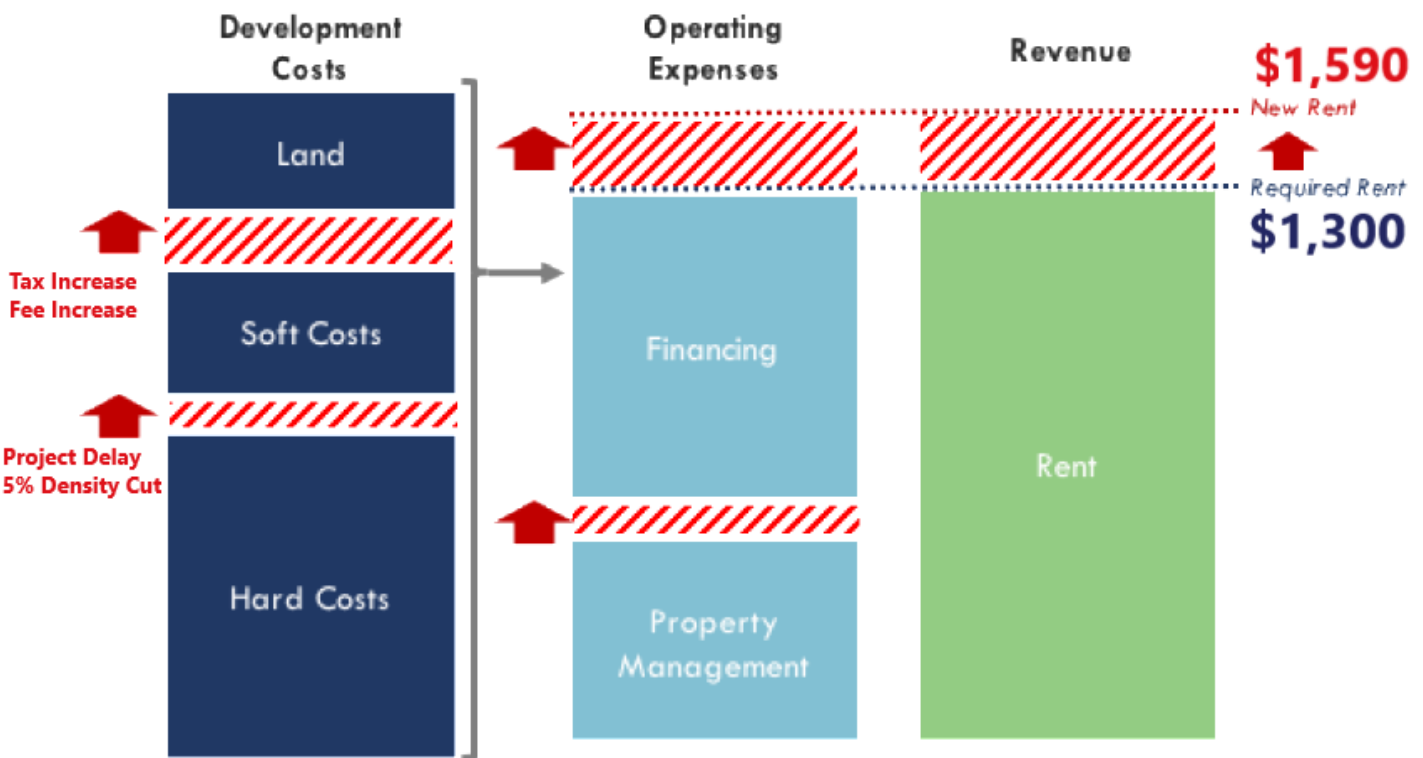


Georgia Apartment Association (GAA) members take pride in providing quality rental homes for more than 500,000 Georgia citizens. Our members provide affordable housing options for residents across the socioeconomic spectrum at all income levels. As housing providers, these professionals know very well the challenges to creating and preserving housing affordability and are well positioned to provide far-reaching, practical solutions to address rising housing costs.

### How Policy Affects the Relationship Between Costs and Rents

New housing development can only occur when state and municipal policy, access to capital, available land, and market feasibility all align. The development must earn sufficient rents to cover the operating expenses, including financing costs used to pay for the physical development. If costs increase, project revenues must also increase. If the market cannot support the higher rents, the project is not viable and will not move forward, restricting future housing supply and further exacerbating affordability challenges. Similarly, if operating costs increase unexpectedly at any point during the life of the property, such as recent industry-wide insurance premium increases due to a state-wide uptick in lucrative premises liability cases, rents must increase for all residents. The framework shown below is a simplified representation of the apartment development process, illustrating the relationship between costs and rents.



The cumulative impact of state and local regulation can significantly increase development and operations cost of multifamily housing resulting in higher rents for all residents. Although each new regulation or proposed tax or fee may seem to have a small individual impact on rent, the cumulative impact of several policies that increase costs will substantially increase rents, making an apartment home that was once affordable to a middle-income family, no longer within financial reach.

The graphic above shows how policies like a new tax imposed through a special tax district, an impact fee increase, a reduction in density due to neighborhood demands and a project delay due to inefficient permitting and inspections work together to increase the monthly rent of apartments within a typical 200 unit apartment community by nearly 300 dollars per month.

## What Government Can do to Effectively Promote Housing Affordability



1. Understand and evaluate the cumulative impact all state and municipal policies have on rent.

2. Expand By-Right Zoning for multi-family housing.

3. Streamline and reform permitting and inspection processes.



4. Commit resources to preserve existing affordable housing and effectively subsidize the creation of new affordable housing.

5. Consider meaningful tax incentives to produce affordable units and increase overall supply.



6. Reform state tort laws that currently support lucrative premises liability lawsuits that result in exorbitant insurance rate increases for housing providers, which make the preservation of existing affordable housing infeasible.

### Common Municipal Policies that Drive up the Cost of Housing:

**Property Tax Increase.** While regular, steady increases in property taxes are inevitable and typically accounted for in an apartment community's development pro forma and operating budget, un-planned tax increases through the unexpected inclusion in special tax districts cannot be absorbed by the property and are ultimately passed through to the resident in a monthly rent increase. A recently proposed Special Services District for properties near the BeltLine Trail system in City of Atlanta is expected to increase rents by \$20 to \$50 per unit per month.

**Development Fee Increases.** Impact fees and other development fees provide important revenue to fund critical capital improvements as an area's population grows and support ongoing operations of local government. However, under the context that we are in, it is equally important to collectively acknowledge that any increase in these fees will have a direct impact on housing providers' ability to address demands for housing affordability. An increase in impact fees or other permit and development fees unequivocally results in a direct increase in rents on all new housing production.

**Inclusionary Zoning.** Local regulation that supersedes the private market to require the development or preservation of affordable housing such as inclusionary zoning, a common form of rent control, creates unintended consequences that almost always outweigh the intended benefits, resulting in an overall increase in rent for residents in unsubsidized units and prevalence of deferred maintenance. Even when incentivized, national data shows that inclusionary zoning policies do little to ameliorate housing affordability challenges.

**Unfunded Mandates on Housing Design & Construction.** In order to comprehensively address the issue of housing affordability, we must acknowledge that even well-intended policies that support things like energy efficiency, aesthetic design standards, and conservation will increase the cost of housing for our residents if mandated without providing a financial subsidy to offset the increased cost.