



Keynote:

Expanding Your Community's Fiscal Health Toolkit

ARCTARIS
IMPACT INVESTORS

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Council for Quality Growth – Quality Development Conference

8/11/23

BALTIMORE | BOSTON | CHICAGO | DETROIT | LOS ANGELES | NEW YORK | PITTSBURGH | SALT LAKE CITY

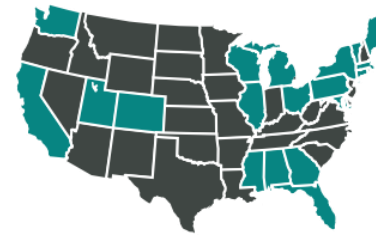
[Arctaris.com](https://arctaris.com)

Arctaris at a Glance

Arctaris Impact Investors is a private fund manager driving economic, social, and environmental impact in underserved regions across the U.S.



Investing in underserved communities for **14+ years**



Growing national investment footprint and **on-the-ground** partnerships



Arctaris Impact Investors partners with **governments, institutions, and foundations** to support its impact investments¹



Investing in **operating businesses, infrastructure, and real estate**



Investing with a goal of **robust returns and measurable impact**

1. For a better understanding of how First-Loss Capital works, as well as any limitations, please see the risks and disclaimers at the end of this document and the Fund Offering Materials

Office-to-Residential Conversions: A Catalyst of Resilient Urban Growth



- 1 | Work-From-Home and Disruptions in the Office Real Estate Market
- 2 | Office-to-Residential Conversions: **Opportunities and Challenges**
- 3 | **Tools, Tips, and Tricks** to Incentivize Office-to-Residential Conversions

Hybrid work is here to stay, and its effects are **substantial**



-15%

Foot Traffic Near Stores in Metro Areas
(Stabilized Future vs. 2019 levels)

-30%

Office Attendance
(Stabilized Future vs. 2019 levels)

-13%

Demand for Office Space
(Project Future Level (Moderate Scenario) vs. 2019 levels)

Here in **Atlanta**, these effects could be especially **profound**

Declines in city revenue...

...can have far-reaching negative effects across the city

-2.5%¹

Potential Decline in City Property Taxes
(% of General Fund Revenue)
(From 2022 Levels)

-\$36,000,000¹

Potential Lost City Revenue due to
Decline in Property Taxes (Annual)
(From 2022 Levels)



Lost revenues for **schools, sanitation, housing, small business programs** and other **critical services**

Restaurant and other **small business closures**



Lower **foot traffic** and **transit ridership**

Higher risk (or perceived risk) **of crime and blight**



Office-to-residential conversions are an appealing remedy, though they pose several challenges

Benefits:

- ✓ Can provides new uses for underutilized buildings
- ✓ Can increases supply of housing
- ✓ Could increase foot traffic and diversify uses in central business districts
- ✓ Could help maintain real estate tax revenue; prevents foreclosures

Challenges:

- ? Different architectural layout; typically requires significant renovations
- ? Costly to convert
- ? Difficult permitting and / or zoning hurdles
- ? Rapidly changing market environment
- ? Particularly costly to generate substantial affordable housing units

Local leaders can use the following tools to incentivize these conversions..

Tool #

1

Commission Architectural Feasibility Studies

Benefits:

- Helps identify which buildings can be converted
- Eliminates a high-risk expense and bottleneck developers are unlikely to pay for



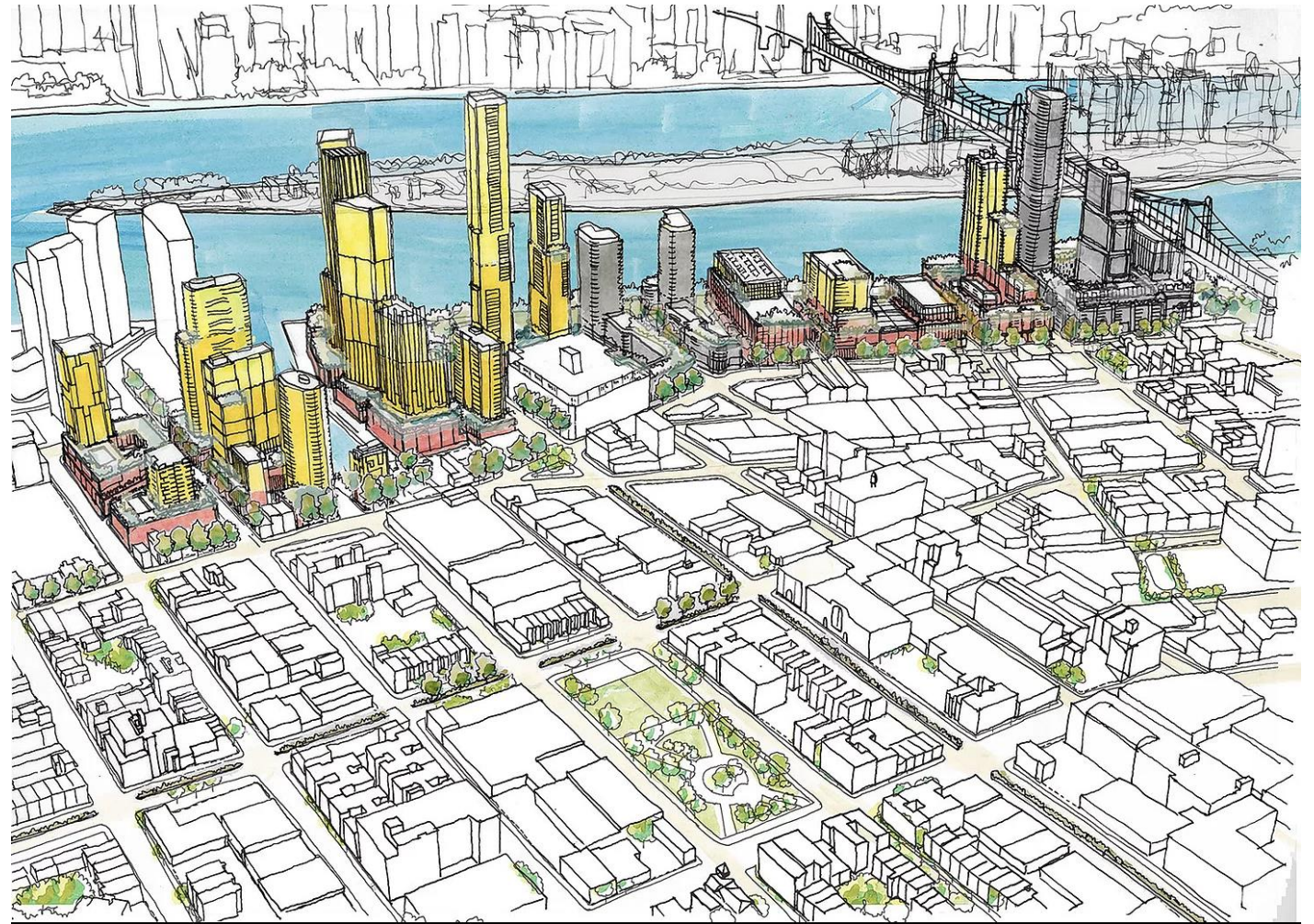
Tool #

2

Modernize Zoning and Accelerate Permitting

Benefits:

- Can increase number of buildings eligible for conversion
- Prevents delays and cost overruns



Tool #

3

Property Tax Abatements

Benefits:

- Reduces major ongoing cost to converted properties
- Has successfully been used to incentivize conversions in the past



Tool #

4

Tax-Advantaged Equity

Benefits:

- Reduces financing burden
- Can provide additional opportunities for affordable housing units



Tool #

5

Unique Uses of Government-Owned Land

Benefits:

- Reduces or eliminates property taxes on the converted property
- Allows cities to benefit in financial upside



Tool #

6

Provide Anchor Tenants

Benefits:

- Reduces risk for developers and investors
- Ensures use of converted property



Tool #

7

Direct Subsidy

Benefits:

- Simple and straightforward
- Can bring considerable attention and interest to conversions



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Link to article

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MATT BEDSOLE

Director
Atlanta's Housing Innovation Lab





CITY OF ATLANTA AFFORDABLE HOUSING

OFFICE OF THE MAYOR

OVERVIEW

- **Mayor's housing goal**
- **New Housing Bond**
- **Public Land Development**

20,000

AFFORDABLE HOUSING UNITS CREATED OR PRESERVED OVER THE NEXT EIGHT YEARS

WE CAN ACCOMPLISH MORE TOGETHER



SUPPORT QUALITY, STABLE NEIGHBORHOODS



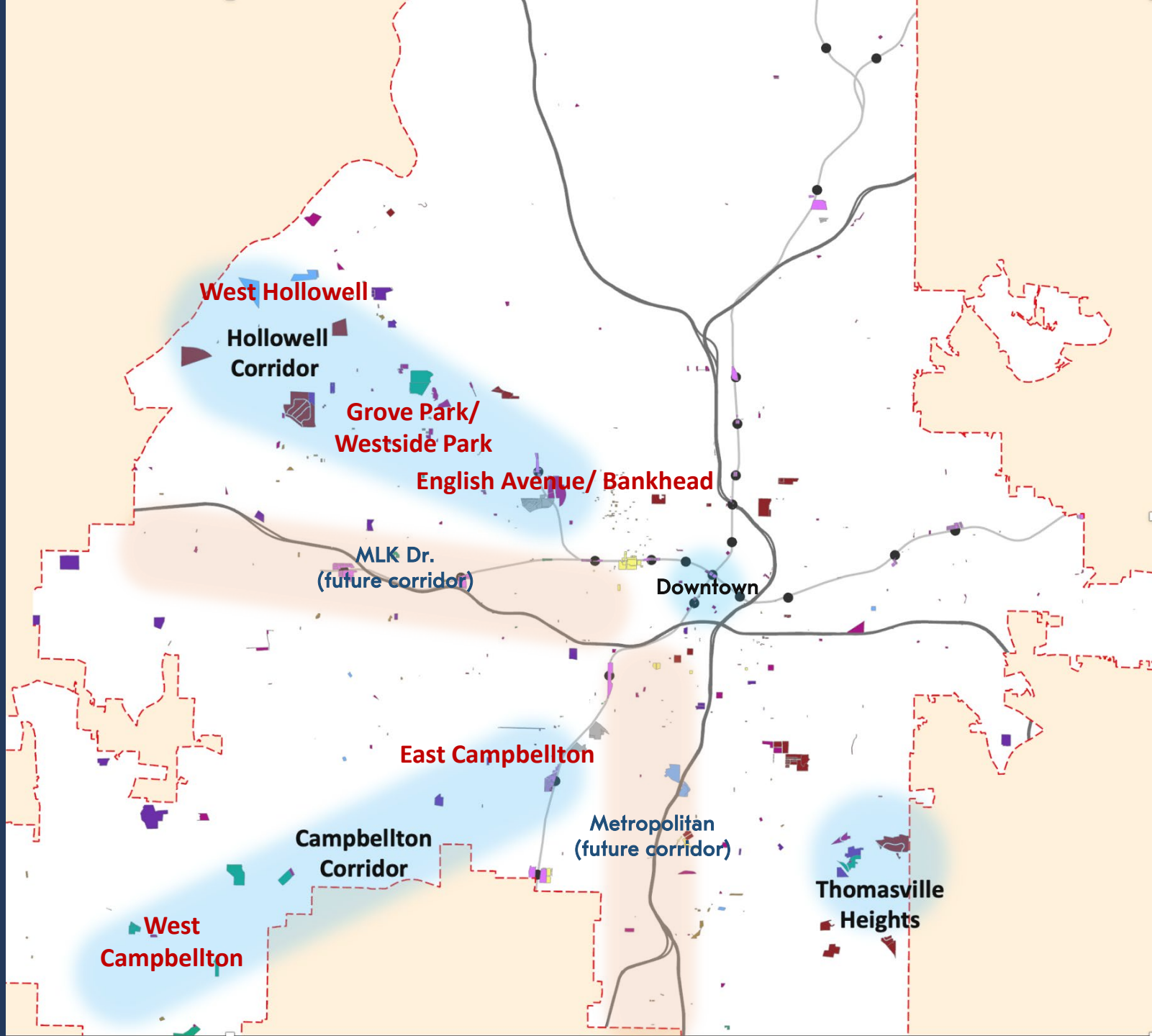
ADVANCE AFFORDABLE HOUSING



BE GOOD STEWARDS OF PUBLIC LAND

Mayor's Neighborhood Strategy

- Revitalize growth corridors through coordinated public investment while preserving affordability for future generations.
- 7 neighborhoods
 - Thomasville Heights
 - English Avenue/Bankhead
 - Grove Park
 - West Hollowell/Bowen
 - East Campbellton
 - West Campbellton
 - Downtown



ON OUR WAY TO 20K

City of Atlanta Affordable Housing Tracker

Affordable housing development activity since the beginning of 2022

Delivered / Completed²

2,619

affordable units*

Under Construction / Funded¹

5,163

affordable units*

Single-family Projects

347

delivered / completed²

Multifamily Projects

25

delivered / completed²

Units by Income Level



- 0-30% AMI - 124 units
- 31-50% AMI - 799 units
- 51-60% AMI - 4,832 units

* Projects delivered / completed or under construction / funded

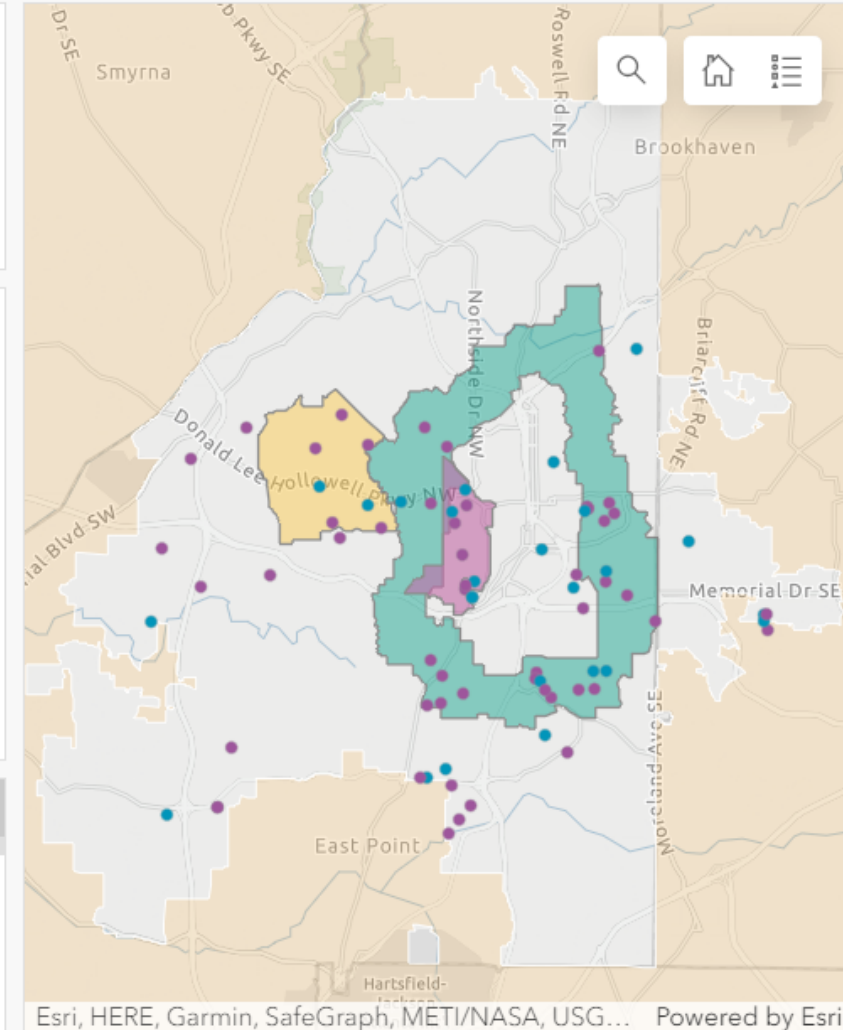
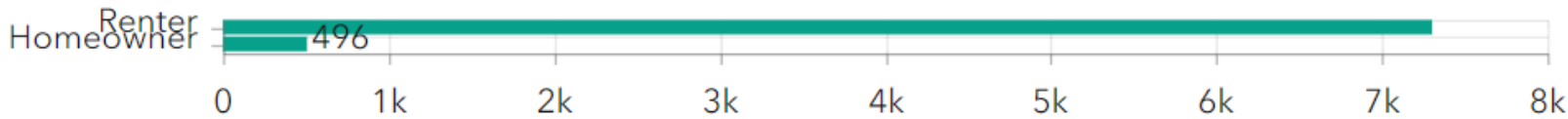
Project Subsidy Sources



- LIHTC (4%) - \$391M
- Tax Exempt Bonds - \$374M
- LIHTC (9%) - \$125M

* Projects delivered / completed or under construction / funded

Units by Population Served



Esri, HERE, Garmin, SafeGraph, METI/NASA, USG... Powered by Esri

NEW HOUSING BOND

\$300M IN NEW AFFORDABLE HOUSING FUNDS

TogetherATL

\$100M

Philanthropic Fund

+

GoATL

\$100M

Affordable Housing
Impact Fund

+

2023 HOB

\$100M

Bond program to support
production, rehab,
preservation

2023 HOUSING OPPORTUNITY BOND PROGRAMS

Program Components	Program Descriptions	Funding
Multifamily Preservation	Safe and Secure Housing Initiative	
	Funding to rehabilitate existing multifamily properties. Fund will be leveraged with public and private capital to support acquisition, rehabilitation, and stabilization of eligible properties.	\$15,000,000
Public Land Development	Housing Production Fund	
	Financing to nonprofit and for-profit multifamily developers offering affordable rental housing units on publicly owned land or as part of a project owned in part by a public agency. Funds will be leveraged with conventional financing to construct new mixed-income rental housing units that will serve households at up to 80% AMI, with a focus on households at or below 60% AMI.	\$38,000,000
	Public Land Infrastructure	
	Fund to support development of horizontal infrastructure on fully or partially publicly owned land. Eligible uses include but are not limited to utilities, streets, and stormwater management facilities. These funds may be deployed as grants or loans on a case-by-case basis.	\$15,000,000
Multifamily Loans	Multifamily Gap Financing Program	
	Financing to address gaps in multifamily developments offering affordable rental housing units including those applying for 4% and 9% Low Income Housing Tax Credits (LIHTC), as well as non-LIHTC projects. Loan amounts and terms will be dictated by project type, needs, and scale of additional public benefits, with lower interest rates available to projects that propose to achieve deeper affordability.	\$29,000,000
Program Administration	Program Administration and Cost of Issuance	
	Administrative costs to administer the programs.	\$3,000,000

PUBLIC LAND DEVELOPMENT

MAYOR'S HOUSING STRIKE FORCE

GOAL

**Unify Atlanta's
Public Agencies'
Approach to Land
Development for
Housing**

ACTIONS

**Prioritize Projects Based on
Shared Goals**

**Jointly Identify Needs and
Challenges to Development**

**Coordinate Planning,
Funding, and Infrastructure
Investments Across Agencies**

OUTCOMES

- 1. Build Better, More Comprehensive Projects**
- 2. Improve the Value of Public Land**
- 3. Increase Available Subsidy**
- 4. Speed Up Timeline of Projects**
- 5. Avoid Zero Sum Thinking**
- 6. Reduce Risk for Private Partners**
- 7. More Effective Philanthropic Fundraising**

CATEGORIES OF PUBLIC LAND DEVELOPMENT

CATEGORY I

READY TO BUILD

Smaller project sites that are **ready to be built in the short-term** with a greater focus on affordability and low relative infrastructure costs.

CATEGORY II

LARGE SCALE CATALYTIC

Large-scale project sites with transformational potential that will require multiple-agency coordination, master planning, and significant infrastructure investment.

CATEGORY III

REVENUE GENERATING

Large project sites with substantial market potential that could be conveyed as a ground lease capable of generating **long-term revenue for affordable housing**.

CATEGORY IV

COMPLEX DEVELOPMENT

Difficult to develop projects due to **significant limiting factors**; however, these properties could be developed in the long-term given proper planning and investment.

PUBLIC LAND HOUSING PIPELINE (AS OF MAY 2023)

INVEST ATLANTA + CITY OF ATLANTA

1	Cooper Street (NEW)	5	Johnson Rd/Proctor Creek
2	Gun Club	6	184 Forsyth
3	Midtown Fire Station	7	143 Alabama
4	2 Peachtree	8	104 Trinity

MARTA

9	H.E. Holmes Transit	12	Bankhead Transit
10	Art Center Transit	13	North Ave Transit
11	Oakland City Transit		

ATLANTA BELTLINE INC

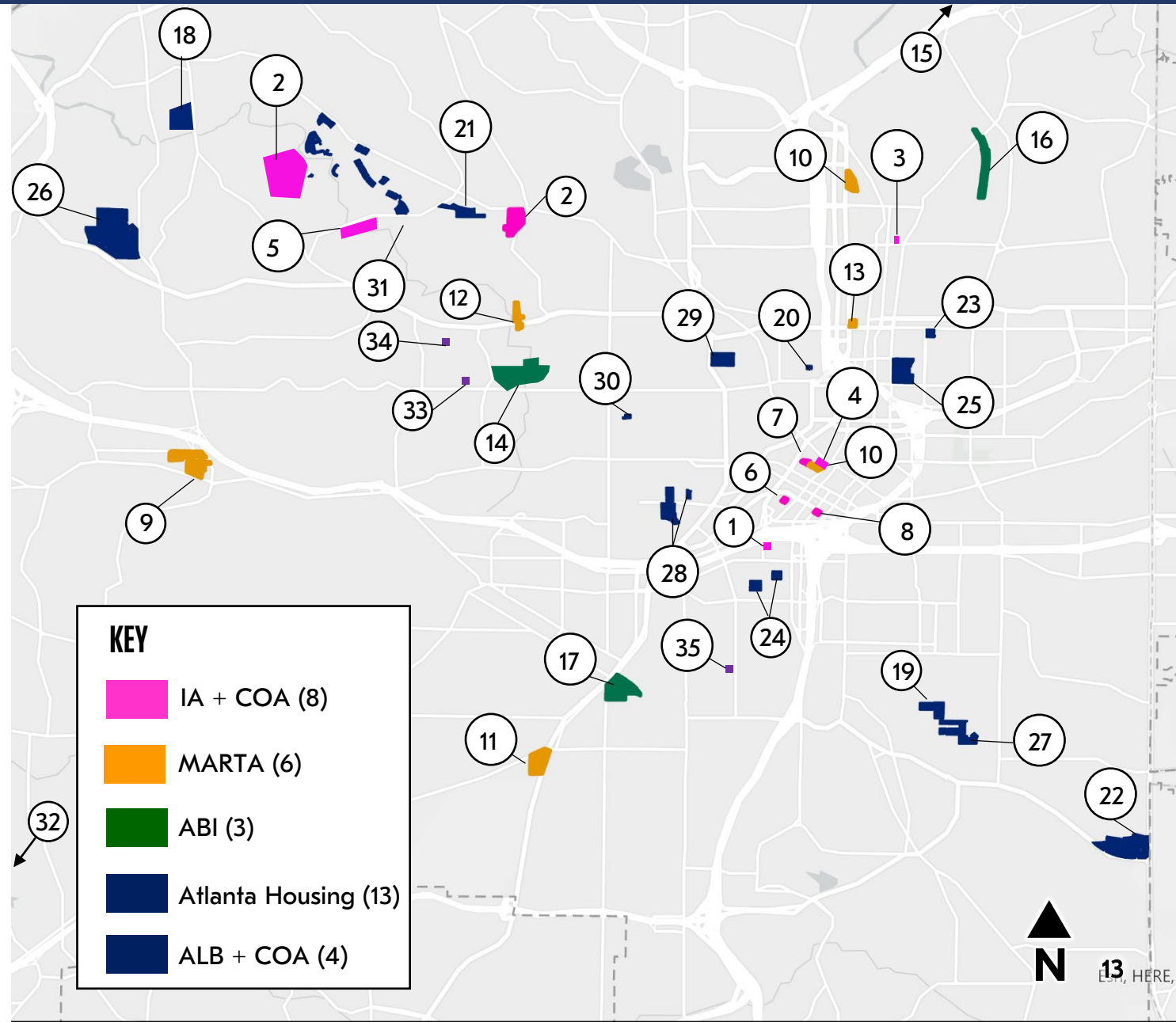
14	425 Chappell Road (NEW)	16	Amsterdam Surplus
15	579 Garson	17	Murphy Crossing

ATLANTA HOUSING

18	Hollywood Courts(NEW)	25	Civic Center
19	Englewood #2	26	Bowen Homes
20	Palmer	27	Englewood #1
21	Johnson Road	28	Scholars Landing
22	Thomasville Heights	29	Herndon Square
23	North Avenue	30	Magnolia
24	Mechanicsville	31	West Highlands

ATLANTA LAND BANK + CITY OF ATLANTA

32	Barge Road (NEW)	34	340 Holly
33	Hasty Place	35	1029 McDaniel



READY TO BUILD: 104 TRINITY AVENUE



On track for 2023 4% LIHTC Application

READY TO BUILD + CATALYTIC: 2 PEACHTREE

POTENTIAL PROGRAM

2 Peachtree "Tower"

- RFP released to shortlist of 5
- Selection of development team by end of 2023
- Target construction start by late 2024 – early 2025

Goal

- Create 200+ affordable housing units
- Activate of ground floor retail
- Improve public realm at critical intersection
- Bring more housing options to downtown Atlanta

Tower (Story 6 – 41)

Total SF: 590k

Targeted for residential conversion

Annex (Story 1 – 7)

Total SF: 120k

Targeted to be maintained as office

Main Tower (Story 1 – 5)

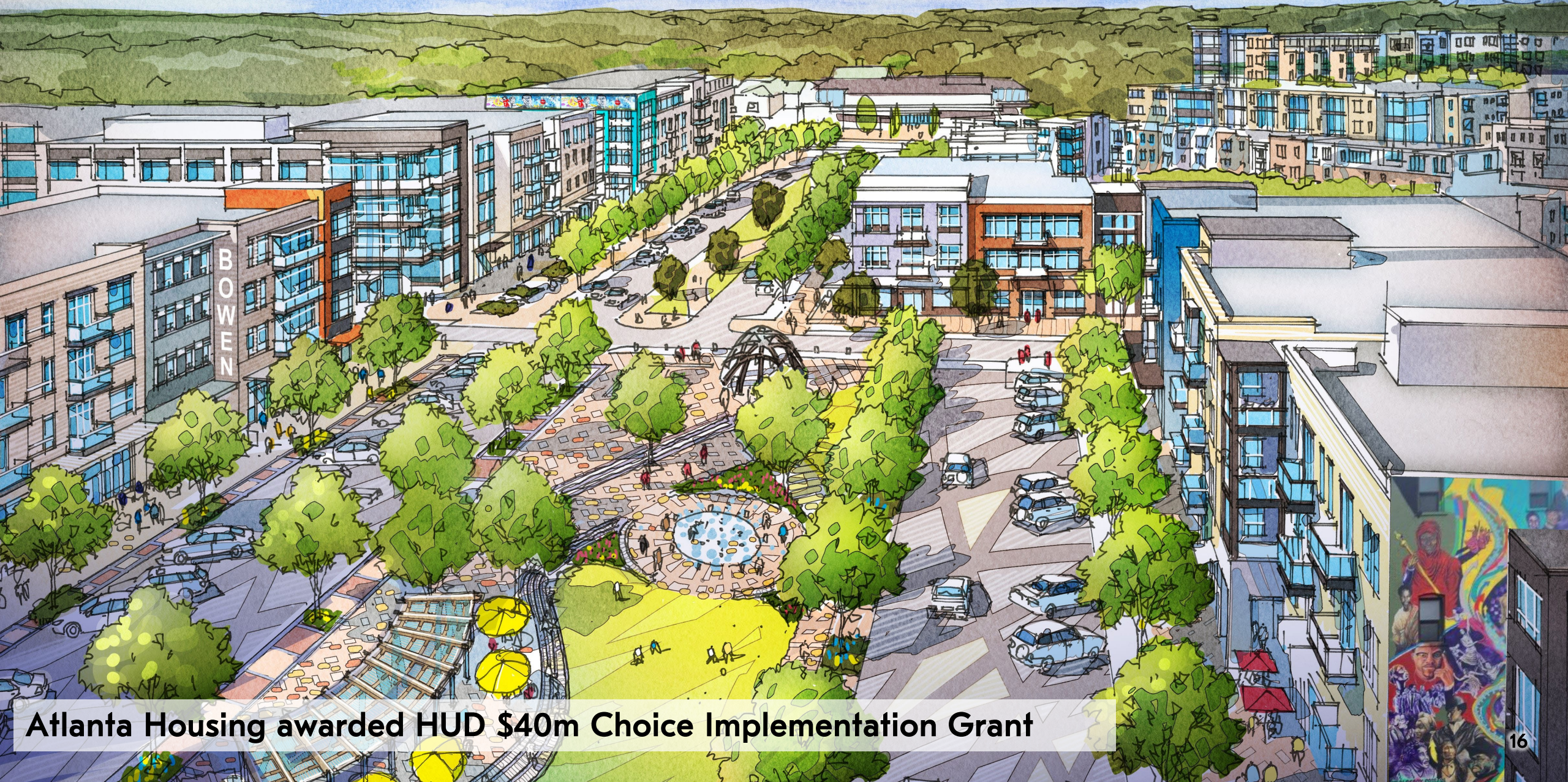
Total SF: 116k

Focus of Request for Ideas

Basement (Story B1 – B3)

Total SF: 74k

LARGE-SCALE CATALYTIC: BOWEN HOMES



Atlanta Housing awarded HUD \$40m Choice Implementation Grant



THOMASVILLE HEIGHTS REDEVELOPMENT



ATLANTA URBAN DEVELOPMENT CORPORATION

GOVERNMENTAL



ORGANIZATIONAL



FINANCIAL



Atlanta Urban Development Corporation

The City of Atlanta and its partners seek the creation of a specialized entity capable of leading redevelopment of public land to achieve the following goals:

1. Build a new model of public land development **not reliant on tax credits**
2. Establish **long-term affordability** and control of housing on newly developed sites, modeled after the social housing approach used around the world
3. Work with Invest Atlanta to implement the newly created **Housing Production Fund** to provide critical capital for additional public land projects
4. Add additional public land development capacity that **complements and expands housing development efforts** of the existing public agencies' work

P3 Case Study #3:

The Gulch Redevelopment



Brian McGowan
President
Centennial Yards



Dr. Eloisa Klementich
President & CEO
Invest Atlanta





**CENTENNIAL
YARDS**
ATLANTA



Centennial Yards At Completion

- 50-acre Development
- 8 Million Square Feet Combined
- 4 Million S.F. of Commercial Space
- 4 Million S.F. of Residential Space
- \$5 Billion Projected Total Project Cost
- Bordered by Major MARTA Stations







CURRENT FOCUS

THE LOFTS @ CENTENNIAL YARDS
SOUTH

G3

G1

E1

E2

ENTERTAINMENT DISTRICT



State Farm
ARENA

Merensius Plaza
Merensius Plaza

E1

E2

C5

G1

G2_3

99

125

B3

B2

B6

B5

D5

D4





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BELLA ITALIA

CHOPHOUSE



CENTRAL
YARD

88
Elliott Street





CENTENNIAL
YARDS
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