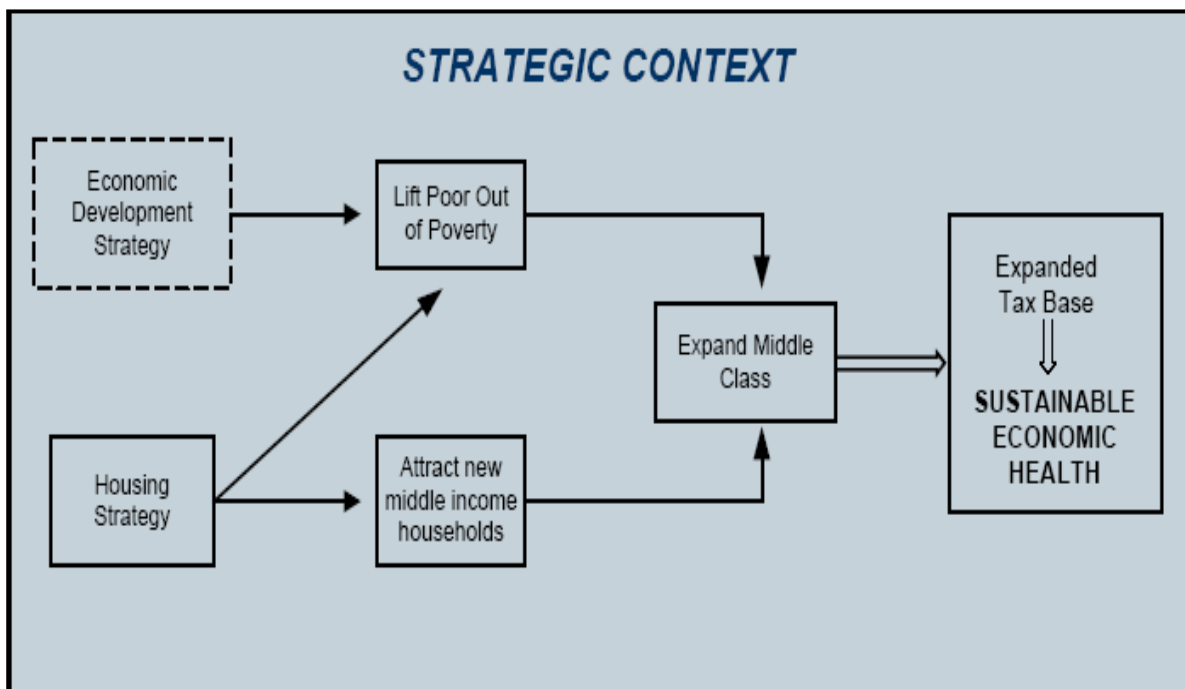


Affordable Workforce Housing Implementation Task Force

“Great Housing in Great Neighborhoods”



Executive Summary of Recommendations

November 2006

**Mayor’s Affordable Workforce Housing Implementation Task Force
Executive Summary of Recommendations**

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Mayor's Affordable Workforce Housing Implementation Task Force Executive Summary of Recommendations

Mayor Shirley Franklin's overall Economic Development Plan includes a key goal to create 10,000 new affordable workforce housing units by 2009. Given the importance of this goal, in late fall 2005 Mayor Shirley Franklin via the Atlanta Committee for Progress (ACP) asked Ron Terwilliger (Chairman & CEO of Trammell Crow Residential) and Renee Glover (CEO of Atlanta Housing Authority) to co-chair an effort to push for progress on a few key initiatives that had been identified by the prior Housing Task Force led by Egbert Perry (Chairman & CEO of Integral Group) during the Mayor's first term. The Task Force retained Bill Bolen (Principal of The DaVinci Group) to assist with the research and analysis in support of the effort. John Ahmann (Principal, Ahmann Inc.) participated in his role as Executive Director of the ACP. Lynnette Young, Chief Operating Officer of the City, and Luz Borrero, Deputy Chief Operating Officer of the City, have provided strategic support to the Task Force representing the Mayor. Mayor Franklin has provided key input throughout the effort and her leadership has been critical in driving the recommendations forward.

The Task Force worked closely with a large City team including the daily participation of Terri Lee, Director of Housing, Steve Cover (City Commissioner for Planning and Community Development) and James Shelby (Deputy Commissioner), Alice Wakefield (City Director of Planning), and many others from Finance, Law, and other key departments. The involvement of Terri Lee and all of the key City leaders has been critical because the effort has focused on implementation from the beginning, which requires City leadership to achieve success.

The effort kicked off with a late November 2005 meeting convening the prior Housing Task Force to gather their input on the priorities of this new effort and discuss guiding principles for the initiatives. Throughout the process the group has solicited the feedback of this prior task force as well as the broader leadership of key stakeholder groups including ANDP, AHAND, GAHB, Atlanta Apartment Association, Atlanta Board of Realtors, Enterprise Community Partners, ACoRA, Atlanta-Fulton County Land Bank Authority, Atlanta Public Schools, Metro Atlanta Chamber of Commerce, and many individual nonprofit and for-profit developers working in the City. The input of these groups has been greatly appreciated and has helped to shape the recommendations summarized in this report. The process has also included coordination with other key City initiatives that are related to this discussion, including BeltLine housing initiatives as well as Peachtree Corridor, Fort McPherson, and general City Economic Development Plan efforts.

This document is meant to serve as a companion to the more detailed PowerPoint summary of analysis that is attached. Details behind the assertions made in this document can be found in the PowerPoint sections matching each section of this summary.

GUIDING PRINCIPLES

The following guiding principles have informed the decisions made regarding the details of the various recommendations and programs outlined in this report and will guide the implementation of such recommendations and programs. The Task Force focus is on implementation of policies and programs that promote:

- Affordable options for a wide range of realistic income levels (not setting family up for failure by putting them in house they cannot maintain)
- Creating mixed income communities where possible to ensure long-term sustainability – avoid (a) concentrating poverty and (b) building “all-affordable” developments
- Citywide affordability, not just in certain areas – includes preserving neighborhoods via rehabilitation of existing units
- Housing close to jobs and/or transit where possible (car trip reduction)
- Family friendly mix – goal of affordability for small households and large households

AFFORDABLE WORKFORCE HOUSING PRIORITIES

Based on the priorities of the original Housing Task Force report and the discussion of the current situation in the City, the following key priorities have been the focus for this effort:

- Clearly establish the current need for affordable workforce housing
- Develop targeting policy for consistent application across all programs (which income levels to target)
- Develop an Inclusionary Zoning Ordinance for approval by the City Council
- Establish a “Housing Opportunity Fund” of ~\$75 million to invest in new affordable housing development and/or subsidy of existing units – and leverage the \$250 million BeltLine Housing Trust Fund as well as future revenue sources to expand the impact of the programs
- Establish a land assemblage financing program for affordable housing development opportunities that could also utilize a more aggressive Land Bank Authority to lower holding costs

CURRENT SITUATION AND NEED FOR AFFORDABLE WORKFORCE HOUSING

Rental and ownership opportunities in the City of Atlanta are increasing in price and often out of reach for a majority of City residents (or those who wish to live in the City but cannot). The task force analysis

- 2000 Median Rent in City was \$755 and was \$878 for units less than four years old
- Current HUD “fair market rents” for City range from \$700-\$1,000 depending on number of bedrooms
- 2000 Median Value of a City home was \$144,000 and 2002 average sales price of a City home was \$243,000
- Majority of new housing units for ownership have been priced over \$200,000
- Majority of resale ownership units are priced over \$165,000
- Zip code trends indicate greater growth in new construction in only certain zip codes – for some zip codes resale options are almost the only options and are not always of high quality
- Relative to the rest of the metro area, City of Atlanta has fewer home values in the affordable range of \$100k - \$200k sales price

The result of this current market situation translates into clear income hurdle for City residents desiring to afford rental or ownership housing in the City:

- For rental options, City of Atlanta households typically need to earn \$30,000 - \$50,000 to afford most decent options
- For ownership options, City of Atlanta households typically need to earn \$50,000 - \$80,000 to own homes in the \$150k - \$250k range of affordability

Unfortunately over 75% of City households earn less than \$80,000 according to the most recent Census data. And even if you exclude poor households earning under \$18,000 a year the City has 50% of its working households earning between \$18,000 - \$80,000 a year. Many of these households will need assistance to be able to sustain a rental or ownership presence inside the City limits.

Who are these households? At the lower end everyone is aware that the growing trend in service jobs creates a large number of households led by lower wage earners. However, this range of households in need of assistance also includes firefighters, police officers, and teachers who are often in a household only earning \$40,000 - \$70,000 a year even in dual income situations. Just as an example, over 75% of City of Atlanta employees do NOT live inside the City limits

The need for affordable housing is hard to calculate with precision. Our analysis looked at the need from a wide variety of perspectives using various reports and available data. ANDP analysis indicates the need could range from 50,000 – 100,000 units depending on the income levels included in the analysis. Other analyses indicate the need might be less than 50,000 units. Ultimately it is clear that the need is likely conservatively at least **30,000 – 50,000 units today where assistance is likely needed** – and this number is only to grow as the City experiences expected growth over the next decade.

How much does this need for assistance cost if we wanted to reach all 30,000-50,000 households potentially in need? Using conservative estimates of needed subsidies ranging from \$30,000 - \$50,000 per unit (some would be less, some could be much more depending on income levels) the overall need is **\$1 billion - \$2 billion**. Clearly we will not address this full need immediately, but this math clearly points out the urgency of taking action now to begin working towards that long-term need.

DEVELOPING A NEW POLICY FOR TARGETING CITY ASSISTANCE BASED ON HOUSEHOLD INCOMES

Current Situation

Any program aimed at providing assistance for creation of affordable workforce housing relies on criteria related to the income levels of the households that are being helped. These criteria are used to determine the sales price or rental price of the units if the developer is being assisted, or used to determine who can apply if the aid is being provided directly to a renter or homeowner.

HUD uses the metro Atlanta Area Median Income to determine eligibility for most programs. The range for most programs is typically between 30% - 80% of Area Median Income, often with a cutoff of 50% or 60% of Area Median Income where assistance transitions from a rental focus to an ownership focus.

Previous City Council legislation indicated a desire to focus on households earning below 50% of Area Median Income. However, the legislation was only an expression of intent (“should” not “shall”) and City policy typically has aligned with other state and federal programs in the 30% - 80% of Area Median Income range.

The chart below shows the current Area Median Income levels:

PERCENTAGE OF AMI	Household Income
30%	\$21,075
45%	\$31,612
60%	\$42,150
80%	\$56,200
100%	\$70,250

It is also important to note that Area Median Income reflects the entire metro area, not just the City. Actual City overall AMI is estimated to be closer to \$50,000.

Concerns About Current Situation

Our task force had a few concerns about the current City focus on 30%-80% AMI that it felt needed to be addressed:

- City policy can often exclude smaller households occupied by firefighters, police officers, teachers, nurses, etc. who might be earning over \$40,000 or \$55,000 and still truly in need of assistance to afford a home. These families are often currently excluded because if their household size is smaller then they fall outside the 80% AMI range. The City desires to assist families and households of all sizes and its policy should reflect that view.
- City policy did not effectively prevent “floating to the top” of income ranges when subsidies are used. It is common knowledge that developers will take whatever range of incomes required for a program and immediately price their units to align with the highest possible income allowed. This is entirely legal and not a negative comment on the intent of the developers, but it does mean that often the lower ends of the income ranges are ignored. We felt that any new City policy must include a mechanism to ensure that all parts of the income range were included when City subsidy was involved.
- Any policy that dips too low in terms of income levels for assistance – particularly for home ownership – runs the risk of “setting families up for failure”. Subsidies can be used to get anyone into a house at any income level, but the first time the air conditioner breaks or they need a new lawnmower or a pipe bursts or any number of regular household expense emergencies occur then the family may find itself in a financial default situation. It is not appropriate policy to set people up for failure by subsidizing a housing situation which is not financially sustainable and could actually harm the household’s future credit record and ability to secure housing.

The new policy will only apply to programs where the City has discretion to alter the income ranges – therefore it is important to remember that programs involving the use of federal or state funds with parameters that cannot be altered will not change as a result. The primary new programs affected by this policy would be the City’s new inclusionary zoning proposal and proposed Housing Opportunity Fund assistance programs. The Task Force has also been working with the effort to improve the HEZ/UEZ programs and the BeltLine TAD, two examples of areas where policy changes could be made to improve consistency.

Proposed Rental Assistance Policy

City assistance for rental units will be provided to households earning 30% - 60% of metro Area Median Income. Within the affordable units provided for each project, 20% of the units must be affordable to 30% AMI and 30% of the units must be affordable to 45% AMI.

The reality of this targeting will mean that over 75% of the subsidy dollars will actually be spent at the 30% - 45% AMI level because the subsidies are much deeper to assist a 30% - 45% AMI household. Overall only about 25% of the subsidy funds will actually go to subsidize units at the 60% AMI level – the units result is larger because far less subsidy is needed per unit at that level.

Annual subsidies (from a renter assistance perspective) could range from \$1,500 - \$7,500 per year within this recommended range. Assistance provided to a developer would instead reflect a long-term capitalized view of that assistance gap, but that range provides a feel for the amount of subsidy potentially necessary within this income range.

Proposed Ownership Assistance Policy

City assistance for ownership units will be provided to households earning 60% - 100% of metro Area Median Income. Within the affordable units provided for each project, 20% of the units must be affordable to 60% AMI and 30% of the units must be affordable to 80% AMI.

The reality of this targeting will mean that over 75% of the subsidy dollars will actually be spent at the 60% - 80% AMI level because the subsidies are much deeper to assist those households (a 60% AMI household can only afford roughly a ~\$120k house price). Overall only about 25% or less of the subsidy funds will actually go to subsidize units at the 100% AMI level – the units result is larger because far less subsidy is needed per unit at that level.

The new policy will only subsidize home ownership up to 2.9 x (times) 100% of AMI (totaling currently just over \$200k) or the FHA 203(b) price limit which is currently \$254,900 for single family home – whichever is lower. This prevents use of the programs by households beyond the focus of this effort regardless of their % AMI status.

One-time subsidies (if not capped) could potentially go as high as \$100,000 per unit for 60% AMI households within this income range depending on income level and household size as well as the market price of the units (capped of course at the FHA 203(b) limit). However, our policy recommends capping any unit subsidy at no more than \$75,000 per unit. If construction costs continue to rise, the issue of subsidizing ownership for 60% AMI households must be revisited given that far greater impact can be created spending dollars on those same households for rental housing than ownership if the subsidies get too large, and our subsidy cap may make serving 60% AMI households impractical if the gap gets too large between actual costs and the 2.9 times 60% AMI plus \$75,000.

It is important to note that the City is not specifying a certain percentage focus on ownership vs. rental investments. The task force believes that this should be guided by the market demand rather than a fixed city policy.

Why Not Stop At 80% AMI For Ownership Programs?

Some people have expressed concern about the policy recommendation regarding allowing a portion of the units to reach 100%. Our response to this concern is as follows:

- **We do not believe we should exclude lower income working households that just happen to be slightly above the 80% AMI level but still in need of assistance to afford a house in the City** – we feel these households (often teachers, firefighters, police, etc.) should be allowed to benefit from these programs even though that means stretching up to 100% AMI technically in terms of the definitions.
- **We are directing most of our funds towards 80% AMI and below no matter what ceiling we select for this last portion of ownership units** – This is a debate over “a slice of a slice” – the top end portion of the ownership portion of the overall effort, ignoring that none of the rental assistance funds will go over 60% AMI and that even within ownership most funds will still focus below 80%.
- **Even within the ownership programs, over 70-75% of the funds will go to 80% and below because % units does not equal % of dollars spent** – 50% of the units being allowed to go as high as 100% AMI adjusted for household size does not translate into 50% of the funds being spent on those households. Far lower subsidies are needed per unit so the dollars go a lot farther at 100% AMI than they do at lower levels. Obviously the exact amount will vary based on the market prices and exact household sizes involved, but using various typical assumptions the portion of funds likely to be spent on this group of households is likely to be 25% or less of the ownership-focused funds. We have an Excel spreadsheet model that we have shared with advocacy groups that allows you to calculate exactly how the math would work depending on the assumptions you want to make about the prices of units and household sizes involved.
- **Many other programs across the country have recognized this issue** – There are certainly many national, state, and local programs that do not exceed 80% AMI. However, here are some example facts regarding some who have used greater flexibility to address the same issues we are raising:
 - **25% of the city, county, and state housing trust funds across the U.S. allow eligibility above 80% of AMI** (from Housing Trust Fund Progress Report)
 - **Many inclusionary zoning programs allow higher AMI percentages** (Boston allows half of the units to be up to 120% AMI, San Diego allows all ownership units to be 100% AMI or lower, Tallahassee also goes up to 100%, and Denver allows up to 95% for larger developments)

- **Enterprise Community Partners' Home Ownership Partners Program that works with various cities often goes up to higher levels (e.g. 115% in Dallas, 120% in Los Angeles)**
- **Fulton County's recently approved voluntary inclusionary zoning allows half of the required affordable units to go up to 120% of AMI**
- **Unlike most programs, our new definition specifically prevents all funds from "floating to the top" of the income range** – Unlike most national, state, and local programs, our definitions ensure that people below 60% AMI for rental and below 80% AMI for ownership actually get some housing targeted to their income levels. Commonly used programs such as the Low Income Housing Tax Credit have no targeting levels like our policy and as a result those developments commonly end up targeting their rents right at the top of the allowable income range in order to maximize economic benefit. Our program ensures that units are created across all income levels.
- **Nothing in our policy prevents a non-profit developer from creating housing units that are all affordable to 80% AMI or below, and those developments would certainly receive favorable review when applying for funding.**

INCLUSIONARY ZONING

Inclusionary zoning ordinances are a successful part of the toolbox of methods for helping to address the need for affordable workforce housing. Mandatory inclusionary zoning laws in California, New Jersey, Maryland, and elsewhere have produced significant results.

The original intent of this effort was to produce a workable mandatory inclusionary zoning ordinance for the City. Many hours of research and analysis were devoted to crafting a proposal that would be effective and economically feasible. Economic analysis of actual housing developments in the City (rental, condo, townhome, and single family detached) at multiple price points was used to estimate the impact of various IZ proposals with the assistance of The Bleakly Group. This economic analysis showed that above certain price levels (e.g. around \$350k starting price) the level of subsidies needed made a mandatory ordinance more challenging unless an in-lieu fee option was provided for developers to donate to the housing trust fund instead of subsidize the units.

Concerns about the legal defensibility of a mandatory ordinance were raised relative to the provisions of the Development Impact Fee Act unique to Georgia. General constitutional concerns about IZ laws such as the “Nolan/Dolan” tests have been addressed in other states and were addressed here, but the unique provisions of DIFA led to concerns about mandatory IZ in Georgia:

- Concern about whether IZ in general is an exaction with system improvement benefits (not allowable) instead of a project-level improvement/exaction that is still allowable under the Development Impact Fee Act (DIFA)
- Concern about whether the option of paying an in-lieu fee is considered a version of a system benefit impact fee that is not allowable under DIFA given that providing affordable housing is not an allowed expense on the DIFA list of purposes allowed for impact fee expenditures.
- Concern about whether any other offsite option would be treated in the same way as the in-lieu fee concern (a system improvement exaction outside the bounds of the DIFA list).
- Even if the first concern was addressed, the remaining concern about needing a legal approach for higher-priced developments to opt-out via an in-lieu fee would have to be addressed in order for an ordinance to be workable and effective.

The task force agreed to push for a voluntary IZ ordinance at this stage and then work to address the legislative issues at a state level in order to allow mandatory IZ in the future as a local option. Fulton County has recently passed a voluntary IZ ordinance and the City will move forward through its regular zoning law change process this year to work for passage of the voluntary IZ ordinance.

The draft details of the ordinance are as follows:

DRAFT VOLUNTARY INCLUSIONARY ZONING ORDINANCE

<p>Basic Requirements</p>	<ul style="list-style-type: none"> • Applies to all developments over 10 units • 10% of units must be affordable (would create at most about <u>300 units per year</u> based on past 6 yrs of permit data) to target groups of 30%-60% metro AMI for rental and 60%-100% metro AMI for ownership • If owner-occupied, minimum 20% affordable to 60% AMI and 30% affordable to 80% AMI or lower • If rental, minimum 20% affordable to 30% AMI and 30% affordable to 45% AMI or lower
<p>Developer Incentives</p>	<ul style="list-style-type: none"> • Density Bonus – 20 % density bonus in number of units proposed, with a 10% affordability requirement applying to all units within the development – prefer Council legislation to approve this <u>automatically</u> for qualifying developments • 25% reduction in permitting fees for participating projects (for all units, not just affordable units) • Developer has access to apply for Housing Opportunity Fund and other assistance programs
<p>Development Standards</p>	<ul style="list-style-type: none"> • Randomly dispersed, same quality as market rate units, with unit size mix comparable to mix of overall development with comparable square footage sizes at each level. • Condo/HOA fees prorated to match % reduction in price where possible/relevant
<p>Long-Term Affordability</p>	<ul style="list-style-type: none"> • All affordable rental units to be rented only to qualifying applicants with correct AMI levels • All owner-occupied units include rider in closing contracts that stipulate restrictions for first owner for first 30 years as follows: <ul style="list-style-type: none"> • City has right of first refusal for repurchase at market price • At initial sale amount of gap (market vs. affordable price) is included as 0% interest soft second mortgage on property. At subsequent sale City receives repayment for soft second mortgage • Owner is allowed to recoup selling costs and documented capital improvements beyond that amount • Any profit after these two items is shared between City and owner using sliding scale based on how long owner has owned the property

The task force has discussed the merits of requiring various mixes of density bonus levels and affordable unit required percentages. Ultimately we would support any solution that is economically sensible, although we recognize that some stakeholder groups feel strongly that 20% is the more appropriate requirement for percentage of affordable units. Ultimately the task force is recommending the 10% requirement for # of affordable units combined with a 20% density bonus approved automatically (“as of right”) for each qualifying development because this ordinance is voluntary and we feel it will need to be very attractive in order to be actively used. Developers could also apply for assistance using other housing programs and the proposed new Housing Opportunity Fund in order to improve the economics on voluntary IZ developments. The task force is not opposed to a higher density bonus that would make the requirement even more economically attractive, but this is an issue best left to the Council and NPU processes.

Based on analysis of the past six years of building permits, a mandatory ordinance would produce only about 300 units per year on average. Therefore it is expected that this voluntary ordinance will have a lower impact than 300 units. However, it is important to show that the IZ approach can work in order to encourage affordable workforce housing development in the city and demonstrate that a mandatory ordinance could be workable in the future.

LAND ASSEMBLAGE FINANCING FUND / LAND BANK AUTHORITY

Initially the focus of the task force in this area was on improving the utilization of the Land Bank Authority as a tool to assist with developer assemblage of properties for building affordable housing (particularly nonprofit developers working in historically underserved communities where many tax lien properties can exist). The Land Bank Authority has the power to erase past tax liens and hold land tax-free if the Board approves of the proposed use for the parcel, with a particular focus by law on affordable workforce housing development as well as other community revitalization purposes.

However, the usefulness of the Land Bank Authority has declined in many ways given the new market context in the City. Speculators buy up tax liens before they are erased by the Land Bank, effectively removing the Land Bank from the process completely if the property has any potential value. In addition, the value of land has increased to the point where tax liens are often not the barrier to cleaning up land anyway in many cases. Historically a property with a \$50,000 price and \$30,000 of tax liens would be a great candidate for the Land Bank, but when the price is \$500,000 the tax lien issue becomes far less significant vs. the general need for financing the land purchase.

Enterprise Community Partners (“Enterprise”) has been working with the City on an important new program that could provide an important new source of assistance for the City’s nonprofit development community as well as smaller for-profit developers who might not have a strong financial position to secure financing. Enterprise has developed a Land Assemblage Financing Fund in New York City and is working on a similar effort in Seattle.

Enterprise would set up a significant financing fund (via credit from financial institutions) to provide loans at approximately 6% rate for 1-2 year terms. Developers seeking to build affordable workforce housing would apply for loans – unlike traditional loans, these loans would allow up to 120% LTV including rolling in the interest and supporting engineering/other fees to help developer get to finish line for project financing. The City, ACoRA and private foundations would provide some level of financial credit guarantee to share risk with Enterprise. Enterprise would not be earning a profit on the loans (spread vs. cost of capital purely covering administrative costs) and therefore would have no real cushion for risk outside of the credit guarantees.

The City has agreed to invest \$5 million from the proposed Housing Opportunity Fund into this Land Assemblage Financing Fund with a first-loss provision status, effectively meeting Enterprise’s need for a credit enhancement without actually using the funds as a credit guarantee. ACoRA has approved a similar \$9 million investment and community-focused foundations are considering the proposal as well. The ultimate size of the fund is directly proportional to the amount of outside investment via direct funds or credit guarantees - but the fund will have the potential to be sized at least over \$30 million with only the City and ACoRA investments involved initially.

The different definitions of affordable workforce housing used by the City, ACoRA, and various foundations may lead to a flexible approach where the Land Assemblage Financing Fund supports different developments focused on varying income ranges as a result. Final details are being worked out and the City and Enterprise are hopeful to launch this effort during 2006.

The Land Bank Authority still has a potentially important role to play and the City will be asking the LBA to consider a policy statement once Fulton County names a new board member to address the one vacant board seat. The LBA is not necessary for a successful Land Assemblage Financing Fund – but it would be of value if we could bank land using the LBA to reduce carrying costs and assist with any title issues. Recent LBA Board policy has been to generally oppose most long-term banking of land (outside of city or county-owned parcels that were transferred to LBA) even though this is one of the intended legal uses of the LBA.

We have prepared a request for Mayor to approve and communicate to LBA Board requesting that they approve banking of land that the owners agree to use for affordable workforce housing within targeted areas of the City only (6 Economic Development Plan focus areas, TADs, CDIAs and ACoRA area). The LBA staff has been working on similar language as well so hope is that approval of this policy will move forward smoothly. However, the first priority is resolving the Fulton appointee situation so that Board can meet to consider our policy recommendation (have not met since October 2005 except for one meeting summer 2006 without a quorum).

HOUSING OPPORTUNITY FUND

Encouraging the development of affordable workforce housing in the City is not possible without investment. Most major cities use some form of a housing trust fund to invest in affordable workforce housing either via assistance to developers or direct assistance to renters and homeowners.

The two primary funding sources for most housing trust funds are the real estate transfer tax and impact fees. However, these two options are not readily available for the City to create a housing trust fund.

The real estate transfer tax in GA is not set locally. It currently can only be changed via statewide constitutional referendum. While the GA real estate transfer tax is not currently as high as in many states (currently only \$1 per \$1,000 of purchase price), historically there has been strong realtor opposition to altering this tax and a late 1990s attempt to increase it for wildlife and heritage preservation purposes was defeated at the ballot box. Recent legislative approaches to allow the local option to increase it have surfaced and been proposed as bills but have not progressed beyond the committee level.

The impact fee portion is not currently allowed in GA because of the limitations specified in the Development Impact Fee Act regarding the types of community expenditures that can be funded via impact fee collection. Provision of housing is not on the list and therefore it would not be possible to collect an impact fee in order to fund a housing trust fund. Changing the DIFA provisions via legislative action would be the required next step to then allow the City to have that local option.

Given these limitations, the City has decided to move forward with an innovative Housing Opportunity Fund initially funded at \$75 million. Programs have been developed for a potential Housing Opportunity Fund that would address a wide range of affordable workforce housing needs across the income levels outlined in our policy.

The allocation of funds is outlined in the following chart:

HOUSING OPPORTUNITY FUND PROGRAMS SUMMARY

CATEGORY	ALLOCATION
HOUSING DEVELOPMENT LOAN/GRANT PROGRAM	
• Rental Production (<u>including</u> rehab assistance)	\$25,000,000
• Single Family Production (<u>including</u> rehab assistance)	\$10,000,000
• Community Housing Development Organization Set Aside (10%)	\$7,500,000
DIRECT LAND ACQUISITION TO ENCOURAGE REDEVELOPMENT WITH AFFORDABLE HOUSING COMPONENT (non-TAD areas)	\$5,000,000
MORTGAGE ASSISTANCE PROGRAM	\$10,000,000
LAND ASSEMBLAGE FINANCING FUND INVESTMENT	\$5,000,000
ATLANTA HOUSING AUTHORITY SET ASIDE (HOPE VI)	\$7,500,000
ADMIN./LEGAL COSTS (over 5 years of startup before recycling of funds begins)	\$5,000,000
TOTAL FUND AMOUNT	\$75,000,000

Separate funds for land acquisition in support of future rental or single family products may also be allocated from within the rental or single family pools of funds. Note that these funds could be layered with other programs if appropriate.

The Housing Opportunity Fund will be a “revolving fund” – when loans are repaid the funds are used to create new subsidies again. Developments assisted by the Fund would have to follow new City policy on affordable unit income targets and targeting within that range. Affordable Units would have to be of similar quality and size as market-price units and be represented proportionally with same mix of bedroom sizes as market-rate units. It is important to note that rehabilitation of existing units is also an eligible use of these funds for rental and ownership units – this is a critical tool in some neighborhoods.

Nonprofit developers receive a special set aside in the Fund to ensure that these important players in the affordable workforce housing market (and community revitalization effort in general) are supported via this Fund as well as other programs for which they are eligible.

The Fund will be administered by a new nonprofit organization created by the Atlanta Housing Authority with a board selected by AHA. Bonds to create the fund will be issued by the Urban Residential Finance Authority and loaned by URFA to the new nonprofit. The City will establish an intergovernmental agreement with the new nonprofit. This IGA between City and new nonprofit will designate how funds are to be spent (program descriptions) and policies for expenditure (income targeting, etc.). The IGA will also specify that the City is to make payments to new nonprofit sufficient in time and amount to enable nonprofit to repay the loan to URFA. This backing by the City allows the bonds to be fully repaid via the City general fund without having to use the Fund – thus allowing it to fully recycle over time. The bonds issued will be taxable

bonds, allowing more flexibility in terms of the time frame for using the funds and the permitted uses.

At this time the new nonprofit created by AHA plans to contract with URFA to manage the fund programs. This is advantageous given that URFA already handles similar activities related to financing and compliance. Draft URFA staffing and organizational structure needs have been developed for implementation – the City Housing Bureau would provide oversight but this effort would have its own staff organized around the key programs and compliance monitoring. Virtually all staff time would be devoted to project activities relevant to the planned programs.

BeltLine TAD bonds will create a separate housing fund of ~\$250 million over the next 25 years. The programs and structure set up by the Housing Opportunity Fund could easily be used to address use of those funds as well in most cases (avoiding duplicative staff where possible). Some programs may not overlap due to different restrictions on use of TAD bond funds and unique programs the BeltLine implementation team may want to pursue outside the scope of the Housing Opportunity Fund.

The City will continue exploration of long-term public funding sources for the Housing Opportunity Fund both from public as well as private sources (Living Cities coalition, local capital campaign, etc.).