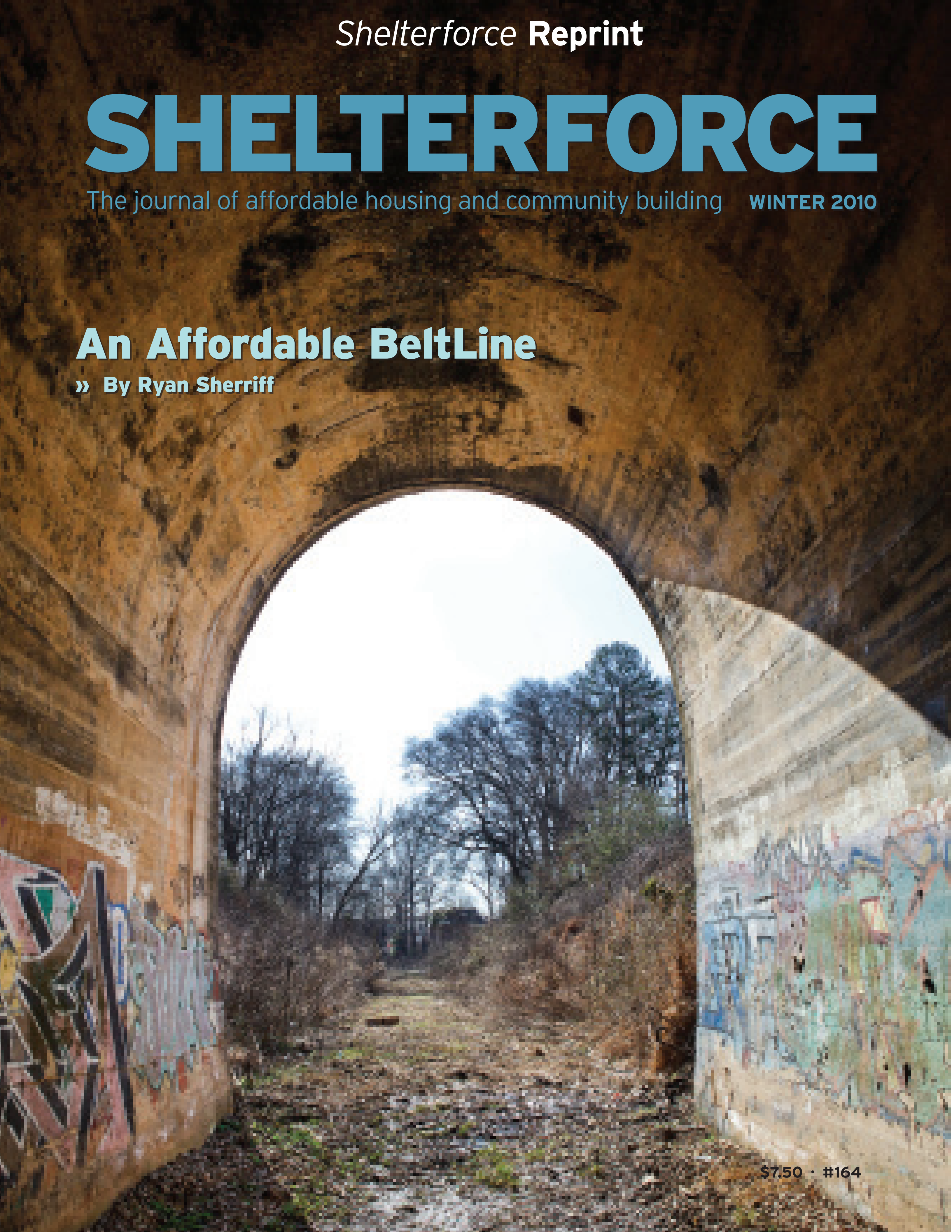
SHELTERFORCE

The journal of affordable housing and community building WINTER 2010



An Affordable BeltLine

» By Ryan Sherriff

$7.50 · #164

A rendering of the BeltLine's proposed light rail system near Ponce de Leon Avenue in Atlanta

An Affordable BeltLine?

The Atlanta BeltLine brings much promise to the city of Atlanta, but will elevated housing costs be an unwelcome addition? Atlanta is looking to a community land trust to preserve affordability for the long-term near this new asset. By Ryan Sherriff

The Atlanta BeltLine stands to be one of the most comprehensive and ambitious transit-oriented development projects in the city of Atlanta, and possibly the country. It is centered on a mostly defunct 22-mile railroad corridor that encircles the city's downtown and midtown core and many surrounding neighborhoods. When complete, the BeltLine will have created 1,300 acres of new parkland, a 33-mile network of biking and walking trails, and a light rail system built along the rail corridor. Altogether, the project is envisioned to comprise over 10 square miles of development.

The light rail system and trail network will connect 45 Atlanta neighborhoods in all. In addition, the light rail system will connect with the city's existing heavy rail system, the Metropolitan Atlanta Rapid Transit Authority (MARTA). Overall, this new transportation system and trail network will offer Atlantans better transit and allow cyclists and pedestrians better access to the city's major business districts, job centers, attractions and amenities. In terms of economic effects, the BeltLine is expected to reactivate an estimated 3,000 acres of underutilized properties and create 30,000 new jobs over its 25-year construction timeline.

But will the BeltLine preserve and create affordable housing? As one can expect, a transit-oriented development project like this comes with a hefty price tag: $2.8 billion over the 25-year development schedule. In order to fund the bulk of this project, the city of Atlanta established a tax allocation district (TAD)—what is usually called a "tax increment financing district"—along the 22-mile rail corridor. The TAD is expected to generate


ATLANTA BELTLINE, INC.

$1.3 to $1.7 billion in revenues over the 25-year period.

Fifteen percent of all revenues from the BeltLine TAD will be set aside for the BeltLine Affordable Housing Trust Fund (BAHTF). The BAHTF will be used to provide grants to develop and preserve affordable housing, downpayment assistance for lower income homebuyers, and funds for property acquisition for future affordable housing. Over the BeltLine's 25-year development period, it is estimated that this affordable housing set-aside will come to $240 million. With this funding, the project aims to create and preserve more than 5,000 affordable housing units.

To extend the effects of this funding, a consortium of public sector, philanthropic, private, and community stakeholders have created the Atlanta Land Trust Collaborative (ALTC) to establish neighborhood community land trusts that would take title to land in and around the BeltLine TAD, creating and sustaining a stock of homes whose affordability will last as long as the BeltLine's infrastructure and amenities.

If You Say You'll Build It, They Will Come

Projects like the BeltLine often produce increased transportation options, higher density development, and an array of amenities that enhance nearby neighborhoods. Often, they catalyze significant, positive change for all neighborhoods in the vicinity. However, the effects on lower income neighborhoods suffering from disinvestment are often magnified and rapid, with unintended effects on original residents.

Pittsburgh and West End on the south side of the BeltLine are low-income neighborhoods located about two miles southwest of downtown Atlanta. Prior to the conception of the BeltLine, these neighborhoods suffered from significant disinvestment and exhibited much lower home prices than most other neighborhoods in the city. In 2000, the median price for single-family home sales in Pittsburgh, the West End, and the neighborhoods immediately surrounding them—an area designated as Neighborhood Planning Unit V, or NPU V (Atlanta is broken down into 25 of these units, A–Z, in order to coordinate planning and political activities)—was $56,000, compared to the citywide median price of $96,000.

But when news of the BeltLine concept started to crop up in late 2002, property values in NPU V began to rise rapidly relative to other neighborhoods in the city. By 2003, the median sale price had climbed from $56,000 to $140,000—a 150 percent increase in three years. Citywide, prices had only increased about 56 percent. The BeltLine was still only a concept—not a single shovel had gone into the ground.

Speculative investors flooded into these neighborhoods and snatched up cheap, often dilapidated, properties. In many cases, they turned around and resold the properties at significantly higher prices, with buyers anticipating added value from the transit improvements and amenities expected several years down the line. This speculation drove prices out of the range of affordability for many of the long-time residents in Pittsburgh, the West End, and many surrounding neighborhoods.

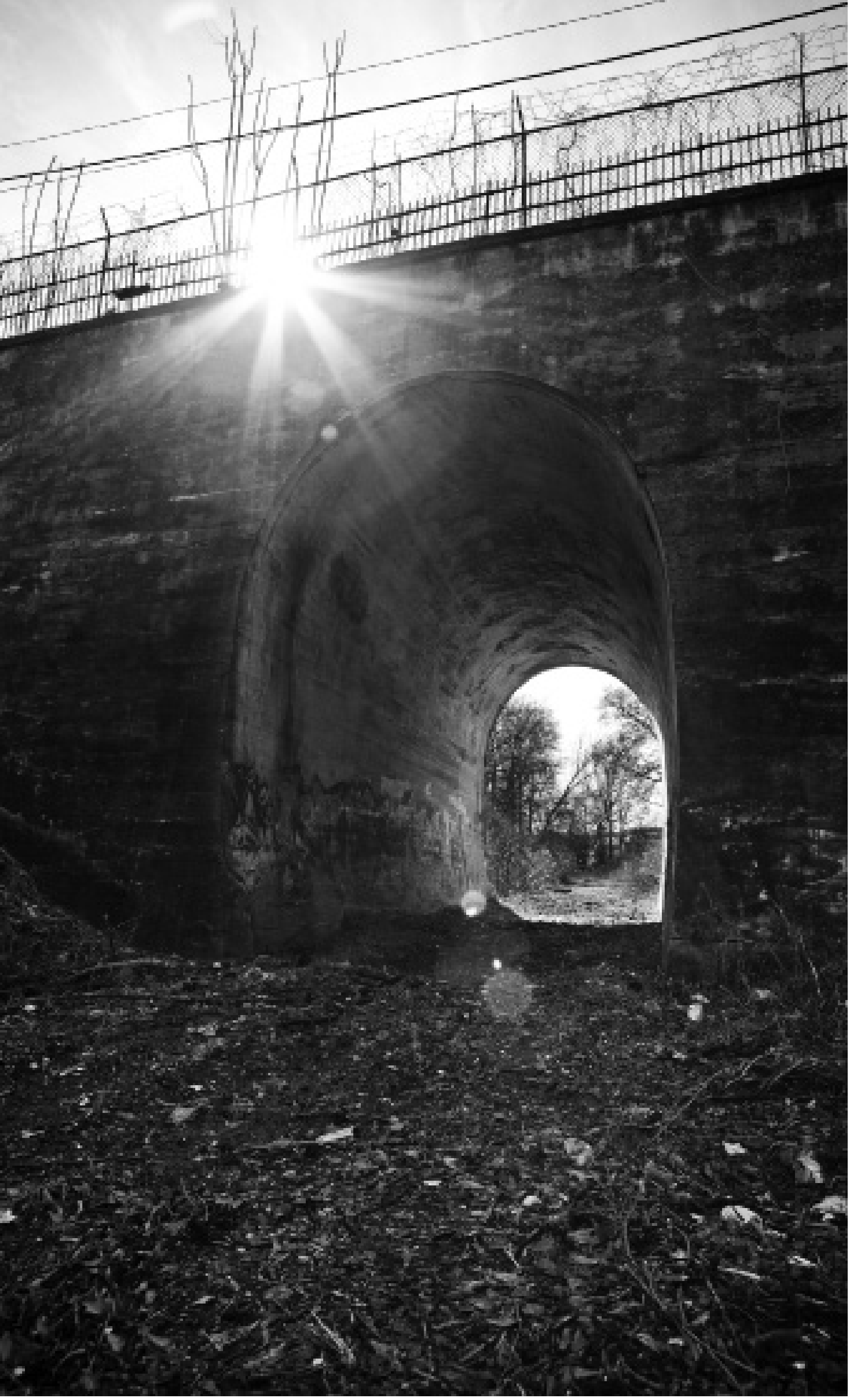
Housing created now under conventional affordable housing programs could very well lose its affordability before the BeltLine is even complete.

Prices in neighborhoods on the south side of the BeltLine continued to rise significantly from 2003 through the approval of the BeltLine TAD in late 2005. By 2006, the median home sale price in the NPU V was $205,000. Dan Immergluck, an associate professor at the Georgia Institute of Technology in Atlanta, conducted a comprehensive study of the change in home prices in neighborhoods in and around the BeltLine TAD from 2000 to 2006. He found that NPU V had experienced greater home price increases over the six-year period than any other NPU—the median home price there had increased over 266 percent, an annual average increase of over 24 percent.

Immergluck also found that the BeltLine had a distinct effect on prices beyond the general gentrification trends that had been occurring in certain low-income neighborhoods in Atlanta for some years. His study showed that between 2001 and 2006, homes located within one-eighth of a mile of the TAD experienced a median price increase of 68 percent, compared to a 32 percent increase for homes located between one and one-and-a-half miles of the TAD. The escalating home prices in the neighborhoods in or near the TAD were accompanied by a substantial influx of upper-income buyers—another warning sign that the neighborhoods may continue to become less affordable in the future.

Preserving Affordability Along the BeltLine

A particular challenge with a large-scale transit-oriented development project like the BeltLine is how to create affordable housing that will remain affordable as long as the transit infrastructure and other



CHRISTOPHER T. MARTIN

Part of the future route of the BeltLine, in southwestern Atlanta.

amenities last. Once developed, the BeltLine's light rail system, parks, and other related development will likely last for decades, even centuries. As long as these features are in place, there will likely be a premium on housing located nearby, making it difficult for lower income families to live close to these vital transit services and amenities.

The conventional affordability tools available at the federal, state, and local levels are generally not sufficient to deal with this challenge of providing long-term affordability. The major affordable rental program, the Low-Income Housing Tax Credit, only guarantees up to 30 years of affordability in the state of Georgia. Homeownership and development subsidies and downpayment assistance programs such as those supported by HUD's HOME Investment Partnership Program rarely require more than 15 years of affordability. With the BeltLine project scheduled to be completed in approximately 25 years, housing created now under these conventional affordable housing programs could very well lose its affordability before the project is even complete.

Leaders of the project sought a better solution. Starting in late 2008, the BeltLine Partnership, the nonprofit responsible for raising funds and awareness for the project, began working with the nonprofit Atlanta Housing Association of Neighborhood-Based Developers (AHAND) and the Annie E. Casey Foundation's Atlanta Civic Site to convene a multi-stakeholder group to explore the use of community land trusts to create and sustain a stock of permanently affordable homes. (See page 16 for more details on this process.)

The outcome was the creation of the Atlanta Land Trust Collaborative (ALTC), a "central server" designed to help form neighborhood-based community land trusts (CLTs) and establish a favorable environment for their success. These local CLTs—or the ALTC itself in areas where capacity does not yet exist—would take title to parcels of land in and around the BeltLine TAD, either vacant or with existing homes, likely vacated due to foreclosure. The ALTC and local CLTs would work with partners to develop new homes or rehab existing ones on these parcels. Following the traditional land trust model, the local CLTs would continue to own the underlying land, and buyers would only be paying for the building. They would lease the land from the CLTs for a nominal monthly leasing fee. Written into this long-term lease (most community land trust ground leases have a 99-year term) would be resale restrictions that keep the homes affordable to buyers at a target income. These homes would essentially remain affordable in perpetuity. The ALTC would have a citywide scope, but initially focus in neighborhoods along the BeltLine where the need to preserve affordability is currently greatest.

The BeltLine Partnership has been the main organization leading the creation of the ALTC. Rob Brawner, program director for the Partnership, emphasizes how integral the ALTC will be to preserving affordability and the importance of moving forward with the implementation of this long-term affordable housing tool.

Complications From the Housing Crisis

Despite the rapid price escalation and gentrification occurring in the neighborhoods on the south side of the BeltLine from 2000 to 2006, things drastically shifted in 2007. Atlanta had been dealing with a growing mass of foreclosures for several years, many resulting from a rash of mortgage fraud over the past decade. The housing market crisis quickly accelerated and intensified these problems.

Although foreclosures affected many neighborhoods throughout the city, communities on the south and west sides of the BeltLine were hit hardest. The inflated prices, combined with predatory lending and mortgage fraud, led to a disproportionate amount of foreclosures in neighborhoods like Pittsburgh and the West End. About 40 percent of the homes in Pittsburgh went into foreclosure or otherwise became vacant. In the West End, homes that sold for $200,000 to $250,000 a few years ago were now selling for less than half those prices. Some foreclosed homes in Pittsburgh were selling for as little as $20,000.

In many people's minds, there is no longer an affordability problem in these neighborhoods. Yet, with the initial stages of the BeltLine underway, the future need for affordable housing still looms, as the project is still expected to drive land and home prices up in the vicinity of the BeltLine as development progresses. Therefore, many still believe this is a key time to create a community land trust.

"You need to assemble properties and pull them off the market," says Immergluck. "It makes more sense to assemble those properties now and preserve them before the market becomes more robust."

The current challenge for those starting up the ALTC is how to fund and market resale-restricted homes when unrestricted market-rate home prices are so low in the targeted neighborhoods. Affordable housing advocates and practitioners realize the importance of locking in the affordability of homes for the long run, but most low-income buyers would probably be reluctant to purchase land trust homes in a neighborhood where homes without resale restrictions are selling for a comparable price.

Brawner and other leaders of the ALTC are looking into ways to subsidize the homes more deeply. In the meantime, they have been working with the Fulton County/City of Atlanta Land Bank Authority (LBA), which has stepped in to bank and hold land for several years until housing market conditions are more conducive to developing and marketing ALTC homes.

The LBA started up about 14 years ago, but it was not until a drastic revamping of its policies in November 2008 that it became an effective tool to aid neighborhood stabilization efforts and support the nascent ALTC. These changes, explains LBA executive director Christopher Norman, allowed the land bank to strategically bank and assemble land for public purposes. Previously, the LBA had served as a simple repository for vacant and tax-delinquent properties, receiving and quickly trying to dispose of them to investors and developers.

Since July 2009, the LBA has banked some 80 vacant properties in and around the Pittsburgh neighborhood with a combination of dollars from the Neighborhood Stabilization Program and the Annie E. Casey Foundation to support the LBA's partners, the Partnership for the Preservation of Pittsburgh and Sustainable Neighborhood Development Strategies, Inc. Many of these properties will be held by the land bank over the next three to five years and then transferred to the Pittsburgh Community Improvement Association, a neighborhood-based community development corporation that will act as a community land trust working in partnership with the ALTC.

The Future

Although not yet fully implemented, the Atlanta Land Trust Collaborative will likely be the most powerful mechanism for creating and sustaining long-term affordable homeownership along the BeltLine. James Alexander, a senior project manager for Atlanta BeltLine Inc., the entity overseeing and coordinating the development of the BeltLine, believes the ALTC will be a key tool for affordable housing development and preservation, but also thinks that many of the groups collaborating on the project can bring other tools to bear on creating long-term affordability.

"We also hope that entities and developers are going to be bringing forward models that call for affordability in perpetuity," says Alexander. Even other, more conventional affordable homeownership and rental programs can be leveraged to create longer term affordability. Alexander explains that one-fifth of the 15 percent of TAD funds set aside for affordable housing must be dedicated to community housing development organizations. These are nonprofit, mission-driven developers who often continue to manage and preserve affordable properties, even when working with relatively short-term affordable housing subsidies.

As the BeltLine project progresses, the organizations leading the effort are apt to employ an array of affordability tools, including the Atlanta Land Trust Collaborative and the Land Bank Authority. It is likely that as market conditions change in the future—hopefully for the better—so too will the long-term housing affordability strategies that this set of tools is designed to support.

RESOURCES

Atlanta BeltLine
www.nhi.org/go/beltline

The Fulton County/City of Atlanta Land Bank Authority
www.nhi.org/go/landbank

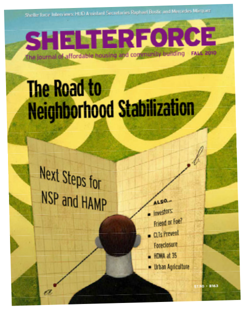
Atlanta Housing Association of Neighborhood-Based Developers
www.nhi.org/go/ahand

Atlanta Land Trust Collaborative
www.nhi.org/go/landtrust/collab

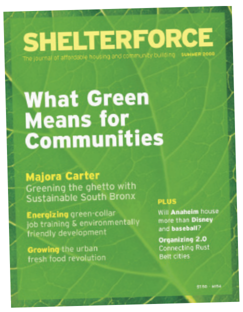
RYAN SHERRIFF *is a research associate at the Center for Housing Policy in Washington, D.C.*

AVAILABLE FROM NHI

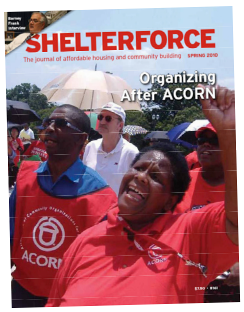
ISSUE #162
- Public Housing Reform
- Evergreen Co-ops
- Fighting Foreclosures



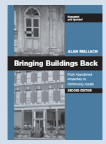
ISSUE #163
- NSP at Halftime
- CLTs and Foreclosure
- Raphael Bostic Interview



ISSUE #154
- Sustainable South Bronx's Majora Carter
- Green Development



ISSUE #161
- Organizing After ACORN
- Barney Frank Interview



Bringing Buildings Back
From Abandoned Properties to Community Assets By Alan Mallach

Paperback $29.95

Available at www.nhi.org/go/BringingBuildingsBack

Homeownership Today and Tomorrow
Building Assets While Preserving Affordability By Miriam Axel-Lute

Available at www.nhi.org/go/homeownership

Investing in Community Land Trusts
Conversations with CLT Funders

By Miriam Axel-Lute

Available at www.nhi.org/go/investing

NHI Order Form

Shelterforce **Subscription**

- [ ] **Individuals**: $18 for one year (4 issues) – *$12 off the cover price.*
- [ ] **Organizations, law offices, libraries**: $30 for one year
- [ ] **Students**: $10 for one year

Back Issues

- [ ] Send me back issue(s): ____________________ @ $7.50 each

Shelterforce Subscription	Subtotal	$ ____________
Shelterforce Back Issues	Subtotal	$ ____________
	Shipping	$ ____________
	Total	**$** ____________

Shipping Costs (excluding subscriptions). For order amount:
Up to $10 add $3.00 • $11 to $49 add $3.50 • $50 and over add $4.00

Name ______________________________

Organization ______________________________

Street ______________________________

____

City ______________ State ______ Zip ________

E-mail ______________________________

You may order online at **www.nhi.org/go/backissues** and pay with PayPal.

OR MAIL THIS FORM WITH A CHECK TO:

National Housing Institute
60 South Fullerton Ave., Suite 206
Montclair, NJ 07042

For a complete list of back issues and publications, please visit **www.nhi.org/go/backissues**