

**WORKFORCE HOUSING UPDATE:**  
**DEFINING THE NEED FOR WORKFORCE HOUSING IN  
ATLANTA**

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PREPARED FOR:

**THE ULI J. RONALD TERWILLIGER CENTER FOR WORKFORCE  
HOUSING  
ULI ATLANTA**

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## I. INTRODUCTION

In summer of 2008 the ULI Terwilliger Center for Workforce Housing -- Atlanta commissioned Bleakly Advisory Group to assist it in evaluating several issues central to understanding the dimension and character of workforce housing issues in the Atlanta region. The Terwilliger Center was established in 2007 by the Urban Land Institute to facilitate the development of policies and funding resources that could expand the production of housing for workforce families, particularly in mixed-income communities.

In recent years, a growing body of work has been carried out by non-profit organizations, academic researchers, and others, both regionally and nationally, on the dimensions of workforce housing needs in our region, the existing inventory of workforce housing units, and the financial and regulatory challenges facing developers in creation of workforce housing. More recently, the severe turmoil caused by the mortgage and foreclosure crisis which has swept housing and financial markets nationwide, has had a further impact on the workforce housing market in Atlanta and elsewhere.

The purpose of this report is to build on the key findings of earlier research, update them to reflect current demographic and economic conditions, and describe the continuing need for workforce housing in the Atlanta region and the challenges inherent in meeting it. It is hoped that the report will provide a baseline for understanding the current market and how developers – both for-profit and non-profit – can respond to it.

## II. SUMMARY OF KEY FINDINGS

The key findings of this research include the following:

- ***A definition of Workforce Households:*** In the Atlanta region workforce households are defined as those households that earn between \$37,260 and \$74,521, which is between 60% and 120% of the Atlanta region's 2006 median household income of \$62,100.
- ***Study Focus on Four Core Counties:*** Four counties at the heart of the Atlanta region -- Dekalb, Cobb, Gwinnett and Fulton County (inclusive of the City of Atlanta -- represent the most densely developed portions of the Atlanta region and contain 77% of the region's residents and 83% of its jobs. These four core counties are where the need for workforce housing is greatest due to the challenges presented by higher development costs balanced by the opportunity to provide housing near employment and the broadest range of transportation options. Data on the 10-county Atlanta region has been included in this analysis for comparative purposes.
- ***The Number of Workforce Households is Substantial:*** In 2006, there were 342,875 workforce households in the four core counties which is 30.5% of all households in those counties. The City of Atlanta had 41,921 workforce households which is 24.8% of all households in the city. The lower percentage of workforce households in Atlanta reflects the greater concentration of lower income households in the city as compared with the core counties and the impact of a number of other factors (cost and regulatory) limiting the development of workforce housing in the city.
- ***The Number of Workforce Households has Grown Dramatically:*** During the period from 1990 to 2006 the number of workforce households in the four counties increased significantly and in proportion to overall regional household growth. Workforce

households grew by 106,495, accounting for 29.7% of the overall growth in households in the core counties over the sixteen year period.

- **Workforce Households will Continue to grow over the Coming Decade in the Core Counties** From 2006 to 2016 the number of workforce households is projected to represent 30.5% of the growth of 129,648 new households in the four core counties. Thus, by 2016 there will be a total of 382,454 workforce households in the four counties, accounting for 73.7% of all workforce households in the region.
- **Workforce Households are younger:** Workforce households tend to be slightly younger than regional households in general, with 49.9% headed by someone who is between 25 to 44 years old versus 45.1% for all regional households. In the City of Atlanta this trend is even more pronounced with 25 to 44 year old households representing 52.7% of workforce households versus 44.6% citywide.
- **Workforce households perform vital functions in the jobs they hold:** Members of workforce households are typically employed in a wide range of occupations that provide essential services to the smooth working of our economy. They include, for example: medical and health service managers, accountants, elementary and secondary school teachers, dental hygienists, legal secretaries, registered nurses, fire fighters, police and sheriff patrol officers and office support workers among others.
- **Workforce Households in the City of Atlanta face more economic and educational challenges:** Workforce households in the City of Atlanta are proportionately fewer in number, tend less often to be comprised of families, and have fewer children. This is likely related to housing cost, perceptions of public safety, and quality of public schools.
- **What Workforce Households Should Spend on Shelter:** Based on current industry norms for shelter costs, workforce households in the Atlanta region can afford housing in a price band from \$112,000 to \$224,000 for for-sale housing and from \$832 to \$1,763 per month in rent.

Affordable Workforce Housing in Atlanta		
2006		
Median Income	Maximum Owner Sales Price*	Maximum Monthly Rent**
60%	\$111,780	\$832
80%	\$149,040	\$1,142
100%	\$186,300	\$1,453
120%	\$223,560	\$1,763

\*based on 3 times income

\*\*net of \$100 utility allowance

Source: Bleakly Advisory Group

- **Trends in For-Sale Housing:** Data on recent home sales in the Atlanta region shows that there was an annual average of 24,116 new homes sold in the four counties over the period from 2005 to 2007. The average price of homes sold in the four counties was

approximately \$252,000. Thus, at the most basic level of comparison, the recent average price of new, for-sale housing is above what workforce households in the four counties can afford.

- **Limited New Supply Affordable to Many Workforce Households:** Workforce households earning between 60% and 79% of AMI – the lower end of the workforce household income spectrum – face greater challenges in finding affordable new for-sale housing. Only 26% of their demand is being met by this product.

Core County Housing Demand 2006-2016			
Median Income	Demand	New Sales*	Ratio
Less than 60%	23,980	343	1%
60-79%	8,696	2,246	26%
80-99%	7,520	4,566	61%
100-119%	6,758	4,454	66%
120%+	28,301	12,507	44%
Totals	75,255	24,116	

\* Average new home sales in four core counties 2005-2007

Sources: SmartNumbers, Inc., Bleakly Advisory Group

- **Rental Housing Options are available for Workforce Households**—At average historic production levels, the inventory of rental apartments in the four counties has been growing by 1.2% annually. But demand has been growing at more than 3.0% annually. Further, much of the region’s existing inventory of rental units was built in the 1970s and 1980s and is reaching the end of its useful life.

	Rental Demand		Average New Units	Capture of Demand Growth	Capture of Total Demand
	Growth	Total			
<b>Income/Rent Ranges</b>					
Less than 60% (\$832 or less)	1,446	46,075	93	6%	0%
60-79% (\$832-\$1,142 rent)	524	16,708	2,956	564%	18%
80-99% (\$1,142-\$1,453 rent)	453	14,449	827	183%	6%
100-119% (\$1,453-\$1,763 rent)	408	12,985	-	0%	0%
120% and over (\$1,763+ rent)	1,706	54,379	-	0%	0%
Total Workforce Demand	1,385	44,142		273%	9%
<b>Totals</b>	<b>4,537</b>	<b>144,596</b>	<b>3,876</b>		

Source: Bleakly Advisory Group

- **New Rental Apartments are more Affordable to Workforce Households**—There is better alignment between rental availability and what workforce households can afford than in the new for-sale market. With an average of 3,875 rental units constructed each year over the 2005-2007 period, the majority of the rental inventory constructed recently had average asking rents in the range of either \$832 to \$1,142 (which is affordable to workforce households earning from 60% and 79% of median income)and

\$1,142 to \$1,453, (which is affordable to workforce households earning between 80% and 99% of the median).

- ***Increasing Commuting Costs Are impacting Workforce Households:*** Workforce households are facing increasing challenges as a result of the rapid escalation in transportation costs. Research by the Center for Housing Policy in October 2006 showed that workforce households in Atlanta spend an average of 29% of the income on shelter related costs and an additional 32% on transportation costs. Thus, workforce households are spending 61% of their disposable income on housing and commuting expenditures.
- ***Further, Commuting Costs are Escalating Rapidly for Workforce Households***—Largely as a result of the recent increase in gasoline costs, workforce household transportation costs increased by an estimated 17% from mid-2006 to August 2008. While these increase have moderated in recent months, it still places major financial constraints on Atlanta households, particularly those that have purchased affordable housing in suburban and exurban areas where they must also deal with long commutes to work.

These findings reveal that workforce households are a significant component of the region's population, representing nearly one in three families. Their growth has been generally consistent with overall regional population growth and demographic change and that is projected to continue. These households have found it difficult to afford new for-sale housing, particularly in more densely developed areas of the region. They also are especially challenged by the twin forces of rising housing and transportation costs.

The following sections of this report examine each of these findings in greater detail and provides conclusions and recommendations on the policy implications of this analysis.

### III. A PROFILE OF WORKFORCE HOUSEHOLDS IN METRO ATLANTA

#### A. DEFINING WORKFORCE HOUSEHOLDS

An analysis of the need for workforce housing in the Atlanta region must begin with a clear definition of who constitutes as workforce household. A variety of data sources and methodologies have been used by other researcher to determine a definition for work force households, which then yield different assessments of the need for workforce housing:

- According to a prominent academic researcher, Arthur Nelson, of Virginia Tech University, “workforce housing is typically considered housing for households whose income ranges between about 30 to 150 percent of the region’s median income, but there is no consensus on what that range should be.” In addition, there are several measures of median income available as well as several definitions for “the region”.
- In 2004’s *Making the Case for Mixed Income and Mixed Use Communities: An Executive Summary* and 2006’s *Making the Case for Housing Choice and Complete Communities: The Next Generation*, The Atlanta Neighborhood Development Partnership described workforce households as those generally earning less than \$40,000 annually.
- In the 2006, the City of Atlanta’s Affordable Workforce Housing Implementation Task Force noted that HUD typically uses 30% to 80% of AMI to determine eligibility for housing assistance programs and that “previous City Council legislation indicated a desire to focus on households earning below 50% of Area Median income” and that City policy typically has focused on 30% to 80% of AMI.
- In 2007’s “Affordable Housing Inventory: Peachtree Corridor”, The Peachtree Corridor Partnership stated that “affordable” was defined as 100% or less of the HUD Area Median Income of \$67,100.

While taking into account these and other definitions of workforce housing income eligibility, the **Terwilliger Center has defined workforce households as those earning between 60% and 120% of area median income.** We believe this definition best captures the segment of working households facing affordability challenges based on housing and transportation costs. It also creates a clear separation between workforce households and low and moderate income households earning 60% or less of AMI. This latter group can currently benefit from the Low Income Housing Tax credit and other existing housing subsidy programs.

#### B. DEFINING THE STUDY AREA

A second central issue in understanding the need for workforce housing is clearly defining the geography of the market area. While the Atlanta region includes a



\* Atlanta Neighborhood Development Partnership, Inc. (ANDP) and the Mixed Income Communities Initiative (MICI)

broad 10 county area (16 or even 24 counties according to some public agencies), this study has focused on a more compact area where employment is concentrated and land and housing costs tend to be the highest, thereby creating the greatest challenge to workforce households seeking housing options that they can afford near jobs. Thus, this report has focused specifically on the four core counties of the region-- DeKalb, Cobb, Gwinnett and Fulton Counties (inclusive of the City of Atlanta)-- in this analysis. The data will be organized and presented for the four counties (including the city) with information on the City of Atlanta only and on the broader 10-county region provided for comparative purposes only.

As shown in the table below, the study region for this report comprises a significant percentage of the 10-county Atlanta region as defined by the Atlanta Regional Commission. The four counties account for 77% of the population and 83% of the employment in the Atlanta region in 2006.

<b>Population and Employment in Four Core Counties</b>		
	<b>Population</b>	<b>Employment</b>
Fulton (including City of Atlanta)	960,009	716,137
Gwinnett	757,104	322,626
Cobb	679,325	321,111
DeKalb ( including Atlanta )	723,602	303,829
Core County Total	3,120,040	1,663,703
10 County Total	4,071,200	2,003,503
<b>Core Percent of Region</b>	<b>77%</b>	<b>83%</b>

Source: ARC

### C. DETERMINATION OF MEDIAN INCOME

As with the definition of income ranges for determining workforce households, there are several alternative approaches for defining median incomes which serve as the benchmark for determining the appropriate income range to use. The table below presents a comparison of the median income determined by the US Census for the study areas and the Area Median Income calculated by HUD for the Atlanta MSA.

In all of the comparison years, the HUD AMI was significantly higher than the City of Atlanta's reported median income and somewhat higher than both the 4-County and 10-County area. The reason for the variability in median income between the HUD and Census definitions is based on HUD's use of the median income for families as its starting point and the Census Bureau's definition being based on the median income of all households—both family and non-family. (In 2006 families represented 65.6% of all households in the Atlanta region.)

As a result of the difference in the two approaches, you get significant variation in estimates of median household income in Atlanta. For example, in 2006, the AMI calculated by HUD, \$68,100, was 9.7% higher than the Census Bureau determined median income of \$62,057. Thus, understanding both the methodology and geography used to

calculate the median is a critical consideration in defining the incomes of workforce households.

<b>Comparison of Measures of Median Income</b>				
	<b>City of Atlanta Household Median Income (Census)</b>	<b>4 County Household Median Income (Census)</b>	<b>10 County Household Median Income (Census)</b>	<b>Area Median Income HUD</b>
1990	\$ 22,275	\$ 36,336	\$ 34,606	\$41,500
2000	\$ 34,770	\$ 52,938	\$ 57,758	\$ 63,100
2006	\$ 41,612	\$ 57,163	\$ 62,059	\$ 68,100

Source: HUD, US Census

This study defines the Atlanta region’s Area Median Income as \$62,100 based on the 2006 Median Income for ARC’s 10-County area, of \$62,059, rounded to \$62,100. We believe this measure of income more accurately reflects the incomes of all households in the Atlanta region which are potentially competing across the region for housing options, across all housing types. (While the Census Bureau just released initial estimates of 2007 median incomes, we have relied on their 2006 data as a base line for analysis due to the availability of more detailed income-specific data on households for that year from the Census Bureau, and to provide comparability with data from the Atlanta Regional Commission and other sources.)

Based on this definition of AMI for the Atlanta region as \$62,100, and the Terwilliger Center definition of workforce households as those earning between 60% and 120% of the median income, workforce households in the Atlanta region should be considered those that earn between \$37,261 and \$74,520 per year.

<b>Workforce Income Ranges</b>	
<b>2006 Area Median Income</b>	<b>\$62,100</b>
Below 60%	\$37,260 or less
60% - 80%	\$37,261-\$49,680
80% - 100%	\$49,681-\$62,100
100% - 120%	\$62,101-\$74,520
Over 120%	\$74,521 or more

Source: US Census, BAG

## D. HOW MANY WORKFORCE HOUSEHOLDS ARE THERE IN ATLANTA?

In the 4-County Area there were a total of 1,123,160 households in 2006. Of these households, nearly 358,000, or about 32%, earned less than 60% of the area median

income. Approximately 343,000, or 30.5%, were workforce households earning between 60% and 120% of the area median income. 422,390 households, or 37.6%, earned over 120% of area median income.

In looking at the City of Atlanta alone, the data reveals a picture of higher levels of low income. The City of Atlanta had a total of 169,248 households in 2006. Of these households, 45.4%, earned less than 60% of the area median income, 24.8% were workforce households, earning between 60% and 120% of the area median income, and 29.8% were more affluent households, earning over 120% of area median income.

In the 10-County Area there were a total of 1,450,300 households. Of these households, 31.6% earned less than 60% of the area median income, 31.4%, were workforce households earning between 60% and 120% of the area median income and 37.0% were more affluent, earning over 120% of area median income. Thus, the distribution of household income was similar with the slightly smaller four county region.

Household Distribution by Income 2006							
	Income	City of Atlanta		4-County Area		10-County Area	
0-60%	\$37,260 or less	76,841	45.4%	357,895	31.9%	458,603	31.6%
60%-80%	\$37,261-\$49,680	18,558	11.0%	129,780	11.6%	172,669	11.9%
80%-100%	\$49,681-\$62,100	13,448	7.9%	112,234	10.0%	148,577	10.2%
100%-120%	\$62,101-\$74,520	9,916	5.9%	100,861	9.0%	133,965	9.2%
Over 120%	More than \$74,520	50,485	29.8%	422,390	37.6%	536,486	37.0%
<b>Total</b>		169,248	100.0%	1,123,160	100.0%	1,450,300	100.0%
<b>Workforce Households</b>	<b>\$37,261-\$74,520</b>	41,921	24.8%	342,875	30.5%	455,211	31.4%

Source: US Census, BAG

## E. TRENDS IN WORKFORCE HOUSING DEMAND 1990-2006

This study examined the trends in the number of workforce households in the Atlanta region over the sixteen year period from 1990 to 2006. During that period the median income in the Atlanta region increased from \$34,600 to \$62,100, or by 79.4% over the 16 years.

Change in 10-County Regional Median Income		
	1990	2006
60%	\$20,760	\$37,260
80%	\$27,680	\$49,680
100%	\$34,600	\$62,100
120%	\$41,520	\$74,520

Source: US Census

As a result of the growth in the region's median income, the targeted income range defining workforce households increased from \$20,760 to \$41,520 in 1990 to \$37,260 to \$74,520 by 2006. During the 1990 to 2006 period the number of total households in the region increased by 349,231.

Household Distribution Change 1990-2006						
	Atlanta Change	% Increase	4- County Change	% Increase	10- County Change	% Increase
0-60% AMI	3,632	5.0%	163,394	84.0%	151,262	49.2%
60%-80% of AMI	1,375	8.0%	47,340	57.4%	52,805	44.1%
80%-100% of AMI	-139	-1.0%	31,235	38.6%	32,970	28.5%
100%-120% of AMI	-976	-9.0%	27,920	38.3%	29,891	28.7%
Over 120% of AMI	9,462	23.1%	88,435	26.5%	82,302	18.1%
<b>Total</b>	<b>13,354</b>		<b>358,325</b>		<b>349,231</b>	
<b>Net Increase (60% to 120%)</b>	<b>260</b>		<b>106,495</b>		<b>115,667</b>	

Source: US Census, BAG

The vast majority of the growth in workforce households over the 1990-2006 period occurred in the four county area, accounting for 106,495 new workforce households or 92% of the growth in these households in the region. Interestingly, the city of Atlanta saw only a very slight growth in the absolute number of workforce households over the period, gaining a net of only 260 while the city grew overall by 13,354 households. (The reader should note these household growth estimates are from US Census data and should be viewed as very conservative, since a variety of other data sources provide strong indications that these estimates significantly understate the actual growth that was going on in the city during the period.)

The reason for the slower workforce household growth in the city relates directly to the gap between median incomes in the city and those in the region, with regional income growth continuing to outpace the city. Most of the growth in new city households occurred in the lower income ranges and the affluent income ranges. Thus, while the number of workforce households has increased dramatically in the core counties since 1990, it has not occurred at the same pace in the city. This provides critical evidence that we cannot assume that strong regional growth alone will resolve housing issues facing workforce households.

## F. ESTIMATES OF WORKFORCE HOUSEHOLDS 2006-2016

Atlanta has been one of the fastest growing regions the country over the past several decades and that growth is projected to continue. Working with the Atlanta Regional Commission's estimates of total household growth for the next decade, this study has projected the number of workforce households that will be living in the region by 2016.

Household Distribution Change 2006-2016						
	City of Atlanta		4-County Area		10-County Area	
		%		%		%
0-60% AMI	17,727	45.4%	41,312	31.9%	64,214	31.6%
60%-80% of AMI	4,281	11.0%	14,981	11.6%	24,177	11.9%
80%-100% of AMI	3,102	7.9%	12,955	10.0%	20,804	10.2%
100%-120% of AMI	2,288	5.9%	11,643	9.0%	18,758	9.2%
Over 120% of AMI	11,647	29.8%	48,757	37.6%	75,119	37.0%
<b>Total</b>	<b>39,044</b>	<b>100.0%</b>	<b>129,648</b>	<b>100.0%</b>	<b>203,072</b>	<b>100.0%</b>
<b>Net Increase Workforce Households</b>	<b>9,671</b>		<b>39,579</b>		<b>63,739</b>	

According to ARC/BAG estimates, the four core counties of the Atlanta region are projected to add 129,648 households over the period from 2006-2016. Assuming that the proportion of workforce households would be equivalent to their percentage of households in 2006, it would result in an addition of 39,579 workforce households over the ten year period. The majority (62%) of overall regional growth in workforce households over this ten year period would occur in the four core counties.

Based on ARC’s estimates of 39,044 net new households in the City of Atlanta over this ten year period, which may be a conservative projection, an additional 9,671 households with workforce incomes will seek housing in the city. Past trends would indicate that these households will face the greatest challenges in finding a broad range of affordable housing options in the city.

Household Distribution by Income 2016							
	Income	City of Atlanta		4-County Area		10-County Area	
0-60%	\$42,000 or less	94,568	45.4%	399,207	31.9%	522,817	31.6%
60%-80%	\$42,001-\$56,000	22,839	11.0%	144,761	11.6%	196,847	11.9%
80%-100%	\$56,001-\$70,000	16,550	7.9%	125,189	10.0%	169,380	10.2%
100%-120%	\$70,001-\$84,000	12,203	5.9%	112,504	9.0%	152,723	9.2%
Over 120%	More than \$84,000	62,132	29.8%	471,147	37.6%	611,605	37.0%
<b>Total</b>		208,292	100.0%	1,252,808	100.0%	1,653,372	100.0%
<b>Workforce Households</b>	<b>\$42,001-\$84,000</b>	51,592	24.8%	382,454	30.5%	518,950	31.4%

Source: US Census, BAG

## G. CHARACTERISTICS OF WORK FORCE HOUSEHOLDS

The characteristics of workforce households can be described from a number of dimensions which provide insights into their housing needs. The data presented for workforce households is for all households between the income limits defined earlier of \$37,260 and \$74,521, which corresponds to 60% to 120% of median income.

### AGE

Workforce households represent a unique subset of total households in the four core counties. Within the core counties, workforce households tend to be slightly younger than all households generally, with 49.8% of the households headed by someone between the ages of 25 and 44 versus 45.1% of all households in the four counties. In the City of Atlanta, the demographic of workforce households is even younger with 52.7% headed by someone between the ages of 25 and 44 versus 44.6% of all city households.

2006 Householder Age				
	All Households		Workforce Households	
<b>City of Atlanta</b>				
Total Households	169,248		41,921	
Under 25 Years	8,224	4.9%	1,526	3.6%
25 to 44 Years	75,509	44.6%	22,080	52.7%
45 to 64 Years	60,851	36.0%	14,039	33.5%
Over 64 Years	24,664	14.6%	4,277	10.2%
<b>4-County Area</b>				
Total Households	1,123,160		342,875	

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Under 25 Years	44,718	4.0%	11,730	3.4%
25 to 44 Years	506,605	45.1%	171,217	49.9%
45 to 64 Years	438,466	39.0%	124,067	36.2%
Over 64 Years	133,371	11.9%	35,861	10.5%
<b>10-County Area</b>				
Total Households	1,450,300		455,211	
Under 25 Years	58,316	4.0%	15,464	3.4%
25 to 44 Years	654,071	45.1%	226,581	49.8%
45 to 64 Years	564,436	38.9%	164,964	36.2%
Over 64 Years	173,477	12.0%	48,203	10.6%

Source: US Census

### TENURE (OWNER/RENTER)

In terms of tenure, workforce households mirror the broader trends in four core counties with 64.5% owners and 33.5% renters, which track very closely with tenure preferences of all households in the core counties and broader region. In the City of Atlanta, the majority (53.4%) of workforce households are owners, which contrasts with all households citywide where renters are in the slight majority at 50.4%

2006 Household Tenure				
	All Households		Workforce Households	
<b>City of Atlanta</b>				
Total	169,248		41,921	
Owners	83,918	49.6%	22,376	53.4%
Renters	85,330	50.4%	19,862	47.4%
<b>4-County Area</b>				
Total	1,123,160		342,875	
Owners	739,034	65.8%	221,147	64.5%
Renters	384,126	34.2%	123,507	36.0%
<b>10-County Area</b>				
Total	1,450,300		455,211	
Owners	978,076	67.4%	304,269	66.8%
Renters	472,224	32.6%	153,600	33.7%

Source: US Census

### COMPOSITION OF WORKFORCE HOUSEHOLDS

Workforce households have several other characteristics that distinguish them from households at other income levels. In the core counties, families account for 60.4% of the workforce households and among families, married couples predominate (65.5%). Female headed households account for 23.4% of family households. Children are present in roughly half of the workforce households in the core counties.

In contrast, only 47.2% of lower income households are families, versus 60.4% of workforce and 79.2% of the more affluent households. Among workforce households 65.5% are married couples which contrasts with 40.8% of lower income households and 88.1% of the more affluent households. The 48% of workforce households with children present is a smaller proportion than in either lower income households at 60% or the more affluent at 49%.

**2006 Households in the 4-County Area**

	All Households		Workforce Households					
			Less than 60% Median		60%-120% Median		Over 120% Median	
Family Households	709,211	63.1%	173,900	47.4%	205,065	60.4%	330,247	79.2%
NonFamily Households	413,949	36.9%	192,988	52.6%	134,375	39.6%	86,586	20.8%
Total Households	1,123,160		366,887		339,440		416,833	
Total Family Households	709,211	63.1%	173,900		205,065		330,247	
Married Couple Family	496,295	70.0%	70,941	40.8%	134,290	65.5%	291,064	88.1%
With Own Children Under 18	243,135	49.0%	30,937	43.6%	62,329	46.4%	149,869	51.5%
Without Own Children Under 18	253,160	51.0%	40,004	56.4%	71,961	53.6%	141,196	48.5%
Other Family, Male Householder	57,709	8.1%	19,577	11.3%	22,722	11.1%	15,410	4.7%
With Own Children Under 18	25,651	44.4%	11,345	58.0%	8,364	36.8%	5,942	38.6%
Without Own Children Under 18	32,058	55.6%	8,232	42.0%	14,358	63.2%	9,468	61.4%
Other Family, Female Householder	155,207	21.9%	83,382	47.9%	48,053	23.4%	23,772	7.2%
With Own Children Under 18	93,342	60.1%	57,613	69.1%	26,701	55.6%	9,028	38.0%
Without Own Children Under 18	61,865	39.9%	25,769	30.9%	21,352	44.4%	14,744	62.0%

Source: US Census, Data not available for 10-County Area

By contrast, in the City of Atlanta, the majority of workforce households (60.6%) are non-family households, composed of one or more unrelated individuals living together. Only 39.4% of workforce households in the City are families, with married couples 61.3% of all family households and female headed households another third. In the city, the composition of workforce households contrasts with lower income households where only 27.4% of family households are married couples and 61.9% of family households are headed by female single parents. Both of the workforce and lower income households contrast dramatically with households over 120% of the median, which are predominantly family households (57.7%), and married couples (83.6%) rather than headed by a single parent. Thus, within the city of Atlanta the existing workforce households tend to be composed more of one or more unrelated individuals or single-parent households with only a third having any children present.

The contrast between workforce household characteristics in the city and the surrounding core counties likely reflects the predominance of smaller one and two bedroom units that characterize much of the workforce housing in the city and the challenges of the public school system and neighborhood environment in some areas which combine to limit the size of workforce households in the city and the number of children present.

**2006 Households in the City of Atlanta**

	All Households		Workforce Households					
			Less than 60% Median		60%-120% Median		Over 120% Median	
Family Households	73,517	43.4%	28,248	36.4%	16,332	39.4%	28,937	57.7%
NonFamily Households	95,731	56.6%	49,377	63.6%	25,110	60.6%	21,245	42.3%
Total Households	169,248		77,624		41,442		50,182	
Total Family Households	73,517	43.4%	28,248		16,332		28,937	

## Workforce Housing Update

Married Couple Family	41,937	57.0%	7,738	27.4%	10,005	61.3%	24,194	83.6%
With Own Children Under 18	16,832	40.1%	1,788	23.1%	3,551	35.5%	11,493	47.5%
Without Own Children Under 18	25,105	59.9%	5,950	76.9%	6,454	64.5%	12,701	52.5%
Other Family, Male Householder	6,325	8.6%	3,019	10.7%	1,816	11.1%	1,490	5.1%
With Own Children Under 18	2,278	36.0%	1,533	50.8%	182	10.0%	563	37.8%
Without Own Children Under 18	4,047	64.0%	1,486	49.2%	1,633	90.0%	927	62.2%
Other Family, Female Householder	25,255	34.4%	17,490	61.9%	4,511	27.6%	3,254	11.2%
With Own Children Under 18	13,227	52.4%	10,794	61.7%	1,662	36.8%	771	23.7%
Without Own Children Under 18	12,028	47.6%	6,696	38.3%	2,849	63.2%	2,483	76.3%

Source: US Census, Data not available for 10-County Area

Contrasting the characteristics of workforce households in the city with the core counties suggests that having a broader choice of larger units at price points affordable to core county workforce households and the effects of better performing public schools results in a greater presence of children and married couple families. Thus, increasing the percentage of workforce households in the city to the levels found in the core counties likely depends on simultaneously expand the availability of larger affordable units and improvements to the quality of life and schools in many neighborhoods.

### OCCUPATIONS OF WORKFORCE HOUSEHOLDS

Members of workforce households in the Atlanta region are employed in a wide range of occupations that provide essential services to the smooth working of our economy. They include, for example: medical and health service managers, accountants, elementary and secondary school teachers, dental hygienists, legal secretaries, registered nurses, fire fighters, police and sheriff patrol officers and office support workers among others.

#### Average Wage by Occupation City of Atlanta/Fulton County 2007

	Hourly	Annual
Medical & Health Service Manager	\$ 39.60	\$ 69,300
Accountant	\$ 31.93	\$ 55,878
Construction Manager	\$ 36.73	\$ 64,278
Elementary School Teacher	-	\$ 50,174
Financial Analyst	\$ 34.89	\$ 61,058
Registered Nurse	\$ 28.09	\$ 49,158
Dental Hygienist	\$ 31.25	\$ 54,688
Automobile Mechanic	\$ 19.50	\$ 34,125
Legal Secretary	\$ 23.38	\$ 40,915
Practical Nurse	\$ 16.59	\$ 29,033
Office Support Worker	\$ 24.47	\$ 42,823
Fire Fighters	\$ 20.46	\$ 35,805
Police & Sherriff Patrol Officer	\$ 20.59	\$ 36,033

\* Assumes 35 hours per week, 50 weeks per year.

Source: Georgia Department of Labor

## IV. DEMAND FOR WORKFORCE HOUSING IN METRO ATLANTA

### A. WHAT CAN WORK FORCE HOUSEHOLDS AFFORD?

Using the 2006 estimates of the incomes of workforce households in metro Atlanta, we have estimated the maximum sales price of homes and monthly rents that workforce households can afford in Atlanta. We have assumed for home purchases that workforce

households can afford a maximum of 30% of income for shelter costs which is a widely used measure of the maximum level of household income that should be committed to shelter costs. We have assumed that workforce households can afford to purchase a home three times their income is which also a widely recognized industry standard to assure the household has sufficient resources to not only purchase but maintain the home. For rental households we have assumed that the maximum rent they could afford would relate to the maximum shelter costs minus a \$100 monthly allowance for utilities.

Affordable Housing by AMI 2006				
AMI	Income Maximum	Maximum Monthly Shelter Costs*	Maximum Owner Sales Price**	Maximum Monthly Rent***
	\$ 62,100			
60%	\$ 37,260	\$ 932	\$ 111,780	\$ 832
70%	\$ 43,470	\$ 1,087	\$ 130,410	\$ 987
80%	\$ 49,680	\$ 1,242	\$ 149,040	\$ 1,142
90%	\$ 55,890	\$ 1,397	\$ 167,670	\$ 1,297
100%	\$ 62,100	\$ 1,553	\$ 186,300	\$ 1,453
110%	\$ 68,310	\$ 1,708	\$ 204,930	\$ 1,608
120%	\$ 74,520	\$ 1,863	\$ 223,560	\$ 1,763

\*30% of Income

\*\* 3 times income

\*\*\*Assumes \$100 per month for utilities

Source: Bleakly Advisory Group

As shown in the table above this translates into ranges of home sales prices from approximately \$112,000 at the low end of the workforce income range (60% of median income) to a maximum of approximately \$224,000 at the top end of the range (120% of median income). In terms of rents, we are assuming workforce households can afford monthly rents from \$832 at the low end (60% of AMI) to \$1,763 at top of the workforce income range (120% of AMI).

## B. RECENT HOME SALES

Data on recent home sales in Atlanta shows that there were 72,357 new units sold in the four counties over the period from 2005 to 2007 which is an average of 24,119 new for-sale units sold and closed per year. In terms of units what were affordable by workforce households, the average price of homes sold in the four counties over the three year period was approximately \$252,000. Thus, at the most basic level of comparison, the average price of new, for-sale housing at \$252,000 is above the affordable price range for workforce households in the four counties (\$112,000 to \$224,000).

4-County Area Home Sales 2005-2007									
	2005		2006		2007		2005-2007		
	New	Resale	New	Resale	New	Resale	New	Resale	Total
Less than \$111,800	509	6,296	332	6,710	191	7,168	1,031	20,174	21,205
\$111,800 to \$149,000	3,147	9,861	2,320	9,777	1,273	7,326	6,740	26,963	33,703
\$149,000 to \$186,300	6,301	10,241	4,526	10,167	2,871	7,826	13,698	28,234	41,933

## Workforce Housing Update

\$186,300 to \$223,600	5,506	5,602	5,076	5,994	2,783	4,640	13,364	16,236	29,600
Over \$223,600	12,663	17,389	14,233	18,251	10,627	15,527	37,523	51,168	88,691
Total	28,126	49,389	26,487	50,899	17,744	42,487	72,357	142,775	215,132

Source: SmartNumbers, inc.

In Atlanta, there were 14,308 new home sales over the 2005 to 2007 period, for an average of 4,769 new homes sales per year. Thus, Atlanta represented approximately 20% of all the homes sales in the four county region.

### City of Atlanta Home Sales 2005-2007

	2005		2006		2007		2005-2007		Total
	New	Resale	New	Resale	New	Resale	New	Resale	
Less than \$111,800	91	1,926	34	2,132	59	2,107	183	6,165	6,348
\$111,800 to \$149,000	474	1,208	432	1,473	306	1,055	1,213	3,735	4,948
\$149,000 to \$186,300	949	1,137	831	1,256	610	1,050	2,390	3,442	5,833
\$186,300 to \$223,600	1,091	773	1,179	840	575	722	2,846	2,334	5,180
Over \$223,600	2,408	3,540	3,117	3,725	2,150	3,413	7,676	10,677	18,353
Total	5,014	8,583	5,594	9,425	3,700	8,346	14,308	26,354	40,662

Source: SmartNumbers, inc.

Correlating demand for housing by the tiers of workforce household income with sales prices of new housing by price category provides a more detailed picture of workforce housing trends in the four counties as detailed above.

## C. ESTIMATING FUTURE HOUSING DEMAND BY WORKFORCE HOUSEHOLDS

The tables below estimate the demand for owner and renter housing among workforce households in the four county region for the period from 2006 to 2016.

Demand for housing from workforce households comes from two primary sources: existing workforce households who move from their present unit (turnover) to a new unit and growth in the number of workforce households from population growth in the four counties over the period. Using detailed data on housing preferences of recent movers from the Census American Housing Survey for Atlanta, estimates of mobility of existing workforce households were made. It shows that over the decade it can be anticipated that 18.4% of all existing households will move annually over the course of the decade, or about one in five households. Turnover rates vary significantly by tenure type -- about 9% of owners and 36% of renter will move each year.

### Demand from Turnover of Existing Households 2006-2016

Household Income	Existing Households	Annual Movers*			Annual Movers*			Total Movers	
		Owner	O/O	O/R	Renter	R/O	R/R	Owner	Renter
Less than 60%	357,895	232,632	9,771	7,677	125,263	11,524	36,953	21,295	44,630
60-79%	129,780	84,357	3,543	2,784	45,423	4,179	13,400	7,722	16,184
80-99%	112,234	72,952	3,064	2,407	39,282	3,614	11,588	6,678	13,996
100-119%	100,861	65,560	2,754	2,163	35,301	3,248	10,414	6,001	12,577
120%+	422,390	274,554	11,531	9,060	147,837	13,601	43,612	25,132	52,672

<b>Total</b>	<b>1,123,160</b>	<b>730,054</b>	<b>393,106</b>	<b>66,828</b>	<b>140,058</b>
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\* Mobility rates from U.S. Census, American Housing Survey, Atlanta, 2004

Source: Bleakly Advisory Group

<b>Demand from Household Growth 2006-2016</b>				
<b>Household Income</b>	<b>Growth 2006-2016</b>	<b>Annual Growth</b>	<b>Owner</b>	<b>Renter</b>
Less than 60%	41,312	4,131	2,685	1,446
60-79%	14,981	1,498	974	524
80-99%	12,955	1,296	842	453
100-119%	11,643	1,164	757	408
120%+	48,757	4,876	3,169	1,706
<b>Total</b>	<b>129,648</b>			<b>4,538</b>

Source: Bleakly Advisory Group

<b>Total Annual Demand 2006-2016</b>		
<b>Household Income</b>	<b>Owner</b>	<b>Renter</b>
Less than 60%	23,980	46,075
60-79%	8,696	16,708
80-99%	7,520	14,449
100-119%	6,758	12,985
120%+	28,301	54,379
<b>Total</b>	<b>75,255</b>	<b>144,596</b>

Source: Bleakly Advisory Group

By combining the number of moves resulting from turnover of existing households with additional demand from the growth in new households, it can be estimated that 75,255 owner households will move into owner occupied housing and 144,596 will move into rental housing each year within the four counties. Within the total household demand, workforce households will represent 30.5% of the total demand.

Correlating the projected level of demand by income level with the potential new supply shows a more varied picture regarding the production of workforce housing in the four counties. We have assumed that over the next decade (2006-2016) the production of new owner and renter housing units affordable to workforce households will follow the pattern of 2005-2007 period, which included two “boom” years—2005 and 2006, and a slower production year in 2007. Clearly, it is unlikely we will hit these averages during 2008 and 2009 as the housing industry works through the massive housing and credit issues before it, but it is projected that these averages will be regained in 2010 and beyond.

As shown in the table below, among the lowest income households (60% or less of the median) only 1% of their demand for housing will be met by the market. Households in the first tier of the workforce income range--60% to 80% of median income—will have 26% of their owner demand being met by new for-sale housing. Workforce households in the 80-99% and 100-119% tiers are likely to see between 61% and 66% of their housing demand met by the sale of new owner units.

<b>Core County Housing Demand 2006-2016</b>			
<b>Median Income</b>	<b>Demand</b>	<b>New Sales*</b>	<b>Ratio</b>
Less than 60%	23,980	343	1%
60-79%	8,696	2,246	26%
80-99%	7,520	4,566	61%
100-119%	6,758	4,454	66%
120%+	28,301	12,507	44%
Totals	75,255	24,116	

\* average new home sales in four core counties 2005-2007

Sources: SmartNumbers, Inc., Bleakly Advisory Group

The reasons for this significant higher percentage of new workforce housing needs for the 80% to 120% income range being met is likely due to two key factors:

1. The unprecedented expansion of new in-town condominiums during the 2005-2007 period; and,
2. The ongoing development of “green field” housing in the outer edges of South Fulton, South DeKalb, Gwinnett and Cobb Counties. A significant inventory of new for-sale housing was constructed from 2005 to 2007 in the \$149,000 to \$224,000 price range which is affordable to workforce households in these outlying portions of the four counties. The previous balance of for-sale demand was satisfied by moves by workforce households into the existing inventory.

A large proportion of the new housing being created presents a number of challenges to workforce households. First, much of the in-town inventory is in very small unit sizes not suitable to larger households or households with children, Second, much of the new affordable inventory has been created at the outer edges of the core counties, farther away from jobs and transit options. In summary, it appears that within the four counties there is a significant amount of housing being created which is priced to be affordable to workforce households, but much of this housing presents challenges in that it may be too small for families seeing in-town locations or it may be located some distance from employment centers and services resulting in significant commuting and transportation expenses for these workforce households.

## D. RENTAL HOUSING OPTIONS FOR WORKFORCE HOUSEHOLDS

In terms of rental housing there appear to be greater options for workforce households in the four counties. There is a total inventory of 314,226 rental apartments in the four core counties. Of that inventory 158,501 or 50% are Class A units, which are considered the highest quality units in the market area. During the period from 2005 to 2007 there were 11,628 new Class A apartments constructed and added to the inventory in the four counties. On an annual basis, this represented an average of 3,876 units per year of new construction. For comparison purposes, REIS Inc., which follows trends in the rental apartment market, reports that there was an average of 4,807 new units added to the Atlanta regional inventory over the past three years so the core counties are accounting for 80% of region's rental construction. However, during 2008, Reis also estimates that 5,800 apartments will be added to the region, which significantly exceeds earlier trends. Thus, at current levels we are expanding the inventory of rental apartments in the four counties by 1.2% annually. This rate of growth in the apartment inventory is still likely too low to keep up with demand which is growing at more than 3.0% annually.

### CHARACTERISTICS OF CORE COUNTY APARTMENT INVENTORY

Submarkets	Total Units	Total Class "A" Units	% of Total that is Class "A"	Class "A" Additions 2005-2007	% of Class "A" Inventory that is New (<3 Yrs)	Class "A" Asking Rents
Buckhead	16,775	11,643	69%	1,522	13%	\$ 1,248
Center I-75-W	6,732	2,820	42%	446	16%	\$ 1,224
Clarkston	16,912	4,428	26%	280	6%	\$ 785
Decatur/Avondale	16,161	5,218	32%	-	0%	\$ 1,064
I-20 East	12,060	6,211	52%	-	0%	\$ 852
I-20 West	8,740	4,217	48%	-	0%	\$ 838
Marietta	38,410	20,537	53%	775	4%	\$ 914
Midtown	12,365	9,351	76%	2,499	27%	\$ 1,165
North DeKalb	32,424	15,256	47%	2,075	14%	\$ 1,055
North Gwinnett	22,343	14,455	65%	708	5%	\$ 933
Roswell/Alpharetta	22,741	13,771	61%	555	4%	\$ 1,014
Sandy Spg/Dunwoody	23,227	14,571	63%	1,016	7%	\$ 1,019
Smyrna	23,980	13,401	56%	292	2%	\$ 926
South DeKalb	4,575	-	0%	-	N/A	N/A
South Fulton	29,541	6,126	21%	823	13%	\$ 905
South Gwinnett	27,240	16,496	61%	637	4%	\$ 862
<b>Totals</b>	<b>314,226</b>	<b>158,501</b>	<b>50%</b>	<b>11,628</b>	<b>7%</b>	
<b>Average</b>				<b>727</b>		<b>\$ 987</b>

Source: REIS/Bleakly Advisory Group

**E. WORKFORCE RENTAL HOUSING DEMAND AND NEW SUPPLY**

An examination of the growth of new apartment inventory in the four counties shows there is generally strong overlap between the pricing of the new rental inventory and what workforce households can afford. With an average of 3,875 units added to the inventory each year over the 2005-2007 period, the majority of those units either had average asking rents in the range from \$832 to \$1,142, which is affordable to workforce households earning from 60% and 79% of median income, or in the range of \$1,142 to \$1,453, which are affordable to workforce households earning between 80% and 99% of the median. Obviously, any of these units would also be affordable to workforce households earning between 100% and 119% of the area median income. Thus, it appears that much of the new Class A supply is priced at levels that are affordable to a significant segment of workforce households. However, rents for new units in the in-town inventory average at the high end of Class A units, making these areas the most limited for workforce households in terms of new units.

<b>Workforce Housing Rental Demand in Four Core Counties</b>					
	<b>Rental Demand</b>		<b>Average New Units</b>	<b>Capture of Demand Growth</b>	<b>Capture of Total Demand</b>
	<b>Growth</b>	<b>Total</b>			
<i>Income/Rent Ranges</i>					
Less than 60% (\$832 or less)	1,446	46,075	93	6%	0%
60-79% (\$832-\$1,142 rent)	524	16,708	2,956	564%	18%
80-99% (\$1,142-\$1,453 rent)	453	14,449	827	183%	6%
100-119% (\$1,453-\$1,763 rent)	408	12,985	-	0%	0%
120% and over (\$1,763+ rent)	1,706	54,379	-	0%	0%
Total Workforce Demand	1,385	44,142		273%	9%
<b>Totals</b>	<b>4,537</b>	<b>144,596</b>	<b>3,876</b>		

Source: Bleakly Advisory Group

In conclusion, while there are significant additions to the rental inventory occurring in the market place, averaging 3,876 units per year in the four counties, the pace of new development represents a 1.2% annual addition to the existing inventory of 314,226 units, many of which were built in the 1970s and 1980s and are reaching the end of their useful life. The greatest demand for rental workforce housing is likely to be in the tier of workforce households between 60% and 80% of income and this is where the rent levels of the new supply in concentrating. Data on key submarkets within the four counties indicates that the highest rents are occurring in the markets along the Peachtree Corridor, notably Buckhead and Midtown, which may limit rental options in these areas for workforce households particularly in the 60% to 80% of income range.

## F. INCREASING COMMUTING COSTS ARE IMPACTING WORKFORCE HOUSEHOLDS

Workforce households are facing increasing challenges as a result of the rapid escalation in transportation costs. As noted by the axiom that many workforce households “drive until they qualify” for housing, there is increasing awareness of the importance of transportation costs to workforce households as they consider their location options.

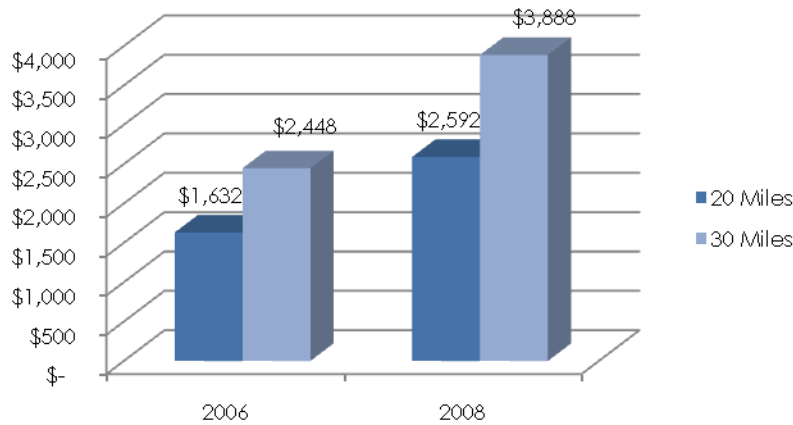
Path-breaking research by the Center for Housing Policy in October 2006, entitled, *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families*, showed that workforce households (defined as earning between \$20,000 and \$50,000 annually) in Atlanta spend an average of 29% of their income on shelter related costs and an additional 32% on transportation costs. Thus, workforce households are spending a combined 61% of their disposable income on housing and commuting expenditures. These figures reflect the substantial financial burden of long commutes for workforce households with two earners who are commuting long distances to solve their shelter and housing needs.

### COMMUTING COSTS ARE ESCALATING RAPIDLY FOR WORKFORCE HOUSEHOLDS

As a result of the recent rapid run-up in gasoline costs, workforce household transportation costs increased by 17% from mid-2006 to August 2008, based on Bureau of Labor Statistics data for all urban households. While these costs have moderated more recently, most experts believe we are in an extended period of higher oil and gasoline prices. The increase in transportation costs, with many workforce households having two wage earners and therefore two commutes, puts and an increasing financial constraint on driving larger distances to solve housing problems in Atlanta, and will put even greater pressure on creating affordable housing opportunities in safe and attractive neighborhoods with good public schools within the reach of a greater number of workforce households.

Isolating gasoline costs shows the profound changes to transportation costs facing workforce households. Shown below are the costs of gasoline for two workforce households; the first has two commuters and they travel 20 miles per day. The higher cost of gasoline increased expenses for this workforce household from \$1,632 per year to \$2,448 per year, or 50.0%. The second workforce household also has two commuters but their commute is 30 miles each day. Their cost of their gasoline has increased from \$2,592 to \$3,555 per year, or 50.0%. For workforce households the recent run up in gasoline and transportation costs is dramatically changing the calculus of trying to solve their housing needs by substituting commuting costs for shelter costs.

#### Growth in Commuting Costs 2006-2008



## V. NEW CHALLENGES AND OPPORTUNITIES FOR WORKFORCE HOUSING IN ATLANTA

The challenge of providing sufficient workforce housing is significant given “normal” market conditions, but during the past two years real estate markets in Atlanta and nationally have undergone a wave of severe shocks which are unprecedented in recent history. Predatory lending practices began the process. Then, as progress was being made on that front the mortgage crisis arose, initially from issues in dealing with sub-prime mortgage loans and which now has spread to other parts of the mortgage market. This was combined with over-building in the condominium market and the related foreclosure and debt crisis. More recently the acquisition/restructuring of the nation’s largest mortgage lenders and the federal take-over of Fannie Mae and Freddie Mac have all contributed to the maelstrom in the real estate financial markets that are impacting workforce households and their housing needs in myriad ways that can be summarized as follows:

- Tightening of credit terms and availability for single-family:** While there were clearly excesses caused by “no doc” and “NINJA” loans that allowed borrowers to obtain mortgages without evidence they could afford to carry the debt, many more workforce households were able to get access to capital during this period than ever before. With the tightening of the mortgage markets workforce households will likely face higher down payment requirements, and less favorable interest rates as we shift from the more exotic mortgage instruments to more conventional terms. For example, a household in Atlanta earning median income of \$62,100 that is able to put 3% down for a mortgage at a 6% interest rate could purchase a home for \$206,000. If, however, due to tightening lending standards or other factors it had to pay a higher rate for their mortgage funds, say 8%, it would lower the maximum value of the home they could afford to \$170,000—a \$36,000 reduction in purchasing power. For many workforce households, higher mortgage rates or down payment requirements may bar them from homeownership. This is a profound transition for the range of opportunities available less than one year ago.
- Reduced Housing Prices:** The Atlanta market has experienced an overall reduction in home prices since mid-2007. The S&P Case-Shiller Home Price Index for home re-sales in Atlanta shows that prices have dropped 8.1% between June 2007 and June 2008. Atlanta lagged the national trend for 20 metropolitan areas which recorded a decline

of 15.1% over the same period. The decline in re-sale home prices, however, is a positive trend for first-time workforce households since it makes more of the current inventory affordable to these households. But for workforce households which already own a home and want to trade up, it likely is making it difficult for them to sell their present home at a desired price and benefit from declining housing values.

- ***The Foreclosure Crisis:*** The rapid wave of foreclosures which has hit many Atlanta neighborhoods particularly hard is creating major problems for existing workforce households that previously purchased homes in those areas. As average values in the neighborhood decline, those workforce households who purchased homes with little or no down payment can quickly be in a negative equity position on their home. This limits their ability to sell their home and trade up to better housing. The concentration of foreclosed homes in many in-town neighborhoods which were undergoing significant revitalization gives the remaining workforce households who purchase in these areas a sense of being trapped in a neighborhood which is experiencing a sharp decline in value and appeal.
- ***The Condominium Glut:*** The overbuilding of condominium units in many in-town neighborhoods of the city is creating opportunities for workforce households in several ways. For those that can obtain mortgage financing there are increasing opportunities for homeownership as units are being sold or auctioned for 15% to 30% (or higher) discounts from earlier asking prices. In addition, many of the units in the condominium inventory are now being rented and can provide an attractive but temporary housing option that wasn't previously available. It may be that many of these units will ultimately convert to long term rental status as a way to manage the likely continuing over-supply of condominium units over the next three to five years.
- ***Reduced credit availability for Multifamily housing:*** The current credit freeze is also affecting the availability and pricing of credit for multi-family workforce housing projects as well as single-family mortgages. Credit is generally not available for these type of developments, or only available at terms and prices that developers can not afford.

### WHAT DOES THIS MEAN FOR WORKFORCE HOUSING IN OUR REGION IN THE FUTURE?

In this period of profound transition it is very difficult to see with any clarity what the condition of workforce housing will be in the future, but several ideas emerged from the research would seem to merit careful consideration:

- 1. We Should View the Overhang in For-Sale Condominium Units and Foreclosures as a Special Opportunity to increase Workforce Housing Options:** The overhang in condominium units provides a ready inventory of additional rental units which can be available to workforce households in locations where purchasing a unit will likely be out of reach. The foreclosure inventory also presents opportunities for lease-purchase strategies which are being actively pursued by ANDP and the Enterprise Foundation and others. The urban homesteading program that was so effective in many cities in the 1970s could provide a valuable model for how this process can work.
- 2. Efforts need to go forward to helping Workforce Households Cure Damaged Credit Issues:** While the "no doc" loan process was a key contributor to our current housing crisis, the likelihood is we will over-tighten restrictions on new mortgages to a point that many potential workforce households will not be able to find financing. Recent experience

indicates that while workforce households often have sufficient income to afford a home, their damaged credit profile prevents them from getting the needed approvals for financing. Establishing procedures that let workforce households work through their credit issues over a 12-18 month period and emerge as creditworthy at the end of the process is in the best interest of these households and our community. Establishing programs and procedures that expedite this process and that are acceptable and recognized by the financial community should be a key priority of those concerned with maximizing housing opportunities for workforce households during the next five years. New federal funding from the recent federal housing legislation should be committed to this task.

**3. We should target Scarce Public Subsidies to Employment/Transit Rich Locations for Workforce Housing:** Research has shown that there is a great deal of housing being created in the four county area that is affordable to at least a segment of workforce households, but unfortunately much of the in-town inventory is in small unit sizes or the units are being built on the outer edges of the four counties away from jobs and transit, where the land is cheapest. Putting more workforce housing where the jobs and transit are should be the priority of any incentive policy. The Atlanta Regional Commission's Livable Centers Initiative has identified over 60 locations in the region where transit-friendly housing could be constructed, with many of these areas in or near significant employment centers. MARTA has numerous sites around existing stations and is considering future station locations where workforce housing could be a major component of a mixed use strategy. Targeting limited incentives to create more workforce units, some in larger sizes suitable for larger households would seem the most targeted way to address the current disconnect between the region's demand for workforce housing and the current pattern of its production.

**4. The Glut of Failed Subdivisions Offers New Workforce Opportunities in the Four Counties:** The current housing crisis has resulted in a rapidly growing inventory of partially completed subdivisions throughout the region. Often these projects have completed all of the pre-development on the site but no vertical development of any units has occurred. Local communities are concerned about the long term impact of these failed projects on their communities. Lenders have taken these properties back with no prospect of an immediate financial return. This might provide the opportunity for creating additional workforce housing on land at dramatically lower cost while putting these sites back on local tax rolls at the same time you are creating needed housing options. Local communities could partner with workforce housing organizations and lenders to offer these sites with available zoning, and waive impact and other development fees to attract workforce housing at these locations.

**5. We should Recognize that Workforce Housing Needs in Atlanta Vary by Income Levels and may Require Distinct Strategies:** Research shows there is significant difference between workforce households between 60% and 80% of the median income and those at 80% to 120%. For example, with homeownership options most limited for the families of workforce households concentrating on rental housing options for this household income tier would make the greatest sense. Workforce households with incomes from 80% to 120% of AMI would seem to be the strongest candidates for owner-occupied housing choices, and have the greater depth of financial resources to sustain the challenge of homeownership in transitional neighborhoods.