

Wake County Affordable Housing Plan

September 11, 2017

DRAFT



Plan Overview

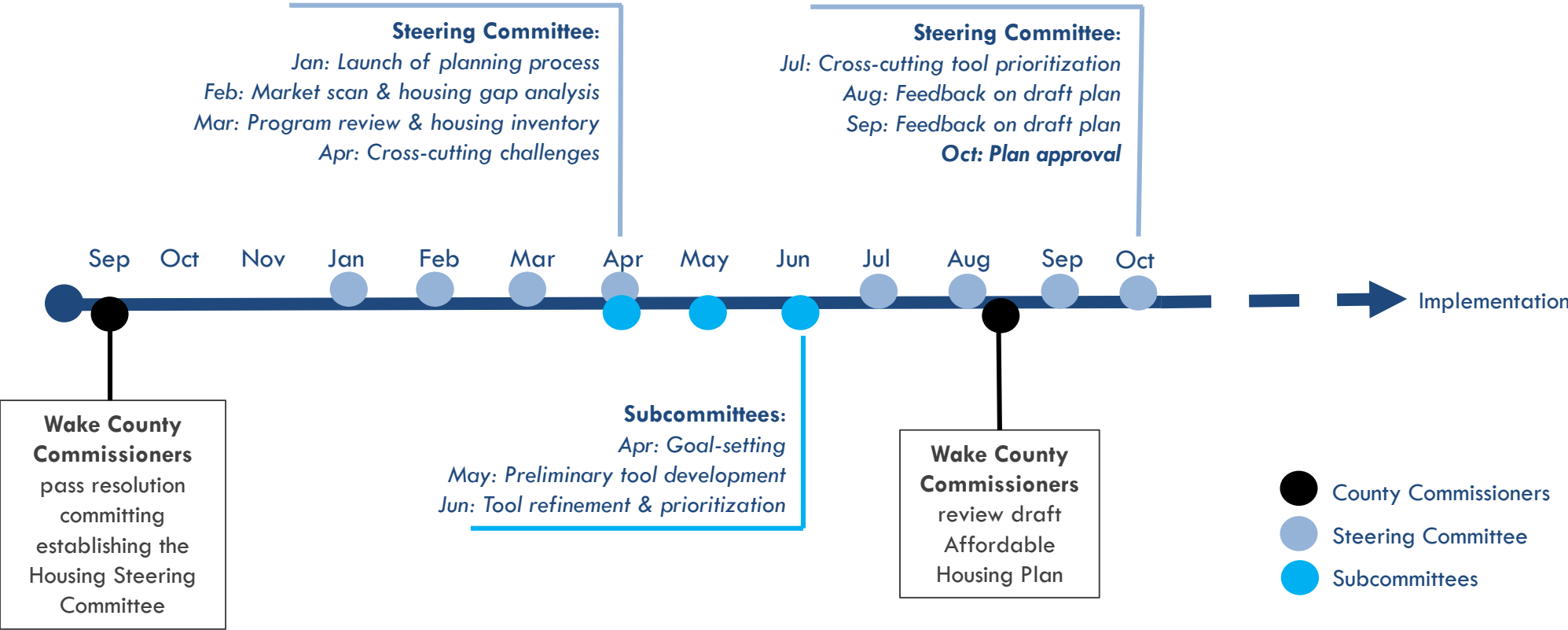
Recommendations

Implementation

The Wake County Board of Commissioners established a Steering Committee and charged them with developing an Affordable Housing Plan for Wake County.

In September 2016, the 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 support the process. The plan's goal is **to identify strategies to preserve and produce affordable housing and address**

the growing housing crisis in Wake County, as well as provide guidance to local municipalities grappling with the same issues on a smaller scale. Plan development involved a 10-month process from January to October 2017.



Fundamentally, the Plan's goal 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 of all income levels, supporting housing stability and economic opportunity for its existing residents, and furthering Wake County's commitment to healthy and inclusive growth.

Since the plan is meant to serve as a comprehensive strategy for addressing affordable housing needs in Wake County, **it considers the unique conditions and needs of all areas** in Wake County, including both the incorporated areas falling within the municipalities and the unincorporated areas.

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 Locally Appropriate Solutions

Ensure that recommended tools respond to the diverse market conditions and regulatory frameworks that exist across Wake County.

Use Housing as 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.

Wake County is experiencing a growing housing crisis as residents are increasingly unable to afford to live within the County.

Following the launch of the planning process, **HR&A conducted a multipart analysis of the existing affordable housing landscape in Wake County.** This effort involved a series of interviews with local affordable housing experts; a thorough review of all housing programs and policies in Wake County, as well as a synthesis of housing plans developed to date; an evaluation of demographic and

market conditions; a census of current affordable housing; and an affordable housing gap analysis for Wake County residents at various income levels. This process revealed **wide variation in housing affordability throughout Wake County**, as well as significant challenges to affordable housing production and preservation. Overall, five key themes emerged from the existing conditions analysis:

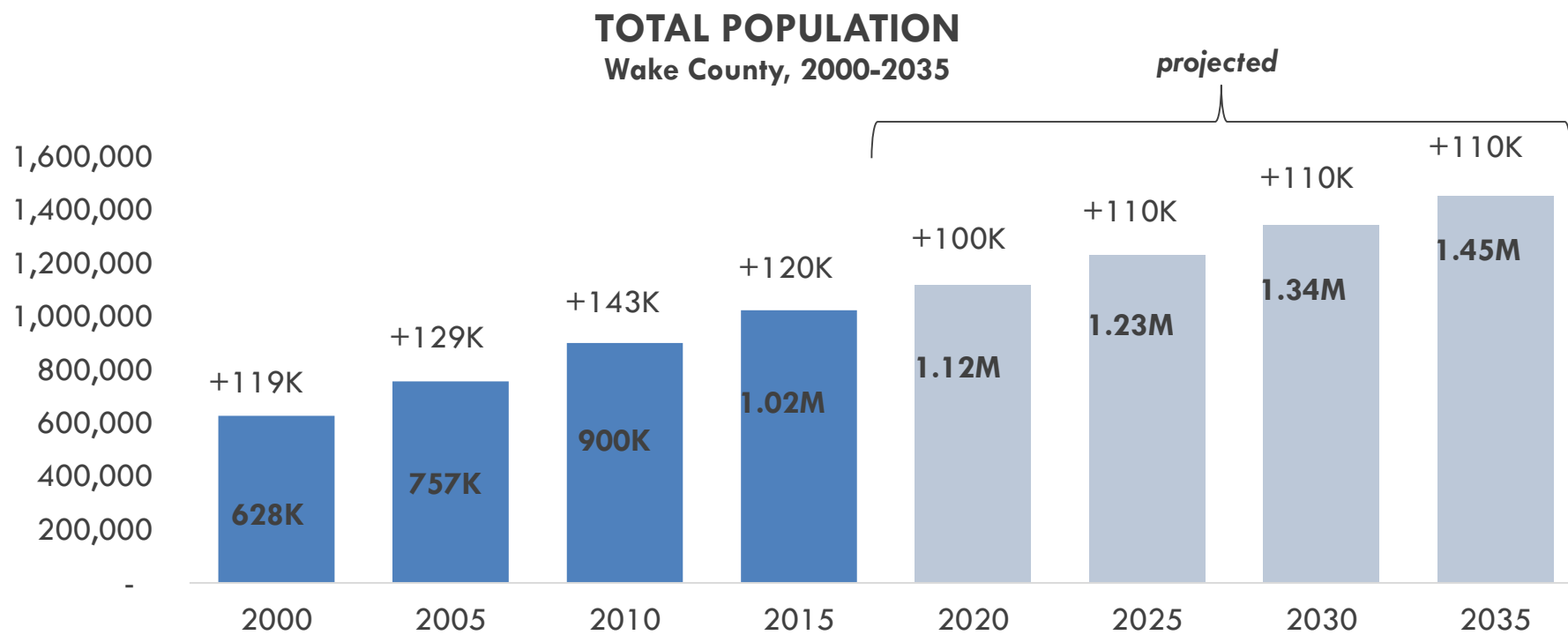
- 1** Wake County's rapid population growth at all income levels is generating pressure on the cost of rental and ownership housing.
- 2** Household incomes are not keeping pace with escalating housing costs, especially for the lowest-income households.
- 3** While Wake County has experienced substantial housing production in response to growth, affordable housing has been a very small part of this.
- 4** Wake County is losing both existing naturally occurring affordable housing (NOAH) and publicly subsidized housing through redevelopment and conversion.
- 5** In 2015, Wake County had an unmet housing need of ~56,000 affordable units, which is likely to expand to almost 140,000 units in the next 20 years.

Note: A household with an income of \$39,000 or lower is equivalent to a household less than or equal to 50% AMI based on HUD's definition of AMI for a 4-person household in Wake County in 2015.

Trend 1: Wake County's rapid population growth at all income levels is adding pressure to both the rental and ownership markets.

Out of all U.S. counties with more than a million residents, Wake County is currently experiencing the second highest-growth rate. By 2035, Wake is projected to reach 1.45 million residents, which means that it will add ~430,000 more residents over the next 20 years, growing by an average of ~22,000 people each year.

If current population trends continue, by 2035, 68,000 new low-income households making less than \$39,000 a year will require affordable renter and owner housing. Unless this population growth is matched or exceeded by housing supply expansion, it will add pressure to the housing market, making it more challenging for lower-income residents to find affordable housing options.



Sources: US Census, North Carolina Office of State Budget & Management; HR&A Advisors

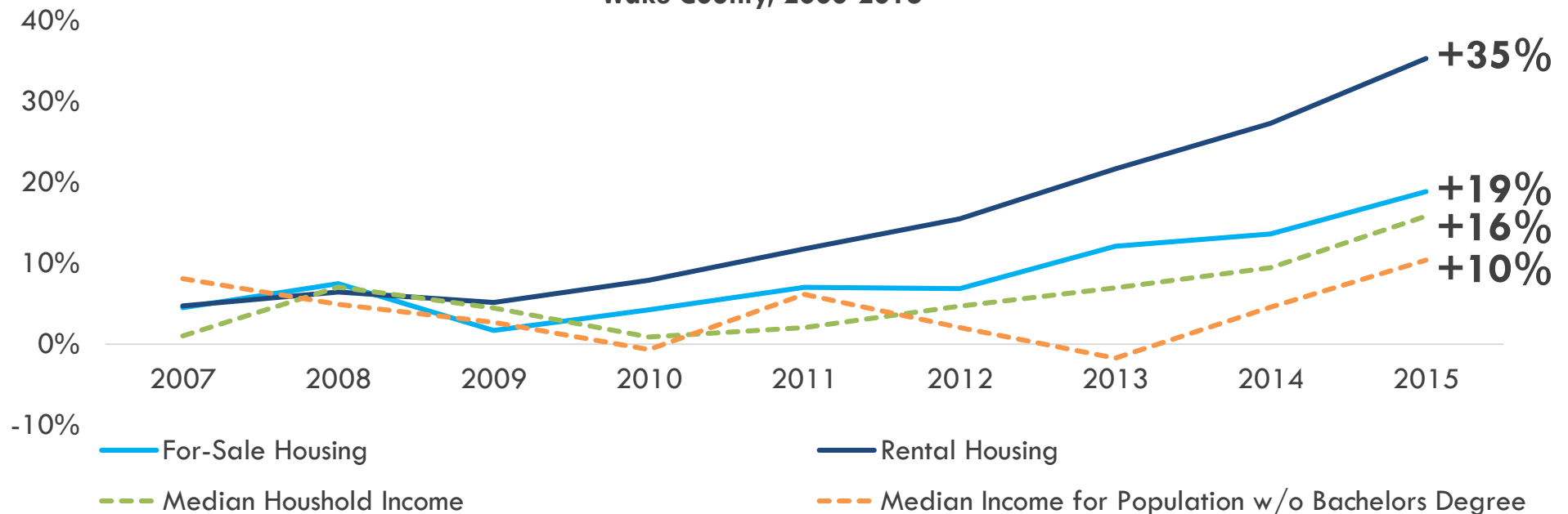
Trend 2: Household incomes are not keeping pace with escalating housing costs, especially for the lowest-income households.

Affordability is determined by the interaction between two factors: housing costs and household income. In Wake County, though overall incomes are increasing, housing costs for both for-sale housing and rental housing have outpaced income growth. Since 2006, the median household income in Wake County has increased by almost 16% and the median income for populations without a bachelor's degree

has increased by 10%. However, for-sale housing costs and rental housing costs have increased by 19% and 35% respectively. While the Plan focuses on one side of the affordability equation, increasing the supply of affordable housing, the County should continue to pursue opportunities to increase the incomes of low-income households.

GROWTH IN HOUSING COST RELATIVE TO INCOME

Wake County, 2000-2016



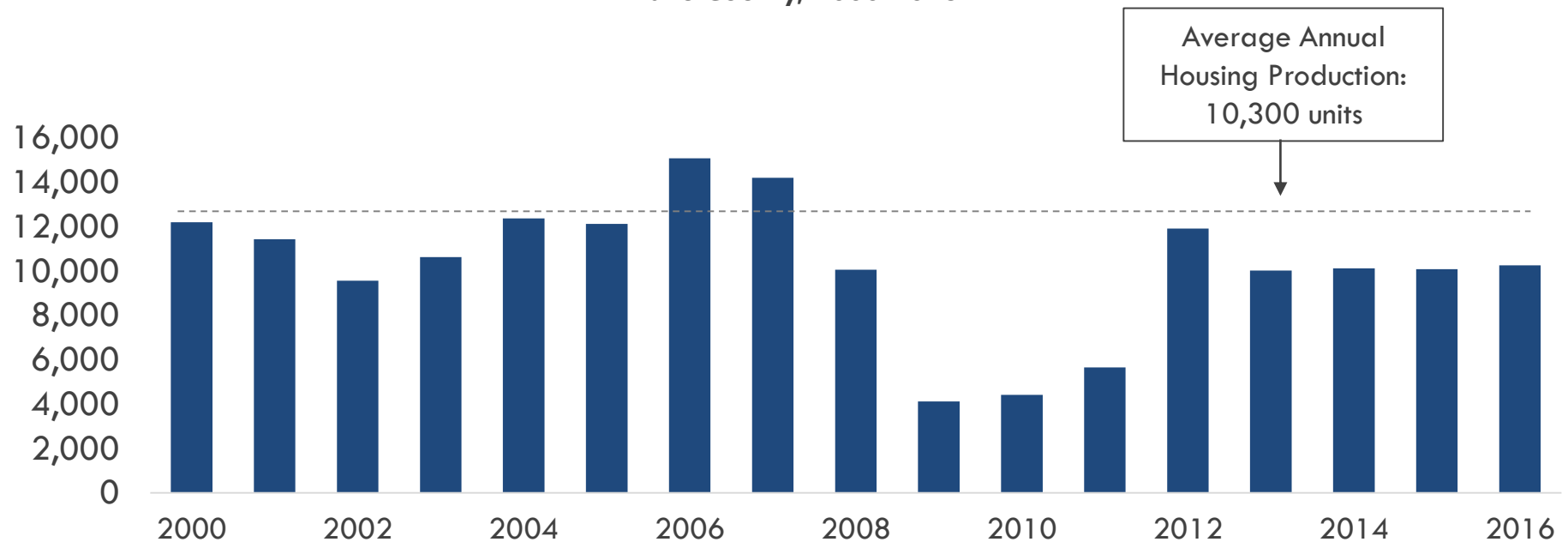
Source: U.S Census; CoStar Group; Zillow; HR&A Advisors

Trend 3: While Wake County has experienced substantial housing production, affordable housing has been a very small part of this.

In response to Wake County's rapid population growth, developers have **produced a significant amount of new housing**. Since 2000, an average of 10,300 housing units have been permitted annually in Wake County. Although production dipped during the Great Recession, it accelerated rapidly in 2012, and annual permits are now

holding steady just below pre-recession levels. Production has facilitated Wake County's growth by offering new and diverse units to entering residents.

TOTAL RESIDENTIAL BUILDING PERMITS
Wake County, 2000-2016



Note: Rest of Wake County includes all incorporated and unincorporated areas outside of the City of Raleigh
Source: U.S. Department of Housing and Urban Development; State of Cities Data Systems; HR&A Advisors

Trend 4: Wake County is losing its existing affordable housing stock due to redevelopment and conversion faster than it can produce or preserve it.

From 2009 to 2015, Wake County experienced a loss of almost 5,000 NOAH units offered at prices affordable to households with incomes below \$39,000. **This loss translates to an alarming annual net loss range of 700 to 900 affordable units each year**, with these units either being converted into more expensive housing options or redeveloped as non-housing options. In addition, a projected 100 to 400 LIHTC units will be lost as they reach

Year 30 and risk conversation to market rate. Taking into account both NOAH and subsidized housing, Wake County faces a projected annual loss of 800 to 1,300 units per year. If this rapid loss rate continues, Wake County’s existing stock of affordable housing will quickly disappear over the coming decades.

	LOW ESTIMATE	HIGH ESTIMATE
Annual Lost LIHTC	-100	-400
Annual Lost NOAH	-700	-900
Annual Lost Affordable Housing Projection	-800	-1,300

Trend 5: Today, households with incomes below \$39,000 are largely unable to find affordable housing, with the majority spending more than half their income on housing.

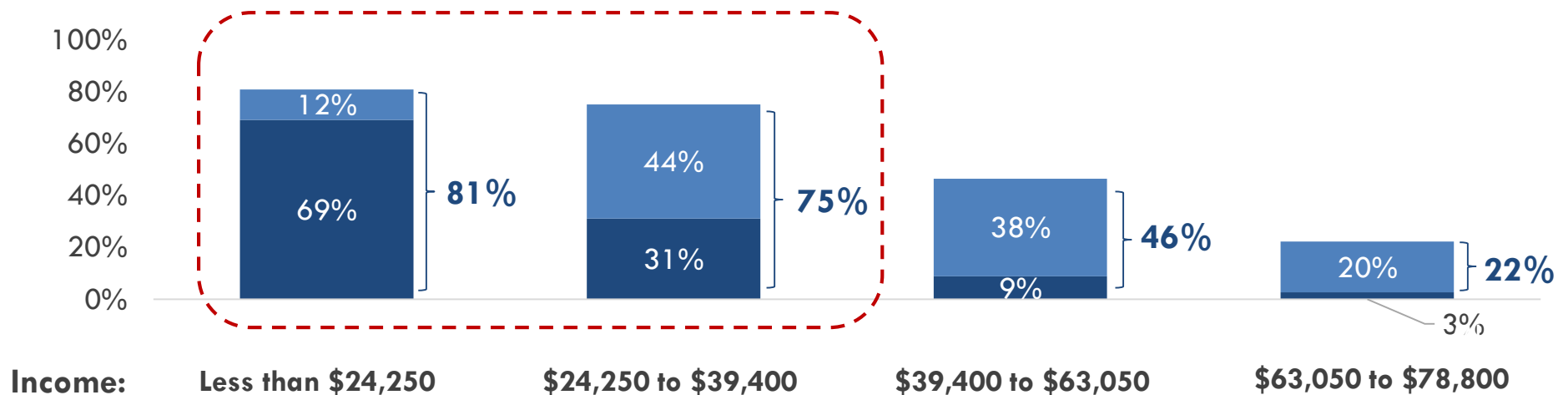
In Wake County, the majority of extremely cost-burdened and cost-burdened households earn less than \$39,000 a year. **Over 42,000 households in Wake County are extremely cost-burdened, meaning that they spend more than half of their income on housing.** Because these low-income households cannot find affordable housing, they have little income remaining to cover other household needs. **Additionally, more than 49,000 households are cost-burdened, meaning that**

they spend less than half, but more than one-third, of their income on housing. These households are a mix of those who are not able to find more affordable options, typically at lower incomes, and those who choose to dedicate more of their income to housing. **Together, there are more than 91,000 households in Wake County that are at least cost-burdened (if not extremely cost-burdened), and more than 62% or 56,000 of these households are making less than \$39,000 a year (<50% AMI).**

COST-BURDENED HOUSEHOLDS

Wake County, 2014

■ Extremely Cost Burdened (>50% income) ■ Cost Burdened (30-50% income)



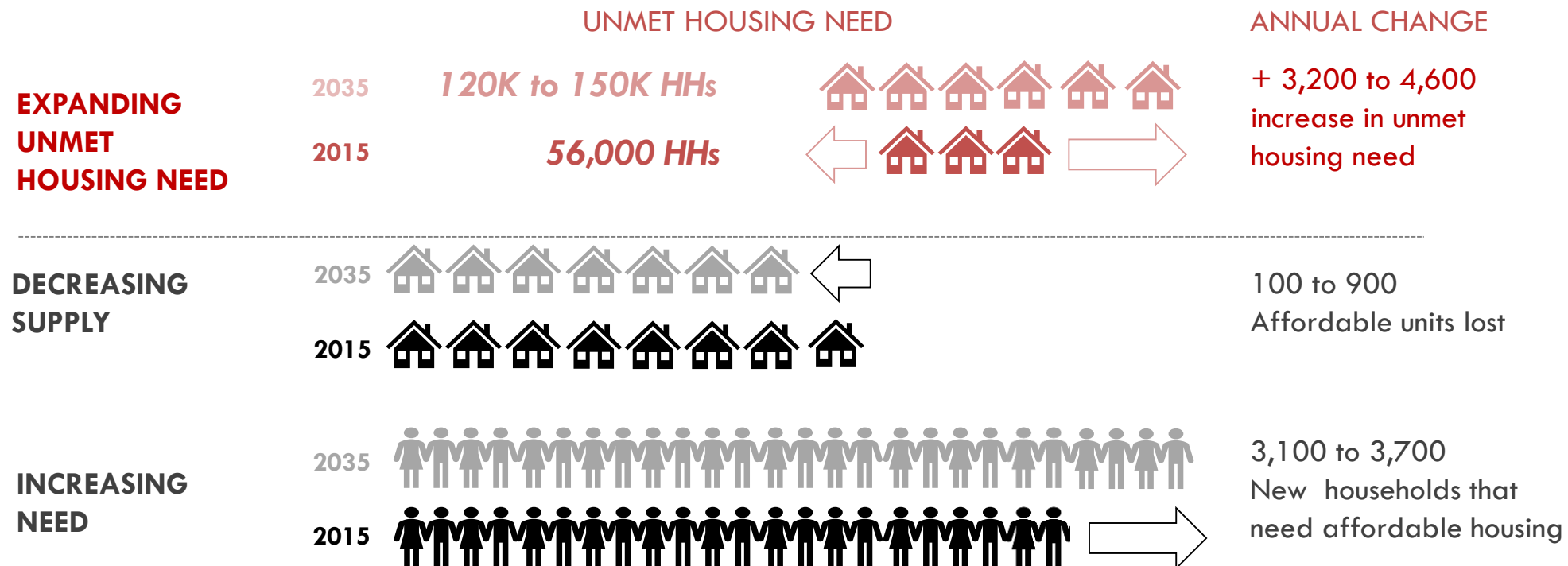
Note: Total cost-burdened includes the total number of households spending more than 30% of their income on housing costs.

Source: HUD CHAS data; HR&A Advisors

Wake County's growing affordable housing need and diminishing supply is likely to cause 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 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 people is expected to rise by approximately 3,100 to 3,700 households annually. Simultaneously, overall supply of affordable housing in Wake County is declining by

approximately 400 to 550 units each year. **Together, these trends create an unmet housing need of more than 14,000 by 2035.**



Note: Unmet housing need speaks includes only households at or below 50% AMI. All of the projections assume that current demographic and housing market trends continue along a straight line for the next 20 years.

Source: U.S Census; HR&A Advisors

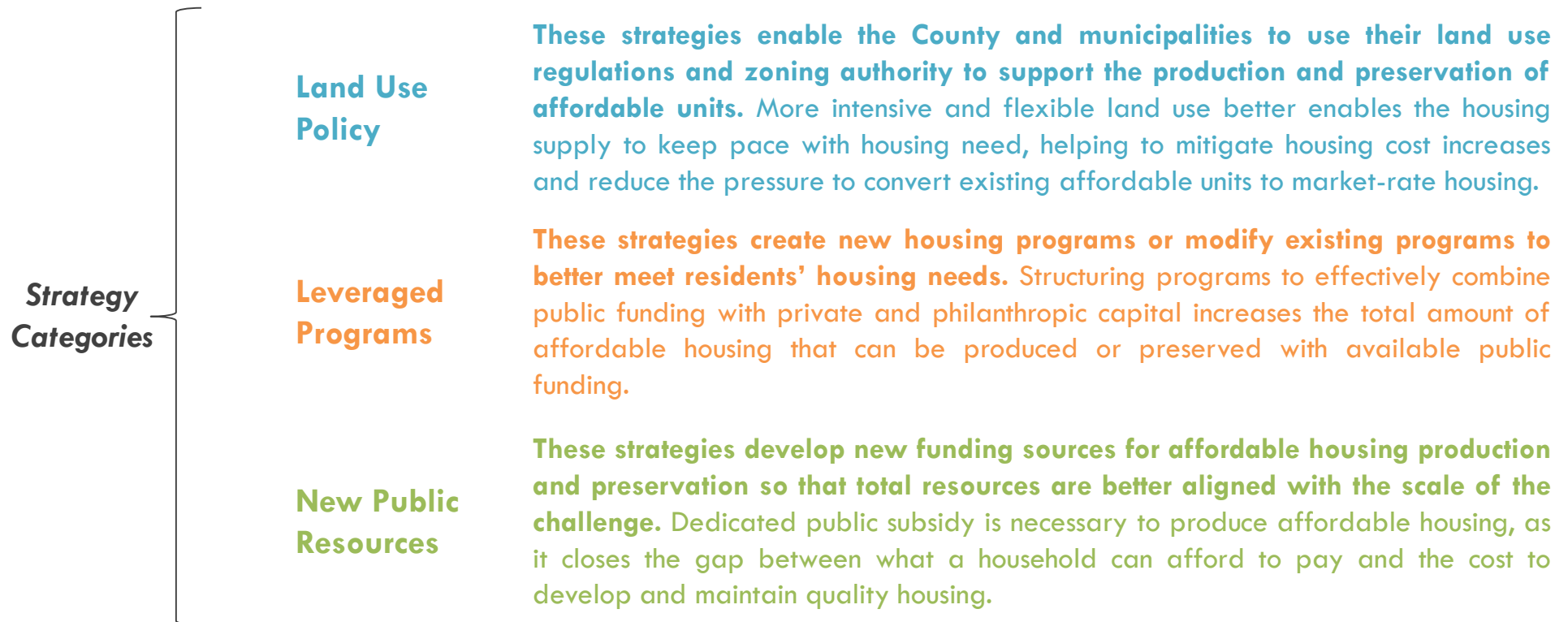
Plan Overview

Recommendations

Implementation

Updated Recommendations Structure

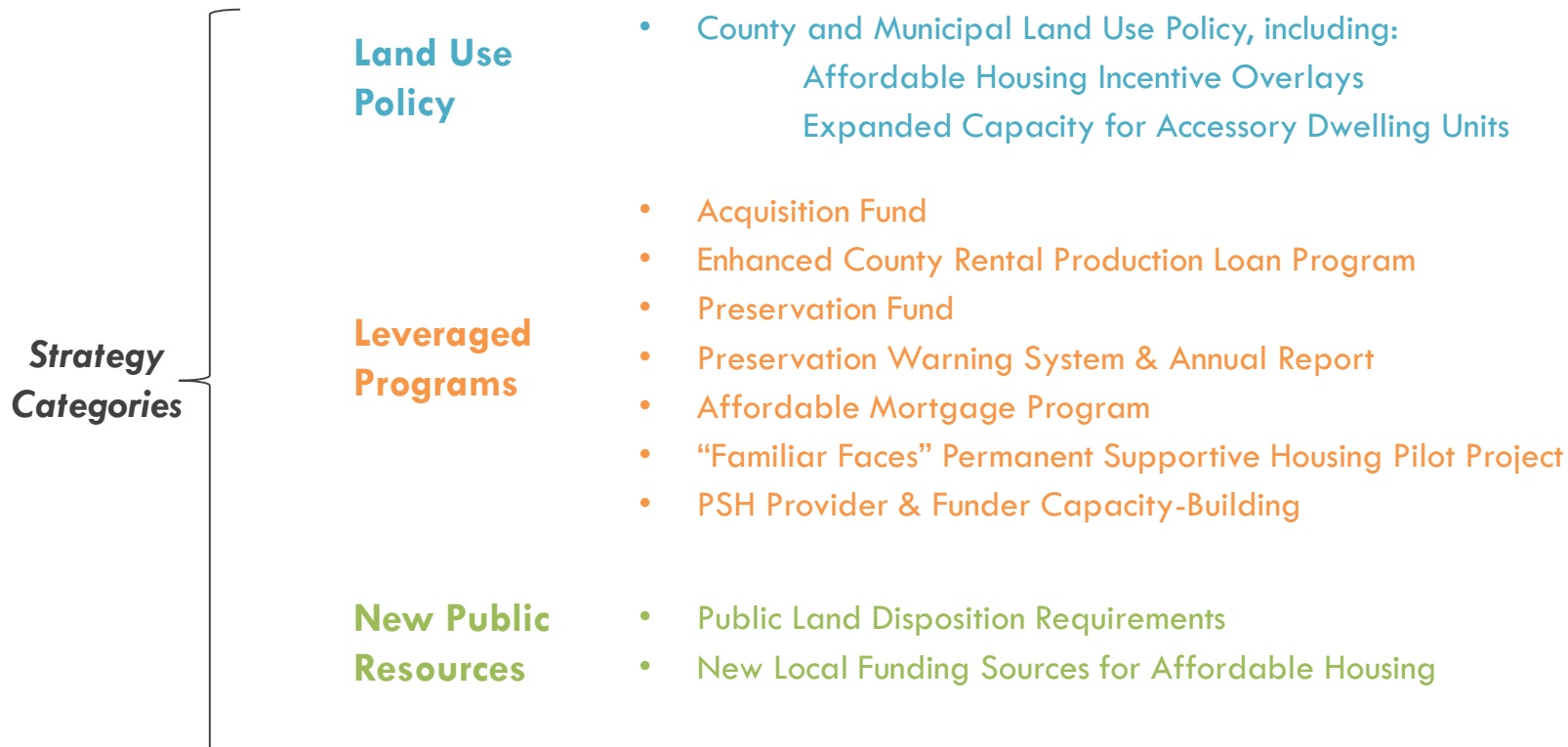
Together, the County and municipalities have the capacity to mitigate Wake County’s growing housing crisis by **deploying a set of recommended tools** to address residents’ housing needs. The tools represent three major strategy categories, summarized below.



Highest-Priority Recommendations

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 possible impact, in terms of significantly increasing the number of affordable units produced or preserved and households served. **Feasibility** is tied to Wake County's capacity to **successfully implement the selected tools** either independently or in partnerships with the municipalities or other actors.



Updated Recommendations Structure

ACROSS FIVE TOPICAL AREAS

Key: **Land Use** | **Leveraged Programs** | **Funding**

New Rental Production

- Acquisition Fund
- Enhanced County Rental Production Loan Program

Preservation

- Preservation Fund
- Preservation Warning System & Annual Report
- Redevelopment of Public Housing Sites
- Extended Affordability Provisions

Homeownership

- Affordable Mortgage Program
- Targeted Homeowner Rehabilitation Program
- Housing Counseling
- Shared Equity Homeownership Program

Supportive Housing

- “Familiar Faces” PSH Pilot Project
- Service Roadmap
- Provider & Funder Capacity-Building

Cross-Cutting Tools

County & Municipal Land Use Policy, including:
Establishment of Affordable Housing Incentive Overlays
Expanded Capacity for Accessory Dwelling Units
Landlord Partnerships

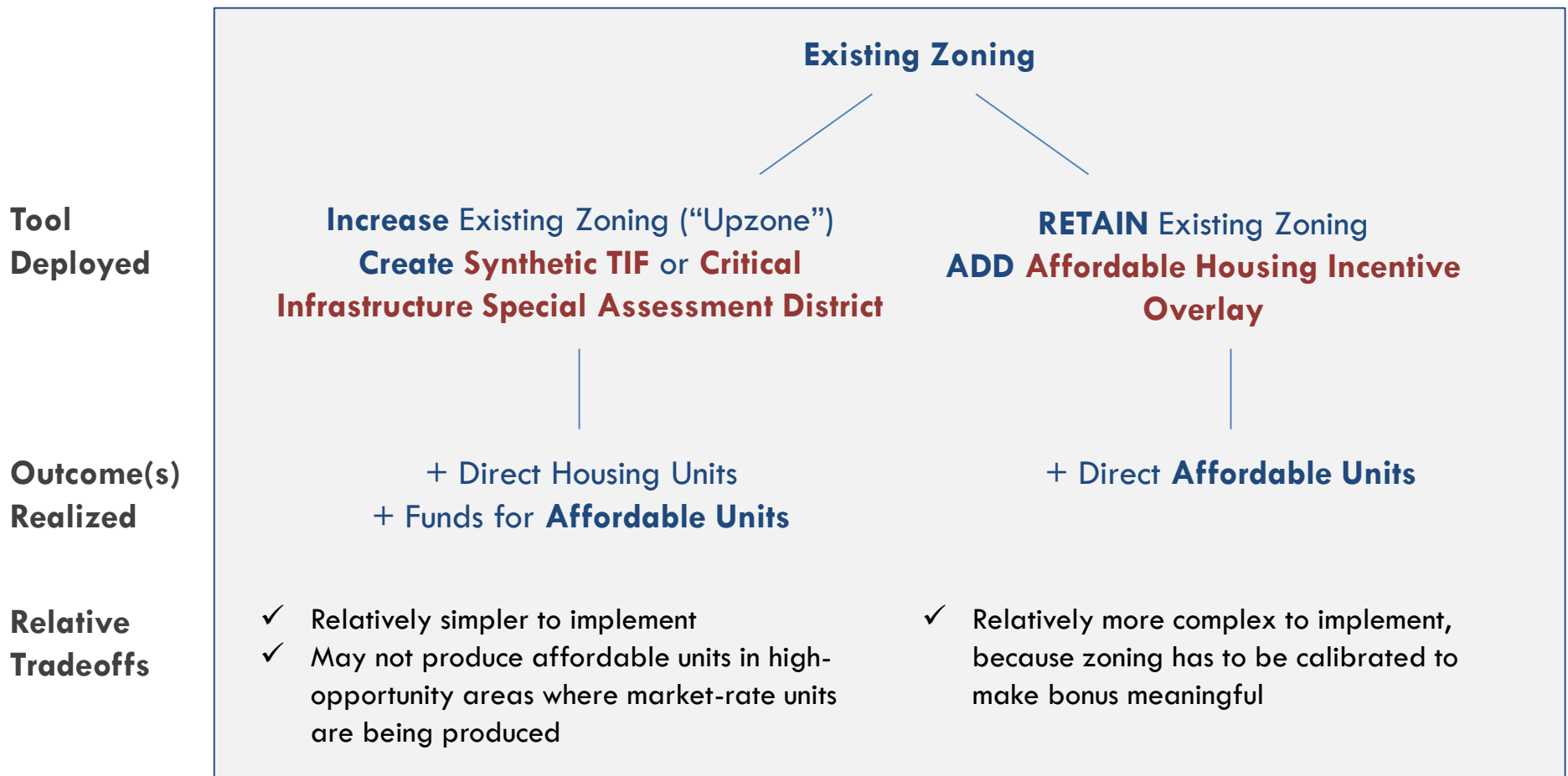
Public Land Disposition Requirements
Changes to North Carolina’s Qualified Allocation Plan
New Local Funding Sources for Affordable Housing
Enhanced Housing Placement & Coordination System

Recommendations Discussion

***Please refer to the detailed tools
provided under separate cover***

Potential Value Capture Pathways

Fundamentally, the County and municipalities have two pathways available to them to capture the value created through public investment in infrastructure, including transit, that lead to increased development and drive higher property values. These pathways are mutually exclusive, in that they cannot be deployed in the same location, but they can be used in different locations across the county.



Plan Overview

Recommendations

Implementation

There are six key considerations that Wake County will need to take into account as it implements the Plan.

- 1** **Sizing impacts and required funding** to guide requested budget allocation.
- 2** **Refining policy** for income targeting and location targeting.
- 3** **Strengthening internal and partner capacity**, including by adding County staff and expertise and establishing partnerships with the municipalities and other actors essential to plan implementation.
- 4** **Building community support.**
- 5** Establishing systems for **guiding and tracking implementation.**
- 6** **Launching priority programs.**

Sizing Impacts & Required Funding

Leveraged Programs

Leveraged programs generally scale up and produce **direct impacts** (e.g., certain number of units produced for each \$ invested) on the affordable housing supply.

New Public Resources

New public resources are a **policy choice** that drive the leveraged programs' **direct impacts**.

Land Use

Land use **indirect impacts** on the affordable housing supply.

Sizing Impacts & Required Funding

Leveraged Programs

Additional Local Funding

Units Produced***

\$5M	200-350
\$10M	300-600
\$20M	600-1,100

New Public Resources

Land Use

County & Municipal Land Use Policy

Additional Local Funding

Units Produced

No direct cost	Increased overall production, which will: • Slow the growth of housing costs. • Increase the number of NOAH units preserved or created.
No direct cost, unless addl. incentives needed to close gap	Affordable units could account for 10-20% of units produced
No direct cost	~500 units (top end)

Actual unit production will vary based on the specifics of the projects funded, including the income levels served, additional subsidy leveraged, construction costs, unit types, and other factors. Public land is included here, as it will serve as a non-cash subsidy.

Refining Policy | Income Targeting

Recommended Policy 1

The County should prioritize public funding to serve households with the greatest need: **renter households below 50% AMI and homeowner households below 80% AMI.***

The County should adjust income targets within its programs to reflect these policies. Most programs already target this income level.

Recommended Policy 2

The County should prioritize the creation of **units for renters below 30% AMI and supportive housing as part of all affordable rental programs.***

All programs serving renters should include a requirement to create units for renters below 30% AMI and supportive housing. This requirement will be at the program level and not the project level.

These recommended policies do not mean that Wake County cannot fund affordable housing projects that do not meet its 50% and 30% AMI goals, but priority will be given to projects that meet these goals.

Refining Policy | Location Targeting

Recommended Policy 1

The County should prioritize investments in affordable housing that **produce and preserve units in high-opportunity areas and support poverty de-concentration**, while also pursuing necessary upgrades to existing housing stock and infrastructure in distressed neighborhoods.

The County and municipalities should develop a scorecard to guide the location of affordable housing investments. The scorecard should include both minimum thresholds that determine whether or not an investment will be made and prioritization factors that determine the relative attractiveness of a project compared to other projects.

Recommended Policy 2

To the extent possible, the County should **tie investments in transit and other infrastructure to affordable housing production and preservation efforts** and encourage municipalities to do the same.

The County should map affordable housing developments against planned transit and infrastructure investments and prioritize investments that will support existing or planned affordable housing.

Strengthening Internal & Partner Capacity

The County has the capacity to leverage capacity internally and among partners. Partners can help supplement internal capacity **through additional staff, financial resources, technical expertise, and program administration assistance.**

INTERNAL

- Increase **overall staffing levels** and **add select expertise**, with options including:
 - New Housing Division staff
 - New staff in other divisions that complement Housing
 - Contractors (for short or extended duration)

PARTNER

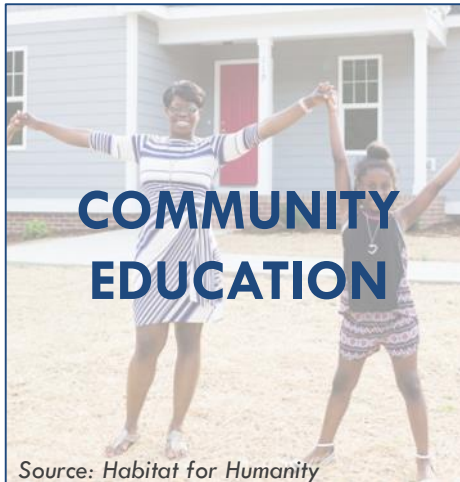
- Strengthen coordination between the County and municipalities, recognizing that the Plan will be most successful if implemented jointly by both entities.
- Establish partnerships with local financial institutions, nonprofits, and other partners necessary to support the implementation of specific recommended tools.

The County must consider capacity under two time horizons: launch and operations.



Some programs will require significant efforts to **launch**, but then relatively modest staff time to **operate**.

Building Community Support

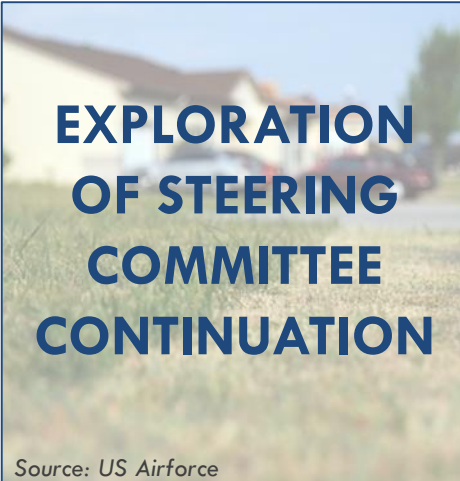


Conduct an **affordable housing public education campaign tied to the plan's release**, in partnership with other community organizations. Building on the information contained within the plan, the campaign should explain both what the current affordable housing need is in Wake County and how the recommended tools will help address it.



Encourage Steering Committee members to **support efforts to build a countywide housing coalition**, with stakeholders committed to both overall housing production and affordable housing as a share within overall production that keeps pace with population growth. Coalition members could work together to attend public meetings and educate peers to support the implementation of the recommended tools.

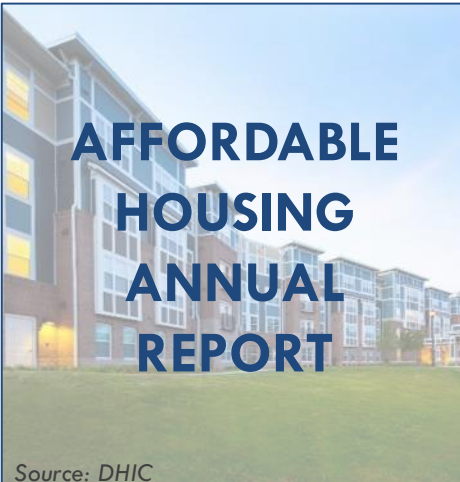
Establishing Systems to Guide and Track Implementation



EXPLORATION OF STEERING COMMITTEE CONTINUATION

Source: US Airforce

Pursue **a continued role for the Affordable Housing Steering Committee in overseeing and guiding plan implementation**, including identifying emerging issues that could affect the effectiveness of the recommended tools.



AFFORDABLE HOUSING ANNUAL REPORT

Source: DHIC

Produce **an annual report that tracks the state of Wake County's housing market**, including demand and supply indicators and affordability metrics, and helps to evaluate the County and municipalities' progress towards meeting their goals.

Launching Priority Programs

In launching priority programs, recognizing the scale of work at hand, the County should think about where it can leverage existing momentum.

	<i>Within 6 mos.</i>	<i>Within 12 mos.</i>	<i>Within 18 mos.</i>
Public Land Disposition Requirements	• Priority properties suitable for supporting affordable housing identified • County disposition policy enacted	• Properties awarded to selected developers	• Properties transferred
New Local Funding Sources	• <u>General revenue</u>: Preferred GR source selected • <u>SAD</u>: Target locations identified; partnerships with local jurisdictions created; & legal procedures established	• <u>General revenue</u>: GR strategy implemented • <u>SAD</u>: Demonstration district launched	• <u>General revenue</u>: GR revenue allocated to programs • <u>SAD</u>: Expansion of districts evaluated
Acquisition & Preservation Fund	• Fund administrator identified	• Fund capitalized with County money	• First loan made

Launching Priority Programs

In launching priority programs, recognizing the scale of work at hand, the County should think about where it can leverage existing momentum.

