



# Atlanta Housing Co-Investment Fund Initiative Loan Products Requirements and Guidelines

*As of September, 2023*

## Background

Atlanta Housing's first strategic goal is to create and preserve affordable housing in a growing market by developing healthy, market-rate quality, mixed-income communities and attract a diverse population at all income levels. To facilitate this strategic goal, AH's Co-Investment Fund Initiative, established in 2019, is designed to collaborate with and assist qualified developers to increase affordable housing development in accordance with its mission and strategic goals.

AH's Co-Investment Fund Initiative offers financing products to provide short term, permanent, gap financing, and/or participation in public-private partnership opportunities. AH's loan products are issued at competitive rates to finance a portion or all acquisition, construction, or renovation of mixed-use or residential mixed-income developments. These are designed to be used in conjunction with conventional financing, bond financing, or other sources of capital for predevelopment and site development costs, and to construct, rehabilitate and/or preserve residential housing and mixed-use developments. Accessing the fund is by invitation only, following a preapplication approval process which is open to the public. This assures that project and financing proposals meet the program guidelines.

## Products

### Acquisition & Ground Lease

Atlanta Housing may acquire properties for the purpose of creating or preserving affordable housing (up to 80% AMI). Properties can be vacant land, occupied or unoccupied, commercial or residential, but must be within the city of Atlanta and tied to a development that meets project guidelines. Preferences for acquisition include projects in areas defined in location priorities, below, of low poverty and amenities of opportunity and projects targeting families at or below 30% AMI. Occupied properties will require adherence to federal HUD Relocation regulations of current occupants.

In the case of rental development in order to support the development, AH may partner with the developer to purchase the land at the time of financial closing. In such circumstance AH will enter into a long-term ground lease with an applicant (developer/ownership entity) for a negotiated term and amount, contingent upon the development's projected pro forma performance. Lease fees are based on the structure of the deal, and amount of affordability proposed, ranging from a nominal amount to appraised market value prorated based on levels of affordability. The Ground Lease may be a lump sum paid at the time of closing or assessed annually.

### Construction Loan

AH makes available construction loans in tandem with other lenders, for new construction, or rehab of existing housing, to lower the cost and expedite the delivery of affordable housing. Loans are typically expected to be repaid from bridge or permanent financing, for a period of up to 36

months, or 90% stabilization. Minimum loan limits of \$250,000 apply and may be converted to a bridge or permanent financing. Program guidelines apply.

### Bridge Loan

Occasionally projects experience unexpected delays, which can raise project costs. AH offers bridge loans to cover timing gaps between construction and permanent phases. These loans are secured by the property, or personal guarantees. AH bridge loans are issued during construction and may extend beyond the permanent closing. Minimum loan limits of \$250,000 apply; may be converted to a permanent loan. Program guidelines apply.

### Permanent Loan

AH permanent loans are available to provide financing for construction or bridge financing for AH projects. Permanent loans must pay out AH acquisition, construction, or bridge loans. Minimum loan amounts are \$250,000, with 30 year amortizations, depending on the number of affordable units, and terms of affordability. Program guidelines apply.

## Program Guidelines

Atlanta Housing lending products are available to provide financing for the development of new or substantial rehab, existing or adaptive reuse of mixed-use or residential, rental or for-sale, multifamily, single family for family or senior households earning up to 80% area median income (AMI). AH anticipates that these funds will be used in conjunction with conventional financing, bond financing, Low Income Housing Tax Credits or other private and/or public financing. These terms and guidelines are intended to provide general guidance when considering partnering with Atlanta Housing on the Co-Investment Fund

### Eligible Projects or Developments

- Acquisition of vacant land in support of a development closing or buildings, vacant or occupied<sup>1</sup>;
- New construction or rehabilitation of mixed-income, mixed-use developments;
- Rental or homeownership units;
- Adaptive reuse and conversion of an existing building to residential units;
- No more than 50% of units may be set aside for households at or below 80% AMI for multifamily rental or for-sale housing projects, or up to 100% set aside for households at or below 80% AMI whose head of household is 55 or older;
- AH loan funds may only be applied to residential uses; ineligible uses of HUD funds include commercial components of mixed-use developments, financing fees, legal fees, loan interest, operating or lease up reserves, developer fees, AH loan fees; federal funds cannot be used to pay off pre-existing debt.
- Under certain circumstances, AH investment may be used to fund infrastructure costs incurred after financial closing.

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<sup>1</sup> AH will support the acquisition of occupied buildings on a limited basis and only if project budget supports compliance with the Uniform Relocation Assistance (“URA”) requirements as managed by the Developer.

## Location Priorities

AH may provide financing to only those projects located in Atlanta, within the following priority areas:

- Properties within a 1-mile radius of AH-owned revitalization sites;
- Properties in census tracts designated as being in danger of experiencing displacement or gentrification risk;
- Properties in census tracts with <40% poverty AND 50% non-white population;
- Properties in census tracts over 100% AMI for Atlanta MSA;
- Transit-oriented development as defined by Georgia Department of Community Affairs<sup>2</sup>;
- Properties located in the Beltline Overlay District.

## Project Preferences

While the program offers flexibility, there are priorities and preferences that maximize AH's ability to accomplish key strategic goals. These include:

- A minimum of eight affordable multi-family rental units, or five affordable homeownership units;
- Preservation of existing affordable housing units or naturally occurring affordable units;
- Projects providing supportive services for residents, such as services targeting seniors and youth;
- Sustainable- certified energy efficiency and resilient design;
- Projects that do not require project-based subsidies (project-based vouchers may be available on a case-by-case basis);
- Projects are anticipated to close within 12 – 18 months.

## Mandatory Underwriting Requirements

When including AH investment in the project financial structure, keep these guidelines in mind, many of which are federally mandated when using HUD funds from public housing authorities.

- Co-Investment funds are limited to \$60,000 per affordable unit;
- Loan amounts cannot exceed HUD Housing Construction Costs, or HUD Total Development Costs<sup>3</sup> as confirmed by a subsidy layering review<sup>4</sup> and can only support financing for units to be available to households earning up to 80% of HUD Area Median Income
- Affordability restrictions of 30 years, or coterminous with AH investment (whichever is longer);
- AH's proportionate investment in the financing structure can be no greater than the percent of affordable units;
- Project must evidence funding need within construction or operating phases, for which an investment from Atlanta Housing will allow the project to proceed;
- Rents for affordable units may not exceed those affordable to households earning up to 80% Area Median Income (AMI)<sup>5</sup>;

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<sup>2</sup> <https://www.dca.ga.gov/safe-affordable-housing/rental-housing-development/housing-tax-credit-program>

<sup>3</sup> [https://www.hud.gov/sites/dfiles/PIH/documents/TDCs\\_2022.pdf](https://www.hud.gov/sites/dfiles/PIH/documents/TDCs_2022.pdf)

<sup>4</sup> <https://www.federalregister.gov/documents/2023/03/13/2023-05045/administrative-guidelines-subsidy-layering-review-for-project-based-vouchers>

<sup>5</sup> <https://www.huduser.gov/portal/datasets/fmr.html#2023>

- 20% - 35% or higher MBE/WBE/DBE/Section 3 contract values within the Total Development (hard and soft) Costs;
- Loans are evidenced by promissory notes, secured by personal securities or deeds, and shall require land use restrictions.

## Other Requirements

All AH investments must be approved by the AH Board of Commissioners and HUD and must meet due diligence and feasibility requirements prior to approval, including but not limited to, Phase I/II environmental assessments, SHPO review and HUD Environmental Part 50 or Part 58 Review, Market Appraisal, Site and Neighborhood Standards analysis, Zoning Certification, Compliance with Design and Accessibility Requirements, and Title search requirements. These processes take time. Below is a summary review of those requirements, some of which may be processed concurrently.

### Accessibility and Design Requirements

Any project receiving AH federal funds must be constructed in accordance with Section 504 of the Rehabilitation Act of 1973, or the 2010 ADA Standards for Accessible Design with exceptions noted at FR-5784-N-01 "Nondiscrimination on the Basis of Disability in Federally Assisted Programs and Activities"<sup>6</sup>, the Architectural Barriers Act (ABA), Title II of the Americans with Disabilities Act (ADA), the Fair Housing Act and Atlanta Housing. This is estimated to take three to six months.

The design of the project, including the layout of units, must comply with accessibility requirements specifically at 24 CFR and any other requirements which apply to the specific project. PHAs must submit the following architectural plans with the required information reflected on the plans or separately provided to HUD:

- **Site Plans:** exterior private spaces, public recreational areas, location of trees to shade walks, parking areas, etc.
- **Building Plans:** show the location, type, and mix of accessible and visitable units
- **Exterior Elevations and Building Sections:** identify materials on walls and roof areas
- **Unit Plans:** show the livability of the spaces within the dwelling unit by providing adequate floor area for furniture and circulation spaces
- **Energy efficiency/green design**

For additional information, see [https://www.hud.gov/sites/documents/DOC\\_8993.PDF](https://www.hud.gov/sites/documents/DOC_8993.PDF).

### Environmental Review

A HUD environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it meets federal, state, and local environmental standards. The environmental review process is required for all HUD-assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users. Not every project is subject to a full environmental review (i.e., every project's environmental impact must be examined, but the extent of this examination varies), but every project must be in compliance with the National Environmental Policy Act (NEPA), and other related Federal and state environmental laws. Developers are advised to anticipate up to six months for the environmental review process to be complete. For more information, see

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<sup>6</sup> <http://www.gpo.gov/fdsys/pkg/FR-2014-05-23/pdf/2014-11844.pdf>

<https://www.hudexchange.info/programs/environmental-review/>.

### **Labor Standards**

All projects receiving federal funds are required to use Davis Bacon wages.<sup>7</sup>

For guidance and applicability, see <https://www.dol.gov/agencies/whd/fact-sheets/66-dbra>.

For prevailing wages, see <https://sam.gov/content/wage-determinations>.

### **Section 3**

The Section 3 program requires that “recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons.”<sup>8</sup> One of AH’s key strategic targets is to “create economic opportunity for AH families and minority businesses by achieving 35% participation in eligible contracts for minority-, women-, and disabled business (M/W/DBE) enterprises, including resident-owned small businesses.” Development partners are encouraged to comply with Section 3 goals to the greatest extent possible.

## **AH Participation**

AH may participate in development opportunities as either the General Partner entity of a limited partnership owner/developer entity, or the Managing Member entity of a limited liability company. AH equity may range from 20% - 75% of the partnership. Cash flow distributions will be negotiated among the members of the GP entity/Developer, assuming AH shall receive no less than the pro rata share of AH's investment in the development. Atlanta Housing prefers a First Right to Purchase the general partnership interest at the end of a LIHTC 15-year compliance period, and the First Right to Purchase the LIHTC investors interest.

All funding awards are subject to funding availability and AH discretion. Upon satisfactory completion the requirements, AH will seek Board and HUD authorization to close based on submission of documentation and will move forward expeditiously to financial closing.

## **Submission Instructions**

1. Download the Pre-Application Form from the AH website or reach out to **Coinvestment@atlantahousing.org** for a form;
2. Complete and submit form and attachments to **Coinvestment@atlantahousing.org**. Only applications submitted through this email will be considered.

## **For more information**

Contact **Coinvestment@atlantahousing.org**.

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<sup>7</sup> <https://www.dol.gov/agencies/whd/government-contracts/construction>

<sup>8</sup> <https://www.hud.gov/sites/dfiles/FPM/documents/Section-3-FAQs.pdf>