



Atlanta Housing Authority's Fiscal Year 2005 Annual Report



Board Approved August 23, 2005



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One Vision: *Healthy Mixed-Income Communities*

One Mission: *To provide quality affordable housing for the betterment of the community.*

Five Guiding Principles:

1. *End the practice of concentrating the poor in distressed, isolated neighborhoods.*
2. *Create healthy communities using a holistic and comprehensive approach to assure long-term marketability and sustainability of the community and to support excellent outcomes for families especially the children – emphasis on excellent, high performing neighborhood schools and excellent quality of life amenities, such as first class retail and green space.*
3. *Create mixed-income communities with the goal of creating market rate communities with a seamless affordable component.*
4. *Develop communities through public/private partnerships using public and private sources of funding and market principles.*
5. *Residents should be supported with adequate resources to assist them to achieve their life goals, focusing on self-sufficiency and educational advancement of the children. Expectations and standards for personal responsibility should be benchmarked for success.*

Three Goals:

1. *Economic Viability – Maximize AHA's economic viability and sustainability.*
2. *Quality Living Environments – Provide quality affordable housing opportunities in mixed-income communities with access to excellent quality of life amenities.*
3. *Self-Sufficiency – Facilitate opportunities for families and individuals to become self-sufficient and financially independent to transition from dependency on housing subsidy.*



Table of Contents

Introduction	Page 1
Executive Summary	Page 3
Creating Healthy Mixed-Income Communities	
○ AHA Profile	Page 10
○ Asset and Property Management	Page 14
○ Housing Choice	Page 29
○ Real Estate Development & Acquisitions	Page 35
○ Client Services	Page 43
○ Fee-Based Contract Administration	Page 46
○ Financial Management	Page 48
Reference Notes	Page 56
Appendices	
Appendix A: MTW Annual Report Cross Reference Guide	
Appendix B: MTW Benchmarks	
Appendix C: Resident Satisfaction Survey Results	
Appendix D: Family Demographics	
Appendix E: Deconcentration and Occupancy Policies	
Appendix F: Housing Opportunities	



Appendix G: Results of Independent PHAS Inspections

Appendix H: Financial Analysis

- FY 2005 Combined Statement of Revenues and Expenses (Unaudited)
- FY 2005 Capital Project Expenditures
- FY 2005 Combined Statement of Net Assets (Unaudited)

Appendix I: FY 2004 Audited Financial Statements

Appendix J: Submissions Required for Receipt of Funds

Appendix K: Certification



INTRODUCTION

On September 25, 2003, The Housing Authority of the City of Atlanta, Georgia (AHA) executed its Moving to Work (MTW) Demonstration Agreement (MTW Agreement) with the U.S. Department of Housing and Urban Development (HUD). As a participant in the MTW Demonstration Program, AHA has the financial, legal, and regulatory flexibility to implement local solutions to address local challenges in providing affordable housing. AHA's MTW demonstration period began on July 1, 2003, and will last seven years, unless otherwise extended.

The negotiations with HUD for AHA's MTW Agreement were successfully concluded in September 2003, as evidenced by the execution and delivery of the MTW Agreement. After the negotiations were concluded, AHA and HUD worked together to establish the necessary framework and protocols with HUD for operating under the MTW Agreement. AHA and HUD agreed on an initial set of protocols, policies and procedures related to innovation under the MTW Agreement. This process is interactive and dynamic as AHA continues to work with HUD to get further clarification on protocols, as necessary under MTW.

AHA submitted its first MTW Annual Plan for FY 2005 in June 2004. The FY 2005 MTW Annual Plan is AHA's seven-year business plan (herein, CATALYST). During the planning phase for CATALYST, AHA consulted with external and internal stakeholders to create its plan for the demonstration period. CATALYST was prepared using best practices and lessons learned by AHA from its community building and revitalization activity during the past ten years. CATALYST was approved by HUD on September 10, 2004 and sets AHA's strategic direction for the entire seven-year MTW demonstration period.

AHA is now working to implement CATALYST. To ensure timely performance and achievement of desired outcomes, under CATALYST, AHA is using a project management approach and discipline to execute the projects outlined in CATALYST. As part of the implementation of CATALYST, AHA also refined its vision statement and established three principal business goals that drive all policies and operational strategies for the agency: (1) economic viability, (2) quality living environment and (3) self-sufficiency.

AHA's annual planning cycle is aligned with its budget cycle. Each year, after the Implementation Plan and budget are adopted for the fiscal year, AHA will execute projects based on the guidance and framework established in the Implementation Plan and budget. At the end of the fiscal year, AHA will assess its performance and make refinements to or realign CATALYST based on issues, concerns, and lessons learned during the past fiscal year. These refinements will be



reflected in future fiscal year Implementation Plans which will be submitted to HUD after a comprehensive planning process with our strategic partners, including with assisted residents, public consultation and AHA Board Approval.

EXECUTIVE SUMMARY

AHA'S STRATEGIC VISION

AHA's vision is 'Healthy Mixed-income Communities.' Since its first revitalization project in 1994, AHA has determined that warehousing poor families in isolated communities was detrimental and perpetuated the cycle of poverty. Through its revitalization efforts, AHA's approach has demonstrated that families fare better economically and socially when they are given an opportunity to move away from concentrated poverty and into healthy mixed-income communities. AHA believes that the better solution is to provide affordable housing seamlessly in market-rate, mixed-income communities. AHA's focus is on facilitating or creating housing opportunities that integrate all of the families assisted with AHA subsidies into mainstream, market-oriented residential environments. AHA has learned that until a community is healthy and hopeful, no amount of social intervention has been or can be effective at the level and scale that the problems demand. Simply put, **"Environment Matters!"**

The MTW Demonstration Program provides AHA with the opportunity to fulfill its vision and to transform a dysfunctional Public Housing and Housing Choice delivery system into a system that creates better housing opportunities and better outcomes for AHA's families. With our MTW flexibility, AHA now has the ability to address local issues with local solutions. CATALYST outlines the major initiatives that AHA is undertaking using its MTW flexibility to transform the manner of providing the affordable housing resource in the City of Atlanta. Under CATALYST, AHA is: (1) improving the sustainability of mixed-income communities, (2) creating opportunities for low-income families to live in healthy mixed-income communities, (3) reforming and re-engineering the Housing Choice program, (4) improving the quality of housing for seniors and persons with disabilities, and (5) maximizing its financial resources. The following sections highlight AHA's major accomplishments under CATALYST during FY 2005.

- During FY 2005, AHA, in partnership with its private sector development partners, continued the revitalization of six AHA family communities into healthy, market-rate mixed-income communities with a seamless affordable component. These revitalizations also incorporate four immediately adjacent high-rises. MTW allows AHA to address the effects of concentrated poverty, the physical condition of AHA's portfolio of family communities and the administrative burden associated with the management intensive family communities. The development of mixed-



income communities will create quality living environments for the families with better outcomes for families and neighborhoods and reduce AHA's administrative burden and operational costs.

- AHA, in partnership with the Annie E. Casey Foundation, created a Responsible Relocation taskforce designed to bring additional capacity and resources to the relocation process and ensure that community stakeholder objectives were being addressed. An enhanced relocation process will support AHA's repositioning effort and standardize the timeframe and resource needs for AHA's significant relocation efforts.
- AHA procured 732 additional units of AHA-assisted affordable housing in privately owned developments using project-based vouchers as a development tool. MTW is enabling AHA to redesign the project-based voucher related processes to be more responsive and consistent with the expectations of AHA's private sector development partners. This process re-design will allow AHA to align its procurement and monitoring and oversight processes with existing procedures for other affordable housing funding resources, like low income housing tax credits. The realignment will make AHA a more viable affordable housing development partner and will result in additional quality housing opportunities for AHA's families. By using the project-based vouchers as a development tool, AHA has been able to leverage the development activity in the City of Atlanta and secure long-term commitments for outstanding affordable housing opportunities in healthy mixed-income communities.
- Relying on its MTW flexibility, AHA launched the Housing Choice Reform initiative to comprehensively enhance the program and make it a greater asset to communities and to families. Under this initiative, AHA will address issues associated with the use of vouchers including rent and subsidy levels, deconcentration, higher standards for renting single family homes, standards for inspections, frequency of moves, voucher administration, porting and voucher use criteria. AHA believes that the reform will result in reduced administrative and operating costs for AHA and landlords, a streamlined intake process, reduced time for lease execution, a positive perception of Housing Choice participants as neighbors and improved receptivity of the Housing Choice program in the City of Atlanta.
- AHA implemented the first phase of its Housing Choice Next Generations Solutions Project (NGSP), a comprehensive and integrated technology based system that will automate the back office operations of the Housing Choice voucher program. With MTW, AHA is able to address a paper and labor intensive process that often results in suboptimal customer responsiveness. AHA believes that the NGSP will result in improved

operational efficiency and capacity, improved service to landlords and participants and reduced administrative burden and costs.

- AHA created a policy framework for its Deconcentration Plan that will guide all of AHA's programs toward its vision of healthy mixed-income communities. This framework incorporates both place-based and people-based strategies, most of which would not have been able to be contemplated absent MTW. With this Deconcentration Plan, AHA hopes to increase the receptivity of the Housing Choice program in the larger community and improve the quality of life for AHA's Housing Choice participants. Under MTW, the Deconcentration Plan will allow AHA to address the significant pockets of concentrated poverty in impacted communities by creating "deconcentration" site and neighborhood standards.
- AHA, in partnership with the State of Georgia Department of Human Resources (DHR) and the Department of Community Health (DCH), launched a place-based Medicaid pilot at Georgia Avenue high-rise to establish on-site case management services for elderly and disabled residents. This is one of many strategies AHA intends to implement under MTW to improve the quality of life for seniors and the disabled.
- AHA began discussions with the Georgia Department of Community Affairs (DCA) to leverage project-based voucher assistance with DCA's Permanent Supportive Housing Program funds to stimulate the development of quality supportive housing for seniors and mentally disabled adults. AHA will use its MTW flexibility to design a legal, regulatory and financial model that will stimulate the development of quality supportive housing for persons with disabilities and for seniors.
- AHA implemented a number of critical household policy changes that align with its emphasis on personal accountability and standards for the families. These policy changes included the following reforms: (1) a work requirement and (2) a program participation requirement. AHA adopted a new Statement of Corporate Policies for administering Section 9 assisted apartments and a new Housing Choice Administrative Plan to reflect the policy changes identified in CATALYST. Without MTW, AHA would not have been able to create higher standards for our families that would allow them to reach their potential. Additionally, these policies reflect years of experience where AHA has encouraged voluntary participation and has funded programs based on the expectation of greater attendance and participation. MTW has allowed AHA to provide the appropriate balance of incentives and penalties for our families to move towards self-sufficiency.

- AHA has also adopted new rent policies, a new minimum rent and an elderly income disregard. Under MTW, AHA has adopted a new minimum rent that would not have been permissible under the existing HUD regulations. The new minimum rent resulted in approximately \$1.9 million in revenue for AHA. This minimum rent adjustment has allowed AHA to begin the policy discussions around determining the appropriate tenant contribution level and the right level of affordability for apartments subsidized by AHA. These discussions will be reflected in new rent demonstrations which only could be accomplished under MTW. The elderly income disregard permits seniors on fixed-incomes to earn additional employment income without incurring a rent penalty.
- AHA established enhanced real estate inspection systems for both its Public Housing and Housing Choice Programs. AHA determined that neither the Housing Quality Standards (HQS) nor the Uniform Physical Conditions Standards (UPCS) were sufficient to insure good quality housing opportunities for assisted families. The enhanced systems were implemented to improve the health and safety of families and to improve the quality of the apartments. The alternative enhanced standards are explicitly permitted in AHA's MTW Agreement, and allow AHA to improve the quality of the product that AHA is subsidizing and improve the living environment for AHA's families.
- In order to reduce administrative burden and operating costs at the mixed-income communities, AHA created a new compliance regime for the mixed-income communities based on the existing tax credit compliance regime. MTW allows AHA to eliminate the double layer of tax credit and Section 9 compliance at the mixed-income communities without eliminating the appropriate oversight to ensure that eligible families are being assisted. The new tax credit compliance model will provide a streamlined compliance requirement thereby reducing the administrative burden and operational costs for AHA's private sector partners. The reduced administrative burden will allow the development partners to focus on more important property priorities.
- AHA established a Service Provider Network (SPN) for AHA assisted families to support their successful transition into mixed-income communities, and a Resident Connection System (RCS) to provide families with systematic access to the SPN. The SPN and the RCS reflect AHA's philosophy to partner with existing service providers instead of providing the services. The SPN also reflects local community support for the CATALYST initiatives. With the SPN and RCS, AHA will address the limited awareness that AHA families have of mainstream supportive service providers and low resident participation in self-sufficiency and job training programs.



- Through agreements (Human Services Management Agreements) with 360vu and Integral Management Service (IMS), AHA assisted 2,442 families affected by AHA-sponsored HOPE VI revitalizations with coaching and counseling services using a comprehensive case management approach. Under the Human Services Management Agreements, AHA is assisting families in addressing the complex set of challenges associated with relocation and preparing families to be successful in the private marketplace and the mainstream. Performance benchmarks under the Human Services Management Agreements include resident self-sufficiency, connection to supportive services, residents prepared to be successful neighbors in private housing and successful members in the workforce.
- AHA sponsored 4,341 Housing Choice families in the Georgia State University (GSU) managed Good Neighbor Program, a program designed to educate and assist Housing Choice households in their transition into local metro-Atlanta neighborhoods. AHA is requiring participation in this program by Housing Choice voucher participants under MTW. AHA believes this Program will lead to increased receptivity of the Housing Choice program by the local community and informed Housing Choice participants who make good neighbors.
- To improve safety and reduce crime in AHA-owned communities until they can be repositioned, AHA continued installations of video call down security systems in its high-rise and family communities. Since FY 2004, installations have been completed at seven additional communities. The video-call down system is a strategy AHA has implemented that reflects increased reliance on technology with a goal of reducing the heavy reliance on high cost private security.
- AHA executed an agreement with Comcast Cable establishing two new cable channels, an information channel and a security channel, at each of AHA's 17 high-rise communities. Implementation is underway. The Comcast Cable partnership was only possible as part of our MTW flexibility. The Comcast arrangement will allow AHA to address perceived or real security concerns at the high-rises and improve communications to the residents of the high-rise through the information channel.
- As a founding member of GA HAP an eleven-agency consortium organized to provide performance-based contract administration services for HUD, AHA earns ongoing administrative and incentive fees as a subcontractor to GA HAP for conducting management and occupancy reviews of multifamily properties in Atlanta and Fulton County. As

of June 30, 2005, GA HAP is responsible for a contract administration portfolio of approximately 24,000 project-based Section 8 units in Georgia and approximately 40,000 in Illinois. During FY 2005, AHA provided oversight for 7,439 units in Atlanta and Fulton County as a GA HAP subcontractor. In addition, GA HAP contracted with AHA to prepare proposals for two service areas in response to a HUD RFP seeking contract administrators for HUD's entire non-Section 8 multifamily portfolio.

- During FY 2005, AHA continued to perform as the HUD Contract Administrator for eight properties (690 apartments) under the Section 8 New Construction and Substantial Rehabilitation Program. AHA evaluated ten assets in various locations in Georgia for HUD's Office of Affordable Housing Preservation (OAHP) as HUD's Participating Administrative Entity (PAE) for the state of Georgia. AHA also earned administrative fees serving as a contractor administrator for HUD. These fees provide AHA with additional financial resources to support its vision and mission.
- AHA initiated the close-out of the Turnkey III Homebuyers Program. As part of the close-out strategy, Habitat for Humanity will acquire the Turnkey III properties and develop affordable for-sale homes for low-income families. The close-out of the Turnkey III program will reduce AHA's administrative burden and allow for the appropriate disposition of deteriorated units.
- AHA procured The Boston Group to perform an independent assessment of the impact of AHA's MTW Program. The Boston Group will do a comprehensive evaluation of the impact of MTW on AHA's families and will provide empirical results necessary to determine whether MTW has improved the quality of life for AHA's families.
- AHA established 1-888-AHA-4YOU (AHA4YOU), a customer and community relations system which allows AHA to track and respond to complaints and concerns of AHA residents, Housing Choice participants and other Atlanta citizens.
- AHA adopted new procurement policies designed to reflect the regulatory flexibility provided under MTW. In the new procurement policy, AHA has memorialized regulatory relief provided to the PMCOs which allows these professional management companies to use their own sourcing strategies thereby reducing the administrative burden associated with standard Public Housing procurements and allowing cost savings for AHA and the PMCOs.

Additionally, AHA has included new provisions in its procurement policy that will allow AHA to use factors other than price in construction related projects. The new procurement policy also reflects a streamlined procedure for providing project-based assistance.

Finally, and most importantly, MTW flexibility has allowed AHA to respond to increasing budgetary challenges and downward funding pressures. Without the MTW funding flexibility which allows Housing Choice subsidy, Operating Subsidy and Capital Funds to be used interchangeably as a "block grant" for eligible MTW purposes, AHA would not have been able to maintain its economic viability because MTW funding flexibility mitigated the impact of funding cuts in operating subsidy and the voucher program. Only with this funding flexibility was AHA able to support the priorities of AHA while continuing to serve substantially the same number and mix of families as required under the MTW Agreement. Without MTW, AHA would have been required to operate the properties at a funding level which has been determined to be inadequate by the Harvard Cost Study and AHA would not have had any remaining funding from operating subsidy to cover corporate overhead. MTW has also allowed AHA to manage the financial transitions associated with its repositioning strategy. While AHA remains convinced that the mixed-income approach is the correct approach for both social and economic reasons, there are "transition" costs which must be incurred during the development period. These transition costs are not fully covered or recognized by HUD with transitional subsidy. MTW has allowed AHA to sustain the transition that is a part of a comprehensive repositioning strategy. With MTW, AHA has also been able to identify a new minimum rent which has provided additional revenue for our budget and has allowed AHA to explore the right level of affordability for our families. AHA intends to continue the exploration of these policies with future rent demonstrations.

MTW has allowed AHA to meet our MTW obligations of (1) serving substantially the same number and mix of families and (2) ensuring that at least 75% of the families that we serve are very low income. MTW has allowed AHA to stay true to its mission while removing the barriers which hinder the ability to provide affordable housing in a more effective and efficient way.



CREATING HEALTHY MIXED-INCOME COMMUNITIES

AHA PROFILE

Total Households Served. As of June 30, 2005, AHA served 19,101 households including 7,749 households (41%) as part of the Public Housing Program and 11,352 households (59%) in the Housing Choice Program. MTW funding flexibility has given AHA the ability to continue to serve substantially the same number and mix of families in the face of federal budget cuts. Without the funding flexibility afforded by MTW, AHA would not have been able to meet the MTW requirement to serve the same number and mix of households nor would AHA have been able maintain its economic viability as an agency.

Program/Community	Households Served 6/30/04	Households Served 6/30/05	Change
High-Rise Communities	3,072	3,043	-29 (-1%)
Family Communities	4,043	3,215	-828 (-20%)
Mixed-Income Communities	1,334	1,491	157 (12%)
Total Public Housing Assisted Households	8,449	7,749	-700 (-8%)
Housing Choice – Tenant Based	10,802	10,879	77 (1%)
Housing Choice – Project-Based	234	473	239 (102%)
Total Housing Choice Households	11,036	11,352	316 (3%)
AHA Total Households Served	19,485	19,101	-384 (-2%)

As of June 30, 2005, 97% of households residing in AHA-owned properties, 77% of Public Housing assisted households residing in mixed-income communities, and approximately 81% of Housing Choice assisted households had incomes less than 30% of Area Medium Income (AMI) for the metro Atlanta area. Ninety-seven percent (97%) of all households served by AHA are African American.

Housing Opportunities. AHA does not need to own the housing to provide the best housing opportunities for its families. AHA intends to use its MTW flexibility to subsidize great housing opportunities, regardless of whether the units are owned



by AHA. These housing opportunities will be located in healthy mixed-income communities and will lead to better outcomes for the families. As of June 30, 2005, AHA's provided subsidy assistance for 20,125 units. AHA owns 7,258 apartments in 16 family communities and 17 high-rise communities. The family and high-rise communities while owned by AHA are privately managed by professional property management companies (PMCOs) procured by AHA. AHA also has 11,352 units under lease in its Housing Choice program, 10,879 of these units are leased to tenant-based voucher holders. AHA provides project-based Section 8 housing assistance payments for 473 apartments in privately-owned multi-family rental communities. AHA also provides Section 9 housing assistance payments for 1,515 apartments that are a seamless part of 11 mixed-income communities.

Program/Community	Total Units 6/30/04	Total Units 6/30/05	Change
High-Rise Communities	3,082	3,082	0 (0%)
Family Communities	4,176	4,176	0 (0%)
Mixed-Income Communities	1,486	1,515	29 (2%)
Total Public Housing Assisted Units	8,744	8,773	29 (.3%)
Housing Choice – Tenant Based	10,802	10,879	77 (1%)
Housing Choice – Project-Based	234	473	239 (102%)
Total Housing Choice Units	11,036	11,352	316 (3%)
Grand Total Inventory	19,780	20,125	345 (2%)

Waiting Lists. AHA no longer maintains a centralized waiting list for its Public Housing Program. Instead, each AHA-owned community has its own site-based waiting list. As of June 30, 2005, there were 11,134 households on the combined waiting lists for all of the AHA-owned communities. The majority of households (48%) require one bedroom units, 97% are African American and 96% earn below 30% of AMI.

As of June 30, 2005, there were 21,366 households on AHA's Housing Choice waiting list. The Housing Choice waiting list has not been opened since October 2001, at which time over 26,000 families applied for Housing Choice assistance. During FY 2005, over 94% of waiting list families are African American and 92% earn below 30% of AMI.

Each mixed-income community also has its own waiting list. As of June 30, 2005, there were 7,240 families on the combined waiting lists for the mixed-income communities. Approximately 41% of these families require two-bedroom units



and 35% require one bedroom units. Approximately 80% of these families, excluding families at The Villages of East Lake and West Highlands at Heman E. Perry Boulevard (West Highlands), earn less than 30% of AMI, and over 98% of families, excluding families at Columbia Commons and West Highlands, are African American.

Public Housing Management Outcomes. AHA continues to earn its designated “High Performer” status under its MTW Agreement. AHA, working in partnership with the PMCOs and AHA’s development partners, is meeting or exceeding all of the Public Housing related MTW benchmarks included in its MTW Agreement.

- **Occupancy Rates.** AHA achieved an overall adjusted occupancy rate of 98%, meeting its MTW benchmark of 98%.
- **Rent Collections.** AHA’s percentage of uncollected rents was 1%, exceeding its MTW benchmark of 2%.
- **Emergency Work Orders.** AHA completed or abated 100% of all emergency work orders received in less than 24 hours, exceeding the MTW benchmark of 99%.
- **Routine Work Orders.** AHA responded to 100% of all routine non-emergency work orders within an average of 1.2 days during FY 2005, exceeding its MTW benchmark of seven days.
- **Planned Inspections.** AHA inspected 100% of its occupied units and common areas, meeting its MTW benchmark.

Housing Choice Management Outcomes. AHA also met or exceeded all of the Housing Choice related MTW Benchmarks during FY 2005.

- **Budget Utilization Rate.** AHA’s budget utilization rate for MTW vouchers under the Housing Choice program was 99%, exceeding the MTW benchmark of 98%.
- **Planned Annual Inspections.** AHA completed 99% of all planned annual inspections, exceeding the MTW benchmark of 98%.
- **Quality Control Inspections.** AHA completed quality control inspections for 7% of all previously inspected units,



exceeding the MTW benchmark of 1.4%.

Additional MTW Benchmarks.

- **Workforce Participation.** 8,410 of AHA-assisted non-disabled adults (18 to 61 years of age) were employed as of June 30, 2005, exceeding the MTW benchmark of 7,015 adults¹. One thousand, three hundred and thirty-three (1,333) of these adults reside in AHA-owned communities; 1,202 of these adults reside at the mixed-income communities; and 5,868 adults are Housing Choice participants.
- **Homeownership.** Forty-three AHA-assisted families became homeowners, exceeding the MTW benchmark of 35 families.
- **Project-Based Financing Closings.** AHA has not converted the subsidy at any of its properties from Section 9 to Section 8. AHA has worked with HUD to agree on the process for substituting project-based vouchers for the Section 9 assisted units at the mixed-income communities. This process has been included in AHA's FY 2006 Implementation Plan as supplemental information. AHA will also pursue a similar approach to support project-based financing closings for certain AHA-owned properties.

¹ AHA also captured work/program compliance information to determine compliance under AHA's CATALYST requirements. Under CATALYST, all adults, excluding the elderly and disabled, are required to be employed full-time (30 hours per week) as a condition of maintaining or receiving subsidy. AHA will accept, as a substitute for full-time employment, some combination of work, school or program participation which when combined equals 30 hours per week. The MTW benchmark definition for workforce participation does not have a minimum weekly requirement for employment.



ASSET AND PROPERTY MANAGEMENT

AHA's Asset and Property Management business line is responsible for managing the agency's assets and the property management of its real estate portfolio and other real estate investments once the properties reach stabilization. This business line consists of four components: (1) Public Housing, (2) real estate investments, (3) conventional real estate, and (4) other AHA assets. As stated earlier, the AHA-owned Public Housing communities are managed by PMCOs. These companies are responsible for the day-to-day on-site property management functions including rent collections, property maintenance, property planning, resident services, capital improvements and other construction activities. AHA's Asset and Property Management group articulates AHA's goals and objectives as the owner to the PMCOs.

AHA-OWNED PROPERTIES

Even after AHA and its private sector partners have repositioned nine of AHA's 25 traditional Public Housing family communities and built 14 new mixed-income, mixed-finance communities, more than 3,200 families still reside in the remaining 16 older family communities plagued by the same social problems experienced at the old Techwood/Clark Howell Homes and East Lake Meadows in the early to mid-1990's. The concentration of impoverished families continues to produce some of the City's worst environments for social ills and personal attitudes of hopelessness. Most of these remaining communities are characterized by high crime rates, marginal employment, failing schools, poor health, dysfunctional family structures, and disinvestment in Atlanta neighborhoods. In addition, AHA has 17 high-rise communities housing 3,000 elderly and disabled families burdened with their own unique set of challenges, such as life-style conflicts, mental illness, and frail and aging seniors lacking appropriate supportive services. AHA's goal under CATALYST is to reposition as many of these communities as is feasible over the next five years and beyond.

PROGRAM PROFILE

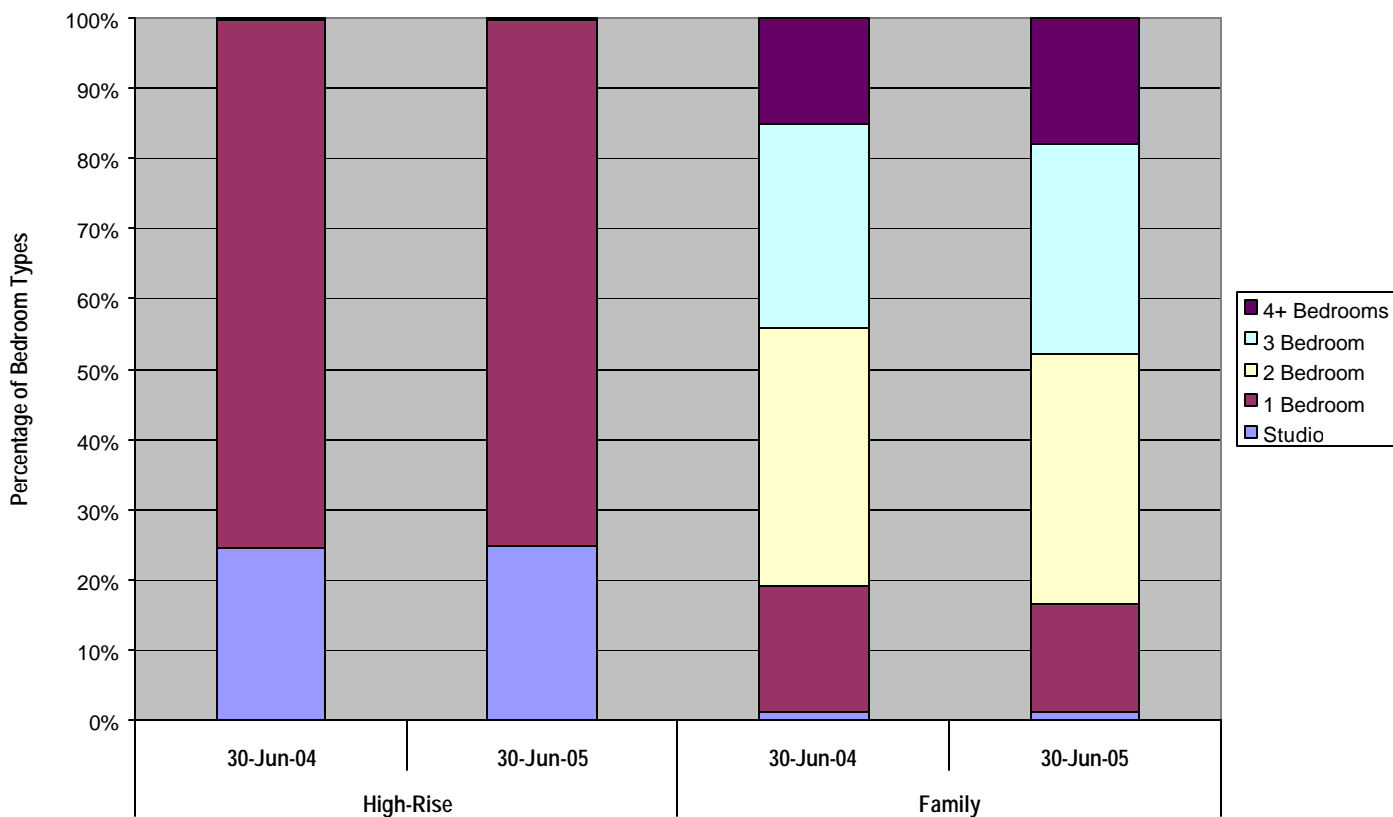
Housing Opportunities. In both FY 2004 and FY 2005, AHA owned 7,258 units in 17 high-rise communities and 16 family communities.



Households Served. As of June 30, 2005, 6,258 families were served at the AHA-owned properties in comparison with 7,115 families as of June 30, 2004. There was a 20% decrease in the number families at the family communities, primarily due to relocation activity, evictions, and ongoing attrition. The high-rise population remained substantially the same.

Bedroom Size Profile. Since June 30, 2004, the percentage of families residing in one bedroom units at the high-rise communities has remained at approximately 75%. There has been a 23% and 18% decrease in the number of families residing in two and three-bedroom units, respectively, at the family communities.

**CHANGES IN HOUSEHOLDS SERVED - BEDROOM SIZE PROFILES
AT AHA-OWNED COMMUNITIES**



Family Type. There was a slight change in the types of households residing at the AHA-owned properties over the past year. As of June 30, 2004, 44% were family, 23% were elderly, and 33% were disabled compared with 40%, 33%, and 26%, respectively, as of June 30, 2005. The changes reflected in family types are largely due to the impact of the relocation of families from Grady Homes and McDaniel Glenn.

Income Profile. As of June 30, 2004, 6,705 (94%) of families at the AHA-owned properties earned household incomes of less than 30% of AMI compared with 6,409 (97%) as of June 30, 2005. Appendix E contains additional information on AHA's deconcentration policies.

Race and Ethnicity. Since June 30, 2004, the racial and ethnic mix of families has remained substantially the same. As of June 30, 2005, 92% of families at the AHA-owned properties are African American.

Waiting List. Each AHA-owned property has its own site-based waiting list. As of June 30, 2005, there were 11,134 families on the combined waiting lists for the AHA-owned properties, compared with 11,253 in FY 2004. The FY 2005 combined waiting list includes families with the following characteristics: (1) approximately 96% of families earn less than 30% of AMI, (2) 97% are African American, (3) 83% of elderly and disabled families on the waiting lists for the high-rise communities require one bedroom units, and (4) 40% of families on the waiting lists for the family communities require one-bedroom units, 36% two-bedroom units, 17% three-bedroom units, and 5% four-bedroom units. See Appendix D.

Bowen Homes, McDaniel Glenn, and University Homes had the largest waiting lists in excess of 1,000 families, in spite of the fact that McDaniel Glenn had the highest crime rate of all of AHA-owned properties. Bankhead Courts and Thomasville Heights had the second largest waiting lists, each with over 700 families. Cosby Spears, John O. Chiles, and Roosevelt House had the largest waiting lists among the high-rise communities, each with over 200 families.

REAC Inspections. AHA's PHAS Physical Report for FY 2004 was completed in October 2005. The results and AHA's appeals are included in Appendix G. Fifteen of the 17 high-rises scored at or above 85; however, only five of the 16 family communities scored above 80. The FY 2004 REAC assessment was the first time that HUD evaluated site conditions, including sidewalks (including sidewalks owned by the City of Atlanta) and erosion control, as part of its assessment. This change had a significant downward impact on the overall scores for the family communities. Given the limited funding that AHA receives for maintaining the properties, AHA has established other priorities for capital expenditures: (1) the health and safety of our residents, (2) security, and (3) sustaining viability until repositioning. The REAC scores reflect the high level of need at AHA's family communities and show the impact of AHA's budgetary constraints.

Security. AHA's approach to security has been to leverage technology and existing relationships with local and federal law enforcement agencies as much as possible. During FY 2005, AHA and the PMCOs implemented new security strategies at

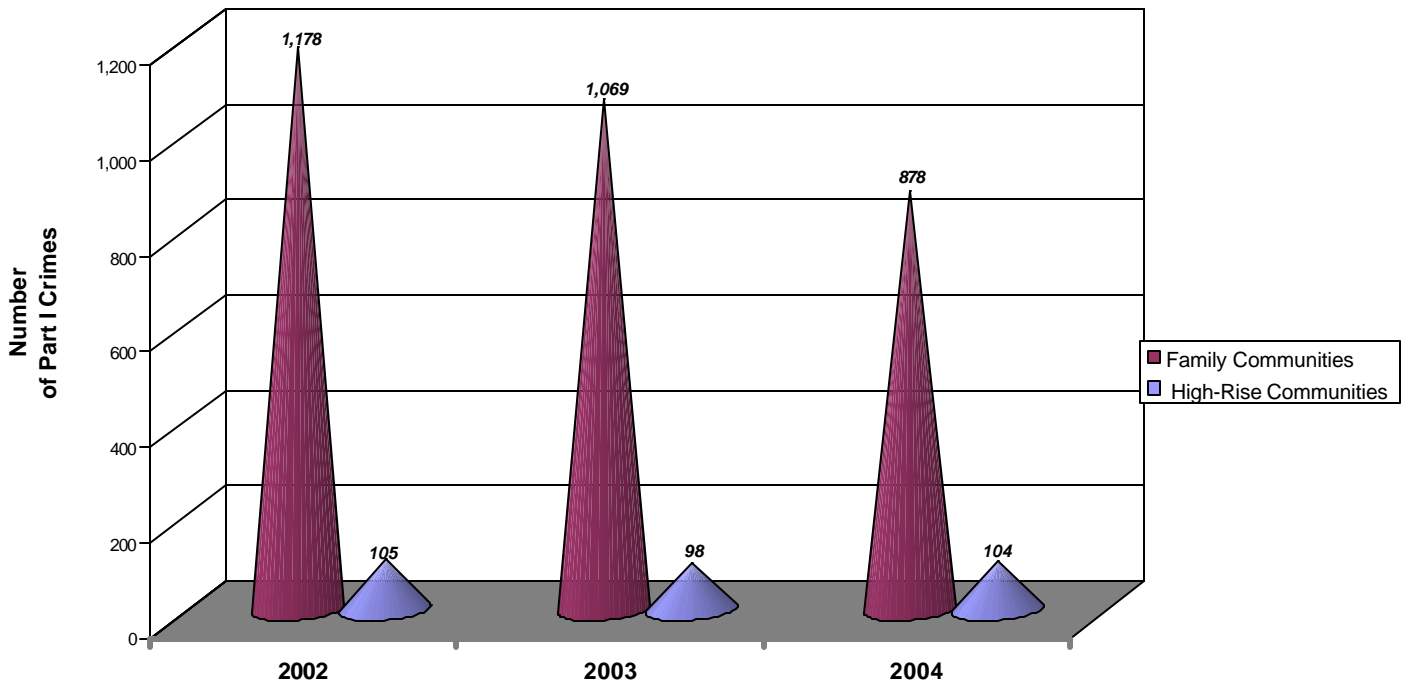
AHA-owned properties to improve resident and community safety. The PMCOs installed video call down systems at seven family communities including: (1) Bowen Homes, (2) Englewood Manor, (3) Jonesboro North, (4) Jonesboro South, (5) Leila Valley, (6) Thomasville Heights, and (7) University Homes. They also upgraded the previously-installed video call down system at Martin Street Plaza. All systems are monitored by the site management staff and by a third party vendor who is responsible for conducting random call downs and surveillance. Digital video recorders were retrofitted at five high-rise communities, replacing traditional time lapse recorders. The third party vendor is also responsible for providing the PMCOs with incident reporting and video recordings upon demand. AHA's Information Technology Department provided access to the Atlanta Police Department (APD) headquarters and precincts to view live video of these properties for the purpose of conducting covert surveillance, substantiating criminal activities, and enhancing the safety of police officers.

During FY 2005, APD provided AHA's Protective Services Department with direct electronic access to police incident reports, weekly arrest reports and monthly summary police incident reports. Quicker access to these reports will result in swifter action against lease violators. AHA and APD are currently conducting a crime study to determine the cost effectiveness and impact of the new security strategies. The results of this study will be published in September of 2005. AHA also implemented an electronic fingerprinting system for screening applicants and existing clients. This system allows AHA to scan rolled ink fingerprint impressions and send them electronically to the Federal Bureau of Investigation (FBI) for evaluation. FBI results are now transmitted to AHA within 7 days instead of 30 days.

Finally, to further enhance efforts to improve safety and security at AHA-owned properties, AHA was awarded a \$225,000 Project Safe Neighborhood Program Demonstration grant by the U. S. Department of Justice. The grant will be used at University Homes over a 24-month grant period to improve police presence, reduce criminal activities, and enhance safety for the residents, staff, visitors, and the students of the neighboring colleges.

Crime at AHA-owned properties has decreased over the past three calendar years. The chart below highlights these changes.

PART 1 CRIME STATISTICS FOR AHA-OWNED PROPERTIES*
(High-Rise and Family Communities)



* Part I Crimes are: Homicide, Rape, Robbery, Burglary, Larceny, Aggravated Assault, Auto Theft, and Arson.

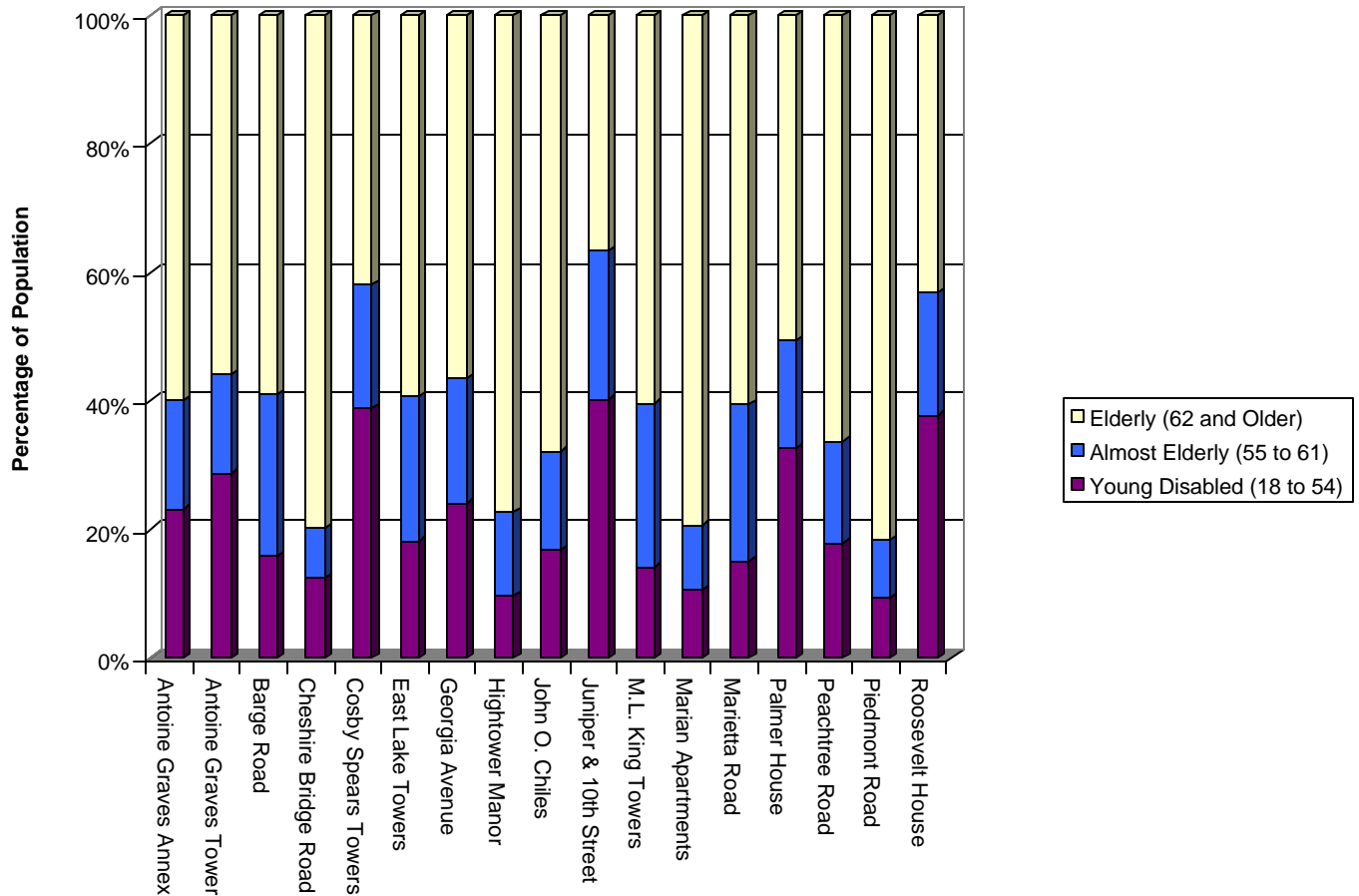
PROGRESS ON MAJOR INITIATIVES

Elderly Admissions Preference at AHA’s High-Rises. Under CATALYST, AHA plans to implement a number of key strategies to address the complex social issues associated with mixing seniors and young disabled individuals in its high-rise communities. Though national research advises that elderly and disabled mixed-population housing maintain a rate of four elderly to one young disabled resident², many of AHA’s 17 high-rise communities reflect a significant imbalance as reflected in the chart below:

² Research found in the following two articles provide recommendations on elderly/young disabled housing: (1) “The Mixed-Population Issue in State-Subsidized Elderly Housing: Management Problems Posed by Non-Elderly and Elderly Tenants” by Nancy W. Sheehan, Ph.D. and Charles Stelle, MS., *Journal of Aging and Social Policy*, Vol. 10, The Hawthorne Press, and (2) “Massachusetts Law Regarding Non-Elderly Disabled Tenants in State-Funded Elderly Housing”, OLR Research Report, 2002-R-0133, Office of Legislative Research, State of Massachusetts, by John Moran, 2002.



HIGH-RISE POPULATION MIX AS OF JUNE 30, 2005



As part of CATALYST, AHA intends to implement an elderly/almost elderly admissions preference at its 17 high-rise communities. The preference would allow the PMCOs to admit four elderly (62 and older) or almost elderly (55-61) residents on the waiting list before admitting a young disabled resident until such time as an optimal mix of elderly/almost elderly and young disabled residents is reached for the community. AHA's target date for implementation of this preference was July 1, 2005; however, in June 2005, a legal advocacy group raised concerns with AHA regarding the implementation of this initiative. Since raising these concerns, AHA has met with the advocacy group and has responded to its concerns. AHA has, however, incorporated the policy provisions necessary to implement this initiative in its Statement of Corporate Policies and plans to implement the preference during FY 2006.

Designated Housing. Another strategy AHA will consider to address mixed-population issues in its 17 high-rises is to designate one or more of these communities as elderly-only or percentage based mixed population. During FY 2005, AHA decided to develop a designated housing plan for a new elderly-only facility to be developed in connection with the revitalization of McDaniel Glenn. The elderly facility will be a mixed-finance project subsidized with project-based Section 8, tax credits, and Public Housing assistance. In support of this development, during FY 2006, AHA will submit a designated housing plan to HUD for the Public Housing assisted units in this new senior development.

Individual Development Accounts (IDAs). AHA plans to eliminate the existing earned income disregard and replace it with an Individual Development Accounts (IDA) program for Public Housing residents who are 18 to 61 years of age and who meet certain requirements. In order to manage the impact of the CATALYST policy changes on AHA families, AHA postponed the implementation of this initiative until January 2006.

Placed-Based Supportive Services Strategy Pilot. In January 2005, AHA and the Georgia State Department of Human Resources (DHR) implemented a "place-based" Medicaid pilot at AHA's Georgia Avenue high-rise community. The purpose of the pilot was to create a model for the delivery of case management and supportive services to elderly and disabled residents at AHA's high-rises. The "place-based" strategy is designed to enroll residents in Medicaid's SOURCE (Service Options Using Resources in a Community Environment) Program which will provide case management to clients through a managed care system. The SOURCE Program provides case management services, primary care physicians, personal care plans, and service delivery to SSI/Medicaid eligible individuals.

The success of the pilot depends heavily on the voluntary enrollment of current Medicaid clients in the SOURCE Program. Upon enrollment of at least 60 residents, DHR will provide a full-time, on-site case manager to serve Georgia Avenue high-rise residents. During FY 2005, enrollment at the Georgia Avenue high-rise was extremely low because many elderly residents were particularly reluctant to discontinue their relationships with their physicians who were not enrolled in SOURCE. DHR has since modified the program to actively enroll non-participating physicians. However, even with this modification, enrollment at Georgia Avenue high-rise continues to be low; therefore, AHA and DHR are identifying another pilot site.

Program Requirements. During FY 2005, AHA implemented a policy that generally requires that all 18 to 61 year old adult household members who are not disabled to work full-time as a condition of receiving and maintaining subsidy assistance. This policy became effective October 1, 2004. AHA's policy permits eligible adults to participate in some combination of school, program participation and part-time employment as a substitute for full-time employment. AHA's June 2005 compliance review indicated that 2,070 (approximately 63%) of the 3,311 target adults in AHA-owned communities were non-compliant.

AHA established annual benchmarks for non-compliant households which are as follows: (1) by June 30, 2005, at least one target adult in compliance, (2) by June 30, 2006, at least one target adult working and 75% of the remaining target adults in compliance, (3) by June 30, 2007, at least one target adult working and 100% of the remaining target adults in compliance, and (4) by June 30, 2008, 100% of all target adults working. As of the date of this report, AHA has extended the first benchmark date to December 31, 2005 to accommodate a request by the Atlanta City Council. Non-compliant households not meeting these benchmarks will be reviewed for eviction. All applicant households for Public Housing assistance must be in full compliance with the work requirement to receive housing assistance.

AHA may also require residents to attend economic independence or training programs if referred by AHA, its representatives or agents as a condition of receiving and maintaining subsidy. These programs include, but are not limited to, job skill/training programs, assessment services, coaching and counseling services and the Good Neighbor Program.

Minimum Rent. On October 1, 2004, AHA raised its minimum rent from \$25 to \$125. Households on fixed incomes, where all members are either elderly or disabled, are exempt from the minimum rent increase and pay rent based on 30% of their adjusted gross incomes. Prior to implementing the minimum rent increase, AHA conducted a rent impact analysis and found that over 72% of AHA households residing at AHA-owned properties were already paying \$125 or more for rent. The number of minimum renters decreased by 554 families since AHA's minimum rent policy went into effect. From November 1, 2004 through July 31, 2005, 61 Public Housing assisted households were terminated for non-payment of the minimum rent.

Elderly Income Disregard. On October 1, 2004, AHA implemented an income disregard for employment income earned by elderly residents on fixed income.

Setting “Market” Rents – Affordable Flat Rent Demonstration. AHA intended to select, if feasible, one or more of its conventional Public Housing communities for participation in an affordable flat rent demonstration. However, in order to manage the impact of the CATALYST policy changes on families, AHA postponed the implementation of this initiative to FY 2006.

Enhanced Business Systems (Lease/Family Obligation Document Enforcement, Enhanced Criminal Screening, and Health and Safety Standards). AHA’s Implementation of the CATALYST policies provided AHA with an opportunity to enhance its business systems. As part of the implementation of the CATALYST reforms, AHA revised its lease to incorporate CATALYST policy changes such as the work requirement and developed a procedures guide called PRISM (PMCO Reference Implementation Standards Manual). PRISM is a reference manual that describes enhanced standards and implementation guidelines related to the work requirement, improved screening and intake processes, and reporting. AHA also held several briefings and training sessions with the PMCOs’ property management personnel on the new policies and programmatic changes. AHA deployed a core team of CATALYST Ambassadors who conducted briefing sessions for families. In addition, AHA and the PMCOs implemented a massive communications campaign educating families about the new policy changes and providing resource information on self-sufficiency programs and services.

Enhanced Real Estate Inspection Systems. During FY 2005, AHA revised its inspection standards for all subsidized units and integrated various inspection processes and systems. AHA’s Inspections Department developed and began implementing Enhanced Uniform Physical Conditions Standards (UPCS Plus) that improved inspection standards in terms of addressing health and safety issues. For example, AHA added operable carbon monoxide detectors on every habitable floor as one of the criteria in its UPCS Plus checklist.

Resident Satisfaction Surveys. During FY 2005, AHA hired a third party vendor to conduct a resident satisfaction survey. The vendor conducted the survey with random selections of residents living in AHA-owned communities. Over 6,068 surveys were distributed and AHA received 1,747 completed surveys, a 29% response rate. Based on the survey, the five most important factors that contribute to residents’ satisfaction in order of ranking are: (1) cleanliness and safety, (2) maintenance service, (3) resident association/resident services, (4) rent office service, and (5) responsiveness to requests for assistance. The response and satisfaction rates were higher for the high-rise communities than for the family communities.



MIXED-INCOME COMMUNITIES

In an effort to create better communities and better outcomes for the families, AHA made a strategic determination in the winter of 1994 to begin repositioning its distressed Public Housing properties through its comprehensive revitalization program, the Olympic Legacy Program (OLP). OLP involves demolition, disposition and the creation of mixed-income, mixed finance communities through public/private partnerships. The mixed-income communities are not owned, controlled or operated by AHA or any of its affiliates. These communities are owned by public/private partnerships formed between an AHA affiliate and AHA's procured private sector development partners, with the private developer as the managing general partner. The limited partnership interests are acquired and owned by entities that purchase the low-income housing tax credits. In most cases, greater than 97% of those interests are held by those investors. AHA typically continues to own the land on which the mixed-income, multi-family rental apartments are constructed. AHA leases the land to the public/private partnership (Owner Entity) pursuant to a long-term ground lease, typically 50 to 60 years. At the end of the ground lease term, the land and improvements revert to AHA. The Owner Entity executes the development activities, including the construction of the improvements.

The development model for mixed-income communities is a market rate community, with a seamless affordable component. Typically, 30% to 40% of the apartments are reserved for families who are Public Housing eligible. The remaining 70% or 60% are leased to market rate and tax credit eligible families based on the financial and legal structure. The total development budgets for the mixed-income communities are comprised of various combinations of multiple public and private sources of funds. In all cases, AHA's development funds serve as seed capital to leverage private investment. The Owner Entity borrows conventional first mortgage debt from either a bank or other financial institution, or FHA insured 221 (d) (4) arrangements or private activity bonds with 4% low income housing tax credits. The Owner Entity, subject to limits under the State of Georgia's Qualified Allocation Plan, applies for 9% of low-income housing tax credits. If awarded, the credits are sold to investors to raise equity for the development project. AHA loans its funds to the Owner Entity for its proportionate share of the construction budget. AHA's proportionate share is based on the percentage of the apartments reserved for Public Housing eligible residents pursuant to regulatory agreements with HUD. AHA's loans are second mortgage loans subordinated to the first mortgage and are payable only out of cash flow generated from the property.

The housing assistance payment using Section 9 operating subsidy from HUD for the Public Housing assisted units in mixed-income communities is calculated to pay the difference between the operating costs (based on operating budgets



prepared by the Owner Entity) and resident rents (based on 30% of adjustable income of the assisted family) so that such apartments operate on a break even basis. Related Partnership Operating Reserves have been established for each mixed-income community to mitigate the financial exposure in the event that AHA does not or cannot meet its housing assistance payment obligation to that property.

The mixed-income communities are market-rate developments with a seamless affordable component. These communities offer excellent quality of life amenities such parks, early childhood development center, retail, excellent schools, and recreational facilities that are important to providing a living environment where low-income families can achieve their full potential.

MIXED-INCOME COMMUNITY OUTCOMES

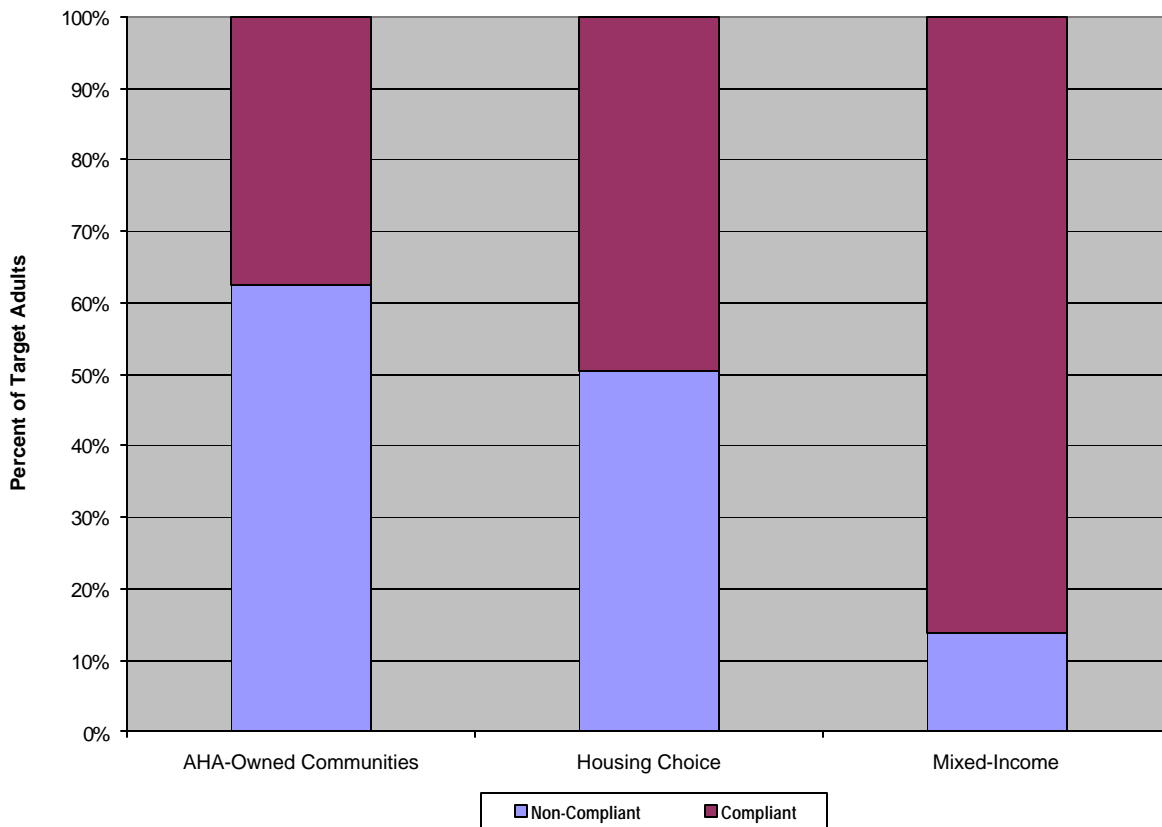
AHA's vision is to create healthy mixed-income communities where families can achieve their full potential. AHA believes that low-income families thrive better in mixed-income communities and have better outcomes. To prove this theory, in 2001 AHA commissioned Dr. Thomas D. Boston, Professor of Economics at the Georgia Institute of Technology and President and CEO of the Boston Group, Inc., an Atlanta-based urban planning and research firm, to study independently the impact of AHA's revitalization program on the quality of life of Public Housing assisted families. The Boston Study focused on quality of life changes for residents associated with AHA's revitalization activities and sought to resolve, among other issues, whether the change in environment improved the quality of life of Public Housing assisted residents. The findings from the Boston Study are instructive. The percent of Public Housing assisted families (ages 16-62) in mixed-income communities whose primary source of income is from labor market earnings for 2001 was 52%, compared with 32% for assisted families living in conventional Public Housing and 58% for persons residing in housing subsidized by Housing Choice vouchers. These percentages compare to 67.5% for the State of Georgia. The average household income for assisted families in the mixed-income communities in 2001 was \$9,738 compared with \$7,317 for families residing in conventional Public Housing and \$9,567 for families residing in housing subsidized by Housing Choice vouchers. The percentage of Public Housing assisted families below the poverty line in mixed-income communities in 2001 was 68%, compared with 84% for families in conventional Public Housing, and 67% for families residing in housing subsidized by Housing Choice vouchers. The evidence is clear that in families fare better in mixed-income environments both in the market rate, mixed-income communities and through the Housing Choice Voucher Program.



These trends remain consistent for AHA-assisted families. As of June 30, 2005, the employment rate among non-disabled adults (18 to 61 years of age) at the mixed-income communities is 93% in comparison with 49% for adults in the Housing Choice program and 40% for adults at AHA-owned communities. Seventy-seven percent of families at the mixed-income communities have incomes of less than 30% of AMI compared with 81% of Housing Choice households and 96% of households at the AHA-owned family communities.

The work and program requirements were not new to Public Housing assisted families at the mixed-income communities. Work and program participation requirements were already incorporated into lease addenda for these communities, and it is clear that the assisted families can meet or exceed our standards where given appropriate incentives and a healthy environment. Eighty-six percent of the targeted adults at the mixed-income communities are in compliance with AHA's CATALYST work requirement in comparison with 50% of the targeted adults in the Housing Choice program and only 38% of the targeted adults at the AHA-owned communities.

WORK/PROGRAM COMPLIANCE AS OF JUNE 30, 2005



PROGRAM PROFILE

Housing Opportunities. As of June 30, 2005, AHA provided Section 9 housing assistance payments for 1,515 assisted units that are a seamless part of 11 privately-owned multifamily rental mixed-income communities, compared with 1,486 units as of June 30, 2004. This represents an increase of 2% (29 units) in the number of assisted units that reached EIOP (End of Initial Operating Period) as of June 30, 2005.

Households Served. There has been a planned, steady increase in the number of Public Housing assisted families served in the mixed-income communities. The number of Public Housing assisted families at mixed-income communities increased approximately 12% (157 families), from 1,334 families as of June 30, 2004, to 1,491 families as of June 30, 2005. This increase was due to progressive lease-up of new units.

Bedroom Size Profile. The bedroom size profile of Public Housing assisted families at the mixed-income communities has experienced slight changes since the initiation of AHA's MTW Program. Since June 30, 2004, the number of families residing in three-bedroom units has increased by 16%, in two-bedroom units by 13%, and in one-bedroom units by 3%. The increases are due to the ongoing development and availability of more Public Housing assisted units at the mixed-income communities.

Family Type. The types of households residing at the mixed-income communities have remained substantially the same since the initiation of CATALYST. As of June 30, 2004, 76% were family, 11% were elderly, and 13% were disabled as compared with 74%, 12%, and 15%, respectively, as of June 30, 2005.

Income Profile. As of June 30, 2004, 962 (72%) Public Housing assisted families earned household incomes of less than 30% of AMI as compared with 1,155 (77%) as of June 30, 2005.

Race and Ethnicity. The racial and ethnic mix of families has remained substantially the same. As of June 30, 2005, just over 99% of the Public Housing assisted families at the mixed-income communities were African American.

Waiting List. At the mixed-income communities, AHA's private development partners managed site-based waiting lists for the Public Housing assisted units. As of June 30, 2005, there were 7,240 families on the combined waiting lists for the



mixed-income communities. Approximately 80% of the families on the waiting list, excluding families at the Villages of East Lake and West Highlands, earn less than 30% of AMI. Over 98% of families on the waiting list, excluding Columbia Commons and West Highlands, are African American. Approximately 41% of families on the waiting list require two-bedroom units and 35% in one bedroom units.

PROGRESS ON MAJOR INITIATIVES

Program Requirements. The work and the program participation requirements were not new to the mixed-income communities, as many of these properties already had work and program participation requirements in their existing lease documentation. The compliance review conducted by AHA's private development partners shows that of the 1,299 adults targeted by the policy, 1,118 (86%) are compliant.

Minimum Rent. See the *Minimum Rent* description under *AHA-Owned Properties* above.

Elderly Income Disregard. See the *Elderly Income Disregard* description under *AHA-Owned Properties* above.

Sustaining Mixed-Income Investments. AHA's plans for sustaining its mixed-income investments include converting the source of operating subsidy AHA provides to one more of the mixed-income communities from Section 9 to Section 8. During FY 2005, AHA worked with HUD to identify an alternate process for obtaining replacement vouchers for the Public Housing assisted units at the mixed-income communities. This process has been included in AHA's FY 2006 Implementation Plan as supplemental information.

Tax Credit Compliance Model. In February 2005, AHA's Management and Occupancy Compliance Department developed AHA's Tax Credit Compliance Model for the Signature Properties. This model replaces the HUD compliance requirements for the Public Housing assisted units at the mixed-income communities with the tax credit compliance regime. Once implemented, AHA assisted resident files at the mixed-income communities will be maintained in accordance with this new compliance model. During FY 2006, AHA will continue the roll-out of this initiative and will institutionalize and integrate this process in AHA's business systems and processes. AHA will also work with HUD officials to institutionalize this process in HUD systems.



This initiative also includes AHA's evaluation of the MTCS reporting requirement for Public Housing assisted residents to determine the least administratively burdensome method for relaying tenant characteristic information to HUD. AHA proposes to explore other possible methods for the practical collection and/or transmission of tenant information to HUD for the residents at the mixed-income communities. AHA is in the process of reviewing and evaluating tenant information collection forms and procedures (e.g. HUD Form 50059, Tenant Income Certification forms, etc.) currently used by the mixed-income communities to determine the best method of collection. Moreover, as part of AHA's evaluation, AHA may, in consultation with HUD, determine that it may not be necessary for AHA to transmit tenant information to HUD for the mixed-income communities.

Setting "Market" Rents. During FY 2005, AHA developed the Mixed-income Communities "Working Laboratory" Initiative and included it in its FY 2006 MTW Implementation Plan for HUD's approval. This initiative will allow AHA's development partners to use innovative approaches to achieve community specific goals and objectives at respective their properties. The "Working Laboratory" initiative will permit AHA's development partners to adopt and implement their own occupancy, leasing and rent policies and procedures with respect to their communities for assisted residents or applicants. Eligible policies and procedures include, but are not limited to, new rent structures (e.g., flat rents), application and waiting list procedures, eligibility and/or suitability criteria, program participation requirements and term limits.

HOUSING CHOICE

AHA's Housing Choice voucher program provides Housing Choices to income eligible households in the private multifamily market. AHA is aware of the resistance to the Housing Choice program; however, AHA believes that with the appropriate redesign, the Housing Choice program can help AHA fulfill its mission of providing affordable housing while remaining an asset to the larger community. MTW will provide AHA with an opportunity to (1) eliminate administrative burdens and operational costs associated with duplicative processes; (2) better manage subsidy and rent levels so that local markets are not skewed; and (3) improve the receptivity of the Housing Choice program in the local community. MTW is the foundation for all of AHA's voucher reform initiatives.

PROGRAM PROFILE

Housing Opportunities. As of June 30, 2005, AHA served 11,352 households through the Housing Choice program. This reflects a slight increase of 316 households since June 30, 2004. The increase is primarily attributable to relocation activity associated with the revitalization of Grady Homes and McDaniel Glenn.

	Total Units 6/30/2004	Total Units 6/30/05	Change
Housing Choice	11,036	11,352	316 (3%)

Over the past fiscal year, there was no significant change in overall profile of the households served by the Housing Choice program based on family types, incomes, race and ethnicity. As of June 30, 2005, over 76% of the heads of households served were family, (i.e., non-elderly and non-disabled) approximately 0% were elderly and approximately 18% were disabled, while as of June 30, 2004, 79%, 4% and 17% of heads of households were family, elderly and disabled, respectively. As of June 30, 2004 and June 30, 2005, over 99% of the heads of households were African-Americans. Approximately 84% of the households earned less than 30% of AMI as of June 30, 2004 while approximately 81% of the Housing Choice households earned less than 30% of AMI as of June 30, 2005. During FY 2005, 58% (4,838) of households in AHA's Housing Choice program, excluding families porting outside of AHA's jurisdiction, resided in low poverty areas, i.e., where no more than 20% of the households in the applicable census tract earned below 30% of AMI.



Waiting List. The Housing Choice waiting list decreased 27 households from 21,393 households as of June 30, 2004 to 21,366 households as of June 30, 2005. This decrease is a result of purging and processing households for housing assistance. The Housing Choice waiting list has not been opened since 2001 at which time just over 26,000 families signed up for housing assistance. As of June 30, 2004, and June 30, 2005, 92% of families on the Housing Choice waiting list earned less than 30% of AMI and 94% percent of families were African American.

Bedroom Profile. During FY 2004 and FY 2005, 37% of families in the Housing Choice Program resided in two-bedroom units and 40% in three-bedroom units.

Inspections. AHA inspects units for the Housing Choice program based on an enhanced HQS standard developed during FY 2005. The enhanced HQS standard will improve the quality of the housing units selected for participation in the Housing Choice Program. Examples of enhancements include requirements for air conditioning and carbon monoxide detectors in units. Units which do not meet the enhanced standard are not eligible for the Housing Choice program. Annual and initial inspections are performed using this standard.

PROGRESS ON MAJOR INITIATIVES

AHA has and will continue to use its MTW flexibility to redesign the Housing Choice program. AHA wants to insure that the Housing Choice program is managed appropriately from the perspective of all involved parties, clients, landlords and other residents of the City of Atlanta. AHA has taken a new look at a number regulatory restraints that have historically shaped the Housing Choice program. For example, AHA has created a higher inspection standard to improve the quality of the product that is subsidized by AHA and to provide better housing opportunities for AHA's families. Another example is AHA's requirement that all participants enroll in and complete the Good Neighbor Program. The Good Neighbor Program will provide for better integration and receptivity of the Housing Choice participants in Atlanta neighborhoods. AHA believes that MTW will allow AHA to enhance the program to ensure the sustainability of the program. MTW will allow AHA to realign fair market rents so that the market rents for a particular neighborhood are not skewed by subsidy paid by AHA in that neighborhood. The realignment of the rents will allow AHA to better manage its subsidy allocation so that AHA can provide more housing opportunities in low poverty and less impacted areas.



Deconcentration Plan. AHA has created a policy framework for its Deconcentration Plan which acknowledges the need for both place-based and people-based strategies. However, during the past fiscal year, AHA determined that it was more appropriate to use its regulatory flexibility to completely reform its Housing Choice voucher program. This determination was made in recognition of the complexity of the Housing Choice program and the interplay between the various components of the Housing Choice program. The Deconcentration Plan is a component of AHA's more comprehensive Housing Choice Reform initiative. This initiative, outlined in AHA's FY 2006 Implementation Plan, will address and integrate several factors including "deconcentration site and neighborhood standards," rent and payment standards, restrictions on the use of the voucher for single family units, inspections standards, landlord certification and a shift in the allocation of voucher subsidy from tenant based vouchers to project-based vouchers in support of AHA's vision. As of June 2005, AHA had vouchers in all but one of Atlanta's 24 neighborhood planning units (NPU's); however, three NPUs have a disproportionately higher number of Housing Choice vouchers. AHA's Deconcentration Plan is intended to address this concern.

Program Requirements. In CATALYST, AHA announced its intent to create a work requirement for all households subsidized in the Housing Choice as well as the Public Housing program. Effective, October 1, 2004, all 18 to 61 year old adult household members who are not disabled are required to work full-time as a condition of receiving and maintaining subsidy assistance. AHA's policy permits eligible adults to participate in some combination of school, program participation and part-time employment as a substitute for full-time employment. During the past fiscal year, AHA engaged in an extensive communications campaign to inform Housing Choice participants of this policy change as well as other CATALYST policy changes. A June 2005 compliance review was completed and indicated that 5,986 (approximately 50%) of 11,871 target adults were non-compliant. AHA has established annual benchmarks for non-compliant households which are as follows: (1) by June 30, 2005, at least one target adult in compliance, (2) by June 30, 2006, at least one target adult working and 75% of the remaining target adults in compliance, (3) by June 30, 2007, at least one target adult working and 100% of the remaining target adults in compliance, and (4) by June 30, 2008, 100% of all target adults working. As of the date of this report, AHA has extended the first benchmark date to December 31, 2005 in response to a request from the Atlanta City Council.

CATALYST also stated that AHA may require residents to attend economic independence or training programs if referred by AHA, its representatives or agents as a condition of receiving and maintaining subsidy. These programs include, but are not limited to, job skill/training programs, assessment services, coaching and counseling services or the Good Neighbor



Program. During FY 2005, AHA required all heads of households in its Housing Choice Program to participate in the Good Neighbor Program provided by GSU. As a result, 4,341 participants completed the Good Neighbor Program.

Minimum Rent. On October 1, 2004, AHA raised its minimum rent from \$25 to \$125. Households on fixed incomes, where all members are either elderly or disabled, are exempt from the minimum rent increase and pay rent based on 30% of their adjusted gross incomes. Notwithstanding the increase to the minimum rent, the number of Housing Choice voucher households who paid the minimum rent decreased from 2,648 (June 30, 2004) to 1,958 (June 30, 2005).

Elderly Income Disregard. On October 1, 2004, AHA implemented an income disregard for the Housing Choice program for employment income earned by elderly residents or participants on fixed income. Currently, none of the elderly Housing Choice participants on fixed-income are eligible because they do not have any employment income.

Setting "Market" Rents. In CATALYST, AHA stated its intent to create local rent standards that would be used in lieu of the HUD established Fair Market Rents (FMRs). While AHA has not yet established replacement local FMRs, AHA has, as an interim measure, established a system for determining rent reasonableness using a rent matrix and comparables. The rent matrix is based on unit size (bedroom) and type (multifamily, single family or town home). The amount of rent allowed is determined by a grade given by AHA's inspectors based on unit conditions, the site and surrounding neighborhood conditions.

Enhanced Business Systems (Family Obligation Document Enforcement, Revised Administrative Plan, Enhanced Criminal Screening, and Health and Safety Standards). During FY 2005, AHA implemented a number of policy changes and programmatic reforms outlined in CATALYST. AHA has revised its Housing Choice Administrative Plan to align with these new standards and has revised its family obligation document to incorporate policy changes. These reforms included higher health and safety for Housing Choice program participants, enhanced criminal screening standards, and stricter enforcement of the requirements for participation in the Housing Choice program. AHA has distributed the new family obligations document to Housing Choice participants for execution and has received executed documents from 95% of the households. AHA has also briefed its Housing Choice advisors so that they may educate Housing Choice participants on the CATALYST requirements during the recertification process.



Porting Adjustments. CATALYST applies to all Housing Choice participants subsidized by AHA and by all participants who port into AHA's jurisdiction. Therefore, AHA acknowledges that portability procedures will need to be modified in partnership with other local PHAs in the metropolitan area. During FY 2005, AHA initiated conversations with these local housing authorities to educate them on CATALYST and to outline the framework for Memoranda of Understanding that will be executed with these agencies.

Landlord Education and Outreach. In June 2005, AHA, in partnership with the Georgia Real Estate Investors Association, sponsored its 6th Annual Landlord Symposium. The Symposium was designed to educate and retain existing landlords and to market the Housing Choice program to potential new landlords. The Symposium included a number of topics relevant to landlords including, the eviction process, AHA's inspection standards, City of Atlanta housing code information, taxes and the direction of the Housing Choice program. Speakers at the Symposium included Scott Keller, Deputy Chief of Staff for HUD and the President of the Atlanta City Council. Over 450 landlords attended this year's symposium. Landlord education and outreach also includes bi-monthly briefings and the production and distribution of Housing Choice collateral materials. AHA is also planning a Landlord Certification program designed to educate landlords on the responsibilities associated with being a Housing Choice landlord and the new enhanced program requirements.

Good Neighbor Program. In September 2004, AHA procured GSU to operate AHA's Good Neighbor Program. Prior to the procurement, the Good Neighbor Program was managed internally by AHA's staff. The procurement of GSU enabled AHA to enhance the program by (1) accessing the capacity and resources of GSU, specifically, the Alonzo A. Crim Center for Urban Educational Excellence, and (2) allowing the Housing Choice participants to engage with GSU faculty and graduate students in the context of an institution of higher learning. The Good Neighbor Program was established in 2003 specifically to maintain the viability of the Housing Choice program in metropolitan Atlanta by addressing local concerns about the ability of Housing Choice participants to successfully transition to single-family neighborhoods. As previously mentioned, 4,341 Housing Choice head of households completed the program during FY 2005.

Enhanced Relocation Activity. During the past year, AHA, in partnership with the Annie E. Casey Foundation (Casey) relocated substantially all of the residents at the 'Main Campus' of McDaniel Glenn under the auspices of a new "Responsible Relocation" taskforce. The desired outcomes for this relocation were to ensure (1) the responsible relocation of the McDaniel Glenn households, (2) that no family that is ineligible for a housing subsidy becomes homeless and (3) that families with children at a local elementary school have the option to relocate to a neighborhood served by that school. The



Responsible Relocation taskforce provided AHA and Casey with an opportunity to establish local partnerships with service providers and agencies to address mental health issues, criminal background issues, and family and housing counseling needs. As a result of the efforts of the taskforce, appropriate supportive housing opportunities were identified for affected residents of McDaniel Glenn and many obtained legal assistance which allowed the resident households to become eligible for housing subsidy. AHA will continue to work with Casey to document and incorporate lessons learned during this pilot. Future relocations will be informed by this process and will replicate best practices.

REAL ESTATE DEVELOPMENT AND ACQUISITIONS

AHA's Real Estate Development and Acquisitions (REDA) business line executes AHA's repositioning strategy through various strategies, including the execution of HUD funded revitalization projects, single-family home development, the use of project-based Housing Choice vouchers to support new and existing developments, the exploration of housing opportunities for seniors and the disabled, and the exploration of the use of principles outlined by HUD with respect to the Public Housing Reinvestment Initiative.

The compelling need to address the AHA family communities which have not been repositioned is clear. First, the physical condition of the conventional family communities is obsolete.

- The average age of AHA's 17 family communities is 41 years, with ages that range from 24 to 68 years old. This is well past any intended "useful life" for the building structures.
- AHA has estimated that over the next five years the cost of capital improvements to keep the family communities safe and sanitary is \$56 million. After AHA funds housing assistance payments, property operations at AHA-owned properties, and corporate overhead, \$25 million remains for capital improvements over this same period of time.
- AHA has also estimated that the cost to upgrade the communities to "Class C" is approximately \$117 million.

Most of AHA's Public Housing family communities do not have kitchen cabinets, closet doors, showers, kitchen/stove exhausts, dishwashers, disposals, washer/dryer hook-ups, ceiling fans, bathroom exhausts or air conditioning. Most of these properties have (1) combined storm/sanitary sewer systems, (2) undesirable building and unit densities, (3) obsolete floor plans and unit layouts and, (4) heating and electrical systems that are poorly designed and fail to meet modern standards.

Second, AHA's Public Housing family communities are not financially viable. An analysis of the net financial impact of the family communities for FY 2005 shows that the family communities do not operate on a break even basis, even with HUD subsidy. The operation of these properties generated a loss of approximately \$2.4 million for AHA in FY 2005, before



administrative costs and overhead.

Finally, AHA's housing product is not market competitive. AHA's target market is working families, the elderly and the disabled. During FY 2005, AHA implemented enhanced criminal background screening procedures for applicants and residents with the intent to improve the safety and quality of life of the residents at our communities. As a result, the PMCOs have reported that they must review, on average, between 20 and 40 applications of families on the waiting lists to identify a suitable family that meets AHA's eligibility criteria, on average. While our occupancy rates currently meet the performance benchmarks outlined in AHA's MTW Agreement, we fully anticipate that occupancy rates will decline with continued implementation of AHA's criminal screening standards. The poor product quality of units in the existing family communities only exacerbates these circumstances. Working income eligible families with choices are not choosing to live in AHA's family communities. AHA's family communities are not market competitive. The housing opportunities in AHA's family communities are not conducive to supporting the great outcomes we expect for our families. The neighborhoods are not safe and the quality of life infrastructure is insufficient. AHA's repositioning program will create better housing opportunities for the families which, in turn, will lead to better outcomes for the families.

PROGRESS ON MAJOR INITIATIVES

Repositioning. Although CATALYST states AHA's intent to issue a Master RFP for its entire portfolio, AHA determined that it would be more prudent to focus on ongoing revitalization activity rather than to attempt to solicit proposals for all of communities at one time because of financial, relocation, staffing, and real estate market constraints. AHA will revisit and evaluate the suitability of the Master RFP approach described in CATALYST later during the demonstration period.

Notwithstanding AHA's decision to reevaluate the Master RFP approach for repositioning its communities, AHA has made and continues to make significant progress under its Public Housing revitalization program, the Olympic Legacy Program. During FY 2005, AHA had six HUD funded revitalization projects underway for the following former Public Housing communities: (1) Capitol Homes, (2) Carver Homes, (3) Grady Homes, (4) Harris Homes, (5) McDaniel Glenn, and (6) Perry Homes. Five of these projects are HOPE VI funded revitalization projects. Additionally, a critical part of the revitalization of the foregoing communities, the repositioning of four high-rise properties, John O. Chiles, Martin Luther King Towers, Antoine Graves, and Antoine Graves Annex, is being addressed.



AHA has used its MTW flexibility primarily in this area to streamline the closing process for its revitalization projects. AHA has worked with HUD to create a development process protocol which has eliminated a number of interim steps and procedures which otherwise would have been required as part of typical mixed-finance transactions. The new MTW procedures allow the transactions to develop and close on a pace that is more aligned with the private sector. With these new streamlined procedures, AHA will be viewed as a more viable partner in the development of affordable housing. Consequently, AHA will be able to attract more development partners and create more housing opportunities.

The following information provides highlights of AHA's development activity during the past fiscal year.

- ***The Revitalization of Capitol Homes.*** AHA is leveraging a \$35 million HOPE VI grant to revitalize the former Capitol Homes into an upscale mixed-use community, Capitol Gateway with a total investment of more than \$202 million. Capitol Gateway contemplates the development of 1,154 mixed-income multifamily rental units, 90 for-sale units, neighborhood retail, and an early childhood development center to be located off-site as part of the revitalized Grady Homes. AHA's revitalization partner is Capitol Redevelopment, LLC, a partnership between Integral Properties, Trammell Crow Residential, and Urban Realty Partners. To date, three single family homes have been constructed and sold. Additionally, at the off-site location directly adjacent to the Capitol Homes site proposed for new senior housing, relocation and demolition of the former senior facility is complete and site clearing and infrastructure work has started. This off-site parcel is being redeveloped by a partnership of Ebenezer Foundation and Columbia Residential. The co-developers of the second component of this adjacent site, which involves rehabilitation of an existing high-rise for special needs housing, applied for an allocation of low income housing tax credits. Phase 1 of the on-site multifamily (269 units) received an allocation of tax-exempt bonds and is scheduled to close in September 2005.
- ***The Revitalization of Carver Homes.*** Carver Redevelopment, LLC, a joint venture between Integral Properties and H.J. Russell & Company, is responsible for the redevelopment of Carver Homes. When completed, the on-site component of The Villages at Carver will consist of 750 multifamily rental units and 252 for-sale units. As of June 30, 2005, 596 units have come online, including 502 on-site multifamily rental units and 94 off-site senior rental units. In July 2004, AHA submitted an amended homeownership plan that subsequently has been approved by HUD. The homeownership plan provides for 252 for-sale units. The Villages at Carver will also have a new 40,000 s.f. YMCA facility. Funding for the YMCA (HOPE VI funds, private sector funds and City of Atlanta funds) has been

obtained and construction has commenced. The total investment by the YMCA in this facility is approximately \$11 million. AHA has also begun the acquisition of parcels in the surrounding neighborhood to support retail development. The total investment relating to the revitalization of Carver Homes will exceed \$220 million.

- ***The Revitalization of Grady Homes, including Antoine Graves and Antoine Graves Annex High-Rises.*** The selected development partner for this revitalization is Grady Redevelopment, LLC, which has the same individual partners as Capitol Redevelopment, LLC. During FY 2005, relocation for Grady Homes was completed and demolition of the site began. Additionally, AHA recently submitted an application for HOPE VI funds for this community. The HOPE VI funds would be leveraged with other financing sources to create a community that includes 352 multifamily rental units, 124 senior rental units, 48 for-sale units, 21 off-site for-sale units, retail space, and an early childhood development center. The total investment relating to the revitalization of Grady Homes will exceed \$133 million.
- ***The Revitalization of Harris Homes, including John O. Chiles High-Rise.*** In 1999, AHA was awarded \$35 million in HOPE VI funds for the revitalization of Harris Homes. AHA selected Harris Redevelopment, LLC, a joint venture between Integral Properties and Real Estate Strategies as its development partner. The master plan for CollegeTown at West End contemplates 808 housing units, including 634 multifamily rental units, 100 senior rental units, 74 for-sale units, retail space, and possibly a small hotel. FY 2005 highlights for CollegeTown at West End include the following: (1) construction completion for the first phase of CollegeTown at West End (196 multifamily rental units), and (2) the financial closing on the second phase, Veranda at CollegeTown (100 senior rental units). Total investment at CollegeTown will exceed \$145 million.
- ***The Revitalization of McDaniel Glenn, including Martin Luther King Towers.*** In June 2004, AHA was awarded a HOPE VI grant of \$20 million for the revitalization of the McDaniel Glenn. AHA has selected McDaniel Glenn Redevelopment, LLC as its development partner, a partnership between four experienced residential developers, Columbia Residential, RHA, Hedgewood Homes, and Summech Community Development Corporation. During FY 2005, AHA continued predevelopment activities that were already underway. A supplement to the Revitalization Plan was submitted to HUD in March 2005 which now contemplates the development of 1,130 residential units, including 833 multifamily rental units and 297 for-sale units. In addition, during FY 2005, AHA made substantial progress on relocation of the site. Relocation of the McDaniel Glenn 'Main Campus' area is substantially complete

with only seven out of 293 affected families remaining as of June 30, 2005. The total investment contemplated by the McDaniel Glenn master plan will be more than \$138 million.

- ***The Revitalization of Perry Homes.*** The West Highlands development envisions 750 multifamily rental units and 100 for-sale units on-site. Plans for West Highlands also include the development of a 65,000 s.f. YMCA facility, an 18-hole golf course, an 18,000 s.f. public library and a site for a new 85,000 s.f. school. During the past fiscal year, AHA and its development partner, Perry Homes Redevelopment, LLC, reached the following milestones: (1) construction completion for Columbia Park Citi (154 multifamily rental units), (2) construction completion for Columbia Heritage (132 multifamily rental units), and the financial closing for Columbia Creste (152 multifamily rental units). The final phase of multifamily received an allocation of low income housing tax credits. The total investment for the revitalization of Perry Homes will exceed \$430 million.

The chart on the following page summarizes AHA's development progress from inception of the Olympic Legacy Program through June 30, 2005.

SUMMARY OF AHA OLYMPIC LEGACY PROGRAM

Summary of AHA Revitalization Program: Rental Housing Completed as of 6/30/05

Community	Phase	Rental Apartments				Total Rental Housing Produced To Date For Revitalization
		Public Housing Replacement Housing	Market Rate Apartments	Tax Credit Apartments	Project Based S-8 Replacement Housing*	
Centennial Place	I, II, III, IV	301	311	126	0	738
Summerdale Commons	I, II	74	50	120	0	244
The Villages of East Lake	I, II	271	271	0	0	542
Columbia Village	I	30	0	70	0	100
Columbia Commons	I	48	79	31	0	158
The Villages at Castleberry Hill	I, II	180	180	90	0	450
Magnolia Park	I	87	88	45	0	220
Magnolia Park	II	73	72	35	0	180
Ashley Courts at Cascade	I	46	31	75	0	152
Ashley Courts at Cascade	II	54	41	41	0	136
Ashley Courts at Cascade	III	29	29	38	0	96
Ashley Terrace at West End	I	34	44	34	0	112
Villages at Carver	I	110	66	44	0	220
Villages at Carver	II	33	26	7	0	66
Villages at Carver	III	108	54	54	0	216
Columbia High Point (Senior)	I	0	0	94	94	94
West Highlands: Columbia Estates	I	50	62	12	0	124
West Highlands: Columbia Heritage (Senior)	IIA	0	54	78	100	132
West Highlands: Columbia Park Citi	IIB	61	74	19	0	154
Collegetown at West End I	I	78	78	40	0	196
Subtotal: Units Completed		1,667	1,610	1,053	194	4,330

Summary of AHA Revitalization Program: Rental Housing Under Construction as of 6/30/05

Community	Phase	Rental Apartments				Total Rental Housing Under Construction For Revitalization
		Public Housing Replacement Housing	Market Rate Apartments	Tax Credit Apartments	Project Based S-8 Replacement Housing*	
West Highlands: Columbia Creste	III	61	73	18	0	152
College Town at West End: The Veranda (Senior)	II	0	10	90	90	100
Subtotal: Units Under Construction		61	83	108	90	252

Summary of AHA Revitalization Program: Rental Housing Planned as of 6/30/05

Community	Phase	Rental Apartments				Total Rental Housing Planned For Revitalization
		Public Housing Replacement Housing	Market Rate Apartments	Tax Credit Apartments	Project Based S-8 Replacement Housing*	
Villages at Carver	V	78	40	40	0	158
Villages at Carver (Senior)	VIII	0	19	71	71	90
West Highlands: Columbia Grove	IV	56	42	40	0	138
College Town at West End	III, V, VI	346	151	89	0	586
College Town at West End	VII	0	72	0	0	72
Capitol Homes	I - IX	357	437	360	218	1,154
Grady Homes	I - VIII	226	352	410	410	988
McDaniel Glenn	I - VI	318	248	267	169	833
Subtotal: Units Planned		1,381	1,361	1,277	868	4,019

Total Housing Units for AHA's Revitalization Program	3,109	3,054	2,438	1,152	8,601
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Single Family Home Development Activities. In connection with the revitalization projects described above, AHA will continue to support the construction of approximately 1,654 for-sale homes (market rate and affordable) at its mixed-income communities and at scattered site locations in Atlanta over the next five years. These homes will be sold to families of all income levels; however, approximately 402 units or twenty-five percent will be made available for low to moderate-income families earning no more than 115% of AMI. AHA will provide subsidy assistance, where needed and appropriate, and homebuyer counseling to qualifying homebuyers earning no more than 80% of AMI. AHA has allotted \$4.8 million dollars of HOPE VI funds for subordinate mortgage assistance to AHA clients and low to moderate-income families. During the past fiscal year, twenty market rate and five affordable homes were built. Nineteen market homes and two affordable homes were sold.

Project-Based Housing Choice Assistance. AHA has continued to use project-based Housing Choice vouchers as a development tool to increase the supply and improve the quality of affordable housing in Atlanta by collaborating with private sector developers and owners to create housing opportunities for income-eligible families. During FY 2005, AHA executed HAP contracts to provide project-based assistance at three developments to support 438 units and provided commitments for project-based assistance at seven developments to support 732 units. AHA is using its MTW flexibility to design new streamlined processes and procedures to award project-based assistance. These new procedures will be aligned with other subsidy application processes, i.e. the application for low-income housing tax credits, to eliminate duplication of effort and maximize leverage. By using project-based assistance as a development tool, AHA continues to provide great housing opportunities to its families without ownership.

Service-Enriched Housing for Seniors and the Disabled. During FY 2005, AHA began discussions with the Georgia Department of Community Affairs (DCA) to stimulate the development of additional service-enriched housing for low-income senior and disabled clients. The partnership proposes leveraging an allocation of project-based Section 8 provided by AHA with the capital resources of DCA's Permanent Supportive Housing Program to attract developer interest. AHA intends to continue to work with DCA to plan the specifics of the partnership and to launch a pilot RFP process.

Homeless Demonstration Program. AHA is using its MTW flexibility to provide project-based assistance to a local initiative designed to provide housing to the chronically homeless. Under this initiative, AHA will provide an allocation of Housing Choice vouchers to a City of Atlanta agency. The City of Atlanta agency will in turn administer the program and provide project-based assistance to various supportive housing projects throughout Atlanta through a competitive process.



Public Housing Reinvestment Initiative Pilot. AHA has identified two communities, Martin Street Plaza and Westminster, which AHA believes are appropriate opportunities for this pilot. To implement the pilot, however, AHA will need to “convert” the operating subsidy allocated to these properties to voucher subsidy. To date, AHA has worked with HUD and has developed a protocol to obtain replacement housing vouchers through an alternate process that involves disposition for the mixed-income communities. AHA will pursue a similar strategy for the AHA-owned communities.

CLIENT SERVICES

During FY 2005, AHA redesigned its existing client services and programs delivery system to be consistent with AHA's CATALYST strategy of preparing families to live in healthy mixed-income communities. AHA's client services delivery strategy is based on three principles: (1) equal access to programs and services regardless of the source of subsidy assistance received, (2) comprehensive support to connect AHA assisted families to mainstream society and new opportunities and (3) outcome-driven services and programs with the expectation of success for all families. AHA has used its MTW flexibility to provide the right combination of negative and positive incentives to promote self-sufficiency, and has used this opportunity to create a new framework for supportive service delivery.

PROGRESS ON MAJOR INITIATIVES

Service Provider Network. During FY 2005, AHA established a network of partnerships with Atlanta-based service providers (Service Provider Network or SPN) to serve as a resource for AHA assisted families to prepare for participation in the workforce and to become part of the mainstream. These partnerships provide families with access to resources such as childcare, transportation, job training, life skills training, General Education Diploma (GED) training, literacy training, substance abuse rehabilitation, and elderly services. As of June 30, 2005, AHA had partnerships with 18 reputable organizations.

Key SPN partners include the following agencies: (1) City of Atlanta Workforce Development Agency (AWDA) providing job training and placement services, (2) Atlanta Technical College (ATC) providing technical education and job placement services, and (3) Fulton County Department of Family and Children Services (DFACS) offering childcare subsidy assistance. The early successes of these partnerships are evident. During FY 2005, AWDA enrolled 190 AHA clients into its programs. As of June 30, 2005, 97 of these clients had completed the program and 56 were placed in full-time jobs. During FY 2005, Atlanta Technical College enrolled 121 clients and DFACS is providing childcare assistance to 65 clients.

CATALYST Resource Access Guide. AHA published and distributed two editions of its semi-annual CATALYST Resource Access Guide (Guide) to support families in their efforts to meet the CATALYST work and program participation requirements. The purpose of the Guide is to provide a directory of reputable service providers and resources for AHA



assisted families. The Guide identifies the services offered by SPN organizations and other organizations which offer educational services, disability services, employment and training, homeownership counseling services, childcare, senior supportive services, and services to address mental health and substance abuse.

Resident Connection System. During FY 2005, AHA also began the development of a system to refer AHA assisted families to services and resources that will help them meet the CATALYST requirements. The Resident Connection System (RCS) also links elderly, disabled, young adults, and youth to programs and services offered through the SPN.

The RCS uses a 'Push, Pull, Lift' triage system designed to connect AHA clients to the most appropriate services. Clients who need a "push" are already prepared for workforce participation. AHA will motivate these clients to obtain employment and connect them with employment opportunities. Clients who need to be "pulled" are those who may need additional education and job training before becoming eligible for workforce participation. Clients who need to be "lifted" are chronically unemployed residents who may need case management, coaching and counseling.

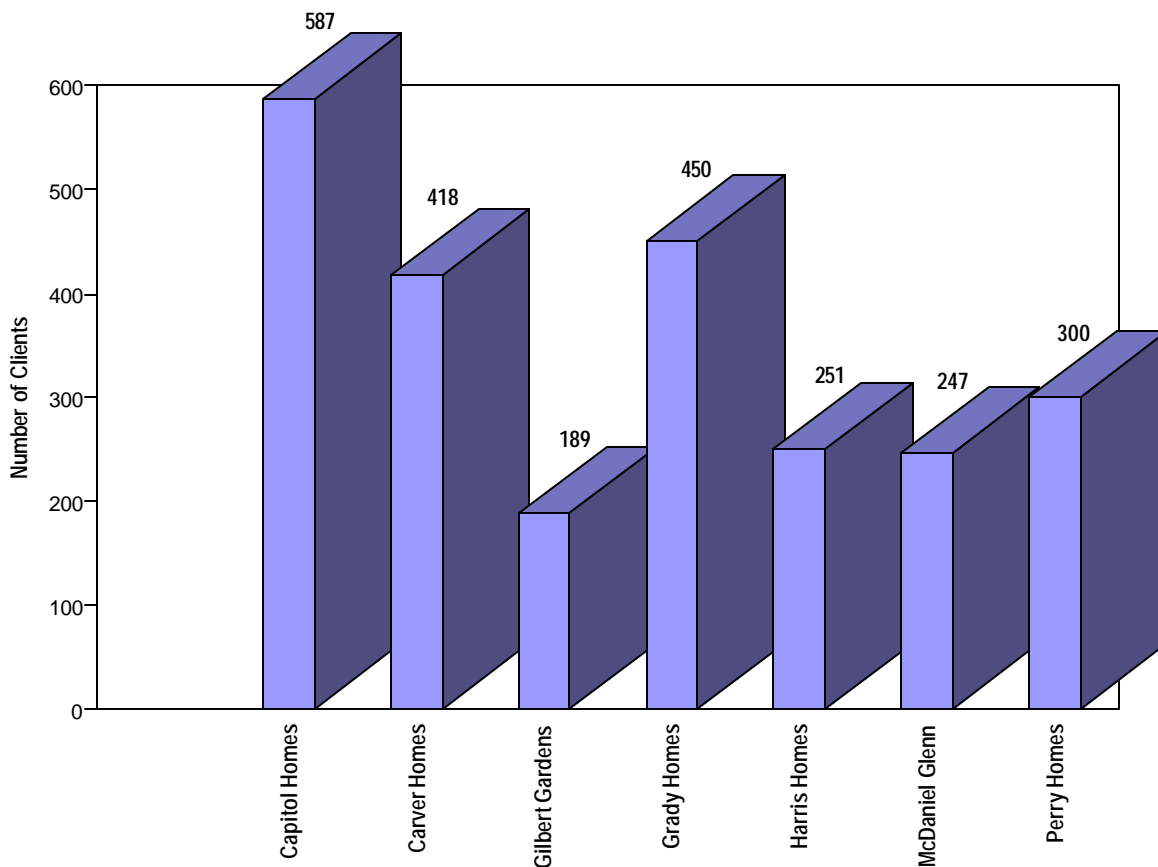
AHA and SPN member organizations work collaboratively to ensure an effective connection system for AHA assisted families. AHA identifies and recruits member organizations to the SPN based on clients needs and communicates the availability of these resources through materials like the Guide and frequent direct mail endorsements. For Public Housing residents, the PMCOs identify resident needs and refer residents to the appropriate resources. For Housing Choice participants, assessments and referrals are made by Housing Choice advisors and human service management service providers. SPN members provide the services and programs and report resident participation data and outcomes back to AHA. AHA continuously monitors the effectiveness of the system by capturing resident data reported by the SPN members and enters it into a database.

Human Services Management Program. IMS and AHA decided several years ago, that a critical component to relocating families impacted by revitalization was investing in them during the development period, so that families would have an opportunity to work through any barriers to being successful in the newly revitalized community or in their new community with the Housing Choice voucher or in another Public Housing assisted community. The Human Services Management program was designed by IMS in collaboration with AHA. This program is now offered to all families affected by AHA's community revitalization projects.



During FY 2005 through its contracts with 360vu and IMS, AHA provided coaching and counseling services to 2,300 families affected by community revitalization or, in the case of Gilbert Gardens, property disposition, with a goal of enabling them to be self-sufficient. The chart below describes family caseloads per property for during FY 2005.

FY 2005 HUMAN SERVICES MANAGEMENT CASELOADS



Homeownership Programs. Forty-three AHA-assisted families became homeowners during FY 2005. Seventy-two percent of these homeowners were participants in AHA’s two Homeownership Programs. The first program, the “Keys to Homeownership” Program is funded through HUD’s ROSS grant program and is designed to assist families to prepare themselves for homeownership. The second program is AHA’s Housing Choice Homeownership Program. This program allows families to use their Housing Choice voucher subsidy to pay for all or a portion of a mortgage payment for their first home. Families must meet certain eligibility criteria related to income and employment in order to participate in either program. In addition, AHA has a strategic relationship with Atlanta Habitat for Humanity; a non-profit ecumenical housing ministry that helps low-income Atlanta families achieve the American dream of homeownership.

FEE-BASED CONTRACT ADMINISTRATION

Under the Fee Based Contract Administration business line, AHA provides administration and project oversight of 8,129 subsidized multifamily units in privately owned properties insured by FHA. HUD contracts directly with AHA as a Contract Administrator, or indirectly through a Performance-Based Contract Administrator on a fee-for-service basis to provide the necessary and appropriate oversight of the management, occupancy, and financial aspects of these properties. AHA is also the Georgia Participating Administrative Entity under contract with HUD for rent and debt restructuring services for eligible multifamily properties under the Mark-to-Market program.

Contract Administration. As a founding member of GA HAP an eleven-agency consortium organized to provide performance-based contract administration services for HUD, AHA earns ongoing administrative and incentive fees as a subcontractor to GA HAP for conducting management and occupancy reviews of multifamily properties in Atlanta and Fulton County. As of June 30, 2005, GA HAP is responsible for a contract administration portfolio of approximately 24,000 project-based Section 8 units in Georgia and approximately 40,000 in Illinois. During FY 2005, AHA provided oversight for 7,439 units in Atlanta and Fulton County as a GA HAP subcontractor. In addition, GA HAP contracted with AHA to prepare proposals for two service areas in response to a HUD RFP seeking contract administrators for HUD's entire non-Section 8 multifamily portfolio.

AHA continued to perform as the HUD Contract Administrator for eight properties (690 apartments) under the Section 8 New Construction and Substantial Rehabilitation Program, six properties funded by 11(b) bonds issued by AHA enhanced with FHA multifamily insurance and project-based rent subsidies and two properties funded by pension fund financing unrelated to AHA. AHA earns fees for administering HUD's multifamily subsidy pass-through and monitoring regulatory compliance practices at the eight properties. Contract administration under the Section 8 New Construction and Substantial Rehabilitation Program for HUD is not performance based and fees earned by AHA through this activity are restricted in their use.

As HUD's Participating Administrative Entity (PAE) for the state of Georgia, AHA conducts rent and debt restructurings of privately-owned FHA-insured multifamily properties, or assets using the program's terminology. AHA evaluated 10 assets in various locations in Georgia for HUD's Office of Affordable Housing Preservation (OAHP). In AHA's role as a PAE it underwrites the feasibility of extending subsidy contracts by recommending a rent and debt structure for an asset that will maintain the asset's viability over a 20-year period. AHA prepares a pro forma financial analysis and makes a



recommendation to HUD/OAHP. AHA earned unrestricted administrative fees based on the asset's program designation and the level of difficulty of the restructuring.

Close-out of the Turnkey III Program. In FY 2005, AHA began the close-out of the Turnkey III Homebuyers Program (Turnkey III) which includes 21 deteriorating homes that were returned to AHA after certain Turnkey III participants failed to meet the requirements of the program. The close out strategy will address both the existing homeowners at two communities, Wildwood Lakes and Waites, and the returned properties. With respect to the existing Turnkey III homeowners, AHA will for each community (1) provide training to the homeowners association, (2) establish the association's independent governance as a 501(c) (3) nonprofit organization, (3) convey the community center building and common areas to the homeowners association and (4) create an AHA-controlled trust to fund repairs and support the long-term sustainability of the community.

AHA intends to demolish and dispose of the 21 remaining returned homes. After demolition, eighteen parcels will be acquired by Atlanta Habitat for Humanity. The three remaining parcels will be acquired by Grady Redevelopment, LLC, AHA's competitively procured developer for the revitalization of Grady Homes. Habitat for Humanity and Grady Redevelopment LLC will develop homes on these sites as part of the revitalization of Grady Homes.

FINANCIAL MANAGEMENT

AHA's budget³ consists of MTW funding sources eligible for block grant treatment and non-MTW funding sources. The MTW funding sources include Public Housing operating subsidy, Housing Choice voucher subsidy (excluding certain specially appropriated voucher programs), and Capital Funds, including Development and Replacement Housing Factor Funds. For AHA, non-MTW HUD funding sources include non-MTW Housing Choice vouchers, HOPE VI funds and Housing Assistance Payments (HAP) subsidy for the 11b program. AHA also collects rents and earns revenue associated with its real estate development, mark-to-market, and its project-based contract administration activities. Appendix H contains AHA's detailed financial information for FY 2005, including (1) AHA's Consolidated Income Statement for FY 2005 (unaudited), (2) FY 2005 Capital Project Expenditures, and (3) AHA's Consolidated Balance Sheet as of June 30, 2005 (unaudited).

IMPACT OF MTW ON AHA'S FINANCIAL POSITION

The flexibility provided by the MTW block grant allowed AHA to make significant progress in FY 2005. The funding methodology for Housing Choice vouchers included in the block grant and the fungibility between Operating Subsidy, Capital Funds, and Housing Choice Subsidy gave AHA the ability to implement new programs that will have a significant long-range impact on our ability to provide quality affordable housing to the citizens of Atlanta.

Inadequate funding for Public Housing has allowed conditions at the AHA-owned communities to deteriorate. Maintenance was not funded and the backlog of repairs grew. A lack of maintenance led to further deterioration and the tenants lost respect for the property. Crime rates climbed and not only the Public Housing community, but the entire neighborhood, decayed. As neighborhood conditions worsened, fewer and fewer working families desired to live in Public Housing in these areas.

During the last ten years, AHA has developed a seamless affordable housing delivery model in market rate communities, owned by public/private partnerships by sponsoring the creation of mixed income communities with private sector

³ The presentation of AHA's budget for FY 2005 has been modified since the submission of AHA's FY 2005 Annual Plan by separating "Operating" line items from "Non-Operating" line items. This presentation is more consistent with an approach based on Generally Accepted Accounting Principles (GAAP).



development partners. This model has been embraced and accepted by the City of Atlanta, the families, and the neighborhoods. This model has also been accepted by investors, private sector developers, financial institutions and the United States Department of Housing and Urban Development (HUD). Most importantly, the documented outcomes and improvement in the lives of the families and the impact on the neighborhoods and the City of Atlanta have been outstanding. The mixed income properties provide financial advantages, as well. In FY 2005, the average per unit monthly subsidy to mixed-income communities was \$157 compared with \$262 for the conventional AHA-owned properties when utilities are included.

One of the biggest challenges facing AHA prior to MTW was finding the funds necessary to finance the transition associated with repositioning the AHA-owned properties. The Harvard Cost Study commissioned by Congress concluded that HUD's current Performance Funding System (PFS) did not sufficiently fund PHAs to operate and maintain Public Housing properties. The results of the Harvard Cost Study showed that AHA should receive an increase in future funding, but no funds exist to address the backlog of physical needs accumulated during the years of under funding. Even the demolition and disposition of AHA's most troubled properties do not provide a financial remedy. As units come offline under our redevelopment strategy, Operating Subsidy is reduced even further. The PFS funding methodology certainly does not offer the flexibility, nor provide the funds necessary, to support our strategy to transform our properties to successful, mixed income communities. The MTW block grant largely has allowed AHA to move toward achieving its goals. It has provided the funds and the flexibility necessary for operations that are more effective and an improved housing product.

The strategic use of Housing Choice vouchers supports our transformational efforts as we relocate residents to apartments and homes in the community; we use the flexibility of the block grant and our MTW agreement to move them into high quality, healthy, mixed income neighborhoods. This has helped AHA progress in its program to deconcentrate poverty.

The flexibility of MTW and the block grant has allowed AHA to implement higher standards of responsibility for our Public Housing residents and our Housing Choice Voucher holders. AHA adopted a new Statement of Corporate Policies and a new Administrative Plan to reflect the policy changes identified in CATALYST. These policy changes included the following reforms: (1) a work requirement and (2) a minimum rent increase. These reforms had direct financial impacts. The work requirement resulted in increased income for many families, increasing their contribution to rent. At the same time, the increase in minimum rent had a similar impact. The number of minimum Public Housing renters decreased by 554 families since AHA's minimum rent policy went into effect, while the number of Housing Choice voucher households who paid the



minimum rent decreased from 2,648 to 1,958 during the twelve months of FY 2005. The combination of the results of the work requirement and the raise in minimum rent resulted in over \$1.9 million in increased rental income for Public Housing residents for the ten months in FY 2005 that the policies were in effect. The combination had a similar impact on Housing Choice. Due to these changes, coupled with voluntary or involuntary termination of voucher holders, the average monthly household total rent subsidy (HAP and Utility HAP) provided by AHA for tenants eligible for minimum rent was reduced by \$46.41 or 6.5% between June 2004 and June 2005.

AHA is also using the flexibility afforded by MTW to reset many of the financial systems and processes associated with the management of the AHA-owned properties. AHA also has made significant progress in the areas of property-based financials and property based management. All of the AHA-owned properties are managed at and out of the site by the PMCOs. AHA has no centralized management functions. Additionally, AHA has reached significant milestones as it moves to provide property-based financials. As more refinements to the systems are made, AHA will be able to provide complete financial statements for each property on a quarterly basis.

FY 2005 BUDGET EXPLANATION

The following explanations are provided for variances in the Consolidated Income Statement that are greater than \$1 million or ten percent of the budgeted amount. Explanations are also provided for certain line items with no variance where the budgets were reduced during FY 2005.

OPERATING REVENUE

- **Housing Choice Operating Subsidy (Variance of \$ 73 million or 6.2%).** Housing Choice voucher subsidy received from HUD was higher than budgeted primarily because AHA applied for and received an award of HOPE VI funded vouchers. AHA also received additional voucher increments associated with HUD Multifamily opt-outs. These opt-outs were not anticipated when the FY 2005 budget was prepared.



- **Development and Transaction Fees (Variance of \$2.9 million or 78.14%).** Adjustments in AHA's development closing schedule impacted the amount of development fees and transaction fees that AHA received this past fiscal year. AHA received approximately \$2.9 million less in fees than budgeted; however, AHA expects to earn these fees in FY 2006.
- **Other Revenue (Variance of \$1.3 million or 15.5%)**
The "Other Revenue" variance consists primarily of three items. First, AHA received \$622,563 as a result of a settlement. This revenue was not budgeted. Georgia HAP also became the contract administrator for 30,000 units in Illinois and earned \$500,000 more than budgeted as incentive fees. Finally, AHA received \$441,000 in unbudgeted revenue resulting from AHA's participation in homeownership sales at Centennial Place V. This unanticipated revenue was offset by projected revenues which were not received.

OPERATING EXPENSES

- **Administrative (Variance of \$7.9 million or 22.3%).** Several factors contributed to the variance in this category. AHA spent approximately \$1 million less than projected during FY 2005 for office automation procurement and maintenance. AHA expects to incur these costs during FY 2006. Salaries and benefits were \$1.1 million less than budgeted due to unfilled vacant positions. AHA also spent \$1.2 million less for professional services than projected during FY 2005 by deferring certain projects that required additional consulting fees or by having the work done internally by AHA staff. Legal expenses for the agency were also \$300,000 less than projected. The remainder of the variance is due to general cost avoidance throughout AHA.
- **General Expense (Variance of \$2.2 million or 18.8%).** This variance is attributable primarily to (1) \$1.7 million in contingent liability expenses and (2) a \$1.3 million Payment in Lieu of Taxes (PILOT) resulting from extensive research and negotiation with Fulton County. These expenditures were offset by a savings of \$320,196 in Housing Choice portability administrative expenses, \$112,746 in workers compensation expenses, and other savings throughout AHA.

NON-OPERATING REVENUE

- **Capital Fund - Capital Funds Program Revenue (No Variance Reported).** The Capital Funds Program is composed of multiyear capital grants, and funds are obligated to AHA by HUD as grants. Revenues resulting from such grants, however, are not recognized by AHA until the corresponding expenditures are incurred. HUD reimburses AHA for actual expenditures under the grants. Funds budgeted, but not expended, for a particular year become available to AHA in the following year. For this reason, the FY 2005 budget for Capital Funds was reduced to reflect the work that was actually performed and reimbursed during the fiscal year. When compared to the FY 2005 budget, actual Capital Fund Program revenue was \$2.7 million less than projected. Capital Fund Program revenue was lower than projected because certain capital work items at the AHA-owned properties and at AHA headquarters was deferred until FY 2006. Capital funds are not lost and remain available during the HUD expenditure period for the grant. The deferred work items are in progress and the associated revenue will be recognized as these items are completed in FY 2006.
- **Capital Fund - Development and HOPE VI Program Revenue (No Variance Reported).** The Development and HOPE VI Programs are also composed of multiyear capital grants. Such funds are obligated to AHA by HUD as grants. Similar to Capital Fund Program revenue, revenues resulting from such grants are not recognized by AHA until the corresponding expenditures are incurred. HUD reimburses AHA for actual expenditures under the grants. Funds budgeted for one year, but not expended, also become available in the following year. For this reason, the FY 2005 budget line item for Development and HOPE VI funds was reduced to reflect the work that was actually performed and reimbursed during that fiscal year. When compared to the FY 2005 Board approved budget, actual revenue was \$16.0 million less than projected. These multi-year grant funds are not lost and will be used for these developments during future periods. The initial budget for Development and HOPE VI program revenue was based on an aggressive revitalization schedule. However, the projected closing schedule for several of the development projects was adjusted due to factors outside of AHA's control.
- **Interest Income (Variance of \$0.8 million or 67.1%).** Interest income was higher than anticipated due to favorable changes in the interest rate and cash balances which were higher than expected. The high cash balances are due primarily to the additional funds received from HUD for the Housing Choice programs and disposition proceeds from a previous sale of property.

NON-OPERATING EXPENSES

- **Extraordinary Maintenance and Demolition (Variance of \$0.9 million or 36.7%).** Extraordinary maintenance at AHA properties cost \$460,000 less than budgeted during FY 2005 because of AHA's greater emphasis on preventive and routine maintenance. In addition, the Turnkey III Homebuyer Program had a demolition budget of \$252,000 in FY 2005, but this demolition has not yet been approved by HUD; therefore, no expense was incurred in FY 2005. The demolition has been deferred to FY 2006.
- **Gain or Loss on Disposal of Fixed Asset (Variance of \$4.9 million).** This variance reflects losses on AHA's fixed assets from the disposition of fixed assets at the McDaniel Glenn Main Campus (\$6.2 million) and at Grady Homes (\$1.9 million). These losses were offset by gains from the sale of land (\$3.3 million) and by gains from other smaller transactions.

CAPITAL IMPROVEMENTS AND EXPENDITURES

As noted in our FY 2005 MTW Plan, the capital needs of the AHA-owned communities continue to surpass capital funding levels from HUD. Therefore, AHA has prioritized capital expenditures during the past fiscal year based on the following criteria: (1) the health and safety of our residents, (2) security, and (3) sustaining the viability of the properties until repositioned by AHA. AHA spent approximately \$10.3 million on capital projects during FY 2005. Over 43% of AHA's capital project budget was spent on priority life and safety issues including, elevator modernization, boiler replacements, emergency generators, electrical work and balcony repair. Approximately 26% was spent for gas fired appliance repair and replacement.

MAJOR FY 2005 PROJECTS

- **Backflow Prevention.** In order to bring water supply systems into compliance with the Atlanta city code, AHA installed or upgraded backflow preventers at all AHA-owned properties that were not scheduled for demolition or disposition.
Total cost: \$1.38 million.



- **Gas Fired Appliances, HVAC, Furnace, and Water Heater Replacements.** In an effort to safeguard the health of our residents and increase efficiencies, AHA continued its FY 2004 initiative to replace or upgrade gas fired appliances, HVAC units, furnaces, and water heaters at 11 properties. **Total cost of \$2.7 million.**
- **Call Down Systems.** To enhance the security of residents, AHA installed video call down systems at seven properties and upgraded existing systems at five properties. **Total cost: \$1.8 million.**
- **Priority Life and Safety Issues.** AHA completed numerous projects which addressed priority life and safety issues at the AHA-owned properties, including elevator modernization, boiler replacement, emergency generator installation, restoration of fire damaged units, electrical work, balcony repair, and upgrades to both dwelling units and common areas. **Total cost: \$4.42 million.**

The Capital Projects Expenditures table in Appendix H reflects AHA's expenditures by property for capital projects during FY 2005. For each capital project, the table identifies (1) the initial budget for FY 2005 based on projections of HUD funding and carryover amounts for the previous year, (2) the actual budget for FY 2005 based on actual amounts received from HUD and verified carryover amounts, (3) the amount expended through FY 2005 per project and (4) the remainder balance available for FY 2006. Savings from projects that were contracted at less than the original proposed budget were reallocated to other projects. AHA also continues to be sensitive to obligation and expenditure deadlines and moved forward to obligate funds for projects that were planned for FY 2006 in order to meet these deadlines.

A number of planned projects (approximately \$1.7 million in costs) were deferred until or continued into FY 2006. These deferred projects included the video call down system for Bankhead, which was deferred to complete design studies and implementation plans. Other projects were cancelled or reduced in scope, notably, the site improvements at two family communities, University Homes and Thomasville. Approximately \$255,000 in projects originally scheduled for FY 2005 were cancelled to address other priorities. These deferrals and reductions allowed AHA to address other emergencies in its portfolio and restore fire-damaged units at Hollywood Courts, Englewood Manor, Thomasville Heights, University Homes, Jonesboro North, Leila Valley and U-Rescue Villas. New unanticipated projects are noted in Appendix H.

ADEQUACY OF RESERVES

As of June 30, 2005, AHA had working capital (reserves) of \$21,099,631 for MTW block grant accounts. On April 25, 2005, AHA's Board of Commissioners authorized AHA to establish an equity investment fund of \$12 million to support the acquisition and development of affordable housing. The remaining balance of \$9,099,631 is sufficient to support AHA's operations for FY 2006.

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