



MOVING TO WORK ANNUAL REPORT

(Fiscal Year Ended June 30, 2006)

Healthy Mixed-Income Communities

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CORPORATE MESSAGE



AHA executed its Moving to Work (MTW) Demonstration Agreement with the U.S. Department of Housing and Urban Development (HUD) on September 25, 2003 (MTW Agreement). The demonstration period began July 1, 2003 and ends June 30, 2010, unless otherwise extended. As a MTW agency, AHA has the financial, legal, and regulatory flexibility to implement local solutions to address local challenges in providing affordable housing. AHA has focused its energy and resources on fulfilling its mission and charter of providing quality affordable housing to Atlanta's citizens, and achieving its vision of *"Healthy Mixed-Income Communities."* The MTW Agreement provides relief from the provisions of the United States Housing Act of 1937, as amended, and related regulations and agreements. The authorizations contained in the MTW Agreement enable AHA to venture into collaborations and relationships that otherwise would not be possible or sustainable. The City of Atlanta is experiencing historic levels of growth. AHA's MTW Agreement has enabled AHA to be nimble and opportunistic in this robust real estate market. Partnerships with excellent private sector real estate professionals have dramatically enhanced AHA's ability to leverage Atlanta's growth and to provide quality affordable housing opportunities inside of healthy mixed-income communities.

By pursuing an innovative approach that is grounded in market-oriented business principles, AHA has created a new paradigm for delivering affordable housing. This approach acknowledges the value that quality mixed-income communities, economic sustainability, high expectations and standards and personal responsibility can have on community building and human development.

Inherent in the flexibility afforded AHA through its MTW Agreement are the tools that enhance AHA's ability to participate in and generate initiatives that promise and ultimately deliver improved quality sustainable communities. AHA's MTW strategy promotes the creation of market rate communities with a seamless affordable component; an increase in the supply of quality affordable (for sale) single-family homes; economic self-sufficiency and wealth creation; and the long-term viability of the agency. MTW will forever change the way AHA does business.

EXECUTIVE SUMMARY

AHA's MTW Agreement with HUD provides relief from the provisions of the United States Housing Act of 1937, as amended, and related regulations and agreements. AHA's FY 2006 MTW Annual Report (Annual Report) discusses the agency's performance and accomplishments using its MTW regulatory flexibility during fiscal year ended June 30, 2006. During FY 2006, AHA continued its High Performance Status providing housing assistance to 18,771 families and 19,188 assisted housing opportunities through AHA-owned family and elderly communities, quality housing in the private market, and AHA-sponsored market rate mixed-income communities owned and managed by public/private partnerships. AHA was successful toward meeting the operational benchmarks established under its MTW Agreement.

AHA's vision is ***"Healthy Mixed-Income Communities"***. AHA has established five guiding principles that govern its policies, strategies and work. The guiding principles are as follows:

1. End the practice of concentrating the poor in distressed, isolated neighborhoods.
2. Create healthy communities using a holistic and comprehensive approach to ensure 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. Support residents with adequate resources to assist them to achieve their life goals, focusing on self-sufficiency and educational advancement of their children.

AHA implements its Business Plan through four organizational business lines: (1) Real Estate Development & Acquisitions, (2) Real Estate Management, (3) Housing Choice Administration, and (4) Asset Management. AHA's corporate infrastructure, financial and reporting systems, information technology environment, and human resources activities are implemented as Corporate Support. The following sections of the Annual Report describe AHA's MTW accomplishments under each business line, financial results during the fiscal year, and overall performance outcomes.

FY 2006 MOVING TO WORK ACCOMPLISHMENTS

REAL ESTATE DEVELOPMENT & ACQUISITIONS

AHA's Real Estate Development & Acquisitions (REDA) business line is responsible for (a) facilitating the repositioning of AHA conventional public housing communities to mixed use, mixed-income communities by professional private development companies; (b) facilitating, from the public sector side, the management of the HUD grants and contract administration responsibilities, (c) on behalf of AHA, managing the interface with HUD, the City of Atlanta, and related agencies, Fulton County, the State of Georgia, the Atlanta Public Schools and other public and quasi-public bodies; and (d) interfacing with AHA's private sector development partners to facilitate the pre-development and development activities so that the goals and objectives of the Revitalization Plans and shared vision for the revitalized communities are achieved. REDA is also responsible for implementing strategies that increase the supply of quality affordable housing for low-income working families, seniors, and disabled persons including mixed-income housing and supportive housing.

Strategic Direction. In partnership with excellent private sector developers, AHA is employing a variety of strategies to increase the supply of quality mixed-income housing opportunities for low-income families and quality supportive housing for seniors and disabled persons. These strategies include but are not limited to:

- ❧ The implementation of revitalization projects utilizing and leveraging HOPE VI and other HUD development grants
- ❧ Single-family home development
- ❧ Investing MTW Block Grant Funds and/or Section 8 project-based vouchers in residential properties owned by private entities in order to facilitate the creation of mixed-income communities promoting and supporting the development and rehabilitation of housing units that are affordable to low-income families
- ❧ Acquiring properties for rehabilitation or development
- ❧ Acquiring land for future development

Over the past five years, Atlanta has been experiencing one of highest levels of real estate development. AHA's MTW Agreement provides AHA with the flexibility to be creative and nimble in this active real estate market environment in terms of leveraging its assets toward creating better housing opportunities and better outcomes for low-income families. AHA strongly believes

that a two-prong approach of investment flexibility and project-based strategizing leads to more efficiency, better outcomes for families, and enhanced operational and economical viability and sustainability of the agency. AHA is able to garner the long-term financial partnership of private investors; thereby, increasing its competitive edge within the private market ensuring the provision of affordable housing opportunities to low- and very-low income citizens.

FY 2006 Outcomes. During FY 2006, AHA, in partnership with its private development partners,

- ☞ Leveraged over \$17.5 million in Federal funds with over \$92.5 million in funds from private sources toward advancing various phases of the development of five master-planned, mixed use, mixed-income communities
- ☞ Received five tax credit awards totaling more than \$3.75 million representing at least \$37.5 million in equity
- ☞ Earned \$2.9 million in developer and transaction fees
- ☞ Established an equity investment fund with \$12 million to seek opportunities to invest in real estate for future development or sale in order to maximize return on investment
- ☞ Invested MTW Funds in two communities supporting the development of 478 mixed-income units for seniors

FY 2006 MTW ACCOMPLISHMENTS – REAL ESTATE DEVELOPMENT & ACQUISITIONS

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • AHA continues to own and operate 14 distressed and obsolete family communities ridden with high levels of poverty and crime • Administrative burden associated with intensive management of AHA-owned family communities • Need for additional quality affordable housing units in market rate, mixed-income communities • 1937 Housing Act regulations create barriers to AHA in taking full advantage of robust real estate market 	<ul style="list-style-type: none"> • MTW gives AHA flexibility to invest MTW funds and project-based vouchers in privately-owned properties • AHA's MTW Agreement establishes a streamlined development process protocol 	<p>Progress during FY 2006 under HOPE VI Revitalization Plans include</p> <ul style="list-style-type: none"> • demolished over 795 obsolete public housing units at Grady Homes and McDaniel Glenn • received five tax credit awards totaling over \$3.75 million representing at least \$37.5 million in equity • closed five deals resulting in 1,177 mixed-income units (rental and for sale) in various communities • construction commenced on 553 mixed-income rental apartments in various communities • acquired four properties totaling 12.42 acres to support the development of three mixed-income communities • completed a major land trade with College Partners, Inc., a partnership among Morehouse College, Morehouse School of Medicine, and Spelman College, in support of the development of CollegeTown at West End • constructed and sold 9 affordable and 38 market rate single family homes 	<ul style="list-style-type: none"> • Creation of quality affordable housing seamlessly in healthy mixed-income communities • AHA can be more nimble in taking advantage of robust Atlanta real estate market • AHA can enhance and strengthen its relationship with private sector developers in producing quality mixed-income housing opportunities • Improved re

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
		<ul style="list-style-type: none"> • Further streamlined development process using MTW flexibility • AHA re-engineered its Project-based Rental Assistance procurement, selection and review process and developed procedures 	
<ul style="list-style-type: none"> • Limited HOPE VI opportunities • Physical condition of current public housing portfolio • Effects of concentrated poverty 	<ul style="list-style-type: none"> • AHA is authorized to develop and adopt a reasonable policy and process for project-basing Section 8 rental housing assistance 	<ul style="list-style-type: none"> • AHA committed 429 project-based vouchers to eight mixed-income communities 	<ul style="list-style-type: none"> • Long-term commitments for affordable housing in mixed-income communities supports development and preservation • Ability to be nimble in robust Atlanta real estate market
<ul style="list-style-type: none"> • Restrictions and barriers associated with Federal funding • Inability to be flexible in investing Federal funding to create quality housing opportunities for low-income families 	<ul style="list-style-type: none"> • AHA is authorized to use MTW funds to create housing opportunities for low-income families 	<ul style="list-style-type: none"> • AHA used its MTW investment flexibility to rehabilitate and preserve quality supportive housing opportunities in two senior developments 	<ul style="list-style-type: none"> • Long-term commitments for affordable housing in mixed-income communities • Ability to be nimble in robust Atlanta real estate market
<ul style="list-style-type: none"> • Lack of sufficient supportive housing for elderly and disabled persons 	<ul style="list-style-type: none"> • MTW Agreement gives AHA flexibility to invest MTW funds and project-based vouchers 	<ul style="list-style-type: none"> • AHA began investigating strategies for developing quality affordable assisted living housing for seniors • Through the development activity at mixed-income communities and project-basing, AHA established newly constructed 478 units for seniors 	<ul style="list-style-type: none"> • Creating housing that allows seniors to age in place • Enhanced quality of life and services

REAL ESTATE MANAGEMENT

The Real Estate Management business line is responsible for overseeing the property management of AHA's conventional public housing communities by professional property management companies; providing real estate technical services; and facilitating linkages to job training opportunities and other services provided by third party professional organizations for AHA-assisted families.

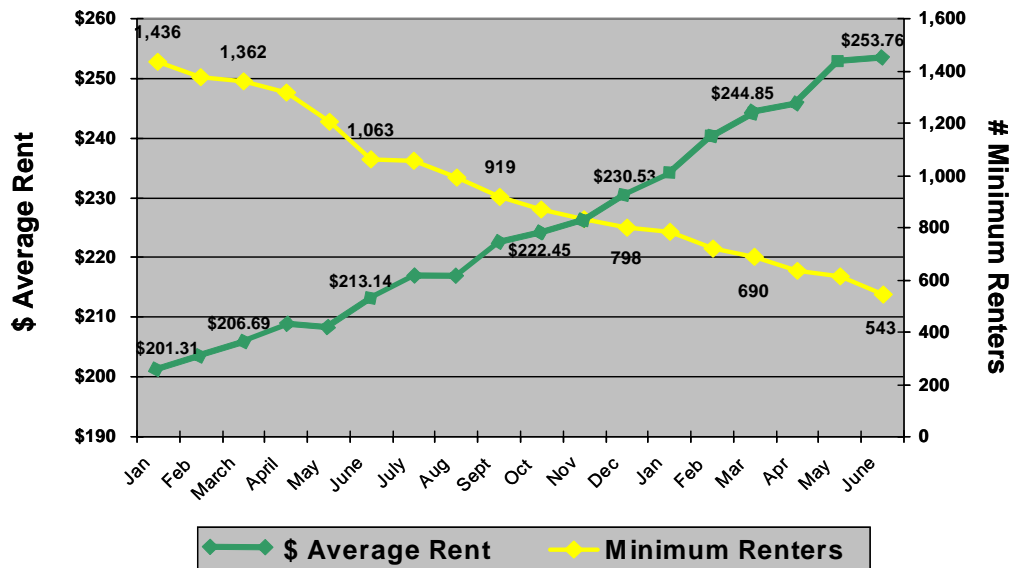
Strategic Direction. Since 2001, all of AHA-owned public housing properties including family and elderly communities are managed by professional property management companies (PMCOs). These companies are responsible for the day-to-day management functions including rent collections, property maintenance, property planning, resident services, capital improvements and other construction activities. AHA's Real Estate Management group articulates AHA's goals and objectives as owner to the PMCOs and monitors their progress in achieving those objectives. The decentralization of the management of AHA-owned properties since 1996 has enabled AHA to measure the progress toward achieving MTW Benchmarks and AHA goals and objectives by property and by management company and address them more strategically, efficiently, and financially. This strategic move has put the agency on a path to better economic viability. The AHA-owned high-rise and family communities are collectively referred to as AHA's Affordable Communities.

While AHA believes that repositioning its family communities into market rate mixed-income communities is vital to the long-term success for families and neighborhoods, AHA is implementing important policy changes to better prepare families for long term success in achieving their life goals regardless where they choose to live. Families must take personal responsibility and accept and fulfill their role in this effort. Families must embrace and be held accountable to maintaining the standards of quality set in their new surroundings and must be contributing members in these communities. This means raising the expectations and standards of personal responsibility for adults and youth; and this means eliminating the stigma of "public housing" and "public housing residents."

FY 2006 Outcomes. AHA, in partnership with the PMCOs, met and/or exceeded all of its MTW performance benchmarks for the Public Housing Program in the areas of occupancy, rent collections, work orders, and inspections. (See MTW Benchmarks report in Appendix B.)

Workforce participation at the Affordable Communities increased by 39.7% since FY 2005 and household compliance with AHA’s work and program participation requirement policy increased by 45.8%¹. The average annual income among non-elderly and non-disabled households in the Affordable Communities increased by 28.38% from \$8,485 FY 30, 2005 to \$10,893 as of FY 2006.

Since July 1, 2005, the number of minimum renters has decreased by 51% from 1,063 to 543 as of June 30, 2006. Average rent increased by 19% to approximately \$254 resulting in an additional \$2.3 million in income for AHA for the fiscal year ended June 30, 2006. This increase is primarily attributable to an increase in adults moving into the workforce. (See chart below.)



These excellent results for families and for AHA would not have been achieved without MTW flexibility.

AHA’s family policy initiatives such as the work requirement are aligned with standards set in the private sector. These policies are intended to prepare AHA’s families to live in market rate, mixed-income communities. As demonstrated in the statistics above, families are becoming more economically self-sufficient which also allows them to be more competitive within the job market and housing arenas.

¹ Excludes elderly and disabled persons/households.

FY 2006 MTW ACCOMPLISHMENTS – REAL ESTATE MANAGEMENT

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • AHA-assisted families continuing to live in a state of poverty rarely advancing off the subsidy program • Low educational achievement • Low workforce participation by AHA-assisted families • Residents not preparing themselves to graduate from assisted programs 	<ul style="list-style-type: none"> • AHA is authorized to adopt a work requirement as a condition of receiving subsidy assistance 	<ul style="list-style-type: none"> • PMCOs continued the implementation of the work and program participation requirement • At the Affordable Communities, household compliance with the work and program participation requirement increased by 45.8% • Overall resident workforce participation at the Affordable Communities increased by 35.7% 	<ul style="list-style-type: none"> • Increased household incomes • Resident self-sufficiency • Resident pay rents to cover operating costs • Increased resident workforce participation • Resident wealth building • Improved quality of life at the communities • Creating a culture of work and positive role models among AHA-assisted families and AHA-owned communities • Eliminate redundancy and duplication of resident programs
<ul style="list-style-type: none"> • Budget deficits • Insufficient contribution to rent by residents • Over 30,000 families on the Housing Choice and site-based waiting lists 	<ul style="list-style-type: none"> • AHA is authorized to re-establish and revise its rent policies upon conducting a rent impact analysis, and public hearing, and obtaining approval of its board and HUD 	<ul style="list-style-type: none"> • AHA continued the implementation of its increased Minimum Rent of \$125 (excluding elderly and disabled households) • The number of minimum renters decreased by 51% • AHA earned \$2.3 million in income for FY 2006 at the Affordable Communities resulting from increase in minimum rent and increased workforce participation 	<ul style="list-style-type: none"> • Balanced AHA budget • Increased contribution from residents towards operating costs and overhead

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Sub-optimal intake process • High crime rates at Affordable Communities • Hazards from poor unit maintenance 	<ul style="list-style-type: none"> • MTW allows AHA to change its screening and occupancy policies to align with private, real estate market principles and practices 	<ul style="list-style-type: none"> • PMCOs continued to implement consistent lease enforcement, criminal screening, and health and safety standards that were enhanced by AHA using its MTW flexibility 	<ul style="list-style-type: none"> • Improved screening • Safer environment for families • Reduced health and safety risks • Improved quality of life for residents • Improved inspection processes
<ul style="list-style-type: none"> • Housing Quality Standards (HQS) not sufficient • Fragmented inspections systems and processes • Obsolete and distressed public housing properties ridden with crime 	<ul style="list-style-type: none"> • MTW allows AHA to set its own standards above HQS using private real estate market principles and practices 	<ul style="list-style-type: none"> • PMCOs continued to implement Enhanced Uniform Physical Conditions Standards (UPCS Plus) that improved inspection standards in terms of addressing health and safety issues • AHA and PMCOs developed and began implementing additional inspection systems including Elevator, Asset Risk, and Site Security Inspections 	<ul style="list-style-type: none"> • Proactive approach to property management • Improved living environment • Improved management system and approach • Improved cost efficiencies
<ul style="list-style-type: none"> • Lack of funding to provide supportive services to assist families to transition into the workforce 	<ul style="list-style-type: none"> • AHA may combine its public housing subsidies and public housing capital funds, and its Housing Choice program assistance into a single, authority-wide funding source (“MTW Funds”) and use for purposes of carrying out the MTW Demonstration Program 	<ul style="list-style-type: none"> • Using MTW funds, AHA and the PMCOs implemented a mass marketing effort to keep families informed and connected to mainstream supportive services resources 	<ul style="list-style-type: none"> • Families have access to supportive services to assist them to transition to the workforce • Increase in resident participation in educational, job training and other supportive services programs • Creating a culture of work and positive role models among AHA-assisted families and AHA-owned communities • Eliminate redundancy and duplication of resident programs

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Rent penalties for seniors on fixed incomes 	<ul style="list-style-type: none"> • AHA is authorized to re-establish and revise its rent policies upon conducting a rent impact analysis, public hearing, and obtaining approval of its board and HUD 	<ul style="list-style-type: none"> • AHA continued the implementation of the Elderly Income Disregard 	<ul style="list-style-type: none"> • Seniors on fixed income permitted to have additional employment income without rent penalty
<ul style="list-style-type: none"> • Challenges in managing issues associated with imbalance of elderly and young disabled residents living in AHA's high-rise communities • Lack of supportive services for special needs populations, i.e. seniors and mentally disabled • Lack of HUD funding for supportive services • Poor quality of life for seniors and disabled persons 	<ul style="list-style-type: none"> • AHA is authorized to use MTW Funds to implement strategies that create and/or increase housing opportunities for low-income families, seniors and disabled persons 	<ul style="list-style-type: none"> • AHA and the PMCOs began full implementation of the 4:1 Elderly Admissions Preference that admits 4 elderly/almost elderly resident to every one young disabled resident • AHA and its PMCO for Marian Road High-rise implemented a Naturally Occurring Retirement Communities (NORC) model as a pilot for leveraging resources to provide supportive services to elderly and disabled residents living in AHA high-rise communities 	<ul style="list-style-type: none"> • Improved quality of life for residents

HOUSING CHOICE ADMINISTRATION

AHA's Housing Choice Administration business line is responsible for managing the Housing Choice voucher and relocation programs. AHA's Housing Choice voucher program provides housing choices to income eligible families in the private single and multifamily markets.

Strategic Direction. MTW is the foundation for all of AHA's voucher reform initiatives. MTW positions AHA for active participation in the private market gaining buy-in for the maximum leverage of federal dollars and securing sustainability of the Housing Choice program. Toward enhancing the Housing Choice voucher program, MTW provides 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.

AHA has and will continue to use its MTW flexibility to re-engineer the Housing Choice program. AHA wants to ensure that the Housing Choice program is managed more effectively to achieve greater efficiency, effectiveness, and sustainability 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 including:

- ❧ MTW allows AHA to align fair market rents with city of Atlanta sub-markets 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.
- ❧ 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.
- ❧ AHA's requirement that all participants enroll in and complete the Good Neighbor Program². The Good Neighbor Program provides for better integration and receptivity of the Housing Choice participants in Atlanta neighborhoods.

FY 2006 Outcomes. AHA met and/or exceeded all of its MTW performance benchmarks for the Housing Choice Program in the areas of budget utilization and planned and quality control inspections. (See MTW Benchmarks Report in Appendix B.) Workforce participation among Housing Choice participants increased by 7.4% since FY 2005. As of June 30, 2006, 4,373 (41%) of 10,774 target adults in the Housing Choice Program were either working, in a training program or in school.

² The Good Neighbor Program is a training series that prepares Housing Choice Voucher participants to transition successfully from concentrated poverty environments into healthy mixed-income communities.

FY 2006 MTW ACCOMPLISHMENTS – HOUSING CHOICE ADMINISTRATION

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Significant levels of poverty concentration created by the high absorption rate of assisted housing in impacted communities 	<ul style="list-style-type: none"> • AHA is authorized to create its own Housing Choice Program standards, business practices and procedures based on private real estate market principles and practices 	<ul style="list-style-type: none"> • AHA continued to implement people-based and place-based strategies that further the deconcentration of poverty in Atlanta’s neighborhoods³ • AHA continued to transform more of its tenant-based vouchers to project-based vouchers creating stable affordable housing opportunities inside of healthy mixed-income communities 	<ul style="list-style-type: none"> • Healthy mixed-income communities that will result in quantifiable quality of life outcome for families • Increase in number of quality affordable housing units inside of healthy mixed-income communities • Positive community response to Housing Choice Voucher program • Improved quality of life
<ul style="list-style-type: none"> • Poor quality units in high impacted neighborhoods participating in the program • Lack of effective landlord participation in management and upkeep of leased units • Poor image and acceptance of Housing Choice program in local communities 	<ul style="list-style-type: none"> • AHA is authorized to create its own Housing Choice Program standards, business practices and procedures based on private real estate market principles and practices 	<ul style="list-style-type: none"> • AHA continued to implement higher standards to ensure selection of quality units in quality neighborhoods • AHA developed and began implementation of new process for conducting inspections of multifamily tenant-based and project-based sites • AHA issued a Request for Proposal to begin a market study to assist with establishing its own Fair Market Rents (FMRs) 	<ul style="list-style-type: none"> • Increase in quality units in quality neighborhoods participating the program • Better quality living environments for families • Enhanced acceptance of program opens doors to use vouchers to create healthy mixed-income housing opportunities for families • Increased private sector participation increases mixed-income housing opportunities for AHA customers

³ People-based strategies include but are not limited to requiring and preparing non-disabled/non-elderly adults for workforce participation to increase their incomes. Place-based strategies include but are not limited to implementing standards limiting direct subsidy assistance including tenant-based, project-based and ACC units in multifamily housing to a maximum of 40%.

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Administrative burden associated with existing regulations guiding the administration of tenant-based and project-based vouchers • Poor customer service 	<ul style="list-style-type: none"> • AHA is authorized to create its own Housing Choice Program standards, business practices and procedures based on private real estate market principles and practices 	<ul style="list-style-type: none"> • AHA began re-engineering its Housing Choice back-office operations using technology to streamline operations, manage customer information, establish a call center, and deliver quality customer service • AHA implemented on-site administration of the project-based voucher program by private sector partners 	<ul style="list-style-type: none"> • Improved cost efficiencies and reduced administrative burden • Enhanced image and operation of program improves private sector acceptance and participation in the program • Improved customer service
<ul style="list-style-type: none"> • Families continuing to live in a state of poverty rarely advancing off the subsidy program • Low participant education levels • Low participant workforce participation • Participants not preparing themselves to graduate from assisted programs 	<ul style="list-style-type: none"> • AHA is authorized to create its own Housing Choice Program standards, business practices and procedures based on private real estate market principles and practices • AHA is authorized to adopt a work requirement as a condition of receiving subsidy assistance 	<ul style="list-style-type: none"> • AHA continued the implementation of the work and program participation requirement • Overall workforce participation among Housing Choice participants increased by 7.4% • As of June 30, 2006, 4,373 (41%) of 10,774 target adults in the Housing Choice Program were either working, in a training program or in school 	<ul style="list-style-type: none"> • Increased household incomes • Family self-sufficiency • Participants pay rents to cover operating costs • Increased workforce participation • Family wealth building • Improved quality of life • Creating a culture of work and positive role models among AHA-assisted families and AHA-owned communities • Eliminate redundancy and duplication of resident programs

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Rent penalties for seniors on fixed incomes 	<ul style="list-style-type: none"> • AHA is authorized to create its own Housing Choice Program standards, business practices and procedures based on private real estate market principles and practices • AHA is authorized to re-establish and revise its rent policies upon conducting a rent impact analysis, public hearing, and obtaining approval of its board and HUD 	<ul style="list-style-type: none"> • AHA continued the implementation of the Elderly Income Disregard 	<ul style="list-style-type: none"> • Seniors on fixed income permitted to have additional employment income without rent penalty
<ul style="list-style-type: none"> • Complex set of challenges associated with relocation and preparing families to be successful in private marketplace • Limited ability of families to successfully transition to new neighborhoods 	<ul style="list-style-type: none"> • AHA is authorized to create its own Housing Choice Program standards, business practices and procedures based on private real estate market principles and practices • AHA is authorized to adopt a work requirement as a condition of receiving subsidy assistance 	<ul style="list-style-type: none"> • AHA began developing/revising policies to set higher standards for families to use vouchers for residency in single family homes and for homeownership • AHA's procured contractor, Georgia State University, provided Good Neighbor training to 8,072 Housing Choice participants • AHA's contractors Integral Management Services and 360vu provided human services management assistance to 2,574 relocated families • AHA began the development and documentation of relocation policies and procedures 	<ul style="list-style-type: none"> • Participant self-sufficiency • Connection to supportive services for job training and employment • Participants prepared to be successful neighbors in private housing through Housing Choice or mixed-income communities • Connecting participants to the mainstream • Participants prepared to be successful in the workforce • Creating a culture of work and positive role models among AHA-assisted families and AHA-owned communities • Eliminate redundancy and duplication of resident programs

ASSET MANAGEMENT

AHA's Asset Management business line is responsible for the strategic and financial management of AHA's assets, real estate investments, and various business relationships. This business line is also responsible for program evaluation, compliance monitoring including fee-based contract administration activities, and policy development.

The primary focus of the Asset Management business line is management of AHA's public/private relationships with private developers for the AHA-sponsored Mixed-Income Communities. These are market rate developments with a seamless affordable component. These communities offer excellent quality of life amenities such as parks, early childhood development, retail, excellent schools, and recreational facilities that are important to providing a living environment where low-income families can achieve their full potential.

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 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.

Strategic Direction. For over ten years, AHA has been transforming the agency from a public sector/government public housing model to a private sector real estate business model. As a result, AHA has become a diversified real estate company, with a public mission and purpose to serve low-income citizens of Atlanta. The MTW relief has allowed AHA to become a more effective and efficient business enterprise. In addition, MTW has allowed AHA to further enhance its relationship with its private developers by passing along the MTW relief that AHA has by its MTW Agreement. MTW has also allowed AHA to implement strategies necessary to sustain its investments in the Mixed-Income Communities.

FY 2006 Outcomes. During FY 2006, AHA reorganized its asset management function for Mixed-Income Communities by creating a separate asset management group inside the agency. This group will manage the overall task of integrating asset management systems and business processes related to Mixed-Income Communities into an account management system that services mixed finance business relationships. An Internet-based relationship and asset management system, in many ways designed to be similar to on-line banking, will be created to track subsidies, service loans, monitor occupancy, and provide real-time data for various reporting purposes including those required by HUD for the MTCS and PIC systems.

FY 2006 MTW ACCOMPLISHMENTS – ASSET MANAGEMENT

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Inadequate rent at the Mixed-Income Communities • Double layer of tax credit and Section 9 compliance requirements at Mixed-Income Communities 	<ul style="list-style-type: none"> • AHA is authorized to pass on its MTW flexibility to its private development partners 	<ul style="list-style-type: none"> • HUD approved a disposition model for AHA’s use in converting Section 9 subsidy to Section 8 subsidy at the Mixed-Income Communities • AHA began working with the owner entity for Summerdale Commons initiating a process of disposing of the Section 9 operating subsidy under the Annual Contributions Contract (ACC) that, once accomplished, will lead to the issuance of tenant-based vouchers to residents formerly assisted with Section 9 operating subsidy funds • AHA began implementation of the Tax Credit Compliance Model eliminating duplicative compliance requirements 	<ul style="list-style-type: none"> • Enhanced sustainability of Mixed-Income Communities • Reduced administrative burden and operating costs associated with Section 9 regulatory scheme • Improved performance
<ul style="list-style-type: none"> • Environment created by 1937 Act does not allow private development partners to apply innovative methods to achieve their goals for the properties 	<ul style="list-style-type: none"> • MTW Agreement provides relief to AHA from the 1937 Housing Act • AHA is authorized as approved by HUD to pass on it MTW relief to its private development partners 	<ul style="list-style-type: none"> • Prior to FY 2006, AHA amended the Management and Operating Agreements with its development partners essentially passing along the relief allowed AHA under its MTW Agreement • During FY 2006, the owner entities began to examine 	<ul style="list-style-type: none"> • Flexibility for development partners to use innovation to meet their goals for the properties • Strengthens AHA’s relationship with the development community

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
		<p>alternative approaches to occupancy, leasing and rent policies and procedures with respect to their communities and the assisted residents or applicants. These policies and procedures include but are not limited to new rent structure (e.g. fixed rents), application and waiting list procedures, eligibility and/or suitability criteria, program/training participation requirements and term limits</p>	

FINANCIAL MANAGEMENT

The flexibility provided by the MTW block grant allowed AHA to make significant progress in FY 2006. The funding methodology for Housing Choice vouchers included in the block grant and the fungibility between Operating Subsidy, Capital Funds, and Housing Choice MTW Voucher budget allocations gave AHA the ability to implement new programs that have a significant long-range impact on AHA's ability to provide quality affordable housing to the citizens of Atlanta.

Strategic Direction. AHA is continuing to transform its financial management system in alignment with best practices in private sector real estate companies. Long before HUD required property-based accounting, AHA instituted a project-based accounting and management system under which full financial statements are issued for each AHA-owned property. By establishing a real estate asset management function in the agency, AHA is also changing its financial interface with its private development partners in alignment with private sector asset management practices. In addition, AHA continues to implement further improvements using technological solutions for financial reporting which will ultimately allow AHA to produce quarterly financial statements by business line. AHA is using financial analysis to inform its business decisions and a fee-for-service methodology to charge a fixed rate to federal grants and programs for administration and overhead.

FY 2006 Outcomes. During FY 2006, many of the MTW reforms that AHA is implementing had a direct or indirect impact on improving cost effectiveness and efficiency of the agency including but not limited to the following:

- ❧ The flexibility of MTW has allowed AHA to implement higher standards of responsibility for our Public Housing assisted residents and Housing Choice Voucher participants. These 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. AHA earned \$2.3 million in additional income for FY 2006 resulting from increased minimum rent and workforce participation at the Affordable Communities
- ❧ AHA's investments in tenant education programs, including the Good Neighbors program, have improved relationships among tenants, their neighbors, their landlords, and AHA. Enhanced real estate inspections have improved the quality and safety of our tenant's homes. This new paradigm, coupled with increased use of Project Based

Voucher communities will increase the stability of voucher holders, reducing turnover and related expenses.

- ☞ AHA's emphasis on deconcentrating poverty also has financial impacts. As we eliminate lower quality housing stock from the Housing Choice program, available housing for voucher holders will become more expensive. At the same time, however, by setting market rents rather than using a metropolitan FMR, AHA can fine-tune the appropriate rents and Housing Assistance Payment (HAP) subsidies, resulting in savings in some cases.
- ☞ As AHA continues to leverage technology, it will see increased efficiencies. AHA's Housing Choice reform promises to provide not only increased service to tenants and landlords, but also produces financial economies. The project-based approach to AHA-owned public housing assisted properties continues to allow the agency to optimize the funds available.

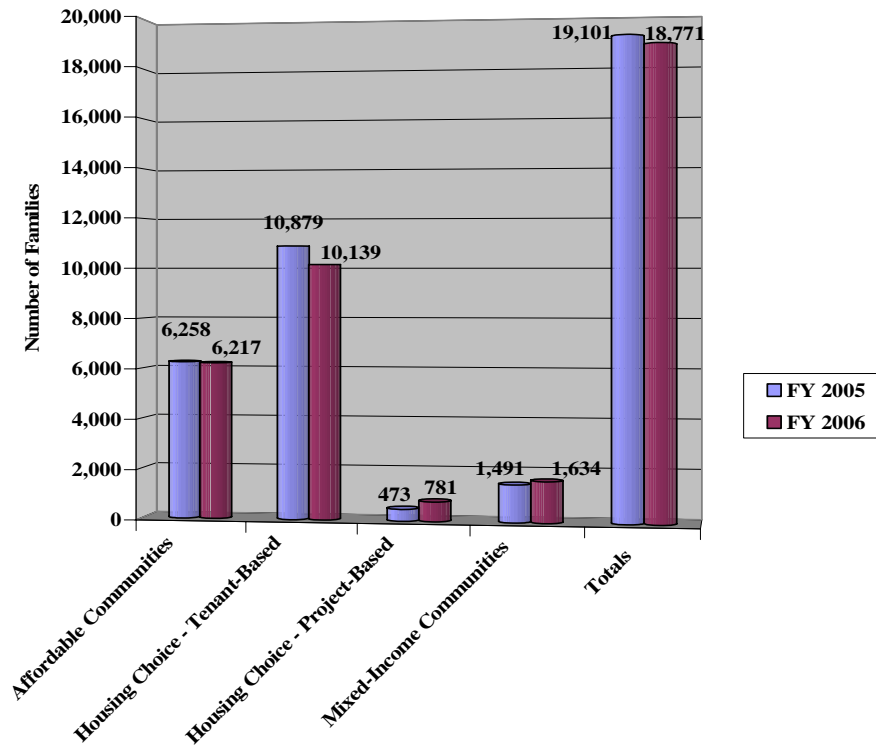
Many of the financial impacts of AHA's participation in the MTW Demonstration Program will not be fully realized immediately, but will have significant influence on the agency's financial well-being in years to come. Nevertheless, the combination of MTW activities and AHA's revitalization efforts continue to have a positive impact on AHA's bottom line. The following condensed financial statements demonstrate the increase in Net Assets.

FY 2006 MTW ACCOMPLISHMENTS – FINANCIAL ACCOMPLISHMENTS

Local Challenge	MTW Relief	FY 2006 Accomplishments	Benefits
<ul style="list-style-type: none"> • Budget deficits • Conflicting requirements among Federal funding sources 	<ul style="list-style-type: none"> • AHA may combine its public housing subsidies and public housing capital funds, and its Housing Choice program assistance into a single, authority-wide funding source (“MTW Funds”) and use for purposes of carrying out the MTW Demonstration Program 	<ul style="list-style-type: none"> • Because of the flexibility to combine HUD MTW vouchers, low income operating subsidy and capital funds into a single fund and use to implement AHA’s approved MTW plan, AHA was able to fund the implementation of its Business Plan 	<ul style="list-style-type: none"> • AHA is able to be nimble in robust Atlanta real estate market • AHA is able to fund vital programs with MTW funds • Implement new strategies because of MTW relief, such as acquisition • Eliminate program redundance
<ul style="list-style-type: none"> • Realignment of financial resources to support AHA repositioning program while maintaining existing commitments • Analysis needed to inform decision making 	<ul style="list-style-type: none"> • AHA is authorized to use MTW funds to reduce costs and achieve greater cost effectiveness in federal expenditures. 	<ul style="list-style-type: none"> • AHA continued the implementation of its Fee for Service Methodology for allocating a fixed rate to HUD grants and programs for administration and overhead 	<ul style="list-style-type: none"> • Improved cost efficiency

PERFORMANCE HIGHLIGHTS

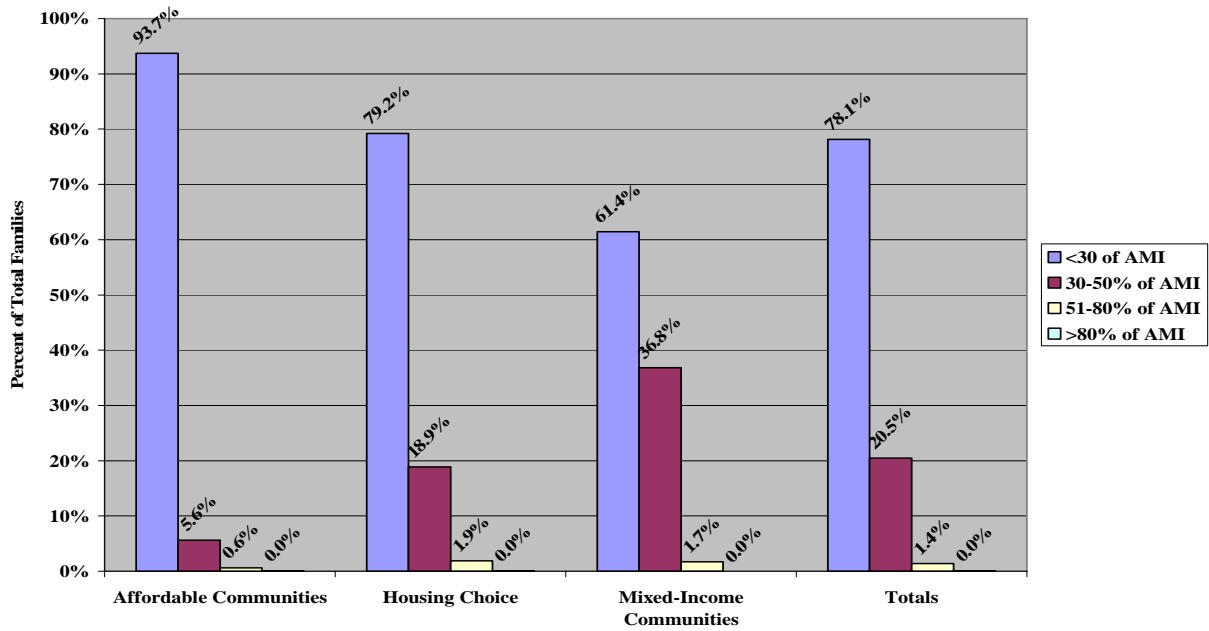
FAMILIES SERVED



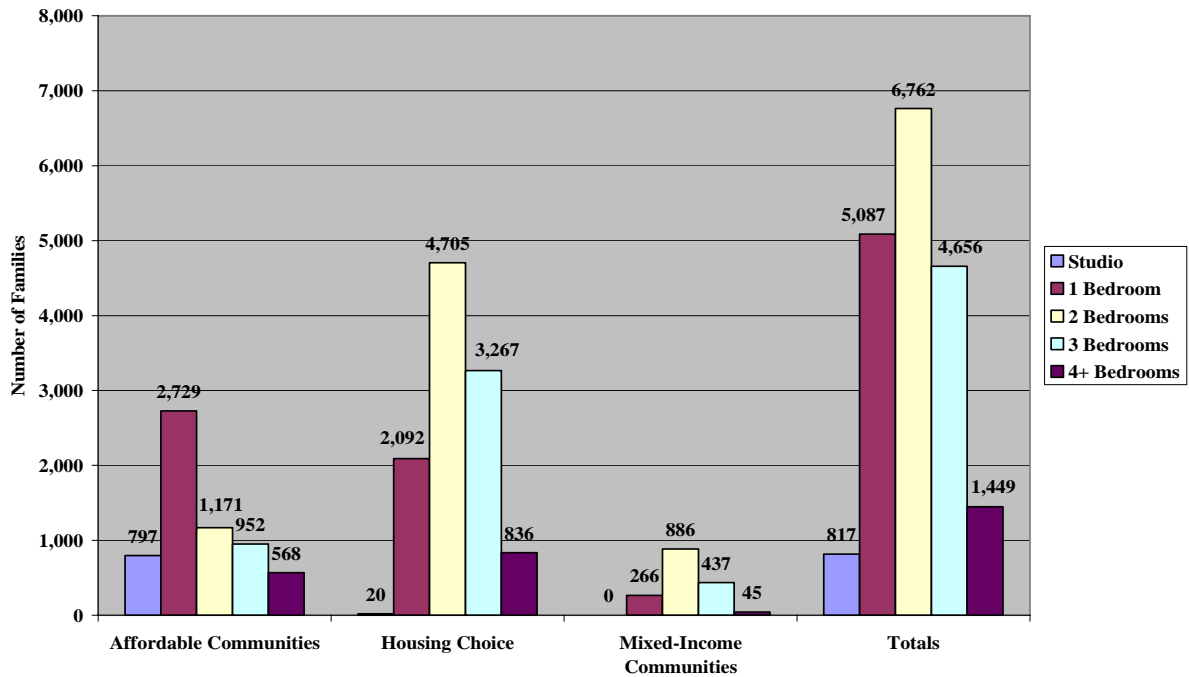
AHA continues to serve substantially the same number of families as served prior to MTW. AHA's strategy is to serve more families in healthy mixed-income communities through AHA-sponsored market rate mixed-income communities created by private sector developers under AHA's strategic development program and by committing Section 8 project-based vouchers to privately-owned properties. There was a slight decrease of families served since June 30, 2005, which is primarily attributable to terminations due to more consistent lease enforcement and improved policy standards.

FAMILIES SERVED

FAMILY INCOME PROFILE

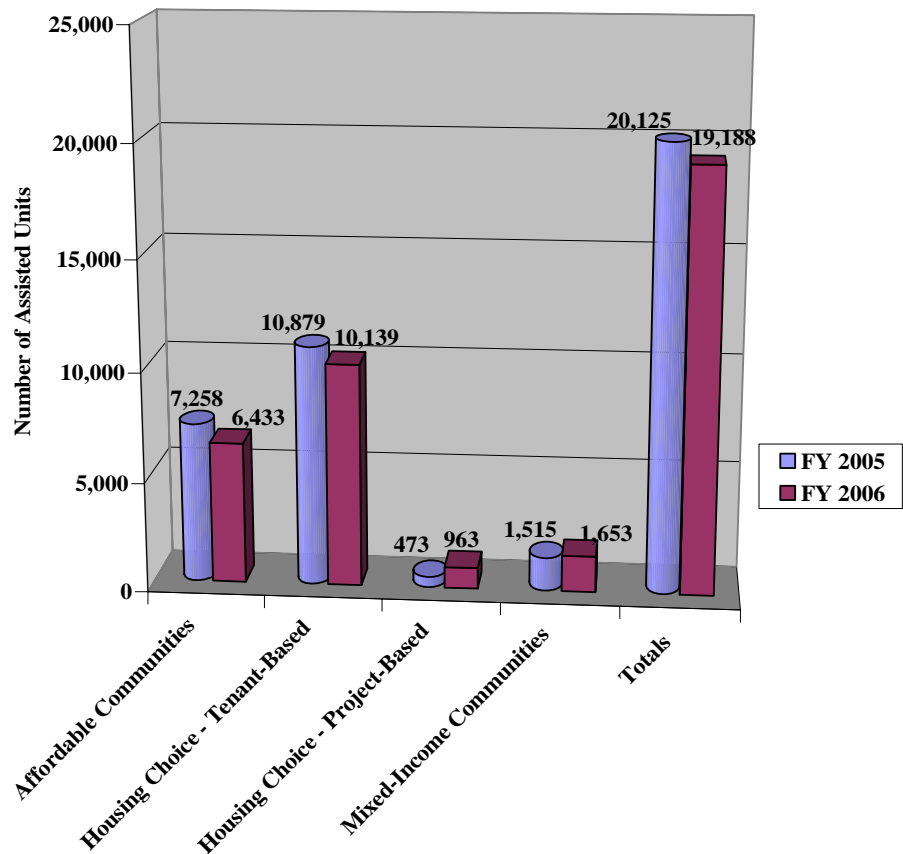


FAMILIES BY BEDROOM SIZE



Over 98% of families served by AHA are very low-income (50% or below of Area Median Income). Also, AHA continues to serve the same comparable mix of families by size as prior to its MTW Agreement.

HOUSING OPPORTUNITIES



Consistent with its Business Plan, AHA is continuing to transform its conventional public housing properties into healthy mixed-income communities. Toward this goal, as of June 30, 2006 there was an overall reduction of 936 units since June 30, 2005 due to (1) demolition of 495 units as part of the revitalization of Grady Homes, and (2) demolition of 306 units as part of the revitalization of McDaniel Glenn. Additional reductions are attributable to: (1) the demolition of 24 units due to fire damage and environmental conditions, (2) unit terminations related to evictions under the Housing Choice program due to consistent enforcement of improved policy standards, and (3) unit terminations due to program turnover vouchers that have been committed as additional project-based vouchers in lieu of tenant-based vouchers.

FY 2006 MTW BENCHMARKS REPORT CARD⁴

Performance Measure	Baseline	FY06 Target	FY06 Outcome
Public Housing Program			
% Rents Uncollected	2%	≤2%	1%
Occupancy Rate	98%	≥98%	99%
Emergency Work Orders Completed or Abated in <24 Hours	99%	≥99%	99%
Routine Work Orders Completed in < 7 Days	5 Days	100% (≤7 Days)	100% (1.6 Days)
% Planned Inspections Completed	100%	100%	100%
Housing Choice Program (Section 8)			
Budget Utilization Rate	98%	≥98%	98%
% Planned Annual Inspections Completed	98%	≥98%	98%
Quality Control Inspections	≥1.4%	≥1.4%	7.6%
Community and Supportive Services			
Resident Homeownership	6	70	37
Resident Workforce Participation	6,415	7,415	9,567
Finance			
Project Based Financing Closings	N/A	3	N/A

⁴ See details with definitions and explanatory notes in Appendix B.

ACCESSIBILITY AND 504/ADA

Since the fall of 1994, AHA has been addressing the problems associated with concentrated poverty through its strategic development program with the intent of providing affordable housing opportunities in healthy mixed-income communities in the City of Atlanta. Since that time, AHA has been implementing a comprehensive program to reposition all of its conventional public housing communities: (a) primarily through revitalization of distressed public housing communities in partnership with excellent private sector development partners and creating mixed-use, mixed-income communities; (b) land banking; or (c) sale. As a consequence, AHA's mix of affordable housing resources has changed from approximately 14,300 public housing assisted units in AHA-owned communities and 4,500 Section 8 certificates and vouchers as of December 31, 2004 to approximately 7,258 public housing assisted units in AHA-owned communities, approximately 1,515 AHA-assisted units in mixed-income communities owned by third party private/public partnerships and approximately 11,352 housing choice vouchers as of June 30, 2005.

During the 2005 fiscal year, AHA commenced a strategic program of converting its tenant-based Section 8 vouchers to ten-year project-based vouchers with the intent of using such vouchers as a development tool. As of June 30, 2006, AHA has executed with private owners (a) housing assistance payment contracts or (b) agreements to enter housing assistance payment contracts relating to approximately 1,361 units in mixed-income communities. AHA has also committed project-based vouchers to an additional 1,355 units in mixed-income communities.

Because all of the mixed-income communities have been financed in part with (a) equity from the sale of low-income housing tax credits and (b) federal housing development funds, such communities are required to meet the requirements of the fair housing laws.

AHA intends to continue to meet the need in the City of Atlanta for accessible affordable housing for disabled persons with accessible housing needs in AHA-assisted units in mixed-income communities (regardless of whether the subsidy assistance is provided under Section 9 or Section 8 of the U.S. Housing Act of 1937, as amended), through appropriate contractual relationships with the private owners and, where appropriate and financially feasible, in AHA-owned properties, recognizing that such properties are undergoing transition.

MTW BENCHMARKING STUDY

AHA has engaged a leading scholar in urban economic and housing issues to conduct an objective, third-party assessment of AHA in its role as an MTW-designated agency. Dr. Thomas D. Boston, principal of Boston Research Group, Inc. and a professor at Georgia Institute of Technology, is assessing AHA's progress in achieving its MTW goals and objectives through 2010. In this section, Dr. Boston summarizes his findings under the baseline report completed in March 2006, a complete copy of which is in Appendix D.

Executive Summary of the MTW Benchmarking Study by Dr. Thomas D. Boston

Objectives and Method

The MTW Benchmarking Study provides a comprehensive picture of the socio-economic status of all AHA assisted families and the neighborhoods where they lived when *CATALYST* was initiated in 2004. Forty-six percent of the 18,934 AHA assisted families received site-based housing assistance through the operation of nine AHA-sponsored Mixed-Income Communities, 17 high-rise communities, 16 family communities, and five project-based voucher developments. The remaining 54% of assisted families used Housing Choice Vouchers and lived in neighborhoods throughout the City of Atlanta and surrounding suburban communities of North Fulton County, South Fulton County and Clayton, Cobb, DeKalb, Douglas, Fayette, Gwinnett, and Henry Counties. To illustrate the socioeconomic status of families at the 47 housing developments and 31 geographic locations, the Benchmarking Report measured 109 variables. Included among those variables were measures of the performance of housing assisted students at neighborhood elementary schools.

Major Conclusion

The Benchmarking Study found compelling evidence that the socioeconomic status of families and the school performance of public housing assisted children are highly correlated with the quality of the neighborhood where they resided. That is, families and children who lived in better neighborhoods achieved the most positive socioeconomic outcomes.

Detailed Findings

Over the last 10 years, AHA has made significant strides in repositioning families so that they could have access to quality affordable housing in neighborhoods of greater opportunity. AHA achieved this by constructing public housing eligible units in mixed-income environments, increasing the use of Housing Choice Vouchers, improving the quality of high-rise and family developments, and increasing the number of project-based vouchers. As a result, ten years ago

over two-thirds of AHA-assisted families lived in conventional public housing projects (i.e. affordable communities). By 2004, only 22.3% of families lived in affordable communities. In contrast, 54% of assisted families used housing vouchers, 6.4% lived in mixed-income communities (signature properties), 16.2% resided in high-rise communities, and 1% lived in project-based voucher developments. Among the population of families using vouchers, 68% lived in the City of Atlanta while 32% lived in suburban communities of Metropolitan Atlanta.

Consistent with its objective, AHA repositioned families away from neighborhoods characterized by concentrated poverty and towards neighborhoods of greater economic opportunity, higher performing schools, and lower violent crime rates. For example, the average poverty rate for census tracts in neighborhoods where affordable properties are located is 55%. In contrast, the poverty rate for neighborhoods where mixed-income communities are located is 36%; it is 30% in neighborhoods within the City of Atlanta where families used vouchers and 9% in suburban neighborhoods where voucher were used. Similarly, while the rate of violent crimes in affordable communities decreased by 44% over the last decade; it is still almost twice the rate of violent crimes in mixed-income communities and in communities where voucher recipients live.

One of the most important measures for MTW benchmarking studies is the size and characteristics of the target population. The target population consists of adults in assisted households who are between the ages of 18 and 61 years and do not have a disability that will prevent them from working. By implementing effective policies, it is anticipated that an increasingly larger share of the target population will become employed or enter programs that will enhance their movement towards self-sufficiency over time. In 1995, only 14% of AHA assisted heads of households who lived in affordable communities and just 12% of household heads who use vouchers were employed. By 2004, the employment rate among the target population in affordable communities was 26%. However, the employment rate was 41% for adults who used vouchers and lived in the City of Atlanta, 45% for voucher holders who lived in suburban communities, and 63% for those who lived in signature communities⁵. In summary, the employment rate among the target population varied significantly with the type of housing assistance they received and the quality of the neighborhood where lived.

The average earnings of employed adults and median household income of assisted families followed a pattern that was similar to the employment rate. That is, employed adults who lived in mixed-income communities earned \$15,821 annually while those who lived in affordable communities earned \$11,585 annually. Annual earnings for voucher holders who lived in the City

⁵ AHA-sponsored mixed-income communities are also referred to as Signature Communities.

of Atlanta and those who lived in suburban communities were \$14,218 and \$16,292 respectively. Median household income for persons who lived in mixed-income communities, affordable communities, voucher communities within the City of Atlanta, and voucher communities in suburban communities was \$13,938, \$8,209, \$11,055, and \$12,892, respectively. Again, the results show that earnings and income were higher in better neighborhoods. Because of this, assisted families who lived in higher quality neighborhoods were able to pay a larger portion of their monthly rent, were less dependent on public assistance and were therefore more self-sufficient. While the average monthly rent paid by all assisted families was \$217 in 2004, it was \$152 for families in affordable communities and \$299 for families in mixed-income communities. Average monthly rent paid by vouchers holders who lived in the City of Atlanta was \$234, while families who lived in suburban communities paid \$258. Similarly, while 14% of all AHA assisted households received public assistance, only 8% of households in signature communities received assistance while 22% of households in affordable communities did; 16% of households who used voucher in the City of Atlanta received public assistance while 11% of voucher holders in suburban communities did.

During 2003, a total of 462 families were terminated from AHA housing assistance: 19% of these 462 families were terminated because of the death of the head of household, 14% were terminated because of the critical illness of the head of household, 9% were terminated because the unit in which they lived was undergoing modernization (these types of terminations primarily affect voucher holders), 45% terminated assistance because they found housing in the private sector, 5% were terminated because of their involvement with drugs, and 8% were terminated because they abandoned their rental housing.

To measure terminations across different housing developments and different types of housing assistance, we expressed terminations as a rate by calculating the number of termination per 1,000 persons in the development. Overall, the termination rate because of death was 6.4 per 1,000 persons who received housing assistance. However, the rate was 4.1 at signature communities, 6.4 for affordable communities, and 0.1 for families using vouchers in the City of Atlanta. As expected, it was much higher (18.0) in high-rise communities because the majority of the population that lived in those communities was elderly or disabled. However, the higher termination rate that occurred at affordable properties as opposed to mixed-income communities and among voucher holders requires further investigation. This is because the percent of elderly and disabled persons who lived in affordable communities was lower than the percent in signature communities or the percent using vouchers in the City of Atlanta; i.e. 8%, 11% and 9% respectively.

To complete the benchmarking study for 2004, we worked with the Atlanta Public School System (APS) Information Management Division over an extended period to gather data on the performance of public housing assisted students in the 3rd and 5th grade at neighborhood elementary schools. The data allowed us to measure the performance of all students in neighborhood schools and the specific performance of public housing assisted children within those schools. The analysis revealed that there were 2,131 public housing assisted students in the 3rd and 5th grades and they attended 60 of the 69 elementary schools in the APS System. Public housing assisted students comprised 22% of all 3rd graders and 21% of 5th graders.

The report examined student performance on the Iowa Test of Basic Skills (ITBS) in math, reading, science, and social science. As a national standardized test, ITBS ranks the performance of students as compared to a national norm. The score indicates the percentile ranking of students against all students taking the test. For this study, the test results are based on the academic year 2003-2004. The overall percentile score for schools in neighborhoods where AHA-assisted students resided was as follows: math, 40; reading, 38; science, 34; and social science, 38. The percentile score for AHA-assisted students at those schools was as follows: math, 37; reading, 31; science, 30; and social science, 35.

The performance of schools and the performance of AHA-assisted students varied significantly by the quality of the neighborhood. For example, the performance of schools serving signature communities was as follows: math, 50; reading, 48; science, 45; and social science, 50. Likewise, the performance of public housing assisted students attending schools in signature communities was as follows: math, 46; reading, 41; science, 40; and social science, 45. In contrast, the performance of schools serving affordable communities was as follows: math, 36; reading, 34; science, 30; and social science, 33 while the performance of public housing assisted students who lived in affordable communities was: math, 33; reading, 28; science, 27; and social science, 31. Finally, the performance of schools attended by students whose families were recipients of housing vouchers was as follows: math, 43; reading, 41; science, 36; and social science, 41 while the performance of public housing students on vouchers was: math, 40; reading, 33; science, 32; and social science, 36.

The Benchmarking Study illustrated that along numerous dimensions neighborhood environment and socioeconomic status are highly correlated and that families and students who live in better neighborhoods achieved better socioeconomic outcomes. The study confirmed the fundamental hypothesis of AHA that “Environment Matters.”

CONCLUSION

From a national perspective, the Moving to Work Demonstration Program (MTW) and HOPE VI Public Housing Revitalization Program (HOPE VI) have been, by far, the most instrumental national initiatives reshaping how America provides affordable housing assistance to its low-income citizens. From a local perspective, without these two programs, AHA would not have achieved the accomplishments that it has over the past 12 years in transforming its distressed public housing communities into healthy mixed-income housing opportunities where families of all economic, racial and cultural backgrounds can thrive.

Since the creation of the HOPE VI program, AHA has been at the forefront of the national effort to transform obsolete and distressed public housing into healthy mixed-income communities. To date, AHA with excellent private sector developers has sponsored and completed construction of 4,582 mixed-income rental apartments in 12 new market rate, mixed-income communities. In addition to the completed work, approximately 553 mixed-income rental apartments are currently under construction and approximately 3,905 additional mixed-income rental apartments and 1,546 for-sale homes (market rate and affordable) are planned for completion by June 30, 2010. Upon completion of currently funded revitalization initiatives, AHA will have sponsored the development of over 9,040 mixed-income multifamily rental residential apartments, of which approximately 77% (6,999 units) will be affordable including 36% (3,261 units) reserved for families eligible for public housing assistance. An investment leverage of more than one-to-seven will have been achieved, with over \$300 million of public housing development funds (including \$166 million in HOPE VI funding) producing over \$2 billion of new investment in once-distressed neighborhoods.

Leveraging the lessons learned and best practices of HOPE VI revitalization and using private sector strategies since the Fall of 1995, AHA is using MTW as a strategy to institutionalize the best practices and continue to make improvements and innovations. The MTW Demonstration Program provides AHA with the opportunity to continue to fulfill its vision and to transform and improve its affordable housing delivery system into a system that creates better housing opportunities and better outcomes for AHA's families. With its MTW flexibility, AHA now has the enhanced ability to address local issues with local solutions. 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 housing choice 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 Study⁶, 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 that must be incurred during the development period. These transition costs are not fully covered or recognized by HUD with transitional subsidy. 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. MTW has allowed AHA to use private market business strategies and establish policies that promote work and advance families toward economic self-sufficiency.

The complexities inherent in the federal regulations of the Housing Act of 1937 are being overcome through the efficient use of HOPE VI funding and MTW flexibility. Existing dilapidated public housing developments in the city of Atlanta are being transformed from their dire straights into healthy communities where families and whole cities begin to flourish. As Congress deliberates on the fate of MTW, HOPE VI, and other vital housing funding streams, they must consider the incredible transformations evidenced in families and communities as a result. As funding shortages are realized, employing MTW flexibility allows AHA to use pioneering innovation and private sector real estate practices to build more affordable units in quality neighborhoods – helping families to break the generational cycle of living in poverty and its associated consequences.

The devastation caused by undoing all that has been done through MTW is inconceivable. Vibrant mixed-income neighborhoods would result to additional pockets of poverty, not in just one area of the City but throughout the City of Atlanta. Local partnerships and private investments would

⁶ On May 12, 2000, Harvard University's Graduate School of Design entered into a [Cooperative Agreement](#) with the United States Department of Housing & Urban Development to conduct a nationwide study to determine the appropriate cost of operating well-run public housing.

deteriorate. Mistrust in the federal and local government's commitment to affordable housing would soar. Restructuring the processes, policies, procedures, and systems currently in place would wreak havoc on a multitude of levels from federal to local. The amount of money currently invested will have been wasted and an incredible amount would be needed to revise or try to sustain other systems currently in place just to try move back to the old rules and regulations. MTW also enables AHA to recognize and meet the challenges in serving the elderly and disabled populations; through waivers, affordable assisted living and in providing a continuum of housing opportunities. The political rain accompanying the questions surrounding MTW cannot wash away the fact that the old system does not work!

With its HOPE VI funding and MTW flexibility, AHA has designed a process that works inside the private market. The new vision of affordable housing includes the participation of more than federal funding. It includes private investors, public school systems, retail businesses, and working families. During FY 2006, AHA used over 98% of its budget allocation ensuring the provision of affordable housing, preserving and upgrading existing public housing, and helping residents to become self-sufficient. AHA has made the paradigm shift in the way housing is provided to low-income citizens and has integrated a seamless process for successful sustainability.

As families become more self-sufficient and move to independence AHA is able to serve more people. The changing definition and connotation of public housing to affordable housing is building an affinity towards involvement by local governments, schools, businesses, and even citizens themselves. Actualizing an increase in income because of flexibility of MTW due to families paying more rent, being able to revitalize communities, reposition, and manage assets differently is the bottom line to serving more families and steering them into becoming homeowners and moving off assistance.

REFERENCE NOTES

The information presented in the Annual Report including its appendices should be read in connection with the following reference notes. Unless otherwise specified, all information provided in this Annual Report is as of June 30, 2006.

1. **Mixed-Income Communities.** AHA provides Section 9 subsidy to support housing opportunities in 13 mixed-income communities. The mixed-income communities are market-rate communities with a seamless affordable component. Typically, 30% - 40% of the units are reserved for Public Housing eligible households. 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 (Owner Entity) formed between an affiliate of AHA and AHA's procured private sector development partner. The private developer acts as the managing general partner. The mixed-income communities are managed by private management companies typically affiliates of the development partner. AHA provides a housing assistance payment with Section 9 funds to each Owner Entity, which is calculated to pay the difference between the operating costs for the Public Housing Assisted Units and the residents so that the Public Housing Assisted Units operate on a break-even basis. As of June 30, 2006, 12 of the 13 mixed-income communities had public housing assisted units that had reached EIOP (End of Initial Occupancy Period).

2. **AHA-Owned Communities.** AHA is the owner of 32 communities, 17 high-rise communities and 14 family communities⁷. These communities are managed by professional third-party management companies procured by AHA and referred to as PMCOs. There are two types of AHA-owned communities:
 - A. **High-Rise Communities** - High-rise communities are properties where the heads-of-household are (1) elderly (62+), (2) almost elderly (55-61) or (3) disabled.

⁷ The 14 family communities exclude the John Hope Model Building, a six-unit residential facility remaining from the revitalization of John Hope Homes into The Village at Castleberry Hill. These units are pending HUD approval of AHA's demolition application.

B. **Family Communities** - Family communities are properties where the heads-of-household are (1) non-elderly and non-disabled, (2) elderly or (3) disabled.

3. **Public Housing Assisted (PHA) Units** - Public Housing Assisted Units include units at the AHA-owned communities and the units reserved for Public Housing assisted eligible households at the Mixed-Income Communities.

4. **Housing Choice Program** - AHA's "Section 8 Voucher Program" or "Leased Housing" program is referred to as AHA's Housing Choice Program. AHA provides both project-based Housing Choice voucher assistance and tenant-based Housing Choice voucher assistance.