



Source: History.com



CITY OF ATLANTA SURPLUS PROPERTIES ASSESSMENT

HR&A
Analyze. Advise. Act.

9/28/17



HR&A is a real estate and economic development consulting firm working at the intersection of the public and private sectors. We transform and revitalize communities by linking accretive private investment with public resources to support communities' aspirations.



**ATLANTA HOUSING AUTHORITY
PROPERTY ACQUISITION FUND**



**INVEST ATLANTA AFFORDABLE
HOUSING STRATEGY**



**100 RESILIENT CITIES: RESILIENT
ATLANTA STRATEGY**



**STRATEGIC PLAN FOR ATLANTA'S
TAX ALLOCATION DISTRICTS**

We have a deep understanding of the Atlanta real estate market and the City's priorities for affordable housing.

We have worked with a number of agencies and organizations **across the City of Atlanta** on a wide range of complex real estate and affordable housing projects.



HR&A's Scope of Work for Atlanta

The City of Atlanta engaged HR&A Advisors in a \$20,000 project to analyze a portion of the City's potential portfolio of surplus properties, to evaluate the potential for development of affordable housing, and provide recommendations for a City policy.

This analysis is provided in support of the **City's ongoing exploration of strategies to use surplus property for the development of affordable housing.**

HR&A's Scope of Work:

- Surplus property development feasibility analysis
- Review of best practices
- Draft example surplus property policy
- Recommendations for policy implementation

Development Feasibility Analysis

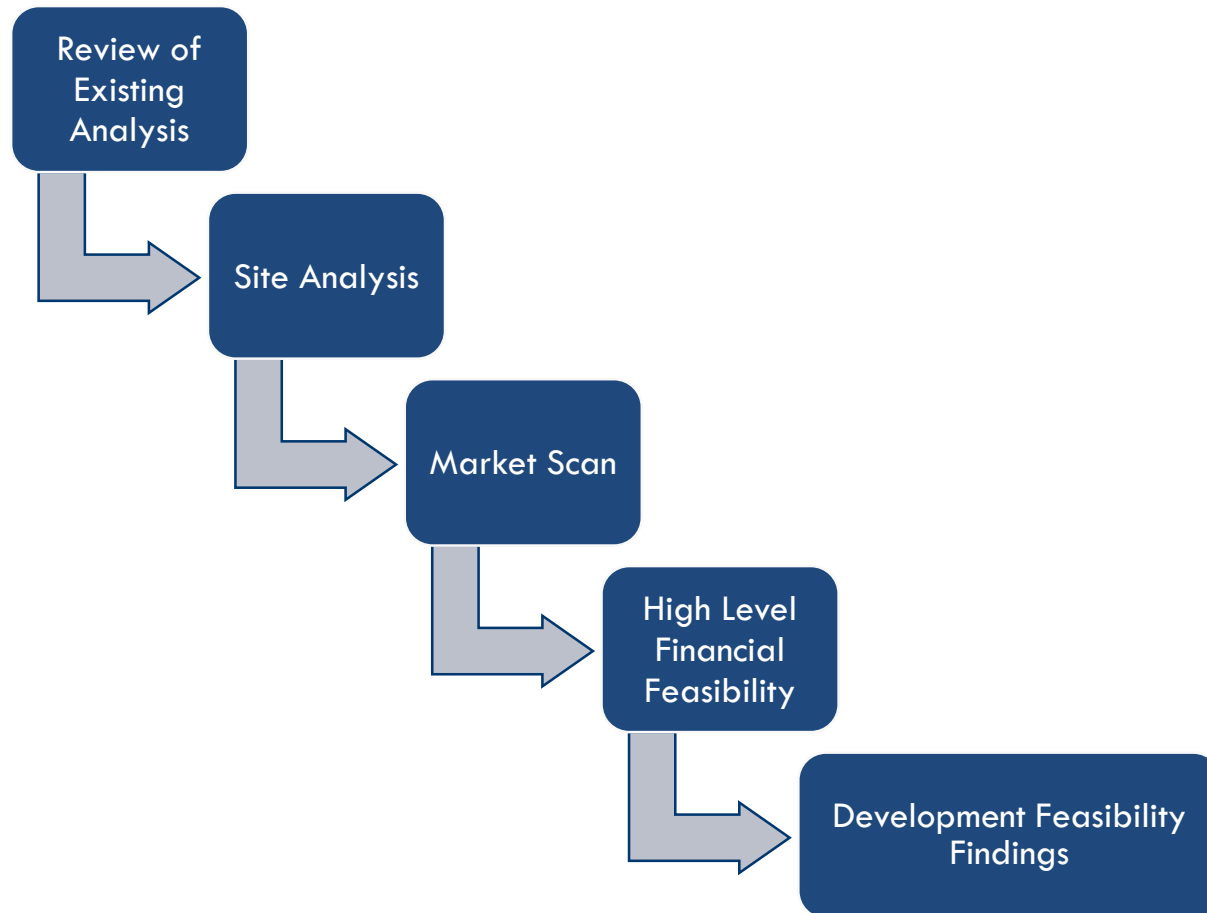
Surplus Property Policy Best Practices

Draft Policy Recommendations

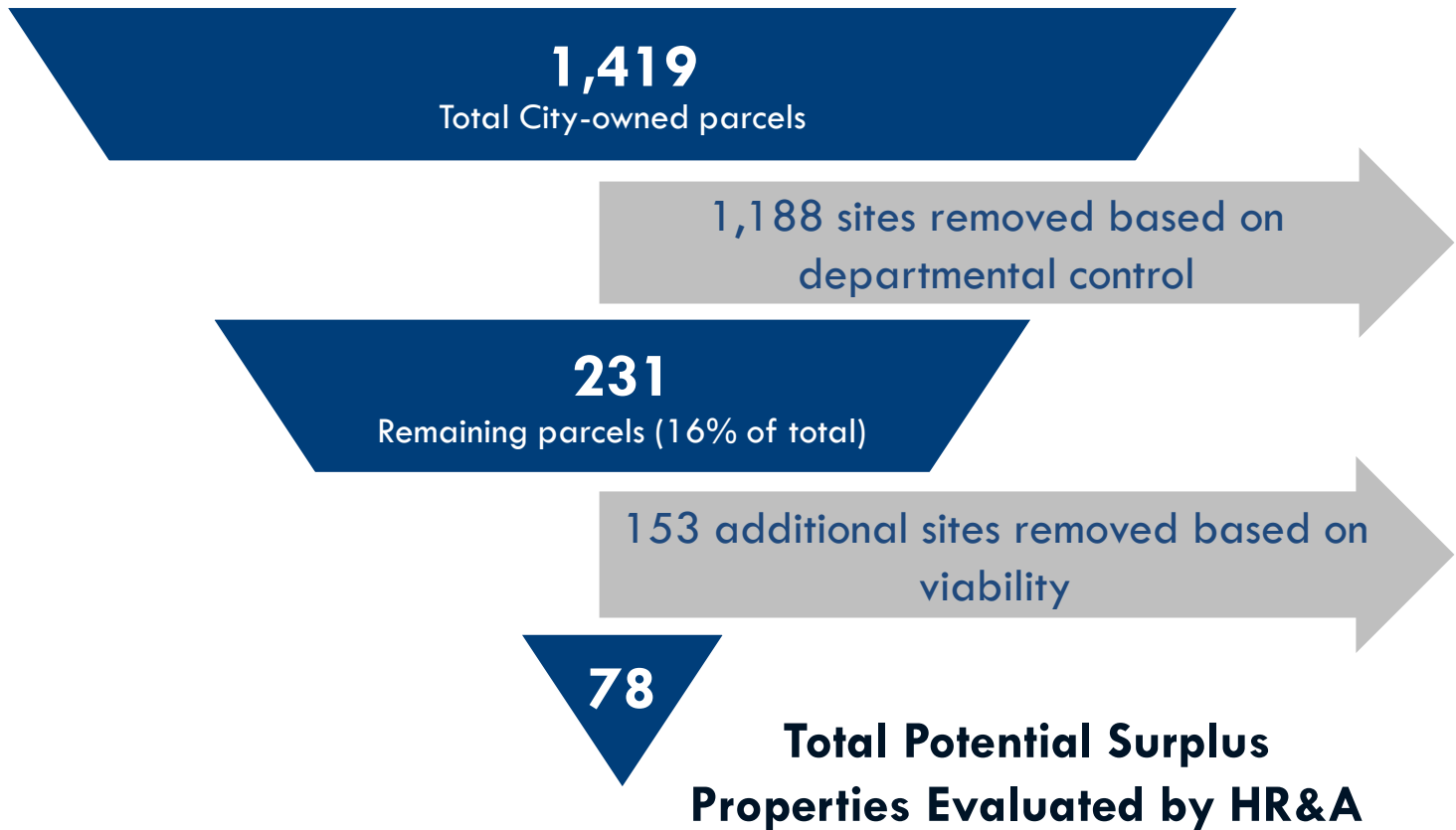
Recommended Next Steps

Questions

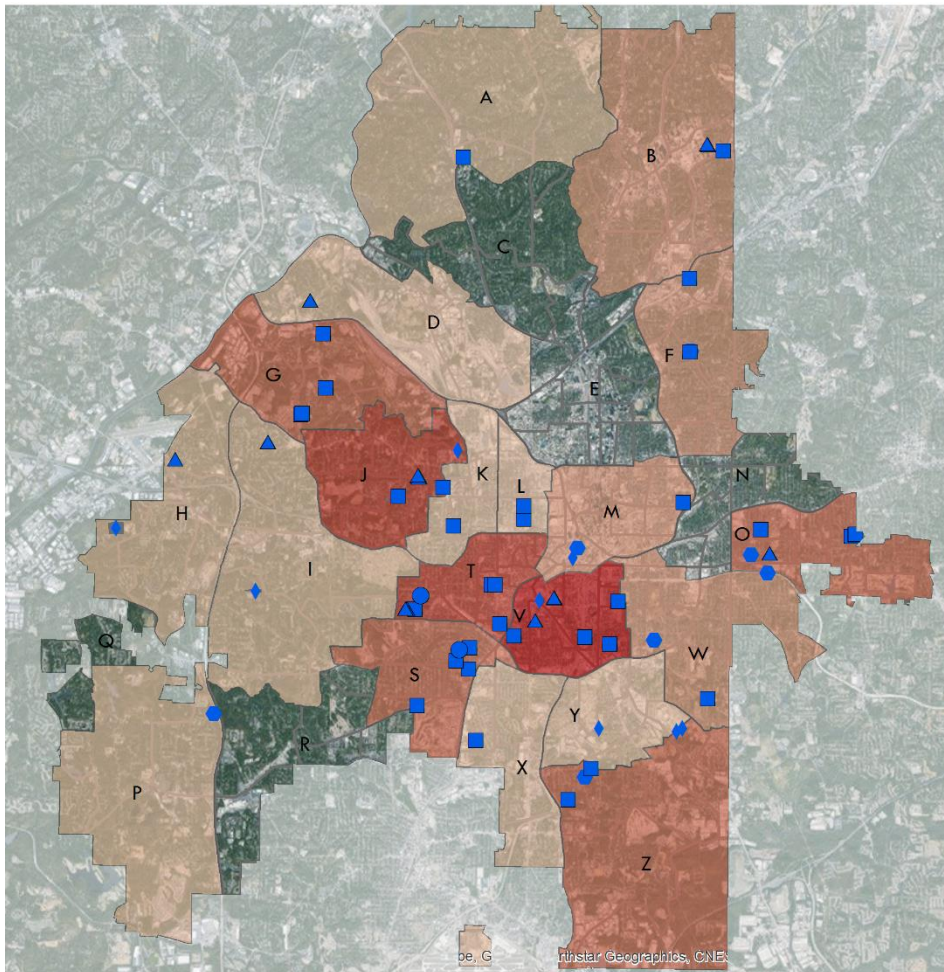
Feasibility Analysis Process



Review of Existing Portfolio Analysis



78 Sites Spread Across 20 NPUs



Surplus Property Sites

Development Potential

- Existing
- ◆ Large
- ▲ Medium
- Small
- ⬡ Unlikely

Sites by NPU

- 1-2
- 3-4
- 5-6
- 7-8
- 9-10

Site Analysis

The site analysis evaluated the following:

- Physical site constraints
- Immediate adjacencies
- Potential to integrate or expand development beyond the City's site ownership
- Potential floodplain impact

Site Analysis

The sites were classified based on their development potential

- **Large:** Above 2.0 acres, or potential to integrate with adjacent
- **Medium:** 0.5 to 2.0 acres, or potential to integrate with adjacent
- **Small:** Less than 0.5 acres, or in a low density residential context
- **Unlikely to be Developed:** significant site constraints

Redevelopment Potential	Sites	% of Portfolio
Large	8	12%
Medium	17	23%
Small	42	55%
Unlikely to be developed	11	14%
Total	78	100%

Market Analysis

Market conditions around City-owned were classified into three broad types.

Market Analysis Factors	Strong Submarket	Tipping Point Submarket	Weak Submarket	City of Atlanta
Population Growth	> 6%	0% - 6%	< 0%	6.4%
Vacancy	< 12%	12% - 15%	> 15%	15.9%
Median HH Income	> \$70k	\$35k - \$70k	< \$35k	\$60k
Median Rent	> \$950	\$750- \$950	< \$750	\$790
Median Home Value	> \$250k	\$170k - \$250k	< \$170k	\$268k
Homeownership	> 50%	40% - 50%	< 40%	44%
Poverty Rate	< 11%	11% - 21%	> 21%	21%

Source: Esri Business Analyst, US Census Bureau. Data represents the City of Atlanta.

Market Analysis

Stronger Market Potential



Market Potential

		Strong	Tipping Point	Weak	Total
Potential Redevelopment Scale	Large	0	2	6	8
	Medium	3	3	11	17
	Small	8	10	24	42
Total		11	15	41	67

Larger-Scale Development Potential



Affordability Analysis

The maximum home purchasing capacity was estimated for households in Atlanta.

	30% AMI Households	50% AMI Households	80% AMI Households
Household Income (4-person)	\$20,910	\$34,850	\$55,760
Annual Housing Budget	\$6,273	\$10,455	\$16,728
Monthly Housing Budget	\$523	\$871	\$1,394
	<i>Maximum Affordable</i>		
Monthly Housing Cost	(\$523)	(\$871)	(\$1,394)
Household Purchase Capacity	\$80,000	\$133,000	\$213,000

Affordability Analysis

The maximum monthly rent affordable for households in Atlanta.

	30% AMI Households	50% AMI Households	80% AMI Households
Household Income (4-person)	\$20,910	\$34,850	\$55,760
Annual Housing Budget	\$6,273	\$10,455	\$16,728
Monthly Housing Budget	\$523	\$871	\$1,394
	<i>Maximum Affordable</i>		
Monthly Housing Cost	(\$523)	(\$871)	(\$1,394)
Monthly Utility Expenses	(\$250)	(\$250)	(\$250)
Rental Expense Capacity	\$273	\$621	\$1,144

Development Feasibility Scenario Analysis

Three scenarios evaluating different approaches to affordable housing development:

Scenario 1

Cross-subsidization for medium- and large-scale, for-sale projects in strong and tipping point markets

Scenario 2

Direct subsidy for small-scale for-sale projects in weak markets

Scenario 3

Direct subsidy for large-scale rental projects in weak and tipping point markets

Scenario 1 | Cross-subsidization for medium- and large-scale, for-sale projects in strong and tipping point markets.

		Market Potential		
		Strong	Tipping Point	Weak
Potential Redevelopment Scale	Large	0	2	6
	Medium	3	3	11
	Small	8	10	24

8
Sites

Scenario 1 | Affordable units can be produced using cross-subsidization on medium-scale sites in strong markets.

The number of affordable housing units that can be produced varies based on the level of affordability.

30% AMI homeownership units require approximately \$55,000 more in subsidy than 50% AMI units.

Affordable Housing Outcomes

City Contribution:

100% of Land value
(\$1M)

Affordable Units Produced:

6 units @ 30% AMI,
9 units @ 50% AMI, or
15 units @ 80% AMI (full site buildout)

Scenario 2 | Direct subsidy for small-scale for-sale projects in weak markets.

		Market Potential		
		Strong	Tipping Point	Weak
Potential Redevelopment Scale	Large	0	2	6
	Medium	3	3	11
	Small	8	10	24

59
Sites*

*Note: Direct subsidy could be applied to all scenarios

Scenario 2 | For small-sites will require significant additional subsidy or a developer that can build for below-market costs.

	30% AMI Households	50% AMI Households	80% AMI Households
Household Income (4-person)	\$20,910	\$34,850	\$55,760
<i>Maximum Affordable</i>			
Monthly Housing Budget	(\$523)	(\$871)	(\$1,394)
Household Purchase Capacity	\$80,000	\$133,000	\$213,000
Single Family Home Cost*	(\$125,000)	(\$125,000)	(\$125,000)
Land Donation	\$25,000	\$25,000	\$25,000
Housing Cost Gap	(\$20,000)	---	---

*The development cost is below-market and based on nonprofit model with discounted material costs, offset administrative costs, volunteer labor, large-scale production, cost-saving design and other cost saving features.

Scenario 3 | Direct subsidy for large-scale projects in weak and tipping point markets.

		Market Potential		
		Strong	Tipping Point	Weak
Potential Redevelopment Scale	Large	0	2	6
	Medium	3	3	11
	Small	8	10	24

8
Sites

Scenario 3 | Direct subsidy for large-scale projects in weak and tipping point markets

- Use of Low Income Housing Tax Credits (LIHTC) is the most effective approach to developing large-scale multifamily rental projects in “tipping point” or “weak” submarkets.
- The City should only consider developing LIHTC projects in “weak” or “tipping point” neighborhoods if there is strong indication that area conditions are improving or there is a plan and funding to revitalize the area.

Summary Scenario Analysis Findings

- In “strong” or “tipping point” markets, the City may be able to take advantage of cross-subsidization to deliver affordable units.
- For a majority of City sites it **may be possible** to create affordable homeownership for 50% AMI households, through small scale development in “weak” markets, **if the City can partner with a nonprofit similar to Habitat** who has low construction costs and the ability to access favorable mortgage financing.
- **To serve households below 30% AMI, the City will need to combine discounted disposition of public land with other subsidies.**

Development Feasibility Analysis

Surplus Property Policy Best Practices

Draft Policy Recommendations

Recommended Next Steps

Questions

Surplus Property Policy Best Practices

Jacksonville, FL

- City donates properties for creation of affordable housing to developers
- Prioritize non-profit developers
- Place affordability restriction on the property

Baltimore, MD

- Acquire sites auctioned at \$5,000 minimum bid
- Naturally affordable prices attractive to developers
- Creates quality, rehabilitated affordable housing

New Orleans, LA

- Developers receive financing incentives to develop affordable housing on city surplus properties
- Properties are offered in target neighborhoods
- Eventual sale restricted to at/below 120% AMI



Sources: Visit Jacksonville, Center for Community Progress, The Advocate

Surplus Property Policy Best Practices

HR&A reviewed surplus property policy best practices from three cities: Jacksonville, FL, Baltimore, MD and New Orleans, LA.

- Actively maintain and evaluate a list of surplus properties
- Perform regular predevelopment analysis to identify potential development constraints and opportunities
- Secure clear title
- Combine conveyance of property with other sources of funding
- Stipulate a preference for local non-profits through the disposition process
- Limit the number of lots sold to any single entity to five (5)
- Vet developer/buyer capacity
- Include reversion and performance clauses in all sale agreements

Development Feasibility Analysis

Surplus Property Policy Best Practices

Draft Policy Recommendations

Recommended Next Steps

Questions

Policy Recommendations

HR&A recommends pursuing one or both of two options to convey surplus property below:

- I. **Re-launch the City's Urban Homesteading program** and partner with a local affordable housing builder to convey surplus properties below fair market value and promote development of affordable housing.

- II. **Dispose of surplus property at fair market value, then immediately issue a rebate** to the buyer, for the full amount paid, through a grant or no interest, forgivable soft loan.

Note: City may also be able to engage the Atlanta Land Banking Authority to sell properties below market value.

Policy Recommendations

- Set a required target for affordable housing development, for:
 - Households at 50% of AMI
 - Households at 30% of AMI, if able to provide subsidy beyond discounted land
- Require the maximum affordability period for development on each site (20 years)
- Focus the sale of surplus properties to nonprofits initially, but allow for-profit participation for those lots not purchased by nonprofits.
- Let market conditions dictate whether properties developed are for sale or rental; allow for both.
- Strongly consider how to align existing housing programs (down payment assistance, housing choice vouchers, LIHTC, etc.) with the disposition of public land.

Development Feasibility Analysis
Surplus Property Policy Best Practices
Draft Policy Recommendations

Recommended Next Steps

Questions

Next Steps

- Continue to examine the legal implications of selling or donating land for less than market value
- Maintain an updated list of surplus properties
- Engage potential local partners such as the Atlanta Housing Authority, Atlanta Beltline, Inc., and Invest Atlanta, to determine if there is interest to partner
- Engage the Atlanta Land Banking Authority (LBA) team, to the extent the LBA can serve as the City's partner and administrator of this program
- Engage Habitat for Humanity and other affordable housing organizations that develop for-sale housing

Development Feasibility Analysis
Surplus Property Policy Best Practices
Draft Policy Recommendations
Recommended Next Steps

Questions



HR&A
Analyze. Advise. Act.

CITY OF ATLANTA SURPLUS PROPERTIES ASSESSMENT

9/28/17