

*AFFORDABLE HOUSING*



## AFFORDABLE HOUSING

### FY2004-2010

#### **1. BACKGROUND ISSUES**

Housing is considered affordable to a family when no more than 30% of income is spent on mortgage or rent plus utilities.

Safe, decent and affordable housing provides stability to families who live and work in Wake County. It shelters children who cannot perform well in school if their housing situation is unstable or if their homes are in poor condition and unsafe. It allows the elderly to live comfortably on a fixed income. Finally, it provides a home for people who cannot work because of a disability, such as a mental illness or physical disability.

Affordable housing fosters self-sufficiency, by allowing families an opportunity to purchase a home and achieve the American dream. Also, self-sufficient families are less likely to require more costly services from the County's Human Services delivery system.

A diverse supply of affordable housing has a positive impact on the economy when businesses know their employees have opportunities to live within a relatively close commute of their work. Housing affordability is consistently a factor in the "best places to live" competition, with places rated higher if they do have an adequate supply of affordable housing. Without County investment in producing additional units of affordable housing, increasing numbers of people who work in Wake County will be forced to live elsewhere.

A family needs to earn approximately \$36,000 annually to afford the average rent for a two- bedroom apartment in Wake County, which is \$794 per month.

Affordable housing options for low-wage earners in Wake County are extremely limited. Wake County needs to add 4,040 houses and 25,562 rental units to its housing stock to accommodate the current demand for

affordable housing by low-income families (Karnes Research Company, 2003).

County investment in affordable housing is used to leverage additional federal, state, and private funds, for the construction of affordable housing. An added benefit to this investment is an increase in the tax base of the County and individual municipalities where the apartments and homes exist. Without County investment in producing additional units of affordable housing, increasing numbers of people who work in Wake County will be forced to live elsewhere.

Since FY2000, the Board of Commissioners has appropriated a total of \$4.5 million for affordable housing development in Wake County. These funds have been made available for low-interest loans to developers who build affordable rental units and single-family homes for first-time buyers. The new units are developed on infill lots or small subdivisions throughout the County. The loans made to developers of affordable rental units will be repaid to the County over a 2-30 year period. The funds used to develop single-family houses are returned as the houses are re-sold over a 1-10 year period.

The development of the Madison Glen Apartments provides a good illustration of how Wake County's investment in affordable housing is leveraged to produce the units. Wake County's contribution of a \$600,000 loan was leveraged with \$800,000 from the North Carolina Housing Finance Agency (NCHFA), \$1 million from the City of Raleigh, and \$5 million from Fannie Mae to finance the construction of the \$10 million apartment complex of 120 units in North Raleigh. Tax credit equity and owner investment accounted for the balance of the investment.

Of the total appropriation to date, \$4.15 million has been allocated to produce 456 additional units comprised of 276 single family homes for fami-

lies earning between 60-80 percent of the median family income (MFI), 50 rental units for families earning 50-60 percent of the median family income (MFI), and 130 apartment units for families earning less than 50 percent of the MFI. The remaining \$50,000 of the appropriation was used for start up costs at the Wake Housing Resource Center (in accordance with the recommendations of the Housing Affordability Task Force Report).

## **2. PROGRAM & FACILITY GOALS**

The overarching goal of the affordable housing element of the CIP is to increase the supply of housing that is affordable to low-wage working families in Wake County and families that are unable to work because of a disability. The following goals provide the framework for continued County investments in affordable housing:

Access to safe, decent, affordable housing is essential for families to maintain, healthy, productive, self-sufficient lives. Wake County should play a leading role in increasing the supply of affordable housing. The County will focus on partnering with municipalities to produce housing units that are well designed and managed so that they are assets to their surrounding communities.

Wake County's focus will be on working individuals and families earning less than 40% of the median household income because the supply of decent housing available this population is minimal. Rental housing will be the only option for a majority of these families.

Renovation should be part of the program to ensure that the thousands of existing affordable houses and apartments are safe and maintained in decent condition for working individuals and families.

The County focuses on maintaining a healthy receivables portfolio on its loans for affordable housing development with a low rate of loan repayment default. A total receivables portfolio of \$14.6 million (\$3.35 million of County funds and \$11.25 million of federal and state loan contributions) currently exists. The County portion of the portfolio is expected to

generate approximately \$370,000 in revenues through loan repayments and one-time sales of homes in FY2004. Staff are currently conducting a comprehensive review of the receivables portfolio to develop more precise estimates for future year revenues.

## **3. COMPREHENSIVE FACILITY PLAN**

The County's affordable housing capital initiative is founded in the Housing Affordability Task Force Report issued in September 1999. The Task Force's Report included a comprehensive assessment of the supply, demand, and affordability gap in home ownership and rental housing. In the calculation of the affordability gaps, the study incorporated employment, population, and income trends in the Triangle area and Wake County.

The following recommendations from the Task Force Report continue to form the basis of the affordable housing program today:

- Increase the number of families who purchase their first home by creating an additional 100 affordable single-family homes each year throughout the County for five years.
- Increase the supply of affordable rental units by creating an additional 80-100 units each year throughout the County for five years.
- Locate affordable housing near new public schools.
- Improve the existing stock of affordable housing by rehabilitating substandard owner- and renter-occupied units.
- Provide services necessary to help families obtain and maintain affordable housing.
- Improve the physical, public infrastructure or low-income communities through paving or repair of streets, installation of water and sewer lines, and the building or repair of sidewalks.

## **4. SEVEN-YEAR CIP PROGRAM SUMMARY**

A total of \$1,370,000 is recommended to support affordable housing in FY2004. Over the next seven years, the CIP contains \$14,630,000 for affordable housing, of which, \$13 million consists of County funding appropriations.

**5. PROJECT ACCOMPLISHMENTS IN FY2003**

It takes approximately two years for the County to realize its annual contribution to affordable housing. The many steps involved in making units available for individuals and families include receiving project proposals, bid selection, financing arrangements, development permitting, and eventually construction completion and occupancy. In FY2003, Wake County initiated several projects that will result in the development of 75 additional affordable rental units.

**6. FY2004 PROJECT ACTIVITY SUMMARY**

Funding recommendations for the CIP budget are based on evaluations of responses to a request for proposals (RFP) for rental housing developments containing units affordable to individuals or families with incomes that are less than 40% of the area median family income (MFI). Wake County received the 15 responses to the Request for Proposals. A 6-member team made up of Wake County staff (4 members), City of Raleigh staff (1 member) and Town of Cary staff (1 member) evaluated the proposals. The following criteria were used for the evaluation: affordability; unit design and neighborhood compatibility; developer experience; financial feasibility, leveraging and market. The projects recommended for funding were presented in detail on the May 19th meeting of the Board of Commissioners.

**7. SUMMARY OF FUTURE PHASES (FY2005-2010)**

Increasing the supply of rental units will continue to be an emphasis of the program over the next few years. In addition, the affordable housing investments will also be targeted to helping provide transitional housing opportunities for formerly homeless individuals and families.

**8. OPERATING IMPACT**

The operating impact (staff and materials) of capital investments in affordable housing is covered through grant funding.

**9. RELATIONSHIP TO OTHER PLANS**

The County works cooperatively with both private sector and other public agencies to develop affordable units. In rental developments, the County works with both for-profit and non-profit developers to build affordable apartments. In these developments, several units are reserved for the County's Human Service Department Work First participants. The County began this program with cooperating developers in the last few years (Beechridge Apartments in Apex, Park Place Apartments in Knightdale and Madison Glen Apartments in Raleigh). The single-family homes build as a result of County funds are sold to first-time home buyers who participate in programs offered by other agencies, such as the City of Raleigh and the North Carolina Housing Finance Agency. Single-family homes built using County funds are helping revitalize existing low-income communities in Fuquay-Varina (Lincoln Heights), Wendell (West Town) and Wake Forest. Planned single-family and town house subdivisions will also help revitalize communities in Apex, Cary, Garner, Morrisville, Wendell, Zebulon, and Raleigh's Extra Territorial Jurisdiction (ETJ).

**10. ILLUSTRATIONS**



Courtyard Commons



Lot 2 In Consolidated School Redevelopment in Fuquay Varina



Dubois School



Callan Park at Waldo, Cary, 3 of 21 units in Townhouse Project

AFFORDABLE HOUSING

**11. FINANCIALS**

PART I. EXPENDITURES	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	TOTAL
AFFORDABLE HOUSING	\$1,370,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$14,630,000
TOTAL APPROPRIATIONS	\$1,370,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$14,630,000
PART II. FUNDING SOURCES	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	TOTAL
Pay As You Go	\$1,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$13,000,000
County Revenues	\$370,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000	\$1,630,000
TOTAL	\$1,370,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$2,210,000	\$14,630,000
PART III. OPERATING IMPACT	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	TOTAL
Total Operating Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0