



# TRISTAR

REAL ESTATE INVESTMENT

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## THE AFFORDABLE HOUSING CRISIS: A Landlord's Perspective (Part 2 of 3)

In the first installment of this series, we cited three areas that are challenges to affordable housing:

1) Cost of Construction; 2) Regulatory Environment that creates more costs and delayed delivery; 3) NIMBYism - people need affordable housing, but don't like the name and perceived negativity that come with it. ***What are some solutions?***

### **Cost of Construction**

**New Construction** - Several developers across the country are experimenting with modular housing. The modular housing industry provides benefits of standardization, efficient delivery and speed to market. Where new construction can be \$175,000 per unit to deliver (without land cost), modular units are pricing closer to \$100,000 per unit, yet the deployment of the model is still in its early stages. When paired with government assistance, creative financing and donated land, the options get better as we look out over the horizon.

**NOAH** - A popular term that stands for Naturally Occurring Affordable Housing is more understood as the renovation of blighted housing. The concept is to take dilapidated housing and renovate it at a replacement cost that is 50% of new. (See Springview Apartments below). So many municipalities see blight as something to be demolished.... you tear it down, and all the bad things associated with blight go away. In reality, it simply displaces the element you need to help, because there is now less housing for those who need it the most. We advocate renovation and restoration of communities in a manner that creates a united community. The solution is to incentivize for-profit developers to enter in the space if they agree to maintain affordability (rents for those earning 40-80% of the average median income).

**Regulatory Environment** - Many municipalities have been pushing for minimum set asides in new development for "affordable housing," which ranges from 10-20% of the total units. It's well-intended, but it usually is not as effective, because of cost constraints due to current density (more density is needed to make the numbers work) and failure to really serve the bracket of the demography that really needs assistance (those earning 40-80% AMI). Many of the 20% set asides require the developer to serve 80-100% of AMI which can be labeled "workforce housing," yet not really affordable for those with the most need. Think of serving middle income/salaried workers (80-100% AMI) vs. hourly wage workers (40-60% of AMI). AMI is currently defined as an income of \$82,700 for a family of four in the metro Atlanta area. While this helps some, it misses the need at the basic levels of those with hourly wages under

\$18/hour. A better solution comes from tax abatements for developers who commit to affordability, as well as special financing that would allow more benefits to the development community so long as they commit to keeping rents affordable.

**NIMBY** - "Not In My Back Yard" - Neighborhoods need to reconsider their concept of "affordable housing." Change it to any other name that makes them embrace what is truly needed - housing that is in their back yard for those who support the needs in their community from your barista at Starbucks, and grocery store clerks to the teachers who are in your area with your children. Atlanta is not like New York with a robust transit system that can rapidly get people from affordable boroughs to where the jobs are located, and there is no rent control, which is assuredly not the solution.

### **View our Deal Profile of The Month**

Deal Profile of the Month:

### Springview Apartments (Before and After) Old Hapeville Road SW Atlanta, GA





- **2b/2b Average Rents \$835 (40% of AMI)**
- **Affordable for those making \$33,400 a year (\$16/hour)**
- **Free after School for residents via Star C Programs**  
[www.star-c.org](http://www.star-c.org)

One solution to affordable housing is renovation of blighted apartments. TriStar launched a social impact fund to purchase this 1972- vintage, 144-unit development and spent over \$6 million (\$41,000 per door) to put units back into working order. We partnered with Atlanta Housing Authority, with financing from Invest Atlanta, and the apartments now have rents that serve those earning 40% of Average Median Income (\$82,700 in Metro Atlanta) at an all-in cost that is less than 25% of new development. The average rent in Atlanta is \$1,672 per month.

## Are You an Investor?

We are in pursuit of several investments. If you are an accredited investor and want to be considered for one of these offerings, please reach out to us. Call us today to learn more at 404-698-3535 or [dgibbs@tristarinvest.com](mailto:dgibbs@tristarinvest.com).

Sincerely,

TriStar Real Estate Investment

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