

LOFTS AT REYNOLDSTOWN CROSSING

ATLANTA, GEORGIA

Summary

The Atlanta BeltLine is a sustainable, multimodal transportation, recreation, and housing development plan centered around a 22-mile historic rail corridor that encircles the City of Atlanta. A goal of the BeltLine project includes the development of 5,600 units of workforce and affordable housing by 2030. To help realize this goal, the Atlanta BeltLine, Inc. (ABI) purchased a distressed, unfinished, upscale condominium project during the Great Recession that had been vacant for four years. ABI quickly turned the property into the Lofts at Reynoldstown Crossing—28 units of owner-occupied workforce housing, three of which are community land trust units.

Dealmakers

- Strategic adaptive reuse that emerged from a failed upscale condominium development
- Housing and transportation linkages for sustainable development
- Rapid turnaround from acquisition to closing
- Pilot for community land trust condominium units
- Drawing for units that generated quick and successful closings
- Land banking of 1.4 adjacent acres for future development
- Providing accessible and affordable financing to workforce buyers

Overview

Location	890 Memorial Drive SE, Atlanta, Georgia
Project Type	Workforce (up to 100 percent AMI)
Developer	Atlanta BeltLine, Inc.
Contributing Partners	Atlanta Land Trust Collaborative (Community Land Trust) Invest Atlanta (Construction financing) The Marketing Directors, LLC (Marketing) Resources for Residents and Communities (RRC) (HOA management) Rutledge Alcock Architects SouthCore Construction, Inc. (Contractor) Urban Realty Partners and Integral Building Group (Development expertise)
Housing Type	Multifamily owner-occupied
Site Size	1.8 acres
Units	29 units: <ul style="list-style-type: none"> • 25 workforce • 3 workforce/community land trust • 1 market-rate
Development Costs	\$5.1 million
Development Timeline	September 2011: Acquisition October 2011: Construction December 2011: All units under contract March 2012: Completed
Funding Sources	Atlanta BeltLine Affordable Housing Trust Fund Atlanta BeltLine Tax Allocation District Bank of America (mortgage financing) Fifth Third Bank (mortgage financing)
Website	http://beltline.org/progress/affordable-housing/

Development Partners

ABI

The Atlanta BeltLine is a long-term, comprehensive transportation and economic development effort that is being produced in phases through 2030. Atlanta BeltLine, Inc. (ABI) is the entity overseeing the planning, design and implementation of all aspects of the project, with partners in the public and private sectors. ABI was formed in 2006 by Invest Atlanta (formerly the Atlanta Development Authority) for the purpose of managing the implementation of the Atlanta BeltLine program. The ABI staff works closely with Invest Atlanta and City of Atlanta departments to define details of the plan, secure public funding, inform and engage members of the community, and serve as the overall project management office for construction of the trails, transit, parks, and other key components.

Invest Atlanta

Invest Atlanta is the official economic development authority for the City of Atlanta. Its purpose is to strengthen Atlanta's economy and global competitiveness in order to create increased opportunity and prosperity for the people of Atlanta.

Atlanta Land Trust Collaborative (ALTC)

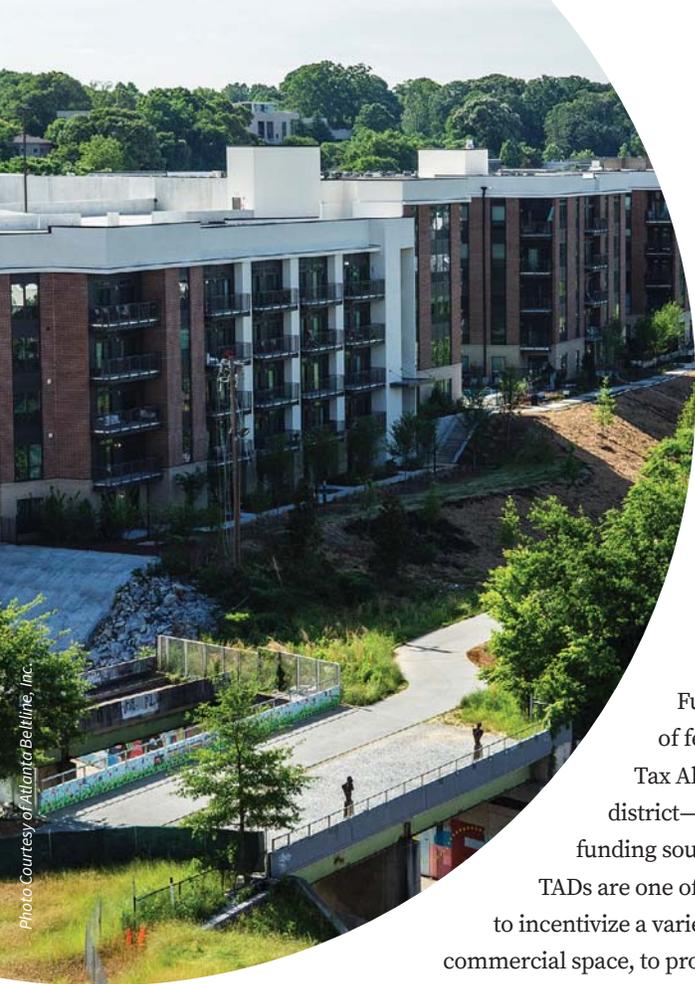
Three of the condominium units in the Lofts at Reynoldstown Crossing are stewarded by the Atlanta Land Trust Collaborative. The ALTC was created in 2009 to maintain affordability in Atlanta neighborhoods at risk for displacement and gentrification, particularly in the 45 neighborhoods along the Atlanta BeltLine. The ALTC combines neighborhood-based, resident-controlled Community Land Trusts (CLTs), with the ALTC serving as a central resource to incubate and support the development and operation of permanently affordable housing initiatives by independent non-profit CLTs along the BeltLine and throughout the City.

Planning and Policy

The Atlanta BeltLine is a sustainable, multimodal transportation, recreation, and housing development plan centered around a 22-mile historic rail corridor that encircles the City of Atlanta. When completed in 2030, the 45 neighborhoods in the vicinity of the BeltLine will be linked by 22 miles of light rail and 33 miles of multi-use trails. At the end of the 25-year project, there are also expected to be 28,000 new units of housing, with a goal of 20 percent, or 5,600 units, developed to be affordable and workforce housing. Originally envisioned in a 1999 master's thesis by Georgia Tech student Ryan Gravel, the Atlanta BeltLine materialized as the result of a grassroots campaign by local citizens and civic leaders. Approximately 3,000 acres of underutilized land along the corridor will become available for public and private redevelopment opportunities.



Photo Courtesy of Atlanta BeltLine, Inc.



History

A group called Friends of the BeltLine began in 2002 to build grassroots support for the idea, meeting with neighborhoods across the city. In 2005, after studies to evaluate the potential of the proposal, Atlanta Mayor Shirley Franklin created the Atlanta BeltLine Partnership to galvanize private sector and citizen support for Invest Atlanta's BeltLine efforts. After a six-month process of community input, the Atlanta BeltLine Redevelopment Plan and the BeltLine TAD were approved by the Atlanta City Council, Fulton County Board of Commissioners, and the Atlanta Public School Board of Education.

Funding

Funding for the Atlanta BeltLine project comes from a combination of federal, state, local, and private sources. One source is the BeltLine Tax Allocation District (TAD)—comparable to a tax increment finance district—that was created by the City of Atlanta in 2005 to provide a local funding source for the implementation of this major revitalization project.

TADs are one of the City of Atlanta's primary economic development tools used to incentivize a variety of developments, such as housing, community centers, and commercial space, to promote development in areas of the city that are targeted for increased investment.

Housing Affordability and the Atlanta BeltLine

The Atlanta BeltLine is expected to stimulate new opportunities for the production of housing in and around the corridor. The Atlanta BeltLine is a unique initiative that can address two of the major costs households face—shelter and transportation. Forty percent of households within a half-mile of the Atlanta BeltLine corridor have incomes between 30 percent and 100 percent of Area Median Income (AMI), and 42 percent of Atlanta BeltLine households are cost burdened, meaning they spend more than 30 percent of income on housing. In fact, low- to moderate-income households in Atlanta relying on market-rate housing options can spend over 60 percent of their incomes on housing and transportation. Thus, affordable housing is a key part of the plan for the Atlanta BeltLine development, to realize the project's vision of improving mobility, connectivity, and regional equity. Since new, market-rate construction will only meet a small percentage of affordable demand, 5,600 units in the Atlanta BeltLine area are targeted to be produced as affordable workforce housing.

The BeltLine Affordable Housing Advisory Board (BAHAB) was established to make recommendations on the development of policies and strategies associated with the creation of affordable housing within the Atlanta BeltLine TAD. BAHAB also makes recommendations for maximizing the use of the BeltLine Affordable Housing Trust Fund.

The Atlanta City Council approved Atlanta BeltLine's affordable housing policies in October 2008. For rental housing, the goal is to produce housing affordable for households earning up to 60 percent of Atlanta region's AMI, or up to \$36,900 annually. For owner-occupied housing, the income targets are up to 100 percent of AMI, or earning up to \$68,000 annually.

Progress in the production of affordable units that have been directly supported by ABI and/or Invest Atlanta incentives, involvement, and development have included Lofts at Reynoldstown Crossing, Ponce City Market, Stanton Oaks in Peopletown, Krog Street Market, AMLI Ponce Park, Reynoldstown Senior, Sky Lofts, and over 100 units purchased with downpayment assistance in complexes around the Atlanta BeltLine.

BeltLine Affordable Housing Trust Fund: Weathering High and Low Markets

To promote the creation and preservation of affordable housing within Atlanta BeltLine neighborhoods, the Atlanta City Council created the Atlanta BeltLine Affordable Housing Trust Fund (BAHTF) in 2008. Fifteen percent of net bond proceeds of the BeltLine TAD are allocated for the BAHTA.

Trust Fund revenue has been used to create and preserve both owner-occupied and rental housing and provide direct assistance to home buyers as well as incentives for affordable housing developers. Funds have been used for home buyer incentives, developer incentives, land acquisition, and transfer of development rights to incentivize developers to incorporate affordable housing units in their development.

The fund is administered by Invest Atlanta, the city's development authority. These funds have been combined with other affordable housing programs and city incentives and leveraged with private dollars for the production of affordable housing. In 2005, economists estimated that the Atlanta BeltLine TAD would generate \$3 billion in incremental property tax revenue over 25 years.

However, expected BAHTF revenues, along

with funds for the BeltLine as a whole, were impacted by a major drop in TAD projected revenues. When the Great Recession hit, projected property tax revenues in 2012 were revised to between \$1 billion and \$1.4 billion for the remainder of the life of the TAD (2012–2030).

In fact, actual TAD revenues declined even further, to \$18 million in 2014—a major shift from the original estimate that TAD revenues in 2014 would be \$47 million. The change in revenues called for a rethinking of funding for implementation. The 2030 Strategic Implementation Plan, produced in 2013, proposed a revised framework for how the project will be funded through a mix of public and private sources, and seeks to establish a predictable stream of BAHTF funding, rather than sporadic funding tied to Atlanta BeltLine TAD bonds.

Recalibration of The BeltLine's Housing Strategy

The major impact of the Great Recession on the housing market and the resulting foreclosure crisis dissolved the original revenue assumptions and created new challenges and opportunities for housing development. This shift required a significant adjustment in the strategies to achieve the Atlanta BeltLine's affordable housing goals.

In 2015, ABI completed an Integrated Action Plan ("IAP") to evaluate how to reach the Atlanta BeltLine's ambitious economic development and housing goals in fiscal years 2016 to 2020, with a look forward to 2030. The IAP emphasizes controlling land early in the development process as a key method to more effectively manage development outcomes.

The IAP includes plans to develop new and maximize existing sources of revenue; establish and capitalize a land acquisition fund; directly support the creation of three major projects with affordable workforce housing; complete Phase II of the Lofts at Reynoldstown Crossing; and offer owner-occupied rehabilitation and downpayment assistance.

Outcomes

Through 2014, ABI (ABI) and Invest Atlanta have supported the development of 1,025 units of affordable housing. Over 15,000 housing units have been developed in the Planning Area. ABI and the BAHTF have spent \$12.5 million of TAD proceeds to date on affordable housing efforts.

In 2014, ABI also launched a partnership with the Federal Home Bank of Atlanta to provide rehab work for homeowners adjacent to the Westside Trail and downpayment assistance for those seeking to live along the Atlanta BeltLine.

Site Development

One of the oldest African American neighborhoods in the City of Atlanta, Reynoldstown is a historic district on the city's near east side located two miles from downtown. Reynoldstown started as a thriving working-class neighborhood through the mid-20th century, with many residents who were employed in the railroad and sawmill industries. By the latter half of the twentieth century, like many older urban neighborhoods, Reynoldstown was experiencing population, job, and income loss, along with a deteriorating housing stock. Grassroots neighborhood efforts helped revitalize Reynoldstown by the turn of the 21st century, though the impact of the Great Recession meant that progress stalled by 2010.

The BeltLine bisects Reynoldstown in a north-south direction. Memorial Drive, where the Lofts at Reynoldstown Crossing is located, is the major thoroughfare bordering the southern end of Reynoldstown. Many of the light industrial properties are now adapted for residential, retail and entertainment use.

Lofts at Reynoldstown Crossing emerged from a failed upscale condominium development, Triumph Lofts, which was an adaptive reuse of an old motorcycle parts factory on 1.8 acres. The original project was on its way towards completion in 2008 when a series of setbacks, including economic upheaval generated by the Great Recession, caused it to go unfinished and into receivership. As a result, the units sat vacant for four years, with an undetermined future, until ABI acquired the 75-percent completed property in 2011 for \$3.7 million. While the private market was leaving the

“We have gone from envisioning a huge trust fund to more limited resources. How do we achieve our housing and economic development goals? How do we use real estate to do that?”

James Alexander
ABI Housing Policy and
Development Director



Photo Courtesy of Atlanta BeltLine, Inc.

property vacant in the recessionary environment, ABI was able to act as an entrepreneurial public entity to turn the development into an asset.

Reaching out to the Reynoldstown neighborhood organization and the Neighborhood Planning Unit, ABI earned local support for the project, which is in an optimal location adjacent to the BeltLine. ABI completed the redevelopment of the building in nine months to produce 28 workforce-housing units and one market-rate penthouse unit. There are also an additional 1.4 acres on the property (currently a parking lot and tree nursery) that have been land-banked for future housing development.

Design

The Lofts at Reynoldstown Crossing retained the development's upscale features from the development's original plan for upscale condominiums in an adaptive reuse of the former motorcycle parts factory. The spacious two-bedroom, two-bath lofts feature granite countertops, stainless steel appliances, and floor-to-ceiling windows. Shared amenities include a fitness center, hot tub, pool, club room, and rooftop deck. To maintain these amenities, there is a homeowners' association (HOA), a property manager, and an HOA fee.

ABI began construction in October, 2011, and it was completed remarkably fast in March, 2012, for just under \$700,000. While much of the property redevelopment had been completed in its earlier phase, the outstanding tasks included reinforcing the building's structure with steel and concrete; recommissioning major systems; and completing the elevator system, improvements to the building envelope, and amenities, such as the pool, hot tub, clubroom, and fitness center.

Financing

Purchasing the property out of receivership, ABI's low acquisition price of \$2.9 million allowed ABI to offer 28 high-quality condominiums at an affordable price. ABI's goal was to provide housing to those earning under \$68,000 (100 percent of AMI). Of the 29 condominiums, 25 are workforce units, three are community land trust units, and the penthouse was sold at market rate. In light of the Atlanta BeltLine Affordable Housing Trust Fund's policy that the development not be 100 percent affordable, the penthouse unit was designated for a market-rate sale. ABI holds a right of first refusal on the sale of all the units in the development.

While the total development cost was \$170,000 per unit, funds from the BeltLine Affordable Housing Trust Fund (BAHTF) were applied to write down the total development cost per unit by \$22,000.

While these condominiums sold on average for \$150,000, BAHTF provided a silent second mortgage of \$64,000 at zero percent interest. Thus, the homeowners' first mortgages on the affordable workforce units averaged \$84,000. The resulting monthly payments, including taxes and HOA fees, are less than \$1,000 a month. By comparison, a comparable market-rate two bedroom apartment would cost over \$1,200 per month.

“A land acquisition and land banking strategy gives us the best chances of creating longer-term affordability.”

James Alexander
ABI Housing Policy and
Development Director

To retain affordability, the 25 workforce units utilize a mix of equity capture, subsidy recapture, and first right of refusal. Under equity capture, if the home is resold within the first five years, a sliding percentage of gain upon resale must be repaid to the BAHTF. Under subsidy recapture, the silent second mortgage must be repaid to the BAHTF if the home is sold within the first 15 years. Any funds repaid to the BAHTF can be recycled to future home buyers.

The three units sold in a partnership with the Atlanta Land Trust Collaborative, Invest Atlanta, and Bank of America were part of a pilot program to introduce community land trust homeownership into the Atlanta market. This is a model to permanently preserve affordability for low- and middle-income households. In the three units at the Lofts at Reynoldstown Crossing, the homeowner purchases the unit with a deed that restricts resale prices and the incomes of future buyers to affordable levels. In future resales, units must be resold to residents earning under 100 percent AMI. These community land trust units were sold with a \$100,000 silent second mortgage from BAHTF to two City of Atlanta police officers and one public school teacher.

Marketing

The Lofts were offered via a one-day public sales drawing in December, 2011, a strategy that generated a high level of interest in the development despite a soft real estate market. Promoted through news stories, radio and newspaper ads, and two open houses, more than 2,400 people registered for the event, 600 households visited, and more than 42 buyers were qualified to participate in the drawing for 28 homes.

In order to participate in the drawing, prospective buyers had to meet certain requirements: visiting the property, touring the units, and agreeing to all rules and regulations of the Atlanta BeltLine's housing program and the drawing.

Prospective buyers also had to get prequalified by the lending teams assigned to the project and provide proof of funds to make the \$1,500 contribution necessary for loan and downpayment eligibility.

The one-day drawing resulted in a nearly instantaneous absorption rate: all 28 homes were placed under contract within a few hours. Ninety-three percent of the workforce units closed within eight months of marketing.

“We seek to build longer-term affordability in every deal that we do. It will depend on the mechanism we are using to create the affordable housing, the partners we are working with, the developer in the deal, and the amount of resources we are able to bring to the table.”

James Alexander
ABI Housing Policy and
Development Director



Photo Courtesy of Atlanta Beltline, Inc.

Observations and Lessons Learned

Act entrepreneurially when the moment calls for it. As a public entity, ABI does not typically serve as a developer for BeltLine projects. Rather, it has positioned itself to work in predevelopment and partner with nonprofit and for profit developers on specific projects. Yet, the prime opportunity offered by reclaiming the Lofts property out of receivership meant that ABI served as the developer for the Lofts, and it delivered a highly successful project.

Community land trusts are an important tool for developing permanently affordable housing. The three CLT units at the Lofts demonstrate the prospect of this type of homeownership as a model for future developments around the BeltLine.

Innovation can be efficient and noteworthy. While an unusual move, a one-day public drawing for the Lofts affordable housing units sped up absorption time and created a buzz for the project in a soft real estate market.

It's a smart move to pair transportation growth with the growth of affordable housing. Large infrastructure and transportation projects often generate new opportunities for housing development. Planning for affordability from the start can help effectively target applicable funding sources.

Planning for the long term requires adaptability. A 25-year project such as the Atlanta BeltLine must be agile and harness an array of strategies—particularly to develop affordable and workforce housing—in order to succeed in both boom and bust times. When anticipated revenues for the BeltLine Affordable Housing Trust fund from the BeltLine Tax Allocation District dropped sharply during and after the recession, ABI needed to draw on other sources and strategies to maintain the project's commitment to its affordable housing goal.



Photo Courtesy of Atlanta BeltLine, Inc.

This document is a portion of NAHB's report
How Did They Do It? Discovering New Opportunities for Affordable Housing.

[Click here to view the full report.](#)

How Did They Do It?

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for Affordable Housing



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