TRANSFORMATIVE DEVELOPMENT

REPORT ON CHALLENGES & RECOMMENDATIONS FOR NEIGHBORHOOD-SCALE DEVELOPERS OF COLOR TO ADVANCE EQUITABLE DEVELOPMENT

JANUARY 2021

PRESENTED BY

THE GUILD

TransFormation ALLIANCE

ABOUT THE AUTHORS

This report was written by Nikishka Iyengar and Avery Ebron of The Guild, and edited by Odetta MacLeish-White of The TransFormation Alliance (TFA). The Guild is a member of TFA.

The Guild builds spaces and programs for social change. At The Guild, we're focused on reimagining real estate development to build community wealth and resilience. Our entrepreneurship programs work synergistically with our real estate strategy by building and providing a pipeline of viable small businesses — businesses that are otherwise at the threat of being displaced — to our real estate projects. Our work is based on the idea that there is an alternative economic development model where more people, especially those marginalized and excluded from our current systems, can own and govern more of the assets that make our communities vibrant.

Learn more at www.theguild.community

The TransFormation Alliance (TFA) is a broad partnership of organizations from the private, public and nonprofit sectors dedicated to creating thriving, mixed-income communities anchored by transit and linked to all the opportunities and amenities that make Atlanta great. TFA's mission is to offer all residents the opportunities for a high quality of life, linked by our region's critically important transit system. TFA succeeds by working collaboratively with other trusted partners to advance equitable transit-oriented communities (eTOC) as a driver of economic prosperity in metro Atlanta, turning those ideals into action to create thriving, inclusive communities that are integrated into transit.

Learn more at www.atltransformationalliance.org

This project was sponsored by JP Morgan Chase and Enterprise Community Partners

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BACKGROUND

The story of gentrification and displacement of Black and other communities of color in cities across the country is not new, but at The Guild and TFA, we find ourselves having to persistently sound the alarm in varied ways. COVID-19 and the economic fallout from it that continues to ravage Black and other communities of color to a disproportionate degree is exponentially exacerbating the violent displacement patterns of the last few decades.

In Atlanta, commonly known as the "Black Mecca', there have been several task forces and initiatives to address the affordable housing crisis and inequitable development patterns overall. However, our current reality of multiple intersecting and compounding crises — from evictions skyrocketing and small businesses closing to the public health implications of growing homelessness — demands a focus on specifically interrupting the status quo, commonly known as "The Atlanta Way".[1] Atlanta's traditional approach to development finance has favored luxury apartments and housing "affordability" targets at the highest possible area median income (AMI), resulting in these statistics, from a HouseATL report[2].

Rental costs have increased

48%

since 2010 and have outpaced wage growth in the region

(ARC Research)

72%

of Atlanta households spend

45%+

of yearly income on housing and transportation

(H+T Affordability Index)

Atlanta loses

1,500

affordable housing units annually

(Federal Reserve Bank of Atlanta)

In 2019, the TransFormation Alliance (TFA) in partnership won a grant from JP Morgan Chase to put together a cohort of neighborhood-scale infill developers to understand what their barriers and challenges to building capacity and execute on affordability targets were. TFA was clear that the best way to build capacity was to actually do deals, and advocated for the dollars to be regranted to the cohort.

"If we're going to rebalance the ecosystem to produce more housing affordable at lower income levels, we must support a full and healthy development sector. This means investing in and supporting the capacity of developers led by women and people of color, developers who don't have deep balance sheets, and developers who have fewer deals out the ground."

— Odetta MacLeish-White, Managing Director of The TransFormation Alliance

1. Even before the pandemic, Atlanta ranked 3rd in the US in eviction rates in 2017
2. This has implications on the growing racial wealth gap. According to a report by the National Bureau of Economic Research, nearly 50% of Black-owned small businesses have closed across the country due to the pandemic.

BACKGROUND

The goal was to rebalance the local development ecosystem by creating, convening, and providing predevelopment dollars to a cohort of smaller scale developers led by people of color serving neighborhoods that were previously disinvested from but now were under the imminent threat of gentrification. TFA engaged The Guild to design and execute the program.

"There is no housing crisis. It is just housing under capitalism"

— Keeanga-Yamahtta Taylor

This report, and the associated program we created, were designed to be a departure from the format of similarly themed initiatives for the following reasons:

- Root cause vs. symptom: there is a general pattern in discourse around housing and development to focus on symptoms — gentrification, housing unaffordability, evictions are all merely symptoms of development under racial capitalism. The spotlight on symptoms without contextualization of the root cause often leads to well-intentioned, but ineffective or incomplete recommendations focused solely on increasing mixed-income housing supply or strengthening public-private partnerships. While strengthening the ecosystem for equitable development is important, and has been a part of our program and our individual organizations' focus, ignoring the root cause, i.e., racial capitalism, results in perpetuation of the same inequity.

  In her book Race for Profit, scholar Keeanga-Yamahtta Taylor details how public-private partnerships were responsible for segregation, disinvestment, and what she adequately calls "predatory inclusion" — an example she notes is how even when the FHA shifted away from exclusion to including and targeting Black households for loans, they had to pay higher interest rates and fees, while being relegated to isolated and sub-par housing. Fundamentally, race has always been a determinant of property values in this country, and public-private partnerships have usually worked in coordination to preserve and increase property values at the expense of Black, Latinx, and other communities of color. Further evidence of this surfaced in our cohort around appraisals, which we detail further in the report.

BACKGROUND

Dismantling racial capitalism is the work of a lifetime (or several lifetimes) and well beyond the scope of a program like this, but we would be remiss if we didn't use this opportunity to collaborate on ways to collectively interrupt the status quo, beginning with truth-telling about the racist assumptions and systems on which real estate development is founded, and creating a space where developers of color working in historically Black neighborhoods could share their experiences. We also used this program as an opportunity to introduce the cohort to alternative development and community ownership models, like land trusts and community investment trusts, that take real estate off the speculative market and/or democratize ownership and governance of these assets.

- Predatory delay: Predatory delay is the term for the blocking or slowing of needed change, in order to make money off unsustainable, unjust systems in the meantime. Over the last decade, Atlanta has seen a whole host of government and philanthropy-backed task forces and initiatives on affordable housing and equitable development. Again, while arguably well-intentioned, these initiatives can often be a form of predatory delay, taking dollars away from being better put directly towards deals that allow for better and long-term affordability, as well as other community benefits, to conduct research on topics that are already well-researched, and present recommendations that have been presented for decades. Meanwhile, demands from tenant rights and housing justice organizers continue to fall to the wayside and remain out of the public and private investment ecosystem. For The TransFormative Development program, we were deliberate about limiting our research to the lived experiences of neighborhood-scale developers of color who were trying to execute deals that had specific community-focused outcomes, and reinvesting the grant dollars directly into those deals.

ABOUT THE PROGRAM

Although the real estate industry is generally concerned with maximizing IRR (internal rate of return), there are a class of developers focused on maximizing impact per square foot and strive to meet the affordable housing and economic development needs of the most vulnerable communities. For years, these smaller-scale, infill developers and community development corporations (CDCs) have been trying to create residential and mixed-use projects through a lens of inclusionary, multi-stakeholder engagement, while artfully balancing affordability and community benefits with the constraints of the capital stack available to them.

Their portfolios tend to include a lot of medium-density housing such as duplexes and fourplexes, cottage courts, townhouses, and apartment buildings with 20 units or less in one project, otherwise known as the "missing middle". Their commercial spaces tend to most likely be occupied by locally-owned small businesses that subcontract locally, and often live in and are personally invested in the neighborhoods where they work. Notwithstanding their unique niche service, these developers, especially developers of color, are consistently met with financing challenges when attempting to move projects forward and meet target affordability metrics.

The 2020 TransFormative Development (TFD) Program pilot cohort consisted of 5 promising, small to medium-sized developers of color, working in historically disinvested communities across Atlanta including Sweet Auburn in Old Fourth Ward, West End, Vine City and English Avenue, Adair Park, Capitol View, Summerhill, Pittsburgh, and East Point. The Guild and TFA partnered to design convenings that brought guest speakers from community development financing institutions (CDFIs) and community-based organizations.

TransFormative Development Cohort

HDDC
Historic District Development Corporation

URBAN OASIS DEVELOPMENT
Urban Oasis Development

THE GUILD
The Guild

SUMMECH
Summech CDC

eightvillage
Eightvillage

ABOUT THE PROGRAM

Cohort members worked on group activities to dive deeper and collaborate on their specific challenges. Outside of the convenings, The Guild worked individually with each participant to dive into specific projects in their pipeline to assess the need and impact of pre-development dollars. Each cohort participant was awarded a grant to cover pre-development expenses for high-impact projects in their pipeline. Capital for pre-development tends to be a barrier to entry for developers who don't have deep reserves and balance sheets.

Guest Speakers

- R. John Anderson, Incremental Development Alliance
- Sean Campbell, Common Future
- Tony Pickett, Grounded Solutions Network
- Will Lambe, Enterprise Community Partners
- Tim Block, Enterprise Community Partners
- Christina Szczepanski, The Reinvestment Fund

"The pre-development grant from the TransFormative Development Program enabled us to retain equity and ownership in our pilot project"

Pavan Iyer, Founder of Eight Village

Topics for the program included:

- Designing equitable capital stacks for housing and mixed-use projects:
- Understanding CoA zoning and code roadblocks and how they affect deal financing
- Debt, tax credits, TIF/TAD financing
- Equity (working with impact investors, community investors and philanthropy)
- Incorporating participatory design and community input into the development
- Reimagining exits: exploring community ownership and permanently affordable models

Getting to the heart of risks, returns, and tradeoffs in the financial pro forma of deals tends to be where racial equity is either prioritized and realized, or not. More often than not, these go beyond what individual developers can control for, especially at the scale of our cohort members. Part of the goal of the cohort was to create a channel where we can collaborate on solutions and collectively shift the paradigm around which communities are deemed worthy of investment, which communities are deemed risky, and to whom the returns of 'equitable development' should accrue.

CHALLENGES

Access to Equity & Debt

The developers in the TransFormative Development (TFD) cohort unanimously ranked the lack of access to equity as their greatest challenge. The common narrative expressed throughout our convenings was that the developers take considerable time to do the deep work of cultivating community-focused projects, but then have to fit the projects into financial structures that don't allow them to meet their goals of long-term affordability and preservation. The key issue is that equity is generally unavailable, or has IRR demands that are too high to result in the inclusive, sustainable, and equitable development the cohort members set out to envision. The developers expressed similar issues with acquiring affordable and flexible debt. The following paragraphs provide context to these challenges at different stages of real estate development.

Acquisition/Predevelopment

Overall, capital to acquire land and/or preparing the site for development in a timely manner presents the greatest barrier to the smaller-scale infill developers in the cohort. Given their relatively smaller balance sheets and reserves on hand, these developers have to rely on investment capital (with expectations of market-rate returns) to be able to even get site control, which also means giving up ownership early in the deal. According to the cohort, the equity and grant funding at this stage is sparse and highly competitive; generally investors and funders require site control of the property before getting involved. The mission-aligned equity and grant capital that is available for this stage is often targeted to larger, more deeply staffed organizations with stronger balance sheets and track records. Additionally, the capital available usually does not cover the entire cost of acquisition and pre-development.

According to the cohort, finding affordable debt for land acquisition/predevelopment has also been an obstacle. While there are national CDFIs that are increasing their focus on the Atlanta area, even they have not been able to sufficiently provide financing at interest rates that allow the developers to produce properties that are truly affordable for existing low to moderate income residents and legacy small businesses. Additionally, their funding is contingent upon developer equity in the deal at a minimum of 20% of the value of the property.

CHALLENGES

For example, to acquire a $500,000 commercial property (the lower end of what larger CDFIs fund) the developer would need to be able to freely invest a minimum of $100,000 to compete for the property while it is on the market. This equity portion serves as a barrier that prevents the TFD cohort from seizing opportunities to grow their balance sheets and track records, and deliver projects that address the needs of existing communities. This ultimately leaves these developers at a crossroads — they lack the track record (according to lenders) and capacity to attract mission-aligned equity, so they often have to accept capital at more extractive terms and compromise on their affordability targets to make the deal work and grow their balance sheets.

Construction/Rehabilitation

The TFD cohort also communicated significant challenges in raising equity at the construction stage of projects. Even after successfully acquiring properties in their communities, the lack of comparables due to predatory off-market deals and the systemic racism embedded in the appraisal process of properties (outlined in a subsequent section) can mean both a debt and equity gap at this stage.

- The debt that is available is often priced too high for the TFD developers to maintain affordability in projects designed to serve low-income (<50% Area Median Income) individuals who represent 40% of Atlanta's population.
- The loan to value ratios that debt providers require have progressively dipped in recent years. This has created a larger equity gap for the cohort developers to move viable projects forward.

Many of the developers have relied on Invest Atlanta's Tax Allocation District (TAD) funding that has over the years become increasingly competitive and has repeatedly been threatened. These factors collectively inhibit the developers from breaking ground on projects that would deliver affordable developments to their communities.

CHALLENGES

When developers can ink deals to begin development, they often lack the liquid capital available to pay for costs prior to hitting construction milestones and receiving funds. Larger developers typically have significant reserves on hand or access to lines of credit to address this issue. For this reason, the cohort developers have communicated access to working capital or lines of credit as a key necessity to take advantage of the deals that they are able to finalize.

"The same well-documented "friends and family" capital gap that exists for Black entrepreneurs and small business owners, also exists for Black developers like me"

Joel Dixon, Principal of Urban Oasis Development

Equity & Debt Capital Gaps in the Cohort Pipeline

PIPELINE STAGE	EQUITY GAP	DEBT GAP	AFFORDABLE UNITS UPON FUNDING
Acquisition/ Predevelopment	$15 Million	$40 Million	540 Units
Construction/ Rehabilitation	$9.3 Million	$5.2 Million	172 Units

Local Zoning Policy

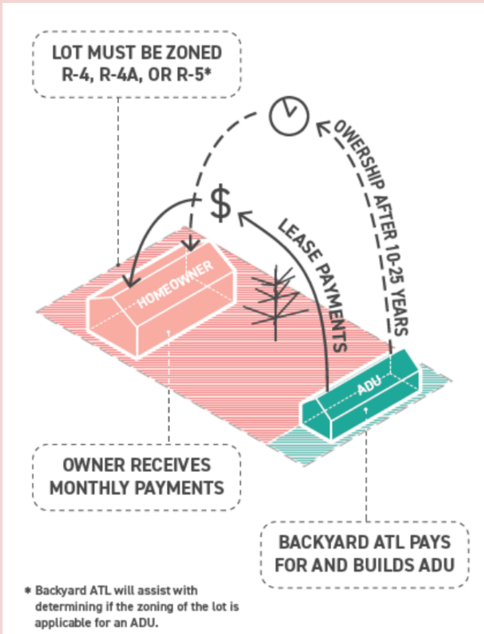
The impact of zoning ordinances that restrict the development of multifamily affordable housing have been well documented in recent years. The impacts of these restrictions have a relatively greater effect on smaller-scale developers. These developers are often unable to compete with larger developers on bigger property sites zoned for multifamily housing, and thus focus more heavily on infilling smaller vacant and underutilized sites in neighborhoods. According to the cohort, fourplexes and duplexes that are zoned as single-family are commonplace throughout Atlanta.

CHALLENGES

In order to develop properties such as these into affordable housing and mixed-used properties, the cohort must devote resources to applying for zoning variances, which in some cases can be difficult to obtain. Overall, restrictive zoning ordinances present the following challenges to the TFD cohort:

- Adds an additional hurdle for the developers, who are often resource strapped
- Suppresses the total land available to develop property for long-term stakeholders that the cohort developers are committed to, such as the residents of historic Black neighborhoods situated along Atlanta's Beltline, where property values have rapidly appreciated.

Taking advantage of zoning ordinance change that allows for Accessory Dwelling Units (ADUs)



Backyard ATL, an initiative of cohort member eightvillage, is an affordable housing initiative that provides Atlanta homeowners with backyard space a platform to earn additional income with their property. They provide a turnkey solution that takes care of the design, financing and construction of a rental unit in a homeowner's backyard. A homeowner signs a lease agreement for Backyard ATL to construct an Accessory Dwelling Unit (ADU). After building and renting out the unit, the homeowner receives a percentage of the revenue as part of the land lease agreement while BackyardATL continues to manage the rental.

Homeowners can use this passive income to offset various rising costs from gentrification to preserve their existing homeownership. Backyard ATL's scalability tangibly impacts density, providing housing choice via incremental, scattered development. This found density and housing choice helps keep market rates in neighborhoods down while integrating new residents into the community.

CHALLENGES

Capital Barriers of CDFIs

Banks and CDFIs are the primary suppliers of financing for the TFD cohort developers. For projects that do not fit into the lending criteria of banks, including true affordable housing, CDFIs would ideally be the appropriate capital partners for smaller-scale developers. Although they are more patient, and can have more flexible underwriting and terms, the consistent feedback of the TDP cohort is that CDFIs often cannot offer financing at the rates and LTVs needed to finance their projects while maintaining affordability. Below are a few key pain points shared by the cohort:

- Smaller-scale developers, who are highly focused and responsive to the unique needs of underserved and distressed communities of color, often lack the equity or cash that larger organizations have on hand. Because of the historical dynamics of redlining, racially discriminatory housing policy, and the general disenfranchisement of Black and other communities of color, the appraised value of properties in these communities tends to be less than that of the general market. This translates into lower loan amounts provided to develop these properties in these areas, notwithstanding the constant CDFI maximum 80% LTV, which leads to larger equity gaps for these developers to overcome (see example from CDFI IFF below). This appraisal gap is currently being felt by several members of the cohort.

- Many CDFIs are unable to provide working capital, predevelopment, and land acquisition financing, which are some of the cohort's most common pain points that prevent projects from coming to fruition.

IFF: THE APPRAISAL BIAS

	White Community	Community of Color
Land	Donated	Donated
Construction	$2,000,000	$2,000,000
Soft Costs	$500,000	$500,000
Total Development Costs	**$2,500,000**	**$2,500,000**
As-Built Appraised Value	$2,500,000	$1,875,000
Loan Amount @ 75%	$1,875,000	$1,406,250
Equity Required	**$625,000**	**$1,093,750**
		($468,750)

RECOMMENDATIONS

Through the TransFormative Development Program convenings, several solutions surfaced that have the potential to address the challenges of the cohort. The table below highlights these solutions as recommendations for removing the barriers facing the TDP cohort developers and empowering them to produce the impactful projects that only a deeply focused and invested developer can. The recommendations are categorized into the following:

Key Challenge Areas:

- Equity: grants, investor equity, cash flow
- Debt: loans, working capital, lines of credit
- Organizational Capacity: the organization's ability to have adequate staff/talent and other resources to deliver on projects

Scope of Intervention:

- Project Level: Recommendations that empower smaller-scale developers to successfully fund projects
- Organizational Level: Recommendations that empower smaller-scale developers to build their portfolios and grow and develop as organizations
- Ecosystem Level: Recommendations that address structural and systemic barriers that inhibit smaller-scale developers and their ecosystem partners from delivering equitable real estate development for the existing stakeholders in their communities

RECOMMENDATIONS

	EQUITY	DEBT	ORGANIZATIONAL CAPACITY
PROJECT LEVEL	• Provide smaller-scale developers grants, and risk adjusted, lower IRR equity for predevelopment, acquisition, and construction stage projects • Provide credit enhancement or loan guarantee grants to developers to access favorable financing	• Provide senior and subordinate debt with interest rates that facilitate affordability, and LTV ratios that reduce equity burden • Use income-based or alternative approaches to appraisals to minimize the effect of historic disinvestment in communities of color	• Vouch for the credibility of developers with capital providers and city officials • Lenders help developers identify guarantors in project if they cannot identify one • Share viable developer projects with lender networks that do not work for your organization
ORG LEVEL	• Provide capacity building grants and equity investment directly to the developer to enable more flexibility in funding projects and scale, support the hiring of staff, internal impact analysis, and development of innovative programs such as shared equity	• Provide working capital loans and lines of credit to enable developers to pay for operating costs, early-stage project costs, and construction costs that occur before funds are released	• Support capacity building programs, such as the TransFormative Development cohort, that enable resource strapped developers to share knowledge, address common barriers, collectively raise capital, develop formal partnerships, and enhance the credibility
ECOSYSTEM LEVEL	• Help smaller-scale developers build sustainable relationships with equity investors, foundations and grantors, municipalities and economic development authorities, and other key ecosystem partners	• Provide flexible equity and debt to CDFIs that allow them to reassess "risk" and provide lending that meets the the needs underserved developers • Provide pass through grants to CDFIs and other lenders that target BIPOC owned developers	• Work with organizations and officials to address the limitations local zoning policies place on density and infill development • Identify and support local organizations that provide technical assistance and support for smaller-scale developers

RECOMMENDATIONS

Example Debt and Equity Products

Below are examples of debt and equity solutions identified by the TDP Cohort.

- A & B Note Senior and Subordinate Debt: Provide conventional A-note senior debt (interest-only periods if needed) and B-note subordinate debt with lower interest rates (2-5%) or at the cost of funds. Subordinate debt rates often range from 10-15%, making them unaffordable for the developers in the cohort. This product can lower financing costs by filing with one lender, enable developers to close capital gaps with lower costs subordinate debt, and maintain a viable debt service coverage ratio. These savings can translate into more accessible rents and services for existing residents and stakeholders in BIPOC neighborhoods.

- Lines of Credit: The TDP cohort developers lack sufficient access to lines of credit. Providing revolving lines of credit to their organizations, which are often strapped for cash, would create flexibility to cover predevelopment and other upfront costs not covered by term loans, as well as time-sensitive costs in between construction draws. In addition to aiding the developers directly, it can facilitate timely payment to their local, often BIPOC-owned, trade contractors who need funds to operate as they too often lack access to credit.

- Patient Equity: Provide longer horizon preferred and common equity investments to BIPOC developers with risk-adjusted, lower to moderate returns. Allotting 12-24 months before collecting payments enables developers' projects to stabilize. Fixed-rate, interest-only equity notes in construction and rehabilitation projects that will appreciate over time can help cash strapped developers gain traction and leverage property appreciation into a refinance. It is important that investors are committed and willing to work closely with developers before and after subject properties are appraised. Given that appraisals in communities of color often come back lower than expected, committed investors who are willing to keep their money in and assist with closing capital gaps are critical to preventing projects from falling apart, and further eroding trust in historically disinvested neighborhoods.

SPOTLIGHT PROJECTS

The Guild, Groundcover - 918 Dill Avenue

Located in Atlanta's Capitol View neighborhood, the Groundcover 918 Dill Avenue project is slated to become a community-owned and governed space. Local residents will be able to engage in an investor education program and buy risk-free, guaranteed shares of ownership in the property ($10-$100/per month), become members of the local community investment trust that collectively owns and stewards the space and build wealth as the property serves the community. The site will provide permanently affordable housing and commercial spaces accessible to BIPOC-owned businesses and organizations that address local needs. Currently, the property is a single-story commercial building. The Guild owns the site and is seeking financing and funding to rehabilitate the bottom floor (7,150 sf) and build 2 floors of housing above. The project's key challenge has been acquainting lenders to the model and acquiring suitable financing. The project plans to break ground in 2021 and open in the fall of 2022.

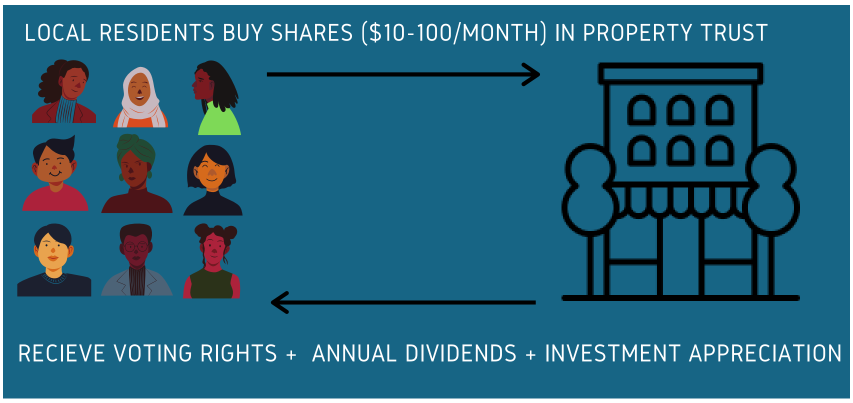
Project Details

- Location: 918 Dill Avenue, Atlanta GA 30310, 83% Minority pop., 30% Poverty rate
- Total Project Cost: $5,497,627, 21,450 sf
- Housing: 24 housing units (100% Aff., 60-80% AMI)
- Commercial: 5 spaces, including a grocery store in food desert, meeting and maker space, restaurant, shared commercial and prep kitchens
- Walking distance from public transit

Capital Needs

- $3.21 million Construction to Perm financing
- $1.58 million Equity note, 3% interest only
- Grant funds to serve as a backstop for Community Investor shares

Groundcover Community Investment Trust Model



SPOTLIGHT PROJECTS

HDDC - Front Porch

The Sweet Auburn District in Atlanta is a historic African American neighborhood home to churches such as Ebenezer Baptist, Big Bethel, and Wheat Street Baptist Church and is the birthplace of Dr. Martin Luther King Jr. HDDC, which was founded by Coretta Scott King in 1980, has acquired strategic parcels along Auburn Avenue between Hilliard Street and Jackson Street to provide the community with a first-class master-planned mixed-use development comprising retail, commercial, and affordable rental and for sale housing. The development plan constitutes a combination of new ground-up construction and the renovation of two existing retail buildings that have historical significance to the community.

Challenges with Appraisal

After receiving an appraisal that valued the property much lower than comparable neighboring sites and well below expectations, an equity investor removed their funds from the deal, combining to create a considerable and threatening gap in equity. The Reinvestment Fund, the project's financing partner, is working with HDDC to address the appraisal issue and find ways to close the capital gap, such as increasing the LTV ratio and helping to identify new equity partners.

Project Details

- Location: 364 - 368 Auburn Avenue, Atlanta GA 30312, 72% Minority Pop, 32% Poverty Rate
- Total Project Cost: $24,615,385
- Housing: 28 housing units (14 rental, 14 for sale, 43% Affordable)
- Commercial: 32 retail spaces, including affordable coworking space, artist studios, and restaurants
- Adjacent to public transit

Capital Needs

- $4.75 million gap in Equity and Grants

SPOTLIGHT PROJECTS

Urban Oasis Development - 2792 East Point Street, Adaptive Reuse

The Project Sponsor will operate renovated building as leased office spaces for small/medium size business owners looking for updated office space close to transit and main street as well as entrepreneurs who have previously been working in their home office but due to covid-19 (and the traffic of spouses working from home and kids schooling remotely) are now looking for quality, affordable office space. Office community resources including work readiness, financial literacy, bookkeeping, building trade operations, and incremental development. Standard leases will be mixed in with flexible month-to-month leases.

No zoning changes or variance are required, Phase I and Phase II Environmental Assessment Reports are completed with no remediation required.

Project Details

- Location: 2792 East Point St., East Point, GA 30344, 79% Minority Pop, 35% Poverty Rate
- Total Project Cost: $1,185,000
- Commercial: 16 office spaces, 1 commercial catering kitchen, event/meeting space (8,684 total square ft)
- Property is adjacent to public transit

Capital Needs

- $900,000 senior loan (73% LTC and 63%), 2 year term, Interest Only
- Debt Service Coverage Ratio @ 7% interest: 2.03

SPOTLIGHT PROJECTS

HDDC- Henderson Place

Henderson Place is 3 two-story buildings built in 1951, containing a total of (44) efficiency/1-bath rental units at approximately 350 sf in size. The 131 Grape Street parcel contains a single two-story building with (14) 2-bed/1-bath rental units at approximately 610 sf, built in 1959. HDDC purchased the properties in 1995 specifically to renovate the properties for affordable housing. HDDC also targeted the improvement of these properties as part of its neighborhood revitalization strategy - they had fallen into severe disrepair, were vacant, and suffered high rates of criminal activity in the midst of a community suffering through decades of disinvestment and widespread blight. As of 2011, HDDC has been the sole proprietor of the LP, continuing to maintain the properties as housing for very-low-income households earning no more than 50% Area Median Income ($25-27,000/year max.). According to HDDC, the quality of this kind of housing even when relatively new, was substandard enough to become an advocacy issue during the civil rights movement. The 'low-maintenance' construction and spartan, utilitarian nature of the units served their purpose at the time, and were given extended life during the 1996-97 renovation, but these very characteristics now present unsustainable financial and moral challenges.

Given that the buildings have become high-maintenance with increasingly substandard living conditions, HDDC is working to renovate the property and add approximately 20 more residential units, and include community gathering space and a bodega.

Project Details

- Location: 514 Irwin St, Atlanta, GA 30312, 46% Minority Pop, 16% Poverty Rate
- Total Project Cost: $16,792,653 (4% LIHTC)
- Housing: 73 Affordable housing units, 18 at 40% AMI, 42 at 60% AMI, 16 at 80% AMI
- Property is walking distance to public transit

Capital Needs

- $2.3 million gap in Equity and Grants

CONCLUSION

On a final note, one of the structural inequities this cohort addressed was creating networks between developers. Majority developers benefit from formal and informal opportunities to meet and make deals and negotiate. Several of our cohort participants noted that they have been wanting to meet each other and just haven't had the time. The structure of this cohort – short, focused, compensated – fostered conversations that wouldn't have happened otherwise. Further, facilitating a space where cohort members could collaboratively problem-solve on some of their individual pipeline challenges brought to light what we all knew — the barriers to access capital at non-extractive terms is an institutional and systemic challenge people of color face across the board.

We know that beyond meeting short-term affordability targets, the developers in our cohort are looking to truly transform how development happens in each of their neighborhoods, and are looking to explore alternative and sustainable models that put community first. We have already laid the ground work with the City of Atlanta, as well as CDFIs and other capital partners in the ecosystem, to explore the findings of the cohort. We will be starting 2021 with conversations to publicize and share the report.

We hope that JP Morgan Chase will continue to find ways to support ecosystem investments like this program.

COHORT PARTICIPANTS

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