



# Southeast Preservation Academy

**Session 9:**  
*Navigating Rehabilitation and  
Sustainability of SMMF  
Properties*

May 21, 2024



# Today's Agenda

- |                    |   |
|--------------------|---|
| <b>10:00-10:05</b> | <b>Welcome and Framing</b>              |
| <b>10:05-10:30</b> | <b>Rehabilitation Overview</b>          |
| <b>10:30-10:45</b> | <b>Atlantica Properties Case Study</b>  |
| <b>10:45-11:00</b> | <b>ARRC Capital Partners Case Study</b> |
| <b>11:00-11:20</b> | <b>Q + A Session</b>                    |
| <b>11:20-11:30</b> | <b>Academy and Session Closeout</b>     |

# What is Preservation Next?

Preserving Affordability in Small to Medium Multifamily Properties and Protecting Residents from Displacement

Solutions at the intersection of renter and owner stability to promote an eviction prevention-first approach



Through **Preservation Next**, Enterprise is committed to preserving affordable small to medium multifamily homes and ensuring that residents have access to safe, healthy, and resilient places to live.

To truly preserve these homes and protect affordability for residents now and into the future, we must:

- Protect existing affordability where it currently exists.
- Provide housing stability and prevent displacement of existing residents and families.
- Invest in healthy, sustainable, and resilient homes.
- Foster responsible stewardship by mission-aligned owners.

Small and medium sized properties provide a crucial foundation for affordable housing in this country: 80 percent of homes in these buildings are available to people who earn less than 80 percent of the area median income

# Southeast Preservation Academy

October 2023 –  
May 2024

Recordings:



Dates	Sessions	
October 17, 2023	<u>PART 1: Defining the Opportunity</u> Understanding Small/Medium Multifamily	
November 14, 2023		Organizational Sustainability and Business Planning
December 5, 2023		Property Identification, Evaluation, and Acquisition
	<u>PART 2: Preparing for Preservation</u>	
January 16, 2024	Preservation Development Models	
February 6, 2024	Policy Impacts on Preservation and Housing Stability	
March 26, 2024	Financing SMMF Preservation (In-Person)	
	<u>PART 3: Tackling a Project</u>	
April 9, 2024	Sustainability, Resilience, and Health for SMMF	
April 30, 2024	Property & Asset Management	
May 21, 2024	Navigating Rehabilitation and Sustainability	

# A Special Thank You to the Funders of Preservation Next

**Mackenzie Scott**



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Charles M. and Mary D. Grant Foundation



# Meet Our Preservation Next Team

Preserving Affordability in Small to Medium Multifamily Properties and Protecting Residents from Displacement



**Meaghan Vlkovic**

**ENTERPRISE, VP AND MARKET LEADER, SOUTHEAST**

Meaghan leads Enterprise's programmatic work in the Southeast region, focused on providing an array of resources to affordable housing and community development partners. This includes capacity building assistance for proactive preservation and production of housing, and helping communities plan for future development, such as transit-oriented development opportunities.



**Elizabeth Richards**

**ENTERPRISE, SENIOR PROGRAM DIRECTOR**

At Enterprise, Elizabeth leads program development and delivery for the National Preservation Next program. Elizabeth has 20+ years of experience funding and managing nonprofit community development organizations, implementing local, city-level and cross-market initiatives, and delivering policy and finance solutions for affordable homes and communities.



**Gabriella Lott**

**ENTERPRISE, SOUTHEAST FELLOW, HOUSING PRESERVATION AND PRODUCTION**

At Enterprise, Gabriella supports the Southeast Market Office's preservation, coordinated investment, and faith-based development programs. She also helps to organize the Southeast Market Office's collaboration with community-based organizations, public agencies, and affordable housing developers.

# Meet Our Guest Speakers

Navigating Rehabilitation and Sustainability of SMMF Properties



## Darion Dunn

**CO-FOUNDER AND MANAGING PARTNER, ATLANTICA PROPERTIES**

Darion is the co-founder and managing partner of Atlantica Properties, a vertically integrated real estate investment and asset management company in Atlanta with a mission to empower individuals by establishing thriving, holistic communities.

Darion began his career as a real estate investor in 1998 acquiring and rehabilitating single-family and multifamily properties. His experience includes working as a project manager for civil engineering firms, where he was responsible for managing transportation, infrastructure and capital improvement projects. Darion also has served as the Director of Capital Improvements and Planning for the Buckhead Community Improvement District, managing projects for one of the most dynamic regions in the Southeast.

Darion's experience as a real estate investor, professional engineer, and community leader gives him a unique perspective as the principal of Atlantica Properties.

# Meet Our Guest Speakers

Navigating Rehabilitation and Sustainability of SMMF Properties



## Richard Taylor

**MANAGING PARTNER, ARRC CAPITAL PARTNERS**

Richard's career spans years of private equity investing, M&A advisory and strategic corporate advisory. He has successfully executed transactions totaling billions of dollars in deal value and advised both publicly- and privately-held companies on mandates ranging from distressed asset sales to tax-efficient M&A structuring.

Prior to Founding ARRC, Richard worked as an investor at NextGen Growth Partners, a lower-middle market private equity fund specializing in majority buyouts. He focused on deal execution and ongoing portfolio management. Prior to NextGen, Richard worked as an investment banker at Robert W. Baird, where he specialized in M&A advisory and strategic corporate advisory. Prior to Baird, Richard worked as an investment banker at Raymond James.

In addition to his private sector experience, Richard has also worked in the public sector, including in municipal finance investment banking at Raymond James and municipal fixed income sales and trading at Morgan Keegan.



# OVERVIEW OF REHABILITATION

# Rehabilitation Overview

1

Determining the Scope of Rehabilitation

2

Budgeting for Rehabilitation

3

Managing the Rehabilitation Process

# Rehabilitation Overview

1

Determining the Scope of Rehabilitation

2

Budgeting for Rehabilitation

3

Managing the Rehabilitation Process

# An Overview for SMMF Rehabilitation

## Determining the Scope of Rehabilitation

### Rehab Is a Substantial Cost

- Often older properties with deferred maintenance
- Improvements needed for safety and environmental quality for residents
- Updates needed for major building systems and energy efficiency, resiliency, and reconfiguration
- Need to determine scope and assemble a competent team.

### Key Questions

1. What are the **highest priorities** you will need to address?
2. Are there ways to **minimize the impacts on residents** and avoid displacement or long-term relocation?
3. What **regulatory considerations** impact your rehabilitation plan and decisions?
4. How will the options impact the **cost and financial feasibility** of the rehabilitation?

# Assessing Property Conditions

## Determining the Scope of Rehabilitation

Professional inspection and in-depth examinations include...

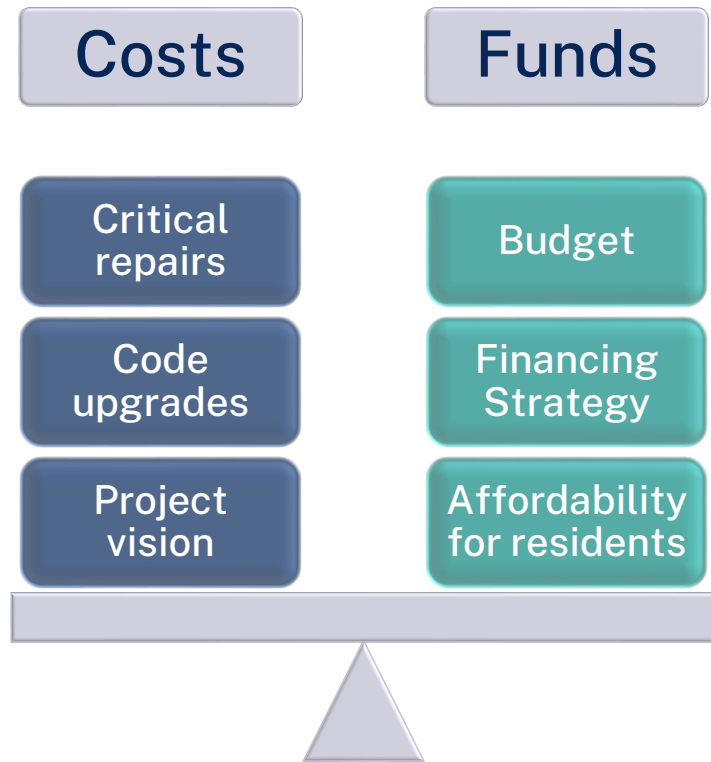
- Interior and exterior improvements and building **structure and systems**.
- Immediate, medium and long-term **repair and rehabilitation needs**.
- Review of **important documents**, such as evidence of code violations to address.
- A **cost analysis** over the next 12-20 years for all major repairs and replacements (informs the rehab plan and the scale of your replacement reserve).

Example property conditions assessment standards used by funders:

- [Project Capital Needs Assessment](#) (PCNA) (*used by HUD*)
- [Physical Needs Assessment](#) (PNA) and [Property Condition Report](#) (PCR) (*used by Fannie Mae and Freddie Mac*)
- [Capital Needs Assessment](#) (CNA) (*used by USDA Rural Development and many state housing authorities*)

# Setting Priorities

Determining the Scope of Rehabilitation



## High priority items, as a hierarchy:

- Life safety.
- Immediate repairs and deferred maintenance.
- Immediate needs that affect building operations and costs, such as improving utility efficiency.
- Immediate or intermediate needs that impact quality of life and aesthetics.
- Intermediate needs that will cost more to repair later or have the potential to create more significant costs if they fail before replacement.

# Rehabilitation Overview

1

Determining the Scope of Rehabilitation

2

Budgeting for Rehabilitation

3

Managing the Rehabilitation Process

PRESERVATION NEXT

# Sample Rehab Budget Excerpt

## Budgeting for Rehabilitation

	Construction System	Condition			Action	Timing		
		Good	Fair	Poor		Now	Short Term	1-12 Years
3.1.1	Water Drainage and Retaining Walls	X	X		Repair		\$10,000	
3.1.2	Site Access, Parking, Pavement		X	X	Refurbish		\$22,500	\$7,800
3.1.3	Sidewalks, Curbing, Site Steps, and Ramps		X		Replace	\$15,200		
3.1.4	Landscaping, Fencing, Signage, Site Lighting		X	X	Refurbish	\$2,000	\$25,990	
3.1.5	Utilities	X			None			
3.1.6	Other Site Structures	X			Inspect for water leaks		\$1,500	
3.2.1	Foundations	X			None			
3.2.2	Framing	X			None			
3.2.3	Cladding	X	X		Refurbish		\$35,010	\$35,010
3.2.4	Roof Systems		X		Refurbish		\$228,000	
3.2.5	Appurtenances	X	X		Refurbish		\$15,000	\$12,000
3.2.6	Doors and Windows		X		Replace		\$5,100	\$91,000
3.3.1	Plumbing Systems and Domestic Hot Water	X			Replace			\$4,640
3.3.2	Heating, Cooling and Ventilation	X			Replace		\$2,000	\$27,500
3.3.3	Electrical Systems		X		Replace	\$4,000	\$70,000	
3.3.4	Security		X		Repair		\$500	
3.3.5	Fire Protection and Life Safety Systems		X		Repair	\$2,750		
3.4.1	Down Units		NA		None			
3.4.2	Apartment Unit Finishes	X			Refurbish			\$9,000
3.4.3	Apartment Kitchen and Bathrooms	X			None			
3.4.4	Apartment Appliances	X			Replace			\$23,100
4.1	Moisture and Microbial Growth	X			None			
<b>Totals</b>						<b>\$23,900</b>	<b>\$415,600</b>	<b>\$210,050</b>

Summary	Today's Dollars	\$/unit	
Short-term Repairs	\$415,600	\$7,556	
	Today's Dollars	\$/SF	\$/SF/Year
Replacement Reserves, today's dollars	\$210,050.00	\$3,819	\$318
Replacement Reserves, w/12, 2.5% escalation	\$237,322.74	\$4,315	\$360



# Primary Cost Contributors

## Budgeting for Rehabilitation

### Large variations in cost and scope

#### Light rehab:

- Minor repairs & cosmetics
- As little as \$10,000 per unit.

#### “Gut rehab”:

- Major repairs, remodeling, system replacements, and space reconfigurations
- Often \$80,000+ per unit.

### Key Scope Elements:

- Typical maintenance vs **major renovations** and reconfiguration
- Major building **systems** that need upgrading (roofing, electrical, mechanical, plumbing, drainage)
- **Accessibility** features for common spaces or units.
- **Disaster resilience** features (seismic, hurricane, or others), but also a substantial risk mitigant.
- **Structural** problems
- **Relocation** of residents
- Major **environmental remediation** (Lead-based paint, asbestos, mold)

# Health Hazards – Costs to Remediate

Budgeting for Rehabilitation

Two common health and safety concerns for properties built before 1978: *asbestos* and *lead-based paint*

	<i>Asbestos</i>	<i>Lead-Based Paint</i>
<b>Inspection:</b>	\$600-1,200	\$300-500
<b>Removal:</b>	\$12-18/linear foot	\$10-18/square foot
<b>Encapsulation:</b>	~\$6/linear foot	~\$5/square foot

# Rehabilitation Overview

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# Regulatory Considerations for Rehab

Managing the Rehabilitation Process

## Parking Requirements

*for a minimum number of spaces per unit*

## Nonconforming Structures

*that no longer meet zoning requirements*

## Building Code Requirements

*such as adding sprinklers*

## Allowed Density

*under zoning, especially if you plan to add units*

## Accessibility

*to comply with the Americans with Disabilities Act*

## Disaster Resilience Requirements

*including special zones, requirements, or incentives*

## Local Labor Requirements

*such as local hiring or wage requirements*

## Rent Regulations

*including rent controls and stabilization regulations*

# Engaging Existing Residents

Managing the Rehabilitation Process

**Knowledge and Insight**  
*on the building and  
how it's used*

**Information Sharing**  
*with those directly impacted*

**Primary Users**  
*after rehabilitation*

**When and How?**  
*Depends on your project*

# Developing a Rehab Plan

Managing the Rehabilitation Process

## ***8-Step Plan:***

1. Identify **immediate or urgent needs** you will need to address
2. Check **intermediate needs** to address in the next 3-10 years
3. Determine relevant **regulatory considerations**
4. Identify which **green or healthy building and resilience** priorities to include
5. Decide if you need an **architect** and drawings
6. Consult with your **general contractor** on scope
- 7. Engage existing residents** to discuss and understand their priorities
8. Determine which rehab scope elements create **efficiencies** and should be included

# Enterprise Green Communities and Health Tools



[Enterprise Green Communities Criteria](#)

[Health Action Plan Toolkit](#)

[POAH's Trauma Informed Housing](#)

[Enterprise Affordable Housing Decarb Hub](#)

[Enterprise Grants - Summer 2024](#)



Identify your hazard exposure

Assess your risks

Determine your resilience strategies

Implement resilience strategies

[Portfolio Protect](#)

[Building Protect](#)

[Multifamily Strategies for Building Resilience](#)

[Business Continuity](#)

[Keep Safe Florida](#)

[Keep Safe: A Guide for Resilient Housing Design in Island Communities](#)

[Funding Resources Guide](#)

[Keep Safe Florida](#)

[2020 Enterprise Green Communities Criteria](#)

[Business Continuity](#)

[Multifamily Strategies for Building Resilience](#)

[Keep Safe Florida](#)

# Technical Resources

[www.enterprisecommunity.org/resources/climate-risk-reduction](http://www.enterprisecommunity.org/resources/climate-risk-reduction)



# ATLANTICA PROPERTIES CASE STUDY



# Preservation Next Southeast Academy: Navigating Rehabilitation of SMMF Properties

Presented to:



Founded in 2010, Atlantica Properties is a vertically integrated real estate investment and asset management company with a mission to empower individuals by establishing thriving, holistic communities. Since its inception, the company has achieved success by acquiring and managing assets that produce strong financial returns. With a focus on workforce housing, Atlantica employs hands-on business practices and strong industry relationships to execute on opportunities that produce equitable outcomes.

With over 40 years of combined real estate experience, the leadership team at Atlantica Properties is positioned to become one of the premier multifamily brands in the Atlanta market.

The company is managed by its co-founders, Darion Dunn and Trenton Dunn. Darion and Trenton Dunn are brothers who were born and raised in Atlanta. They each have an intimate knowledge of the Atlanta landscape, which has helped shape their real estate business.

## **Asset Management Services**

- SFR Portfolio & Multifamily Acquisition
- Real Estate Development
- Property Management
- Residential & Commercial Sales



## Benefits



- Affordable/older rental units are in high demand
- Project costs can be less expensive than new construction
- Operations can begin quicker than new construction
- Need less experience than new construction development

## Challenges



- Commercialization of affordable housing (hedge funds)
- Lack of government subsidies and incentives
- Private capital can be expensive (15%+ returns for private equity)
- Housing stock is aging with significant capital often necessary to maintain and/or renovate older properties
- Identifying the capital improvement needs can be difficult
- Avoiding displacement of tenants due to construction and/or rent increases
- Local permitting process can be difficult to navigate (life safety & ADA codes)

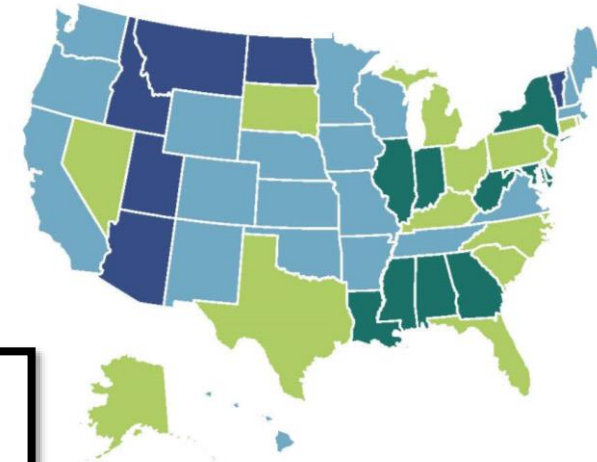
# Defining the Need for Preservation

- Growing number of households struggle to pay rent
- Housing diversity is essential for thriving economy
- Preservation can curb rising costs of rentals and home sales

## More than a Fifth of Households in Several States Struggled to Pay Rent in Early 2021

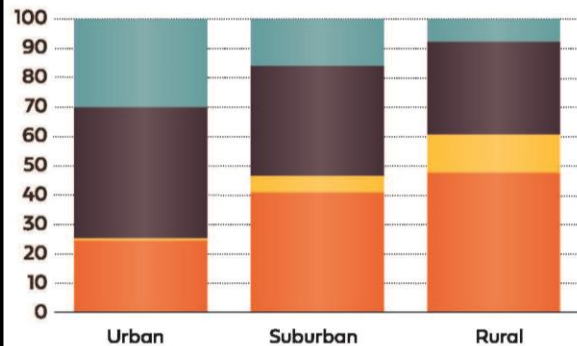
Share of Renters (Percent)

- Under 12
- 12-15
- 16-19
- 20 and Over



they were not caught up at the time of survey.  
Household Pulse Surveys, January-March 2021.

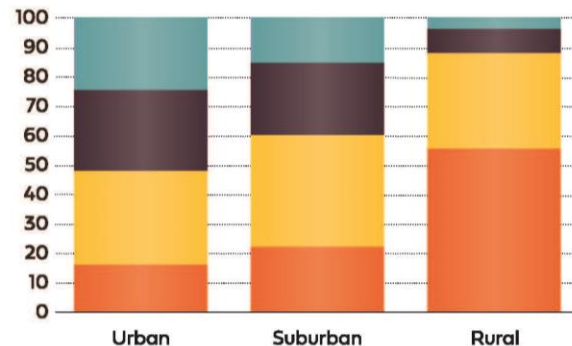
### The Types of Housing Available for Rent Vary Widely Across Markets... Share of Rental Stock (Percent)



**Structure Type**

- Single-Family
- Multifamily with 2-19 Units
- Manufactured
- 20 or More Units

### ...With Low-Rent Units Much More Prevalent in Rural Areas Share of Rental Stock (Percent)



**Contract Rent**

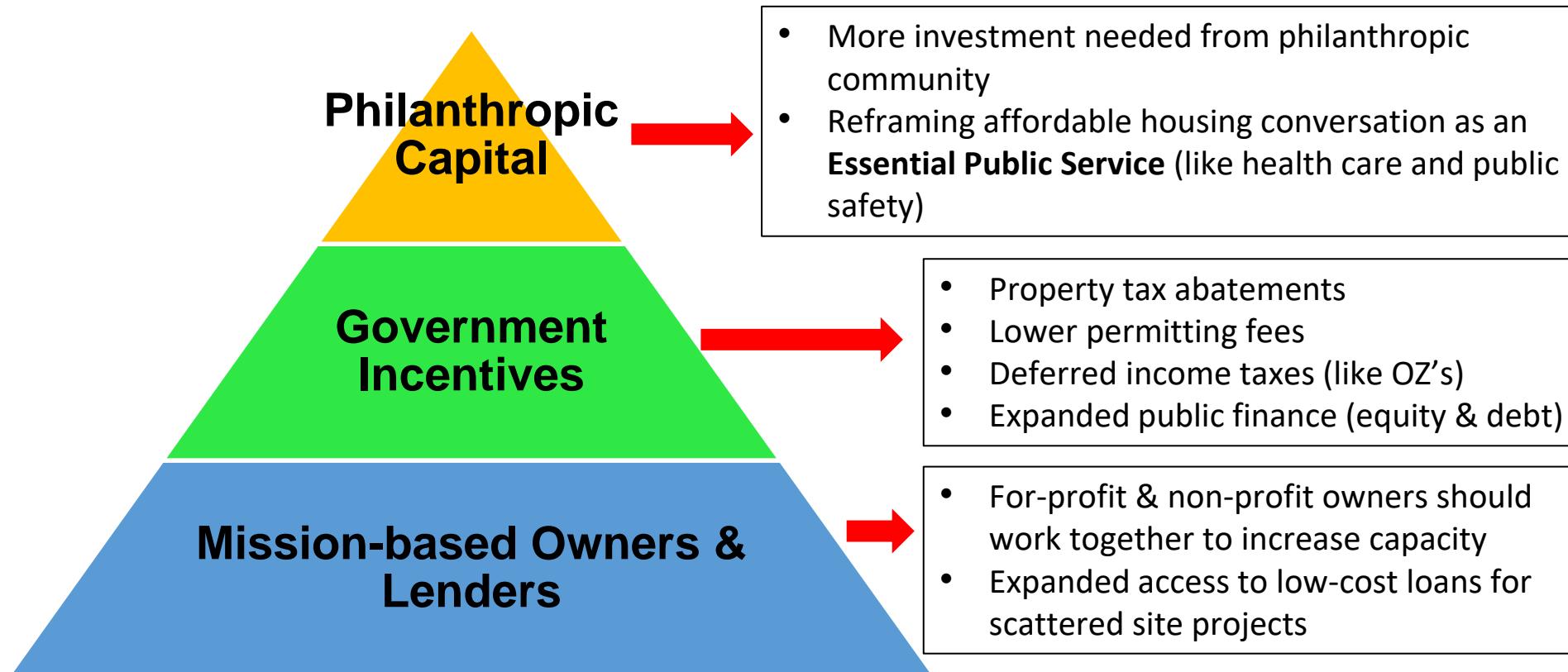
- Under \$600
- \$600-999
- \$1,000-1,499
- \$1,500 and Over

Notes: Data include occupied rental units only. Manufactured housing includes other structures such as boats and RVs. Contract rents exclude utility costs.

Sources: JCHS tabulations of US Census Bureau, 2019 American Community Survey 5-Year Estimates; Housing Assistance Council, Rural & Small Town Typology Database.

- More than 70% of rental units are in properties with less than 20 units

## Best Solutions are Multi-tiered



## Subject Property Details

- Atlanta, GA (Peoplestown)
- 94-unit LIHTC Property
- Built in 1999
- 6 year remaining on LIHTC Land Use Restriction Agreement (LURA)
- Physical Occupancy: 80%
- Economic Occupancy: 50%
- Major deferred maintenance (water leaks, HVAC, roofs, etc.)
- Backlog of evictions



## **Class-C multifamily properties generally suffer from the same common issues:**

- **Deferred Maintenance**
- **Rent Collections**
- **Improper Management**

# Case Study: Multifamily Acquisition & Rehab



## Major Due Diligence Tasks

- Zoning Report
- Property Condition Report
- Phase I Environmental
- Phase II Environmental (if necessary)
- Utility & property tax bills analysis
- Insurance quotes
- Construction cost estimate
- Market study (rent and sales comps)
- Financing Term Sheets

## Supplemental Due Diligence Tasks

- Meet with surrounding property owners
- Research potential property tax and/or financing incentives
- Consider creative partnerships
- Consider creative revenue models (co-living, PSH, etc.)



**If a property is unstabilized or distressed, property owners (and lenders) might provide helpful solutions...**



## Contract Negotiations with Seller

- **Asking price was \$7.5M → Final contract price was \$6.5M**
- **Seller only wanted 30-day due diligence period → Final due diligence period was over 90 days**
- **Seller wanted all-cash sale → Final capital stack included \$1.1M soft seller note (no payments until sale)**

## Financing Negotiations with Lenders

- **Lenders wanted at least 10% Sponsor down payment → Final capital stack included 100% financing for acquisition and rehabilitation costs**
- **Lenders wanted cash reserves held in lenders' escrow account → Final negotiations allowed cash reserves in Sponsor's bank account**
- **Lender wanted Sponsor to pay renovation costs through reimbursement → Final loan terms included \$250,000 loan advance at closing to pay for initial renovation costs**

**Solid Business Plan + Experience = Better Terms!**

## Construction Cost Estimate & Contractor Selection

- Request cost estimates from experienced, licensed contractors
- Make sure that the sub-contractors are also reputable and licensed
- Create a renovation priority list and complete the top items first...The final cost might exceed the initial budget!
- The renovation budget should align with the overall business plan...a value-add project will have different priorities than a deferred maintenance project.

## Peopletown Business Plan

- **Complete deferred maintenance items: water leaks, HVAC repairs, roof repairs, siding repairs, parking lot improvements**
- **Increase security: adding over 30 security cameras, repair pedestrian & vehicular gates**
- **Exterior aesthetic improvements: landscaping, pressure washing, new signage**

**Final Renovation Budget: \$1,100,000**

**Budget needs to include Contingency & Construction Management Fee**

# Case Study: Multifamily Acquisition & Rehab



Groups	Subdivisions	Original Budget
<b>Hard Costs - Exterior / Property Work</b>		
	01.56.00 - Board Up Vacants & Breezeway	\$ 6,200.00
	02.51.00 - Pressure Wash Breezeways	\$ 14,750.00
	02.51.00 - Pressure Wash Buildings	\$ 14,000.00
	05.00.00 - Replace Breezeway Entries	\$ 27,500.00
	06.01.20 - Gazebo Repairs & Staining	\$ -
	06.01.20 - Fascia & Soffit Repairs	\$ 10,323.00
	06.01.20 - Trash Screen	\$ -
	06.01.60 - Patio Ralls Repair & Replacement	\$ 8,447.00
	07.01.10 - Flashing & Rowlock Repair	\$ 94,600.00
	07.01.30 - Roof Repairs	\$ 48,500.00
	07.01.71 - Repair Gutters & Downspouts	\$ 12,600.00
	08.01.90 - Clean Dryer Vents	\$ 16,450.00
	09.90.00 - Paint Breezeway Floors & Ralls	\$ -
	26.50.00 - Breezeway Lights, Exit Lights & Signs	\$ 31,200.00
	26.50.00 - Wall Packs	\$ 20,100.00
	28.23.00 - Security Cameras, Network, Access Control	\$ 26,400.00
	32.12.16 - Repair Asphalt	\$ 41,000.00
	32.31.00 - Entry Gates & Fences (metal work)	\$ 70,288.00
	33.10.00 - Water Vault Valve & Leak Repairs	\$ -
	33.81.29 - Secure Cable Box	\$ 2,000.00
<b>Owner Direct Mat'ls/Contracts - Exterior/Property</b>		
	10.14.00 - Signage	\$ 15,000.00
	28.31.00 - Main Fire Alarm Panel & Bldg Alarm Rep (PCA)	\$ 1,500.00
	32.01.00 - Landscape Clean Up / Trees	\$ 25,800.00
	33.10.00 - Domestic Water Submeters	\$ 30,019.00
	33.10.00 - Water Vault Valve & Leak Repairs	\$ -
<b>HVAC Repair &amp; Replacement</b>		
	02.20.00 - 23 - HVAC Unit Inspections	\$ 8,775.00
	23.01.00 - HVAC Unit Repairs per Inspection*	\$ 154,678.00
<b>Flooring &amp; Appliances - Unit Turns - CCS</b>		
	09.60.00 - Flooring Install - Unit Renos (Carpet & Vinyl); L&M)	\$ 28,000.00
	11.31.00 - Appliances - Units Renos	\$ 20,000.00
<b>Interior Unit Improvements General - CCS</b>		
	22.41.00 - Replace Bath Fixtures w/ Low Flow	\$ 40,170.00
	28.31.00 - Replace all SD w/ CO+SD (PCA)	\$ 4,700.00
<b>Interior Unit Turns - CCS</b>		
	Unit 503	\$ 21,000.00
	Unit 511	\$ 18,766.00
	Unit 512	\$ 19,387.00
	Unit 301	\$ 21,000.00
	Unit 205 (PCA)	\$ 18,231.00

Groups	Subdivisions	Original Budget
<b>Interior Unit Turns - Creative Property Renovations</b>		
	Unit 107	\$ 3,520.00
	Unit 115	\$ 3,200.00
	Unit 118	\$ 2,275.00
	Unit 202	\$ 5,000.00
	Unit 208	\$ 3,950.00
	Unit 211	\$ 4,050.00
	Unit 307	\$ 6,500.00
	Unit 406 (PCA)	\$ 3,350.00
	Unit 509	\$ 1,100.00
	Unit 603	\$ 1,350.00
	Unit 624	\$ 4,560.00
	Unit 404	\$ -
	Unit 409	\$ -
	Unit 613	\$ -
	Unit 621	\$ -
<b>Interior Unit Turns - Mold Remediation</b>		
	Unit 101 (PCA)	\$ -
	Unit 201	\$ -
	Unit 303	\$ -
	Unit 502	\$ -
	Unit 504	\$ -
	Unit 508	\$ -
<b>Unassigned Unit Renovations Budget</b>		
	Additional Unit Reno Budget	\$ 22,171.00
(to be applied as new units are onboarded when vacancies arise)		
<b>TOTAL PROJECT BUDGET</b>		<b>\$ 932,410.00</b>
*HVAC budget subject to change pending progress of work.		\$ 932,410.00

# Case Study: Multifamily Acquisition & Rehab



## Operations & Maintenance Plan

- Select a hands-on Property Management company that is experienced with renovation projects
- Contractor should communicate well with Property Manager
- Get a Cost Segregation Study to maximize income tax savings
- Sponsor is ultimately responsible for the performance of the property!

## With proper management...Income is the Outcome

Month	Total Income
May 2024	97,965.59
Apr 2024	95,136.87
Mar 2024	72,452.45
Feb 2024	88,915.03
Jan 2024	45,282.03

**Rental revenue increased by 116% in just 5 months!**



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**Acquisition & Development | Property Management | Commercial & Residential Sales**

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# ARRC CAPITAL PARTNERS CASE STUDY



# ARRC

ARRC Capital Partners

## Innovations for Addressing the Affordable Housing Crisis

Richard Taylor | Founder & Managing Partner



# 12Hundred Studios

1200 Mobile St. NW, Atlanta, GA 30314



# Deal Dynamics

## Property at Purchase



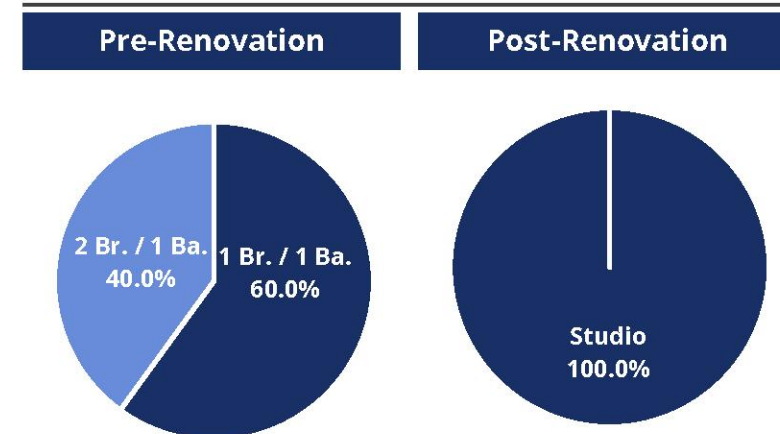
## Sources and Uses of Funds

Uses of Funds	Total (\$)	\$/Unit (Orig.)	\$/Unit (Rehab)
Purchase Price	\$1,550,000	\$77,500	\$38,750
Construction Hard Costs	\$1,534,110	\$76,706	\$38,353
Other Fees and Costs	\$923,852	\$46,193	\$23,096
<b>Total Uses</b>	<b>\$4,007,962</b>	<b>\$200,398</b>	<b>\$100,199</b>

## Capital Providers



## Unit Mix



1. "Total" of the "Return" column represents the weighted average cost of capital of Atlanta Affordable Housing Fund (AAHF) senior debt and American South Real Estate Fund (ASREF) preferred equity.

# Execution Strategy

## Plan: Acquisition to Stabilization

- Upon transaction close in April 2021, we began an aggressive rehabilitation
- Central to rehab was converting 20 units into 40 studios
  - Conversion drops price / unit and better utilizes square footage to drive rent revenue

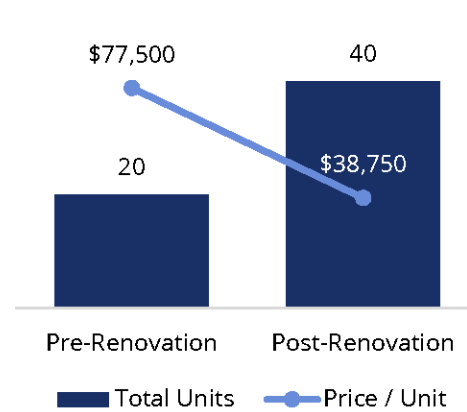
## Analysis: Conversion Effect on Purchase

- Converting from 20 to 40 units has a dramatic effect on pricing
  - Pricing / unit is reduced by 50.0%, falling from \$77,500 / unit to \$38,750 / unit
- Increase in number of units positions for an attractive exit
  - Price / Sq. Ft. may decrease immaterially

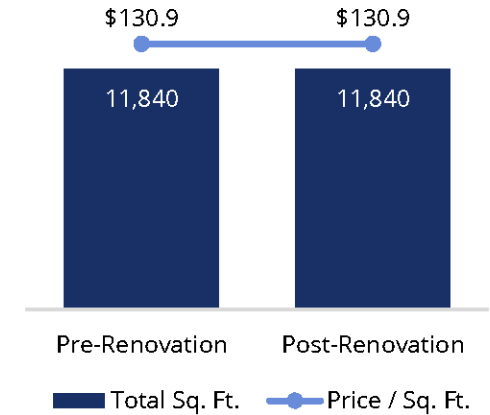
## Analysis: Conversion Effect on Total Rent

- Converting to 40 units necessitates decrease in rent; however, the increased number of renters yields a substantial boost in total rent revenue
  - Rent revenue increases from \$20,116 to \$34,726, representing a 72.8% increase in rent
- Increase is driven by better utilization of square footage, where rent / Sq. Ft. increases by \$1.24

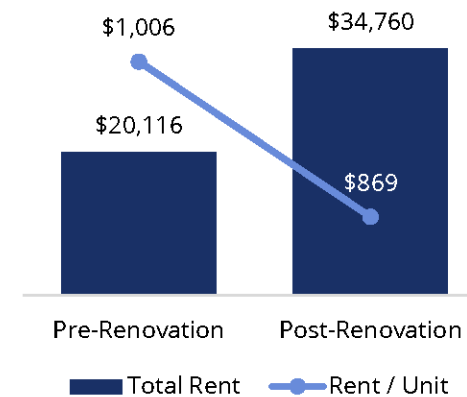
## Purchase Price Per Unit



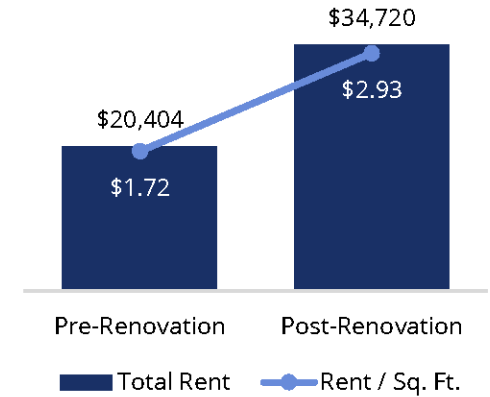
## Purchase Price Per Square Foot



## Rent Per Unit<sup>1</sup>



## Rent Per Square Foot



1. Pre-renovation rent / unit estimated assuming 60.0% AMI of Atlanta-Sandy Springs-Roswell; see "Community Improvement and Housing Affordability" slide for additional details.

# Affordable Rent Calculations

## AMI Classification by Household Size

(%) AMI	1 Person	2 Persons	3 Persons	4 Persons
60% AMI	\$34,740	\$39,720	\$44,700	\$49,620
80% AMI	\$46,350	\$52,950	\$59,550	\$66,150
100% AMI	\$57,900	\$66,200	\$74,500	\$82,700
120% AMI	\$69,480	\$79,440	\$89,400	\$99,240

## Monthly Rent Affordability Per AMI Level

(%) AMI	Studio	1 Br.	2 Br.	3 Br.	4 Br.
60% AMI	\$869	\$931	\$1,118	\$1,291	\$1,440
80% AMI	\$1,159	\$1,241	\$1,489	\$1,720	\$1,919
100% AMI	\$1,448	\$1,551	\$1,863	\$2,151	\$2,400
120% AMI	\$1,737	\$1,862	\$2,235	\$2,582	\$2,880

## Current Layout Versus Proposed Layout

	Current			Proposed	(% Change)
	1 Br.	2 Br.	Total	Studio	
Beds / Unit	1	2		1	
Number of Units	12	8	20	40	100.0%
Beds by Unit	12	16	28	40	42.9%
60% AMI	\$11,172	\$8,944	\$20,116	\$34,760	72.8%
80% AMI	\$14,892	\$11,912	\$26,804	\$46,360	73.0%
100% AMI	\$18,612	\$14,904	\$33,516	\$57,920	72.8%
120% AMI	\$22,344	\$17,880	\$40,224	\$69,480	72.7%

## Our Approach to Affordability

- Current projection model assumes average rent for 100.0% of units is affordable for individuals at or below 60.0% of AMI with no subsidies currently in the projected returns
  - Proposed rent of \$869 maintains affordability for needy Atlantans

## Benefits of Conversion to Studio Apartments

- Under current layout, property has 28 beds and potential to generate \$20,116 per month
  - Assumes rents are affordable for people at or below 60.0% AMI
- Through conversion to studio apartments, property can house significantly more people and generate meaningfully more revenue
  - Number of beds increases from 28 to 40 (represents a 42.9% increase)
  - Revenue potential increases from \$20,116 to \$34,760 (represents a 72.8% increase)

# Location

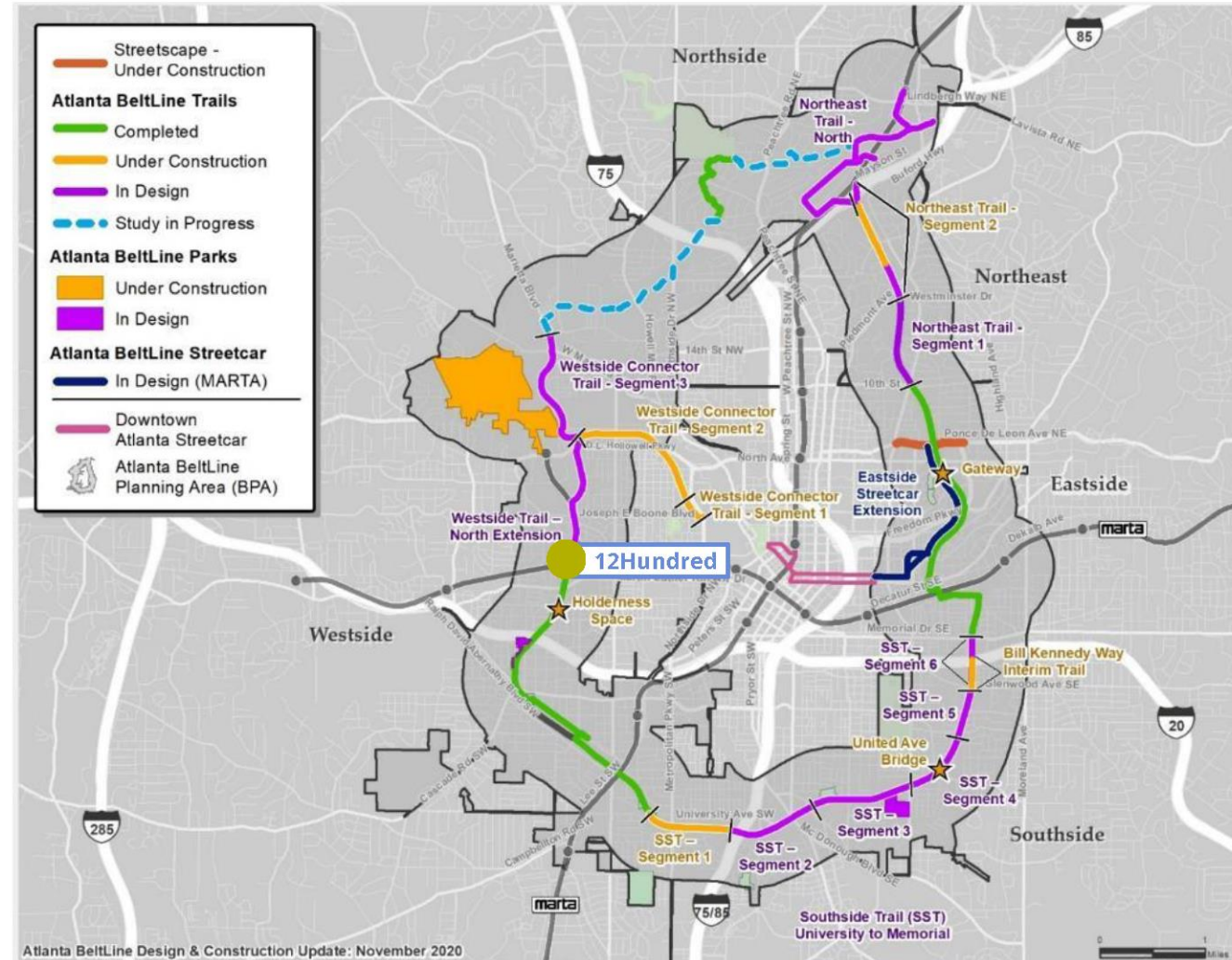
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# Atlanta BeltLine: Subarea 10 and Westside Trail Extension

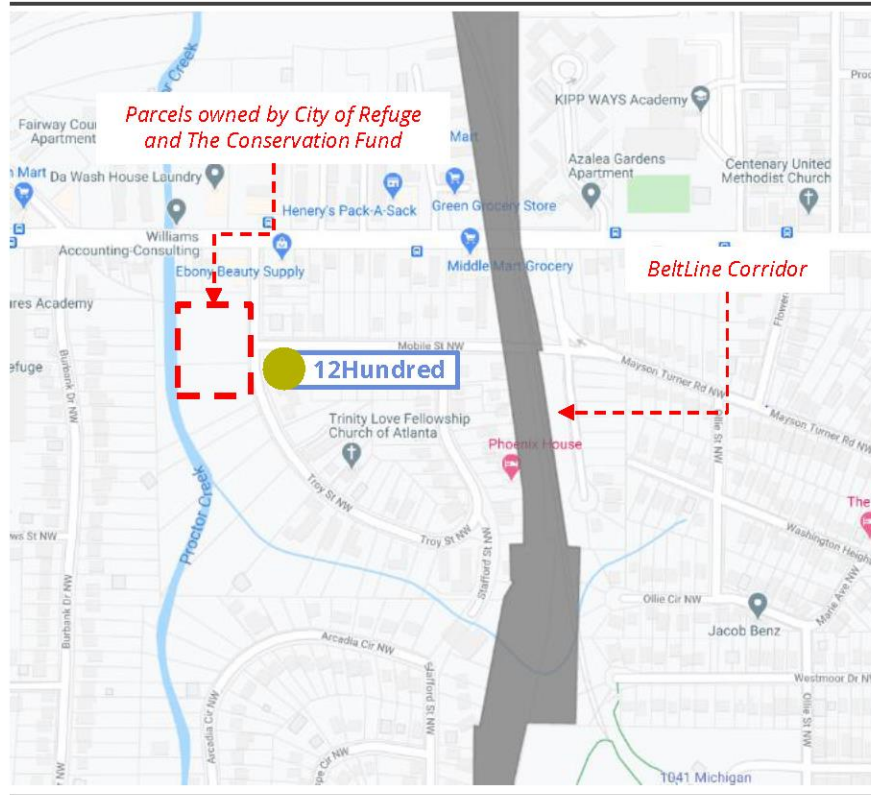
## Approximate Location

- Approximately eight minutes west of Downtown Atlanta
- Just over 100 yards off Joseph E. Boone Blvd.
- Proximal to Atlanta BeltLine Westside Connector



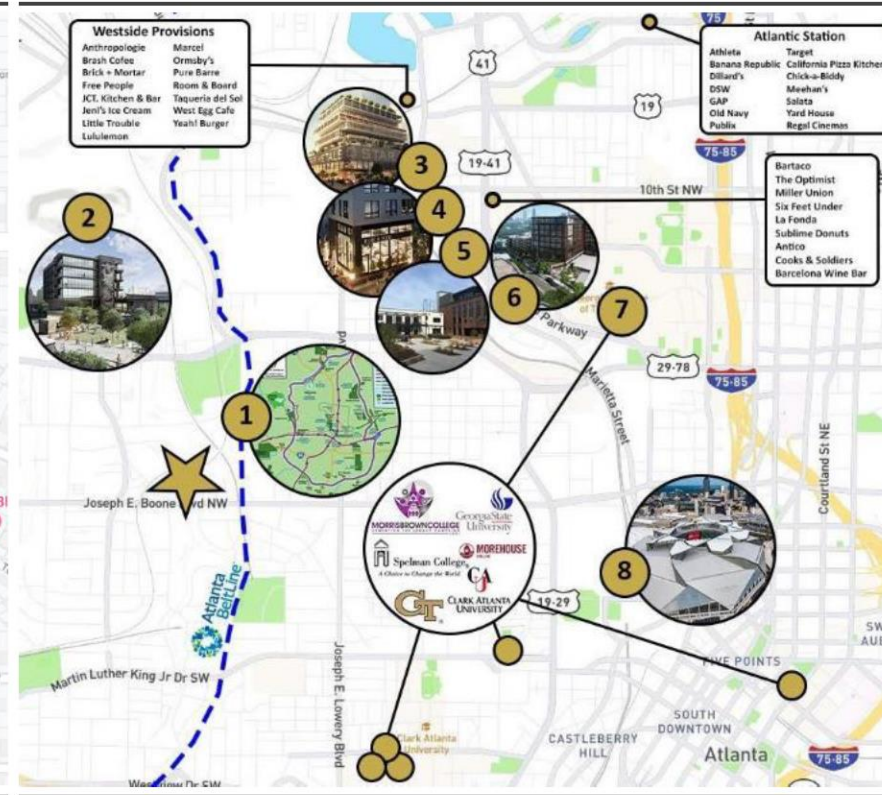
# “Up and Coming” Neighborhood

## Immediate Location Poised to Develop



- Mobile Street tangential to land reserved for BeltLine
- [City of Refuge](#) (local charitable organization) and the [Conservation Fund](#) (Virginia-based environmental development fund) have acquired large vacant parcels directly across from buildings two and three of 1200 Mobile and are turning them into green space reserved for the BeltLine
  - [Atlanta BeltLine – Subarea 10 Master Plan](#)
  - [Atlanta BeltLine – Westside Trail Extension Public Meeting](#)

## Unbeatable Surrounding Areas



1. Atlanta BeltLine
2. Quarry Yards & Westside Park at Bellwood Quarry
3. Star Metals
4. Osprey
5. Stockyards
6. 8West
7. Surrounding Universities
8. Mercedes-Benz Stadium

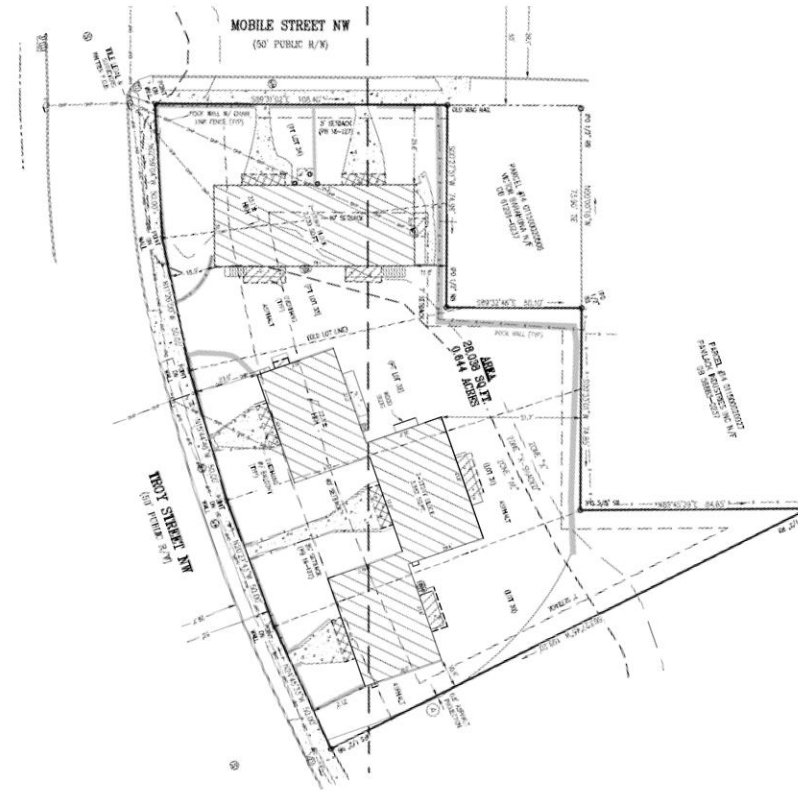
# Parcel Overhead View

Overhead View Facing North: Cross-Section of Mobile St. and Troy St.

Arial View



Site Plan



# Exterior Construction





## Exterior: Before and After



## Exterior Murals



## Exterior Murals (Cont.)



## Exterior Murals (Cont.)



# Interior Construction

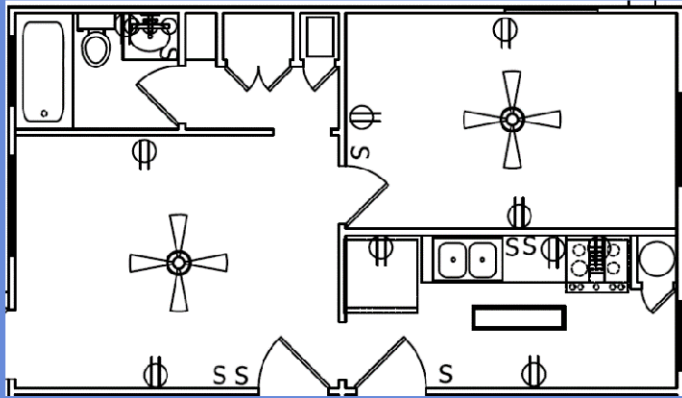
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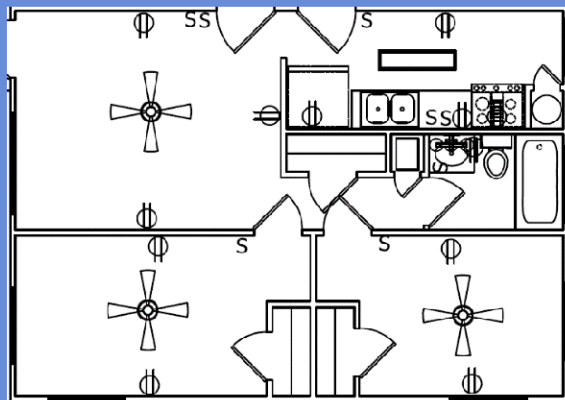
# Floor Plan Detail

## Current

### 1 Bed / 1 Bath



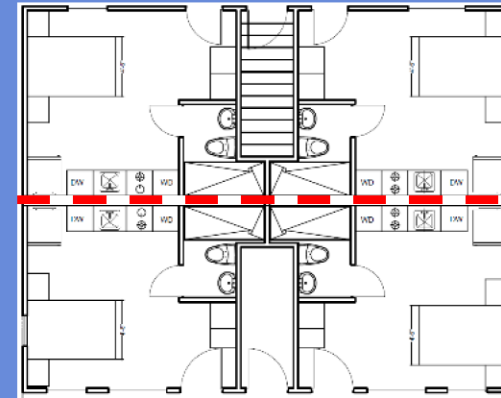
### 2 Bed / 1 Bath



## Proposed

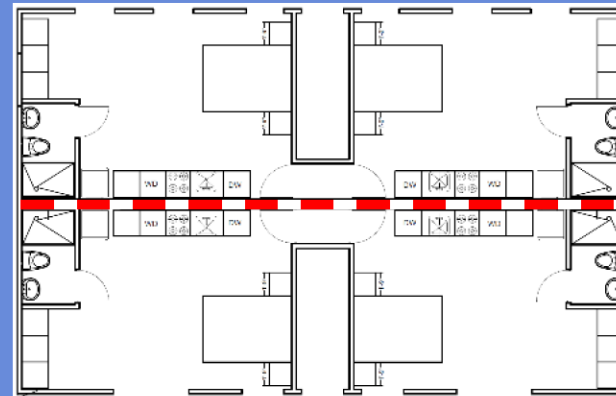
[DRAFT]

### Small Unit Floor Plan



[DRAFT]

### Large Unit Floor Plan



## Interior: Before



## Interior: After





## Interior: After (Cont.)



## Fixtures and Furnishings

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# Fixtures

**Murphy Bed with Closet**



**Retro Refrigerator**



**Combo Washer-Dryer**



**Over-the-Range Microwave**



**Induction Stovetop**



# Furnishings

## Kitchen Area



## Living Room



## Bedroom and Bathroom



# Partnerships

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# Hunter Hills Neighborhood Association



*Murals Over Joseph E. Boone Bridge*

- Team invested in the community through a creative placemaking initiative
- Funded murals painted on the bridge over Proctor Creek on Joseph E. Boone Blvd.
- Design and artist voted on by Historic Hunter Hills Neighborhood Association to ensure murals reflect the community



*Neighborhood Cleanup Day in Hunter Hills*

- Owners regularly participate in neighborhood cleanup and beatification initiatives

# Legacy Resident Partnership

## Importance of Legacy Residents

- Legacy residents represent an often overlooked and under-engaged demographic that can add substantial value to a project
- Their knowledge of the area and stature among the community helps establish bonds that money alone cannot buy
- Mr. Anthony Watt—20-year resident of Hunter Hills—became a lynchpin that propelled 12Hundred Studios across the finish line and through stabilization
  - Beginning as a night watchman during construction, we did not have a single break in or theft under his watch

## Stabilization and Ongoing Operations

- Due to his success securing the property through construction, we gave Mr. Watt a unit to live in fulltime
- He continued securing the property and assisting new residents as lease up progressed, becoming a point of contact to reach members of the community outside the reach of the neighborhood association
  - In particular, our underserved and vulnerable demographic benefitted as he was familiar with their needs



*Ashani O'Mard (ANDP)*  
*Anthony Watt (Legacy Resident)*  
*Richard Taylor (ARRC Capital)*

# Trees Atlanta Community Planting Day





## Owners All in for Hunter Hills



# Awards and Recognitions

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# Regional Excellence Award



## Emerging Trends

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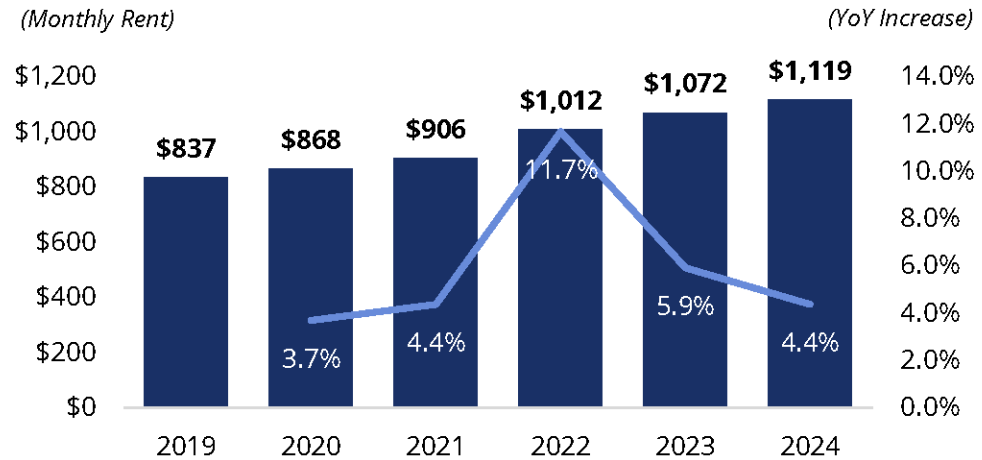


# Five-Year Rent Growth Rate (60% Area Median Income)

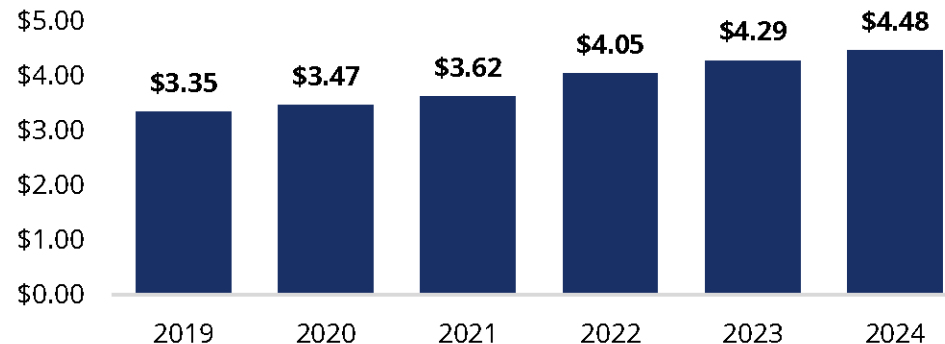
## Analysis

- **Rent growth was a low 3.7% in 2020**
  - Rent was on a normal trajectory from 2019 to 2020, with a growth rate of 3.7% which would equate to a modest \$/sq. ft. of \$3.35
- **Rent growth hit a high of 11.7% in 2022**
  - Macroeconomic inflation drivers pushed the 2022 rate by 11.7% and a \$/sq. ft. over \$4.00
  - The market is still digesting this substantial change
- **Rent growth is still high at 5.9% and 4.4% in 2023 and 2024, respectively**
  - Rent growth remained elevated the last two years further straining \$/sq. ft
- **Inflation is keeping rent per square foot high**
  - The headline \$/sq. ft. is magnified by the denominator and a reflection of inflationary pressures affecting the metro area

## Rent and Annual Growth Rate (60% AMI)



## Rent Per Square Foot (250 Sq. Ft. Unit)





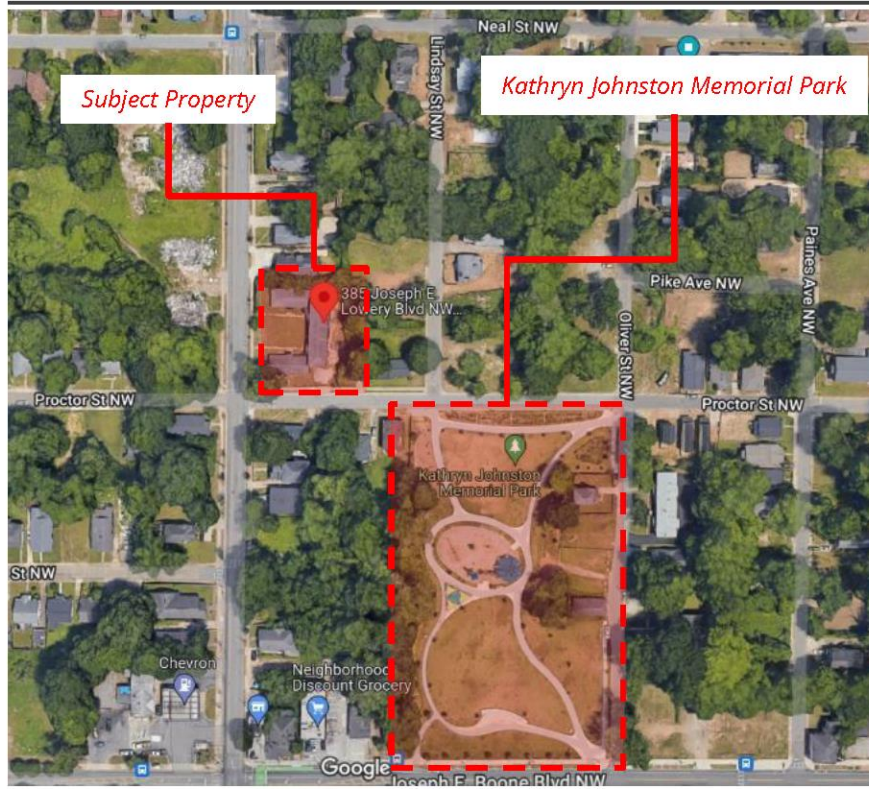
385 Joseph E. Lowery

Confidential Investor Information



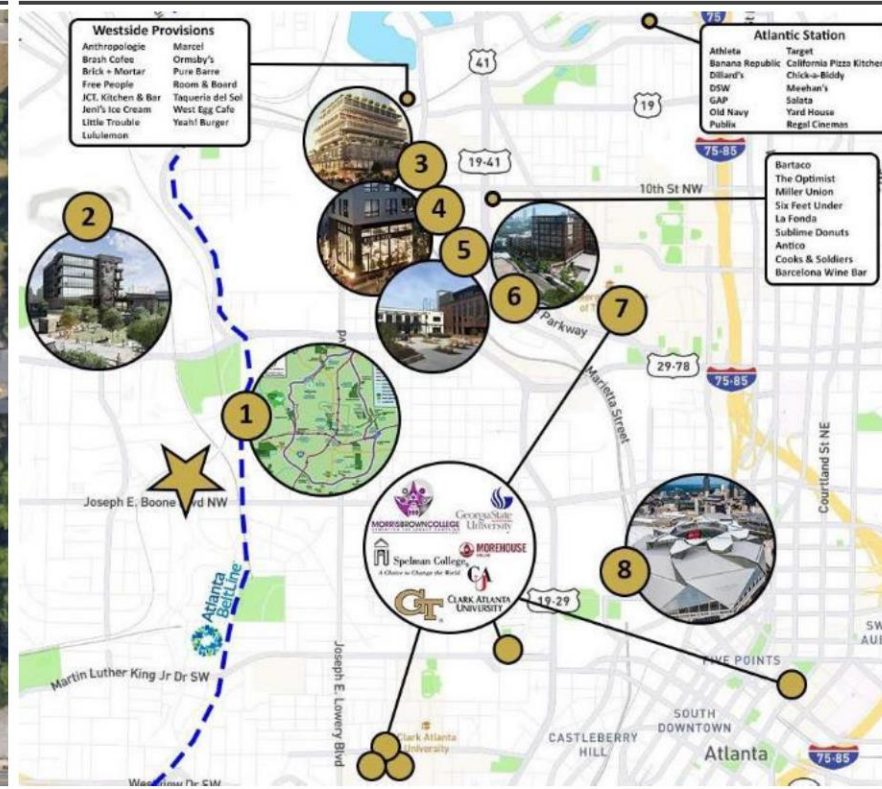
# “Up and Coming” Neighborhood

## Location has Strong Community Engagement Potential



- 385 JEL tangential to Kathryn Johnston Memorial Park, newly developed by Park Pride
- Marketing funds in budget to host park activations with Park Pride
- Additional plans to partner with Conservation Fund to provide BeltLine connectivity with Kathryn Johnston Memorial Park

## Unbeatable Surrounding Attractions



1. Atlanta BeltLine
2. Quarry Yards & Westside Park at Bellwood Quarry
3. Star Metals
4. Osprey
5. Stockyards
6. 8West
7. Surrounding Universities
8. Mercedes-Benz Stadium

## Interior Pictures







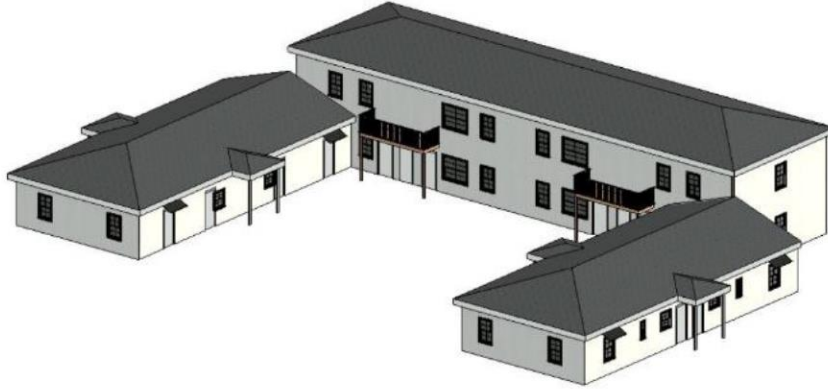
# 385 Joseph E. Lowery

Project Proposal



# Construction Plans: Current vs. Proposed

## Current Layout



- Unit mix caters to individual renters and students

## Proposed Layout



- New unit mix adds an additional floor over each single-story portion of the building and expands the unit mix to studios, 1-bed and 2-bed units
- Unit mix caters to a diverse cohort of renters which spans from students to families

# Deal Dynamics

## Property at Purchase



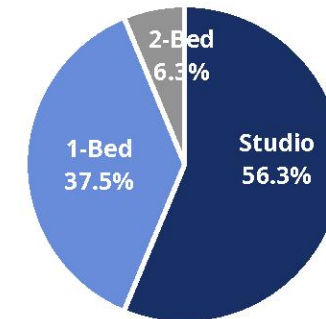
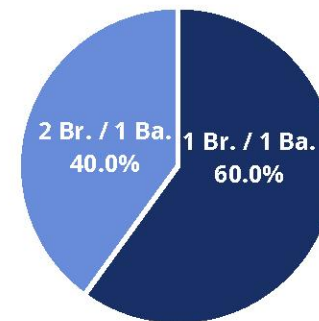
## Capital Providers



## Unit Mix

Pre-Renovation

Post-Renovation



# Contact Information

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**Richard Taylor**



*Managing Partner*

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*E: richard@arrc-capital.com*

**ARRC Capital Partners**

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# SESSION WRAP-UP

# Southeast Preservation Academy

Thanks to our  
many partners!

## We've heard from...

Kaiser Permanente

Westside Future Fund

Mission Economic Development Agency  
(MEDA)

Enterprise Policy, Development, and  
Research Team

Atlanta Neighborhood Development  
Partnership (ANDP)

San Francisco Community Land Trust

Coalition for Responsible Community  
Development (CRCD) Partners, LLC

Director for State and Local Policy,  
Enterprise Southeast

Georgia Department of Community  
Affairs

Invest Atlanta

Atlanta Housing

Florida Housing Coalition

Low Income Investment Fund

Enterprise Community Investment

Community Foundation for Greater  
Atlanta

Star-C

Partners for HOME

Enterprise Green Communities Team

Enterprise Sustainable Connected  
Communities Team

Harold Nassau, formerly of  
NeighborWorks America

Preservation of Affordable Housing  
(POAH)

ARRC Capital Partners

Atlantica Properties



## PRESERVATION NEXT

# Preservation Next Toolkit

A Preservation Toolkit for Small-to Medium-Scale Multifamily Properties

## Guidance and Best Practices

The Toolkit's issue briefs guide developers and practitioners across different stages of the small to medium multifamily preservation development process

## Localized Resources

Preservation landscape analyses, inventory of local funding resources, and local & regional data on the small to medium multifamily stock

## Case Studies

Successful and creative approaches for small to medium multifamily preservation in different housing markets

## Tools

A Financial Modeling Tool to help you understand the financial viability of your preservation development.



A JOINT VENTURE PRESERVATION MODEL IN LOS ANGELES

**PROJECT OVERVIEW**  
**700 Simmons Ave**  
LOS ANGELES, CA

- Located in unincorporated East Los Angeles
- Built in 1930
- 11 residential units
- Acquired in 2021

Financing sources:

- LA County CLT-CDC Pilot Program: \$2,790,250 – \$253,659 per unit
- SPARCC and Genesis LA: Predevelopment funds \$75,000



TOOLS

Funding Sources Inventory

Keep Reading



TOOLS

Financing Modeling Tools

Keep Reading

# Southeast Preservation Academy

Thanks for joining us!

Recordings:



## Dates

October 17, 2023  
November 14, 2023  
December 5, 2023  
  
January 16, 2024  
February 6, 2024  
March 26, 2024  
  
April 9, 2024  
April 30, 2024  
May 21, 2024

## Sessions

### PART 1: Defining the Opportunity

Understanding Small/Medium Multifamily  
Organizational Sustainability and Business Planning  
Property Identification, Evaluation, and Acquisition

### PART 2: Preparing for Preservation

Preservation Development Models  
Policy Impacts on Preservation and Housing Stability  
Financing SMMF Preservation (In-Person)

### PART 3: Tackling a Project

Sustainability, Resilience, and Health for SMMF  
Property & Asset Management  
Navigating Rehabilitation and Sustainability





# SURVEY

[bit.ly/pnsurvey9](https://bit.ly/pnsurvey9)

# Thank You

## Contact Us:

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### **Gabriella Lott**

Southeast Fellow, Housing Preservation and Production  
[glott@enterprisecommunity.org](mailto:glott@enterprisecommunity.org)

## Resources:

[Preservation Next Small to Medium Multifamily Toolkit](#)  
[Southeast Preservation Academy](#)

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[Preservation Next National Program](#)