



How ANDP Is Advancing Affordable Homeownership from Development to Down Payment

A Housing Innovation Program Case Study

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Homeownership can be a key means of attaining financial stability and generational wealth. And yet Black households are less likely than white households to be homeowners, and the national homeownership gap between Black and white households is at its widest point since the Fair Housing Act was passed in 1968.¹ This case study focuses on Atlanta Neighborhood Development Partnership (ANDP), an organization that aims to increase Black homeownership in Atlanta. A 32-year-old affordable housing nonprofit, ANDP is implementing a three-pronged affordable homeownership model to increase the number of affordable homes in the region, provide growth opportunities for Black-owned development and real estate firms, and help homebuyers with lower incomes access affordable mortgages. Through this model, ANDP hopes to generate \$40 million in housing wealth for its homebuyers over the next several years.

Background and Historical Context

The wide homeownership and housing wealth gaps between Black and white households are largely attributable to structural racism (Neal et al. 2021). Historically, redlining practices and racially restrictive covenants limited mortgage lending in Black neighborhoods, curtailing homeownership opportunities. This has meant that Black families have had less wealth to build over generations and less ability to contribute to down payments for their children. Industrial sites were often placed near Black neighborhoods because of discriminatory zoning decisions, limiting the desirability of properties located there and ultimately diminishing their home values. Even without the impact of zoning issues, homes that Black households own are more likely to be appraised at a lower value than those that white households own. For these and other reasons, Black households are less likely than white households to be homeowners and generally gain less wealth from ownership.

Limited affordable housing supply exacerbates the challenge for Black households seeking to purchase a home. Lack of supply drives competition, leading to increases in home prices, made even higher by rising mortgage interest rates. The supply shortage is more acute among affordable homes, making homeownership access particularly challenging for low- and moderate-income households. These trends hold true in Atlanta, a city that long experienced racially discriminatory housing practices and was heavily affected by the 2008 foreclosure crisis.² Black Atlanta residents were particularly affected by the subprime mortgage crisis, as the share of Black homeowners dropped almost 10 percent between 2007 and 2018,³ and as of 2021, 33 percent of Black households were homeowners compared with 58 percent of white households.

ANDP's affordable homeownership model was developed in response to historical and present-day challenges in the Atlanta region.⁴ In 2008, to address the city's foreclosure crisis, ANDP launched a pilot using community development financial institution (CDFI) financing to acquire six single-family foreclosed homes, rehabilitate them, and create new affordable homeownership opportunities. Around the same time, the US Department of Housing and Urban Development (HUD) responded to the foreclosure crisis by launching the Neighborhood Stabilization Program (NSP), which granted financing, purchasing, and renovation funds to organizations advancing the redevelopment of foreclosed homes. ANDP's existing single-family pilot positioned the organization well to access NSP funds. With NSP resources and a few initial partners, ANDP laid the foundation to develop and expand its approach to creating affordable homeownership opportunities in Atlanta.

BOX 1

About the Housing Innovation Program

The Urban Institute has partnered with JPMorgan Chase to identify, test, and scale promising approaches to improve housing stability and affordability for Black, Hispanic, Latino, and other households of color through the Housing Innovation Program. The program is part of JPMorgan Chase's broader efforts to [advance racial equity](#) and [close the housing affordability gap](#).

The United States faced a housing affordability crisis long before the COVID-19 pandemic, but the public health crisis worsened existing challenges in constructing and preserving housing, and its economic shocks have further strained the market. Housing affordability issues disproportionately affect households of color because of structural inequities in housing and labor markets. Given these trends, JPMorgan Chase invests in innovative housing models that increase supply and open access to housing and homeownership opportunities to low- and moderate-income households of color. This cohort of grantees is advancing programs that increase the supply of affordable housing and support access to homeownership and wealth building for households of color.

Atlanta Neighborhood Development Partnership is part of the housing affordability cohort of grantees advancing programs that support wealth building for low- and moderate-income households of color. Further information on the Housing Innovation Program is available at <http://www.urban.org/housing-innovation-program>.

Overview of ANDP's Model

ANDP employs a three-pronged model to increase the number of affordable homes for purchase in the region, provide growth opportunities for Black-owned developer and real estate firms, and help homebuyers with low and moderate incomes access affordable mortgages. The model includes the following key elements:

- acquiring and developing single-family homes using innovative financing, including competitive federal funding
- sustaining partnerships with local developers
- providing down payment assistance (DPA) to potential homebuyers

ANDP targets buyers with low and moderate incomes for its projects, serving households who make between 60 and 120 percent of the area median income (AMI). Over the past few years, half of its homebuyers earned no more than 80 percent of the AMI, and more than 80 percent were Black or Latino first-time homebuyers. Black women made up the largest share of the organization's homebuyers. ANDP has also focused on selling homes to low- and moderate-income veterans.

In the short term, ANDP aims to use this model to create or finance 450 single-family homes between 2022 and 2024, acquiring and rehabilitating 55 percent of the homes and developing the other 45 percent as new construction. Long term, ANDP hopes to build \$40 million in housing wealth for its homebuyers by 2032. The following sections highlight the details for each key element of the model.

Acquisition and Development of Affordable Homes Using Innovative Financing

High development costs make it challenging to maintain housing affordability through acquisition and development. To overcome these costs and create affordable homeownership opportunities, ANDP developed innovative ways to finance these efforts, leveraging a rotating capital fund and federal subsidies that had never or rarely been used for homeownership purposes.

Initially seeded with philanthropic funding, ANDP developed an internal capital fund to finance its homeownership projects. ANDP invested in using enterprise-level capital, which requires organizations to use short-term, unrestricted funds to fund project budgets (Levere, n.d.). Using this type of capital to finance construction made the development process more efficient⁵ and helped ANDP lower costs by 5 to 6 percent per home, as the organization avoided the added costs associated with traditional construction loans, such as interest, application, and draw fees.

As it looked to expand production, ANDP sought federal funding sources that could expand its capital pool. Because there was no permanently dedicated federal subsidy for affordable homeownership, ANDP found creative ways to leverage two existing US Treasury CDFI Fund programs: the Capital Magnet Fund (CMF) and New Markets Tax Credits.

The CMF is a competitive federal grant program, funded by the government-sponsored enterprises Fannie Mae and Freddie Mac, for qualified CDFIs and nonprofit developers working on community revitalization and affordable housing efforts (Remy 2022).⁶ When ANDP first targeted this funding source, the fund had never been used to finance affordable homeownership development, only rental housing. After ANDP advocated for an alternative use for single-family development, the fund's eligibility was expanded; a funding round was conducted from Fannie Mae and Freddie Mac profits in 2016, and ANDP received an allocation. ANDP's success in advocating for this new use of CMF resources has opened the door to similar organizations seeking additional funding sources for affordable homeownership development.

CMF resources need to be leveraged for at least 10 times the award amount, a limitation that can make it difficult for organizations with a limited capital pool or in markets that require deeper subsidies to make affordable single-family development cost effective. ANDP, however, already had a large capital pool and a model that penciled out with limited subsidies, making the CMF resources a welcome equity boost that enabled the organization to increase affordability, take on more leverage, and increase production. Since 2017, ANDP has obtained an additional three allocations of funding from the CMF. Combined with HOME Investment Partnership Program funds (i.e., federal block grants for affordable housing for low-income households) and other grant resources, the CMF resources have helped ANDP consistently maintain a 10 percent subsidy in its capital pool.⁷

The New Markets Tax Credit (NMTC) program allows community development organizations to allocate tax credits in return for investments in communities with lower average incomes.⁸ ANDP encouraged the Housing Partnership Network, a membership organization of CDFI and housing developers looking to increase the use of New Markets Tax Credits for homeownership, to apply for funds for its members. HPN partnered with the specialty firm Smith NMTC Associates, which has expertise in using New Markets Tax Credits for homeownership purposes. ANDP has used the flexibility of the NMTC resources to increase affordability and mitigate its own risks, using the resources strategically to subsidize development or provide DPA, depending on the project's unique circumstances. For example, ANDP originally leveraged the subsidy to lower development costs of its single-family homes, allowing for increased housing production in neighborhoods with a higher risk of selling below the development cost. Today, homes in those same neighborhoods are appraising for higher values, reducing ANDP's risk of taking a loss on the development but limiting affordability for households with lower incomes. To address this shift, ANDP is using the NMTC subsidy to increase its DPA loans to help households with incomes up to 120 percent of the AMI afford these more expensive homes.⁹ The subsidy's flexibility enables ANDP to use the resources like a loan loss reserve, filling gaps and covering losses as market and project dynamics shift. ANDP has won four funding rounds of New Markets Tax Credits and has become an example to other NeighborWorks America organizations and Housing Partnership Network members.¹⁰

Through these federal subsidies, social impact debt, and charitable fundraising through grants and program-related investments, ANDP increased its capital pool into a rotating fund that has increased production while saving \$15,000 per development. Currently, once a property is sold, ANDP gets the

capital back from the sale, which goes back into the fund. This flexibility allows ANDP to fund projects more quickly and makes projects more attractive for federal funding sources, such as New Markets Tax Credits and Capital Magnet Funds. As of 2023, ANDP's capital base is \$23.5 million.

Sustaining Partnerships with Local Developers

ANDP prioritizes working with builders and real estate agents of color who know Atlanta's neighborhoods best. ANDP finds that working with local builders is more cost effective because they understand markets and relationships. For example, ANDP leverages these relationships to learn which houses are primed for rehabilitation and what land is best suited for new development. When determining which partners to work with, ANDP looks for alignment on the following principles: mutual trust, advancing racial equity, maintaining affordability (i.e., selling to households earning below 120 percent of the AMI), and prioritizing energy efficiency by implementing green standards for their developments. ANDP has partnered with a handful of small building and development organizations owned by people of color. These five organizations, each with less than 25 employees, have developed two-thirds of ANDP's single-family homes, which has helped expand Black-owned businesses and address the racial wealth gap.¹¹

Once development partners are on board, they bring opportunities to ANDP for the rehabilitation of current homes or new developments, and ANDP supplies capital once those opportunities are vetted. The developers then carry out the project, managing the construction and sale of homes (independently or with a realtor). Though the risk is shared, ANDP assumes the bulk of it, setting its local developers up for better chances of success. Developers receive a fee from ANDP when projects break even, in addition to 50 percent of any gains above the return on capital. Rarely, when projects are not profitable, the developer assumes 25 percent of the loss for shortfalls, though this does not exceed the net developer fee, and ANDP assumes the remaining balance. ANDP is attempting to increase base fees and profits for developers amid rising capital costs and high construction costs.

ANDP also attempts to spread benefits to the local real estate agents it works with. If a home is sold to a buyer earning below 80 percent of the area median income or a veteran family, ANDP gives the realtor a monetary benefit. By prioritizing small, local developers and real estate agents, ANDP is also helping grow Atlanta's housing development ecosystem, giving smaller-scale actors resources to expand their capacity and their businesses alongside ANDP.

Providing Down Payment Assistance to Potential Homebuyers

To help shrink the gap in homeownership access that negatively affects its target households, ANDP assists most homebuyers it serves in using DPA. ANDP connects homebuyers with DPA providers, such as the City of Atlanta, the Georgia Department of Community Affairs, and local banks. ANDP also provides its own DPA. It can offer at least \$20,000 of unforgivable DPA through New Markets Tax Credits when applicable. ANDP's DPA product is a soft second mortgage structured as a 40-year loan with 0 percent interest that is recouped when the homeowner sells or refinances their home. ANDP

structures the DPA as a loan, not a grant, so it can recycle the resources through a revolving loan fund to serve as many households as possible.

Through this combination of DPA and affordable home prices, ANDP's model has had measurable housing stability and wealth-building impacts for its homebuyers. Using its own data collection, ANDP found that of the 482 households it served through 2018, 93 percent of homebuyers were still in their homes. The 215 households that lived in their homes for five or more years gained an average of \$88,797 in housing wealth. Looking at its data again in 2021, ANDP found that the 269 households that lived in their homes for five or more years saw their wealth increase to \$135,000, on average, with no drop in housing stability.

ANDP's current work largely supports homeownership for mostly Black first-time homebuyers, but ANDP realizes there are other gaps to fill. Through its ongoing work and outreach in Atlanta's suburban counties, ANDP is serving other communities of color, including Latino households, in greater numbers. This is a growing area of opportunity, as the region's suburbs that were formerly rural and majority white are now more diverse than before and could benefit from the tools developed to assist households of color.

Lessons Learned

Be Agile in the Face of Rising Costs

When ANDP first got involved in the single-family market, construction on an existing single-family home, often foreclosed upon, cost about \$130,000 in Atlanta. Once the home was sold, ANDP was able to use the minimal profits to pay for a portion of its staff and capital costs. But over the past several years, home prices, development costs, and interest rates have risen substantially, increasing ANDP's costs and limiting the capital it can recover. As a result, the organization's need for capital has dramatically increased.

There have been few federal or local funds available to meet those needs. Most federal and local funding for affordable housing is directed toward multifamily properties or rentals. Locally, very little of the American Rescue Plan's funds went to housing or homeownership, which ANDP noted was a lost opportunity to increase housing stability and wealth for residents with low incomes. Many of the funding sources that do exist come with their own constraints. For example, New Markets Tax Credits have expenditure deadlines that allow for only 12 to 18 months of funding for projects, from start to finish, which is a short timeline for construction projects. The program also requires that awarded NMTC funds be held in an isolated account, increasing administrative burden.

To navigate these headwinds, ANDP found ways to build capacity and tweak its model to address the new development landscape. In the face of limited funding, ANDP developed its expertise and understanding of other federal programs, such as the Capital Magnet Fund and New Markets Tax Credits, which allowed it to increase its capital pool dramatically. Today, in the face of rising acquisition

and development costs and high home prices, ANDP has shifted more of its efforts toward new construction, enabling it to keep costs around \$270,000 per project and more of its subsidy dollars toward DPA to keep homeownership opportunities affordable to households earning below 120 percent of the AMI.

Invest in Local Partners to Build Regional Capacity and Wealth

ANDP's main goal is to expand its equitable homeownership model, serving hundreds of buyers over the next several years. To do so, it needs its smaller partner developers to expand as well, which requires support and patience as they work through the growing pains of building capacity. Smaller developers (with less than 25 employees) are already the primary builders of affordable homes under \$300,000 in the area, so adding more to their workload can be taxing, especially as they try scaled models such as subdivision development, which ANDP has ventured into, for the first time.

Through intentional and consistent partnership, however, ANDP has been able to expand with its partners from the beginning. Since ANDP entered the single-family development market full time in 2008, it has worked with partners to double its rate of production three times and is now on track to double its current rate in the next six to seven years. It is looking to do so by adding more partner developers and property managers and expanding the production capacity of its existing partners by 15 to 20 percent each year. As a key partner to mostly Black-owned business, ANDP anticipates these efforts will help boost Black wealth in the area over the coming years.

Understand Your Comparative Advantage in the Local Market

In its homeownership work, ANDP has matched the needs in the neighborhoods it serves with their own strengths. ANDP understands the Atlanta housing market and existing actors well and has helped strengthen existing market actors while offering low-cost financing. ANDP uses private, public, and revolving sources to creatively find ways to drive affordable homeownership in the Atlanta region, despite the relative lack of resources available. This is the organization's comparative advantage. For other nonprofit organizations looking to expand affordable homeownership and wealth building in their local markets, the comparative advantage might look different, but the process of working within the existing ecosystem is critical for success.

Current Policy Context and Considerations

ANDP's innovation is grounded in a community-focused mission and a spirit of learning. Households of color have been less able to achieve homeownership relative to white households and less able to build wealth that can be passed to future generations. Using its three-pronged model of using innovative financing for development, partnering with local developers, and providing DPA to homebuyers, ANDP has created thousands of dollars in wealth for low- and moderate-income homebuyers. For a program like ANDP to continue to be successful, particularly amid less affordable market conditions that compound racial disparities in homeownership, federal and local policies are critical.

Greater federal funding of affordable homeownership is needed to support organizations like ANDP and boost their potential for scalability. Proposed federal funding sources such as the Neighborhood Homes Investment Act tax credit, dedicated to affordable homeownership, could alleviate some of those barriers. Local governments could also provide more dedicated funding for supporting affordable homeownership and make more publicly controlled land available to local nonprofits through land banks and other vehicles.¹² This funding could help lower homeownership costs by eliminating or significantly reducing site acquisition costs. Government funding vehicles like this are especially critical in today's high-interest-rate environment, which challenges the success of programs like ANDP's.

Although ANDP has been able to leverage federal funding, it required significant up-front investments and attention to complex requirements after funds were awarded. The federal government could also revise program rules, as it has already done for CMF, to make use for affordable homeownership more efficient. HUD or the US Treasury could also provide more capacity-building or technical assistance support to CDFIs seeking to achieve affordable homeownership efforts in their communities.

ANDP's strategies for addressing racial homeownership inequities can help close racial wealth gaps across both households and neighborhoods. Using federal funding in innovative ways allows ANDP to acquire and develop homes in disinvested areas and can provide a blueprint for other organizations with similar goals of equitable housing development. ANDP's three-pronged model can serve as an example of how organizations can increase the supply of affordable homes for purchase, support the growth of Black-owned developer and real estate firms, and help homebuyers with low and moderate incomes access affordable homeownership.

Notes

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- ⁶ See also "Capital Magnet Fund," US Department of the Treasury, Community Development Financial Institutions Fund, accessed September 9, 2023, <https://www.cdfifund.gov/programs-training/programs/cmf>.

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- ⁹ Jim Morrison, “A Model for Neighborhood Renewal,” *Washington Post*, August 18, 2022, <https://www.washingtonpost.com/business/2022/08/18/for-sale-homes-for-low-income-buyers/>.
- ¹⁰ ANDP is a chartered member of NeighborWorks. See “Our Network,” NeighborWorks America, accessed September 6, 2023, <https://www.neighborworks.org/Our-Network>.
- ¹¹ Emily Peck, “An Overlooked Driver of the Racial Wealth Gap,” *Axios*, May 10, 2022, <https://www.axios.com/2022/05/10/driver-of-the-racial-wealth-gap-business-ownership>.
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- ¹³ Aaron Moselle, “Philly’s Eviction Diversion Program Takes Step to Outlast the Pandemic That Inspired It,” *WHYY*, December 8, 2021, <https://whyy.org/articles/phillys-eviction-diversion-program-takes-step-to-outlast-the-pandemic-that-inspired-it/>.

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