



Making the Case

FOR HOUSING CHOICES AND COMPLETE COMMUNITIES:
THE NEXT GENERATION

ATLANTA
NEIGHBORHOOD
DEVELOPMENT
PARTNERSHIP, INC.

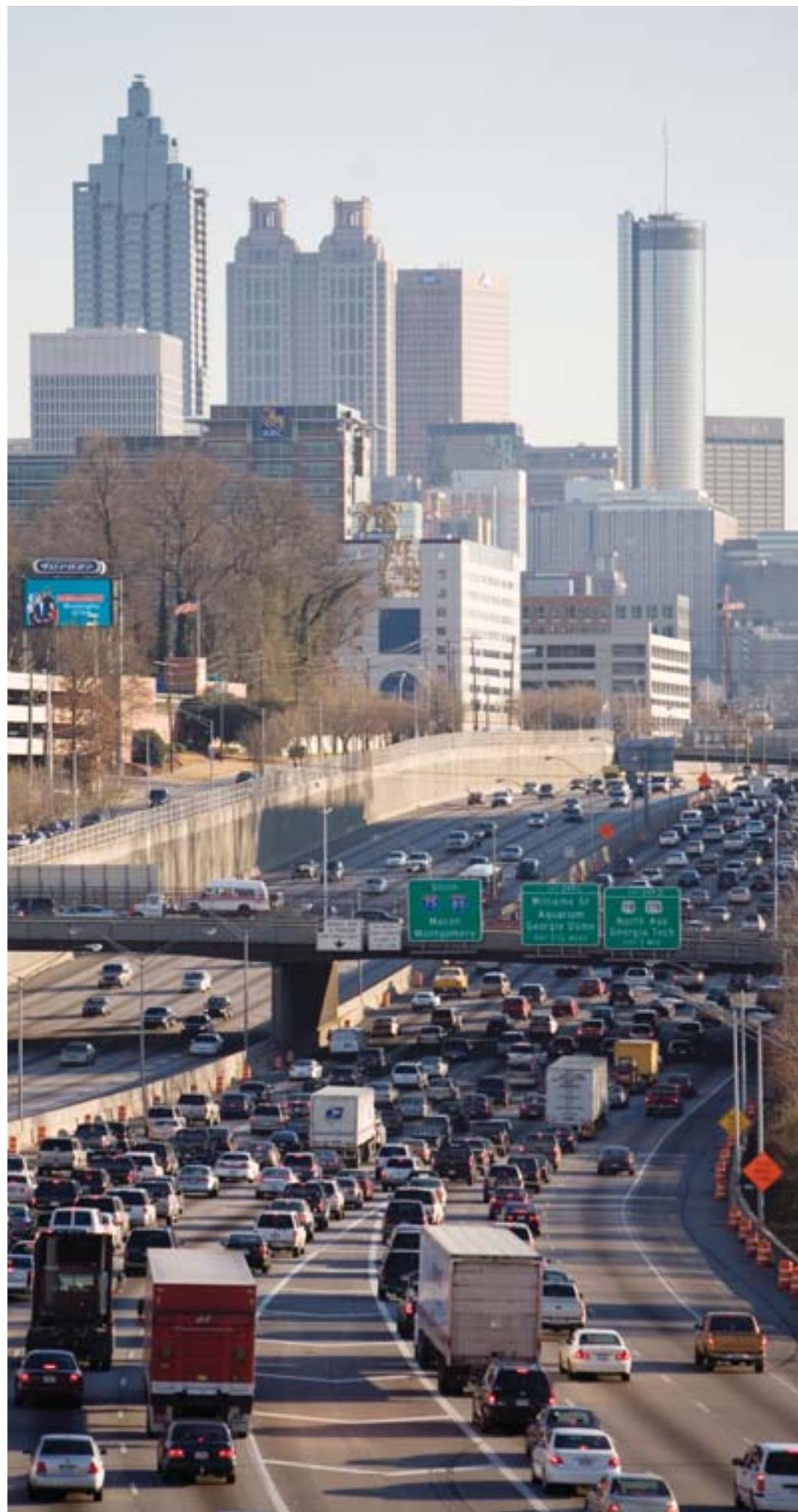
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ANDP

This report is a follow-up to the 2004 report, **Making the Case for Mixed Income and Mixed Use Communities: An Executive Summary**. That document summarized four years worth of research and discussion about the rising problem of housing affordability in metro Atlanta. Funded largely by a grant from the Ford Foundation, the Atlanta Neighborhood Development Partnership, Inc. in 2000 began pulling together representatives from business, academia, government and non-profit organizations into what became known as the Mixed Income Communities Initiative (MICI). MICI's 2004 report established what most observers have agreed was a compelling demonstration of the region's rising inability to provide affordable housing at all income levels, particularly in areas convenient and accessible to jobs. It also recommended several courses of action. As a result, the region and its communities have begun to examine ways to address the issues, and some jurisdictions have taken steps toward action. However, the measures taken so far do not equal the enormity of the task. Meanwhile, as this report will demonstrate, the disturbing trends have continued or accelerated. This report summarizes several new studies, as well as a series of focused conversations with key players in the housing industry. The figures cited here are from these works and events, unless otherwise noted:

- **No Time to Waste: The Case for Increasing Housing and Transportation Affordability in the Atlanta Region through Mixed-Income Communities** by the Center for Neighborhood Technology
- **Determining Equity in Access to Recent Dramatic Job Growth in the Atlanta Region**, Myron Orfield, et al, the Institute on Race & Poverty
- **Economic Development Implications of Housing Choice**, Georgia Tech's Enterprise Innovation Institute
- **Healthy Housing: Forging the Economic and Empirical Foundation**, Georgia Tech's Center for Quality Growth and Regional Development
- **The Housing Implementation Series**, round-tables sponsored by ANDP, the Atlanta and Georgia Apartment Associations, Atlanta Board of Realtors, Atlanta Regional Commission, Greater Atlanta Home Builders Association and the Urban Land Institute
- **The Atlanta Regional Commission (ARC)** has supported the development of the MICI report by providing access to data and resources as well as technical assistance and review of information. ARC serves as the regional planning agency for housing issues under state law and regional planning agency under federal law.
- **Metropolitan Atlanta Land Supply Study**, Georgia Tech Center for Geographic Information Systems (GIS)

TAKING THE NEXT STEPS



Introduction



This report will make the case that now is the time to act to lay the groundwork for complete, affordable communities in convenient locations. These are neighborhoods that, like any small town, provide a diverse range of housing types and prices, in close proximity to daily needs and that offer a gateway to economic and social opportunity.

With executive housing overbuilt, builders, developers and real estate professionals have recognized a large, and substantially underserved, market for more affordable townhouses, smaller houses, condominiums and apartments.

Construction and land costs have soared, and regulatory barriers—while improving somewhat—continue to hamper the construction of these places that are in such growing demand. At this late stage, simply removing the barriers is a critical first step, but it is unlikely to be enough. Public officials at the local, regional and state levels will need to act to identify appropriate locations, coordinate public investments to ensure the transportation and other infrastructure is there to support expected development and to use combinations of regulatory, tax and other incentives to get a full range of housing built.

The health of the metro Atlanta economy and the productivity of its people depend on our ability to provide housing that is affordable to all, including working people who have average and below average incomes, and who are increasingly excluded from the metro Atlanta housing marketplace by rapidly increasing housing costs.

RECAPPING THE 2004 REPORT

The 2004 report summarized several ground-breaking studies of housing trends and projected need. One of those, led by Dr. David Sawicki at Georgia Tech, took the unprecedented step of looking at all the jobs in Atlanta's 23 job centers—such as Downtown or Buckhead—how much they pay, and the cost and availability of housing within a reasonable commute of those jobs. The study found that two-thirds of the jobs pay less than \$40,000 a year. Indeed, fully one-third of all households—with spouses or other workers combined—make no more than \$40,000 a year.

By contrast, homes near these job centers tend to be “executive housing,” homes that are affordable to senior managers and other high-salaried professionals. The Sawicki study found that, based on what people actually earn, those making less than \$40,000 annually faced a shortage of roughly 185,000 units that are both affordable and readily accessible to job centers, either by a car trip of several miles or a transit ride.

The Regulatory Cost of Housing

Many jurisdictions attempt to increase tax revenue or slow rising school enrollments by zoning for higher-cost houses, practices that have been called “fiscal” or “exclusionary” zoning. Some of those include:

- Large minimum lot sizes that increase land costs
- Large minimum house sizes
- Limits on multifamily construction
- Mandating expensive exterior finishes
- Subdivision regulations that result in segregation by income

Other research identified trends that exacerbated the problem: rising demand for housing near job centers that was driving up home prices, and a skewing of the market toward construction of higher-end housing. (There are indications now that the high end of the market was overbuilt, a situation that will be examined further later in this report.) In addition, many of the jobs were in commercial-only zones where residential construction was prohibited or restricted.

While the affordability problem was most acute for the lower third of household incomes, the research also found that homes closer to the core and/or job centers were becoming increasingly out-of-reach for more solidly middle-income earners, from teachers to police to low-level managers. The average price of a house in the city of Atlanta for example, had leapt above \$243,000, well beyond the means of such workers. Even much farther out from the region's core, the average price was approaching \$200,000. The total shortage of homes affordable to this broader range of incomes was 305,000 units. Perhaps not surprisingly, the housing picture is especially dim for those households making \$20,000 or less, such as cashiers and janitors. Research done for this year's report found 211,517 such households in the 10-county metro core, but only 87,000 dwellings with monthly rental or ownership costs at \$500 or less, a level affordable to households earning less than \$20,000 annually.

This mismatch between what jobs pay and what nearby homes cost, contributes substantially to the traffic congestion metro Atlantans face every day. The annual traffic delay per person more than tripled since 1992, from 11 hours to 34 hours for every man, woman and child. At the same time, the long commutes needed to find affordable housing were growing increasingly costly. For a working family earning between \$20,000 and \$35,000 a year, the average cost of transportation in a location near the core was \$5,446. But it was over 45 percent higher in the outlying suburbs (data gathered when gas prices were closer to \$1.50 per gallon).

In addition, because of the lack of public transit and the long driving distances required, families often need to own one car per worker in those outlying settings. By one calculation, every time a family adds a car to their budget, they lose up to \$75,000 of mortgage-buying power. In 2004, the typical family earning less than \$40,000 a year was paying two-thirds of their income for housing and transportation combined, leaving precious little to feed, clothe, insure and otherwise care for their families.



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Two-thirds of jobs pay less than \$40,000 a year. Indeed, fully one-third of all households — with spouses or other workers combined — make no more than \$40,000 a year.

earn less than \$40,000



PART 1

The Trends Since 2004

Though the pace of the increases has leveled off given current market conditions, home prices have not become more affordable since 2004. More importantly, homes in the areas that are convenient to jobs and services are becoming increasingly less affordable to low-income families and to a rising share of middle-class families, as well.

A market failure? There is growing evidence that metro Atlanta has overbuilt single-family houses aimed at the upper tier of incomes. At the same time, it is becoming increasingly clear that a demand for lower-priced houses, townhomes and condominiums—particularly in convenient locations—is going largely unmet. Over the last few years, several trends have interacted to create and exacerbate this scenario.

LENDING PRACTICES MASK A GROWING PROBLEM

For the last several years, the burgeoning affordability problem was being masked somewhat by the long run of anomalously low mortgage interest rates and overly permissive lending practices. Meanwhile, an array of risky mortgage products was deployed to get people into homes they might not truly be able to afford: Interest-only and adjustable-rate mortgages, “sub-prime” loans for people with marginal credit or lower incomes, and the like.

Indications are that we are emerging from the period of unusually low interest rates. With home prices rising faster than wages and a lack of affordable rentals and smaller units, foreclosure rates are rising. Georgia now is among the five states most plagued by mortgage foreclosures. In some metro counties, foreclosure rates have nearly doubled since the 2004 report, and the rate for the 10-county core of metro Atlanta is double the national rate (Figure 1).

SOARING PRICES FOR LAND NEAR JOB CENTERS

Land prices in areas near jobs are escalating rapidly. This suggests that it will only become more difficult to integrate homes for mid-level earners and below into the mix of available housing.

Recently, metro Atlanta has begun to see a substantial amount of residential construction in some of the formerly commercial-only “edge cities,” such as the Central Perimeter area. These new apartments, condominiums and small-lot houses are priced at a level that demonstrates the demand for housing near jobs and activities. That is, they are expensive and beyond the reach of most of the workers in those districts, based on the wages paid.

OVER-BUILDING AT THE HIGH END, UNDERSUPPLY AT THE LOW

There is growing evidence that builders and developers have overbuilt homes for those in the upper middle class and above, in a market in which 63 percent of the jobs pay \$40,000 or less. It will be critical to the region’s economy, as well as to the quality of life of our residents and workers, that the undersupply of more-affordable homes be met. Housing construction is a significant employer and economic engine in and of itself. In the past, of course, the relative affordability of homes in metro Atlanta has been an important regional selling point (Figure 2).

FIGURE 1

Georgia is now among the five states most plagued by mortgage foreclosures. The rate for the 10-county core of metro Atlanta is double the national rate.

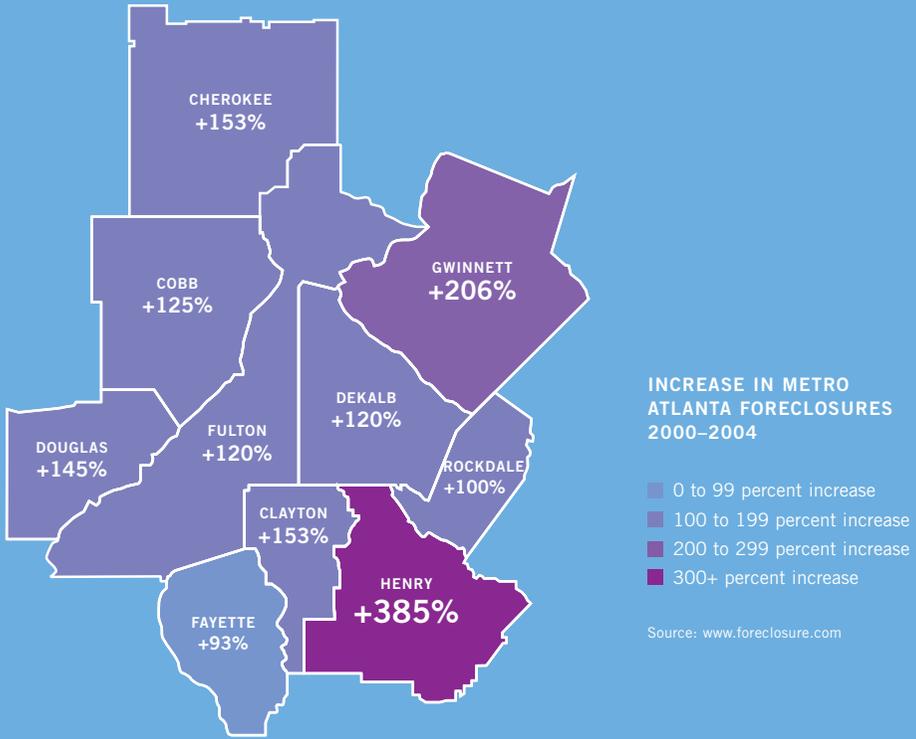
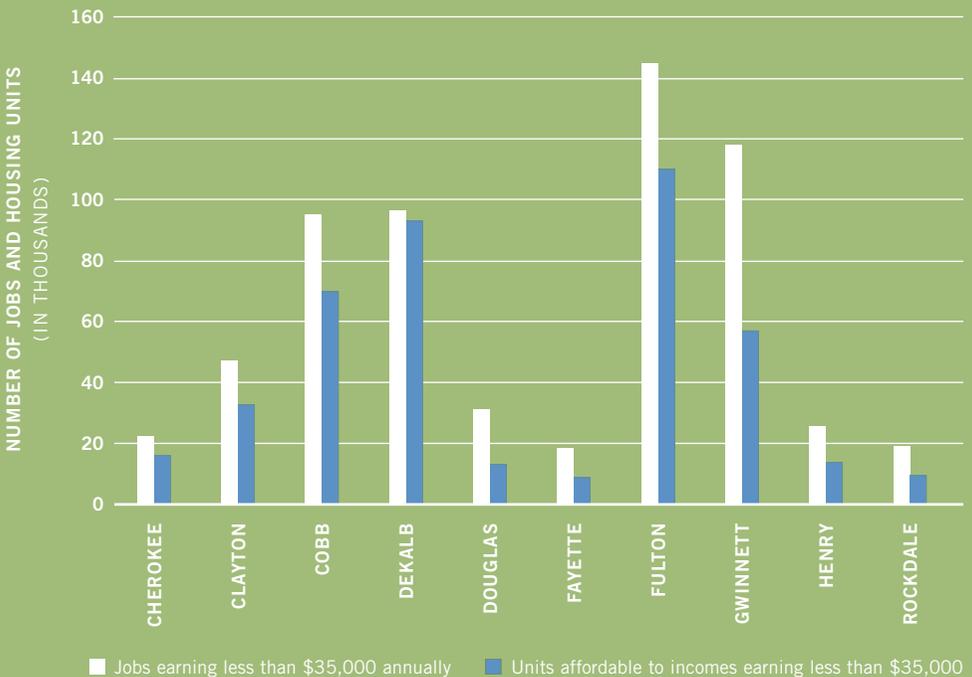


FIGURE 2

In all 10 metro Atlanta counties there is a significant shortage of housing affordable to workers earning less than \$35,000 a year.



Source: No Time to Waste, CNT

The Atlanta Model

AHA IS CREATING INNOVATIVE WAYS TO PROVIDE ACCESS TO AFFORDABLE HOUSING

Atlanta Housing Authority pioneer the mixed use, mixed income model in Atlanta and has helped to revitalize depressed communities while preserving their historic character. In 1995, AHA began partnering with real estate developers and financiers to transform blighted public housing projects into thriving, mixed income communities. Under the model, a federal grant helps to fund infrastructure improvements to make the transformation financially viable. In exchange, the developer agrees to set aside a portion of the units for low-income residents.

“It’s not public housing,” says Renee Glover, AHA’s president and CEO. “It’s a market-rate community with a seamless affordable component.”

AHA partners developed Centennial Place, the nation’s first such transformation, on the site of Techwood/Clark Howell Homes. With this development, 1081 units of conventional public housing were replaced with 738 units of mixed income housing — comprised of 42 percent market rate, 41 percent reserved for public housing eligible residents, and 17 percent reserved for those qualifying for low income housing tax credits.

AHA’s mixed income model has generated impressive results. Crime in the Centennial Place neighborhood has decreased more than 90 percent from 1992 to 2002. More than 90 percent of the students in schools serving the community meet or exceed statewide standards for math and reading. In fact, students in these schools have achieved higher writing assessment results than the Atlanta Public School system overall.

The employment rate of assisted residents in AHA’s mixed income communities has increased from 54 percent to 63.6 percent from 1998 to 2001, compared with a city-wide employment rate of 65.3 percent in 2001. And the average household income has nearly tripled.

“A healthy community,” Glover says, “is an economically diverse community that has resources, commercial and retail services, and great neighborhood schools.”

AHA has revitalized more than a dozen public housing projects so far with more on the way. These transformations have lead to new investment in the areas surrounding the new mixed income communities, creating even more housing opportunities.



Techwood Homes before redevelopment



Centennial Place after redevelopment



In November, 2006, ANDP gathered a number of housing developers for a summit to discuss the opportunities for and obstacles to affordable housing. Many of the builders acknowledged a wide, underserved market for jobs-accessible, lower-cost homes, but cited a number of tough obstacles. Land prices and the rising cost of construction are critical, but the builders also noted that most local jurisdictions mandate large lots, larger homes and amenities such as garages, driving up the cost. In addition, some have all but outlawed more-affordable home types: duplexes, quadruplexes, townhomes, apartment buildings, garage apartments and “granny flats,” small-lot houses, and very few allow the mixing of housing types as a matter of course. These regulatory barriers create what developers refer to as “brain damage,” the long, difficult and costly campaigns necessary to win regulatory approval.

DRIVE 'TIL YOU QUALIFY: LOWER-INCOME AND MIDDLE CLASS FAMILIES RELOCATING

Other recent trends further demonstrate the critical nature of housing affordability. Middle class families are moving farther out, bypassing the core 10 counties in the Atlanta Regional Commission in favor of those on the exurban fringe. The share of middle income households—those making between \$30,000 and \$60,000—declined from 67 percent to 63 percent from 2000 to 2005. Based on local market research, it is likely that this outward shifting of the middle class is driven by a quest for more-affordable homes.

It is increasingly clear to regional planners that these housing issues have a profound effect on metro Atlanta’s intractable congestion problem. The outward shift of workers is compounding the region’s transportation woes. At the same time construction costs are soaring and transportation funds are becoming more limited. The Atlanta Regional Commission and Georgia Department of Transportation say they are short at least \$4 billion for the region’s 25-year transportation plan.

Meanwhile, as the appetite for in-town, urban living has grown, lower-income families are finding that affordable units in the city of Atlanta are disappearing due to increasing rents and home prices and rising property taxes. As a result, lower-income families are moving farther out to the inner-ring suburbs where the housing stock is less substantial and access to transit is generally poor.

Living in our cars? With 61 cents of every dollar going to housing and transportation, families here face a higher combined cost than every region except the notoriously expensive San Francisco.

GROWING TRANSPORTATION COSTS COMPOUND THE DIFFICULTIES

In metro Atlanta, it is nearly impossible to consider the cost of housing without also calculating the cost of transportation. In this region, more than almost any other, we literally “drive until we qualify.” That is, we motor out from the city core until we find a place where the combination of lower land prices and property taxes allows us to find a home priced within a range that mortgage underwriting formulas say we can afford. Our quest for affordable homes in neighborhoods with quality schools pushes us farther and farther from job centers. The location of our homes determines not only how far we must drive to get to and from work, but also how much additional driving will be required to meet our daily needs. In that sense, the cost of getting around is inextricably bound up in the cost of a home.

According to a 2006 report from the Center for Housing Policy, housing prices and transportation costs are growing at a faster pace than the increase in the median national household income. While the median household income rose 10.3 percent from 2000 to 2005, housing costs rose 15.4 percent and transportation costs grew 13.4 percent.

The transportation cost of new housing is rising in large measure because of the growing distances that must be covered. But the cost of driving is rising for everyone as gasoline prices become increasingly volatile. We’re virtually living in our cars, and we’re paying for it. Indeed, in Atlanta, many households find themselves spending as much on transportation as they do on the home they live in. Families with household incomes between \$20,000 and \$50,000 spend 29 percent of their income on housing and 32 percent on transportation. With 61 cents of every dollar going to housing and transportation, families here face a higher combined cost than every region except the notoriously expensive San Francisco.

The typical household earning \$20,000 to \$50,000 (about 35 percent of metro households) spends more than one of every two dollars on housing and transportation costs; those making less than \$20,000 are spending two of every three dollars on those combined costs. In the outer five counties, those making less than \$20,000 are spending 43 percent of their budgets on transportation, while those making \$20,000 to \$35,000 are spending nearly a third of their income just to get around. In the outer 10 counties of the 20-county region, the figures are 46 percent and 31 percent.



FIGURE 3

Roughly two-thirds of households in the region do not have access to transit. Not surprisingly, it is the outlying counties of Cherokee, Douglas, Henry and Rockdale that are most underserved.

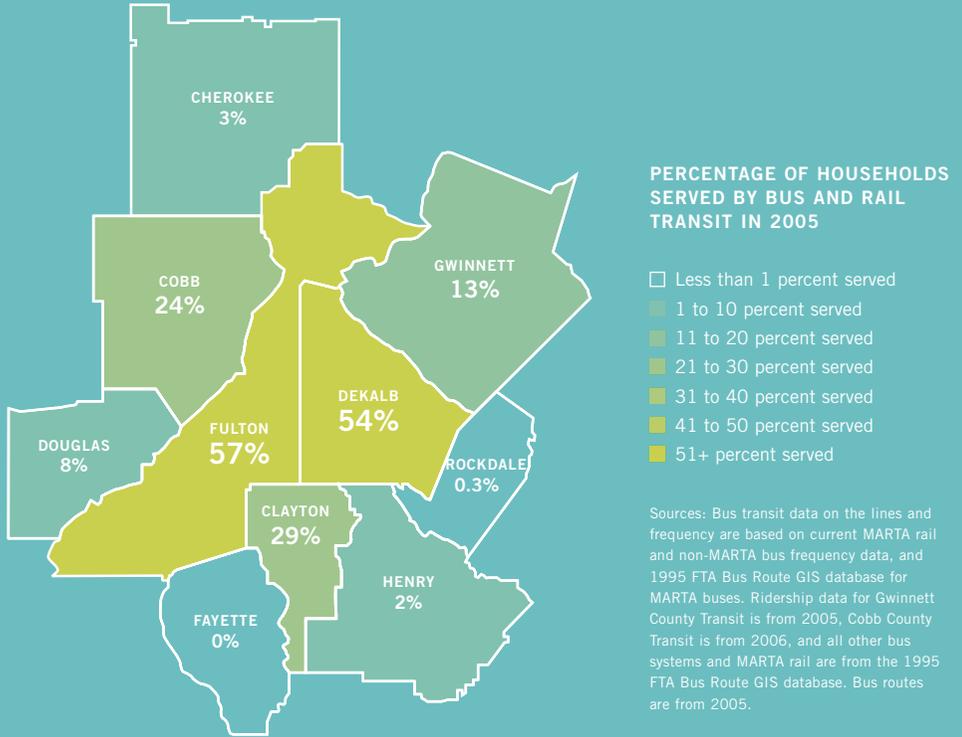


FIGURE 4

In the core 5-county area of the Atlanta region, households earning less than \$35,000 are paying on average 31 percent of income for transportation. The costs are higher as one moves further out, increasing to 35 percent in the next five counties, and 38 percent in the outermost 10 counties.



58%

Only 42 percent of households have more than two people living in them. But nearly two-thirds of the housing in metro Atlanta is stand-alone houses.

live alone or with only one other.





PART 2

Housing Needs in a Rapidly Changing Market

Single-family detached houses account for nearly two-thirds of the housing in metro Atlanta. But only 42 percent of households have more than two people living in them. And that is today's figure. The trends indicate that households will continue to grow smaller, on average.

FEWER HOUSEHOLDS WITH CHILDREN

The share of households with children has plunged, from nearly half three decades ago to about 30 percent today. By 2030 only 21 percent of metro households will have children. At the same time the number of "family" households, made up of related persons, is dropping rapidly, falling from 63 percent to 57 percent in just the five years from 2000 to 2005. Meanwhile, the supply of attached, multifamily and smaller single-family housing has not kept pace with the change.

THE "GRAYING" OF THE MARKET

In 2000, fewer than 400,000 metro residents were over the age of 60. Between now and 2015—right around the corner—that number will reach 700,000, on its way to more than 1.2 million by 2030. Put another way, the number of metro retirees will have more than tripled in three decades. These older adults will be looking in many cases to downsize their homes, shed yard-work responsibilities and settle into communities where they are able to remain active without being dependent on driving. While some will choose single-age "retirement communities," surveys and trends indicate that most will prefer complete communities with people of all ages.

OTHER ASSESSMENTS OF DEMAND

By one estimation, metro Atlanta already may possess all the single-family, large-lot homes the market will bear for the next couple of decades and beyond. In a 2006 study for the Journal of the American Planning Association, Professor Arthur C. Nelson projects that demographic and other trends will combine to drive demand for large-lot houses down from about 54 percent of home seekers in 2003 to less than 40 percent by 2025.

The SMARTAQ summary report, released in January, 2007, analyzed a survey of metro Atlanta households that found that about one in three current residents of a conventional subdivision would actually prefer to be living in a mixed-use neighborhood where they had the option to walk to stores, restaurants, work or other places, such as libraries or post offices.

All indications are that proportion has risen since the survey was completed in 2002.

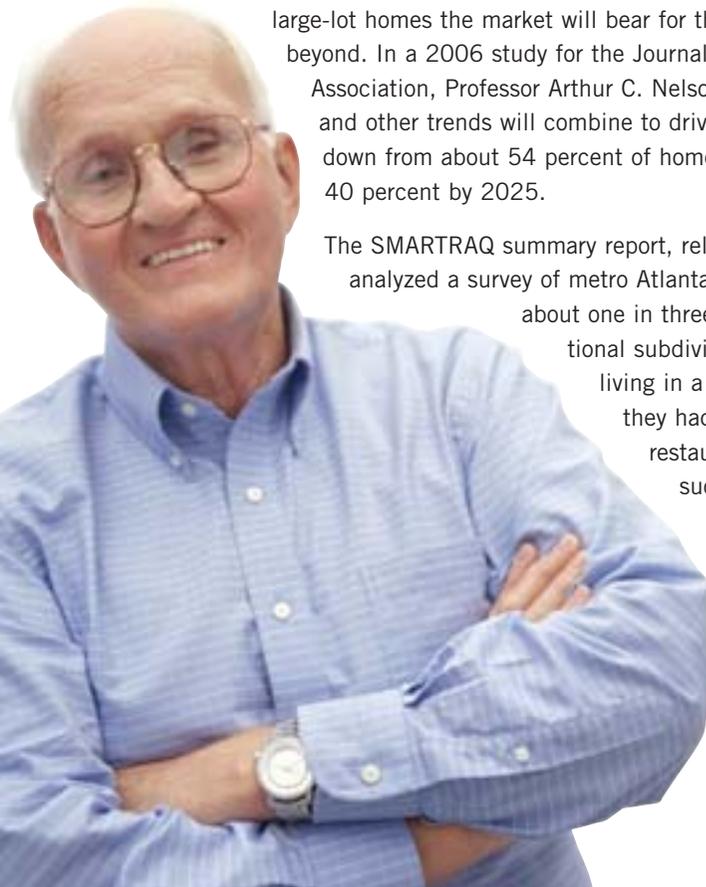
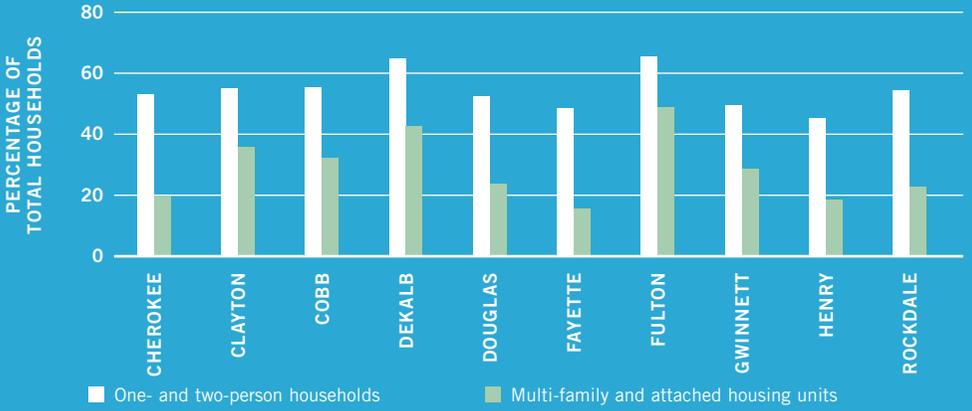


FIGURE 5

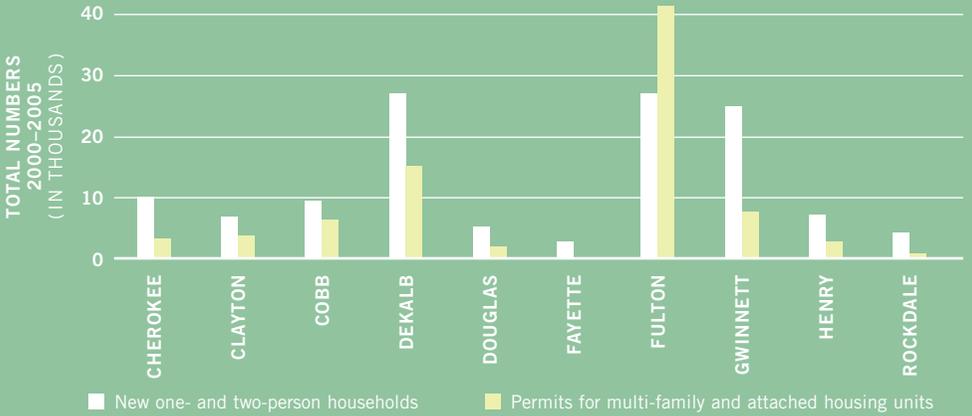
The growth of one- and two-person households has exceeded the availability of the multi-family housing that is well-suited to them.



Source: No Time to Waste, CNT

FIGURE 6

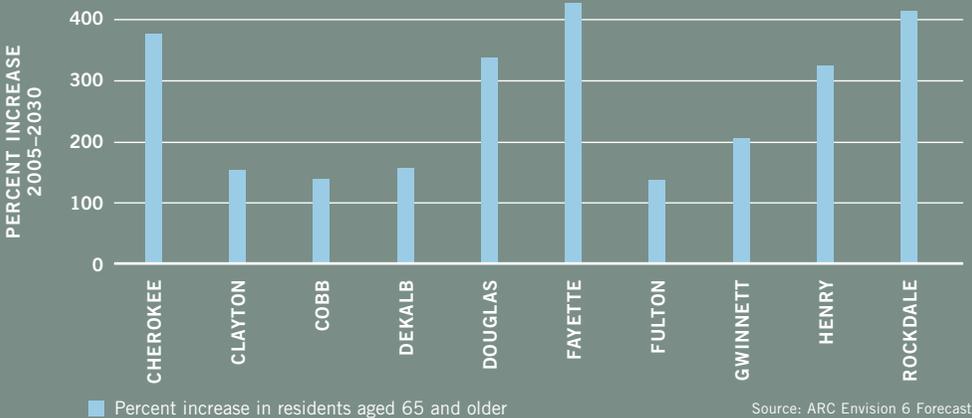
In most counties, construction of new multi-family housing is not keeping pace with the growth of one- and two-person households.



Source: No Time to Waste, CNT

FIGURE 7

The 10-county Atlanta region's population aged 65 and older will increase exponentially by 2030.



Source: ARC Envision 6 Forecast, Aging Scenario

IN THEIR OWN WORDS

Finding a Retirement 'Home' in a Complete Community

When Joan Maher and her husband, John, decided to move to Atlanta to be closer to their daughter and grandchildren, they found slim choices among affordable, walkable places that would allow them to retain their independence. They finally found what they were looking for in a new condominium in downtown Decatur.

“We started looking a year before we bought. We were moving here from a two-story, five-bedroom house, so we started looking at ranches in subdivisions. But the people whose homes we were looking at were moving to retirement communities, and we realized we would be getting into what they were getting out of: yard care, maintenance et cetera. Plus, it had the potential to be isolating.

What we came to realize was that the marriage of maintenance-free living and the allure of living in a well-defined community was what we were after. Downtown Decatur has so much to offer, it was a great situation.

It was very, very important for us to have the ability to maintain our independence and quality of life. We can walk to so many things: restaurants, the pharmacy, grocery, to the library and the church. And we can walk to the MARTA station. We can go anywhere and even the day they take our keys from us we can get anywhere we need to go. We can live here without burdening our daughter.

I was sure we were never going to find anything. There aren't that many communities that have the features we wanted and that are affordable. We really lucked out. I think God smiled on us.”



According to one analysis, demographic trends will combine to drive demand for large-lot houses down from about 54 percent of home seekers in 2003 to 39.6 percent or less by 2025.

A MISMATCH BETWEEN JOBS AND WORKFORCE HOUSING

For this report, the Center for Neighborhood Technology examined the average wages paid in each county and compared them with the typical household incomes of people living in those counties. Not surprisingly, the researchers found that most Atlantans are commuting from one county to another. Low-wage workers commute into more expensive suburban counties, while higher-wage workers commute from suburban homes that, while out of reach for retail and service workers, are more affordable than those close to job centers. This is yet another indication that a broader mix of housing types and price levels could help address multiple issues, from traffic congestion to household quality of life.

The gap between the number of jobs paying \$35,000 or less and housing that is affordable at those wages is most acute in the jobs-rich core counties of Cobb, Fulton and Gwinnett (though DeKalb is nearly matched). In Cherokee, Douglas, Fayette and Henry counties, roughly one in four jobs was in retail, food service or accommodations. These pay approximately \$20,000 while the typical home costs around \$200,000.

The greatest mismatch between wages paid by local jobs and the average household income of residents is in Fayette County. Average wages paid are \$34,614 per year, but most people earning that amount are likely living outside Fayette. Meanwhile, most Fayette residents commute outside the county to higher-paying jobs; the median household income is \$76,321.

Nearly two-thirds of those working in Fulton County commute in from elsewhere.

A majority of working residents commute out of Cherokee, Clayton, DeKalb, Douglas, Fayette, Henry and Rockdale. Fully 69 percent of Henry's working residents leave the county for work every day. Fayette, Douglas, Cherokee and Clayton are close behind with more than 60 percent driving to another county for work.

These figures raise questions as to why there are such enormous gaps between the average annual pay for local jobs and the median household incomes in Fayette, Cherokee, Henry, Douglas and Cobb. One might expect household income to be higher than the average annual wage, given the possibility of multiple wage earners, but these counties leap out for the enormity of the gaps: More than double in Fayette, nearly double in Cherokee. Why does Fayette, whose businesses pay average wages \$20,000 below those of Fulton, rival Fulton County for first place in housing expense? One reason surely is its public land use decisions which have the effect of increasing the exclusivity of the county. While county officials no doubt have calculated that these moves will boost the local tax base, there is a cost to its employers and their workers, as well as to the county and region's road system, that apparently has not been accounted for.

HOUSING, HEALTH INEQUITY AND THE LEGACY OF ECONOMIC SEGREGATION

Since MICI laid out the case for mixed income housing in jobs-accessible locations in 2004, public health researchers have begun probing in greater depth the urban conditions contributing to rising obesity and asthma rates, particularly among low-income families.

Metro Atlanta's nation-leading levels of driving have created health hazards for all income levels. Everyone breathes the elevated levels of ozone pollution and lung-damaging soot particles, or "particulate matter," emitted from millions of vehicles driving millions of miles each day. Research done in Atlanta for the SMARTRAQ study found that every half hour spent in the sedentary act of operating a car each day raises the odds of being obese by 3 percent. Neighborhoods designed more to accommodate speeding traffic than people on foot or bicycle are more dangerous for pedestrians and motorists, and discourage walking and other healthful physical activity. Atlanta currently ranks fourth in the nation for annual delay per traveler, 67 hours annually—a health stressor in and of itself.

These issues, and more, are compounded for the majority of low-income minorities, who find themselves living in areas of concentrated poverty. Populations living in such neighborhoods suffer disproportionately from virtually all health impacts, whether it be from violence, AIDS and other sexually transmitted diseases, weather-related deaths, poor nutrition or traffic fatalities. Plagued by higher rates of asthma and obesity than the population as a whole, they are literally stuck in these neighborhoods by a lack of affordable options elsewhere, even as many new jobs migrate to areas beyond the reach of public transit, and where housing costs are high.

Many residents of high-poverty neighborhoods, lacking well-stocked supermarkets and other options, face limited access to healthy foods and resort to anti-nutritional junk foods. Dilapidated housing is associated with exposure to lead and asthma triggers such as mold, mites and rodents. Low-income people also grapple with the mental health stress that comes from being exposed to violence, prolonged deprivation and social isolation.

Recent trends also are a mixed bag for low-income residents. As rents escalate and home prices increase in the City of Atlanta, many lower-income families are moving to inner-suburban areas with apartments and smaller homes built in the 1970s and 1980s. Unfortunately, housing built in that era is the most likely to be in "substandard" condition, according to research for this report conducted by the Center for Quality Growth and Regional Development at Georgia Tech.

In addition, much of this housing lies in close proximity to high-traffic roadways. Recent research has found that being within 300 meters (roughly 1,000 feet) of a road carrying more than 10,000 vehicles a day, on average, significantly raises exposure to harmful pollutants, and can exacerbate health conditions such as asthma. In the 10-county region, 38 percent of the African-American population lives within a 300-meter buffer of a major road, compared to 31 percent of the white population. According to research by the Center for Neighborhood Technology, an estimated 1 million people, or 34 percent of the total population, live within this high risk area, which comprises 21 percent of the total land area in the 10-county area. Clearly, the more that can be done to accommodate future households at all income levels in complete neighborhoods that are walkable and have transportation access by means other than high-traffic roads can offer healthier options for all Atlantans.

Housing Issues and Public Health

The National Center for Environmental Health of the U.S. Centers for Disease Control and Prevention focuses on how interactions between people and their environment influence disease, disability and death. Within NCEH, the Division of Emergency and Environmental Health Services studies community factors that affect public health. Among these are housing, transportation and overall community design. An EEHS web article on health effects of gentrification proposes a multi-prong strategy to promote healthy development: creating mixed income communities, adopting inclusionary zoning practices, using incentives to minimize displacement of low income residents, and policy-making that encourages affordable housing (<http://www.cdc.gov/healthyplaces/healthtopics/gentrification.htm>). Andrew Dannenberg, associate director for science of EEHS, recently discussed the connections between health and housing issues with ANDP.

Q. What is the CDC’s involvement in issues of community change, housing and gentrification?

A. We recognize the importance from a public health perspective and receive many inquiries about these subjects. This led our staff to conduct a review of available information resources and assemble them on our web site. At this time, our funding is mainly committed to other priorities, however, we definitely have an interest.



Q. How can health effects be measured against trends like gentrification and sprawl?

A. While we are not actively engaged in this type of measurement, I can speak generally. The best available data would come from observing health disparities in the rate of conditions like asthma and cancer, based on where people live. Can differences be related to density, income, distance from work, and similar factors? For example, you would expect to see an association between health issues and poor housing due to conditions like mold, cockroaches, lead paint and lack of maintenance.

Q. Specifically looking at gentrification, how might public health be affected?

A. Displaced people are likely to wind up in less healthy circumstances—for example, in poorer quality housing, or having to commute longer, or with limited access to services they need. There are impacts on social and psychological health as well.

Q. Some might say “This is just the market at work, displacement is an inevitable by-product.”

A. From the perspective of protecting the public health, social equity issues matter. For example, a factory must take the public into account rather than pollute the air at will. Societal good—that is, public health—is part of the community balance.

Q. What communities in this country are most advanced in considering the health effects of these issues?

A. One of the leaders certainly is San Francisco, where health issues are part of the framework of the whole development picture. The San Francisco Department of Public Health has created the Healthy Development Measurement Tool, and it is used in the process of approving projects and issuing permits. (www.thehdmt.org)

Courtney S. Collins

AS HOUSING COORDINATOR FOR THE ATLANTA POLICE FOUNDATION, COURTNEY COLLINS PROVIDES ASSISTANCE TO OFFICERS WHO ARE LOOKING FOR HOUSING.

Q. What difficulties do officers encounter in finding homes they can afford?

A. The average starting officer makes \$38,000 to \$41,000, and that puts them just over the cutoff for assistance programs, usually by only a few hundred dollars. But it doesn't put them within range to pay the average price of a house in the city of Atlanta, which is \$260,000 or better. They can't afford that on their own. A new officer making \$41,000 is going to need a second job, a working spouse, or both to afford the kind of home they want. But the location could still be a problem.

Q. How important is it for officers to find housing closer to their jobs?

A. It's important that they at least have the opportunity to live in the city of Atlanta if they would like to. It's not as easy to find affordable housing even in the close-in suburbs anymore, so they end up making long commutes that add to their stress. It's a barrier to the quality of his life, and there's where we have a retention problem. It's also important for the community that we find a way to have officers living in the city of Atlanta. The increased visibility of officers living in the city coupled with the increased investment officers would feel in policing streets in which they live will collectively make a positive impact on crime prevention. In addition, the increased response time of officers living outside the city is a concern during times of crisis.

Q. How many officers would like to live in the city of Atlanta, and would they be willing to live in mixed income neighborhoods to find a nice, affordable home?

A. The Atlanta Police Foundation did a survey of officers in August 2006. The highest preference is for the house with a separate lot, but there are a number officers that are attracted to urban living. Nearly half, 49 percent said they agree or agree strongly that urban living appeals. Sixty percent would like a single-family structure. Some wouldn't want to live in the city because they feel they're never off work, and the schools are a concern, along with property taxes. But 62 percent agree they would choose the city of Atlanta over suburbs if home size, price and value were equal. Sixty percent said down-payment assistance would encourage them to move to an Atlanta neighborhood. Mixed income neighborhoods, if they were designed well and in the right location, would have a strong appeal if they allowed officers to get into more affordable homes.







3 times

The annual traffic delay has more than tripled since 1992, from 11 hours to 34 hours for the average Atlantan.

more time spent in traffic.



PART 3

Progress Since 2004

The activities of MICI and the Making the Case report have helped to inform and inspire significant discussion of housing affordability in metro Atlanta. The 2004 report focused on seven recommendations for action, several of which have seen progress in one form or another.

REGIONAL HOUSING RESOURCE CENTER

One key recommendation was the creation of a web resource for dynamic information about the status of housing affordability in metro Atlanta—including information on land availability and assembly, model projects and bench-marking statistics showing the places and pace at which progress is being made. In February, 2007, the Regional Housing Resource Center was instituted as a partnership among ANDP, Atlanta Regional Commission (ARC), and Georgia Department of Community Affairs (DCA), with support from Georgia State University. The Regional Housing Resource Center will compile and analyze existing information, seeking to fill gaps in data, as well as issue periodic reports on progress or the lack thereof. Find it on the Web at www.atlantahousingdata.org.

WORKFORCE HOUSING AND INCLUSIONARY ZONING

Jurisdictions that practice “inclusionary zoning” promote the building of a certain share of affordable units for each new residential development over a threshold size. Inclusionary ordinances may be voluntary or mandatory. In most cases, they offer incentives, such as increased density or building height, in exchange for a developer’s offering below-market rate units, typically 10 to 15 percent of the project’s total units. Over the last three years, Fulton County, the City of Atlanta and DeKalb County have considered or adopted inclusionary zoning ordinances.

The Fulton County program provides additional development subsidies beyond the traditional fee waivers and density bonuses. The initiative directs federal and state housing funds and tax credits to alleviate the shortfalls a developer may experience in the development of an affordable unit.

In the City of Atlanta, Mayor Shirley Franklin created an Affordable Workforce Housing Implementation Task Force to focus on creating 10,000 new affordable homes by 2009, one of the mayor’s seven goals in her economic development plan. The Task Force recommended developing an inclusionary zoning ordinance as one key action step. The city now is considering a voluntary ordinance that would make incentives available for any development citywide that consists of a residential component of ten or more units, provided that at least 10 percent of the total units are affordable. In exchange, it would allow a density increase above the level now permitted by existing zoning. For the purposes of the ordinance, city officials defined “affordable workforce housing” as being made available at rents for households whose income is between 30 percent and 60 percent of Area Median Income (AMI); and sale prices for residents whose incomes are between 60 percent and 100 percent of AMI.

HOUSING TRUST FUNDS FOR METRO ATLANTA

The 2004 report also recommended establishing trust funds that would be dedicated sources of ongoing funding for building and retaining affordable units. Under Mayor Franklin's leadership, the City of Atlanta recently announced the issuance of \$75 million in Housing Opportunity Bonds intended to provide housing choices for 3,000 workers within the city. The bonds will "incentivize the creation of new affordable workforce housing units and preserve existing housing units by providing mortgage down-payment assistance, direct land acquisition, multi-family loans, home builder incentives and loans for community housing development organizations," according to a City press release. The fund is a partnership between the City of Atlanta, the Atlanta Housing Authority (AHA) and the Urban Residential Finance Authority (URFA), a subsidiary of the Atlanta Development Authority.

The City of Atlanta also has included plans for workforce housing within the neighborhoods touched by the proposed BeltLine, a greenway loop and transit corridor in the core of the city that is intended to be the focus of substantial development and redevelopment in the coming decades. The city has established a tax allocation district (TAD) to direct the expected revenue from rising property values toward developing the infrastructure and amenities that will make the neighborhoods livable. That includes \$240 million in funding for 5,600 units of affordable, workforce housing. This is a landmark decision in the city, establishing a total package of livability for all income levels for many years to come.

The Atlanta Development Authority and the City Council also have included affordable housing components as a requirement in the city's eastside and westside TADs. ANDP and its MICI partners continue to advocate inclusion of a 15 percent set-aside for affordable housing in TADs and for other place-based economic initiatives.

Atlanta's leadership has resulted in more than \$360 million being set aside for the next 25 years to help meet its affordable and workforce housing needs. Atlanta's TAD housing set-asides and the development of a housing opportunity fund program will hopefully serve as a model for the region's other local governments.

While representing significant progress, especially within the very core of the Atlanta region, all the initiatives noted above must be regarded as but an initial down-payment on the vast and growing need within and around Atlanta's 23 job centers and among the region's 70-plus jurisdictions.





OTHER 2004 RECOMMENDATIONS

Other key goals from 2004 remain to be advanced. Among them are calls for:

A Regional Housing Coalition. The 2004 report expressed the hope that a diverse coalition of interests might begin to coalesce around the goal of actively advocating for complete, mixed-use neighborhoods offering diverse housing choices in highly accessible locations. ANDP's MICI is organizing itself to help coordinate the advocacy efforts of its members and other individuals and groups committed to public policies which promote mixed income developments. Additionally, the Livable Communities Coalition has embraced a mixed income vision as part of its regional quality growth strategies. Other efforts, such as ARC's Regional Housing Forum, have helped to bring together key housing players from throughout the metro area and have done much to sustain the discussion of these issues.



Creating a Regional Fair-Share Housing Plan. Regional fair-share housing plans are a cooperative means of setting goals for each local government to accommodate their share of needed workforce housing at all income levels. They help to improve the jobs/housing balance and ease zoning and other conditions that promote economic stratification, limit housing options and exacerbate traffic congestion. To date, no such comprehensive, forward-looking housing plan exists in metro Atlanta.

Connecting Housing with Local Land Use Plans. In the absence of a regional or state-initiated plan, most local governments in the region have not taken full steps to align their comprehensive plans and zoning maps with the goal of permitting and promoting affordable housing in mixed-income communities near jobs. A few, such as Cobb and DeKalb counties, are actively working to address the housing and transportation needs of the growing population of seniors, an effort that could open the door to a broader consideration of needs across the age and income spectrum.



Accounting for the Transportation Cost of Housing. As has become clear from the evidence presented to this point, transportation costs and accessibility are inseparable from questions of housing affordability. Therefore, transportation planning must be a part of affordable housing planning, and vice versa. The Regional Housing Resource Center is committed to regularly publishing reports showing the combined costs of transportation and housing at the neighborhood level.



April Simon

FINDING A HOME IN A MIXED INCOME COMMUNITY

“I consider myself the poster child for affordable housing,” says April Simon, 33. In 2001, Simon was a “chronic apartment dweller,” moving often among inner suburbs such as Smyrna and Dunwoody. She made less than \$40,000 a year in her first “real” job working as support staff to her company’s sales representatives, but she was eager to buy her own place and put down some roots.

“A person making less than \$40,000 a year cannot afford to buy a house in the city of Atlanta, unless they buy a wreck and try to fix it up,” Simon says. “That was something that I as a single woman could not do.”

She was despairing of finding anything she could afford until she stumbled upon Centennial House, a mixed income, mid-rise condo building near Centennial Park and a short commute from her Midtown job. Though she had never considered living downtown, she couldn’t resist taking a look at the plans for one of the last “below-market” units in the project, which was being offered for \$120,000. The unit had yet to be built when she signed the deal.

The subsidized, two-bedroom condo did come with a catch, however. If she sold it any time within 10 years, she would lose a portion of any appreciation; the percentage lost would go down 10 percent a year until 10 years had passed. “They want someone who wants to live in the community and stay put,” she says, “and not just an investor who wants to flip it.”

“When I put down my earnest money the ground hadn’t even been broken,” Simon recalls. “For me it was really stepping out on a limb. What a great limb I stepped on. It’s one of the best things I’ve ever done by accident.”

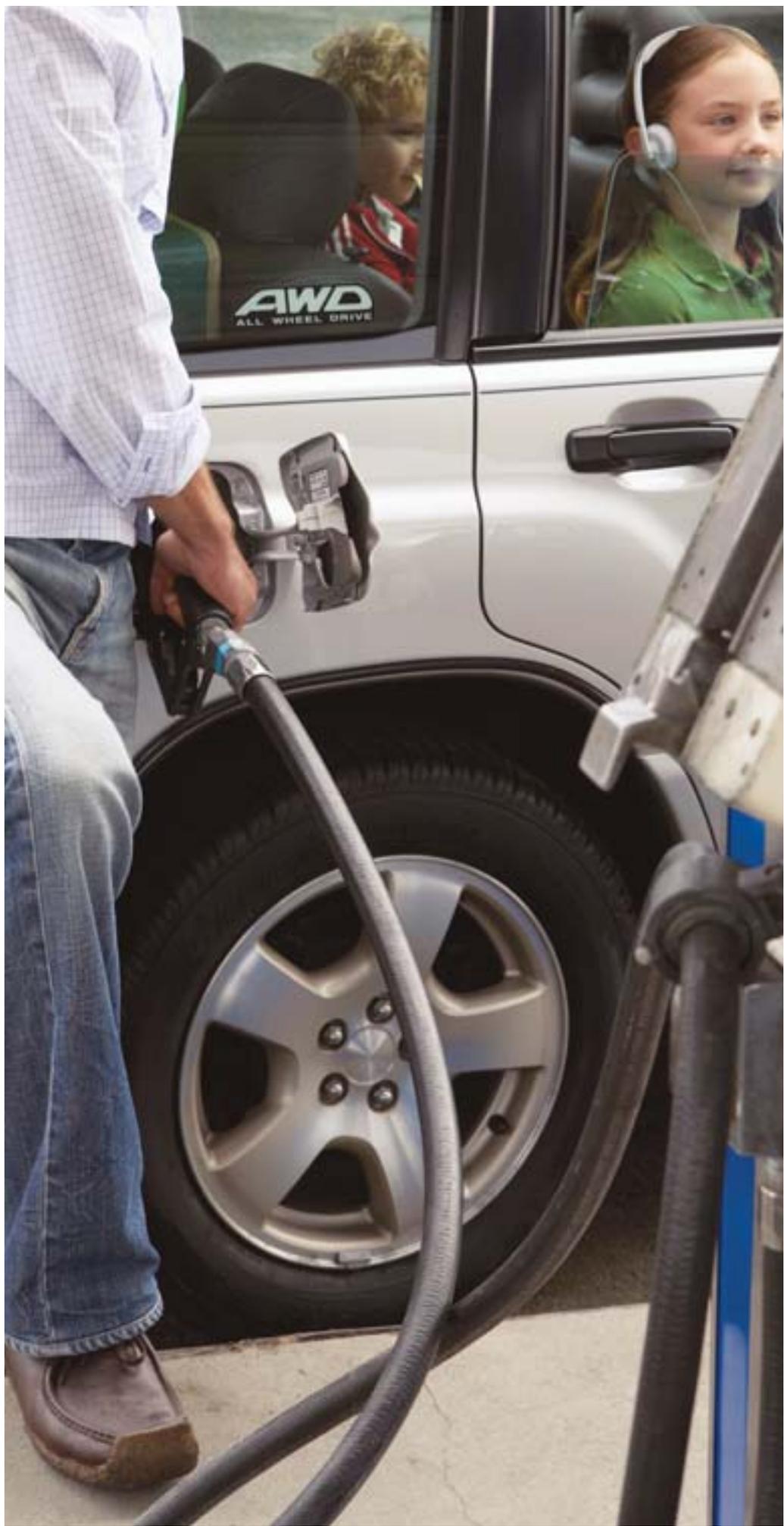
Though the mortgage of \$1,100 and \$200 condo association fee were a stretch for her, she soon advanced in her company and began to earn more as a saleswoman in her own right. “Having some stability at a time in my career when I was just feeling my way, this let me put down roots and make a commitment to the job and the industry.”

1/3

For a working family earning between \$20,000 and \$35,000 a year, the average cost of transportation in a location near the core was 26 percent of total income. But for those living in the outlying suburbs, that figure rose to 31 percent.

spent on transportation





More Complete Communities with a Range of Housing Choices

PRIVATE SECTOR OPPORTUNITIES AND BARRIERS

In 2005, Dr. Larry Keating of the Georgia Institute of Technology conducted an assessment of exclusionary housing practices in metro Atlanta. The study found that most local governments are not adequately permitting regulatory tools that allow new housing choices to be built. Local governments are required under Georgia law to evaluate housing needs as part of their local comprehensive plan. However, Georgia planning laws do not require connections between the identified needs for housing in communities and the density or regulatory instruments that will permit more housing choices to be built.

Local governments in the Atlanta region must become more proactive in evaluating current housing available in their communities, understand the demands for workforce housing, needs of aging senior citizens and other underserved housing groups and change zoning and other regulatory impediments that prevent the market from building the housing citizens are seeking. Local governments hold the key to permitting more housing options for their current and future citizens.

Though it is shaped substantially by public regulation and investment, housing development in metro Atlanta is primarily a private-sector activity. If complete communities with a range of housing choices are to be built, it will be largely as a result of private developer initiative. Since 2004, MICI has sought to gauge developers' interest in, and their capacity for, serving this market.

In round-table discussions and one-on-one conversations, most agreed that the demand is strong and growing. (For more detailed discussion of developer response to the demand, see the "Developer Q&A" on page 32.) Most also agreed that this changing market cannot be served without the active support and encouragement of the public sector. In some cases this means adapting the regulatory environment to new circumstances, while in others it will require local and state governments acting as joint partners with private developers. Most also agreed that, given the costs of land acquisition and construction in urban areas, housing for households earning below \$35,000 is likely to require some form of public subsidy.

The consensus among the development community was that several public sector actions would assist them in meeting the demand for housing options in complete neighborhoods:

Remove the regulations against complete neighborhoods and create more zones where they are allowed and/or encouraged. "One of the first obstacles is, we just don't have many housing ordinances that allow a range of housing within a single zone," said Rick Porter, who heads Richport Properties. "Even without inclusionary zoning, just having an ordinance that would allow everything from an 800- or 1000-square foot townhouse to a 2,000 square-foot detached house would help." While mixing different sized units is common in high-rises, there are very few places in metro Atlanta where the same approach can be taken on a plot of several acres.



Remove minimum house size requirements to allow for smaller, less expensive construction. Many metro jurisdictions now have large areas zoned to prohibit houses smaller than 1,500 square feet. In some cases this resulted from a fear that permitting small houses would harm the tax base because too much low-end, “starter” housing would be built. But allowing for, or requiring, mixed housing types would mitigate against this homogeneity, developers said. “We all remember growing up in houses that were much smaller than today’s houses,” notes Porter. “But those houses are not allowed today. An 800-square-foot house, a 20 foot by 40 foot house that you could offer a place for a mother and child to live, would that be a bad thing?”

Review other restrictions for their effect on affordability, versus their public benefit. Many jurisdictions have added requirements to solve one problem or another, with a cumulative effect of harming affordability. Some require overly large street widths, usually to accommodate large fire trucks; but this can make developments more expensive while encouraging speeding in residential areas. Some jurisdictions have found that a better street layout, or even smaller trucks, can mitigate against the need for wide roads. Other regulations require more expensive exterior finishes, driveways or amenities such as garages, all of which can make construction more costly.

Allow higher densities in designated areas where it can be accommodated. Allowing more units on a piece of land brings the cost of land per unit down. This does not mean only high-rises, said developer John Wieland. “We’ve seen a lot of the glass condo towers in Atlanta, but there is another, lower level of density that is common in cities such as Washington and Boston.” Five- to eight-story buildings can create a “human-scaled” streetscape that many people find appealing. There are very few areas where zoning permits this, however.

Assist with land assembly. In undeveloped areas, large parcels typically are in the hands of a relatively small number of owners, making acquisition for development relatively easy. Urban land costs have sky-rocketed and developable parcels are smaller, so that dealing with multiple owners can make assembly of a piece of land large enough for a complete neighborhood difficult or impossible. “Most of the places in or near the perimeter are built and when you have to tear down something, that makes it more expensive,” said John Wieland. Local governments can take the lead by making a redevelopment plan for certain areas, such as older industrial zones, and then assembling the land over time, so that it can be sold to a developer as a whole.

Make it easy to replicate model projects. Developers generally avoid “one-off” projects that require a great deal of extra time and study, which makes them more risky. Local governments can make more complex, mixed income projects more appealing by studying those that have produced good results, either in their jurisdiction or elsewhere, and producing a “how-to” guide for both developers and public officials that can help to move projects more quickly through public involvement, planning, approval and financing. By “standardizing” the process to a degree, local jurisdictions can often streamline their own approvals to ensure smooth progress.

Accelerate permits for affordable housing. “We need to reduce the permitting time in places like the city of Atlanta for all kinds of housing,” said developer Pam Sessions. “If you’re trying to build affordable housing you really can’t afford to wait months or a year,” said Pam Sessions. “There should be some accelerated process for truly affordable units.”

The Developers

THE VIEW FROM THE PRIVATE SIDE



*Egbert L.J. Perry
Chairman and CEO
The Integral Group*

The following discussion is excerpted from in-depth, individual interviews with five prominent housing developers in Atlanta: Egbert L.J. Perry, chairman and CEO of The Integral Group; Rick Porter, founder of Richport Properties; Jerome Russell, president of Russell New Urban Development, a division of H.J. Russell & Co.; Pam Sessions, president and co-owner of Hedgewood Properties; and John Wieland, founder of John Wieland Homes and Neighborhoods.

Q. Is there a market for smaller homes, smaller lots, condos and apartments near job centers?

WIELAND: The demand is huge, but the product is not there.... Many people have seen enough places like Glenwood Park and when it's done well architecturally they say this works OK. The big problem is that once you put the cost of that urban land underneath the construction costs for the building, the prices inevitably are more than living in the suburbs and commuting.

SESSIONS: I think we'll see more mixed use and mixed income. A lot of it is changing demographics, it's congestion in the region, a desire to lessen commutes and be closer to work and their daily needs. More town centers and activity centers are coming in the suburbs. The growing demand in urban centers especially is something we're going to need to work hard on because we're so far behind.

PERRY: Absolutely yes. If you're building anything over \$200,000 to \$300,000, you're in a very competitive club. There is a lot of that out there already. If you're down in the low end, that market is a little deeper. The problem with building in places with access to jobs is that the cost structure doesn't work for lower-cost housing.

PORTER: We are now entering the second generation of this transition in lifestyle decisions about how and where to live. In Atlanta, what we've seen since the mid-90s, with infill, is the first generation. But for the most part, people still seemed to feel that everybody else was living in the suburbs, so I guess that's where I have to live. It was almost like a psychological release when we began to have so much conversation about how there ought to be alternatives that offered less time away from family, in the car. The second generation is now looking at, hey, I'd like to live closer in, too. But now the choices aren't as great. We have to find ways to build more of what people are looking for, in the suburbs as well as the city. We're already seeing the acceptance of townhomes among home seekers in the suburbs; they are accepting the higher density, in return for being in a place where they want to be.



*Rick Porter
Founder
Richport Properties*



*Jerome Russell
President
Russell New Urban
Development*

Q. What are the obstacles to building affordable housing in mixed income, mixed use settings?

RUSSELL: The price of land and construction costs are going through the roof. That's a much bigger obstacle than the regulatory barriers. The municipalities have to come up with regulatory incentives to entice developers to offer less expensive homes, because building those homes has absolute, fixed costs. If it costs X to build something that's what it costs. But the city can off-set that to a degree with faster permitting, density bonuses and other things. There needs to be more collaboration between municipalities and the developer to get things done.

PORTER: It's not just regulatory momentum that has been a barrier to mixing housing products. It's also financial institutions, and consumer assumptions. Appraisers used to tell you that you never wanted a house cheaper than yours in a neighborhood, or it would bring all the values down. I think that has been disproved. What has happened is that much of the infill development has proven that million-dollar infill houses can sit next to \$300,000 house, or \$250,000 next to \$150,000. If the location is desirable, it doesn't matter. In Covington we've done \$150,000, \$160,000 townhomes within 112 feet of \$300,000 single-family homes. The truth of the matter is, we've seen that the homogeneity that appraisers and consumers were assuming is not a big factor when you add others—transportation options, commutes, location of jobs.

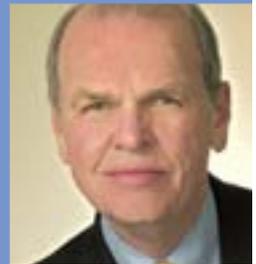
WIELAND: Just in the last few years the Atlanta buying public has made this migration to townhomes and condominiums. But the condos have been built more for the yuppies, not so much for families. We need to find an affordable way to do that.

PERRY: You can't just talk about housing costs anymore. You have to talk about housing and transportation, because it is getting so expensive.... There are secondary corridors that could accommodate a lot of the demand for being intown—Buford Highway, Tara Boulevard, Cobb Parkway, Memorial Drive. The pluses of those corridors is that they already have infrastructure, and you can use that to get greater densities. That way the cost per unit is lower so you can achieve some of your affordability goals, and they are along major transportation corridors. We haven't yet seen many jurisdictions doing the kind of planning and investment along these corridors that is necessary for this kind of transformation.

PORTER: We have not seen many examples yet of true redevelopment and reuse of shopping centers, inner suburban land. That needs to happen, but regulations still make it too difficult and



*Pam Sessions
President and co-owner
Hedgewood Properties*



*John Wieland
Founder
John Wieland Homes
and Neighborhoods*

expensive. In Atlanta, we are starting to see areas like Lindbergh, where shopping centers are being reused. We're not yet seeing it in the Gwinnetts and Cobbs, but I believe it is starting. We have looked at some sites like that. The problem is that when you go to reuse some of these sites, they are treated like greenfield sites in terms of stormwater requirements, they have zoning from another era. There are just a lot of hoops that make it hard to do.

PERRY: What allows you to create some affordable units is the density. As you increase it, you are able to achieve better economics in the land cost. There is a small but rapidly growing number of developers who know how to do mixed use, but mixed income is another matter. To get them built, you have to mix different sources of financing—regular, private capital with tax credits and other public sources and most don't have the skill sets to do both.... We also have to learn to take greater advantage of the availability of modular construction. Building everything stick-built onsite is inefficient and the quality control is relatively poor. With factory-built components we should be able to get costs down and quality up.

Q. Is there a role for government in promoting more accessible housing?

RUSSELL: Absolutely. They need to have housing trust funds, waivers on impact fees, tax allocation districts and other incentives for developers. They can assemble land. They can establish funds to acquire land, and in some appropriate cases, they can use eminent domain.... The private and public sector have to work together in collaboration.

PERRY: Government needs to bring the public into discussions about the problems that the lack of affordable housing is creating. I heard someone say recently, "Why should we use our tax dollars to facilitate affordable housing?" But then you must ask the question, if people are forced to live miles and miles from their jobs, what is the cost to us all when people have to drive so much more, emit so much more pollution, create so much more congestion.

SESSIONS: To create a real neighborhood that is affordable is a really big challenge. I think it is going to take some community participation in many cases. The [mixed income redevelopment of public housing] we're involved in Atlanta is the kind of complex project that would drive some developers off.... Getting through this will help us understand all the tools in the toolbox, but something needs to be done to make this easier so we'll see more of it.... We need swifter permits for all kinds of housing, but especially for affordable housing.

WIELAND: It will definitely take public intervention below a certain level. I don't think the marketplace will do it alone. The public can help assemble land and ease zoning restrictions. Densities are still a gargantuan problem for most political jurisdictions. The other thing that is really important is just having efficient and logical processes for getting building permits.

I'm a fan of inclusionary zoning, though most people in the business are not. I think that's part of the privilege. If you're going to get zoned to build in a place like Centennial Park or one of our important job centers, then some percentage ought to be affordable. And that will be the strategy needed to get more people in the suburbs, say north of the perimeter where all those jobs have grown up. You have to ask how we get affordable workforce housing in those locations.

City of Decatur before redevelopment



City of Decatur after redevelopment



City of Decatur before redevelopment



City of Decatur after redevelopment



PORTER: In concept, government should offer a regulatory paradigm that says to builders and developers, “We have a goal of affordable housing. Present to us as to how you would do that.” But what we have now are rules that have varying, conflicting goals—such as low density or requiring architectural uniformity—that may supplant the major goal, which is ensuring that everybody has access to a home they can afford. Tell us, here is an area, we want affordable housing here, show us how you would do it. We’ll make all the other requirements subsidiary to that.

One model is what is done with energy codes, where you’re given a set of goals, and you can choose what means you use to achieve it.... There are too many goals competing for attention, and affordability has been booted to the back and has been foreclosed by goals on zoning, codes, environmental and other goals.

Q. Are there any special advantages, or disadvantages, to builders and developers in building mixed housing types?

SESSIONS: I do feel it’s better to be in a position to have a diversity of products. Of course, it doesn’t totally insulate you from a slowing overall market. The mixed income, mixed-use places have been more resilient because we are making a place with character, that has an appeal.

RUSSELL: The challenges are making your numbers work, figuring out how it all comes together. The advantages are that you’re doing smart development where you’re using the land to its best economic use, but it also is environmentally the smart thing to do.

Q. Is it possible to include affordable housing in a neighborhood that meets middle-class esthetic and design standards?

SESSIONS: Absolutely. Certainly there is an advantage to being in a mixed income area where affordable housing is concerned. But building real neighborhoods—and real neighborhoods have a diversity of choice—will benefit everyone. It has to have parks and green space, if it can support them. You have to work a little harder from the design standpoint.

PERRY: Certainly. Every progressive city in the country right now is creating ways to do this very thing. Some are using inclusionary zoning, offering incentives, using tax allocation districts, and the places they are creating are finding success.

To make it more the norm, we have to point to these examples and show that it works. Because at the heart of all that is a race and class discussion that is only alleviated when people see that the housing can look good and people can get along.

RUSSELL: Neighborhood change makes people uncomfortable. You have to understand why people are uncomfortable and figure out what you can do to make it better.... The best thing you can do is be visual, show them what it’s going to look like, take them somewhere and show them what you’re talking about.

WIELAND: I think the level of developer and architectural capacity to build mixed-type communities has become much more sophisticated in metro Atlanta. That was a problem several years ago, but I don’t think it is anymore. I think if there were more openness, more incentives and encouragement for it to take place, that the capacity is definitely here.

Q. Any closing observations?

PORTER: I don't want us to rely so much on subsidies. If we're going to build housing people can afford to live in, we really need to go to where the problem is. There is too much goal competition in public policy, and affordability gets forgotten.

WIELAND: This is a hugely important issue for metro Atlanta. It all relates back to the traffic and what kind of quality of life you're going to have. The good news is that this is a much hotter topic and some progress is starting to be made.

SESSIONS: I am optimistic. I mean, we are so far behind that it will take something to swing the pendulum. I don't think just leaving it to market forces will get it done. Inclusionary zoning is something that will help, as would a housing trust fund. I think all those tools will be needed. But you also have to have a way to sunset those that are not working and are not needed anymore. I don't see how to get the pendulum swinging the other way without doing something drastic. I'd love to think it will happen voluntarily, but we've had that opportunity for a long, long time, and it hasn't happened.

PERRY: We have a window and the window is closing pretty fast. However, the fact that this conversation is going and there are reports like this, the work that MICI has been doing, is a very hopeful sign. It is creating the groundswell of conversation that will result in the change that needs to happen.



FIGURE 8

Mixed-income developments have the potential to be even more profitable than exclusively high-income developments.

	SCENARIO 1	SCENARIO 2			
	HIGH-END	HIGHEND	MID-PRICED	WORKFORCE	TOTAL UNITS
SALES PRICE PER LOT	\$120,000	\$120,000	\$70,000	\$40,000	
UNITS	20	17	3	10	30
REVENUE	2,400,000	2,040,000	210,000	400,000	2,650,000
LAND AQUISION	1,500,000				1,500,000
LAND AQUISION	310,000				310,000
LAND AQUISION	30,000				30,000
DUE DILLIGENCE	50,000				50,000
DEVELOPMENT PER UNIT	20,000				18,000
TOTAL DEVELOPMENT	400,000				540,000
INTEREST CARRY	142,500				142,500
TOTAL COST	2,082,500				2,222,500
TOTAL PROFIT	\$317,500				\$427,500
	13.2%				16.1%

Source: RICHPORT

FIGURE 9

Defining Success

THE SUCCESS OF ANY POTENTIAL SOLUTION TO OUR HOUSING AND SPRAWL CHALLENGES IS LIKELY TO HINGE ON FOUR KEY CONSIDERATIONS:

LOCATION

Housing not only must be affordable to buy or rent, it also must be accessible to jobs, services and daily needs

MIXING USE

Mixing uses in walkable neighborhoods can allow some people to use a car less often and support high-frequency transit service

MIXING INCOMES

Mixing incomes within jurisdictions can make development of more-affordable homes economically viable with higher densities and higher-priced dwellings and commercial space. This in turn helps defray costs of land, infrastructure, marketing, etc.

DESIGN

Affordable housing doesn't have to look cheap, and should be indistinguishable from other types.

“I’m a fan of inclusionary zoning.... I think that’s part of the privilege granted to a developer. If you’re going to get zoned to build in a place like Centennial Park or one of our important job centers, then some percentage ought to be affordable. And that will be the strategy needed to get more people in the suburbs, say north of the perimeter where all those jobs have grown up.” JOHN WIELAND, FOUNDER OF JOHN WIELAND HOMES AND NEIGHBORHOODS

ADDITIONAL RECOMMENDATIONS FOR PUBLIC SECTOR ACTION

Housing choice must become a primary focus of the region’s leadership. Political and civic leaders must begin to speak more about the need for regional solutions to this regional problem. Regional leaders should begin actively to promote the replication of the techniques being used by the city of Atlanta to promote mixed income housing in tax allocation districts.

Identify and eliminate exclusionary zoning practices. The Atlanta region must undertake a serious study of the degree to which “exclusionary” zoning is practiced and begin working with local governments to educate them on the benefits of mixed income housing which matches residents to their jobs.

Local governments and the Atlanta Regional Commission should encourage development of affordable units in higher-density projects near transit with density bonuses, infrastructure investments and other incentives. Appropriate education and local support are critical to amending land use plans.

Major employers should consider participating in Employer Assisted Housing programs. Because workforce housing is a major issue in recruitment and retention of employees, companies can serve both their own interests and the community by offering downpayment assistance, low-cost loans and other assistance for workers looking to find a home that is accessible to work. For more information on employer-assisted housing programs, please see www.hud.gov/local/il/news/eah.cfm

Integrate measures of affordability and mixed income into the Developments of Regional Impact reviews and other impact assessments. Projects that include affordable units near job centers decrease traffic and smog and enhance economic and family vitality. These factors must be considered in projects of regional impact and by government zoning processes.

Create and promote demonstration projects that model successful mixed income communities and affordable housing strategies. Existing and future mixed income developments should be promoted to demonstrate how the mixed income concept, when located appropriately throughout the region, can alleviate the burgeoning need for affordable housing.

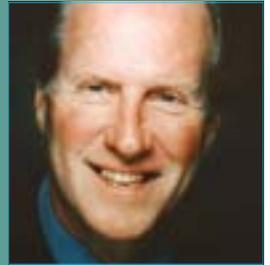
J. Ronald Terwilliger

**ATLANTA DEVELOPMENT EXECUTIVE CONTRIBUTES \$10 MILLION
TO PROMOTE JOBS-ACCESSIBLE AFFORDABLE HOUSING**

J. Ronald Terwilliger, chairman and chief executive officer of Atlanta-based Trammell Crow Residential, in early 2007 committed \$10 million to promote the construction of jobs-accessible housing for low- to moderate-income workers.

Half of that sum is going to create the ULI Terwilliger Center for Workforce Housing at the Urban Land Institute. The center will support the development of housing affordable to such workers as teachers, nurses, firefighters, government workers, and police officers. Terwilliger also is donating \$5 million to Columbia, Maryland-based Enterprise Community Partners, a nonprofit organization that helps develop affordable housing. Terwilliger, one of the nation's most successful residential real estate developers, has been a leading advocate for affordable housing.

In a press release, Terwilliger said that despite talk of a bursting housing bubble, "Housing that is close to jobs will stay out of reach for many people who work in our communities. As a result, working families who are neither very low-income nor high-income are being pushed farther and farther away from employment centers, adding to traffic congestion and sprawl. It's hard on these families, and it's inefficient growth. We are aiming to turn this situation around. Our ultimate goal is to achieve a measurable increase in mixed-income workforce housing in communities across the nation."



J. Ronald Terwilliger, Chairman and CEO of Trammell Crow Residential, was one of the first financial supporters of MICI.





INSPIRATIONAL MODELS FROM ELSEWHERE

Chicago, Illinois: The “Preservation Compact,” a rental housing action plan. Despite a growing demand for affordable homes, the Chicago region has suffered a steady decline in its supply of low-cost rental housing. Fueled in part by condominium conversions, aging buildings and expiring government subsidies, the loss of affordable rental homes is a critical challenge in a region where more than 38 percent of households rent. To reverse this trend, Chicago’s business, government and nonprofit leaders recently collaborated with the Urban Land Institute (ULI) on a multi-faceted and comprehensive strategy to preserve and improve 75,000 existing rental homes in Cook County by the year 2020.

The centerpiece of the new plan is a Preservation Fund supported with seed money from the John D. and Catherine T. MacArthur Foundation. Backed by public agencies and a consortium of local and national banks, the \$100 million fund will provide a source of capital for preservation-minded buyers to finance the purchase and revitalization of properties at risk of being lost from the affordable rental market.

Launched in May, 2007, the “Preservation Compact” also includes: initiatives to coordinate housing policy among local, state and federal agencies; a data clearinghouse to provide early warnings of properties at risk; technical assistance and loans for energy-efficient improvements; and a reduction in property taxes for multi-family rental buildings.



State of Illinois: Employer-assisted housing programs help retain workers. Created and coordinated by the non-profit Metropolitan Planning Commission in 1999, the Employer-Assisted Housing program helps employers retain workers by getting them into conveniently located homes they can afford.

Today, 58 employers in Illinois offer some form of EAH, according to the MPC. In some cases, the employer's assistance leverages state or local dollars, boosting the employee's home purchasing power. Typically the assistance gets workers closer to their workplace, reducing stressful commutes. In 2005 the program generated \$1.3 million in employer dollars that were provided to employees as assistance toward buying or renting a home near their employer.

Besides helping to curb turnover and absenteeism, EAH programs reap other positive rewards for participating employers. In Illinois, the state's Affordable Housing Tax Credit reduces an employer's net cost of implementing EAH programs significantly: 50 percent of the employer's investment comes back through the tax credit. In addition, investment in the program is deductible from federal taxes.



California's Proposition 1C: \$1.35 billion for mixed income housing. In November, 2006, California voters approved Proposition 1C, a \$2.85 billion housing bond that was part of five public works bonds placed on the ballot this year by lawmakers and Governor Arnold Schwarzenegger. Proposition 1C will provide \$1.5 billion to existing state-run affordable-housing programs that assist battered women, farmworkers, low-income home buyers and renters, the disabled and mentally ill as well as the homeless. The remaining \$1.35 billion will be spent on new programs to encourage building more housing near public transportation and using land within a built-up area for further construction. The money will help reclaim land in urban areas and clean up brownfields, which are abandoned industrial tracts that are polluted. The measure contains \$200 million for parks and greenspace associated with mixed income redevelopment. Projects that would be assisted under the program would likely be akin to the MacArthur Transit Village in Oakland, which is converting a 600-vehicle surface parking lot into mixed-use development.





IS THERE ENOUGH LAND FOR HOUSING IN JOB CENTERS?

In the fall of 2006, ANDP engaged Georgia Tech's Center for Geographic Information Systems (CGIS) to conduct a detailed study of potentially developable land in the five core counties of the Atlanta metropolitan area (Clayton, DeKalb, Fulton, Gwinnett, Cobb). Dr. Steve French and his team found that most job centers have ample land that either never has been developed or that is in need of redevelopment to accommodate the shortfall in housing that is affordable to local workers, at relatively modest densities.

For example, the Central Perimeter job center has a housing deficit of roughly 22,000 units. CGIS identified close to 900 acres of undeveloped land in that job center. If all 900 acres of undeveloped land were developed for housing, the density needed to meet the housing demand in the Central Perimeter center is approximately 24 units per acre. However, if the land in need of redevelopment were also used for housing, the density needed would drop to seven units per acre.

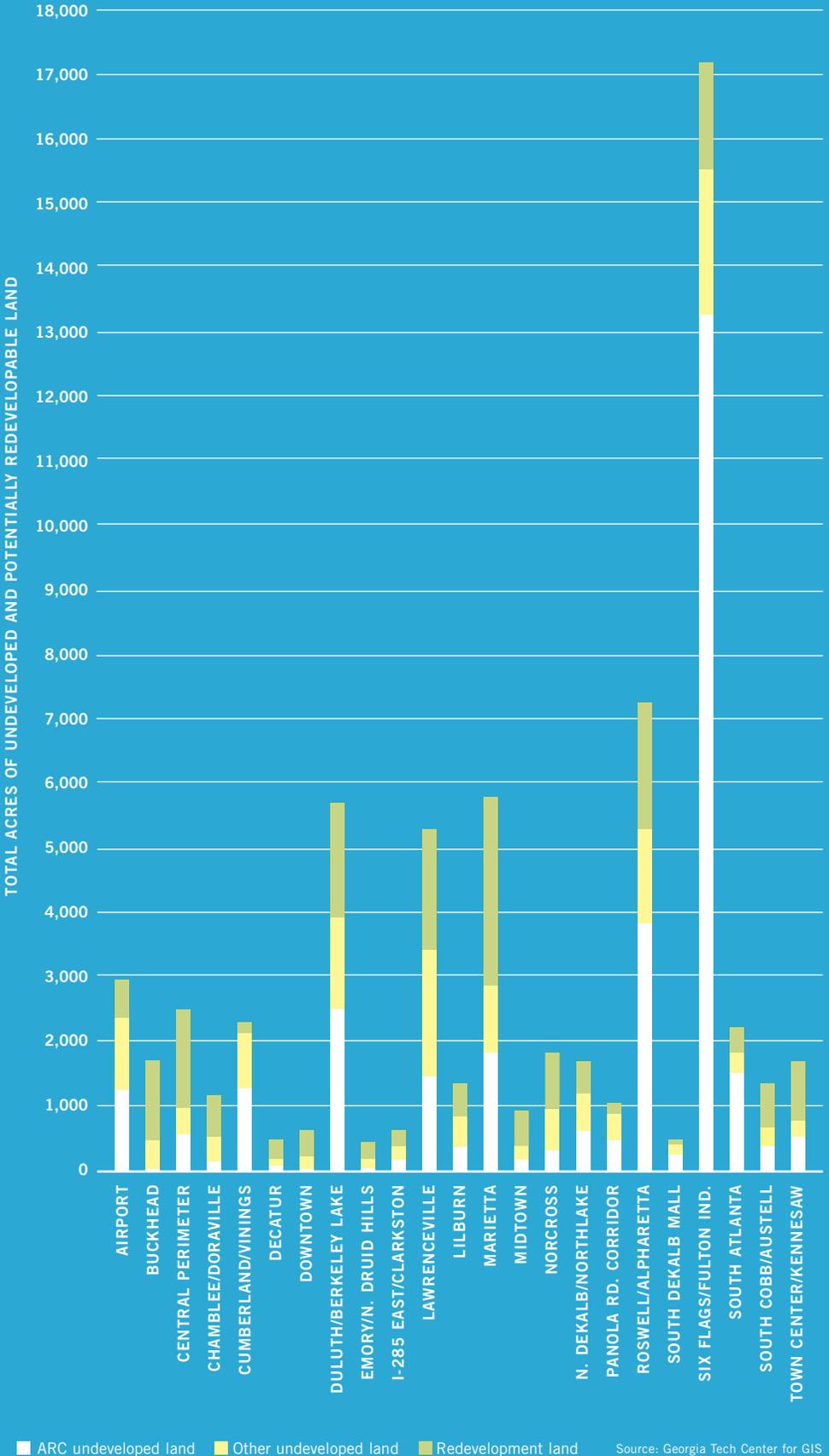


The team compiled data from the Atlanta Regional Commission, local tax assessors and other sources and data to create a database for each developable property identifying ownership, value, underlying zoning and other information. They also compiled data on currently developed land that might be ripe for redevelopment, such as declining or vacant shopping centers or office campuses. The database would allow a potential developer—whether private, non-profit or governmental—to find parcels near job centers than can accommodate mixed income housing. For the full report, see the accompanying CD.



FIGURE 10

Most of metro Atlanta’s job centers have ample undeveloped or potentially redevelopable land available to accommodate the short-fall in affordable housing for local workers.



Source: Georgia Tech Center for GIS

CLOSING THOUGHTS

The Morality of Housing Affordability

AN INTERVIEW WITH DOUG GATLIN, CEO OF FAITH AND THE CITY

Q. Why is housing affordability and location important to people of faith?

It's important to everybody. People of faith are interested, that being the case, because of the need for "the least of these" to be taken care of. All faith traditions call on people to care for those who have need: feeding the hungry, clothing the naked, shelter for those without it.

It's a question of fairness. For people to work, sometimes full time, and still not be able to afford a place to live, there is something wrong with the system, if you look at it through a moral lens. To us it's not just about not being able to live close to your job, though that would be a good thing. You often can't afford to live anywhere that's affordable where you can even get to work. You can't expect someone who's making minimum wage, or even twice that, to live 40 miles away. Transportation becomes more of a cost than is affordable.

Q. Why is there this problem?

If there is enough demand for high-priced housing you'll get high-priced housing. That crowds out affordable housing, and no one corrects that with a moral or fairness perspective. Conscience needs to be part of the equation as well as just the brute factors of the marketplace. Too often in America today the question of morality, the notion of what is right or what we ought to do, versus what can we do, is ignored. Unless people such as pastors, rabbis and imams preach for us to do something about it, it will continue to be based on what the market will bear. Generally in the last 30 years religious leaders in the Atlanta region have sort of either drifted away or been pushed away from the table when these sort of civic issues are discussed....



Doug Gatlin
CEO
Faith and the City

Exclusionary zoning becomes a moral issue when it's applied to too large a portion of the town, city or metro area. It's OK to have neighborhoods that are mostly large houses, but they can't all be. People need to see each other. Part of the problem is this separation among different income levels. One reason there is not the awareness is that it's out of sight, out of mind.

Q. What can people of conscience do?

The first is to become aware of the situation. A lot of people are not aware how much of an issue this has become, how high rents and prices are and the discrepancy with the wages many people earn. I think people believe the "minimum" is enough, because why would the government set a minimum wage that wasn't? People of conscience can express their opinion to their elected representatives, whether state or local. Making sure that governments zone to include all people. Fairness has to be brought into it or it won't be fixed.

People's hearts are good, if they're aware of a problem. Whatever we can do, in the faith community or through our government, we will do once we understand the needs. People want to do the right thing, if for no other reason than, in the long run, it comes back to haunt you if you ignore it.

CD-ROM CONTENTS

HOUSING REPORTS FOLDER

- The Question of Leadership in Creating Mixed Income Communities
- Transforming the Face of Housing: The Dynamics of Race, Class and Housing Opportunity
- Healthy Housing: Forging the Economic and Empirical Foundation
- Metropolitan Atlanta Land Supply Study
- Beyond Anti-Predatory Lending Legislation: Rethinking Housing Markets from the Bottom Up
- No Time to Waste—the Case for Increasing Housing and Transportation Affordability in the Atlanta Region through Mixed Income Communities
- Economic Development Implications of Housing Choice
- Diversity in Georgia's Housing for the 21st Century
- Conversation, Community and Consensus: Atlanta Neighborhood Development Partnership Mixed Income Communities Initiative, 2006 Listening Tours/Conversations on Metro Atlanta and National Housing Issues
- A Critique on the availability of Inclusionary Zoning Ordinances as Affirmative Relief to Promote Fair Share Housing Opportunities in the Atlanta Metropolitan Region
- A Cost-Benefit Analysis of Mixed Income Revitalization

EXTRAS FOLDER

- About ANDP/MICI
- Housing Reports Contributor Bios
- Housing Opportunity Video

For more information about The Atlanta Neighborhood Development Partnership, Inc. (ANDP) and the Mixed Income Communities Initiative (MICI) please visit us on the web at:

<http://www.andpi.org>

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