

Urban Design Commission
Economic Review Panel
For Type IV Application
CA4ER-18-133
1034 Euclid Avenue NE, Atlanta, GA 30307
Inman Park Historic District
June 5, 2018

The appointed members of the Economic Review Panel met to consider the application for demolition of 1034 Euclid Avenue NE. The applicant has presented documentation to support the assertion that the property does not offer reasonable economic return. The panel agreed that the objectives for this assignment were to look at the financial tools available, the financial viability as a rental and as a owner occupied property, the highest and best use, the renovation costs, and the new construction costs based on the concept provided by the applicant. The following are the determinations made by the panel and their final conclusion.

The panel considered the information provided for the following situations:

- 1) Property retained as a rental property.
- 2) Property sold as is.
- 3) Property renovated for the applicant to live in with his family.
- 4) Demolition of the property and construction of new home on the lot.

Rental Property:

The property is zoned R-5 and has two separate units - the main house, which is a 4 BR 2BA house (approximately 2300 sq ft), and a second basement unit (approximately 350 sq ft), which, according to the applicant, is a studio apartment with a kitchen and bathroom (this information was given verbally to staff and two panel members during tour of property by the applicant). Both units are legal under R-5 zoning.

The applicant stated at the 5/22/2018 UDC hearing that the rent for this property does cover the mortgage which is \$2012 a month. He also stated that he never intended to live in the property and that he has owned it for 14 years as an investment property.

Panel Determination:

The applicant never states the exact rental rates for this property. The tax returns provided by the applicant are for three investment properties (including the property in question), but are not broken out; as a result, the panel was unable to use the returns to develop their conclusions. The panel did carefully consider what current rental rates are in Inman Park. The main house is in good condition and the kitchen and bathrooms have good finishes. The property also has a washer/dryer in the house and off street parking. The main house should rent for \$2500-\$3000 per month. The downstairs unit has a private patio and garden and should rent for \$750 per month, thus bringing the total rental to \$3250-3750 with a surplus of approximately \$1500 per month.

Sale of Property:

The owner has stated that he paid \$328,000 for the property. The tax returns do not accurately reflect the cost of the taxes or the mortgage interest for this property. The Fulton County Tax summaries for 2014-2017 show an average tax payment of \$4300, multiplied by the number of years of ownership equals \$60,197. Using the mortgage statement provided, the interest paid over the period of 14 years equals \$134,400. The total outlay for the property comes to \$522,600. The panel was not given enough information to determine what actual income was derived from the property including rental, depreciation, and tax deductions for interest paid. Given the size of the lot, current condition of the property, and the Broker Provided Opinion, the sale price of the home is estimated at \$450,000.

Panel Determination:

The sale of the property would provide a return on investment but the amount is unknown because of the lack of detailed information provided by the applicant. The panel cannot determine if selling the property could provide a reasonable economic return.

Renovation of Property:

For this situation, the panel assumed that the applicant would not want to upgrade the property and still keep it as a rental. We therefore looked at the costs cited by the applicant to rehabilitate the property for he and his family to live in. We also looked at the information provided by the applicant including the engineer's report, the architect's assessment, and the bid for the structural improvements.

The cost cited by the applicant for the rehabilitation is approximately \$310,000 with a \$46,635 contingency. The panel looked at the cost estimates and questioned the cost of the leveling of the structure (\$65,200) and the subsequent repairs that would need to be done after the leveling of the structure. The engineer stated that he would NOT recommend jacking up the foundations through the use of helical piles or other means to level out the floors. He also stated that the structure was currently stable. The panel felt that the overall bid had deficiencies in certain line items that would equal the amount of the foundation bid. The panel explored the use of the Federal Rehabilitation Tax Credits (RTC) and the State Rehabilitation tax credits/property tax freeze for this project. If the small apartment was retained then the property is considered income producing.

\$356,635 (cost plus contingency)

- 89,159 (Federal RTC)

- 71,327 (State RTC)

\$196,149 (Net cost after RTCs)

In addition, the property taxes would be frozen for 8 ½ years at the pre-improved value of \$139,560.

Panel Determination:

The application of the federal and state tax credits along with the property tax freeze likely makes this rehabilitation very affordable. If the applicant decided to remove the basement unit from the rental market (thus foregoing eligibility for the Federal RTCs), the State RTCs and the property tax freeze would likely still make this project economically feasible. If the applicant chose not to rehabilitate the property, a new owner could take advantage of these programs.

Demolition of Property and Construction of a New Structure

The applicant has provided a concept drawing of a house to be constructed on the lot. The current lot size is 5053 sq ft (.116 acres) according to the property survey provided by the applicant. The lot coverage for R-5 is 55%, therefore the maximum size of the house and any impervious surfaces is 2779 sq ft. The concept drawing does not state the square footage of the house but in the email correspondence between the applicant and broker, the applicant mentions a 3200 sq ft house with a 400 sq ft patio and a 3 car garage.

Panel Determination:

It would be very challenging to build a 3200 sq ft structure with a patio and a 3 car garage on a lot this size without exceeding the maximum lot coverage or floor area ratio. Further, the style selected by the applicant would not comply with the Inman Park ordinance. The design would need to be compatible to the contributing structures on the block face. Given that there are no other structures on the block face, the closest block face would be used and that would be the connecting side of Austin Avenue. There are no Prairie style homes on that block face.

Panel Conclusions:

Upon reviewing the application and supporting documentation provided by the applicant, it is the panel's recommendation that the Type IV application for demolition due to lack of reasonable economic return be denied because:

- 1) The property can earn a reasonable economic return as is or if it is rehabilitated utilizing the federal and state tax credits and property tax freeze.
- 2) The applicant did not provide accurate specific information related to the property.
- 3) The new construction house would not comply with the Inman Park Historic District regulations and likely not comply with the underlying zoning of R-5.
- 4) The applicant knew the property was in a historic district but likely did not thoroughly research how that impacts possible future improvements to the property.