Wake County Affordable Housing Plan

Final Briefing Book

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Wake County Board of Commissioners

Wake County Housing Division & Wake County Department of Human Services Staff
Alicia Arnold
Kelly Baraldi
Emily Fischbein
Denise Foreman
Tim Gardiner
Elizabeth Harmantzis
David Harris
Sharon Peterson

City of Raleigh Housing Staff

The Corporation for Supportive Housing

The University of North Carolina School of Government
Kara Millonzi
Tyler Mulligan

Plan prepared by:

HR&A Advisors
Sara Brown
Phillip Kash
Tania O'Conor
Kyle Vangel
Mary Beth Williams

Enterprise Community Partners
Anne Jordan
Chris Kizzie
Laura Searfoss

Karen Lado

Wake County Affordable Housing Steering Committee & Supporting Subcommittees

Commissioner Jessica Holmes

New Rental Production
Daniel Coleman
Tim Morgan
Howard Manning
Stephen Player
Jacob Rogers
Jean Tedrow
Harris Tulloss

Preservation
Sonia Barnes
Theresa Dew
Tyran Hill
Larry Jarvis
Debra King
Joe Stallings

Homeownership
Tom Anhut
Aaliyah Blaylock
Kevin Campbell
Marvin Connelly
John Verdejo
Devone Young

Supportive Housing
Teresa Piner
Kent Jackson
Ann Oshel
Gregg Warren
Burnetta Smith
Cathy Tamsberg

Community Engagement
Lori Bush
Gina Clapp
William Rowe
Vicki Scroggins-Johnson
Julie Paul
Shana Overdorf

Executive Summary
Wake County's Affordable Housing Need
Recommendations
Implementation Roadmap
Appendix

TABLE OF CONTENTS

Executive Summary	**4**
Wake County's Affordable Housing Need	**16**
Recommendations	**31**
Implementation Roadmap	**123**
Appendix	**133**

Produced by **HR&A Advisors, Inc.,**
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PLAN CONTEXT

In September 2016, the Wake County Board of Commissioners (BOC) **passed a resolution committing to the development of a long-term (20-year) affordable housing plan for Wake County** and establishing a Steering Committee to guide the process. The goal of the process was to **identify strategies to preserve and produce affordable housing** and **address the growing housing crisis** in Wake County, as well as engage local municipalities grappling with the same issues on a smaller scale.

The Steering Committee, Wake County Human Services, and the HR&A Team worked together to develop the Affordable Housing Plan. The **Steering Committee** was comprised of 32 local stakeholders appointed by the Board of Commissioners and representing different communities in Wake County. The Steering Committee was chaired by **Commissioner Jessica Holmes**. The **Wake County Human Services Department (WCHS)**, which provides public health, social services, housing, and transportation services to Wake County residents, served as the lead county agency for the effort. The HR&A Team, which was comprised of HR&A Advisors, Enterprise Community Partners, and Karen Lado, provided technical expertise and facilitated Steering Committee meetings.

The plan development process was highly collaborative. At the beginning of the process, the HR&A Team interviewed 80+ local elected officials, County and municipal staff members, developers, nonprofit service providers, and other housing experts to gather insight into the affordable housing landscape. The HR&A Team met regularly with the Steering Committee throughout the entire plan development process to gather ongoing feedback.

THE AFFORDABLE HOUSING PLAN

The goal of the Affordable Housing Plan is to **ensure that quality affordable housing is available for all Wake County residents.** Affordable housing is critical to preserving Wake County's economic competitiveness by offering housing for workers at all income levels, supporting housing stability and economic opportunity for its residents, and furthering Wake County's commitment to healthy and inclusive growth. The consulting team collaborated with the Steering Committee **to develop five principles to guide development of the Plan's recommendations.**

Since the Affordable Housing Plan is meant to serve as a comprehensive strategy for addressing affordable housing needs in Wake County, **it considers the conditions and needs of all areas** in Wake County, including the incorporated areas falling within the municipalities and the unincorporated areas. Recognizing that the County and the municipalities have different powers and areas of focus, the Plan will be most successfully implemented if the County and municipalities work together.

Five core principles guided the creation of the Affordable Housing Plan.

Realize Maximum Benefit from Public Resources	Maximize efficient use of public subsidy, including land.
Support Overall Housing Growth	Use land use policy to support housing production that keeps pace with population growth and includes a proportionate share of affordable housing.
Focus on Populations in Greatest Need	Focus limited County resources on serving the populations in greatest need of affordable housing.
Pursue Context-Appropriate Solutions	Ensure that recommended tools respond to the diverse market conditions and regulatory frameworks that exist across Wake County.
Use Housing as a Platform for Economic Opportunity	Provide housing in high-opportunity areas that provide access to high-frequency transit and other essential services to support economic opportunity for residents and deconcentrate poverty.

THE AFFORDABLE HOUSING NEED

Within Wake County, **there are several trends that are increasing the unmet need for affordable housing.**

- **Wake County's rapid population growth is generating upward pressure on the cost of rental and ownership housing.** Wake County is projected to grow an average of ~22,000 people each year, making it the second fastest-growing county with more than a million residents.
- **Household incomes are not keeping pace with escalating housing costs, especially for the lowest-income households.** Since 2006, the median household income for those without a bachelor's degree has increased by 10%, while rental housing costs have increased by 35%.
- **While Wake County has experienced substantial housing production in response to growth, affordable housing has been a very small part of this, and development patterns vary across the County.** In 2015, 500 units of affordable housing were produced, representing just 5% of the county's total housing production.
- **Wake County is losing both existing naturally occurring affordable housing (NOAH) and publicly-subsidized housing through redevelopment and conversion.** From 2009-2015 Wake County experienced a loss of approximately 5,000 units at prices affordable to low-income households.
- **In 2015, Wake County had an unmet housing need of ~56,000 affordable units, due in large part to the fact that low-income households are largely unable to find affordable housing within the County.** This gap is likely to expand to as much as 150,000 units in the next 20 years.

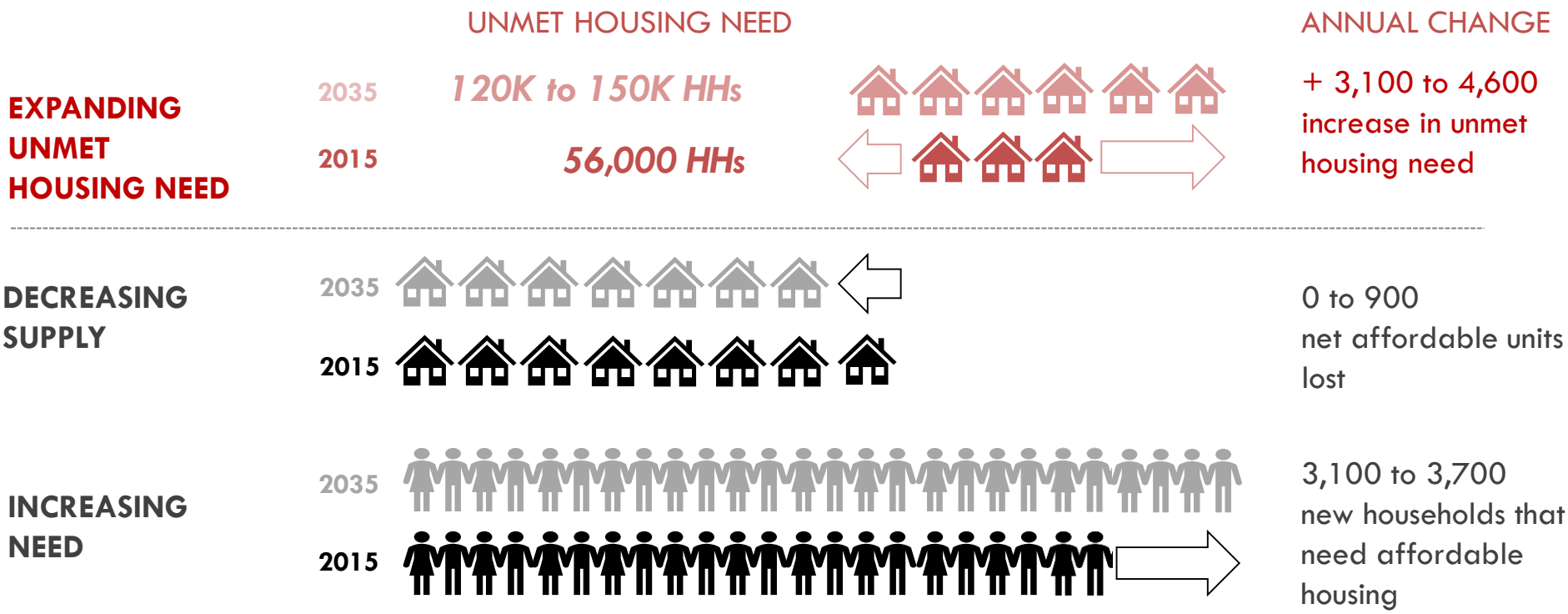
Source: Shutterstock

Source: DHIC

Source: Wake County

Note: Low-income is defined as 50% of AMI or $39,400 for a four-person household based on HUD's 2015 income limits for Wake County.

Wake County's growing affordable housing need and diminishing affordable housing supply is likely to cause the number of low-income households unable to find housing to more than double over 20 years. There is a **current unmet housing need of roughly 56,000 units for low-income households.** With Wake County's growing population, the need for additional affordable units to accommodate a greater total number of low-income households is expected to rise by approximately 3,100 to 3,700 households annually. Simultaneously, overall supply of affordable housing in Wake County is decreasing by up to 900 units each year. **Together, these trends create an unmet housing need of 120,000 to 150,000 units by 2035.**



Note: Low-income is defined as 50% of AMI or $39,400 for a four-person household based on HUD's 2015 income limits for Wake County.

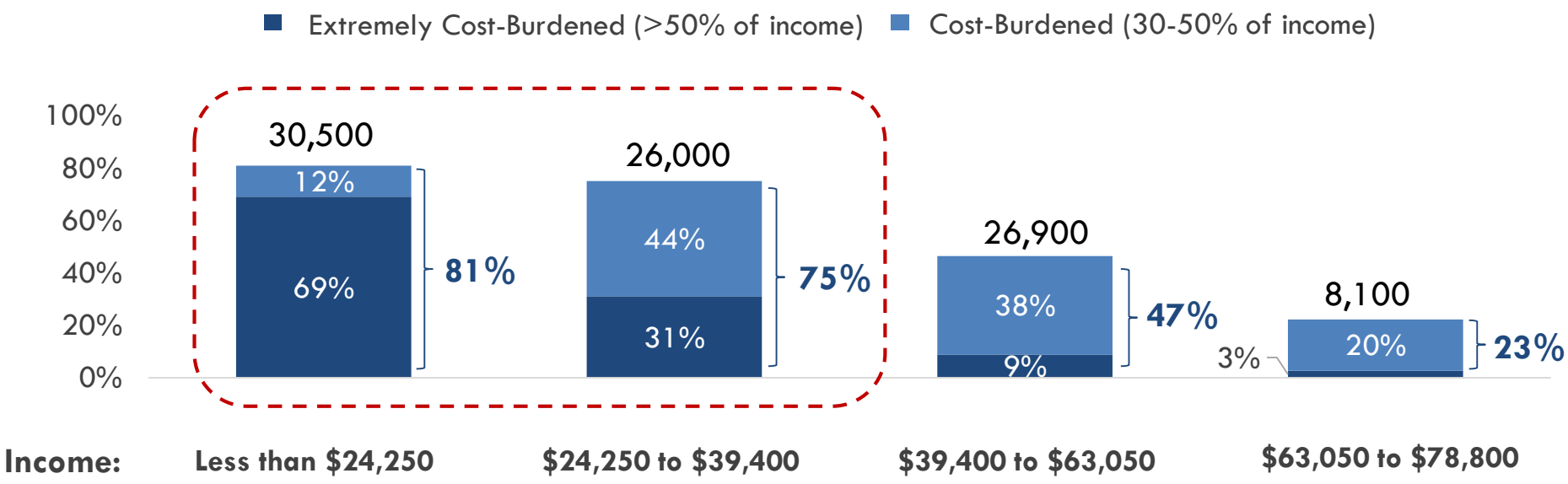
Over 42,000 low-income households in Wake County are extremely cost-burdened, meaning that they spend half or more of their income on housing. Of these households, about 60%, or about 26,000 households, earn less than $24,000 annually, leaving them with less than $1,000 per month to cover their remaining household costs, including food, transportation, clothing, and healthcare.

Another 49,000 low-income households spend between 30% and 50% of their income on housing, and are considered housing cost-burdened. Together, there are more than 91,000 households in Wake County that are at least cost-burdened. Households that make less than $39,000 a year (<50% AMI), represent 62% of those that are housing cost-burdened.

Low-income households are more impacted by housing affordability due to their limited resources. The Affordable Housing Plan focuses on solutions that address the need of low-income families, those making less than $39,000 (<50% AMI), in order to address the population with the greatest need.

COST-BURDENED HOUSEHOLDS

Wake County, 2014



Sources: HUD 2014 CHAS data; HR&A Advisors.

Note: Total cost-burdened households includes the total number of households spending more than 30% of their income on housing costs. Low-income households are defined as 50% of AMI or $39,400 for a four-person household based on HUD's 2015 income limits for Wake County.

By focusing on low-income households, Wake County will ensure that a diverse cross-section of residents, including many individuals who perform essential community functions, such as teaching, healthcare, and emergency response, have access to affordable housing options. The community members below represent sample low-income households in Wake County.

Affordable housing is critical to helping households achieve greater financial stability and access economic opportunity. It enables them to dedicate a greater share of their resources to other needs, including healthcare, nutritious food, and educational activities. In addition, affordable housing options help low-income workers access labor markets near their homes, benefiting individual households and the community as a whole.

Home Health Aide
Single parent, 2 children
(3-person household)

Income:
$20,200

<30% AMI

Retail Salesperson
Single person, 0 children
(1-person household)

Income:
$25,600

30-50% AMI

Preschool Teacher
Single parent, 1 child
(2-person household)

Income:
$28,500

30-50% AMI

Firefighter
Two parents, 2 children
(4-person household)

Income:
$34,300

30-50% AMI

Sources: NC Department of Commerce, HUD; HR&A Advisors.
Notes: Income defined using the North Carolina average annual income for each occupation. Area Median Income (AMI) is the midpoint of the income distribution for a specific geographic area. AMI is defined by the U.S. Department of Housing and Urban Development (HUD) and varies according to household size. Low-income is defined as 50% of AMI or $39,400 for a four-person household based on HUD's 2015 income limits for Wake County.

RECOMMENDED APPROACH

Together, the County and municipalities have the capacity to mitigate Wake County's growing housing crisis by **deploying a set of recommended tools** to address residents' housing needs. The tools represent three major categories of strategies, summarized below. The tools focus on addressing the unmet affordable housing need of Wake County residents by **increasing housing supply**. By pursuing the tools, the County and the municipalities can act to both increase the production of affordable housing and reduce the loss of existing affordable housing. The recommended tools focus on **increasing housing supply** because local governments have limited ability to affect the **growth in affordable housing need** by influencing the income levels of existing and future residents. Increasing need reflects population growth, combined with stagnant or declining wages for low-income households. These factors are largely driven by federal policy and market forces.

Three Strategies

Land Use Policy

These tools enable the County and municipalities to use their land use regulations and zoning authority to indirectly support the production and preservation of affordable housing. More intensive and flexible land use better enables housing supply to keep pace with housing need, helping to mitigate housing cost increases and reduce the pressure to convert existing affordable units to market-rate housing.

Leveraged Programs

These tools directly create or preserve new subsidized affordable housing to meet the needs of Wake County residents. Structuring programs to effectively combine public funding with private and philanthropic capital increases the total amount of affordable housing that can be produced or preserved with available public funding.

Additional Public Resources

These tools develop new funding sources for affordable housing production and preservation in order to increase the resources available to meet the housing challenges Wake County faces. Dedicated public subsidy is necessary to produce affordable housing, as it closes the gap between what a household can afford to pay and the cost to develop and maintain quality housing.

Recognizing that the County and municipalities face resource constraints in terms of staff time and funding, select recommended tools have been identified as highest-priority based on three factors. **Need** reflects the selected tools' ability to **serve the lowest-income populations in Wake County that have the greatest need for affordable housing. Impact** describes the selected tools' ability to **generate the greatest number of units that provide access to opportunity** by significantly increasing the number of affordable units produced or preserved and households served in high-opportunity areas. **Feasibility** is tied to Wake County's capacity to **successfully implement the selected tools,** either independently or in partnership with the municipalities or other actors, and is impacted by costs and other factors.

Highest-Priority Tools

LAND USE POLICY

County & Municipal Land Use Policy, which encompasses:

Establishment of Affordable Housing Overlays

Expanded Accessory Dwelling Units

LEVERAGED PROGRAMS

Acquisition & Preservation Fund

Affordable Housing Preservation Warning System & Annual Report

Enhanced County Rental Production Loan Program

"Familiar Faces" Supportive Housing Pilot

PSH Provider & Funder Capacity-Building

Affordable Mortgage Program

ADDITIONAL PUBLIC RESOURCES

New Local Funding Sources for Affordable Housing

Public Land Disposition Requirements

LAND USE POLICY

Wake County is experiencing rapid population growth, which it must accommodate to successfully address the housing needs of its residents. Land use policy that supports development that keeps pace with population growth **can help mitigate housing costs and pressure to convert existing affordable housing to market-rate housing.**

Wake County increasingly requires higher-density housing to keep pace with population growth and strong housing demand in more desirable locations, especially those near transit. **If land use policy does not support the higher-density development necessary to meet market pressure, Wake County will continue to see the rapid loss of existing affordable housing.**

While increased overall housing demand puts affordable housing at risk, it also creates **an opportunity to use land use policy to encourage developers and homeowners to produce new affordable housing.** By adjusting land use requirements to allow for residential projects at higher densities in exchange for the provision of affordable units, municipalities and, to a lesser extent, the County can provide a financial incentive to create new affordable housing.

While land use policy is essential to meeting housing needs, it cannot address Wake's housing crisis alone. Lower housing development costs associated with reduced per unit land and entitlement expenditures will not be enough to make housing affordable for many low-income households, with **leveraged programs and additional public resources still necessary to close the affordability gap.**

County & Municipal Land Use Policy

Revise Wake County's Uniform Development Ordinance (UDO) and also support revisions to local municipalities' UDOs to allow for higher residential density on a as-of-right basis, especially in high-opportunity areas, such as those near current or planned future transit. The UDO revisions should be done in coordination with efforts to establish affordable housing incentive overlays and expand capacity for accessory dwelling units (see below).

Establishment of Affordable Housing Incentive Overlays

As part of the revisions to the County's and municipalities' UDOs, create affordable housing incentive overlays that offer developers the opportunity to build projects under alternative standards in exchange for including affordable units.

Expanded Accessory Dwelling Units (ADUs)

Encourage municipalities to change zoning to enable the construction of ADUs as-of-right in single-family or low-density neighborhoods. In addition, conduct public education to support ADU creation and expand access to low-cost loans.

LEVERAGED PROGRAMS

To increase the supply of subsidized affordable housing and realize the greatest impact from limited public resources, Wake County should establish new housing programs and modify existing programs to **better leverage outside resources and expertise and meet residents' changing housing needs.** Programs are needed because **the cost to develop, maintain, and operate housing is often higher than what low-income households can afford to pay.** Leveraged programs address that gap to successfully create subsidized affordable housing, while expending minimum public funds.

Multiple programs are required to address the range of housing needs in Wake County, which include access to new affordable rental units, existing affordable rental units, affordable homeownership opportunities, and permanent supportive housing options.

- **Acquisition & Preservation Fund**
  Establish an acquisition and preservation loan fund, with philanthropic or mission-motivated investors and municipalities, to acquire sites for affordable housing development and provide low-cost permanent financing to maintain existing affordable multifamily rental properties.
- **Affordable Housing Preservation Warning System & Annual Report**
  Develop and maintain an affordable housing preservation warning system that tracks existing affordable units and guides preservation investments, including those made through the Preservation Fund, to prevent units from being converted to market-rate and improve their quality.
- **Affordable Mortgage Program**
  Provide funding to a nonprofit partner to offer guarantees for first mortgage loans and provide no-interest second mortgages for eligible low-income homebuyers.
- **"Familiar Faces" Permanent Supportive Housing (PSH) Pilot**
  Develop a high-quality pilot permanent supportive housing project focused on high-need, high-cost clients.
- **Enhanced County Rental Production Loan Program**
  Increase the scale and refine the focus of the County's existing Affordable Housing Development Program, which provides gap funding for affordable rental housing, including by emphasizing the production of units for populations below 50% AMI and permanent supportive housing units.
- **Enhanced Housing Placement & Coordination**
  Improve the County's system for assessing and placing populations into housing and perform ongoing monitoring to confirm that populations are appropriately matched to housing based on their needs.

Redevelopment of Public Housing Sites
Extended Affordability Provisions
Targeted Homeowner Rehabilitation Program
Housing Counseling
Shared Equity Homeownership Program
Permanent Supportive Housing Service Roadmap
Permanent Supportive Housing Provider & Funder Capacity-Building
Landlord Partnership Program

ADDITIONAL PUBLIC RESOURCES

To respond to the scale of the affordable housing need, Wake County and the municipalities must increase total public resources dedicated to housing.

Thoughtful land use policies can lower development costs and thus the price at which the market can provide housing. In addition, leveraged housing programs can stretch the impact of public funding. Nonetheless, there still will be need for greater public resources.

The federal government traditionally has provided much of the public resources to support affordable housing, but funding has decreased in recent years, and is likely to continue to fall. The private market will not deliver sufficient affordable housing on its own.

To expand public resources, Wake County and the municipalities can dedicate **more general fund revenue, expand the use of increment financing, and consider implementing special assessment districts.** For increased funding to produce the greatest possible impacts, it must be allocated to effective programs.

New Local Funding Sources for Affordable Housing

Develop new sources of affordable housing funding, with an emphasis on value capture (e.g., increment financing and special assessments) given the current level of development activity in Wake County.

Public Land Disposition Requirements

Dispose of available County and other publicly owned sites to support affordable housing development. The sites can be used to directly provide affordable units or provide resources to fund affordable housing through their sale proceeds. Both the County and municipalities have land available for disposition that is appropriate to support affordable housing development.

Changes to North Carolina's Qualified Allocation Plan

Support changes to the North Carolina Housing Finance Agency (NCHFA)'s process for allocating federal Low Income Housing Tax Credits to better address the housing needs of Wake County residents.

IMPLEMENTATION CONSIDERATIONS

To effectively implement the Wake County Affordable Housing Plan, **the County must undertake multiple actions to support execution of the overall Plan and high-priority recommended tools.** These actions fall into six major categories, summarized below.

Source: Wake County Habitat for Humanity

1. Sizing Impacts & Required Funding	Identify the County's requested budget allocation, based on desired impacts and funding required to achieve those impacts.
2. Refining Policy	Refine the County's **existing income and location targeting policies.**
3. Strengthening Internal & Partner Capacity	**Internal** • Add necessary staff capacity (new FTEs) to ensure successful plan implementation. • Revise Housing Division budget to reflect expanded scale of activities (to be phased in over 3 years). **Partner** • Strengthen coordination between the County and municipalities, recognizing that the Plan will be most successful if implemented jointly by both entities. • Establish partnerships with nonprofits, lenders and other partners necessary to support the implementation of specific recommended tools.
4. Building Community Support	• Conduct an **affordable housing public education campaign** tied to the plan's release that explains what the current Wake County affordable housing need is and how the recommended tools will help address it. • Encourage Steering Committee members to **support efforts to build a countywide housing coalition,** committed to increasing both overall housing production and affordable housing production.
5. Guiding & Tracking Implementation	• Pursue **a continued role for the Affordable Housing Steering Committee in overseeing and guiding plan implementation,** including identifying emerging issues. • Produce **an annual report that tracks the state of Wake County's housing** and helps to evaluate the County and municipalities' progress towards meeting their goals.
6. Launching Priority Programs	Select priority affordable housing recommended tools and organize them into related workstreams to design and launch the tools over a 24-month period.