Georgia's Workforce Housing Crisis: Causes, Risks, and Solutions

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Abstract

Georgia, like many other states, is facing a housing crisis caused primarily by the interaction of a housing supply shortage, construction labor shortage, outdated policies and regulations, ongoing population shifts, economic stressors, and market speculation. This crisis poses very serious immediate and long-term risks to the state and its residents, with significant potential repercussions in arenas such as economic development, homelessness, crime, poverty, health, education, and more.

The current housing crisis is an urgent one, because its effects have intergenerational impacts, compounding with time. If effective remedies are applied now, not only will future return on investment be greater, but less investment will be needed compared to what will be required if corrective action is delayed.

Fortunately, Georgia has advantages such as locally sourced construction resources, a robust transport network, and state leadership who are prioritizing solutions to the workforce housing shortfall. Based on available research, data, and analysis, this paper describes 6 recommendations for optimizing outcomes in this effort:

- Allow local choice in defining and implementing proper solutions.
- Take direct measures to rapidly train a sufficient construction workforce.
- Increase statewide usage of high-efficiency construction.
- Form a State Land Authority to effectively manage rapid housing expansion around economic development projects.
- Combine more complete utilization of the State Housing Trust Fund with Taxpayer-Directed Funding for non-profit partners.
- Invest in high-quality preschool child care, especially for lower-income populations.

These measures can be expected to have a broad range of impacts, including but not limited to:

- Higher workforce productivity and household incomes;
- Enhanced attraction for high-wage sector industries and workers;
- Reduced rates of homelessness, childhood poverty, and crime;
- Higher educational achievement for children;
- Increased state and municipal revenues;
- Lower per-capita expenditures on public health care and social safety net.

Without a rapid increase in the availability of adequate, cost-manageable, efficient workforce housing — owner-occupied and rental — the state of Georgia will face significant challenges which could have been avoided through proper corrective action. The expected repercussions of a failure to reverse the current housing crisis are significant and far-reaching, in time as well as scope. Fortunately, they are avoidable, and Georgia is well positioned to see tremendous return on investment by taking measures to prevent them.

Executive Summary

In the wake of the 2020 COVID-19 pandemic, the housing shortage in the state of Georgia expanded into a full-blown crisis. The cost of new home construction has risen by 35 percent between the onset of the pandemic and the current year, while affordable rentals declined by some 67,000 units, the second highest drop of any state in the US behind South Carolina (Harvard 2023). Over this same period homelessness, which had been on the decline since 2011, reversed its trend in the state and began climbing again (HUD 2022).

Housing shortages and their accompanying impacts — homelessness, income stress, economic instability and educational disruption from high relocation rates, etc. — tend to depress wages, productivity, economic growth, state revenues, and educational achievement, among other key social and economic indexes. It is estimated that housing shortages in the US have cost Americans more than 13% of potential GDP growth since the 1960s, or nearly $9,000 in annual wages per worker (NLIHC 2023).

Traditional approaches to the problem of declining home ownership, which emphasize greater accessibility to mortgage lending, may well exacerbate the crisis in the absence of significant and rapid increases in housing supply, as higher demand generated by a larger buyer pool creates upward pressure on pricing, thereby nullifying the ability of many newly qualified buyers to find homes they can afford. At the same time, the resulting rise in home prices spills over to the rental market, leaving the most vulnerable populations worse off than they were before (Layton 2021).

Because of this, any solution to the current crisis must include public policies which have the effect of increasing housing supply, for homeowners and renters alike. But many of the impediments to such growth exist at the local level, and in a large state encompassing four distinct geographic zones and with wide variations in population density and business/industrial sectors, there are few one-size-fits-all policies which can be implemented at the state level to successfully address local needs statewide.

The way forward, then, must include a "menu" approach, allowing local jurisdictions to choose among a set of best practices according to their local needs and conditions and providing relevant incentives for those who opt to go above and beyond the minimum. In addition, the state can act to head off potential sources of unmet housing demand by providing tangible support for jurisdictions where economic development projects are located, and for training of new workers in the construction trades, especially those facing barriers to entry or re-entry into the labor force.

In short, by combining local customization of pro-housing regulation/deregulation with state support for workforce expansion as well as workforce training in construction, the state of Georgia as well as local jurisdictions can begin reversing current housing shortages while increasing wages, productivity, GDP, and state revenues. This paper identifies six specific actions the state can take to achieve these goals.

Causes of the Current Workforce Housing Crisis

As of 2023, the state of Georgia ranked in the second highest tier of states for housing underproduction, at 138,000 units below demand (Up for Growth 2023), an increase of more than 2,600% over a ten year period (Simmons 2022). A study by *Atlanta Magazine* compiled immediately prior to the COVID-19 outbreak in 2020 outlined eight primary factors contributing to the housing crunch (Atlanta Magazine 2020):

- The failure of housing production to keep pace with population change;
- Labor shortages in the construction field;
- A dramatic rise in profit-driven speculation in the housing market, such as "flippers" and investment groups, driving up prices;
- A trend toward urban migration, producing more demand for housing in the largest population zones, which raises market price for homes, while simultaneously increasing the supply of available workers which dampens wage growth;
- An influx of high-wage workers in sectors such as film production and healthcare into urban centers, driving developers toward production of high-end/luxury housing and away from general workforce housing;
- An upward shift in property taxes, especially for new homes and non-owner-occupied homes;
- The demolition of aging public housing units.

According to the Economic Policy Institute, the first and most significant of these pressures, lack of available housing, began a steep rise with the Great Recession in the early 2000s, which saw fewer new homes built than any time since the 1960s. The inability to catch up, however, is due largely to restricted land availability coupled with outdated "exclusionary zoning laws" such as restrictions on multi-family housing and minimum acreage and home footprint sizes, originally put in place during times of ample housing/land supply to keep home prices artificially high and, in many cases, restrict the movement of lower-income earners (Maye 2022).

This situation was exacerbated by the COVID-19 epidemic, which triggered market disruptions raising the cost of construction inputs by more than a third, resulting in higher prices for home buyers coupled with higher demand for rental housing (Harvard 2023). At the same time, according to the OECD, homeowners and renters alike experienced work and income disruptions which stressed the existing market, and some measures taken to combat these effects (e.g., rental market restrictions) and may have a backlash effect in the long term (OECD 2022).

Currently in the US, as reported by the National Low Income Housing Coalition, "there is no state or county where a renter working full-time at minimum wage can afford a two-bedroom apartment [and] seventy-five percent of all extremely low-income families are severely cost-burdened, paying more than half their income on rent." This situation has the effect of decreasing upward economic mobility and increasing intergenerational poverty, which can dampen, stagnate, or even reverse economic progress for individuals, families, municipalities, and states (NLIHC 2023).

Compounding this problem, the current tapering of home price inflation is offset by a concurrent hike in interest rates. As reported by the Harvard Joint Center for Housing Studies this year, “the significant rise in interest rates over the past year has more than offset the decline in home price growth, keeping homebuyer costs high and cooling demand. Additionally, homeowners with lower interest rates will be reluctant to sell their homes, holding back inventory growth” (Harvard 2023).

Risks of the Current Crisis

On a macro level, research by the NLIHC reveals that "the shortage of affordable housing costs the American economy about $2 trillion a year in lower wages and productivity" (NLIHC 2023). On the workforce level, per OECD, "rising house prices make it more difficult for people to get on the property ladder, affecting the ability of lower and middle-income families to accumulate wealth and to pass it on to future generations," which means the negative economic impacts of the housing squeeze are not merely temporary — if not reversed, they will remain a drag on prosperity for many decades into the future (OECD 2023).

The spillover effects of the crisis are varied and deeply concerning. The proportion of cost-burdened homeowners in the US (those spending more than 30% of income on housing) is at a record high, and the pre-pandemic decline in cost-burdened renters has now reversed and is once again rising (Harvard 2023). This means that record-high numbers of families and individuals now have fewer dollars to spend on food, medical care, clothing, transportation, and other essentials as well as non-essentials like entertainment and travel. This situation not only dampens revenues for virtually all sectors of the economy other than housing, but it also negatively impacts health and economic independence, resulting in higher state and municipal costs for public health and social safety-net programs.

Shortage-driven price increases also create a vicious cycle which hampers the market's ability to respond. As noted in Harvard University's most recent housing report, "as long as housing remains prohibitively costly for millions of would-be buyers, builders will struggle to expand home production significantly. More lower-cost housing is clearly needed, but expanding development will require zoning reform to support a broader range of housing types and investments in off-site construction methods that could reduce development costs." The same is true for rental housing, as rising vacancies due to unaffordability suppress new construction despite high demand for housing (Harvard 2023).

As a result, many low-income and some middle-income workers are forced to resort to alternative solutions for shelter, such as rent-splitting in overcrowded spaces, "couch hopping" with relatives and friends or, in the case of very low-income residents, living in vehicles or tents or squatting in abandoned properties. Those people falling into the former category, neither adequately housed nor technically homeless, currently face tremendous difficulties finding assistance to reverse their situation and regain an economic foothold, as they do not qualify for programs aimed at renters, nor for programs assisting homeless populations (McConnell 2023).

Government action is therefore critical to creating an environment in which creation of significant numbers of affordable residential units, for-sale and rental, is possible. In our current situation, government inaction practically guarantees that the housing crisis and its myriad spillover effects will continue to worsen. The risks of inaction, or counter-productive action, are extremely high, given that more than 60% of American households hold the majority of their assets in their primary residence, and rates are even higher for the most economically vulnerable populations (Maye 2022).

Steps Toward a Solution

Despite the very real risks and challenges of the current housing situation in the US, Georgia is in a relatively good position to make effective corrections. Many of the key resources required for construction are available locally, and the state's robust transportation infrastructure allows for easy movement of materials and labor. Also, its location in the Southern US and its large geographic area provide opportunities for solar, wind, tidal, and other emerging alternative residential energy sources.

Perhaps most importantly, the state's political leadership has prioritized the housing issue. In his 2023 State of the State Address, Governor Brian Kemp stressed that "transformational projects, good-paying jobs, and new investment are worth little if there aren't options for hardworking Georgians to live where they work" and urged the legislature and other stakeholders in the housing arena to focus on developing new solutions in addition to those put forward by the Governor's Office (Kemp 2023).

Finally, the most effective policies for expanding the availability of cost-manageable housing for lower- and middle-income residents tend to be revenue-neutral or revenue-positive because of the inextricable link between adequate housing and economic growth (see "Expected Outcomes" below). Investments in workforce housing provide ROI through several vectors simultaneously, including documented gains in job creation, job retention, household income, and additional tax revenues realized from all of these (NLIHC 2023). Improved educational and health outcomes, enhanced personal safety and stability, and an increase in intergenerational wealth-building also provide tangible ROI for the state and municipalities over the long term.

A survey of the research cited in the sources used for this report identifies 5 areas of recommended focus:

1: Local Choice of Effective Policies

As discussed above, although many of the critical obstacles to developing sufficient cost-manageable housing exist at the local level, the size and geographic/economic diversity of the state are impediments to adopting state-level policies which can effectively address the broad range of situations found at the local level. For a state such as Georgia, then, the goal should be to develop a menu of effective measures from which local jurisdictions may select in order to craft customized slates of solutions fitting their particular needs and conditions.

Among those options, we would expect to find the following types of measures, among others:

- Deregulation of outdated 20th-century housing and zoning codes identified as inhibiting the production of adequate workforce housing, especially those which are merely exclusionary and those designed to prop up values during previous periods of high supply;

- Reforming codes to allow higher density in areas which have experienced significant growth over the past half-century, anticipate such growth over the coming decades, and/or intend to adopt more modern methods of city planning;
- Removal of certain restrictions on multi-family housing construction to reflect 21st century realities brought about by advances in technology and transportation as well as the younger population's preference for apartments, condominiums, townhomes, and other multi-unit living environments compared to older generations;
- Updating codes to ensure compatibility of new construction with modern, higher-efficiency energy products, and to require HERS ratings accessible on-site to all potential buyers;
- Revision of parking codes in walkable areas near public transportation centers;
- Updating of permitting and related processes to reduce time lags and increase market efficiency;
- Easing of land-use restrictions for environmentally-friendly housing development;
- Removal of restrictions on accessory dwelling units to encourage multi-generational family housing, transfer of ownership within the family, and affordable subletting with continuous owner-monitoring of tenant conditions and comportment;
- Policies discouraging the commoditization of housing for profit rather than use, especially for absentee entities, which tends to artificially raise the cost of housing above its natural local market levels;
- Policies encouraging partnership with experienced non-profits in the housing sector in order to multiply the return on state investment.

By allowing local choice within a state-define framework of minimum adoption levels, maximum adoption timeframes, and relevant incentives for communities choosing to do more than the minimum, the state can realize the benefits of advances in housing technology, planning, and construction methods without attempting the impossible task of producing an effective statewide one-size-fits-all approach. Incentives should have a common-sense connection with local choice, e.g. a jurisdiction adopting solar-ready requirements for new construction is naturally a better investment locale for solar development grants.

2: Construction Workforce Development

Without a trained labor force, the potential benefits of policy improvements cannot be realized, and measures which would otherwise be effective will fail due to this broken link in the chain. Yet it is not realistic to expect the market alone to provide the scope of training which will be necessary to effectively confront the housing crisis in Georgia. Government support is needed, especially in the short term, to develop a sufficient workforce to meet current needs.

In the process of developing and implementing such training programs, the state would reap additional benefits by including targeted investments in chronically unemployed populations in need of work. For example, non-violent offenders within the corrections system, as well as offenders diverted to drug courts or pre-trial intervention programs, can be trained both before and after release, which not only reduces unemployment within that population but also reduces recidivism and relapse rates. Young adults with high school diplomas or GEDs but no college education can also benefit greatly from such programs, also reducing unemployment as well as the temptation for this demographic to resort to gang membership or illegal activities such as drug production and trafficking or sexual exploitation of minors.

3: High-Efficiency Construction

All development currently involves some degree of off-site manufacture and/or assembly, e.g. trusses, window casings, and wall panels. By increasing the use of off-site methods, including the use of "flying factories" (mobile fabrication facilities temporarily located on a build site) and shipment of centralized factory-built homes, developers can build more homes more quickly with fewer hands, reduce the overall cost of construction, cut down on work-related injuries, and reduce on-site theft of materials (Hardiman-Williams 2023).

Objections to high-efficiency construction are often rooted in psychology, particularly in 20th century ideas about what "manufactured housing" is and what it looks like. Yet in 2023, high quality modular and factory-built housing is essentially indistinguishable from site-built housing, and may include basements, garages, and both traditional and contemporary rooflines (Akron Beacon-Journal 2016). Negative perceptions persist largely because the general public is unaware that modern structures using high-efficiency construction are either modular or manufactured. For this reason, municipalities would do well to educate the public about the current state of the industry before moving to update regulations and incentives.

4: Creation of a State Land Authority (SLA)

Economic development projects are prone to the negative side-effect of increasing or creating local housing shortages. States can pre-empt this negative effect by creating an SLA with a mandate to support adequate cost-manageable housing development in tandem with such projects.

For example, an SLA may acquire buildable land in the area surrounding the project, then offer bonds to fund the development of necessary infrastructure sufficient to meet projected housing needs. Processes are established to maintain cost-manageable pricing structures so that private developers or resellers do not absorb the resulting cost savings during the bond repayment period. The area of acquisition automatically becomes a tax-allocation district where taxes generated by the improvements are used to service the bond debt.

Such measures not only avoid housing shortages and housing price spikes, but they also reduce housing market volatility, improve worker satisfaction and lower pollution by reducing commutes, increase discretional spending within the local economy, and reduce educational disruption for students and schools by reducing the need for "rent hopping" among working families. This initial period of managed growth produces better outcomes for existing residents of the area as well as new workers moving into the area in response to associated job openings.

5: Expanded Utilization of the State Housing Trust Fund and Creation of Taxpayer-Directed Funding Mechanisms

Currently there is a gap between the legal scope of use for the State Housing Trust Fund for the Homeless and its actual use. Under existing code, in addition to direct services to the existing homeless population, Trust Fund projects may include "the acquisition, rehabilitation, improvement, or construction of residential rental housing and interest rate or down payment assistance programs designed to enhance home ownership opportunities."

As the above-cited research has demonstrated, state investments in workforce housing serve to prevent homelessness before it occurs, thereby obviating the need for more expensive and difficult remediation measures after the fact. In order to reflect the full scope of the fund and promote its use to head off homelessness, the trust fund name should be shortened to the State Housing Trust Fund, and concrete measures should be taken to utilize the fund to provide for acquisition and construction of cost-manageable rental units.

Additional leverage of state dollars can be further achieved by creating partnerships with bona fide non-profit corporations working in the affordable housing sector. Given the urgency of the current housing crisis, such partnerships may be jump-started by creating a taxpayer-directed funding mechanism (TDF) allowing taxpayers to direct a portion of their state taxes to participating non-profits for this purpose.

6: State Investment in Daycare

While the cost of housing rose by 14% in the last quarter of the 20th century, the cost of child care rose by 49%. And it is a regressive expense, making up 10% or less of mid-income families' budgets, but 40% of the average very-low income families' budgets. If the primary caregiver is working, costs climb even higher (Lurye 2022, Waugaman 2020).

There is a direct impact of child care costs on the housing market. According to Freddie Mac, "families paying for child care generally are left with less money for housing. Specifically, we find they, on average, pay about half of the median mortgage payment and nearly eighty percent of the median rent" (Waugaman 2020). This fact makes children of lower-wage working families particularly vulnerable to housing shortages and the accompanying spike in rents, posing risks to their health, their educations, and their future achievements.

State investments into child care for working families, especially those on the lower end of the income spectrum, will have tremendous return on investment not only by allowing families to move up the housing ladder — which creates new competitive projects in the home building sector while simultaneously triggering renovation projects on existing housing, benefitting total property tax receipts, and creating additional supply in the workforce rental market through new vacancies — but also by improving health and educational outcomes for kids, which in turn will raise their chances of success later in life.

While it is outside the scope of this paper to recommend approaches or policies related to child care, we do note that as of 2021 Georgia ranked 13th among US states in the quality of its child care programs, 14th in availability, and 31st in cost. Improvements in each of these areas can be expected to have positive synergistic effects with the 5 policy recommendations above.

There are a few means to directly improve the cost and availability of child care through housing and infrastructure policy. For example, ensuring high-speed residential Internet statewide will enable some parents of young children to earn incomes from home by working remotely. Encouraging accessory dwellings allows grandparents to live inexpensively while sharing caretaking duties with adult children living in the main home, and can encourage intergenerational wealth-building by keeping the home in the family as owners eventually retire to the accessory dwelling. For the most part, however, direct investment in high-quality, no-fee or low-fee preschool child care by the state, especially in lower-income areas, can be expected to yield the highest dividends for housing affordability.

Expected Outcomes

Over the course of the coming century, states which successfully address the current housing crisis will have a tremendous competitive advantage over those that do not. For all the reasons described above, the cited sources in this report concur that states which reduce or eliminate their housing shortfall will experience an array of positive results, including but not limited to:

- Enhanced attraction for high-wage sector industries;
- Increased competitiveness for highly trained and educated workers;
- Reduced homelessness;
- Lower crime rates;
- Reduced childhood poverty;
- Increased state and municipal revenues;
- Reduced per-capita expenditures on public health care and social safety net;
- Higher educational achievement for children;
- Higher workforce productivity;
- Higher household incomes and greater discretionary spending power.

These outcomes make investment in closing the housing gap one of the highest-return investments a state can make in its economic future. And the sooner a state reverses its housing shortfall, the more impactful its efforts will be in the long term, and the higher return it will receive on that investment.

Conclusions

Because the housing crisis has such a broad array of negative impacts, the issue may appear to require highly complex solutions. But attempting to separately address these various effects in so many areas of public life — economic development, economic competitiveness, poverty, education, homelessness, state and local revenues, crime, public health, worker productivity, etc. — is not only inefficient, but also highly prone to failure.

By focusing on closing the gap between housing need and housing supply, all these negative forces can be addressed simultaneously. And because the positive effects of this closure result in positive economic impacts, investments in cost-manageable workforce housing, especially for lower-wage earners, provides tangible financial returns in both the short and long term, making most or all such investments revenue neutral or revenue positive.

In order to be effective, a large and diverse state such as Georgia is best served by allowing a high degree of local choice regarding which policies to implement and how far above the minimum each jurisdiction feels it needs to go. Simultaneously, the state must act as a partner with non-profits, local jurisdictions, and the private-sector construction industry to rapidly ramp up construction capacity and promote positive, managed growth and higher efficiency construction practices.

The methods identified here are based on the most current research and data, which clearly indicate that those states which neglect to modernize their housing policy to reflect 21st century realities and technologies will fall behind those states which continue adhering to frameworks developed in and suited to 20th century (and in comes cases 19th century) conditions, technologies, and thinking. Furthermore, because housing stability is fundamentally tied to the development of intergenerational wealth and the ability of children to achieve greater economic success than their parents, these advantages tend to multiply over time, persisting and increasing for generations into the future.

All crises are crossroads. And in a crisis, a failure to choose the correct path in a timely manner is tantamount to choosing the wrong path. It is no exaggeration to say that Georgia's future depends, in large part, on whether the state chooses to follow the advice of its governor and other leaders in workforce housing to embrace new ideas and aggressively meet the current challenges, or instead to continue on the path which has led to the existing situation.

Solutions are available. And the state of Georgia is very well positioned to implement them. But governmental action and leadership are required to transform those potential solutions into actual progress.

Resources

Cover image: “Peachtree Pines Shelter” (detail), by John Ramspott, licensed under

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