Impact of Rehab Investments on Neighborhood Home Values in Douglas County, GA

Analysis by epic intentions
The mission of Atlanta Neighborhood Development Partnership (ANDP) is to promote, create and preserve mixed income communities through direct development, lending, policy research and advocacy that result in the equitable distribution of affordable housing throughout the metropolitan Atlanta region. Throughout its 24-year history, ANDP has supported the creation of more than 8,000 units of housing for people of low-to-moderate incomes. In early 2008, the ANDP Board of Directors authorized a complete organizational focus on addressing the foreclosure crisis. Since that time, ANDP programs have been realigned to help keep families in their homes, rehab and reoccupy vacant properties, and combat high rates of negative equity.

Epic Intentions is an interdisciplinary society of Georgia Tech volunteers whose purpose is to aid local non-profits, social enterprises, and civic-minded entrepreneurs through service-oriented design projects. Epic Intentions seeks to leverage the unique skills of Georgia Tech students to give back to the community by solving problems for local non-profits. The structure benefits both students and partners. Students are able to leverage their unique technical skills through hands on, multidisciplinary projects that solve real world problems. Our partners are able to receive innovative technical solutions without needing an extensive staff or budget diverted away from their primary objectives.

OUR THANKS

The Douglas County Appraisal Department is responsible for making appraisals of the fair market value of all taxable property in the county in accordance with the laws, rules and regulations established by the State of Georgia and Department of Revenue. The Douglas County Appraisal Department provided ANDP and Epic Intentions with County data showing the values in the 30 neighborhoods where ANDP sold homes for tax digest years 2008-2013. Special thanks to Benny Waldrop, Chief Appraiser, Douglas County.

Special thanks to Epic Intentions team lead Tom Wells who provided exceptional leadership and support.
According to this analysis, $2.3 million in home rehab investments made by ANDP resulted in a $14.6 million increase in values for surrounding properties, a multiplying increase of six to one.

ABSTRACT

In the aftermath of the devastating foreclosure crisis, many metro Atlanta neighborhoods have seen little to no recovery. Metro communities, particularly in suburban markets south and west of the city, continue to struggle with blight, vacancies, and depressed home values. Underwater homeowners, homeowners who owe more on their mortgage than their home is currently worth, often lack the resources and incentives to make property tax payments or keep up with basic home maintenance and repairs leading to an ongoing pattern of neighborhood disinvestment and deterioration. Increasing home values in underwater communities helps to stabilize impacted families and their neighborhoods.

Do scattered-site, single-family community development efforts, through initiatives like the federal Neighborhood Stabilization Program (NSP), stimulate recovery and lift overall home values in these suburban neighborhoods? Can the impact of these efforts be measured quantitatively to better understand community development strategies that work in suburban settings?

The purpose of this analysis is to measure the impact of home rehab investments made by Atlanta Neighborhood Development Partnership (ANDP) on overall neighborhood values in foreclosure-impacted neighborhoods in suburban Douglas County, Georgia. ANDP is a 24-year-old housing nonprofit focused on addressing the foreclosure crisis and recovery throughout the metro region.

From 2010 to 2013, ANDP acquired, improved and resold 53 scattered-site single-family homes to owner-occupant families in 30 Douglas County neighborhoods. According to this analysis, $2.3 million in home rehab investments made by ANDP resulted in an increase of $14.6 million in values for surrounding properties, a multiplying increase of more than six to one.
The economic recession beginning in 2007 caused a collapse in the U.S. housing market. Hundreds of thousands of homeowners lost their homes to foreclosure and efforts to facilitate recovery have been slow. In metro Atlanta, the foreclosure crisis initiated in the city’s urban core neighborhoods, but it spread quickly and at large scale, blanketing suburban counties in its wake. Metro Atlanta and the state of Georgia were particularly hard-hit by the housing crisis, consistently ranking among the top five markets nationally for foreclosure activity.

Since the peak of the housing crisis in 2011, some high performing metro Atlanta neighborhoods have rebounded. But many communities -- particularly suburban areas located south and west of the city -- continue to struggle. Between 2000 and 2011, Atlanta’s suburban poor population rose by 159 percent, outpacing all other U.S. regions. By 2012, 88 percent of the metro area’s poor population lived outside the city of Atlanta (Brookings).

In 2013, 35 percent of metro Atlanta homes – the highest rate nationwide – were underwater. In severely distressed neighborhoods, this rate was as high as 70 percent (Zillow). Sixteen of the nation's top 20 underwater zips were in metro Atlanta (Haas Institute 2014). Unable to participate in the recovery happening elsewhere, underwater homeowners are forced to hold on to their properties until prices stabilize or job prospects improve.

Negative equity cripples wealth and neighborhood stability. And given that home equity accounts for 92 percent of net worth for the typical African American household, the future is bleak without intervention. Homeowners with high loan-to-value (LTV) ratios are seven times more likely to go into foreclosure, leading to a vicious cycle of neighborhood disinvestment and wealth stripping. Underwater homeowners spend dramatically less on home maintenance, resulting in neighborhood decline, and often don't pay property taxes, negatively impacting local governments, services and schools.

According to RealtyTrac, the median sales price of a foreclosed home is 65 percent lower than a non-distressed home sale in Atlanta, representing a significant loss in value. In impacted neighborhoods, most sales are for vacant, deteriorating foreclosures or short sales where the home has not been properly maintained. Bulk foreclosure purchases by institutional investors are not included as market comparable sales by private appraisers. Values have fallen 30 percent to 60 percent in foreclosure-impacted neighborhoods and there are very few sales of quality, non-distressed or new construction homes to spark new market sales activity and lift overall home values toward pre-Recession pricing.

Aiding recovery in suburban areas presents a unique set of challenges and shifts the focus from a targeted, place-based neighborhood approach to a wider, regional scale. Suburban communities are

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**ABOUT DOUGLAS COUNTY**: Douglas County is located 15 minutes west of Hartsfield-Jackson International Airport and on the Interstate 20 corridor. The County has 12 industrial and business parks serving a mix of businesses including Google, Pepsico, PriceWaterhouseCoopers and the American Red Cross. The County, which includes the municipalities of Douglasville and Lithia Springs, covers 200 square miles.

Between 2000 and 2010, Douglas County’s population increased by 44 percent and is now nearly 140,000 in 46,295 households. The demographic make-up of the County has grown more diverse over the last decade with increases in minority populations. Douglas has a homeownership rate of 70.7 percent compared to a statewide homeownership rate of 66 percent. The household median income for the County is $52,691 with an unemployment rate of 6.2 percent.
more populated yet less dense and geographically isolated. Brookings’s Alan Berube, co-author of *Confronting Suburban Poverty in America*, describes the challenges: “As poverty spreads to the suburbs, it becomes less a neighborhood problem and more of a regional or sub-regional problem—affecting the south sides and suburbs of Atlanta, Chicago, and Seattle, or the east sides and suburbs of Cleveland, Pittsburgh, and Washington, D.C. Investing our existing resources in organizations and strategies that are less tied to one particular place and more collaborative in their execution represents one important way forward.”

As a partner in the federal Neighborhood Stabilization Program (NSP), ANDP acquired, rehabbed and sold 53 vacant and foreclosed properties from 2010 to 2013 in 30 neighborhoods in the most foreclosure-impacted areas of Douglas County. Douglas County is part of suburban Atlanta located about 20 miles west of downtown. Douglas was hit particularly hard by the housing crisis. The County consistently ranked among the top counties for foreclosure in the state of Georgia.

The NSP program, initially funded by the federal Housing and Economic Recovery Act, was designed to support local efforts to reverse the effects of the foreclosure crisis. NSP, which was funded in three phases beginning in 2008, provides targeted emergency assistance to state and local governments to purchase foreclosed homes at a discount and rehabilitate or redevelop them in order to respond to rising foreclosures and falling home values. NSP funding is provided through the Department of Housing and Urban Development’s (HUD) Community Development Block Grant (CDBG) program.

State and local governments can use their NSP funds to acquire land and property; to demolish or rehabilitate abandoned properties; and/or to offer down payment and closing cost assistance to low- to moderate-income homebuyers (household incomes not to exceed 120 percent of area median income). The Georgia Department of Community Affairs (DCA) distributed their allocated NSP funds to hard hit local jurisdictions, including Douglas County. The greater metro Atlanta region received a total of $123.5 million in NSP funding. Douglas County received a total of $5.4 million.
In the last 24 years, ANDP has developed, partnered in or financed more than 8,000 units of affordable and mixed-income housing in metro Atlanta. Since the onset of the foreclosure crisis, ANDP’s development activity has centered on the acquisition, rehab and repopulation of vacant foreclosed homes.

In 2008, ANDP launched a six-home pilot to acquire foreclosed homes, renovate them, and offer them to new homeowners. Since creating this initiative, ANDP has impacted a total of 507 previously foreclosed properties. All ANDP rehabbed homes are affordable to working families up to 120 percent of area median income. ANDP homes include energy-efficient, “green” features and appliances to yield additional cost savings to home buyers.

As a nonprofit developer partner of the Neighborhood Stabilization Program (NSP), ANDP has worked closely with the City of Atlanta and DeKalb, Douglas, Fulton, Gwinnett, and Rockdale counties to repopulate foreclosed homes with families who are income eligible and ready for homeownership.

“Under NSP, we have transformed distressed, foreclosed homes in Douglas County into beautiful, quality homes in new condition. This program has been a big win for Douglas County neighborhoods and for affordable home buyers.”

– Tracy Rye
Director of Douglas County Planning and Zoning Department

ANDP’S HOUSING DEVELOPMENT PROGRAM

DOUGLAS COUNTY NSP PROGRAM

Understanding the unique opportunity to tap federal resources to protect local neighborhoods, Douglas County acted quickly to apply for NSP funds from the Georgia Department of Community Affairs (DCA). Under the direction of its Planning and Zoning Department, Douglas County received funding totaling $3.8 million from NSP Phase 1 and $1.6 million from NSP Phase 3. The Planning and Zoning Department worked with DCA, local stakeholders and ANDP to design and implement a successful NSP program targeting the areas of highest needs within the County.

The Douglas County NSP down payment assistance program provides funding to eligible homebuyers for purchase of a previously foreclosed property owned and rehabbed by ANDP. Funding is used to subsidize 20 percent of purchase price up to $25,000 (includes $4,000 toward closing costs) in down payment assistance or principal reduction. The Douglas County NSP Program is open to anyone that qualifies for a mortgage with an approved lender and also meets program qualifications and income requirements for the soft second mortgage.

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– Tracy Rye
Director of Douglas County Planning and Zoning Department
Epic Intentions sought to quantify the impact of ANDP’s investment in acquiring, rehabbing and selling vacant (once foreclosed) single family homes. The researchers worked to create a simple analysis design which could be replicable. The student team consulted with ANDP and reviewed their investments in five local metro Atlanta jurisdictions. Douglas County, which represented ANDP’s highest concentration of homes on a population basis, was selected as the target geography for the study.

Epic Intentions, working with ANDP, scheduled a meeting with Benny Waldrop, Chief Appraiser for Douglas County, with the goal of determining a research methodology which could isolate the impact of ANDP homes sales. The meeting explored the degree to which the county appraiser’s methodology in determining neighborhood property values matched the practices of private appraisal firms; whether ANDP home sales were included as market comps; and ways to isolate the impact of ANDP’s sales.

While there are significant differences between the appraisal practices of local governments (which follow state law and guidelines published by the Georgia Department of Revenue) and private appraisers and appraisal management companies, both methodologies seek to measure qualified sales from a prior 12 month period and use this data to project values in neighborhoods in which qualified home sales occurred.

All of ANDP’s 53 sales in Douglas County were included as a qualified sale by Douglas County. Douglas County identifies 110 neighborhood groupings for the purposes of their property valuation. ANDP sold homes in 30 of these neighborhoods.

In order to isolate the impact of ANDP’s home sales, the researchers analyzed two data sets. The first was all qualified home sales in ANDP’s 30 neighborhood area. The second was all home sales, excluding ANDP homes, in the 30 neighborhood area. The second data set attempts to measure neighborhood values had ANDP not initiated rehabilitation repairs and sold their homes to homeowners.

The Douglas County Appraiser supplied the student researchers with data on all qualified sales in the target area for 2010, 2011, 2012 and 2013. ANDP supplied information on its homes at the property level including acquisition investment and home improvement investment (rehab plus soft costs). Epic Intentions excluded vacant lots from their analysis.

For the target area, Epic Intentions measured the total qualified home sales, ANDP home sales, average market values (all and ANDP), differentials, ANDP rehab investments, and differentials in home sale values (all vs. ANDP).

The common assumption of private and public appraisal valuations is that fair market sales between willing, informed buyers (over a specific time period and in a specific geography) represent the values of similar homes in the same geography that were subject to sale.

Based on this assumption, Epic Intentions utilized qualified sales by Douglas County (with and without ANDP home sales) as a proxy for average market value for all homes in the target area.
RESULTS

On an annual basis, ANDP homes represented between 7.2 percent and 15.6 percent of total sales in the target area. ANDP homes sold at an annual premium of $11,044 to $32,993 compared to non-ANDP home sales. ANDP improvement costs (representing direct rehab costs and soft costs) totaled $2.3 million. ANDP’s investment of $2.3 million resulted in a projected value increase across all homes (sold and not sold) of $14.6 million.

### Average Leverage Effect in Douglas County Target Area, 2010-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of N’hoods with ANDP Sales Activity</th>
<th>Qualified Home Sales in ANDP N’hoods</th>
<th>Total ANDP Home Sales</th>
<th>Average Market Value of Non-ANDP Home Sales</th>
<th>Average Market Value of ANDP Sales</th>
<th>Average Differential ANDP vs Otherwise</th>
<th>ANDP Market Share</th>
<th>Market Value Increase Per Household</th>
<th>Average Percent Increase Per Home</th>
<th>Total Homes In ANDP N’hoods</th>
<th>Projected Value Increase Across All Homes</th>
<th>ANDP Improvement Costs</th>
<th>Leverage Ratio</th>
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<tbody>
<tr>
<td>2010</td>
<td>8</td>
<td>84</td>
<td>12</td>
<td>$98,617</td>
<td>$129,400</td>
<td>$30,782</td>
<td>14.30%</td>
<td>$4,397</td>
<td>4.46%</td>
<td>1,240</td>
<td>$5,452,865</td>
<td>$481,787</td>
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<tr>
<td>2011</td>
<td>9</td>
<td>139</td>
<td>10</td>
<td>$59,127</td>
<td>$92,060</td>
<td>$32,933</td>
<td>7.20%</td>
<td>$2,369</td>
<td>4.01%</td>
<td>1,723</td>
<td>$4,082,236</td>
<td>$430,772</td>
<td>9.48</td>
</tr>
<tr>
<td>2012</td>
<td>9</td>
<td>145</td>
<td>14</td>
<td>$80,605</td>
<td>$96,020</td>
<td>$15,414</td>
<td>9.70%</td>
<td>$1,488</td>
<td>1.85%</td>
<td>1,764</td>
<td>$2,625,408</td>
<td>$519,329</td>
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<td>2013</td>
<td>15</td>
<td>109</td>
<td>17</td>
<td>$89,720</td>
<td>$100,765</td>
<td>$11,044</td>
<td>15.60%</td>
<td>$1,722</td>
<td>1.92%</td>
<td>1,441</td>
<td>$2,482,273</td>
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<td>TOTAL</td>
<td>30</td>
<td>477</td>
<td>53</td>
<td>$79,107</td>
<td>$104,352</td>
<td>$20,797</td>
<td>11.1%</td>
<td>$2,311</td>
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<td>6,168</td>
<td>$14,642,464</td>
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NOTES
1 As a product of ANDP’s Market Share and Average Differential Per ANDP Home
2 Based on calculation of 3,974 total parcels in 30-neighborhood Target Area
3 Including Rehab, Soft Costs, and Developer Fees
4 Total reflects study years 2010-2013
ANALYSIS

ANDP’s $2.3 million in investment was significantly leveraged to increase values in foreclosure-impacted neighborhoods by $14.6 million. The utilized methodology analyzes results for four distinct annual periods. It does not capture accumulating value gains due to ANDP’s investment and thus may be a conservative measure of the real impacts of ANDP’s investment in lifting overall single family home values in the target area. For example, it seems plausible that ANDP’s “market lift” in 2010 would establish a higher baseline for sales in 2011 and going forward. The cumulative impact of ANDP’s lifting in values over-time may be under reported.

ANDP’s impact is larger at times and in areas where total market activity is lower. For example 12 sales in 2010 represented 14.3 percent of the market of 84 sales. The leveraging impact in 2012 was reduced in part because of the increase in total sales to 145. While ANDP’s goal is to return positive market forces (including qualified sales of quality homes) to the market, its greatest impact is in areas where the market has not yet recovered.

ANDP seeks to both provide affordable housing and lift overall market values. ANDP reports that its homebuyers generally reduce their housing costs when they purchase an ANDP home (in part because of the growing cost of rental housing as compared to homeownership in metro Atlanta). ANDP’s families have an average mortgage of $489 per month. ANDP’s impact in lifting neighborhood home values grows as the price differential between its quality rehabbed homes and other non-rehabbed home sales grows.

ANDP’s impact in lifting market values in underwater Douglas County neighborhoods is further enhanced by the fact that home sales were spread in 30 different neighborhood areas. Had ANDP concentrated all 53 home sales in one neighborhood, it would have represented 95 percent or more of that market. While the market in that one neighborhood would have been lifted to near the ANDP average sales value, there would have been little to no leveraging effect.

While impacts on local property taxes were not an initial focus of the research, it is clear that ANDP’s investment had a significant positive impact in generating revenue for local government services including schools. Additional research should be focused on the impacts of rehabbing single family homes to create affordable housing and quality sales comparisons in generating revenue for local governments. Douglas County reported a combined millage rate of 32.050 in 2012 for all services in its unincorporated area. Using this as a general guide, the $14.6 million in projected value increase from ANDP home sales generated approximately $187,000 annually in local property taxes. This total does not include any year over year cumulative effect, sales taxes on construction materials or revenues derived from third party homebuilder, real estate professional and mortgage partners.

The utilized methodology should be replicable for other jurisdictions predicated on public access to tax records and/or a cooperative relationship with the local tax assessor’s office. Alternatively, future researchers may want to utilize Multiple Listing Services (MLS) data in lieu of county tax appraiser data.