



TO: John McDonough, City Manager

FROM: Andrea Hall, Director Economic Development

DATE: July 24, 2013 for Submission onto the Work Session Agenda of the August 6, 2013 City Council Meeting

ITEM: EDAC Apartment Redevelopment Recommendations

Background:

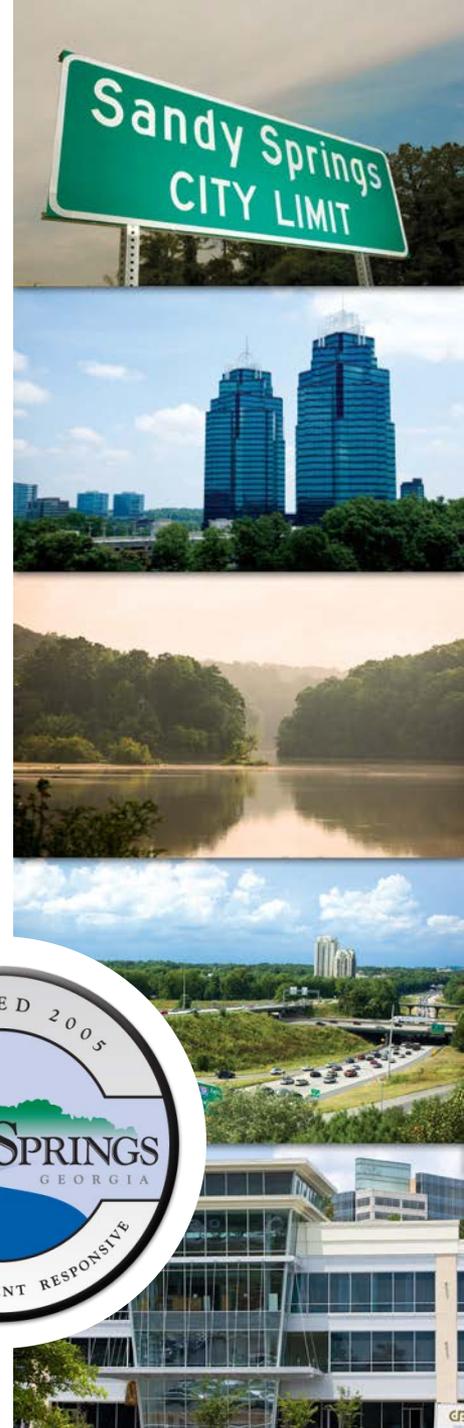
The City's Economic Development Plan was adopted in 2012. This plan directed the Economic Development Advisory Committee (EDAC) to develop a redevelopment strategy for aging multi-family properties throughout the City. EDAC has prepared preliminary policy recommendations for Mayor and Council review.

Attachments:

- I. Apartment Redevelopment Recommendations Presentation

EDAC: APARTMENT REDEVELOPMENT RECOMMENDATIONS

August 6, 2013



EDAC Members & Expertise

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Representatives of development and financing of housing (owner occupied and rental), office, retail; many are also City residents

EDAC members

- Kevin Moyer, KAM Asset Management*
- Richard Munger, North American Properties*
- John Stemler, Sage Real Estate Advisors*
- Pat Chesser, Ackerman & Co.*
- Jim Comerford, Proscenium Capital*
- Graham McDonald, O'Daniel McDonald LLC*

Others

- Jim Woodward, Gray Pannell & Woodward LLC
- Bill Shippen, ARA Real Estate Investment Services
- James Ewing, Merchant Capital LLC
- Bill Cleveland, Whispering Pines HOA*
- Monte Hewitt, Monte Hewitt Homes



* Sandy Springs resident

City Goal: Housing Redevelopment

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- Develop a redevelopment strategy by conducting financial analysis of targeted multi-family properties to determine zoning modifications and/or incentives necessary to encourage redevelopment. Establish a redevelopment strategy.

Source: Economic Development Plan, Adopted January 2012

Practical Goal of Housing

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- To maintain a vibrant community that attracts jobs, business and residency; City policies should promote the development of new or re-development of existing multi-family communities in certain strategic locations.
- In the absence of new development, the city, residency and housing stock ages and decays in-place. New development approach is complimentary to all real estate, but the impact can be significant regarding for-rent residential.
- Challenges:
 - Maintaining a balance between owner occupied versus renter occupied housing stock
 - Displacing some renters
 - Enforcing a new construction and renovation quality
 - Political viability of new multi-family densities in certain locations
 - Encouraging investment with complimentary product types – hotels, office & retail
 - Bridging the financial gap between current multi-family land values and others uses

Economics of City's current MF stock

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- By and large, properties in Sandy Springs on a commodity site built 10-15 years ago command rents in the \$.85 - \$1.15/SF/month range. Current, or future owners of these properties periodically upgrade their unit finishes and apartment amenities to maintain those rent ranges along with the resident profile.
- Today, it takes a minimum of \$1.50 - \$1.60/SF/month to underwrite a new apartment project – with the newest finishes and amenities, as well as higher land and construction costs. A bank will not lend and a developer will not build a project that does not command these rates.
- Most Pre-1980 properties have some degree of functional obsolescence: lack of unit amenities (no washer/dryer hook-ups, dishwashers); obsolete floor plans (3 and 4 bedrooms), or lack of community amenities (wi-fi, fitness center, business center, green space).

Recommendations

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- Increase density for selected sites to encourage new or re-development of MF (with some development requirements) to an institutional condo-quality product.
 - Address Disconnect Between The Comprehensive Plan and Desire For Redevelopment
 - Amend Economic Development Incentive Policy
- Buy functionally obsolete properties and either:
 - a) Hold, sell or JV with a higher-density SFR developer or mixed use developer; or
 - b) Assemble contiguous parcels for future sale or JV with a mixed use developer.

The Committee recognizes there are financial risks and tradeoff to any strategy that the City will need to weigh against other City priorities.

Encourage Redevelopment Into More Relevant Product

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In areas of multi-family demand in the near term, encourage redevelopment with:

- Locations that encourage a sense of place.
 - Within close proximity to area amenities, including public parks or commercial areas - Work, live and play locations:
 - City Center
 - Perimeter Urban Densities
 - Strategic locations around Medical Centers
 - Mixed-use on site
- Approximately 26% of existing Class C product are in areas that have these attributes, primarily in areas south of I-285
- Minimal impact on area schools capacity but require smaller units with less bedrooms per unit
 - Allow increase in overall unit density, but decrease overall bedroom counts. This lowers the value gap involved in redeveloping the property, but minimizes the school impact

Encourage Redevelopment Into More Relevant Product

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- Establish design requirements that encourage long-term investment and a sense of permanence in the property:
 - Key elements of building façade to have maximum amount of permanent materials such as stone, brick or masonry
 - Limit the number of 3 bedrooms to 5% or less and set a minimum 1 bedroom
 - Full amenity package including swimming pool, fitness center and club rooms
- Site plan should incorporate design elements which encourage walkability, such as bringing the buildings up towards the street and requiring ground floor units to have appearance of retail if retail is not used

Address Disconnect Between Comprehensive Plan and Redevelopment Goals

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- Existing Class C apartment average density: 14 units/acre vs. development need of 40+ units/acre
- 47 Class C properties (~13,000 units), in which the Comprehensive Plan calls for future uses to be at significantly lower densities, often 1 – 5 units per acre
- Lower density prohibits redevelopment of the property
- City should re-examine the Comp Plan to make ensure that land use goals are consistent with redevelopment goals in those areas
 - Some development nodes in the City already allow additional density in specific situations
- If no changes in the future land use plan are desired, acknowledge that these Class C complexes are likely to remain apartments as currently constructed and maintained

Amend Economic Development Incentive Policy

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- Permit and impact fee waivers for projects that tear down and completely redevelop existing apartments
- Identify select areas for shovel-ready projects (Administrative approvals for zonings / variances)
- Infrastructure improvements such as streetscape / ROW improvements
- Address stormwater via regional detention

Explore Opportunities For City To Purchase Future Redevelopment Areas

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- Consider purchasing some Class C properties that are in areas with limited demand for multi-family redevelopment, demand for owner-occupied residential or a commercial use or City uses (stormwater / park)
- The more affordable single-family conversion opportunities exist primarily north of Abernathy Road
- There are a number of tools that can be used for redevelopment of these areas. Use of the Development Authority for the purchase of this property would be limited under state law

EDAC: Next steps

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- Conducting financial analysis of targeted multi-family properties to identify sites that could have most redevelopment opportunity for City acquisition
- Further explore other recommendations