



## Housing Affordability in Georgia

Homeownership is the American dream and the aspiration of families all over the world. Yet so-called “smart-growth” plans and other restrictive land-use rules have made homeownership affordable only to the very rich in Florida, California, and other states and regions that have adopted such rules.

A new report from the Georgia Public Policy Foundation titled *The Planning Penalty: How Smart Growth Makes Housing Unaffordable* shows that restrictive land-use rules in various U.S. cities added a stunning \$275 billion to the costs of buying homes in 2005. While housing remains affordable in Georgia, the state would do well to avoid laws such as Florida's 1985 Growth Management Act or smart-growth plans such as one approved by Charleston County, SC, in 1999.

Such laws and plans almost invariably lead to rapidly growing housing prices and unaffordable housing. Most Florida cities, for example, had affordable housing in 1989, but as they implemented growth-management plans in the early 1990s, they saw prices quickly rise. Today, in many Florida cities, median-income families can no longer afford median-value homes without paying a very high percentage of their incomes on housing.

The situation is even worse in cities in California and other states that adopted growth-management plans in the 1970s. Coldwell Banker estimates that a house that would cost \$300,000 in Atlanta would cost well over \$500,000 in Sacramento, \$900,000 in Los Angeles, and \$1.1 or more in Oakland, San Francisco, and San Jose.

Georgia lawmakers should be concerned about affordable homeownership for several reasons:

- **Wealth production:** Most small businesses in America get their start with a loan secured by the business-owner's home;
- **Education:** Children in families—especially low-income families—that own their own homes do better in school than in similar families who rent;
- **Lifestyle:** Because people who own their homes take better care of them than renters, they enjoy a higher quality of life.

Few people would openly argue that government should try to reduce homeownership. Yet that is the most important effect of smart-growth policies that drive up housing costs. Homeownership rates have declined in

states like Oregon and California that first adopted such policies in the 1970s.

Ironically, advocates of land-use restrictions like to call themselves “progressive,” yet the rules they support are highly regressive. Planning-induced housing shortages place enormous burdens on low-income families while they award windfall profits to relatively wealthy homeowners. The 2000 census found that three out of four white families in Georgia own their own homes, but only three out of eight black families do. Land-use restrictions will make it even more difficult for low-income families and minorities to get out of poverty.

Although housing remains affordable throughout Georgia, prices have been growing faster than incomes in Savannah, which will soon create affordability problems. Savannah and Chatham County officials should carefully examine their plans and regulations to insure there are no barriers preventing homebuilders from meeting the demand for new housing.

Housing will remain affordable in Atlanta and other Georgia cities only so long as government does not stand in the way of homebuilders trying to meet the demand for new homes. Urban-growth boundaries, lengthy planning processes, complicated design codes, restrictive zoning, and open-space preservation programs can all significantly drive up housing costs.

Like other fast-growing states, Georgia is under enormous pressure from planners and planning advocates to adopt such policies and rules. The state should resist these pressures at all costs. The issues that planners claim to address can be much better resolved in other ways.

Open space, for example, is best protected by land trusts and other private organizations. The U.S. Department of Agriculture estimates that nearly 90 percent of Georgia is rural open space. When housing is scarce and open space abundant, government efforts to protect open space at the expensive of higher housing costs is a tragic misplacement of priorities.

Other issues, such as urban-service costs, can best be dealt with through user fees rather than regulation. Such user fees can give people the freedom to choose how they want to live while insuring that they pay the full costs of their choices. This will help make the American dream accessible to every family.

# Key Findings and Recommendations

## Findings

- Housing shortages caused by restrictive land-use planning and regulation imposed penalties on U.S. homebuyers totaling more than \$275 billion in 2005.

*That is more than four times the total cost of urban congestion as calculated by the Texas Transportation Insittute's annual urban mobility reports.*

- More than 90 percent of this cost was in just twelve states whose cities have especially strict land-use controls such as growth boundaries, greenbelts, growth caps, or concurrency rules.

*Leading states include California, Colorado, Florida, Massachusetts, Oregon, and Washington.*

- Homebuyers in more than fifty metropolitan areas paid penalties of \$100,000 to \$850,000 per median-value home in 2005. Homebuyers in another fifty metropolitan areas paid penalties of \$25,000 to \$100,000 per home.

*These penalties are conservatively calculated and the real numbers probably average 25 percent more.*

- These penalties dwarf the so-called costs of sprawl. According to *The Costs of Sprawl 2000*, low-density housing adds just \$11,000 per home in urban-service costs compared with more compact development.

*Why should every homebuyer in a metropolitan area pay \$25,000 to \$850,000 more just so cities can save \$11,000 on a few new homes?*

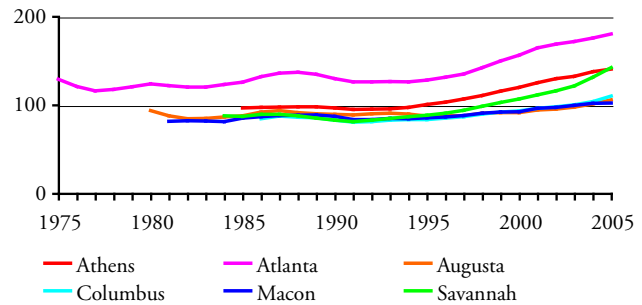
- Nor are such rules needed to protect open space as 95 percent of the United States, and nearly 90 percent of Georgia, remains as rural open space.

*When housing is scarce and open space abundant, government efforts to protect open space at the expense of higher housing costs is a tragic misplacement of priorities.*

- Twenty states, including Georgia, have flexible land-use rules that so far have imposed little or no planning penalties on homebuyers.

*However, a rapid increase in prices in Chatham County suggests that planning restrictions there may limit the ability of homebuilders to meet the demand for new housing. Savannah and Chatham County officials should review their land-use rules to insure that they do*

Georgia Home Price Indices



*Housing remains affordable throughout Georgia. But escalating housing prices in Savannah and a few other areas may signal that planning restrictions are limiting the ability of homebuilders to meet the demand for new homes. The chart shows median-home values in thousands of dollars.*

## Recommendations

- Georgia cities and counties should review their plans and zoning ordinances and remove any requirements that could limit the ability of homebuilders to meet demand for new homes.
- The Georgia legislature should resist efforts by planning advocates to impose stronger planning requirements on cities and counties.
- The “costs of sprawl” should be dealt with by setting fair taxes and user fees that allow people to choose where they want to live but make sure they pay the full cost of their choices.
- Government should leave the protection of open space to land trusts and other private groups.
- Cities and counties should avoid inclusionary zoning ordinances, which assist only a few people but can increase housing costs for everyone else.

## For Further Information

This briefing paper summarizes *The Planning Penalty: How Smart Growth Makes Housing Unaffordable*. This report was published in March, 2006, by the Georgia Public Policy Foundation, an independent, public policy think tank, in cooperation with the American Dream Coalition, a national coalition of people who support free enterprise and free-market solutions to urban problems. Go to [gppf.org](http://gppf.org) to download the complete report. Numerous data files and other background information are available at [americandreamcoalition.org](http://americandreamcoalition.org).