

## AGENDA

1. Meet the Team
2. Scope
3. About the property
a) Location/History
b) Title/Survey
c) Current State
d) Zoning
4. Historic Tax Credits
5. HUD Requirements
6. Community Input
7. Base Building Proforma
8. Development Scenarios \#1: Residential
\#2: Office
\#3: Office + Retail
9. Other Ideas
10. Recommendations and Concluding Thoughts

## THE TEAM



- Johnson Bazzel

- Kyle Reis

- Adetayo Sanusi
- Alison Drane Waterson
- Exhibit A: Bios


## PROJECT SCOPE

- Review background information
- Meet with Community Advisory Committee
- Obtain historic tax credit information from Jack Pyburn
- Research zoning classification, development incentives, similar development projects and market conditions
- Create baseline proforma for redevelopment
- Generate up to three scenarios (with at least one scenario satisfying HUD residential requirements) with feasibility analysis
- Exhibit B: Engagement Letter


## LOCATION



- Exhibit C: Property Profiles and Tax Information


## LOCATION



## HISTORY



Photo by Abananal. NEw building of trio steam laundry

GROWTH AND PROGRESS OF THE NEW SOUTH

 Ninm





## HISTORY



GLOBE AUTOMATIC SPRINKLERS
Here is reproduced an advertisement which appeared without our

solicitation or knowledse in the daily press from the Trio Laundry | THE TRIO LAUNDRY WENT THROUGH THE GREAT FIRE UNHARMED |
| :--- | :--- |
| TR |



- TRIO KVANRY AND DRY CIEANING COMPANY, 100 Hillind Steet PHONE IVY 1600



GLOBE AUTOMATIC SPRINKLER COMPANY Howe oncime


## HISTORY



MARTIN LUTHER KING, JR.
HISTORIC DISTRICT


## TITLE AND SURVEY



- Exhibit D:Title and Survey


## CURRENT STATE



O

## ZONING:

## C2 \& MLK JR. LANDMARK DISTRICT

- Permitted Uses
- The MLK Jr. Landmark District has no parking minimums, while the C2 District does
- Corner Site Potential
- Max. FAR = 28,014 SF of development
- Max height = 47.25' ( 1.5 times the compatible height up to 55')
- Considering setbacks, building height restrictions, and FAR, potential development envelope yields a 6,000 SF building footprint on 4 levels to maximize the corner lot (this assumes no additional parking is added on site)


## ZONiNG:

## C2 \& MLK JR. LANDMARK DISTRICT



## HISTORIC TAX CREDITS

- Can yield ~ 35\% savings
- Federal Tax Credit (assume 15\% Rehabilitation) and GA State Tax Credit (20\%)
- Design improvements
- Compliant with the Secretary of Interior and State of Georgia Standards
- Reviewed by the National Park Service in Washington, DC and the State Historic Preservation Office
- Credits are intended only for for-profit entities
- Eligibility criteria
- Character defining features
- Source: Jack Pyburn
- Exhibit F: Historic Tax Credits Memo by Jack Pyburn


## HISTORIC TAX CREDITS

Approach to Design of New Features that are Responsive to the Secretary of Interior's Standards for the Preservation of Historic Properties


- Source: Jack Pyburn


## HUD REQUIREMENTS

- No direct statutory requirement
- Rule of thumb $\rightarrow$ produce housing in either mixed-use or mixedincome setting
- Options:
- Affordable units (need tax credits to provide funding)
- Project based rental assistance for families at 30\% AMI
- Up to \$20,000 down payment assistance (other sources also)
- In mixed-income, AHA investment typically $20 \%$ of total development cost; results in number of affordable units
- Affordable units = <80\% AMI
- Consider Proposed City of Atlanta / Fulton County Affordable Housing Requirements
- Pro forma analysis assumes private development
- Source: Trish O'Connell


## COMMUNITY INPUT

- Diverse group of Stakeholders / Advocates
- Save the Building - Make a Values Statement
- Community open to all types of uses
- Celebrate History
- Corner lot is part of historic fabric
- Balance with financial feasibility

- Source: Community Advisory Committee


## BASE BUILDING PROFORNA







EXISTING SECOND FLOOR PLAN sosar.
(A11) !-T- !


## TOTHL COST: $\$ 906,000$

Roof/Doors/Windows \$156,000

Masonry/Exterior Trim \$57,000
Drywall/Finishes \$103,000
Steel \$111,000
Mechanical/Electrical/Plumbing \$190,000

LAUNDRY BUILDING
ATLANTA, GEORGIA
MARCH 22, 2016



## DEVELOPMIENT SCENARIOS

- Scenario \#l:Residential
- Scenario \#2: Office
- Scenario \#3: Office + Retail

OTHER IDEAS

- Community Theater
- Artist Housing


## RESIDENTIAL ASSUMPTIONS

- AHA transfer of ownership to a for-profit entity qualifies project for Historical Tax Credit
- Federal Tax Credit (assume 15\% of QRE) and GA State Tax Credit (assume 20\% of QRE)
- Analysis assumes private development



## SCENARIO \#1: RESIDENPIAL



FIRST FLOOR PLAN

## SCENARIO \#1: RESIDENTIAL

## Base Scenario Cost Assumptions

- Assumes base building, 4 residential units, and 19 monthly parking spaces
$\left.\begin{array}{lrrr} & \underline{\text { Total }} & & \text { Per Unit }\end{array}\right)$

| Unit Description | Bedrooms | Bathrooms | Unit Count | Unit Mix | Rentable SF | Mkt Rent | \$/ SF Rent | Monthly Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| S1 |  | 1 | 2 | 50.0\% | 610 | \$1,129 | \$1.85 | \$2,257 |
| A1 | 1 | 1 | 1 | 25.0\% | 750 | \$1,388 | \$1.85 | \$1,388 |
| B1 | 2 | 2 | 1 | 25.0\% | 1,600 | \$2,960 | \$1.85 | \$2,960 |
| Studio |  |  | 2 | 50.0\% | 610 | \$1,129 | \$1.85 | \$2,257 |
| 1 Bedroom Subtotal |  |  | 1 | 25.0\% | 750 | \$1,388 | \$1.85 | \$1,388 |
| 2 Bedroom Subtotal |  |  | 1 | 25.0\% | 1,600 | \$2,960 | \$1.85 | \$2,960 |
| Monthly Totals / Averages |  |  | 4 | 100.0\% | 893 | \$1,651 | \$1.85 | \$6,605 |
| Plus: Parking Income |  |  |  |  | 19 spaces @ | \$75/space |  | \$1,425 |
| Gross Monthly Income |  |  |  |  |  |  |  | \$8,230 |
| Less: Vacancy (includes non-revenue units and delinquency) |  |  |  |  |  | 3.00\% |  | (\$247) |
| Effective Gross Income |  |  |  |  |  |  |  | \$7,983 |
| Annual Effective Gross Income |  |  |  |  |  |  |  | \$95,791 |
| Operating Expenses: |  | Total Controllable Per Unit |  | Total Per Unit |  |  |  |  |
|  | Landscaping and Contract Services |  | \$25 | 7 | Controllable | \$150 |  |  |
|  | Repairs \& Maintenance |  | \$100 |  | Management Fee | \$1,676 |  |  |
|  | Utilities |  | \$0 |  | Property Taxes | \$2,171 |  |  |
|  | Other |  | \$25 |  | Insurance | \$200 |  |  |
|  |  |  | \$150 |  |  | \$4,197 |  |  |
|  |  |  |  |  |  |  | 17.52\% expense ratio | (\$16,787) |
| Net Operating Income |  |  |  |  |  |  |  | \$79,004 |
|  |  |  |  |  |  |  |  | 4.11\% In Place Yield |
|  |  |  |  |  | With 35\% Historic Tax Credit @ discount rate of 6.5\% |  |  | 4.84\% In Place Yield |

Notes:
(1) Multifamily developers in core+ locations in a market like Atlanta will look for a minimum of a $6.0 \%$ yield on cost.
(2) Assuming an aggressive $5.0 \%$ cap rate at exit, would produce an exit price of $\$ 1.58 \mathrm{~mm}$ ( $\$ 395 \mathrm{~K} /$ unit) which is $\$ 340 \mathrm{~K}$ and $\$ 85 \mathrm{~K}$ respectively less than the cost to build.

## SCENARIO \#1: RESIDENTIAL

- Assumes base building, 4 residential units, and 19 monthly parking spaces


## Base Scenario Cost Assumptions

| - Assumes base building, 4 residential | Land | Total | $\frac{\text { Per Unit }}{5187500}$ | ${ }_{\text {Per RSF }}$ |
| :---: | :---: | :---: | :---: | :---: |
| units, and 19 monthly parking | Base Euiling | SL,000,000 | \$250,000 | ${ }_{52131.68}^{510.08}$ |
| spaces | Unit buildout | \$120,000 | $\begin{array}{r}\text { S30,000 } \\ \hline 12500 \\ \hline\end{array}$ | ${ }_{5}^{525.6}$ |
|  | Toal Costs | S1,220,000 | 5480,000 |  |

Solving for the cost of land....

|  |  |  |  |  |  |  |  |  |
| :--- | :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| Without Historic Tax Credits: | Land: | $(\$ 500,000)$ | $(\$ 250,000)$ | $\$ 0$ | $\$ 250,000$ | $\$ 500,000$ | $\$ 750,000$ | $\$ 1,000,000$ |
|  | YOC: | $11.8 \%$ | $8.6 \%$ | $6.8 \%$ | $5.6 \%$ | $4.7 \%$ | $4.1 \%$ | $3.6 \%$ |
|  |  |  |  |  |  |  |  |  |

## OFFICE/RETHIL ASSUMPTIONS

- Office \& Retail Efficiency @ 95\%
- Office TI @ \$40 PSF
- Retail TI @ \$35 PSF

- Office Rent (NNN) @ \$20 PSF
- Retail Rent (NNN) @ \$22 PSF
- 50\% LTC @ 5.5\% 30 year amortization



## SCENARIO \#2: OFFICE



FIRST FLOOR PLAN

## SCENARIO \#2: OFFICE

DEVELOPMENT PROFORMA

| USES | TOTAL |  | PER GSF |  |
| :--- | ---: | ---: | ---: | ---: |
| Land | $\$$ | 150,000 | $\$$ | 38 |
| Hard Cost | $\$$ | 821,704 | $\$$ | 208 |
| Office TI | $\$$ | 157,800 | $\$$ | 40 |
| Total Soft Cost |  | 162,662 | $\$$ | 41 |
| Total Project Cost | $\mathbf{\$}$ | $\mathbf{1 , 2 9 2 , 1 6 6}$ | $\mathbf{\$}$ | $\mathbf{3 2 8}$ |
| Less: Tax Credits | $\$$ | 399,758 |  |  |
| Net Project Cost | $\mathbf{\$}$ | $\mathbf{8 9 2 , 4 0 8}$ | $\mathbf{\$}$ | $\mathbf{2 2 6}$ |


| SOURCES | TOTAL |  | $\%$ |
| :--- | :---: | ---: | :---: |
| Land | $\$$ | 150,000 | $12 \%$ |
| Federal TC (15\% Credit) | $\$$ | 171,325 | $13 \%$ |
| GA HTC (20\% Credit) | $\$$ | 228,433 | $18 \%$ |
| Loan | $\$$ | 646,083 | $50 \%$ |
| Equity | $\$$ | 96,325 | $7 \%$ |
| Total Sources | $\$$ | $\mathbf{1 , 2 9 2 , 1 6 6}$ | $\mathbf{1 0 0 \%}$ |

## SCENARIO \#2: OFFICE

## CASH FLOW PROFORMA



## SCENARIO \#3: OFFICE + RETHIL



## SCENARIO \#3: OFFTCE + RETAIL

## DEVELOPMENT PROFORMA

| USES | TOTAL |  | PER GSF |  |
| :--- | ---: | ---: | ---: | ---: |
| Land | $\$$ | 150,000 | $\$$ | 38 |
| Hard Cost | $\$$ | 821,704 | $\$$ | 208 |
| Office TI | $\$$ | 97,300 | $\$$ | 40 |
| Retail TI | $\$$ | 52,938 | $\$$ | 35 |
| Total Soft Cost |  | 159,351 | $\$$ | 40 |
| Total Project Cost | $\$$ | $\mathbf{1 , 1 8 3 , 9 9 3}$ | $\mathbf{\$}$ | $\mathbf{3 0 0}$ |
| Less: Tax Credits | $\$$ | 361,898 |  |  |
| Net Project Cost | $\mathbf{\$}$ | $\mathbf{8 2 2 , 0 9 5}$ | $\mathbf{\$}$ | $\mathbf{2 0 8}$ |


| SOURCES | TOTAL |  | $\%$ |
| :--- | :---: | ---: | :---: |
| Land | $\$$ | 150,000 | $13 \%$ |
| Federal TC (15\% Credit) | $\$$ | 155,099 | $13 \%$ |
| GA HTC (20\% Credit) | $\$$ | 206,799 | $17 \%$ |
| Loan | $\$$ | 591,996 | $50 \%$ |
| Equity | $\$$ | 80,099 | $7 \%$ |
| Total Sources | $\$ 1,183,993$ | $100 \%$ |  |

## SCENARIO \#3: OFFICE + RETAIL

| CASH FLOW PROFORMA |  |  | TOTAL |  |
| :--- | :--- | ---: | ---: | ---: |
| Office (NNN) | $\$$ | 46,218 |  |  |
| Retail (NNN) | $\$$ | 31,611 |  |  |
| Parking | $\$$ | 1,425 |  |  |
| Gross Income |  |  | $\$$ | 79,254 |
| Less: Vacancy (5\%) |  |  | $\$$ | 3,963 |
| Effective Gross Income | $\$$ | 3,963 | 75,291 |  |
| Reserve |  |  | $\$$ | 3,963 |
| Total Expenses |  |  | $\$$ | $\mathbf{7 1 , 3 2 8}$ |
| Net Operating Income |  |  |  |  |


| Without Historic Tax Credit | Land: | \$ | - | \$ 150,000 | \$ 300,000 | \$ 450,000 | \$ 600,000 | \$ 750,000 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | YOC: |  | 6.9\% | 6.0\% | 5.3\% | 4.8\% | 4.3\% | 4.0\% |

With 35\% Historic Tax Credit | Land: | $\mathbf{\$}-$ | $\mathbf{\$ 1 5 0 , 0 0 0}$ | $\mathbf{\$ 3 0 0 , 0 0 0}$ | $\mathbf{\$ 4 5 0 , 0 0 0}$ | $\mathbf{\$ ~ 6 0 0 , 0 0 0}$ | $\mathbf{\$ 7 5 0 , 0 0 0}$ |  |
| :--- | :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
|  | YOC: | $10.7 \%$ | $8.7 \%$ | $7.3 \%$ | $6.3 \%$ | $5.6 \%$ | $5.0 \%$ |

## MARKET STUDIES

- Broker Opinion of Value $=\$ 250,000-\$ 300,000$
- \$20-\$30 psf ( $\sim$ \$110,000) plus \$300,000 for vacant land
- \$300,000 discounted heavily with assumption of parking use
- Rental rates:
- \$15 psf nnn for commercial/office
- \$22 psf nnn retail
- \$1.25 psf residential
- Comps (building and land) = average of $\$ 158$ psf

- Source: Gene Kansas


## COMMUNITY THEATER + HRTIST HOUSING

- Assumes no tax credits (not-for-profit)
- 24 Units w/o parking
- Demand for artist housing
- Community Need / Desire
- Potential 2 Story Volume a Plus
- Potential Partners / Operators
- High Museum
- WonderRoot
- Goat Farm



## THEATER

~\$1.5-\$2M Cost
Not-for-profit entity capable of up front and ongoing costs

ARTIST HOUSING
24 units @ 800 SF/Unit
~\$3.6M Cost
~\$1/SF Rent
4.5\% YOC in best case scenario

## RECOMMENDATIONS \& CONCLUDING THOUGHTS

- Cost to rebuild base building?
- \$lM+
- How do traditional development options pencil out?
- Yield on Cost $7.7 \%$ \& 8.7\% - best scenarios
- Risky project even at near zero land basis
- So....now what?
- Consider low land cost basis for developer
- Find a philanthropic champion
- Theater
- Support artist community
- Mission-based organizations
- Community buy in on alternative approaches

- Partial façade


## ACKNOWLEDGEMENTS

- AHA
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- Jack Pyburn
- Gene Kansas
- Sarah Butler
- Pimsler Hoss
- New South Associates
- Save the Historic Trio Building Community Group

