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# Athens-Clarke County Affordable Housing Investment Strategy

**Advisory Committee Meeting: Draft Strategy**

July 28, 2023

# Agenda

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Welcome Back

Recommendations

Discussion



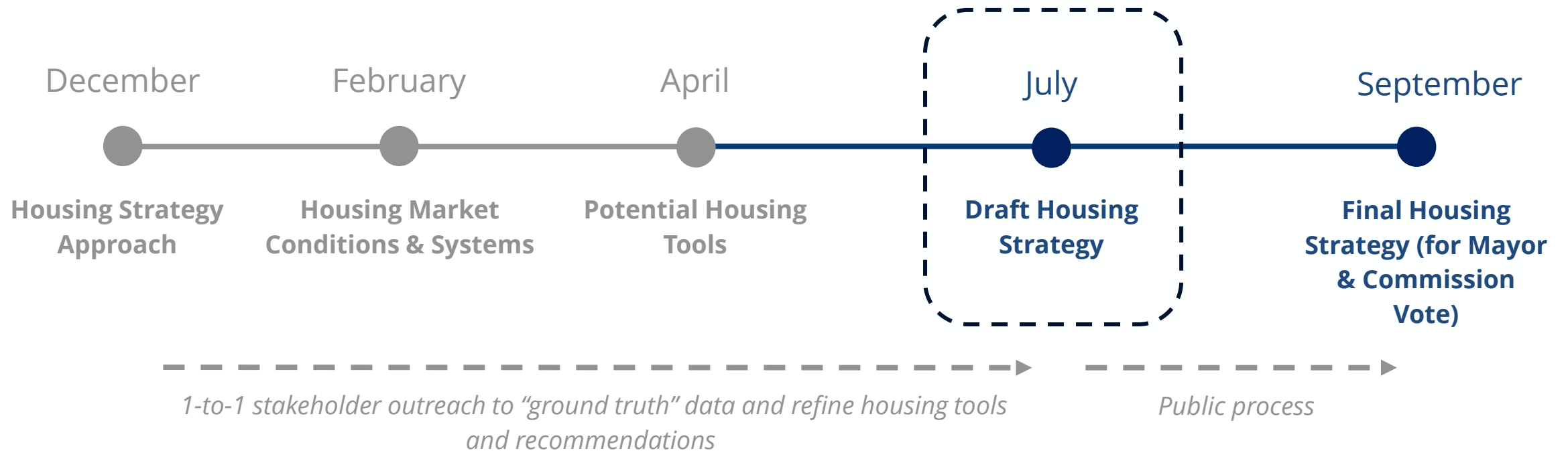


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Welcome Back

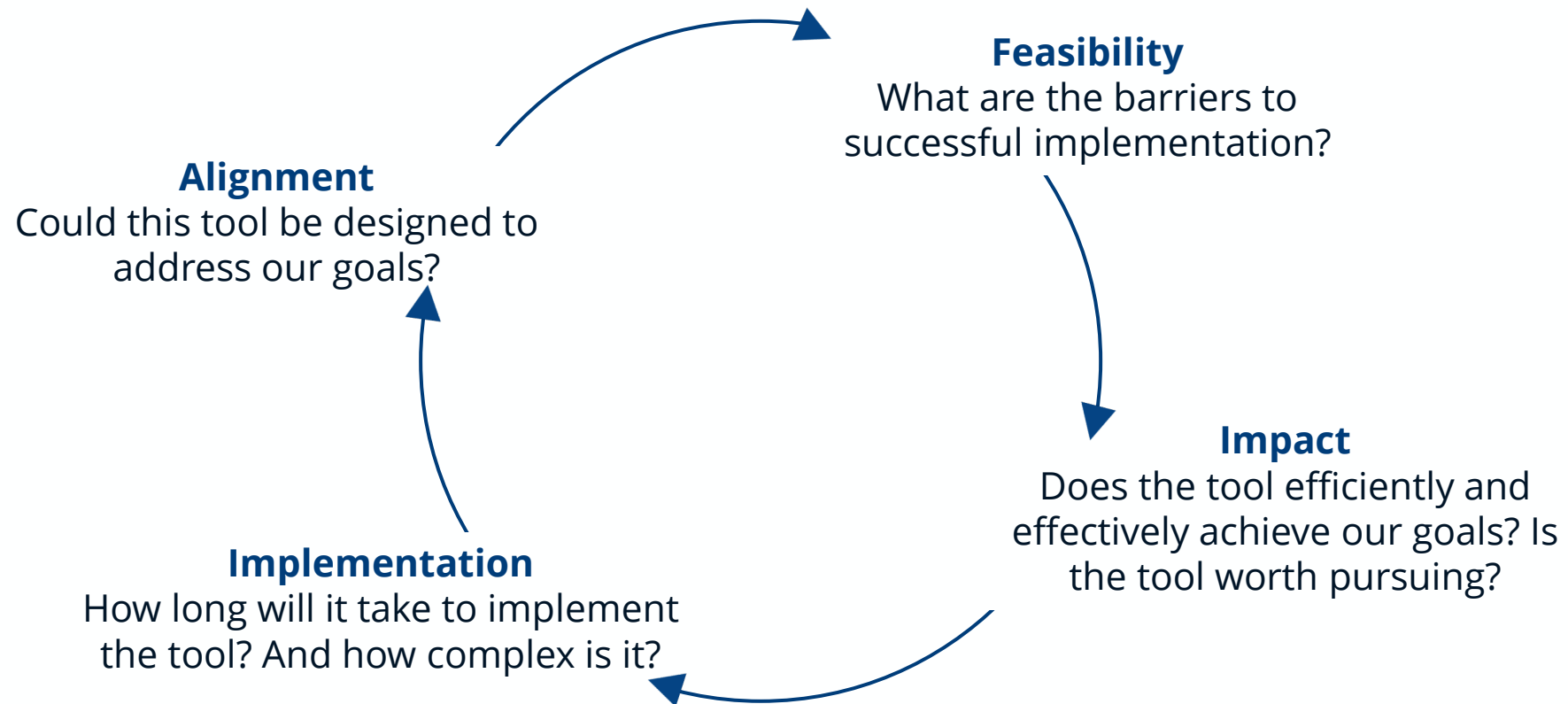
## Welcome Back | Project Timeline

After discussing potential housing tools in April, today's meeting will focus on the key recommendations in the Athens Housing Investment Strategy (AHIS).



## Welcome Back | Recap of Meeting #3

In our last meeting, we reviewed potential housing tools and evaluation criteria for assessing their effectiveness and fit to address ACC's priority housing needs.



ACC has three primary housing challenges – a modest affordable housing delivery system, lack of quality affordable rental homes, and lack of support for homeownership.

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**LIMITED PUBLIC FUNDING AND  
LOCAL CAPACITY**

**\$1.7M**

Average annual federal funding for housing, 2017-2021

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**LACK OF QUALITY, AFFORDABLE  
RENTAL HOMES**

**56**

Subsidized rental units built since 2020

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**LACK OF SUPPORT FOR  
HOMEOWNERSHIP**

**47%**

Homeownership rate in Athens-Clarke County (excluding students),  
compared to 64% in Georgia and the US

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The Affordable Housing Investment Strategy (AHIS) is centered around three key recommendations that respond to the central deficiencies in ACC's housing market.

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**IDENTIFY ONGOING LOCAL PUBLIC FUNDING**



All housing policies necessarily involve public-private partnerships. ACCGov can only address its housing challenges if (local) funding and capacity (its own and that of its partners) is at a scale equal to the challenge it faces.

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**BUILD AND PRESERVE QUALITY AFFORDABLE RENTAL HOMES**



The decline in subsidized housing production in recent years must be reversed to achieve ACCGov's vision for its housing market and lower displacement risk for existing residents.

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**EXPAND ACCESS TO HOMEOWNERSHIP AND PROTECT EXISTING HOMEOWNERS**



Until recently Athens-Clarke County was a place where the American Dream was accessible to households earning the median income and it must be again to build community wealth.

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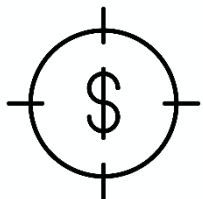
Due to the constraints of Georgia law, ACCGov will have to rely primarily on subsidy programs to meet its growing housing needs and achieve its stated goals.



## Land Use

Use **municipal regulations and zoning authority** to **indirectly** improve affordability by increasing the supply of housing, or to **directly** incentivize (or require) the production of affordable units.

*e.g. by-right development, density bonuses, inclusionary zoning*



## Subsidy

Provide **below-market rate loans, grants, or other public resources** to close the gap between what a household can afford to pay and the costs to develop and operate housing.

*e.g. rental assistance, gap financing for new construction, down payment assistance, public land sale*



## Tenants' Rights

Preserve existing affordable housing and housing stability by using **laws and regulations** that protect current occupants.

*e.g. right to counsel, rent control, just cause eviction*



The AHIS recommends a large number of specific tools/ actions that ACCGov should pursue with its partners to advance each recommendation.

RECOMMENDATIONS	TOOLS/ ACTIONS
IDENTIFY ONGOING LOCAL PUBLIC FUNDING	<ol style="list-style-type: none"><li>1. Establish a <b>Local Housing Fund</b> to support the creation and preservation of affordable homes.</li><li>2. Adopt a new public land disposition policy and process.</li></ol>
BUILD AND PRESERVE QUALITY AFFORDABLE RENTAL HOMES	<ol style="list-style-type: none"><li>1. <b>Support LIHTC development</b> by providing gap financing and streamlining development approvals processes.</li><li>2. Advance strategies to increase affordable housing production under the <b>voluntary inclusionary zoning (IZ) policy</b>.</li><li>3. Invest public monies in an <b>Acquisition Strike Fund</b> to acquire and rehabilitate unregulated affordable rental housing.</li><li>4. Continue modernization and redevelopment of its public housing stock.</li><li>5. Establish a voluntary landlord registry that provides meaningful incentives to landlords for participation.</li><li>6. Establish a strategic code enforcement initiative to advance neighborhood reinvestment goals.</li><li>7. Establish a wealth-building program for low-income families to improve affordability.</li></ol>
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The AHIS includes an implementation plan for ACCGov to deploy the recommended funds and policies to address local housing challenges in the next few years.

### IMMEDIATE TERM (IN PROCESS)

Expand down payment assistance (DPA) program

Increase funding for owner-occupied repair (OOR) programs

### NEAR-TERM (2023)


Establish a Local Housing Fund (LHF)

Support LIHTC development

Monitor and assess voluntary inclusionary zoning (IZ) policy

Invest public monies in an Acquisition Strike Fund



An aerial photograph of a city at dusk, showing a mix of urban buildings and green spaces. A semi-transparent dark blue horizontal band is overlaid across the middle of the image, serving as a background for the text.

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# Recommendations

## Recommendation 1 | Identify Ongoing Local Public Funding

The establishment of a Local Housing Fund is the first and most important step to advance the recommendations in the AHIS.

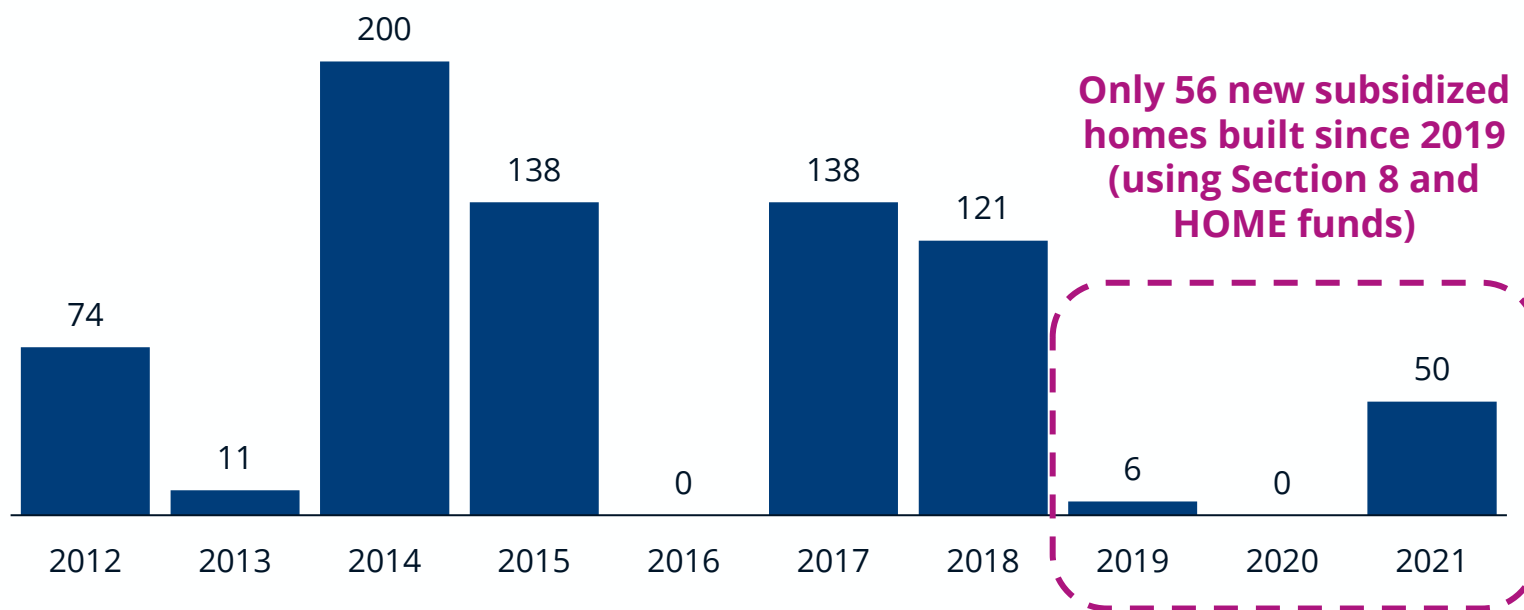
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## Recommendation 1 | Identify Ongoing Local Public Funding

Since 2019, only 56 new subsidized homes have been built. ACCGov needs to identify ongoing local funding to change this pattern.

### DEVELOPMENT OF SUBSIDIZED RENTAL HOMES (2012-2022)








Without an **ongoing commitment of local funding from ACCGov**, it is not possible to sustain existing affordable housing programs, nor scale them to the level necessary to significantly improve affordability.

The \$1.7M **annually entitled federal dollars** that ACCGov relies on for its affordable housing programs is **insufficient funding relative to need and, therefore, must be augmented**.

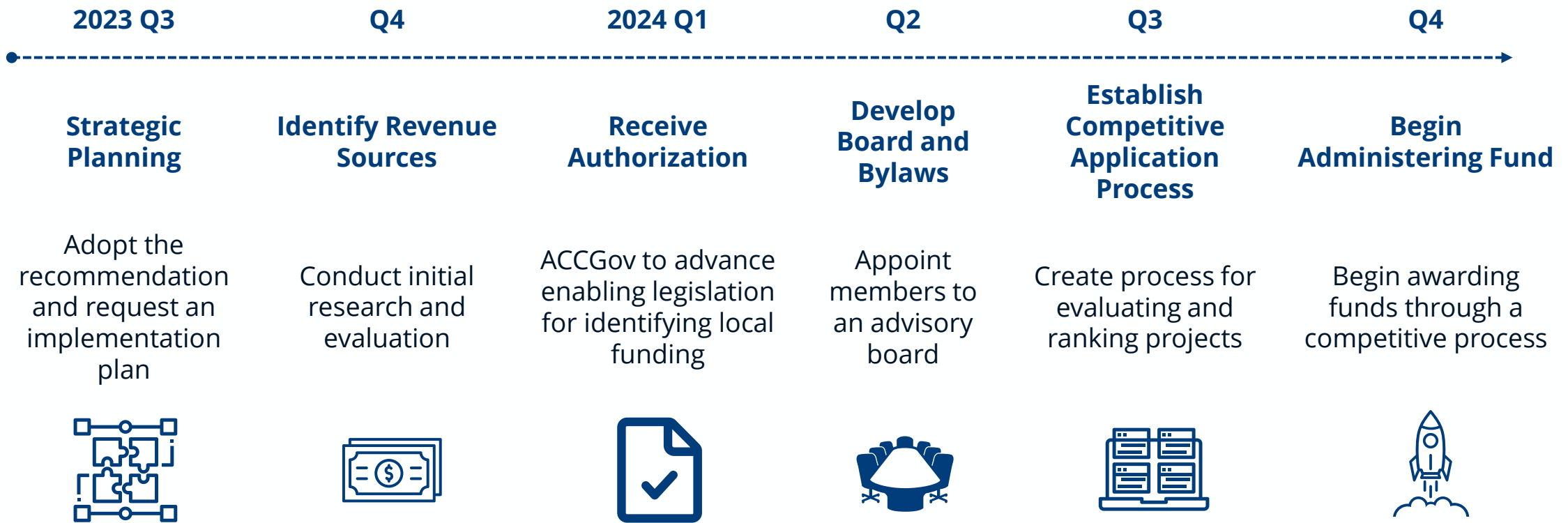
## Recommendation 1 | Identify Ongoing Local Public Funding

ACCGov must annually allocate dollars to the LHF through its appropriations process using a combination of various sources, with funding increasing over time.

	 <b>Allocate existing dollars from the general budget</b>	 <b>Create new funding sources (increase existing or levy a new tax)</b>	 <b>Allocate non-tax-based revenue</b>	 <b>Establish a Tax Allocation District (TAD)</b>	 <b>Leverage Philanthropic Funding</b>
<b>Benefits</b>	Less administrative and legal burden	Somewhat improved public support and infrastructure	Does not require diverting funds from the general budget; averts legal and political challenges of increasing taxes	Can be used for a broader range of public investments; does not result in tax increases	Can be a significant source of revenue
<b>Drawbacks</b>	Necessarily requires taking funding away from other program(s)	Potential legal hurdles; public resistance; could become burdensome for taxpayers	Not a large, ongoing source of funding; more useful for augmenting general budget funds	Limited to geographies that are considered blighted, have inadequate infrastructure and that are presently connected to sewer service	Cannot be relied upon for consistent and ongoing funding

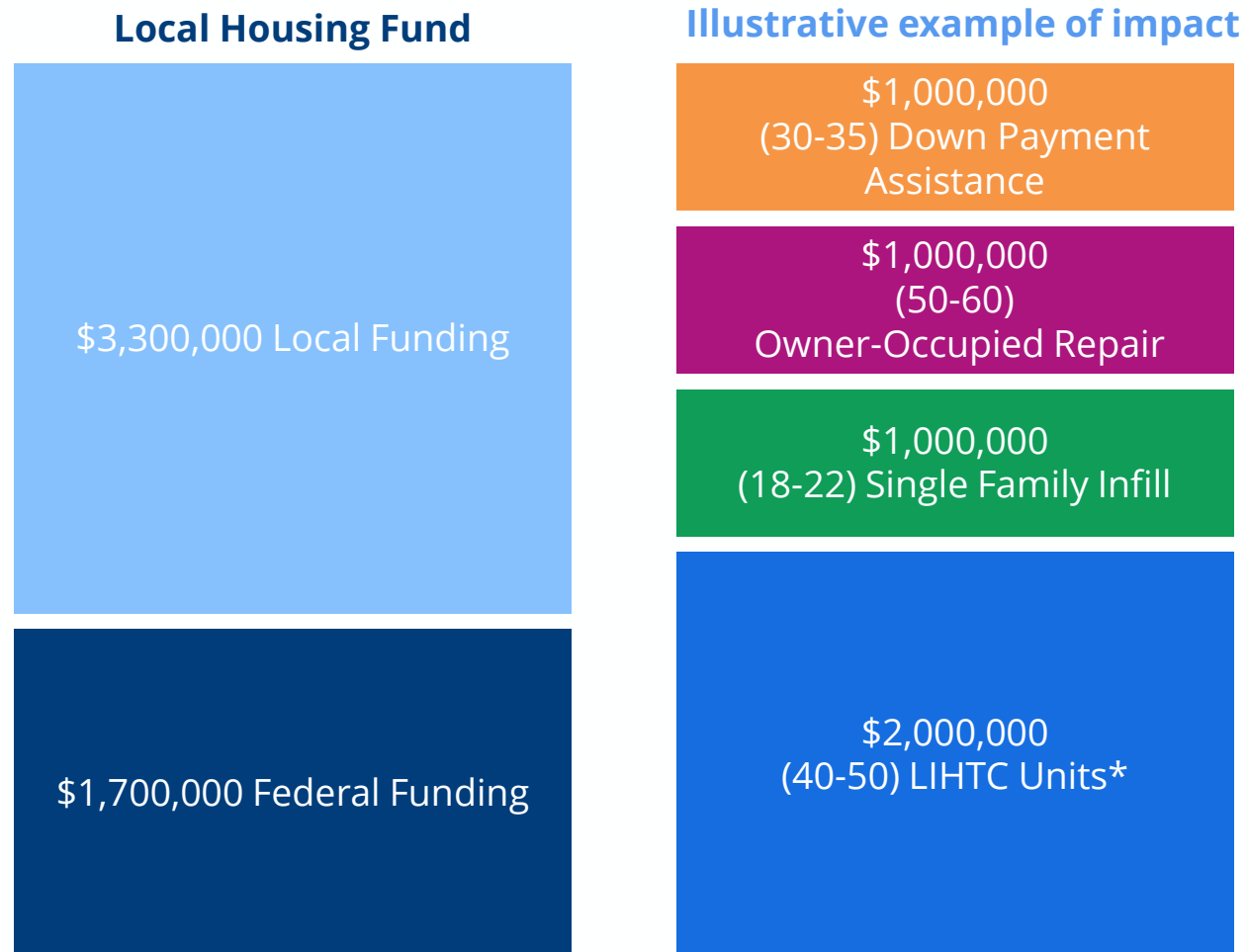
## Recommendation 1 | Identify Ongoing Local Public Funding

ACCGov should take immediate steps to set up a Local Housing Fund (LHF) and begin administering funds in 2024.



## Recommendation 1 | Identify Ongoing Local Public Funding

An annual commitment of ~\$5M in funding to affordable housing in Athens would triple the creation of affordable homes annually, to around 150 each year (1,500 over ten years).



\* Assumes a LIHTC project every other year.



## Recommendation 2 | Build and Preserve Quality Affordable Rental Homes

ACCGov must draw upon the Local Housing Fund to expand the range and scale of programs to address the need for affordable rental homes.

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## Recommendation 2 | Build and Preserve Quality Affordable Rental Homes

ACCGov should implement programs that directly and indirectly support the provision and upkeep of affordable rental housing.

A

### Support LIHTC Projects

Provide **gap financing annually for projects using LIHTC and adjust its approval process** to align with the Georgia Department of Community Affairs (DCA) LIHTC allocation timeline.

B

### Voluntary Inclusionary Zoning

Calibrate the voluntary inclusionary zoning policy to increase the number of affordable homes produced under the policy.

C

### Acquisition Strike Fund

**Invest public funding in an acquisition strike fund** that leverages mission-motivated money that accepts a below market return in exchange for achieving a social mission – to acquire and rehabilitate rental properties while limiting rent increases below market level.

## Recommendation 2 | Support LIHTC Projects

ACCGov should provide gap financing for projects using Low Income Housing Tax Credits (LIHTC) and streamline the development process to support LIHTC projects.



### 1. Develop Annual Competitive Process for LIHTC Gap Financing

HCD should establish a transparent and competitive process for reviewing applications to increase the efficiency of the use of Local Housing Fund dollars and to meet policy targets (this could build on the existing process for the GICH Point application process).



### 2. Streamline Local Development Approval Process

Planning should align development approvals with key LIHTC allocation cycle deadlines and streamline approvals processes, including prioritizing variances and rezoning approvals for LIHTC developments. Collaborate with AHA, ALT, and other local developers.



### 3. Identify Additional Zoning Barriers

Planning should engage with developers (AHA, ALT, etc.) to identify (other) current barriers – zoning or otherwise – that make it difficult to submit LIHTC proposals.



### 4. Leverage Public Land

HCD and Planning should identify available public land to support LIHTC development.

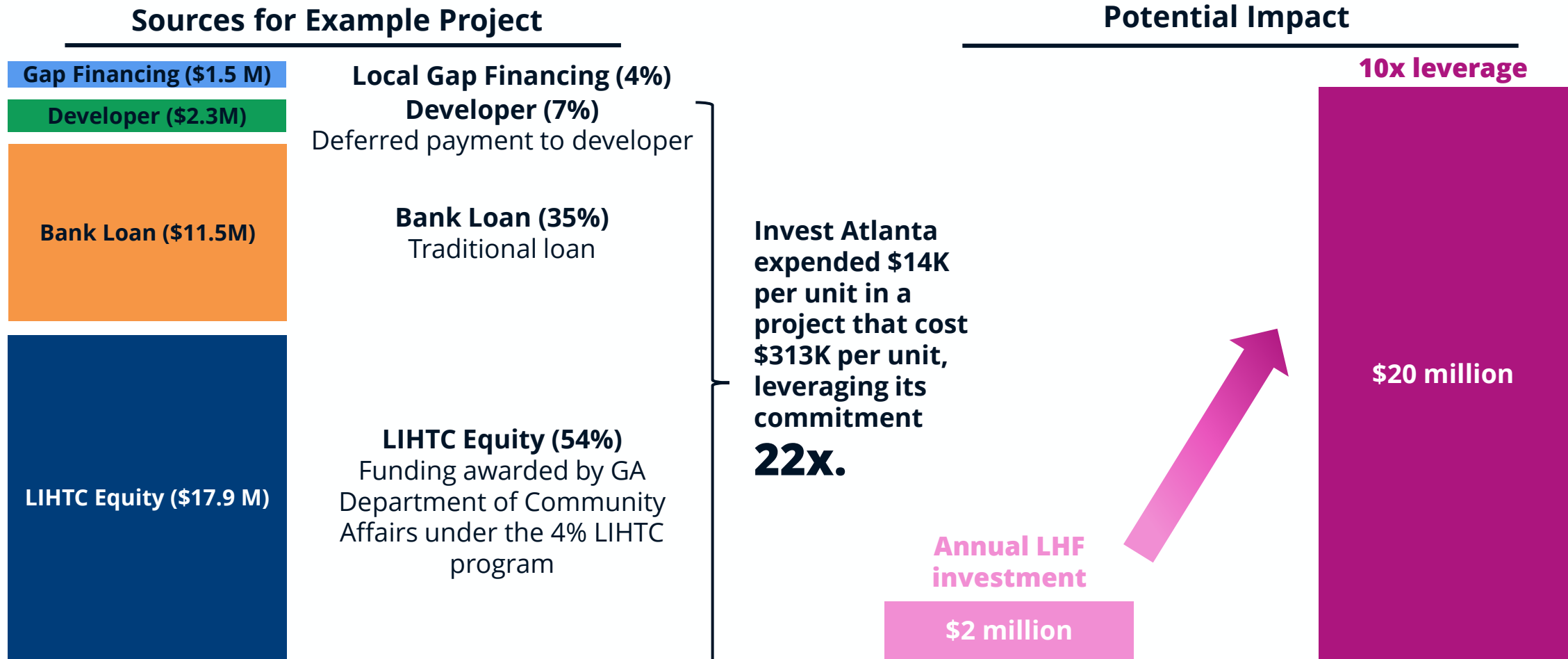


### 5. Build Underwriting Capacity

Build HCD staff underwriting capacity to assess proposals and ensure public dollars are maximizing public benefit.

## Recommendation 2 | Support LIHTC Projects

Increased LIHTC development can support 40 to 50 new affordable homes every year, with the potential for increased impact as the local LIHTC market matures.





## Recommendation 2 | **Voluntary Inclusionary Zoning**

ACCGov should continue assessing its inclusionary zoning ordinance and codify administrative procedures for utilizing the ordinance and monitoring compliance over time.



### **1. Calibrate the Inclusionary Zoning Policy**

HCD and Planning should execute a study of the inclusionary zoning policy to ensure the affordability requirements and incentives offers are aligned given rapid market shifts in recent years.



### **2. Assess the Unit Mix**

HCD and Planning should revisit the required affordability mix – currently, developers have the option to build 80% AMI or 60% AMI homes.



### **3. Develop For-Sale Policy**

HCD and Planning should calibrate the policy to align with the economics of for-sale homes.



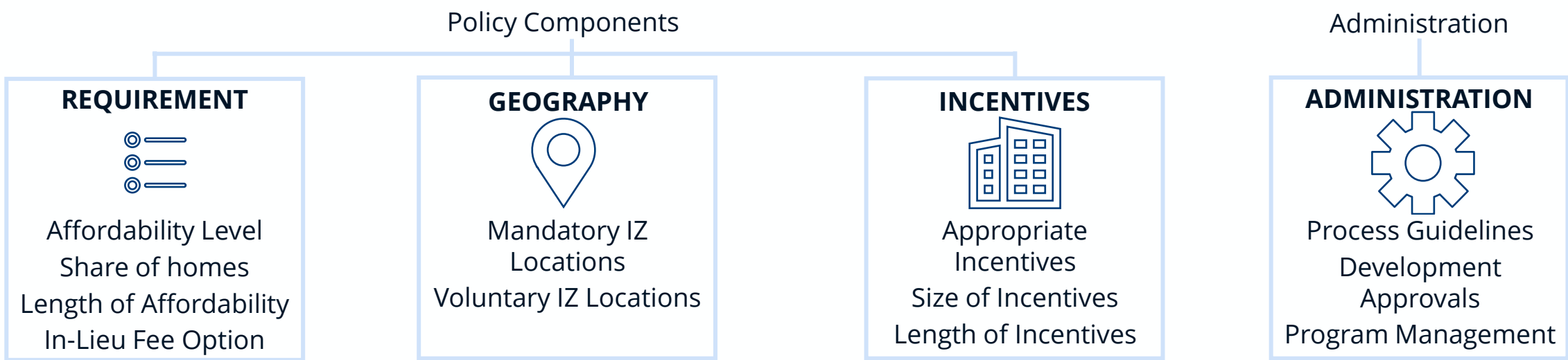
### **4. Deploy an Inclusionary Zoning Manual**

Planning should create a guide that outlines the process guidelines, development approvals process, and monitoring and compliance mechanism.

## Recommendation 2 | Voluntary Inclusionary Zoning

Inclusionary zoning policies balance four key components, ensuring developers are financially incentivized to participate in the program and can navigate it easily.

### Inclusionary Zoning Policy Components



### 2023 Voluntary Inclusionary Zoning Rent Limits for Two-Bedroom Unit

Rental Limits include utilities and/or utility allowance

	Affordable Rent	Market-Rate Rent	Rent Difference for 100-Unit Project in RM-1, RM-2, RM-3, C-O, and CN Districts
60% AMI (10% of units)	\$1,099	\$1,766	-( <b>\$6,670</b> )
80% AMI (15% of units)	\$1,466	\$1,766	-( <b>\$4,500</b> )

Note: The RM-1, RM-2, and RM-3 districts are all residential districts. The C-O and CN districts are commercial districts that allow for residential housing. Multifamily homes are permitted in all these districts.

## Recommendation 2 | **Acquisition Strike Fund**

ACCGov must prioritize acquiring existing unregulated affordable housing to prevent rent increases in existing affordable homes.



### **1. Evaluate Establishing Acquisition Strike Fund**

ACCGov to assess whether to create a strike fund that would require a \$5 million investment distinct from the Local Housing Fund and federal entitlements.



### **2. Determine Policy Goals**

HCD and Mayor and Commission to identify strike fund policy goals, including target geographies, types of homes to support, affordability goals, and financial terms.



### **3. Engage Philanthropic Funders**

HCD and Mayor and Commission to identify philanthropic donors who can provide funding to capitalize the fund.

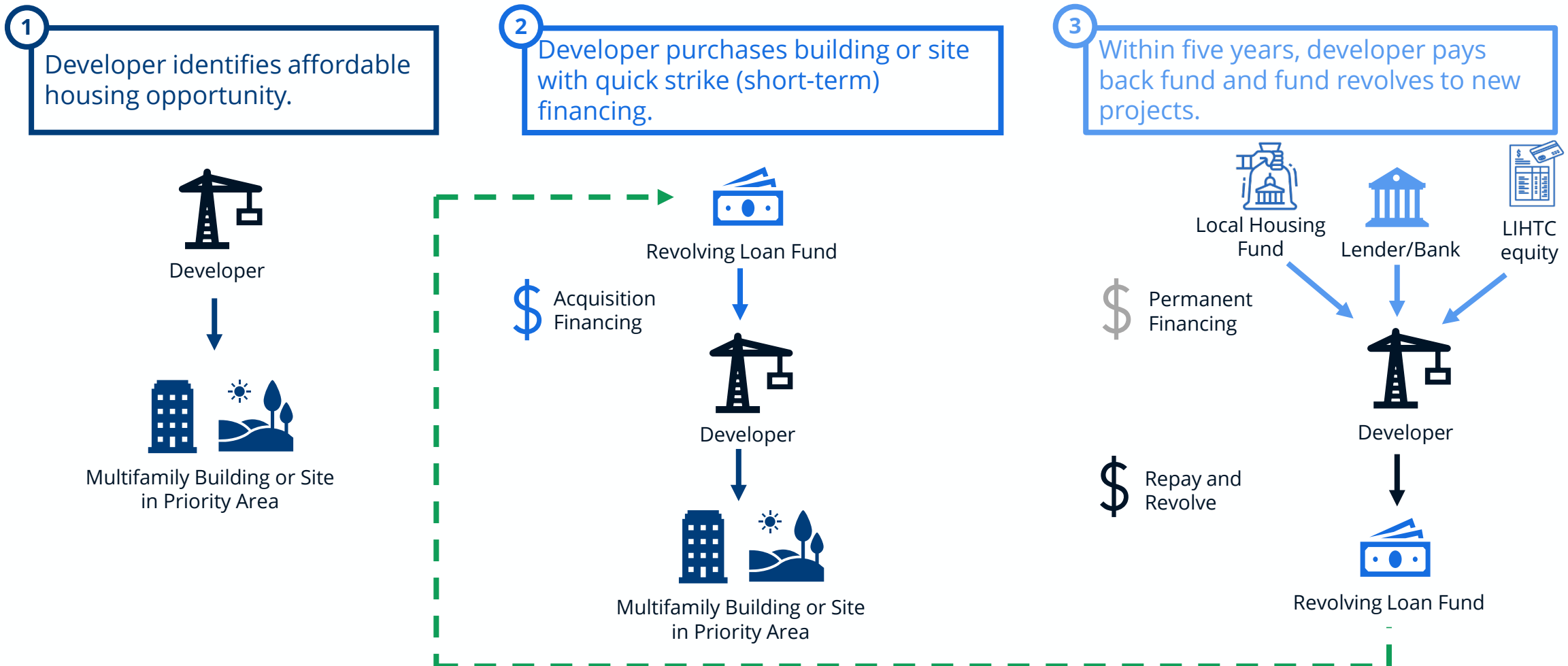


### **4. Identify Lending Partners**

HCD to engage with local banks and CDFIs to identify fund partners and administer the fund.

## Recommendation 2 | Acquisition Strike Fund

The Acquisition Strike Fund will provide financing for the acquisition and preservation of affordable rental homes that must be repaid and can then be revolved to fund another deal.

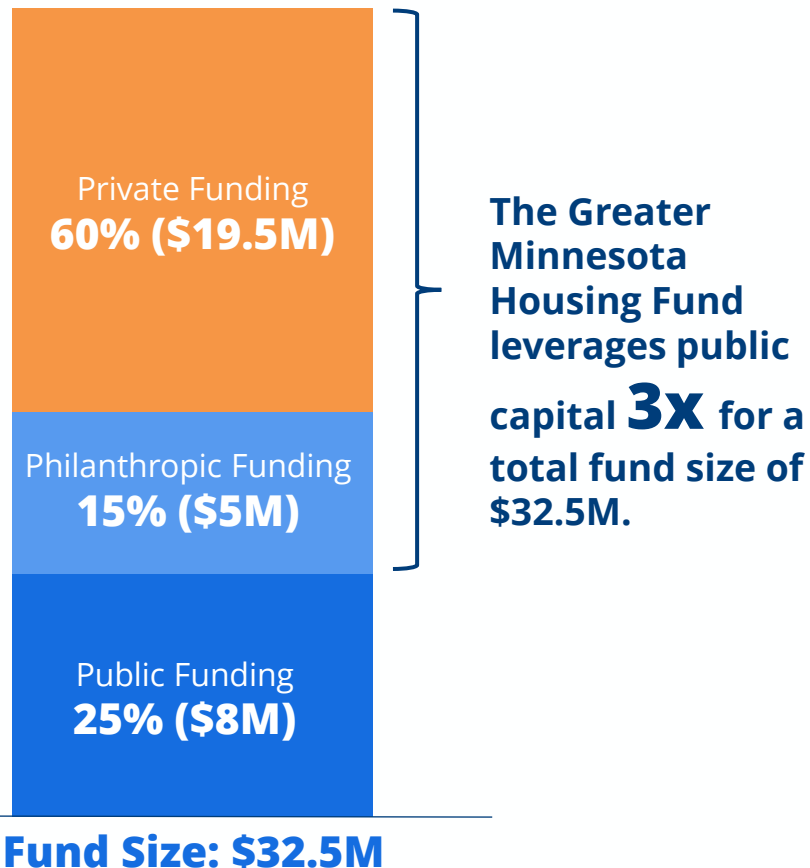




## Recommendation 2 | Acquisition Strike Fund

The Greater Minnesota Housing Fund (GMHF) leverages public funding to attract philanthropic and private bank capital dedicated for local housing priorities.

### GMHF CAPITAL STACK



In 2017, the Greater Minnesota Housing Fund (GMHF) created the NOAH Impact Fund to preserve naturally occurring affordable housing and expiring subsidized buildings. **The NOAH Impact Fund is comprised of \$32.5 million raised from public, private bank, and philanthropic sources.**

Public sources include County and State HFA dollars, and private sources include banks and CDFIs.

The fund's investment hold in a project is ten years, with a two-year initial investment period. Capitalizing the fund requires each funder to offer long-term loans of up to twelve years. As of 2019, the Fund is fully deployed and raising capital for a second round.

## Recommendation 2 | Acquisition Strike Fund

The GMHF allowed developers to purchase a building with high leverage of their equity, maintaining affordability for an expiring tax credit building.

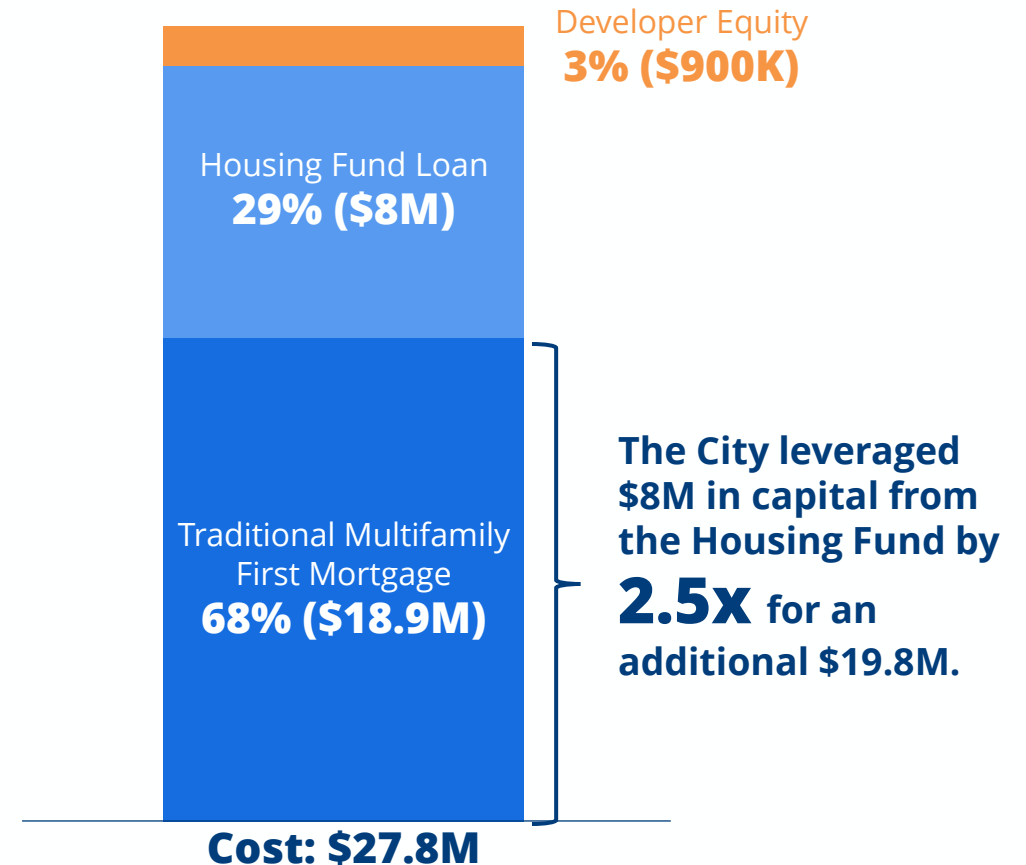
### Example Building: Bloomington & Brooklyn Center

#### Building Details:

- **Units:** 239
- **Purchase Timeline:** 60 days
- **Affordability:** 60% AMI for 15 years with ability to float
- **Operating Partner:** Aeon
- **Public Subsidy Per Unit:** \$8,400



### SAMPLE GMHF PROJECT



### Recommendation 3 | Expand Access to Homeownership and Support Existing Homeowners

ACCGov must draw upon the Local Housing Fund to expand the range and scale of programs to address the need for affordable homeownership.

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### Recommendation 3 | **Expand Access to Homeownership and Support Existing Homeowners**

ACCGov should implement programs that support existing and prospective low- and moderate-income homeowners in Athens-Clarke County.

**A**

#### **Establish Down Payment Assistance Program**

Expand down payment assistance and work to establish partnerships with lenders who offer mortgages with better terms for first-time homebuyers.

**B**

#### **Increase funding for Owner-Occupied Rehabilitation**

Additional funding should be allocated to these programs and the scale of rehabilitation and repairs should be increased to cover the costs to fix major systems and keep homes habitable.

## Recommendation 3 | **Expand Access to Homeownership and Support Existing Homeowners**

ACCGov should establish a down payment assistance (DPA) program to help low- and moderate-income households access homeownership and help them build wealth.



### **1. Define Program Objectives and Parameters**

ACCGov should define the objectives of the program, including targeting and eligibility, level of assistance, and form of assistance (grant or loan; could emphasize long-term affordability or prioritize wealth-building).



### **2. Align DPA with first mortgages from Community Reinvestment Act (CRA) motivated lenders.**

ACCGov should conduct outreach to key mission-driven lenders and other institutions, coordinating with nonprofit partners who have existing relationships with lending partners.



### **3. Identify Additional Funding**

ACCGov should explore dedicated additional funding for homebuyer counseling.

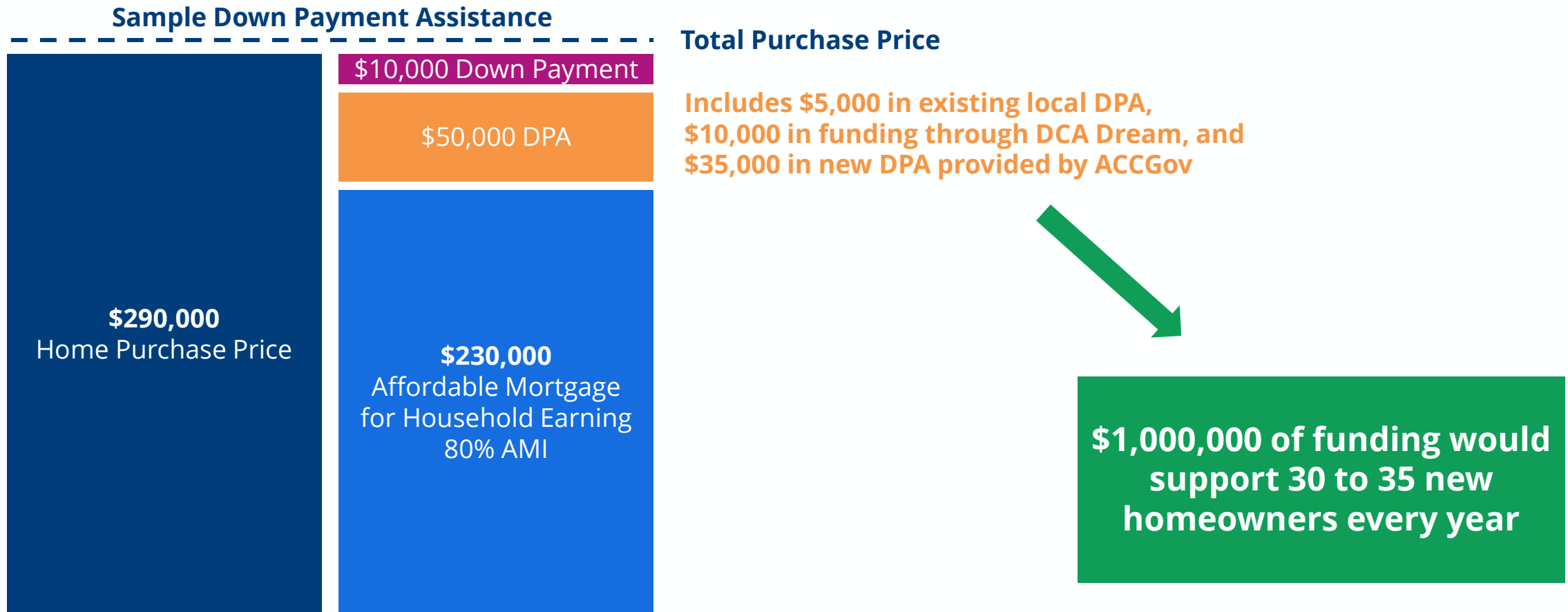


### **4. Begin Operating Competitive Process**

ACCGov should begin operating a competitive process for nonprofit partners to receive funding to administer the program (akin to current processes).

### Recommendation 3 | Expand Access to Homeownership and Support Existing Homeowners

\$50,000 in down payment assistance makes the average for-sale home affordable to ACC households making 80% AMI (\$65,100).





## Recommendation 3 | **Expand Access to Homeownership and Support Existing Homeowners**

ACCGov should allocate greater funding to the owner-occupied repair program, increase funding per household, and coordinate with local partners.



### **1. Expand Program Funding**

ACCGov should expand funding per unit as well as the total funding pool for OOR. To support more large-scale repair projects, ACCGov should consider raising the per unit support; for example, up to \$10,000 for grants and \$80,000 for forgivable loans (in progress already).



### **2. Identify Additional Funding Sources**

In addition to HOME, CDBG, and ARPA dollars, ACCGov should identify additional sources, such as Local Housing Fund dollars or federal grants from the Inflation Reduction Act (IRA). Local sources have fewer requirements thereby potentially reducing administrative costs.



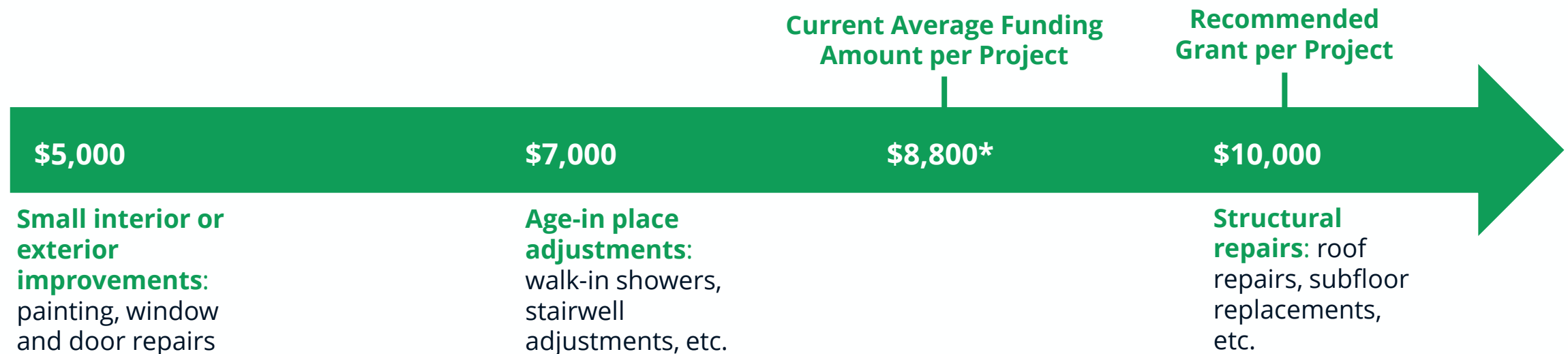
### **3. Finalize Program Design**

Building on results from existing (and upcoming) OOR support, ACCGov should collaborate with nonprofit partners, the Code Enforcement Division and other key stakeholders to determine program goals and finalize an updated program design.

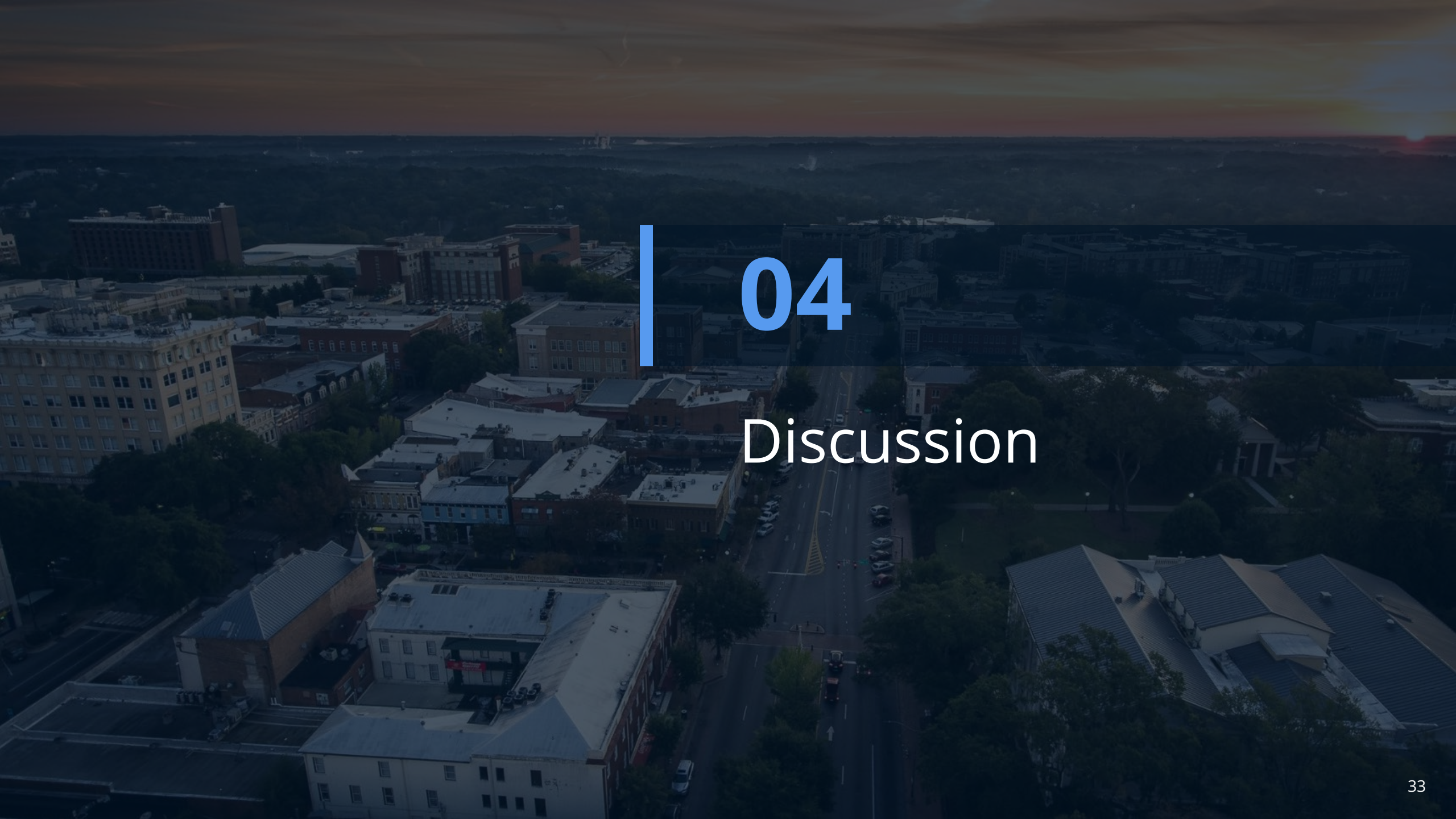
### Recommendation 3 | Expand Access to Homeownership and Support Existing Homeowners

Increasing program funding and grants per household allows for large-scale repairs and streamlines various administrative costs.

Most homeowner households in ACC receive **modest grants for small-scale repairs**. Larger projects (>\$5,000) require **forgivable loans that require significant administrative costs** to manage, in addition to administrative costs attached to federal funding sources. As HCD expands the program, it should consider increasing grants per homeowner household up to **\$10,000** to allow for **larger-scale projects with lasting repairs**, justifying the time and effort required for each project.



\* Includes administrative costs

An aerial photograph of a city at dusk or dawn. The sky is a mix of dark blue, purple, and orange. The city below is densely packed with buildings of various heights and colors, mostly in shades of brown, tan, and grey. A central road with a yellow center line runs vertically through the middle of the frame. Trees are scattered throughout the urban landscape. A semi-transparent dark blue rectangular overlay covers the middle portion of the image, serving as a background for the text.

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## Discussion



HR&A +



# Athens-Clarke County Affordable Housing Investment Strategy

**Advisory Committee Meeting #4: Draft Strategy**

July 28, 2023

## Appendix | Area Median Income (AMI) in Athens-Clarke County, 2022

Clarke County, GA MSA AMI (2022)					
AMI	30%	50%	60%	80%	100%
<b>1 Person</b>	16,170	26,950	32,340	43,120	53,900
<b>2 Person</b>	18,480	30,800	36,960	49,280	61,600
<b>3 Person</b>	20,790	34,650	41,580	55,440	69,300
<b>4 Person</b>	23,070	38,450	46,140	61,520	76,900
<b>5 Person</b>	24,930	41,550	49,860	66,480	83,100
<b>6 Person</b>	26,790	44,650	53,580	71,440	89,300
<b>7 Person</b>	28,620	47,700	57,240	76,320	95,400
<b>8 Person</b>	30,480	50,800	60,960	81,280	101,600



## Appendix | Glossary of Terms

### Area Median Income (AMI)

AMI represents the midpoint in the distribution of household incomes within a certain geographic region. HUD publishes annual AMI levels for regions, adjusted for family size. The HUD-provided AMI is used to determine applicants' eligibility for both federally and locally funded housing programs where participation is dependent on income levels.

### Cost-Burdened

A household is considered cost-burdened when 30% or more of their household income is spent on gross housing costs (can apply to renters or homeowners).

### Extremely Cost-Burdened

A household is considered extremely cost-burdened households when 50% or more of their household income is spent on housing costs (can apply to renters or homeowners), often leaving them with very little to cover remaining household costs.

### Low Income Housing Tax Credit (LIHTC)

The LIHTC Program is a federal program that provides a dollar-for-dollar tax credit to support the development of affordable rental housing. The LIHTC program distributes federal income tax credits to developers through state housing finance agencies, which are responsible for

determining which projects receive tax credits under the state's allocation. There are two general types of credits that can be awarded. 9% LIHTC are higher-value credits that cover a greater percentage of projects' development costs and are awarded on a competitive basis. 4% LIHTC cover a lower percentage of projects' development costs and are generally awarded to any projects that meet specific programmatic requirements and are financially feasible. 4% credits are usually paired with tax-exempt bond financing to make up the difference.

### Naturally Occurring Affordable Housing (NOAH)

Naturally occurring affordable housing is housing that is priced by market forces at levels that are affordable to low-income residents. Housing is traditionally considered affordable if the total housing cost (rent or mortgage plus utilities) for the household represents no more than 30% of its income. NOAH housing often makes up a significant portion of a jurisdiction's affordable housing stock, in addition to publicly-subsidized housing.

### Public Housing

Public housing is a type of affordable housing that has been traditionally owned by a local government agency or authority. In most places,

this is a public housing authority. HUD provides federal aid to local housing authorities to operate housing for residents, who pay rents that they can afford. In the United States today, there are approximately 1.2 million households living in public housing units, managed by some 3,300 housing authorities (HUD).