TIPPING THE SCALE

PRESERVING THE AFFORDABILITY OF UNSUBSIDIZED SMALL- TO MEDIUM-SCALE MULTIFAMILY HOUSING IN THE SOUTHEAST AND BEYOND
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INTRODUCTION

As the United States continues to see a shortfall in its housing supply, home prices and rents have continued to outpace household incomes and units with lower rents have continued to fall out of the supply. These dynamics have created a housing crunch, particularly for low- and moderate-income people. To tackle this challenge, we must both build more homes and preserve the homes we already have.

SMMF properties—properties with 2 to 49 units—provide 54 percent of the nation’s rental housing and 21 percent of all housing in the United States. SMMF properties are a critical source of housing for lower-income households: Among the estimated 21 million rental units in SMMF buildings, 34 percent (7.1 million units) are affordable to households at 80 percent of median renter income; 57 percent (11.9 million units) to households at the median renter income, and 75 percent (15.7 million) to households at 20 percent of median renter income. While these properties often accept tenant-based rental assistance, many of these affordable units are in buildings without property-level subsidies. This portion of the SMMF stock—properties that do not receive project-level subsidies but are still affordable to lower-income households—is the focus of this toolkit.

Unsubsidized affordable SMMF housing not only represents a significant component of the affordable rental housing stock, but it can also offer a more cost-efficient way to address housing needs. Preservation efforts usually cost 30 to 50 percent less than new construction, with one study finding that new construction costs $40,000 to $71,000 more per unit than rehabilitating older units.

Preserving the affordability of these properties can provide a crucial source of housing that is otherwise in short supply while also yielding reasonable economic returns. But it represents new territory for many in the housing and community development field. This toolkit seeks to close the information gaps that may be preventing more developers from engaging in the preservation of unsubsidized affordable SMMF housing.
RELATIONSHIP BUILDING
The strength of your relationships will affect your success at each stage of the development process. While this is not unique to unsubsidized affordable SMMF preservation, it is especially important in these projects because they often represent new territory for many of the partners that will be necessary to bring a deal to life. In particular, strong relationships can help overcome common barriers found at the outset of unsubsidized affordable SMMF projects – finding the right property, acquiring it on favorable terms, and assembling sufficient financing to preserve it. This toolkit highlights the impact of several key relationships on the viability of your unsubsidized affordable SMMF preservation project, along with tips to build and strengthen those relationships.

PROPERTY IDENTIFICATION
There are fewer systems in place and less widespread understanding of the characteristics that make unsubsidized affordable SMMF properties strong candidates for preservation, which can create more work for you at the outset of a project. Tips in this toolkit are designed to make that property identification process easier, including an overview of characteristics to consider in any market and recommended frameworks for property identification in Atlanta and Miami, specifically.

SECURING FINANCING
Unsubsidized affordable SMMF preservation is often viewed by financiers as a niche market and many existing financing products for affordable housing are not designed for this property type. These factors can make it difficult to assemble sufficient financing for preservation. This toolkit provides an overview of financial products that can support your unsubsidized affordable SMMF preservation project, along with an interactive tool through which you can evaluate project feasibility and potential financing gaps to help you build appropriate financing strategies.

NEGOTIATION AND DEAL CLOSING
Much of the negotiation and deal closing process for SMMF properties will be similar to other development projects. However, there are specific risks to be mindful of that may be more likely with this property type. These risks increase with the complexity of your project, particularly based on the financing and level of rehabilitation you pursue. This section of the toolkit outlines the common pitfalls that can disrupt or delay the closing process for unsubsidized affordable SMMF preservation, along with tips for addressing them, to help you better plan for and mitigate potential risks at this stage of a project.

TOOLKIT OVERVIEW
This toolkit provides best practice recommendations and tips that will help you avoid common challenges when working on an unsubsidized affordable SMMF preservation project. The toolkit is organized into the following sections:
REHABILITATION
Since unsubsidized affordable SMMF properties tend to be older, they often require some level of rehabilitation to bring them up to code or improve their habitability. The toolkit provides an overview of five topics that may uniquely impact an unsubsidized affordable SMMF project: 1) zoning and building codes; 2) health and safety needs; 3) energy efficiency; 4) disaster resilience; and 5) existing residents and community members.

PROPERTY MANAGEMENT
Effective and cost-efficient property management is critical to successfully preserving affordability after rehabilitation or refinancing. Since preservation may or may not include the use of subsidy to maintain the property’s affordability, this section outlines the unique considerations you must account for when managing an unsubsidized affordable SMMF property or when managing a newly subsidized SMMF property. The toolkit also highlights several strategies you can use to minimize operating expenses through property management.

Tools to Help Tip the Scale of Your Next Preservation Project
Don’t miss out on the full suite of tools accompanying this document:
• Property identification frameworks for SMMF preservation in Atlanta and Miami
• An interactive financial modeling tool for SMMF preservation
• Guides of available financing for SMMF preservation in Atlanta and Miami
• Energy efficiency rubrics for Florida and Georgia
• Profiles of successful SMMF preservation projects
All are available on Enterprise Community Partners, Inc.’s website.
**SIZE**
There are an estimated 284,208 rental units in SMMF properties in the Atlanta five-county metro area (Clayton, Cobb, DeKalb, Fulton and Gwinnett counties), which represents 50 percent of the total rental housing stock. The largest share of these units is in buildings with 10 to 19 units (35 percent of all SMMF rental units), followed by buildings with 5 to 9 buildings (29 percent).

**AFFORDABILITY**
A majority (56 percent) of SMMF rental units in the Atlanta metro area are affordable to households at the median renter income ($43,700) and below. This is 10 percentage points higher than the share of all rental units in the Atlanta metro area that are affordable to households at the median renter income and below. Nearly 30 percent of SMMF rental units are affordable at 80 percent of median renter income ($34,960) and below, compared with 25 percent of rental units across the Atlanta metro area. Units affordable to the lowest income renters (i.e. those at 60 percent of median renter income [$26,220] and below) are similarly distributed among SMMF properties and in all rental properties in the Atlanta metro area.

**ROLE OF SUBSIDY**
The vast majority of these affordable SMMF units do not receive project-based subsidies. While, nationally, 24 percent of affordable SMMF units are actively subsidized at the project-level, only 3 percent of affordable SMMF units in Atlanta receive active project-based subsidies (largely using HOME subsidies, Section 8 project-based vouchers, and Low-Income Housing Tax Credits).*
SIZE
In Miami-Dade County, there are an estimated 189,428 rental units in SMMF properties, which represents 44 percent of the total rental housing stock. Compared to the Atlanta metro area, these units tend to be in larger SMMF buildings. The largest share of SMMF rental units is in buildings with 20 to 49 units (33 percent of all SMMF rental units), followed by buildings with 10 to 19 units (27 percent). See Appendix 1 for more data.

AFFORDABILITY
Nearly 40 percent of SMMF rental units in Miami-Dade County are affordable to households at the median renter income ($35,000) and below.* A majority (59 percent) of SMMF rental units in Miami-Dade County are affordable to households at 120 percent of median renter income ($42,000) and below. In contrast, most rental units in Miami-Dade County are not.

ROLE OF SUBSIDY
Few affordable SMMF units in Miami-Dade County (7 percent) receive active project-based subsidies. Those that are subsidized most commonly receive funding through HOME, Section 8 project-based vouchers, Low-Income Housing Tax Credits, and subsidies from the State of Florida.
HOUSING AFFORDABILITY
Housing is considered affordable when the cost does not exceed 30 percent of a household’s income. Affordability is tied to income; this toolkit focuses primarily on the preservation of housing that is affordable to low- and moderate-income households.

LOW-INCOME/MODERATE-INCOME
A household is considered low-income when their income is at or below 80 percent of the area median income. A household may be considered moderate-income if their income is between 80 percent and 120 percent of the area median income. Area median income is $79,700 in the Atlanta metro area and $54,900 in Miami-Dade County, per FY2019 HUD Income Limits.

MEDIAN RENTER INCOME
The median household income for all renter households in an area. This metric is used to assess affordability throughout this toolkit to better capture demand for SMMF rentals. According to estimates from 2017 American Community Survey 1-Year microdata, the 2017 median renter income in the Atlanta metro area was $43,700 and in Miami-Dade County was $35,000. Median renter income is not adjusted for household size and is often lower than area median income (which includes both renters and homeowners). As such, median renter incomes do not correspond to HUD income limits or definitions of low-income, very low-income, or extremely low-income based on HUD income limits.

PRESERVATION
Preventing the loss of currently affordable units from the available and affordable housing stock. Preservation activities may include refinancing, improving or modernizing existing properties to ensure they remain affordable to households at specific income levels and livable.

SMALL- TO MEDIUM-SCALE MULTIFAMILY (SMMF) HOUSING
Residential buildings with 2 to 49 units.
RELATIONSHIP BUILDING

Any development project depends on strong partnerships and relationships to move from concept to reality. Unsubsidized affordable SMMF preservation is no exception. In fact, relationships are often more critical in these projects—particularly for purchasing the property and securing the financing needed to preserve it. Relationships are especially important since there are limited examples of successful projects at this scale, fewer established systems to support it than other preservation deals, and (sometimes) tighter financial margins.

These relationships will impact every stage of the preservation process. Tips related to relationship building for unsubsidized affordable SMMF preservation projects have been incorporated throughout the toolkit. These tips are highlighted with the following icon: 📞. They focus on dynamics that may be unique to an unsubsidized affordable SMMF project relative to a larger-scale project or a project preserving subsidized housing.

KEY RELATIONSHIPS THROUGHOUT THE UNSUBSIDIZED AFFORDABLE SMMF PRESERVATION PROCESS

- **Stakeholders who may own unsubsidized affordable SMMF properties**
  - Public sellers – local government
  - Private sellers – mom and pop owners, other local/regional owners, institutional owners and investors

- **Stakeholders who can help acquire unsubsidized affordable SMMF properties**
  - Brokers or real estate agents
  - Local government
  - Real estate attorneys

- **Stakeholders who can help finance unsubsidized affordable SMMF properties**
  - Community Development Financial Institutions (CDFIs)
  - Banks
  - Local and state governments
  - Housing finance agencies
  - Real estate investment trusts (REITs)
  - Government-sponsored enterprises (GSEs)
  - Foundations
  - Anchor institutions
  - Other private investors

- **Stakeholders that can help manage the property**
  - Property managers
  - Asset managers

- **Other stakeholders that will influence the success of the project**
  - Development team – architects, engineers, construction managers and contractors
  - Local, regional and state policymakers
  - Local planning commissions
  - Community members

See Figures 1 and 2 (on pages 9 and 10, respectively) that show the key stakeholders to engage in Atlanta and Miami.
HOW DO RELATIONSHIPS FOR UNSUBSIDIZED AFFORDABLE SMMF PRESERVATION DIFFER FROM LARGER PROJECTS OR SUBSIDIZED HOUSING PRESERVATION?

OWNER PROFILE
You will likely be working with fewer institutional owners. Unsubsidized affordable SMMF property owners tend to have smaller portfolios and are more likely to live near their properties.

BROKERAGE EXPERTISE
There are fewer established frameworks for identification of unsubsidized affordable SMMF opportunities than with other property types. Fewer established practices means you or your broker partner will need more expertise about what makes a property a strong candidate for preservation. When brokers have this expertise, plus strong relationships with unsubsidized affordable SMMF property owners, they can help you identify opportunities for property acquisition before they are listed for sale. Off-market opportunities can help keep costs low and increase the financial feasibility of preserving unsubsidized affordable SMMF properties. Considerations related to identifying strong candidates for SMMF preservation are outlined in the Property Identification section.

EVALUATION BY LENDERS
Lenders tend to place a larger emphasis on their belief in the owner when evaluating affordable SMMF deals, as compared to other affordable housing deals.

BROAD COMMUNITY ENGAGEMENT
There will be fewer requirements (if any) for community participation in the preservation of an unsubsidized affordable SMMF property, unless subsidies are used or significant local land-use approvals are needed. In addition to obtaining approvals, community support and relationships can be critical when you are identifying properties for preservation, engaging existing owners, and finding tenants.
FIGURE 1. KEY STAKEHOLDERS: ATLANTA, GA

**PUBLIC-SECTOR STAKEHOLDERS**
- City of Atlanta - Office of Housing
- Invest Atlanta
- Fulton County Community Development
- DeKalb County Community Development
- Atlanta Beltline
- Georgia Department of Community Affairs
- Atlanta Housing
- Fulton County/City of Atlanta Land Bank Authority

**PROPERTY OWNERS**
- Mom-Pop
  - Craigslist
  - Zillow
- Nonprofit Owners
  - Georgia Advancing Communities Together (ACT), Inc.
  - Atlanta Housing
- For Profit Owners
  - ULI Atlanta
  - Atlanta Apartment Association
  - Chamber of Commerce
- Investors
  - GA Real Estate Investors Association
  - Atlanta Real Estate Investors Alliance

**FINANCIAL PARTNERS**
- CDFIs
- Public Entities
- HouseATL Funders’ Collective (Philanthropy, Private, Social, Impact, Public)

**BROKERS**
- ULI Atlanta
- Atlanta Commercial Board of Realtors
- Atlanta Realtors Association
- Empire Board of Realists
FIGURE 2. KEY STAKEHOLDERS: MIAMI, FL

PUBLIC-SECTOR STAKEHOLDERS
- City of Miami - Office of Housing and Community Development
- Miami-Dade County Public Housing and Community Development
- Community Redevelopment Agencies
- FL Housing Finance Corporation

PROPERTY OWNERS
- Mom-Pop
  - Homeowner Associations
  - Craigslist
  - Zillow
- Nonprofit
  - South Florida Community Development Coalition
  - University of Miami LAND tool
- Investors
  - Miami-Dade Real Estate Investors Association
- Associations
  - ULI SE Florida/Caribbean
  - Miami Association of Realtors

FINANCIAL PARTNERS
See Miami Resource Guide for more information.
- CDFIs

BROKERS
- ULI Southeast Florida/Caribbean
- Public Entities
- Banks
- Miami Association of Realtors
- GSEs
PROPERTY IDENTIFICATION

EVALUATING UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES

Unlike subsidized housing, the affordability of unsubsidized affordable SMMF properties occurs in a largely unregulated environment, meaning there are few systems focused on this market segment to guide decision making. In terms of property identification, many national frameworks for affordable housing preservation do not focus on SMMF as a distinct market segment, even though they make up 54 percent of the national rental housing stock. These gaps reinforce uncertainty about working with this property type, along with the inherent uncertainty associated with an affordable, yet unregulated property.

For many developers, opportunity tends to drive preservation of unsubsidized affordable SMMF properties, although what “opportunity” means varies by the developers’ experience in a given market and their overall mission or interest in preserving these properties. For instance, to some developers, “opportunity” means a willing seller in a rapidly changing neighborhood. To others, “opportunity” means a property where moderate improvements will extend the useful of a property without increasing rents significantly.

Four key factors should be used to evaluate opportunities for unsubsidized affordable SMMF preservation:

1. PROPERTY CHARACTERISTICS – This factor focuses on the overall condition of the property, its size, and who the property serves today. Common criteria include building size, physical condition, reputation of current property management, and household income of existing tenants.

2. PROJECT FEASIBILITY – This factor focuses on a project’s ability to meet basic regulatory requirements, including compliance with land-use standards and building codes. This factor also considers a project’s eligibility for financing and public subsidies. Common criteria include whether rezoning, variance, or other land-use exemption is required; ability to meet all applicable building codes; ability to meet all infrastructure requirements (e.g., water, sewer, road capacity); funding eligibility; and existing relationships.

3. NEIGHBORHOOD MARKET CONDITIONS – This factor focuses on how neighborhood market conditions are changing or may change, based on indicators of market activity. Market activity serves as a proxy for financial feasibility and risk of displacement or loss of unsubsidized affordable SMMF properties. Common criteria for this factor include different dimensions of increased or anticipated market activity and neighborhood change.

4. NEIGHBORHOOD ACCESS – This factor focuses on access to basic amenities and common destinations. This factor highlights surrounding conditions that may make the property appealing. Preserving properties in areas with stronger access to opportunity promotes economic mobility and addresses long-standing disparities. Common criteria include access to employment centers; access to transit service; access to healthy foods; and access to quality schools.

EVALUATION SCORECARDS

Download evaluation scorecards for Atlanta and Miami, which will guide you through this analysis.
EVALUATING UNSUBSIDIZED AFFORDABLE SMMF OPPORTUNITIES IN STRONGER OR EMERGING MARKETS

In the national literature about unsubsidized affordable properties, the most commonly cited goal for preservation is to safeguard the property’s inherent affordability before it is lost. Unsubsidized affordable SMMF properties in stronger or emerging real estate markets are typically seen as top preservation priorities since they are the most susceptible to market-rate conversion or demolition, and preserving their affordability can help to foster vibrant, mixed-income communities.\(^\text{xv}\)

Broader affordable housing goals in Atlanta and Miami mirror the national focus on desirable locations and preserving this property type is gaining attention in both cities. Each city’s housing affordability goals demonstrate a preference for preserving affordability in neighborhoods with stronger market conditions or critical assets, such as quality schools and transit service.\(^\text{xvi}\) One Miami-based developer described their ideal unsubsidized affordable SMMF property as one in a neighborhood with an active Community Redevelopment Agency, designated as an Opportunity Zone, on high ground, and close to transit service.

In stronger or emerging markets, preserving unsubsidized affordable SMMF properties necessitates quick action and often faces fierce competition. For opportunities in this type of market, property identification factors such as project feasibility—relationships to pull together an offer quickly, access to nimble financing, and limited or no regulatory constraints—may be more important than in neighborhoods with stable or weaker housing markets.

EVALUATING UNSUBSIDIZED AFFORDABLE SMMF OPPORTUNITIES IN STABLE OR WEAKER MARKETS

It is equally important to consider the loss of unsubsidized affordable SMMF in stable or weaker markets, as it is in rapidly changing neighborhoods. In stable or weaker markets, maintaining or improving habitability staves off loss due to property deterioration and preserves affordability in lower-cost areas.

In stable or weaker markets, the calculus around unsubsidized affordable SMMF preservation is somewhat different than in stronger or emerging real estate markets. For instance, preserving unsubsidized affordable SMMF properties necessitates a longer commitment to the neighborhood. Due to neglect or age of the properties, the overall rehabilitation costs may be higher, resulting in the need for a larger per unit investment or higher contingency (although these costs are typically offset by lower land costs).

On the other hand, some barriers to entry may be lower. Due to less interest from outside investors, accessing properties in stable or weaker submarkets may be easier, avoiding the high upfront acquisition costs in stronger markets.

For opportunities in this type of market, property identification factors such as property characteristics—the building’s age and condition—may be more important than in neighborhoods with stronger or emerging housing markets.
TIPS FOR IDENTIFYING AN UNSUBSIDIZED AFFORDABLE SMMF PROPERTY

CONSIDER UNSUBSIDIZED AFFORDABLE SMMF OPPORTUNITIES IN NEIGHBORHOODS WHERE YOU ALREADY WORK.
Avoid the need to create economies of scale in a new market or neighborhood by looking for unsubsidized affordable SMMF opportunities in neighborhoods where you already own or operate properties.

LOOK FOR OFF-MARKET OPPORTUNITIES.
Off-market opportunities do not face as much (if any) competition from other buyers helping to lower acquisition costs, especially in stronger markets with more interest in unsubsidized affordable SMMF properties from investors. To identify them, use real estate data, such as CoStar, that classifies property condition, experience working in a specific neighborhood, and relationships with property owners and brokers.

BUILD RELATIONSHIPS WITH LENDERS TO VET POTENTIAL OPPORTUNITIES.
Lenders can provide upfront advice about potential unsubsidized affordable SMMF opportunities and share their willingness or ability to be involved in a project, which assists with understanding broader project feasibility.

IDENTIFY ANY REGULATORY CONSTRAINTS.
In many places, unsubsidized affordable SMMF properties are a “nonconforming structure” (i.e., do not meet the current zoning requirements in their current area) and may require a rezoning or other land-use exemption before a sale can proceed. In other instances, unsubsidized affordable SMMF properties may not maximize the full development potential on their site, making them more valuable to competing buyers.
Your relationship with a broker (or brokers) affects your ability to identify off-market opportunities, quickly acquire properties, and the price you may pay.

Questions to consider when evaluating potential brokers for partnership:

- How well does their expertise align with my preservation goals?
- Do they understand the rehabilitation process for multifamily units?
- Do they have experience with SMMF properties?
- Do they have experience and relationships in the geography where the property is located?
- Are they comfortable with the financing sources I plan to use for acquisition?

DEALBREAKERS FOR UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES

NEED FOR TENANT RELOCATION

The time, costs and requirements associated with tenant relocation may deter developers from unsubsidized affordable SMMF opportunities. Read more about the considerations around tenant relocation in the Rehabilitation section.

NEED FOR SIGNIFICANT REPAIRS

Preservation of unsubsidized affordable SMMF properties, especially without subsidy, require a “repair, not replace” type mindset. To ensure financial feasibility, focusing on properties with light or moderate capital needs is recommended; organizations interviewed for this toolkit estimated that they would not want to spend more than $5,000–$10,000 per unit on rehabilitation costs, especially when completing preservation without public subsidy. While choosing properties with light or moderate capital needs is ideal, more subsidy makes properties with more substantial rehabilitation needs feasible (although more complex). Some organizations conduct rigorous capital needs assessments to understand immediate needs, as well as to plan for medium- and long-term needs prior to purchase, while others conduct visual surveys of a property. To ensure all capital needs are taken into consideration, a more detail capital needs assessment is recommended, as is having resources available to assist with these assessments either prior to preservation or on an ongoing basis.

LACK OF PUBLIC SUPPORT

Support among neighborhood residents, local decisionmakers and public-sector staff are all critical to the success of preserving an unsubsidized affordable SMMF property. Elected leaders and public-sector staff often need to make decisions about regulatory changes or funding quickly, as buyers are competing in the private market for these properties. Smaller, affordable properties may garner neighborhood support more easily than a large-scale affordable housing development.
Even when using a commercial real estate brokerage, having a strong relationship with property owners can help increase your access to potential deals and the deal’s success.

Two key dimensions that may affect sellers’ behavior are:

- Portfolio size (i.e., how many properties do they own?)
- Proximity (i.e., how far from the property is the owner based?)

Generally, an owner is less likely to engage in affordable housing preservation activities when they own a large portfolio of properties and those properties are located farther away from them, unless there is a strong economic case or if they have a distinct focus on mission over profit.

Potential seller motivations:

- Increasing and maintaining a steady cash flow
- Maximizing return on investment
- Alleviating the burden of property maintenance
- Inability to access capital for necessary rehabilitation
- Alleviating the cost of rising property taxes
- Retirement or estate planning

Mission or public benefits may motivate a property owner, but the extent will vary. Research has found that part-time or smaller-scale owners with local interests are the most willing to prioritize mission and community investment over other motivations, particularly when they are not tied to a larger organization’s bottom-line.

Considerations for building and maintaining strong relationships with sellers:

- Demonstrating sufficient capital, or an expedient timeline for assembling the necessary capital, is important for successfully engaging sellers. In such situations, bridge financing or a line of credit can be critical, particularly when competing with cash offers. See page 23 for tips on relationship building with financial institutions, who can help assemble these resources.
- Agreeing on project goals and terms upfront, including the long-term relationship between both parties and the property. This agreement is particularly important if sellers plan to stay involved with the property after its preservation. For instance, mission-oriented sellers may want to be involved with property operations, such as resident services or other onsite activities.
ATLANTA, GA
PRESERVING UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES

LOCAL CONDITIONS AFFECTING UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES:

- Strong economic growth fueling investor interest in real estate, especially for higher income households and in Atlanta’s urban core
- Poor physical quality of properties or obsolescence
- Loss of “missing middle” properties, which includes unsubsidized affordable SMMF properties
- Disparities across Atlanta neighborhoods in terms of housing cost-burden and access to opportunity

LOCAL PRIORITIES FOR HOUSING AFFORDABILITY AND DIVERSITY

In Atlanta, the preservation of unsubsidized affordable SMMF fits into a broader housing framework focused on increasing housing diversity, especially “missing middle” housing types; meeting diverse households’ needs, including workers such as first responders and teachers; and minimizing increased pressure on legacy residents due to increasing housing costs.

The importance of preserving unsubsidized affordable SMMF is well-documented across plans and studies for the City of Atlanta. It also reinforces the broader strategies of One Atlanta: Housing Affordability Action Plan and HouseATL to build capacity, especially among nonprofits, and catalyze innovation and new ideas for affordable housing development.

MIAMI, FL
PRESERVING UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES

LOCAL CONDITIONS AFFECTING UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES

- Loss of affordability on the cultural fabric of communities
- High costs associated with housing (construction and land/acquisition costs)
- Impacts of sea level rise and climate change
- Neighborhood change due to increasing market pressure
- Areas of historic disinvestment and lower land costs
- Regulatory environment, including building standards around hurricane and natural disasters

LOCAL PRIORITIES FOR RESILIENT PEOPLE, HOMES AND PLACES

In Miami, the preservation of unsubsidized affordable SMMF fits into a broader housing framework focused on supporting resilient people, places and buildings; promoting connectivity and mobility; and increasing the supply of high-quality affordable homes for all income groups. The importance of preserving unsubsidized affordable SMMF properties is well-documented across plans and studies for Miami-Dade County, including the Miami-Dade County Affordable Housing Preservation Plan, Miami Housing Policy Toolkit, and Connect Capital Miami. For instance, Connect Capital Miami specifically cites unsubsidized affordable multifamily housing as a critical part of the pipeline intended to meet the city’s goal of creating or preserving 12,000 affordable homes by 2024. Part of increasing Miami’s affordable housing supply depends on not losing the affordable homes that already serve Miami residents.
FINANCING UNSUBSIDIZED AFFORDABLE SMMF properties depends on a range of factors: a property’s capital needs; its size; and its location, to name a few. To many lenders, deals for unsubsidized affordable SMMF represent a niche financing market. Financing, like other aspects of the preservation process, benefit from economies of scale. Few national products are designed specifically for SMMF properties, making it an under-resourced inventory.

Many traditional tools for affordable housing development, such as the Low-Income Housing Tax Credit, favor larger properties and new construction. Depending on a property conditions, four percent tax credits may not be enough to fund capital needs and typically require a larger deal to be financially feasible. Building a portfolio of unsubsidized affordable SMMF properties or preserving unsubsidized affordable SMMF properties as part of a larger development are two ways to build economies of scale, and in turn, expand eligibility for financing.

Meeting a lender’s loan-to-value requirement can pose another barrier for underwriting purposes, when capping rents at affordable levels. Some financial products on the West Coast, such as the New Generation Fund in Los Angeles, offer higher loan-to-value ratios to address this barrier (but as of now these products are only available regionally).

The preservation of some unsubsidized affordable SMMF properties can be financed using conventional lending products. If an unsubsidized affordable SMMF property needs to be more heavily subsidized to maintain affordability, additional sources of capital or direct subsidy will be needed.

WEB

THE FINANCIAL MODELING TOOL

Use the financial modeling tool to understand these dynamics and evaluate the feasibility of real-world unsubsidized affordable SMMF opportunities.

Developers and lenders with experience working with unsubsidized affordable SMMF stressed that financing these properties requires a market-oriented mindset, especially if no subsidy is being used. They agreed that a lean approach (and set of financing assumptions) is critical when trying to balance cash flow with nominal rent increases to maintain affordability.
### TABLE 1. RESOURCES AVAILABLE FOR PRESERVATION OF SMMF PROPERTIES

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<tr>
<th>Program</th>
<th>Resource type</th>
<th>Considerations for unsubsidized affordable small- and medium-scale multifamily properties</th>
</tr>
</thead>
</table>
| U.S. Department of Housing and Urban Development FHA 223(f) Multifamily Loan Insurance Program | Hard debt | • Designed for properties with 5+ units  
• Lower-interest rate  
• Non-recourse financing  
• Substantial rehabilitation ineligible |
| Freddie Mac Small Balance Loan Program | Hard debt | • Simplified capital stack  
• Streamlined underwriting  
• Pricing breaks  
• Designed for properties with 5+ units and portfolios (2+ loans)  
• Non-recourse financing |
| Fannie Mae Small Balance Loan Program | Hard debt | • Simplified capital stack  
• Streamlined underwriting  
• Pricing breaks  
• Designed for properties with 5+ units  
• Non-recourse financing |
| Freddie Mac Value-Add Program | Hard debt | • More feasible for larger unsubsidized affordable SMMF properties (25+ units) |
| Freddie Mac NOAH Preservation Loan | Hard debt | • Minimum affordability requirements  
• Minimum equity requirements  
• Full underwriting process |
| Freddie Mac Impact Gap Loan | Hard debt | • Need to find an outside impact investor |
| U.S. Department of Housing and Urban Development Project-based vouchers (administered by local housing authorities) | Operating subsidy | • Stable resource  
• Pre-screened tenants  
• Competing local programmatic priorities  
• Ongoing administration costs  
• Limit on project-based vouchers per project |
<table>
<thead>
<tr>
<th>Program</th>
<th>Resource type</th>
<th>Considerations for unsubsidized affordable small- and medium-scale multifamily properties</th>
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<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td></td>
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</tr>
<tr>
<td>HOME Investment Partnerships Program</td>
<td>Soft debt</td>
<td>• Stable resource</td>
</tr>
<tr>
<td>(administered by local jurisdictions and states)</td>
<td>Grant</td>
<td>• Flexible (can fill multiple capital needs)</td>
</tr>
<tr>
<td></td>
<td>Hard debt</td>
<td>• Maximum affordability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Subsidy limits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Competing local programmatic priorities</td>
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<td></td>
<td></td>
<td>• Alignment with funding cycles</td>
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<td></td>
<td>• Compliance with federal requirements</td>
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<td></td>
<td></td>
<td>• Prevailing wage requirements (12+ assisted units)</td>
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<td></td>
<td></td>
<td>• Rules when combining HOME and tax credits</td>
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<tr>
<td>U.S. Department of Housing and Urban Development</td>
<td>Soft debt</td>
<td>• Stable resource</td>
</tr>
<tr>
<td>Community Development Block Grant</td>
<td>Grant</td>
<td>• Flexible (can fill multiple capital needs)</td>
</tr>
<tr>
<td>(administered by local jurisdictions and states)</td>
<td>Hard debt</td>
<td>• Maximize affordability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Competing local programmatic priorities</td>
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<td></td>
<td></td>
<td>• Compliance with federal requirements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Prevailing wage requirements (8+ assisted units)</td>
</tr>
<tr>
<td>Enterprise Community Loan Fund</td>
<td>Hard debt</td>
<td>• Developers’ experience</td>
</tr>
<tr>
<td>Acquisition Loan</td>
<td></td>
<td>• Full-time development staff to offset experience</td>
</tr>
<tr>
<td>Enterprise Community Loan Fund</td>
<td>Hard debt</td>
<td>• Developers’ experience</td>
</tr>
<tr>
<td>Pre-Development Loan</td>
<td></td>
<td>• Full-time development staff to offset experience</td>
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</tbody>
</table>
Fannie Mae’s and Freddie Mac’s Small Balance Loan programs offer two of the most viable financial products for preserving unsubsidized affordable SMMF properties. Both programs offer financing for properties with 5 to 50 units. These programs can assist relative newcomers to the unsubsidized affordable SMMF market. As non-recourse financing (i.e., the property’s operations secures the loan), strong property management is critical. However, the programs’ size thresholds leave out the smallest multifamily products (those properties with 2 to 4 units).\(^{xxiii}\)

While federal resources for affordable housing have been declining, they still represent a long-standing resource for preserving unsubsidized affordable SMMF. The HOME Investment Partnerships (HOME) and Community Development Block Grant (CDBG) programs are two federal programs that can support unsubsidized affordable SMMF. These federal programs are available to entitlement communities (cities and counties) directly and through state agencies to non-entitlement communities, which both set more specific priorities for their use.\(^{xxiv}\)

One of HOME and CDBG’s advantages is their flexibility. Both programs can be used to fill a range of capital needs. For instance, both acquisition and rehabilitation are eligible activities under these programs. HOME funds can also be used to refinance a project’s existing debt in conjunction with rehabilitation.

An important consideration when using either program is a developer’s ability to comply with all federal requirements, including paying local prevailing wages. The smallest unsubsidized affordable SMMF projects may avoid this requirement entirely. The prevailing wage requirement is triggered for properties with eight or more assisted units when using CDBG dollars and 12 or more assisted units when using HOME dollars. Prevailing wages may add significant cost to the project (as much as 20 to 40 percent by one national estimate).

Rental assistance available through local public housing authorities is another federal resource—in this case, to support ongoing operations of unsubsidized affordable SMMF properties rather than capital needs. Project-based vouchers, a component of the federal Housing Choice Voucher program, keep individual units affordable for tenants and generate consistent rents for a property owner. However, public housing authorities have their own policies guiding the use of these vouchers and typically award them through a competitive process. Developers can also accept rental assistance directly from tenants as another way to assist with their cash flow.

For more information about these and other available resources in Atlanta and Miami, see the Financing Resource Guides.
FUNDING RESILIENT UNSUBSIDIZED AFFORDABLE SMMF
As major weather events become more frequent, communities across the United States are increasingly focused on building resilience to disasters. The federal government offers resources to communities for recovery and resilience activities, some of which can be used to support the preservation of unsubsidized affordable SMMF. Table 2 provides a snapshot of federal funding programs for disaster recovery and hazard mitigation available to developers, nonprofits or local governments in Florida and Georgia.

TABLE 2. FEDERAL FUNDING PROGRAMS FOR DISASTER RECOVERY AND HAZARD MITIGATION

<table>
<thead>
<tr>
<th>Organization</th>
<th>Program</th>
<th>Resource type</th>
<th>Eligibility for funding</th>
</tr>
</thead>
</table>
| FEMA         | Hazard Mitigation Grant Program  
• Georgia - HMGP  
• Florida - HMGP  
• Florida – Hurricane Michael NOFA | Grants | Businesses and nonprofits can apply for funding through local governments |
| SBA          | Disaster Loan Assistance | Low-interest loans | Businesses and nonprofits can apply directly |
| EDA          | Disaster Supplemental Funding  
• 2017 Disasters NOFO  
• 2018 Disasters NOFO | Grants | Nonprofits can apply directly |
| HUD          | Community Development Block Grant – Disaster Recovery (CDBG-DR)  
• Georgia CDBG-DR  
• Florida CDBG-DR  
• Florida – Hurricane Irma Rental Housing Repair Program | Grants | Businesses and nonprofits can apply for funding through state and local governments |
LOCAL SUBSIDIES FOR UNSUBSIDIZED AFFORDABLE SMMF in Atlanta, GA

Locally, there’s a wealth of resources that could be used to support unsubsidized affordable SMMF properties in Atlanta, including federal programs discussed in this section. For instance, the City of Atlanta administers a multifamily loan funded by the HOME Investment Partnership Program. This program funds multifamily acquisition and rehabilitation, in addition to new construction. The program’s locally defined priorities encourage preservation of SMMF properties in stronger markets. The program encourages preservation of properties with fewer than 40 units, near transit, and in areas where residents are at risk of displacement.

NOTABLE LOCAL TOOLS INCLUDE:

ATLANTA BELTLINE AFFORDABLE HOUSING TRUST FUND
This fund, administered through Invest Atlanta, provides both equity and grants. It serves properties located in BeltLine Tax Allocation Districts and requires affordability to households at or below 60 percent of area median income.

URBAN ENTERPRISE ZONE PROGRAM
This program designates districts where property owners can receive a ten-year tax abatement for improvements made to their properties (new construction or renovation), if they meet certain priority criteria, which includes providing affordable housing.

ATLANTA NEIGHBORHOOD DEVELOPMENT PARTNERSHIP LOAN FUND
This debt product is available through an Atlanta-based Community Development Financial Institution and requires affordability.

LOCAL SUBSIDIES FOR UNSUBSIDIZED AFFORDABLE SMMF in Miami, FL

Locally, there’s a wealth of flexible resources that could be used to support unsubsidized affordable SMMF properties in Miami. These resources include the Documentary Stamp Surtax Program, Community Redevelopment Agencies, and the Miami-Dade County Affordable Housing Trust Fund.

State agencies, including the Florida Housing Finance Corporation (FHFC) and Florida Department of Economic Opportunity also offer additional tools for this property type in Florida, although the transactions costs may be proportionally higher when using them.

NOTABLE LOCAL AND STATE TOOLS INCLUDE:

DOCUMENTARY STAMP SURTAX PROGRAM
This local, public program offers soft debt for rehabilitation projects that serve households between 50 and 140 percent of area median income.

COMMUNITY REDEVELOPMENT AGENCIES (CRA)
CRAs, administered by the Miami-Dade County Office and Management and Budget, offer soft debt and grants. Financing is only available in geographically defined districts.

PRE-DEVELOPMENT LOAN PROGRAM
This program, available through FHFC, provides low-interest (1 percent), non-amortizing soft debt for pre-development and acquisition in exchange for deeper affordability serving households at or below 50 percent of area median income.
CONSIDERATIONS BEYOND CAPITAL
Lenders evaluate deals for unsubsidized affordable SMMF through a different lens than more traditional affordable housing deals. In unsubsidized affordable SMMF deals, lenders place a larger emphasis on their belief in the owner, including the owner’s capacity for property and asset management and past development experience.

Why is this the case? Unsubsidized affordable SMMF properties are viable investments only if they can maintain a steady cash flow (in contrast to subsidized properties where compliance with affordability requirements is an added consideration). These properties are especially sensitive to vacancy. A strong track record of property management demonstrates the ability to control expenses, retain tenants, and effectively asset-manage.

ADDITIONAL WAYS TO SUPPORT UNSUBSIDIZED AFFORDABLE SMMF
Regional resources, such as the Community Investment Corporation’s model in Chicago and NOAH Impact Fund in the Twin Cities region, have been created to directly address the barriers associated with financing unsubsidized affordable properties, including smaller ones.

Local decisionmakers in Atlanta and Miami should consider how to develop similar tools for both cities. Additionally, many national financial products could be adapted to better-serve this property type.

Ways to support this property type include:

- Creating a lending or banking consortium
- Creating an SMMF equity pool funded by government and/or philanthropy
- Expanding existing national preservation funds to properties with 50 or fewer units
- Expanding existing capital products to properties with 5 or fewer units
- Working with philanthropic organizations to provide the following:
  - Credit enhancements
  - Program-related investments
  - Unfunded guarantees to financial institutions

BUILDING STRONG RELATIONSHIPS WITH LENDERS

- **Assume more of the risk**
  (compared with other affordable housing financing models, like the Low-Income Housing Tax Credit).
  For instance, one national lender said they would require at least 5 percent equity to consider underwriting an unsubsidized affordable SMMF project.

- **Possess strong development and/or property management expertise**
  A developer should be able to demonstrate familiarity with property management and leasing laws, including a successful history of property ownership and management. If a developer does not have this expertise in-house, they can demonstrate how they will fill any capacity gaps, such as partnering with a large management company for the first few years of operations or hiring an accountant and lawyer to assist them. This expertise can vary based on the property’s condition and phases of the project.
  For instance, you may benefit from a property management partner with expertise in addressing troubled properties during the rehabilitation process but may need a different long-term manager once the property is preserved.

- **Make a strong first impression**
  For national lenders, up-to-date, professionally packaged financial information bolsters confidence.
NEGOTIATION AND DEAL CLOSING

Understanding the aspects of an affordable SMMF preservation deal presents an opportunity to strengthen your negotiation and closing with your project partners. For instance, a financial partner may have fewer projects or deal structures to reference when doing an affordable SMMF preservation deal, and it can be helpful to demonstrate how you see the deal coming together.

A practical financial modeling tool can help established nonprofit and for-profit developers become more active players in the unsubsidized affordable SMMF market. It can demonstrate the key aspects of your preservation deal to lenders or local decisionmakers to help build support for your project and long-term capacity to assist with a smoother closing. And it can quickly assess ways to fill any financing gaps that may arise during this stage of preservation.

The financial modeling tool developed as part of this toolkit, provides information tailored to the scale, financial resources and associated requirements and market realities of unsubsidized affordable SMMF preservation projects.

COMMON PITFALLS THAT CAN DISRUPT THE CLOSING PROCESS FOR AFFORDABLE SMMF PRESERVATION

In addition to the common financial hurdles that can disrupt closing (e.g., obtaining consent of subordinate lenders in refinancing; conditions of the construction lender relative to the permanent lender; disagreement about different debt sources’ positions in the capital stack), there are a variety of property-related hurdles to be aware of during the closing process for affordable SMMF preservation projects:

ISSUES FOUND DURING A TITLE SEARCH THAT MAY PREVENT A TITLE COMMITMENT

This may be especially relevant for SMMF properties that have unresolved liens or have been informally sold or transferred in the past (including heirs’ properties). Research by the Center for Community Progress has shown these murky title situations are more likely to occur in low-income communities and neighborhoods with many senior households, which are also areas where preservation efforts can be particularly impactful (e.g., addressing blight or preventing displacement).

EVIDENCE OF CONTAMINATION OR HAZARDOUS MATERIALS

This pitfall is most relevant to properties that have been vacant and/or are located in older, predominantly low-income communities. Contamination can result from things like leaking pipes running under the property, neighboring industrial buildings, leaching from a nearby waterway and illegal dumping. These issues can present even if there is a previous environmental study on the property, reinforcing the need for updated environmental studies at the outset of your preservation project.

APPRAISAL GAPS

Appraisal gaps can occur due to inadequate market analysis, poorly estimated cash flow projection or simply a very strong real estate market. This can be a particular risk with unsubsidized affordable SMMF preservation, since it may be hard to find appropriate comparables, especially in strong markets, where a property’s selling price may be determined by rents in newly constructed buildings or a different use. If the appraisal comes back less than anticipated, you may need to find additional equity or financing to cover the gap. One potential solution would be to seek a guarantee from a philanthropic funder, which may enable a Community Development Financial Institution or bank to offer a higher loan-to-value ratio.
TIPS FOR NAVIGATING NEGOTIATION AND DEAL CLOSING

Team capacity – To close a preservation deal for unsubsidized affordable SMMF properties, the following capacities are needed:

- Knowledge of:
  - Local land-use and permitting processes
  - Financial resources and how to structure deals
  - Comparable projects and their terms and conditions

- Expertise:
  - Technical expertise – Surveying, environmental assessment (if needed), architecture and/or engineering (if needed), construction, property management
  - Financial expertise – Accounting; private sector lending; public sector financing
  - Legal expertise – Land-use, affordable housing, real estate/tax law
  - Regulatory compliance expertise related to using specific financing resources

RELATIONSHIPS WITH FINANCIAL PARTNERS

It also helps to have good relationships with and knowledge of your financial partners. Even if you don’t have an existing relationship with your financial partner, understanding their interests in your deal (e.g., exit terms, sponsor guarantees, investor’s expected return) will support a stronger negotiation.

NEGOTIATE DEAL POINTS EARLY

Ideally, all major deal points should be negotiated as early as possible. Major deal points include (but are not limited to): guarantees; credit delivery; pay-ins and conversion requirements; permit status; dates for final investment approval; lien position; and discrepancies in lease-ups and legal leases compared with current cash flow statements.

With fewer precedents for unsubsidized affordable SMMF projects, financial partners may need to negotiate waivers or alternative terms on a case-by-case basis, adding time and uncertainty to the closing process. For instance, during the underwriting process, identify any deviations from a lender’s programmatic requirements and understand options for waivers as soon as possible. Proactively identify issues that could derail the deal and propose solutions that will help compensate the lender for added risk (e.g., adjustments to term and interest rates or extra reserves).
REHABILITATION

Since unsubsidized affordable SMMF properties tend to be older or have deferred maintenance, they often require some level of rehabilitation to bring them up to code or improve their quality.

This section provides an overview of how the following factors affect the rehabilitation of unsubsidized affordable SMMF properties:

- Zoning and building codes
- Health and safety needs
- Energy efficiency
- Disaster resilience
- Existing residents and community members

It also provides tips and examples of how to address these factors while maintaining the property’s affordability.
ZONING AND BUILDING CODE REQUIREMENTS

PARKING REQUIREMENTS

Meeting minimum parking requirements can be a challenge when preserving unsubsidized affordable SMMF properties, particularly for older properties that have less parking than is now required. In some instances, these requirements may mean you need a larger site to create an efficient parking arrangement.

Recognizing that this is a barrier for small-lot owners, the City of Miami has created an exemption to its parking requirements for smaller buildings (10,000 square feet and under) that are located near transit and not immediately adjacent to single-family zoned areas.

Atlanta’s new zoning ordinance is also poised to reduce the burden of parking requirements. Recommendations include eliminating or reducing minimum parking requirements for “missing middle” housing types, which includes low- to medium-density buildings, and older properties, which would directly impact the city’s unsubsidized affordable SMMF supply.

PERMITTED DENSITY

More substantial rehabilitation of unsubsidized affordable SMMF properties may experience issues with allowable density. For instance, if part of the preservation strategy includes creating more units to increase cash flow without raising rents, that may trigger issues with allowable units per acre (or even allowable building height, if the rehabilitation plan would expand the building envelope). This issue was raised by stakeholders in Miami, where developers noted they had to find buildings in zones with much higher allowable densities than they needed just to make their projects financially feasible.

NONCONFORMING STRUCTURES

Given the age of unsubsidized affordable SMMF properties, they may no longer conform to current zoning regulations. In other words, these properties may be a nonconforming structure, meaning the structure may have met zoning requirements when it was built, but subsequent changes to zoning requirements include new standards that the lot and/or structure do not meet. Nonconformance can be the result of wholesale updates to the zoning code or adoption of zoning overlays for specific areas. Rehabilitation of nonconforming structures often triggers a requirement to bring the property into conformance, which can be costly.

Recognizing this requirement can be a disincentive to rehabilitate deteriorating housing, some local governments have offered regulatory relief for certain types of preservation projects. For instance, much of Atlanta’s SMMF housing is in neighborhoods that have been rezoned to single-family districts. If the SMMF structures remain vacant for more than one year, they would need to be rebuilt as single-family properties. To support rehabilitation of these properties and advance local goals around diversifying the housing stock and expanding housing availability near transit, Atlanta passed an exception to its current zoning requirements for some of the most commonly affected SMMF properties (4 to 12 unit buildings built before 1946) as long as rehabilitation does not increase the building’s square footage and maintains the property as entirely residential. Atlanta also offers proactive rezoning in certain areas to address clusters of nonconforming structures that may be preventing rehabilitation.

BUILDING CODES

While building codes are often cited as a key barrier to rehabilitation of existing buildings, particularly older buildings, trends in building code reform have been favorable for unsubsidized affordable SMMF preservation. It is increasingly recognized that having the same building code standards for rehabilitation and new construction projects has prevented quality rehabilitation from taking place (or at least made them more costly). This recognition has resulted in an increasing number of specific rehabilitation codes across the country. Research has shown these differentiated code requirements have resulted in significant cost savings in rehabilitation projects, particularly for smaller projects.

Despite positive reforms, some building code requirements still create hurdles to the preservation of unsubsidized affordable SMMF properties, particularly when they trigger the same requirements as new construction. For instance, many developers interviewed for this toolkit cited building code requirements designed to increase resilience to natural disasters (e.g., hurricane codes or floodplain protections) as a financial challenge. On the other hand, more resilient buildings can result in lower insurance premiums and significant cost-savings when disasters occur, despite the higher upfront cost. See below for more discussion about resilience and unsubsidized affordable SMMF preservation.

It is important to be aware of any building code requirements during the property identification phase of your project and adjust assumptions about your costs accordingly. For instance, some developers noted the surprising cost of new fire sprinkler systems, which often need to be added to unsubsidized affordable SMMF properties but may not be accounted for during property identification.
HEALTH AND SAFETY NEEDS

ASBESTOS AND LEAD-BASED PAINT REMOVAL
Two of the most common health and safety concerns when rehabilitating a property involve asbestos and lead-based paint removal. If the property in question was built before 1978, it is likely that one or both of these will need to be remediated.

The level of rehabilitation may inform what level of mitigation to pursue. For instance, if a property has been relatively well-maintained and requires little more than refinancing to maintain affordability, encapsulation may be a suitable (albeit temporary) solution. Meanwhile, substantial internal renovations may require the complete removal of hazardous materials. Some jurisdictions offer financial assistance for hazardous material removal, such as Atlanta’s Lead-Based Paint Hazard Control (LHC) and Lead Hazard Reduction (LHR) grant programs available through Lead Safe Atlanta.

INCORPORATING ACCESSIBILITY
Nationally, one-quarter of SMMF buildings were built in the 1970s and 1980s, and some are much older. Older properties may not offer accessibility features for persons living with disabilities or others, such as seniors, that would benefit from more accessible features.

Creating more accessible homes is important in and of itself. But when older properties use public funding, they are subject to federal accessibility requirements through the Americans with Disabilities Act (ADA) of 1990 and Section 504 under the Rehabilitation Act of 1973.

Developers using federal funding and undertaking more significant rehabilitation of unsubsidized affordable SMMF properties with 15 units or more need to provide accessible units under Section 504. Developers who receive funds from federal, state or private sources will need to comply with ADA requirements in public areas of their multifamily property (parking lots, rental office and laundry and community rooms).

ENERGY EFFICIENCY
SELECTION OF THE RIGHT PRODUCTS
Some energy efficiency measures can be incorporated into small-scale rehabilitation efforts with little to no additional cost, if you know the right products to use (e.g., which lighting fixtures reduce energy consumption). These products are generally comparably priced to other less efficient products and reduce your operating costs over time. This can be especially important if you want to use Housing Choice Vouchers, since public housing payment standards are based on both rent and utilities. A guide for selecting appropriate, energy-efficient products for smaller-scale rehabilitation efforts in the Southeast has been provided in the Tools & Downloads section (Energy Efficiency Guides).

TEAM EXPERTISE
Certain energy efficiency or green building measures may require specialized expertise to implement. To help you find qualified technical assistance providers, Enterprise Community Partners, Inc. has compiled a Technical Assistance Providers Database of qualified experts in topics related to the design, development, and construction of energy-efficient, environmentally friendly, and safe affordable housing.

TRANSACTION COSTS
While energy-efficient measures are not costly to incorporate, the transaction costs, such as the cost and time to conduct energy audits or measure and verify cost-savings, do not scale. You may also lose some volume efficiency when buying energy-efficient products in smaller quantities. Pursuing a portfolio of unsubsidized affordable
SMMF rehabilitation projects at the same time can address this barrier. **ENERGY EFFICIENCY FUNDING**

You can obtain free energy audits and grants for implementation through existing programs. Property owners in Atlanta can receive a free energy audit through [Georgia Power](#), and nonprofit owners or developers in Miami can be eligible for a free energy audit and grant support to implement energy efficiency upgrades through the [GoodUse grant program](#). It is also important to note that some local jurisdictions require energy audits on a regular basis. One of these jurisdictions is Atlanta, where properties that are 25,000 square feet or larger are required to complete an energy audit every ten years, which may affect some unsubsidized affordable SMMF properties.

Energy efficiency can be more costly in older SMMF properties if they require broader systems updates (either to meet existing codes or extend the property’s lifecycle). In these instances, green rebate programs and other financing (like Property Assessed Clean Energy programs) may be available to cover the upfront capital costs. For the latest information on resources available to finance energy efficiency improvements, consult the [Database of State Incentives for Renewables & Efficiency](#). When pursuing these resources, be aware of any requirements that may impact your broader project (e.g., caps on total preservation cost or cost-per-unit).

**PROJECT SPOTLIGHT: ENERGY EFFICIENCY**

Atlanta developer Civitas planned to incorporate energy-efficiency measures into a small multifamily property in the city’s Westside from the start. These measures would reduce operating and maintenance costs, access more favorable financing for the project, and improve tenants’ quality-of-life.

These improvements were also motivated by the capital needs of the property. Upon purchase, staff at Civitas found that entire systems needed to be replaced. They knew it would no longer be cost-or time-efficient to make smaller improvements over multiple development phases. Instead, they decided to upgrade the building systems and, through these upgrades, make the systems more energy-efficient.

Making these upgrades meant that Civitas needed to revisit its phased approach to rehabilitation. Initially, the phases served as a way for current residents to move into units as they were rehabilitated or provide two years for them to find housing elsewhere. However, improving the building systems meant that current tenants needed to move out more quickly. To mitigate the negative effects of this change, staff at Civitas worked closely with current tenants, community members and local elected officials to ensure a smooth relocation process, which included economic incentives for moving expenses and rent reimbursements.

Civitas used a range of energy-efficiency measures in this property. They installed water-efficiency measures, like aerators on the sinks and showers and low-flow toilets, and replaced the building’s heating system, windows and lightbulbs. Through these energy-efficiency measures, Civitas significantly reduced their operating costs and were able to access incentives through Georgia Power and lower-cost financing through Fannie Mae and Freddie Mac.
DISASTER RESILIENCE MEASURES
Resilience means “the capacity of individuals, communities, housing, infrastructure, institutions and businesses within a community to survive, adapt and grow as they confront a variety of extreme and chronic stresses.” As the number and severity of disaster events increases across the United States, resilience is not only key to maintaining the fabric of our communities; it is also a smart financial investment which can save property owners money, by promoting efficiencies, eliminating building deficiencies, and potentially reducing insurance premiums.

VULNERABILITY OF UNSUBSIDIZED AFFORDABLE SMMF PROPERTIES
The size and age of unsubsidized affordable SMMF properties mean they are particularly vulnerable to disasters:

• Age – Unsubsidized affordable SMMF buildings tend to be older and inconsistently maintained. As a result, properties may not meet the latest standards for disaster preparedness (e.g., hurricane codes in Miami). They can be more susceptible to leaks and structural impacts from extreme weather, like wind and flooding.

• Size – Since construction materials and methods may differ based on property size, unsubsidized affordable SMMF properties can have different risks to hazards than larger properties. Strategies for increasing the resilience of SMMF properties through rehabilitation are discussed in more detail below and in Appendix 2.

UNDERSTANDING YOUR RISK
It is important to understand the local hazards surrounding your preservation project, because different areas of a community are vulnerable to different types of disasters. The context around your project will affect how you incorporate resilience into your rehabilitation efforts, which disaster-related requirements apply to your project, and which resources are available. Appendix 2 provides a framework for assessing your project’s hazard risk. Enterprise Community Partners, Inc. is also creating a resilience portfolio assessment tool to help you understand the specific exposure rating of your building. Based on your inputs, it will create a risk score based on social vulnerability and climate risk. The tool covers those hazards most common to the United States and territories.

REDUCING DISASTER RISK AND MAINTAINING AFFORDABILITY IN REHABILITATION
The following strategies can help keep costs low and improve resilience during rehabilitation:

• Investing in resilience and energy efficiency – Making these improvements can reduce your operating costs, making it financially feasible to keep rents lower. These improvements can range from simpler measures like weatherization up to the replacement of full systems. The average payback on these investments is seen in less than three years, depending on the project scale. There are a variety of funding and rebates available to support the upfront investment in these measures. For example, Property Assessed Clean Energy (PACE) financing is available in many markets around the country and provides low-interest loans to cover 100 percent of the hard and soft costs of energy efficiency, renewable energy or other resilience projects that you repay via assessments on your property tax bill.

• Investing in preventative maintenance – Sealing leaks and cracks not only prevents longer term problems that protect the structure from deteriorating, such as mold, but also reduces your long-term financial exposure.

• Having redundant building systems – Having back-up systems, such as electrical and heating systems, helps a property maintain habitability and property owners repair systems with greater speed.

• Selecting materials with co-benefits – Certain materials have multiple benefits (or “co-benefits”) when used. For instance, light-colored materials, including finishings and paint, reduce heat intrusion to keep rooms cool and withstand moisture.

For examples of more resilience improvements that can be made when rehabilitating an unsubsidized affordable SMMF property, see Appendix 4.
Miami’s coastal location and subtropical climate make it particularly vulnerable to natural disasters. The primary natural hazards affecting Miami and the surrounding area include hurricanes, coastal flooding and rising sea levels. Hurricanes and tropical storms impact the city regularly, often resulting in flooding and damage to public and private property. Developers should be aware of the various state and local policies and programs focused on helping residents and businesses protect their homes and other physical assets.

**KEY POLICIES AND REGULATIONS**

**HURRICANE ZONES**
Properties in the Miami area are subject to the Florida Building Code’s higher standards for hurricane protection. If your unsubsidized affordable SMMF property is located in a South Florida High Velocity Hurricane Zone (HVHZ) and was built or last rehabbed prior to 1995, you may need to incorporate additional measures to protect the building from hurricanes. Rehabilitation projects where the cost of repairs and alterations exceeds 25 percent of the existing building value or where structural repairs and alterations are involved will trigger these requirements.

**FLOODPLAIN PROTECTIONS**
Unsubsidized affordable SMMF properties will face stricter flood-prevention requirements, including building elevation, if they are located in floodplain areas that have sustained substantial damage or if they are going to be substantially improved.

**ZONING ADAPTATIONS TO THE CHANGING CLIMATE**
As part of its focus on resilience and sustainability, the City of Miami’s Zoning Code, *Miami 21*, was amended to include provisions to address the impacts of climate change and sea level rise. These amendments include the following:

- Density bonuses for exceeding green building certification levels (as per Section 3.14.3 of Miami 21);
- Freeboard elevation allowances to provide greater protection from storm surge as seas rise; and
- Resilience reviews as part of the approval of special area plans.

**INCENTIVES AND REQUIREMENTS FOR GREEN BUILDING**
There are also incentives and requirements related to sustainability and resilience in the City of Miami. These incentives and requirements include the following:

- Expedited permitting for green buildings;
- Permit fee waivers and expedited permitting for residences in the City of Miami that plan to install rooftop solar power; and
- Discount on flood insurance for policy holders living in a Miami-Dade County flood zone. Residents receive a 15 percent discount on insurance premiums due to the City’s participation in the National Flood Insurance Program. A 5 percent discount is available for those living outside of a flood zone, except on preferred risk policies. Developers can refer to the [FEMA Flood Map](https://floodmap.fema.gov/) to determine whether their properties are in a designated flood zone.

**SUPPORTIVE RESOURCES AVAILABLE**

Miami-Dade County makes various resources available for property owners to improve sustainability and resilience. Examples include the following:

- The Save Energy and Money (SEAM) Program is a revolving loan fund that pays upfront capital costs for energy and water efficiency projects and is repaid by subsequent savings.
- The Property Assessed Clean Energy (PACE) program allows property owners to receive upfront financing for energy-related improvements, then repay the debt through a special property tax assessment.

Through their respective websites, the [City of Miami’s Climate Ready Miami Initiative](https://readymiami.org/) and the [Miami-Dade County Office of Resilience](https://resilience.miamidadecounty.com/) provide updated information to residents and businesses on policies and programs related to sustainability and resilience in the Miami area.
EXISTING RESIDENTS AND COMMUNITY MEMBERS

There are a variety of points in the preservation process where residents and community members can influence the success of your rehabilitation project:

- **Identifying unsubsidized affordable properties for preservation** – Existing community members are a vital source of information on the local demand for different types of housing, which can inform your assessment of different properties. They may also be aware of key risks associated with properties in their neighborhood, including potential code violations or hazards, which can also inform your rehabilitation plan.

- **Acquiring the property** – Since many unsubsidized affordable SMMF owners live near the properties they own, community members are likely both aware of good candidates for preservation in their neighborhood and know the owner directly. With this knowledge and relationship, community members can help you formulate an owner-engagement strategy to acquire the building.

- **Obtaining approvals from local government** – As with any development, a small group of vocal community members can have a great impact on the likelihood of obtaining approvals from local decisionmakers. Critical approvals for unsubsidized affordable SMMF preservation may include land acquisition (if the property is publicly owned), financing awards, and land-use approvals.

- **Finding tenants** – Marketing the units once they come online will require strong communications with surrounding community members, who may be prospective tenants or who may be able to recruit tenants.

COMMUNITY ENGAGEMENT FOR UNSUBSIDIZED AFFORDABLE SMMF PROJECTS

Unsubsidized affordable SMMF preservation projects tend to have fewer requirements and less time for community engagement, relative to larger scale preservation efforts, new construction, or preservation of subsidized units. However, it is still critical to build trust and communicate regularly with the surrounding community, given the many ways they can impact your preservation process and outcomes.

See Appendix 5 for a deeper dive on best practices in community engagement during rehabilitation.

BUILDING AND MAINTAINING STRONG COMMUNITY RELATIONSHIPS

- **Regularly attend community meetings**

  These events may include town halls, council meetings, neighborhood meetings, or stakeholder meetings to support public planning processes.

- **Research the historic context**

  Community experiences from past development projects can greatly influence expectations for future projects. Prepare to acknowledge this history and explain how your project will be consistent with or different from that experience. Local newspaper archives and community outreach can help you understand this context.

- **Identify resident leaders**

  Establish a regular feedback loop with resident leaders. These leaders may come from schools, community centers, social service agencies, faith-based institutions and other groups that are embedded in a community.

- **Have an easily accessible online presence**

  Ensure your website is easily search-able and leverage social media. Pair this with clear and consistent messaging before, during and after rehabilitation.

- **Communicate the community benefit of your project**

  This may include key health and safety needs that will be addressed through rehabilitation. Consider messages that uplift existing assets in the community and/or are grounded in expressed community goals.
SPECIAL CONSIDERATIONS FOR ALREADY OCCUPIED PROPERTIES

If your unsubsidized affordable SMMF property is already occupied, there are several additional considerations to keep in mind (each of which underscores the importance of strong engagement with residents and community members):

• **Tenant-based voucher use** – While unsubsidized affordable SMMF properties do not have project-based subsidies prior to preservation, current tenants may be using Housing Choice Vouchers to pay rent. In fact, early research on unsubsidized affordable SMMF properties suggests they are often home to voucher recipients. If current residents are using vouchers, this will trigger federal relocation requirements.

• **Demographics** – Depending on how you are financing your preservation effort, you may have restrictions on who can live in the units after the project is complete (e.g., subsidies that require a share of units serve low-income households). You should carefully consider how funding requirements align with the demographics of current tenants before adding restricted funding or financing to your capital stack. If there is a mismatch between funding or financing requirements and existing residents, you risk displacing them, which will not only damage the community and your reputation but also your bottom line (e.g., relocation costs, legal issues, or significant push-back from community members that delays or stops your project).

• **Tenant opportunity to purchase** – In some municipalities, tenants have the right to collectively purchase the property they live in before it is sold. If that is a possibility, it is even more important that you build trust with the existing tenants and their neighbors and that you clearly communicate the value of your rehabilitation plan to them, including how it meets core community needs and goals.

**RELOCATION TIPS**

- Work with property managers who have experience with the current residents and relocation processes. They can help inform and coordinate moving timetables and other logistics.
- Bring on an experienced compliance specialist who has experience with tenant relocation regulations and can manage the entire process.
- Create a clear way to prioritize who gets to move back first, if at all. Use lease terms and impact on housing subsidies to help inform this prioritization.
**PROPERTY MANAGEMENT**

The management of unsubsidized affordable SMMF properties ensures the viability and livability of these properties once preserved. The key challenges associated with managing this property type are creating economies of scale for professional property management services and managing operating expenses. Unlike newly constructed housing, preserved unsubsidized affordable SMMF properties need ongoing attention to their expenses to keep cash flow consistent.

There are some key differences between managing an unsubsidized affordable SMMF property that was preserved using significant public resources and one preserved with limited or no public resources. For unsubsidized affordable SMMF properties preserved with limited or no subsidy, property managers need to focus on maintaining stable occupancy; ensuring on-time rent payments; and marketing and leasing these properties to prospective tenants who may be weighing various alternatives. For unsubsidized affordable SMMF properties preserved with significant subsidies, property managers’ largest focus should be on meeting all the requirements associated with them. Compliance at these properties creates a need for specialized experience and staff as part of the property management team.
CHALLENGES MANAGING PRESERVED SMMF PROPERTIES

CREATING ECONOMIES OF SCALE
Unsubsidized affordable SMMF properties often do not generate enough cash flow to hire a full-time property manager or maintenance person. One of the largest challenges associated with operating preserved SMMF properties are achieving economies of scale, without which there is little interest from professional management companies and higher indirect costs when an owner performs management functions in-house. Economies of scale for owning and operating affordable housing properties is typically reached by portfolios with 100 units or more and when properties in that portfolio are near one another. At this size, portfolios should be able to attract a third party to assist with operations.

MANAGING EXPENSES
Managing expenses is one of the most important aspects of managing preserved SMMF properties. SMMF properties preserved through light or modest rehabilitation often need ongoing investment to maintain their livability. Typically, SMMF properties preserved through light or modest rehabilitation have limited operating reserves to cover escalating expenses, such as higher utility costs and property taxes (this may be a particular issue in stronger or emerging housing markets where these properties are at risk of losing their affordability). They also may or may not have enough replacement reserves to cover large-scale needs, making “repair, not replace” an important strategy when managing expenses.

INDIRECT COSTS ASSOCIATED WITH PROPERTY SELF-MANAGEMENT
Due to SMMF properties’ small size (2 to 49 units), many nonprofit or mission-driven property owners may choose to self-manage. Self-management enables the property owner to focus on meeting residents’ needs and use management fees from the project budget to support property management functions. However, one of the most significant challenges associated with self-management is covering indirect costs (e.g., overhead, supervisory, and other “back office” costs).

PROPERTY INSURANCE IN AREAS PRONE TO ENVIRONMENTAL DISASTERS
As disasters become increasingly common, insurance costs are also rising. For instance, developers in Miami noted the high costs associated with insuring buildings prone to hurricanes. Often, these cost increases are passed onto building tenants. Property owners will need to anticipate any changes and ensure they have enough cash flow to cover an increase in insurance costs while keeping rents stable for tenants. Alternatively, incorporating resilience measures into your rehabilitation plan can help lower insurance premiums, helping you both maintain affordability and protect your property and the people that live there from future disasters. See the Rehabilitation section of the toolkit for additional information about disaster resilience for this property type.

MEETING COMPLIANCE REQUIREMENTS
SMMF properties preserved using public subsidies, such as HOME or the Low-Income Housing Tax Credit, requires reporting and compliance with all regulatory requirements and federal fair housing laws, in addition to more traditional property management functions. While requirements vary by funder, meeting them requires a strong administrative infrastructure. Property owners will need the expertise, staff capacity and systems to effectively administer and comply with these requirements.

PROJECT SPOTLIGHT: PARTNERSHIPS FOR PROPERTY MANAGEMENT
oaksATL, a developer and owner of affordable SMMF properties in Atlanta, is developing a property management model that works for this property type. Efficient division of labor is a core tenant of this strategy. oaksATL manages financial tasks in-house (e.g., paying debts, taxes and insurance). The organization delegates all tasks related to interacting with tenants (e.g., collecting rents, mitigating disturbances or complaints, addressing maintenance issues or screening tenants) to a local nonprofit with experience working directly with community members. This division of labor allows both organizations to play to their strengths and leverage existing systems and relationships. The partnership between oaksATL and the local nonprofit has attracted new streams of capital, including philanthropic investment, which has enabled the nonprofit to reduce administrative fees.

For more information on oaksATL, see www.oaksatl.com/.
Ways to minimize operating expenses

- **Work with funders to develop a “compliance light” approach.** Many developers and lenders with experience preserving unsubsidized affordable SMMF properties recommend looking for opportunities to fit compliance requirements into owner-operators’ existing property management practices and minimize overall requirements when possible. For instance, the NOAH Impact Fund, a social impact fund serving the Twin Cities region, allows its property owners to use a simple formula to verify tenants’ incomes and only requires income recertification when a unit turns over.

- **Invest in materials that will be cost-efficient over the project lifecycle, including energy efficiency, green building and disaster resilience measures where possible.** Using more durable materials that need to be replaced less often and upgrading the building structure and systems to improve energy efficiency are two ways to lower operating and maintenance costs and increase affordability. In many cases these measures can also support the building’s resilience to natural disasters, which further helps lower operating costs by reducing insurance premiums.

- **Build capacity to scale key operating functions in-house.** Owners of smaller portfolios would benefit from building their capacity to perform key property management functions. Owners can seek out property and asset management trainings to build their in-house capacity or solicit for assistance to understand different approaches and clarify the roles they should play. They can also explore lighter service models, such as the resident/circuit-rider model offered by Community Housing Improvement Systems and Planning Association (CHISPA) in Salinas, CA. In this model, a manager oversees multiple, clustered properties and visits a property during set office hours to address residents’ needs.

- **Centralize key operating functions with nearby property owners.** Owners of smaller properties can work with other small-scale or mission-driven property owners located in the same neighborhood to create a larger portfolio and advertise it to professional management companies. These owners could also explore partnerships with larger property owners located in the same neighborhood to understand opportunities for shared management services, including a la carte assistance with specific functions such as tenant screening.

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**OPERATING COSTS IN ATLANTA**

As part of its preservation efforts, stakeholders in Atlanta have identified **modest, well-managed and predictable operating costs** as one of three conditions necessary to preserve the city’s unsubsidized affordable housing inventory. By Atlanta’s definition, modest, well-managed and predictable operating costs mean that:

- The physical structure is in good condition.
- Systems improvements lower utility costs (e.g., water and energy).
- Property taxes are manageable.
- Developers have the right capacity and skillset for property management.
- Paperwork associated with compliance is minimal.
**CONCLUSION**

The preservation of unsubsidized affordable SMMF properties can be a powerful method for addressing our nation’s housing affordability crisis, spurring investment in neighborhoods and strengthening local economies. A variety of strategies can increase the success of these projects, including:

**PORTFOLIO-BASED APPROACHES FOR ECONOMIES OF SCALE** – Pursuing the preservation of multiple unsubsidized affordable SMMF properties at the same time (particularly multiple properties that are located near one another) can help you achieve greater economies of scale, increasing your access to financial products, improving the feasibility of various rehabilitation expanding efficient options for your property management operations.

**STRATEGIC ACQUISITION** – Choices made during property identification and acquisition have far-reaching effects on other stages of the preservation process and the project’s long-term viability. Calibrating your property choices to the surrounding market conditions is critical. Key considerations include whether the property can be acquired off-market; it is in a neighborhood where you already work; it does not need major repairs; and it does not require tenant relocation.

**FINANCING RIGHT-SIZED TO MARKET CONDITIONS AND PROPERTY NEEDS** – To right-size financing, you will need to assess if subsidy is appropriate and available and if so, how much subsidy is needed to cover the property’s capital needs while keeping rents affordable to tenants. From there, it is critical that your financing terms are tailored to your anticipated cash flow, accounting for projected market conditions and property needs. For instance, in markets that have experienced disinvestment, shorter loan periods may be beneficial because you can refinance again more quickly. Meanwhile, in markets experiencing price increases, longer amortization periods may allow you to maintain lower rents, by providing more time to recoup costs before paying back debts.

**REDUCING TRANSACTION COSTS** – While the project may be smaller, transaction costs are not smaller for SMMF properties. But they can be reduced through more efficient processes that reduce time and administrative burdens, such as increasing the amount and reducing the frequency of draws during construction. Strong relationships, particularly with your lender, and transparent communication systems (e.g., accounting software, project management plans) are key to reducing these costs, especially if you or members of your project team have not completed an SMMF preservation project before.

**FOCUS ON MATERIALS THAT WEAR WELL OVER THE PROPERTY’S LIFECYCLE** – It will be cheaper to invest once in materials that can withstand the test of time, rather than replace materials repeatedly. Identify opportunities to negotiate lower costs on quality building materials that will have longer life spans. These opportunities may include purchasing materials that will reduce energy consumption or improve resilience to natural disasters, since these can also lower operating costs.

More examples of successful SMMF preservation, along with more systems designed to support these types of projects are needed to increase the scale of these efforts across the United States. The first step is increased attention to this important segment of our affordable housing supply, followed by a commitment to its affordability. We hope you will join us in taking up this challenge to **tip the scale** in favor of preserving small and medium multifamily properties.
NOTES AND REFERENCES

1 New housing construction has barely kept pace with household growth for the past eight years. According to the Joint Center for Housing Studies, annual construction should be producing 260,000 units more than were produced in 2018 to keep up with demand while maintaining slack for normal vacancies. And while cost-burden rates have been improving among homeowners, renter cost-burdens are rising among most income groups. Nearly one-half of renter households (47 percent) experienced cost-burdens in 2018, and this figure is much higher in some areas of the country. Meanwhile, the United States’ lower-cost housing stock shrank by four million units since 2011. For more information, see the Joint Center for Housing Studies’ State of the Nation’s Housing (2019): www.jchs.harvard.edu/sites/default/files/Harvard_JCHS_State_of_the_Nations_Housing_2019.pdf.

2 Depending on the market, “lower-income households” may mean different things. This toolkit focuses on low-income households, and particularly low-income renters. The U.S. Department of Housing and Urban Development (HUD) defines low-income as 80 percent of the area median income. This income level is equivalent to $63,750 for a family of four in the Atlanta metro area and $67,750 for a family of four in Miami-Dade County, per HUD FY2019 Income Limits.


5 Enterprise Community Partners, Inc. tabulation of 2017 American Community Survey (ACS) 1-year microdata. Median renter income was used instead of area median income to focus on the accessibility of rental units for housing.

6 There are about 1.7 million units actively subsidized at the property level in SMMF buildings nationally, which accounts for less than one-quarter of the total SMMF units affordable to households at 80 percent or less of median renter income. Enterprise Community Partners, Inc. tabulation of 2017 ACS 1-year microdata and National Housing Preservation Database.


8 This local attention on unsubsidized affordable SMMF preservation is evidenced in a variety of recent planning efforts in Atlanta and Miami, including HouseATL, the City of Atlanta’s Housing Action Plan, Miami Connect Capital, the City of Miami’s Housing Plan and the Miami-Dade County Housing Plan.

9 The median renter income was tabulated from 2017 ACS 1-year microdata and is not equivalent to HUD income limits. HUD income limits include homeowners and are adjusted for household size. The 2017 median renter income in the Atlanta metro area was roughly equivalent to 55 percent of the HUD-defined area median income.

10 Enterprise Community Partners, Inc. tabulation of data from the National Housing Preservation Database.

11 The 2017 median renter income in Miami-Dade County was roughly equivalent to 64 percent of the HUD-defined area median income.

12 Community Development Financial Institutions (CDFIs) are mission-driven financial institutions dedicated to expanding economic opportunity through lending and financial services in underserved communities, such as low- and moderate-income neighborhoods.

13 Enterprise Community Partners, Inc. tabulation of 2017 ACS 1-year microdata.

14 These factors were derived from a literature review of national frameworks for identifying, evaluating, and prioritizing preservation projects and public policy priorities for preserving housing affordability in Atlanta and Miami.

15 This is particularly true for unsubsidized affordable SMMF properties, as research conducted by the National Trust for Historic Preservation has demonstrated that neighborhoods with a mix of older, smaller buildings also tend to contain more age diversity, woman and minority-owned small businesses, and have greater walkability than areas with newer, larger densities. See Older, Smaller, Better: Measuring How the Character of Buildings and Block Influence Urban Vitality: https://dillonnio.org/articles/NTHP_PGL_OlderSmallerBetter_ReportOnly.pdf.

16 Neither Atlanta nor Miami have explicit public policy priorities around preserving unsubsidized affordable SMMF properties (as of December 2019). There is growing acknowledgement in both cities of these properties’ role in offering diverse housing options and affordability without public subsidy. Miami-Dade County plans to devote more resources to SMMF preservation in 2020 by making funding available through a competitive process to preserve these properties.


For more recommendations on ways to support unsubsidized affordable SMMF preservation in Atlanta, see Preserving Naturally Occurring Housing Affordability in Metro Atlanta Neighborhoods; in Miami, see Miami-Dade County Affordable Housing Preservation Plan.


Visit HUD’s Community Development Block Grant and HOME Investment Partnerships program sites, respectively, for more information about how entitlement communities are determined.

For more information about estimates for lead paint removal, see HomeAdvisor: www.homeadvisor.com/cost/environmental-safety/remove-toxic-lead/.

For instance, the New Generation Fund, a revolving loan fund for acquisition and predevelopment, offers up to 120 percent loan-to-value for nonprofit sponsors and up to 95 percent loan-to-value for for-profit sponsors.

A focus on 5+ units leaves out more than 39,000 units in 2–4-unit properties in Miami-Dade County and nearly 49,000 units in 2–4-unit properties in Atlanta’s five-county region. Enterprise Community Partners, Inc. tabulation of 2017 ACS 1-Year microdata.

Visit HUD’s Community Development Block Grant and HOME Investment Partnerships program sites, respectively, for more information about how entitlement communities are determined.

For more information about estimates for lead paint removal, see HomeAdvisor: www.homeadvisor.com/cost/environmental-safety/remove-toxic-lead/.


For more information about estimates for lead paint removal, see HomeAdvisor: www.homeadvisor.com/cost/environmental-safety/remove-toxic-lead/.

A national study conducted by FEMA noted that each dollar invested in pre-disaster mitigation leads to an average of $4 in savings from avoided damages. These investments can also help lower energy use, reduce operational expenses, and lower insurance premiums.

This tool will be made available on Enterprise Community Partners, Inc.’s website in Spring 2020.


For more information about South Florida’s High Velocity Hurricane Zone requirements, see Setting New Standards for Safety: The Florida Building Code: https://floridabuilding.org/FBC/publications/FBC.pdf.


For more information about how to account for the full costs of maintaining a property over its lifecycle (i.e., a “lifecycle cost analysis” or “lifecycle underwriting”) see The Lifecycle Cost Adjustment Methodology: An Exploration of the Baseline and Alternative Assumptions by the National Housing Conference: www.nhc.org/publication/the-lifecycle-cost-adjustment-methodology-an-exploration-of-the-baseline-and-alternative-assumptions/.

Appendices

Appendix 1. Quantifying the unsubsidized affordable SMMF housing stock

Using 2017 ACS 1-year microdata, Enterprise Community Partners estimated the total number of unsubsidized affordable units that were in SMMF properties. First, the total number of units affordable at different income levels was calculated. Income levels were calculated as percentages of the local median renter income across the country. The median renter income was calculated based on all renter households in the metro area or state (for households living in non-metro areas). Units were considered “affordable” if they were offered at gross rents at or below 30% the specified income level. Table 1 depicts the total number of affordable units available at each income level, broken down by the number of units in the structure:

<table>
<thead>
<tr>
<th>Units in structure</th>
<th>Total</th>
<th>Affordable by % of Local Median Renter Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0-60%</td>
</tr>
<tr>
<td>Mobile home or trailer</td>
<td>1,883,811</td>
<td>597,009</td>
</tr>
<tr>
<td>Boat, tent, van, other</td>
<td>43,797</td>
<td>28,765</td>
</tr>
<tr>
<td>1-unit house, detached</td>
<td>12,143,930</td>
<td>2,166,895</td>
</tr>
<tr>
<td>1-unit house, attached</td>
<td>2,779,748</td>
<td>404,194</td>
</tr>
<tr>
<td>2-unit building</td>
<td>3,174,710</td>
<td>536,175</td>
</tr>
<tr>
<td>3-4 unit building</td>
<td>4,420,559</td>
<td>779,433</td>
</tr>
<tr>
<td>5-9 unit building</td>
<td>4,919,335</td>
<td>806,498</td>
</tr>
<tr>
<td>10-19 unit building</td>
<td>4,690,255</td>
<td>679,669</td>
</tr>
<tr>
<td>20-49 unit building</td>
<td>3,755,879</td>
<td>738,464</td>
</tr>
<tr>
<td>50+ unit building</td>
<td>5,472,078</td>
<td>1,386,540</td>
</tr>
<tr>
<td>Total</td>
<td>43,284,102</td>
<td>8,123,642</td>
</tr>
<tr>
<td>All 2-49 unit</td>
<td>20,960,738</td>
<td>3,540,239</td>
</tr>
</tbody>
</table>

% of total

All 2-49 unit: 17% 34% 57% 75%

Among the estimated 21 million rented units in SMMF (2-49 unit) buildings across the country, 34% (7.1M) are affordable at 80% of renter median income, 57% (11.9M) are affordable at the renter median income, and 75% (15.7M) are affordable at 120% of renter median income.

Table 2 depicts a similar pattern for the Atlanta 5-county area (Clayton, Cobb, DeKalb, Gwinnett, and Fulton counties):

<table>
<thead>
<tr>
<th>Units in structure</th>
<th>Total</th>
<th>Affordable by % of Local Median Renter Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>0-60%</td>
</tr>
<tr>
<td>Mobile home or trailer</td>
<td>5,121</td>
<td>1,704</td>
</tr>
</tbody>
</table>
Among the estimated 284,208 rented units in SMMF (2-49 unit) buildings, 29% (81,675) are affordable at 80% of renter median income, 56% (160,399) are affordable at the renter median income, and 79% (224,724) are affordable at 120% of renter median income.

Table 3 depicts the findings for Miami-Dade County:

<table>
<thead>
<tr>
<th>Units in structure</th>
<th>Total</th>
<th>Affordable by % of Local Median Renter Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-60%</td>
<td>61-80%</td>
</tr>
<tr>
<td>Mobile home or trailer</td>
<td>5,106</td>
<td>741</td>
</tr>
<tr>
<td>Boat, tent, van, other</td>
<td>46</td>
<td>35</td>
</tr>
<tr>
<td>1-family house, detached</td>
<td>81,615</td>
<td>11,592</td>
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<tr>
<td>1-family house, attached</td>
<td>45,139</td>
<td>7,142</td>
</tr>
<tr>
<td>2-family building</td>
<td>12,871</td>
<td>2,783</td>
</tr>
<tr>
<td>3-4 family building</td>
<td>26,307</td>
<td>4,421</td>
</tr>
<tr>
<td>5-9 family building</td>
<td>36,191</td>
<td>4,872</td>
</tr>
<tr>
<td>10-19 family building</td>
<td>51,510</td>
<td>5,889</td>
</tr>
<tr>
<td>20-49 family building</td>
<td>62,549</td>
<td>10,833</td>
</tr>
<tr>
<td>50+ family building</td>
<td>107,880</td>
<td>17,892</td>
</tr>
<tr>
<td>Total</td>
<td>429,214</td>
<td>66,200</td>
</tr>
<tr>
<td>All 2-49 unit</td>
<td>189,428</td>
<td>28,798</td>
</tr>
<tr>
<td>% of total</td>
<td>15%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Among the estimated 189,428 rented units in SMMF (2-49 unit) buildings in Miami, 23% (43,364) are affordable at 80% of renter median income, 40% (75,070) are affordable at the renter median income, and 59% (111,062) are affordable at 120% of renter median income.
These totals include *subsidized* SMMF units. The National Housing Preservation Database (NHPD) was used to determine how many of those units were not receiving any subsidy and were still affordable to lower-income households, nationally and in Atlanta and Miami (again using the Atlanta 5-county region and Miami-Dade County as geographic boundaries).

<table>
<thead>
<tr>
<th></th>
<th>Total Subsidized and Unsubsidized SMMF Units Affordable at 80% Local Median Renter Income</th>
<th>Actively Subsidized SMMF Units (project-level only)</th>
<th>Total unsubsidized affordable SMMF Units*</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>7,091,684</td>
<td>1,691,569</td>
<td>5,400,115</td>
</tr>
<tr>
<td>Atlanta 5-County Area</td>
<td>81,675</td>
<td>2,790</td>
<td>79,445</td>
</tr>
<tr>
<td>Miami-Dade County</td>
<td>43,364</td>
<td>3,079</td>
<td>40,861</td>
</tr>
</tbody>
</table>

*This may include units where tenants are using tenant-based rental assistance (e.g. Housing Choice Vouchers).*
Appendix 2. Strategies for building SMMF resilience

A range of risks and climate-related hazards may pose risks to your structure, which in turn impact your residents, business continuity, and your community. Risks posed to your property include risks to: the building envelope, Mechanical Electrical and Plumbing systems (MEP), communications infrastructure, units, roof, and foundation. The following sampling of resilience strategies can be achieved during moderate rehabilitation and have been selected from the Strategies for Multifamily Building Resilience tool, as the most relevant to SMMF properties:

- **Reduce your building’s vulnerabilities through the installation of:**
  - **Backwater valves.** This can prevent significant problems from sewer line failure by blocking reverse flow from entering the building through wastewater pipes.
  - **Sump pumps.** This is an effective and affordable way to reduce costly flood damages, by removing water accumulating in the low points of a building (typically the basement).

- **Improve your property’s ability to adapt to changing conditions by investing in:**
  - **Onsite stormwater management** to prevent flooding when municipal stormwater management systems are overloaded. Tactics can include: stormwater storage (particularly effective in small spaces), bioswales, and green roofs.
  - **Window shading,** which can lessen solar heating in the summer and insulate against heat loss in the winter, reducing energy consumption.
  - **Distributed heating and cooling,** which can help avoid flood damage while lowering operating costs. Distributed systems are most effective in buildings with high-performance windows and well-insulated, airtight envelopes.

- **Maintain backup for:**
  - **Power to critical systems.** While this is often not required for smaller buildings, developers pursuing unsubsidized affordable SMMF preservation should still consider this to ensure tenants are protected in the event of disaster, particularly if there is a chance they may be sheltering in place during an emergency and non-evacuation event. The smaller scale of unsubsidized affordable SMMF buildings or the increased efficiency of the systems, helps reduce the cost of investing in this disaster resilience strategy – the backup generator can be smaller, there may be fewer systems to backup, etc.
  - **Emergency lighting.** There are a number of options to provide emergency illumination for residents planning to either evacuate or shelter in place – exit signs with emergency area illumination, natural daylighting for corridors and stairwells, battery or solar powered lighting, luminescent strips in dark spaces, etc.

- **Build resilience of your tenants by:**
  - **Developing an Emergency Management Manual.** Ensure it is translated as needed, if residents have limited English proficiency.
  - **Ensuring at least one land line telephone is available.**

Conducting a climate and environmental resilience assessment can help you determine which resilience measures to incorporate into your project. Below is an assessment framework that you can use to identify your property’s hazard risk. Enterprise Community Partners, Inc. is also developing an interactive hazard risk assessment tool to help you understand the specific exposure rating of your building. Based on your inputs, it will create a risk score based on social vulnerability and climate risk. This tool will be available in Spring 2020.
Climate and Environmental Resilience Assessment
Resilient design is the intentional design of buildings, landscapes, communities and regions in response to vulnerabilities to minimize the impact on residents and local community members. The best way to maintain or regain functionality when there is a stress or disturbance, such as a disaster or significant weather event, is to plan for it. It is important to consider not only future conditions at the site but confirm with the operations team at the building which hazards have been an issue at the site to date.

A) Using the table below, identify the direct hazards that may impact your building. Mark hazards that are relevant, or may be relevant to your project, with an X (Column 2). To do this, review your local (city, county) hazard mitigation plan(s), which are typically readily available online. You may also review your State’s Emergency Management Hazard Mitigation Strategy, if you cannot locate your local hazard mitigation plan.
- Florida Division of Emergency Management Hazard Mitigation Strategy
- Georgia Emergency Management and Homeland Security Agency Hazard Mitigation resources

B) Provide the source that helped your project team identify the applicable hazard. List the hazard mitigation plan, website, professionals, or other resources that helped you identify relevant hazards (Column 3).

C) Next, identify potential risks of all potential hazards. Risks should be considered for residents, for the building itself, for business continuity, and for the community at-large (Column 4).

D) Work with your entire team, contractor, and consultants, to identify the priority for building mitigation for applicable hazards (Column 5).
<table>
<thead>
<tr>
<th>Hazards</th>
<th>Is the hazard applicable?</th>
<th>Where/how did you find this information?</th>
<th>Risk/s to residents, buildings, community</th>
<th>Priority for building (low, medium, high)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flooding (river or coastal)</td>
<td></td>
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<tr>
<td>Extreme temperatures: heat</td>
<td></td>
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<tr>
<td>Extreme temperatures: cold (i.e., winter storms, hail, blizzards)</td>
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<td></td>
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<tr>
<td>Severe high winds</td>
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<tr>
<td>Hurricane</td>
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<tr>
<td>Tornado</td>
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<tr>
<td>Rain Event</td>
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<tr>
<td>Fire</td>
<td></td>
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<tr>
<td>Explosion</td>
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</tr>
</tbody>
</table>
Appendix 3. Best practices for community engagement in rehabilitation

Community engagement focuses on building relationships and trust with residents and is heavily influenced by historic policies and practices that continue to shape housing options in neighborhoods. This is particularly true if there is a prevalence of properties in the neighborhood that do not meet health and safety standards along with a concentration of publicly supported housing, including Housing Choice Vouchers.

In order to effectively engage existing residents, clear messaging and ongoing communication will be critical. However, small scale development focused on acquisition of at-risk properties, including unsubsidized affordable properties, do not provide many opportunities for community input. As a result, clear and consistent messaging to keep residents informed becomes an important form of engagement for this type of development.

**OCCUPIED UNITS** Consider the impact of rehabilitation activities on current residents who occupy the unit, building, and adjacent properties.

- Educate residents about health and safety issues that rehab activities aim to address.
- Communicate with residents within vicinity of rehab about upcoming development activities and be transparent, as much as possible, on the impacts to residents.
- Clearly and consistently articulate information about timeline and outcomes.

**IDENTIFY RESIDENT LEADERS AND KEY STAKEHOLDERS**

Early on consider partnerships that can support the development team with engagement of existing residents. Current resident leaders and other community stakeholders who have an established presence and relationships in the community can help bridge trust among residents.

Existing within the community are resident leaders and key stakeholders who can provide context to what has transpired to date with a particular property or properties within a neighborhood block. Resident leaders and community stakeholders, including community centers, schools, social service agencies, or churches, are groups that are embedded in the community and have ongoing relationships, as a result, they are positioned to help support meaningful communication with residents given limited opportunities for broad community involvement.

Keeping key stakeholders informed of progress is an approach to engagement that can help foster transparent communication. Make sure these key stakeholders understand the broader intentions of the
development. Small scale development activities provide renewed opportunities for establishing relationships that can nurture trust and can be leveraged during future phases of development.

Due to limited community involvement based on the development type, it will be important for the development team to provide broader context to preservation activities by articulating the community benefit the developer wants to see.

COMMUNICATING THE COMMUNITY BENEFIT

- Key stakeholders can take many forms whether they are formalized groups or informal entities that have established relationships with residents.
- Neighborhood association or block groups are a great way to keep residents up to date on development activities, progress, and any unexpected delays or challenges in the process.
- Meet people where they are. Consider meeting places where people organically gather and community members come together. Consider central locations for commercial activity, such as convenience stores, grocery stores, or laundromats.

A core component to community engagement with this type of development will be balancing timing after acquisition of at-risk properties and once funding has been secured and making sure that rehab activities are communicated out. While development timelines can be fluid it is essential to utilize community stakeholders to help level set expectations with residents. Providing residents with a timeline while not over promising on the community benefit. It is important to provide realistic timelines for when things are going to happen and what is going to happen.

FLUID DEVELOPMENT TIMELINES AND COMMUNICATING THE BENEFIT

- Help people know and understand intentions, plans, and timelines dependent on funding.
- Educate residents on funding sources that will be utilized for preservation and any impact on timeline.
- Factor in any delays or impacts to the development that weather can pose.
- Consider variables that can affect timeline and communicate those generalities to the community.
- Establish a feedback loop with community stakeholders because they’ll more often than not be the first point of contact with residents. It is critical to keep these groups informed and aware of progress and any challenges encountered along the way.
The image above demonstrates the full spectrum that engagement can take with increased public participation. In order to achieve the full spectrum of engagement with shared leadership, it requires broad institutional support. While small scale development, including preservation of naturally occurring affordable housing, may not include such coordinated institutional backing. Despite limited opportunity to achieve the full spectrum of engagement, the development team is positioned to establish an information sharing approach that cultivates relationships and trust with impacted residents or those within vicinity of development activities.

**OUTREACH TO IMPACTED RESIDENTS CAN BE APPLIED TO**

- **Identify** the character defining aspects of the neighborhood and buildings to help inform design solutions.
- **Understand** the relationship between local development standards and impact on neighborhood conditions.
- **Assess** building code, health and safety, and energy standard considerations.
- **Inventory**, document, and archive health and safety violations and inadequate or substandard housing.

**PHASING OUTREACH TO RESIDENTS**
Part of the outreach approach should communicate immediate impacts on adjacent units before questions are raised by residents.

- During vacancy and construction.
- Process for dealing with negative impacts

It will be essential to set up a website, this could be a Facebook page to limit costs and administrative burden, that residents can access to get the latest updates on the project. Alternatively establish a physical location, such as a community center, library, or school, that acts as a clearinghouse for all project-related information and updates. Ideally, all information will be available digitally along with hard copies.

In collaboration with key stakeholder groups at the neighborhood level, establish online and in-person protocols for engagement. It is best to provide more communication leading up to the start of construction.

Possible questions to field include:

- What was happening with the structure beforehand?
- Who is managing the property?
- What issues is rehab intended to address?

**RELOCATION OF EXISTING RESIDENTS**

If a property currently has subsidies attached to the unit(s) or if through rehab housing subsidies will be added, then there are important relocation procedures to consider. If the development team does not have prior experience dealing with housing subsidies and relocation regulations it will be important to bring partners to the development team with relocation expertise.

- Work with property managers who have experience with residents and relocation processes.
- Bring on an experienced Compliance Specialist who has experience with the regulations and can manage the process as development gets underway.
- Property managers have unique access to residents and can help inform moving timetables.
- Prioritize who gets to move back first, if at all. Utilize lease terms and impact on housing subsidies to help inform prioritization.

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Energy efficiency guides for Florida and Georgia

**Florida Scope of Work**
The following pages provide an example Florida Scope of Work. This document contains cost-effective items that will reduce water and energy usage, and provide improved indoor air quality. Teams should complete a walk-through audit when developing budgets in order to ensure all items in the proposed scope of work can be met. This document can be completed and provided to a contractor completing the rehabilitation:

- If the proposed scope of work includes the item but will not meet the criteria, select “No.”
- If the proposed scope of work includes the item and applicable criteria, select “Yes.”
- If the item is not included in the scope of work, select “N/A.”

<table>
<thead>
<tr>
<th>Item &amp; Question</th>
<th>At Project Start, regarding proposed Scope of Work</th>
<th>At Project Completion, initials certifying scope was executed as designed.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Landscaping</strong></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>If being provided, will all new plants be native or adaptive species? Will the new plants be appropriate for the site’s soil and microclimate? Will none of the new plants be invasive species?¹</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td><strong>Efficient Irrigation and Water Reuse</strong></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>If a new irrigation system is included, will it meet the Florida Water Star program standards² and/or will there be a water reuse system?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td><strong>Water Conserving Fixtures³</strong></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Will all plumbing fixtures being replaced meet the following max flow rates?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐ Toilets ≤ 1.28 gpf and UNAR MaP rating above 350 grams per flush (WaterSense®-labeled toilets comply)⁴</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

¹ For additional resources on landscaping and native plants, visit the Florida Water Star website: https://floridawaterstar.com/landscaping.html
² To learn more about the Florida Water Star program, visit: https://floridawaterstar.com/residential.html
³ Currently, there is not a comprehensive list of incentives and rebates available by local jurisdiction. It is recommended to visit your local jurisdiction’s water management website or contact the department directly. At the time of publication, the Florida Water Star website provided a list of some jurisdictions with rebates as well as statewide incentives: https://floridawaterstar.com/incentives.html.
⁴ For the South Florida Water Management District (https://www.sfwmd.gov/), several jurisdictions (Miami-Dade, Broward County and local municipalities, City of West Palm Beach) offer toilet
☐ All urinals are high-efficiency, **0.5 gpf if existing** or 0.125 gpf if new (WaterSense®-labeled urinals comply)
☐ Showerheads ≤ 2.0 gpm & WaterSense®-labeled
☐ Kitchen faucets ≤ 2.0 gpm
☐ Lav faucets ≤ 1.5 gpm & WaterSense®-labeled

<table>
<thead>
<tr>
<th>Building Performance Standard, HVAC Equipment&lt;sup&gt;5&lt;/sup&gt;</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
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</thead>
<tbody>
<tr>
<td>If any Heating Ventilating and Air Conditioning (HVAC) or water heater system or item is being upgraded or replaced, will it/they meet required efficiencies as described below?</td>
<td></td>
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<tr>
<td>☐ Cooling equipment ≥ 15 SEER</td>
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<tr>
<td>☐ Gas Furnace ≥ 80 AFUE</td>
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<td></td>
</tr>
<tr>
<td>☐ Boiler ≥ 80 AFUE, ENERGY STAR</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>☐ Heat Pump shall be ENERGY STAR Qualified</td>
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</tbody>
</table>
| ☐ Gas Water Heater ≥ these efficiencies:  
  30 gal: .63 EF, 40 gal: .61 EF, 50 gal: .59 EF  
  60 gal: .57 EF, 70 gal: .55 EF, 80 gal: .53 EF |
| ☐ Electric Water Heater ≥ these efficiencies:  
  30 gal: .94 EF, 40 gal: .93 EF, 50 gal: .92 EF  
  60 gal: .91 EF, 70 gal: .90 EF, 80 gal: .89 EF |

<table>
<thead>
<tr>
<th>Building Performance Standard, HVAC Installation</th>
<th>☐</th>
<th>☐</th>
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<th>Click or tap here to enter text.</th>
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</thead>
<tbody>
<tr>
<td>Will all HVAC systems meet the following requirements?</td>
<td></td>
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<tr>
<td>☐ Hot Water Boiler Space Heating outdoor air reset controls installed to automatically adjust supply water temperature</td>
<td></td>
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</tr>
<tr>
<td>☐ Exposed Boiler Pipes insulated in compliance with ASHRAE 90.1-2013</td>
<td></td>
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<tr>
<td>☐ New ductwork sealed according to code. Per code, duct tightness must be verified by an energy auditor, energy rater, or HVAC contractor.&lt;sup&gt;6&lt;/sup&gt;</td>
<td></td>
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<tr>
<td>☐ New ductwork in unconditioned attics insulated to a minimum of R-8 if duct is 3 inches or more in diameter; insulate to R-6 where less than 3 inches in diameter</td>
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</tbody>
</table>

replacement rebates. For the Southwest Florida Water Management District, the website provides a link to local jurisdictions that may offer toilet rebates: [https://www.swfwmd.state.fl.us/residents/water-conservation/high-efficiency-toilet-rebate-programs](https://www.swfwmd.state.fl.us/residents/water-conservation/high-efficiency-toilet-rebate-programs).

Some Florida utilities offer free energy audits as well as rebates for HVAC equipment upgrades. Visit the Database of State Incentives for Renewables & Efficiency (DSIRE) for information on rebates in your area: [https://www.dsireusa.org/](https://www.dsireusa.org/)

<sup>5</sup> Additional information can be found in the Florida Building Code, Energy Conservation – Section R403.3: [https://codes.iccsafe.org/content/FEC2017/chapter-4-re-residential-energy-efficiency](https://codes.iccsafe.org/content/FEC2017/chapter-4-re-residential-energy-efficiency)
☐ Domestic hot water boiler and space heating boiler system tune-ups: Completion confirmed within the past 5 years
☐ Forced air system tune-ups: Completion confirmed within the past 2 years
☐ Insulated covers provided for existing or new through-wall air conditioner (AC) sleeves. These covers fit the AC sleeves and AC units properly and seal tightly to the wall.

<table>
<thead>
<tr>
<th>Sizing of Heating and Cooling Equipment</th>
<th>☐</th>
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</tr>
</thead>
<tbody>
<tr>
<td>If HVAC equipment is being replaced, rather replacing with previous size, will new equipment be sized in accordance with the Air Conditioning Contractors of America (ACCA) Manuals parts J and S?</td>
<td>Click or tap here to enter text.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Building Performance Standard, Exterior Wall Insulation</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
</tr>
</thead>
<tbody>
<tr>
<td>For projects with exterior walls with a cavity of ≥3.5&quot; without existing insulation, will those exterior walls be insulated to capacity, with insulation voids in less than 5% of insulated area?</td>
<td>Click or tap here to enter text.</td>
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<table>
<thead>
<tr>
<th>Building Performance Standard, Attic Insulation and Air Sealing</th>
<th>☐</th>
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</tr>
</thead>
<tbody>
<tr>
<td>In properties with pitched-roof attics with enough space to allow access, will the following insulation and attic bypass air sealing requirements be met? <em>For properties with pitched-roof attics without enough space to allow access, describe access issues in Comments space below. As a general rule, “enough space” is defined as attics ≥ 30 ft² with a vertical height of ≥ 30” and an opening of at least 22”x30”.</em></td>
<td>Click or tap here to enter text.</td>
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</table>

☐ Attics insulated to a minimum code R-Value of R30.
*To measure existing insulation, follow the BPI Building Analyst Standards and typical insulation R-Value which assumes R-3.7/in for blown cellulose and R-3.0/in for un-faced, unmarked batt installation.*

☐ Attic bypasses air sealing in properties when insulation is required to be added.
*Bypass is defined as any building air leakage pathway between conditioned and unconditioned areas. Attic bypass locations include, but are not limited to chimney chases, combustion/soil stack chases, open wall tops, dropped ceilings, open plumbing walls, beneath knee walls, around ductwork, electrical work and attic access points. Attic bypasses are sealed in such a manner that the movement of air is...*

---

“Essentially Stopped.” “Essentially Stopped” means that air leakage will not be detected by an infrared scan when the house or dwelling unit is depressurized at 25 Pascals. Materials used for bypass sealing are determined by the size and location of the bypass. These materials include high quality caulking with 20-yr life span, polyethylene rod stock, spray foam, gypsum board, sheet metal, extruded polystyrene insulation, and densely packed insulation.⁸

### Appliances

If washers, dishwashers, and/or refrigerators are being provided, are these ENERGY STAR labeled?

### Lighting

If new light fixtures are provided, will they have efficacy of at least 40-60 lumens per watt or ENERGY STAR certified? Or will lighting follow the ENERGY STAR MFNC (10% allowed non-compliant) program or consist of all LED lamps?

### Low/No VOC Paints and Primers

If provided, will the paints and primers have less than or equal to the following VOC levels in grams per liter based on a combination of the South Coast Air Quality Management District and Green Seal standards? Flats ≤ 50 g/L, Non-flats ≤ 50 g/L, Floor ≤ 100 g/L, Primers and sealers ≤ 100 g/L, Clear woods ≤ 275 g/L?

### Low/No VOC Adhesives and Sealants

If new adhesives or sealants are being provided, will they have the following maximum VOC limits (G/L):
- Indoor carpet adhesives of 50
- Carpet pad adhesives of 50
- Outdoor carpet adhesives of 150
- Wood flooring adhesives of 100
- Rubber flooring adhesives of 60
- Subfloor adhesives of 50
- Ceramic tile adhesives of 65
- VCT and asphalt tile adhesives of 50
- Drywall and panel adhesives of 50
- Multipurpose construction adhesives of 70
- Structural glazing adhesives of 100

### Composite Wood Products that Emit Low or No Formaldehyde

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⁸ The 2020 Enterprise Green Communities Criteria: Appendix D provides diagrams and pictures for sealing attic bypasses and other holes in the building: [https://www.greencommunitiesonline.org/appendices](https://www.greencommunitiesonline.org/appendices)
<table>
<thead>
<tr>
<th>Environmentally Preferable Flooring 1</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If new flooring is being provided, will a hard surface material (no carpet) be used at entryways, laundry rooms, bathrooms, kitchens/kitchenettes, and utility rooms?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Environmentally Preferable Flooring 2</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If carpet (including pad and adhesives) is being provided, will it meet the Carpet and Rug Institute’s Green Label and Green Label Plus Certification?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmentally Preferable Flooring 3</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If hard surface flooring is being provided, will it be ceramic tile or unfinished hardwood? Or will it comply with the Scientific Certification System’s FloorScore program?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
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<table>
<thead>
<tr>
<th>Exhaust Fans: Bathroom</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
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</thead>
<tbody>
<tr>
<td>If being replaced, will all new bath exhaust fans be ENERGY STAR labeled; exhausted to the outdoors; and connected to a light switch or equipped with a humidistat, timer, or other control?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Ventilation</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If an abandoned mechanical ventilation system exists, has it been investigated and re-commissioned per the two-step method as follows?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
</tr>
<tr>
<td>1. Identification of cause of failure: either mechanical malfunction (system broken) or human error (maintenance failure, override, or system shut-off).</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
</tr>
<tr>
<td>2. Identification of remedy: either restore/replace/repair/re-commission, or require manuals and education for management and maintenance staff, or include tenant education in resident manual and orientation.</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Clothes Dryer Exhaust</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If new dryers are being provided or existing dryers are being replaced, will the ventilation be ducted to the exterior with rigid ductwork?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Combustion Equipment 1</th>
<th>☐ ☐ ☐ ☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will all existing or new gas space or water heating equipment be direct vented (sealed/closed) or power vented?</td>
<td>☐ ☐ ☐ ☐</td>
<td>Click or tap here to enter text.</td>
</tr>
</tbody>
</table>
Check “No” if any remaining or new gas heating equipment has passive venting. Only check “N/A” if there is no gas space heating or water heating equipment.

<table>
<thead>
<tr>
<th>Combustion Equipment 2</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
</table>
| **If passive venting combustion equipment is to remain, has the development team developed a combustion action plan that includes post-construction testing and a remediation plan in the event testing reveals unsafe CO levels?**  
*Combustion Safety Requirements / Testing Protocols should be per code, RESNET Guidelines for Combustion Safety and Development Work Orders, or, BPI Combustion Safety Test Procedure for Vented Appliances.*  |

<table>
<thead>
<tr>
<th>Operations &amp; Maintenance Guidelines</th>
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<th>☐</th>
<th>☐</th>
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</tr>
</thead>
</table>
| **By time of project completion, will the project have written operations and maintenance guidelines, which include inspection, replacement, and turnover guidance relevant to each of the above sections in this document?**  
*Templates available here.*  |
Georgia Scope of Work

The following pages provide an example Georgia Scope of Work. This document contains cost-effective items that will reduce water and energy usage, and provide improved indoor air quality. Teams should complete a walk-through audit when developing budgets in order to ensure all items in the proposed scope of work can be met. This document can be completed and provided to a contractor completing the rehabilitation:

- If the proposed scope of work includes the item but will not meet the criteria, select “No.”
- If the proposed scope of work includes the item and applicable criteria, select “Yes.”
- If the item is not included in the scope of work, select “N/A.”

<table>
<thead>
<tr>
<th>Item &amp; Question</th>
<th>At Project Start, regarding proposed Scope of Work</th>
<th>At Project Completion, initials certifying scope was executed as designed.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Landscaping</strong></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>If being provided, will all new plants be native or adaptive species? Will the new plants be appropriate for the site’s soil and microclimate? Will none of the new plants be invasive species?</td>
<td>Click or tap here to enter text.</td>
<td></td>
</tr>
<tr>
<td><strong>Efficient Irrigation and Water Reuse</strong></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>If a new irrigation system is included, will it be an efficient system (EPA WaterSense) and/or will there be a water reuse system?</td>
<td>Click or tap here to enter text.</td>
<td></td>
</tr>
<tr>
<td><strong>Water Conserving Fixtures</strong></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Will all plumbing fixtures being replaced meet the following max flow rates?</td>
<td>Click or tap here to enter text.</td>
<td></td>
</tr>
<tr>
<td>☐ Toilets ≤ 1.28 gpf &amp; WaterSense label¹⁰</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐ Urinals ≤ 0.5 gpf &amp; WaterSense label</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐ Showerheads ≤ 2.0 gpm &amp; WaterSense label</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐ Kitchen faucets ≤ 2.0 gpm</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐ Lav faucets ≤ 1.5 gpm &amp; WaterSense label</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

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⁹ For additional resources on landscaping and native plants, please visit the University of Georgia Cooperative Extension Office’s website: [https://extension.uga.edu/topic-areas/lawn-garden-landscapes/lawn-care-landscaping.html](https://extension.uga.edu/topic-areas/lawn-garden-landscapes/lawn-care-landscaping.html)

¹⁰ For buildings located within the City of Atlanta jurisdiction, toilet upgrades may be eligible for rebates: [https://www.atlantawatershed.org/apply-for-a-toilet-rebate/](https://www.atlantawatershed.org/apply-for-a-toilet-rebate/)
If any Heating Ventilating and Air Conditioning (HVAC) or water heater system or item is being upgraded or replaced, will it/they meet required efficiencies as described below?

- Cooling equipment ≥ 14 SEER
- Gas Furnace ≥ 80 AFUE
- Boiler ≥ 80 AFUE, ENERGY STAR
- Heat Pump shall be ENERGY STAR Qualified
- Gas Water Heater ≥ these efficiencies:
  - 30 gal: .63 EF, 40 gal: .61 EF, 50 gal: .59 EF
  - 60 gal: .57 EF, 70 gal: .55 EF, 80 gal: .53 EF
- Electric Water Heater ≥ these efficiencies:
  - 30 gal: .94 EF, 40 gal: .93 EF, 50 gal: .92 EF
  - 60 gal: .91 EF, 70 gal: .90 EF, 80 gal: .89 EF

<table>
<thead>
<tr>
<th>Building Performance Standard, HVAC Installation¹¹</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
</tr>
</thead>
<tbody>
<tr>
<td>Will all HVAC systems meet the following requirements?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Hot Water Boiler Space Heating: Outdoor air reset controls installed to automatically adjust supply water temperature</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Exposed Boiler Pipes: Insulated in compliance with ASHRAE 90.1-2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ If over 50% of duct system is replaced, ductwork to be sealed with mastic that is at least 0.08 inches (2 mm) thick.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Tapes, liquid sealants, gasketing or other approved closure systems may be used in addition to mastic. Per code, duct tightness must be verified by an approved third party.*¹²

- Ductwork carrying conditioned air in pitched roof attics with enough space to allow access are insulated minimum R-Value of R8.
- Domestic hot water boiler and space heating boiler system tune-ups: Completion confirmed within the past 5 years
- Forced air system tune-ups: Completion confirmed within the past 2 years
- Insulated covers provided for existing or new through-wall air conditioner (AC) sleeves. These covers fit the AC sleeves and AC units properly and seal tightly to the wall.

---


¹² Duct tightness testing protocol, third-party qualifications and additional information can be found on the Georgia Department of Community Affairs Construction Codes website: [https://www.dca.ga.gov/local-government-assistance/construction-codes-industrialized-buildings/construction-codes](https://www.dca.ga.gov/local-government-assistance/construction-codes-industrialized-buildings/construction-codes)
<table>
<thead>
<tr>
<th><strong>Sizing of Heating and Cooling Equipment</strong></th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If HVAC equipment is being replaced, rather replacing with previous size, will new equipment be sized in accordance with the Air Conditioning Contractors of America (ACCA) Manuals parts J and S?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Building Performance Standard, Exterior Wall Insulation</strong></th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>For projects with exterior walls with a cavity of ≥3.5” without existing insulation, will those exterior walls be insulated to capacity, with insulation voids in less than 5% of insulated area?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Building Performance Standard, Attic Insulation and Air Sealing</strong>&lt;sup&gt;13&lt;/sup&gt;</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>In properties with pitched-roof attics with enough space to allow access, will the following insulation and attic bypass air sealing requirements be met?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For properties with pitched-roof attics without enough space to allow access, describe access issues in Comments space below. As a general rule, “enough space” is defined as attics ≥ 30 ft&lt;sup&gt;2&lt;/sup&gt; with a vertical height of ≥ 30” and an opening of at least 22”x30”:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Attics insulated to a minimum code R-Value of R38.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To measure existing insulation, follow the BPI Building Analyst Standards and typical insulation R-Value which assumes R-3.7/in for blown cellulose and R-3.0/in for un-faced, unmarked batt installation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Attic bypasses air sealed in properties when insulation is required to be added.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bypass is defined as any building air leakage pathway between conditioned and unconditioned areas. Attic bypass locations include, but are not limited to chimney chases, combustion/soil stack chases, open wall tops, dropped ceilings, open plumbing walls, beneath knee walls, around ductwork, electrical work and attic access points. Attic bypasses are sealed in such a manner that the movement of air is “Essentially Stopped.” “Essentially Stopped” means that air leakage will not be detected by an infrared scan when the house or dwelling unit is depressurized at 25 Pascals. Materials used for bypass sealing are determined by the size and location of the bypass. These materials include high quality caulking with 20-yr life span, polyethylene rod stock, spray foam, gypsum board, sheet metal, extruded polystyrene insulation, and densely packed insulation.&lt;sup&gt;14&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>13</sup> For buildings located within Georgia Power’s territory, some insulation and air sealing upgrades may be eligible for rebates: https://www.georgiapower.com/residential/save-money-and-energy/products-programs/home-energy-efficiency-programs/home-energy-improvementprogram.html

<sup>14</sup> The Southface 2020 Georgia Residential Energy Code Field Guide provides additional information, diagrams and pictures for sealing attic bypasses and other holes in the building. It can be accessed here:
<table>
<thead>
<tr>
<th>Appliances</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If washers, dishwashers, and/or refrigerators are being provided, are these ENERGY STAR labeled?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lighting</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If new light fixtures are provided, will they have efficacy of at least 40-60 lumens per watt or ENERGY STAR certified? Or will lighting follow the ENERGY STAR MFNC (10% allowed non-compliant) program or consist of all LED lamps?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low/No VOC Paints and Primers</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If provided, will the paints and primers have less than or equal to the following VOC levels in grams per liter based on a combination of the South Coast Air Quality Management District and Green Seal standards? Flats ≤ 50 g/L, Non-flats ≤ 50 g/L, Floor ≤ 100 g/L, Primers and sealers ≤ 100 g/L, Clear woods ≤ 275 g/L?</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Low/No VOC Adhesives and Sealants</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If new adhesives or sealants are being provided, will they have the following maximum VOC limits (G/L):</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Indoor carpet adhesives of 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Carpet pad adhesives of 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Outdoor carpet adhesives of 150</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Wood flooring adhesives of 100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Rubber flooring adhesives of 60</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Subfloor adhesives of 50</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Ceramic tile adhesives of 65</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>☐ VCT and asphalt tile adhesives of 50</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>☐ Drywall and panel adhesives of 50</td>
<td></td>
<td></td>
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<tr>
<td>☐ Multipurpose construction adhesives of 70</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Structural glazing adhesives of 100</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Composite Wood Products that Emit Low or No Formaldehyde</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th>Click or tap here to enter text.</th>
</tr>
</thead>
<tbody>
<tr>
<td>If interior composite wood products are included such as cabinetry, plywood, particle board, oriented strand board, or medium density overlay, will the composite wood products be compliant with CARB Phase 2 and/or TSCA Title IV?</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmentally Preferable Flooring 1</th>
<th>☐</th>
<th>☐</th>
<th>☐</th>
<th></th>
</tr>
</thead>
</table>

If new flooring is being provided, will a hard surface material (no carpet) be used at entryways, laundry rooms, bathrooms, kitchens/kitchenettes, and utility rooms?

| Environmentally Preferable Flooring 2 | ☐ | ☐ | ☐ | Click or tap here to enter text. |

If carpet (including pad and adhesives) is being provided, will it meet the Carpet and Rug Institute’s Green Label and Green Label Plus Certification?

| Environmentally Preferable Flooring 3 | ☐ | ☐ | ☐ | Click or tap here to enter text. |

If hard surface flooring is being provided, will it be ceramic tile or unfinished hardwood? Or will it comply with the Scientific Certification System’s FloorScore program?

| Exhaust Fans: Bathroom | ☐ | ☐ | ☐ | Click or tap here to enter text. |

If being replaced, will all new bath exhaust fans be ENERGY STAR labeled; exhausted to the outdoors; and connected to a light switch or equipped with a humidistat, timer, or other control?

| Ventilation | ☐ | ☐ | ☐ | Click or tap here to enter text. |

If an abandoned mechanical ventilation system exists, has it been investigated and re-commissioned per the two-step method as follows?

1. Identification of cause of failure: either mechanical malfunction (system broken) or human error (maintenance failure, override, or system shut-off).

2. Identification of remedy: either restore/replace/repair/re-commission, or require manuals and education for management and maintenance staff, or include tenant education in resident manual and orientation.

| Clothes Dryer Exhaust | ☐ | ☐ | ☐ | Click or tap here to enter text. |

If new dryers are being provided or existing dryers are being replaced, will the ventilation be ducted to the exterior with rigid ductwork?

| Combustion Equipment 1 | ☐ | ☐ | ☐ | Click or tap here to enter text. |

Will all existing or new gas space or water heating equipment be direct vented (sealed/closed) or power vented?

*Check “No” if any remaining or new gas heating equipment has passive venting. Only check “N/A” if there is no gas space heating or water heating equipment.*

| Combustion Equipment 2 | ☐ | ☐ | ☐ | Click or tap here to enter text. |

If passive venting combustion equipment is to remain, has the development team developed a combustion action plan that includes
post-construction testing and a remediation plan in the event testing reveals unsafe CO levels?

*Combustion Safety Requirements / Testing Protocols should be per code, RESNET Guidelines for Combustion Safety and Development Work Orders, or, BPI Combustion Safety Test Procedure for Vented Appliances.*

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</thead>
<tbody>
<tr>
<td>By time of project completion, will the project have written operations and maintenance guidelines, which include inspection, replacement, and turnover guidance relevant to each of the above sections in this document?</td>
<td></td>
<td></td>
<td></td>
<td>Templates available <a href="#">here</a>.</td>
</tr>
</tbody>
</table>
Pre-existing relationships – Quest Communities credits their ability to successfully assemble the financing for Quest Village at English Avenue to their history of partnership with different funding partners.

Neighborhood familiarity – Prior experience working in the Westside neighborhood helped Quest Communities prepare an effective rehabilitation plan (including their schedule and budget) and build trust with neighborhood residents, even in the face of skepticism.

Alignment of project goals and financing terms – Quest Communities intentionally aligned project goals with their partners’ priorities, including affordability levels, services and desired leverage.

Cost-saving measures during and after rehabilitation – Quest Communities used several tactics to keep costs manageable during and after rehabilitation. These tactics included selecting strong partners for the development team, investing in energy-efficiency measures and taking a portfolio-based approach to property management.

Quest Village at English Avenue consists of 12 units across two properties in Atlanta’s Westside neighborhood (see Figure 1). These previously abandoned buildings were rehabilitated and now offer affordable units and social services for formerly homeless individuals and families.

The Westside has experienced real estate speculation and investment in recent years, driven in part by the 2017 opening of the Mercedes-Benz Stadium in the neighborhood. Part of this investment has been facilitated by local organizations like Invest Atlanta, the City’s Economic Development Authority. Invest Atlanta purchased several abandoned and blighted single-family homes and smaller apartment buildings across the Westside and then issued a request-for-proposals for mission-driven developers to rehabilitate these properties, return them to productive use, and create affordable housing for current and future residents. Additionally, Invest Atlanta offered a 65-year land lease in exchange for affordable units, as part of the selection process. The land lease effectively eliminated the acquisition cost.

Quest Communities proved to be an ideal candidate for this work: the developer was based in the Westside, had a mission focused on social equity, and had previously worked with Invest Atlanta. Quest Communities was already familiar with the neighborhood, having completed several projects nearby.

Vacancy was one attractive aspect of the properties to Quest Communities. Vacant properties meant rehabilitation would not displace any residents.
**RELATIONSHIP BUILDING**

Rehabilitation of Quest Village at English Avenue was feasible due in large part to Quest Communities’ extensive and long-term relationship with the City of Atlanta, Invest Atlanta, Atlanta Housing Authority (AHA) and Partners for H.O.M.E., all of which helped finance the project. Building these relationships, coordinating efforts, and working collaboratively took time—and this process predated this project.

Even with strong, established relationships, intentional community engagement and education was necessary to overcome skepticism about the project. Residents were concerned about the type of housing (permanent supportive housing for persons experiencing homelessness) and that the units would be available to anyone in the city (rather than available to residents in the immediate neighborhood). These concerns were directly addressed through regularly and consistently communicating the property’s key benefits to the entire neighborhood. These benefits included returning abandoned property to active use, supporting neighborhood repopulation (which had experienced sustained population decline), and fostering a mixed-income community. Through their communication, Quest Communities built support for the project, enabling it to move forward.

**FINANCING THE DEVELOPMENT**

Quest Communities needed multiple financing sources to achieve their affordability goals and be competitive for the land lease offered by Invest Atlanta in exchange for affordable units. As a result, they chose to assemble several subsidies, deciding that the impact on their development budget would outweigh the compliance costs.

As a result, Quest Communities sought three sources of financing simultaneously: Invest Atlanta’s low-interest development financing, the City of Atlanta’s federal HOME dollars, and funding from the local Continuum of Care (CoC) (see Table 1). Using different sources of financing required significant, ongoing dialogue across the three financial partners. Alignment of affordability goals and terms across all three programs made this approach possible.

The City of Atlanta committed its funds, providing a 30-year permanent loan for $800,000 at one percent interest. Partners for H.O.M.E., the local CoC, awarded the project a $222,000 grant, followed by Invest Atlanta’s 20-year permanent loan for $245,000 at two percent interest. The project also received a 65-year land lease from Invest Atlanta, in exchange for providing units that were affordable to households at or below 60 percent of area median income (AMI). With these commitments, AHA provided rental subsidies to help achieve the deepest level of affordability possible for these units.

**TABLE 1. SOURCES**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DEBT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent loan via Invest Atlanta</td>
<td>$245,800</td>
<td>$20,483</td>
</tr>
<tr>
<td>Permanent loan via City of Atlanta</td>
<td>$800,000</td>
<td>$66,666</td>
</tr>
<tr>
<td>Grant via Partners for H.O.M.E</td>
<td>$222,696</td>
<td>$18,558</td>
</tr>
<tr>
<td>Equity</td>
<td>$32,000</td>
<td>$2,667</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$1,300,496</td>
<td>$108,374</td>
</tr>
</tbody>
</table>
The Quest Village at English Avenue properties were vacant and abandoned, requiring a total gut rehabilitation and site improvements prior to moving in tenants. The rehabilitation process took roughly seven months.

The total cost of the project was approximately $1.4 million. Hard costs made up 68 percent of the total development cost, or about $78,000 per unit (on par with rehabilitation costs for other projects Quest Communities completed in the area) (see Table 2).

The building needed to be upgraded, redesigned and retrofitted with accessibility features to meet the needs of its intended residents. As a result, the architectural design was the most expensive element of the rehabilitation process; it cost $37,500. Due to the age and condition of the building, environmental abatement was the second most expensive part of the process; it cost $30,410. After accounting for all costs, the Quest Village at English Avenue has a projected net operating income (NOI) of $305,000 over the next 15 years.

Given the risks and potential unknowns associated with abandoned properties, Quest Communities set aside nearly $50,000 in reserve funds in case of unexpected needs that emerged during rehabilitation. These reserves proved necessary when interior demolition revealed a need to replace some of the building frame and to level the floors. The plumbing also needed to be completely replaced internally and externally to the public systems, which Quest Communities noted as a common theme among unsubsidized affordable small- and medium-scale multifamily (SMMF) properties they have preserved in Atlanta.

Table 2: Uses

<table>
<thead>
<tr>
<th>Uses</th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Hard costs</td>
<td>$935,406</td>
<td>$77,950</td>
</tr>
<tr>
<td>Contingency</td>
<td>$60,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Soft costs</td>
<td>$134,200</td>
<td>$11,183</td>
</tr>
<tr>
<td>Financing</td>
<td>$1,500</td>
<td>$125</td>
</tr>
<tr>
<td>Interim expenses</td>
<td>$16,000</td>
<td>$1,333</td>
</tr>
<tr>
<td>Syndication expenses</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Reserves</td>
<td>$49,100</td>
<td>$4,092</td>
</tr>
<tr>
<td>Developer fee</td>
<td>$169,666</td>
<td>$14,139</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,365,872</strong></td>
<td><strong>$113,823</strong></td>
</tr>
</tbody>
</table>

Given the risks and potential unknowns associated with abandoned properties, Quest Communities set aside nearly $50,000 in reserve funds in case of unexpected needs that emerged during rehabilitation. These reserves proved necessary when interior demolition revealed a need to replace some of the building frame and to level the floors. The plumbing also needed to be completely replaced internally and externally to the public systems, which Quest Communities noted as a common theme among unsubsidized affordable small- and medium-scale multifamily (SMMF) properties they have preserved in Atlanta.

Quest Communities strives to achieve EarthCraft Multifamily Green Certification for all of its multifamily projects and carried that goal into Quest Village at English Avenue. Green building improvements included installing high-efficiency HVAC systems and appliances, low-flow toilets, and higher-quality insulation, which reduced residents’ utility costs and increased property value.

Quest Communities used several cost-saving measures to cover unanticipated expenses and the added upfront costs associated with the EarthCraft certification. For instance, Quest Communities viewed this project more like rehabilitating several single-family homes than rehabilitating a larger multifamily property. As a result, Quest Communities employed smaller subcontractors who specialize in rehabilitating single-family homes and offered Quest Communities lower rates, and this choice ensured their development team had the proper expertise and kept costs low.
PROPERTY MANAGEMENT

Quest Communities serves as property manager of Quest Village at English Avenue. Since Quest Communities owns multiple properties, they have an in-house property management team (known as Quest Property Management) that works across multiple sites. This approach saves costs, relative to having a property manager and maintenance staff permanently located at each site.

Through the preservation of the Quest Village at English Avenue, Quest Communities successfully reintroduced a SMMF property to productive use and provided deep levels of affordability and services for formerly homeless persons—and did so in one of Atlanta’s accelerating real estate markets.

TABLE 3. UNIT MIX

<table>
<thead>
<tr>
<th>Floorplan</th>
<th>Total units</th>
<th>Average Unit Size (square feet)</th>
<th>Monthly rent and affordability level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom, 1 bath</td>
<td>2</td>
<td>514</td>
<td>$747 (30% AMI)</td>
</tr>
<tr>
<td>2 bedrooms, 1 bath</td>
<td>5</td>
<td>522</td>
<td>$897 (50% AMI)</td>
</tr>
<tr>
<td>2 bedrooms, 1 bath</td>
<td>5</td>
<td>774</td>
<td>$897 (50% AMI)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REFERENCES

Interview with Leonard Adams, President and CEO of Quest Communities, 2019.


**Tipping the Scale**

**PROJECT PROFILE: 16 CORNER**

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### KEYS TO SUCCESS

**Pre-existing relationships** – The partners were able to move quickly to acquire this high-density structure by establishing a relationship between the financier and developer before a property was identified. Plus, the developer’s existing relationship and responsiveness to local government helped build community support.

**Financing for quick acquisition** – The Omni Community Redevelopment Agency (CRA)’s ability to issue Tax Increment Financing (TIF) provided the needed capital to overcome one of the most challenging aspects related to preserving unsubsidized affordable SMMF properties: acquisition. While access to TIF can be rare, quick capital for acquisition exists in a variety of forms from market to market (e.g., local housing trust funds, philanthropic funding, predevelopment loan funds).

**Reducing transaction costs** – Increasing the amount and reducing the frequency of draws during construction reduced administrative burdens and helped keep the project on schedule.

**Maintaining rents and rotating construction to prevent displacement** – The financing, including public subsidy, ensured partners could maintain existing rent levels. By finding a building that had a 20 percent vacancy rate and rotating rehabilitation activities from unit to unit, project partners able to house all current residents during renovations.

**Continuity of property management** – By retaining the services of the previous property manager, project partners gained a nuanced understanding of the property and additional buy-in from the property’s tenants and neighborhood residents.

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### PROPERTY OVERVIEW

16 Corner is a 44-unit affordable and workforce rental apartment complex consisting of five buildings across three connected parcels in Miami’s Historic Overtown neighborhood (see Figure 1). This project would not have been possible without a public–private partnership between The Vagabond Group, Omni CRA, and the Mt. Zion Community Development Corporation (CDC). These historic properties from the 1950s underwent a complete rehabilitation and benefitted from TIF from the Omni CRA—the first use of TIF for affordable housing in the district.

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Images of the 16 Corner project. Photos courtesy of Vagabond Group LLC.
PROPERTY IDENTIFICATION

The Omni CRA boundary stretches across Historic Overtown, which is bordered by a strong real estate market on one side and a weaker market on the other. Real estate speculation had intensified in the area as a result of these market conditions and the neighborhood’s proximity to activity centers, major transportation systems, and anchor institutions like the Adrienne Arsht Center for the Performing Arts. In the face of that speculation, staff at the Omni CRA were constantly seeking opportunities to maintain affordable options for residents in the neighborhood, regularly scouring online databases of real estate listings. When the 16 Corner properties came on the market, staff at the Omni CRA leapt at the opportunity. Staff at the Omni CRA and The Vagabond Group had previously discussed collaborating on affordable housing preservation. The property stood out as an ideal candidate to launch this partnership. One of the primary selling points for 16 Corner was the site’s existing density, which was higher than would be allowable for new construction in the neighborhood, since zoning had been updated. Partners were able to redevelop the buildings as one project and achieve economies of scale. The previous owner was eager to sell the property, given the poor condition of the property. The Vagabond Group and Omni CRA purchased the property for $3,700,000.

RELATIONSHIP BUILDING

Strong relationships were key to 16 Corner’s success—notably the existing relationship between the developer and financier, long-standing trust between public-sector decisionmakers and the developer, and responsiveness to community concerns. Before the property was identified, staff at the Omni CRA and The Vagabond Group had expressed interest in working together, allowing them to quickly collaborate when the property became available. The project was initially met with some skepticism by local decisionmakers, but The Vagabond Group’s reputation for historic renovation and high-quality developments helped to ease these concerns.

Some residents expressed apprehension about a for-profit developer purchasing land in the neighborhood. Hearing and acknowledging the concerns of neighborhood residents, the project partners approached the Mt. Zion CDC to work more directly and collaboratively with neighborhood residents. The Mt. Zion CDC agreed to join the project in exchange for a 7.5 percent ownership stake in the value of the property at the end of its 30-year affordability covenant.

FINANCING THE DEVELOPMENT

As one of the lead partners on the project, Omni CRA was able to cover the cost of acquisition, which is often one of the greatest barriers to preserving unsubsidized affordable SMMF in stronger real estate markets. Using its discretion over TIF funds, Omni CRA issued a forgivable loan for the acquisition cost. The loan would be forgiven after the property satisfied a 30-year affordable housing covenant. The only public subsidy came from the Omni CRA (see Table 1). No additional local, state or federal funds were used to preserve 16 Corner. According to staff at the Omni CRA, their ability to avoid the administrative costs of other public financing helped keep costs low and contributed to the project’s overall success.

The Vagabond Group was also capable of donating its developer fee to help close the gap. The 16 Corner project is a testament to the value of atypical sources of public subsidy to support affordable housing, securing cheap equity early, and striving for a simplified capital stack.

<table>
<thead>
<tr>
<th>TABLE 1. SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
<tr>
<td><strong>Per Unit</strong></td>
</tr>
<tr>
<td><strong>PUBLIC SOURCES</strong></td>
</tr>
<tr>
<td>Omni CRA*</td>
</tr>
<tr>
<td><strong>PRIVATE SOURCES</strong></td>
</tr>
<tr>
<td>Bank financing</td>
</tr>
<tr>
<td>Developer equity</td>
</tr>
<tr>
<td>Donated developer fee</td>
</tr>
<tr>
<td>Shortfall</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

*Forgivable loan after 30 years of maintaining an affordable housing covenant
The Vagabond Group determined the need for a gut rehabilitation of the properties prior to starting. Figure 2 shows the extent of repairs needed to the exterior alone. The buildings were 80 percent occupied at the time of purchase, and the project partners set a goal to not displace any tenants during the renovations.

Rehabilitation took roughly 10 months. The hard costs per unit were $67,000. The most expensive elements were general contractor fees, new electrical and plumbing systems and structural repairs. To improve the property’s resilience, the buildings were updated to include storm-certified roofs, impact windows, and hurricane straps. To reduce utility costs for residents and increase the value of the property, the partners used materials that would perform better over the property’s lifecycle, including more energy-efficient insulation and water-resistant drywall.

The partners were able to use their construction funds more efficiently by allowing for larger draw submissions, reducing the frequency of draws and in turn lowering transaction costs. Larger, less frequent draws reduced the potential for construction delays and made the management of payment applications more efficient. Using open-book accounting ensured transparency on the project’s finances in-between draws.

To prevent displacement among current residents, the partners temporarily relocated the tenants to other units onsite while their units were rehabilitated.

### TABLE 2. USES

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase price</td>
<td>$3,700,000</td>
<td>$84,091</td>
</tr>
<tr>
<td>Renovations</td>
<td>$2,000,000</td>
<td>$45,455</td>
</tr>
<tr>
<td>Donated developer Fee</td>
<td>$550,000</td>
<td>$12,500</td>
</tr>
<tr>
<td>Carrying costs (18 months to stabilization)</td>
<td>$350,000</td>
<td>$7,955</td>
</tr>
<tr>
<td>Shortfall</td>
<td>$754,248</td>
<td>$17,142</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$7,354,248</strong></td>
<td><strong>$167,142</strong></td>
</tr>
</tbody>
</table>
As the owner of the property, The Vagabond Group oversees property management. They opted to retain the property manager who had been hired by the previous owner. Given his knowledge of the property, the property manager was able to assist with the rehabilitation process, including identifying and prioritizing things to fix or improve. He had an established relationship with the tenants and broader community and knew how to work well with them. This partnership resulted in multiple property improvements that had a positive impact on residents’ quality-of-life, including increasing the frequency of trash collection, adding WiFi to all apartments, and installing individual water meters.

The 16 Corner project serves as an excellent example of how to improve the quality of an unsubsidized affordable SMMF property without raising rents, in a strong real estate market.

REFERENCES

Interview with Adam Old, Director of Policy and Planning, The Omni Community Redevelopment Agency, 2019.

Interview with Avra Jain, CEO, The Vagabond Group LLC, 2019.


**Portfolio approach** – Pursuing the preservation of 16 small- and medium-scale multifamily (SMMF) buildings as a portfolio required a more significant capital investment than smaller projects. But it also increased the project’s eligibility for financing, making it feasible to preserve deteriorating buildings. Preservation of Affordable Housing (POAH), a national nonprofit, addressed some financing gaps by bundling buildings into one project, since some of the properties within the portfolio were eligible for more financing and incentives (e.g., tax abatements) than others. The portfolio approach achieved economies of scale, from rehabilitation to property management. And this approach achieved more visible impact, since the properties were clustered along one corridor in Chicago’s Woodlawn neighborhood.

**Neighborhood familiarity** – POAH built trust with Woodlawn residents and local elected officials through past work in the neighborhood. These relationships made the process to preserve the SMMF buildings faster and more efficient. POAH’s familiarity with Woodlawn also improved their refinancing strategy. Namely, they were able to make stronger assumptions about their financing needs (e.g., knowing how many eligible households live in the market area).

**Alignment with local priorities** – This project aligned with existing local priorities—sustainable development and revitalization of Woodlawn. This alignment helped garner additional financial and political support and provided opportunities to leverage partners’ related initiatives.

**Innovative approach to property management** – Due to the size of their organization, POAH has in-house property management services, which enables them to test innovative management practices and more efficiently allocate staff resources. These practices include having a dedicated staff person to foster a sense of community across scattered sites, conducting peer exchanges to identify best practices from other similar property management organizations, and aligning property management practices and funding around targeted resident and property outcomes.
THE WASHINGTON AT WOODLAWN PARK
Chicago, Illinois  |  Preservation of Affordable Housing, Inc.  |  Year Complete: 2018

STRATEGY & DEAL STRUCTURE
The Washington at Woodlawn Park consists of sixteen vintage apartment buildings with 196 units in the Woodlawn and Washington Park neighborhoods of Chicago. From 2010-2013, in the aftermath of the real estate crash, POAH worked with the City of Chicago and Mercy Portfolio Services to invest HUD Neighborhood Stabilization Funds in the acquisition and renovation of eleven walk-up buildings that were vacant and in disrepair. The Community Investment Corporation provided construction and permanent financing and POAH worked with Elevate Energy to install solar thermal panels and other energy efficiency measures in the buildings. POAH acquired another five troubled buildings throughout the neighborhood in the subsequent years, and refinanced the 16-building portfolio in 2017 to streamline financing costs, secure long term project-based rental assistance, capitalize additional repairs, and invest in the quality of life and curb appeal at the buildings.

The apartments at the Washington have either project-based rental assistance or serve renters up to 60% or 120% of AMI. The Washington is part of POAH's long-term investment in the Woodlawn neighborhood as part of the Choice Neighborhoods Initiative.

<table>
<thead>
<tr>
<th>4% LIHTC EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public/Private: City of Chicago Award, Syndicated by NAHT, Investor Goldman Sachs</td>
</tr>
<tr>
<td>Tax credit pricing = $0.95</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>FIRST MORTGAGE/TAX EXEMPT BONDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Private: City of Chicago-issued bonds, Citibank construction and permanent debt</td>
</tr>
<tr>
<td>35 years, 4.61%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SECONDARY DEBT*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public: City of Chicago, New NSP Loan</td>
</tr>
<tr>
<td>32 years, 4.75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SELLER EQUITY (Acquisition note**, reserves, cash flow from operations)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-profit: Preservation of Affordable Housing</td>
</tr>
<tr>
<td>32 years, 5%</td>
</tr>
</tbody>
</table>

* A new LIHTC Partnership acquired the 16 buildings, but in a unique arrangement, did not assume the $13.3 M in NSP debt and $1.2 M from Choice Neighborhoods program from the original acquisition and renovations of the projects, because of the impact it would have on tax losses for the new investor. The seller of the properties, a POAH-owned entity, will continue to hold the debt and be subject to the compliance requirements. However the Partnership as new owner, is responsible for compliance and indemnifies the seller entities for any defaults or non-compliance.

** Because POAH was also the buyer and seller of the property – we could sell it to ourselves for the price of debt payoff, allow the majority of equity and proceeds to be used for rehab and then take an acquisition "seller note" for the appraised value of the property. This allows the investor to take more acquisition credits and gives POAH incentive for cash flow from operations in the waterfall to pay down the note, should there be any net cash in future years.
POAH leveraged a $30.5 million HUD Choice Neighborhoods grant to drive the redevelopment of Grove Parc property and new investments in housing for all income levels. In addition, POAH invested in social services and job training programs, new commercial activity, and other neighborhood improvements. POAH replaced about half of the 504 units on the 12 acre site formerly occupied by the Grove Parc buildings and renovated 22 other buildings throughout the neighborhood to replace the other units. The 16 buildings, containing 121 Section 8 units at the Washington represent a significant number of the replacement units for the former Grove Parc, and are situated in healthy mixed-income configurations throughout the neighborhood in newly renovated buildings. At the same time it was working on preserving valuable rental housing in the neighborhood, POAH worked with partners to create the Renew Woodlawn homeownership program - to identify prospective home buyers and provide them with funds for renovations and a discounted purchase price to purchase existing, architecturally significant neighborhood homes.

POAH’s multi-year, multi-phased redevelopment has created a revitalized, vibrant community and today Woodlawn is one of only a few South Side communities where housing sales are rebounding, economic development is growing and residents feel safer and more hopeful.

In 2008, POAH partnered with the City of Chicago and a wide array of public and private community partners to purchase and redevelop the former Grove Parc Plaza, a Section 8 development with 504 units in the in the Woodlawn neighborhood on the South Side of Chicago. The property faced financial collapse and physical deterioration. The neighborhood itself had experienced disinvestment challenges for decades.

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DEVELOPER

Preservation of Affordable Housing (POAH) is a national nonprofit organization whose mission is to preserve, create and sustain affordable, healthy homes that support economic security and access to opportunity for all. Since 2001, the POAH team has advanced its mission with a blend of expertise and creativity, solving complex problems that others have seen as insurmountable. We have secured long-term affordability for residents while addressing the interests of owners, funders, public agencies, and other stakeholders. The result is the preservation of close to 11,000 affordable rental apartments through transactions that guarantee that rents will remain affordable for the long-term (30+ years). We are active in 11 states and the District of Columbia, in the Northeast, mid-Atlantic, Great Lakes regions and the state of Florida. All of POAH’s properties are managed by POAH Communities, POAH’s subsidiary property management company.

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NEIGHBORHOOD

• Cap rate – the income capitalization for the appraisal that POAH used for the transaction used a 7.5% cap rate.
• Absorption rate – the City of Chicago waived the need for a market study for the project because of the existing occupied units. For similar projects that POAH has completed in the neighborhood with 1, 2 and 3 bedroom units, previous market studies have calculated the number of eligible households in the market area to be 18,000.

SPECIAL FEATURES

• 11 of the 16 properties take advantage of the Cook County’s tax abatement program, Class 9 (and the other five are not eligible because they didn’t meet minimum rehab or minimum unit tests).
• POAH had to meet the City of Chicago’s Sustainable Development guidelines for the moderately renovated buildings, including 80% waste diversion and committed to 20% water savings anticipated from all new efficient plumbing fixtures. The earlier renovation of seven of the buildings included solar thermal hot water system as part of those earlier NSP-funded renovations.
• As noted above, the project is a result of a strong partnership with the City of Chicago and POAH to work on the overall revitalization of the Woodlawn neighborhood.
• The renovation of the Washington properties happened alongside the Renew Woodlawn program on many of the same blocks. For that program, POAH worked with two Chicago-based housing non-profits (Neighborhood Housing Services and the Community Investment Corporation) to increase homeownership, with a dual focus on renovation of vacant or troubled buildings and low-interest loans and homeowner training, as well as a commitment to community engagement for block improvements and safety. Over its first three years, Renew Woodlawn created 43 new homeowners and in the process has reinvigorated the market for moderately-priced homeownership in a part of Woodlawn that for several years saw only distressed sales of 1-4-unit properties.
• In addition, the property has a unique pay-for-results social services structure to provide a stream of funding aimed at demonstrating the beneficial impact of ongoing resident services for residents and property outcomes. The syndicator National Affordable Housing Trust and investor Goldman Sachs are both financial parties in the pilot Strong Families Fund (SFF) program. This Program allows experienced affordable housing developers to divert half of the Partnership’s operating reserve to seed social services in the first three years of the project (here 3 months of operating expenses and debt service, just over $600k) and allows for payments of up to $90k per year in subsequent years based on reporting and meeting outcomes measures. The Kresge Foundation guarantees the operating deficit funds pledged to social services should they be needed. In addition, the Corporation for Supportive Housing provides training and support and peer learning opportunities for the several projects in the pilot group. The SFF Program has allowed the property to hire a full-time Community Impact Manager who connects residents to community resources, plans community engagement activities and helps mitigate property manager’s challenges with non-payment, public safety or housekeeping issues. In a scattered site project that lacks a cohesive sense of community, and where management doesn’t interface with tenants on a weekly or even a daily basis, having dedicated Community Impact staff helps build community and strengthen outcomes for residents.
IMPACT

There are many layers to the preservation with this project.

 Preservation of Affordability: First of all, the Washington provided off-site replacement apartments in the neighborhood for 121 of the 504 deeply affordable Section 8 unit subsidies that had been located at the former Grove Parc Plaza complex, which was physically obsolete and threatened with condemnation and foreclosure. In addition to these units, almost two hundred apartments have been built on the former site, with a total of 430 of the original 504 units remaining in Woodlawn, though renovation and new construction. In an effort to preserve units while deconcentrating poverty, POAH and partners were able to retain the Section 8 subsidies that had been at Grove Parc by dispersing that assistance. POAH was able to keep the affordability in the neighborhood, ensuring longtime residents and new low-income families would be able to take advantage of the neighborhood as it improved. Indeed, the neighborhood has improved, with a new full service grocery store opening a few blocks from many of the buildings at the Washington, a new daycare center, recreational center and restaurants and other businesses, including a bakery and a yoga studio. Instead of the affordability being conspicuously clustered in three superblocks at the center of the neighborhood, the units are now housed in renovated historic neighborhood buildings that are indistinguishable from other market assets. In a fairly innovative structure, the Housing Assistance Payment (HAP) contract was split between multiple phases and partnership and extended for another 20 years. These apartments are still deeply affordable, targeted to residents making an average of 50% AMI.

 Preservation of Historic Housing Stock: In addition, sixteen historic buildings in the neighborhood were are risk of not being preserved. All were purchased as distressed buildings or failed condominiums. POAH has ensured that these buildings wouldn't be lost to deterioration or demolition, and that they were rehabbed in an energy-efficient and high quality manner, ensuring the projects would contribute to the overall safety and curb appeal of their blocks. One three-block stretch of 62nd Street includes eight of these POAH-developed buildings and the impact on the corridor is significant.

 Mixed-Income Community: The apartments will also carry long-term affordability restrictions. Three-quarters of the 196 units are encumbered with Low Income Housing Tax Credit restrictions, which were extended for fifty years from the date of refinancing. In addition, while the earlier NSP financing to complete the first set of acquisition/rehabs had been set to expire after 15 years, this second refinancing allowed the City to keep the overall 120% income restrictions for the remaining 51 units in place for another 30 years, to be coterminous with the tax exempt bond loan. Because the projects are scattered site (though some are adjacent) and mixed-income, they are broken up into four LIHTC allocations, which allowed POAH to continue to deliver mixed income 120% units for HUD Choice obligations. In the future, POAH may be able to cross subsidize the affordable units if rents rise on these properties, or may use income averaging to make them a part of a future LIHTC transaction.

 Positive Resident Impact: This project positively impacts 196 households and nine separate blocks in the Woodlawn and Washington Park neighborhood. As a result of our Choice Neighborhoods family support work and the Strong Families Fund, we are able to further innovate to bring HUD’s Family Self Sufficiency (FSS) program to the 121 Section 8 units at this property in the future, allowing tenants to bank and save their rent increases that result from each household’s increased income. This program has been implemented at other POAH properties in Woodlawn and will be in place at the Washington within a couple of years. POAH is one of the first non-Public Housing Authority private non-profit owners to use the FSS program and its pilot programs have shown earnings’ increases by 60% of the participants, allowing families to start to put aside resources that build wealth. We look forward to these same results for the Washington families.