

**Economic Development on Atlanta's South Side
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I am honored by your invitation to speak on the prospects for economic development on Atlanta's south side. I don't have a crystal ball, or even a formal forecast, but I'd like to share with you some ideas about the economic fundamentals that should determine what happens in this section of our city. Looking at it another way, these are the factors that policy makers need to address if they wish to alter the course of local growth.

Setting the Stage—The Macroeconomic and Regional Context

The pace and extent of economic development on Atlanta's south side over the next few years will be shaped to a considerable degree by what happens in the U.S. economy and particularly in the Southeast. If the economy falters, then even the most creative ideas of developers and urban planners will have difficulty reaching fruition. Happily, the essentials for continued moderate growth seem to be in place. The longer-term inflation outlook is generally favorable. Wage contract settlements have typically been modest, and, of course, the substantial decline in oil prices actually led to a drop in price levels this spring. Another positive factor is the dollar's depreciation on foreign currency markets. The dollar has fallen by around one-third against the currencies of our major trading partners since its peak in February 1985. Over time this turnaround should have very positive effects on U.S. manufacturing, giving some relief to those industries that have been hard hit by less expensive imports, and boosting foreign sales of export-oriented producers. A final factor underlying my optimism about prospects for expansion is that we have had substantial growth in money and credit. Interest rates have fallen

significantly. Mortgage rates, for example, are at their lowest level since the late 1970s, and, not surprisingly, the housing industry has been very strong this year.

There are, to be sure, certain weaknesses and imbalances in the economy, and some areas may remain quite weak next year. Prominent among these is business investment. Most major U.S. cities are already overbuilt in terms of offices and hotels as evidenced by widespread high vacancy rates. In Atlanta, for example, some 19 percent of the available office space is unoccupied, and nationally the figure is more than 20 percent. Clearly, some correction is inevitable. What's more, the proposed tax reform, if enacted in its present Senate version, will probably have the initial effect of further dampening business capital spending on structures. Despite the likelihood of a continued drag from business investment, though, I believe that the overall outlook in 1987 and perhaps beyond is for some improvement. Since each of the three positive factors I mentioned--reduced energy prices, the dollar's depreciation, and lower interest rates--takes effect with a lag, I am optimistic that moderate economic growth is sustainable for the foreseeable future, and that is likely to spell good news for Atlanta and the Southeast.

The southeastern economy should benefit especially from the dollar's decline. Much of the area's industrial production is quite sensitive to imports, which became cheaper for Americans as the dollar appreciated in the early 1980s. It is true that the production of textiles, lumber, apparel, and chemicals is not concentrated in the Atlanta vicinity. Nonetheless, Atlanta stands to profit from renewed vigor in these industries. They are important to Georgia and other states in the region, and many companies have set up offices in Atlanta because of the prosperity of the regional market. Also, as the U.S. industrial sector picks up, more companies will seek to expand such regional operations as distribution centers and manufacturing facilities. Others will need additional raw materials and new or more modern equipment to meet increased demand, thus spurring

business for suppliers of these items. Ample supplies of money and credit should help finance the new projects that are certain to be initiated in these circumstances. In an environment of fairly stable prices, available financing, and revived manufacturing growth, locations in Atlanta and the Southeast are sure to share in the gains.

This is not to deny that there are certain clouds on the horizon, indeed overhead. The sharp drop in oil prices is hurting the Southeast's energy-related businesses, many of which are located in southern Mississippi and Louisiana. Moreover, the expected weakness in nonresidential construction suggests that the pace of new commercial construction projects will slow. While weakness in the energy sector probably will not have much of an impact on the Atlanta area, the likely deceleration in nonresidential construction could diminish the prospects for office development throughout the metro area, including the south side, at least until some of the vast amount of space already available has been absorbed. On the whole, though, southeastern growth should remain above-average, with attendant ripple effects on the metropolitan Atlanta economy.

Atlanta's Comparative Advantages

A second set of environmental factors which will influence what happens on the south side is the numerous comparative advantages that favor Atlanta and Georgia over sites elsewhere in the Southeast and the nation. In 1984 nearly 100,000 new jobs were created in Atlanta. Even by national standards that employment increase was large in both actual numbers and percent change. This rapid pace of growth was not repeated in 1985, and further deceleration is likely again this year. Still, Atlanta should continue to fare well compared with other cities. One reason for this expectation is the area's excellent transportation network, revolving around Hartsfield airport and a well connected interstate highway system. The easy linkage between these highways and the modern port facilities in Brunswick and Savannah further enhances the area's appeal.

These transportation features, along with the availability of relatively lower-wage labor, make it cheaper to do business in the Atlanta area than in many other places in the country and thus attract numerous firms seeking either to relocate or expand operations.

The influx of companies, regional sales offices, and branch plants that these cost factors engender tends to spur population growth. Such corporate moves bring not only transferees and their families but also individuals hoping to find new jobs in one of these enterprises. In-migration in turn triggers a number of other business activities, especially small service companies that meet the needs of new residents. These include health care facilities, leisure and recreational outlets like movies and restaurants, and a whole array of retail establishments. Naturally, construction is a very active industry, since all these new people and companies require homes, apartments, offices, factories, and stores. Given these dynamics of growth, it's clear that Atlanta's economy is not driven by a single industry the way that Houston, Denver, and certain other Sun Belt cities have been. This factor is quite significant in itself because it means that growth is not only rapid but remains fairly stable over time rather than fluctuating widely with the vagaries of one industry.

All in all, these structural factors--excellent transportation facilities, competitive wage levels, and a stable, diversified economic base--suggest that the long-term outlook for economic growth in Atlanta and environs should remain strong even though the pace will probably slacken from earlier in this expansion. As the metropolitan area continues to expand, some of this growth should spill over to the south side.

South Side Growth

In addition to these broad macroeconomic and regional factors, however, the south side has its own comparative advantages that will shape its economic future. Before I

review these local strengths and weaknesses, I must interject a note of caution. The south side is not a homogeneous area, and so it is difficult to make generalities about the area's development potential. The U.S. Census Bureau has specified 18 counties as part of the Atlanta Metropolitan Statistical Area. and I think it makes sense to use this definition when talking about future metropolitan development. People have been moving to the suburbs not only to live but also to work for some time. Thus, it's rather nearsighted to develop purely localized planning strategies that are not grounded in the context of overall metropolitan growth.

Applying this broad perspective to the south side, I feel we need to look at all of the suburban counties that lies on Atlanta's southern rim. There are nine of these, including Butts, Clayton, Coweta, Douglas, Fayette, Henry, Newton, Rockdale and Spalding. In addition, large areas of Fulton and Dekalb Counties stretch to the south, and much of the City of Atlanta, as far north as Five Points, is considered to be part of the south side. This large area is very diverse. Some municipalities and counties are essentially residential, while others have mixed uses. Future development paths will probably follow a similar course, with certain localities becoming largely industrial and warehousing centers while some evolve into commercial centers and others remain residential, whether by design or due to the momentum of the past.

Therefore, we must be careful in talking about strategies for future growth to take this variety into consideration. I'm not denying that in the aggregate the south side's growth generally has been slower. Employment in the nine southern counties that I mentioned increased by less than one-fourth from 1980 to '85, whereas jobs expanded by more than a third in the six north side suburban counties--Gwinnett, Cherokee, Cobb, Forsyth, Paulding, and Walton. The difference in population growth--19 percent versus 33 percent--is even more striking, and these contrasts would probably be even more

dramatic if we included Fulton and Dekalb and separated growth on the northern and southern ends of these two counties. However, it's important to keep in mind that some south side counties have been growing quite rapidly. Rockdale and Douglas Counties' population doubled during the 1970s, and so far in the 1980s four of the south side counties rank above the metro median in population and employment growth. In fact, Fayette's growth rivals Gwinnett's, not in absolute numbers--after all Gwinnett has been the fastest growing county in the entire nation for the past few years--but in terms of percentage change. The fact that some south side areas have been achieving rapid rates of growth is, in itself, auspicious for future development.

In addition, there are increasing signs that development is beginning to accelerate in hitherto less favored areas of the south side. New hotels have been built near the airport. Several banks have announced plans to open operations centers in the area. Numerous shopping centers are on the drawing boards. Manufacturing firms such as Japan's Matsushita are also moving to the area, and developers are seeking to construct industrial parks to further this trend. One of the most significant developments is the reopening of the Atlanta free trade zone. Once finished, this should spur considerable international activity.

One factor fostering much of this development is transportation. Activities like the free trade zone and many industrial park developments are taking place on the south side because of its proximity to the airport. The fact that MARTA's rapid rail line will soon be completed to the airport may also have encouraged such projects because of the easy access it will provide between these facilities and businesses and labor pools elsewhere in the city.

Another factor underlying the recent spate of development is the area's attractive land prices. As land on the north side is absorbed by office, hotel, industrial, and residential developers, the amount left dwindles, and the price of available tracts increases. Depending on the particular parcel--and the person with whom you're talking--south side land ranges from 60 to 600 percent less. The north side's rapid pace of development also has come to mean longer waits for zoning hearings and permit approval, and, of course, delays add costs to projects. Such substantial cost differentials are bound to continue attracting development to the south side. Like many of you, I've heard the argument that Atlanta's growth has been tilted toward the north side because that's where the city's bankers and business leaders have traditionally tended to live and preferred to work. I can assure you that no one likes a long commute, but when it comes to a choice between personal amenities and profits, most bank and business executives will select the latter. Otherwise they won't be in business for long. Economic research has shown that profits tend to drive investment choices and site selection, not personal whims. With the relative cost advantages that are developing in favor of the south side, it's only a matter of time until economically sound developments attract financial backing and move from the drawing board to reality.

Policy Considerations

Notwithstanding these hopeful signs of a budding boom on the south side, many business, banking, and political leaders on this side of Atlanta would like to see things happening faster. The question on their minds is, what can be done to speed up the process? Is there a catalyst that can accelerate the economic dynamics I've outlined today? Certainly an array of public policy measures is available that can help overcome slow economic development in certain areas. At the local level measures such as property tax relief through enterprise zones and the construction of adequate infrastructure--sewer and water facilities, for example--seem to be important. I would

like to offer several other, rather different thoughts, however, about efforts to promote development. First, the fact that north side growth has proceeded so much faster can give people here valuable lessons. One of the most important of these is the need for more thorough and farsighted planning. Passing zoning variances to permit commercial uses of residential property does raise a county's tax base, but at the same time such developments put new strains on water needs, school systems, and roads. Two-lane highways, for example, cannot simply be altered on an ad hoc basis to handle the kinds of traffic volume that a new shopping center or office complex brings. By drawing on the experience of north side development, policy makers and planners on this side of town can better estimate just how much secondary development new projects generate over time and so plan better to accommodate new demands on public services.

Transportation is an especially acute concern. Those who promote regional and local economic development must continuously ask themselves whether it's more efficient to bring jobs to the people or bring people to the jobs. In the case of rural economic development, this choice is often painful. If factories cannot be attracted to an area, alternatives, even improving education, providing job training, and other options that promise to attract new industries, are sometimes difficult because the end result may still be out-migration to areas where jobs are more plentiful or higher paying. In the case of Atlanta's south side communities this choice is less of a dilemma. People can commute to work elsewhere in the metro area while remaining residents in a county that might not be growing rapidly, provided that transportation is adequate. We have seen the kinds of problems that can develop when a county grows so rapidly it completely outstrips its highway and mass transit facilities. Not only do traffic bottlenecks make living there less pleasant but also employers are hard pressed to find workers, especially at the entry level. This fact puts upward pressure on wages and thus keeps business expansion, and ultimately employment, below its potential. Linking up with Atlanta's

outstanding mass transit system, MARTA, seems to me a wise long-term strategy for any county or community that is either seeking to promote growth internally or trying to retain its residential base.

A second point is that development is not intrinsically appealing to all residents of an area. When a residential area is surrounded by industrial and commercial enterprises, the quality of life deteriorates. Of course, we would hope that these people would be able to sell their properties at a profit to other commercial and industrial uses. However, as we have seen on the north side, these transactions sometimes take a long time to complete, and many "deals" fall through. This concern about competing land uses is no mere abstraction. Local residents are currently contesting two proposed south side developments. I'm not saying that one side is right and the other wrong, only that care must be exercised in seeking to develop an area. External effects, both positive and negative, should be taken into account so that the end result is in keeping with the basic goals of the community. In this regard Peachtree City right here on the south side is an example for others to emulate.

My final point, and one that is closely related to this issue, concerns certain noneconomic factors that affect development in profound ways. As we have seen in the city of Atlanta, especially in its close-in neighborhoods, development can occur in surprising places, places that have become run down physically, places where no outside effort to generate development was made. What encourages this kind of spontaneous development in seemingly unexpected areas is often the cultural and social amenities that exist in or near such neighborhoods. These amenities may take the form of grand old victorian houses, art museums and galleries, and live theaters. Cultural factors such as these can surmount economic difficulties, and the neighborhood renaissance that occurs can bring in its wake very large scale (and upscale) corporate building of the kind

we have witnessed in midtown. I'm not saying that planners seeking to promote development have to add cultural infrastructure to their checklists of sewer and water facilities. Culture need not be what we think of as high brow; amenities take many forms.

I'm simply saying that developers and planners need to be sensitive to the social bonds that make up communities. When seeking to enhance a community's prosperity through new economic development, planners and policy makers need to consider its particular social fabric and take care not to destroy it, say by turning a residential road into a multi-lane highway or granting a zoning variance for industrial use in the midst of viable residential neighborhoods. In the recent years of rapid economic growth in metro Atlanta we have seen all too many examples of neighborhoods devastated by such short-sighted decisions, decisions that created a need for new economic development initiatives to help the residents of such areas later on. Had their interests been incorporated sooner, it is quite possible that compromise solutions could have been built into the project, obviating the need for corrective (and expensive) measures later. Those who would encourage economic development at the local level must always keep in mind that the ultimate purpose is to enhance the well-being of those in the community, and disruptions caused by poorly planned development can offset its benefits.

Conclusion

I'd like to end my remarks on south side economic development on an optimistic note. I think the fundamentals are in place—both nationally and locally—for healthy economic development in this area over the next several years. More importantly perhaps, the fact that development is coming later to the south side gives communities here a chance to benefit from the experiences of others elsewhere in the city. With those advantages, I'm sure the future of the south side is bright.