



# Can Atlanta Be Green and Affordable? Identifying an Untapped Market Segment

By Gray Kelly



More and more often, green building is being seen as a critical component of the affordable housing market.

A recent report from the Atlanta Neighborhood Development Partnership's (ANDP) Mixed Income Communities Initiative highlights an important housing production challenge for the Atlanta region today. The report, *Making the Case for Housing Choices and Complete Communities: The Next Generation*, is an update of a 2004 report, which documents a large gap in housing supply for lower income wage earners and predicts that the mismatch between supply and demand may be growing.

Affordability was most acute for the lower third of household incomes, but the research also found that homes close to the core and/or job centers were becoming increasingly out-of-reach for more solidly middle-income earners, including teachers, police officers and low-level managers. To meet the needs of this broad range of incomes, an additional 305,000 housing units are needed. Research done for the report update found 211,517 households with an income of \$20,000 or less in the 10-county metro area, but only 87,000 dwellings with monthly rental or ownership costs of \$500 or less, a level affordable for those at this income level.

For a working family earning between \$20,000 and \$35,000 a year, the average cost of transportation in a location near the core was \$5,446, but it was more than 45 percent higher in the outlying suburbs (This increase is based on data gathered when gas prices were approximately \$1.50 per gallon, making today's costs even higher.) In

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addition, families often need to own one car per worker in those outlying settings. The report notes that every time a family adds a car to their budget, they can lose up to \$75,000 of mortgage-buying power.

More and more often, green building is being seen as a critical component of the affordable housing market. Likewise, affordability is being recognized as a critical component of green building programs, such as EarthCraft House. This synergy is manifesting itself in both housing and developments being constructed today, as well as public policy being adopted to provide incentives and support for the production of affordable housing.

Long-time producers of housing for the lower-income segments of the market have recognized the benefit of building green.

At the state level, Low Income Housing Tax Credits (LIHTC) administered through the Georgia Department of Community Affairs support and promote the development of affordable housing throughout the state. Georgia has strongly encouraged the development of green affordable housing by rewarding green development strategies with points in the competitive scoring process and through some of the thresholds that must be included in any project receiving the tax credits. Because in most states the demand for LIHTC far exceeds the supply, the credits can encourage the type of housing most needed by awarding additional points to developments that best meet those needs. In Georgia, certification of a project as ENERGY STAR or EarthCraft House is heavily rewarded through additional points, indicating that it meets the market need more effectively than projects

without these levels of energy efficiency and sustainability.

Projects receiving LIHTC in Georgia are required to use energy-efficient lighting and appliances, water-conserving plumbing fixtures and paints and finishes with low levels of volatile organic compounds. In addition, they should be located close to transportation or other infrastructure such as retail or job centers. Higher levels of energy efficiency, the capture and reuse of rainwater for irrigation and green building and energy certifications that incorporate a variety of green building

strategies and features are all awarded points aimed at providing incentives to builders and developers.

This emphasis alone has led to the production of hundreds of units of affordable housing that are certified under the ENERGY STAR and EarthCraft House programs in and around Atlanta. Residents of these units typically have utility costs 15 percent to 20 percent less than construction that is merely energy code-compliant.

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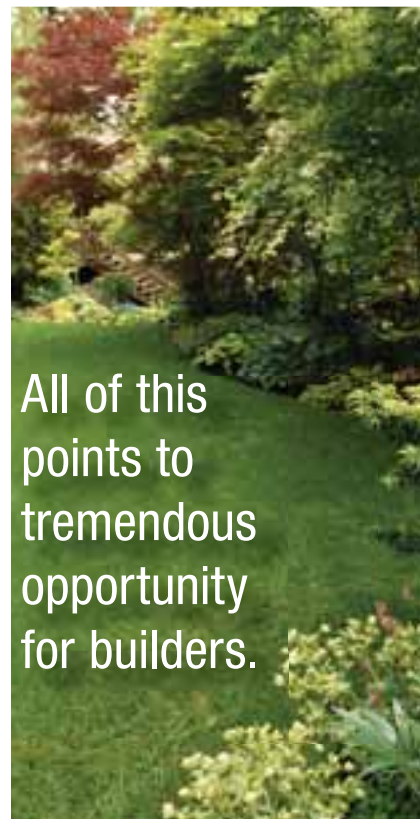
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recognized the benefit of building green. The EarthCraft House program enables Atlanta Habitat for Humanity to offer an affordable green product to their home buyers without a considerable increase in the initial cost of the house. Most importantly, building green reduces monthly utility bills—typically 30 percent lower than those of homes constructed by traditional building practices—during the lifetime of the house. Atlanta Habitat's

success with the EarthCraft House program is evidence that green building can be feasible across the housing spectrum, from high-end custom homes to workforce housing.

The growing numbers of builders and developers producing green affordable housing have helped to dispel the myth that a lot of the other kind of green—money—is needed to produce an ENERGY STAR or EarthCraft House. For buyers in all price points, ener-



All of this points to tremendous opportunity for builders.

gy efficiency and green building can—and should—add to affordability.

Utility, maintenance and health-related costs that are lessened or avoided through green building strategies often mean money in the pocket of the resident immediately. For lower income individuals and families who, according to the U.S. Department of Housing and Urban Development, can spend as much as 20 percent of their monthly income on utilities alone, this may not only be meaningful but critical to making a mortgage payment or meeting other financial obligations.

All of this points to tremendous opportunity for builders. As noted in the Making the Case report, metro Atlanta will need hundreds of thousands of units of low-income and workforce housing in the coming years to meet the level of existing demand, not to mention the future growth anticipated for the region. Builders who are experienced in green construction will be well positioned to take advantage of the growing market and government incentives for producing houses that are energy- and water-efficient, healthy, durable and affordable.

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