

INVESTATLANTA

# Invest Atlanta Update

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Community Development /  
Human Services Committee  
January 30, 2024

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# Accessory Dwelling Unit Pilot Overview

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## **Atlanta City Council passed a resolution by Councilmember Farokhi (Resolution 23-R-4046):**

A resolution requesting that Invest Atlanta explore financing solutions to aid residents in the construction and maintenance of attached dwelling using; and for other purposes. The resolution asked that Invest Atlanta report back 120 days from the passage of the legislation.

***“ELMS ID# 33503 A RESOLUTION BY COUNCILMEMBER AMIR FAROKHI A RESOLUTION REQUESTING THAT INVEST ATLANTA EXPLORE FINANCING SOLUTIONS TO AID RESIDENTS IN THE CONSTRUCTION AND MAINTENANCE OF ATTACHED DWELLING UNITS; AND FOR OTHER PURPOSES”***



## What is An Accessory Dwelling Unit?

An accessory dwelling unit (ADU) is a legal and regulatory term for a **secondary house or apartment that shares the building lot of a larger, primary home**. The unit cannot be bought or sold separately, but they are often used to provide additional income through rent or to house a family member.







# Nationwide Program Funding Examples

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## Public Fund Model

### 1. Local Government General Fund/Housing Trust Fund

- a. Additional Dwelling Unit Loan (Boston) – up to \$50K 0% interest gap financing (total program costs: \$650,000 for FY2020)
- b. A Place for You (Multnomah County, OR) – 100% of project costs
- c. Barnstable, MA – 0% interest loans secured by lien (lien used to facilitate compliance)
- d. DC uses Housing Production Trust Fund to finance ADU grants (HPTF funded through fees and GF – it's massive!); money can be recaptured on resale; sometimes other federal funds may be used for loan products
- e. Pasadena, CA - \$600K total loan pool + \$74K for administration

### 2. State Government General Fund

- a. California ADU Grant Program - \$100M in grant funding for ADU construction; \$40K per unit; partners with one of 20 lenders to qualify, issue, service, and administer grants (additional opportunities to bundle financial and development services)

## Public-Private Model

### 1. Private funding through mission-aligned lenders (with City partnership)

- a. First Citizens' Federal Credit Union (Cape Cod)
- b. Silicon Valley Housing Trust (San Jose, CA) – received \$1.75M from JP Morgan Chase Foundation for single-close (construction-to-permanent) loans
- c. Self-Help Federal Credit Union Backyard Homes (LA) – received \$1.75M from JP Morgan Chase Foundation
- d. Possible plans to partner with other investors and CRA banks for financing

### 2. GSE-backed (private) loans

- a. Fannie, Freddie, and FHA all have loan products that support ADU construction
  - i. For example, FNMA/FHMC: 43% Debt-to-income limits and rental income only counts for units with recent lease
- b. Renovation financing: FHA 203K loans

### 3. For-profit lenders

- a. A few programs exist where a for-profit developer will finance and develop an ADU
  - i. via a ground lease with the homeowner transferring ownership – Dweller – Portland
  - ii. via rental income share – United Dwelling, ADU Builder – Palo Alto; via shared equity – Unison, San Francisco, Point, CA/WA/MA





# Framework For Potential Invest Atlanta Pilot Program - *Recommendation*

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## IA Recommendation for Consideration

**A pilot program that increases the income potential of income-restricted COA homeowners AND increases access to affordable rental housing options**

- RFP for a single design-build for Builder/Developer to produce a plan book which is pre-screened-approved by COA Dept of City Planning (i.e., Owner-Occupied Addition (OOA) “Turnkey-Fee Build Program”)
  - The successful RFP respondent would be granted the right to build all 50 of the ADU’s
  - ADU unit size to be capped at a maximum of 400 square foot and/or \$100k/unit (assuming a construction cost of \$250/square foot)
  - This should result in a total direct construction cost of \$5M for 50 units
  - Developer is managed by Invest Atlanta, similar to other development projects, and payments are made via the Invest Atlanta requisition process
- RFP for architectural plans (1-3)
  - Used for the Pilot Program
  - Available Citywide



## RFQ for Program/Property Manager

- The successful RFQ respondent would be responsible for the marketing, tenant identification, confirming income eligibility, rent collection, coaching homeowners regarding maintenance and repairs
- Program/Property Manager is managed by Invest Atlanta
- **50** pre-qualified applicants would be identified by Program/Property Manager via joint marketing/community engagement process with Invest Atlanta
- The program would target homeowners **at or below 120% AMI**; Tenants would be targeted **at or below 50% AMI**



- **Homeowner retains ownership of vertical structure**
  - Homeowner receives unit rental income
  - Homeowner agrees to commit 20% of rent collected each month. A portion goes into a stewardship account to be used for cleaning, maintenance and repairs costs and a portion goes into a general account used to continue funding for the program. This is documented via a LURA or Declaration of Covenants
- **The \$100,000 subordinate DSD is recorded as a forgivable soft second loan with a 20-year term and will include a LURA or Declaration of Covenants**
  - The loan is forgiven 5% each year and is fully forgiven after 20 years
  - If the home is sold during the 20-year affordability period, the homeowner must repay the remaining balance from the proceed from the sale. The LURA/Declaration of Covenants remains with the unit for the balance of the 20 years
  - The new homeowner owner will not be income restricted but will be subject to the LURA/Declaration of Covenants on the ADU for the remainder of the term



## Tenant

- Access to Affordable Housing within a single-family neighborhood
- Access to professional property/program management
- Access to high quality, modern living places

## Homeowner

- Prevents displacement due to cost of living
- Provides owner with additional income
- Increases property value without increasing tax burden
- Access to professional property management
- Construction oversight
- Streamlined design, permitting and finance

## City

- Increased affordable housing inventory without a strain on public infrastructure
- High quality and accessible construction plans that can be redeployed
- Increase in tax digest
- Professional Property Management for compliance and long-term sustainability of the homes



**Because the targeted tenant AMI would be 50% AMI and below, and in certain geographies, additional resources may be available to the project/tenant:**

- TAD funds (in selected areas)
- City funding (yet to be determined)
- Federal Sources



## Recommended Next Steps

1. A continuous funding source would need to be identified for the initial pilot
2. Work with the City Departments to identify needed legislation
3. Specific parameters/location of the pilot would need to be defined
4. Draft RFPs



## Proposed ADU 50-UNIT PILOT BUDGET

<b>50 UNITS AT \$100K/UNIT</b>	<b>\$ 5,000,000</b>
<b>CONTINGENCY (@ 5%)</b>	<b>\$ 250,000</b>
<b>ADMINISTRATIVE FEE (ONE TIME @10%)</b>	<b>\$ 500,000</b>
<b>ONGOING MANAGEMENT FEE (@5%/YEAR)*</b>	<b>\$ 28,710</b>
<b>ONGOING ADMINISTRATIVE FEE (@5%/YEAR)**</b>	<b>\$ 57,420</b>
<b>ONGOING MAINTENANCE FEE (@5%/YEAR)***</b>	<b>\$ 28,710</b>
<b>TOTAL</b>	<b><u>\$ 5,864,840</u></b>

\*average rent of \$957/mo x12 months x 50 units x 5%

\*\*average rent of \$957/mo x12 months x 50 units x 5%

\*\*\*average rent of \$957/mo x12 months x 50 units x 5%



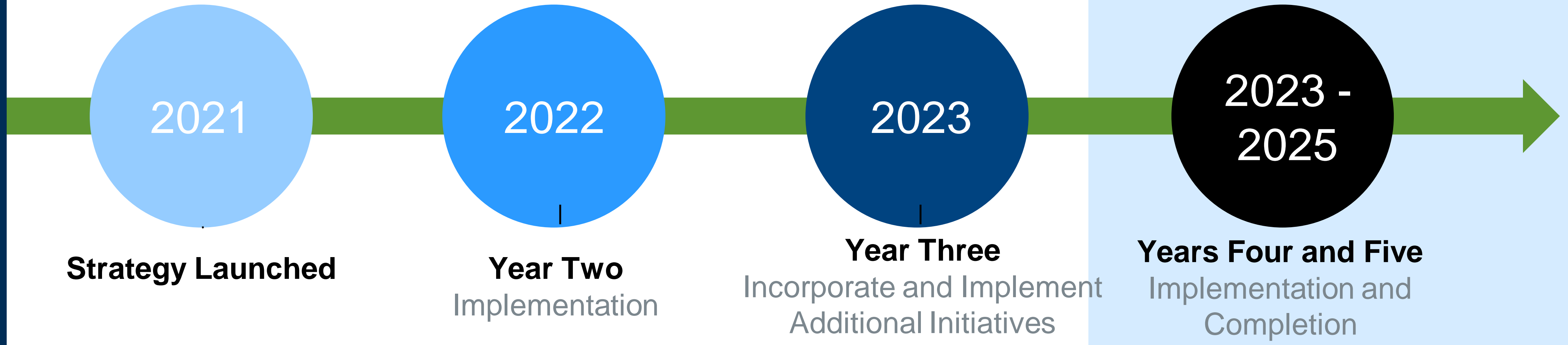


# Report Updates



# 2021 Marked the Launch of the City of Atlanta's First Economic Mobility Plan

Follows an evidence-based, pathways strategy to ensure actions make the greatest impact with measurable KPIs





Invest Atlanta 2023 Totals

**\$234.5 M**

IA Investment

**\$1.023 B**

Leveraged Capital Investment

**\$1.2 Billion**

Total Capital Investment

**\$2.3 Billion**

Total Economic Impact

**4,513**

Jobs Created and Retained

**1,941**

Small Businesses Supported

**1,420**

Affordable Housing Units Financed

**\$344.8M**

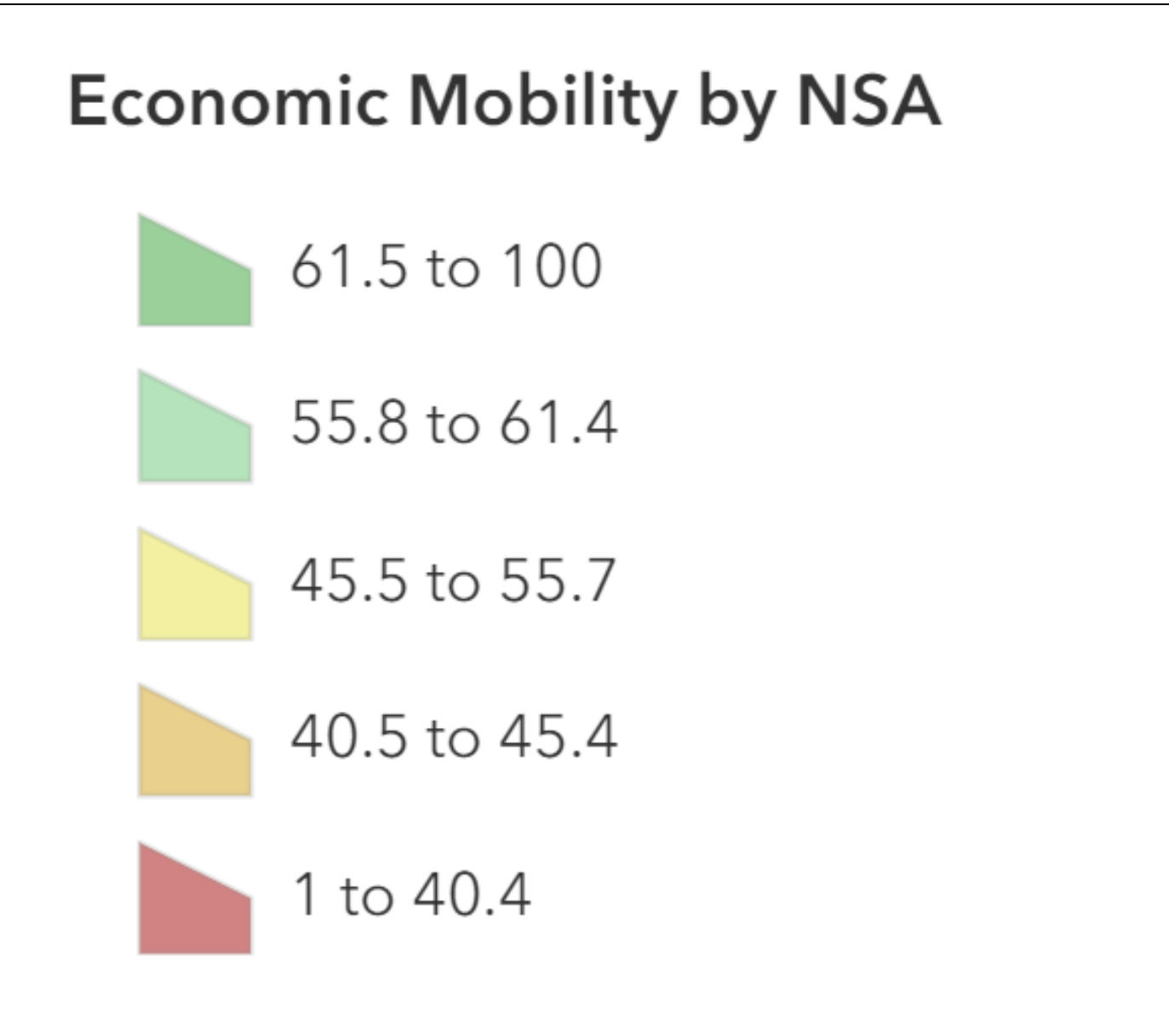
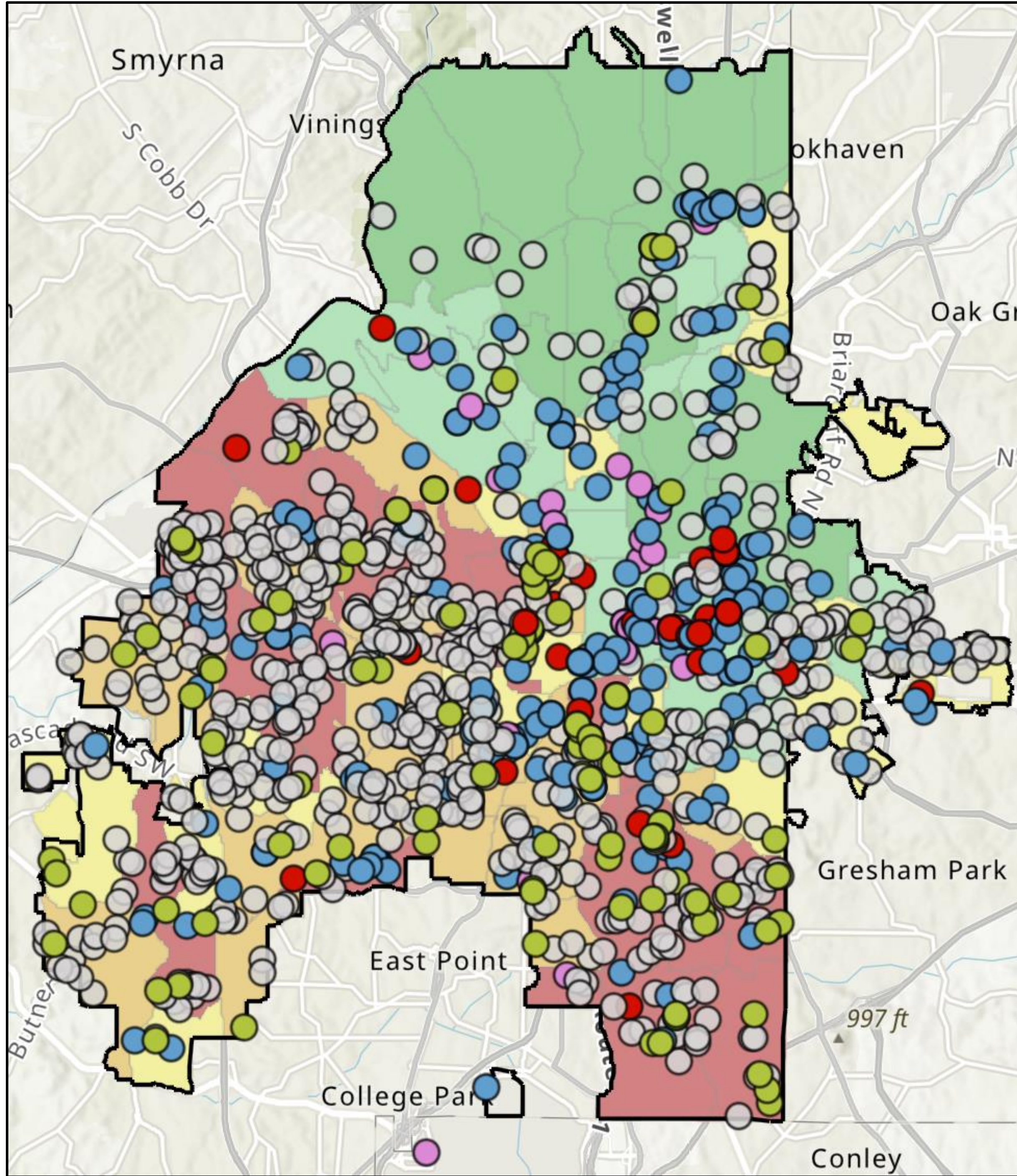
Invested in Disinvested Neighborhoods

**27.6% of capital invested**  
by Invest Atlanta in 2023 went directly  
to disinvested neighborhoods

*\*Includes 842 small businesses served through formal grant, loan, cohort, and technical assistance programs + 1,099 additional business owners who had 1:1 consultations with IA staff but did not enroll in a formal program*



# 2023 Investment Map





**\$69.9M**  
**IA**  
**Investment**

**\$136.7M**  
**Leveraged**  
**Capital**  
**Investment**

**\$22.5M**  
**New Markets**  
**Tax Credits**

**356**  
**Affordable**  
**Housing Units**

**539**  
**Jobs Created**  
**or Retained**

**29**  
**Small Business**  
**Loans and**  
**Grants**

