Affordability First:
Concerns about Preserving Housing Options for Existing and New Residents on Atlanta's Westside

Recent Trends in Median Rents on the Westside

Dan Immergluck

Professor
School of City and Regional Planning
Georgia Tech
dan.immergluck@gatech.edu

September 13, 2016

In the wake of the announcement of the new Atlanta Falcons stadium in 2012, a variety of redevelopment initiatives have focused on Atlanta's Westside neighborhoods. These include, perhaps most prominently, the Arthur M. Blank Family Foundation and the Westside Future Fund. In particular, the Westside Future Fund undertook a major redevelopment planning process during 2016.[1]

The Westside has been struggling for many years and was hit hard by the Great Recession. So efforts to increase responsible investment, quality and affordable housing, and economic development are sorely needed. At the same time, planners working on major redevelopment initiatives should understand the potential for spurring speculation and rising property values, which can move very quickly when high-profile initiatives occur. Such efforts can inadvertently draw in speculative investors and crowd-out opportunities for more sustainable and affordable development. The nature of property markets is that anticipated plans can increase speculative investment in an area, which can drive up land values and housing costs very quickly. In Atlanta, this sometimes happens very rapidly, as evidenced, for example by the fast (and, as it turned out,

[1] See, for example, http://www.myajc.com/news/news/ daunting-task-to-rebuild-atlantas-westside/nqdP6/ or http://www.westsidefuturefund.org/

very speculative) pre-crisis increases around the Beltline even as it was just getting discussed and planned.[2]

There are now initial signs that the major redevelopment planning occurring on the Westside may be having similar effects. This brief paper is not intended to suggest that such plans are fundamentally misguided. There is great need for dealing with abandoned properties, low incomes, poor quality housing, retail deserts, and other problems in these communities. Rather, the concern raised here is whether rapid, speculative investment may now be starting – evidenced by recent significant increases in residential rents – which may actually harm the success of these efforts by making it harder for existing residents to remain in their communities, and more difficult for the neighborhoods to achieve an economically diverse future.

Because home values and residential rents capitalize the value of neighborhood improvements, and because speculators can drive up prices and rents, community development planners and policymakers must *anticipate* these phenomena. Housing is not just another cog in the wheel of the built environment. It is the gateway to a neighborhood and sometimes – unfortunately – the force pushing some existing residents out of a neighborhood. If rents or home values rise very quickly, existing residents will have a hard time staying in the area. And even if they do, their largest monthly expenditures – their housing costs – could increase a great deal, leaving less money for other expenses and leaving them benefitting less from the new investment. Renters and homeowners are vulnerable. Renters can see increased rents and the threat of eviction. Homeowners can see property taxes increase at a rate even faster than the increase in home values.[3]

Increased housing costs also shape the income mix of a neighborhood. If rents increase a lot, it will limit who can move into the area and benefit from the improved quality of life. Without sufficient provision to affordability for new and *existing* residents *early on in the planning process*, prospects for economic diversity over the long run will be limited.

While plans for new affordable housing units are critical, redevelopment efforts often struggle to provide for ways that existing renters or homeowners can be protected from rising housing costs. Redevelopment planners need new tools – improved tenant protection regulations, increased access to legal services for renters, and property tax circuit breaker programs for lower-income residents. These programs should be adopted citywide to provide for more sustainable and balanced redevelopment that benefits existing as well as future residents of communities targeted for redevelopment. Because such policies will allow existing residents to benefit from

[2] See http://www.forworkingfamilies.org/sites/pwf/files/publications/archive/ga/TheBeltlineAndRisingHomePrices.pdf.

[3] This is related to homestead exemptions generally not increasing as property values increase. As values rise, the entire increase in value is often taxed. If a property worth $50,000 has a $25,000 homestead exemption, for example, the tax is applied on $25,000. If the property value goes up to $75,000, the taxable amount will increase to $50,000. Thus a 50% increase in value leads to a 100% increase in property taxes in this example.

neighborhood investment, they will encourage a greater level of shared vision in redevelopment planning.

Early Signs of Rapidly Rising Rents on the Westside

In order to examine residential rents on the Westside, data were gathered from Zillow.com, a leading national aggregator of rental listings. The Zillow Rent Index provides estimates of median rent for neighborhoods (as well as larger areas) based on rental properties listed on Zillow.com.[4] Small-area median rent estimates should be interpreted with caution because they represent units that are actively being listed on the market at a point in time, and are not entirely equivalent to other measures of rent such as the U.S. Census Bureau's American Community Survey, in which a sample of all renters are asked their rent through a survey. However, in terms of gauging the median rents of properties being listed at a given point in time, these data are valuable. The scale of the Zillow data nationally is quite large; the firm claims that it covers on the order of 85 million units nationally. The particular version of the index used here covers all forms of rentals, including those in multifamily buildings and single-family homes, as well rented condos and townhomes. Zillow provides its rent index at the neighborhood level for many cities, including Atlanta.[5]

I selected four neighborhoods on the Westside (Bankhead, English Avenue, Vine City, and Washington Park) to examine. I also included two nearby neighborhoods (Downtown and Home Park) for comparison purposes. I examined the rent index from January 2012, which roughly corresponds to the beginning of the national housing market recovery, through to the most current month, July 2016. Figure 1 plots the relative increases in median rents for these six neighborhoods.

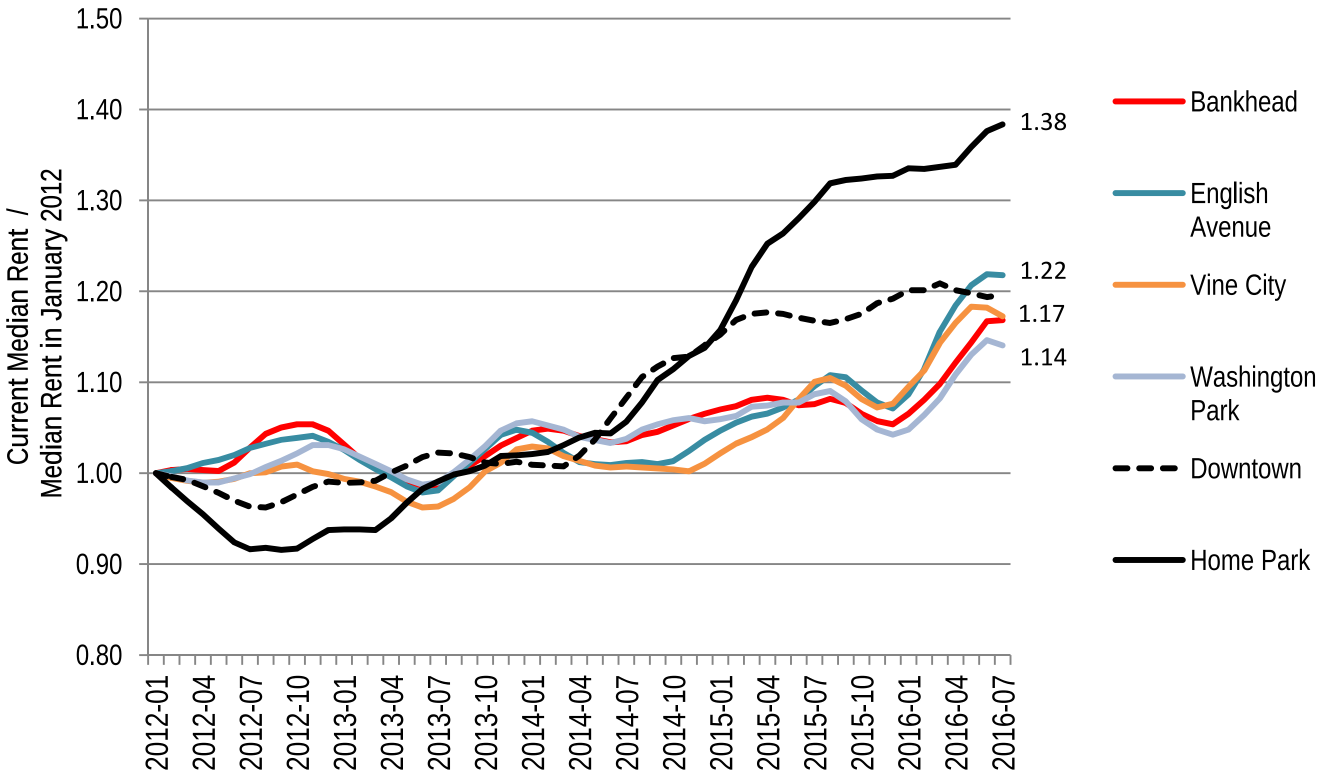
The vertical axis in Figure 1 is the ratio of the median rent at a point in time compared to the initial median rent in January 2012. Thus, when a line reaches 1.10, for example, this means that median rent of listed properties is now 10% higher than the median rent of listed properties was in January 2012.[6] The numbers shown next to the lines on the right-hand side of the graph indicate the July 2017 values. Thus, during this roughly 4.5-year period, median rents of apartment listings in Home Park rose by 38% (i.e., 1.38-1). Home Park is considered a "hot neighborhood" that has seen a great deal of new, luxury development. Median rents will be expected to rise the most quickly in places where new luxury units are being developed because such units are somewhat distinct from older units, typically include many amenities, and demand

[4] For more information see http://www.zillow.com/research/zillow-rent-index-methodology-2393/.

[5] It provides data for 101 neighborhoods in the City of Atlanta. While the precise boundaries of these neighborhoods are not provided by Zillow, the 101 neighborhood names in the Zillow data correspond quite closely to neighborhood names on most City of Atlanta neighborhood maps.

[6] No adjustments are made for inflation; however inflation over this period was very low, at under 1% per year.

Figure 1. Change in Median Rents for Select Westside and Comparison Neighborhoods 2012-2016



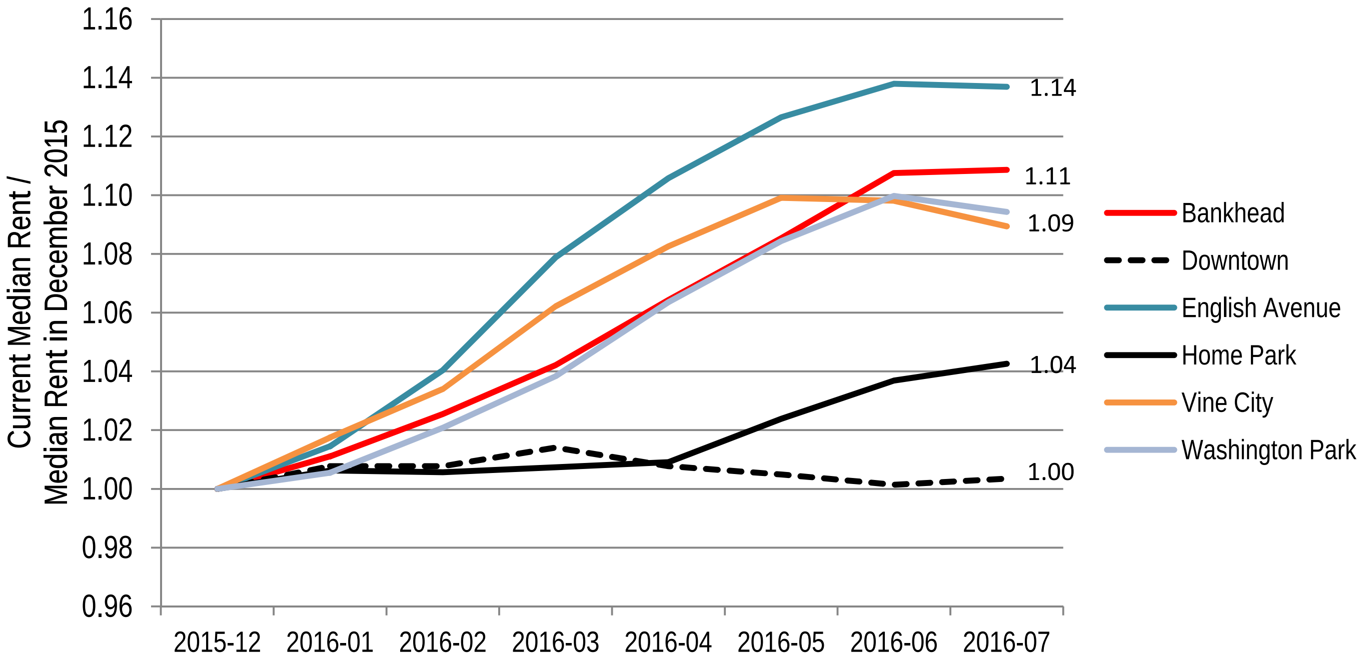
Data source: Zillow Rent Index (http://www.zillow.com/research/data/#rental-data)

a rental premium. (The median rent index does not control for changes in the types of units being rented over time; it merely reflects the typical rents being demanded.)

However, it is not just Home Park that has seen significant increases in median rents. Figure 1 shows that median rents for listings over this period increased by 22% in English Avenue, 17 percent in Vine City and Bankhead and 14 percent in Washington Park. Moreover, Figure 1 shows that while rents in Home Park increased the most rapidly from mid-2014 to mid-2015, increases in the Westside neighborhoods increased quickly more recently, especially in 2016.

In fact, a close examination of Figure 1 shows a sharp upward kink after December 2015 in median rents in the four Westside neighborhoods. Figure 2 zooms in on this period and examines these more recent trends. It shows that over this brief seven-month period, median rents in the four Westside neighborhoods rose between 9% and 14%. Annualizing these rates of increase would yield annual increases between 16% and 27% -- very large changes in listed rents. It is important to note, again, that these figures are not equivalent to same-unit rental increases. Rather, some of these increases may be due to changes in the types of units coming on line, for

Figure 2. Change in Median Rents for Select Westside and Comparison Neighborhoods December 2015 to July 2016



Data source: Zillow Rent Index (http://www.zillow.com/research/data/#rental-data)

example. At the same time, a portion of these increases may also be due to same-unit increases in rents. The Zillow data do not allow us to distinguish the extent to which different mechanisms are at work in generating the higher median rent listings.

These data suggest that median listing rents are increasing significantly on the Westside, especially since the end of 2015. This raises substantive concerns over increasing rent burdens for lower-income families in these neighborhoods – or for families considering moving to these neighborhoods -- and suggests that the redevelopment efforts focused on the Westside may be having significant financial consequences for these households.[7]

[7]For a discussion of programs and policies that could help preserve affordability in anticipation of rising rents and home values see K. Mara and D. Immergluck. 2016. Preserving Affordability and Preventing Displacement in Vine City and English Avenue in the Face of Major Neighborhood Investment Initiatives: A Report to the Westside Communities Alliance. April 22.