

March 15, 2014

# Equitable TOD Market and Financial Feasibility Analysis

FINAL REPORT

---

Atlanta TOD Collaborative



Prepared by:  **Bleakly** Advisory Group

# Table of Contents

---

<b>Section</b>	<b>Page</b>
Executive Summary	3
A Definition of Equitable TOD for Atlanta	24
Defining Unit Types and Financing Gaps	27
Best Practices in Equitable TOD Nationally	31
Best Practices in Financing Equitable TOD	42
Prototype Affordable Housing Developments and Strategies	49
MARTA Station Area Typology and Feasibility Analysis	58
Conclusions	72
Appendices	80

# Executive Summary

---

# Why an Equitable TOD Strategy for the Atlanta Region?

---

- **The traditional structure of creating projects with 80% market rate units and 20% affordable units with affordable income limits of 60% or 80% AMI is of limited use across the typology of TOD station areas.** Greater flexibility is needed to meet the needs of providing housing serving a broad spectrum of incomes in high cost/high demand areas and areas which are not attracting significant market interest as well as emerging TOD station areas.
- **An Equitable TOD strategy should align with demand by income quintiles existing in a given market area.** The sources of demand vary significantly based on local market conditions in the TOD station areas, thus, a range of approaches will be needed to assure a mix of housing is created in across the typology of stations.
- **A large segment of affordable demand comes from low- and moderate wage working households,** and downwardly mobile middle-class families, which are being impacted by declining social mobility and economic opportunity. Creating housing in the station areas provides access to the regional job market with over 286,750 jobs already along the MARTA network.
- **Geographic and racial disparities in metro Atlanta have been documented which limit access to jobs and economic prosperity for many in the region.** The opportunity to create large-scale, permanently affordable mixed income workforce housing at key stations areas like East Point, Fort McPherson, and Oakland City can directly support retail, job creation and other benefits to help overcome these disparities.

# Why an Equitable TOD Strategy for the Atlanta Region? (cont.)

---

- By creating new mixed income communities at station areas and providing access to jobs and services, the potential transportation savings to its residents would be significant lessening the housing/transportation cost burden for many households.
- The TOD Collaborative is focused on subsidized housing strategies that produce the most impactful range of affordable products, and which generates other beneficial social outcomes through creating a sustainable, walkable community at key station areas.
- TOD affordability strategies must be catalytic, large-scale, and concentrate incentives so the basic cost of housing production are significantly reduced.
- The initial focus of the TOD Collaborative could be on historically disinvested but transit-served depopulated areas, with a goal of increase density, raising property values, and increasing tax base to create viable mixed income communities.
- The TOD Collaborative is focused on creating early positive momentum for Equitable TOD, as a result it will look for opportunities in Atlanta and adjacent jurisdictions where a range of incentives and regulatory structures are either in place or in process to support TOD development.

# Purpose of the Research

---

The Atlanta TOD Collaborative engaged two consultants--Reconnecting America, Inc. and the Bleakly Advisory Group, Inc.--to assist it in evaluating the opportunities for equitable transit oriented development in the Atlanta region.

**Reconnecting America, Inc.** (RA) was responsible for evaluating development and demographic conditions around the 37 MARTA station areas in the region. From this analysis, a typology of station types was developed. The typology was based on an analysis of the susceptibility of each station area for TOD development and the presence and future vulnerability of the existing low- and moderate-income households living in the immediate market area from future development. The results of their analysis are presented in a separate report, (name) and serve as the basis for the research done by Bleakly Advisory Group, Inc. (BAG).

**Bleakly Advisory Group, Inc.**'s. research involved taking the station area typology developed by RA and extending the research to address five key issues:

- Defining Equitable TOD and its benefits
- Analyzing best practices for implementing Equitable TOD nationally and in the region
- Integrating RA's station area typology into the Atlanta region
- Analyzing the impact of various financial mechanisms and incentives on affordable housing in TOD areas
- Outlining a strategy for an Equitable TOD financing fund for the Atlanta region

This executive summary highlights the key findings and recommendations from the TOD Collaborative based on this research. The full BAG report provides additional detail and background research on each of these topics for those interested.

# Definition and Benefits of Equitable TOD

---

Equitable Transit-Oriented Development (TOD) combines place-based and people-based approaches to develop solutions that address the **full range of needs of existing and future community residents living near transit.**

Equitable TOD achieves:

- Greater **economic opportunity** by creating **easier access** for low- and moderate-income households
- Increases in property values **without displacing** the residents who would most benefit from the increase
- A **balance between return on investment** for private investors and **equity goals**
- **A reduction in a household's overall housing and transportation costs** —which combined can account for 60%+ of the disposable income of Atlanta's affordable households\*

# The Atlanta TOD Collaborative's Goals for Equitable TOD

---

## **1. Promote Equitable Housing Opportunities by:**

- Encouraging the creation and preservation of mixed income housing in TOD areas
- Enacting policies to minimize impacts of value increases on existing residents' housing costs
- Recapturing the supply of vacant properties for households across the income spectrum

## **2. Promote Equitable Access to Employment by:**

- Creating mixed income housing either in, or proximate to, job centers accessible by transit
- Encourage/incentivize job creation at transit served locations

## **3. Promote Equitable Access to Services by:**

- Providing zoning and incentives to encourage neighborhood retail within walkable distance from transit
- Provide spaces for community services and institutions in TOD areas
- Provide the connective infrastructure needed to create a walkable environment within each TOD area

## **4. Promote Equitable TOD to minimize household auto usage, lessen transportation costs**

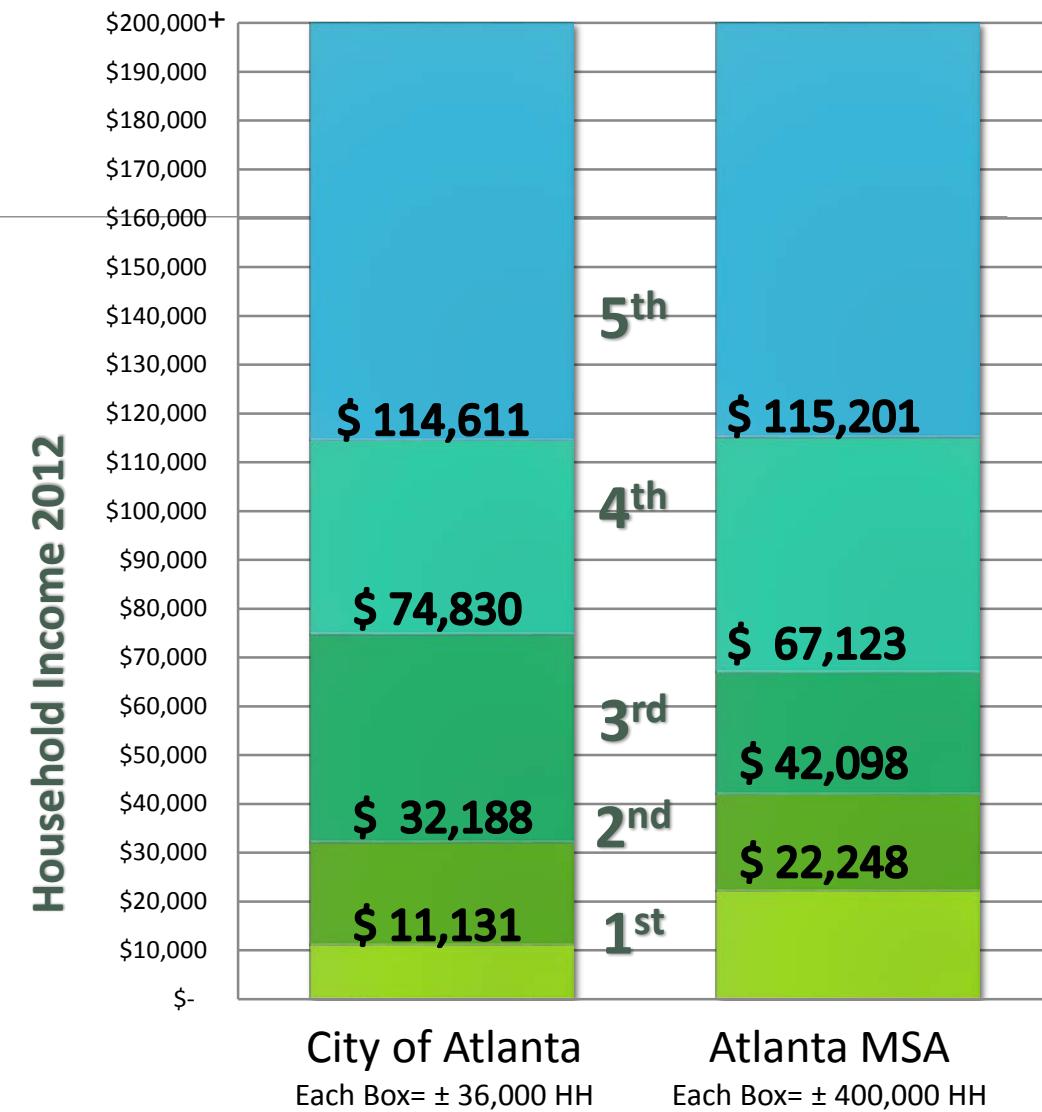
# Why Equitable TOD is Important to Atlanta

---

- **It targets a large portion of the region's households**-- 40% of city and regional households earn less than \$ 42,000 per year—the median household income of Atlanta is \$46,146.
- **It helps working households that are the backbone of our economy**--These households represent the majority of working Atlantans in the fields of hospitality, restaurant and retail, government, medical services and other parts of the service sector.
- **It can lessen the Housing/Transportation Cost Burden**--Working families in the Atlanta region, with incomes between \$20,000 and \$50,000, spend 61% of their yearly budget on combined housing and transportation costs\*. Equitable TOD gives households the option to drive less, saving transportation costs and leaving more income for housing costs.
- **It is a sustainable way to accommodate a substantial portion of the region's future growth** by leveraging our historic investment in transit, providing better access to jobs and a better future and supports a pattern of development that is increasingly demanded by younger households.

# 40% of Atlanta city households make \$31,200 or less...

- Household income quintiles represent the distribution of income in five 20% increments.
- The bottom two quintiles in Atlanta, representing 40% of all households, have incomes of \$31,200 or less, beyond the reach of most affordable housing strategies.
- By contrast, the bottom 40% of households in the region have incomes up to \$42,100.
- Affordable housing programs have traditionally targeted households in Atlanta's third quintile--\$32,200 to \$74,800 in income. (Atlanta's median household income is \$68,000).
- Equitable TOD housing strategies focus on working households in the third quintile, with incomes from \$32,188 to \$74,830. Resources to help households in the second quintile are more limited and the first quintile is largely limited to public housing subsidies.



Source: US Census American Community Survey 2012 3-Yr Average Table B19001

# Reconnecting America's Atlanta TOD Typology

The RA typology organizes the 37 MARTA stations into three types based on current market conditions (mature, emerging or lagging) and the vulnerability of low and moderate households to displacement based on four factors: income, percentage of zero-car households, percentage renters, percentage non-auto commuters.

RA developed specific strategies to address the unique conditions in each of the station area types, shown on the following page.

Type A	Type B	Type C	Type D	Type E
Low Vulnerability Emerging Mature Market	Moderate/High Vulnerability Emerging Mature Market	Moderate Vulnerability Emerging Market	Moderate/High Vulnerability Emerging Market	High Vulnerability Lagging Market
Avondale	Arts Center	Brookhaven	Ashby	Bankhead
Buckhead	Civic Center	Decatur	Chamblee	College Park
Dunwoody	Dome GWCC CNN	Edgewood/Candler Park	King Memorial	Hamilton Holmes
Lenox	Five Points	Gamett		Kensington
Med Center	Lindberg Center	Georgia State		Lakewood/Ft. McPherson
	Midtown	Inman Park		Oakland City
	North Avenue	North Springs		Vine City
	Peachtree Center	East Lake		West End
	Sandy Springs			West Lake
				Doraville
				Indian Creek
				East Point

# Reconnecting America Typology Recommendations

STATION TYPE	CONDITION	STRATEGY
<b>Type A:</b> <b>Low Vulnerability + Emerging/Mature Market</b>	<ul style="list-style-type: none"> <li>In/near major job centers</li> <li>Affluent population</li> <li>Strong market, lack of existing affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>Improve job access</li> <li>Improve connectivity of station areas</li> <li>Build new affordable stock</li> <li>Develop affordable at adjacent MARTA stops with good access</li> </ul>
<b>Type B:</b> <b>Moderate/High Vulnerability + Emerging/Mature Market</b>	<ul style="list-style-type: none"> <li>Greater mix of incomes present</li> <li>Susceptible to displacement from strong market</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing preservation</li> <li>Rent stabilization to help existing residents stay</li> <li>Introduce new compact housing types</li> <li>Station infrastructure</li> </ul>
<b>Type C:</b> <b>Moderate Vulnerability + Emerging Market</b>	<ul style="list-style-type: none"> <li>Greater mix of incomes present but displacement an issue</li> <li>Market not as strong but improving</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing creation</li> <li>Affordable preservation</li> <li>Invest in community assets, attractive to middle class residents</li> </ul>
<b>Type D:</b> <b>Moderate/High Vulnerability + Emerging Market</b>	<ul style="list-style-type: none"> <li>Given weak market not likely to see development in short term</li> <li>Improve access to jobs in other areas</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing creation</li> <li>Affordable preservation</li> <li>Expand jobs and services to increase services to existing households.</li> </ul>
<b>Type E:</b> <b>High Vulnerability + Lagging Market</b>	<ul style="list-style-type: none"> <li>High percentage of low income households</li> <li>Due to weak market limited short term housing investment</li> </ul>	<ul style="list-style-type: none"> <li>Station areas need improved access to jobs via transit</li> <li>Improvements to station areas</li> <li>Strengthen community assets</li> </ul>

# Affordable Housing Types by RA Station Typology

With input from the TOD Collaborative, representative stations were chosen for each of the five station types

A compatible building type was also selected for each sample station area based on recent housing development trends

	Description	Representative Station	Building Type	Density (Units/Acre)
Type A	Low Vulnerability Emerging/Mature Market	Dunwoody	Midrise Rental w/ Laminated Deck	50-60
Type B	Moderate/High Vulnerability Emerging/Mature Market	Arts Center/Midtown	Midrise Rental over Parking Platform	70-80
Type C	Moderate Vulnerability Emerging Market	Brookhaven	Midrise Rental w/ Laminated Deck	50-60
Type D	Moderate/High Vulnerability Emerging Market	Ashby	For Sale Townhome	12-15
Type E	High Vulnerability Lagging Market	East Point/Kensington	Low-rise w/ Surface Parking	25-35

# Feasibility Analysis Objectives

Pro forma TOD scenarios were developed for each representative station, showing either a 20% affordable housing unit mix or a 100% market rate unit mix to determine the financial feasibility of affordable housing at each station area.

- The pro formas were based on current market trends in surrounding submarkets in terms of:
  - Density
  - Land Values
  - Unit Mix/Size
  - Monthly Rents
- Various affordable housing subsidies were tested to determine where they could have the most impact:
  - Subsidize all land costs
  - Subsidize land costs of affordable units
  - Subsidize parking deck
  - Waiver of impact/permitting fees

## Modeling Exercise Key Assumption

- Return on Equity Hurdle Rates:
  - Rental: 8%
  - For Sale: 20%

# Example: Type E--High Vulnerability, Lagging Market

**Representative Station Area:** East Point

**Building Type:** Low-rise rental with surface parking

**Challenges:**

- Weak market demand
- Low existing rents
- Lack of TOD supportive infrastructure

**Modeling Exercise Key Conclusions:**

- Low market rents make a financially infeasible even with subsidy ( needing a 8%+ return to attract investors)
- Low income housing tax credit financing likely best option to improve overall project returns
- Subsidizing land costs significantly improves project financial outcome

**Key Proforma Assumptions**

Costs	Per Unit
Land	\$ 5,000
Unit Construction Costs	\$ 60,000
Parking Costs	\$ 1,950
Total Hard Costs	\$ 62,430
Soft Costs	\$ 19,263
Total Uses of Funds	\$ 81,693
<b>Financing</b>	
Equity	35%
Debt	65%
<b>Monthly Rent/Unit</b>	
<b>Market Rate</b>	
1 Bedroom / 1 Bath	\$ 850
2 Bedroom / 2 Bath	\$ 975
3 Bedroom / 2 Bath	\$ 1,150
<b>Affordable @ 60% AMI</b>	
1 Bedroom / 1 Bath	\$ 672
2 Bedroom / 2 Bath	\$ 772
3 Bedroom / 2 Bath	\$ 870
<b>Return On Equity</b>	
Without Affordable Component	4.6%
With Affordable Component	3.2%
Annual Difference	1.5%
<b>Affordable With Subsidy</b>	
Subsidize all land cost	4.9%
Subsidize affordable land cost	4.0%
Subsidize parking deck	-
Waiver of impact/permitting fees	3.9%

# Example: Type E--High Vulnerability, Lagging Market

## Modeling Exercise Key Conclusions:

- Low market rents in East Point station area make 8% hurdle rate difficult to achieve
- Station area market rents are near 60% AMI affordable rent levels, lessening subsidy required
- Creating a project of scale with modern designs and other amenities is critical to breaking the low market rents found in the area's older rental inventory
- Attracting a mix of incomes would also help support needed community services

## Impact of Affordable Units

	Net Operating Income	Net Cash Flow For Distribution	Return On Equity
Without Affordable Component	\$ 1,700,270	\$ 377,921	5%
With Affordable Component	\$ 1,563,630	\$ 271,465	4%
<b>Annual Difference</b>	<b>\$ (136,640)</b>	<b>\$ (106,456)</b>	<b>-1%</b>
<i>Annual Difference Per Affordable Unit</i>	<i>\$ (2,733)</i>	<i>\$ (2,129)</i>	
<b>Difference over 15 Year Period</b>	<b>\$ (2,049,604)</b>	<b>\$ (1,596,835)</b>	
<i>Difference per Affordable Unit over 15 Years</i>	<i>\$ (40,992)</i>	<i>\$ (31,937)</i>	
<i>Discounted Loss (15 years, 6%)</i>	<i>\$ (1,327,084)</i>	<i>\$ (1,033,924)</i>	
<i>Per Affordable Unit</i>	<i>\$ (26,542)</i>	<i>\$ (20,678)</i>	

## Type E Affordable Strategies:

- Preserve and maintain affordable inventory
- Reclaim vacant/foreclosed units for affordable
- Create new, assisted mixed income housing
- LIHTC likely best financing option

# Equitable TOD Funding Options

---

Gap financing, to make TOD developments feasible, could be a major catalyst in advancing affordable housing in the station areas. It could take a variety of forms:

## **Equitable TOD Fund Options**

- Subsidize land cost for affordable units
- Subsidize land cost for all units
- Land acquisition loan for 3-5 years, repaid from permanent financing

## **Community Land Trust Model**

- CLT financing land assembly and developer pays ground lease payment per unit

## **Incentives**

- Urban Enterprise Zone partial property tax abatement for 10 years
- Waiver of impact/permitting fees
- Density bonus for affordable units
- Subsidize parking deck construction with TAD/DDA bond

# Recommendations for an Equitable TOD Financing Strategy

---

- 1. The Opportunity for Equitable TOD is great**—due to a convergence of market and demographic factors, a more proactive MARTA (with four station areas in pro-active pre-development), supportive governmental policies, the creation of an LCI template at many station areas, and the winding down of the Great Recession, there is a heightened opportunity for Equitable TOD.
- 2. Special funding/land use policies required for Equitable TOD** —market forces addressing the needs of market rate households will drive development and land costs higher, requiring special funding or land use policies to support the creation of affordable housing in these emerging areas.
- 3. Local incentives and support for Equitable TOD are regionally available**—incentives for creation of Equitable TOD housing tend to be largely concentrated in the City of Atlanta, with much more limited incentives available in other regional jurisdictions. Since 23 of the station areas are in the City this is less of an issue for these areas, but there is a general lack of incentives or land use policies in place to support Equitable TOD in the other 14 station areas which are located in DeKalb County, East Point, College Park, Brookhaven, Sandy Springs, Decatur, Dunwoody, Chamblee or Doraville.

# Recommendations for an Equitable TOD Financing Strategy

---

## 4. An Equitable TOD Housing Financing Strategy should have the following elements:

- Be sufficiently capitalized to support the creation of 6 to 10 projects within the region—likely required initial capitalization of \$30 to \$60 million.
- The financing strategy should be structured as a fund with a capital stack which includes participation by ARC and local governments, the philanthropic community and banks. The first loss position would contain seed funding. This would be followed by Second Tier funding from philanthropic and other sources which would require lower levels of return but anticipated repayment. The Third Tier would be more conventional lending from local banks which would require market rate interest rate returns.



# Recommendations for an Equitable TOD Financing Strategy

---

**4 (con't). The Equitable TOD Housing Financing Strategy should have the following elements:**

- The financing would be targeted to provided capital to support the creation of affordable housing ~~as~~ in one of several ways:
  - Land acquisition and site control—the fund could assist in the purchase of land for projects which could be leveraged by non-profits and other developers along with other funding
  - Project support for infrastructure and other development costs, in return for which a pledge for affordable housing would be secured.
  - Pre-development and project soft costs—to help non-profits deal with the substantial upfront development costs in putting a deal together.
  - Acquisition of existing units which have reached the end of their subsidy period for acquisition and rehab of older units to preserve them in the affordable inventory as an area undergoes a period of increased demand.

# Recommendations for an Equitable TOD Financing Strategy

---

5. The financing could support the creation and preservation of mixed use housing near MARTA station areas and would be designed to complement the other incentive programs and funding available to support affordable housing at these critical locations.

The goal should be to create mixed income communities in areas which have lagged in new development or are beginning to see market rate development, since these areas are currently underserved by the conventional market. To obtain Equitable TOD financing the projects could have as a goal:

- At least 50% units to be affordable to households at 60% of AMI or less
- At least 25% of the units should be market rate
- Offer incentive bonuses for including up to 10% of the units for households at 50% of AMI
- Rent increases would be allowed based on annual CPI adjustment.
- The period of affordability should be 15 years.

# Recommended Next Steps

- Achieving Equitable TOD will greatly benefit many working class Atlanta regional households by providing:
  - access to jobs
  - lower transportation costs
  - ability to live in walkable community
- Achieving Equitable TOD will require proactive efforts by a regional organization whose sole focus is providing access to transit oriented development for all residents of the Atlanta region—this should be the future mission of the TOD Collaborative.
- A flexible financing strategy for Equitable TOD needs to be created—the Atlanta region has a limited, and highly fragmented, “tool box” of financing strategies and other incentives in place, more are needed and leveraging multiple resources will be key.
- The typology of MARTA station areas demonstrates that the form of Equitable TOD varies dramatically by station area type—a multi-layered strategy is needed. The network of existing MARTA station areas with significant available land provides many opportunities to create Equitable TOD through a collaboration of local government, MARTA, private land owners and financing sources.

# Recommended Next Steps

- To have the greatest short-term impact, the TOD Collaborative should focus its efforts on creating a sense of positive momentum by achieving the following in the next 12-24 months:
  - Create a financing program for mixed income TOD projects
  - Focus on ways to create market momentum to create mixed income TOD in 3-5 MARTA station areas that have not been attracting market demand
  - Serve as a catalyst between local communities, property owners and development community to accomplish Equitable TOD objectives and concentrate its financing resources to support the creation of Equitable TOD in these station areas
- The rationale for these recommendations is presented in more detail in the full report

# A Definition of Equitable TOD for Atlanta

---

# Definition and Benefits of Equitable TOD

---

Equitable Transit-Oriented Development (TOD) combines place-based and people-based approaches to develop solutions that address the **full range of needs of existing and future community residents living near transit.**

Equitable TOD achieves:

- Greater **economic opportunity** by creating **easier access** for low- and moderate-income households
- Increases in property values **without displacing** the residents who would most benefit from the increase
- A **balance between return on investment** for private investors and **equity goals**
- **Reduction in overall housing and transportation costs** —which combined can account for 60%+ of the disposable income of Atlanta's affordable households\*

# The Focused Goals of the Atlanta TOD Collaborative for Equitable TOD

---

## **1. Promote Equitable Housing Opportunities by:**

- Encouraging the creation and preservation of mixed income housing in TOD areas
- Enacting policies to minimize impacts of value increases on existing residents' housing costs
- Recapturing the supply of vacant properties for a households across the income spectrum

## **2. Promote Equitable Access to Employment by:**

- Creating mixed income housing either in, or proximate to, job centers accessible by transit
- Create mixed income housing proximate to job centers accessible by transit
- Encourage/incentivize job creation at transit served locations

## **3. Promote Equitable Access to Services by:**

- Providing zoning and incentives to encourage neighborhood retail development within walkable distance from transit
- Provide spaces for community services and institutions in TOD areas
- Provide the connective infrastructure needed to create a walkable environment within each TOD

## **4. Promote Equitable TOD to minimize household auto usage, lessen transportation costs**

# Defining Unit Types and Financing Gaps

---

# The Most Typical Affordable Housing Types in the Atlanta Region

---

Bleakly Advisory Group surveyed members of the TOD Collaborative to gain their perspectives on the typical affordable housing types in the Atlanta region.

- Respondents top five Atlanta affordable housing types (19 respondents, multiple answers):
  - Single family detached, new
  - Townhomes
  - Rental midrise with attached parking deck
  - Rental midrise over platform parking
  - Condo midrise over platform parking

Rental vs. owner housing preferred for affordable development

Most likely type of development--Rental at mid-densities with structured parking to overcome rising land costs at most locations

Most Relevant Housing Types for Affordable Housing	Selected
Single family detached new	11
Single family detached rehab	2
Townhomes	12
Rental lowrise (1-3 stories) with surface parking	8
Rental midrise (4-6 stories) with attached parking	15
Rental midrise (4-6 stories) over platform parking	15
Rental highrise (7+ stories) over structured parking	7
Condo midrise with attached parking	3
Condo midrise over platform parking	10
Condo highrise over structured parking	4

# Where TOD Collaborative members see the greatest gaps in financing affordable housing today

## The top four types of financing gaps identified by members of the TOD Collaborative:

- Predevelopment soft costs
- Land acquisition and control
- Securing construction financing
- Permanent financing

- Respondents noted that non-profits are facing great difficulty in covering predevelopment costs to get projects ready to go
- Construction financing is also in very limited supply without substantial security and guarantees
- Permanent financing that accepts a long term/permanent affordable component is also more limited than conventional financing for all market projects
- Financing is an issue for both for-profits and non-profits throughout the process alike with “soft money” and planning funds in very short supply.

Greatest Financing Gaps	Selected
Predevelopment/project conceptualization	4
Predevelopment soft costs	10
Land acquisition and control	13
Zoning and entitlement costs	3
Securing construction financing	10
Lease-up and sales costs	1
Permanent financing	9
Operating costs over time	5
Infrastructure	1

# What TOD Collaborative members see as key needs in financing and operating affordable housing

## The top three issues identified by respondents:

- Engaging for-profit developers in creating affordable housing
- Addressing the special issues involved in securing permanent affordability so it is less of a roadblock
- Special issues faced by non-profits due to their low capitalization, limited development expertise and often limited staff capacity to manage large projects
- Other issues included creating an affordable structured parking model, rehabbing single family structures, coordination of incentives is difficult, poor schools make housing improvement difficult

Other Financing Issues in Affordable Housing	Selected
Special issues in securing permanent affordability	9
Special issues facing non-profit developers	8
Neighborhood receptivity to affordable housing	2
Special challenges in providing affordable owner housing	6
Engaging for-profit developers in affordable housing	13
Others from your experience	4

# Best Practices in Implementing Equitable TOD Nationally

---

# Implementing Equitable TOD: Tools Used Throughout the Nation

---

- Acquisition Funds
- Property tax abatements
- Free or low cost land through land bank authorities
- Density bonuses
- Development/impact fee waivers

# Implementing Equitable TOD: Land Acquisition Funds

---

- About **15 acquisition funds** existing or forming throughout the country
- Funds are innovative tools in addressing the **unique set of challenges** posed by TOD. These challenges include:
  - limited land supply and higher costs in transit-rich areas
  - the need for higher-risk and more-patient capital, and
  - local land-use and policy support for workforce housing and mixed-use development.

# Land Acquisition Fund Example: New York City

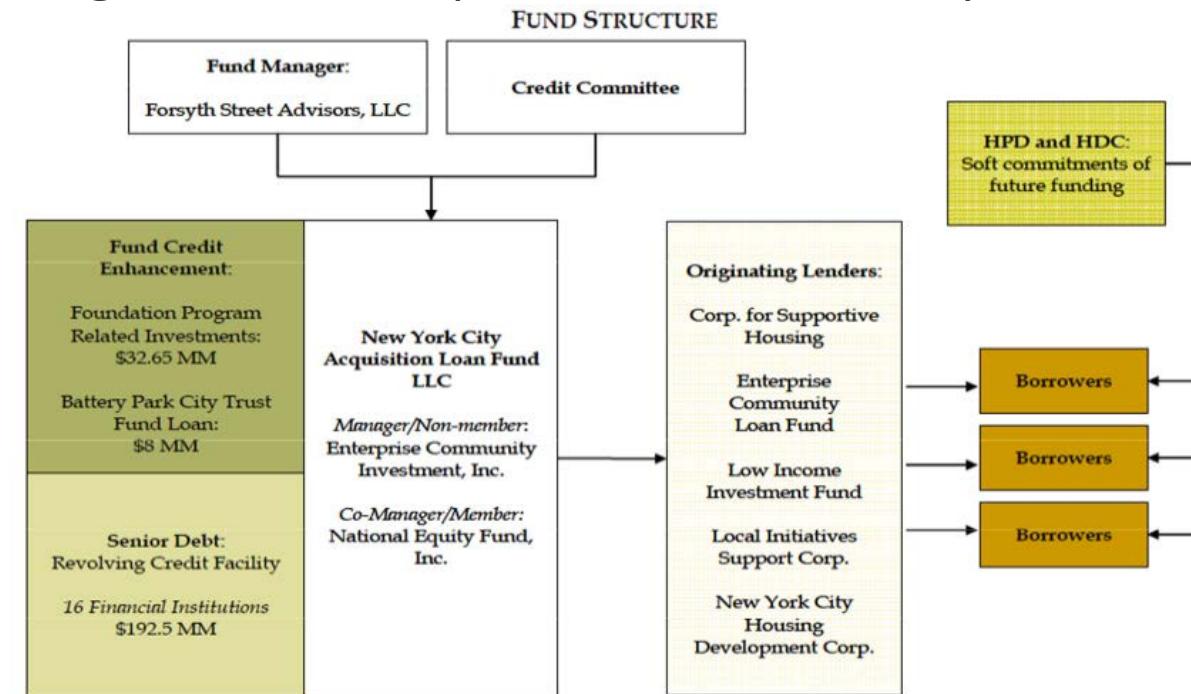
**“The New York City Acquisition Fund is considered to be “the model for most of the free-standing funds”... Melinda Pollack, noted, ‘We were basically adapting the NY and LA Fund Acquisition Models. They’d done a good job of layering capital to mitigate risk for acquisition in some really hot markets.’”**

***City Department of Housing Preservation and Development (HCD) committed \$8M in reserves to the guarantee pool***

- ***Various private lenders, together provided more than \$190M in lending capacity.***

***Six years in operation:***

- ***Invested more than \$150 million in the preservation or development of 4,384 units of affordable housing throughout New York City.***



# Land Acquisition Fund Example: Denver

## Denver Transit-Oriented Development (TOD) Fund

- Designed to create and preserve at least 1,000 affordable homes along current and future transit corridors in the City of Denver
- Fund makes \$15 million in capital available to purchase and hold sites for up to five years

*A local nonprofit, the Urban Land Conservancy (ULC), made the initial equity commitment of \$1.5 million and is leading real estate acquisition, management and disposition of assets*

*Enterprise assembled the initial capital and the Fund began operations in early 2010. Investors in the Fund include:*

*City of Denver*

*MacArthur Foundation*

*Colorado Housing and Finance Authority*

*Rose Community Foundation*

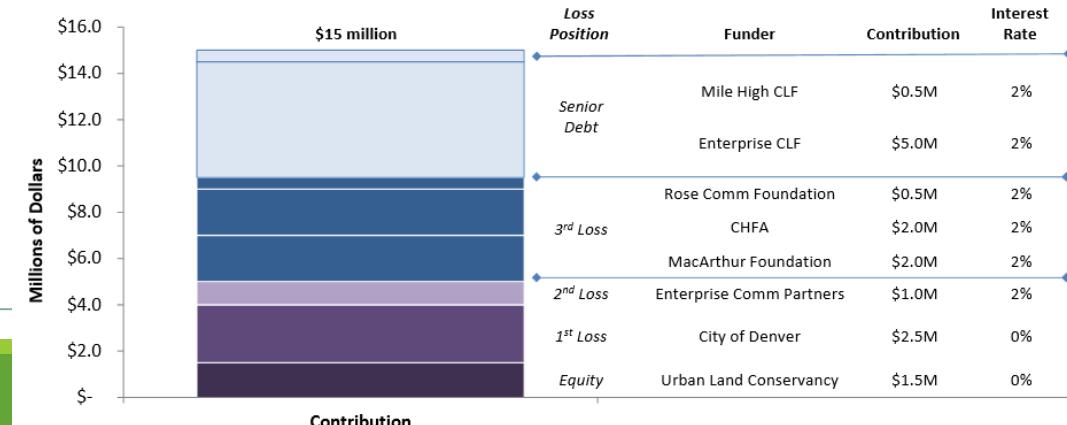
*Mile High Community Loan Fund*

*Wells Fargo*

*U.S. Bank*

*FirstBank Enterprise Community Loan Fund*

- Single borrower (ULC creates disposition agreement with partner developer)
- Three to five year hold @ approximately 3.5% interest
- Preservation defined as existing multifamily properties, restricted and not, with plans for rehab or redevelopment
- Primarily rental, 60% AMI and below, limited homeownership allowed when/if market warrants



# Land Acquisition Fund Example: San Francisco Bay Area

## Bay Area Transit-Oriented Affordable Housing (TOAH) Fund

- \$50 million fund provides financing for the development of affordable housing and other vital community services near transit lines
- Made possible through a \$10 million investment from the Metropolitan Transportation Commission

*The Low Income Investment Fund is the Fund Manager and an originating lender, along with five other leading community development financial institutions*

*Corporation for Supportive Housing, Enterprise Community Loan Fund, LISC, Northern California Community Loan Fund, and Opportunity Fund*

**Additional Capital:**

*Citi Community Capital*

*Morgan Stanley*

*Ford Foundation*

*Living Cities*

*The San Francisco Foundation*

*15% of fund capital may be used to support community facilities, child care centers, health clinics, fresh food markets and neighborhood retail*

**Types of financing:**

*Acquisition Loans*

*Predevelopment Loans*

*Construction Bridge Loans*

*Construction/MiniPerm Loans*

*Leveraged Loans for NMTC deals*

*Up to 110% LTV, 7 year terms*



**Public Sector – \$10 million from the MTC**

**Philanthropy and CDFIs – \$15 million from six CDFIs and Ford, SF Foundation and Living Cities (4 layers here)**

**Banks – \$25 million from Morgan Stanley and Citi Community Capital**

# Land Acquisition Fund Example: Seattle

Seattle employs a variety  
of loan funds to achieve  
regional goals:

## Existing Acquisition Loan Funds in Central Puget Sound

	Enterprise Acquisition Loans	Impact Capital Acquisition Loans	Seattle Housing Levy Acquisition and Opportunity Loans	Washington State Housing Finance Commission Land Acquisition Program
Amount available	\$150,000,000		\$6,500,000	\$12,500,000
Interest rate	5.00% – 7.25%	6.50%	3.00%	1.00%
Maximum term	5 years	3 years	5 years	8 years
Loan size limit	\$3,000,000 60% - 80% LTV	\$2,000,000 100% LTV	100% LTV	<100% LTV
Geography	United States	Washington State	Seattle	Washington State
TOD preference	Yes	No	Yes	No

# Implementing Equitable TOD: Other Strategies

## Charlotte, North Carolina

In 2005 the Charlotte, North Carolina City Council capitalized the **South Corridor Land Acquisition Fund** with \$5 million in appropriations to support the purchase of land near planned light-rail stations. Using Fund revenue as part of a joint development agreement with the local transit authority, the city purchased 17 acres at the Scaleybark Station for development of a mixed-use project to include 80 affordable units built by the Charlotte Mecklenburg Housing Partnership as part of a 900-unit development that also includes retail, hotel space, and park land.

## Portland, Oregon

Offers a 10-year **TOD Property Tax Abatement** to projects that include housing above a certain density and include community benefits like affordable units or neighborhood meeting space.

Portland's Metropolitan Planning Organization (Metro) has a **TOD implementation program** that provides financial incentives and uses public/private partnerships to facilitate higher density mixed-use projects served by transit. Uses federal transportation (CMAQ) dollars to acquire and re-sell land to developers with the condition that the land be used for TOD, generally with an affordable housing component.

# Implementing Equitable TOD: Other Strategies

## Dallas, Texas

The City of Dallas Land Bank targets properties along Dallas Area Rapid Transit corridors (new and existing) for purchase of tax-foreclosed properties to sell to affordable housing developers at below-market prices. The land bank was capitalized by \$3 million in voter-approved bond funds and a \$250,000 loan from the Real Estate Council.

## Austin, Texas

**TOD Ordinance** requires station area plans that "include a housing affordability analysis and potential strategies for achieving housing goals." A **resolution** sets the goal that 25 percent of new rental and ownership housing in each station area is affordable to low- and moderate-income households (affordability targets: 60% AMI for rental units, for 30 years, and 80% for ownership units, for 10 years).

The **SMART (Safe, Mixed-Income, Accessible, Reasonably-Priced, Transit-Oriented) Housing program** provides development fee waivers and expedited permit reviews to TOD projects with affordable homes. The percentage of fees waived increases with deeper levels of affordability, up to 100% of fees waived for projects if 40% of units are affordable.

# Implementing Equitable TOD: Other Strategies

---

## Massachusetts

Transit-Oriented Development Bond program has awarded \$50 million in grants. The funds are used to build and design mixed-use housing. Grants are up to \$2.5 million; developers must build housing projects with at least 25 units, 25% of which must be affordable for those who earn no more than 80% AMI. Between 2000 and 2010, the Boston region added more than 15,000 housing units near transit.

## Twin Cities, Minnesota

MPO Metropolitan Council Livable Communities Transit Oriented Development program has \$16 million available for grants to support development in station areas. Most of this funding has supported land acquisition for affordable housing.

Metropolitan Council Livable Communities Demonstration Account makes \$7.5 million available to support innovative development projects that efficiently link housing, jobs, services, and transit.

# Implementing Equitable TOD: Other Strategies

---

## Twin Cities, Minnesota (cont.)

The City of Minneapolis uses [\*\*Community Development Block Grant\*\*](#) funds to acquire and help assemble sites for the development of mixed income rental multifamily projects near “community, commercial, and transit corridors.” PED sells the sites at market value to private developers who agree to make at least 20% of the units affordable to households earning 50% or less of AMI, and at least 51% affordable to households earning 80% or less of AMI.

The [\*\*Twin Cities Community Land Bank\*\*](#) acquires and banks land for future development and provides discounted lending to support development activity with an emphasis on light rail corridors. Since its creation in 2009, the Land Bank has acquired and/or financed more than 1,000 single family or multifamily housing units. Homes acquired from the Land Bank must be made affordable to homeowners earning no more than 115% of AMI or renters earning no more than 80% of AMI.

# Best Practices and Financing Tools for Equitable TOD in Atlanta

---

# Incentives In-Place at MARTA Station Areas

A number of incentives are already in place in a number of MARTA Station Areas—

- 18 Have TAD
- 26 Are eligible for an Opportunity Zone
- 33 are in LCI areas
- Outside of Atlanta TADs are generally not in place

City-County/Station	TAD	OZ	LCI	City-County/Station	TAD	OZ	LCI
<b>Atlanta</b>				<b>Brookhaven</b>			
Arts Center	No	Eligible	Midtown	Brookhaven		No	No
Ashby	Westside	Eligible	Vine City	<b>College Park</b>			
Bankhead	BeltLine	Eligible	Bankhead	Airport		No	No
Buckhead	No	No	Buckhead	College Park		No	Eligible
Civic Center	BeltLine	In	Downtown	<b>Decatur</b>			
Dome/GWCC	Westside	In	Downtown	Avondale		No	Eligible
Edgewood/Candler	No	Eligible	Mooreland Cor.	Decatur		No	Eligible
Five Points	Eastside	Eligible	Downtown	East Lake		No	Eligible
Garnett	Eastside	Eligible	Downtown	<b>Chamblee</b>			
Georgia State	Eastside	Eligible	Downtown	Chamblee		No	Eligible
Hamilton Holmes	Hollowell	Eligible	Holmes	<b>Doraville</b>			
Inman Park/Reynoldstown	BeltLine	Eligible	Mooreland Cor.	Doraville		No	Eligible
King Memorial	Eastside	Eligible	Downtown	<b>Dunwoody</b>			
Lakewood/McPherson	Campbellton	Eligible	Oakland/Lake	Dunwoody		No	No
Lenox	No	No	Buckhead	Medical Center		No	No
Lindbergh Center	BeltLine	Eligible	No	North Springs		No	Eligible
Midtown	No	Eligible	Midtown	<b>East Point</b>			
North Avenue	No	Eligible	Midtown	East Point		East Point	In
Oakland City	BeltLine	Eligible	Oakland/Lake	<b>DeKalb</b>			
Peachtree Center	Westside	In	Downtown	Indian Creek		No	Eligible
Vine City	Westside	Eligible	Vine City	Kensington		No	Eligible
West End	BeltLine	Eligible	West End	<b>Sandy Springs</b>			
West Lake	Hollowell	Eligible	West Lake	Sandy Springs		No	In
							Perimeter Center

# Atlanta Financing Framework for Equitable TOD: MARTA Station Areas

---

Within the Atlanta region there are a number of local programs, created to encourage affordable housing development, that can play an important role as part of an Equitable TOD strategy.

- **MARTA's Affordable Housing Goals**

- As stated in its TOD Guidelines, MARTA believes that residential and mixed use projects should contain a significant number of affordable housing units. The policy also recognizes that achieving affordable housing will require a partnership between MARTA, its development partners, the local community and potential funding sources to make affordable housing viable. MARTA has set a policy goal of 20% affordability for its joint development projects, which occur on MARTA-owned property.
- No specific definition of affordability is made, though workforce housing, senior housing for households with low, moderate or fixed incomes is cited. Workforce rental housing is defined as 60% to 80% of Atlanta Area Median Income (AMI) and for-sale affordable housing is defined as for households earning between 80% and 100% of AMI. For joint developments of ten units or more, MARTA will establish a minimum percentage of affordable units that the development partner must achieve for that location. MARTA will use density bonuses and minimized parking requirements where permitted by local land use policies to encourage affordable housing.

# Atlanta Financing Framework for Equitable TOD: City of Atlanta TADs

---

## **City of Atlanta Tax Allocation District Affordable Housing Program**

- The City has 10 TAD districts which have different affordable housing requirements that reflect conditions in those neighborhoods. For example:
  - The **Westside TAD**, which includes the area around Centennial Park westward past Northside Drive to J.P. Lowry Boulevard, has a special set aside of 20% of all TAD funds committed to the Westside TAD Neighborhood Fund, which must be invested in projects west of Northside Dive, primarily in the Vine City and English Avenue neighborhoods.
  - The **Eastside TAD** provides additional TAD funds to projects that include 20% or more affordable units in their projects. For rental units the target income limits are 60% to 80% of AMI, and 80% to 120% of AMI for owner housing.
- **Of 5,700 units built in the City's nine TADs (excluding the BeltLine, reported separately) since 2000, 24% (1,386) are affordable units.**

# Atlanta Financing Framework for Equitable TOD: Urban Enterprise Zone Program (UEZ)

---

The Urban Enterprise Zone program provides qualified projects within an economically depressed area of Atlanta (outside a TAD) a ten year property tax break. The UEZ applicant can also apply and receive similar tax break from Fulton County.

- Projects are characterized into five types as either housing, commercial, mixed use, or industrial enterprise zones.
- The 10-year tax break is: 100% in years 1-5; 80% in years 6 and 7; 60% in year 8; 40% in year 9; and 20% in year 10, with full taxes owed in year 11 onward. The value of the improvement must be 8 times land value for residential and 3 times for commercial.
- UEZ affordability requirement is that 20% of units (owner or renter) must be affordable to households earning 60% or less of AMI, with maximum rents in \$696 for 1-bedroom and \$796 2-bedroom and \$145,860 sales price.

# Atlanta Financing Framework for Equitable TOD: BeltLine Affordable Housing Trust Fund (BAHTF)

---

- The BeltLine Affordable Housing Trust Fund was created to provide the funding for affordable housing development and preservation and is capitalized from 15% of the net proceeds of BeltLine TAD bond issues.
  - Atlanta BeltLine Inc., working with the Affordable Housing Advisory Board (BAHAB), established a goal of creating or preserving 5,600 affordable housing units around the BeltLine by 2030.
  - Based on the guidance of the BAHAB, the Trust Fund has allocated funding to a series of affordable housing strategies including land acquisition funding, down payment assistance, development subsidies and set-asides for non-profit developers.
- **Results:** To date \$8.8 million has been allocated to affordable housing.

# Atlanta Financing Framework for Equitable TOD: City of Decatur “Lifecycle Dwellings” Density Bonus

From the City of Decatur Ordinance:

- The purpose of lifecycle dwellings is to **provide increased housing opportunities for persons and families of moderate income, the elderly, employees of public agencies and local business and similar classes.**
- The maximum number of dwellings permitted may be increased by up to 20 percent for multi-family/mixed use developments if dwellings in the development are designated as lifecycle.
  - A minimum of 75 percent of the additional dwellings must be designated as lifecycle

## Results and On-going Activities:

- The Artisan condominium developer (Cousins) planned 13 one bedroom units to take advantage of the bonus.
- **Moderate Success:** Built only 9 units and paid into a Decatur Housing Authority fund in lieu of building others due to lack of interest in the lifecycle offerings.
  - Homeowners fees deterred many potential lifecycle buyers.
- The upcoming Trinity Triangle apartment project will use the density bonus to build 21 affordable apartments at 80% AMI.



The Artisan, Downtown Decatur

# Prototype Affordable Housing Developments & Strategies Based on Reconnecting America Typology

---

# Reconnecting America's Atlanta TOD Typology

Type A	Type B	Type C	Type D	Type E
Low Vulnerability Emerging Mature Market	Moderate/High Vulnerability Emerging Mature Market	Moderate Vulnerability Emerging Market	Moderate/High Vulnerability Emerging Market	High Vulnerability Lagging Market
Avondale	Arts Center	Brookhaven	Ashby	Bankhead
Buckhead	Civic Center	Decatur	Chamblee	College Park
Dunwoody	Dome GWCC CNN	Edgewood/Candler Park	King Memorial	Hamilton Holmes
Lenox	Five Points	Gamett		Kensington
Med Center	Lindberg Center	Georgia State		Lakewood/Ft. McPherson
	Midtown	Inman Park		Oakland City
	North Avenue	North Springs		Vine City
	Peachtree Center	East Lake		West End
	Sandy Springs			West Lake
				Doraville
				Indian Creek
				East Point

## Atlanta Equity Typology

Legend

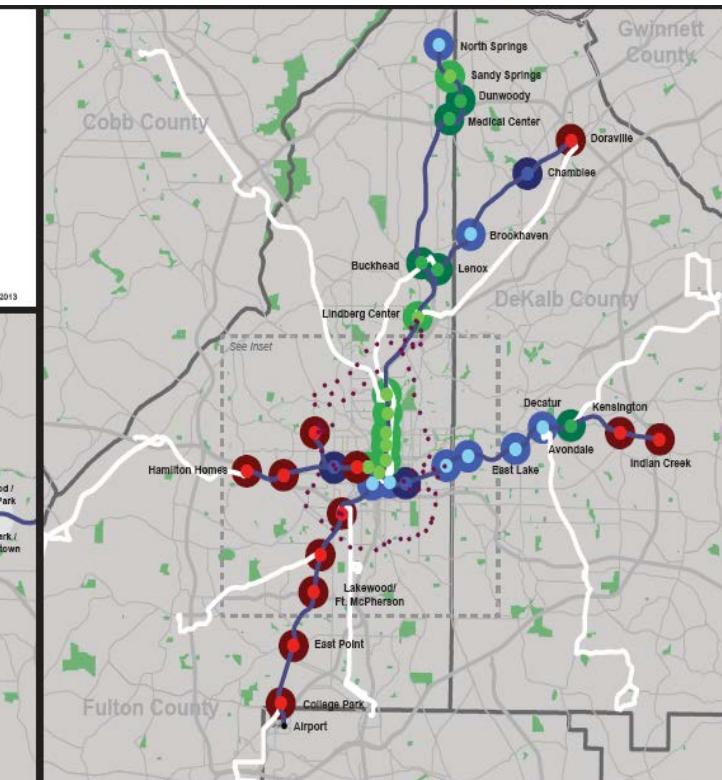
- Station
- Potential Beltline Station
- Downtown Streetcar Line
- MARTA Heavy Rail Line
- Frequent Bus (15 Min or Better)
- Roads
- County Line

Equity and Market Typology

- Type A
- Type B
- Type C
- Type D
- Type E



Data Sources: ARC 2013, City of Atlanta 2013, ESRI 2010, Bleakly 2013, Census ACS, Reconnecting America 2013



# Reconnecting America Typology Recommendations

STATION TYPE	CONDITION	STRATEGY
<b>Type A:</b> <b>Low Vulnerability + Emerging/Mature Market</b>	<ul style="list-style-type: none"> <li>In/near major job centers</li> <li>Affluent population</li> <li>Strong market, lack of existing affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>Improve job access</li> <li>Improve connectivity of station areas</li> <li>Build new affordable stock</li> <li>Develop affordable at adjacent MARTA stops with good access</li> </ul>
<b>Type B:</b> <b>Moderate/High Vulnerability + Emerging/Mature Market</b>	<ul style="list-style-type: none"> <li>Greater mix of incomes present</li> <li>Susceptible to displacement from strong market</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing preservation</li> <li>Rent stabilization to help existing residents stay</li> <li>Introduce new compact housing types</li> <li>Station infrastructure</li> </ul>
<b>Type C:</b> <b>Moderate Vulnerability + Emerging Market</b>	<ul style="list-style-type: none"> <li>Greater mix of incomes present but displacement an issue</li> <li>Market not as strong but improving</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing creation</li> <li>Affordable preservation</li> <li>Invest in community assets, attractive to middle class residents</li> </ul>
<b>Type D:</b> <b>Moderate/High Vulnerability + Emerging Market</b>	<ul style="list-style-type: none"> <li>Given weak market not likely to see development in short term</li> <li>Improve access to jobs in other areas</li> </ul>	<ul style="list-style-type: none"> <li>Affordable housing creation</li> <li>Affordable preservation</li> <li>Expand jobs and services to increase services to existing households.</li> </ul>
<b>Type E:</b> <b>High Vulnerability + Lagging Market</b>	<ul style="list-style-type: none"> <li>High percentage of low income households</li> <li>Due to weak market limited short term housing investment</li> </ul>	<ul style="list-style-type: none"> <li>Station areas need improved access to jobs via transit</li> <li>Improvements to station areas</li> <li>Strengthen community assets</li> </ul>

# Reconnecting America Typology Recommendations

---

Type	Affordable Housing Strategies	Diversify Housing Stock	Improve Job Access	Infrastructure Improvements	Strengthen Community Assets	Planning/Visioning
<b>A</b>	Short-Term	X	Within station areas	X	X	
<b>B</b>	Short-Term	X	Within station areas		X	
<b>C</b>	Immediate	X	Within station areas		X	X
<b>D</b>	Immediate	X	To other station areas	X	X	X
<b>E</b>	Long-Term		To other station areas	X	X	

# Affordable Housing Types by RA Station Typology

---

With input from the TOD Collaborative, representative stations were chosen for each of the five station types

A compatible building type was selected for each sample station area

	Description	Representative Station	Building Type	Density (Units/Acre)
Type A	Low Vulnerability Emerging/Mature Market	Dunwoody	Midrise Rental w/ Laminated Deck	50-60
Type B	Moderate/High Vulnerability Emerging/Mature Market	Arts Center/Midtown	Midrise Rental over Parking Platform	70-80
Type C	Moderate Vulnerability Emerging Market	Brookhaven	Midrise Rental w/ Laminated Deck	50-60
Type D	Moderate/High Vulnerability Emerging Market	Ashby	For Sale Townhome	12-15
Type E	High Vulnerability Lagging Market	East Point/Kensington	Low-rise w/ Surface Parking	25-35

# Sample Station Area Characteristics

---

KEY SAMPLE STATION AREA CHARACTERISTICS WITH 1/2 MILE										
Type	Station	Employment	% High Earners	Population	Singles	Median Income	Rental Units	Average Rent	Home Sales Price	
Type A:	Dunwoody	22,382	62%	524	57%	\$ 65,980	94	\$ 1,300	No Sales	
Type B:	Arts Center/Mid.	22,180	61%	6,405	69%	\$ 72,187	2,254	\$ 1,141	\$319,720	
Type C:	Brookhaven	1,021	22%	3,057	52%	\$ 75,608	699	\$ 1,302	\$131,750	
Type D:	East Point	2,129	23%	1,627	25%	\$ 34,546	476	\$ 527	No Sales	
Type E:	Kensington	869	23%	4,884	71%	\$ 34,156	1,234	\$ 592	No Sales	
Type F:	Ashby	1,736	34%	6,628	91%	\$ 18,229	1,605	\$ 853	\$123,933	

- Two of the stations are major employment centers—Dunwoody, Arts Center/Midtown
- Three are in emerging/strong market areas Dunwoody, Arts Center and Brookhaven
- East Point and Kensington have low incomes and weak markets with low rents and no home sales
- Ashby has low incomes and little employment but could benefit from neighborhood reinvestment

# Sample Station Area Characteristics

---

## Example Station Projected Avg. TOD Rent/Price for New Units

- 1. Arts/Center Midtown - \$1,750 / month**
- 2. Ashby – For Sale Townhome - \$175,000 / unit**
- 3. Brookhaven - \$1,500 / month**
- 4. Dunwoody —\$1,400 / month**
- 5. East Point — \$800/ month**
- 6. Kensington - \$900 / month**

As evident from this data, market rate prices vary dramatically across the station typology, with the gap between affordable rents and market rents requiring different approaches for creating a mix of housing types.

# An Equitable TOD Housing Strategy

---

**An overall Equitable TOD housing strategy could be based on a mix of five master strategies:**

- 1. Preserve/maintain the existing affordable housing stock** —where affordable units already exist, whether through subsidy or market economics, work to preserve at least a portion of this inventory both for neighborhood preservation and prevent displacement
- 2. Reclaim vacant stock for workforce households** - in many TOD areas there is a substantial inventory of vacant and foreclosed properties; reoccupy those units with affordable households
- 3. Build assisted mixed income housing** —Create new affordable units in mixed income projects which can address a range of affordable housing needs i.e., AHA model
- 4. Build market rate housing with workforce components** —including affordable/workforce units in predominantly market rate projects
- 5. Build rental housing in/near job centers** —increase housing choices in high cost job centers by providing new rental housing options

# Aligning the Equitable Housing Strategies with the Station Typology

---

TYPOLOGY	SAMPLE STATIONS	Strat. #1	Strat. #2	Strat. #3	Strat. #4	Strat. #5
		Preserve Maintain	Reclaim Vacant	New Assist Mixed-Inc.	Market w/ Workforce	Rental Housing
Type A: Affluent + Emerging/Strong Market	Dunwoody Station				✓	✓
Type B: Mixed-Income + Strong Market	Arts Center/Midtown	✓			✓	
Type C: Mixed-Income + Emerging Market	Brookhaven Station	✓		✓	✓	
Type D: Low-Income + Emerging Market	Ashby	✓	✓	✓		
Type E: Low/Middle-Income + Weak Market	East Point/Kensington	✓	✓	✓		

A mix of equitable TOD housing strategies will be appropriate in a given typology, with the mix of strategies determined by the market and economic conditions in that station area

# MARTA Station Area Typology Feasibility Analysis

---

# Feasibility Analysis Objectives

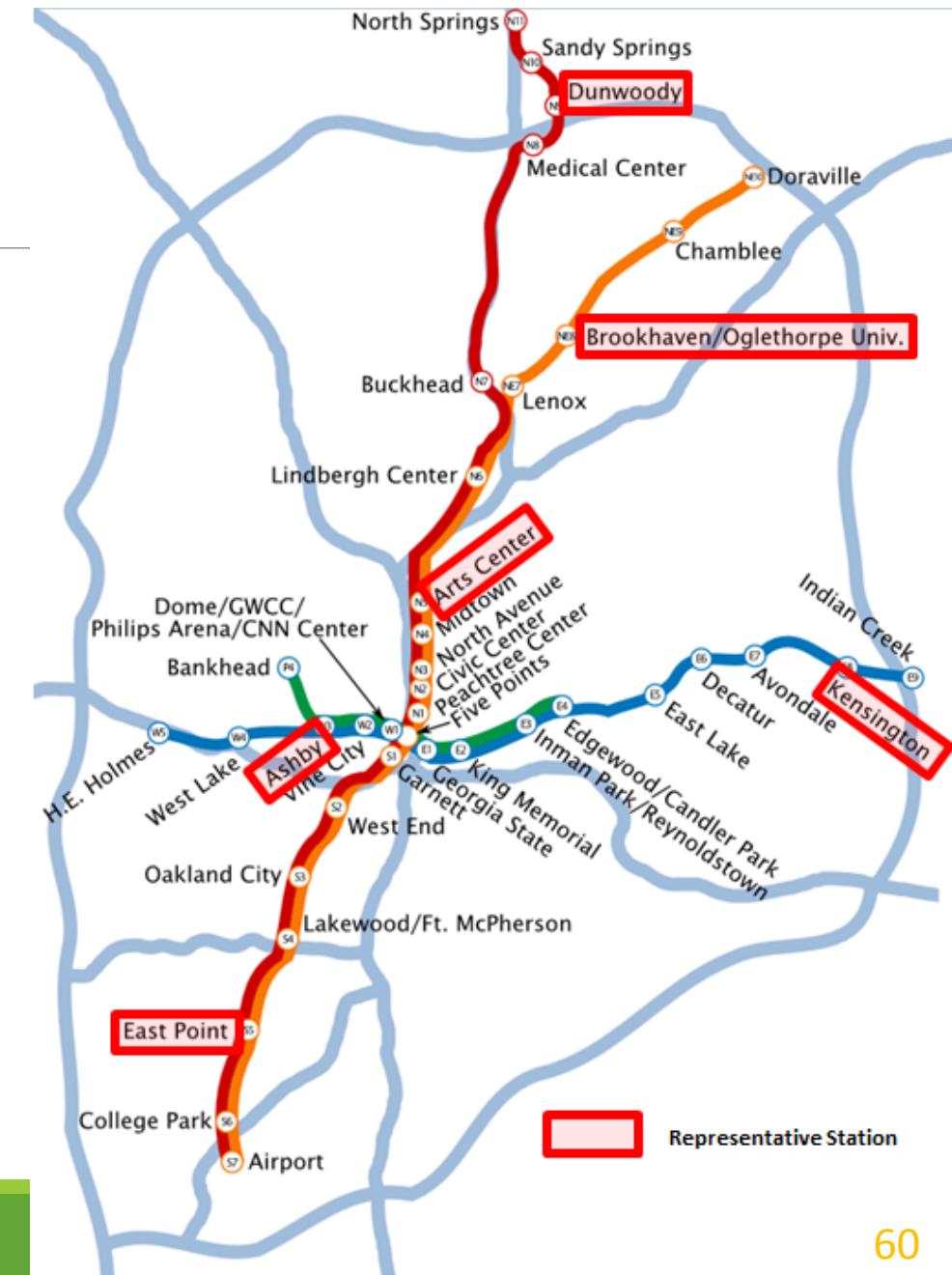
- Proforma TOD scenarios, at each representative station, with and without affordable units (**20% unit mix**) to determine feasibility
  - Based on current market trends in surrounding submarkets
    - Density
    - Land Values
    - Unit Mix/Size
    - Monthly Rents
- Test particular affordable housing subsidies to determine where TOD Fund could have the most impact:
  - Subsidize all land costs
  - Subsidize land costs of affordable units
  - Subsidize parking deck
  - Waiver of impact/permitting fees

## Modeling Exercise Key Assumption

- Return on Equity Hurdle Rates:
  - Rental: 8%
  - For Sale: 20%

# Location of Sample Stations in MARTA Network

Type A	Type B	Type C	Type D	Type E
Low Vulnerability Emerging Mature Market	Moderate/High Vulnerability Emerging Mature Market	Moderate Vulnerability Emerging Market	Moderate/High Vulnerability Emerging Market	High Vulnerability Lagging Market
Avondale	Arts Center	Brookhaven	Ashby	Bankhead
Buckhead	Civic Center	Decatur	Chamblee	College Park
Dunwoody	Dome GWCC CNN	Edgewood/Candler Park	King Memorial	Hamilton Holmes
Lenox	Five Points	Gamett		Kensington
Med Center	Lindbergh Center	Georgia State		Lakewood/Ft. McPherson
Midtown	Midtown	Inman Park		Oakland City
North Avenue	North Avenue	North Springs		Vine City
Peachtree Center	Peachtree Center	East Lake		West End
Sandy Springs				West Lake
				Doraville
				Indian Creek
				East Point



# Type A: Low Vulnerability, Emerging/Mature Market



## Representative Station Area: Dunwoody

**Building Type:** Midrise Rental w/ Laminated Deck

### Challenges:

- High market rents
- High land costs
- Little history of affordable housing

### Modeling Exercise Key Conclusions:

- Project with 20% affordable units not financially feasible without subsidy
- Subsidizing all land costs or subsidizing parking deck costs help to clear return on equity hurdle rate (8%)
- Subsidizing only affordable unit land costs or waiving impact/permitting fees fails to clear hurdle rate

### Key Proforma Assumptions

Costs	Per Unit
Land	\$ 15,000
Unit Construction Costs	\$ 66,800
Parking Costs	\$ 16,900
Total Hard Costs	\$ 84,700
Soft Costs	\$ 35,812
Total Uses of Funds	\$ 120,512
Financing	
Equity	35%
Debt	65%
Monthly Rent/Unit	
Market Rate	
1 Bedroom / 1 Bath	\$ 1,300
2 Bedroom / 2 Bath	\$ 1,650
Affordable @ 60% AMI	
1 Bedroom / 1 Bath	\$ 672
2 Bedroom / 2 Bath	\$ 772
Return On Equity	
Without Affordable Component	9.1%
With Affordable Component	5.6%
Annual Difference	3.5%
Affordable With Subsidy	
Subsidize all land cost	8.3%
Subsidize affordable land cost	6.1%
Subsidize parking deck	8.8%
Waiver of impact/permitting fees	5.7%

# Type A: Low Vulnerability, Emerging/Mature Market



Dunwoody  
Station  
Area

## Impact of Affordable Units

	Net Operating Income	Net Cash Flow For Distribution	Return On Equity
Without Affordable Component	\$ 3,023,088	\$ 961,167	9%
With Affordable Component	\$ 2,551,907	\$ 590,253	6%
<b>Annual Difference</b>	<b>\$ (471,181)</b>	<b>\$ (370,914)</b>	<b>-4%</b>
<i>Annual Difference Per Affordable Unit</i>	<i>\$ (9,239)</i>	<i>\$ (7,273)</i>	
<b>Difference over 15 Year Period</b>	<b>\$ (7,067,714)</b>	<b>\$ (5,563,703)</b>	
<i>Difference per Affordable Unit over 15 Years</i>	<i>\$ (138,583)</i>	<i>\$ (109,092)</i>	
<i>Discounted Loss (15 years, 6%)</i>	<i>\$ (4,576,226)</i>	<i>\$ (3,602,404)</i>	
<i>Per Affordable Unit</i>	<i>\$ (89,730)</i>	<i>\$ (70,635)</i>	

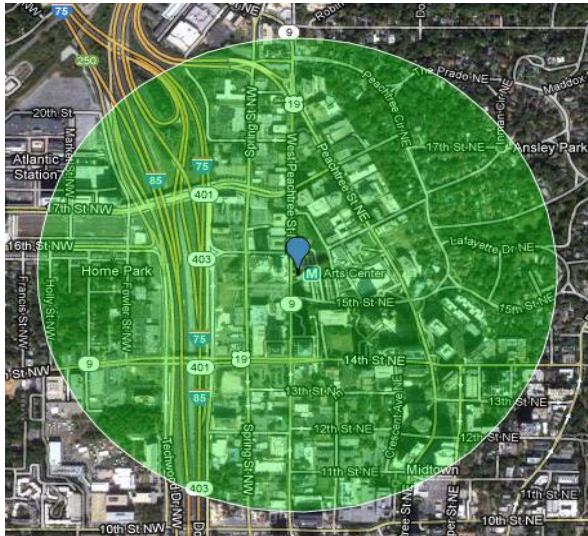
## Modeling Exercise Key Conclusions:

- Including 20% affordable units
- 4% decrease in equity return
- \$7 million decrease in NOI over 15 years
- Points to need for subsidy to build affordable units

## Type A Affordable Strategies:

- Local submarket conditions create high-barriers of entry for affordable housing. Creating market-rate rental housing in location efficient areas (near transit) provides options for middle income workforce (80%-120% AMI) to reduce overall expenses, while gaining access to key employment nodes along MARTA system.

# Type B: Moderate/High Vulnerability, Emerging/Mature Market



**Representative Station Area:** Arts Center/Midtown

**Building Type:** Midrise rental over platform parking

## Challenges:

- Very high market rents
- Very high land costs
- High construction costs

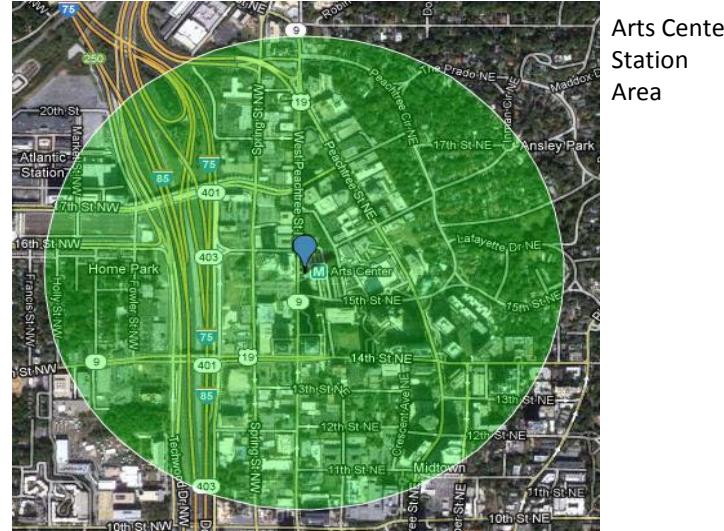
## Key Proforma Assumptions

	Per Unit
<b>Costs</b>	
Land	\$ 20,000
Unit Construction Costs	\$ 114,286
Parking Costs	\$ 18,000
Total Hard Costs	\$ 134,286
<b>Soft Costs</b>	\$ 48,787
Total Uses of Funds	\$ 183,073
<b>Financing</b>	
Equity	35%
Debt	65%
<b>Monthly Rent/Unit</b>	
<b>Market Rate</b>	
Studio	\$ 1,350
1 Bedroom / 1 Bath	\$ 1,550
2 Bedroom / 2 Bath	\$ 2,200
<b>Affordable @ 60% AMI</b>	
1 Bedroom / 1 Bath	\$ 672
2 Bedroom / 2 Bath	\$ 772
<b>Return On Equity</b>	
Without Affordable Component	8%
With Affordable Component	5%
Annual Difference	3%
<b>Affordable With Subsidy</b>	
Subsidize all land cost	7.6%
Subsidize affordable land cost	5.7%
Subsidize parking deck	7.4%
Waiver of impact/permitting fees	5.4%

## Modeling Exercise Key Conclusions:

- Project with 20% affordable units not financially feasible without subsidy
- Subsidizing all land costs or help to near return on equity hurdle rate (8%)
- Subsidizing only affordable unit land costs, subsidizing parking deck costs, waiving impact/permitting fees fails to clear hurdle rate

# Type B: Moderate/High Vulnerability, Emerging/Mature Market



## Impact of Affordable Units

	Net Operating Income	Net Cash Flow For Distribution	Return On Equity
Without Affordable Component	\$ 6,180,008	\$ 1,848,639	8%
With Affordable Component	\$ 5,305,628	\$ 1,165,846	5%
<b>Annual Difference</b>	<b>\$ (874,379)</b>	<b>\$ (682,794)</b>	<b>-3%</b>
<i>Annual Difference Per Affordable Unit</i>	<i>\$ (12,491)</i>	<i>\$ (9,754)</i>	
<b>Difference over 15 Year Period</b>	<b>\$ (13,115,687)</b>	<b>\$ (10,241,903)</b>	
<i>Difference per Affordable Unit over 15 Years</i>	<i>\$ (187,367)</i>	<i>\$ (146,313)</i>	
<i>Discounted Loss (15 years, 6%)</i>	<i>\$ (8,492,188)</i>	<i>\$ (6,631,460)</i>	
<i>Per Affordable Unit</i>	<i>\$ (121,317)</i>	<i>\$ (94,735)</i>	

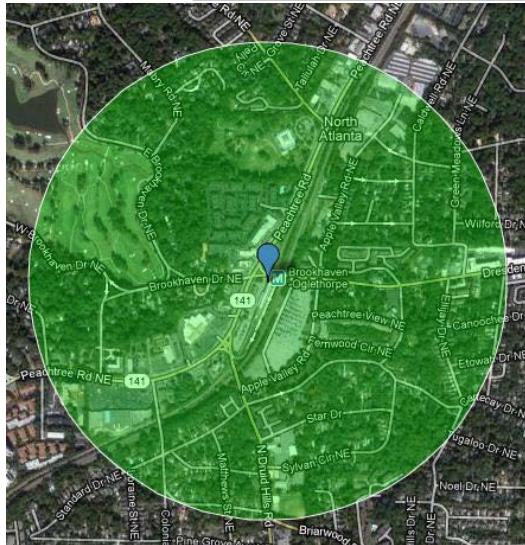
## Modeling Exercise Key Conclusions:

- Including 20% affordable units
  - 3% decrease in equity return
  - \$13 million decrease in NOI over 15 years
  - Given land and parking costs, subsidy to build affordable units may prove difficult

## Type B Affordable Strategies:

- High cost conditions create high-barriers of entry for affordable housing. Creating market-rate rental housing in location efficient areas (near transit) provides options for middle income workforce (80%-120% AMI) to reduce overall expenses, while gaining access to key employment nodes along MARTA system.

# Type C: Moderate Vulnerability, Emerging Market



## Representative Station Area: Brookhaven

**Building Type:** Midrise Rental w/ Laminated Deck

### Challenges:

- Risk of displacement of moderate income
- Accelerating market rents and land costs

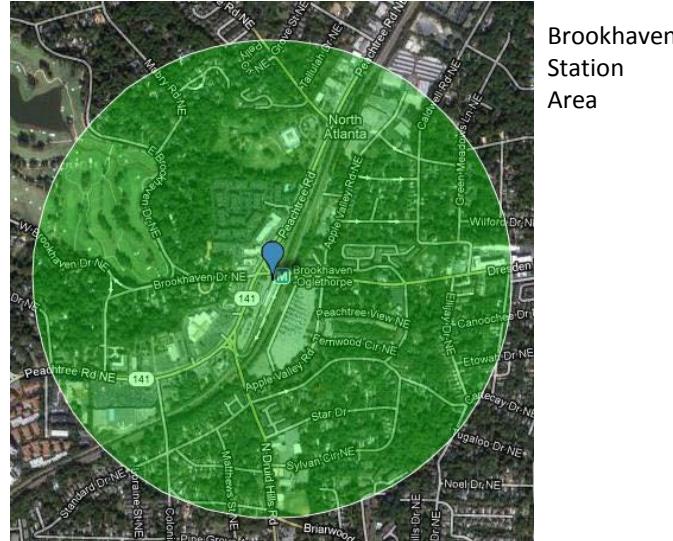
### Modeling Exercise Key Conclusions:

- Project with 20% affordable units not financially feasible without subsidy
- Subsidizing all land costs or subsidizing parking deck costs help to clear return on equity hurdle rate (8%)
- Subsidizing only affordable unit land costs or waiving impact/permitting fees fails to clear hurdle rate

### Key Proforma Assumptions

	Per Unit
<b>Costs</b>	
Land	\$ 20,000
Unit Construction Costs	\$ 66,800
Parking Costs	\$ 16,900
Total Hard Costs	\$ 84,700
Soft Costs	\$ 42,113
Total Uses of Funds	\$ 126,813
<b>Financing</b>	
Equity	35%
Debt	65%
<b>Monthly Rent/Unit</b>	
<b>Market Rate</b>	
1 Bedroom / 1 Bath	\$ 1,400
2 Bedroom / 2 Bath	\$ 1,800
<b>Affordable @ 60% AMI</b>	
1 Bedroom / 1 Bath	\$ 672
2 Bedroom / 2 Bath	\$ 772
<b>Return On Equity</b>	
Without Affordable Component	10.5%
With Affordable Component	6.7%
Annual Difference	3.9%
<b>Affordable With Subsidy</b>	
Subsidize all land cost	10.5%
Subsidize affordable land cost	7.3%
Subsidize parking deck	9.8%
Waiver of impact/permitting fees	6.8%

# Type C: Moderate Vulnerability, Emerging Market



## Impact of Affordable Units

	Net Operating Income	Net Cash Flow For Distribution	Return On Equity
Without Affordable Component	\$ 3,382,512	\$ 1,169,290	11%
With Affordable Component	\$ 2,834,654	\$ 738,592	7%
<b>Annual Difference</b>	<b>\$ (547,858)</b>	<b>\$ (430,697)</b>	<b>-4%</b>
<i>Annual Difference Per Affordable Unit</i>	<i>\$ (10,742)</i>	<i>\$ (8,445)</i>	
<b>Difference over 15 Year Period</b>	<b>\$ (8,217,870)</b>	<b>\$ (6,460,462)</b>	
<i>Difference per Affordable Unit over 15 Years</i>	<i>\$ (161,135)</i>	<i>\$ (126,676)</i>	
<i>Discounted Loss (15 years, 6%)</i>	<i>\$ (5,320,934)</i>	<i>\$ (4,183,041)</i>	
<i>Per Affordable Unit</i>	<i>\$ (104,332)</i>	<i>\$ (82,020)</i>	

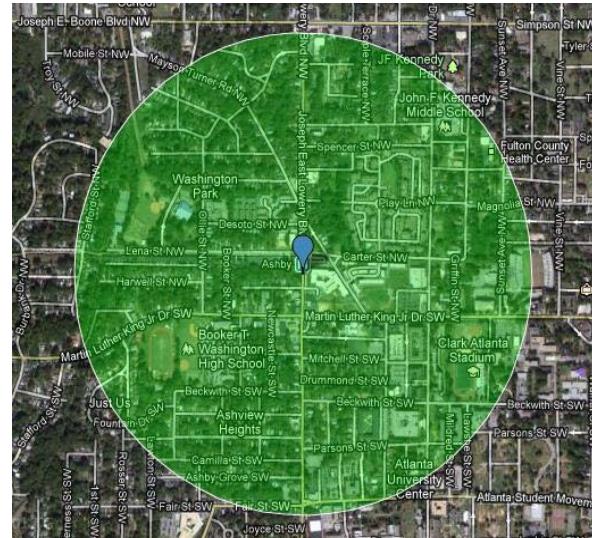
## Modeling Exercise Key Conclusions:

- Including 20% affordable units
- 4% decrease in equity return
- \$8 million decrease in NOI over 15 years
- Points to need for subsidy to build affordable units

## Type C Affordable Strategies:

- Preserve and maintain current affordable units in the area
- Creating market-rate rental housing in location efficient areas (near transit) provides options for middle income workforce (80%-120% AMI) to reduce overall expenses, while gaining access to key employment nodes along MARTA system.

# Type D: Moderate/High Vulnerability, Emerging Market



## Representative Station Area: Ashby

### Building Type: Townhome

#### Challenges:

- Moderate to weak market demand in some areas (new investment may change)
- Low current rents, increasing in some areas
- Lack of neighborhood TOD infrastructure

#### Modeling Exercise Key Conclusions:

- Project with 20% affordable units not financially feasible without subsidy
- Subsidizing only affordable unit land costs helps clear hurdle rate (20%) making it unnecessary to subsidize all land costs

#### Key For-Sale Proforma Assumptions

Costs	Per Unit
Land	\$ 22,222
Unit Construction Costs	\$ 88,889
Parking Costs	\$ -
Total Hard Costs	\$ 93,889
Soft Costs	\$ 48,926
Total Uses of Funds	\$ 142,815
<b>Financing</b>	
Equity	35%
Debt	65%
<b>Unit Price</b>	
<b>Market Rate</b>	
2 Bedroom / 2 Bath	\$ 160,000
3 Bedroom / 2 Bath	\$ 185,000
<b>Affordable @ 80% AMI</b>	
2 Bedroom / 2 Bath	\$ 160,500
3 Bedroom / 2 Bath	\$ 178,000
<b>Return On Equity</b>	
Without Affordable Component	19%
With Affordable Component	16%
Annual Difference	3%
<b>Affordable With Subsidy</b>	
Subsidize all land cost	77%
Subsidize affordable land cost	30%
Subsidize parking deck	-
Waiver of impact/permitting fees	16%

# Type E: High Vulnerability, Lagging Market



## Representative Station Area: East Point

**Building Type:** Low-rise rental with surface parking

### Challenges:

- Weak market demand
- Low existing rents
- Lack of TOD supportive infrastructure

### Modeling Exercise Key Conclusions:

- Low market rents make a financially feasible project difficult even with subsidy
- LIHTC likely best option

### Key Proforma Assumptions

	Per Unit
<b>Costs</b>	
Land	\$ 5,000
Unit Construction Costs	\$ 60,000
Parking Costs	\$ 1,950
Total Hard Costs	\$ 62,430
Soft Costs	\$ 19,263
Total Uses of Funds	\$ 81,693
<b>Financing</b>	
Equity	35%
Debt	65%
<b>Monthly Rent/Unit</b>	
Market Rate	
1 Bedroom / 1 Bath	\$ 850
2 Bedroom / 2 Bath	\$ 975
3 Bedroom / 2 Bath	\$ 1,150
<b>Affordable @ 60% AMI</b>	
1 Bedroom / 1 Bath	\$ 672
2 Bedroom / 2 Bath	\$ 772
3 Bedroom / 2 Bath	\$ 870
<b>Return On Equity</b>	
Without Affordable Component	4.6%
With Affordable Component	3.2%
Annual Difference	1.5%
<b>Affordable With Subsidy</b>	
Subsidize all land cost	4.9%
Subsidize affordable land cost	4.0%
Subsidize parking deck	-
Waiver of impact/permitting fees	3.9%

# Type E: High Vulnerability, Lagging Market



## Impact of Affordable Units

	Net Operating Income	Net Cash Flow For Distribution	Return On Equity
Without Affordable Component	\$ 1,700,270	\$ 377,921	5%
With Affordable Component	\$ 1,563,630	\$ 271,465	4%
<b>Annual Difference</b>	<b>\$ (136,640)</b>	<b>\$ (106,456)</b>	<b>-1%</b>
<i>Annual Difference Per Affordable Unit</i>	<i>\$ (2,733)</i>	<i>\$ (2,129)</i>	
<b>Difference over 15 Year Period</b>	<b>\$ (2,049,604)</b>	<b>\$ (1,596,835)</b>	
<i>Difference per Affordable Unit over 15 Years</i>	<i>\$ (40,992)</i>	<i>\$ (31,937)</i>	
<i>Discounted Loss (15 years, 6%)</i>	<i>\$ (1,327,084)</i>	<i>\$ (1,033,924)</i>	
<i>Per Affordable Unit</i>	<i>\$ (26,542)</i>	<i>\$ (20,678)</i>	

## Modeling Exercise Key Conclusions:

- Market rents make 8% hurdle rate difficult to achieve
- Market rents are near 60% AMI

## Type E Affordable Strategies:

- Preserve and maintain affordable inventory
- Reclaim vacant/foreclosed units for affordable
- New assisted mixed income housing
- LIHTC likely best option

# Feasibility Analysis Conclusions

---

- No scenario provides acceptable returns for affordable housing without subsidies
- Subsidizing cost of land for all units, not just affordable units, works in most cases
- Subsidizing cost of parking deck works for Mid-Rise Stick-Built w/ wrapped deck
- LIHTC likely best/only affordable option in Lagging Markets
- High cost/high barrier of entry submarkets may require a goal of providing market-rate workforce housing to ensure TOD housing options/access for middle income households (80%-120% AMI)

# Additional Observations from This Analysis

---

**Need for a financial partner** —There is a major need for “gap” financing to capitalize on the opportunity of creating additional affordable housing in TOD locations. This partner could be a regional TOD Fund, A state funded housing fund, better leveraging of TAD funding, transportation funding in support of TOD---likely a combination of several of these sources.

**Local funding is limited for Equitable TOD** —outside Atlanta, limited local resources are available to support creation of Equitable TOD units.

**Subsidy of land and/structured parking key strategy in emerging markets** —the ability to subsidize the creation of affordable housing through free or low-cost land, and development of structured parking makes mixed income project economics work.

**Weak market areas will require large scale projects to succeed**—low rents in weak markets make new housing infeasible. Larger scale redevelopments, where equitable units are one component, are needed to alter market dynamics (i.e., East Point, Kensington, etc.)

# Conclusions

---

# Equitable TOD Funding Options

---

Gap financing, to make TOD developments feasible, could be a major catalyst in advancing affordable housing in the station areas. It could take a variety of forms:

## **Equitable TOD Fund Options**

- Subsidize land cost for affordable units
- Subsidize land cost for all units
- Land acquisition loan for 3-5 years, repaid from permanent financing

## **Community Land Trust Model**

- CLT financing land assembly and developer pays ground lease payment per unit

## **Incentives**

- Urban Enterprise Zone partial property tax abatement for 10 years
- Waiver of impact/permitting fees
- Density bonus for affordable units
- Subsidize parking deck construction with TAD/DDA bond

# Recommendations for an Equitable TOD Financing Strategy

---

- 1. The Opportunity for Equitable TOD is great**—due to a convergence of market and demographic factors, a more proactive MARTA (with four station areas in pro-active pre-development), supportive governmental policies, the creation of an LCI template at many station areas, and the winding down of the Great Recession, there is a heightened opportunity for Equitable TOD.
- 2. Special funding/land use policies required for Equitable TOD** —market forces addressing the needs of market rate households will drive development and land costs higher, requiring special funding or land use policies to support the creation of affordable housing in these emerging areas.
- 3. Local incentives and support for Equitable TOD are regionally available**—incentives for creation of Equitable TOD housing tend to be largely concentrated in the City of Atlanta, with much more limited incentives available in other regional jurisdictions. Since 23 of the station areas are in the City this is less of an issue for these areas, but there is a general lack of incentives or land use policies in place to support Equitable TOD in the other 14 station areas which are located in DeKalb County, East Point, College Park, Brookhaven, Sandy Springs, Decatur, Dunwoody, Chamblee or Doraville.

# Recommendations for an Equitable TOD Financing Strategy

---

## 4. An Equitable TOD Housing Financing Strategy should have the following elements:

- Be sufficiently capitalized to support the creation of 6 to 10 projects within the region—likely required initial capitalization of \$30 to \$60 million.
- The financing strategy should be structured as a fund with a capital stack which includes participation by ARC and local governments, the philanthropic community and banks. The first loss position would contain seed funding. This would be followed by Second Tier funding from philanthropic and other sources which would require lower levels of return but anticipated repayment. The Third Tier would be more conventional lending from local banks which would require market rate interest rate returns.



# Recommendations for an Equitable TOD Financing Strategy

---

**4 (con't). The Equitable TOD Housing Financing Strategy should have the following elements:**

- The financing would be targeted to provided capital to support the creation of affordable housing ~~as~~ in one of several ways:
  - Land acquisition and site control—the fund could assist in the purchase of land for projects which could be leveraged by non-profits and other developers along with other funding
  - Project support for infrastructure and other development costs, in return for which a pledge for affordable housing would be secured.
  - Pre-development and project soft costs—to help non-profits deal with the substantial upfront development costs in putting a deal together.
  - Acquisition of existing units which have reached the end of their subsidy period for acquisition and rehab of older units to preserve them in the affordable inventory as an area undergoes a period of increased demand.

# Recommendations for an Equitable TOD Financing Strategy

---

5. The financing could support the creation and preservation of mixed use housing near MARTA station areas and would be designed to complement the other incentive programs and funding available to support affordable housing at these critical locations.

The goal should be to create mixed income communities in areas which have lagged in new development or are beginning to see market rate development, since these areas are currently underserved by the conventional market. To obtain Equitable TOD financing the projects could have as a goal:

- At least 50% units to be affordable to households at 60% of AMI or less
- At least 25% of the units should be market rate
- Offer incentive bonuses for including up to 10% of the units for households at 50% of AMI
- Rent increases would be allowed based on annual CPI adjustment.
- The period of affordability should be 15 years.

# Recommended Next Steps

- Achieving Equitable TOD will greatly benefit many working class Atlanta regional households by providing:
  - access to jobs
  - lower transportation costs
  - ability to live in walkable community
- Achieving Equitable TOD will require proactive efforts by a regional organization whose sole focus is providing access to transit oriented development for all residents of the Atlanta region—this should be the future mission of the TOD Collaborative.
- A flexible financing strategy for Equitable TOD needs to be created—the Atlanta region has a limited, and highly fragmented, “tool box” of financing strategies and other incentives in place, more are needed and leveraging multiple resources will be key.
- The typology of MARTA station areas demonstrates that the form of Equitable TOD varies dramatically by station area type—a multi-layered strategy is needed. The network of existing MARTA station areas with significant available land provides many opportunities to create Equitable TOD through a collaboration of local government, MARTA, private land owners and financing sources.

# Recommended Next Steps

- To have the greatest short-term impact, the TOD Collaborative should focus its efforts on creating a sense of positive momentum by achieving the following in the next 12-24 months:
  - Create a financing program for mixed income TOD projects
  - Focus on ways to create market momentum to create mixed income TOD in 3-5 MARTA station areas that have not been attracting market demand
  - Serve as a catalyst between local communities, property owners and development community to accomplish Equitable TOD objectives and concentrate its financing resources to support the creation of Equitable TOD in these station areas
- The rationale for these recommendations is presented in more detail in the full report

# Appendices

---

Status of Regional Transit Initiatives

Employment Opportunities Around MARTA Stations

Pro Forma Analysis Model Example

# Status of Regional Transit Initiatives

---

# Atlanta Streetcar

---

- Scheduled to open spring 2014
- King Center to Centennial Park.
- 2.7 track miles with 12 stops
- Electric streetcar vehicle
- Shared with other traffic, on-street lanes
- 15-minute frequency (average)
- Operational costs to be covered by fare box revenue, advertising, ADID, Atlanta car rental & hotel motel tax and federal funds



# Atlanta BeltLine Transit

- Combination of parks transit & other elements
- Path & parks construction well underway.
- Full transit system envisioned as 22-mile loop integrated with connecting service at downtown streetcar and across mid-town.
- City has prioritized several sections:
  - Southwest (I-20 to North Ave/GA Tech)
  - East (Piedmont Park to King Center (Streetcar conn.)
  - Cross-Town at North/Ponce
  - Centennial Park to GA Tech (Streetcar connection)



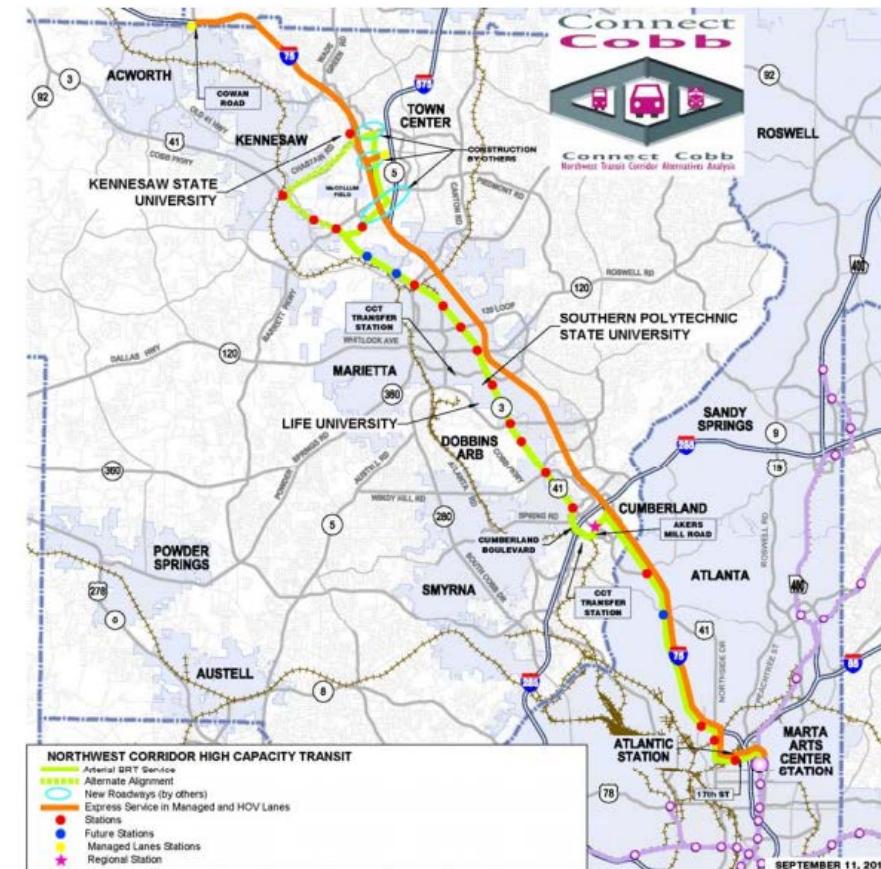
# MARTA Expansion Initiatives

- GA 400 Corridor Expansion
  - Transit extension from North Springs to Roswell, & Alpharetta
  - Submitted to FTA for New starts funding
- Clifton Corridor Expansion
  - Lindbergh to Emory/CDC, DeKalb Med Center to MARTA East Line
  - LPA identified, no finding or date identified
- I-20 East
  - Heavy rail from Indian Trail to Wesley Chapel & I-20, Stonecrest Mall
  - BRT along I-20 from Downtown Atlanta to Wesley Chapel w/ 5 Stations
  - Environmental Assessment underway
- South Fulton Parkway expansion
  - Feasibility Study completed, no further action
- West Line expansion
  - HE Holmes to Fulton Industrial
  - Feasibility Study completed, no further action



# Connect Cobb

- Arterial BRT along US 41.
- 22 Stations
- Kennesaw State Univ. to, Arts Center MARTA via Cobb Galleria
- Next step: Environmental Impact
- Est. Cost: \$1.05 Bil.



# Employment Opportunities Around MARTA Stations

---

Within the 37 MARTA transit areas (half-mile radius):

---

## The station areas are major employment & commercial nodes

**286,750 combined jobs**

- 15% of Atlanta 10-county region jobs
- 29% of combined Fulton / DeKalb jobs
- 59% of employees make \$40k+/year
  - (46% in Fulton / DeKalb overall)

**82.3 million square feet of office space**

- 43% of the combined Fulton / DeKalb

**34.9 million square feet of retail space**

- 27% of combined Fulton / DeKalb



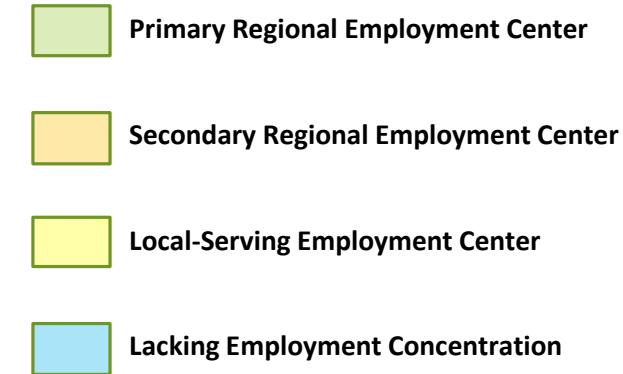
Photo: idyllopuspress.com / Julie Kearns

# MARTA Station Area Employment Center Typology

The MARTA station areas can be characterized by the amount of jobs present into four types:

- Primary Regional Employment Center** with 17,700 jobs or more
- Secondary Regional Employment Center** with 4,900 to 17,699 jobs
- Local-Serving Employment Center** with 1,000 to 3,000 jobs
- Residential Area**, with less than 1,000 jobs

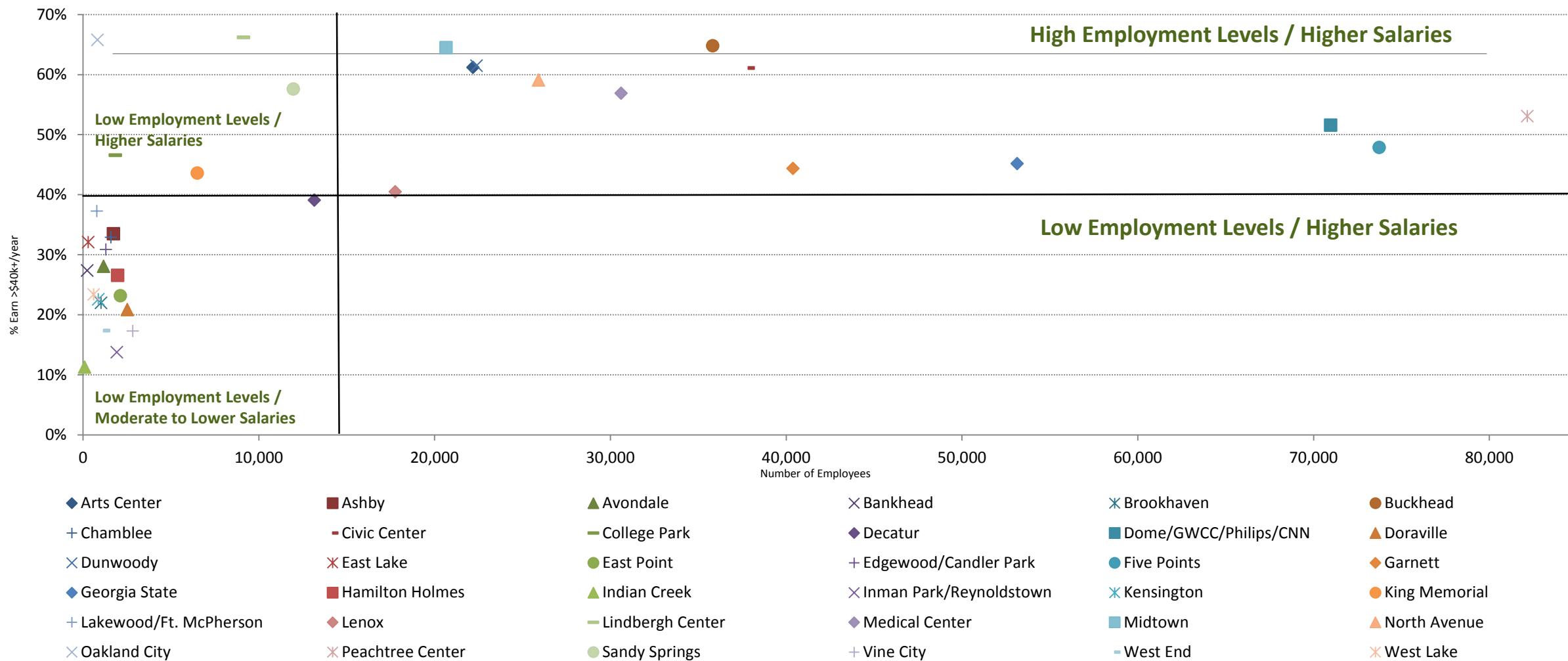
Station Area	Number of Employees	% Earn \$40k+/year
Peachtree Center	82,168	53%
Five Points	73,740	48%
Dome/GWCC/Philips/CNN	70,977	52%
Georgia State	53,146	45%
Garnett	40,384	44%
Civic Center	37,841	61%
Buckhead	35,826	65%
Medical Center	30,609	57%
North Avenue	25,913	59%
Dunwoody	22,382	62%
Arts Center	22,180	61%
Midtown	20,650	65%
Lenox	17,759	41%
Decatur	13,153	39%
Sandy Springs	11,960	58%
Lindbergh Center	9,127	66%
King Memorial	6,498	44%
North Springs	4,923	74%
Vine City	2,830	17%
Doraville	2,515	21%
East Point	2,129	23%
Hamilton Holmes	1,965	27%
Inman Park/Reynoldstown	1,917	14%
College Park	1,841	47%
Ashby	1,736	34%
Chamblee	1,588	33%
Edgewood/Candler Park	1,296	31%
Avondale	1,172	28%
West End	1,171	17%
Brookhaven	1,021	22%
Kensington	869	23%
Oakland City	822	66%
Lakewood/Ft. McPherson	786	37%
West Lake	612	23%
East Lake	293	32%
Bankhead	234	27%
Indian Creek	97	11%



Note: Employment totals include all jobs within each station area. These figures do not account for overlapping half mile radii.

# MARTA Station Area Employment Center Typology

The chart below shows the distribution of the MARTA station areas along two dimensions level of employment and presence of high salary jobs. Region Serving Employment areas tend to have higher salary jobs and smaller employment centers.



# Pro Forma Analysis Model Example

---

# Typology Pro Forma Models

TYPOLOGY A:DUNWOODY STATION AREA:MIDRISE STICK WITH PARKING DECK Summary of Unit Mix & Rental Structure Without Affordable Component								
Unit Type	# of Units	% of Units	Unit Net Sq. Ft.	Total Net Sq. Ft.	Monthly Rent/Unit	Rent /Sq. Ft.	Total Monthly Rent	Gross Annual Rent
1 Bedroom /1 Bath	150	60.0%	750	112,500	\$ 1,400	\$ 1.87	\$ 210,000	\$ 2,520,000
2 Bedroom / 2 Bath	100	40.0%	1,050	105,000	\$ 1,800	\$ 1.71	\$ 180,000	\$ 2,160,000
<b>Total/Average</b>	<b>250</b>	<b>100.0%</b>	<b>870</b>	<b>217,500</b>	<b>\$ 1,560</b>	<b>\$ 1.79</b>	<b>\$ 390,000</b>	<b>\$ 4,680,000</b>
Other Income (4%)							\$ 15,600	\$ 187,200
<b>Gross Potential Rental Income</b>							<b>\$ 405,600</b>	<b>\$ 4,867,200</b>
<i>Vacancy (4%)</i>								<b>\$ 194,688</b>
<b>Effective Gross Income</b>								<b>\$ 5,061,888</b>

TYPOLOGY A:DUNWOODY STATION AREA:MIDRISE STICK WITH PARKING DECK Summary of Unit Mix & Rental Structure With Affordable Component								
Unit Type	# of Units	% of Units	Unit Net Sq. Ft.	Total Net Sq. Ft.	Monthly Rent/Unit	Rent /Sq. Ft.	Total Monthly Rent	Gross Annual Rent
<b>Market Rate</b>								
1 Bedroom /1 Bath	127	50.8%	750	95,250	\$ 1,400	\$ 1.87	\$ 177,800	\$ 2,133,600
2 Bedroom / 2 Bath	85	34.0%	1,050	89,250	\$ 1,800	\$ 1.71	\$ 153,000	\$ 1,836,000
<b>Affordable</b>								
1 Bedroom /1 Bath	23	9.2%	750	17,250	\$ 695	\$ 0.93	\$ 15,985	\$ 191,820
2 Bedroom / 2 Bath	15	6.0%	1,050	15,750	\$ 798	\$ 0.76	\$ 11,970	\$ 143,640
<b>Total/Average</b>	<b>250</b>	<b>100.0%</b>	<b>870</b>	<b>217,500</b>	<b>\$ 1,435</b>	<b>\$ 1.65</b>	<b>\$ 358,755</b>	<b>\$ 4,305,060</b>
Other income @ 4%							\$ 14,350	\$ 172,202
<b>Gross Potential Rental Income</b>							<b>\$ 373,105</b>	<b>\$ 4,477,262</b>
<i>Vacancy at 5%</i>								<b>\$ (179,090)</b>
<b>Effective Gross Income</b>								<b>\$ 4,298,172</b>

# Typology Pro Forma Models (cont.)

TYPOLOGY A : DUNWOODY: RENTAL MIDRISE STICK WITH STRUCTURED PARKING USE OF FUNDS			
Without Affordable Component			
		Total Cost	Cost / Unit
<b>Acquisition Costs</b>			
Land		\$ 5,000,000	\$ 20,000
Property Taxes, other land costs		\$ 60,000	\$ 240
<b>Total Acquisition Costs</b>		<b>\$ 5,060,000</b>	<b>\$ 20,240</b>
<b>Design / Consultants Costs</b>		<b>\$ 1,050,000</b>	<b>\$ 4,200</b>
<b>Construction Costs</b>			
Unit Construction Costs		\$ 16,700,000	\$ 66,800
Parking Costs		\$ 2,762,500	\$ 11,050
Paving		\$ 200,000	\$ 800
Public Improvements		\$ 50,000	\$ 200
<b>Total Construction Costs</b>		<b>\$ 19,712,500</b>	<b>\$ 78,850</b>
<b>Development Fees</b>			
Building Permit (\$5 per \$1000 valuation)		\$ 70,000	\$ 280
Impact fees (\$800 per unit)		\$ 200,000	\$ 800
<b>Total Development Fees</b>		<b>\$ 270,000</b>	<b>\$ 1,080</b>
<b>Amenity Package</b>		<b>\$ 330,000</b>	<b>\$ 1,320</b>
<b>Leasing Costs</b>			
Brochures & Materials		\$ 70,000	\$ 280
Models		\$ 47,500	\$ 190
<b>Total Leasing Costs</b>		<b>\$ 117,500</b>	<b>\$ 470</b>
Finance / Insurance / Legal		\$ 525,000	\$ 2,100
Construction Period Interest		\$ 750,000	\$ 3,000
Lease-Up Reserve		\$ 210,000	\$ 840
<b>Administrative Costs</b>			
Development Overhead (3%)		\$ 840,750	\$ 3,363
Development Fee (2%)		\$ 560,500	\$ 2,242
<b>Total Administrative Costs</b>		<b>\$ 1,401,250</b>	<b>\$ 5,605</b>
Project Contingency (2%)		\$ 588,525	\$ 2,354
<b>Total Uses of Funds</b>		<b>\$ 30,014,775</b>	<b>\$ 120,059</b>

TYPOLOGY A : DUNWOODY: RENTAL MIDRISE STICK WITH STRUCTURED PARKING SOURCE OF FUNDS			
Without Affordable Component			
		Total	Per Unit
Equity (35%)		\$ 10,505,171	\$ 42,021
Debt (65%)		\$ 19,509,604	\$ 78,038
<b>Total Sources of Funds</b>		<b>\$ 30,014,775</b>	<b>\$ 120,059</b>
TYPOLOGY A : DUNWOODY: RENTAL MIDRISE STICK WITH STRUCTURED PARKING OPERATING ANALYSIS			
Without Affordable Component			
		Total	Per Unit
<b>Effective Gross Income</b>			
Potential Gross Rental Income		\$ 4,680,000	\$ 18,720
Other Income (4%)		\$ 187,200	\$ 749
Less: Vacancy (5%)		\$ (194,688)	\$ (779)
<b>Total Effective Gross Income</b>		<b>\$ 4,672,512</b>	<b>\$ 18,690</b>
<b>Operating Income</b>			
Operating Expense (Excluding Taxes)		\$ 900,000	\$ 3,600
Taxes		\$ 390,000	\$ 1,560
<b>Net Operating Income</b>		<b>\$ 3,382,512</b>	<b>\$ 13,530</b>
<b>Reserves</b>			
Reserve for Replacement		\$ 67,650	\$ 271
<b>Net After Reserves</b>		<b>\$ 3,314,862</b>	<b>\$ 13,259</b>
<b>Debt Service</b>			
Debt Service Coverage Ratio			1.25
Available for Debt Service & ROE		\$ 2,651,889	
Debt Service		\$ 1,403,639	
<b>Net Cash Flow For Distribution</b>		<b>\$ 1,248,250</b>	
Return On Equity			11.88%

# Pro Forma Impact of Affordable Housing

---

TYPOLOGY A : DUNWOODY: RENTAL MIDRISE STICK WITH STRUCTURED PARKING						
Impact of Affordable Units						
	Effective Gross Income	Net Operating Income	Debt Service & ROE	Available for Distribution	Net Cash Flow	Return On Equity
Without Affordable Component	\$ 4,672,512	\$ 3,382,512	\$ 2,651,889	\$ 1,248,250		11.88%
With Affordable Component	\$ 4,298,172	\$ 3,008,172	\$ 2,358,407	\$ 954,768		9.09%
<b>Annual Difference</b>	<b>\$ (374,340)</b>	<b>\$ (374,340)</b>	<b>\$ (293,483)</b>	<b>\$ (293,483)</b>		<b>-2.79%</b>
<i>Annual Difference Per Affordable Unit</i>	<i>\$ (9,851)</i>	<i>\$ (9,851)</i>	<i>\$ (7,723)</i>	<i>\$ (7,723)</i>		
<b>Difference over 15 Year Period</b>	<b>\$ (5,615,101)</b>	<b>\$ (5,615,101)</b>	<b>\$ (4,402,240)</b>	<b>\$ (4,402,240)</b>		
<i>Difference per Affordable Unit over 15 Years</i>	<i>\$ (147,766)</i>	<i>\$ (147,766)</i>	<i>\$ (115,848)</i>	<i>\$ (115,848)</i>		