Defining the Need for Workforce Housing in Atlanta: Recent Trends and Policy Recommendations

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Urban Land Institute
Terwilliger Center for Workforce Housing

Defining the Need for Workforce Housing in Atlanta: Recent Trends and Recommendations for Future Policy

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About the ULI Terwilliger Center for Workforce Housing

The ULI Terwilliger Center for Workforce Housing was established by J. Ronald Terwilliger, chairman and CEO of Trammell Crow Residential, to expand housing opportunities for working families. The mission of the Center is to serve as a catalyst in increasing the availability of workforce housing in high-cost communities by harnessing the power of the private sector. The Center supports the development of mixed-income communities close to employment centers and transportation hubs. Through a multifaceted approach, the Center facilitates research, advocates for public policy change, publishes best practices, convenes housing experts, and works to eliminate regulatory barriers to the production of workforce housing.

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Introduction

The ULI Terwilliger Center for Workforce Housing 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.

In recent years, nonprofit organizations, academic researchers, and others have produced a growing body of work regarding the nature of workforce housing needs in the Atlanta region, the existing inventory of workforce housing units, and the financial and regulatory challenges facing developers in creating workforce housing. More recently, the severe turmoil caused by the mortgage and foreclosure crisis that has swept housing and financial markets nationwide has further affected the workforce housing market in Atlanta and elsewhere.

The purpose of this report is to build on the key findings of earlier research, update data 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 that need. The Center hopes the report will provide a baseline for understanding the current market and how developers—both for profit and nonprofit—can respond to it.

ULI Terwilliger Center for Workforce Housing

The ULI Terwilliger Center for Workforce Housing, established by former ULI Chairman J. Ronald Terwilliger, is addressing one of the most critical issues facing this country today by supporting the development of housing affordable to moderate-income workers, including teachers, nurses, firefighters, government workers, and police officers. Terwilliger, chairman and chief executive officer of Atlanta-based Trammell Crow Residential, committed $5 million to the creation of the center.

"I CREATED THIS CENTER BECAUSE I BELIEVE IN THE URGENCY OF PROVIDING WORKFORCE HOUSING. IN COMMUNITIES NATIONWIDE, MODERATE-INCOME WORKING FAMILIES ARE BEING PUSHED FARTHER AND FARTHER AWAY FROM EMPLOYMENT CENTERS, ADDING TO TRAFFIC CONGESTION, AIR POLLUTION, AND SPRAWL. WITH THIS CENTER, 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

The center will mobilize the private sector to work toward the production of workforce housing. In so doing, it will develop plans for the production of housing oriented toward people typically making between 60 and 120 percent of the median income for a specific market. As part of its overall program, the center will work to eliminate barriers to workforce housing production (such as exclusionary zoning and inflexible building codes) by advocating changes in public policy.

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 percent and 120 percent 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 (inclusive of the city of Atlanta)—represent the most densely developed portions of the Atlanta region and contain 77 percent of the region's residents and 83 percent of its jobs. These four core counties are where the need for workforce housing is greatest because of 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 ten-county Atlanta region have been included in this analysis for comparative purposes.

- **The Number of Workforce Households Is Substantial:** In 2006, the four core counties had 342,875 workforce households, which is 30.5 percent of all households in those counties. The city of Atlanta had 41,921 workforce households, which is 24.8 percent 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 compared to the core counties and the effect 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:** 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 percent of the overall growth in households in the core counties over the 16-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 percent of the overall growth of new households in the four core counties. Thus, by 2016 the four counties will contain a total of 382,454 workforce households, accounting for 73.7 percent 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 percent headed by someone between the ages of 25 and 44 years, compared with 45.1 percent for all regional households. In the city of Atlanta, this trend is even more pronounced, with households headed by 25- to 44-year-olds representing 52.7 percent of workforce households, compared with 44.6 percent 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 economy. They include medical and health service managers, accountants, elementary and secondary schoolteachers, dental hygienists, legal secretaries, registered nurses, firefighters, police and sheriff patrol officers, and office support workers.

■ **Workforce Households in the City of Atlanta Are Proportionally Fewer in Number:** Workforce households in the city of Atlanta are proportionately fewer in number, tend less often to consist of families, and have fewer children. This finding is likely related to housing cost in the city, perceptions of public safety, and quality of public schools. Within the city, a higher proportion of households tend to be low income (defined as below 60 percent of area median income, or AMI) or over 120 percent of AMI. Increasing the numbers of workforce households in Atlanta will help lessen the concentration of households at both ends of the income spectrum, which currently characterizes the city.

■ **What Workforce Households Should Spend on Shelter:** According to 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 (Percentage of AMI)	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

Source: Bleakly Advisory Group.
*Based on three times income
**Net of $100 utility allowance

■ **New For-Sale Housing Is Not Affordable to Many Workforce Households:** Data on recent home sales in the Atlanta region show that an annual average of 24,116 new homes sold in the four counties 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.

Workforce households earning between 60 percent and 79 percent of AMI—the lower end of the workforce household income spectrum—face challenges in finding affordable, new for-sale housing. Only 26 percent of their demand is being met by this product.

Core-County Housing Demand, 2006–2016

Median Income (Percentage of AMI)	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**	

Sources: SmartNumbers, Inc.; Bleakly Advisory Group

* Average new home sales in four core counties 2005–2007

■ **Rental Housing Options Are More Broadly Available for Workforce Households:** At average historic production levels, the inventory of rental apartments in the four counties has been growing by 1.2 percent annually, but demand has been growing at more than 3.0 percent annually. Moreover, 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.

Workforce Housing Rental Demand in Four Core Counties

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

Source: Bleakly Advisory Group.

■ **New Rental Apartments Are More Affordable to Workforce Households:** Better alignment exists 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 from 2005 to 2007, 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 to 79 percent of median income) and $1,142 to $1,453 (which is affordable to workforce households earning between 80 and 99 percent of the median).

■ **Increasing Commuting Costs Will Affect Workforce Households:** Workforce households will face increasing challenges if transportation costs remain high on a long-term basis. Research by the Center for Housing Policy in October 2006, showed that workforce households in Atlanta spend an average of 29 percent of their income on shelter-related costs and an additional 32 percent on transportation costs. Thus, workforce households were spending 61 percent of their disposable income on housing and commuting expenditures.

Largely as a result of the increase in gasoline costs in the first half of 2008, workforce household transportation costs increased by an estimated 17 percent from mid-2006 to August 2008. Although this increase has moderated in recent months because of the global recession, transportation costs still place major financial constraint 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. Furthermore, most experts expect that gasoline costs will significantly increase over the next five to ten years, thereby creating additional economic pressure.

In summary, 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 new for-sale housing difficult to afford, 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 provide conclusions and recommendations on the policy implications of this analysis.

A Profile of Workforce Households in Metro Atlanta

Defining Workforce Households

An analysis of the need for workforce housing in the Atlanta region must begin with a clear definition of what constitutes a workforce household. A variety of data sources and methodologies have been used by other researchers to define workforce households, which then yield different assessments of the need for this type of housing.

- One prominent academic researcher, Arthur Nelson of Virginia Tech University, wrote in *Workforce Housing Balance for the Atlanta Region: A Spatial Distribution Assessment*, a 2004 report commissioned by the Atlanta Regional Commission, "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 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 (with input from the Mixed Income Communities Initiative) described workforce households as those generally earning less than $40,000 annually.

- In 2006, the city of Atlanta's Affordable Workforce Housing Implementation Task Force noted in *Great Housing in Great Neighborhoods* that the U.S. Department of Housing and Urban Development (HUD) typically uses 30 to 80 percent 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 percent of area median income" although city policy typically has focused on 30 to 80 percent of AMI.

- In 2007's "Affordable Housing Inventory: Peachtree Corridor," the Peachtree Corridor Partnership stated that "affordable" was defined as 100 percent or less of the HUD AMI of $67,100.

While taking into account these and other definitions of workforce housing income eligibility, the ULI Terwilliger Center has defined workforce households as those earning between 60 and 120 percent of AMI. The Center believes 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 percent or less of AMI. This latter group can currently benefit from the Low Income Housing Tax Credit and other existing housing subsidy programs.

Defining the Study Area

A second central issue in understanding the need for workforce housing is clearly defining the geography of the market area. Although the Atlanta region is defined by the Atlanta Regional Commission (ARC) to include a ten-county area (or even 16 or 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 they can afford that are near jobs and transportation networks. Thus, this report has focused specifically on the four core counties of the region—DeKalb, Cobb, Gwinnett, and Fulton (inclusive of the city of Atlanta). The data are organized and presented for the four counties (including the city) with information on the city of Atlanta only and on the broader ten-county region provided for comparative purposes only.

As shown in the following table, the study region for this report comprises a significant percentage of the broader ten-county Atlanta region as defined by the ARC. The four counties account for 77 percent of the population and 83 percent of the employment in the Atlanta region in 2006.

Population and Employment in Four Core Counties

Area	Population	Employment
Fulton County (including city of Atlanta)	960,009	716,137
Gwinnett County	757,104	322,626
Cobb County	679,325	321,111
DeKalb County (including Atlanta)	723,602	303,829
Core-County Total	3,120,040	1,663,703
Ten-County Total	4,071,200	2,003,503
Core Percentage of Region	**77%**	**83%**

Source: Atlanta Regional Commission.

Determination of Median Income

As with the definition of income ranges for determining workforce households, several alternative approaches exist for defining median incomes that serve as the benchmark for determining the appropriate income range to use. The following table compares the median income determined by the U.S. Census Bureau for the study areas and the AMI calculated by HUD for the Atlanta Metropolitan Statistical Area.

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 the Census Bureau's reported income for both the four-county and ten-county areas. The reason for this variability is HUD's use of the median income for *families* as its starting point, whereas the Census Bureau's definition is based on the median income of *all households*—both family and nonfamily. (In 2006, families represented 65.6 percent of all households in the Atlanta region.)

Comparison of Measures of Median Income

Year	City of Atlanta Household Median Income (Census)	Four-County Household Median Income (Census)	Ten-County Household Median Income (Census)	HUD AMI
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

Sources: HUD, U.S. Census Bureau.

As a result of the difference in the two approaches, significant variation exists in estimates of Atlanta's median household income. For example, in 2006, the HUD-calculated AMI of $68,100 was 9.7 percent higher than the Census Bureau–determined median income of $62,059. Thus, understanding both the methodology and geography used to calculate the median is a critical consideration in defining the incomes of workforce households.

This study defines the Atlanta region's AMI as $62,100 based on the 2006 median income for the ARC's ten-county area of $62,059, rounded to $62,100. This measure of income more accurately reflects the incomes of all households in the Atlanta region that are potentially competing across the entire region for housing options, across all housing types. (The Census Bureau recently released initial estimates of 2007 median incomes, but this study has relied on the 2006 data as a baseline for analysis because of 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 ARC 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 percent of the median income, workforce households in the Atlanta region should be considered those that earn between $37,261 and $74,520 per year.

Workforce Income Ranges

Percentage of AMI	2006 AMI (Census)	2006 AMI (HUD)*
AMI	$62,100	$68,100
Below 60%	$37,260 or less	$42,720 or less
60 to 80%	$37,261–49,680	$42,721–56,960
80 to 100%	$49,681–62,100	$56,961–71,200
100 to 120%	$62,101–74,520	$71,201–85,440
Over 120%	$74,521 or more	$85,441 or more

Sources: U.S. Census Bureau, HUD, Bleakly Advisory Group.

* Although the reported HUD AMI for the Atlanta region is $68,100, HUD calculates the income ranges by household size from an estimated median income for a four-person household of $72,100.

As a comparison, using the HUD AMI to calculate workforce housing income ranges would result in workforce housing being defined as those earning $42,721 to $85,440 for a family of four. In this study, however, the U.S. Census Bureau–based estimate of AMI is used to provide consistency with other demographic data, which the Center believes represents the most appropriate range of workforce incomes—$37,000 to $75,000—to target across the Atlanta region.

How Many Workforce Households Are in Atlanta?

In 2006, the four-county region contained a total of 1,123,160 households. Of these households, nearly 358,000, or about 32 percent, earned less than 60 percent of AMI. Approximately 343,000, or 30.5 percent, were workforce households earning between 60 and 120 percent of AMI, while 422,390 households, or 37.6 percent, earned over 120 percent of AMI.

In looking at the city of Atlanta, the data reveal higher levels of low-income households than in the region as a whole. The city of Atlanta had a total of 169,248 households in 2006. Of these households, 45.4 percent earned less than 60 percent of AMI; 24.8 percent were workforce households, earning between 60 and 120 percent of AMI; and 29.8 percent earned over 120 percent of AMI.

The ten-county area had a total of 1,450,300 households. Of these households, 31.6 percent earned less than 60 percent of AMI, 31.4 percent were workforce households earning between 60 and 120 percent of AMI, and 37.0 percent earned over 120 percent of AMI. Thus, the distribution of household income was similar to that of the slightly smaller four-county region.

Household Distribution by Income, 2006

Percentage of AMI	Income	City of Atlanta		Four-County Area		Ten-County Area	
0 to 60%	$37,260 or less	76,841	45.4%	357,895	31.9%	458,603	31.6%
60 to 80%	$37,261–49,680	18,558	11.0%	129,780	11.6%	172,669	11.9%
80 to 100%	$49,681–62,100	13,448	7.9%	112,234	10.0%	148,577	10.2%
100 to 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%
Total		169,248	100.0%	1,123,160	100.1%*	1,450,300	99.9%*
Workforce Households	**$37,261–74,520**	**41,921**	**24.8%**	**342,875**	**30.5%**	**455,211**	**31.4%**

Sources: U.S. Census Bureau, Bleakly Advisory Group.
*Totals not exact due to rounding.

Trends in Workforce Housing Demand, 1990 to 2006

This study examined trends in the number of workforce households in the Atlanta region over the 16-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 percent.

Change in Ten-County Regional Median Income

Percentage of AMI	1990	2006
60%	$20,760	$37,260
80%	$27,680	$49,680
100%	$34,600	$62,100
120%	$41,520	$74,520

Source: U.S. Census Bureau.

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 this same period, the total number of households in the ten-county region increased by 349,231, of which one-third, or 115,667, were workforce households.

Household Distribution Change, 1990–2006

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

Sources: U.S. Census Bureau, Bleakly Advisory Group.

The vast majority of this growth in workforce households over the 1990–2006 period occurred within the four-county area, accounting for 106,495 new workforce households or 92 percent of the growth in total workforce households in the region. Interestingly, the city of Atlanta saw only very slight growth in the absolute number of workforce households over the period, netting a gain of only 260 while the city grew overall by 13,354 households. (These household growth estimates are from U.S. Census data and should be viewed as very conservative. 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 that of the city. Most of the growth in new city households occurred in the lower-income and the affluent income levels. Thus, although 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 differential provides critical evidence that one cannot assume strong regional growth alone will resolve housing issues facing workforce households.

Estimates of Workforce Households, 2006 to 2016

Atlanta has been one of the fastest-growing regions the country since the 1980s, and that growth is projected to continue over time, notwithstanding the current recession. Working with the ARC'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

Percentage of AMI	Atlanta Change	Percent Change	Four-County Change	Percent Change	Ten-County Change	Percent Change
0 to 60%	17,727	45.4	41,312	31.9	64,214	31.6
60 to 80%	4,281	11.0	14,981	11.6	24,177	11.9
80 to 100%	3,102	7.9	12,955	10.0	20,804	10.2
100 to 120%	2,288	5.9	11,643	9.0	18,758	9.2
Over 120%	11,647	29.8	48,757	37.6	75,119	37.0
Total	**39,044**	**100.0**	**129,648**	**100.1***	**203,072**	**99.9***
Net Increase in Workforce Households	**9,671**		**39,579**		**63,739**	

* Totals not exact due to rounding.

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

Household Distribution by Income, 2016

Percentage of AMI	Income	City of Atlanta		Four-County Area		Ten-County Area	
0 to 60%	$42,000 or less	94,568	45.4%	399,207	31.9%	522,817	31.6%
60 to 80%	$42,001–56,000	22,839	11.0%	144,761	11.6%	196,847	11.9%
80 to 100%	$56,001–70,000	16,550	7.9%	125,189	10.0%	169,380	10.2%
100 to 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%
Total		**208,292**	**100.0%**	**1,252,808**	**100.1%***	**1,653,372**	**99.9%***
Workforce Households	**$42,001–84,000**	**51,592**	**24.8%**	**382,454**	**30.5%**	**518,950**	**31.4%**

Sources: U.S. Census Bureau, Bleakly Advisory Group.

* Totals not exact due to rounding.

Based on the 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.

Characteristics of Workforce Households

The characteristics of workforce households can be described by a number of dimensions that provide insights into their housing needs. These include the following factors:

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 households generally, with 49.8 percent of the households headed by someone between the ages of 25 and 44, compared with 45.1 percent of all households in the four counties. In the city of Atlanta, the demographic of workforce households is even younger, with 52.7 percent headed by someone between the ages of 25 and 44, compared with 44.6 percent of all city households.

2006 Householder Age

	All Households		Workforce Households	
City of Atlanta				
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%
Four-County Area				
Total Households	1,123,160		342,875	
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%
Ten-County Area				
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: U.S. Census Bureau.

Tenure (Owner/Renter)

In terms of tenure, workforce households in the four core counties mirror broader trends, with 64.5 percent composed of owners and 33.5 percent renters. This split is similar to that found among all households in the region. In the city of Atlanta, however, a much smaller majority (53.4 percent) of workforce households are owners. And among all households citywide, renters are in the slight majority at 50.4 percent.

2006 Household Tenure

	All Households		Workforce Households	
City of Atlanta				
Total	169,248		41,921	
Owners	83,918	49.6%	22,376	53.4%
Renters	85,330	50.4%	19,862	47.4%
Four-County Area				
Total	1,123,160		342,875	
Owners	739,034	65.8%	221,147	64.5%
Renters	384,126	34.2%	123,507	36.0%
Ten-County Area				
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: U.S. Census Bureau.

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 percent of the workforce households, and among families, married couples predominate (65.5 percent). Female-headed households account for 23.4 percent of family households. Children are present in roughly half the workforce households in the core counties.

In contrast, only 47.2 percent of lower-income households are families, while a much higher percentage (79.2 percent) of more affluent households are families. Among workforce households, 65.5 percent are married couples, which contrasts with 40.8 percent of lower-income households and 88.1 percent of the more affluent households. The 48 percent of workforce households with children present is a smaller proportion than in either lower-income households (60 percent) or more affluent ones (49 percent).

Within the city of Atlanta, the majority of workforce households (60.6 percent) are nonfamily households, composed of one or more unrelated individuals living together. Only 39.4 percent of workforce households in the city are families, with married couples comprising 61.3 percent of all family households, and female-headed households another third. In the city, the composition of workforce households contrasts sharply with lower-income households where only 27.4 percent of family households are married couples and 61.9 percent of family households are headed by female single parents. Both the workforce and lower-income households contrast dramatically with city households earning over 120 percent of the median, which are predominantly family households (57.7 percent) and married couples (83.6 percent) rather than those 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 than the region as a whole. Only one-third has any children present.

2006 Households in the Four-County Area

					Workforce Households			
	All Households		Less than 60% AMI		60 to 120% AMI		Over 120% AMI	
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: U.S. Census Bureau. Data not available for ten-county area.

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. Larger families have more difficulty finding affordable housing in the city than in the surrounding counties. Moreover, the challenges of the public school system and neighborhood environment in some areas of the city are likely limiting factors in the number of workforce households in the city and the number of children that reside in these households.

2006 Households in the City of Atlanta

			Workforce Households					
	All Households		Less than 60% AMI		60 to 120% AMI		Over 120% AMI	
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	
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: U.S. Census Bureau. Data not available for ten-county area.

Having a broader choice of larger units at price points affordable to workforce households and having good performing public schools appear to lead to 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 surrounding core counties likely depends on simultaneously expanding the availability of larger, affordable units and improving 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 efficient working of the economy. They include, for example, medical and health service managers, accountants, elementary and secondary schoolteachers, dental hygienists, legal secretaries, registered nurses, firefighters, police and sheriff patrol officers, and office support workers.

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

Occupation	Hourly Wage ($)	Annual Wage ($)
Medical and Health Service Manager	39.60	69,300
Accountant	31.93	55,878
Construction Manager	36.73	64,278
Elementary Schoolteacher*		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 and Sheriff Patrol Officer	20.59	36,033

Source: Georgia Department of Labor.

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

Demand for Workforce Housing in Metro Atlanta

What Can Workforce Households Afford?

Using 2006 estimates of the incomes of workforce households in metro Atlanta, this study estimates the maximum sales price of homes and monthly rents of units that workforce households can afford in Atlanta. The study assumes for home purchases that workforce households can afford a maximum of 30 percent 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. The study has also assumed that workforce households can afford to purchase a home three times their income, which is a widely recognized industry standard to ensure the household has sufficient resources not only to purchase but also to maintain the home. For rental households, the study assumes that the maximum rent a workforce household could afford relates to the maximum shelter costs minus a $100 monthly allowance for utilities.

Affordable Housing by AMI, 2006

	Income Maximum ($)	Maximum Monthly Shelter Costs ($)*	Maximum Owner Sales Price ($)**	Maximum Monthly Rent ($)***
AMI	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

Source: Bleakly Advisory Group.

* Thirty percent of income
** Three times income
*** Assumes $100 per month for utilities

As shown in the table above, these assumptions translate into a range of prices for home sales from approximately $112,000 at the low end of the workforce income range (60 percent of AMI) to a maximum of approximately $224,000 at the top end of the range (120 percent of AMI). In terms of rents, the study assumes workforce households can afford monthly rents from $832 at the low end (60 percent of AMI) to $1,763 at top of the workforce income range (120 percent of AMI).

Recent Home Sales

Data on recent home sales show that 72,357 new units sold in the four counties from 2005 to 2007, which averages 24,119 new for-sale units sold and closed annually. 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 is well above the affordable price range for workforce households in the four counties ($112,000 to $224,000).

Four-County Area Home Sales, 2005–2007

	2005		2006		2007		2005–2007		
Sale Price	**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
$111,801–149,000	3,147	9,861	2,320	9,777	1,273	7,326	6,740	26,963	33,703
$149,001–186,300	6,301	10,241	4,526	10,167	2,871	7,826	13,698	28,234	41,933
$186,301–223,600	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 the city of Atlanta, 14,308 new homes sold from 2005 to 2007, for an average of 4,769 new home sales per year. Thus, approximately 20 percent of all homes sales in the four-county region were in the city.

City of Atlanta Home Sales, 2005–2007

	2005		2006		2007		2005–2007		
Sale Price	**New**	**Resale**	**New**	**Resale**	**New**	**Resale**	**New**	**Resale**	**Total**
Less than $111,800	91	1,926	34	2,132	59	2,107	183	6,165	6,348
$111,801–149,000	474	1,208	432	1,473	306	1,055	1,213	3,735	4,948
$149,001–186,300	949	1,137	831	1,256	610	1,050	2,390	3,442	5,833
$186,301–223,600	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.

Estimating Future Housing Demand by Workforce Households

The following tables 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: (1) existing workforce households who move from their present unit (turnover) to a new unit, and (2) growth in the number of workforce households from population growth in the four counties during the period. Using detailed data on housing preferences of recent movers from the U.S. Census American Housing Survey for Atlanta, the study estimated mobility of existing workforce households. These estimates show that over the decade, 18.4 percent of all existing households can be anticipated to move annually, or about one in five households. Turnover rates vary significantly by tenure type—about 9 percent of owners and 36 percent of renters will move each year.

Demand from Turnover of Existing Households, 2006–2016

Household Income			Annual Movers*			Annual Movers*		Total Movers	
(Percentage of AMI)	Existing Households	Owner	Owner to Owner	Owner to Renter	Renter	Renter to Owner	Renter to Renter	Owner	Renter
Less than 60%	357,895	232,632	9,771	7,677	125,263	11,524	36,953	21,295	44,630
60 to 79%	129,780	84,357	3,543	2,784	45,423	4,179	13,400	7,722	16,184
80 to 99%	112,234	72,952	3,064	2,407	39,282	3,614	11,588	6,678	13,996
100 to 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
Total	**1,123,160**	**730,054**			**393,106**			**66,828**	**140,058**

* Mobility rates from U.S. Census Bureau, American Housing Survey, Atlanta, 2004.

Source: Bleakly Advisory Group.

Demand from Household Growth, 2006–2016

Household Income (Percentage of AMI)	Growth 2006–2016	Annual Growth	Owner	Renter
Less than 60%	41,312	4,131	2,685	1,446
60 to 79%	14,981	1,498	974	524
80 to 99%	12,955	1,296	842	453
100 to 119%	11,643	1,164	757	408
120%+	48,757	4,876	3,169	1,706
Total	**129,648**			**4,538**

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, one can estimate 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 percent of the total.

Total Annual Demand, 2006–2016

Household Income (Percentage of AMI)	Owner	Renter
Less than 60%	23,980	46,075
60 to 79%	8,696	16,708
80 to 99%	7,520	14,449
100 to 119%	6,758	12,985
120%+	28,301	54,379
Total	**75,255**	**144,596**

Source: Bleakly Advisory Group.

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. This study has assumed that over the next decade (2006 to 2016) the production of new for-sale and rental housing units affordable to workforce households will follow the pattern of the 2005–2007 period, which included two "boom" years—2005 and 2006—and a slower production year in 2007. Clearly, these averages are unlikely to be achieved during 2008 and 2009, as the housing industry works through the massive housing and credit issues before it, but these averages are projected to be regained in 2010 and beyond.

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

Core-County Housing Demand, 2006–2016

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

Sources: SmartNumbers, Inc.; Bleakly Advisory Group.

* Average new home sales in four core counties, 2005–2007

This significantly higher percentage of new workforce for-sale housing available for the 80 to 120 percent income range is likely caused by two key factors:

- The unprecedented expansion of new in-town condominiums during the 2005–2007 period; and

- The ongoing development of "greenfield" 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 that is affordable to workforce households in these outlying portions of the four counties. The previous balance of for-sale demand was satisfied by moves of workforce households into the existing inventory.

In addition, the recent drop in housing prices and demand will make more housing generally affordable to workforce families.

Nevertheless, a large proportion of the new housing being created presents challenges to workforce households. First, much of the in-town inventory is in small unit sizes not suitable for larger households or households with children. Second, a significant portion of the new affordable inventory has been created at the outer edges of the core counties, farther away from jobs and transit options. Although within the four counties a significant amount of housing is being created that is priced to be affordable to workforce households, much of this housing may be too small for families seeking 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.

Rental Housing Options for Workforce Households

In terms of rental housing, more options appear to be available for workforce households in the four counties. They have a total inventory of 314,226 rental apartments of which 158,501, or 50 percent, are Class A units, which are considered the highest-quality units in the market area. From 2005 to 2007, 11,628 new Class A apartments were constructed and added to the inventory in the four counties. This increase represented an average of 3,876 units of new construction annually.

For comparison purposes, Reis, Inc., which follows trends in the rental apartment market, reports that an average of 4,807 new units were added to the broader Atlanta regional inventory annually from 2005 to 2007. Thus, the core counties account for 80 percent of the region's rental construction. Reis also estimates that during 2008, 5,800 apartments will be added to the region, which significantly exceeds earlier trends. Thus, at current levels, the inventory of rental apartments in the four counties is expanding by 1.2 percent annually. However, 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 percent annually.

Characteristics of Core-County Apartment Inventory

Submarkets	Total Units	Total Class A Units	Percent Class A	Class A Additions 2005–2007	Prercent New Class A Inventory (Less Than Three Years Old)	Class A Asking Rents
Buckhead	16,775	11,643	69%	1,522	13%	$1,248
Center I-75 West	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	0%	$1,064
I-20 East	12,060	6,211	52%	0	0%	$ 852
I-20 West	8,740	4,217	48%	0	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 Spring/ Dunwoody	23,22	14,571	63%	1,016	7%	$1,019
Smyrna	23,980	13,401	56%	292	2%	$ 926
South DeKalb	4,575	0	0%	0	Not applicable	Not applicable
South Fulton	29,541	6,126	21%	823	13%	$ 905
South Gwinnett	27,240	16,496	61%	637	4%	$ 862
Totals	**314,226**	**158,501**	**50%**	**11,628**	**7%**	
Average				**727**		**$ 987**

Sources: Reis, Inc.; Bleakly Advisory Group.

Workforce Rental Housing Demand and New Supply

An examination of the growth of new apartment inventory in the four counties shows that overlap between the pricing of the new rental inventory and what workforce households can afford is generally strong. Among the 3,875 units added to the inventory each year from 2005 to 2007, a majority of these units had average asking rents either in the range from $832 to $1,142, which is affordable to workforce households earning from 60 to 79 percent of median income, or in the range from $1,142 to $1,453, which is affordable to workforce households earning between 80 percent and 99 percent of the median. Obviously, any of these units would also be affordable to workforce households earning between 100 percent and 119 percent of AMI. Thus, 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 are at the high end of Class A average rents, giving these areas the most limited availability for workforce households.

Workforce Housing Rental Demand in Four Core Counties

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

Source: Bleakly Advisory Group.

In summary, although additions to the rental inventory are occurring in the marketplace, averaging 3,876 units per year in the four counties, the pace of new development represents only a 1.2 percent annual increment 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 percent of AMI, where the rent levels of the new supply are concentrating. Data on key submarkets within the four counties indicate 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 those in the 60 to 80 percent of AMI range.

Increasing Commuting Costs Are Affecting Workforce Households

Workforce households are facing increasing challenges as a result of recent escalations in transportation costs. As noted by the axiom that many workforce households "drive until they qualify" for housing, increasing awareness exists of the importance of transportation costs to workforce households as they consider their location options.

Groundbreaking research by the Center for Housing Policy in October 2006, titled *A Heavy Load: The Combined Housing and Transportation Burdens of Working Families*, found that workforce households (defined as earning between $20,000 and $50,000 annually) in Atlanta spend an average of 29 percent of their income on shelter-related costs and an additional 32 percent on transportation costs. Thus, lower- and moderate-income households are spending a combined 61 percent of their disposable income on housing and commuting costs. 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.

As a result of the rapid run-up in gasoline costs during the first half of 2008, workforce household transportation costs increased by 17 percent from mid-2006 to August 2008, based on U.S. Bureau of Labor Statistics data for all urban households. Although these costs have moderated more recently, most experts believe an extended period of higher oil and gasoline prices is coming over the next decade. The increase in transportation costs, with many workforce households having two wage earners and therefore two commutes, puts 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. For two commuters who travel 20 miles per day, the higher cost of gasoline increased expenses from $1,632 per year in 2006 to $2,592 in 2008, or 59 percent. For a workforce household with two commuters that commutes 30 miles each day, the cost of their gasoline also increased 59 percent—from $2,448 to $3,888 per year. For all workforce households, the recent increase in gasoline and transportation costs, which virtually all experts believe will be sustained over the long term despite the current short-term decline, will gradually eliminate the option of substituting additional transportation expenses for housing costs as a solution to successfully balancing household budgets.

New Challenges and Opportunities for Workforce Housing in Atlanta

The challenge of providing sufficient workforce housing is significant given "normal" market conditions. During the past two years, however, real estate markets in Atlanta and nationally have undergone a wave of severe shocks which are unprecedented in recent history. This period has been characterized by questionable lending practices, weak underwriting by banks, and an unrealistic belief that housing prices could increase indefinitely. This has led to a weakening of the banking sector and the federally supported agencies that assist it. An enormous inventory overhang, exacerbated by the mortgage foreclosure crisis, characterizes the housing industry today in the Atlanta region—a surplus that will take some time to rectify.

The housing and mortgage industries are clearly different today from just a year ago, and this change presents both challenges and opportunities for workforce housing in Atlanta. The most significant of these changes are described below.

- **Tightening of credit terms and availability of single-family mortgages:** Although "no doc" and "NINJA" loans clearly caused excesses 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 downpayment requirements and less-favorable interest rates as lenders shift to more conventional mortgage instruments. For example, a household in Atlanta earning the regional median income of $62,100 with good credit and moderate debt and that is able to put 3 percent down for a mortgage at a 5 percent interest rate could purchase a home worth $230,000. If, however, because of tightening lending standards, a weaker credit history, or other factors, that household had to pay a higher rate for its mortgage funds, say 7 percent, the maximum value of the home it could afford would fall to $186,245—a $44,500 reduction in home-purchasing power. For many workforce households, higher mortgage rates or downpayment requirements may bar them from homeownership. This is a profound reduction in the range of opportunities available to these households less than one year ago.

Household Buying Power

		Good Credit	Marginal Credit
Household Income		$62,100	$62,100
30% of Income for Shelter		$18,630	$18,630
Monthly Shelter Costs		$1,553	$1,553
Allowance for Taxes, Insurance, and Utilities		$ 350	$ 350
Available for Mortgage		$1,203	$ 1,203
Mortgage Interest Rate		5%	7%
Mortgage Amount		$224,096	$180,820
	Downpayment at 3%	$6,723	$5,425
	Maximum Home Price	**$230,819**	**$186,245**
	Difference $		**$44,574**
	Difference %		**19%**

Source: Bleakly Advisory Group.

- **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 resales in Atlanta shows that prices have dropped 8.1 percent between June 2007 and June 2008. Atlanta lagged the national trend for 20 metropolitan areas, which recorded a decline of 15.1 percent over the same period. The decline in resale home prices, however, is a positive trend for first-time workforce households because it makes more of the current inventory affordable to these households. For workforce households that already own a home and want to trade up, however, the decline in prices makes it more difficult to sell their present home at a desired price.

- **The foreclosure crisis:** The rapid wave of foreclosures that has hit many working-class and middle-income 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 that purchased homes with little or no downpayment can quickly be in a negative equity position on their home, limiting their ability to sell their home and trade up to better housing. The concentration of foreclosed homes in many in-town neighborhoods that were undergoing significant gentrification gives the remaining workforce households that purchased in these areas a sense of being trapped in a neighborhood that is experiencing a sharp decline in value and appeal.

- **The condominium glut:** The overbuilding of condominium units in many of the city's in-town neighborhoods is creating opportunities for workforce households in several ways. Those households that can obtain mortgage financing have increasing opportunities for homeownership as units are being sold or auctioned for 15 to 30 percent (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, temporary housing option that was not previously available. Many of these units may ultimately convert to long-term rental status as a way to manage the likely continuing oversupply of condominium units over the next three to five years.

- **Reduced credit availability for multifamily housing:** The current credit freeze is dramatically affecting the availability and pricing of credit for multifamily workforce housing projects as well as single-family mortgages. Credit is generally not available for these types of developments or available only at terms and prices that developers and many potential workforce households cannot afford.

What Does This Mean for Workforce Housing in the Atlanta Region in the Future?

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

- **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 that can be available to workforce households in locations where purchasing a unit is likely out of reach. The foreclosure inventory also presents opportunities for lease-purchase strategies. 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.

- **Help workforce households cure damaged credit:** Although the "no doc" loan process was a key contributor to the current housing crisis, the likelihood is that restrictions on new mortgages will be tightened to a point where many potential workforce households that can afford to obtain and carry a mortgage will not be able to find financing. Recent experience indicates that although 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- to 18-month period and emerge as creditworthy at the end of the process is in the best interest of these households and the 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.

■ **Target scarce public subsidies to employment- and transit-rich locations for workforce housing:** Research has shown that housing is still 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, whereas larger units are being built on the outer edges of the four counties where land is cheapest, away from jobs and transit. Developing more workforce housing where jobs and transit exist, or are planned, should be the priority of any incentive policy. The Atlanta Regional Commission's Livable Centers Initiative has identified more than 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 incentives to create more workforce units, some in larger sizes suitable for larger households, would seem the best way to make sure that new housing production addresses the real needs of workforce families. Supporting this policy are new initiatives by the ARC and the Georgia Department of Community Affairs requiring local communities to consider ways to create a better regional jobs/housing balance as part of their comprehensive planning process.

■ **Use the glut of failed subdivisions to offer 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 predevelopment on the site, but no vertical development of any units has occurred. Local communities are concerned about the long-term effect of these failed projects on their communities. Lenders have taken these properties back with no prospect of an immediate financial return. This situation might provide the opportunity for creating additional workforce housing on land at dramatically lower cost while putting these sites back on local tax rolls. 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.

■ **Recognize that workforce housing needs in Atlanta vary by income levels and may require distinct strategies:** Research shows significant differences exist between workforce households in the 60 to 80 percent of AMI range and those in the 80 to 120 percent of AMI range. For example, with homeownership options most limited for families of workforce households earning between 60 percent and 80 percent of AMI, concentrating on rental housing options for this cohort makes sense. Workforce households with incomes from 80 percent to 120 percent of AMI would be stronger candidates for owner-occupied housing choices and have a greater depth of financial resources to sustain the challenge of homeownership in transitional neighborhoods.

Final Thoughts

Workforce housing is fundamentally important to Atlanta. A significant percentage of households in the region—nearly one in three—earn between 60 percent and 120 percent of AMI and work in essential occupations in health care, public safety, finance, and many other fields. Many Atlanta families will be "workforce households" at some point—either as they enter the workforce and form new, young households, or when they have to deal with the challenges of being a single parent with children, or as they prepare for retirement. The city has a vested interested in providing "life cycle" housing so that the city is affordable for families at all stages.

Within the region, workforce households continue to face challenges from an inadequate supply of for-sale housing, particularly at the lower end of the workforce housing income range. The supply of affordable rental housing is better, but the location of this rental housing in relation to jobs and transit is a major future opportunity.

The challenge of workforce housing has been transformed and complicated by the recent housing and mortgage crises. Although affordability has been enhanced by declining housing prices, this advantage has been counterbalanced by less available mortgage credit, rising unemployment, and declining incomes. Public policy at all levels needs to be directed toward developing new housing initiatives that can properly direct subsidies and incentives and encourage linkages among housing, jobs, and transportation. In doing so, making certain that the needs of workforce housing are understood and addressed will be important in this changed environment.

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