

ULI Atlanta Center for Leadership mTAP

Atlanta Land Trust Lease Purchase Pilot Program

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mTAP Team



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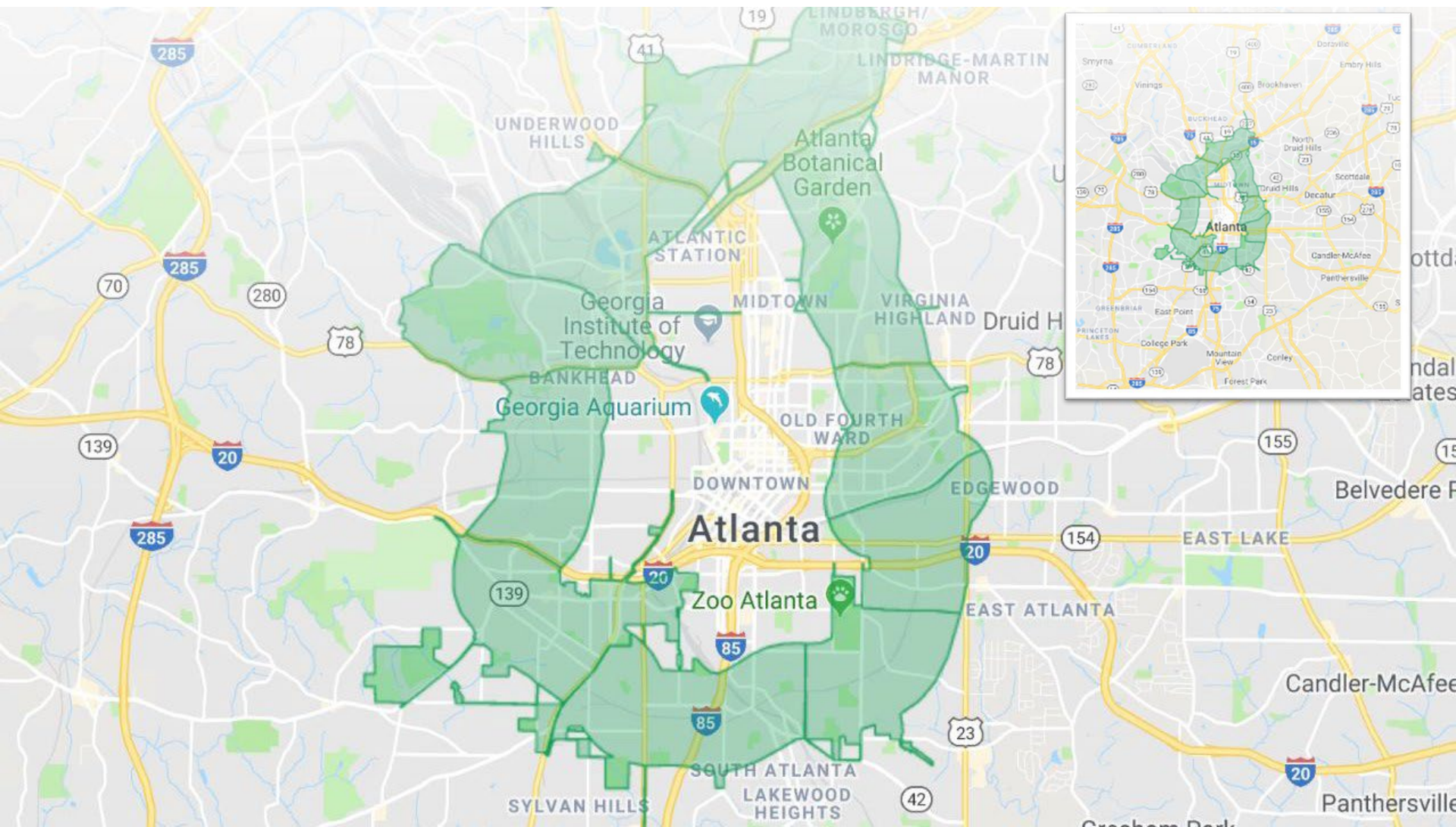


Jen Nyquist
Senior Asset Manager
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ALT Introduction & Overview



ALT Focus Area: the Atlanta BeltLine Corridor



Client Goals

Main Objective

- ❑ Develop a lease-purchase program for some or all of the 24 homes being developed by ALT and Invest Atlanta in the Vine City and English Avenue neighborhoods for legacy residents (below 60% AMI) providing them with a pathway to affordable homeownership and mitigating their displacement.



Community Objectives

- ❑ Stimulate investment in the community
- ❑ Provide community stabilization
- ❑ Provide ALT and Invest Atlanta with a mechanism to maintain or boost production of affordable housing
- ❑ Provide another affordable housing option as part of a continuum of housing options

Low-Income Individual Objectives

- ❑ Allow time for potential buyers to resolve credit, debt and savings issues and become mortgage-ready and lender qualified
- ❑ Provide for a long-term method of working with potential homebuyer families that will not be ready for homeownership within a short-term window of opportunity
- ❑ Provide time or a mechanism during the leasing period to accumulate cash for a down payment or other homeownership expenses

Program Objectives

Key Issue

- 1 How will Client identify and communicate with prospective eligible homebuyers from Target Communities?
- 2 How will the home purchase option be financially structured to enable the Target Income Range renters to qualify for a conventional 30-year mortgage?
- 3 Mechanism during the leasing period for the renter/ prospective homebuyers to accumulate adequate cash for a down payment
- 4 Recommendations on how to either develop in-house or engage a qualified third-party programming to prepare the renters for homeownership.
- 5 How will Client monitor renters' progress
- 6 What is a supportive exit strategy for those renters who are either unable or decide not to purchase the leased home?
- 7 What kind of strategies/programs should be considered by Client to bolster the on-going success of the successful Program participants who purchase their leased homes?

Pilot Area History & Demographics



Evolution of English Avenue and Vine City

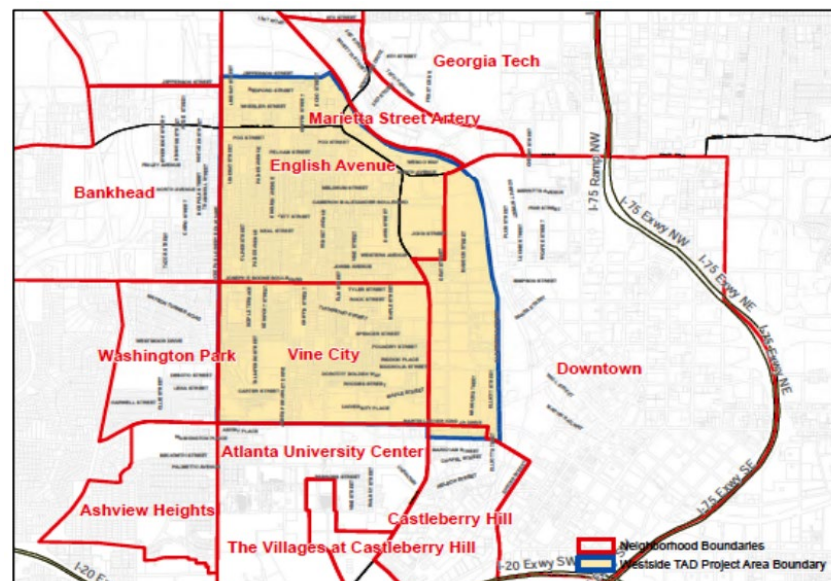
History

- ❑ Once a thriving community In the 1920s were the first subdivisions where African Americans could legally purchase and own property in the state of Georgia
- ❑ By the 1950s the area consisted of several thriving neighborhoods and home to civic rights icons
 - Rev. Martin Luther King Jr.
 - Maynard Jackson—Atlanta's first Black Mayor
- ❑ The area is also home to five historic Black Colleges and Universities, also have their campuses in the Westside
 - Morehouse
 - Interdenominational Theological Center
 - Spelman
 - Morris Brown
 - Clark Atlanta University



Current State and Opportunity for Renewal

- ❑ Over time, the area fell victim to crime and poverty, driven in part by redlining
- ❑ Today, a revitalization is underway and there's an opportunity to prevent legacy residents from being driven out due to gentrification which often comes in the form of property tax increases
- ❑ The ALT project is chiefly meant to address the displacement of legacy residents—residents that have lived in an area over five years



Vine City Development: Rodney Cook Sr. Park—\$40 Million



□ Transforming 16 acres of empty lots into a welcoming destination that benefits residents and encourages further revitalization

□ Vine City residents worked with the City — the Mayor's Office, Department of Watershed Management, and Parks and Recreation — as well as the Trust for Public Land

Key Statistics Driving Housing Initiative

Historical Cultural Inequities



Black families are at an undeniable disadvantage from the outset

- ❑ Atlanta loses ~1,500 affordable housing units every year as a result of expiring restrictions, disrepair and redevelopment
- ❑ The Atlanta Wealth Building Initiative finds that nearly 70% of Atlanta's Black families are asset poor—compared to ~22% of white families
- ❑ Nationally, the net worth of a typical white family is nearly 10 times greater than that of a Black family
- ❑ By keeping housing permanently affordable, a CLT helps mitigate displacement that can accompany gentrification when property values are climbing and allows for community participation in decision-making

Area AMI Thresholds

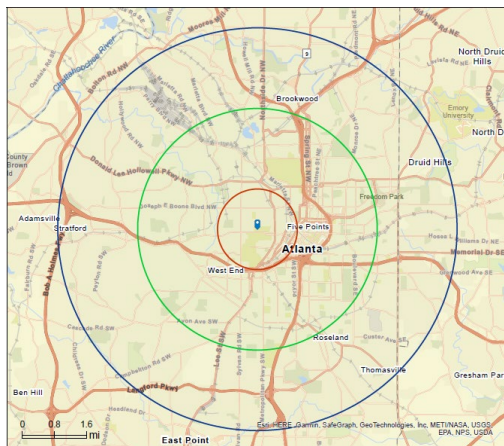


Analysis and research indicates that homeownership may be unfeasible for very low-income individuals

- ❑ Median Household Income in Vine City: ~23% AMI
- ❑ Median Household Income in English Avenue: ~18% AMI
- ❑ Target income served by ALT for conventional homebuyer program 60% - 80% AMI
- ❑ 60% AMI is seemingly the minimum threshold to achieve homeownership; however, AMI in target neighborhoods does not exceed 30% on average



Demographic and Income Profile



Summary	Census 2010	2021	2026	
Population	16,582	18,707	19,392	
Households	5,411	6,158	6,505	
Families	2,144	2,404	2,535	
Average Household Size	2.07	2.07	2.06	
Owner Occupied Housing Units	1,316	1,591	1,693	
Renter Occupied Housing Units	4,095	4,567	4,812	
Median Age	24.1	25.1	25.6	
Trends: 2021-2026 Annual Rate	Area	State	National	
Population	0.72%	1.05%	0.71%	
Households	1.10%	1.06%	0.71%	
Families	1.07%	0.97%	0.64%	
Owner HHs	1.25%	1.26%	0.91%	
Median Household Income	2.93%	2.43%	2.41%	
Households by Income	2021	2026		
	Number	Percent	Number	Percent
<\$15,000	1,567	25.5%	1,408	21.7%
\$15,000 - \$24,999	900	14.6%	865	13.3%
\$25,000 - \$34,999	579	9.4%	578	8.9%
\$35,000 - \$49,999	882	14.3%	852	13.1%
\$50,000 - \$74,999	842	13.7%	929	14.3%
\$75,000 - \$99,999	552	9.0%	701	10.8%
\$100,000 - \$149,999	482	7.8%	690	10.6%
\$150,000 - \$199,999	164	2.7%	234	3.6%
\$200,000+	188	3.1%	244	3.8%
Median Household Income	\$35,389		\$40,890	
Average Household Income	\$54,292		\$64,576	
Per Capita Income	\$17,358		\$20,761	

40% of residents within a 1-mile radius of the subject property earn less than \$25K annually

64% of residents within a 1-mile radius of the property earn less than \$50K annually

DEMOGRAPHIC SUMMARY

50 Sunset Ave NW, Atlanta, Georgia, 30314
Ring of 1 mile

KEY FACTS

18,707

Population



6,158

Households

25.1

Median Age

\$28,690

Median Disposable Income

EDUCATION

14%

No High School Diploma



28%

High School Graduate



27%

Some College



31%

Bachelor's/Grad/Prof Degree

INCOME



\$35,389

Median Household Income



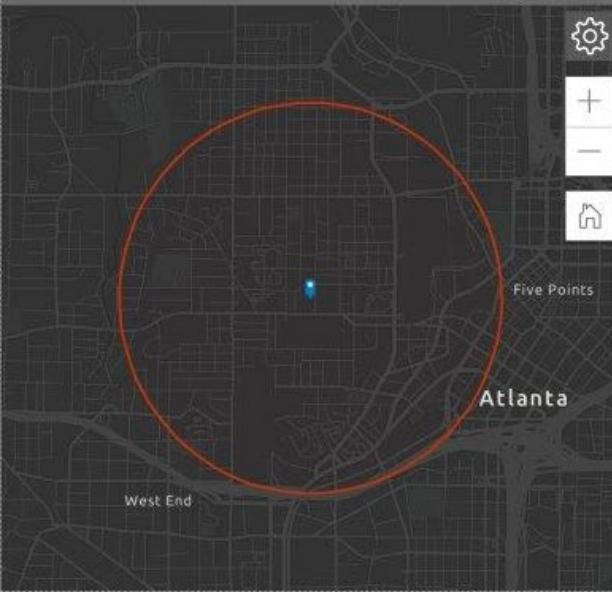
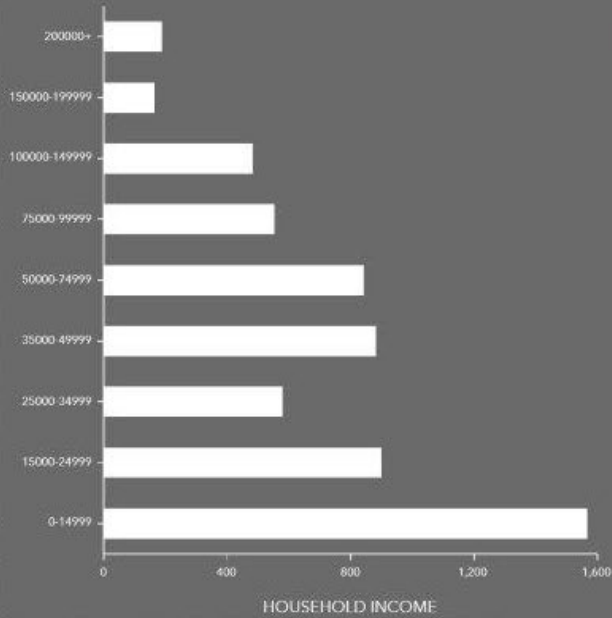
\$17,358

Per Capita Income



\$12,362

Median Net Worth



EMPLOYMENT



White Collar

66.9%



Blue Collar

12.4%



Services

20.7%

12.1%

Unemployment Rate

This infographic contains data provided by Esri. The vintage of the data is 2021, 2026.

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COMMUNITY PROFILE

18,707 Population Total
 1.1% Population Growth
 2.07 Average HH Size
 19.5 Diversity Index
 25.1 Median Age
 \$35,389 Median HH Income
 \$229,887 Median Home Value
 \$12,362 Median Net Worth
 13.4% Under 18
 78.2% Ages 18-65
 8.9% Aged 66+



20.7%
Services

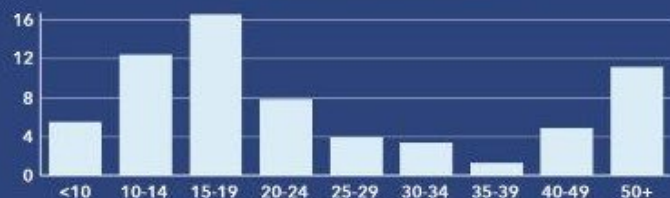


12.4%
Blue Collar

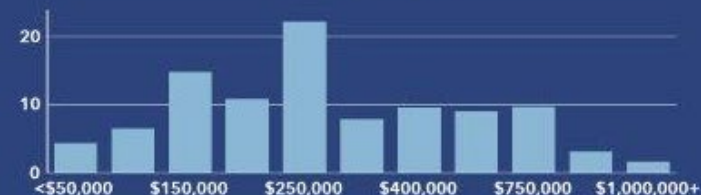


66.9%
White Collar

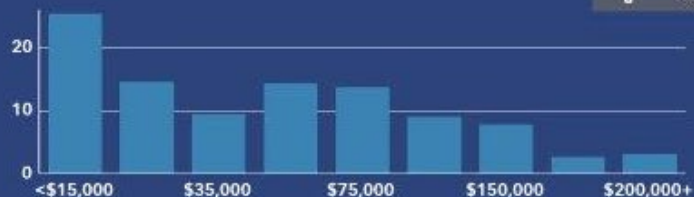
Mortgage as Percent of Salary



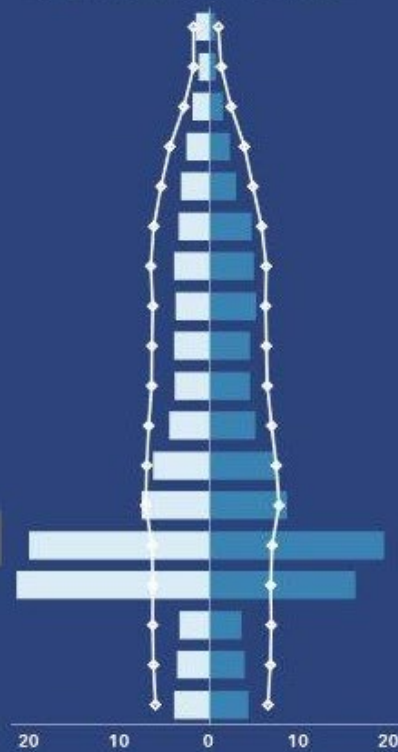
Home Value



Household Income

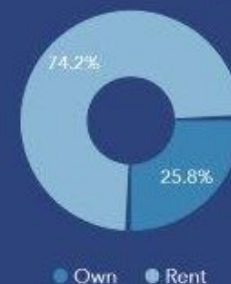


Age Profile: 5 Year Increments



Dots show comparison to Georgia

Home Ownership



Housing: Year Built



Educational Attainment



Commute Time: Minutes



Source: U.S. Census Bureau, Census 2010 Summary File 1, Esri forecasts for 2021 and 2026, Version 1.2

Applicant Profile



Profile of an Eligible Legacy Homebuyer

- ❑ Our homebuyer may be a single parent with one or two school age children.
- ❑ Our homebuyer has stable employment possibly as an essential worker like a Nursing Assistant. They have been employed for over 5-years.
- ❑ They may have a fair credit score and incurred some debt. *They may be spending up to 50% of their monthly income on rental housing.*
- ❑ They may have small savings or no savings at all.
- ❑ If our homebuyer works as a Nursing Assistant, depending on where they work, they can earn from \$28,000/year to \$55,000/year (or approximately 30% to 60% AMI)
- ❑ They would like to purchase a 1,700 SF, 2 or 3 bedroom house in the English Avenue neighborhood



**Primary Challenge - How do we make the 24 homes in the Pilot Lease Purchase Program affordable for our homebuyer?*

Income Levels of Target Income Range Homebuyers

Invest Atlanta Workforce Housing Income Limits and Maximums								
Area Median Income	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% AMI	\$20,250	\$23,160	\$26,040	\$28,920	\$31,260	\$33,570	\$35,880	\$38,190
50% AMI	\$33,750	\$38,600	\$43,400	\$48,200	\$52,100	\$55,950	\$59,800	\$63,650
60% AMI	\$40,500	\$46,320	\$52,080	\$57,840	\$62,520	\$67,140	\$71,760	\$76,380
80% AMI	\$54,000	\$61,760	\$69,440	\$77,120	\$83,360	\$89,520	\$95,680	\$101,840
100% AMI	\$67,500	\$77,200	\$86,800	\$96,400	\$104,200	\$111,900	\$119,600	\$127,300
115% AMI	\$77,625	\$88,780	\$99,820	\$110,860	\$119,830	\$128,685	\$137,540	\$146,395
120% AMI	\$81,000	\$92,640	\$104,160	\$115,680	\$125,040	\$134,280	\$143,520	\$152,760
140% AMI	\$94,500	\$108,080	\$121,520	\$134,960	\$145,880	\$156,660	\$167,440	\$178,220

2022 Workforce Rental Housing Maximums					
	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Max Rent at 30% AMI	\$506	\$542	\$651	\$752	\$839
Max Rent at 50% AMI	\$843	\$904	\$1,085	\$1,253	\$1,398
Max Rent at 60% AMI	\$1,012	\$1,085	\$1,302	\$1,504	\$1,678
Max Rent at 80% AMI	\$1,350	\$1,447	\$1,736	\$2,006	\$2,238

2022 Workforce Owner Housing Maximums					
	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Max Sale Price at 60% AMI	\$121,500	\$130,230	\$156,240	\$180,540	\$201,420
Max Sale Price at 80% AMI	\$162,000	\$173,640	\$208,320	\$240,720	\$268,560
Max Sale Price at 100% AMI	\$202,500	\$217,050	\$260,400	\$300,900	\$335,700
Max Sale Price at 120% AMI	\$243,000	\$260,460	\$312,480	\$361,080	\$402,840
Max Sale Price at 140% AMI	\$243,180	\$260,610	\$312,900	\$361,410	\$403,200

Target families for the ALT Pilot Lease Purchase Program should earn between 30% AMI and 60% AMI

Financial Analysis



How to Succeed

Conclusions of Research and Analysis

Financially structuring both the lease and purchase phases of the program to make homeownership feasible for target low and very-low income buyers will be necessary for success.

Why?

- ❑ Based on our preliminary research, while improvements in savings, debt levels and credit scores can be accomplished during set time horizons, it is much harder to ensure significant increases in income.
- ❑ If a homebuyer has stable employment and their credit score and debt levels would qualify them for a mortgage AND they cannot afford to buy a house – it is market problem not an income problem.
 - **Home prices are too high.**



How to Succeed (Cont.)

Recommendations for Addressing Home Price Challenges through Structure of Pilot Lease Purchase Program

- ❑ Flexibility in pricing the house
- ❑ Establish appropriate rent levels
- ❑ Counseling to assist applicant in qualifying for home mortgage
- ❑ Counseling to assist applicant in qualifying for available down payment assistance
- ❑ Allocating a portion of the tenant's monthly rent for future homeownership expenses



Renter vs. ALT Purchase Comparison (30% AMI)

Household of 3		3rd Party Down Payment Contributions					
Home size	2-bedroom/2-bath	AH	\$	20,000	Inv. ATL	\$	20,000
AMI 30%	\$ 26,040						
Home Purchase Price	\$ 78,120						
Market Median Home Price	\$ 304,000						
Annual Tax	\$ 2,888						
Max Purchase Price	\$ 78,120						
Max Purchase Price Delta to Mkt. Price	\$ 225,880						

	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
30% AMI Renter - Annualized Rent						
Rent	\$ 7,152	\$ 7,367	\$ 7,588	\$ 7,815	\$ 8,050	\$ 37,971
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 3,721	\$ 3,759	\$ 18,425

ALT Home Ownership Pathway						
Rent	\$ 7,152	\$ 7,367	\$ 7,588	\$ 7,815	\$ 8,050	\$ 37,971
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 3,721	\$ 3,759	\$ 18,425
Applicant Savings Reserve Escrow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Homeowner Pathway Subtotal	\$ 10,764	\$ 11,015	\$ 11,272	\$ 11,537	\$ 11,808	\$ 56,396
ALT 25% of Rent Down Payment Con.	\$ 1,788	\$ 1,842	\$ 1,897	\$ 1,954	\$ 2,012	\$ 9,493
Increased Cost of Home Ownership	\$ 2,636	\$ 2,421	\$ 2,200	\$ 1,972	\$ 1,738	\$ 10,967

Year 6 / Home Ownership	
Down Payment	\$ 49,493
Remaining Mortgage Less Rent Cred.	\$ 28,627

Yearly Homeownership Costs	
Yearly Mortgage @ 6.00%	\$ 2,060
Maintenance Cost @ 1%	\$ 3,040
Homeowner's Insurance	\$ 1,800
Taxes	\$ 2,888
Total Yearly Home Ownership Costs	\$ 9,788

Home Ownership Costs as % of Gross Income	38%
Additional Subsidy Needed	\$ 216,387

Notes:

No requirement for applicant savings escrow at 30% AMI level
 Cost of home ownership are greater than 30% of gross income

Renter vs. ALT Purchase Comparison (60% AMI)

Household of 3		3rd Party Down Payment Contributions				
Home size	2-bedroom/2-bath	AH	\$ 20,000			
AMI 60%	\$ 52,080	Inv. ATL	\$ 20,000			
Home Purchase Price	\$ 156,240					
Market Median Home Price	\$ 304,000					
Annual Tax	\$ 2,888					
Max Purchase Price	\$ 156,240					
Max Purchase Price Delta to Mkt. Price	\$ 147,760					

	Year 1	Year 2	Year 3	Year 4	Year 5	Totals
60% AMI Renter - Annualized Rent						
Rent	\$ 14,964	\$ 15,413	\$ 15,875	\$ 16,352	\$ 16,842	\$ 79,446
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 3,721	\$ 3,759	\$ 18,425

ALT Home Ownership Pathway						
Rent	\$ 14,964	\$ 15,413	\$ 15,875	\$ 16,352	\$ 16,842	\$ 79,446
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 3,721	\$ 3,759	\$ 18,425
Applicant Savings Reserve Escrow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Homeowner Pathway Subtotal	\$ 18,576	\$ 19,061	\$ 19,560	\$ 20,073	\$ 20,601	\$ 97,871
ALT 25% of Rent Down Payment Con.	\$ 3,741	\$ 3,853	\$ 3,969	\$ 4,088	\$ 4,211	\$ 19,861
Increased Cost of Home Ownership	\$ (2,102)	\$ (2,551)	\$ (3,013)	\$ (3,490)	\$ (3,980)	\$ (15,136)

Year 6 / Home Ownership	
Down Payment	\$ 59,861
Remaining Mortgage Less Rent Cred.	\$ 96,379

Yearly Homeownership Costs	
Yearly Mortgage @ 6.00%	\$ 6,934
Maintenance Cost @ 1%	\$ 3,040
Taxes	\$ 2,888
Total Yearly Home Ownership Costs	\$ 12,862

Home Ownership Costs as % of Gross Income	25%
Additional Subsidy Needed	\$ 127,899

Notes:
 Less expensive to own a home than rent in this scenario
 No applicant escrow at this 60% AMI level

Renter vs. ALT Purchase Comparison (80% AMI)

Household of 3		3rd Party Down Payment Contributions	
Home size	2-bedroom/2-bath	AH	\$ 20,000
AMI 80%	\$ 69,440	Inv. ATL	\$ 20,000
Home Purchase Price	\$ 208,320		
Market Median Home Price	\$ 304,000		
Annual Tax	\$ 2,888		
Max Purchase Price	\$ 208,320		
Max Purchase Price Delta to Mkt. Price	\$ 95,680		

	Year 1	Year 2	Year 3	Totals
80% AMI Renter - Annualized Rent				
Rent	\$ 20,172	\$ 20,777	\$ 21,400	\$ 62,350
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 10,945

ALT Home Ownership Pathway				
Rent	\$ 20,172	\$ 20,777	\$ 21,400	\$ 62,350
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 10,945
Applicant Savings Reserve Escrow	\$ 1,901	\$ 1,750	\$ 1,594	\$ 5,245
Homeowner Pathway Subtotal	\$ 25,685	\$ 26,175	\$ 26,679	\$ 78,539
ALT 25% of Rent Down Payment Con.	\$ 5,043	\$ 5,194	\$ 5,350	\$ 15,587
Increased Cost of Home Ownership	\$ (3,255)	\$ (3,861)	\$ (4,484)	\$ (11,600)

Year 6 / Home Ownership	
Down Payment	\$ 55,587
Remaining Mortgage Less Rent Cred.	\$ 152,733

Yearly Homeownership Costs	
Yearly Mortgage @ 6.00%	\$ 10,989
Maintenance Cost @ 1%	\$ 3,040
Taxes	\$ 2,888
Total Yearly Home Ownership Costs	\$ 16,917

Home Ownership Costs as % of Gross Income	24%
Additional Subsidy Needed	\$ 80,093

Notes:

Less expensive to own a home than to rent

Cost of home ownership less than a quarter of gross income

Renter vs. ALT Purchase Comparison (120% AMI)

Household of 3		3rd Party Down Payment Contributions	
Home size	2-bedroom/2-bath	AH	\$ -
AMI 80%	\$ 104,160	Inv. ATL	\$ -
Home Purchase Price	\$ 312,480		
Market Median Home Price	\$ 304,000		
Annual Tax	\$ 2,888		
Max Purchase Price	\$ 312,480		
Max Purchase Price Delta to Mkt. Price	\$ (8,480)		

	Year 1	Year 2	Year 3	Totals
120% AMI Renter - Annualized Rent				
Rent	\$ 30,588	\$ 31,506	\$ 32,451	\$ 94,544
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 10,945

ALT Home Ownership Pathway				
Rent	\$ 30,588	\$ 31,506	\$ 32,451	\$ 94,544
Utilities	\$ 3,612	\$ 3,648	\$ 3,685	\$ 10,945
Applicant Savings Reserve Escrow	\$ 13,185	\$ 12,956	\$ 12,719	\$ 38,860
Homeowner Pathway Subtotal	\$ 47,385	\$ 48,109	\$ 48,855	\$ 144,349
ALT 25% of Rent Down Payment Con.	\$ 7,647	\$ 7,876	\$ 8,113	\$ 23,636
Increased Cost of Home Ownership	\$ (6,675)	\$ (7,592)	\$ (8,537)	\$ (22,804)

Year 6 / Home Ownership	
Down Payment	\$ 62,496
Remaining Mortgage Less Rent Cred.	\$ 249,984

Yearly Homeownership Costs	
Yearly Mortgage @ 6.00%	\$ 17,985
Maintenance Cost @ 1%	\$ 3,040
Taxes	\$ 2,888
Total Yearly Home Ownership Costs	\$ 23,913

Home Ownership Costs as % of Gross Income	23%
Additional Subsidy Needed	\$ (32,116)

Notes:

No down payment assistance at 120% AMI level

Lease-Purchase Pilot Program



SWOT Analysis

□ Strengths

- Savings from lease payments help program participant qualify
- Access to homeownership for those that may not have it otherwise
- Two documents needed – Lease Agreement and Program Agreement
- Strong Market Factors Encourage Affordable Single-Family Homeownership
- ALT relationship with homeowner provides a safety net in times of economic downturn

□ Weaknesses

- ALT must subsize the transaction greatly to make purchase transaction work at 30% - 80% AMI
- Purchase below 80% AMI is very challenging
- Lease-purchase programs don't have good reputation in the market

□ Opportunities

- Build and preserve trust with residents
- Maintaining the relationship through the lease period and beyond homeownership is key
- Revitalization of Neighborhoods
- Continuing Education for participants is important – taxes, exemptions, technology, pre/post closing, civic engagement
- Proximity to Schools, Retail, Easy Access to Major Highways

□ Threats

- Technology gap can be a challenge
- We are unlikely to impact the path for the applicant's income trajectory to change/increase during the lease term
- Renter's insurance should be required; however, some applicants may find it challenging to afford
- Some applicants will never transition to homeownership
- Gentrification pressures
- Competing life priorities

Eligibility Guidelines

❑ Program A (Pilot in Vine City)

- 60% AMI & below
- 500 credit score
- 12 months of positive housing history
- 12 months stable employment
- Legacy resident (*current Westside resident of 5 years or within 5 years removed*)
- Lease term up to 5 years (extension possible)
- Debt ratio 38/50
- Home price based on income growth
- Lease and Program Agreement required
- Requires monthly financial check-ins during the first year; quarterly thereafter
- May require participation in Westside Future Fund or WorkSource program
- To bring down home purchase price, the Pilot Lease Purchase Homebuyers will also need to be able qualify for down payment assistance from both Invest Atlanta and Atlanta Housing

❑ Program B (ALT Footprint)

- 120% AMI & below
- 550 credit score
- 24 months of positive housing history
- 24 months stable employment
- Lease term up to 3 years (extension possible)
- Debt ratio 43/50
- Home price to cover the cost of the home/rehab, developer fee and overhead, and will be within the ALT's programmatic guidelines of no more than the HUD price at 120% AMI
- Lease and Program Agreement required
- Requires quarterly financial check-ins during the first year; bi-annually thereafter

Applicant Goals

❑ Mortgage Readiness

- Total Debt to Income ratio of 45% or lower
- All credit issues resolved / collections paid
- Credit score at 660 or better
- 24 months of on-time payments to all creditors
- 24 months of on-time rental payments
- Completed tenure on previous bankruptcy or foreclosure
- At least \$5K of own savings (Program B Participants)

❑ Education Requirements Completed

- HUD Certified Homebuyer Education
- Home Maintenance Courses
- Post Purchase Homeownership
- Understanding ALT Purchase Program (refresher)
- Required sweat equity completed

❑ All Counseling Sessions Completed

- Monthly counseling sessions for status updates
- Quarterly sessions once on-track

❑ Maintain Good Standing

- On-time rent payments
- Following program guidelines for education and counseling
- Bi-annual walkthroughs of the property
- Acceptable property maintenance

❑ \$7K-\$10K Saved

- Funds from initial move-in deposit
- Funds from 25% of on-time rent payments
- Funds earned from sweat equity activities
- Funds client saves on their own

Program Participant Requirements

A **Program Agreement** should be used in conjunction with the standard Lease Agreement. This document will establish the responsibilities of the program participant, as well as the support that ALT will provide to the participant. The Program Agreement will govern the tenant performance, and renewal of the lease will be contingent upon successful participation by the tenant in activities outlined in the program agreement. Key terms of the Program Agreement include:

❑ Participant

- Participant agrees to bi-annual credit reviews to establish a plan to address any issues preventing them from obtaining traditional financing, including a timeline and milestones
- Participant agrees to monthly or quarterly counseling sessions to monitor progress of the established plan
- Participant agrees to complete the education curriculum completed within the term of the lease
- Participant agrees to bi-annually home walkthrough to confirm the state of the unit
- Participant agrees to participate in 8 hours of sweat equity activity per year
- Participation in WorkSource or Westside Future Fund programs to increase earning potential (*Pilot Program Participant only*)

❑ Atlanta Land Trust

- ALT agrees to place 25% of monthly **on-time** rent payments into an escrow account on behalf of the tenant; funds can be used for down payment/closing costs, or funds may also be accessed by the tenant in the event of hardship during the lease term*
- ALT agrees to provide financial counseling at no cost to the tenant throughout the term of the lease
- ALT agrees to provide education courses at not cost to the tenant throughout the term of the lease
- ALT agrees to provide opportunities for participant to earn additional reserve fund dollars

* *Event of hardship defined as death in the family, job loss, large required expenditure*

Education Requirements

- ❑ **Understanding the Atlanta Land Trust Model (required for participation in lease purchase program – refresher required prior to home purchase)**
 - Outlines the ALT purchase model, ground lease and equity sharing component
- ❑ **HUD-Certified Eight-Hour Homebuyer Education**
 - Financial Literacy and Budgeting
 - Credit History Classes
 - Down payment Assistance Programs
 - Understanding Your Mortgage
- ❑ **Home Maintenance Courses**
 - Home Safety & Fire Prevention
 - Pest Control
 - Property Maintenance Recommendations and Timing
- ❑ **Post-Purchase Homeownership (administered prior to purchase transaction)**
 - Tax and Homeowner Insurance increases/appeals
 - Civic Engagement
 - Homestead Exemptions
 - Estate Planning & Heirs Property
- ❑ **Sweat Equity Hours**
 - Attend neighborhood meetings of the local Neighborhood Association or Neighborhood Planning Unit meetings
 - Participate in community support events like passing out school supplies, breakfast & lunch, and other essentials at your local schools or community centers
 - Support your community through litter pick up around your neighborhood, church, or local greenspace
 - Volunteer with ALT, AH, IA, or other city agencies regarding homeownership efforts

Savings Strategy

- ❑ ALT will charge a deposit fee equal to one month's rent, that will be added to applicant's reserve account
- ❑ 25% of each **on-time** rent payment will go into the program participant's reserve account
- ❑ Successful Program Participation
 - Meeting financial plan milestones = \$100/each
 - Completing education on-time as required = \$100/each
 - Attending counseling sessions on-time as required = \$100/each (after the first year)
- ❑ ALT can provide opportunities for program participants to earn additional funds for their reserve account and assign a dollar amount to each activity
 - Volunteering for ALT or neighborhood events
- ❑ Own savings for *Program B Participants* (5% of net income/month)
- ❑ Reserves may be used to assist applicant with an event of hardship during the lease period
- ❑ Participants will only gain access the full amount of these funds if they transition to homeownership
- ❑ The final amount may be provided to the applicant in form of down-payment/closing cost assistance, in cash to continue the homeownership reserve account; or a gift of equity (from a govt. entity)
- ❑ Monthly credits are accrued based on participant performance
- ❑ Participants accumulate reserves based on payments earned and the right to funds are based on performance/build a performance trigger into the lease contract

Application Process

- ❑ Applicant attends an ALT Lease Purchase Program Information Session
 - Session includes information on ALT Purchase scenario – applicant must understand these requirements before participating in lease purchase
- ❑ Applicant submits application and required supporting documents
 - 3 months paystubs, 3 months bank statements, 3 years W-2s, 3 years Personal Tax Returns
 - Proof of child support income, SSI, Other Income
 - Photo ID
- ❑ Program Manager pulls tri-merge credit, reviews and notes credit score
- ❑ Program Manager evaluates applicant for program eligibility guidelines
 - Review income documentation and calculates debt to income ratio
 - Review and verify employment history
 - Review and document current asset scenario
 - Review bank statement to determine spending patterns
 - Verify rental history
- ❑ Program Manager meets with applicant to discuss applicant goals, spending/saving habits and desires for homeownership
- ❑ Applicant is approved or denied from the program based on program guidelines

Application Process (Cont.)

- ☐ A plan to address credit issues is presented and applicant agrees to the plan, education, and sweat equity requirements in writing
- ☐ Applicant tours desired ALT property
- ☐ Applicant signs Lease Agreement, Program Participant Agreement and pays deposit
- ☐ Applicant obtains rental insurance for the desired property
- ☐ Applicant moves in
- ☐ Credit counseling sessions begin 30 days after move-in
- ☐ Education requirements begin 30 days after move-in

**Denied applicants are referred to one of the ALT partner counseling agencies for further assistance, and are returned to the program upon reaching eligibility status*



Program Management Activities

- ☐ Marketing & Outreach
- ☐ Application Intake and Review
- ☐ Measurable goal creation and monitoring for eligible applicants
- ☐ Rent collection
- ☐ Management of program participant ledgers for earned reserve funds
- ☐ Creation, oversight and documentation of education curriculum
- ☐ Monthly and quarterly one-on-one counseling services
- ☐ Annual review of program participant's income scenario
- ☐ Provide options for participant's that are not on track
- ☐ Facilitate needed home repairs for participants
- ☐ Manage exit strategy when applicable
- ☐ Assist with non-performing program participant relocation
- ☐ Property management

Lease-Purchase Program Documents

- ☐ Program Overview & Requirements
- ☐ Income Requirement Chart (if applicable)
- ☐ Application
- ☐ Application Checklist
- ☐ Applicant Intake/Outcome Form
- ☐ Approval Letter
- ☐ Denial Letter
- ☐ ALT Lease Purchase Program Acknowledgement Form
- ☐ ALT Lease Purchase Counseling Acknowledgement Form
- ☐ ALT Lease Purchase Education Requirements Acknowledgement Form
- ☐ Lease Agreement
- ☐ Program Participant Agreement
- ☐ Participation Checklist

*ALT should consider acquiring a software to manage applicant info, documentation, and notes for Lease-Purchase Program Participants

Program Marketing

Primary Awareness and Marketing Channels



Secondary Awareness and Marketing Channels

- ☐ NPU and Neighborhood Associations
- ☐ Local Churches
- ☐ Local NPR Radio Shows
- ☐ Google Ad search
- ☐ Direct Mail and Door Hanger Campaigns
- ☐ Westside Future Fund
- ☐ Leverage program manager for community level outreach
- ☐ Homebuyer Counseling Agencies
- ☐ Local Civic Organizations / Community Development Organizations

Additional Marketing Considerations

Develop Communication/Marketing Strategy and Database for Lease Purchase Program

- ❑ First priority individuals on the lists should be any interested ALT purchasers that did not qualify for a mortgage to purchase (for issues like credit score, savings or debt to income ratio that can be improved in 1-3 years)

- ❑ Market to those mortgage lenders who provide the conventional mortgage loans to ALT's homebuyers and those who accept Invest Atlanta and Atlanta Housing down payment assistance

- ❑ If goal is to reach legacy residents in Vine City and English Avenue consider targeted mailers/e-mail and/or social media campaigns that focusing on groups and organizations that attract legacy residents (For example: neighborhood high school alumni groups and Facebook groups)

- ❑ Market to the Housing Counseling Agencies that are certified to provide training for applicants for Invest Atlanta and Atlanta Housing down payment assistance

Public – Private Partnerships



Third-Party Program Management Partnerships

❑ Trio Residential

- Our research shows that Trio Residential has the greatest potential to be an effective 3rd party Program Manager, as they have experience operating a lease purchase program since 2001, and already have the necessary service providers in place. They also have projects in their portfolio where home prices were restricted to area income, similar to the ALT Pilot Area. Trio Residential would create a servicing agreement for homes in the program and build in a monthly management fee into the lease payment and would also require a "Success Fee" on participants that transition to homeownership
- Trio has the ability to provide many of the outlined "soup to nuts" services as well as assistance with home pricing strategy, ability to monitor education requirements electronically, programs for non-performing participants and hardship insurance for month payment obligations (when applicable)



❑ APD Urban Planning and Management (APDU)

- APDU manages several other high touch programs in the City of Atlanta and could be a candidate for a 3rd Party Program Manager



Workforce Partnerships

Local career-building organizations could be instrumental in assisting Pilot Program Participants with increasing earning potential

WorkSource Atlanta provides a host of training opportunities, career-related assistance, and work-readiness courses for job seekers over the age of 18

Westside Works operates in the pilot area and provides job seekers with free services that they need to successfully get jobs that can turn into amazing careers

❑ Courses include

- Career Counseling 101
- Work Readiness Education
- Skills Assessment
- Job Search Assistance

❑ Trainings and certifications include

- Construction
- Culinary Arts
- Information technology—computer literacy
- Software and hardware
- Westside Works also offers job seekers with immediate job opportunities and ways to earn as you learn



Community Banking Partnerships

Interviews with other agencies facilitating Lease Purchase programs revealed that several have relationships with Community Banks that can provide portfolio loans with more flexible lending guidelines to program participants and offer other services essential to the program

□ Examples include:

- Synovus (agreed to buy back the loan if it foreclosed)
- CapitalOne (Promise Program for applicant financing)
- RBC Bank World Bank of Canada (provided funding for acquisition take-out)
- Georgia's Own Credit Union (applicant and construction financing)
- Regions Bank (provided counseling)



Other Partnership Opportunities

❑ Westside Future Fund (WSFF)

- WFF facilitates and Anti-Displacement Tax Fund to aid legacy homeowners; this could be beneficial in reducing tax costs for Pilot Program Participants as they are required to be legacy residents



❑ Atlanta Housing (AH)

- Atlanta Housing's Section 8 program should be explored to determine if they currently have participants in the pilot area that could convert to homeownership in one of the pilot properties



❑ Money Management International (MMI)

- MMI provides robust counseling courses; an education curriculum could be created and made available to program participants electronically



❑ Urban League of Atlanta

- ULGA provides many of the desired education courses outlined in the program and could be engaged to create a curriculum specifically for ALT



Other Partnership Opportunities (Cont.)

❑ Meals on Wheels Atlanta (MOWA)

- MOWA facilitates owner-occupied rehab services and could be engaged to facilitate minor home repairs for program participants when needed



❑ House Proud Atlanta

- House Proud facilitates owner-occupied rehab services and could be engaged to facilitate minor home repairs for program participants when needed



❑ Atlanta Neighborhood Development Partners (ANDP)

- ANDP currently manages a large portfolio of rental properties and could serve as a property manager for the program
- ANDP can also be used as a source to relocate non-performing program participants



❑ City of Atlanta

- CoA facilitates an NPU University to provide communities with insight to civic engagement and public policy



Making Homes Accessible to Homebuyers Below 60% of AMI



Recommendation: Investigate Partnerships with Atlanta Housing

❑ Atlanta Housing – Housing Choice Voucher Program

- ALT can investigate becoming a Housing Choice Voucher Program Landlord and enter into a Lease-Purchase arrangement with eligible Atlanta Housing tenants such as those participating in Atlanta Housing's 5-Star Tenant Program
- What is the AH 5-Star Tenant Program? A Program of AH HCVP Tenants who are compliant with Atlanta Housing's Work Requirement have expressed interest in homeownership; the Program provides multiple sessions with credit counselors and financial management partners. Upon graduating from Program, Tenants can be referred to Atlanta Housing's down payment assistance program



❑ Advantages to Participation in AH's Housing Choice Voucher Program for leasing the homes in the Lease-Purchase Pilot program

- All residents are income-eligible with most being 60% AMI or below
- The majority of Atlanta Housing's HCVP families are within ALT's target income guidelines and target demographic - this would help facilitate ALT goal of providing homebuyer opportunities to Homebuyers from the legacy communities
- ALT would be able to charge market rate rent for house—providing more money for operating costs and ultimately for savings to be saved in a reserve for purchase or down payment assistance or as "rainy day" fund
- Tenant's housing costs will always remain within a feasible range because Atlanta Housing's HCVP families never pay more than a maximum of 30% adjusted income as rent while AH pays the difference

❑ Challenges to Participation in AH's Housing Choice Voucher Program for leasing the homes in the Lease-Purchase Pilot program

- ALT would still have to try to locate a HCVP family that was an eligible legacy resident of the English Avenue or Vine City communities

Recommendation: Investigate Partnerships with Atlanta Housing



❑ **Atlanta Housing – Pilot Atlanta Housing and Atlanta Land Trust Housing Choice Voucher Homeownership Program**

- Qualified Atlanta Housing tenants would be able to use their monthly Housing Choice Voucher subsidy payments to pay towards a mortgage payment in a purchased home
- The tenant pays 30% of their monthly income towards their mortgage payment and Atlanta Housing pays the balance of the monthly mortgage payment directly to the mortgage lender for at least 15 years

❑ **Advantages to approaching Atlanta Housing about collaborating to create a Pilot Housing Choice Voucher Program for ALT Homebuyers with Housing Choice Vouchers**

- All residents are income eligible with most being 60% AMI or below
- The majority of Atlanta Housing's HCVP families are within ALT's target income guidelines and target demographic - this would help facilitate ALT goal of providing homebuyer opportunities to Homebuyers from the legacy communities
- Would enable ALT to accomplish challenging goal of making homeownership available to families with incomes as low as 30% AMI
- Less financial strain on low-income to very-low income homebuyers because they would pay a maximum of 30% adjusted income as rent while AH pays the difference; if homebuyer's income has an unforeseen fluctuation, the AH monthly payment amount would increase accordingly

❑ **Challenges to working with Atlanta Housing to create a Pilot Housing Choice Voucher Program for ALT Homebuyers with Housing Choice Vouchers**

- The plan will require designing a program that can obtain the approval of both Atlanta Housing and ALT leadership as well as approval from HUD
- It could take from 12-18 months to create the plan and obtain the necessary approvals

*A link to the HUD Housing Choice Voucher Homeownership Program Guidebook will be included in the Appendix

Recommendation: Strategies to Lower Price Point of Homes

- ❑ **ALT could provide the amount of “Seller-Financing” needed to eliminate affordability gap for very low income homebuyers**
 - ALT would provide a forgivable “soft” 3rd or 4th priority mortgage loan
 - Invest Atlanta and/or Atlanta Housing down payment assistance loans would be in 2nd and 3rd priority positions
 - No interest or principal payments – balloon note
 - Loan would be due on sale within a certain time period, and—at ALT’s discretion—the ALT loan could be forgiven

- ❑ **ALT could use donations of land and/or money to directly “buy down” final purchase price of house**

Alternatives



Termination of Program

Situation: Either client or ALT decides that homeownership is no longer a viable option

Renter Does Not Buy Home

Program A

- ☐ Program lasts a maximum of five years
 - After five years, renter has one 12-month extension—subject to ALT review
- ☐ If unsuccessful: six months to move with ALT Assistance
 - ALT works with partners to find comparable rental alternative in legacy area
- ☐ Client loses any equity and monies accrued—less moving costs

Program B

- ☐ Program lasts a maximum of three years
 - After three years, renter has one 12-month extension—subject to ALT review
- ☐ If unsuccessful: six months to move with ALT Assistance
 - ALT works with partners to find comparable rental alternative in legacy area
- ☐ Client loses any equity and monies accrued—less moving costs

Renter Does Not/Can Not Continue

Default (Negative Life Event)

- ☐ ALT must be prepared as landlord to evict non-paying renters
 - However, circumstances of default should be heavily scrutinized and factored into a potential restructuring—e.x., uncontrollable negative life event
- ☐ Renter continues to have access to wraparound services
 - Subject to ALT review

Opt to Remain Renter

- ☐ Renter has ability to cancel lease at any time
- ☐ Forfeiture of any accrued/withheld monies
- ☐ Loss of access to ALT wraparound services
- ☐ Assistance finding comparable property in legacy area

Alternative Frameworks to Lease Purchase

Current Proposal: Lease Purchase with Perpetual Hold

Framework	<ul style="list-style-type: none"> ❑ Client leases property for a predetermined period, then buys the property with ALT retaining ownership of the land
Upside	<ul style="list-style-type: none"> ❑ Perpetually affordable home ❑ ALT has significant influence in the successful transition from renter to homeowner
Downside	<ul style="list-style-type: none"> ❑ ALT assumes role of landlord ❑ Wealth generation of client is always less than others

Alternative 1: Lease Purchase with Outright Sale

Framework	<ul style="list-style-type: none"> ❑ Client leases property for a predetermined period, then buys the property with ALT retaining no ownership of the land
Upside	<ul style="list-style-type: none"> ❑ Client gains full wealth-building capabilities ❑ ALT no longer assumes role of landlord after sale
Downside	<ul style="list-style-type: none"> ❑ ALT loses affordable home ❑ ALT cedes ability to influence success of homeowner

Alternative 2: Outright Sale with Seller Financing

Framework	<ul style="list-style-type: none"> ❑ Client buys property immediately with financing structured as a seller financing note with restrictive covenants and intention to refinance into a permanent loan
Upside	<ul style="list-style-type: none"> ❑ ALT no longer landlord ❑ Ability to utilize creative financing structures to tailor program to desired outcomes
Downside	<ul style="list-style-type: none"> ❑ ALT becomes lender ❑ Potential for extended trial-and-error period

Alternative 3: Outright Sale with Sale of Seller Note

Framework	<ul style="list-style-type: none"> ❑ Client buys property immediately with financing structured as a seller financing note with intention for ALT to sell note to investor pool or hold as a fund
Upside	<ul style="list-style-type: none"> ❑ Benefits of “Alternative 2” with addition of ALT immediately monetizing home
Downside	<ul style="list-style-type: none"> ❑ ALT must locate investors with aligned objectives ❑ Minimal/no margin for error on client side

Next Steps



Implementation of Lease-Purchase Pilot Program

STEP ONE: ALT Creates Budget for Pilot Lease-Purchase Program

ALT will need to create budget for Pilot Program Implementation and execution expenses such as the following

- ☐ Cost to procure and hire third party or parties to handle tenant employment verification, credit checks
- ☐ Outside legal counsel costs for advice and document creation
- ☐ Third party Program Manager/Property Manager costs (if not funded from tenant rent)
- ☐ ALT expenses for any required repairs/home maintenance (if not funded from Program Manager/Property Manager costs)
- ☐ Premiums for liability/casualty insurance on homes
- ☐ Marketing and communications
- ☐ Overhead and/or administrative expenses

Implementation of Lease-Purchase Pilot Program (Cont.)

STEP TWO: Take First Steps to Initiate Pilot Lease-Purchase Program

- ☐ Decide which of the 24 homes will be part of Pilot Lease Purchase Program
- ☐ Create application, program and marketing materials that include the recommended Eligibility and Application Guidelines
- ☐ Use market data and resident income information to set rent payment amounts
- ☐ Have outside counsel prepare form of Tenant Lease and Program Participation Agreement
- ☐ Have outside counsel advise ALT on any ownership structure and risk mitigation recommendations (to protect ALT from liability)
- ☐ Select and hire third-party Program Manager/Property Manager
- ☐ Have ALT accountant/financial manager advise on how to financially manage, track and report
- ☐ Set up reserve account on the ALT ledger specifically for the program

STEP THREE: Complete Pilot Program

- ☐ Evaluate Progress, Successes and Challenges of Pilot Program
- ☐ Design Revisions to Pilot Program before Rolling out Permanent City-Wide Program
- ☐ Obtain required commitments from partners like Invest Atlanta and Atlanta Housing if applicable for Permanent City-Wide Program
- ☐ Implement permanent city-wide Program

Stakeholder Engagement



Stakeholder Engagement

15+ Interviews

- ☐ Homeowners
- ☐ Nonprofits
- ☐ Funding Partners
- ☐ Land Banks
- ☐ Community Land Trusts
- ☐ Housing Authority
- ☐ Developer Partners
- ☐ Program Manager
- ☐ Financial Institutions



- ☐ Amanda Rhein, Atlanta Land Trust
- ☐ Heather Benham, Athens Land Trust
- ☐ Beth Sorce, Grounded Solutions
- ☐ Jerusha Daniels, Grounded Solutions
- ☐ Terica Bashir, Metro Atlanta Land Bank
- ☐ Chris Norman, Metro Atlanta Land Bank
- ☐ Elizabeth Roberts, Metro Atlanta Land Bank
- ☐ Cecilia Leal, Atlanta Neighborhood Development Partners
- ☐ Jay Perlmutter, Atlanta Neighborhood Development Partners
- ☐ Economy Jackson, United Way
- ☐ Mitch Brown, Residents for Resources and Communities
- ☐ Darryl Lewis, Trio
- ☐ Lisa Bennet, ALT Homeowner
- ☐ Clayton Davis, Stewart Center
- ☐ Bonnie Stewart, Calcon Mutual

Feedback

- ❑ **Targeting - but for ready buyers - 12-18 months**
- ❑ Vet the person as a potential buyer
- ❑ But for: getting credit cards paid, stabilizing savings,
- ❑ Offering an amount if they closing costs based what they earned on rental proceeds / Seller paid closing cost with money from the lease payment
- ❑ May be able to structure a bank loan to the owner and the tenant can assume that mortgage
- ❑ They don't come in below market to discourage flipping
- ❑ They want to make their money back - lease earn that money back
- ❑ **Offered a Lease Purchase - 1 year term with extension to 2 year to give time to address credit issues**
- ❑ **Very flexible money**
- ❑ When pricing the rent - calculated an affordable monthly housing cost and looked at what the future mortgage would be - wanted to get something affordable - had a range that backed into theoretical price
- ❑ The rent was slightly higher than what the mortgage payment would be
- ❑ Traditional residential lease
- ❑ **Added terms around participating in housing counseling**
- ❑ Applied their security deposit to the down payment
- ❑ They had a contract and paid the counseling agency on a per session basis

Feedback (Cont.)

- ❑ Had a great portfolio product available at 1% down - Capital One (Promise Program)
- ❑ Similar to HOME – 5-year recapture
- ❑ **They did not take a loss - they set the price as affordable to the homeowner and what they needed to recoup - they used subsidy to cover the gap**
- ❑ **Property taxes kicked in upon the sale**
- ❑ They were paying management fees which was essentially the tax payment
- ❑ **They extended beyond the 3-year lease-to-own term**
- ❑ Every homeowner was assessed and screened households - more than 5 years did not end up in the lease purchase home
- ❑ Serving between 50% - 80% of AMI - closer to the 70% and 80% of AMI
- ❑ **They try to serve at least 50% of AMI**
- ❑ Be certain you have enough subsidy to make the purchase price affordable
- ❑ **If the target income is 80% - price the home at 65% AMI income**
- ❑ Whatever the interest rate - add 1 - 2% to build in elements
- ❑ Set affordability at 25% instead of 30%
- ❑ **Use more conservative modeling**
- ❑ Are you prepared to evict? You should answer that question up front
- ❑ If anything needs to be replaced in the first 5 years - addressed up front

Thank You!



Appendix: Select Reference Material

