

WHEN HOUSING MARKETS DON'T WORK

*The Case for Fixing Neighborhoods
Instead of Subsidizing Units*

THRIVING MARKET

- ✓ Private investment flows
- ✓ New construction
- ✓ Higher rents
- ✓ More opportunity

BROKEN MARKET

- ✗ Investment won't go
- ✗ Aging housing
- ✗ Lower rents
- ✗ Fewer opportunities

“ The neighborhoods that most need investment are precisely the neighborhoods where investment cannot be profitable. ”

ATLANTA'S 102 NEIGHBORHOODS BY INVESTMENT VIABILITY

43

FEASIBLE

57% of
rental units



43

MARGINAL

34% of
rental units



16

NOT FEASIBLE

12% of
rental units



Georgia Tech • Ivan Allen College of Liberal Arts
Center for Urban Research

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Introduction

Atlanta has an affordability problem. But the conventional diagnosis is wrong.

The standard narrative holds that the city doesn't build enough housing—that supply constraints in thriving neighborhoods drive up prices and price out working families. The solution, by this logic, is straightforward: build more.

This white paper argues that the crisis is more fundamental, and more tractable, than that framing suggests. The problem is not simply a shortage of units. It is a structural fracture in Atlanta's housing markets—a fracture that splits the city into two worlds operating under entirely different economic rules.¹

In one world—roughly half of the city's 102 Neighborhood Statistical Areas (NSAs)—private capital flows freely. Developers build, landlords invest, businesses open. Rents are high because these neighborhoods are genuinely worth more: better schools, safer streets, more amenities, and more opportunity.

In the other world, the math simply doesn't work. Construction costs in Atlanta range from \$225 to \$375 per square foot, averaging approximately \$270 for mid-rise multifamily buildings. For purposes of this analysis, a 12 percent gross yield threshold is used to approximate the return required to attract private capital after accounting for financing costs, development risk, vacancy, and operating expenses. In not-feasible neighborhoods, prevailing rents—averaging \$1.99 per square foot—generate yields below 9 percent. No plausible intervention short of fundamental neighborhood transformation can close that gap.

Drawing on comprehensive analysis of Atlanta's 102 NSAs, this paper reaches three conclusions:

- Forty-three NSAs (which host about 57 percent of Atlanta's rental housing) can attract private investment without subsidy.² These are the city's thriving neighborhoods.
- Another forty-three NSAs are “marginal”—tantalizingly close to feasibility but not quite there.³ A third of Atlanta's renters live here. Modest targeted intervention could unlock private capital.
- The remaining sixteen NSAs cannot support new private development without fundamental transformation.⁴ Concentrated in south and southwest Atlanta, they house roughly 12 percent of the city's population.

Housing policy conversations typically focus on how to finance the subsidizing of new units. This approach misdiagnoses the disease and may worsen it. The solution is not cheaper housing but high functioning neighborhoods that can attract private investment. The neighborhoods where housing is most affordable are often the neighborhoods with the weakest market fundamentals and the fewest opportunities for residents. Affordability here is not a policy success. It is a symptom of failure.

¹ Comprehensive analysis of all 102 Neighborhood Statistical Areas (NSAs) in Atlanta, using yield-on-cost calculations based on 2025–2026 construction cost and rent data. See Appendix for full methodology.

² Feasible NSAs: 43 neighborhoods generating 12%+ yield-on-cost, hosting 86,700 rental units (57% of Atlanta's rental housing stock) and 54% of the city's population. Rents average \$3.00 per square foot monthly. Source: Center for Urban Research NSA analysis, 2026.

³ Marginal NSAs: 43 neighborhoods generating 10–12% yield-on-cost, containing 48,400 rental units and approximately 34% of the city's population. Rents average \$2.27 per square foot. Source: Center for Urban Research NSA analysis, 2026.

⁴ Not-feasible NSAs: 16 neighborhoods generating less than 10% yield-on-cost, containing 16,400 rental units and approximately 12% of the city's population. Market rents average \$1.99 per square foot. Concentrated in south and west Atlanta. Source: Center for Urban Research NSA analysis, 2026.



A path forward exists. It requires strategic public investment to raise neighborhood fundamentals in distressed areas, regulatory reform to reduce development costs in marginal neighborhoods, and anti-displacement protections to ensure that improvement benefits existing residents rather than displacing them.

I. The Fracture in Atlanta's Housing Market

A City Divided

There is a peculiar irony at work in Atlanta's housing market. The neighborhoods where new housing is most desperately needed are precisely the neighborhoods where private developers cannot make the numbers pencil. Meanwhile, in affluent Buckhead and Midtown, where luxury towers rise with regularity, the market hums along efficiently, adding units that serve those who need help least.

This is not a market failure in the conventional sense. This is the market working exactly as economic theory predicts. And that is precisely the challenge. A comprehensive analysis of all 102 NSAs across Atlanta reveals a housing market fundamentally disconnected from the needs of its residents. Using industry-standard yield-on-cost calculations—the metric developers use to determine whether a project can attract investment—the findings are stark.

The Three Tiers

Tier 1: Feasible Neighborhoods

Forty-three NSAs can attract private investment without subsidies.⁵ These neighborhoods—including Buckhead, Midtown, and Old Fourth Ward—generate annual returns of 12 percent or higher on residential construction costs, enough to satisfy lenders and equity investors. They currently host 86,700 rental units, or 57 percent of the city's rental housing stock and 54 percent of its population. Rents average \$3.00 per square foot monthly—meaning a modest 800-square-foot apartment costs \$2,400 a month. These are not the neighborhoods where teachers and firefighters typically live.

Tier 2: Marginal Neighborhoods

Another forty-three NSAs generate 10–12 percent returns—close to feasibility, but not quite sufficient to compete for capital. They include neighborhoods like Capitol View, West End, and Oakland City. With rents averaging \$2.27 per square foot, these are the neighborhoods where teachers and firefighters do live. They contain 48,400 rental units and 34 percent of the city's population.

For these neighborhoods, the gap is frustratingly small. They need just 1–2 percentage points more in annual return to become attractive to private developers. For a \$30 million development, that's an annual shortfall of \$300,000 to \$600,000—real money, but not insurmountable.

Tier 3: Not-Feasible Neighborhoods

The remaining sixteen NSAs are simply not viable for private development. Concentrated in South and Southwest Atlanta, these areas generate returns of less than 10 percent. Market rents average just \$1.99 per square foot. They contain 16,400 rental units and 12 percent of the city's population.

The following table shows the ten neighborhoods with the worst development economics—those where the gap between achievable rents and construction costs is most severe:



Neighborhood	Rent/SF	% of AMI	Yield-on-Cost
Southside	\$1.43	49%	6.7%
Washington Park	\$1.45	50%	6.8%
Pomona Park	\$1.47	50%	6.9%
Princeton Lakes	\$1.45	50%	7.3%
Scotts Crossing	\$1.56	53%	7.3%
Lakewood Heights	\$1.60	55%	8.3%
Midwest Cascade/Regency Trace	\$1.60	55%	8.4%
Mechanicsville	\$1.90	65%	8.9%
Lindbergh/Morosgo	\$2.10	72%	9.0%
Perkerson	\$1.85	63%	9.3%

Every one of these neighborhoods qualifies as “affordable” by federal standards. Average rents are well below 80 percent of Area Median Income. And every one is affordable for the wrong reasons: high vacancy rates, poor schools, food and health deserts, and significant blighted.

The Mathematics of Market Failure

The calculation is straightforward. Construction costs in Atlanta average approximately \$270 per square foot for a mid-rise multifamily development. Developers need a 12 percent annual yield to attract investment. At \$270 per square foot construction cost, achieving a 12 percent yield requires monthly rent of \$2.70 per square foot. But Atlanta’s mean rent per square foot is only \$2.61, and in not-feasible neighborhoods the average is \$1.99—generating yields of under 9 percent.

These are large gaps that no amount of streamlined permitting or reduced impact fees can bridge. These neighborhoods require fundamental transformation of the underlying conditions that determine market rents.

The neighborhoods that most need investment are precisely the neighborhoods where investment cannot be profitable. There is no market solution to this paradox.

The Neighborhood Life Cycle

Urban economists have long understood that neighborhoods move through life cycles.⁶ The classic model describes four stages: growth, stability, decline, and—if interventions succeed—revitalization. What matters is that healthy neighborhoods require private investment to remain in the growth phase. This is not ideological preference; it is economic reality.

The Richmond Federal Reserve Bank, in analyzing urban decline, identified what economists call “agglomeration economies”—the powerful feedback loops where concentration of people and firms creates benefits exceeding their

⁶ Hoover, Edgar M., and Raymond Vernon. 1959. *Anatomy of a Metropolis*. Cambridge: Harvard University Press. The four-stage neighborhood life-cycle model (growth, stability, decline, revitalization) has been extensively refined; see also Van den Berg, Leo, et al. 1982. *Urban Europe: A Study of Growth and Decline*. Oxford: Pergamon Press.

costs.⁷ Private investment signals that people with resources believe an area has a future. That belief becomes self-fulfilling.

The reverse is equally vicious. When private investment disappears, businesses close, property values fall, schools decline, and crime rises. Metzger’s seminal study demonstrated how this theory became self-fulfilling prophecy in American cities: when planners and lenders decided certain neighborhoods were destined to decline, their withdrawal of investment ensured that decline occurred.⁸

Empirical research on neighborhood effects, including work by Steven Durlauf and others, shows that concentrated poverty creates negative externalities that individual virtue cannot overcome.⁹ Public investment alone—without private capital following—rarely creates sustainable neighborhood health. The World Bank, in its guide to urban regeneration, puts it plainly: “Private investment is key to securing the necessary financial resources, while the viability of regeneration efforts relies largely on buy-in from the community and private sector.”¹⁰

II: How Affordability Becomes a Warning Sign

The Paradox of Cheap Housing

We have trained ourselves to think of “affordable” as unambiguously good. But here is an uncomfortable truth: neighborhoods can be too affordable.

When housing costs significantly less than construction costs, it is not a sign of market efficiency or successful policy. It is a sign of market failure. Consider what different rent levels actually signal in Atlanta:

What 'Affordable' Actually Signals

Not all affordability is equal — cheap rents can mean market failure, not policy success

East Atlanta at \$2.75 per square foot (94 percent of AMI) represents more appropriate affordability. Rents are high enough to maintain the housing stock and attract investment, but not so high that only the wealthy can afford them. The market is functioning reasonably well.

West End at \$2.30 per square foot (78 percent of AMI) looks affordable—

and by federal standards, it is. While portions of West End are currently attracting investment, average rents remain below

Functioning Market	Marginal Market	Market Failure
East Atlanta Rent/sf: \$2.75 / sf % of AMI: 94% of AMI Vacancy: ~7% Yield-on-Cost: ~12.9% <i>Appropriate affordability. Rents support maintenance and new investment. Working families can afford it.</i>	West End Rent/sf: \$2.30/ sf % of AMI: 78% of AMI Vacancy: ~14% Yield-on-Cost: 11% <i>Looks affordable by federal standards. But rents struggle to attract investment. The affordability is a symptom.</i>	Vine City Rent/sf: \$1.85 / sf % of AMI: 63% of AMI Vacancy: ~18% Yield-on-Cost: 9.3% <i>Catastrophically 'affordable.' Housing has almost no market value. Buildings deteriorate. No private developer will build.</i>

⁷Richmond Federal Reserve Bank. 2017. “Responding to Urban Decline.” Economic Brief 17-07. The quoted passage on agglomeration economies and self-fulfilling revitalization expectations appears on p. 3.

⁸Metzger, John T. 2000. “Planned Abandonment: The Neighborhood Life-Cycle Theory and National Urban Policy.” Housing Policy Debate 11(1): 7–40. Metzger documents how FHA redlining and lender withdrawal operationalized the life-cycle theory as self-fulfilling prophecy in Black urban neighborhoods.

⁹Durlauf, Steven N. 2004. “Neighborhood Effects.” In Handbook of Regional and Urban Economics, Volume 4, edited by J. Vernon Henderson and Jacques-François Thisse, 2173–2242. Amsterdam: Elsevier. Durlauf’s review synthesizes the empirical literature on concentrated poverty and the limits of individual agency in overcoming structural neighborhood disadvantage.

¹⁰World Bank. 2017. Regenerating Urban Land: A Practitioner’s Guide to Leveraging Private Investment. Washington, DC: World Bank. The quoted passage appears on p. 12.

levels generally required to support widespread new construction. This affordability still signals underlying market weakness.

Vine City at \$1.85 per square foot (63 percent of AMI) represents catastrophic affordability.¹¹ Housing has almost no market value. Vacancy approaches 20 percent. Buildings deteriorate because rents cannot support maintenance.

The Investment Death Spiral

Why does extreme affordability prevent new investment? The dynamics explain why market forces alone cannot revitalize distressed neighborhoods.

Decline begins when a neighborhood starts to lose residents with options. Property values fall and rents decline. As rents fall, property owners find they cannot afford maintenance while generating positive cash flow.¹² Deferred maintenance follows. Banks, seeing declining values, become reluctant to lend. Local businesses watch their customer base shrink. Grocery stores close. Restaurants and retailers follow. The neighborhood becomes a food and retail desert simultaneously.

The neighborhood crosses a threshold where perception becomes reality. It is now “known” as a distressed area. The stigma becomes self-reinforcing. By now, rents have fallen to 40–60 percent of median income. Housing appears remarkably affordable. But it is affordable because it is worth almost nothing—and because it is worth almost nothing, no private developer will build there.



Why Current Policy Makes Things Worse

Current affordable housing policy, with its focus on subsidizing units rather than fixing neighborhoods, creates perverse incentives that worsen the underlying problem.

Consider the Low-Income Housing Tax Credit (LIHTC)—the federal government’s primary tool for creating affordable housing, producing approximately 100,000 units annually nationwide.¹³ Notice where LIHTC projects get built: developers target neighborhoods where land costs are low, local opposition is weak, and market rents are already

¹¹ Developer cost illustration for Vine City: hard costs \$200/sq ft + soft costs \$40/sq ft + land \$15/sq ft = ~\$255/sq ft total. At \$1.35/sq ft monthly rent, annualized rent = \$16.20/sq ft. Yield-on-cost = \$16.20 / \$255 = 6.4%. Source: Center for Urban Research development proforma analysis, 2026.

¹² At current interest rates (assumed 7%), borrowing 70% of \$255/sq ft construction cost requires annual debt service of approximately \$12–15/sq ft. With net operating income of approximately \$8.20/sq ft (gross rent \$16.20 less operating expenses ~\$8.00), the project is underwater before developer return. Source: Center for Urban Research financial modeling, 2026.

¹³ The Low-Income Housing Tax Credit (LIHTC), established under the Tax Reform Act of 1986, is administered by the IRS and allocated by state housing finance agencies. It produces approximately 100,000 affordable units annually nationwide. Source: National Council of State Housing Agencies, 2025 LIHTC Factbook.

depressed. LIHTC projects tend to cluster in exactly the neighborhoods that already have high concentrations of poverty and low private investment.¹⁴

Concentrating subsidized housing in distressed areas signals that the market has failed there. Private developers read that signal and stay away. LIHTC projects become self-fulfilling prophecies of disinvestment.

Meanwhile, the program is almost never used in thriving neighborhoods where families actually want to live—Midtown, Virginia-Highland, Inman Park—because land costs are too high and neighborhood opposition is too strong. The political economy makes it nearly impossible to place subsidized housing where it would most benefit low-income families: in neighborhoods with excellent schools, abundant jobs, and functioning markets.

The result is a two-tier system: subsidized housing in distressed areas for the poor, market-rate housing in thriving areas for everyone else. This is precisely the opposite of what we should want. We should want neighborhoods where subsidized and market-rate housing coexist—where the market is healthy enough to support private investment but inclusive enough to retain affordability.

The Unit-Count Trap

There is a deeper problem with how affordable housing policy is typically measured and managed: it counts units, not outcomes.

When a city sets a goal of “delivering X affordable housing units,” it is measuring an output, not a result. A unit is a unit whether it sits in a thriving neighborhood with excellent schools, safe streets, and ready access to jobs or in a distressed neighborhood with failing schools, high vacancy, and no grocery store within a mile. But these are not equivalent goods. A family housed in the second type of neighborhood has not been helped in any meaningful sense. They have been given shelter while being denied the conditions that turn shelter into opportunity.

This is the silo problem. “Affordable housing units delivered” is a metric that belongs to one department, one budget line, one set of political incentives. It does not capture whether children in those units are growing up in neighborhoods that give them a genuine chance. It does not capture school quality, safety, access to employment, or the presence of the community institutions that research consistently links to life outcomes. It is a measure of activity, not impact.

An affordable housing unit in a distressed neighborhood is not a solution. It is a restatement of the problem in a different form.

For example, Mayor Andre Dickens has set an ambitious goal of producing 20,000 affordable units in Atlanta.¹⁵ Importantly, his administration has focused those investments in neighborhoods where holistic revitalization efforts are underway—where the public investment in schools, infrastructure, safety, and amenities is being made concurrently, and where the goal is a functioning neighborhood, not merely an occupied unit. This framing represents a meaningful departure from the conventional unit-count approach.

¹⁴ Rosenthal, Stuart S. 2014. “Are Private Markets and Filtering a Viable Source of Low-Income Housing? Estimates from a ‘Repeat Income’ Model.” *American Economic Review* 104(2): 687–706. Rosenthal documents the geographic concentration of LIHTC projects and its impact on private investment signals. See also Liu, Liyi, Doug McManus, and Elias Yannopoulos. 2022. “Geographic and Temporal Variation in Housing Filtering Rates.” *Regional Science and Urban Economics* 93: 103758.

¹⁵ Mayor Andre Dickens announced Atlanta’s 20,000-unit affordable housing goal in 2022 as part of the City of Atlanta’s Housing Action Plan. The plan explicitly conditions investments on neighborhood revitalization context, prioritizing areas with concurrent public investment in schools, infrastructure, and community services. See City of Atlanta Office of Housing and Community Development, *Atlanta Housing Action Plan*, 2022.

The logic is sound and the research supports it. An affordable unit placed in a neighborhood with a 12 percent yield-on-cost ratio and improving school performance is an asset that will appreciate in value—physical, social, and economic. The same unit placed in a neighborhood with a 7 percent yield-on-cost ratio and declining enrollment is a unit that will deteriorate alongside everything around it, providing minimal uplift to its occupants and no broader revitalization impact.

The implication for policy design is obvious: affordable housing investment should be tracked not just by units delivered, but by the neighborhood health trajectory of the areas where those units are placed. A unit counts toward the goal only if the neighborhood around it is on a credible path toward the conditions—functional markets, quality schools, adequate safety, accessible amenities—that transform housing into genuine opportunity. Cities that adopt this framework will find themselves making fewer housing investments in deeply distressed areas and more in the marginal neighborhoods where a modest public commitment can tip conditions toward self-sustaining health.

This is not an argument for abandoning distressed neighborhoods. It is an argument for packaging investments in housing with investments in complementary domains such that they collectively deliver improved neighborhood conditions. Sequencing. Consider housing units as a means to end, not as an end in and of itself. The goal, as Mayor Dickens’ framework recognizes, is not affordable housing. It is children growing up in healthy, thriving, and accessible neighborhoods.

The Filtering Problem

An earlier Center for Urban Research white paper¹⁶ described how in high-functioning housing markets, “filtering” allows units to move down the income ladder as they age: new construction absorbs demand from higher-income households, freeing up older stock for moderate-income households, which in turn frees up still-older stock for lower-income households. This generates naturally occurring affordable housing.¹⁷

But filtering only works in healthy housing markets where the private sector finances new construction. In neighborhoods where no new market-rate housing is built, the supply constraint persists at every income level. In not-feasible neighborhoods, the housing market is effectively broken. Residents suffer as landlords underinvest, vacant lots remain vacant, schools close due to declining enrollment, and neighborhood-serving retail shuts down. Rents and home prices stagnate or decline. The vicious cycle of disinvestment takes hold and can persist for generations.

III: The Regulatory Burden on Development

The Hidden Tax

Over half of Atlanta’s NSAs cannot attract private investment at current construction costs and achievable rents. One place to look for solutions is the cost structure itself. A portion of construction costs—roughly 5–10 percent—comes not from labor, materials, or land, but from accumulated regulation, most of it imposed with good intentions over decades.¹⁸

¹⁶ Edwards, David (2026) Atlanta’s Housing Crisis is Really a Neighborhood Crisis. Center for Urban Research White Paper. Georgia Institute of Technology

¹⁷ Rosenthal, Stuart S. 2014. “Are Private Markets and Filtering a Viable Source of Low-Income Housing?” *American Economic Review* 104(2): 687–706. Filtering functions only where new market-rate construction occurs; in neighborhoods without new supply, the filtering chain is broken at every income level. See also Liu, Liyi, Doug McManus, and Elias Yannopoulos. 2022. *Regional Science and Urban Economics* 93: 103758.

¹⁸ Regulatory cost estimates based on direct review of Atlanta’s development impact fee schedule (effective 2024, following the first increase in 27 years), City of Atlanta building permit fee schedule, Atlanta Zoning Ordinance parking requirements (Sec. 16-28.008), and Atlanta Tree Protection Ordinance (updated 2025). Developer interview data on time costs collected January–March 2026.



This is not an argument against regulation. Regulations serve real purposes. But they impose real costs. And in a market where feasibility margins are measured in single percentage points, these costs matter enormously.

An analysis of Atlanta’s regulatory environment for typical multifamily housing reveals that regulations add approximately \$16,000–\$30,000 per unit to development costs. For a 100-unit building, that is \$1.3–\$2.5 million before a single brick is laid.

Regulatory Component	Cost per Unit
Development impact fees	\$2,500–\$3,000
Parking requirements (at 50 percent reduction)	\$7,000–\$15,000
Tree ordinance compliance (direct + delays)	\$4,000–\$7,500
Building permit fees	\$1,750–\$2,000
Other soft costs (legal, expediting, etc.)	\$1,000–\$2,000
TOTAL REGULATORY BURDEN	\$16,250–\$29,500

The Parking Problem

Atlanta currently requires 0.5 to 2.2 parking spaces per housing unit depending on zoning district. For typical multifamily development in MR-1 districts, the requirement ranges from 1.8 to 2.2 spaces per unit. At \$30,000–\$40,000 per structured parking space, this adds \$54,000–\$88,000 per unit before any living space is built.¹⁹

The requirement also misaligns with actual behavior. Data from comparable urban neighborhoods shows actual parking demand averages 1.2–1.4 spaces per unit.²⁰ The requirement overshoots by 40–60 percent. Reducing the requirement to 1.5 spaces per unit would still exceed actual demand while saving approximately \$17,500–\$25,000 per unit on a typical building.

Atlanta has begun to recognize this. Downtown, Midtown, and the BeltLine corridor have reduced parking minimums. But most of the city—including the marginal neighborhoods where new housing is most desperately needed—remains subject to full requirements.

The Tree Ordinance: Delays as Cost

Atlanta’s tree protection ordinance, updated in 2025, charges \$140 per diameter-inch of tree trunk removed, with per-acre fee caps depending on zoning. Direct fees add \$1,000–\$3,000 per unit in a typical scenario.²¹ But this is not the real cost.

¹⁹ Atlanta’s current parking minimums for MR-1 (multifamily residential) districts: 1.8–2.2 spaces per unit depending on building configuration. At \$30,000–\$40,000 per structured space (RSMeans Atlanta metro, 2025–2026), full requirements add \$54,000–\$88,000 per unit. Reducing to 1.5 spaces saves approximately \$9,000–\$28,000 per unit depending on cost assumptions.

²⁰ Actual parking demand data: DC Department of Transportation. 2016. DC Parking Study: Parking Requirements and Supply in the District. Washington, DC: DDOT; Walker Consultants. 2022. Parking Utilization Study: Urban Multifamily Residential. Average observed demand of 1.2–1.4 spaces per unit in comparable urban markets.

²¹ Atlanta Tree Protection Ordinance (2025 revision): recompense fee of \$140 per diameter-inch of tree trunk removed, with per-acre fee caps of \$12,500 (residential/commercial) to \$35,000 (high-density urban) depending on zoning. Pre-permit arborist meeting: 1–2 weeks. Public posting

The real cost is time. Before a developer can submit a building permit application, they must complete a multi-step process: arborist meeting scheduling (1–2 weeks), public posting period (10 business days), arborist review (5–10 days), and preliminary approval posting (7 business days). If anyone appeals—and 15–20 percent of projects face appeals—add another 30+ days.

For a \$30 million, 100-unit project, carrying costs run approximately \$7,700 per day. A six-week delay costs roughly \$325,000. A twelve-week contested process costs approximately \$646,000—or \$3,250–\$6,500 per unit.²² Combined with direct fees, the tree ordinance imposes \$4,000–\$7,500 per unit in total burden—second only to parking.

The Compound Effect

Taken individually, each regulatory cost seems modest. But they compound. And in a market where the difference between feasible and infeasible is measured in single percentage points, compounding is decisive.

Suppose regulatory reform reduced construction costs by \$15,000 per unit. For a typical 1,500 square foot apartment, that is \$10 per square foot—bringing costs from \$270 to \$260 and reducing the required rent for a 12 percent yield from \$2.70 to \$2.60 per square foot. Neighborhoods currently yielding 10.5 percent move into the feasible category.²³ The analysis suggests this level of reform would shift approximately 8–10 NSAs from marginal to feasible status, unlocking \$2–3 billion in private investment without spending a dollar of public money.

It is also worth noting that not all not-feasible neighborhoods have a rent problem. Underwood Hills, for example, fails the feasibility test despite rents of \$2.30 per square foot—relatively strong for a transitional neighborhood. Its problem is unusually high construction costs driven by site remediation complexity near The Works redevelopment corridor.²⁴ The policy response must therefore be tailored: cost reduction strategies will work in some NSAs, while others require demand-side intervention to raise achievable rents.

IV: What Fixes Neighborhoods

The Beltline as Proof of Concept

Before concluding that distressed neighborhoods are beyond repair, we should examine what happens when public investment successfully transforms a neighborhood’s fundamentals. Atlanta has run this experiment, and the results are instructive.

period: 10 business days. Arborist review: 5–10 days. Preliminary approval posting: 7 business days. Appeal rate: 15–20% of projects, adding 30+ days. Source: Atlanta Department of City Planning, Tree Protection Ordinance Implementation Guidelines, 2025.

²² Carrying cost calculation: \$30 million construction loan at 7% annual interest = \$2,100,000/year = \$5,753/day. Including property taxes, insurance, and overhead, total carrying cost estimated at \$7,700/day. Six-week delay = 42 days × \$7,700 = \$323,400. Per unit on a 100-unit building: \$3,234. Twelve-week delay: \$646,800, or \$6,468/unit. Source: Center for Urban Research financial modeling, 2026.

²³ Regulatory reform scenario: reducing construction costs by \$15,000/unit on a 1,500 sq ft average unit reduces cost by \$10/sq ft (from \$270 to \$260). Required monthly rent for 12% yield falls from \$2.70 to \$2.60/sq ft. Analysis suggests this threshold shift would reclassify approximately 8–10 NSAs from marginal to feasible status. Source: Center for Urban Research sensitivity analysis, 2026.

²⁴ Underwood Hills case: rents of \$2.30/sq ft yield approximately 8.2% on a construction cost of \$280/sq ft, driven by site remediation complexity near The Works redevelopment corridor. This illustrates that cost reduction strategies will work in some NSAs while others require demand-side intervention. Source: Center for Urban Research NSA analysis, 2026.

In 2005, the Memorial Drive corridor in southeast Atlanta was a textbook case of urban disinvestment. Vacancy rates approached 35 percent. Rents averaged \$1.50 per square foot—well below construction feasibility. The yield-on-cost was approximately 8.3 percent.²⁵ No private developer would touch it.

Then the Atlanta Beltline announced plans for its Eastside Trail segment, bringing a multi-use path, parks, and substantial infrastructure improvements to the corridor. Public investment totaled roughly \$50–75 million in direct spending, plus another \$100 million in related infrastructure over a decade.²⁶

By 2015–2016, rents along Memorial Drive had risen to approximately \$2.50 per square foot. The yield-on-cost reached 12 percent—barely feasible, but enough. Private developers took notice.²⁷ Over the following decade, the Memorial Drive corridor and surrounding neighborhoods attracted billions in private investment. For every dollar of public investment, private capital followed at a ratio of approximately 30:1.²⁸

Crucially, 70 percent of new residents occupied previously vacant housing—buildings that had sat empty were renovated structures and their space activated.²⁹ Only 30 percent represented new construction. The Beltline did not merely build new units. It made existing housing valuable again.

For every dollar of public investment along the BeltLine, private capital followed at a ratio of 30:1. The leverage is enormous—if the public investment is strategically designed.

The Anti-Displacement Imperative

The Beltline also demonstrated the dark side of successful neighborhood transformation. Memorial Drive and surrounding areas experienced rapid gentrification. The Beltline’s studies found significant demographic change: increases in White and college-educated residents, and decreases in Black and lower-income households.³⁰ Property tax assessments in the Beltline corridor increased an average of 72 percent between 2010 and 2020.

This is the double-edged sword of neighborhood revitalization. Success attracts investment. Investment raises values. Rising values displace existing residents unless specific protections exist. Public investment in distressed neighborhoods must therefore include anti-displacement protections from day one—not as an afterthought, but as a core component of the investment strategy.³¹

²⁵ Memorial Drive corridor baseline conditions, 2005: vacancy rates 30–35%, average rents \$1.50/sq ft, yield-on-cost approximately 8.3%. Source: Atlanta Beltline, Inc. Economic Impact Report, 2020; Georgia Tech Center for Quality Growth and Regional Development, Beltline Baseline Assessment, 2006.

²⁶ Atlanta Beltline, Inc. Annual Reports, 2005–2016; Atlanta Beltline Tax Allocation District reports.

²⁷ By 2015–2016, rents in Memorial Drive and Beltline-adjacent neighborhoods had risen to approximately \$2.50/sq ft, reaching a yield-on-cost of approximately 12%. Source: Atlanta Beltline, Inc. Economic Impact Report, 2020; CoStar Group multifamily rent data, Atlanta metro, 2015–2016.

²⁸ Source: Atlanta Beltline, Inc. Economic Impact Report, 2020.

²⁹ Beltline new resident analysis: of approximately 17,000 new residents in Beltline-adjacent neighborhoods between 2010–2020, Atlanta Beltline, Inc. estimates 70% occupied previously vacant or underutilized housing stock, with 30% in new construction. Source: Atlanta Beltline, Inc. Equitable Development Assessment, 2021.

³⁰ Beltline demographic change: Atlanta Beltline, Inc. Equitable Development Assessment (2021) and Atlanta Regional Commission data document increases in white and college-educated residents and decreases in African American and lower-income residents in Beltline corridor neighborhoods between 2010–2020. Property tax assessments in Beltline TAD increased an average of 72% between 2010 and 2020.

³¹ Anti-displacement policy instruments: property tax freezes for existing homeowners are authorized under Georgia law (O.C.G.A. § 48-5-311 provides for assessment freeze applications). Community land trust models: National Community Land Trust Network. 2023. Community Land Trusts: Permanent Affordability for All. Burlington, VT: NCLTN. Inclusionary zoning data: Furman Center for Real Estate and Urban Policy. 2023. Inclusionary Zoning in American Cities. New York: NYU Furman Center.

The Role of Community Organizations

Physical investment alone does not make a neighborhood healthy. Research by Princeton sociologist Patrick Sharkey, examining data from 264 American cities over more than two decades, found that every 10 additional community organizations per 100,000 residents was associated with a 9 percent reduction in the murder rate, a 6 percent reduction in violent crime, and a 4 percent reduction in property crime.³²

The mechanism Sharkey identifies is the reclamation of public space. When community groups organize cleanups, run after-school programs, maintain block associations, and assert oversight over parks and street corners, they re-establish the informal social control that makes decline less likely. This is, as Jane Jacobs argued decades earlier, what keeps city streets functioning: not the police officer but the “eyes on the street”—the shopkeeper, the neighbor, the person sitting on a stoop.³³ Sharkey has quantified that insight and extended it to the organizational level.

This finding has direct policy implications. A neighborhood revitalization strategy that focuses only on physical infrastructure and housing construction will underperform. The most durable transformations combine capital investment with deliberate community institution-building—supporting nonprofits doing community organizing, civic empowerment, and neighborhood improvement work.

The Evidence on Community Investment

The research base on community investment and public safety is now substantial. Urban green space—parks, community gardens, maintained public lots—is consistently associated with lower crime risk at the neighborhood level. A randomized trial found that converting vacant lots into usable community gardens reduced gun assaults by more than 17 percent in low-income neighborhoods.³⁴

Housing stability interventions—emergency financial assistance to prevent eviction—produced a 51 percent reduction in violent crime arrests in one rigorous study.³⁵ Programs modeled on Cure Violence, which deploy credible community messengers to interrupt the social transmission of violence, have reduced shootings by more than 30 percent in neighborhoods across Baltimore, Chicago, New York, and Philadelphia.³⁶

In Denver, the STAR program—Support Team Assisted Response, which sends mental health clinicians and paramedics instead of police officers to nonviolent 911 calls—produced a 34 percent reduction in low-level crime in its operating neighborhoods in its first six months, preventing roughly 1,400 criminal offenses.³⁷ A Stanford analysis found the direct

³² Sharkey, Patrick, Gerard Torrats-Espinosa, and Delaram Takyar. 2017. “Community and the Crime Decline: The Causal Effect of Local Nonprofits on Violent Crime.” *American Sociological Review* 82(6): 1214–1240. The study examined 264 American cities over more than two decades.

³³ Jacobs, Jane. 1961. *The Death and Life of Great American Cities*. New York: Random House. Jacobs’s “eyes on the street” concept (pp. 35–37) anticipated the empirical findings on community organizations and informal social control later quantified by Sharkey and others.

³⁴ Urban green space and crime: systematic review across 301 major U.S. cities; see Wolfe, Mary K., and Jeremy Mennis. 2012. “Does Vegetation Encourage or Suppress Urban Crime?” *Landscape and Urban Planning* 108(2–4): 112–122. Vacant lot randomized trial: Branas, Charles C., et al. 2018. “Aesthetic Improvements to Vacant Land and Crime.” *PLOS ONE* 13(12): e0207606 (17% reduction in gun assaults).

³⁵ Housing stability and crime: emergency financial assistance to prevent eviction associated with 51% reduction in violent crime arrests. Source: Collinson, Robert, and David Cunningham. 2023. “Eviction and Poverty in American Cities.” NBER Working Paper No. 30351.

³⁶ Cure Violence outcomes: shootings reduced by more than 30% in participating neighborhoods in Baltimore, Chicago, New York, and Philadelphia. Source: Cure Violence Global. 2022. *Evidence for the Effectiveness of the Cure Violence Model*. Chicago: Cure Violence.

³⁷ Denver STAR (Support Team Assisted Response) program: 34% reduction in low-level crime in operating neighborhoods, preventing approximately 1,400 criminal offenses in first six months. Zero of 4,600+ calls required police backup. Source: Dee, Thomas S., and Jaymes Pyne. 2022. “A Community Response Approach to Mental Health and Substance Abuse Crises Lowered Crime and Costs in Denver.” *Science Advances* 8(23): eabm2106.

cost per incident was four times lower than a police response for the same category of call.³⁸ Not one of the program's 4,600+ calls in its first two years required police backup.

These findings are consistent with a broader evidence base: the Brennan Center for Justice found that increased incarceration was responsible for at most 10 percent of the 1990s crime decline and essentially nothing in the 2000s.³⁹ Increased police presence accounted for at most 5–10 percent of the 1990s decline, with no measurable effect in the subsequent decade.⁴⁰ The upstream drivers—community organizations, housing stability, economic opportunity, environmental conditions—explain far more of the variation in public safety outcomes than enforcement expenditures.

Atlanta is already developing the measurement infrastructure to act on these findings. The city uses the Child Opportunity Index, developed by the Institute for Equity in Child Opportunity & Healthy Development at Boston University, to track neighborhood health and well-being at a granular level across its NSAs.⁴¹ This kind of neighborhood health measurement system—tracking the upstream variables that predict future outcomes rather than the lagging indicators that record it—is the foundation on which an evidence-based neighborhood improvement strategy must be built.

Part V: A Policy Framework

The analysis points toward a three-tier strategy, differentiated by neighborhood condition. The common thread across all three tiers: public investment that changes fundamental neighborhood economics, paired with protections that ensure benefits are widely shared.

Tier 1: Unlocking Marginal Neighborhoods

For the 43 neighborhoods classified as marginal—representing 48,400 rental units and about a third of Atlanta's rental housing stock—the path forward is achievable. These neighborhoods generate 10–12 percent yields but need 12 percent to attract private capital. The annual gap is \$300,000 to \$600,000 on a typical \$30 million development.

Gap Financing Programs

Direct provision of \$15,000 to \$20,000 per unit in soft-second loans, repayable from operations once projects stabilize.⁴² For a 200-unit building, this closes the yield gap while preserving the role of private capital.

Regulatory Reform

Streamlined permitting, reduced parking requirements, and standardized designs can reduce construction costs by \$10,000–\$20,000 per unit. This alone could move approximately 8–10 NSAs from marginal to feasible status.

³⁸ Stanford analysis of Denver STAR: direct cost per incident approximately four times lower than a police response for the same category of call. Source: Dee and Pyne (2022), *Science Advances*.

³⁹ Brennan Center for Justice findings on incarceration and crime: incarceration responsible for at most 10% of the crime decline in the 1990s and essentially no measurable effect in the 2000s, as marginal deterrence effects diminished. Source: Roeder, Oliver, Lauren-Brooke Eisen, and Julia Bowling. 2015. *What Caused the Crime Decline?* New York: Brennan Center for Justice.

⁴⁰ Brennan Center findings on policing: increased police presence accounted for at most 5–10% of the 1990s crime decline, with no measurable effect in the subsequent decade. Specific innovations (data-driven deployment, problem-oriented policing) showed more consistent effects. Source: Roeder et al. (2015).

⁴¹ Child Opportunity Index: developed by the Institute for Equity in Child Opportunity & Healthy Development at Boston University. Atlanta uses the COI to track neighborhood-level health, safety, and well-being across NSAs. See diversitydatakids.org for full methodology.

⁴² Gap financing program parameters: \$15,000–\$20,000 per unit in soft-second loans would close the yield gap for most marginal NSAs, based on Center for Urban Research financial modeling. For a 200-unit building at \$15,000/unit, total public outlay of \$3 million bridges the \$300,000–\$600,000 annual yield shortfall over a 5–10 year stabilization period.



Property Tax Abatements

Reducing property taxes for 10–15 years on new multifamily construction directly improves operating cash flow and yields. Abatements can be tied to affordability requirements: the deeper the rent restrictions, the longer the abatement period.

Tier 2: Transforming Distressed Neighborhoods

For neighborhoods where private development is simply not feasible—generating less than 10 percent yields—incremental support is insufficient. These areas require fundamental transformation of neighborhood conditions.

Coordinated Public Investment

Atlanta has created the Neighborhood Reinvestment Initiative focused on bringing “at scale” investment to several of its most distressed neighborhoods. The plan includes includes:

- **Infrastructure:** Streets, sidewalks, lighting, transit and stormwater management—the physical foundation that makes a neighborhood safe and functional.
- **Schools:** Building a cradle-to-career high quality educational pipeline through investments in facilities and management.
- **Economic development:** Investments in commercial revitalization, grocery stores and neighborhood serving retail
- **Health:** Health and recreation centers, multi-use trails and parks and greenspace.
- **Community Organizations:** Direct support for nonprofits doing violence reduction, youth programming, job training, and neighborhood improvement.

Community Land Trusts and Permanent Affordability

Public or nonprofit entities should acquire land in distressed neighborhoods and lease it to developers at below-market rates, reducing land cost components. This improves project economics while ensuring permanent affordability—insulating a portion of the housing stock from future market appreciation.⁴³

Anti-Displacement Protections

Every dollar of public investment in distressed neighborhoods must be paired with protections ensuring existing residents benefit from improvements rather than being displaced:

- Property tax relief: freeze or cap assessments for existing homeowners during the transformation period.
- Inclusionary requirements: mandate affordable units in any new development receiving public support.
- Financial literacy: training and support for legacy residents.

Market-Making Anchor Investments

In some distressed neighborhoods, incremental investment will not be sufficient to tip market conditions. Atlanta’s experience with Ponce City Market, Centennial Yards, and Atlantic Station demonstrates that investments of overwhelming scale can reset prevailing market conditions—none of those projects penciled based on surrounding market

⁴³Neighborhood revitalization models: Centennial Place (former Techwood Homes) and East Lake (former East Lake Meadows) in Atlanta represent documented examples of holistic revitalization combining housing, education (Drew Charter School, Atlanta Classical Academy), health, and public infrastructure investment.



conditions at the time of investment, but their scale and completeness fundamentally altered the rents and values achievable in surrounding areas.⁴⁴

Tier 3: Sustaining Feasible Neighborhoods

While investing in distressed and marginal neighborhoods, Atlanta should not halt development in Midtown, Buckhead, and other feasible areas. Continue building there—and encourage it.

High-income households need somewhere to live. If new supply is blocked in wealthy neighborhoods while distressed neighborhoods are transforming (a 10–15 year process), those households will bid for housing in moderate-income neighborhoods, displacing residents who then displace lower-income households. This is housing filtering working in the wrong direction.

In feasible neighborhoods, the primary tools are streamlined permitting processes, inclusionary zoning (requiring 15–20 percent affordable units in new developments), and aggressive new construction to absorb high-income demand.

Conclusion: The Dignity of a Functional Market

Atlanta does not have a housing crisis in the conventional sense. It has a neighborhood crisis.

The city has affordable housing: roughly a third of neighborhoods rent below 80 percent of median income. What Atlanta lacks is neighborhoods that combine affordability with dignity—with functional markets, decent schools, adequate safety, and the basic amenities that make community life possible.

Private investment is not a luxury for healthy neighborhoods. It is a necessity. Without it, neighborhoods cannot sustain the virtuous cycle of improvement. Without it, residents have no real choices—only the false choice between overpriced gentrifying areas and distressed areas in decline.

The economics are unforgiving but not immutable. Public investment can transform neighborhood fundamentals, making private investment feasible where it was not before. Atlanta’s Beltline proved this. Community organization research proves it. The question is not whether it works, but whether we will commit to doing it at scale—and with the anti-displacement protections that make transformation just rather than merely profitable.

The goal is not cheap housing in broken neighborhoods, nor expensive housing in functional ones. It is functional neighborhoods accessible to all.

The data in this paper is precise. Yield on cost. Construction costs per square foot. Return thresholds. But behind every data point is a family making impossible choices—the teacher who spends 50 percent of her income on rent, the firefighter who commutes 90 minutes each way, the family in Vine City whose children attend an underfunded school in a neighborhood the market has written off.

The neighborhood crisis is solvable. The economics show us the path. What remains is summoning the political will to walk it—and the moral imagination to see why we must.

⁴⁴ Ponce City Market, Centennial Yards, and Atlantic Station as market-making investments: each project exceeded prevailing feasibility thresholds at the time of investment based on surrounding market conditions, with investors underwriting the thesis that project scale would reset neighborhood rents and values. Post-completion, all three generated significant secondary private investment in surrounding areas. Source: CBRE Atlanta Market Reports, 2015–2024; JLL Atlanta Office Reports, 2015–2024.



Because what we are really talking about is dignity. The dignity of living in a neighborhood that works. The dignity of raising children in communities with functional schools and safe streets. The dignity of knowing your neighborhood has a future worth investing in.

That dignity should not depend on your income. In a high-functioning city, it would not.

Appendix: Data and Methodology

Data Sources

Rent data was compiled from RentCafe/Yardi Matrix (covering 90 percent of multifamily units in properties with 50+ units), Apartments.com, Rent.com, and Redfin, accessed January–February 2026. Data represents average asking rents for one-bedroom apartments in each NSA.

Area Median Income (AMI) figures draw on U.S. Department of Housing and Urban Development FY2025 Income Limits for the Atlanta-Sandy Springs-Roswell, GA MSA. Note that AMI figures in this paper reflect two separate analyses conducted at different times: the neighborhood-level rent analysis uses the FY2025 AMI of \$114,200 for a four-person household; the citywide NSA analysis uses the FY2024 AMI of \$82,700. These figures are not directly comparable across the two datasets.

Construction costs are based on RSMeans data for the Atlanta metro (2025–2026), supplemented by developer interviews and industry publications. Hard costs: \$200–\$240 per square foot for mid-rise multifamily construction. Soft costs: approximately 20 percent of hard costs. Land costs estimated based on recent comparable transactions.

Yield-on-cost methodology: annualized gross rent per square foot divided by total development cost per square foot. Industry-standard feasibility threshold: 12 percent. Neighborhoods generating 12 percent+ are classified as Feasible; 10–12 percent as Marginal; below 10 percent as Not Feasible.

Regulatory Cost Methodology

Regulatory cost estimates are based on direct review of Atlanta’s impact fee schedule, building permit fee schedule, zoning code parking requirements, and 2025 Tree Protection Ordinance. Carrying cost estimates for construction loan delays assume 7 percent annual interest on a \$30 million project.

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