A New Affordable Housing Model

The City of Atlanta is taking an innovative approach to revitalizing distressed communities by leveraging public assets and social housing models.

BY BEN MCADAMS AND BRYAN FIKE

The United States is witnessing a quiet revolution in its approach to revitalizing distressed urban communities. At the local government level, individuals and small groups are coming together to create a promising path forward. One of those is the Atlanta Urban Development Corporation (AUDC).

AUDC adapts successful strategies from European social housing models and tailors them for the City of Atlanta, Georgia, through a flexible, purpose-built organizational structure. As a non-profit subsidiary of Atlanta Housing, AUDC operates with the independence needed to drive mixed-income, mixed-use redevelopment while maintaining public ownership and oversight.

Three strategies underpin AUDC's model: flexible procurement focused on qualifications and outcomes rather than rigid specifications; an integrated financial toolkit that lowers development costs and preserves affordability; and new partnership structures that align public and private interests across project lifecycles.

The need for affordable housing

In his 2021 campaign, Atlanta's mayor committed to creating or preserving 20,000 units of affordable housing in the city by 2030. After taking office in 2022, the Affordable Housing Strike Force was created to coordinate key actors from city agencies and affiliated entities to identify and implement cross-agency solutions to reach the 20,000-unit goal.

The city was making significant progress, building 2,300 units in 2022, with an additional 5,400 in the pipeline—but a gap remained. Based on the city's trajectory when the mayor took office, the affordable housing gap in 2030 was estimated to be 4,300 units. Existing tools the city could use for affordable housing construction and preservation—the Low Income Housing Tax Credit (LIHTC), down-payment assistance, inclusionary zoning, and other local subsidies—were largely at capacity. In particular, LIHTC-eligible projects faced significant competition due to limited state-based allocations.

To address this gap, the Strike Force identified underused real estate assets owned by city agencies and affiliated entities—Atlanta Public Schools, Atlanta's Public Housing Authority (Atlanta Housing), Atlanta's Economic Development Agency (Invest Atlanta), MARTA, the Atlanta BeltLine, and the Metro Atlanta Land Bank, among others—that could be put in service for mixed-use, mixed-income housing. The city then created AUDC.

Josh Humphries, senior advisor to Mayor Andre Dickens for housing policy, described AUDC's driving purpose: "It'll be judged by and responsible for one thing in particular—building high-quality affordable housing on publicly owned land."[1]

Public assets, social housing

AUDC was designed to use the European social housing model, wherein revenues from market-rate units in a mixed-income development help subsidize affordable units for lower-income households. As Humphries said to the Atlanta Civic Circle, "Social housing takes the best pieces of U.S.-style public housing and the best pieces of private-market housing development, and brings them together.

This allows for a higher percentage of market-rate units in a project than you would see in traditional public housing."[2]

As AUDC took shape, it evaluated real estate holdings among city agencies and affiliated entities that could be put to higher and better use as mixed-income, mixed-use housing developments. At the launch of AUDC in August 2023, Matt Bedsole, director of the city's Housing Innovation Lab, highlighted the deep asset base of the city and its partners, estimating approximately $500 million in value from the public land portfolio that could be used for redevelopment.[3] Subsequent estimates placed the value of public asset holdings closer to $700 million.[4]

With a growing inventory of public assets—many held by agencies and partners outside the city itself—the city recognized the need for a unified, coordinated approach to repositioning these assets for public benefit. It also recognized the need for a team with extensive market-rate housing development experience and for using tools like tax credits and housing vouchers within entities like Atlanta Housing.

Tools and project structures

AUDC's unique structure gives it access to a specialized suite of tools that, together, decrease development costs, unlock the value of public assets, and deliver long-term affordability without relying on traditional subsidies like LIHTC. These tools fall into three categories:

1. **Cost-of-capital tools** that reduce upfront and permanent financing costs.
2. **Affordability tools** that preserve mixed-income development over the long term.
3. **Procurement innovations** that remove barriers for qualified partners and encourage more collaborative, outcome-driven development.

COST OF CAPITAL TOOLS

To reduce costs and increase project feasibility, AUDC deploys a four-part cost of capital toolkit that lowers both upfront and long-term financing needs: public land contributions; private enterprise agreements authorizing property tax exemption for affordable housing; the Housing Production Fund (HPF); and access to municipal debt markets or low-cost permanent financing.

Public land contributions. AUDC and its partners have identified approximately $700 million in public land and real estate assets. In many cases, the best use of these assets greatly exceeds existing use, making the value of contributed land a significant piece of the capital stack. With its developer partners, AUDC negotiates discounted public land contribution values. Frequently, these land contributions serve as equity-like inputs in the capital stack, significantly reducing the amount of cash equity and debt a project requires.

Private enterprise agreements. Under Georgia law, AUDC, as a subsidiary of Atlanta Housing, can enter into private enterprise agreements (PEAs) that provide full or partial property tax exemptions for qualified affordable housing projects. To be eligible, projects must set aside at least 20 percent of units for households earning 50 percent AMI or less, and 10 percent for households earning 80 percent AMI or less, with all units at less than 140 percent AMI. These property tax exemptions increase project feasibility by significantly lowering ongoing operating costs.

Housing Production Fund (HPF). Atlanta's 2023 Housing Opportunity Bond financed the HPF, a $38 million appropriation managed by Invest Atlanta to provide low-cost, equity-like mezzanine debt. With interest rates of less than 6 percent, HPF loans can cover up to 20 percent of the capital stack at construction with 3- to 5-year terms. HPF loans can cover pre-development, site preparation and improvement, and initial construction.

Low-cost permanent financing. As a subsidiary of Atlanta Housing, AUDC can draw from tax-exempt municipal bond markets. Tax-exempt municipal bonds bring down the cost of permanent capital and are intended to provide permanent takeout financing for construction debt. Permanent financing can include 30- to 50-year amortization, with a minimum 1:2 debt service coverage ratio, further reducing the cost of permanent debt and enhancing project sustainability.

AFFORDABILITY TOOLS

Beyond reducing upfront development costs, AUDC's structure helps achieve project stability and ensures that projects deliver meaningful and lasting affordability. Three core strategies underpin this commitment:

Minimum affordability requirements. All AUDC-supported projects must meet its strict affordability benchmarks, which are embedded into AUDC's project approvals and financing structures to guarantee that public land and financing support result in sustained affordability.

Joint venture structure and public ownership: AUDC enters into joint ventures (JVs) with private development partners while retaining at least a 51 percent ownership stake in the project entity. This public ownership structure allows AUDC to maintain long-term control over project governance, affordability covenants, and use restrictions.

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> –**JOSH HUMPHRIES**, SENIOR ADVISOR TO MAYOR ANDRE DICKENS FOR HOUSING POLICY

By structuring deals this way, AUDC ensures that public investments generate lasting community benefits, not just short-term gains. AUDC's potential JV structures include:

- *Public land JVs.* AUDC partners with equity partners or fee developer partners to redevelop publicly owned land through joint venture structures that align incentives and preserve long-term affordability.
- *Capital JVs.* In response to unsolicited partnership proposals, AUDC can contribute Housing Production Fund (HPF) mezzanine financing and private enterprise agreements (PEAs) to support development on privately owned land.
- *Ground lease financing.* AUDC structures projects through long-term ground leases, providing PEA benefits and potential HPF financing to enable new construction or the acquisition and rehabilitation of existing properties while retaining public ownership of the land.

Cross-subsidization. In alignment with European-inspired social housing principles, AUDC projects use market-rate rental income to help subsidize deeply affordable units. This cross-subsidization strategy improves the financial feasibility of mixed-income developments without requiring full reliance on federal programs like LIHTC or heavy direct public subsidies.

Together, these tools allow AUDC to create developments that are financially sustainable, socially inclusive, and permanently aligned with Atlanta's long-term housing goals.

PROCUREMENT FLEXIBILITY

AUD's flexible procurement process has also helped attract developer partners and accelerate the pace of redevelopment. Three elements stand out:

Request for qualifications (RFQ) instead of request for proposals (RFP). Rather than demand detailed designs and financing commitments upfront (which discourages participation and increases costs), AUDC's RFQ process

CASE STUDY

Redevelopment of Fire Station 15 in Midtown Atlanta

The redevelopment of Fire Station 15 in Midtown Atlanta illustrates how cities can make better use of their existing public assets to deliver urgent community benefits. Located in Atlanta's high-demand Midtown neighborhood, Fire Station 15 occupies a 0.785-acre parcel valued at $14.4 million. The plan retains or enhances existing fire service operations onsite while constructing a new high-density, mixed-income residential tower above the station. AUDC anticipates delivery of at least 100 new affordable units as part of the project.

AUDC has structured the project through a public-private joint venture model, ensuring public control and long-term affordability while attracting private-sector expertise and investment. And like all AUDC projects, the Fire Station 15 redevelopment must conform to AUDC's affordability requirements.

Fire Station 15 is located in a high-income, high-rent area, with median household incomes and rents exceeding citywide amounts by approximately 70 percent and 33 percent, respectively. High incomes and rents, along with proximity to jobs—which would traditionally inhibit affordable housing production—make the area ripe for increases in the affordable housing supply. In fact, Major employers in the Midtown area include Google, NRC, Microsoft, AT&T, and Honeywell. The site is a half mile from Interstate 85 and is also highly transit-accessible.

AUDC is using a condominium structure to separate ownership. The city will own the ground-floor fire station. For the remainder of the development, AUDC will retain majority ownership of at least 51 percent, while entering into a joint venture (JV) arrangement with its selected developer partner. Under this structure, project cash flows go to the project entity (JV) and are split between AUDC and the developer partner. The JV arrangement allows the developer to enjoy some upside from project cash flows with relatively low downside risk, while ensuring long-term affordability, thanks to AUDC's majority ownership.

Delivering deep affordability without relying on traditional tools such as LIHTC requires innovative financing strategies. AUDC brings a robust four-part financial toolkit to the project that includes public land contributions, private enterprise agreements, Housing Production Fund mezzanine debt, and low-cost permanent finance. These tools enable AUDC and its partners to achieve affordability targets while ensuring the financial viability of the development. (See Exhibit 1 for information about the capital stack conversion at stabilization.)

EXHIBIT 1 | Capital Stack Conversion at Stabilization

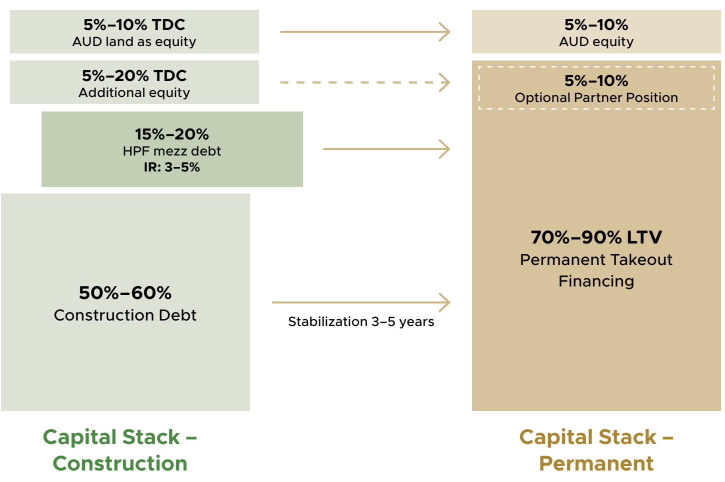

EXHIBIT 2 | AUDC Fire Station 15 RFQ Scoring Criteria

Scoring Element	Points Available
Team Organization	10 Points
Project Concept & Narrative	15 Points
Key Personnel Experience	20 Points
Experience with Similar Projects	30 Points
Financial Qualifications & Capacity	25 Points

With the right organizational structure, access to key financing tools, and a commitment to outcome-focused collaboration, public assets can be transformed into powerful engines for equitable, community-driven development.

prioritizes the selection of a qualified developer partner, based on past performance and alignment with project goals.

Outcomes-oriented evaluation. In the case of complex projects where creative problem solving and innovation are important to project success, 85 percent of the RFQ scoring rubric emphasizes team organization, experience with similar projects, and financial capacity, focusing on the ability to deliver rather than prescriptive compliance.

Partnership commitment. Once AUDC has selected the winning respondent from the competitive RFQ process, it commits to working as a partner to the developer, arranging partnership and financing structures, addressing entitlement issues, and more detailed matters. Critically, the AUDC team also provides extensive market rate development expertise, enabling them to work on deals with selected developer partners while ensuring alignment with the public's objectives and maintaining the integrity of the city's project contributions.

AUDC's prioritization of developer capacity and experience over specific project proposals is demonstrated in its evaluation criteria. The Fire Station 15 RFQ attributes 85 of 100 possible points to the developer's capacity and background (see Exhibit 2).

For the Fire Station 15 project, AUDC committed to working with its partners in the City of Atlanta, along with its selected developer partner, to navigate entitlements once a broadly aligned agreement is in place. As a partner in the joint venture structure, AUDC and government partners have a significant financial stake in the project's success, potentially motivating faster approvals and minimizing costly entitlement delays.

AUDC's commitment to partnership is also reflected in project structure and financing arrangements. While AUDC offers several financial tools to its developer partner, the details of each are open to negotiation to suit both AUDC and the developer partner. As described in the RFQ, profit sharing, ownership stakes, and the costs and terms of capital are all subject to negotiation.

Significantly, AUDC chose not to immediately announce the selected developer partner in the RFQ process. The quiet selection of a partner ensures that AUDC and its selected developer partner can negotiate in good faith to reach acceptable terms before project plans are publicly announced.

John Majors, chief executive officer of AUDC, summed up this approach to procurement as allowing for "success stories of different avenues, not prescribing one rigid path."

IMPACT IN ACTION

At left, scenes from Atlanta's $300 million affordable housing initiative: the groundbreaking at 405 Cooper Street and the rapid housing developments at Waterworks Village and 729 Bonaventure Avenue—projects that are turning innovative public–philanthropic–private financing into thousands of new affordable homes across the city.

PHOTOS: ATLANTICA PROPERTIES

CASE STUDY

Atlanta's $300 million public/philanthropic housing impact fund

In 2023, the City of Atlanta and its partners launched a $300 million affordable housing initiative designed to scale solutions through an unusual blend of public, philanthropic, and private capital.

The initiative combined a $100 million Housing Opportunity Bond—the largest in Atlanta's history—with a $200 million philanthropic commitment led and spearheaded by the Community Foundation for Greater Atlanta (CFGA). Together, these resources formed an integrated platform to finance the production, preservation, and protection of affordable housing across the city.

The financial tools that underpin the strategy are low-cost mezzanine financing through the Housing Production Fund, flexible acquisition and rehabilitation support through the Preservation and Homeownership Fund, strategic land banking through the Land Acquisition Fund, and impact-driven philanthropic investments through CFGA's TogetherATL and GoATL funds. By structuring these investments carefully across the capital spectrum—from grants to concessionary loans to preferred equity investments to program-related investments (PRIs)—Atlanta created new pathways to advance affordability at scale.

Early outcomes are promising. As of early 2025, the city's comprehensive efforts had delivered or completed more than 6,600 units of affordable housing, with $45 million in subsidies from the Housing Opportunity Bond, while CFGA had supported more than 3,300 affordable homes.

Conclusion

The formation of the Atlanta Urban Development Corporation reflects a bold rethinking of how public land can be leveraged to deliver lasting public benefits. By creating a purpose-built entity with the flexibility to structure innovative partnerships, deploy a full financial toolkit, and maintain long-term public ownership of critical assets, the City of Atlanta has positioned itself to address housing affordability at scale in ways that traditional approaches alone could not achieve.

AUDC's work demonstrates that cities do not need to rely solely on external subsidies or reactive land dispositions to meet urgent community needs. With the right organizational structure, access to key financing tools, and a commitment to outcome-focused collaboration, public assets can be transformed into powerful engines for equitable, community-driven development. As cities across the country grapple with similar challenges, Atlanta's approach offers a replicable model for how better stewardship of public resources can unlock new possibilities for housing, affordability, and inclusive growth.

***Ben McAdams** is a former mayor and U.S.Congressman. **Bryan Fike** is a research officer at Drexel University's Nowak Metro Finance Lab.*

[1] Wilborn Nobles, "Atlanta wants to build affordable 'social' housing on public land," The Atlanta Journal-Constitution, July 13, 2023.

[2] Sean Keenan, "Atlanta plans to embrace 'European-style social housing,'" Atlanta Civic Circle, July 3, 2023.

[3] Wilborn Nobles, "Atlanta's new affordable housing non-profit sets its course," The Atlanta Journal-Constitution, August 31,2023.

[4] AUDC overview deck.