but keeping your construction costs low."

Eric Pinkney
Project Executive

"With such close proximity to Price Middle, you may want to consider connectivity and how you can partner to provide resources. When we did our mTap we proposed community gardens that were adjacent to schools to teach not only farming skills but cooking prep using the schools kitchen for hands on training."

Trey Williams
VP of Operations
Community Development

"Price Middle school excess property is definitely on our radar, and we are beginning to brainstorm and plan what our vision is for the site."



Multifamily Market Stats (3-miles)



TRENDS AT A GLANCE

VACANCY



Declining

RENT



Increasing

ACTIVITY



Increasing

STRENGTHS & CHALLENGES

STRENGTHS

- High demand of limited supply of affordable housing units
- Increasing population due to the proposed construction of the Atlanta Beltline from economically diverse residents
- TBD

CHALLENGES

- High acquisition and construction costs
- Limited large sites available for development
- Challenging access to MARTA rail service

CURRENT STATISTICS

Total Inventory	9,132 units
Vacancy Rate	4.3%
Under Construction	322
Proposed New Development	TBD

RENT AVERAGES (UNIT TYPE)

Studio	\$727
1- BR	\$827
2- BR	\$983
3+ BR	\$1,182
Single-family rental	\$1,000
Effective RSF	\$1.06

HOT TOPICS



WEST & SOUTH EXPANSION



SUMMERHILL
REDEVELOPMENT



Atlanta Housing Authority

ENGLEWOOD
REDEVELOPMENT



THE ANNIE E. CASEY
FOUNDATION

PITTSBURGH YARDS
DEVELOPMENT

Proposed Affordable Development

Project Name	Neighborhood	# Units	Project Type
Wheat Street Towers	Sweet Auburn	208	Elderly 62+
Oasis at Vine City	Vine City	105	Elderly 62+
Adair Court	Adair Park	91	Senior Housing 55+
Big Bethel Tower	Downtown	180	Family
London Towne Houses	Ivan Hill	200	Family
Piedmont Towers	North Buckhead	207	Elderly 62+ & Disabled
City Lights	Old Fourth Ward	96	Family
161 Peachtree Center Avenue	Downtown	242	Family
Edgewood Court	Edgewood	222	Family
Rolling Bends I	Carey Park	164	Family
Allen Hills	Westhaven	458	Family
South Downtown/Newport	Downtown	104	Family
Avery	Downtown	150	Family
Sylvan Hills Senior	Sylvan Hills	180	Senior Housing 62+
<i>*Information provided per Invest Atlanta awarded deals</i>	TOTAL	2,607	

1,816- Family Units



700- Elderly Units



Leasing Strategy

The Goal of FCS is to provide creative redevelopment scenarios that would transform Historic South Atlanta with the addition of contemporary housing. The creative housing mix will allow for increase density, both affordable and market. This concept will help to sustain many current residents in areas where the housing market rates are substantially increasing. Through the introduction of this creative living space affordability and sustainability is reintroduced to the market place.

Who is Our Target Population?

- Public Servant (Police, Fireman, Teachers)
- Young Professionals
- Students (Undergraduate, Graduate, and Medical Students)
- Small Families
- Mature Adult Community (Seniors)
- Retired Veterans
- Empty Nesters

Housing Product Mix

Big Houses

- Each house will have 3 units

Duplexes

- Two and 3 bedrooms units

Studio/Micro Units

Housing Product Mix Continued

-Micro Units/Studios

- True studio with small kitchenette
- Perfect for Students and Seniors
- This product would have large shared community living space, green space outside
- All units will have secured access to the building

Diverse Development Product Mix-Benefits

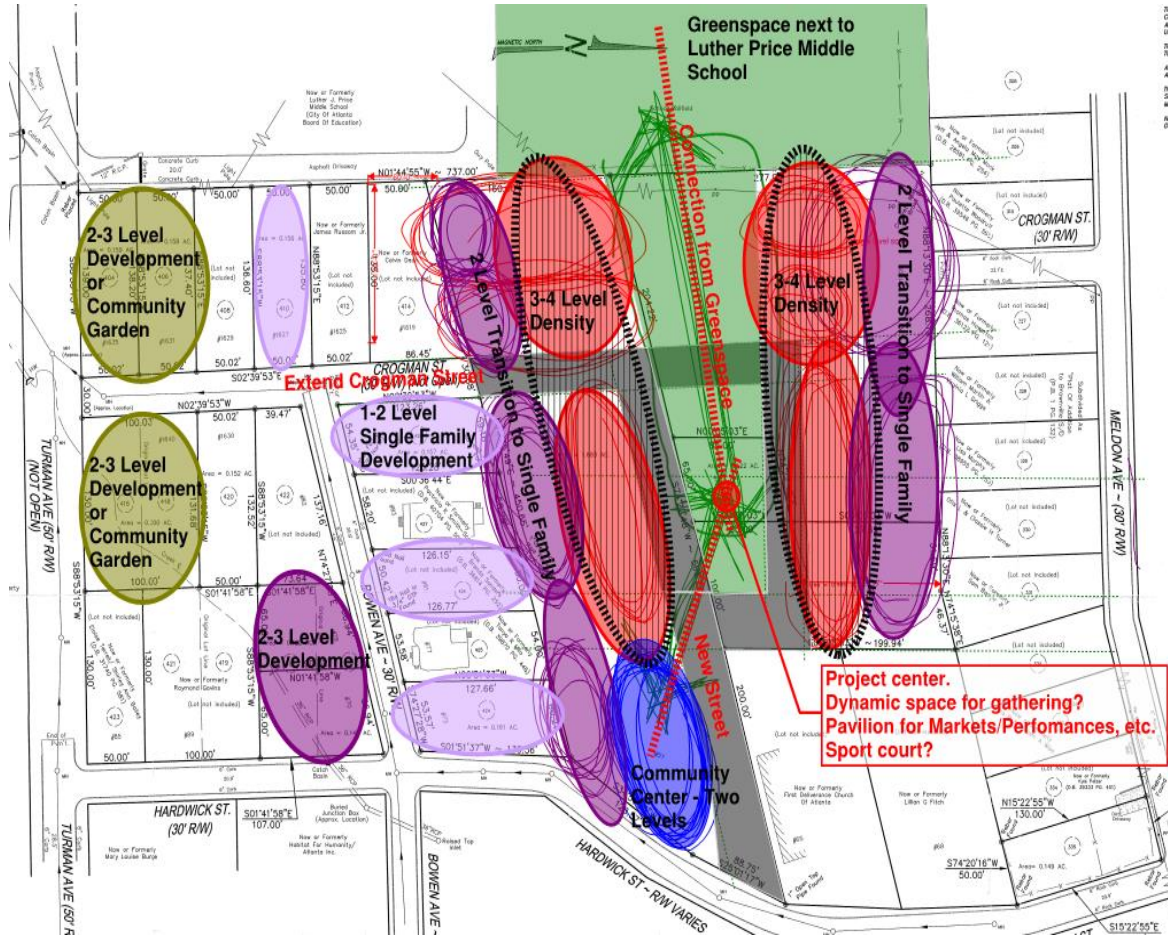
- Decrease Auto Dependence
- Add Additional Affordable Housing to Metro Atlanta
- Provide More Housing with Direct Access to Neighborhood School and Amenities
- Increase Walkability
- Increase Greenspace and Bike Lanes
- Increase Missing Middle Projects
- Decrease the number of empty Blighted Buildings/houses
- Increase City's Tax Base
- Increase FCS's Profitability within its Target Area
- Increase FCS's Footprint and Real Estate Resume

Site Boundary

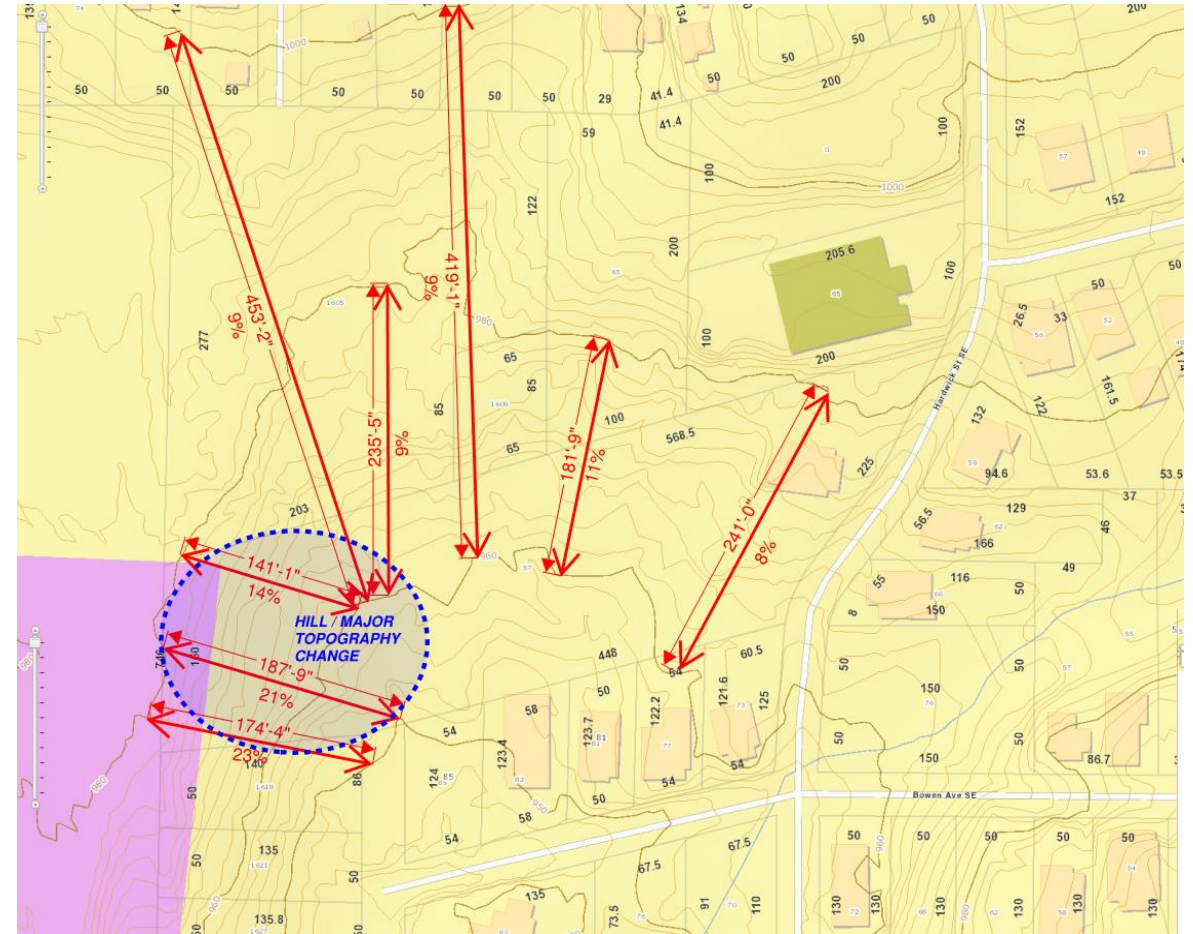
IMMEDIATE SURROUNDINGS

IMMEDIATE SURROUNDINGS

Site Analysis



PROGRAM, DENSITY AND CONNECTIONS



TOPOGRAPH

Inspiration for Haven @ South Atlanta



Site Plan







Financing Model

Construction Costs		Per Unit
Hard Costs	10,272,500	119,448
Soft Costs 3%	308,175	3,583.43
Acquisition	-	-
Contingency 3%	317,420	3,690.93
Developer Fee 5%	544,905	6,336.10
Total Costs	11,443,000	133,058

Loan Structure	1st Priority	Gap Loan
Amount	5,267,079	1,902,561
Term (yrs)	40	35
Amortization (yrs)	40	35
Mortgage Rate	4.50%	1.00%
MIP		
Annual Payment	286,230	64,694
Monthly Payment	23,852	5,391

Required Equity	6,175,921	Equity Gap	1,902,561
Tax Credit Equity Amount	4,273,360		427,336.00

Underwriting Parameters	
Annual Potential Income (Net of Utility Allowance)	1,155,972
Gross Annual Commercial Income	-
Occupancy (Rental and Ancillary)	96%
Occupancy (Commercial space, if any)	0%
Effective Gross Rental Income (Rental & Ancillary)	1,109,733
Effective Gross income (Commercial, if any)	-
Total Effective Gross Income	1,109,733
Estimated Annual Expenses	387,000
Estimated Net Operating Income	722,733
Maximum Mortgage Computation - (the lesser of)	
Borrower's Request	N/A
Based on Replacement Cost	N/A
Based on Per Unit Limitations	N/A
Based on 1.15 DSCR for 15 years	5,267,079
Based on Estimated Cost of Rehabilitation Plus	N/A
Maximum Insurable Mortgage	N/A

Proforma

Proforma Income & Expenses									
# of Units	# BR	# Bath	Sq. Ft.	Unit Rent	Tot. Monthly Rent	Total Gross Pot. Annual Rent	Tot. Sq. Ft.	Rent/ Sq. Ft.	
18	1	1	250		1,049	18,882	226,584	4,500	4.20
18	1	1	250		786	14,148	169,776	4,500	3.14
7	2	2	1,300	\$	1,348	9,100	109,200	9,100	1.00
7	2	2	1,300		1,011	7,077	84,924	9,100	0.78
18	3	2	1,500		1,496	26,928	323,136	27,000	1.00
18	3	2	1,500		1,122	20,196	242,352	27,000	0.75
86			944		1,124	96,331	1,155,972	81,200	2.05
Utility Allowance	# BR	# Bath		Amount	Monthly	Annual			
						-			
						-			
Other Income									
Total Ancillary						-			
Commercial						-			
Effective commercial						-			
Less Commercial Expenses						-			
Total Commercial						-			
Total All Income						1,155,972			

Expenses		
Category	Per Unit	Annually
Advertising		
Management Fee		
General & Admin		
Elevator Maintenance Exp.		
Fuel - Heating		
Fuel - Hot Water		
Electricity		
Water & Sewer		
Gas		
Trash		
Payroll		
Other Operating		
Decorating		
Repairs		
Exterminating		
Insurance		
Ground Expense		
Expense Trend		
Replacement Reserves		
Real Estate Tax		
Personal Prop. Tax		
Payroll Tax		
Other		
Other		
Total Expenses	4,500	387,000

Difference between 9% and 4%

9% deals (70% PV)

9% = conventional construction loan, which converts to a permanent loan

Competitive process

Made available to the state housing agencies

Mainly reserved for new construction

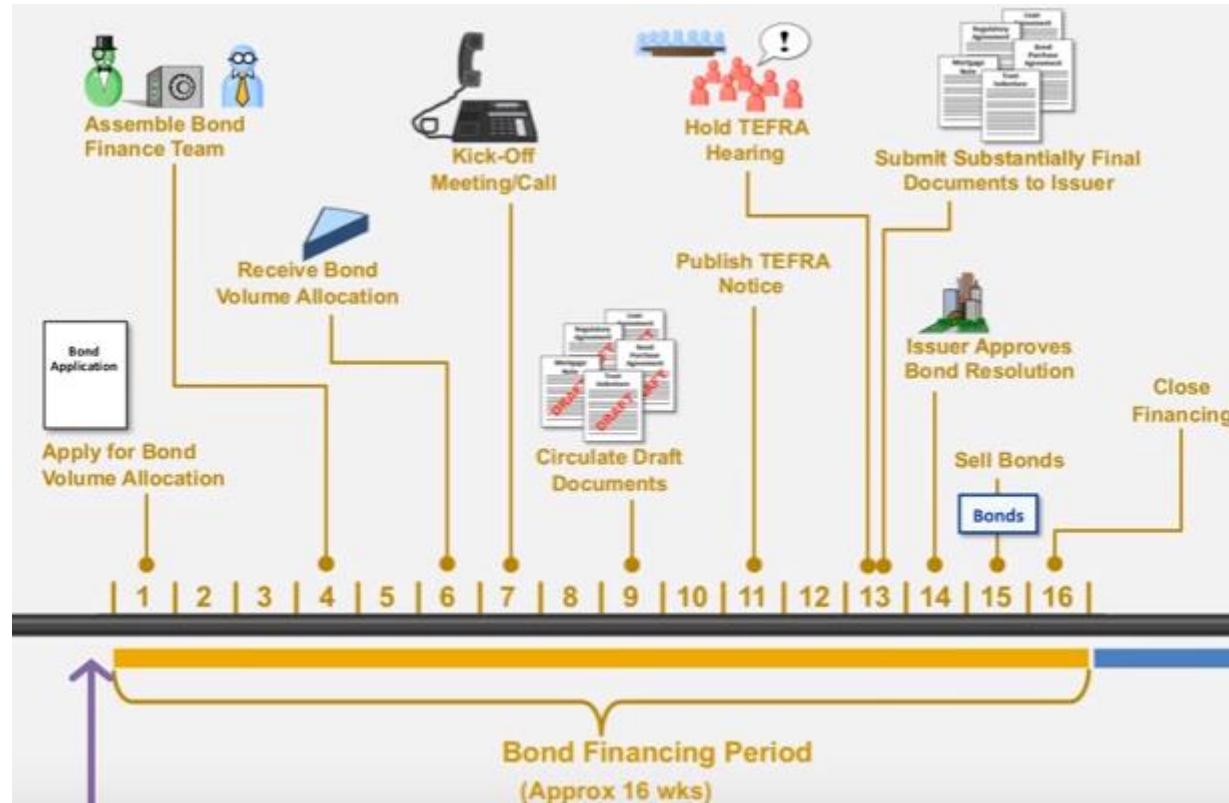
4% deals (30% PV)

Partnership must FIRST apply for an allocation of private activity bonds

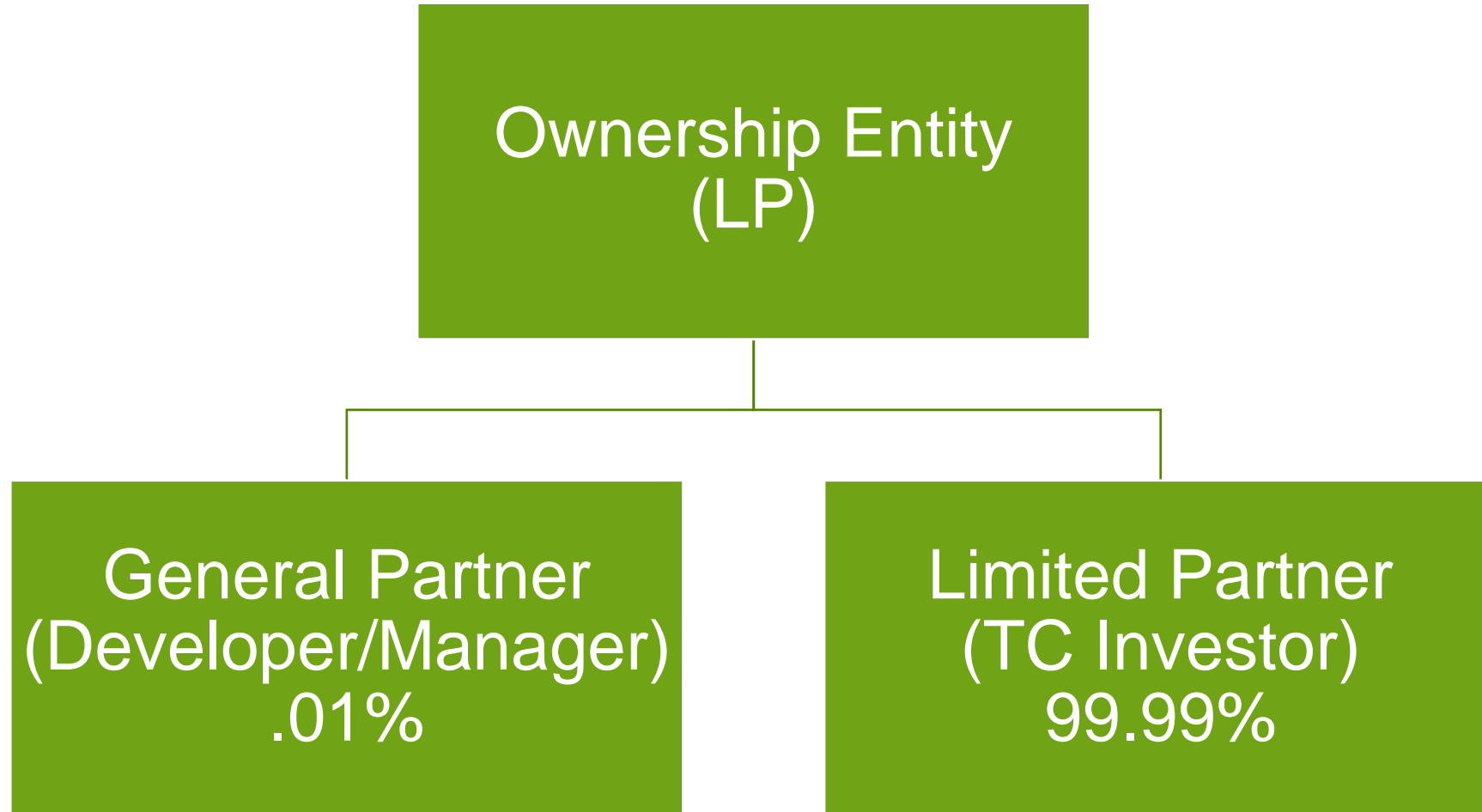
Leads to a **non-competitive** application process for the 4% tax credits

No “limited pool” for the 4% tax credit

Timeline – 4% deal



Org Structure



Haven @ South Atlanta Recommendations

Financial Recommendations

- FCS should partner w/ a low-income housing tax credit (LIHTC) developer.

Examples:

- Tristar- Great wrap around services model for families
- Integral- Extensive knowledge of the community
- Columbia Residential- Current projects within the South Atlanta market
- FCS should apply through COA or DCA for HOME funds
- FCS should apply to Invest Atlanta's Housing Opportunity Loan Program
- FCS should apply to the Atlanta Housing Authority (AHA) Homeflex or other rental income subsidy programs.

Haven @ South Atlanta Recommendations

Community Recommendations

- FCS should partner with Purpose Built and YMCA to collaborate and share resources in order to offer amenities to new residents
- FCS should form a partnership with the YMCA to expand their Preschool and Pre-K program for the community
- FCS should provide community space and public amenities for the neighborhood

Design Recommendation

- FCS should try to preserve the character of the community and focus on low to moderate density of the site. The small multifamily homes (“big homes”) are ideal size.

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