



City of Atlanta Housing Commission

Date: 05/28/24

To: Honorable Atlanta City Council Members

CC: Honorable Andre Dickens, Mayor, City of Atlanta

From: Andy Schneggenburger, Chair, Atlanta Housing Commission

RE: Report of Housing Commission Activities

The Housing Commission's work remains focused on the need for housing accessible to households earning below 50% AMI (approx. \$51,000 for a household of four). Homes for Atlanta families with this range of household income are still disappearing from the market at the fastest rate, resulting in continued displacement and housing insecurity for these families. Atlanta's economy, however, still relies heavily on low-wage jobs, emphasizing the importance of preserving and creating housing affordable in this price range. Homes with this level of affordability are also an important part of Atlanta's solution to homelessness, providing a critical bridge for households which have successfully stabilized through Continuum of Care services and are transitioning back into fully independent living.

As a result, the Housing Commission's recent recommendations on the new **Atlanta Urban Development Corporation** (*see Exhibit A*) encouraged the expansion of production goals for homes in the <60% AMI income group. The Commission recognizes the need for the AUDC to successfully prove the concept here in Atlanta upon which its affordability model is based, but also encourage the AUDC's leadership to explore opportunities inherent in its toolkit of resources to press for larger and deeper affordability outcomes. The Commission's recommendations to the AUDC also included recommendations to adopt administrative practices which strive for equitable and just outcomes beyond simply producing affordable homes.

The Housing Commission is of the understanding that the FY '25 budgetary allocation of capital to the **Building the Beloved Community Housing Trust Fund** (HTF) will for the first time exceed the minimum suggested amount. This is welcome news. After three years however, it is also the Commission's understanding that the HTF is yet to be made available as a resource dedicated to the creation of <50% AMI housing, as it was established to do. For decades, advocates and affordable housing providers have called for the creation of a trust fund that would 1) fill a resource gap needed to produce <50% AMI homes, and 2) be readily available to developers seeking to create or preserve this level of housing affordability. The Housing Commission's initial recommendations about the new HTF, released two years ago (*see Exhibit B*) and aligned with HouseATL's own recommendation on the HTF, remain relevant because the HTF appears to not yet be meeting this dire need, as originally envisioned. We call again for the establishment of eligibility criteria for use of HTF funds to produce or preserve housing for <50% AMI households, and the creation of an open and coordinated application process for

access to HTF funds by developers seeking grant equity or fully forgivable debt to create <50% AMI housing.

The Housing Commission has also received the following presentations:

1. The Mayor's Office gave a progress report about the recent update of the **Housing Needs Assessment**, which gives a snapshot of recent demographic and housing market trends at a neighborhood level across the city.
2. The Department of City Planning gave a progress report about the current work to **update the Comprehensive Development Plan (CDP)**. The Commission is actively exploring with CDP project stakeholders in city hall how it can constructively engage in the update process as a resource and housing subject matter expert. The Commission's role may be of particular value for the update of the Housing section of the CDP, and perhaps as a resource towards deeper community understanding of the importance of housing affordability. The Commission looks forward to future reporting on the outcome of these discussions and its engagement in the CDP update process.

End of report.

Exhibit A: Housing Commission Recommendation on the Atlanta Urban Development Corporation (AUDC) - 2024



City of Atlanta Housing Commission

March 11, 2024

Recommendations on Atlanta Urban Development Corporation Goals and Practices

Context:

After multiple presentations and detailed discussions with City staff and Executive Director Majors, the Atlanta Housing Commission is extremely excited about the AUD's potential to change the landscape of affordable housing development in the City of Atlanta. We recognize and appreciate the efforts of the City of Atlanta, Atlanta Housing and other partners and stakeholders to create this truly exciting and innovative initiative. The Commission also understands and acknowledges the challenges inherent in successfully achieving the AUD mission.

It is in the spirit of building on the current and obvious commitment to affordable housing in Atlanta that the Atlanta Housing Commission continues to advance recommendations which reflect a priority on the production and preservation of very-low-income housing. Homes affordable to households earning 50% or less of Atlanta's area median income continue to be, far and away, our area of greatest need – having the highest demand, being lost at the fastest rate, and not being consistently produced or preserved. The Commission's advocacy for a stronger commitment to deeper affordability is widespread – we note that HouseATL's 2023 updated recommendations renews the call to prioritize resources for the creation of homes for households earning at/below 50% AMI.

The Atlanta Housing Commission offers these draft recommendations with a clear understanding that:

- AUD must substantiate its model by demonstrating proof of concept - successfully developing sustainable mixed-income housing;
- Market conditions, and the ability of non-subsidy tools to produce deep affordability, will vary on a project-by-project basis;
- No real reliance on public and philanthropic investment is a part of AUDC's envisioned toolkit, and that additional subsidies are most likely necessary to meet our deepest affordability target recommendations.

The Commission, however, believes that AUDC's distinctive structure and approach, and the value of cost-reducing tools at its disposal, position the organization in a unique way to access and use public and philanthropic capital in pursuit of affordability targets far deeper than other development entities can achieve.

The Commission is not in a position to recommend specific affordability outcomes for every development. We make these recommendations on affordability goals more as a call to action, and a request to incorporate into practice a sense of urgency about production and retention of homes for households earning less than 50% AMI, whenever possible in AUDC projects, and to explore the use of additional resources to help achieve this outcome. We also believe the creation of this new public development entity presents an opportunity to establish administrative practices, from partnership sourcing to property management, which reflect equitable community-oriented goals beyond simple production.

Recommendations

The Atlanta Housing Commission respectfully recommends that the Atlanta Urban Development Corporation Board of Directors consider operationalizing or adopting the following recommendations as goals/guiding principles for the organization:

1. Place a greater emphasis on permanent affordability

AUDC expects to engage in long-term (50yrs < > 99yrs) affordability agreements as a fundamental basis of its role as master developer, negotiated on a project-by-project basis. We recommend use of a 99-yr lease as a matter of common practice. The development sector is familiar with the tool, given its frequent use on residential and mixed-use developments.

2. Commit to greater project affordability goals per project* in two ways:

a. Raise the goal for the number of units affordable at 80% AMI or less, from 30% to 50%

The inherent cost-saving components of the AUD model put it in very strong position to pursue more aggressive affordability goals and maximize the value of subsidy investments.

Atlanta's IZ policy has shown that normal market developments can produce 60% AMI or 80% AMI units *without* subsidy. We recommend that AUD adopt a more aggressive goal of 50% of the *total number* of units in a project being affordable at 80% or less of AMI.

b. Deeper affordability goals for affordable units produced

AUD should leverage its unique position to ensure that the affordable units produced include more homes for families earning below 50% AMI in each project, including a portion at/below 30% AMI (i.e. 10% of homes at 30% AMI, 30% of homes at 50% AMI, 10% of homes at 80% AMI). Other than AH's voucher programs, no one else is regularly producing these units at scale, and Atlanta continues to lose very low-income homes the fastest.

3. Seek additional subsidy sources to achieve broader and deeper affordability goals

Although the AUD model is based on achieving housing affordability without public and philanthropic capital, the benefits of the model (assuming proof of concept) should position AUD to achieve the deeper affordability with public/philanthropic funds more efficiently than other standard affordable housing developers can.

AUD must leverage early success and its prominent position to secure levels of public and/or philanthropic subsidy investments needed for greater impact.

4. **Encourage and pursue partnerships with non-profit and MBE and WMBE development entities to leverage the benefits they are capable of bringing to these projects.**
 - a. Non-profit organizations focused on real estate development and housing typically bring a specialized experience and cultural capacity to work with lower-income communities and households, providing a value-add for community engagement and partnership-building. AUD should recognize and exploit this opportunity to leverage mission-based value and intentionally provide support and capacity-building to Atlanta's non-profit sector in new ways.
 - b. Practice the pursuit of partnerships with woman- and minority-owned businesses with intentionality to ensure an equitable portfolio of partnerships on AUD projects. Promoting pathways to partnership on AUD projects for MWBE developers will help build a stronger and more diverse development sector in Atlanta, while creating durable relationships in and with communities where AUD projects are built.
5. **Incorporate a community- and mission-based lens into internal operations**

Utilize the lived experience of low-income residents through a community advisory tool (i.e. advisory board, etc.) that assists with evaluation of internal benchmarking and self-assessment work; and with guidance from community voices, adopt evaluation metrics to advise the selection of development partners, and to evaluate AUDC organizational success. Ensure that production goals *and* mission-oriented goals are incentivized in any formulated staff compensation structure.
6. **Adopt a professionally facilitated, proactive community engagement methodology**

Employ experienced engagement practitioners to create a two-way communication channel and equitable-outcome-oriented work plan with community at each project location. Through this process, make projects responsive to community vision and needs *before* finalizing design and financing, while remaining committed to affordability goals.
7. **Develop internal cultural competency and integrate cultural sensitivity in Property Management and Resident Relations functions**

Establish practices with a strong emphasis on cultural sensitivity and awareness to identify and manage socio-economic dynamics and community-building challenges often inherent in broadly mixed-income housing "communities".

Exhibit B: Housing Commission Recommendation on the Housing Trust Fund - 2022



City of Atlanta Housing Commission

Date: 11/10/22
To: Honorable Atlanta City Council Members
CC: Honorable Andre Dickens, Mayor, City of Atlanta
From: Andy Schneggenburger, Chair, Atlanta Housing Commission

RE: Building the Beloved Community Housing Trust Fund

These **Building the Beloved Community Housing Trust Fund (HTF)** recommendations were developed based on:

- Atlanta's well-documented, rapidly growing deficit of housing affordable specifically to very-low-income households with incomes of 50% or less of area median.
- The lack of resources dedicated to producing housing for very-low income households, as opposed to resources committed to production of housing for higher levels of income.
- Consensus of a diverse group of key stakeholders that included affordable housing developers, advocates, and funders.
- Tenets of the City of Atlanta's Equitable Housing Needs Assessment, the ONE Atlanta Housing Affordability Action Plan and the 2018 HouseATL Report.

Recommendation

The Atlanta Housing Commission strongly recommends the Atlanta City Council establish the following guidelines for HTF investments:

- Use HTF funds solely for production, preservation, and provision of affordable housing.
- Dedicate the use of the first \$20 million in annual capital provided through the City of Atlanta budget process to the creation or preservation of housing for households earning no more than 50% AMI.
- Allow the use of all annual budgeted capital in excess of \$20 million for the creation or preservation of housing for households earning no more than 80% AMI.
- Make uses eligible for funding as a part of the creation or preservation of affordable housing *fully flexible*, including costs associated with land acquisition, predevelopment, project infrastructure, rent subsidies and down payment assistance, and loan guarantees.
- Make all funds available as equity, subsidy, or fully-forgivable debt.

Additionally, we urge the Atlanta City Council to lead a collective effort to encourage philanthropic investment in the HTF to **match or exceed** the City's annual contribution.

Basis for Recommendation

This strategic use of HTF funds provides:

1. A focus on the affordable housing **most needed and being lost at the highest rate: housing for families earning no more than 50% AMI.**
2. Reduced project debt and operational costs through subsidy investments, which enables sustainable long-term affordability and operation.
3. Flexibility in eligible uses of the funds that are needed to work with the variety of project phases and financing sources normally required for complex affordable housing developments.
4. Maximum potential to leverage the companion, debt-based Housing Opportunity Bond (HOB) program to help produce very-low-income housing. Due to its debt-based structure, the HOB program cannot effectively support production of homes for **50% AMI (and below)** families without additional grant or equity investments.

Additional Factors:

Within Atlanta's current affordable housing delivery system, no other reliable or consistent source of grant/equity funding is currently available city-wide to support production/preservation of housing for households earning 50% AMI and below, nor are other affordable housing programs sufficiently producing this housing.

This recommendation is supported by results of the Housing Commission's policy assessments and is made as an attempt to remind policy makers that among Atlanta's local financial investments, the 80% AMI threshold has been the standard. Few financial resources have been made available to support production or preservation of affordable housing for households at or below 50% AMI, where affordability and volume are being lost at the greatest rate, and more homes are needed than in any other AMI bracket. The HTF is the first opportunity for our city to commit to financially resourcing the production of these homes with equity.

Housing instability is a leading indicator of critical quality of life deficits including educational outcomes, job stability, and mental and physical health.

The lack of safe affordable housing is a primary challenge to economic advancement faced by Atlanta's low-income households, and especially the very-low-income households with incomes below 50% AMI.