Introduction

The Lofts at Reynoldstown Crossing ("LRC") project is described in the sections below. Key recurring themes that make LRC a successful, unique, and replicable project are the following:

- Utilizing vacant and distressed property to create quality housing for workforce households;
- Providing accessible and affordable financing to qualified buyers;
- Remarkable speed in transforming a distressed property into a strong community – in less than nine months from acquisition of the property through remediation and construction, to closing on virtually all of the units;
- Successful public/private collaboration;
- First community land trust (CLT) homes in generations, and first ever CLT condominiums in Georgia, reserved for police and teachers;
- And forging the connection between housing, future transit and trails, creating a more sustainable Atlanta.

Atlanta BeltLine

The Atlanta BeltLine is among the largest, most wide-ranging urban redevelopment and mobility projects currently underway in the United States. As a sustainable redevelopment project, the Atlanta BeltLine epitomizes smart growth as it will provide a network of public parks, multi-use trails, transit and affordable housing along a historic 22-mile railroad corridor circling downtown and connecting many neighborhoods directly to each other.
A. Community Context

Lofts at Reynoldstown Crossing is in one of the oldest African American neighborhoods in the City of Atlanta, Reynoldstown. Throughout the first half of the twentieth century, Reynoldstown was a thriving working class neighborhood, comprised of people associated with the railroad and sawmill industries. By the latter half of the twentieth century, like many older inner city neighborhoods, Reynoldstown was characterized by population, job, and income loss, along with a degenerated housing stock.

Through the efforts of neighborhood residents, organizations such as Reynoldstown Revitalization Corporation, and a central location near wealthier neighborhoods, Reynoldstown began to see a resurgence in the late 1990’s. Between 2000 and 2009, the median household income in Reynoldstown, and other neighborhoods in immediate proximity, rose by nearly 30 percent.

However, since the beginning of the “Great Recession,” foreclosures, mortgage fraud, and stalled redevelopment has left some of the neighborhood’s housing stock vacant and in limbo. Given the difficulty of returning this vacant housing stock to the neighborhood’s housing supply, housing prices have remained unattainable for workforce households due to the challenge of purchasing foreclosed and REO properties. Moreover, strict mortgage lending standards have made it even more difficult for working families to secure the necessary financing to purchase such properties.

Lofts at Reynoldstown Crossing was formerly known as Triumph Lofts. It was a failed condominium redevelopment marketing high-end lofts from $280s to the mid-300s. The development was 75% complete when it was hit by a tornado in 2008, followed by the construction lender (bank) failing, and the “Great Recession” ultimately taking hold. The loan was taken over by the FDIC and then sold to an institutional investor as a very small piece of a large portfolio of loans. Due to the developer’s inability to complete the project and bring it to market, the property then went into receivership. As a result, the units sat vacant for four years and became an eyesore for both the community and the Atlanta BeltLine with no apparent solution in sight.

Additionally, the Atlanta BeltLine project was underway – running through Reynoldstown and adjacent to LRC. As one of the largest public redevelopment projects in the United States, the Atlanta BeltLine has a goal of reconnecting the City’s neighborhoods through a system of transit, greenspace, and trails. The project’s affordable workforce housing program was designed to ensure that affordable opportunities remain available as the Atlanta BeltLine project is constructed and nearby land values rise.

Lofts at Reynoldstown Crossing was successfully developed in this context. Now complete, LRC provides homeownership opportunities to workforce households with incomes between $35,000 and $68,000. Three homes, as a part of a community land trust, were reserved for first responders and teachers. One hundred percent of the lofts were placed under contract in one day, and ninety percent were closed within 6 months of initiating marketing.

B. Project Summary

Location: 890 Memorial Dr., Atlanta, GA 30316.

Site: LRC is an adaptive reuse development. The 1.8 acre site was home to the Triumph motorcycle parts and repair facility through 2000. There is also 1.4 acres of land remaining for future development, which is currently used as a tree nursery for a local tree conservancy, and a surface parking lot. These additional acres are now land banked for future mixed-income transit oriented development.
**Acquisition:** The site was put under contract on September 1, 2011, and was acquired on September 16, 2011 for $3.7M.

**Construction:** Construction began on October 25, 2011, and was completed at the end of March 2012 at a cost of $682,000. Scope included the following: repairing and reinforcing the building’s structure (i.e. steel and concrete), recommissioning major systems, completing the elevator system, building envelope work to prevent water intrusion, and also building out the amenities – pool, hot tub, clubroom, and fitness center.

**Unit Interiors:** The homes were originally built by the previous developer with the amenities and finishes of homes priced from the $280s to the mid-300s. All homes feature spacious two-bedroom, two-bathroom, granite counters, glass tile showers, dual vanities, stainless appliances, and floor-to-ceiling windows.

**Site Amenities:** The development also features a pool, hot tub, fitness center, club room, and rooftop deck.

**Housing Market:** Close proximity to major job centers, schools, services, and entertainment, combined with its unique history, character and housing styles, has made Reynoldstown, and other surrounding communities, highly desirable. However, the adverse effects of the recession – high vacancy rates, foreclosures, mortgage fraud, and stalled redevelopment – have been difficult to correct and recover from. The complexity of buying foreclosures and REOs, coupled with the tight credit lending, has resulted in long-term vacancies in some areas. Thus, many working families are forced to compete in the mainstream market, where quality housing, like LRC, is typically priced out of reach.

**Marketing and sales:** To build awareness and excitement early on, a media blitz – including news stories, radio and newspaper adds, and two open houses – began in early November of 2011 to promote a one-day sales drawing event. 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. On December 10, 2011, the affordable housing drawing was held, resulting in all 28 workforce housing units being placed under contract. This one-day sales event was the first of its kind in the City of Atlanta. Of the 28 workforce homes, 25 were sold on average for $150K with $64K silent second mortgage provided by the Atlanta BeltLine. Therefore, first mortgages on the affordable workforce units averaged $84,000. Three homes were sold to two City of Atlanta police officers and a public school teacher as a part of a community land trust. Ninety-three percent of the affordable homes closed within eight months of marketing.

**Schedule:**
- September 16, 2011: Site Acquired
- October 25, 2011: Construction Began
- Early-November 2011: Marketing Commenced
- December 10, 2011: One-day Sales Drawing
- March 30, 2012: Construction Completed
- As of May 30, 2012: 26 of 28 (93%) Workforce Housing Units Closed
C. Development Costs

ABI’s goal was to provide 28 high quality affordable homes to those earning under $68,000 (100% of AMI). Three of these homes were to be reserved for first responders and teachers working in the City of Atlanta.

ABI achieved this goal through 1.) a low acquisition price, 2.) the Atlanta BeltLine Affordable Housing Trust Fund ("BAHTF"), and 3.) innovative marketing.

1. Low Acquisition Price: The previous developers purchased the property for $4.9M at a 20% level of completion. ABI purchased the property out of receivership for $3.7M at a 75% level of completion. This low basis allowed ABI to offer the homes at an affordable price.

2. BeltLine Affordable Housing Trust Fund ("BAHTF"): The Atlanta Beltline capitalized an affordable housing trust fund via tax exempt mortgage revenue bonds in 2008 to incentivize desperately needed affordable housing. The BAHTF is funded from 15% of net revenues generated by BeltLine Tax Allocation District ("TAD") bonds, which is the primary funding mechanism for the Atlanta BeltLine project. The total development cost was $170,000 per unit. The Trust Fund was utilized to write down the total development cost per unit by $22,000. Additionally, the Trust Fund was utilized to provide $64,000 of 0% interest second mortgage financing (we consider this a temporary investment that will be returned to the Trust Fund when the units are resold).
Thirteen percent of the development, therefore, came from permanent public subsidy. This allowed the first mortgage, upon which interest and principal were paid, to be a very affordable $84,000 (on average) (See Table 1).

### Table 1

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost / Unit</th>
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</thead>
<tbody>
<tr>
<td>BeltLine Subsidy (permanent subsidy)</td>
<td>22,000</td>
</tr>
<tr>
<td>Silent 2nd Mortgage (buyers repay to Trust Fund)</td>
<td>64,000</td>
</tr>
<tr>
<td>First Mortgage and Buyer Equity</td>
<td>84,000</td>
</tr>
<tr>
<td><strong>Total Development Cost</strong></td>
<td><strong>170,000</strong></td>
</tr>
</tbody>
</table>

3. **Innovative Marketing:** The public private collaboration on the project led to a unique blend of marketing efforts. LRC represented Atlanta’s first ever drawing for affordable housing. Held on December 10, 2011, this one day event concluded with all 28 – three of which were CLT – homes being placed under contract within a few hours. Prospective buyers had to meet certain qualifications in order to participate in the drawing: prospects were required to visit the property, view the homes, agree to all rules and regulations of the silent second mortgage program and the drawing, get approved by the preferred lending teams assigned to the project, provide proof of funds to make the $1,500 contribution necessary for the first and second loan eligibility. More than 2,400 people registered for the event, more than 600 visited, and more than 42 buyers were pre-qualified to participate in the drawing for 28 homes.

### D. Affordability

Through the Atlanta BeltLine’s Affordable Housing Trust Fund (“BAHTF”), eligible homebuyers received a silent second mortgage, making monthly payments, including taxes and HOA fees, less than $1,000 per month. Table 2 shows that this represents an ownership opportunity at significant savings over alternative rental options in the market. For example, market studies demonstrate that renting a 2 bedroom apartment in most of Intown Atlanta requires over $1,200 per month.

### Table 2

<table>
<thead>
<tr>
<th>Category</th>
<th>Lofts at Reynoldstown Crossing</th>
<th>Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average (New) Sales Price</td>
<td>$150,000 and Under</td>
<td>$150,000</td>
</tr>
<tr>
<td>Typical 1&lt;sup&gt;st&lt;/sup&gt; Mortgage</td>
<td>$90,000 – $100,000</td>
<td>$142,000 (assuming 5% down)</td>
</tr>
<tr>
<td>Average Monthly Cost</td>
<td>Less than $1,000</td>
<td>More than $1,200</td>
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The Trust Fund was utilized to write down the total development cost per unit by $22,000. Additionally, the Trust Fund was utilized to provide $64,000 of 0% interest second mortgage financing (we consider this a temporary investment that will be returned to the Trust Fund when the units are resold). Thirteen percent of the development, therefore, came from permanent public subsidy. This allowed the first mortgage, upon which interest and principal were paid, to be a very affordable $80,000 (on average). See Table 1 above for details.
Twenty five affordable homes utilize a mix of subsidy recapture, equity capture, and first right of refusal to retain affordability. Any funds repaid to the Atlanta BeltLine Affordable Housing Trust Fund (“BAHTF”) can be recycled to future LRC buyers.

- **Equity recapture:** the silent second mortgage must be repaid to the BAHTF if the home is sold within the first fifteen years. We expect the vast majority of buyers to move within this timeframe.
- **Equity sharing:** a sliding percentage of gain upon resale must be repaid to the BAHTF if the home is resold within the first five years (See Table 3).
- **First right of refusal:** Atlanta BeltLine retains first right of refusal on the homes.

<table>
<thead>
<tr>
<th>Year</th>
<th>% Shared w/ Trust Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>50</td>
</tr>
<tr>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>30</td>
</tr>
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<td>4</td>
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<tr>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>6+</td>
<td>0</td>
</tr>
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### E. Project Connectivity

LRC is well connected to employment, services, parks, transportation and the largest new urban infrastructure project in Atlanta, the Atlanta BeltLine.

**Employment:** LRC is less than four miles from two major employment centers – Downtown (2 miles) and Midtown Atlanta (less than 4 miles)

**Services:** LRC is located within a 2.5 mile radius of: 3 major shopping centers; 2 hospitals; 3 high schools; 3 middle schools; 4 Elementary schools; and 2 public libraries.

**Atlanta BeltLine:** The project is among the largest, most wide-ranging urban redevelopment and mobility projects currently underway in the United States. As a sustainable redevelopment project, the Atlanta BeltLine epitomizes smart growth as it will provide a network of public parks, multi-use trails, transit and affordable housing along a historic 22-mile railroad corridor circling downtown and connecting many neighborhoods directly to each other.

Historic Fourth Ward Park and 2.5 miles of trail are already completed within 1.5 miles of the site. Historic Fourth Ward Park features: 17 acres of greenspace, a modern playground, a summer splashpad, a 2-acre lake that serves as a storm water detention basin, an outdoor amphitheater, and Atlanta’s first public skatepark.

**Historic Fourth Ward Park:** view of 2 acre lake/storm water detention basin from the top of the outdoor amphitheater. Source – Atlanta BeltLine, Inc.
**Non BeltLine parks:** There are two neighborhood parks within under a 14 minute walk from the site. Additionally, 4 larger public parks are a short car or bike ride away – less than 1.5 miles.

**Non BeltLine transit:** LRC is well connected to public transit. There is a bus stop at the corner of the site, which runs along a major corridor. There are also two rail stations located within under a: 5 minute drive; 10-20 minute bus ride; 10 minute bike ride; or 25 minute walk.

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**F. Project Innovation**

LRC was innovative in the following ways, 1.) taking advantage of vacancies and distressed real estate to create affordable housing, 2) creating the City’s first ever affordable housing drawing, and 3.) taking entrepreneurial risk from the perspective of a public agency.

1.) LRC is an innovative example of utilizing vacant and distressed real estate to create affordable housing. The Atlanta BeltLine views the current distressed real estate market as an opportunity to create more affordable housing before land values rise. The Lofts at Reynoldstown Crossing serves a premier example of a successful transformative project – from a once vacant and deteriorating building into quality and accessible workforce housing.

2.) LRC represented Atlanta’s first ever drawing for affordable housing. Held on December 10, 2011, this one-day event concluded with all 28 – three of which were community land trust homes – being placed under contract.
within a few hours. Prospective buyers had to meet certain qualifications in order to participate in the drawing: Prospects were required to visit the property, view the homes, agree to all rules and regulations of the Atlanta BeltLine’s housing program and the drawing, get approved by the preferred lending teams (Bank of America and Fifth Third Bank) assigned to the project, provide proof of funds to make the $1,500 contribution necessary for loan and down payment eligibility. More than 2,400 people registered for the event, and more than 42 buyers were fully approved to participate in the drawing for 28 homes.

3.) While public entities are often averse to risk and entrepreneurship, Atlanta BeltLine took a bold step to redevelop LRC. LRC is an example of how entrepreneurial public entities can create economic development where the private market may be slow or unable to act.

G. Replicability Factors

Lofts at Reynoldstown Crossing provides a national model on how to quickly, and successfully, take advantage of a depressed real estate market to create a unique development for workforce households. Given the “Great Recession,” the foreclosure crisis, and the failure of banks nationwide, there are likely hundreds of multi-family units in every city that are distressed and potential redevelopment sites for affordable housing. These sites have the potential to dramatically reduce the cost and timing of creating quality workforce housing.

Additionally, LRC serves as a model for how affordable housing can be an integral component of larger infrastructure projects. The Atlanta BeltLine is the only transit focused tax increment finance project in the country that expressly sets aside funds for affordable housing. These dollars ensure that affordable housing options exist before, during, and after the transit is constructed. Tax increment financing is currently being used to finance transit, roads, bridges, and sidewalks in many municipalities across the country. Many of these municipalities could replicate this method of financing affordable housing.