



*House of Representatives  
Study Committee on Regulation, Affordability, and  
Access to Housing*

**Final Report**

**Chairman Dale Washburn  
Representative, 141st District**

**The Honorable Debra Bazemore  
Representative, 63rd District**

**The Honorable Chuck Efstration  
Representative, 104th District**

**The Honorable Martin Momtahan  
Representative, 17th District**

**The Honorable Rep. Jason Ridley  
Representative, 6th District**

**Teresa Bidez  
Realtor, Coldwell Banker High Country Realty, Blue Ridge**

**Hubert Parker  
Gilmer County Commissioner**

**November 2022**

Prepared by the House Budget and Research Office

## Introduction

The House Study Committee on Regulation, Affordability, and Access to Housing was created by House Resolution 1149 during the 2022 Legislative Session of the Georgia General Assembly. HR 1149 acknowledges that housing affordability, regulation, and access have become key issues for Georgia and that the reported housing shortage affects home buying options for Georgians. It also recognizes the possibility that local restrictions have contributed to a housing shortage in the state. The committee listened to testimony from more than 50 experts across real estate, municipal government, homebuilding, economic development, and affordable housing industries. The members reviewed the current state of housing availability and affordability, the impact of local restrictions, key affected areas, and strategies to improve the crisis.

## Testimonials

### **Wednesday, September 28, 2022 – Georgia State Capitol (Atlanta, GA)**

John Hunt, Principal, MarketNsight

Hugh "Trip" Tollison, President and CEO, Savannah Economic Development Authority

Emily Hamilton, Senior Research Fellow, Mercatus Center at George Mason University

Samyukth Shenbaga, Manager, Community Development Division of Atlanta Regional Commission

Chris Denson, Director of Policy and Research, Georgia Public Policy Foundation

B. Ryan Willoughby, President and CEO, Habitat for Humanity of Georgia

Simon Bloom, Founder, Bloom Parham, LLP

Dr. Andy Carswell, Professor, Financial Planning, Housing, and Consumer Economics, University of Georgia

Austin Hackney, Executive Vice President, Homebuilders Association of Georgia

Trevor Readdick, Commissioner, Camden Co. Commission; President, Homebuilders Association of Georgia

Skylar Olsen, Chief Economist, Zillow

### **Thursday, September 29, 2022 – Georgia State Capitol (Atlanta, GA)**

Stuart Countess, President and CEO, Kia Georgia

Bárbara Rivera Holmes, President and CEO, Albany Chamber of Commerce

Christopher Nunn, Commissioner, Department of Community Affairs

Tonya Cureton Curry, Deputy Commissioner of Housing, Department of Community Affairs

Jerald Mitchell, President and CEO, Greater Columbus Georgia Chamber of Commerce

Daniela Perry, Vice President, Georgia Chamber Foundation

Eric Kronberg, Principal, Kronberg Urbanists + Architects

B. Ryan Willoughby, President and CEO, Habitat for Humanity of Georgia

Jessica Gill, CEO, Northwest Metro Atlanta Habitat for Humanity

Rhonda Streat, Director of Homeowner Services, Gwinnett-Walton Habitat for Humanity

Gordon Bussey, President, Mortgage Bankers Assn. of Georgia; Area Sales Manager, Caliber Home Loans

Mo Thrash, Governmental Affairs Director, McCalla Raymer; Lobbyist, Mortgage Bankers Association of Georgia

Bill Bolling, Founder, Atlanta Regional Housing Forum

Natallie Keiser, Executive Director, HouseATL

Haydon Stanley, Director of Governmental Affairs, Atlanta Apartment Association

Alan King, Chairman of the Board of Directors, Atlanta Apartment Association; Incoming President, National Association of Apartments; Managing Director Head of Property Operations, Berkshire Residential

Bill (William) Glass, Chairman of Legal Affairs Committee, National Association of Home Builders; Legal Counsel, Great Savannah Homebuilders Association

**Wednesday, October 12, 2022 – Georgia State Capitol (Atlanta, GA)**

Jet Toney, Georgia Affordable Housing Coalition

Joseph Santoro, Director of Policy and Government Affairs, Council for Quality Growth

Joe Padilla, Vice President of Government Affairs, Smith Douglas Homes

Sydney Seral, Vice President of Advocacy, Georgia Credit Union Association

Matt Dobson, Vice President, Vinyl Siding Institute

Joshua Humphries, Director of Office of Housing and Community Development, City of Atlanta

Noah Roenitz, Government Relations Associate, Georgia Municipal Association

Mayor Jim Thornton, LaGrange; Incoming Director of Government Relation, Georgia Municipal Association

Clint Mueller, Legislative Director, Association County Commissioners of Georgia

Larry Johnson, Commissioner, DeKalb County Commission; Former President of National Association of Counties

Harry Johnston, Commission Chair, Cherokee County Commission

John Daniell, Commission Chair, Oconee County Commission

Whitney Shephard, President, Georgia Chapter of the American Planning Association

Harold Melton, Partner, Troutman Pepper Hamilton Sanders; Former Georgia Supreme Court Chief Justice

**Thursday, October 13, 2022 – Georgia State Capitol (Atlanta, GA)**

Archie Emerson, Real Estate Agent; President-Elect, Empire Board of Realtists

Brad Mock, Director of Government Affairs, Georgia Association of REALTORS

Austin Hackney, Executive Vice President, Homebuilders Association of Georgia

Trevor Readdick, Commissioner, Camden County Commission; President, Homebuilders Association of Georgia

Jimmy Cotty, Executive Director, Georgia Manufactured Homes Association

Tabetha Dupriest, Tax Commissioner, Worth County

Tucker Green, Executive Director, Conditioned Air Association of Georgia, Inc.; Executive Director, Georgia Association of Groundwater Professionals

Rusty Haygood, Deputy Commissioner, Georgia Department of Community Affairs

Ted Miltiades, Director of Construction Codes and Industrialized Buildings, Georgia Department of Community Affairs

Allen Rodi, Real Estate Agent

## Committee Findings

### Data Trends

#### *Limited Supply and Increased Demand*

The United States has a housing shortage of about four to six million units;<sup>1</sup> Georgia is experiencing similar shortages across the state, with the current inventory in major Georgia cities being 40% to 57% below the 2019 supply. Unfortunately, current home development projections are not expected to adequately address this shortage as presented by MarketNsignal. While a housing supply of six months is the historical norm in the real estate industry, Atlanta currently has a 1.9-month supply and would need to develop 72,400 new homes over the next 12 months to address the deficit; however, only 13,000 homes are expected to be built in that timeframe. Augusta has a 1.2-month supply with only 1,200 new homes expected to be built over the next 12 months despite the need for 8,200 homes. Columbus has a one-month supply and needs 3,800 new units with only 300 homes expected to be built within the next year. Lastly, Savannah is projected to build 1,600 homes over the next 12 months despite about a 1.1-month supply and the need for 9,300 units.

The underdevelopment of homes is a major contributor to the lack of affordable homes. The national average housing start, or the beginning construction on a new home, was 50,000 per one million people in the 1960s and boomed to over 500,000 in the 1970s before dropping to 40,000 from the 1980s through the 2000s.<sup>2</sup> In the last decade, this national average fell to 20,000 housing starts per one million people. In Georgia, the number of new residential building permits issued decreased by 52% despite the addition of one million new residents to the state;<sup>3</sup> permits issued numbered 808,253 from 2000-2009 compared to 386,223 issued from 2010-2019. An additional 1.2 million new residents are expected by 2032.<sup>4</sup> The Homebuilders Association of Georgia stated that 60,000-65,000 permits would sustain growth with 53,419 issued in 2021 compared to 93,000 in 2005.

Increased interest rates have also created a set of “golden handcuffs” for current homeowners, who are staying in their homes to take advantage of their existing low-interest rates and choosing to remodel or expand instead of sell.

Several speakers testified that while home development is slowly increasing in the state, it is not enough to keep up with demand. This issue also affects the rental market with metro Atlanta expected to have a deficit of about 117,000 apartment units by 2035.<sup>5</sup>

#### *Lack of Affordability*

As of October 28, 2022, the median price for a new home in Georgia is \$323,991.<sup>6</sup> It should also be noted, according to Habitat for Humanity Georgia, that one in seven Georgians spend over 50% of their income on

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<sup>1</sup> National Association of Realtors

<sup>2</sup> MarketNsignal

<sup>3</sup> Georgia Public Policy Foundation

<sup>4</sup> Georgia Chamber Foundation

<sup>5</sup> Atlanta Apartment Association

<sup>6</sup> Zillow

housing and about 20% of the population live below the federal poverty level (\$23,030 for a family of three). Most Georgia counties have experienced at least a 40% increase in home prices from 2016-2021.<sup>7</sup> Additionally, metro Atlanta has experienced one of the largest rental increases in the nation compared to other metropolitan areas, with a 38% increase in rent compared to a 10% increase in wages.<sup>7</sup>

It is estimated that 1.4 million Georgia households cannot afford to buy a home in today's market because monthly mortgage rates are 43% higher than they were just last year.<sup>8</sup> There has been a roughly 32% decline in housing affordability for first-time buyers as the average first-time buyer only has about 68% of the income needed to qualify for a traditional home loan.<sup>9</sup>

For each \$1,000 added to the cost of a home, the amount exceeds affordability of 4,851 Georgia families; an additional \$15,000 to the cost of a home excludes 72,000 families' ability to buy, which has a real impact on the dream of home ownership.<sup>8</sup> Albany Chamber of Commerce shared that Dougherty County had a 17% increase in home prices and saw a 6% decline in home ownership from 2009-2020. In Gwinnett, the average home price increased from \$346,000 to \$425,000 from the first to the third quarters of 2022.<sup>10</sup> To afford a home with a 7.3% interest rate, a Gwinnett household would need an annual income of about \$102,000 to make a mortgage payment of about \$3,500 a month. American Enterprise Institute Housing Center found that in Georgia in 2012, over 90% of carpenters could sustainably afford a home in their community at 150% of the area median income, but in 2021, only 36% could. Additionally, with rising prices, Georgians are forced to stay in the rental market or public housing programs for longer periods.

## **Drivers of the Housing Crisis**

### *The Great Recession and COVID-19*

The current housing shortage began as a result of the Great Recession, which caused a significant decline in home development and construction. The rate of population growth and housing starts increased at approximately the same pace until housing starts decreased with the Great Recession and had not fully recovered prior to the pandemic. In October of 2019, Atlanta had about 3.2 months of housing supply, well below the needed six months to meet demand, partially due to an increase in millennials buying homes after limiting their participation in the market after the recession.<sup>11</sup>

In Georgia, the onset of the COVID-19 pandemic only exacerbated these issues by increasing demand. Prior to COVID-19, there were 24 buyers for every home on the market; in 2021, there were 64 buyers.<sup>12</sup> Demand drove a further decline in inventory in response to families moving to homes with extra space to switch to remote work and schooling. May of 2021 had an unprecedented low supply of less than a month (0.7) of housing.<sup>11</sup> Limited supply and increased demand led to bidding wars, which was another barrier to many people seeking to enter the market.

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<sup>7</sup> Atlanta Regional Commission

<sup>8</sup> Homebuilders Association of Georgia

<sup>9</sup> Georgia Chamber Foundation

<sup>10</sup> Gwinnett-Walton Habitat for Humanity

<sup>11</sup> MarketN8ight

<sup>12</sup> Habitat for Humanity of Georgia

### *The Five L's*

Several speakers spoke to the impact of the “five L’s” on the housing development market, which include: labor, land, lumber, laws, and lending. Given the high costs of land and materials, labor shortages, and restrictive laws, developers expressed difficulty in their ability to build affordable homes at or below \$300,000.

Much of the country is experiencing labor shortages in many sectors, including construction. Georgia’s construction workforce is less than that of the national average, despite the fact that the average Georgia construction worker’s salary is \$49,000, a figure slightly higher than the national average of \$45,760.<sup>13</sup> This workforce gap is only expected to increase.

Supply chain issues and the rising prices of materials also impact the final costs for new home development. Lumber prices have increased by roughly 75%, adding about \$14,300 to the price of an average single-family home nationally since May of 2020.<sup>13</sup> Heating, ventilation, and air conditioning (HVAC) contractors are also seeing a 40% to 60% increase in prices.<sup>14</sup>

Developers have also been limited in their ability to find funding for new projects; many builders were affected by lending options, such as community banks, that struggled to recover after the Great Recession and private investors can be expensive. Additionally, developers are impacted by rising interest rates. Regulatory processes and fees also affect the final cost of a new home and are discussed in further detail in this report.

### *Institutional Investors*

The committee heard from several presenters who discussed the issue of institutional investors that pay prices that force Georgia families out of the competitive market. Nationally, about 4% of homes in the market were bought by institutional investors, which are publicly-traded corporations that purchase multiple properties to rent or renovate and sell for a profit.<sup>15</sup> In 2021, Georgia experienced the second largest amount of investor activity in the country, with about 20% to 33% of homes across the state purchased by investors.<sup>15</sup> It is projected that by 2030, 40% of single-family rental homes nationally will be owned by investors.<sup>16</sup>

Natallie Keiser, Executive Director of HouseATL, testified that investors’ activities are locking families out of homes and utilizing predatory tactics to retain and grow profits. Tactics include serial eviction filings, surprise fees, poor property maintenance, and frequently increased rent. A Georgia Institute of Technology study found that institutional investors were 18 times more likely to evict tenants compared to smaller, traditional landlords. Additionally, a congressional study found that the five largest investor companies increased rent by 40% each year between 2018 and 2021.

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<sup>13</sup> Homebuilders Association of Georgia

<sup>14</sup> Conditioned Air Association of Georgia, Inc.

<sup>15</sup> HouseATL

<sup>16</sup> Yardi Matrix

## *Drivers in Rental Prices*

Members heard from the Atlanta Apartment Association about the increased rental price market. Pandemic-related expenses, such as personal protective equipment (PPE) and increased utility usage in common areas due to remote work, as well as increased costs such as maintenance equipment, fuel, and contract labor have affected rental prices. Additionally, the property insurance rates for some owners have increased by double digits and property tax assessments increased significantly. One tax assessment led to an increase of \$20 to \$50 in monthly rent for tenants in a property on the Atlanta BeltLine.

The eviction moratorium also created issues with tenants unable to pay rent. Despite the availability of supplemental funding to cover the cost of rent, these funds could only be used for those who were income eligible, so property owners struggled with how to fund the gap. As a result, some owners are currently carrying 18% to 30% in debt caused by non-payment, which is exacerbated by courts not being open to process eviction filings. Prior to COVID-19, the eviction process took about 60 days; now the process lasts for up to 15 months depending on court and sheriff staffing levels and if a county has an open courthouse. Ultimately, these unexpected expenses are passed on to tenants at the time of their lease renewal, usually as a mechanism to catch up with the aforementioned increased costs.

## **The Impact of Local Restrictions**

### *Housing Type Zoning Restrictions*

The Department of Community Affairs (DCA) State Codes Advisory Committee, which includes 21 members across the construction, public service, contractor, and engineering industries, annually reviews code revision requests for the state's nine mandatory and three permissive building codes. Local governments have the power to enforce these state codes and add amendments if desired. These local amendments were the subject of several speakers' comments, which referred to them as outdated, not meeting the needs of today's market, and a barrier to affordable options for buyers.

John Hunt, principal at MarketNsight, shared that current zoning procedures are based on 20- to 30-year-old standards, which catered to the baby boomer generation and their families and led to the proliferation of single-family, detached homes in neighborhoods with good school districts. Currently, millennials are the biggest group of homebuyers followed by baby boomers with Gen X lagging behind. Millennials and baby boomers are least likely to have children in their household compared to Gen X, so they desire smaller homes. In fact, there is less than one child (0.6) per household according to the American Housing Survey and 80% of households are not traditional nuclear families, yet 75% of land in an average American city is zoned for single-family homes.<sup>17,18</sup>

Restrictions on the construction of specific types of housing are a barrier to developers and owners, who may be exploring more affordable housing options like accessory dwelling units and missing middle housing. Accessory dwelling units are smaller housing units that are on the same property as a primary unit and can include backhouses, garage apartments, and basement units. This type of dwelling allows owners to house their older parents who are ready to downsize or older children seeking independence while living at home, and can be a

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<sup>17</sup> AARP and the National Building Museum

<sup>18</sup> New York Times

source of rental income. Eight states, to include Washington, California, Utah, Nevada, Colorado, Oregon, Maine, and Connecticut, have legalized accessory dwelling units with broad bi-partisan support.

Mr. Hunt introduced the concept of missing middle housing, which includes duplexes, triplexes, fourplexes, townhomes, bungalow courts, and mansion apartments. Zoning regulations in Georgia center on single family detached units and apartment homes even though there is a desire for these other options. Missing middle housing meets the needs of those who desire smaller, more affordable homes and creates more walkable neighborhoods, especially when placed near transportation hubs. Many cities across the state are increasing permitting for these types of housing, with Atlanta leading the way, though he noted more support is needed for multi-family housing.

Requirements, like minimum square footage and lot sizes, do not meet the needs of buyers and sellers who desire smaller homes and become barriers to starter home development and keeps those trying to buy small or to downsize out of the market. Rhonda Streat, director of Homeowner Services of Gwinnett-Walton Habitat for Humanity, testified that \$12,000 was added to building costs for every additional 100 square feet required. Eric Kronberg, principal at Kronberg Urbanists + Architects, shared that low-density zonings with minimum lot sizes decrease walkability, create higher infrastructure costs per unit, and are overall more expensive with a smaller amount of residences paying for infrastructure and services that could be shared by a larger pool of residents. Some cities have implemented lot size reform and with successful results. For example, Houston, Texas reduced the minimum lot size from 5,000 square feet to 1,400 square feet, which allowed for the development of at least 40,000 small lot detached homes and attached townhomes.<sup>19</sup>

Some speakers presented several counterpoints to the argument for implementing such inclusionary zoning reform. Often, zoning standards are put in place by community members themselves based on their desire to forge a specific kind of community. The point was made that in municipalities that preempt local zoning codes, affordability was not improved and instead poorer quality housing led to higher renovation costs for residents. Lastly, inclusionary zoning for newly developed apartment complexes requires that a certain number of units be set aside for income-based affordable housing, a cost that is absorbed through higher rents for other tenants.

### *Architectural Design Mandates*

Architectural design mandates were continuously raised as a barrier to affordable housing. The Georgia Public Policy Foundation found that Georgia builders were 14% more likely to encounter required architectural design standards compared to their national counterparts. These mandates impose restrictions on the type of building materials, garage setback, roofing pitch, window width, and many more stipulations that often led developers to make more costly decisions to meet requirements. For example, Matt Dobson, vice president of the Vinyl Siding Institute, testified that vinyl siding is the most affordable external cladding for homes, saving customers an average of \$250 per square foot, and is the most popular choice for remodels; however, Mr. Dobson stated that as a result of misperceptions, misinformation, and a desire to keep home prices high, vinyl siding has been banned in several communities, including 70% of metro Atlanta jurisdictions and counties (Douglas, Cherokee, DeKalb, Forsyth, Gwinnett, and Cobb). Prohibitions such as these drive up home prices by requiring the use of more expensive materials. Developers can save approximately \$5,000 per home using vinyl cladding instead of fiber cement and \$33,000 per home using vinyl instead of brick. Several speakers stated that the variety of design mandates across communities make it difficult to build homes as design changes and appeals could take weeks to resolve. Developers also shared that many design standards do not make sense nor do they contribute

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<sup>19</sup> Mercatus Center at George Mason University

to the health, safety, and well-being of residents. Many presenters advocated for universal design standards as a solution to reduce the inconsistency in which architectural design mandates are applied across counties.

Counterpoints were raised by other presenters for why universal standards may be ineffective and to provide context for why these architectural design mandates may be in place. Applying universal design standards has not been shown to improve affordability and does not take into consideration the needs of communities (i.e. stronger materials for coastal weather threats). Additionally, design mandates are developed in collaboration with municipalities, developers, and other industries with time allowed for public input. Mandates also allow neighborhoods to retain their charismatic charm. For example, design mandates in Savannah keep houses looking a specific way that attracts tourism. Lastly, communities with mandates typically have higher appreciation rates on homes than those without mandates.

### *Regulatory Fees, Processes, and Taxes*

Developers shared with the committee how burdensome and expensive the regulatory process can be when building a new home, which contributes to inflated home prices. The Georgia Public Policy Foundation surveyed 86 builders and developers who estimated that regulatory costs make up almost 26.9% of the cost to build a home in Georgia, which is slightly higher than the national average of 23.8%. These fees are either passed on to the customer in the final price of the home or prevent developers from building homes due to the price or time commitment. It was estimated that for a \$300,000 home, \$80,700 of the cost is due to regulation cost. If costs were at the national average, there would be a savings of about \$9,300. For multi-family developments, the rate of regulatory fees can increase to more than 40% of development costs.<sup>20</sup> These fees include zoning approval, affordability mandates, and development fees, which are passed down in increased rental prices.

The regulation and permitting process is not only expensive, but time consuming as well. Staffing shortages at municipal offices and repetitive processes often drive the lag in approval time. These delays increase costs with developers footing the bill for the land until the permits are approved, which may take longer than expected. Some developers spend upwards of \$10,000 without knowing if they will be approved to move forward with their plans. For a subdivision developer, securing a land development permit can take nine to 12 months and rezoning can take six to eight months. Developers have the option to go to a private company to get through the process more quickly, but this can drive up expenses, too. Witnesses also spoke to how expensive and outdated impact fees are, with some outpacing the rate of inflation.

Fees are assessed differently depending on the jurisdiction, which is why many people spoke to the need for greater transparency in how the fees are calculated. House Bill 302 (2022 Session) sought to address the methods in which fees are calculated, including permitting and percentage-based fees; however, it did not pass. Variance is also an issue in the assessment of property taxes. Jet Toney with the Georgia Affordable Housing Coalition testified that one 70-unit senior complex in South Fulton was assessed at \$39,000 in taxes yet the same project in DeKalb was assessed at \$270,000.

### *Development Moratoria*

Development moratoria across the state were briefly mentioned. Several communities have imposed these prohibitions on new housing developments often without ample notice and no timeline for when it will be lifted.

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<sup>20</sup> National Multi-Housing Council

Some theorized this was done to help communities catch up with population increases or revise development codes. One metro Atlanta county has had a building moratorium since 2021 with no end date announced.

## **Key Affected Areas**

### *Business Community*

The business community, especially big employers, are affected by the lack of affordable housing in Georgia. Jerald Mitchell, president and CEO of the Greater Columbus Georgia Chamber of Commerce, discussed how business executives ask about the availability of affordable housing before moving operations to the area.

Trip Tollison, president and CEO of the Savannah Economic Development Authority, shared the community's experience with planning for the opening of the Hyundai plant, which is expected to bring 15,000 to 20,000 jobs to the Savannah area and could increase to 30,000 jobs in the future. Given Savannah's low unemployment rate of 2.7%, a significant number of potential employees will likely be moving in from out of town and need somewhere affordable to live. The need is heightened by the fact that Bryan County is already the fastest growing county in Georgia and the sixth fastest growing county in the nation.

Stuart Countess, president and CEO of Kia Georgia, discussed how lack of affordable housing is affecting their corporation. The Kia plant currently has a vacancy of about 100 positions and has been unable to find affordable housing for qualified applicants near the job site. As a result, many employees live far from work, which often causes tardiness.

### *Assistance Programs*

The housing crisis has affected various organizations working to provide affordable housing assistance to Georgians. One affordable housing organization obtained a \$500,000 grant to assist low- to moderate-income families with buying a home, yet they had to return \$400,000 because they could not find enough homes to purchase.

Both the Housing Voucher Program and the Georgia Dream Program, administered by the Department of Community Affairs (DCA), have been affected by the lack of affordable housing across the state. The Georgia Housing Voucher Program, also known as Section 8, provides rental subsidies for low-income families. The program is 100% federally funded and currently serves about 15,000 Georgia families with another 5,000 on the waitlist; however, 1,035 families with vouchers are currently unable to use them and 738 emergency vouchers have gone unused due to high rental prices and a lack of interested landlords. To address this issue, DCA launched a landlord incentive program in FY 2022 to help offset property damage or needed updates. The Georgia Dream Program is a first-time homebuyer assistance program for those with incomes up to 120% of the annual area median income. In 2021, the program assisted 532 buyers, which was a decrease from previous years. As a result, DCA increased the purchase price limit to \$350,000 in metro Atlanta and \$297,000 for most of the rest of the state to assist with affordability issues.

Habitat for Humanity supports home ownership for low-income families by building and rehabilitating homes with the help of sponsors and volunteers. Lack of affordability and local restrictions have impacted the work that

they are able to do. Four years ago, an average of 15 Habitat for Humanity homes were built annually in the northwest metro Atlanta region and only six are being built in 2022. Jessica Gill, CEO of the Northwest Metro Atlanta Habitat for Humanity, testified about her experience being restricted when trying to build 12 homes in Cobb County, and how it was resulted from complaints about having Habitat for Humanity homes built in the community for various reasons. Her request to build one additional home on land originally meant for 11 homes led to restrictions being imposed during the rezoning process. These included mandates to use more expensive materials like brick, provide a minimum square footage of 1,800 square feet, which exceeded their maximum and affordable 1,574 square foot model, and require that half of the homes be two stories, limiting volunteer participation since they cannot have volunteers on the second floor, further driving up development costs. The commissioners also wanted Habitat for Humanity to buy back homes that may be foreclosed on in the future, a stipulation that was successfully appealed. One home that originally would have cost \$170,000, was completed for \$385,000.

The Georgia Low Income Housing Tax Credit (LIHTC) program (HB 509, 2001 Session) was modeled after the federal program to create a new fund source for investors. More than 100,000 housing units have been brought on the market and there are several units currently undergoing the compliance period, but because these units are rent controlled, rising costs cannot be passed on to tenants in the form of increased rent, which either discourages developers from participating in the program or leaves them paying the difference. Some developers are currently paying about 80% of property taxes out-of-pocket and many are experiencing negative cash flow on their property as a court case to mitigate these issues goes through the appeals process. Property and fee assessments do not always make accommodations for how higher prices affect LIHTC properties as exhibited in the previous example in which a LIHTC development in DeKalb was assessed at \$231,000 more in property taxes than the same LIHTC development in South Fulton.

### **Strategies to Address the Shortage**

Several speakers shared ways that they are addressing the shortage of affordable housing across the state. Investing in strategies to improve housing affordability in Georgia would have positive impact on options for buyers and local governments. The Homebuilders Association of Georgia shared that if 100 single-family homes and 100 rental units were developed, it would create \$1 million in expenditures and \$3.2 million in capital investment for state and local governments, while generating \$10.6 million in tax and other revenue.

Lenders are finding more flexible options to help families buy a home including reducing processing costs, extending interest rate locks, and increasing education. The Atlanta Regional Commission has collaborated with partners across various sectors to better understand the causes of the housing crisis and developed the Metro Atlanta Housing Strategy, an interactive tool available to the public with multiple solutions and dashboards to explore housing prices, submarkets, eviction rates, and more. Kia Georgia is working with the local government in Troup County to assess needs and develop solutions like multi-family housing to increase employees' living options.

Local governments across the state are working to rewrite zoning rules and create unified development codes. The City of LaGrange revised their codes to allow for higher density developments and decreased minimum lot size requirements under certain stipulations based on population needs. The City of Savannah is making accessory dwelling units easier to build through relaxed standards and revised codes. The City of Atlanta has a

goal of building 20,000 affordable housing units throughout the city by utilizing public land and partnerships with about 12 local, faith-based organizations. The city also established the Greenlight Commission to ensure that the process of acquiring public land and going through the regulatory process is smooth and efficient.

## Summary

More than one presenter to this study committee has submitted an opinion that some city and county governments are hindering the development of housing by overly restricting regulation of construction and development of housing units. Examples of such regulations include requiring larger minimum square footage requirements for single family construction, stricter construction and design requirements, and larger minimum lot sizes. These opinions are that these types of regulation affect the costs and shortage of housing.

There is an opinion that stricter controls for the permitting on new housing units is to intended to increase the cost of those units so as to increase the tax assessors' valuation in order to produce more tax revenue. Members of the committee discussed this disincentive to build lower cost housing because it does not always produce sufficient tax revenue to cover the cost of service delivery to the occupants of such housing.

In addition, there is the opinion that there is a need for better land use, which could produce more housing units per acre of land, which would reduce the cost of housing. This increased density would produce more ad valorem tax revenue per acre of land used, which would offset the cost of service delivery to residents in newly developed housing units.

Some local governments are considering policies that would control the development of single family detached and attached housing that is built for the purpose of leasing rather than purchasing. These controls will reduce the availability of housing for consumers who want to lease rather than purchase.

Presenters to the committee believe that there could be legislative solutions to address these issues. Retired chief justice of the Georgia Supreme Court, Harold Melton, testified before the committee that, in his opinion, the Georgia General Assembly has the authority to do that without violating the Constitution of the State of Georgia.

For Georgia to continue to grow and to be an excellent state in which to do business and raise a family, a good supply of housing is an absolute necessity. Georgians should have the right to choose whether housing will be purchased or leased. In either situation, the cost of housing must be reasonable so as not to exceed an acceptable amount of the incomes of Georgia residents.

Generally, if it is allowed to do so, the free market will meet the demand of consumers relative to housing. If there is excessive regulation that restricts the free market from working efficiently, it must be identified and corrected. The Georgia General Assembly has the authority and it should consider legislation that will make it easier for the free market to meet the housing needs of Georgians.

**Madam Speaker, these are the findings of the House Study Committee on Regulation, Affordability and Access to Housing.**

**Respectfully Submitted,**

A handwritten signature in black ink, appearing to read "Dale Washburn", written over a horizontal line.

**The Honorable Dale Washburn,  
Representative, 141<sup>st</sup> District,  
Chairman**