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PUBLIC ASSET CORPORATIONS: A MODEL FOR MIXED-INCOME HOUSING DEVELOPMENT

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Public Asset Corporations: A Model for Mixed-Income Housing Development

By Bryan Fike and Benjamin Preis

Additional contributions from Task Force Advisor Luise Noring and National Housing Crisis Task Force members: Ben McAdams, Josh Humphries and Laura Brunner

Summary

The Center for Geospatial Solutions at the Lincoln Institute of Land Policy estimates that local governmental agencies in the U.S. own over 230,000 acres of transit-accessible land, with potential to support up to 5.9 million housing units. This land ownership, however, is typically divided among numerous agencies, including local government(s), school districts, transit authorities, housing authorities, local public utilities, land banks, and more. While much of this publicly owned land is located in amenity-rich areas near good jobs and transit, the entities that own these parcels may not be best positioned to develop them into much-needed housing.

Public asset corporations exist worldwide to turn publicly owned land and assets into housing and mixed-use developments that communities need. Copenhagen's City and Port Development Corporation is perhaps the most well-known example, but New York State created an Urban Development Corporation in 1968 to build affordable housing across the state (in response to the Civil Rights Era and a recognition of the growing housing crisis in the late 1960s), and a number of cities in the U.S., including Atlanta and Chattanooga, are bringing the model back with new public asset corporations created in the last two years. Other cities, such as Cincinnati, are using existing public entities like Port Authorities to redevelop public land.

Public asset corporations use publicly owned land to develop real estate, in partnership with the private sector, that provides both public and private benefit. In the context of this *State and Local Housing Action Plan*, it is assumed that public asset corporations would focus on housing development (which is not true of all public asset corporations worldwide, some of which focus on public transportation, infrastructure, or other large scale projects) and are a complement to the Municipal Property Advisor model also profiled by the Task Force. Rather than working with outside real estate experts to identify publicly owned land and solicit bids from private-sector developers, public asset corporations bring that expertise in-house. As public entities, they can work with their partners within local government to align land use, public financing tools, permitting, and other aspects of the land assembly and development process. The benefits lie in gaining control over public sector coordination, particularly through strategies like land bundling and the consolidation of overlapping authorities. They also ensure that the public sees a return from the development on public land — either through monetary return from the sale or leasing of land, or through social return with public goods like affordable and mixed-income housing, new schools, fire stations, and police stations, and walkable, amenity-rich neighborhoods near transit and jobs.

The Challenge This Tool Solves

Public asset corporations solve four problems simultaneously. First, they help redevelop vacant, underdeveloped, or obsolete public assets into more productive use, providing a public-sector partner with much-needed real estate activity, such as developing mixed-income housing. Second, they remove the burden of real estate development from governmental departments that may lack the in-house expertise or staff availability to shepherd the development process, helping local governments identify, prepare, and use publicly owned land for the public good. Creating a public agency focused on developing public land addresses the disjointed, costly, slow, and burdensome process that typically characterizes public land redevelopment. Third, by contributing public land to housing developments, they can lower development costs and provide an equity investment in new housing development that can drive affordability. Fourth, they utilize the advantageous locations of many public land parcels to place housing close to other jobs, transit access, and other public and neighborhood services.

Types of Communities That Could Use This Tool

Every community where the public sector owns vacant, underdeveloped, or obsolete public assets could benefit from a better system to identify, prepare, and redevelop those assets for more productive uses, such as public asset corporations. However, public asset corporations require significant up-front investment and in-house staff expertise. Atlanta provided its Urban Development Corporation a $4 million grant to quickly hire staff with real estate development expertise so it could immediately begin working on projects, while the Port of Greater Cincinnati Development Authority has approximately 10 staff devoted to housing work. Other communities may instead prefer to work with Municipal Property Advisors to aid with public land development.

Expected Impacts of This Tool

Public asset corporations can transform vacant or underutilized public land and assets into modern, attractive developments with housing and amenities for people of all income levels. For instance, in Atlanta, the city has started the process of redevelopment across 50 different public land projects. This followed a city-wide land audit that identified more than 700 acres of publicly owned land within jurisdictional limits. While these projects are in the early stages of development, they are expected to generate hundreds of units of affordable and market-rate housing. If all land owned by local governments and agencies were opened for redevelopment by public asset corporations, in partnership with the private sector, millions of new homes and apartments could be built at price points affordable to people across many income levels.

Background

As local governments search for new tools to address housing shortages, public land is often identified as a potential solution. Land costs can contribute significantly to overall housing project costs, and public land can be sold or leased at discounted rates for affordable housing development. By reducing or eliminating a major development cost, public land can offset the financial impacts of reduced rents for affordable housing.

Local governments can own or control thousands of parcels within their boundaries, many of which are underutilized, need revitalization, or remain vacant. The process to redevelop that land varies by jurisdiction, but is often slow, arduous, and bespoke. Individual departments may recognize that they own underutilized land but focus on core objectives rather than real estate development. Local elected officials may be aware of developable parcels, but navigating a clunky land disposition process may require the development of a request for proposals, with specific criteria, orchestrated by multiple city departments, and requiring approval from the city council or county commission. Often, public land development in the U.S. occurs through outright land disposition/sale to private developers, giving the public sector upfront cash but forfeiting control over future redevelopment and long-term financial gain.

In many communities, the public sector organizations with the most real estate development experience are public housing authorities, redevelopment authorities, port authorities, and land banks. These agencies historically have experience developing affordable housing (in the case of public housing authorities) and redeveloping blighted and vacant properties for economic development purposes (in the case of redevelopment authorities, port authorities, and land banks). They typically possess the appropriate tools for public sector redevelopment, including the ability to hold property, issue bonds, utilize the power of eminent domain, and more. Additionally, many of these public sector organizations are exempt from property taxes, and sometimes sales taxes, further lowering potential development and operations costs.

In some places, these existing organizations successfully shepherd public land through the disposition and development process to create much-needed affordable housing and public benefits. In other communities, though these organizations have the *powers* needed to utilize public assets to create housing, the local norms, capacity, or interagency relationships make such a pivot challenging. In many cases, these agencies can create wholly owned subsidiaries with their own independent boards, staffs, and processes, endowed with the same powers to hold, finance, develop, and utilize public lands for a wide range of purposes, including the creation of affordable and mixed-income housing. These subsidiaries blend the best of both worlds, creating new, mission-focused organizations, while building on the powers and structure of their parent organizations.

Proposed Solution: Public Asset Corporations

Public asset corporations are public agencies created specifically to develop publicly owned land for public impact, including mixed-income and affordable housing. By entering into cooperation agreements with other public entities, these corporations can gain control of various publicly owned lands across city government, land banks, public housing authorities, local transit agencies, local school districts, and more. They then undertake a planning and community engagement process to identify the needs of the community and optimal uses of that public land. They may engage in demolition, site preparation, environmental remediation, rezoning, environmental review, and other activities to ensure that sites are "redevelopment ready."

Once publicly owned land is ready for redevelopment, public asset corporations work with private sector developers to request solicitations for building projects. In the case studies we highlight below, the public asset corporations solicit requests for qualifications rather than requests for proposals to identify developers for collaborative work on developing mixed-income housing and other socially beneficial projects on a site. They negotiate with the developer on the value of the publicly owned land, and may deploy additional public financing tools, including tax abatements or exemptions, below-market loans, bonds, equity investments, grants, operating subsidies, or other mechanisms. Public asset corporations often retain an ownership stake in their projects, retaining ownership over the land, acting as joint-venture partners in a development, or investing equity to ensure long-term affordability. This ownership model enables the public sector to gain positive returns on investment from publicly owned land.

The *Atlanta Urban Development Corporation* and *Invest Chattanooga*, created in 2023 and 2024 respectively, are wholly owned subsidiaries of their cities' public housing authorities and share many of the same development tools and powers. Establishing these organizations as wholly owned subsidiaries of the public housing authority offers three benefits. First, it allows them to operate with the backing of the public housing authority while reducing regulatory burdens. Second, the subsidiary structure insulates the public housing authority from the public asset corporation's debts, obligations, and liabilities, allowing the authority to focus on traditional housing development tools while the public asset corporation works on public land development. Third, while public housing authorities often have the technical power and development experience to create new housing units, they typically focus on the use of Low-Income Housing Tax Credits, vouchers, and rental assistance programs to finance deals. Creating a new entity allows that organization to focus on the use of new public finance tools, mixed-income and market-rate developments, and land redevelopment owned by entities other than the housing authority.

Both the Atlanta Urban Development Corporation and Invest Chattanooga have independent boards of directors. The Atlanta Urban Development Corporation is governed by an independent eleven-member board of directors appointed by Atlanta Housing and the City of Atlanta:

- Seven voting members nominated by the Mayor and appointed by the board of Atlanta Housing, including at least four members of Atlanta Housing's board
- Four ***ex officio*** nonvoting members:
  - Mayor or Mayor's designee
  - Chair of City Council Community Development/Human Resources Committee
  - CEO of Invest Atlanta
  - President and CEO of Atlanta Housing

Invest Chattanooga is overseen by a five-member board, including:

- Three members appointed by the board of the Chattanooga Housing Authority
- Two members appointed by the Mayor of Chattanooga.

Public asset corporations use a ***four-part financing toolkit*** to decrease capital costs and, in turn, development costs for public projects: public land contributions, property tax abatements, below-market construction loans, and access to municipal debt markets or low-cost permanent financing. While each of these tools may exist in an existing agency or across multiple existing agencies, Public Asset Corporations are able to pull them all together as a comprehensive suite of options.

Public Land Contributions

Selling or leasing public land at below-market prices can significantly reduce housing development costs. Public asset corporations can negotiate with their development partners over discounted public land values to drive affordability goals and other public benefit goals. Both the Atlanta Urban Development Corporation and Invest Chattanooga have operating and cooperation agreements with other local public agencies, such as the city, to receive public land at low or no cost from those agencies for redevelopment. Frequently, these land contributions serve as equity-like inputs in the capital stack, significantly reducing the cash, equity, and debt required for a project.

Tax Abatements and Exemptions

Property taxes can be a significant operating cost in many jurisdictions. Abating or exempting property taxes on housing projects altogether can decrease operating costs, allowing reduced rents for tenants. That combination can certainly enhance feasibility, but it does have impacts on long-term public benefits that are important to consider. Under state laws in both Georgia and Tennessee, public housing authorities and their subsidiaries are able to exempt properties they control from property taxes. By creating a Public Asset Corporation and partnering with developers, these cities are able to have a deeper relationship and understanding with a developer about the financial feasibility of the project, can combine tax abatements with the other tools described here, and can streamline the process through a joint venture. In turn, that allows public asset corporations to do a better job "right-sizing" and targeting those tax abatements to help make projects financially feasible without giving away too much. Both Atlanta and Chattanooga require a percentage of units to be affordable to households earning under certain income thresholds to have the project qualify for tax abatements.

Below-Market Construction Loans

Some jurisdictions have created revolving, low-interest mezzanine funds to reduce capital costs for project development. Montgomery County, MD, for example, recently established a $50 Housing Production Fund backed by a $3 million annual commitment to the county's housing trust fund to lower the cost of capital for project development. Atlanta's 2023 Housing Opportunity Bond financed their own housing production fund, a $38 million appropriation managed by Invest Atlanta to provide low-cost, equity-like mezzanine debt. Invest Chattanooga similarly deploys a $20 million housing production fund. With interest rates below market rate, these loans can cover up to 20%, in Atlanta, or 25%, in Chattanooga, of the capital stack at construction with three- to five-year terms. In all three cities, Housing Production Fund loans can cover pre-development, site acquisition, preparation, and improvement, and initial construction. The capital functions like preferred equity at approximately a 5% rate of return, considerably lower than the 1520% internal rate of return (IRR) typically required by market capital.

Low-Cost Permanent Financing

Since, both the Atlanta Urban Development Corporation and Invest Chattanooga are wholly-owned subsidiaries of their local housing authorities, they can draw from municipal debt markets, and access other preferred capital sources like Tennessee's Community Investment Tax Credits. Preferential capital products reduce the cost and provide permanent takeout financing for construction debt.

In addition to these financial tools, the Atlanta Urban Development Corporation and Invest Chattanooga utilize various structures to achieve affordability goals. In the case of the Atlanta Urban Development Corporation, partners must commit to affordability requirements, with 20% of units affordable at 50% AMI; 10% of units at 80% AMI, and all units below 140% AMI.

To achieve long-term affordability, the Atlanta Urban Development Corporation and Invest Chattanooga have access to different ownership structures, including ***Joint Ventures*** (JVs) and ***Public Ownership***. Projects are structured as JVs where the public asset corporation has an ownership stake of at least 51%. This public ownership structure allows public asset corporations to maintain long-term control over project governance, affordability covenants, and use restrictions. By structuring deals this way, public asset corporations ensure that public investments generate lasting community benefits, not just short-term gains. JV structures include:

- *Public land JVs:* These public asset corporations' partner 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, public asset corporations can contribute Housing Production Fund mezzanine financing and tax abatements to support development on privately owned land; and
- *Ground lease financing:* Public asset corporations can structure projects through long-term ground leases, providing tax abatements and potential public financing to enable new construction or the acquisition and rehabilitation of existing properties, while retaining public ownership of the land and receiving a regular revenue stream.

The Atlanta Urban Development Corporation has also experimented with ***Procurement Flexibility*** to improve public outcomes. After identifying potential redevelopment sites, the city undertakes a community engagement process to determine potential uses of the site, completes any required rezoning, and fully entitles the site prior to partner procurement. This process maximizes public land value and shortens the development timeline, reducing uncertainty and risk for developers who ultimately compete to build on this public land.

Once a property is entitled, the Atlanta Urban Development Corporation relies on requests for qualifications (RFQs), rather than traditional Requests for Proposals (RFPs). Traditional public procurement projects are cumbersome; requests for proposals (RFPs) often specify form, function, processes, and lengthy requirements to which a bidder must adhere in a detailed bid. Submitting a bid may require a potential bidder to have fully developed architectural renderings, dedicated project financing, and detailed plans to address entitlement issues (e.g., zoning and permitting). Collectively, these requirements increase up-front costs and back-end uncertainty, limiting respondents and increasing costs for potential bidders before a proposal is even selected.

The RFQ process prioritizes developer capacity and alignment with broad affordability and ownership objectives. Rather than reward bidders for detailed proposals which may or may not ever materialize, the RFQ process asks whether a respondent can successfully complete a project in alignment with the Atlanta Urban Development Corporation's public use and affordability objectives. After selecting a qualified developer through this competitive process, the corporation works collaboratively with the developer to arrange partnership and financing structures, address entitlement issues, and address use, affordability, and development plans. The structure as a public corporation provides assurance to developer partners in working with city permitting agencies (zoning, planning, utilities, etc.).

Unlike the newer entities in Atlanta and Chattanooga, the ***Port of Greater Cincinnati Development Authority*** has operated since 2001 (and expanded in 2008) with broad economic development powers, including the power to own, lease, and develop real estate, issue bonds, and manage the county Land Bank, with equally broad powers. Additionally, under state law, Ohio port authorities are exempt from sales tax.

The Port of Cincinnati is an active public asset corporation, pursuing single-family housing developments using its wide range of tools through its Land Bank, ability to issue bonds, and ability to cooperate with other governmental agencies. For developments using its public finance tools to assist the private sector, it retains ownership of multi-family projects, exempting building materials from the sales tax to significantly reduce construction costs. Through the Land Bank, it uses its tax status and public grants to reduce costs when selling real estate for single- or multi-family development Additionally, the Port of Cincinnati looks for opportunities to build market rate housing, reinvesting profits into affordable housing in the same neighborhood surrounding these new developments. In 2023, the Port used its bonding capacity to bid at auction for a portfolio of 194 single-family rental homes, with the goal of investing in them and selling them as affordable home ownership opportunities. Leveraging its financial capabilities to buy a real estate portfolio with the aim of transforming a neighborhood is the sort of quick action at which public asset authorities can excel.

These three examples — the Atlanta Urban Development Corporation, Invest Chattanooga, and the Port of Cincinnati — highlight how public agencies can leverage public land values, powers, and finance tools to create affordable and mixed-income housing developments that benefit communities and unlock public land for development.

Diffusion and Scaling of Public Asset Corporations

Of the three public asset corporations discussed, two are wholly owned subsidiaries of their local housing authority, while the third operates as an independent entity. With over 3,000 public housing authorities nationwide, many have the capability to create subsidiaries that could function as public asset corporations, though enabling legislation varies by state. Additionally, many communities have redevelopment authorities and port authorities with similar powers. Diffusing and scaling public asset corporations requires two key elements. First, political will is essential to create new organizations or repurpose existing ones for new roles. This political will cannot be understated. Creating a new entity is a significant challenge, and convincing a City Council, County Commission, Public Housing Authority board, and the public to see the value in a new public entity is an important part of the process. Second, both human and fiscal capital are necessary. Establishing new organizations requires hiring real estate professionals who are experienced, capable, and dedicated to creating mixed-income housing on public land, problem solving, and implementing new financial models. Atlanta's initial investment in the Urban Development Corporation included $4 million in start-up financing, plus $38 million for a revolving loan fund. This investment will certainly pay long-term dividends but did require a substantial upfront commitment of local government funds.

Examining the existing models, four major lessons emerge:

1. *Organize for outcomes*: The Atlanta Urban Development Corporation was precipitated by Atlanta Mayor Andre Dickens' Affordable Housing Strike Force, which convened agency heads and senior officials across city government and partner organizations. The Strike Force recognized that while the city possessed a wealth of public assets, these were spread across organizations with no single entity having comprehensive oversight. This cross-agency, outcome-focused structure was critical to Atlanta's success. Mayor Dickens' Affordable Housing Strike Force convened agency leaders from Atlanta Housing, the local transit agency MARTA, Atlanta Public Schools, Invest Atlanta, and others. This approach provided a comprehensive inventory of publicly owned assets across multiple entities — something no single organization had previously assembled. Local leaders interested in establishing a new public asset corporation model should first assess assets across both local government and affiliated entities.
2. *Align organizational structure and capacity with goals:* Atlanta and Chattanooga recognized that legacy agencies, built around legacy tools — while critical to the existing housing ecosystem — were not structured to leverage underutilized public assets for mixed-use, mixed-income development at scale. Both cities created a new type of organization. By creating public asset corporations as nonprofit subsidiaries of housing authorities, these cities established entities with the flexibility and capacity to focus exclusively on redeveloping public land for housing at a range of incomes without being encumbered by legacy procedures or political cycles. These corporations can provide a range of public financing tools but are not bound by inertia or legacy procedures that can slow progress at traditional agencies. Moreover, their structure provides insulation from political currents. The Port of Cincinnati was an existing entity endowed with the legal and financing tools and chose to invest in housing initially to respond to the Great Recession, and now has the in-house expertise, tools, and flexibility to expand its mission to increase its housing impact. Local leaders should evaluate the strengths and weaknesses of existing agencies with relevant authorities to determine whether a new entity needs to be created, as was done in Atlanta or Cleveland, or whether an existing agency could be granted expanded powers or capacity to focus on the development of publicly owned land, as was pursued in Cincinnati.
3. *Leverage full range of tools:* Public asset corporations deploy multiple options and tools to achieve public benefit goals. While each of these tools may exist in an existing agency or across multiple existing agencies, Public Asset Corporations are able to pull them all together as a comprehensive suite of options. Specifically:

- Public land contributions lower upfront development costs;
- Property tax exemptions and abatements enhance project feasibility and lower construction and operating costs;
- New housing production funds offer low-cost mezzanine debt that bridges capital gaps without relying on limited resources like the Low-Income Housing Tax Credit; and
- Access to municipal bond markets provides low-cost permanent financing that ensures financial sustainability.

Collectively, these tools can lower project costs while maintaining long-term ownership and meeting affordability objectives. Each city is unique, facing different challenges and equipped with different tools. A city should conduct an inventory of available tools and build a cohesive strategy that leverages them in concert.

4. *Streamline Procurement to Encourage Innovation and Reduce Costs:* Shifting from traditional RFPs to more flexible RFQs significantly lowers barriers to entry for developers and streamlines the selection process. By focusing on developer capacity and alignment with affordability goals—rather than prescriptive design or financing requirements—public asset corporations foster collaborative partnerships with qualified development teams. Cities can benefit from reevaluating their procurement processes to reduce unnecessary complexity and up-front costs. This encourages innovation and expands participation.

Bryan Fike *is a Research Officer at the Nowak Metro Finance Lab at Drexel University.* ***Benjamin Preis, Ph.D.***, *is the Director of the National Housing Crisis Task Force, and a Senior Research Fellow at the Nowak Metro Finance Lab.*