

The Affordable Housing That's Hidden in Plain Sight

By Maggie Lee, Saporta Report, July 30, 2018

Atlanta's creating more luxury apartments than low-cost ones, which is part of why many people worry that the age of an affordable Atlanta is coming to an end. But what might be a big part of an affordable housing fix is hidden in plain sight.

What's called "naturally occurring affordable housing" is complexes or buildings where the rent is low enough to house a family that's on the lower end of the income ladder, without a subsidy. "NOAH" tends to be older or more modest housing than some things out there. Maybe it's far from shopping or transit; but for whatever reason doesn't attract folks who have enough money to have a lot of choices.

But there are a lot of things that kill NOAH.

One is renovations that might drive up prices: say high-dollar countertops or deluxe appliances installed for upmarket appeal more than practicality. Another is knocking down NOAH for more lavish structures.

There's also NOAH that's neglected by its owners, or can't attract the rents for maintenance. Or even landlords who ask for a lot more than their crummy properties are worth when a mission-driven developer shows up.

Atlanta City Councilman Andre Dickens sees the first, the price-raising renovations, happening in places like Cheshire Bridge, Lenox, Lindbergh and lately, beginning along the southwest BeltLine.

Rents are creeping up around West End, he said, as landlords start to do things like replace window units and carpet with central air conditioning and hard flooring.

And anyone can see deteriorated apartment complexes, especially in parts of south or southwest Atlanta, boarded up and becoming more expensive to rehabilitate by the day. Dickens sees a good deal for the city if it helps fix up those buildings.

"Your money goes a lot further with preserving the naturally occurring affordable housing" than with subsidies on a new build, said Dickens.

But rehabs and preserving affordable housing isn't exactly easy money.

Rehabs have some complications, said Bruce Gunter, president of [Civitas Housing Group](#), who has a long resume in both for-profit and non-profit development, including rehabs.

Redoing older apartments is a higher-level skill set, Gunter said. For example, estimating costs is more difficult — you need a pro to evaluate, say, if the heating or some other expensive system can be saved or must be replaced.

“It’s easier to get guys out there with the blueprints and a flat site and just throw up something new,” he said.

And depending on the jurisdiction, building codes might require expensive retrofits. Certain financing deals and tax credits also favor new construction over certain rehabs, Gunter said.

Margaret Stagmeier, a founding partner at [TriStar Real Estate Investments](#), and dubbed the “compassionate capitalist” in an Atlanta Journal-Constitution [article](#), has a model that has made renovations pay — in more ways than one.

One of her projects in Clarkston has been renovated such that rent is affordable for folks at or below the poverty line. Some of the profit is plowed back into an on-site nonprofit that provides services like after-school programs, summer activities, community gardens and a partnership with a health clinic.

The point is to keep kids from having to move all the time and keeping them healthy enough to learn.

It’s profitable, but asked why more people don’t do what she does, Stagmeier doesn’t pause for a second.

“There’s a lot of money in it if you don’t do what I do,” she said.

And right there is the nub of the question that Atlanta, its neighbors, its nonprofits, foundations may start to ask: is it worth setting up policies to encourage landlords to keep their units both livable and affordable?

[A new study](#) from Harvard researchers on metro Atlanta for [Enterprise Community Partners](#) says that preserving NOAH has potential to house families who make about 30 percent to 80 percent of area median income.

That means a family of four, for example, making roughly about \$22,500 to nearly \$60,000. (That figure varies with family size. [See here for more on AMI and family size.](#))

In metro Atlanta, many such families are paying more than half of their income on rent. The paper has nearly a dozen recommendations on preserving NOAH in neighborhoods that have the most “neighborhood opportunity” as well: good schools, jobs, transit and other amenities.

“The market is really heated right now, especially the class C” stock, the NOAH stock, said Sara Haas, senior program director, southeast, at ECP. ECP does many things;

among them is providing expertise to field partners that are working on affordable housing. Another is policy research, like the paper.

There are several recommendations in the paper. Among them are training for would-be NOAH buyers or managers, a NOAH acquisition fund with investors that would accept below-market-rate returns, streamlined zoning for NOAH, tax abatements for landlords who preserve affordability, and other things.

“While it’s not publicly supported now, at the end of the day this is a math equation and we’re going to have to pay for affordability at some level,” said Haas. “Whether that’s through lower-cost capital, whether it’s through identifying opportunities in property taxes, we have to offset the cost of affordability at some point in that equation.”

Some of the things in the paper are public policy changes, but public and private partners both are addressed throughout the report. It’s not government alone that’s going to preserve NOAH — if it’s to be preserved. Haas said it’s going to take public partners, private partners, banks, philanthropists and more to take all those resources to scale.