HOUSE ATL

Housing Affordability: Background and Primer

The places we live too often determine what we can do with our lives. To give each of us a fair shot at success, no matter where we live, we need homes that are not only affordable but also connected to good schools, dependable transportation, and strong businesses. To make that possibility a reality, we need to understand the challenges of housing affordability in our region — and what we can do about it.

Right now, our housing system falls short for all of us. Entire areas of Atlanta are without housing that is affordable to those with modest incomes. There are also areas that have plenty of affordable housing but that lack vital resources and community amenities, like stores to buy healthy food. This creates serious problems for all kinds of communities and residents – ranging from recent college graduates, to working families, to seniors seeking to age in place. When rents rise but wages stay the same, workers that we all depend on can't afford to remain in their homes. They move elsewhere — and, without a diverse workforce, our economy suffers. Our region's economic vitality depends on policies that allow for housing stock at all price points.

Our leaders need to work together to solve the collective problem of high housing costs. What affects one part of our region affects us all.

How did this situation come to be?

Today, housing costs are rising faster than income and earnings. Rental costs have increased 48% since 2010 and have outpaced wage growth in the region. In addition, we are losing much of our existing affordable housing stock. The City of Atlanta alone loses 1,500+ affordable housing units annually. Typically, this housing is either replaced by higher-cost housing or rents simply increase beyond what many families can afford and we simply are not building enough housing to keep up with demand. The result? These families either leave the region or are burdened by housing costs that negatively impact their lives. Unfortunately, this situation affects the majority of Atlanta residents: Eighty percent of Atlanta households spend more than 45 percent of their yearly income on housing and transportation.

What does it take to afford rent in Atlanta?

Affordable housing is not a thing, but a ratio — a family's income relative to its housing costs. To have sufficient money for food, transportation and healthcare, and hopefully accumulate a little savings, a family should not spend more than 30 percent of its income on housing.

This 30 percent rule is a federal housing metric used by the Department of Housing and Urban Development across the country. Georgia residents need to earn $17.53/hour to afford a modest two-bedroom apartment. At minimum wage, you'd have to work 97 hours per week to afford that apartment.

The **Saporta Report**, lays out the issue for Atlanta and explains that Area Median Income (AMI) is a key factor in determining the ratio for affordable housing. AMI sets the rent of a subsidized residential unit and determines who can qualify for that rent level, based on income and family size. **Learn more about AMI and how it is calculated**.

Where do Atlanta families challenged with housing costs live?

Atlanta families challenged with housing costs live all over the metro area. While some areas of metro Atlanta are certainly more expensive than others, families at every economic level need to live in all areas of the region. If our community takes steps to align local housing costs with local incomes, people will live closer to where they work. We'd likely see a range of surprising benefits, from less traffic to greater involvement in schools.

How is transportation a challenge for low- and moderate-income families?

When housing costs are high, families must often move farther from their jobs to find quality affordable housing. This then adds the burden of additional transportation expenses to the family's monthly budget. According to the Center for Neighborhood Technology's H + T Index, Atlanta households face the one of the highest combined cost of housing and transportation in the nation. Building more housing closer to employment centers ensures that people can live where they work, which means less traffic, reduced carbon emissions, and cleaner air for everyone. We need to make sure that good, affordable homes and other critical resources are available not only in a few desirable neighborhoods but in all communities

Why don't we just build the affordable units we need?

Building affordable units is expensive and not always financially feasible. According to the Urban Institute Affordable Housing Simulation Tool, the problem is often a financing gap:

- Development costs a lot of money. Developers rely on loans and other sources to fund construction before people move in and start paying rent. But developers can only get those loans and equity sources if the development will produce enough revenue to pay back the loans and pay returns to investors.
- The gap between the amount a building is expected to produce from rents and the amount developers will need to pay lenders and investors can stop affordable housing development before it even begins, leaving few options for the millions of low-income families looking for safe, affordable homes.

How do we go forward?

ULI Atlanta and its members developed a set of guiding principles that a successful regional housing strategy should include:

Focus on access to jobs and transportation. Many Atlanta residents live far from employment centers and face high transportation costs, making it difficult to manage any increase in housing costs.

Increase housing production with innovative and cost-saving approaches for new construction. This may include zoning changes to accommodate a wider variety of housing product types.

Recognize that developing inclusive communities requires housing at all price points. We need to address the full range of affordability (0 – 120% of AMI), while recognizing that the need is greatest for housing affordable to households earning below $38,000, or 60 percent of the metro area's median household income.

Find innovative ways to extend the life of existing affordable housing through a strong housing preservation strategy.

Where can I go to learn more?

There is no 'one size fits all' solution but we hope you can learn from what others are doing.

See local housing initiatives from throughout the region:

- **Brookhaven Affordable Housing Taskforce**
- **CATLYST** – Atlanta Regional Commission is leading the creation of a regional housing strategy called CATLYST to help our region's communities identify solutions to specific housing issues.
- **City of Decatur Affordable Housing Taskforce**
- **Georgia Initiative for Community Housing**
- **HouseATL** – A cross-sector action plan for housing affordability and community retention in the City of Atlanta
- **LIVE Norcross**
- ULI Atlanta conducted a study with Bleakly Advisory Group to help define what affordable housing is and create a vision and strategy for the Atlanta region. **See the Affordable Atlanta study**.

See national resources and initiatives:

- **How Housing Matters**
- **Local Housing Solutions**
- **Opportunity Insights**
- **ULI's Terwilliger Center for Housing**
- **Urban Institute's Affordable Housing Simulation**

Terms and Definitions

Affordable Housing– Housing for which the occupants are paying no more than 30 percent of their income for gross housing costs, including utilities. Local policy often seeks to serve renters up to 60% or 80% of Area Median Income, owners up to 100% or 120% of Area Median Income.

Area Median Income – A benchmark which divides income distribution in a given area into two equal parts: one-half earn above this amount and one-half below. Affordable housing eligibility is generally based on income as compared to this benchmark. Area median income figures are calculated by household size by HUD on annual basis for all metropolitan regions of the country and rural areas of states. Housing policy will often focus on households at various AMI levels (e.g. 30%, 50%, 60%, 80%, 100%, 120% of AMI).

Related AMI Terms:

Very Low-Income Households – Defined by HUD as those households whose incomes are well below the area's median (do not exceed 50 percent of the median). This measure can be adjusted to account for family size. The US Census Bureau defines as 30% of AMI or less.

Low Income Households – Defined by HUD as those households whose incomes are below the area's median (do not exceed 80 percent of the median). This measure can be adjusted to account for family size. The US Census Bureau defines as 50% of AMI or less.

Moderate Income Households – Defined by HUD as those households whose incomes are near the area's median (80 to 120 percent of the median). This measure can be adjusted to account for family size. US Census Bureau defines as 80% of median.

Workforce Housing – Housing for those who earn too much to qualify for most affordable housing programs yet cannot afford the average market rate. The meaning of this term can vary by market and by context but often refers to households between 60 to 120 percent of Area Median Income (AMI), renters and owners.

Assisted Housing – Any housing development which has received some form of public subsidy from local, state or federal sources, typically to support the creation of affordable housing units.

Community Land Trust – Community land trusts are nonprofit, community-based organizations designed to ensure community stewardship of land. Community land trusts can be used for many types of development (including commercial and retail) but are primarily used to ensure long-term housing affordability.

Density Bonus – An agreement to allow developers to increase the number of units beyond that which would normally be allowed under a specific zoning regulation, in exchange for setting aside a specific share of units affordable to people with low or moderate incomes.

Down Payment Assistance – A "catch-all" term for a variety of programs designed to help homebuyers purchase a home with fewer out-of-pocket costs. These can include free housing grants, funds towards closing costs, forgivable loans, and 0% non-forgivable loans.

Fair Market Rent (FMR) – The maximum rent which can be charged on a unit to meet either a 60% of AMI or 80% of AMI income maximum for an affordable unit. FMRs are determined annually by HUD and primarily used to determine payment standard amounts for housing assistance voucher programs and other housing assistance payment programs.

Homelessness – When individuals lack a fixed, regular, and adequate nighttime residence.

Homestead Exemption – A portion of a home's assessed value that is exempt from property taxes to bring down the tax burden for the homeowner. Homestead exemption requirements and benefits vary by county and municipality, but generally require the home be owner-occupied.

Households – All the people who occupy a housing unit. A household includes the related family members and all the unrelated people who share the housing unit.

Housing Cost Burdened – Defined by HUD as those households who pay more than 30 percent of their income for housing (rent plus utilities), and may have difficulty affording necessities such as food, clothing, transportation, and medical care. For owner households, those who pay more than 30 percent of their income for their mortgage and utilities.

HUD – (The U.S. Department of Housing & Urban Development) The federal agency that is dedicated to strengthening and supporting the housing market and administering federal housing policy.

Incentive Zoning – Municipal and county planning ordinances that allow a developer to develop in a way that ordinarily would not be permitted in exchange for a public benefit that would otherwise not be required. This category includes density bonuses.

Inclusionary Zoning – Municipal and county planning ordinances that require a specific share of new construction be affordable to households with low to moderate incomes. This integration of affordable units into market-rate projects creates mixed-income communities, where households of different income levels have access to the same community services and amenities.

Low-Income Housing Tax Credit (LIHTC) pronounced [Lie-tech] – A tax incentive intended to increase the availability of low-income housing. The program provides an income tax credit to owners of newly constructed or substantially rehabilitated low-income rental housing projects. The affordable units are typically focused on 60% of AMI and below. Two levels of LITHC are offered. (1) The 9% credit is limited to a set amount of credits nationally and allocated by population among the 50 states. It is then is competitively awarded by the state housing finance agency, in the case of Georgia it is the Department of Community Affairs, to projects which apply for the designation. (2) The 4% credit is offered on an application basis and is not limited in terms of the number of transactions which can qualify.

Mixed Income Communities – Housing developments which include diverse types of housing units for people with a range of income levels.

Project-Based Rental Assistance (PBRA) – Housing developments in which the private owners have contracted with HUD to rent some or all of the units to low-income families. This differs from "tenant-based" rental assistance, which can be used to rent any private apartment that meets program guidelines.

Public Housing – Housing provided by a public housing agency chartered in a local community specifically to provide housing for people with low incomes, subsidized by public funds. It comes in a variety of forms owned, sponsored, or administered by a government. Typically, these agencies operate at the city or county level. Most of their operating funding comes from the Public Housing division of HUD.

Special Needs Population – Service-enriched housing developments for those who have special requirements for their housing. This can include the elderly, persons with physical, mental, or behavioral disabilities, persons with medical needs, and persons with alcohol or drug addictions.

Senior housing – Housing developments specifically targeted to those 62 (sometimes 55) years or older. These facilities or communities can lawfully refuse to sell or rent dwellings to families with minor children.

Section 8/Housing Vouchers – A HUD program which provides rental assistance to low-income families who are unable to afford market rents through the use of vouchers or certificates. The Section 8 family pays up to 30% of its income in rent and the balance between this amount and the FMR is paid by the local housing authority to the landlord each month.

Transit-Oriented Development (TOD) – A type of community development that includes a mixture of housing, office, retail and/or other amenities integrated into a walkable neighborhood and located within a half-mile of quality public transportation.