Capitol Area Community Development Corporation

Renovation of Low-Income Housing Project

By: Audrey Johnson
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Introduction

This final report will illustrate the process that Capitol Area Community Development Corporation went through to produce a low income housing renovation project. The purpose of this project was to address the need of affordable decent housing for low-income residents. The other objective was to alleviate the blighted areas and to begin a comprehensive revitalization plan for the neighborhood. The first phase of the revitalization plan was to begin renovating the substandard housing that already exists in the community, and then build new homes on the vacant lots that exists.

This project would create other avenues for more productivity to take place in the community. This project has thus far, created a job training program for the neighborhood residents. We are looking at creating a neighborhood Construction Company.

This phase of Housing Revitalization will position the community to begin to identify and target new businesses to come into the neighborhood to operate. Capitol Area Community Development Corporation was created to bring about a physical, social and economic change to this disenfranchised neighborhood.

Our motto is to: "Build a Better Community With the Unity of the People!"
RENOVATION OF LOW-INCOME HOUSING FOR CAPITOL AREA RESIDENTS

AUDREY JOHNSON

BACKGROUND INFORMATION

AGENCY

Capitol Area Community Development Corporation is the agency I will use to conduct my project. Capitol Area CDC is a nonprofit community based organization whose mission is to provide a holistic and comprehensive approach to solving the economic needs of the community it represents and serves. The primary objective of the organization presently is to purchase and renovate six homes, to provide affordable housing alternatives for sale to community residents. Capitol Area Community Development Corporation will need to secure funds to purchase the properties and secure funds also to do the renovation. This affordable housing project will be limited to our targeted area.

HISTORY OF C.A.C.D.C

About two years ago the neighborhood began to strongly advocate for a more comprehensive approach to the needs of the community in the areas of affordable housing and job creation through business development. In response to this study the idea of an Community Development Corporation and how this type of organization might best address the desires of the Capitol Area Community. Community Development different ideas and goals were set.
Two community-wide surveys were conducted where residents could respond to the identified issues. The issues were affordable housing, job training, job creation, and bringing new businesses to the neighborhood.

Capitol Area Community Development Corporation was incorporated on November 15, 1991. It was granted nonprofit status (501c3) by the Internal Revenue Service on June 29, 1992. CACDC was an outgrowth of several Community meetings. Capitol Area CDC is located in downtown Atlanta, four blocks from the Olympic Stadium and in walking distance to the Underground. Capitol Area community is clearly located in a prime area.

**Targeted Area of C.A.C.D.C**

Capitol Area consist of a 694 units of a public housing development called Capitol Homes, 194 units of section eight subsidized apartments, called Martin Luther King Village. There is also one complete block of homes in our area as well. Five percent of the homes in our area belong to the residents that reside there. The rest of the homes are rented out to the residents who live there. Our objective is to help all of the residents who rent, to become homeowners if they want, and simultaneously make these homes affordable to the low-income residents we serve.
Problems

The problem is providing affordable housing to low-income residents, whose median income is anywhere from twelve thousand to fourteen thousand dollars a year. In order to adapt to their incomes and make home ownership a reality, we must be financially creative. The other issue is finding a construction company to do the renovation at a reasonable price while they train community residents for construction positions at the same time. And still try to make some money for the organization as well. If Capitol Area Community Development Corporation can not make this aspect of the American Dream a reality for these residents then it becomes a myth for them.

Statement of Purpose

The Capitol Area Community Development Corporation is a nonprofit corporation seeking to provide a holistic and comprehensive approach to solving the economic needs of the community it represents and serves. The primary objectives of the organization are threefold: to provide affordable housing in the community; to foster business growth in the neighborhood and creating job opportunities for community residents while providing needed services, and to provide job training and placement that will strengthen self-sufficiency among area residents.
Solution

If no solution is found, this area will continue to be a blighted low-income area, with no new businesses or jobs. If our CDC doesn't change the physical, economic and social condition of this community, then there is a strong chance that by their very existence, potential residents, customers for Capitol Area businesses, and investors will not take place in this community. It is vital that total revitalization take place in this community, not just for the sake of the Olympic Games, but for the residents who want to continue to live in this community and to make it a thriving neighborhood again.

Our CDC's targeted area is located in a prime downtown area in Atlanta. We are in walking distance to the Olympic Stadium five minutes away from Underground Atlanta, and two blocks away from the State Capitol, which is why we're called Capitol Area Community Development Corporation. Another, reason we must move to improve this community.

Project Product

The goal of the organization is to purchase and renovate six substandard homes and sell them to qualified low-income residents. To train at least five community residents in construction work so that they will have developed a skill to continue to be employed or create Capitol Area Construction Company.
The Capitol Area Community Development Corporation has a simple plan for transferring rehabilitated housing to home ownership for low to moderate income families. Our goal is to utilize the down payment assisted program designed by the Urban Residential Finance Authority and use in conjunction with Atlanta Mortgage Consortium and their first time home buyers affordable housing program. By using this program, applicants can apply, be approved, be assisted with their down payment, and be provided a mortgage to purchase a newly rehabilitated home in the Capitol Area Community.
**Inputs**

The objective of Capitol Area CDC is to provide low income individuals and families of our community with the opportunity to purchase rehabilitated housing at an affordable price, and make available the means to purchase these homes. Our focus is to purchase sub standard housing, have the properties completely rehabilitated and sell these same properties back to members of the community through a down payment assisted affordable housing program either through funds available with the City of Atlanta and the URFA program or by utilizing the 203K program offered by the department of Housing and Urban Development.
A non-profit corporation dedicated to housing and economic development in the Capitol Homes Community.
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## Housing Cost Estimations

<table>
<thead>
<tr>
<th>Address of Property</th>
<th>Acquisition Cost</th>
<th>Rehab Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>360 Kelly Street, S.E.</td>
<td>$13,500</td>
<td>$20,500 (closed)</td>
</tr>
<tr>
<td>352 Kelly Street, S.E.</td>
<td>$13,500</td>
<td>$21,535 (closed)</td>
</tr>
<tr>
<td>351 Hill Street, S.E.</td>
<td>$35,000</td>
<td>$22,835</td>
</tr>
<tr>
<td>355 Hill Street, S.E.</td>
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<td>$22,560</td>
</tr>
<tr>
<td>325(L) Hill Street, S.E.</td>
<td>$35,000</td>
<td>$12,585 (duplex)</td>
</tr>
<tr>
<td>325(R) Hill Street, S.E.</td>
<td>$35,000</td>
<td>$12,585 (duplex)</td>
</tr>
</tbody>
</table>
Financing of the Project

In the beginning phase of this housing project, our financing source was going to be "Home Funds" from the City of Atlanta. We had just missed the 1992 deadline, when we had submitted our proposal for funds. The point person looked at our proposal package and was impressed, and said this was a project that the city Home Funds could finance. The only issue was that it would have to be the 1993 Home Funds, since we had missed the 1992 cycle. This was a three-hundred and sixty thousand dollar deal ($360,000). It cost CACDC $180,000 to acquire the six properties, and $180,000 to do the construction on the six homes. We were so excited because we knew that the acquisition money for this project would be funded by the City of Atlanta's Home Funds. We needed matching funds so we met with the bankers at NationsBank. They had agreed to finance the construction end of the deal, which was the other $180,000. This was important to their CRA Report, because this is really low income community. So now we had a letter of commitment from the bank, we than sent a copy to the city, to show that we had obtained the matching funds that were needed.

We had no idea that it would take all of 1992 and the end of 1993 to disperse the 1992 allocations. Well, to me that meant that it would probably be 1996 before we would receive our 1993 allocation. Not to mention the fact that "The City of Atlanta returned 11.1 million dollars of the 1992 Home Funds back to the Federal Government for not being used."
This housing project became a year old, just waiting for those home funds to materialize. At this point the suggestion was made that we explore other options. So the organization stated looking for other ways to finance this low income housing project. We didn't qualify for State Home Funds, because they were only funding single family housing projects of 12 or more. The next plan was to meet with an Atlanta based organization called Atlanta Neighborhood Development Partnership, Inc. to acquire the entire grant needed for the housing project. We submitted an application for funding with their organization, and the end result was we needed to show that we could qualify the residents for occupancy after the renovation of the homes was completed. We had prequalified applications of the residents on file. The application didn't imply that the qualification was of the residents was required, so we didn't supply that information. We had letters of agreement for the properties for the second time. Then the organization received a letter from A.N.D.P. stating that they could not finance our project at this time. I called the point person for housing grants, he than mentioned that if we would have had matching funds we would have gotten half of the money from them. So I asked why was I not told that from the beginning? So I went back to the bank and discussed the same set-up as in the beginning. The bankers remembered this deal and was still willing to fund it. The problem was that we had missed the funding cycle for A.N.D.P. and was going to have to resubmit in three months, because that's when the housing committee met again to discuss housing projects.

One year lead to two years of trying to get this project done. It is finally
happening after all of the set backs and ups and downs. We haven't been able to close on all six of the properties at once. However, we have closed on two of the properties and have begun construction. We had decided to use the 203K HUD Program, however, we might have to reconsider that option because of the eleven percent interest rate.

We are doing this project in a partnership deal with an organization called Southeastern Housing Foundation, Inc. Their organization is handling the construction and training residents who are interested in learning the construction trade.

We are in the process of scheduling a press conference to acknowledge all of our sponsors and supporters of this two year old project. After the press conference the organization will renegotiate the financing for the other four homes with the sponsors that thought we would never get this project done. The end result financing for the project with better terms than the 203K Program.
Final Analysis of this Project

Renovation of substandard housing is not an easy task. There must be a wealth of knowledge in the area of funding sources. This would prove to be helpful if you submit proposals to different financing sources that don't materialize than you have other avenues to explore.

At one point, I thought this project would never have begun, because it took two whole years before we ever closed on a property and begun construction. I feel that this project would have happened a year ago had the City of Atlanta, came though for us with the Home Funds. The most disappointing part was having the residents believe we were going to begin construction, and than we didn't. We had also got options on the properties twice from the owners and then still nothing happened.

This was a very simplistic deal I thought, however, it proved to be most complicated.

Attending this C.E.D. Program has helped me a great deal in this area, although it was a little behind where this project was, I learned enough to be much better prepared to handle other housing projects.

I recommend that you learn as much as you can about financing this type of project. And most of all, know your deal better than anyone else.
Summary

Capitol Area has many vacant industrial and commercial structures no longer suited for their original purposes. Unused, these obsolete commercial and industrial facilities are visual and economic blight. They depress the real estate market and frequently pose public safety threats. The homes in this community are substandard and create a blighted look also.

Our first goal is to alleviate the blight that these houses have at the present time while creating the opportunity for the low-income residents to purchase affordable housing. This effort will position the organization to generate funds to do other housing projects. Create job training opportunities, and create a small business; such as a Construction Company to do other jobs in the community that become available. It will also allow us the opportunity to bring new businesses into this community. In order to make this all a complete success we must also be able to assist the residents in the area of social services as well. There must be a collaborative effort between CDC's and organization that provide these social services so that all this work is not done in split efforts.

Our main objective in this endeavor is to revitalize the neighborhood into a thriving self sufficient working community. And to help the residents to:

"Rebuild A Better Community With The Unity of The People."
June 27, 1994

To Whom It May Concern,

NationsBank is in the process of reviewing your loan request of $180,000.00 for the renovation of 5 single family residences and 1 duplex. Approval of your loan request is subject to us completing our due diligence. Assuming no problems surface during our due diligence process, a commitment letter will be forthcoming. If you have any questions, please feel free to contact me at 491-4195.

Sincerely,

Isaac Washington
Account Executive