



Wake County Affordable Housing Plan

Final Briefing Book

October 2017

PLAN ACKNOWLEDGEMENTS

The Affordable Housing Plan was prepared by HR&A Advisors, on behalf of the Wake County Housing Division and at the direction of the Wake County Board of Commissioners. Plan development was a collaborative process that involved contributions from a broad range of stakeholders, and would not have been possible without the expertise and insight of the following individuals and entities:

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'Connor
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.**,
Enterprise Community Partners and **Karen Lado** for the
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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.

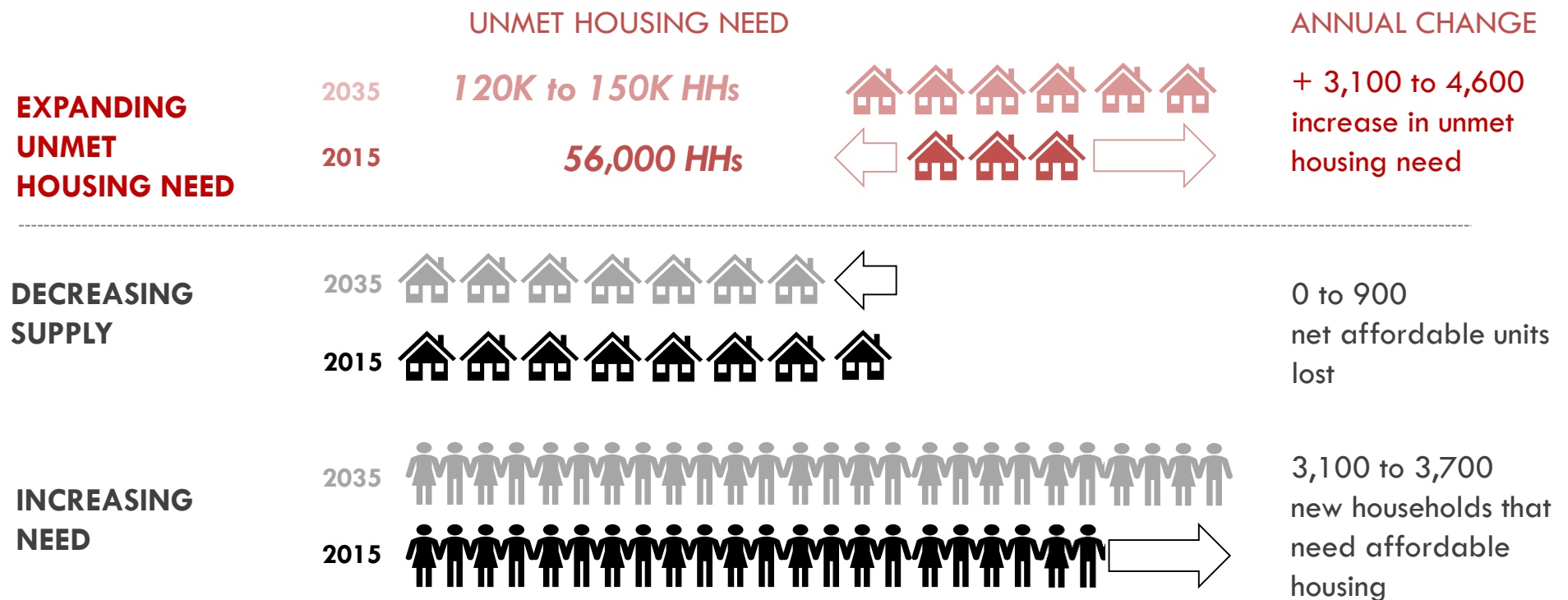
- **Wake County's rapid population growth is generating upward pressure on the cost of rental and ownership housing.** Wake County is projected to grow an average of ~22,000 people each year, making it the second fastest-growing county with more than a million residents.
- **Household incomes are not 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.



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.

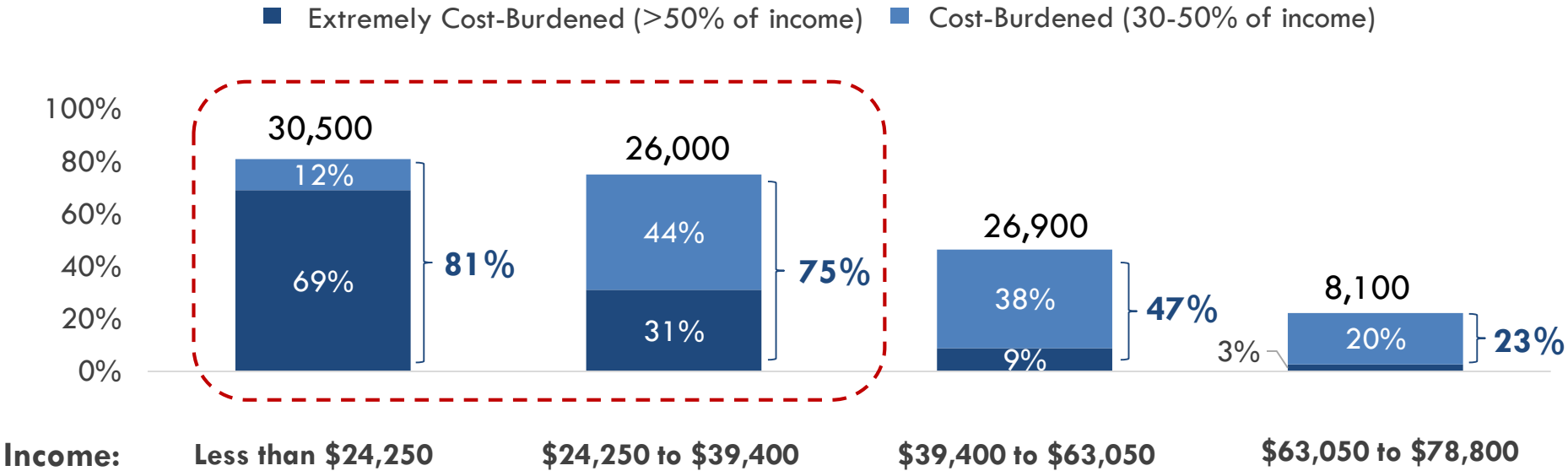
Over 42,000 low-income households in Wake County are extremely cost-burdened, meaning that they spend half or more of their income on housing. Of these households, about 60%, or about 26,000 households, earn less than \$24,000 annually, leaving them with less than \$1,000 per month to cover their remaining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

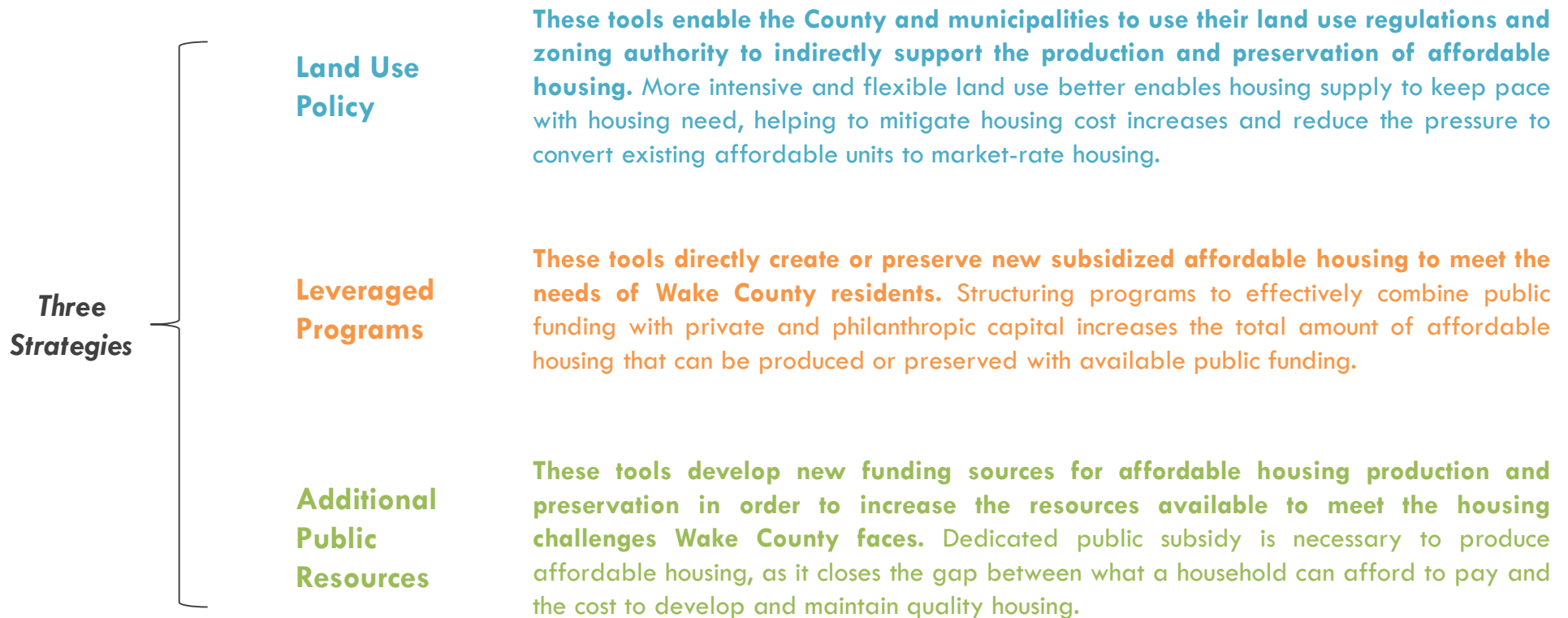
Sources: NC Department of Commerce, HUD; HR&A Advisors.

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.



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.



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.

Executive Summary

Wake County's Affordable Housing Need

Recommendations

Implementation Roadmap

Appendix

TRENDS DRIVING WAKE'S GROWING AFFORDABLE HOUSING CRISIS

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

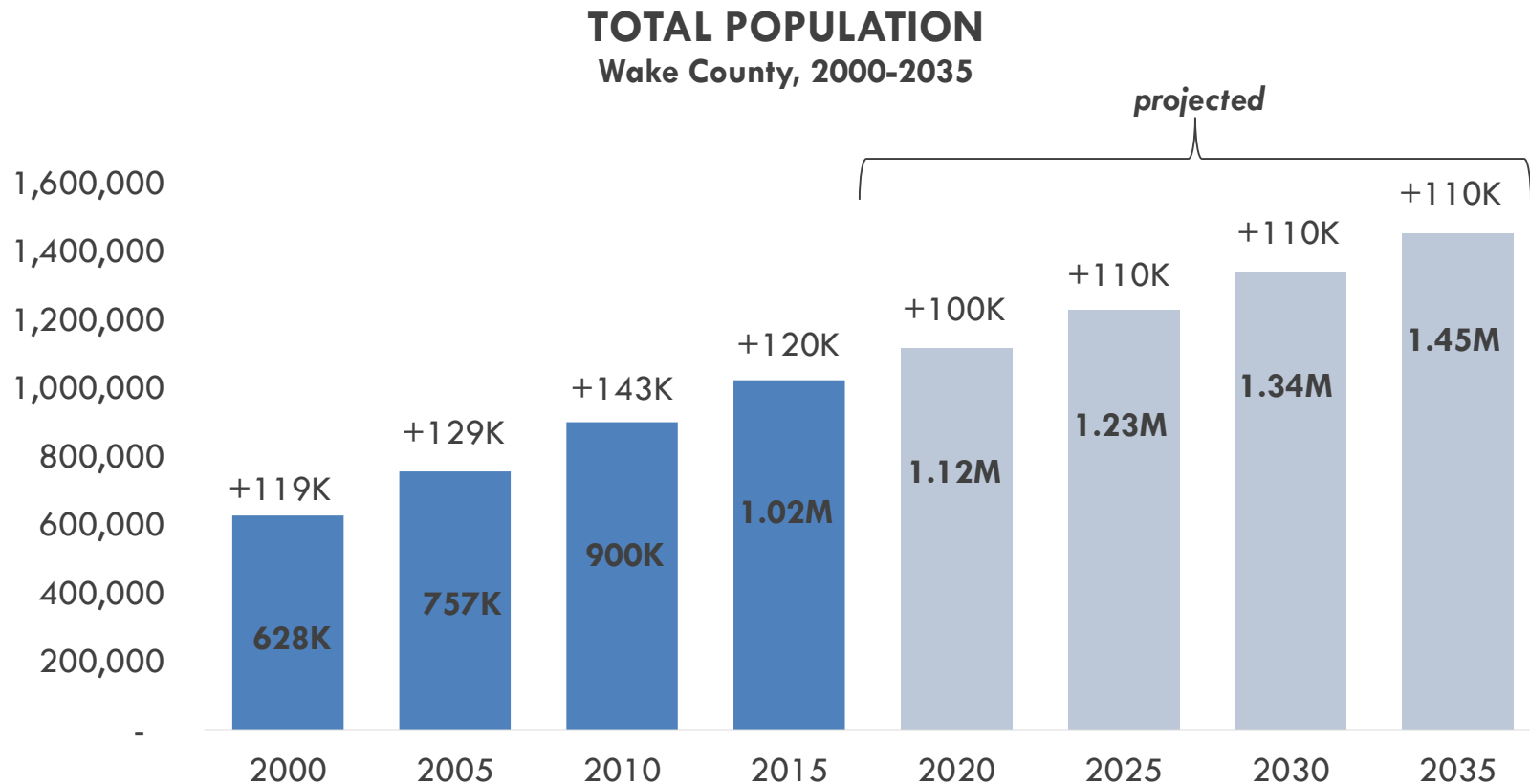
To evaluate Wake County's affordable housing need, **a multi-part analysis of the existing affordable housing landscape in Wake County was conducted.** This effort involved a series of interviews with local affordable housing experts; a thorough review of current housing programs and policies; a synthesis of existing housing plans; 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 is generating upward pressure on the cost of rental and ownership housing.** 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.
- 2** **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%.
- 3** **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.
- 4** **Wake County is losing both existing naturally occurring affordable housing (NOAH) and publicly-subsidized housing through redevelopment and conversion.** In 2015, Wake County lost approximately 800 units of affordable housing supply and gained only 500 units, a net loss of approximately 300 units.
- 5** **In Wake County today, 56,000 low-income households are unable to find affordable housing and this number is likely to increase to as much as 150,000 over the next 20 years.** This increase is driven by the loss of affordable housing and the growth in the number of low-income households.

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.

TREND 1: Wake County's rapid population growth at all income levels is generating upward pressure on the cost of rental and ownership housing.

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 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 ownership 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 low-income residents to find affordable housing options.



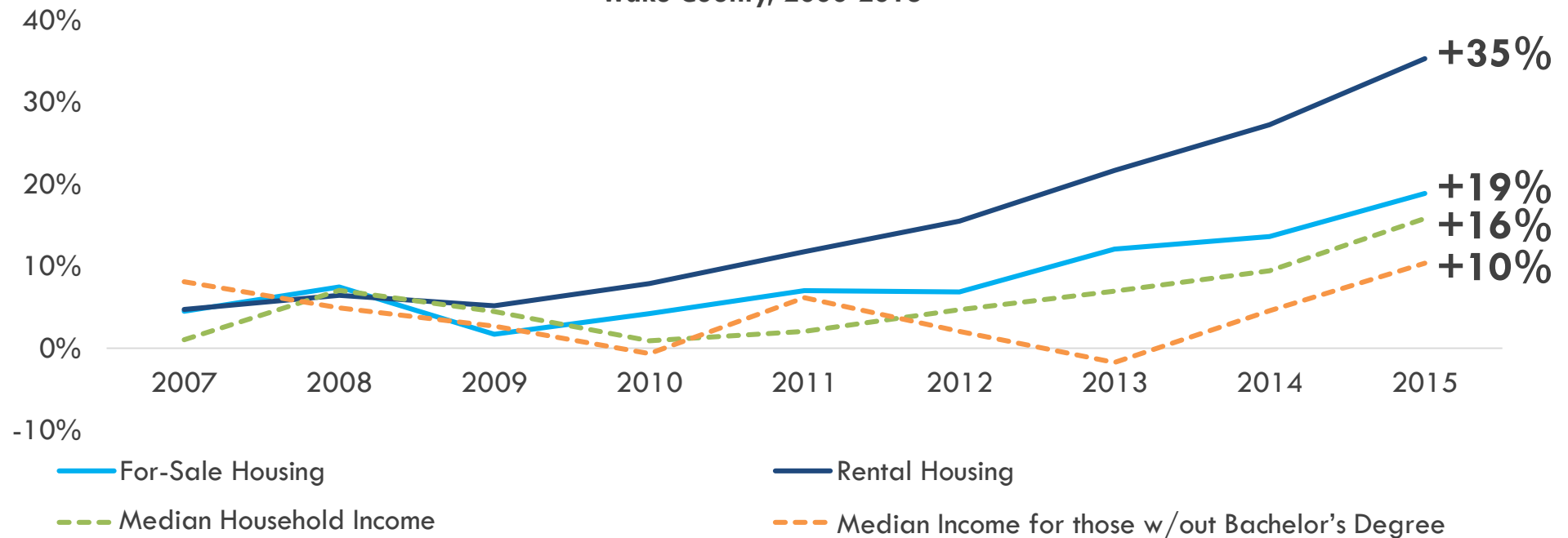
Sources: US Census, North Carolina Office of State Budget & Management; HR&A Advisors

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 Affordable Housing 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

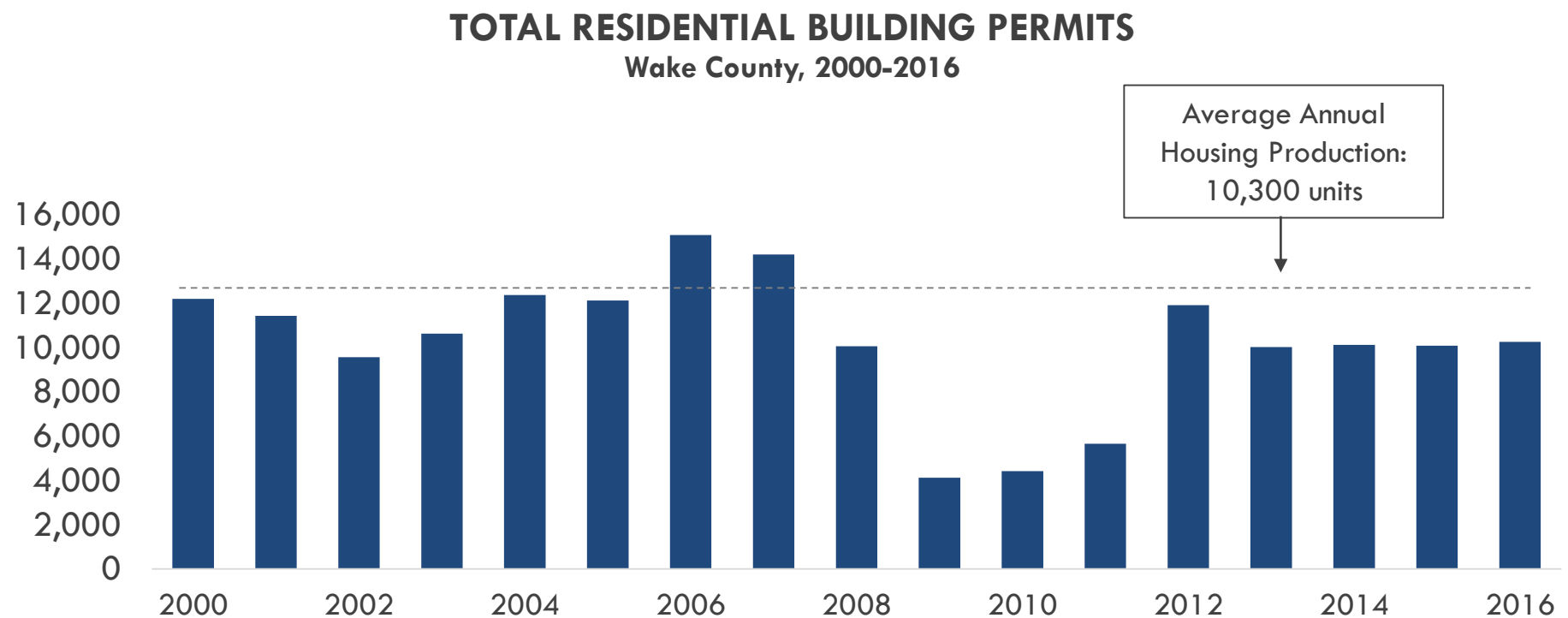
Wake County, 2000-2016



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

TREND 3: While Wake County has experienced substantial housing production in response to growth, affordable housing has been a very small part of this, and development patterns vary across the County.

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.



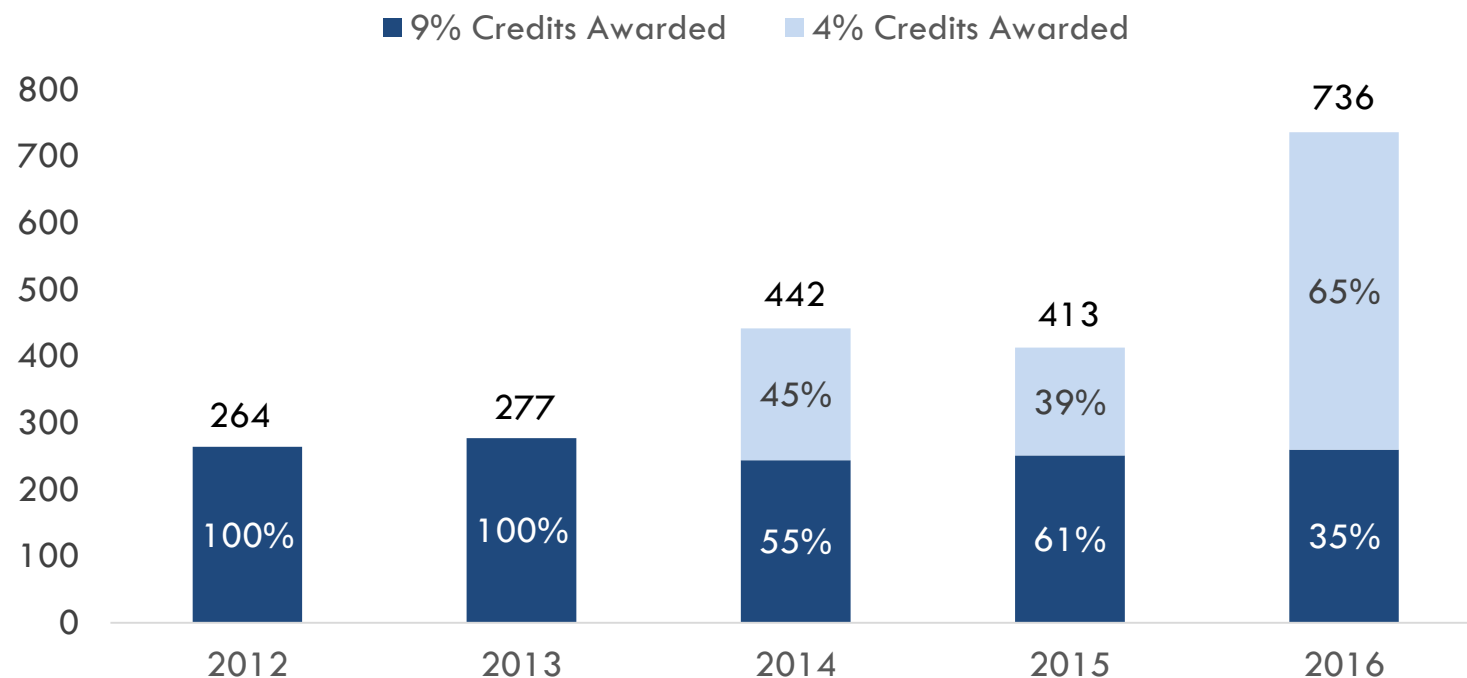
Note: The rest of Wake County includes all incorporated and unincorporated areas outside of the City of Raleigh.

Source: U.S. Department of Housing and Urban Development; State of Cities Data Systems; HR&A Advisors.

In recent years, the production of subsidized affordable rental housing in Wake County has grown due to expanded use of the federal Low Income Housing Tax Credit (LIHTC) program, with the North Carolina Housing Finance Agency (NCHFA) responsible for allocating LIHTC credits. **Wake County and the City of Raleigh have significantly increased the production of subsidized affordable rental units in the past two years by dedicating local funds to match LIHTC awards. In 2016, there were over 700 LIHTC units produced in Wake County, compared to just over 400 LIHTC units in 2015.** The increase reflects efforts to increase 4% credit use over the last several years. Wake County now is producing more affordable rental housing through the LIHTC program than any other county in North Carolina.

TOTAL AWARDED LIHTC UNITS

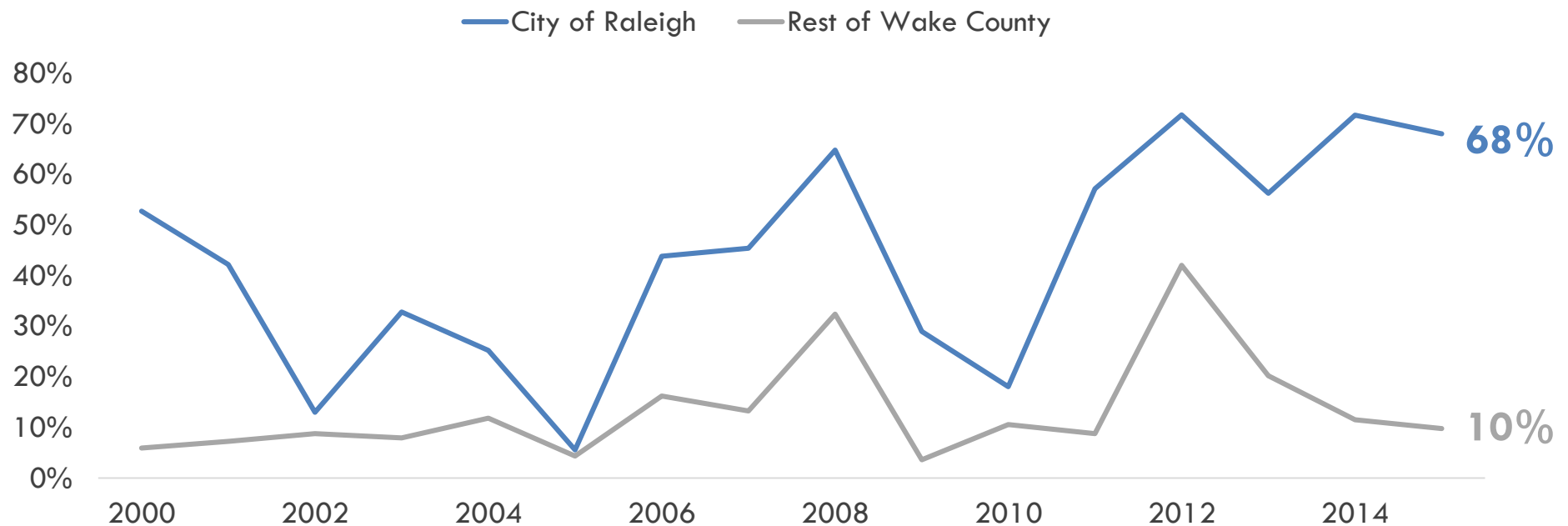
Wake County, 2012-2016



Sources: NCHFA; HR&A Advisors

While Raleigh has shifted towards denser housing product, single-family remains the dominant topology throughout the rest of Wake County. **Outside of Raleigh, single-family housing accounts for 90% of total units permitted, while multifamily units represent 68% of total units permitted in Raleigh.** The County and municipalities will need to pursue strategies to increase density outside of Raleigh to allow residential development to keep pace with population growth.

MULTIFAMILY UNITS AS A % OF TOTAL UNITS City of Raleigh v. Rest of Wake County, 2000-2015



Note: The 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.

Large-tract single-family development is occurring across Wake County outside Raleigh's central core, but market strength varies between western and eastern Wake. The western portion of Wake County primarily consists of homes priced towards the higher end of the market, with listing prices generally greater than \$300K. This area offers good access to jobs, transit, and community amenities. There is lower market demand for new homes in the eastern portion of Wake County, reflected in less expensive housing prices.

SELECT SINGLE-FAMILY DEVELOPMENTS

Wake County, 2017



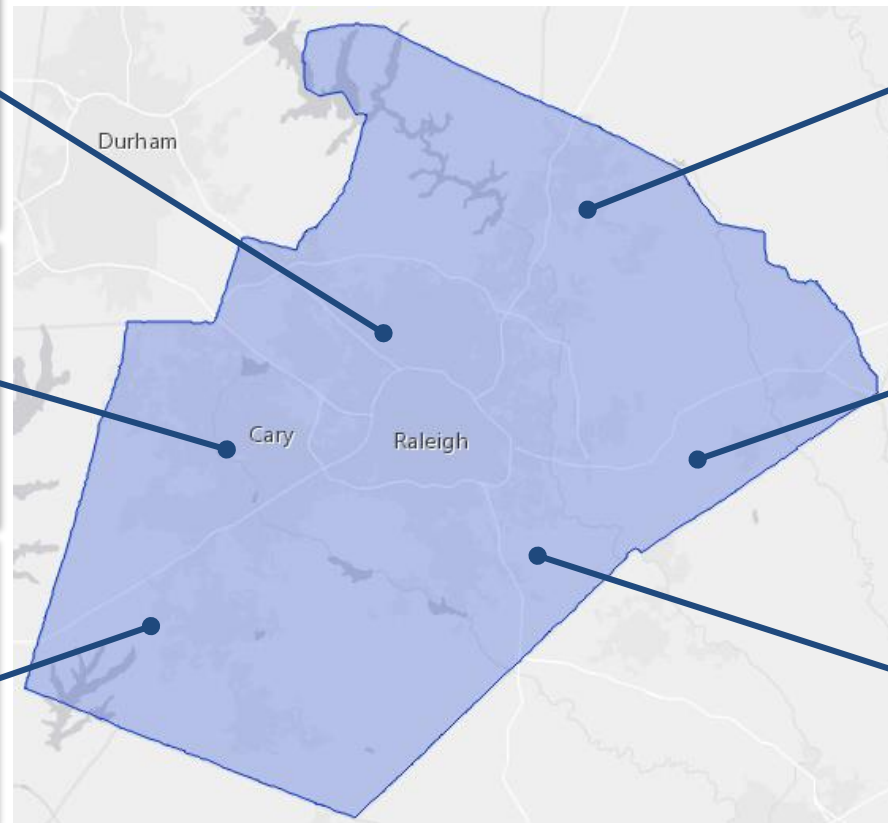
The Reserve at Brookhaven
40 Homes, \$550-680K



Estates at Young Landing
54 Homes, \$440-640K



12 Oaks
900 Homes, \$265-900K



Holding Village
390 Homes, \$245-330K



Wendell Falls
4,000 Homes, \$180-440K



Cleveland Bluffs
43 Homes, \$260-310K

TREND 4: Wake County is losing existing naturally occurring affordable housing (NOAH) and subsidized housing due to redevelopment and conversion faster than it can produce or preserve it.

From 2009 to 2015, Wake County experienced a loss of approximately 5,000 naturally occurring affordable rental 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 rental 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 risk being lost as they reach the end of their legal affordability obligations. Taking into account both NOAH and publicly-subsidized housing, **Wake County faces a projected annual loss of 800 to 1,300 units of affordable rental housing per year.** This rapid rate of loss will overwhelm Wake County's efforts to create new affordable housing if it is not addressed.

	HIGH LOSS ESTIMATE	MODERATE LOSS ESTIMATE
Annual Loss of LIHTC Units	-400	-100
Annual Loss of NOAH Rental Units	-900	-700
ANNUAL LOSS OF AFFORDABLE RENTAL UNITS	-1,300	-800

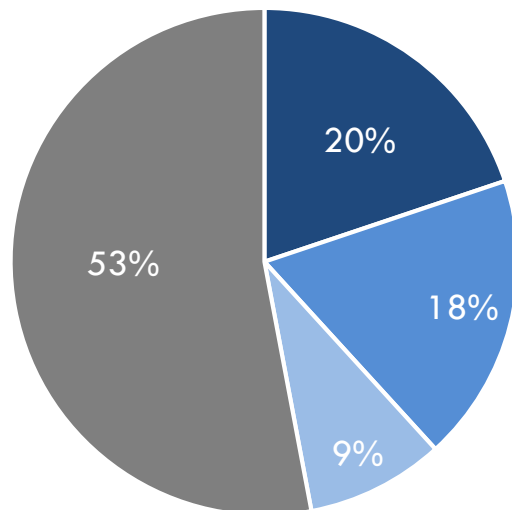
Sources: US Census, NCHFA; HR&A Advisors.

Note: The LIHTC loss estimate reflects subsidized properties that have affordable periods expiring. Those properties do not always immediately lose their affordability.

As of 2015, Wake County has approximately 61,500 affordable rental housing units, representing approximately 47% of the occupied rental stock and 17% of total occupied units in Wake County. Wake's affordable rental housing units consist of both publicly-subsidized housing and naturally occurring affordable housing (NOAH) units. NOAH units make up the majority (approximately 80%) of the affordable rental stock, representing approximately 26,000 multifamily NOAH rental units and 24,000 single-family NOAH rental units. The remainder of the affordable housing rental inventory consists of 11,500 publicly-subsidized units.

OCCUPIED RENTAL STOCK BREAKDOWN

Wake County, 2015



- Multifamily rental NOAH
- Single-family rental NOAH
- Publicly-subsidized units
- Market-rate rental units

MULTIFAMILY NOAH RENTAL UNITS

~26,000

SINGLE-FAMILY NOAH RENTAL UNITS

~24,000

PUBLICLY-SUBSIDIZED RENTAL UNITS

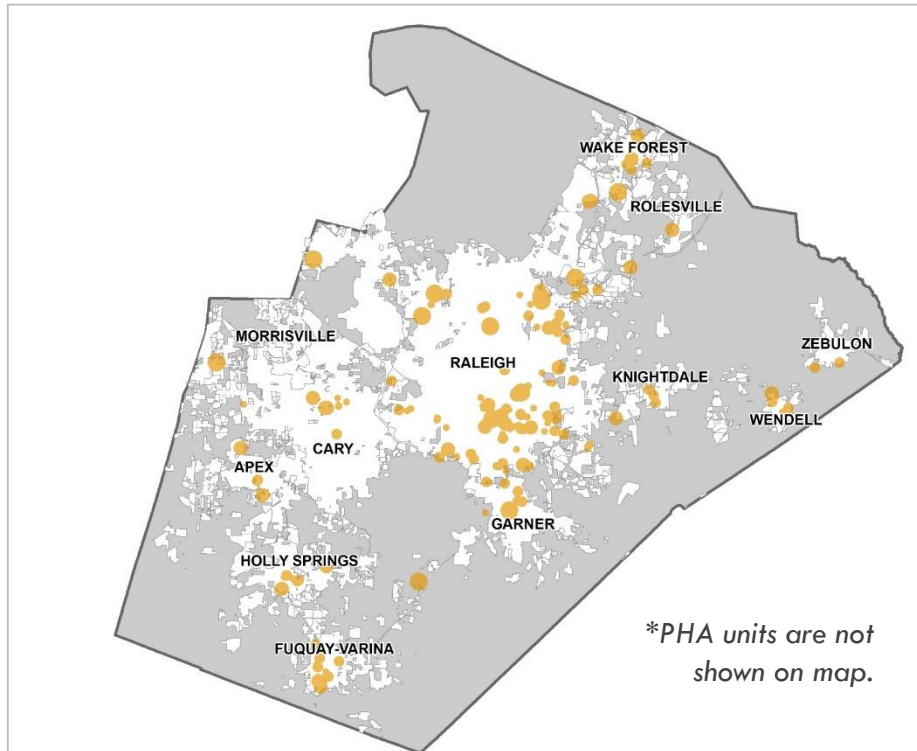
~11,500

Sources: American Community Survey PUMS Data, Total rental households; HR&A Advisors

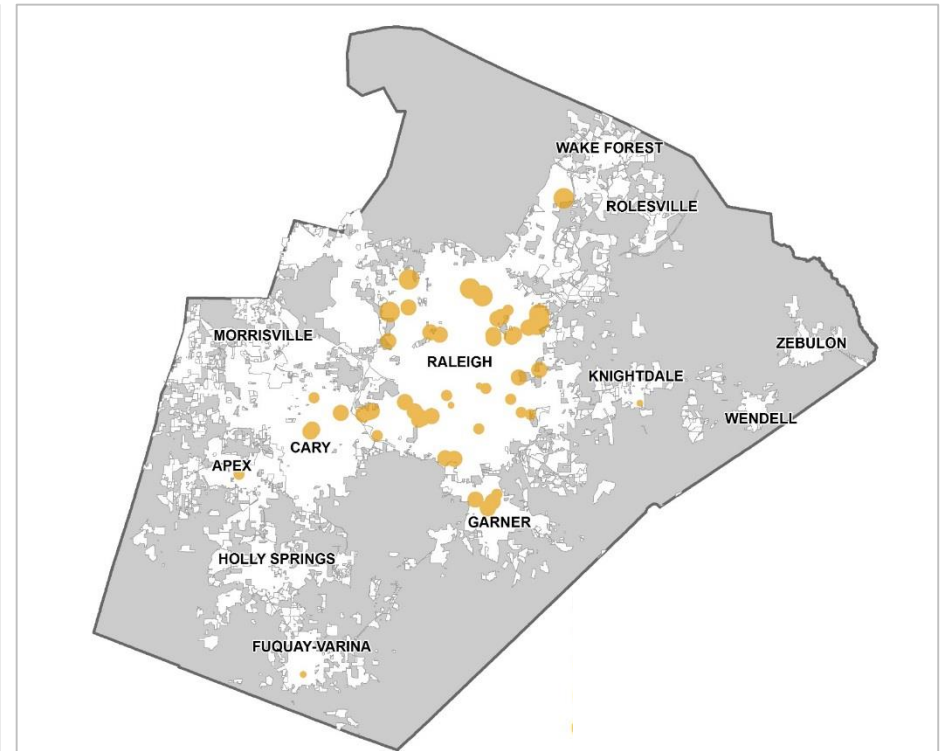
Note: The publicly-subsidized number does include rental assistance vouchers. In 2015, 4,574 vouchers were issued. Given data limitations, the single-family NOAH estimate may include units with vouchers.

Wake County's existing stock of affordable rental housing includes publicly-subsidized housing, or units that receive public subsidy from local, state or federal sources and have rent requirements in place, as well as naturally occurring affordable housing (NOAH). In this context, NOAH units are defined as those priced by market forces at levels that are affordable to households earning less than \$39,000 annually. The majority of multifamily NOAH units are concentrated in Raleigh, while publicly-subsidized properties are more evenly spread throughout the County. As of 2015, the municipalities with the highest shares of subsidized housing units (9-10% of total units) are Knightdale, Zebulon, and Wendell. In addition, 66% of subsidized units in the County are located in areas with poverty rates exceeding the countywide poverty rate.

TOTAL UNITS IN PUBLICLY-SUBSIDIZED PROPERTIES



TOTAL UNITS IN MULTIFAMILY NOAH PROPERTIES



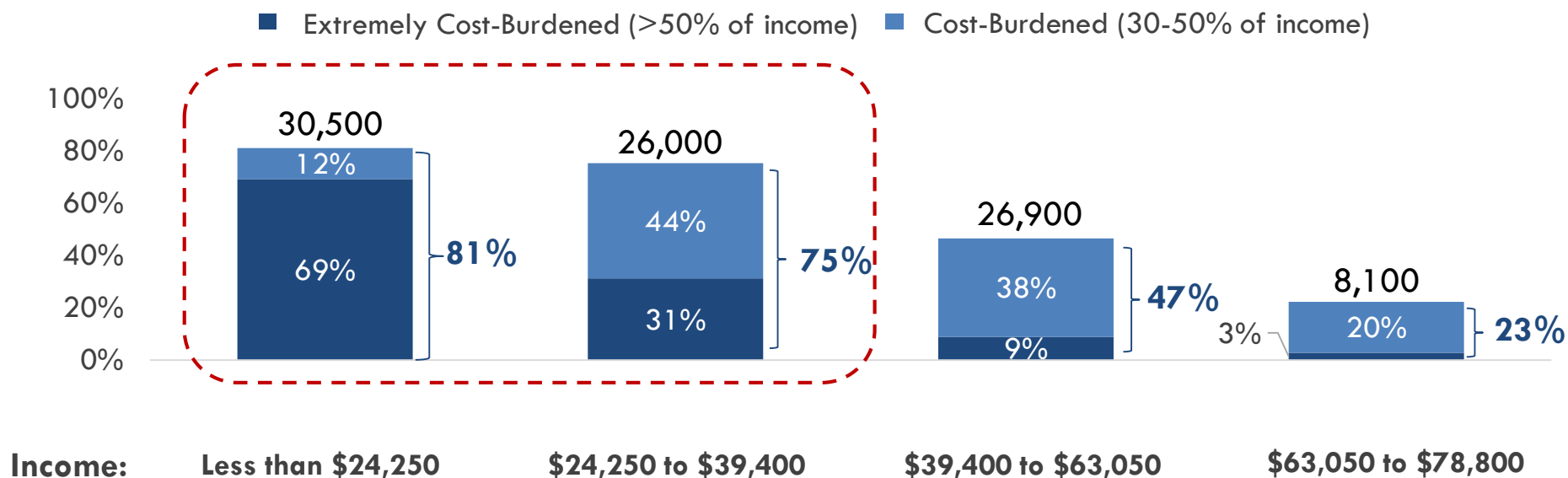
Source: National Housing Preservation Database; HR&A Advisors.

Note: These numbers do not include rental assistance vouchers. In 2015, 4,574 vouchers were issued. NOAH units are defined as those affordable (>30% cost burden) to households earning up to \$39,000 annually, adjusted for bedroom size.

TREND 5: In Wake County today, 56,000 low-income households are unable to find affordable housing and this number is likely to increase to as much as 150,000 over the next 20 years.

Over 42,000 households in Wake County are extremely cost-burdened, meaning that they spend more than half of their income on housing. Over 85% of these households earn less than \$39,000 a year. Because these low-income households cannot find affordable housing, they have little income remaining to cover other household needs. Another 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 cannot 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

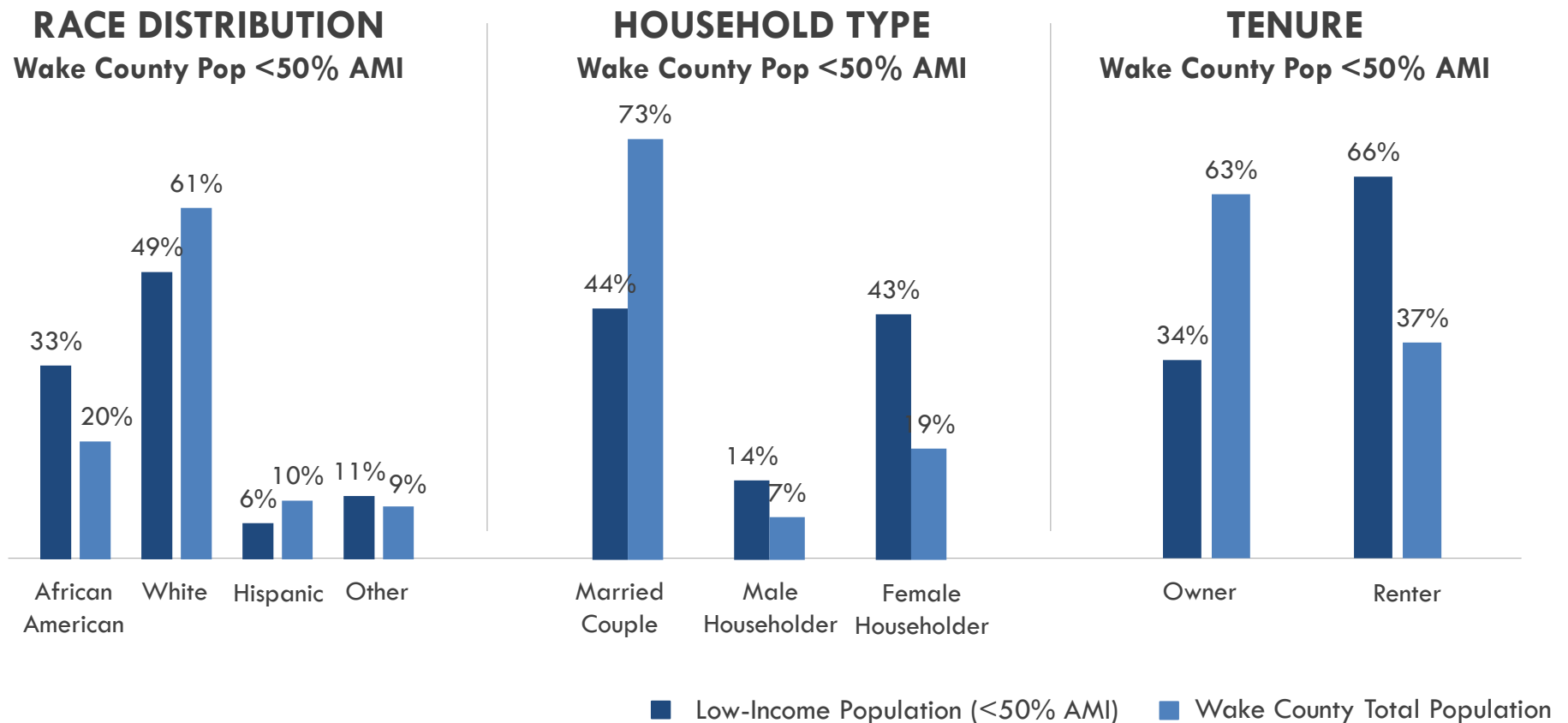


Sources: HUD 2014 CHAS data; HR&A Advisors.

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.

Wake County's lowest-income residents in need of affordable housing (households below 50% AMI) include a diverse mix of households in terms of race, household type, and household tenure. In terms of racial distribution, African Americans represent one-third of Wake County's households below 50% AMI, compared to only one-fifth of its total population. Among low-income households, there is a roughly equal share of female-headed households and married-couple

households, suggesting a greater share of single mothers among Wake County's low-income population than its total population. In addition, roughly two-thirds of Wake County's low-income population are renters rather than owners, the inverse of its total population. The dominance of renters reflects Wake's critical need for affordable rental housing options.



Sources: US Census; HR&A Advisors

Wake County is experiencing a growing housing crisis. Today, there is a **current unmet housing need of roughly 56,000 affordable units, with this number of units required to satisfy the need for affordable housing.**

Over the next 20 years, Wake County's population is **projected to grow by almost 184,000 households.** Based on recent trends in Wake County, **68,000 of these households are likely to be making less than \$39,000.** The need for

additional affordable units to accommodate a greater total number of low-income people is expected to rise by 3,100 to 3,700 units each year.

Simultaneously, **overall net supply of affordable housing in Wake County is declining by up to 900 units each year.** Together, these trends create an unmet housing need between 120,000 to 150,000 by 2035.



Sources: U.S Census; HR&A Advisors.

Note: Unmet housing need 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. 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.

The declining supply of affordable housing in Wake County is being driven by two interrelated factors.

Factor 1. Limited New Affordable Housing Production

New affordable housing can be produced through either the use of public subsidy or the action of the private market. While **new publicly-subsidized housing** is being created in Wake County, **production is insufficient to keep pace with growing need.** In addition, the private market currently is **not generating a net increase in the naturally occurring affordable housing supply** via inexpensive new development or reduced rents as buildings age. **Few new developments are affordable.** In addition, cases of existing properties where rents have recently declined to affordable levels are more than offset by the loss of existing naturally occurring affordable housing elsewhere.

Factor 2. Loss of Existing Affordable Housing

From 2009 to 2015, Wake County experienced a loss of approximately 5,000 housing units affordable to households earning less than \$39,000 a year. The loss is driven by expiring affordability requirements, rent increases, and redevelopment. **Future loss of naturally occurring affordable housing will be approximately 700 to 900 units each year.** In addition, a large portion of Wake County’s publicly-subsidized housing properties are scheduled to reach the end of their required affordability periods over the next 20 years, placing them at risk of losing their affordability. If these units do not receive further public subsidy, they may fall into disrepair and leave the market or raise their rents. Either outcome will result in a loss of affordable housing in Wake County.

	HIGH LOSS EST.	LOW LOSS EST.
Annual New Subsidized Rental Units	400	800
Annual Loss of Subsidized Rental Units	-400	-100
Annual Loss of NOAH Rental Units	-900	-700
ANNUAL NET LOSS OF AFFORDABLE RENTAL UNITS	-900	0

Sources: US Census, NCHFA; HR&A Advisors.
Note: The annual subsidized rental unit loss estimate reflects subsidized properties that have affordable periods expiring. Those properties do not always immediately lose their affordability.

Executive Summary

Wake County's Affordable Housing Need

Recommendations

Implementation Roadmap

Appendix

RECOMMENDED TOOLS | OVERVIEW

While Wake County and the municipalities face a growing housing crisis, **they have the capacity to mitigate this situation by implementing the recommended tools to more effectively address residents' housing needs.** Collectively, the recommended tools represent three categories of strategies: land use policy, leveraged programs, and additional public resources.

Strategy Categories

Land Use

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.

Leveraged Programs

These tools directly create or preserve subsidized affordable housing to meet the need of Wake County residents.

Additional Public Resources

These tools generate new funding sources for affordable housing production and preservation in order to meet the housing challenges Wake County faces.



The recommended tools were developed in four topical areas linked to major housing needs in Wake County, as well as a cross-cutting area tied to multiple housing needs.

- **New Rental Production Tools** focus on meeting the growing need for affordable rental options among Wake County residents.
- **Preservation Tools** focus on preserving existing affordable housing in Wake County, given the loss of publicly-subsidized and naturally occurring affordable housing.

- **Homeownership Tools** focus on creating new affordable owner-occupied units and providing services to help residents become and stay homeowners in Wake County.
- **Supportive Housing Tools** focus on providing integrated housing and support services to meet the needs of Wake County's most vulnerable populations.
- **Cross-Cutting Tools** serve multiple areas of housing need.

Key: Land Use | Leveraged Programs | Funding

New Rental Production

- Acquisition Fund
- Enhanced County Rental Production Loan Program

Preservation

- Preservation Fund
- Affordable Housing 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

Recommended Tools

- **Cross-Cutting**
- New Rental Production
- Preservation
- Homeownership
- Supportive Housing

CROSS-CUTTING TOOLS | OVERVIEW

The **recommended cross-cutting tools serve multiple affordable housing needs**, including the production of new affordable rental units, preservation of existing affordable rental units, the creation of affordable homeownership opportunities, and the expansion of permanent supportive housing options. **These tools focus on reducing barriers that add time and cost to the development process and expanding the resources available to support all types of affordable housing.**

Land Use | Leveraged Programs | Funding

Revised County & Municipal Land Use Policy

Revise Wake County's Uniform Development Ordinance and also support revisions to local municipalities' UDOs to enable greater overall and affordable housing production. This tool is linked to two other tools, **Establishment of Affordable Housing Overlays** and **Expanded Accessory Dwelling Units**, both of which are discussed in this section.

Public Land Disposition Requirements

Dispose of available County and other publicly-owned sites to support affordable housing development through discounted land prices or sale proceeds.

New Local Funding Sources for Affordable Housing

Develop new sources of affordable housing funding, with an emphasis on value capture tools to harness Wake County's rapid growth. The three potential funding approaches include increasing County General Fund revenue, expanding the use of increment financing, and deploying special assessments districts.

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 (LIHTCs) to better address the housing needs of Wake County residents and help meet the County's housing goals, particularly in regard to increased rental production, preservation, and supportive housing.

Landlord Partnerships

Establish a Landlord Partnership program to increase private landlords' willingness to accept vouchers by educating landlords about the voucher process, streamlining the voucher administration system, and providing landlords with greater support and risk mitigation.

Fundamentally, the cross-cutting tools respond to three major challenges shaping the County's affordable housing need.

Increasing market pressures

As its population grows, land costs across Wake County are rising and there is growing competition for development sites, especially in high-opportunity areas near current or planned transit. To respond to market demand and mitigate housing cost increases, Wake County must allow higher-density development. To a modest extent, Wake County's development patterns are already changing to reflect market preferences. Since 2000, Wake County has experienced significant housing production, creating an average of 10,300 housing units annually. In recent years, there has been some shift to denser product, but concentrated in Raleigh. In 2015, multifamily represented 68% of units permitted in Raleigh, compared to just 10% of units permitted outside Raleigh.

Community resistance to development

The current zoning and development approval process makes it relatively easy for community groups to stop or reduce the size of higher-density and affordable housing projects. While those opposing the projects may not intend this outcome, they are exacerbating the housing crisis in Wake County by reducing the overall housing supply. Preventing or decreasing the size of higher-density and affordable housing projects helps increase unmet affordable housing need in two ways. First, it decreases total housing supply, with low-income households the least prepared to compete for a limited set of affordable housing

options. Second, it increases housing development costs due to higher per-unit land and entitlement costs. **There is a need for a shared commitment to higher-density and affordable housing across Wake County.**

Cary Habitat for Humanity Trimble Avenue Project

In early 2016, Habitat for Humanity purchased a 2.6-acre lot on Trimble Avenue in Cary for approximately \$400,000.

*Habitat asked the Town of Cary to rezone the site for an affordable homeownership project. Habitat originally intended to create **23 attached homes** on the site, but reduced their proposal to 15 and then nine detached single-family homes in response to community demands. Residents in the nearby Scottish Hills neighborhood organized to block the rezoning, expressing concerns that the project did not fit in with their neighborhood's density or appearance and could cause flooding. In May 2017, the Town Planning Board denied the project. However, in June 2017, the Cary Town Council approved the project, now reduced to **7 single-family homes**. The Town also provided \$420,000 in funding commitments to the project. **The project illustrates the challenges of finding a suitable place for affordable housing and the lack of sufficient land zoned for as-of-right higher-density development to house Wake County's growing population.***

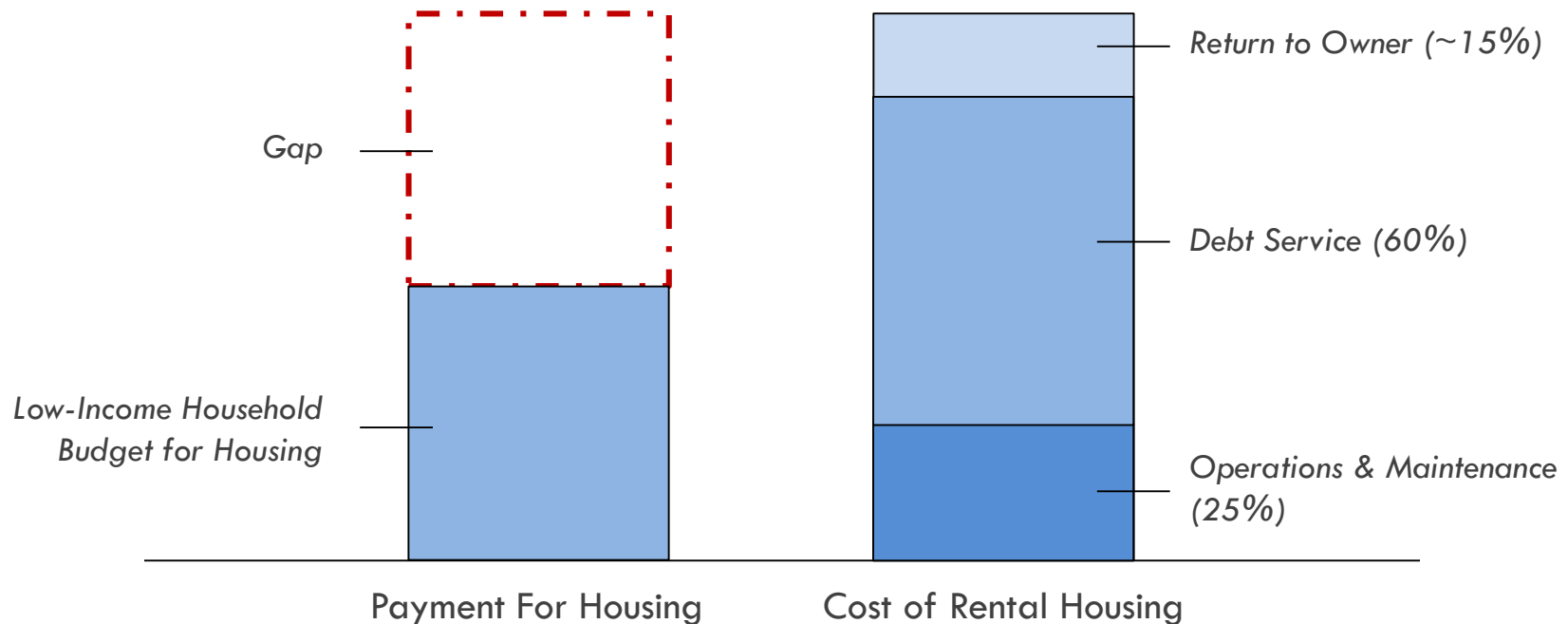
Sources: The News & Observer, "Neighbors Oppose Habitat's Plan to Build in Cary," 5/8/17 and "Cary Approves Scaled-Back Habitat Project," 6/22/17

Shortage of essential resources

The majority of Wake County's affordable housing funding comes from federal sources, which are declining. Wake County also receives money from the state, which faces pressure to allocate its resources across a broad range of communities. **As federal funding sources decline, and the affordable housing need in Wake County grows, new local funding sources will be required to meet the gap between what households can**

afford to pay for housing and what it costs to actually build housing (see diagram below). The recommended tools include several actions to help narrow that gap. However, **expanded subsidy resources will be necessary to support the production and preservation** of units affordable to the lowest-income households (annual incomes below \$39,000).

HOUSING GAP ANALYSIS EXAMPLE



County and Municipal Land Use Policy to Facilitate Overall Housing Production

What

Revise Wake County's Uniform Development Ordinance (UDO) and also pursue revisions to local municipalities' UDOS to enable higher housing density. The proposed UDO changes focus on supporting higher residential density as-of-right in order to reduce interest groups' capacity to stop or decrease the size of higher-density projects. The changes also focus on ensuring that Wake County has zoning in place for sufficient density to accommodate growth. In addition to other regulatory mechanisms, the proposed changes include the **Establishment of Affordable Housing Incentive Overlays** and **Expanded Capacity for Accessory Dwelling Units**, discussed as separate recommended tools.

Why

No affordable housing plan can succeed if housing production does not keep pace with population growth, as low-income residents lack the financial resources to compete for housing in high-opportunity areas if there is a housing shortage. Updating the County's and municipalities' UDOS to enable higher density and a more streamlined development review process will help housing construction keep pace with population growth and relieve housing cost pressures. **As-of-right development capacity is particularly important to affordable housing production, as interest groups can oppose it on multiple grounds**, such as insufficient parking, negative environmental impacts, traffic, and school crowding, when their primary objection may be to the housing's residents. **It is critical that the County find ways to encourage municipalities to zone for higher-density housing** because it cannot directly support higher-density development due to the lack of public water and sewer service in unincorporated areas.

Lead Entity

County and municipalities

Estimated Impact

Expands speed and scale of overall housing production, helping to reduce housing cost pressures and overcome barriers to affordable housing development.

Population Served

All residents



County and Municipal Land Use Policy to Facilitate Overall Housing Production

Zoning establishes limits on a building's use, size, and shape, and also controls other factors, such as parking, signage, accessory structures, and landscaping. In Wake County, the **County controls zoning, subdivision regulations, and North Carolina building code enforcement in areas that lie outside the municipalities' jurisdictions. The municipalities control zoning, subdivision regulations, and State building code enforcement within their corporate limits and extra-territorial jurisdictions (ETJ).** ETJs are areas that lie just outside municipalities' corporate limits, where future municipal development is expected to reach.

Proposed Changes to County and Municipal UDOs

- **Greater density via more flexible dimensional standards:** The County and municipalities should consider opportunities to selectively increase height and floor area ratios and reduce setback requirements in zoning districts to expand housing development capacity.
- **Greater density via reduced parking requirements:** Higher parking requirements increase development costs by using up land and incurring construction costs. The County and municipalities should reduce parking requirements, including by allowing increased use of on-street parking, especially in transit-accessible areas.
- **Reduced minimum lot sizes in lower-density residential neighborhoods:** The County and municipalities should consider lot size reductions to enable the construction of smaller homes, which tend to be more affordable because of their size.
- **More extensive areas of higher-density and multifamily zoning:** The County should support as-of-right higher-density and multifamily development in high-opportunity areas within municipalities. For example, 2- to 4-unit buildings could be allowed as-of-right in single-family neighborhoods, subject to design restrictions that ensure they fit the neighborhoods' character.
- **Streamlined development review processes:** The County and municipalities should explore opportunities to shorten the timeline for development review, including potentially offering expedited or fast-track review processes for affordable housing.
- **Prioritization of County infrastructure investments for areas supporting high-density development:** The County should prioritize infrastructure funds allocation to benefit areas that are supporting higher-density development, especially if it includes a share of affordable units.
- **Expanded capacity for Accessory Dwelling Units (ADUs) in low-density neighborhoods:** Discussed as a separate tool.
- **Establishment of Affordable Housing Incentive Overlays, which could offer more flexible dimensional standards, reduced parking requirements, expedited review, and other incentives to motivate affordable housing production:** Discussed as a separate tool.

County and Municipal Land Use Policy to Facilitate Overall Housing Production

Range of Options

The County and municipalities should work together to review their current UDOs and identify opportunities to adjust development regulations to facilitate overall and affordable housing production. They also should plan to regularly review new development regulations to ensure that they do not pose barriers to affordable housing development.

It is critical for Wake County and the municipalities to work together to adjust land use controls for several reasons. First, the land for which the County manages development does not have the infrastructure (especially water and sewer) necessary to support higher-density development. Second, Wake County must comply with municipal land use controls when it builds projects in municipal planning areas, including both incorporated areas and ETJs. **To assist municipal partners, the County can prioritize infrastructure and service investments in areas supporting higher-density projects and affordable housing.**

Existing Efforts

Wake County is planning to undertake a revision of its Uniform Development Ordinance in 2018.

County Action Steps

NEAR-TERM STEPS

- **Launch Wake County's UDO update process and engage supporting technical experts.**
- Engage municipalities to discuss both how the provisions of their existing UDOs can be adjusted to meet the growing affordable housing need and how the County can support that process.
- Define opportunities to streamline the development review process, especially through fast-tracked or expedited review for affordable housing.

MEDIUM- TO LONGER-TERM STEPS

- Through the UDO revision process, assess how growth can be physically accommodated within Wake County and in high-opportunity areas, including conducting stakeholder engagement.
- Reach agreement with the municipalities on the adjustments to be made to their UDOs and County support to be provided.

New Affordable Housing Incentive Overlays

What

During the process of updating the County and municipalities' UDOs, create **Affordable Housing Incentive Overlays** that offer developers the opportunity to build projects under alternative standards in exchange for including affordable housing or contributing funds to create affordable housing. The alternative standards could serve to either increase the value that developers can realize on-site, such as through higher-density development, or reduce their development costs, such as through reduced minimum parking requirements or expedited development review processes, with the idea that the higher value or reduced costs can compensate them for the affordable units.

Why

The overlays can support affordable housing production in specific geographic areas where allowable density is less than what the market demands. Enabling land to be used more intensely makes it more valuable, creating opportunities for jurisdictions to “trade” the incremental value for affordable housing. In addition to higher density, additional incentives, such as tax and fee rebates, could be provided as part of the districts to either make deals feasible or motivate the creation of affordable units serving low-income households. Incentive overlays have been recommended because, under state law, Wake County cannot require mandatory inclusionary housing or linkage fees, which are tools available in jurisdictions located outside North Carolina.

Lead Entity

County & municipalities, as both have UDOs that could be modified.

Estimated Impact

Depends on the nature of the overlays and neighborhoods targeted. Overlays could target 10-20% of units being affordable.

Population Served

Below 60% AMI for rental; below 80% AMI for homeownership.



Source: Wake County

New Affordable Housing Incentive Overlays

Structuring the Overlays

The most common type of zoning incentive programs are density bonus programs, which allow greater density in exchange for the creation of affordable housing. Under an affordable housing overlay district that offers a density bonus, developers can either build their projects at the existing (lower) density as-of-right or include a specified percentage of affordable units in exchange for being allowed to build at a higher density.

For overlay districts to produce affordable units, it is critical to strike the right balance between as-of-right and “by bonus” zoning, such that the bonus is significant enough to motivate developers, but the local government is satisfied with what is built even if developers do not take up the incentive. In Wake County, the capacity to use a density bonus to realize affordable housing will vary by municipality, as it is highly contingent on the as-of-right zoning established by the UDO.

The value of the bonus also is affected by the local development landscape. For example, as noted in the 2012 Urban Land Institute City of Raleigh Technical Assistance Panel report, density bonuses can be challenging to calibrate “because increasing density [sometimes] means increasing construction costs.” A density bonus is likely to be most effective when it allows an increase in developable units that does not require a switch from surface to structured parking or wood to non-combustible construction.

Other Incentives to Be Provided

Due to the fact that density bonuses can only create so much

value for developers, it likely will be necessary to bundle higher density with other incentives under the overlay district structure to enable projects incorporating substantial affordable housing to move forward. The most feasible options for other incentives include:

- **Expedited development review:** The County and municipalities could offer fast-track development review for projects including a specified share of affordable housing.
- **Assistance with pre-development and infrastructure costs:** The County and municipalities could provide pre-development assistance or infrastructure grants that directly or indirectly benefit the selected site.
- **Rebates of development impact and permitting fees:** The County or municipalities could offer rebates of development impact fees. Under North Carolina law, impact fees cannot be waived, but they can be rebated. Since Wake County and municipalities’ impact fees are relatively low, a rebate will only provide a small incentive.
- **Rebates of incremental property taxes associated with development:** The County and municipalities could provide a portion of future incremental tax revenues upfront as a grant. Under North Carolina, there are limitations on property tax abatements, but rebates are possible. It is important to note that establishing an overlay district wherein projects that include a specified share of affordable housing receive a rebate of incremental property tax revenues effectively achieves the same outcome as establishing a tax increment financing district (discussed as a recommended tool under **New Local Funding Sources for Affordable Housing**) .

New Affordable Housing Incentive Overlays

Range of Options

The County and municipalities will need to structure the overlay districts so that they provide sufficient incentives to motivate developer participation, while still ensuring the underlying base zoning encourages sustainable development patterns. To motivate developer participation, the value of the incentives must be equal to or greater than the cost of the affordable housing provided (foregone rent or sales proceeds). The County and municipalities should consider establishing a standardized list, or “menu,” of available incentives, cross-matched with affordable housing benefits required. To receive specific incentives, developers would have to provide specific affordable housing benefits. **If the County and municipalities do not want to establish overlay districts, which require zoning changes,** they could achieve a comparable result (the exchange of incentives for affordable housing benefits) by negotiating individual development agreements with property owners. To standardize the negotiation process with developers, the County and municipalities should set up a similar “menu” of incentives offered in exchange for benefits provided. Standardization is important for both parties because it streamlines the development process and enables developers to plan for incentives during initial parcel acquisition. **The County and municipalities will also need to determine the locations where overlay districts or development agreement negotiation zones will be in effect.** The locations could be limited to neighborhoods that are experiencing strong demand pressures, be limited to high-opportunity areas near current and planned future transit, or exist across the County and municipalities.

Existing Efforts

Under its UDO, Wake County currently offers a density bonus to developers that allows one extra unit to be built for every four rental units restricted to households with incomes of less than 50% AMI or every four ownership units restricted to households with incomes of less than 80% AMI. No developers have used the program to date because it is difficult to develop multifamily housing without water and sewer service. In addition, the City of Raleigh offers lower minimum parking requirements for affordable housing (one space per unit vs. to two or more spaces for other housing types).

County Action Steps

NEAR-TERM STEPS

- During UDO review process, identify target areas to be included in overlay districts or development agreement negotiation zones for each municipality.
- Establish district provisions, including income levels to be served and incentives to be offered for specific benefits.
- Modify UDOs to establish overlay districts or establish development agreement negotiation zones through policy.

MEDIUM- TO LONGER-TERM STEPS

- Conduct developer outreach to increase district awareness and uptake.
- Evaluate district performance and adjust the affordability provisions and other incentives offered.

Expanded Capacity for Accessory Dwelling Units Countywide

What

Modify local municipalities' UDOs, which currently restrict accessory dwelling unit (ADU) development, to allow ADUs to be created as-of-right in single-family and low-density residential neighborhoods. ADUs are additional living quarters located on single-family lots that are independent of the primary dwelling unit, and tend to be naturally affordable. In addition, expand access to low-cost loans for ADUs and conduct public education initiatives to incentivize the creation of ADUs in single-family or low-density neighborhoods as a source of naturally occurring affordable housing throughout Wake County.

Why

ADUs offer multiple important affordable housing benefits. Due to their smaller size and lower development costs, they tend to be a source of naturally occurring affordable housing, helping to increase the full affordable housing supply without the expenditure of public subsidy. In addition, ADUs can provide affordable housing in neighborhoods of opportunity, in a form consistent with their existing single-family character. Furthermore, ADUs provide a source of rental income to homeowners, which can help them meet their mortgage payments. They also can support "aging in place," both by helping senior owners on fixed incomes maintain homeownership, and by enabling seniors to live close to children and caregivers. While Wake County's UDO currently allows more than one dwelling unit on a single lot, local municipalities' zoning regulations (e.g., minimum lot size and required setbacks and open space) effectively eliminate ADUs as a feasible option except on the largest lots.

Lead Entity

Municipalities, with County backing

Estimated Impact

500 new units annually (top-end)

Population Served

No set income threshold; units typically affordable to households at 60% AMI or below



Note: Estimated impact based on Portland's ADU production rate applied to the stock of detached single-family homes in Wake County.

Expanded Capacity for Accessory Dwelling Units Countywide

Range of Options

The most effective approach to increase the overall ADU supply is for municipalities to modify their UDOs to allow as-of-right ADU construction in all residential neighborhoods, which will require significant political will and community support. Alternatively, municipalities can pursue an elective approach, where neighborhoods can opt in as to whether or not they want an ADU overlay district. **However, a neighborhood-by-neighborhood approach will slow ADU adoption and not generate enough units to make an appreciable difference.** The County also can partner with the municipalities on outreach programs to increase awareness of ADUs and their benefits, as well as collaborate with local lenders who provide financial products for ADU construction.

Existing Efforts

In 2014, Wake County made changes to its Uniform Development Ordinance to facilitate ADU construction, including allowing detached units and separate entrances. In Raleigh, a neighborhood group petitioned the City Council to allow ADUs in the Mordecai neighborhood in 2015. In response, City staff created regulatory standards for a new ADU overlay district to be available on an opt-in basis to neighborhoods seeking ADUs. The Raleigh Planning Commission began initial review of the draft UDO amendment in March 2017. Under the amendment, to implement the district in a specific area, a formal rezoning request must be filed and approved.

County Action Steps

NEAR-TERM STEPS

- For each municipality, identify specific changes to municipalities' UDOs needed to enable as-of-right ADU construction in target neighborhoods.
- Conduct a public education campaign to increase awareness of ADUs and their benefits.

MEDIUM- TO LONGER-TERM STEPS

- Develop a countywide design guidebook and permitting manual for homeowners seeking to build ADUs. (Model: Santa Cruz)
- Partner with local private lenders to provide access to low-cost financing for ADUs. (Model: Santa Cruz)

Public Land Disposition Requirements

What

Dispose of available County, municipal, and other publicly owned sites to support affordable housing development. Sites can be used to directly provide affordable units by discounting their sale price or to provide revenue to fund affordable housing through their sale proceeds. They also can support site assembly by offering affordable housing developers the opportunity to combine publicly-owned parcels with privately-owned parcels. For projects where affordable housing is developed on-site, either as part of a fully affordable or a mixed-income project, the County and municipalities can offer the land at a discounted cost to provide an embedded subsidy for the affordable housing. It is important to note that while discounted public land can help close the affordability gap, for some projects, other in-kind or financial subsidies (e.g., fast-track permitting) will be needed, particularly for housing that offers deep levels of affordability.

Why

Both the County and municipalities have land that is appropriate for affordable housing. Property disposition is an effective way to provide subsidy for affordable housing development using existing County and municipal resources. It can be an important tool for creating mixed-income communities and supporting residents' access to opportunity by creating affordable units in areas that currently do not have them. Given current efforts to implement the Wake County Transit Plan, the County and its partners have an opportunity to use County and municipally-owned land near planned future transit stations for on-site affordable housing creation or revenue generation, given that these sites are likely to experience rising land values.

Lead Entity

County & municipalities, as both have land for disposition

Estimated Impact

Over 5,000 units*

Population Served

Below 50% AMI for rental; below 80% AMI for homeownership



A highly preliminary analysis of land controlled by the County and municipalities was conducted to evaluate housing capacity. This analysis will need to be further refined by County and municipal staff as this recommendation is progressed.

Public Land Disposition Requirements

In North Carolina, there are two major statutory requirements that guide the disposition of public land:

1. **The local government must receive valuable public services in exchange for land that it provides**, and the value of the land cannot exceed the fair value of the services, or it represents an unconstitutional gift.
2. **The local government can provide land for only constitutionally approved public purposes.** In North Carolina, the provision of affordable housing is considered a public purpose, assuming the private market will not meet the need on its own. The state defines an affordable housing “project” as one where at least 20% of the units are affordable to and occupied by households with incomes at or below 60% of the area median income.

If a property is going to be used for affordable housing, the local government is allowed to use “private sale” procedures to convey it to the buyer of its choice and not go through the standard competitive bidding process. If a local government wants to convey a “private sale” property for below fair market value, the value reduction cannot be greater than that necessary to make the on-site housing affordable, and the conveyance must be conditional on successful affordable housing delivery.

Recommended Criteria to Identify Potential Sites for Affordable Housing Development

Criteria to determine basic feasibility

Meets minimum size	Over 3,000 SF, with strong preference for larger sites (>1 acre) that will allow multifamily.
No conflicting use	Either vacant or a “soft site” (land value > building value), with no County or municipal facility either currently occupying or planning to occupy the <u>entire</u> site. It may be appropriate to have a County or municipal facility <u>partially</u> occupying the site because of the benefits of housing-facility colocation.
No environmental constraints	Located outside floodplain and protected open space areas, with priority for parcels with limited slope.

Criteria to determine priority

Existing zoning	In an existing residential or mixed-use district.
Utility access	Has public water and sewer service or falls in ETJ that is likely to receive it in the next 5-10 years
Located in high-opportunity areas	Not located in area of concentrated poverty; in proximity to transit and essential services (see Location Policy).
Meets minimum assessed value	Site where proceeds (whether collected or applied to on-site provision of units via reduced disposition price) can support significant housing.

Sources: Mulligan, Tyler. “Local Government Support for Privately Constructed Affordable Housing” and “Conveyance of Local Government Land for Affordable Housing Development.” Coates’ Canons: Local Government Law. University of North Carolina.

Public Land Disposition Requirements

Range of Options

Wake County and the municipalities could dispose of properties to support provision of affordable units on-site, especially in the context of mixed-income projects, or use the sale proceeds to fund off-site affordable housing development. The County and municipalities should consider both options, given the tradeoffs associated with each. On-site provision of units can create affordable housing in high-opportunity areas that offer good access to transit and other services, where it otherwise can be difficult to get site control due to high land costs and limited available parcels. However, selling properties and dedicating the proceeds to affordable housing elsewhere can create more efficient developments and more total units.

Wake County and the municipalities also have the opportunity to incorporate housing as part of the development or redevelopment of sites for public purposes, especially on larger parcels. For example, housing can be located adjacent to schools, police and fire stations, libraries, community centers, and other facilities. Co-location may offer multiple benefits to tenants who work in or use these facilities.

Existing Efforts

The County and the municipalities have begun to review their land inventories to identify potential sites.

County Action Steps

NEAR-TERM STEPS

- **Identify the most appropriate County agency or department to oversee disposition and charge its staff with developing a disposition strategy, including coordinating with the municipalities.**
- Conduct a refined portfolio-wide analysis of County and municipally-owned land to identify priority sites for disposition.

MEDIUM- TO LONGER-TERM STEPS

- Establish a disposition process for sites to be sold for both on-site provision of units and revenue generation.
- Set disposition terms and release a selection of parcels to gauge market interest.

New Local Funding Sources for Affordable Housing

What

Develop new sources of local funding for affordable housing, with an emphasis on value capture. Value capture approaches seek to capture some of the benefits that private entities realize as a result of public investments, such as infrastructure investments that make an area more attractive for development, to fund those or other investments.

The County and municipalities can work together to pursue three potential local funding approaches that are appropriate for different circumstances.

- Increasing general revenue dedicated to affordable housing.
- Pursuing expanded use of increment financing, wherein private developers are able to use incremental property tax revenue to fund public improvements that benefit their projects.
- Pursuing expanded use of special assessment districts, wherein private property owners choose to pay an extra tax in exchange for special services.

Why

Given constrained federal and state funding combined with increasing affordable housing need, Wake County must expand both its funding toolkit and total funding available for affordable housing. With the high levels of development activity that Wake County is experiencing, it has the opportunity to use increment financing and special assessments to harness this growth to pay for much-needed affordable housing.

Lead Entity

County, municipalities, and local property owners

Estimated Impact

\$500k-\$20M annually, with the range of impacts based on the financing tools deployed by the County and municipalities.

Population Served

All affordable housing



New Local Funding Sources for Affordable Housing

We recommend that the County and municipalities work together to pursue all three funding mechanisms in order to establish a diverse portfolio of funding to support affordable housing.

General Revenue	Increment Financing	Special Assessments
<ul style="list-style-type: none"> Additional dedicated property or sales tax Dedicated affordable housing bond issuance <p>Rationale: Increased general revenue dedicated to affordable housing can be used to establish a robust, stable, and flexible base of funding to produce and preserve affordable housing across Wake County.</p> <p>Recommendation: The County should pursue an additional property or sales tax because of the greater complexity and unpredictability involved with bond issuance, due to debt structuring challenges and the need for a voter referendum for any pledges of local governments' full faith and credit.</p> <p>Next Steps: Work with the Wake County Board of Commissioners to evaluate the potential for an additional property or sales tax.</p>	<ul style="list-style-type: none"> Traditional TIF Synthetic TIF <p>Rationale: Expanded use of increment financing to capture value from new development occurring in Wake County and create, or preserve, affordable housing in areas experiencing significant new growth.</p> <p>Recommendation: The County and municipalities should pursue expanded use of synthetic TIF (vs. traditional TIF) because it is simpler, requires fewer procedural steps to implement, and has broader acceptance within North Carolina.</p> <p>Next Steps: Engage with select developers to identify potential projects for synthetic TIF, especially in high-opportunity areas near current and planned future transit.</p>	<ul style="list-style-type: none"> Critical infrastructure special assessment district <p>Rationale: Expanded use of special assessments can be used to capture value from new and existing development and produce and preserve affordable housing in areas with robust existing tax bases that are facing gentrification pressures.</p> <p>Recommendation: The County and municipalities should collaborate to explore establishment of critical infrastructure service districts for affordable housing.</p> <p>Next Steps: Partner with municipalities to test critical infrastructure special assessment districts for affordable housing.</p>

Sources: David Paul Rosen & Associates, "New Revenue Sources for Affordable Housing (for) Town of Chapel Hill." 2017.

New Local Funding Sources for Affordable Housing

The three funding approaches offer different revenue and implementation benefits, which are summarized below. All of the tools involve different tradeoffs for the County and municipalities.

Makes tool more
attractive
Makes tool less
attractive

GENERAL REVENUE

INCREMENT FINANCING

SPECIAL ASSESSMENT

Addl. dedicated tax

*Dedicated bond
issuance*

Traditional TIF

Synthetic TIF

*Critical infra. special
assessment*

REVENUE

Generation
potential

\$10-25M

\$10-25M

\$1-5M

\$1-5M

\$1M

Interest costs

Low

Med.

Med.-High

Med.

High

Tax increase
required?

Countywide increase

Likely

No
(if project succeeds)

No
(if project succeeds)

District-level increase

IMPLEMENTATION

Voter referendum
required?

If incremental sales tax
revenue approach, **Yes**

Yes

No

If implemented via GO
bond, **Yes**

No referendum, but
owner petition is
required

NC Local
Government
Commission
approval required?

No

No

Yes

If implemented via
installment fin., Yes

No

Previously used for
affordable housing
in NC?

Yes

Yes

No
(not with an explicit
focus on supporting
affordable housing)

Yes
(Brightwalk
development in
Charlotte)

No

Best context for
deployment

All

All

Large mixed-use
projects

Large mixed-use
projects

Areas w/ robust
existing tax base
facing gentrification
pressures

New Local Funding Sources for Affordable Housing

Local Precedents for Increasing General Fund Revenue

Wake County voters approve tax hike
for transit

Nov. 8, 2016

The News&Observer

Charlotte voters back bonds for
housing, roads, neighborhood
upgrades Nov. 8, 2016 The Charlotte Observer

Some Raleigh leaders want 1-cent tax hike for
affordable housing

April 7, 2016

The News&Observer

Greensboro voters pass 4 bonds by
wide margin

Nov. 8, 2016 NEWS & RECORD

Additional Dedicated Tax

- **Wake County** passed a half-cent additional sales tax to fund the Transit Plan's implementation, increasing the sales tax from 6.75% to 7.25%.
- **Raleigh** established a one-cent property tax to fund affordable housing for households 60% AMI or below in 2016 (+\$5M per year).
- **Durham** dedicated one cent of its property tax rate to fund affordable housing, which was increased to two cents in FY2018 (+\$5M per year).

Bond Issuance

- **Wake County** and **Raleigh** previously issued affordable housing bonds. Raleigh approved \$16M in bond authority in 2011.
- **Charlotte** approved \$15M in bonds in 2016. For 2014-2020, the Charlotte City Council committed to seeking bonds every 2 years.
- **Greensboro** approved \$20M of bonds in 2016.

New Local Funding Sources for Affordable Housing

TRADITIONAL TIF

With a traditional TIF, a local government establishes a district and borrows funds to pay for public improvements required to enable private development in the district. The debt (project development financing bonds) is secured by and repaid from the incremental property tax revenue associated with the private development. Both the County and the municipalities could establish their own TIF districts to support mixed-income projects that include affordable housing. Ideally, they would establish **joint TIFs** in municipal areas because the incremental taxes dedicated to the TIF comes from the issuing unit of local government, so without a joint agreement, the County will continue collecting taxes in municipal TIFs and the municipalities in County TIFs. **The incremental revenue, bonded against, could be used to pay for direct affordable housing construction or supporting infrastructure.**

TRADITIONAL TIF

Key Considerations

- Project must meet “but for” test (e.g., private development could not move forward “but for” public improvements).
- Bond proceeds can be used only for capital costs that are incurred in the district or directly benefit private development in the district if they lie outside it.
- If local governments do not want to issue bonds, they can adopt a “pay as you go” approach, wherein the private developer pays the upfront costs of the public improvements, but is reimbursed by the government over time.
- Since affordable housing owned by a nonprofit entity receives a property exemption from the State of North Carolina, projects need market-rate components to generate incremental revenue.
- TIF usage inherently carries risk that incremental revenues associated with private improvements will not cover debt service costs, though capacity to mitigate this risk exists through 1) establishment of a minimum assessed value and 2) pledging of other sources of revenue as security for bonds.
- No more than 5% of land in a jurisdiction can be designated as a TIF district.

Procedures for Establishment

1. Local government defines district and creates development financing plan identifying public and private improvement costs and incremental property tax revenue associated with private investment. For municipalities, County Board of Commissioners must approve plan.
2. NC Local Government Commission grants approval for both district creation and bond issuance.
3. Local government issues bonds, with proceeds used to construct public improvements. Private developer makes private improvements.
4. Local government establishes special revenue fund and collects incremental property tax revenues associated with private improvements to pay debt service and principal on public improvements.

Sources: Joseph Blocher and Jonathan Q. Morgan, “Questions About Tax Increment Financing in North Carolina.” UNC Community and Economic Development Bulletin No. 5, August 2008.

New Local Funding Sources for Affordable Housing

SYNTHETIC TIF

Synthetic TIF is a source of debt financing wherein a local government establishes a district and borrows funds to pay for public infrastructure that will benefit new development in the district. **The security for the debt is either the asset itself (the infrastructure being constructed, improved, or purchased) or the local government's full faith and credit (general taxing power).** Though the security for the debt issued is not the incremental tax revenues associated with the private improvements (as with traditional TIF), the tax revenues can be used to pay the debt service and principal of the public improvements. Both the County and the municipalities could establish synthetic TIFs to support mixed-income projects that include affordable housing. Ideally, they would collaborate to create joint synthetic TIFs in municipal areas. **The County and municipalities should work with developers to identify large projects that could incorporate affordable units and might be appropriate for the use of synthetic TIF. These projects ideally would be located in high-opportunity areas.**

SYNTHETIC TIF

Key Considerations

- Unlike traditional TIF, synthetic TIF does not require a formal “but for” test.
- The local government must follow all procedures for the borrowing approach that it chooses to implement the synthetic TIF: installment financing (where debt is issued against the asset itself) or general obligation bonds (where debt is issued against the local government unit's full faith and credit).
- The interest costs on the debt for a synthetic TIF are based on the issuing local government's credit rating.
- If installment financing approach used: Local government must purchase or already own the property being financed with the installment contract and must receive permission Local Government Commission approval if the installment contract has a term of at least 5 years and requires payments of at least \$500,000.
- Synthetic TIF is far more broadly used in North Carolina than traditional TIF, as it is simpler and has fewer procedural steps than traditional TIF and does not require LGC approval.

Procedures for Establishment

1. The local government issues certificates of participation (COPs) to fund public improvements. The security for the certificates of participation is either the asset or the unit's full faith and credit.
2. The local government unit uses the incremental revenues generated by the project to repay the COPs.

Relevant NC Precedent

The Charlotte-Mecklenburg Housing Partnership used a synthetic TIF for the development of Brightwalk.

Sources: Millonzi, Kara. “What is Synthetic Project Development Financing?” Coates’ Canons: Local Government Law. UNC.

New Local Funding Sources for Affordable Housing

SPECIAL ASSESSMENT DISTRICT

In a special assessment district (SAD), **a local government provides a specific public benefit to a group of properties and imposes a special assessment (extra tax) on them to pay the costs of providing the benefit.** In North Carolina, local governments can create two types of SADs, traditional and critical infrastructure, but only critical infrastructure SADs currently include affordable housing provision as an allowable purpose for which a special assessment may be charged. **The County and municipalities should explore the establishment of SADs for affordable housing.**

SPECIAL ASSESSMENT DISTRICT

Key Considerations

- The local government must receive a petition from the majority of property owners in the proposed district, representing at least 66% of the total assessed value.
- The local government can issue revenue bonds against future special assessment revenues to fund improvements or use the revenues as additional security for TIF (project development financing) bonds, thus helping to mitigate risk associated with TIF usage. The local government also can issue general obligation bonds, but they involve greater risk than the revenue bonds.
- Determination of the appropriate special assessment amount may be difficult, because while the local government has the discretion to set the assessment rate, it must bear a proportional relationship to the amount of benefit provided. For this reason, it may be easier to limit the special assessment to commercial properties, for which the benefit of affordable housing is more easily defined (e.g., new housing options for workers, plus new customers for retail) than for residential properties.
- SADs were originally established to support infrastructure provision and have not been used for affordable housing in North Carolina to date, so there are some open legal issues remaining.

Procedures for Establishment

1. Property owners submit a SAD petition to the local government that describes the proposed improvements, their costs, and the financing structure.
2. The local government approves the petition.
3. If the local government is issuing revenue or general obligation bonds, it must follow the applicable statutory procedures for issuing the debt.

Sources: Millonzi, Kara. "An Overview of Special Assessment Bond Authority in North Carolina." UNC Local Finance Bulletin No. 40, August 2009.

Support for Changes to North Carolina's Qualified Allocation Plan

What

Support changes to the North Carolina Housing Finance Agency's (NCHFA) process for allocating federal Low Income Housing Tax Credits (LIHTC) to better address the housing needs of Wake County residents and meet the County's housing goals, particularly in regard to increased rental and supportive housing production. LIHTC, which provide investors with a reduction in their federal tax liability in exchange for equity contributions to low-income rental housing, represent a major source of affordable housing funding for the County.

Why

Per federal requirements, the North Carolina Housing Finance Agency develops an annual Qualified Allocation Plan (QAP) to competitively allocate LIHTC across the state. The NCHFA can only allocate credits in conformance with the QAP. As currently structured, the QAP distributes new construction credits first to four geographic regions (West, Central, East, and Metro); then to counties within those regions based on population; and finally to projects within those counties based on a range of selection factors, including a site score that reflects neighborhood characteristics, proximity to amenities, and site suitability and "tie-breaker" criteria, such as the lowest amount of credits requested per unit. Since Wake County receives a limited total allocation for which there is generally strong competition among developers, projects effectively need to receive a perfect site score to be considered for credits, which can be challenging for urban infill sites.

Lead Entity

County, working in coordination with municipalities and affordable housing developers across North Carolina that share its priorities.

Estimated Impact

~60 new affordable rental units annually from one additional 9% tax credit award.

Population Served

Below 60% AMI for rental



Source: US Airforce

Note: Estimated impact based on the average number of units in 9% projects in Wake County over the past 5 years.

Support for Changes to North Carolina's Qualified Allocation Plan

We recommend that Wake County and the municipalities pursue the following four changes to North Carolina's Qualified Allocation Plan (QAP).

- 1. Increase the total 9% credits being allocated across North Carolina that are awarded to Wake County by incorporating consideration of need factors into the allocation process:** Need factors could include the relative rate of population growth and percentage of cost-burdened and extremely cost-burdened renters.
- 2. Support the development of projects that are located in increasingly urban settings in Wake County through a) increases in per-unit and per-project maximum development costs, b) reduced parking requirements, c) changes in site selection criteria to reflect the realities of urban infill sites, and d) greater materials and design flexibility:** The QAP currently includes a statewide cap on project costs (for 2017, \$1M) and assesses negative points for projects with per-unit costs that exceed a specified threshold (for 2017, \$68k and \$79k., depending on unit characteristics). The recommended changes can support the development of more urban projects in Wake County, which may be larger in size and more expensive overall and per unit than typical tax credit projects in lower-density locations. Modifications in site selection criteria could include points for current and planned future transit accessibility (prioritizing higher-frequency service), overall walkability, and mixed-income environments. To support transit-oriented development, it may be appropriate to
- 3. Support the development of mixed-income projects that include both market-rate and affordable units by increasing flexibility about incorporating market-rate units:** For example, developers currently are not allowed to include market-rate units in projects where they are requesting Rental Production Program loans.
- 4. Provide additional support for projects that serve extremely low-income individuals, especially populations requiring permanent supportive housing:** Units targeting very low-income households need a greater subsidy per unit. These changes could include establishing a set-aside of credits for defined "permanent supportive housing projects" that include a specified percentage of units (e.g., at least 25%) for extremely low-income households requiring supportive services in target geographies; increasing the per-unit maximum development cost for supportive housing units or providing a "basis boost" for permanent supportive housing projects; and coordinating with service funding providers to ensure service funds follow credit awards.

Support for Changes to North Carolina's Qualified Allocation Plan

Range of Options

The County can choose how actively it wants to support changes to the LIHTC allocation process, ranging from becoming part of efforts being led by regional entities to actively mobilizing municipalities and affordable housing advocates and leading outreach to NCHFA itself. The County also will need to determine the range of changes it will support – e.g., focusing only on changes that meet the needs of extremely low-income households, vs. the broader range of housing needs in Wake County.

Existing Efforts

The North Carolina Housing Finance Authority provides communities with an opportunity to comment on the draft QAP provisions before the plan is released each year.

County Action Steps

NEAR-TERM STEPS

- **Prioritize QAP changes to be requested in consultation with municipalities and other partners, including other urban counties.**
- Conduct outreach to North Carolina Housing Finance Agency.

MEDIUM- TO LONGER-TERM STEPS

- Assess outreach effectiveness and adjust strategy as needed.

Establishment of Landlord Partnership Program

What

Establish a Landlord Partnership Program in collaboration with the Raleigh Housing Authority and Housing Authority of Wake County (PHAs) to increase private landlords' willingness to accept rental assistance vouchers. The County and the PHAs can work together to streamline the voucher administration system and increase support for landlords, including mitigating risk associated with tenants who may experience challenges remaining stably housed. The PHAs are the major voucher administrators in Wake County, and manage both general vouchers (e.g., standard Section 8/Housing Choice Vouchers) for low-income households and special-needs vouchers targeted to specific populations (e.g., HUD Veterans Affairs Supportive Housing vouchers for homeless veterans and their families, HUD Family Unification Program vouchers for families involved with the child welfare system and youth aged out of the foster care system who lack adequate housing). The County also administers approximately 300 vouchers.

Why

In strong markets like Wake County, landlords are less willing to accept tenants who rely on rental assistance vouchers because of their concerns about administrative burden associated with vouchers and the stability of tenants using them, as well as the availability of renters not using vouchers. Vouchers include both general vouchers for low-income households and special needs vouchers for low-income households with specific characteristics. Federal fair housing law explicitly prohibits landlords from discriminating against renters on the basis of race, religion, national origin, sex, familial status, or disability. However, in North Carolina, discrimination on the basis of voucher payment for rent continues to be legal in the absence of explicit source-of-income protections.

Lead Entity

County and Public Housing Authorities, which administer general and special needs vouchers

Estimated Impact

No direct change in units produced

Population Served

Below 50% AMI renters, most vulnerable populations



Establishment of Landlord Partnership Program

There are several changes that should be pursued through the Landlord Partnership program to increase voucher uptake by making it less risky and more attractive to landlords. However, these changes likely will have only a modest impact on voucher-holders' capacity to access units because of the overall level of demand for rental housing in Wake County.

Proposed Components of Landlord Partnership Program

- 1. Hold regular landlord-PHA roundtables to educate landlords about vouchers and facilitate the voucher administration process.**
- 2. Streamline the front and back end of the voucher administration process, including streamlining landlord application processes, reducing inspection delays, and shortening payment windows:** Currently, there are multiple entities (voucher administrators) seeking landlords who are willing to rent to their voucher-holders. The County could work with these entities to streamline the landlord application process so landlords can submit a single application to become eligible to rent to voucher-holders, instead of multiple applications to different administrators and programs. The County also can work with voucher administrators to decrease the time associated with the inspection process. Landlords who want to offer units to voucher-holders must have the units inspected to ensure that they meet minimum levels of health and safety. If not accomplished in a timely way, the inspection process can delay landlords' capacity to rent their units.
- 3. Prioritize local rehabilitation funds for changes required as a result of inspections:** In particular, these funds could be targeted towards smaller landlords that may have difficulty accessing capital.
- 4. Create a single point of contact for landlords when there are issues with tenants' behavior:** The single point of contact could be located within the County's proposed Multiservice Center.
- 5. Support the establishment of service agreements between landlords and service providers:** These service agreements could include commitments by service providers to provide tenants with minimum service levels. The County could emphasize the importance of these agreements and provide sample documents as part of its Provider and Funder Capacity-Building efforts.
- 6. If resources are available, increase risk mitigation funds available to landlords:** These funds could include providing larger security depositions, pre-paying rents, and setting aside funds for excessive damages to properties above normal "wear and tear." The County and PHAs could work together to determine the appropriate type and level of risk mitigation funds.

Establishment of Landlord Partnership Program

Range of Options

The County and the PHAs can work together to pursue a range of changes to make voucher acceptance less risky and more attractive for landlords: The changes on the previous page are proposed, but should be evaluated in consultation with landlords. Given other affordable housing funding needs, the County and PHAs may not have sufficient resources to increase risk mitigation funds.

Existing Efforts

The County and PHAs currently are engaged in voucher administration in Wake County. Alliance Behavioral Healthcare also administers rental assistance funds for the populations affected by the recent Department of Justice settlement. The Raleigh Housing Authority offers a quarterly training for landlords that accept vouchers.

County Action Steps

NEAR-TERM STEPS

- **Hold a landlord roundtable with landlords who currently are and are not accepting vouchers to understand barriers to uptake.**
- Identify high-priority changes to be pursued through the Landlord Partnership Program to significantly increase voucher uptake, while also being efficient with County and PHA resources.

MEDIUM- TO LONGER-TERM STEPS

- Define and track outcomes (e.g., reductions in the amount of time that it takes voucher-holders to locate units) from the Landlord Partnership Program to ensure that it is producing desired results.

Recommended Tools

- Cross-Cutting
- **New Rental Production**
- Preservation
- Homeownership
- Supportive Housing

NEW RENTAL PRODUCTION | OVERVIEW

The recommended rental production tools focus on supporting the creation of new affordable rental units in Wake County for renter households under 50% AMI, including by expanding access to public land; providing capital to acquire private development sites through the Acquisition Fund; enhancing the County's existing Rental Production Loan Program, which provides gap funding for affordable rental housing; and encouraging municipalities to adjust their zoning to increase Accessory Dwelling Units.

Land Use | Leveraged Programs | Funding

Public Land Disposition Requirements *(Discussed under Cross-Cutting Tools)*

Expanded Accessory Dwelling Units (ADUs) *(Discussed under Cross-Cutting Tools)*

New Local Funding Sources for Affordable Housing *(Discussed under Cross-Cutting Tools)*

Changes to North Carolina's Qualified Allocation Plan *(Discussed under Cross-Cutting Tools)*

Acquisition Fund

Establish an acquisition loan fund, in partnership with philanthropic or mission-motivated investors and municipalities, to acquire sites for affordable housing development, especially in strategic locations.

Enhanced County Rental Production Loan Program

Increase the scale and refine the focus of the County's existing Affordable Housing Development Program by emphasizing the production of affordable rental units for populations below 50% AMI and permanent supportive housing units.

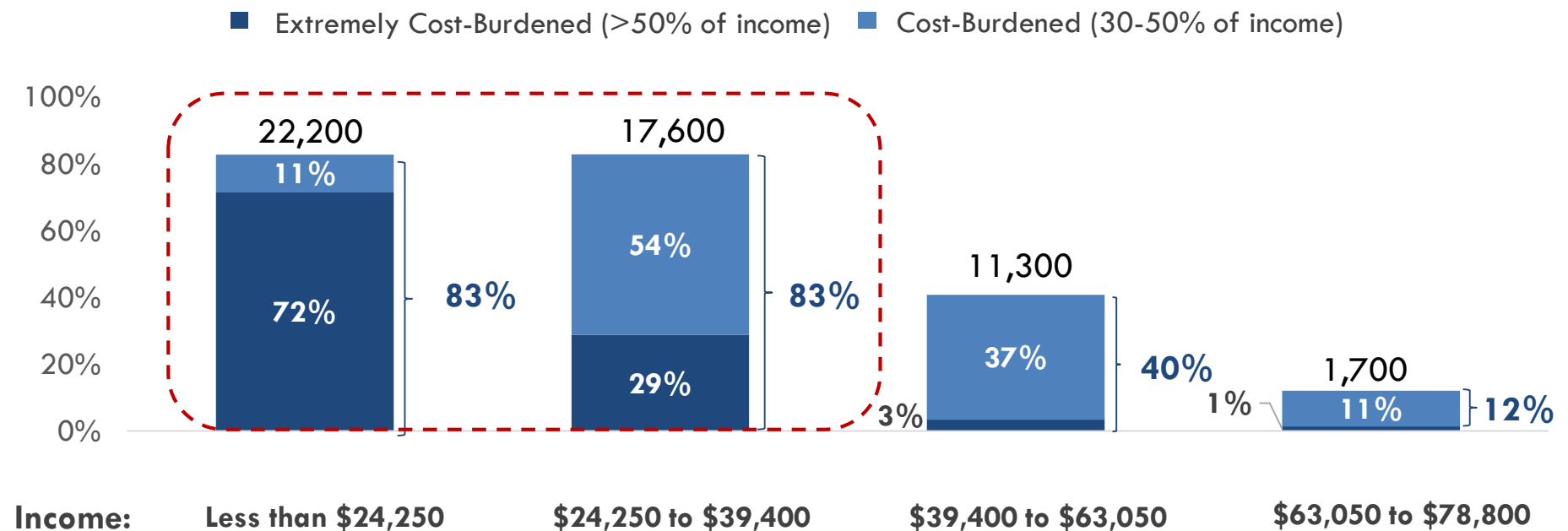
Affordable rental represents the area of greatest unmet housing need in Wake County, and has been the primary focus of local government housing activities to date.

Of the 91,000 households in Wake County spending at least 30% of their income on housing, almost 53,000 households, or 58%, are **renters**. Moreover, over **26,000 renter households** are spending more than half of their income on gross rent. **Renter households** earning below \$39,000 are the most impacted by affordability.

To respond to this challenge, the County and municipalities have focused their housing programs primarily on rental housing, providing gap financing for new construction and rehabilitation of rental units.

RENT-BURDENED HOUSEHOLDS

Wake County, 2014



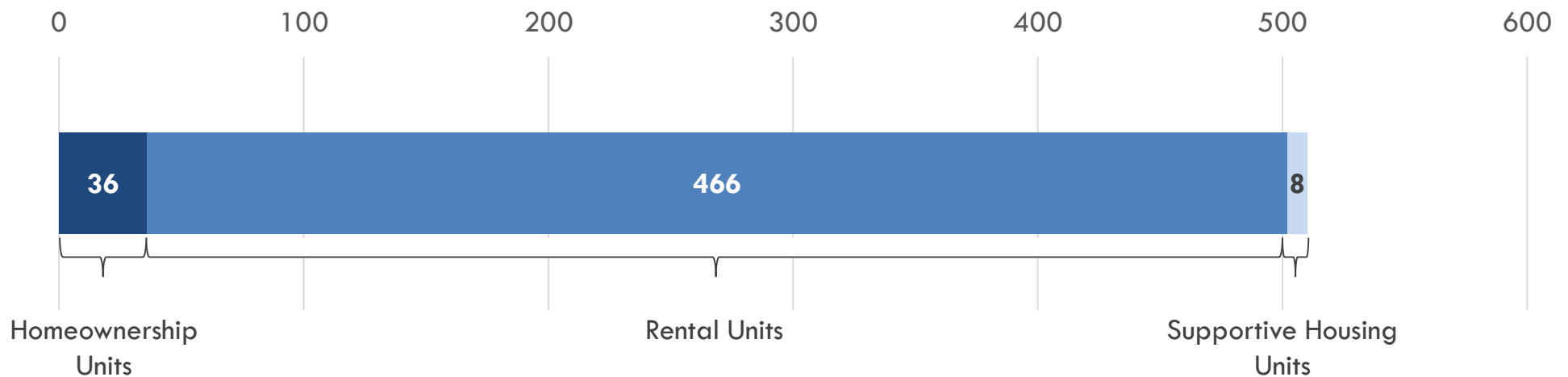
Sources: HUD 2014 CHAS data; HR&A Advisors.

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. Gross rent is defined as rent plus utilities.

Rental housing programs currently receive the majority of affordable housing funding allocated in Wake County. However, this funding is not sufficient to keep pace with the growing affordable housing need. In 2015, rental housing production in Wake County received over \$50M in public subsidy, including federal Low Income Housing Tax Credits. The funding focus on rental production explains why most publicly-subsidized affordable units being created in Wake County are rental units, with rental units accounting for over 90% of the roughly 500 units of affordable housing produced in 2015. However, most of the affordable rental units being produced are not serving households earning less \$39,000 (<50% AMI), but households above that threshold (50-60% AMI).

SUBSIDIZED AFFORDABLE UNITS PRODUCED ANNUALLY

Wake County, 2015



Sources: NCHFA, Wake County Human Services Division, City of Raleigh Housing & Neighborhood Department, CASA, HR&A Advisors.

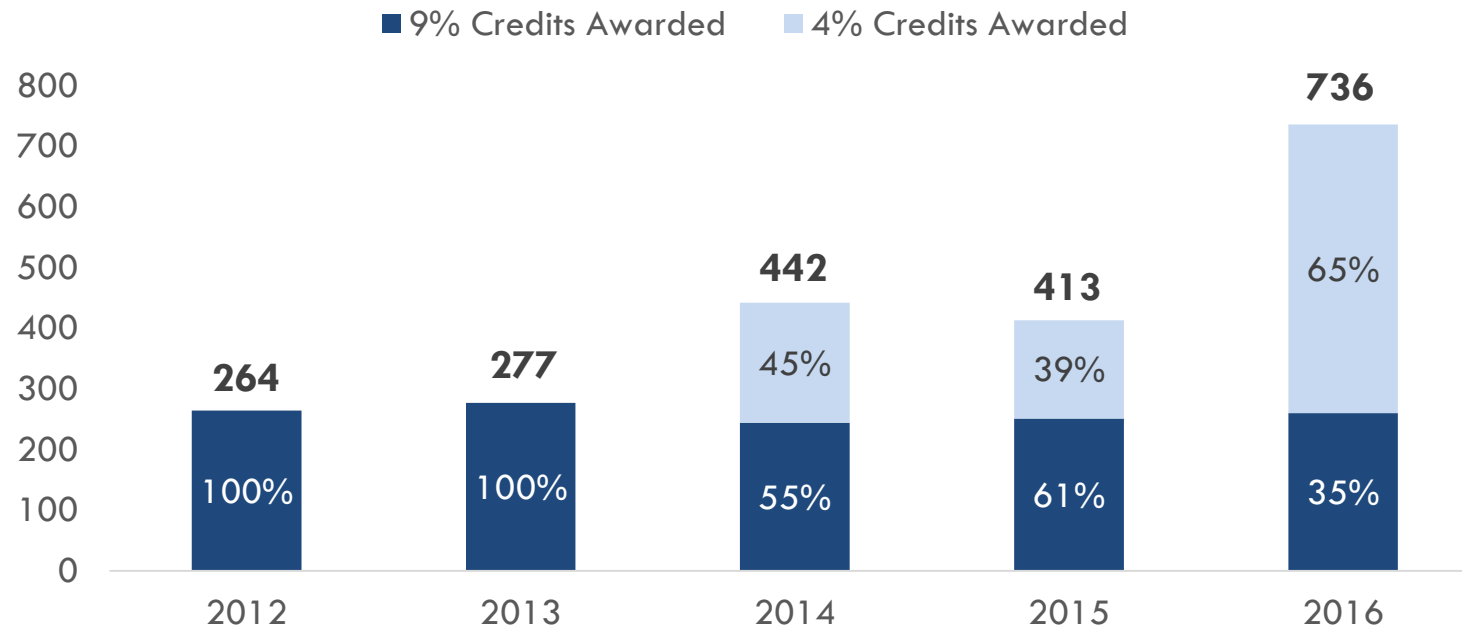
In recent years, the production of affordable rental housing in Wake County has significantly increased as Wake County and the City of Raleigh have targeted their funding to effectively leverage federal Low Income Housing Tax Credits (LIHTC). **Wake County is now producing more affordable rental housing through the LIHTC program than any other county in North Carolina.** In 2016, 4% deals comprised more than half of all LIHTC deals in Wake County. However, if Wake County wants to sustain and expand affordable rental production, new tools will be required.

There are two types of LIHTC credits:

- **9% tax credits** are allocated through a competitive process and usually cover 70-80% of development cost.
- **4% tax credits** are awarded by right to qualifying projects and usually cover 30-40% of development cost.

TOTAL AWARDED LIHTC UNITS

Wake County, 2012-2016

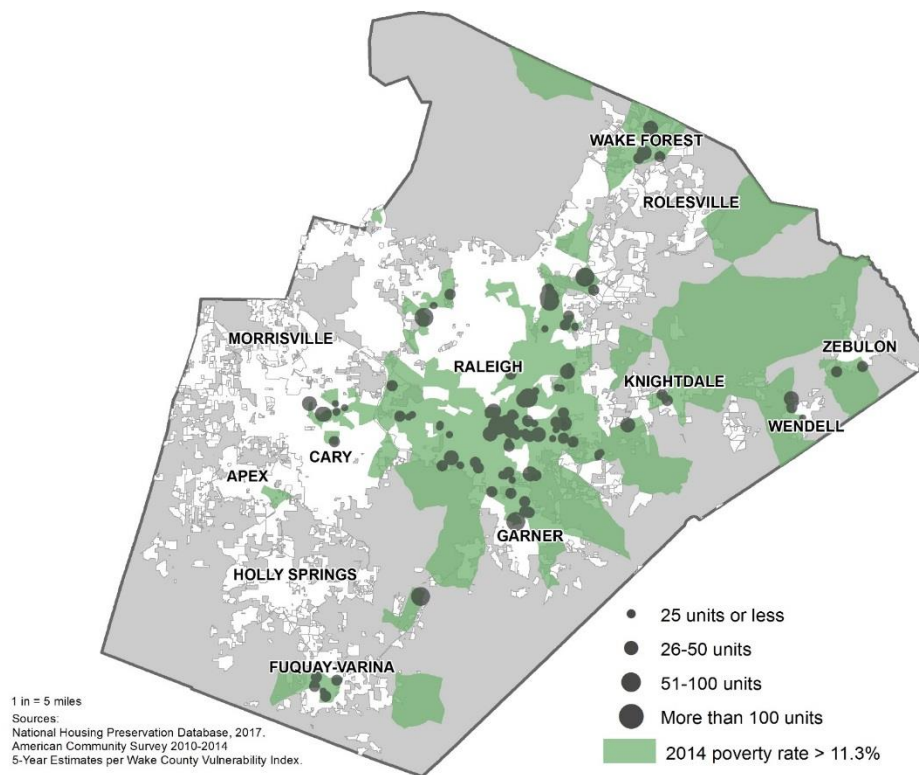


Sources: NCHFA, HR&A Advisors.

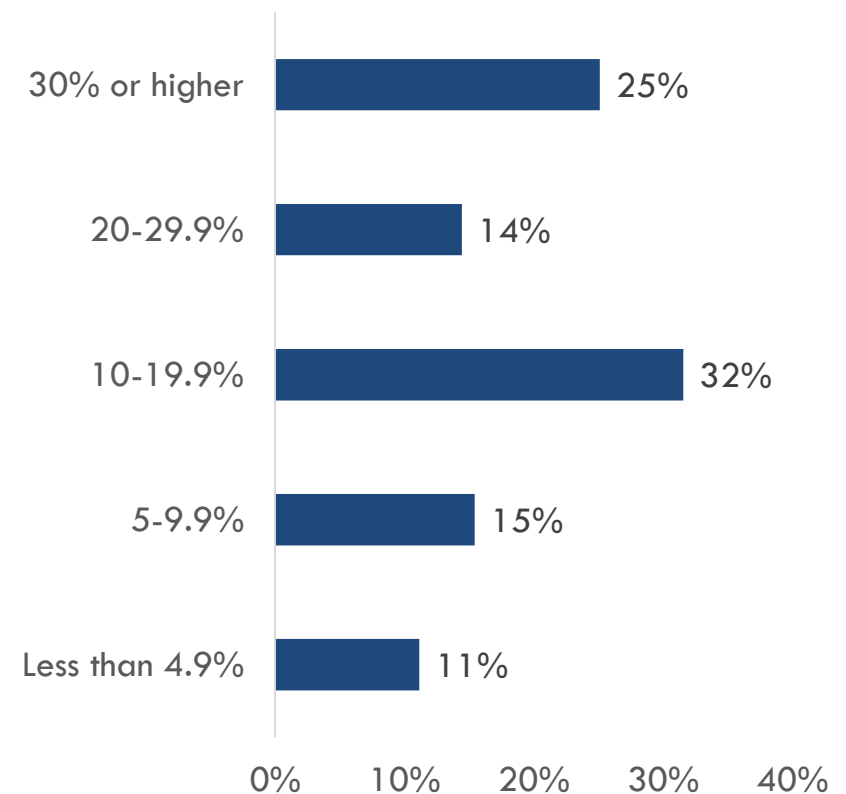
Existing affordable rental housing in Wake County is concentrated in areas of higher poverty, driving the need to create new affordable rental housing in high-opportunity areas moving forward.

Today, 66% of publicly-subsidized units are located in areas with poverty rates exceeding the 2014 countywide poverty rate (11%). The largest share of publicly-subsidized units are located in areas with a poverty rate of 10-19.9%, followed by areas with a poverty rate of 30% or higher.

PUBLICLY-SUBSIDIZED PROPERTIES IN AREAS WITH POVERTY RATES ABOVE COUNTYWIDE RATE



SHARE OF PUBLICLY-SUBSIDIZED PROPERTIES BY POVERTY RATE OF AREA



Sources: National Housing Preservation Database, 2014 American Community Survey.

Acquisition Fund

What

Establish an acquisition loan fund, in partnership with philanthropic or mission-oriented investors, motivated lenders and municipalities, to acquire sites for affordable housing development, especially in strategic locations. An acquisition fund is a dedicated revolving pool of capital used to acquire sites for future affordable housing or mixed-income development.

Why

Given strong real estate market demand in Wake County, affordable housing developers struggle to compete for development sites with private buyers, who can often pay in cash and close deals quickly. While experienced affordable housing developers may be able to access acquisition funds through bank partners or Community Development Financial Institutions (CDFIs), these capital sources typically will only provide loans for 75-80% of project cost, leaving developers with a gap to be filled before they can act. Developers must either seek support from public-sector partners, which can take time, or deploy their own limited funds. Since nonprofit developers are often thinly capitalized, a single acquisition can tie up the bulk of their resources, leaving them unable to respond to other opportunities that may arise until those funds are released. These capital constraints make it very challenging for affordable housing developers to gain control of sites in desirable locations.

Lead Entity

County in partnership with private lenders, and ideally with participation from municipalities.

Estimated Impact

Minimum \$2M investment to realize \$10M fund, with investment able to create 400-700 units

Population Served

Below 50% AMI for rental



Notes: Properties purchased with acquisition fund loans likely will need to leverage other back-end subsidy sources (e.g., LIHTC, HOME, local funds) to do new construction or rehabilitation. The availability of back-end subsidies will determine the maximum size of a potential loan fund, as it is not feasible to acquire more property than there is subsidy to develop. Estimated impact assumes \$10M available (\$2M County, \$8M private), with average per unit land cost of \$15K to \$25K.

Acquisition Fund

The below describes a potential structure and operating model for the acquisition fund. **However, the County should work with potential funding partners and affordable housing developers to determine the most appropriate structure for Wake County.**

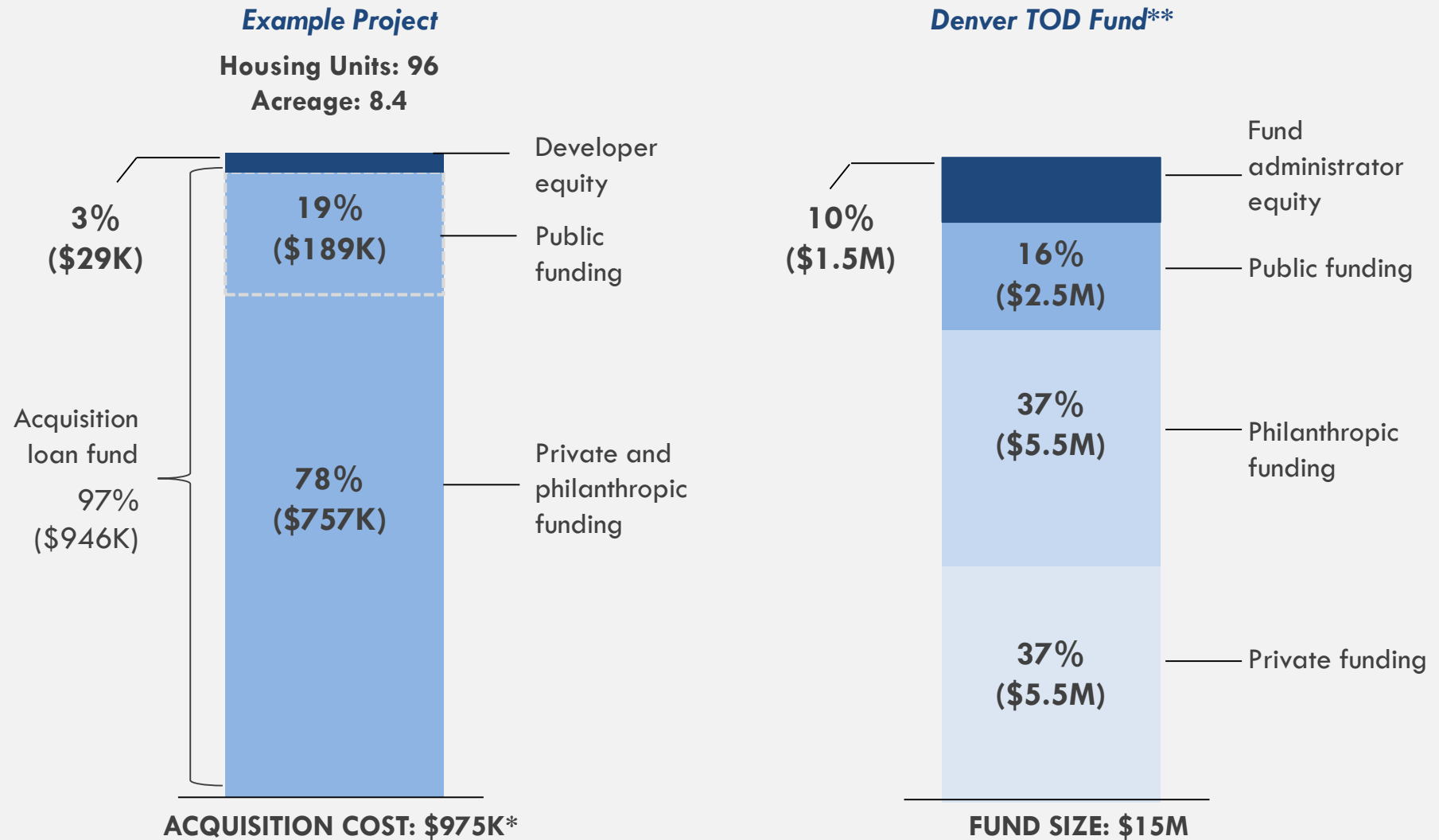
Recommended Fund Structure

Borrowers	<i>Nonprofit and for-profit affordable housing developers with a track record of successful development.</i>
Investors	<i>The County, municipalities, philanthropies, anchor institutions, and financial institutions.</i>
Fund Administrator	<i>Experienced affordable housing lender, such as a local bank or Community Development Financial Institution.</i> <ul style="list-style-type: none"><i>The fund administrator would hold all funds and be responsible for underwriting, approving, and monitoring loans using its established procedures.</i><i>Loans made with County funds would be made within parameters established upfront via a funding agreement with the County and other investors.</i><i>The fund administrator would provide regular reports to the County about the deployment of funds and performance of acquisition loans made with County participation.</i>
Loan Types	<i>Loans that are fast-turnaround (able to be approved and closed quickly); high loan-to-value; either interest-deferred or interest-only; and as low-cost as possible.</i> <i>Based on precedents from other communities, loan parameters might include:</i> <ul style="list-style-type: none"><i>Loan-to-value ratio: Up to 97% loan-to-value ratio, with County funds (and potentially other capital) covering the gap between 80% LTV and the maximum LTV.</i><i>Overall size: Maximum loan size on the order of \$1.5M-\$2M.</i><i>Term: Initial term of up to 3 years, with potential to renew for 2 additional years (5 years total)</i><i>Position in the capital stack: Capacity to take subordinate position, such that the first lender provides an acquisition loan that goes up to 80% LTV and the fund provides a subordinate loan that covers the gap from 81-97% LTV.</i><i>Greater risk tolerance for acquisitions where takeout plans are not fully developed.</i>

Acquisition Fund

Transaction Structure

The capital stack diagrams below show (1) a potential acquisition transaction in Wake County and (2) the capital stack used for the Denver Transit-Oriented Development Fund. For each acquisition in Wake County, the capital stack will vary based on the deal.



*Based on recent awarded project in Wake County. ** See Case study for additional details

Acquisition Fund

Range of Options

There are two basic options to establish the fund:

1. County operates as the investor: Wake County could provide capital to an existing Community Development Finance Institution or a local bank which could leverage the County funds with existing loan capital to make the desired acquisition loans. The CDFI or local bank then would be responsible for underwriting, approving, and monitoring loans on an ongoing basis.
2. County operates as part of a pool of investors engaged in a multi-investor fund: Wake County could combine resources from multiple investors to create a dedicated pool of acquisition capital for affordable housing development. The fund would be managed by an experienced administrator, likely a CDFI, which would be responsible for underwriting, approving, and monitoring loans on an ongoing basis.

While the second option could result in a larger loan pool, it is more complex and time consuming to establish because multiple entities with different priorities and levels of affordable housing expertise must reach a funding agreement. **The County should launch the fund as a single investor and then engage private partners over time to make it as multi-investor fund.**

Existing Efforts

N/A

County Action Steps

NEAR-TERM STEPS

- **Meet with local affordable housing developers to gather additional input on the scale and terms required for the acquisition fund to be successful.**
- Meet with local banks and CDFIs to gauge their interest and willingness to participate.
- Dedicate a portion of funding to support the launch of the Acquisition Fund.
- Issue a Request for Proposals for a fund administrator and negotiate a funding agreement.

MEDIUM- TO LONGER-TERM STEPS

- Publicize the new loan product(s) to affordable housing developers.
- Monitor deployment of loan funds and adjust loan parameters as needed with fund administrator.
- Conduct outreach to potential partners to expand the fund to other investors.

Enhanced County Rental Production Loan Program

What

Enhance the County's existing rental production loan program, officially known as the Affordable Housing Development Program, which provides gap funding to create affordable rental housing. In particular:

- Expand the total amount of funding available for both LIHTC and non-LIHTC projects.
- Strengthen program underwriting criteria and incentivize projects that meet County goals, including producing or preserving extremely low-income households (below 30% AMI) within the broader universe of low-income households, creating more permanent supportive housing units, and building units in strategic locations.

Why

The County's existing Affordable Housing Development program is an effective program for the creation of affordable rental units in Wake County that can be modified to further increase production. The production of affordable rental housing has increased significantly in recent years, primarily due to Wake County and Raleigh's provision of gap funding to LIHTC projects.

Lead Entity

County

Estimated Impact

Typically \$10K-\$40K per unit, depending on project type, location & income level served

Population Served

Below 50% AMI for rental, with targeting for 30% and supportive housing



Note: Estimated impact based on the range of loan subsidy provided to recently awarded 9% and 4% projects in Wake County.

Enhanced County Rental Production Loan Program

Recommended Program Changes

- 1 To increase program efficiency, refine underwriting criteria used to assess project feasibility and determine necessary County investment levels, including close review of developer assumptions.**
- 2 Increase program focus on extremely low-income populations.**
 - A Prioritize income levels to be served: Give priority for County funding to 9% LIHTC projects that provide units for households at or below 30% AMI. Likewise, give priority to all 4% LIHTC and non-LIHTC projects that provide units for households at or below 50% AMI.*
 - B Link total amount of funding provided to income levels served: For all 9% LIHTC projects, link total amount of County funding provided to total number of units for households at or below 30% AMI. For all 4% LIHTC and non-LIHTC projects, link total amount of County funding provided to total number of units for households at or below 50% AMI.*
 - C Revise per-unit funding limits based on income levels served: Provide greater per-unit funding for units serving the lowest-income households, such that as the target AMI drops, the total amount of potential County subsidy increases.*
 - D Increase voucher uptake in County-subsidized units: Require all funding recipients to accept County vouchers in at least 10% of their units. For 9% and 4% LIHTC projects, this would be above and beyond the percentage set aside for the Targeting Program.*
- 3 Prioritize the creation of permanent supportive housing units.**
 - A Create a designated funding set-aside for projects that provide permanent supportive housing units, with clear guidelines about the type of PSH units expected (e.g., units that have a comprehensive service wrap-around).*
- 4 Prioritize projects located in high-opportunity areas (see Location Targeting section).**

Notes: The Targeting Program is a collaboration among the North Carolina Department of Health and Human Services, the North Carolina Housing Finance Agency, Wake County Human Services Division of Housing, and local human service agencies to provide affordable housing for households with disabilities.

Enhanced County Rental Production Loan Program

Range of Options

The County should consider the range of modifications to its existing rental production loan program summarized on the previous page. The size of the loan program expansion is dependent on the scale of funding that the County allocates to it. **The Rental Production Loan Program is the leveraged program most capable of quickly absorbing additional public funds and creating new affordable housing.** The County should allocate the greatest additional funds to this program in the near term as other programs ramp up.

Existing Efforts

Wake County currently provides funding for the new construction or rehabilitation of multifamily rental projects that contain units for households at or below 40% AMI (for 9% LIHTC projects) or at or below 50-60% AMI (for 4% LIHTC projects) through its Affordable Housing Development Program. The funds are provided through the County Capital Improvement Plan (CIP) and the Home Investment Partnership grant programs, with the County offering \$3M in funding in 2016.

Wake County issues a request for proposals for LIHTC projects seeking County funds every December. The County issues an additional request for proposals for non-LIHTC projects every March, using any money left over from the December funding round. The County also has implemented a continuous call for projects through a rolling Request for Information. The County awards funds to projects using a scorecard, and generally limits projects to municipalities that contain less than the countywide percentages of subsidized housing.

County Action Steps

NEAR-TERM STEPS

- **Develop refined underwriting standards, including proposed per-unit funding by target income levels.** Funding can be established based on a review of relevant financial models, local developer consultation, and best practice examples from other communities.
- Revise the Request for Proposals for the Affordable Housing Development Program before the 2018 funding cycle.

MEDIUM- TO LONGER-TERM STEPS

- Evaluate impact of program refinements and make additional adjustments.

Recommended Tools

- Cross-Cutting
- New Rental Production
- **Preservation**
- Homeownership
- Supportive Housing

PRESERVATION TOOLS | OVERVIEW

The recommended preservation tools are intended to help prevent Wake County's existing affordable housing, which includes both publicly-subsidized and naturally occurring affordable housing, from being converted to market-rate units due to market pressures, expiring affordability restrictions, and declining federal funding. The preservation tools focus on providing the County with the resources and information that it needs to become more proactive in preserving affordable units so it can intervene when units are at risk; capitalize on opportunities to preserve significant amounts of existing affordable housing via the redevelopment of public housing; and ensure that units created with government subsidy maintain their affordability for as long as possible.

Land Use | Leveraged Programs | Funding

Public Land Disposition Requirements *(Discussed under Cross-Cutting Tools)*

New Local Funding Sources for Affordable Housing *(Discussed under Cross-Cutting Tools)*

Changes to North Carolina's Qualified Allocation Plan *(Discussed under Cross-Cutting Tools)*

Preservation Fund

Establish a preservation loan fund, in partnership with philanthropic or mission-motivated investors and municipalities, to provide low-cost permanent financing to maintain existing affordable multifamily rental properties.

Affordable Housing Preservation Warning System

Develop and maintain an affordable housing preservation warning system that tracks existing affordable units and guides preservation investments to prevent their conversion to market-rate units and improve their quality.

Redevelopment of Public Housing Sites

Work with the Housing Authority of the County of Wake and Raleigh Housing Authority (PHAs) to develop a comprehensive redevelopment plan for all public housing sites to transform them into mixed-income communities or modern affordable housing developments.

Extended Affordability Provisions

Extend the required affordability period for all projects receiving local, state, or federal subsidies administered by the County to 50 years or more.

Wake County's existing portfolio of affordable housing consists of publicly-subsidized and naturally occurring affordable housing.

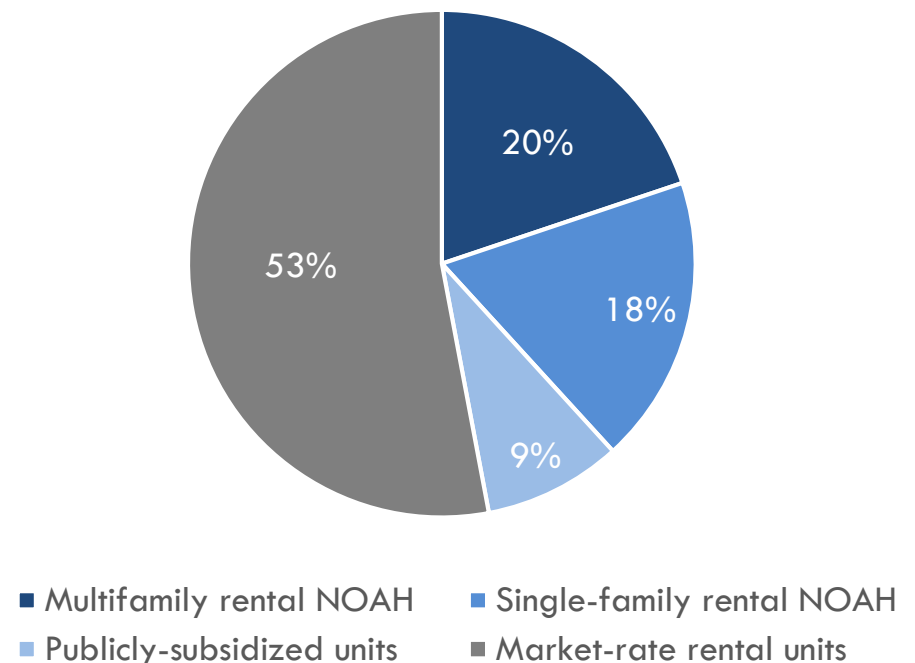
Preserving Wake County's existing affordable housing stock is critical to addressing its affordable housing crisis for two reasons:

1. **Preservation is the other half of the solution to increasing the overall affordable housing supply**, as it ensures that production yields net new units, instead of just replacing existing units that are being lost. **Without effective preservation, construction of new affordable units will not be sufficient on its own to meet the affordable housing need.**
2. **Preservation of existing affordable housing can be more cost-effective on per-unit basis than production**, because either the government (for publicly-subsidized units) or the private sector (for naturally occurring affordable units) has already made major upfront expenditures for land and construction. According to one study, it cost 25% to 40% more to develop a unit of subsidized rental housing through new construction than through the acquisition and rehabilitation of existing housing units.

As of 2015, Wake County had approximately 61,500 affordable rental housing units, representing approximately 47% of the occupied rental stock and 17% of the total occupied housing stock.

There are approximately 26,000 multifamily NOAH rental units and 24,000 single-family NOAH rental units. The remainder of the affordable housing rental inventory consists of 11,500 publicly-subsidized units.

OCCUPIED RENTAL STOCK BREAKDOWN
Wake County, 2015



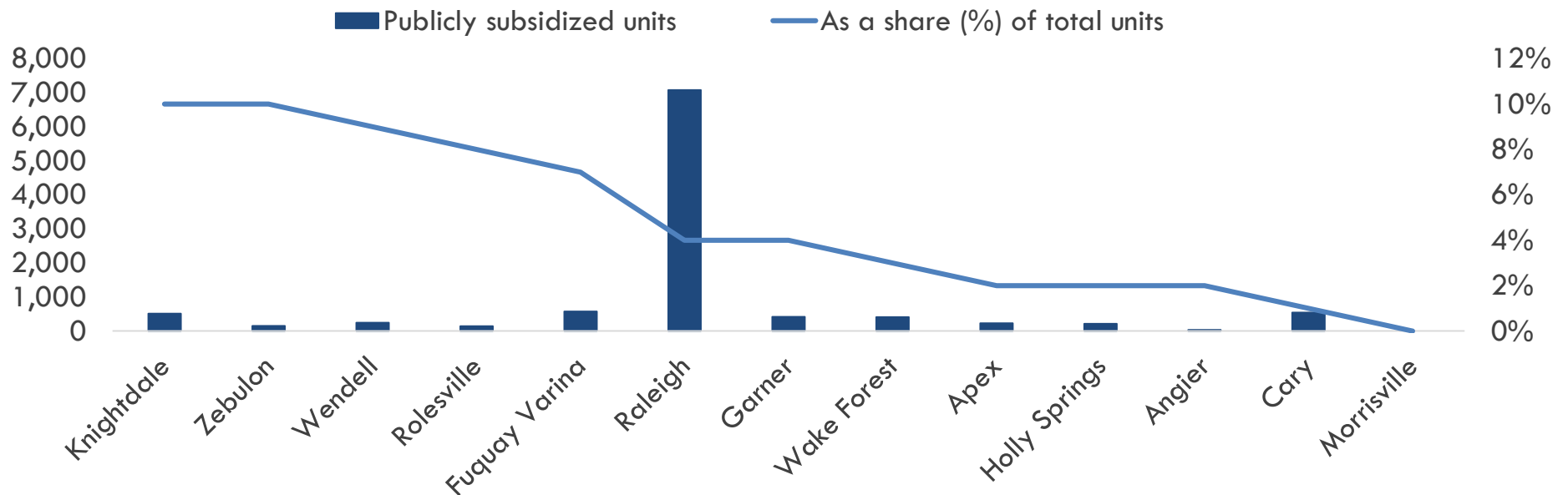
Sources: Center for Housing Policy, American Community Survey PUMS Data, total rental households; HR&A Advisors

Note: The publicly-subsidized number does include rental assistance vouchers. In 2015, 4,574 vouchers were issued. Given data limitations, the single-family NOAH estimate includes potential units with vouchers.

The majority of publicly-subsidized housing in Wake is concentrated in Raleigh, and funded by federal Low Income Housing Tax Credits.

In absolute terms, **Raleigh** has the highest number of publicly-subsidized units, with 1,443 public housing units and 5,636 other publicly-subsidized units. **Knightdale, Zebulon, and Wendell** have the highest shares of publicly-subsidized units, with these units (including public housing) comprising 9-10% of their total housing stock. While publicly-subsidized housing in Wake County draws on different project-based government subsidy programs, such as the HOME Partnership Program, Project-Based Section 8, and below-market U.S. Department of Housing and Urban Development (HUD)-insured mortgages, the primary subsidy source is the Low-Income Housing Tax Credit Program.

TOTAL PUBLICLY-SUBSIDIZED UNITS BY JURISDICTION Wake County, NC



Sources: National Housing Preservation Database, Housing Authority of Wake County, Raleigh Housing Authority; HR&A Advisors

Market pressure, reflected in rising rents and low vacancy rates, has contributed to the loss of thousands of existing affordable rental properties. The affordable housing stock can lose units in a variety of ways.

From 2009 to 2015, **Wake County experienced the greatest supply losses in units affordable to households making less than \$39,000 (<50% AMI).** Collectively, 4,900 units affordable to these households were lost from 2009 to 2015, with this net loss indicating a need for preservation.

In general, units are lost from the affordable housing supply when they are converted to market-rate units or redeveloped and not replaced. These situations can occur under the following conditions:

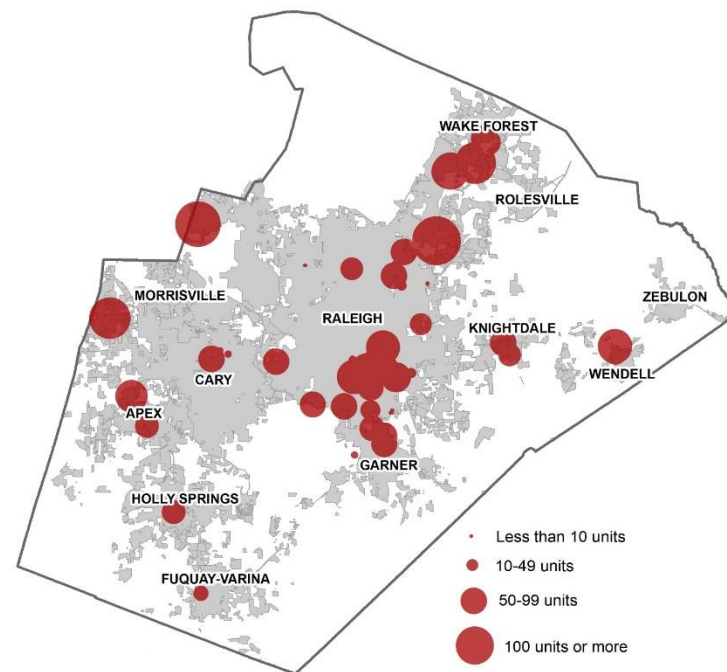
1. **The owner raises rents** to take advantage of strong market demand.
2. **The owner chooses to redevelop** the property as a market-rate project.
3. **The owner either voluntarily chooses to or involuntarily experiences financial hardship that requires them to sell the property to a market-rate developer,** who raises rents or pursues redevelopment.
4. **The owner does not make necessary capital improvements and the property becomes unusable for affordable housing.**

For NOAH, conversion to market-rate can happen at any time. For publicly-subsidized housing, it should only happen when affordability restrictions expire. While properties do not

instantly stop being affordable when these restrictions expire, they become much more vulnerable to the loss of affordability.

Today, Wake County is losing affordable housing units to both conversion and redevelopment. Forest Hills Apartments in Garner has been converted to market-rate housing, and the project-based subsidy in place at Sir Walter Raleigh Apartments is scheduled to expire in 2020.

TOTAL PUBLICLY-SUBSIDIZED UNITS EXPIRING THROUGH 2022



In Wake County, the affordability restrictions on a large portion of publicly-subsidized housing will expire in the coming years, putting units at risk for conversion to market-rate.

Low-Income Housing Tax Credit projects have a 15-year required affordability period, which is followed by a second 15-year affordability period, called the “extended use period,” that keeps them affordable for a total of 30 years. However, the enforcement mechanisms for the second 15-year affordability period are much weaker than the first 15-year permit, and some properties convert to market-rate before reaching the end of their full 30-year affordability period. Properties owned by for-profit owners who are not active

affordable housing developers are particularly vulnerable to this.

LIHTC properties require new capital investment before the 30-year affordability period ends in order to maintain property quality and update critical systems. For this reason, the County should prioritize investments in properties before they reach the end of their 30-year affordability period in order to ensure they remain quality affordable housing.

EXPIRING LIHTC UNITS BY YEAR Wake County

Year	LIHTC Units Reaching Year 15	LIHTC Units Reaching Year 30	Total
2018	380	75	455
2019	134	32	166
2020	297	0	297
2021	159	142	301
2022	117	276	393
2023	176	102	278
2024	174	388	562
2025	124	605	729
2026	238	207	445
2027	264	228	492
2028	277	498	775
2029	442	14	456
2030	413	471	884

Sources: NCHFA, HR&A Advisors.

Note: Expiring LIHTC properties are counted both at Year-15 and Year-30. Full list of LIHTC units is included in Appendix.

Preservation Fund

What

Establish a preservation loan fund, in partnership with philanthropic and mission-oriented investors, lending institutions, affordable housing developers, and the municipalities, that is dedicated to the preservation of affordable housing. A preservation fund is a dedicated pool of capital used to acquire or rehabilitate existing naturally occurring and subsidized affordable housing in order to preserve affordability.

Why

Given strong real estate market demand in Wake County, the fund will help prevent the loss of publicly-subsidized and naturally occurring multifamily affordable housing properties by providing low-cost permanent financing to acquire or rehabilitate them. In order to offer below-market rents, property owners need long-term financing that is willing to accept a below-market rate of return while accepting real estate risk. The preservation fund provides lower-cost financing that replaces equity, which typically has the highest required rate of return.

Lead Entity

County in partnership with private lender, ideally with municipalities' participation

Estimated Impact

\$15K-\$20K per unit

Population Served

Below 60% AMI for rental, with the ability to adjust rent to meet payments to investors.



Note: Estimated impact based on existing best practice preservation fund example and tailored to reflect Wake County market dynamics.

Preservation Fund

The below describes a potential structure and operating model for the preservation fund. However, the County should work with potential funding partners and affordable housing developers to determine the most appropriate structure for Wake County.

Recommended Fund Structure

Borrowers	<ul style="list-style-type: none"> Existing affordable housing owners that are motivated to maintain the affordability and quality of their units. Nonprofit affordable housing developers interested in acquiring and preserving existing affordable properties if granted funding.
Investors	The County, municipalities, philanthropies, anchor institutions, and financial institutions.
Fund Administrator	<p>Experienced affordable housing lender, such as a Community Development Financial Institution or local bank.</p> <ul style="list-style-type: none"> The fund administrator would hold all funds and be responsible for underwriting, approving, and monitoring loans using its established procedures. Loans made with County funds would be made within parameters established upfront via a funding agreement with the County and other investors.
Loan Purpose	Acquiring naturally occurring affordable housing or recapitalizing existing subsidized affordable housing to prevent it from being converted to market-rate. Loan products are low-cost mezzanine debt that replaces high-cost equity investments.
Target Properties	<p>The County and its partners will work together to develop specific criteria for properties selected for loans, potentially including but not limited to:</p> <ul style="list-style-type: none"> Urgency: At imminent risk of losing their affordability. Owner profile: Have owners who are willing to work with the County to either preserve the affordability of their properties long-term or transfer it to another entity that will. Tenant profile: House large numbers of tenants who will be displaced if properties are not preserved, potentially including extremely low-income tenants. Physical and financial distress levels: Do not have extreme levels of distress. Geographic location: Located in areas prioritized for preservation because they are experiencing rapid appreciation.
Loan Types	Loans are fast-turnaround, low-cost and take mezzanine position behind traditional 1 st mortgages. The affordability restrictions that accompany the loans allow for some flexibility on rent levels to allow for adjustments to cover recapitalization costs.

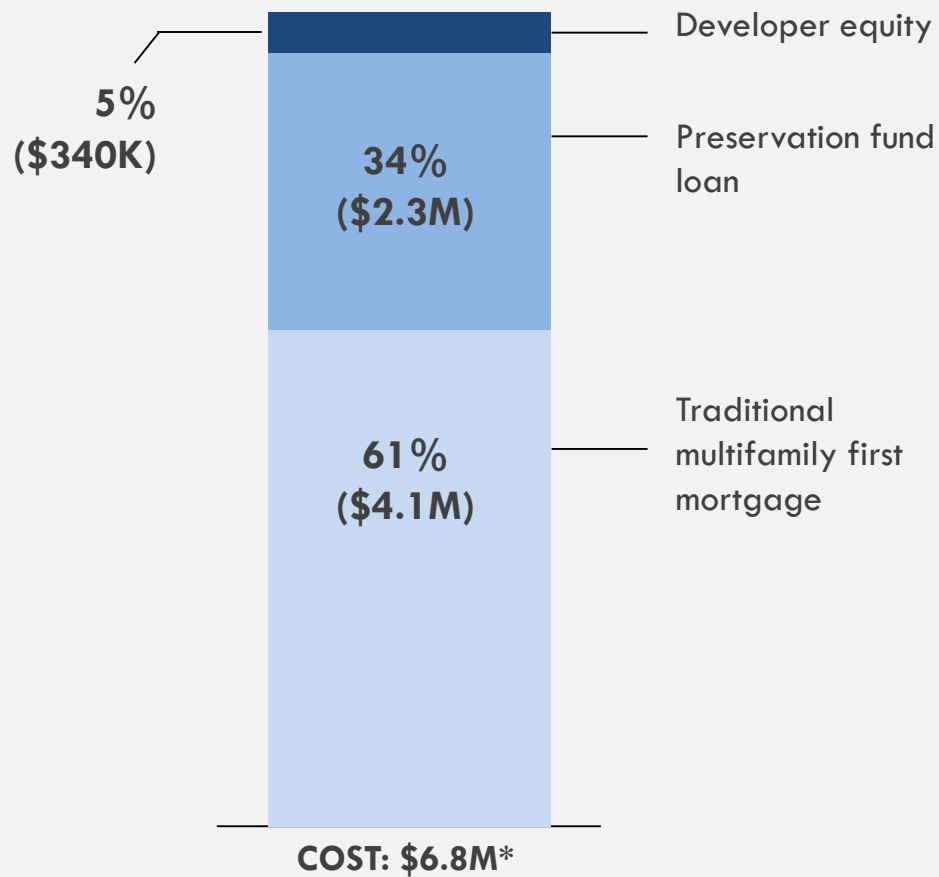
Preservation Fund

Transaction Structure

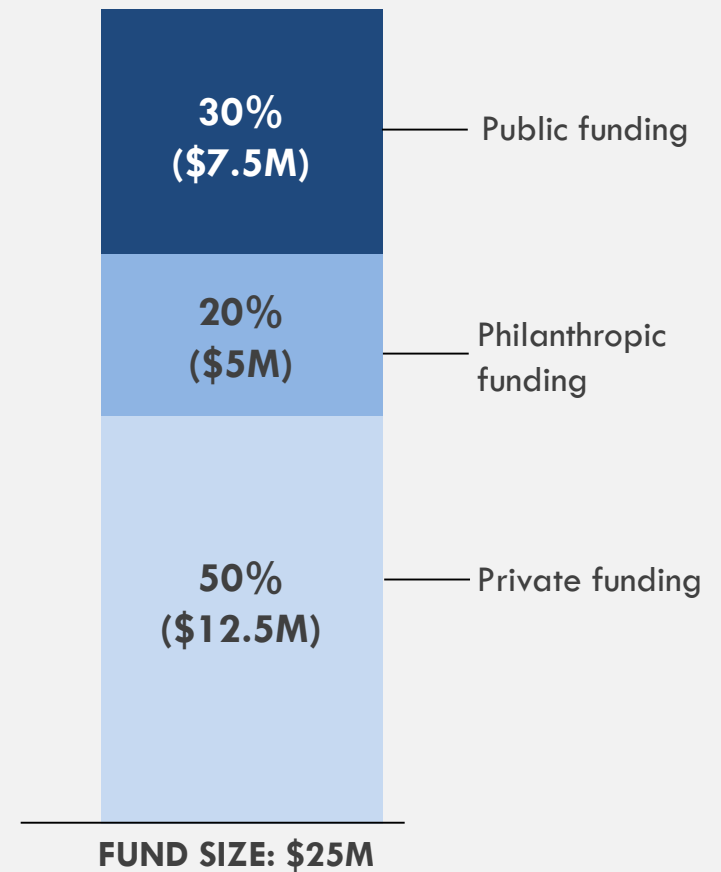
The capital stack diagrams below show (1) an example preservation project in Hennepin County, Minnesota and (2) the capital stack used for the Hennepin County Preservation Fund. To establish its Preservation Fund, Wake County will need to establish project-specific capital stock guidelines.

Example Project

Total Units: 72



Hennepin County Preservation Fund**



*Based on a Hennepin County preservation project. See associated case study for further details.

Preservation Fund

Range of Options

The preservation fund could target different types of subsidized and naturally affordable properties. It should seek to target naturally occurring affordable housing and subsidized affordable housing that cannot access traditional funding sources such as LIHTC.

As with the acquisition fund, there are two basic options to establish the fund:

1. County operates as the sole investor
2. County operates as part of a pool of investors engaged in a multi-investor fund

The County should partner with at least one additional investor to launch the preservation fund. Once the fund is established, the County can engage a wider range of investors to expand the scale of the fund. The preservation fund also can run in coordination with the acquisition fund.

Existing Efforts

Wake County and the City of Raleigh have been making efforts to acquire and preserve “expiring use” LIHTC projects wherever possible. However, there is a need for greater ongoing resources to support preservation.

County Action Steps

NEAR-TERM STEPS

- Meet with local affordable housing developers to gather additional input on the scale and terms required for the preservation fund to be successful.
- Meet with local banks and CDFIs to gauge their interest and willingness to participate.
- Dedicate a portion of funding to support the launch of the Preservation Fund.
- Issue a Request for Proposals for a fund administrator and negotiate a funding agreement.

MEDIUM- TO LONGER-TERM STEPS

- Publicize the new loan product(s) to affordable housing developers and select 1-2 preservation projects in Wake County to demonstrate “proof of concept.”
- Monitor deployment of loan funds and adjust loan parameters as needed with fund administrator.

Affordable Housing Preservation Warning System & Annual Report

What

Develop and maintain an affordable housing inventory and preservation warning system that tracks both publicly-subsidized and naturally occurring affordable housing. This effort will involve the creation of a central database to track critical data about existing affordable housing properties, such as type, location, current ownership, and subsidy expiration date (as applicable). It also will involve the production of an annual report that tracks affordable housing supply changes in Wake County and factors driving those changes, including preservation activities.

Why

The system will help stakeholders (county staff, elected leadership, affordable housing developers, advocates, and others) accomplish two tasks. First, it will track and quantify the affordable housing supply, including through an annual report. Second, it will guide deployment of public preservation funding and technical assistance and owner outreach to prevent units from converting to market-rate due to expiration of their public subsidy or planned conversion or redevelopment and improve their quality.

Lead Entity

County, but ideally with regional participation to achieve economies of scale

Estimated Impact

\$250k to launch and \$80k to maintain, the cost varies greatly based on the scope of properties monitored and the reporting produced

Population Served

The warning system will monitor affordable rental properties (<60% AMI)



Note: Estimated impact based on nationwide examples.

Affordable Housing Preservation Warning System & Annual Report

The below describes a potential structure and operating model for the preservation warning system and annual report.

Recommended Structure & Operations

Participants	<i>Ideally, joint effort between local and regional government entities, including the Triangle J Council of Governments, other counties, and other municipalities; affordable housing nonprofits, academic partners, and philanthropic organizations. The organization responsible for developing and maintaining the database and producing the annual report could be an academic institution, funded through philanthropic support and working in partnership with County staff.</i>
Scale	<i>For several reasons, including the regional nature of the housing market, potential economies of scale, and the usefulness of consistent data across the region, a regional system would be optimal. It may be possible to partner with other communities in North Carolina because of similarities in data needed and monitoring processes.</i>
Functions	<ul style="list-style-type: none">• <i>Collect and regularly update data from a range of local, state, and federal sources.</i>• <i>Share information about at-risk properties with housing staff at the county, municipal, and regional level to guide deployment of public preservation funding and technical assistance. The system lead will not publicly share detailed market conditions information that could be used by private actors to exacerbate housing problems.</i>• <i>Produce an annual report summarizing affordable housing supply trends.</i>
Data Sources	<p><i>There are multiple data sources that could be used to construct the database, including:</i></p> <ul style="list-style-type: none">• <i>National Housing Preservation Database, which includes housing data reported to the U.S. Housing and Urban Development (HUD) by local governments</i>• <i>CoStar, which includes multifamily housing properties of 5 or more units</i>• <i>HUD property inspection data</i>• <i>North Carolina Housing Finance Agency Low-Income Housing Tax Credit deal information</i> <p><i>For projects that receive both local funding and NCHFA funding, Wake County may be able to enter into an agreement with NCHFA to have access to their internal monitoring database, modeled after the current agreement that the City of Charlotte has in place.</i></p>

Affordable Housing Preservation Warning System & Annual Report

Range of Options

Depending on the level of resources available, the system could collect data for a range of affordable property types. The baseline may be to collect data on all subsidized properties. This could be expanded to include all naturally occurring affordable multifamily properties, followed by all naturally occurring affordable single-family properties. Given the challenges associated with tracking “expiring” naturally occurring affordable properties, because it is difficult to determine when these properties will convert due to rents being raised, sale, or redevelopment, it could be useful to identify priority locations (e.g., large concentrations of NOAH that could be at risk).

Existing Efforts

Today, the Triangle J Council of Governments convenes its members to discuss regional housing issues on a semi-regular basis. However, there currently is no formal structure in Wake County or the region to share data about, evaluate progress towards, and identify gaps in preservation efforts.

County Action Steps

NEAR-TERM STEPS

- **Engage with academic institutions and other entities that could help operate the warning system to define its focus, including housing types and geographic areas to be tracked.**
- Engage regional stakeholders and philanthropic funders about the potential for collaboration.
- Develop a memorandum of understanding between partners formalizing roles and responsibilities.

MEDIUM- TO LONGER-TERM STEPS

- Launch the warning system and begin sharing information with key stakeholders.
- Publish the first annual report on the affordable housing supply in Wake County.

Public Housing Redevelopment

What

Work with the Housing Authority of Wake County (HAWC) and Raleigh Housing Authority (RHA) to develop a comprehensive redevelopment plan for all public housing sites to transform them into mixed-income communities or modern affordable housing developments. HAWC and RHA are the two housing authorities operating in Wake, and represent major providers of affordable housing for extremely low-income populations in the County. The RHA operates 22 public housing communities with 1,381 units, and HACW operates six communities with 343 units.

Why

Declining federal funding is impacting both capital and operating resources for PHAs. With aging public housing buildings, redevelopment is the most effective approach to providing quality affordable housing. HAWC is a small organization that covers a broad geographical area, with responsibilities for properties in six municipalities, creating challenges for efficient property management. Much of HAWC's housing consists of single-level brick and masonry buildings constructed in the mid-1960s that require major capital investments to address deferred maintenance. RHA serves a large number of extremely low-income households living in the City of Raleigh.

Lead Entity

County, City of Raleigh, & PHAs working together on redevelopment planning and identifying funding.

Estimated Impact

Varies drastically, \$170k-\$190k total subsidy per unit, of which local subsidy is \$40k-\$60k.

Population Served

Below 50% AMI, and majority is below 30% AMI.



Note: Estimated impact based on Walnut Terrace and Mariposa District redevelopments and from conversations with Housing Authority staff.

Public Housing Redevelopment

Range of Options

- Wake County and local municipalities can work with the public housing authorities to facilitate redevelopment by:
- Providing funding and other resources to support redevelopment of existing public housing sites as mixed-income housing where feasible (e.g., generally, larger sites with greater market value).
 - Providing funding and other resources to enable the consolidation of public housing residents living at sites that are not feasible to redevelop as mixed-income housing (e.g., smaller sites with lower market value) into new or substantially renovated developments.
 - Assisting with tenant relocation activities.
 - Considering public housing assets and needs in land use, housing, and transportation planning efforts.

Existing Efforts

The Housing Authority of the County of Wake is planning to undertake a comprehensive strategic planning process for its sites. The Raleigh Housing Authority has completed large-scale redevelopment at several of its sites, including Walnut Terrace, Chavis Heights, and Halifax Court/Capital Park.

County Action Steps

NEAR-TERM STEPS

- **Convene County, HAWC, RHA, the City of Raleigh, and other municipal leadership to discuss potential collaboration on the redevelopment of public housing.**
- Establish a memorandum of understanding between the County, public housing authorities, and municipalities defining the terms for future collaboration.

MEDIUM- TO LONGER-TERM STEPS

- Engage HAWC and RHA in the creation of long-term redevelopment plans for their public housing portfolios.
- Provide funding and other support, such as specialized technical assistance, for public housing redevelopment throughout Wake County.

Extended Affordability Provisions

What

Extend the required affordability period for all projects receiving local, state, or federal subsidies administered by Wake County, targeting a 50-year period for all multifamily rental properties. In addition, adopt a “right-of-first-refusal” policy that applies to all properties receiving local, state, or federal subsidies administered by the County and includes mission-driven for-profit developers. “Right of first refusal” gives the County with the assignable right to purchase a property at the end of its affordability period to preserve the affordability.

Why

In general, required affordability periods apply to affordable projects developed with a public subsidy. Typically, projects must remain affordable for five to 30 years, depending on the subsidy source. Extending the affordability period positions the County to maintain the affordability of subsidized housing. **The County will need to devote funding to periodically rehabilitate properties during through their affordability period, as a longer affordability period without funds to maintain the property will result in blighted and low-quality affordable housing.**

Lead Entity

County.

Estimated Impact

A greater portion of subsidized affordable properties will retain their affordability.

Population Served

All types of affordable housing.



Extended Affordability Provisions

Range of Options

The County could seek to impose an affordability period of 50 years for all projects receiving local, state, or federal subsidies administered by the County, enforced by deed restrictions that mandate the unit be occupied by households under 80% AMI. Alternatively, the County could establish a graduated affordability period system, whereby the larger the public subsidy for a project is, the longer its affordability period will be, up to a maximum possible period of 50 years.

Existing Efforts

The County primarily has focused its affordable housing funding efforts on providing gap financing for LIHTC projects, which have built-in 15- to 30-year affordability periods, and preserving properties when it becomes aware that their affordability restrictions are expiring. Currently, the County incorporates “right of first refusal” provisions into its Affordable Housing Development Program for LIHTC and non-LIHTC projects developed with County funds.

County Action Steps

NEAR-TERM STEPS

- **Establish the new affordability period.**
- Update the County’s contracts and related documents.

MEDIUM- TO LONGER-TERM STEPS

Recommendations

- Cross-Cutting
- New Rental Production
- Preservation
- **Homeownership**
- Supportive Housing

HOMEOWNERSHIP TOOLS | OVERVIEW

The recommended homeownership tools seek to **assist low- and moderate-income households in becoming homeowners and enable existing homeowners to maintain their homes**. Homeownership is currently relatively affordable in Wake County, creating an opportunity to expand access to homeownership, especially for populations that have been traditionally underserved, and position homeowners to benefit from future appreciation before home prices rise.

Land Use | Leveraged Programs | Funding

Public Land Disposition Requirements *(Discussed under Cross-Cutting Tools)*

New Local Funding Sources for Affordable Housing *(Discussed under Cross-Cutting Tools)*

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.

Targeted Homeowner Rehabilitation

Streamline and standardize homeowner rehabilitation programs run by the County, municipalities, and housing nonprofits to increase efficiency and improve access.

Housing Counseling

Coordinate with municipalities to align existing housing counseling programs across the region to improve efficiency and streamline homeowner and renter connections to existing housing resources in the County.

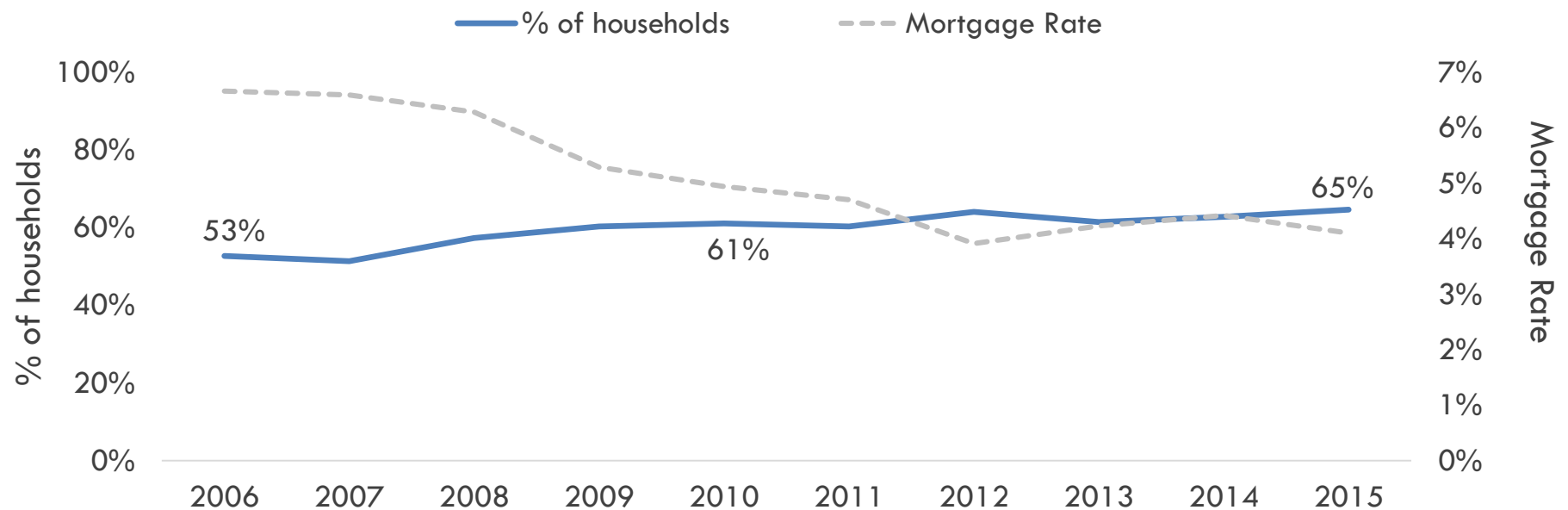
Shared Equity Homeownership Program (Community Land Trust)

Encourage the municipalities to support efforts to pilot the Community Land Trust (CLT) model in neighborhoods that are experiencing significant gentrification pressures by partnering with an existing organization with the capacity to operate a CLT.

Homeownership in Wake County is currently fairly affordable, but this trend is driven by the decline in mortgage rates and limited increases in price.

While home values have increased, **overall homeownership still is relatively affordable for the majority of the population** in Wake County. From 2006 to 2015, the percent of households in Wake County who could afford homeownership, using the median for-sale housing price for the respective year and assuming that households spend no more than 30% of their annual income on mortgage and insurance costs, increased from 53% to 65%. This change was **driven by a corresponding decline in interest rates from approximately 7% to 4%.**

% OF HOUSEHOLDS WHO CAN AFFORD HOMEOWNERSHIP (Based on Median For-Sale Home Prices) Wake County, 2006-2015



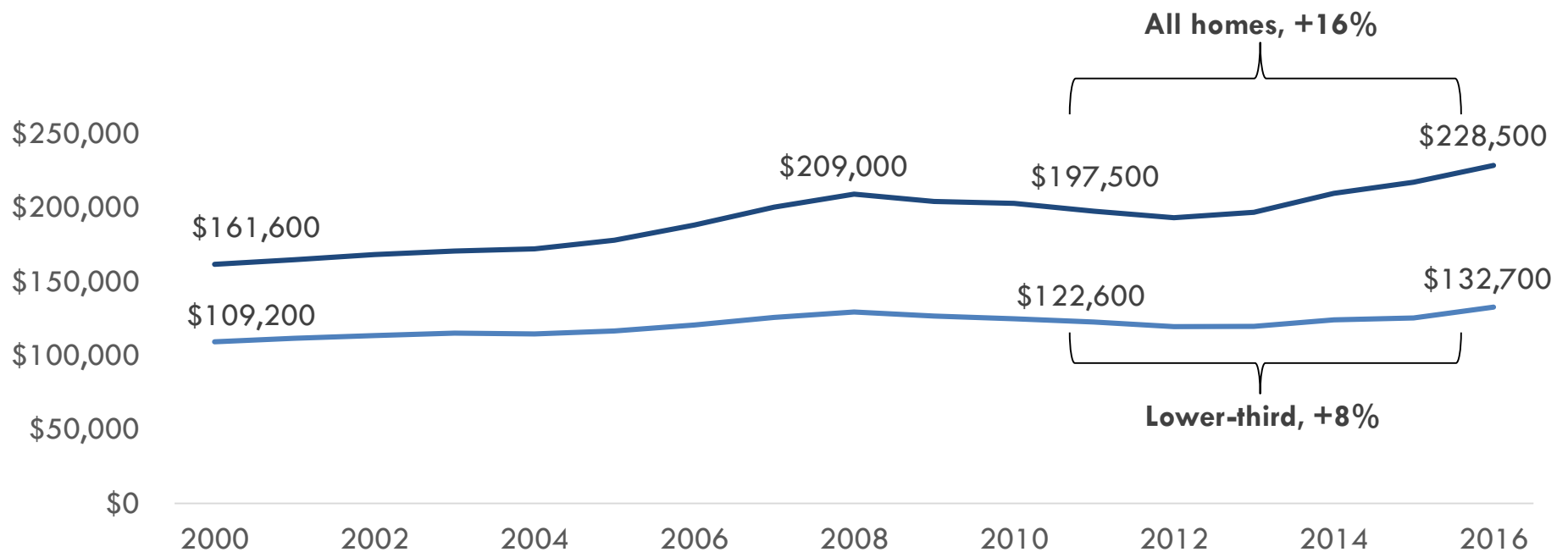
Sources: Zillow Historical Market Research; Freddie Mac; HR&A Advisors

Note: This analysis assumes a standard, fixed-rate, 30 year mortgage.

Limited price increases for lower cost for-sale housing have helped to preserve the affordability of homeownership in Wake County.

From 2010 to 2016, the average value of all homes in Wake County increased by almost 16%. During the same time, the average value of homes in the bottom third by price increased by just 8%. This suggests that price escalation has not had a uniform impact on all owner-occupied homes, with **less expensive homes appreciating at a slower rate than higher value homes** in the County.

AVERAGE PRICE INCREASE FOR ALL HOMES VS. LOWER-THIRD HOMES Wake County, 2000-2016



Sources: Zillow Historical Market Research; HR&A Advisors.

Affordable Mortgage Program

What

Provide funding to a nonprofit partner to offer guarantees for first mortgage loans and provide no-interest second mortgages for eligible low-income homebuyers. The public funding provided by the County would leverage private mortgage financing and “revolve” to new homeowners over time as existing owners repay their second mortgages and guarantees expire.

Why

The program will expand access to homeownership for low- and moderate-income households by reducing the cost through lower interest rates and the elimination of mortgage insurance. Access also will be expanded through increased underwriting flexibility. By dedicating a limited amount of public funding, the County will be able to leverage a relatively large amount of mortgage financing and serve a significant number of households.

Lead Entity

County, with nonprofit partner administering the mortgage program and partnership with at least one first-mortgage lender

Estimated Impact

\$15k-\$40k per unit, exclusive of financial guarantees, which can be established on a per loan or portfolio basis

Population Served

At or below 80% AMI for homeownership



Note: The low estimate is based on a \$200K home that would be affordable to a 60% AMI household with favorable financing terms, while the high end is based on a \$145K home affordable to a 40% AMI household with less favorable financing. Both scenarios assume a 30% housing cost burden.

Affordable Mortgage Program

The below describes a potential structure and operating model for the Affordable Mortgage Program.

Recommended Structure & Operations

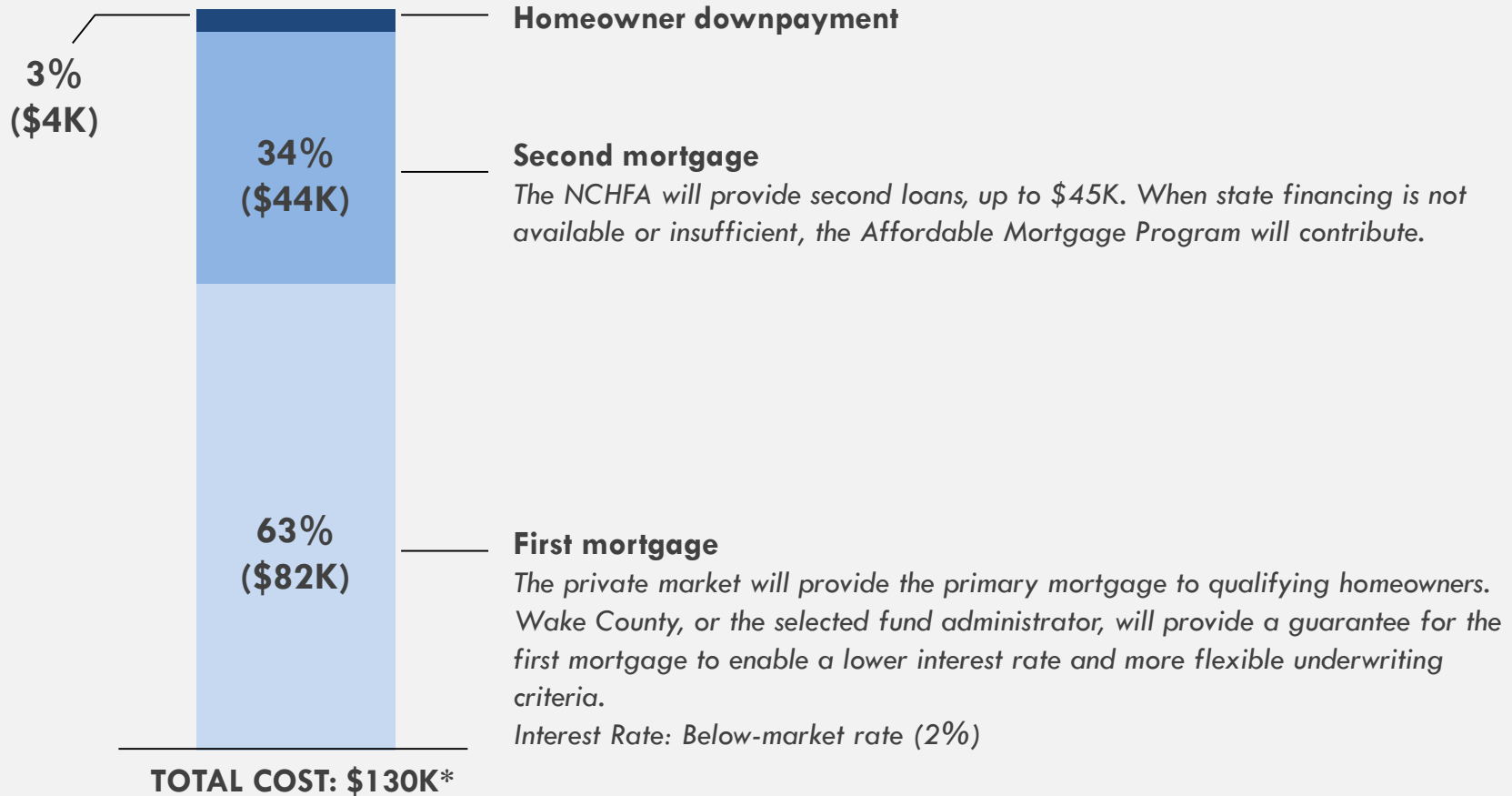
Borrowers	<i>Individuals who might not qualify for mortgages from traditional private-sector lenders due to downpayment and credit score requirements.</i>
Program Administrator	<i>A nonprofit partner with experience providing homeownership counseling and the ability to access low-cost mortgage financing.</i>
Program Administrator Functions	<ul style="list-style-type: none"> <i>Identify and negotiate agreements with private-market, first-mortgage lenders for below-market interest rates, flexible underwriting criteria, and the type and amount of guarantees required.</i> <i>Recruit participants from the County and municipalities' joint Housing Counseling Program and conduct application review and intake into the program.</i> <i>Inspect properties selected by homeowners to ensure that they meet quality standards and are appropriate for purchase.</i> <i>Service the loans and provide ongoing support for homeowners, including foreclosure prevention.</i>
Loan Provisions	<ul style="list-style-type: none"> <i>Loan forgiveness: To encourage homeownership, the County could choose to forgive the secondary mortgage if the homeowner remains in the home for a designated period of time. Forgiving the loan would eliminate the ability to "revolve" funding across multiple households over time.</i> <i>Total loan cost: Loans could be structured so that homebuyers pay no more than 30% of their income on mortgage payments and do not pay mortgage insurance.</i> <i>Use of resale restrictions vs. subsidy recapture: The County should evaluate the use of resale restrictions vs. pure subsidy recapture for the homeownership units that it assists. With resale restrictions, affordable homeownership units must be sold to a household earning below a specified income threshold. With subsidy recapture, the County only must be compensated at the time of sale for the subsidy that it originally provided. Subsidy recapture supports wealth-building for individual homeowners, but potentially at cost to the long-term maintenance of affordability in communities; re-sale restrictions involve the inverse trade-off. We recommend the use of resale restrictions.</i>

Affordable Mortgage Program

Transaction Structure

The affordable mortgage program will leverage the North Carolina Housing Finance Agency's (NCHFA) existing downpayment program, as well as traditional first-mortgage loans, to maximize the impact of public funding. While the specific mix of funding sources will vary from purchase to purchase, sources will always involve (1) a homebuyer downpayment, (2) a second mortgage from the NCHFA or the Affordable Mortgage Program, and (3) a first mortgage guaranteed through the Affordable Mortgage Program.

Example Home Purchase



*Housing cost based on 2016 Zillow Research data on homes falling into the bottom third of home values within a given region.

Affordable Mortgage Program

Range of Options

Wake County could choose to partner with an experienced nonprofit to administer the program. The County will need to engage with its nonprofit partner to determine the maximum level of subsidy that it wants to provide for each household and the affordability restrictions that will apply to the program.

Existing Efforts

There are several existing affordable mortgage programs in Wake County that could be combined or coordinated with this effort.

- **City of Raleigh's Homebuyer Program:** The City of Raleigh offers low-interest second mortgages of up to \$20k for income-eligible first-time homebuyers purchasing homes in Raleigh.
- **North Carolina Housing Finance Agency's Home Advantage Mortgage Program:** NCHFA offers low-interest, fixed-rate mortgages and downpayment assistance of up to 5% of the total loan amount for first-time and move-up homebuyers. The downpayment assistance is forgiven at 20% per year after 10 years' residence in the home.
- **Habitat for Humanity of Wake County's Mortgage Program:** Habitat offers third mortgages on top of 2%, 30-year private-sector first mortgages and 0%, deferred-payment NCHFA second mortgages. In addition, Habitat offers financial guarantees for first mortgages, wherein it commits to make mortgage payments on behalf of the buyer or pay the loan off if payments become 60 days delinquent.

County Action Steps

NEAR-TERM STEPS

- **Issue a Request for Proposals to select a nonprofit organization to administer the program.**
- Work with the selected nonprofit organization to establish program policies and administrative procedures.
- Conduct private-market lender outreach and establish partnerships with banks to provide below-market first mortgage loans.

MEDIUM- TO LONGER-TERM STEPS

- Track and evaluate program outcomes.

Targeted Homeowner Rehabilitation Program

What

Streamline and standardize existing homeowner rehabilitation programs run by Wake County, the municipalities, and local housing nonprofits to improve efficiency and increase access for homeowners. In addition, pursue targeted outreach in areas prioritized for preservation activities to better align programs with preservation efforts.

Why

There are multiple homeowner rehabilitation and repair programs operating in the County. Operating multiple programs makes it more difficult for households to access the appropriate program for them and increases the administrative staff required. Streamlining and standardizing program operations would help to address these two challenges. The rehabilitation programs can be used to support the preservation of naturally occurring affordable single-family housing if they are targeted to neighborhoods where rapid price appreciation is occurring. To date, programs in Wake County have not been aligned specifically with preservation priorities, with the exception of the City of Raleigh's Neighborhood Revitalization Strategy Area Homeowner Rehab Program.

Lead Entity

County and municipalities, as both have programs that could be coordinated

Estimated Impact

\$5K-\$50K per home

Population Served

At or below 80% AMI homeownership



Source: Wake County

Note: Estimated impact based on review of existing Wake County rehab programs.

Targeted Homeowner Rehabilitation Program

The below describes a potential structure and operating model for the Homeowner Rehabilitation Program.

Recommended Structure & Operations

Borrowers	<i>Income-eligible homeowners, ideally in areas prioritized for preservation.</i>
Program Administrators	<p><i>County, municipalities, and housing nonprofits effectively operating as a coordinated rehabilitation network with qualified private contractors performing the construction work.</i></p> <p><i>The County, municipalities, and housing nonprofits will work to coordinate, streamline, and standardize the following functions across programs:</i></p> <ul style="list-style-type: none"><i>• Intake, homeowner qualification, and referral processes, such that qualification for one program is largely transferrable to other programs and homeowners are referred across programs as needed.</i><i>• Prioritization criteria, including urgency of need, location within areas targeted for preservation, and rehabilitation feasibility.</i><i>• Rehabilitation requirements, such as cap on assisted homes' total value after rehabilitation and post-rehabilitation minimum standards.</i><i>• Outreach to prospective program participants.</i>
Loan Types	<ul style="list-style-type: none"><i>• Funds can be provided as grants or low-cost loans.</i><i>• For loans greater than \$10k, the County should consider recording liens, so that the homeowner can receive the benefit of the improvements, but the County can recapture its subsidy as needed when the property is transferred.</i>
Program Functions	<ul style="list-style-type: none"><i>• Review applications.</i><i>• Perform house inspection to determine the extent of necessary housing repairs and replacements, develop a scope of work and cost estimate, and bid out project to contractors.</i><i>• Establish rehabilitation agreements with homeowners and contractors and provide funding.</i><i>• Confirm successful completion of improvements and close out agreements upon receipt of payment.</i>

Targeted Homeowner Rehabilitation Program

Range of Options

In addition to streamlining and standardizing program requirements, Wake County and the municipalities can better align homeownership rehabilitation efforts with areas prioritized for preservation by conducting targeted outreach and adjusting program requirements to drive rehabilitation there. Adjusted program requirements could include higher total project caps and more favorable loan terms.

Existing Efforts

Wake County, municipalities, and housing nonprofits currently run multiple rehabilitation programs:

- **Wake County Emergency Rehabilitation Grants:** For emergency repairs (heating, well/septic, roof, and electrical hazards) to address health and safety issues for homeowners at or below 50% AMI.
- **Wake County Elderly & Disabled Homeowner Grants:** For accessibility retrofits for elderly and disabled households at or below 40% AMI.
- **Raleigh Limited Home Repair Loans:** For emergency repairs to address health and safety issues for homeowners at or below 50% AMI (up to \$7.5k, 0% interest rate, forgiven after 5 years of owner occupancy).
- **Raleigh Homeowner Rehabilitation Grants & Loans:** For homeowners at or below 50% AMI, forgivable loans (up to \$45k, 0% interest rate, forgiven after 15 years) or deferred loans (up to \$35k, 0% interest rate, repaid at transfer of ownership or non-occupancy). For homeowners at or below 80% AMI, amortizing loans (up to available equity, 0-3% interest rate, maximum term of 20 years).
- **Cary Housing Rehabilitation Program:** Loans for rehabilitation for homeowners at or below 80% AMI (up to \$50k, forgiven over 5-10 year period depending on loan amount).
- **Rebuilding Together Grants:** For emergency repairs for homeowners at or below 65% AMI.
- **Resources for Seniors:** For accessibility/mobility and health and safety retrofits for elderly households.

County Action Steps

NEAR-TERM STEPS

- **Establish a working group of key staff from each rehabilitation program to identify opportunities to streamline and standardize operations, manage referrals, and coordinate outreach.**
- Coordinate with the Affordable Housing Preservation Warning System to identify priority locations for preservation.

MEDIUM- TO LONGER-TERM STEPS

- Implement changes to program operations.

Housing Counseling

What

Enhance coordination among the County and the municipalities to support the most effective housing counseling programs for potential homeowners and renters. In particular, the County and the municipalities can work together to accomplish three tasks:

1. Identify a vetted group of housing counseling providers.
2. Establish a common set of metrics to measure effectiveness across programs.
3. Connect graduates to County and municipal housing programs (e.g., downpayment assistance through the Affordable Mortgage Program, referrals to subsidized rental units).

Why

Housing counseling programs prepare low-income households to become successful homeowners and renters through one-on-one or group sessions covering topics such as the home purchasing and loan qualification processes (for potential homeowners) and tenant rights and responsibilities (for renters). While the County and municipalities currently support a range of housing counseling organizations, enhanced coordination could strengthen program effectiveness and data tracking.

Lead Entity

County & municipalities

Estimated Impact

\$300-\$350 per participant

Population Served

Primarily households earning less than 80% AMI



Source: Shutterstock

Note: Estimated impact based on review of national housing counseling programs.

Housing Counseling

Range of Options

The County and municipalities can work together to identify a vetted group of housing counseling providers to provide support to residents. The providers' performance should be measured using a standardized set of priority metrics, considering both outputs and outcomes. Output metrics could include the number of courses offered, participants, and graduates. Outcome metrics could include increased homeownership rates, decreased debt burdens, improved credit scores, and increased saving rates among participants.

Existing Efforts

Currently, there are a range of housing counseling programs available in Wake County.

- Wake County offers the **Ready to Rent** housing readiness program, a 4-day workshop targeted to both renters with negative credit, criminal, or rental histories and first-time renters.
- The City of Raleigh requires Homebuyer Program participants to receive counseling from **DHIC's Homeownership Center**.
- Other entities that offer housing counseling include **Triangle Family Services, Passage Home, Resources for Seniors, and Habitat for Humanity**.

County Action Steps

NEAR-TERM STEPS

- **Establish a countywide working group that includes all jurisdictions funding housing counseling programs.**
- Develop draft metrics to measure program effectiveness, and gather feedback from housing counseling organizations to finalize them.
- Coordinate funding awards among jurisdictions.

MEDIUM- TO LONGER-TERM STEPS

- Collect data to monitor programs' performance against metrics.

Shared Equity Housing Program

What

Support efforts by municipalities to pilot the Community Land Trust (CLT) model in neighborhoods that are experiencing significant appreciation that could lead to the displacement of lower-income residents. A CLT is a structure under which a community-based organization, such as a local housing nonprofit or community development corporation, makes an upfront investment of funds to “buy” the affordability of homes in perpetuity for low- to moderate-income households. CLTs operate under a shared-equity model whereby the community-based organization can create permanently affordable housing and low- to moderate-income residents can build equity.

Why

As Wake County continues to add new residents, more desirable neighborhoods will become less affordable. CLTs preserve homes’ affordability over the long term, while also providing low- to moderate-income residents with access to homeownership’s benefits, including wealth creation. Generally, CLTs do this by retaining ownership of the underlying land under a 99-year ground lease, while selling the associated housing to homeowners, who then are able to receive a specific amount of appreciation (enforced through resale restrictions) on top of their principal equity when the property is sold. In Wake County, municipalities are best-suited to take the lead in supporting the establishment of CLTs because these entities typically focus their efforts on specific neighborhoods.

Lead Entity

Municipalities, with philanthropic and nonprofit partners

Estimated Impact

\$40K-65K per home

Population Served

At or below 80% AMI homeownership



Note: Estimated impact based on review of national shared equity programs.

Shared Equity Housing Program

Range of Options

The municipalities can partner with an existing community-based organization that has the capacity to operate a CLT or they could establish a new entity. Both approaches will require a significant investment of resources to build the organization's capacity and purchase a portfolio of properties for the CLT. Building on an existing organization's capacity is generally less expensive than creating one from the ground-up.

Existing Efforts

Where there is no CLT precedent in Wake County, other communities in North Carolina have or are in the process of establishing CLTs, including the following:

- **West Side Community Land Trust, Charlotte:** Residents incorporated a nonprofit in 2016 to serve as the agent for a CLT to preserve affordable homeownership options in the West Side neighborhood.
- **Community Home Trust, Chapel Hill & Carrboro:** CHT, which was established in 1999 and formerly known as the Orange Community Housing and Land Trust, controls 255 affordable homes, some of which were built by private developers under inclusionary commitments.
- **Durham Community Land Trustees, Durham:** DCLT, established in 1987, focuses on preserving affordable homeownership options in the West End, Burch Avenue, and Lyon Park neighborhoods, and controls over 200 homes.

County Action Steps

NEAR-TERM STEPS

- **The municipalities should take the lead in defining neighborhoods that could be well-suited for a CLT.** These neighborhoods are likely to have a base of existing low- to moderate-income homeowners and be experiencing rapid price appreciation.

MEDIUM- TO LONGER-TERM STEPS

Source: Community Home Trust, Chapel Hill & Carrboro; Durham Network of Care; Creative Loafing, Charlotte, "Residents get proactive in fight against gentrification."

Recommended Tools

- Cross-Cutting
- New Rental Production
- Preservation
- Homeownership
- **Supportive Housing**

SUPPORTIVE HOUSING TOOLS | OVERVIEW

The supportive housing tools are intended to increase the quantity and improve the quality of permanent supportive housing in Wake County. To this end, they seek to overcome major barriers to successful permanent supportive housing in Wake County, including strengthening the service wrap-around and expanding production resources. Wake County needs an **comprehensive, integrated system for supportive housing that provides a full spectrum of wrap-around services** for some of its most vulnerable residents. The success of the County's supportive housing system is dependent on close collaboration between housing and service providers.

Land Use | Leveraged Programs | Funding

Public Land Disposition Requirements *(Discussed under Cross-Cutting Tools)*

New Local Funding Sources for Affordable Housing *(Discussed under Cross-Cutting Tools)*

Changes to North Carolina's Qualified Allocation Plan *(Discussed under Cross-Cutting Tools)*

"Familiar Faces" Permanent Supportive Housing Pilot Project

Develop a high-quality permanent supportive housing project focused on high-need, high-cost clients that can serve as a model for future development and inform a cost-benefits case for providing PSH in Wake County.

Permanent Supportive Housing Service Roadmap

Develop a service roadmap that surveys current service infrastructure and funding and outlines a path for integrating available resources to provide the most comprehensive, integrated support services possible over the long term.

Provider & Funder Capacity-Building

Build a common understanding of and shared commitment to quality PSH in the County through technical assistance and training for existing and new PSH housing and service providers, funders, and County staff.

Enhanced Housing Placement & Coordination

Improve the County's system for assessing and placing populations into housing. Given limited resources, use data analysis to ensure that PSH units go to the highest-need, highest-barrier populations.

Wake County faces an intensifying need for permanent supportive housing that can keep its most vulnerable residents stably housed.

In Wake County, the population that needs permanent **supportive housing are residents who require ongoing, voluntary supportive services to remain stably housing and live independently.** This population includes multiple subgroups, including, but not limited, to:

- Chronically homeless people
- People with mental illness
- People with intellectual and development disabilities
- People with substance use disorders
- People with HIV/AIDs or other chronic physical conditions

Residents may fall into more than one subgroup, likely compounding their challenges in remaining stably housed. For example, people with co-occurring mental illness and substance

use disorders experience significant difficulties in accessing and maintaining housing. For Wake County residents with unmet needs for permanent supportive housing, their housing and overall distress may be manifested in two ways:

- **They become homeless,** and
- **They become frequent users of emergency or crisis services.** For example, hospital emergency departments and jails are receiving people who need safe housing integrated with treatment.

Both of these outcomes result in significant individual and social costs, reinforcing the need to pursue a “Housing First” approach. Providing housing immediately to people who are homeless, along with voluntary supportive services, can reduce hospital emergency, psychiatric hospital, police, jail, and court costs.

4,726*

***Homeless persons
over a one-year period,
2016 Homeless Assessment Report***

91

***Chronically homeless persons with
a disability,
2016 Point-in-Time Count***

8%

***Seriously mentally ill homeless
persons,
2016 Point-in-Time Count***

Source: The 2016 Annual Homeless Assessment Report count reflects the McKinney-Vento homelessness definition, which describes people who *lack a fixed, regular, and adequate nighttime residence*, including people who are “doubled up” and sharing with family and friends and in hotels, motels, trailer parks, and camping grounds, as well as on the streets and in emergency shelters. The Point-in-Time Count includes those who are on the streets or in emergency shelters as of the night that the count is done.

“Familiar Faces” Permanent Supportive Housing Pilot Program

What

Develop a high-quality permanent supportive housing (PSH) project focused on high-need, high-cost clients that can serve as a model for future development and inform a cost-benefits case for providing PSH in Wake County. Leveraging data analysis undertaken to date, the pilot project can be targeted to “familiar faces,” or frequent users of crisis services in Wake County. The County has existing funds set aside for the project.

Why

The development of the pilot project can help Wake County test and improve current systems for housing and service delivery and achieve multiple goals:

- Engage experienced housing and service providers committed to creating quality PSH.
- Strengthen relationships with current PSH funders (e.g., the North Carolina Housing Finance Agency) and establish relationships with new funders (e.g., local healthcare providers) to increase PSH production.
- Collect data to build the cost-benefits case for PSH provision.

Lead Entity

County, working in close coordination with selected housing and service providers

Estimated Impact

\$6M of dedicated County funds, equivalent to 40-80 units

Population Served

Below 30% AML renters with multiple barriers to housing



Notes: If County funds are the only source of subsidy, approximately 40 units (\$150K per unit). If County funds are leveraged with 9% LIHTC, assuming a project of 2 to 3 buildings with 65 to 80 units each, up to about 1/3 of which would be PSH units. Assuming no other subsidies are involved, the County would have to put in around \$75K per PSH unit, which translates into 80 units.

“Familiar Faces” Permanent Supportive Housing Pilot Program

Range of Options

The County can take the lead on the project development process, but will want to work closely with housing and service providers who bring a track record of success.

Existing Efforts

- The County previously has partnered with developers to create permanent supportive housing projects, including working with DHIC to create **Lennox Chase** (36 one-bedroom units) in 2003, Wake County’s first affordable housing development specifically for individuals who were formerly homeless. CASA and Passage Home also have worked to provide permanent supportive housing in the County.
- The County has been working with SAS to identify and assess service usage and costs among “familiar faces,” or frequent users of crisis systems in Wake County.

County Action Steps

NEAR-TERM STEPS

- **Develop project concept, identify site, and create funding plan for construction and ongoing operations (property management and supportive services provision).**
- Develop housing screening and application process.
- Issue housing and service provider RFPs.

MEDIUM-TO-LONGER TERM STEPS

- Based on RFP outcomes, establish housing and service provider agreements.
- Collect data on cost savings associated with stably housing tenants to support cost-benefits case for PSH expansion.

Permanent Supportive Housing Service Roadmap

What

Develop a service roadmap for permanent supportive housing in Wake County by surveying current supportive services infrastructure and funding there and outlining a path for integrating available resources to provide the most comprehensive, integrated supportive services possible over the long term. Service roadmap development should include two major components:

- Identifying service gaps that must be addressed to significantly increase permanent supportive housing production in Wake County.
- Identifying sustainable current and future funding sources, including the potential for increased utilization of Medicaid reimbursement to provide services such as wrap-around care coordination.

Why

Currently, efforts to create quality PSH in Wake County are hindered by a lack of clarity about how to deliver quality supportive services tied to housing within the existing provider and resource framework. To be motivated to provide PSH, developers must feel confident that tenants will be able to receive the full wrap-around of supportive services that they need to stably maintain housing. However, the County continues to experience challenges with service gaps for PSH populations. For example, it has limited resources for people with co-occurring mental illness and substance use disorders.

Lead Entity

County, in coordination with Alliance Behavioral Healthcare and the State of North Carolina

Estimated Impact

Improvement in the quality of services provided, no direct change in units produced

Population Served

Below 30% AMI renters with multiple barriers to housing



Permanent Supportive Housing Service Roadmap

The Corporation for Supportive Housing identifies three types of supportive services relevant to PSH tenants:

- **Pre-tenancy services**, which help prepare tenants to enter housing and include tenant engagement and housing search, application, and move-in assistance.
- **Tenancy-sustaining services**, which help tenants remain in housing and include tenant rights and responsibilities education, landlord relationship management, eviction prevention, crisis intervention, and subsidy program compliance.
- **Primary services**, which help meet tenants' needs beyond housing and include behavioral healthcare, education, employment, and community services.

In Wake County, there are a range of entities engaged in providing supportive services, including the below:

- **Wake County Human Services:** The County provides a range of supportive services through the Housing Division, Division of Public Health, Adult Services Division, Child Welfare Division, Veteran Services, and McKinney Team.
- **Raleigh/Wake Partnership to End and Prevent Homelessness:** The Partnership serves as the NC-507 Continuum of Care for Raleigh/Wake County and is the umbrella organization for all homeless facilities and services.
- **Alliance Behavioral Healthcare:** Alliance serves as the local managed care organization, and operates prepaid health plans for services delivery to Medicaid recipients and uninsured individuals with mental illness, substance use disorders, and intellectual and developmental disabilities.

Depending on federal and state policy decisions, there may be the capacity to increase utilization of Medicaid reimbursement to cover many supportive housing services, including case management, service coordination and rehabilitative services.



Permanent Supportive Housing Service Roadmap

Range of Options

The County should build on its existing efforts through the Supportive Housing Working Group (described below) to develop the service roadmap, including the following:

- Inventorying and classifying all supportive services into the three identified groups (pre-tenancy, tenancy-sustaining, and primary), considering services directly offered by the County and other providers.
- Identifying short- and long-term funding sources available to support them.

Existing Efforts

- The Raleigh/Wake County Continuum of Care (Partnership to End and Prevent Homelessness) has established a new funding partnership with Wake County and the City of Raleigh to implement a Housing First approach and address service gaps.
- The County has launched a Supportive Housing Working Group as a separate, but coordinated, effort with the Affordable Housing Plan to improve the amount and quality of permanent supportive housing in Wake County.

County Action Steps

NEAR-TERM STEPS

- **Complete inventory of all existing supportive services and funding available for them.**
- Develop a service roadmap for the County, potentially with external technical assistance.

MEDIUM- TO LONGER-TERM STEPS

- Pursue supportive services funding to fill gaps, including supporting efforts to modify the State's Medicaid plan.

Provider and Funder Capacity-Building

What

Provide technical assistance and training to existing and new permanent supportive housing (PSH) developers, property managers, supportive service providers, and funders to build a common understanding of and shared commitment to quality PSH in Wake County.

Why

To build an integrated system to support the delivery of quality PSH in Wake County, it is important to educate the developers, property managers, supportive service providers, and funders who will be involved in delivering this housing about best practices. The technical assistance and training to be provided should include the following:

- The essential principles of the “Housing First” and “Harm Reduction” approaches to guide PSH delivery.
- The characteristics of quality PSH, as defined by the Corporation for Supportive Housing’s Dimensions of Quality.
- Strategies for improving housing and service provider coordination, including the establishment of minimum service agreements to ensure that tenants receive the services they need to stay stably housed.
- Funding sources available for supportive services.

Lead Entity

County

Estimated Impact

Improvement to the quality of services, no direct change in units produced

Population Served

Below 30% AMI renters with multiple barriers to housing



Provider and Funder Capacity-Building

Range of Options

Wake County is planning to collaborate with the Corporation for Supportive Housing to provide training initially, although it should build capacity internally among County staff. While the County should offer training on an ongoing basis, training intensity and volume may decrease after an initial system-building phase.

Existing Efforts

County staff currently are working with the Corporation for Supportive Housing to develop a curriculum and training plan for housing and service providers.

County Action Steps

NEAR-TERM STEPS

- **Develop a curriculum and training plan for housing and service providers.**
- Conduct an initial round of training, ideally tied to the production of the pilot PSH project.

MEDIUM- TO LONGER-TERM STEPS

- Build internal capacity among County staff to deliver training and technical assistance.

Enhanced Housing Placement and Coordination System

What

Improve the County's system for assessing and placing its most vulnerable populations into housing through the following actions:

- Expand data sharing and analysis to proactively identify high-need populations and conduct "in-reach" to systems with which high-need populations frequently interact.
- Streamline the housing search assistance process and perform ongoing monitoring to confirm that residents are appropriately matched with housing according to their needs and preferences.
- For publicly-subsidized housing, adjust screening criteria to remove factors that automatically "screen out" the most vulnerable residents, and consider establishing preferences for public housing units and rental assistance (vouchers) that prioritize high-need populations.

Why

Given limited resources and strong ongoing need for affordable housing in Wake County, the County and its partners must establish the most effective possible system to place at-risk residents in the housing most appropriate to them. To implement an enhanced housing placement system, the County will need to expand coordination with a range of partners, including the corrections, healthcare, and social services systems, Alliance Behavioral Healthcare, the Housing Authority of the County of Wake and the Raleigh Housing Authority; the local Continuum of Care; and over 15 service agencies involved in coordinating housing and supportive services.

Lead Entity

County, in coordination with a range of other partners (described above)

Estimated Impact

Improvement to the quality of services, no direct change in units produced

Population Served

Below 30% AMI renters with multiple barriers to housing



Expand Data Sharing & Analysis to Proactively Identify High-Need Populations

What & Why

Given that high-need populations tend to be frequent users of crisis services, **the County should establish a framework for ongoing data-sharing across crisis service providers**, including homeless services providers, corrections, hospital emergency departments, and emergency mental health service providers, **in order to effectively identify high-need populations**. The County and its partners should work together to determine the exact threshold criteria that they will use to identify high-need populations.

Existing Efforts

- In 2017, the County undertook a “familiar faces” analysis with SAS that represents an important foundation for this effort.
- Alliance Behavioral Healthcare plans to work with the Corporation for Supportive Housing to launch the Frequent Users System Engagement (FUSE) initiative as a pilot in Wake County to engage super-high users of crisis services and place them in supportive housing.

Conduct Effective “In-Reach” To Systems With Which High-Need Populations Interact

What & Why

The County should expand “in reach” to systems that are serving high-need individuals in order to connect with these individuals before they exit the systems and potentially become homeless. For example, the County could require comprehensive discharge planning and follow-up case management for at-risk individuals exiting jails and prisons, foster care, mental health facilities, and hospitals to prevent them from going to the streets, shelters, and other unstable housing options. To enable this, the County will need to overcome staffing and funding constraints for follow-up case management.

Existing Efforts

- **Mental health discharge planning:** Currently, mental health institutions notify Alliance Behavioral Healthcare when individuals are discharged, so that Alliance’s Care Coordination team can refer them to the Wake County Housing Division and private agencies for housing assistance.
- **Emergency healthcare discharge planning:** In 2015, WakeMed Hospital launched efforts to create a discharge outreach team of social workers to assist emergency department high utilizers who are uninsured.
- **Foster care discharge planning:** The Hope Center at Pullen, a nonprofit organization, helps provide ad hoc discharge planning for youth and young adults being discharged from foster care.
- **Ex-offender discharge planning:** Passage Home provides ad hoc housing search assistance for ex-offenders.

Enhanced Housing Placement and Coordination System

Streamline the Housing Search Assistance Process Through the Multiservice Center and Other Platforms

What & Why

The County should work to streamline the housing search process so that residents can understand and access all affordable housing options available to them. The County should coordinate with other property owners and others to provide centralized, up-to-date information on the affordable housing stock, including eligibility criteria and application procedures. Residents should be able to access this information via the proposed Multiservice Center and other locations that already serve high-need populations, as well as through a centralized online housing search portal.

In addition, the County should define a clear set of housing pathways for general low-income and special needs populations, extending from initial engagement (e.g., system “in reach,” street outreach, 24/7 crisis response at the Multiservice Center, or presentation at Wake County shelters or community agencies), to emergency housing, to transitional housing, to permanent housing. The County should communicate these pathways to residents and housing and service providers.

Existing Efforts

- The County is working with the City of Raleigh and the Continuum of Care to launch the Multiservice Center to provide intake and coordinated assessment, housing assistance, and other services for homeless individuals, as well as 24/7 housing crisis response.
- Alliance Behavioral Healthcare is evaluating options to improve housing placement assistance for the populations it serves.

Perform Ongoing Monitoring to Confirm That Residents Are Appropriately Matched With Housing

What & Why

The County should perform ongoing monitoring to confirm that residents are appropriately matched with housing based on their needs and able to move as these needs change, including expanding transitional counseling to help individuals move towards more independent housing options. The County should explore opportunities to expand monitoring in conjunction with other agencies and to locate case management services onsite wherever possible.

Existing Efforts

- Alliance Behavioral Health plans to launch the Frequent Users System Engagement (FUSE) initiative as a pilot in Wake County to engage super-high users of crisis services and place them in supportive housing.

Enhanced Housing Placement and Coordination System

For Publicly-Subsidized Housing, Adjust Screening Criteria to Remove Factors That Automatically “Screen Out” High-Need Populations

What & Why

The County should work with publicly-subsidized housing providers to adjust tenant screening criteria to remove factors that automatically “screen out” the most vulnerable residents to help high-need individuals better access units, including permanent supportive housing. These factors may include negative credit histories or criminal histories. publicly-subsidized housing, including the public housing units and vouchers controlled by HAWC and RHA and the transitional and permanent supportive housing operated by DHIC, Passage Home, and CASA, are critical to meeting the housing needs of extremely low-income populations.

For example, the PHAs could establish discretionary policies (via appeals processes) that enable them to work with individuals with criminal histories who are engaged with service providers, rather than universally prohibiting them.

Existing Efforts

- CASA does not perform credit or rental history checks for individuals applying for its supportive housing units.

Establish Select Preferences for Public Housing Units and Vouchers That Prioritize High-Need Populations

What & Why

In particular, the County should work with the Public Housing Authorities to establish a limited set of voucher and unit allocation preferences that prioritize high-need populations, considering how the changes will interact with existing waiting lists. Preferences could include:

- Homeless individuals or families, especially those who have been homeless for more than 90 days and are engaged with service providers
- Individuals who are being discharged from institutions (e.g., jails, hospital emergency departments) and are engaged with service providers

To enable populations requiring supportive services to be stably housed, the PHAs can explore enhanced partnerships with service providers, including potentially providing on-site space for them.

Existing Efforts

- RHA currently has limited preferences in place for its Section 8 vouchers and public housing units. RHA has voucher preferences for elderly, disabled, Wake County residents, and working families. RHA uses a preferences points system for its public housing units that includes the four previous groups, plus two others: the homeless and elderly raising minor children.
- HAWC does not have preferences for its vouchers or units.

Enhanced Housing Placement and Coordination System

County Action Steps

NEAR-TERM STEPS

MEDIUM- TO LONGER-TERM STEPS

Expand Data-Sharing & Analysis to Proactively Identify High-Need Populations and Conduct Effective “In-Reach” To Systems With Which High-Need Populations Interact

- Develop data-sharing framework and establish formal data-sharing agreements with crisis service providers.
- Determine exact threshold criteria that the County and its partners will use to identify high-need populations.

Streamline the Housing Search Assistance Process and Perform Ongoing Monitoring to Confirm That Residents Are Appropriately Matched With Housing

- Expand transitional counseling.
- Develop a centralized online housing search portal that includes information on the full affordable housing stock, including available rental and homeownership units, eligibility requirements, and application procedures, as well as guidance on how to obtain in-person assistance.

For Publicly-Subsidized Housing, Adjust Screening Criteria to Remove Factors That Automatically “Screen Out” High-Need Populations and Establish Select Preferences for Public Housing Units and Vouchers

- Identify potential revisions to screening criteria that may be automatically “screening out” high-need populations.
- Work with the Public Housing Authorities to determine select preferences to add in order to prioritize high-need populations.

Executive Summary

Wake County's Affordable Housing Need

Recommendations

Implementation Roadmap

Appendix

IMPLEMENTATION OVERVIEW

The Affordable Housing Plan has proposed an ambitious set of recommended tools. To implement the tools, Wake County must take into account six critical implementation considerations, summarized below.

1. Sizing Impacts & Required Funding

The County will need to identify its requested budget allocation, based on its desired level of impacts and the funding required to achieve them. The County needs to pursue a budget allocation as it also seeks to develop longer-term funding sources.

2. Refining Policy

Refine the County's **existing income and location targeting policies**.

3. Strengthening Internal & Partner Capacity

- | | |
|-----------------|--|
| Internal | <ul style="list-style-type: none">• 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 | <ul style="list-style-type: none">• 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

The County will need to select priority affordable housing recommended tools and organize them into related workstreams to design and launch the tools over a 24-month period.

SIZING IMPACTS & REQUIRED FUNDING

The recommended tools can be grouped into three strategy categories, which produce different types and levels of impact based on the resources provided. **Leveraged programs** produce **direct impacts** on the affordable housing supply, which generally can be scaled up (e.g., certain number of units produced for each dollar invested). **Additional public resources**, or incremental public funding made available for affordable housing from various sources, represent a **policy choice** that drive the leveraged programs' **direct impacts**. Land use policies have **indirect impacts** on the affordable housing supply.

Leveraged Programs

Additional Public Resources

Additional Local Funding	Units Produced***
\$5M	200-350
\$10M	300-600
\$20M	600-1,100

***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.

Land Use

County & Municipal Land Use Policy

Affordable Housing Incentive Overlay

Accessory Dwelling Units

Additional Local Funding	Units Produced
No direct cost	Increased overall production, which will: <ul style="list-style-type: none"> • 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)

REFINING POLICIES

Wake County should implement the recommended tools, especially the leveraged programs, guided by revised income and location targeting policies that prioritize the income levels of households to be served and the locations where new affordable housing will be produced.

Wake County should target the subsidy that it provides for affordable housing to the income levels with the greatest need, which are households at or below 50% of AMI or \$39,000 for a family of four. More than three-quarters of households at 50% AMI spend more than half their income on housing. This leaves them with insufficient income for other essentials, such as food, clothing, healthcare, transportation, and education.

Targeting low-income households will require the County to dedicate more subsidy to each affordable housing unit. For example, the affordable rent for a family of four at 60% AMI is approximately \$1,150, compared to \$960 for the same family at 50% AMI. This \$190 drop in rent reduces the amount

of debt the affordable housing development can support by approximately \$30,000. The County will need to provide additional subsidy to close this gap and create deeper levels of affordability.

The need for deeper affordability extends to units that serve households with incomes below 30% AMI, including permanent supportive housing units that provide residents with supportive services. By dedicating a portion of the funding from its affordable housing program to these units, the County can help meet this need. For units serving households below 30% AMI, the County will have to dedicate significantly greater subsidy per unit than is necessary for units at 50% AMI.

Recommended Income Targeting Policies

(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.***

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

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

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

These recommended policies will still allow Wake County to 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 POLICIES

In the past, the County has focused its location targeting policies on equitably distributing affordable housing throughout Wake County. The County generally has sought to fund projects within municipalities containing less than the countywide percentage of subsidized housing (4.2%), with these communities including Apex, Cary, Holly Springs, Rolesville, and Morrisville in 2016. However, the County recently has started to incorporate other factors into the selection criteria for its rental production loan program, including proximity to existing and planned public transportation corridors, schools, and other services, such as grocery stores, pharmacies, healthcare, and community facilities. Moving forward, in regard to location targeting, Wake County should seek to strike a balance between two objectives: (1) **cost-effectively using its resources to produce and preserve the largest possible number of housing units** and (2) **creating units in areas that expand access to opportunity for residents, but may be higher-cost**. While there are many factors that contribute to high-opportunity areas, the following factors are generally recognized as important:

1. Proximity to **transit**, so that residents have the capacity to easily travel to jobs and essential services elsewhere
2. Proximity to **essential services**, so that residents can meet their basic needs near where they live
3. Location in **mixed-income neighborhoods that do not represent areas of concentrated poverty**, because these areas may be experiencing economic and social distress associated with persistent disinvestment.

Recognizing that its housing market is rapidly changing, Wake County has the opportunity to balance these objectives by prioritizing housing production and preservation in areas that are just starting to appreciate. It will cost less to produce new units in these locations than in already high-cost areas, and maintenance of affordability and avoidance of resident displacement are likely to become increasingly pressing issues as they continue to appreciate. Locations near planned future transit stations fall into this category.

Recommended Location Targeting Policies

(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 Project Location Scorecard to guide the location of affordable housing investments (see next page).

(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 existing and planned transit and infrastructure investments and prioritize investments that will support existing or planned affordable housing.

REFINING POLICIES

The **proposed Project Location 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. The factors in the Location Targeting Scorecard should be cross-referenced with the selection criteria in the Qualified Allocation Plan.

Project Location Scorecard

Quantitative prioritization factors

Development can be achieved below a maximum per-unit cost threshold	<i>To support cost-effective use of County funds, establish maximum per-unit costs not to be exceeded, but tie these amounts to the income levels served. In addition, take into consideration higher development costs in high-opportunity areas by either establishing maximum cost thresholds based on development costs in the high-opportunity areas or setting different maximum costs for high- and lower-opportunity areas.</i>
Located in census tract that does not represent area of concentrated poverty	<i>To directly support poverty de-concentration and reduce segregation, prioritize the location of net new affordable housing outside areas where the household poverty rate exceeds 30%.</i>

Qualitative prioritization factors

Located in municipality with below-average share of publicly-subsidized affordable housing	<i>To indirectly support location of affordable housing in high-opportunity areas and poverty de-concentration, continue Wake County's current preference for locating affordable housing in jurisdictions with shares of affordable housing lower than that of the countywide average.</i>
Located within a half-mile of current or planned future high-frequency bus and light rail corridors	<i>To support access to opportunity for residents, prioritize affordable housing located along current or future high-frequency transit corridors. The County should coordinate closely with the entities responsible for implementing the Wake County Transit Plan to site housing near planned future service.</i>
Located in with a half- or quarter-mile of essential services (grocery stores, pharmacies, healthcare, and schools)	<i>To help residents access essential services, prioritize affordable housing located in close proximity (ideally, walking distance) to them. Essential services prioritized in County funding applications should be cross-walked with those prioritized under the QAP to ensure maximum coordination for LIHTC projects seeking County gap financing. The 2017 QAP prioritizes groceries, pharmacies, shopping centers, other services, healthcare, public facilities, public schools, senior centers, and retail as amenities, and requires that they be located within one mile driving distance for maximum points.</i>
Located within a mixed-income project	<i>To support poverty de-concentration, prioritize affordable housing located alongside market-rate units.</i>

STRENGTHENING CAPACITY FOR IMPLEMENTATION

Given the Affordable Housing Plan's scale and scope, to implement the overall Plan and specific high-priority recommended tools, the County will need to expand its capacity internally and among partners. Partners can help supplement internal capacity **through additional staff, financial resources,**

technical expertise, and program administration assistance.

Internal Capacity

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

Partner Capacity

- Strengthen coordination between the County and municipalities, recognizing that the Plan will be most successful if implemented jointly by all 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

For the Wake County Affordable Housing Plan to be successfully implemented, it requires support from a diverse coalition of community stakeholders within the County and municipalities. These stakeholders include local residents; County and municipal elected officials and staff; developers, landlords, property managers, and apartment associations; nonprofit service providers; housing advocates; employers and business organizations; and major institutions.

COMMUNITY EDUCATION

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. **By educating Wake County residents** about what affordable housing is, whom it serves, and what benefits it provides to individual households and the broader community, **Wake County can establish a common framework for action and increase residents' willingness to contribute to solutions**, including increased local funding. Following the Plan's release, the County should develop a follow-up outreach strategy based on educational needs identified through the first campaign.

COALITION DEVELOPMENT

Encourage Steering Committee members to support efforts to build a countywide housing coalition, with stakeholders committed to both overall housing production and affordable housing that keeps pace with population growth.

Coalition members could work together to attend public meetings to show their support for adding more overall housing and affordable housing in Wake County and overcome negative community perceptions about higher-density multifamily rental development and affordable housing specifically. They also could educate peers to support the implementation of the recommended tools. The County could encourage Steering Committee members who are interested in contributing to this coalition to connect with other affordable housing advocates in Wake County and formalize a coalition. There is an opportunity for multiple groups to coalesce around implementation of the Plan's recommended tools, building on top of other coordination efforts to date.

GUIDING & TRACKING PLAN IMPLEMENTATION

Successful Plan implementation also requires systems to track and monitor progress toward Plan objectives, as well as identify and overcome barriers. The Steering Committee has the opportunity to play an important role in this process, and the County should also consider issuing an annual report to track progress.

CONTINUED STEERING COMMITTEE ROLE

Pursue a continued role for the Affordable Housing Steering Committee in overseeing and guiding Plan implementation.

The Steering Committee, appointed by the Board of Commissioners, represents a broad cross-section of stakeholders engaged in affordable housing issues in Wake County. For this reason, the group is well-positioned to guide the Plan's implementation, including providing regular feedback on emerging issues that could affect the recommended tools' effectiveness. To enable the Steering Committee to continue, whether in its current format or integrated with other existing housing working groups, the County should define a process for soliciting volunteer participation from existing members and enabling new appointments; identify the timeframe for involvement (e.g., regular meetings every three months); and charge the group with clear, specific responsibilities.

ANNUAL HOUSING REPORT

Produce an annual report that tracks the state of Wake County's housing market, and evaluates the County and municipalities' progress towards meeting their goals.

The report should include data on housing supply, demand, and affordability in Wake County. The County can streamline report production by coordinating it with other relevant reporting efforts:

- The data analysis that is being conducted as part of the Affordable Housing Preservation Early Warning System.
- The annual reporting processes that the County is already required to do, such as the Consolidated Annual Performance and Evaluation Reports that track outcomes from housing activities undertaken with federal funds.
- The annual Point-in-Time Count done by Wake County.

GUIDING & TRACKING PLAN IMPLEMENTATION

The Annual Housing Report should summarize the state of the housing market in Wake County, including demand and supply indicators and affordability metrics.

It also should provide information on outputs and outcomes associated with activities undertaken under the Affordable

Housing Plan. This data can help the County and municipalities evaluate progress towards meeting their goals and prioritize gaps to be addressed moving forward.

Recommended Plan Metrics

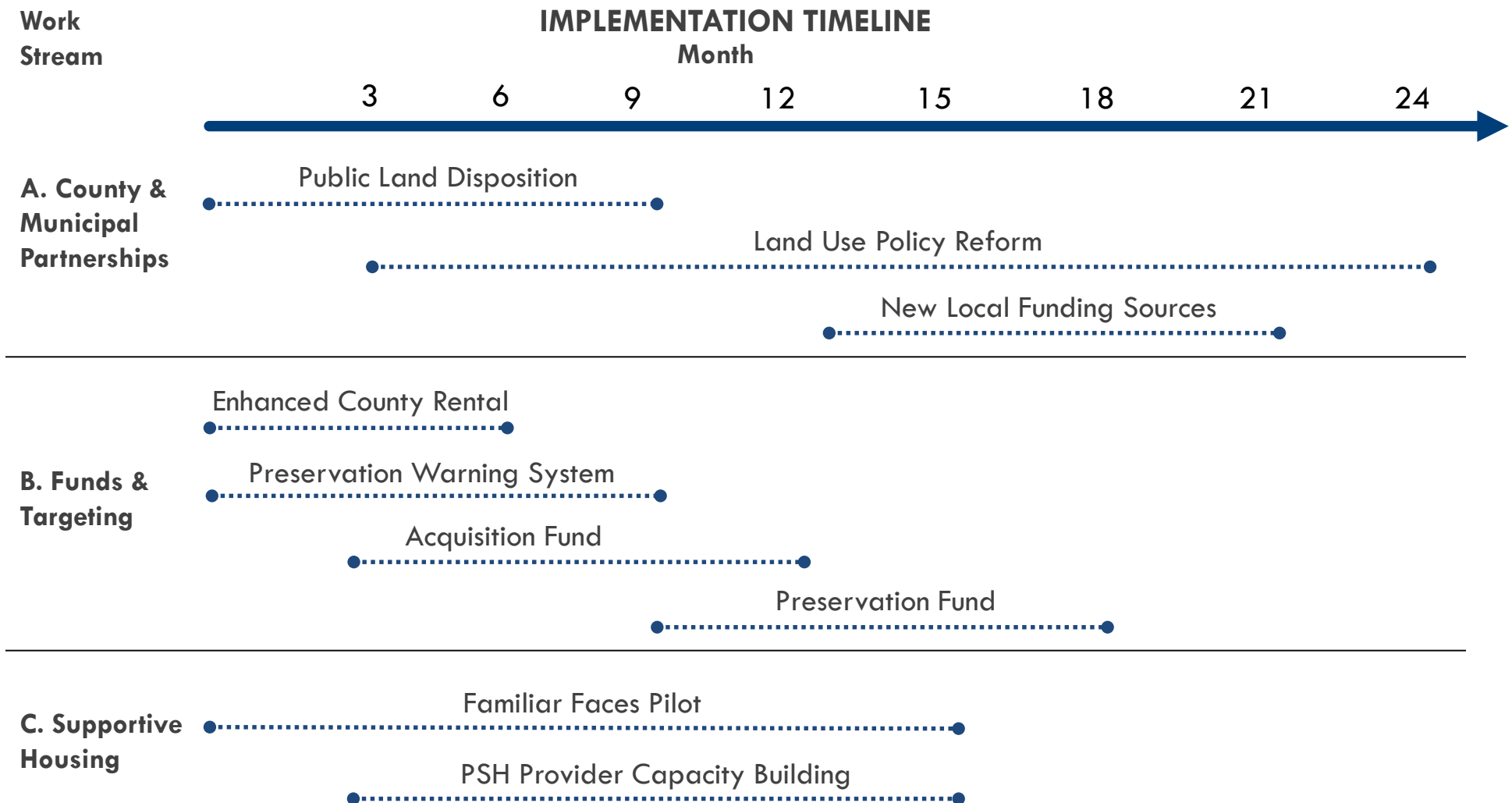
Output Metrics	Target	Outcome Metrics	Target
Number of new publicly-subsidized affordable units constructed*	<i>Increase production at least proportionate to additional funding (e.g., 25% increase in funding = 25% increase in units).</i>	Change in the supply of naturally occurring affordable rental housing.	<i>Slow the loss of NOAH housing.</i>
Share of new publicly-subsidized units for extremely low-income and highly vulnerable households	<i>Increase share of total units produced.</i>	Portion of low-income residents that are housing cost- and extremely housing cost-burdened	<i>Reduce portion of low-income residents in Wake County that are unable to find affordable housing.</i>
Existing publicly-subsidized affordable units preserved, counting properties with project-based rental assistance separately.	<i>Prevent overall loss of publicly-subsidized units.</i>	Homeless individuals, families and veterans	<i>End long-term homelessness.</i>
Households served under each program and the cost per unit served. • Affordable Mortgage Program • Homeowner Rehabilitation Program • Housing Counseling Program	<i>Expanded scale of programs.</i>	Homeownership rate	<i>Maintain homeownership and increase it among low-income households.</i>
		Eviction rate	<i>Reduce the number of evictions occurring annually in Wake County.</i>

* All measures of housing units should include a breakout of AMI served at 30%, 50%, and 80%, as well as the bedroom count.

LAUNCHING PRIORITY TOOLS & PROGRAMS

The Affordable Housing Plan recommends the creation or significant revision of over 20 programs, regulations, or policies. This represents a drastic expansion and reorganization of the County's housing efforts. To be successful, the County should focus on priority projects, organized into three workstreams, and phase their implementation over at least 24 months.

- A. Building County and municipal partnerships for public land disposition, land use policy reform, and new funding sources.
- B. Developing different types of affordable rental funds and the tools to target them.
- C. Implementing tools that have the primary focus of serving highly-vulnerable populations.



Executive Summary

Wake County's Affordable Housing Need

Recommendations

Implementation Roadmap

Appendix

- Previous Plans Reviewed
- Case Studies
- Glossary

PREVIOUS PLANS REVIEWED

To guide the development of goals for the Affordable Housing Plan, we reviewed other relevant plans.

<i>Wake County</i>	<i>City of Raleigh</i>	<i>Other Local Jurisdictions</i>	<i>Other Entities</i>
<ul style="list-style-type: none">• WC Annual Housing Action Plan, 2016-2017• WC 5-Year Consolidated Housing Plan, 2015-2020• WC Consolidated Annual Performance and Evaluation Report, 2015• WC Analysis of Impediments to Fair Housing Choice, 2015• WC Ending Homelessness, 10-Year Action Plan• WC Transit Plan, 2015	<ul style="list-style-type: none">• Raleigh Annual Action Plan, 2016-2017• Raleigh Neighborhood Revitalization Strategy Area Plan, 2016-2017• Raleigh Affordable Housing Improvement Plan, 2016-2020• Raleigh Comprehensive Plan, Housing Section, 2009• Raleigh Affordable Housing Task Force Final Report, 2009	<ul style="list-style-type: none">• Cary Community Plan/Imagine Cary, 2016• Cary Consolidated Housing and Community Development Plan, 2010-2014• Cary 2020 Affordable Housing Plan, 2010• Fuquay-Varina 2035 Community Vision, 2016• Garner Comprehensive Plan, 2006• Knightdale 2027 Comprehensive Plan, 2011• Morrisville Land Use Plan, 2009-2035• Rolesville Community Plan, 2007• Vision Holly Springs• Wake Forest Community Plan, 2009• Wendell Comprehensive Plan, 2007• Zebulon Comprehensive Plan, 2008	<ul style="list-style-type: none">• Alliance Behavioral Healthcare Regional Housing Plan, 2015• Alliance Behavioral Healthcare Residential System Assessment, 2015• North Carolina Housing Finance Agency Qualified Allocation Plan, 2017

Tysons Corner Voluntary Inclusionary Program Fairfax County, VA

CASE STUDY Zoning Incentives

Overview and Key Actors

In 2010, Fairfax County revised its long-term Comprehensive Plan to support the transformation of Tysons Corner, a sprawling commercial center, into a mixed-use, walkable community including affordable housing. As part of this effort, the County amended its Zoning Ordinance to create a voluntary inclusionary policy to incentivize affordable housing in designated areas around Tysons' four metro stations. To receive density bonuses, residential developers must reserve 20% of units for households earning 60-120% of AMI. Non-residential developers can contribute to an affordable housing trust fund to receive additional density.

Fairfax County Board, which authorized the policy; **County staff**, who implemented and monitor the policy; and **residential and commercial developers**, who advised on financial feasibility.



Program Components

- **Comprehensive Plan Amendment:** The County revised its Comprehensive Plan to guide the growth of Tysons Corner.
- **Zoning Ordinance Amendment:** The County amended its Zoning Ordinance to establish the Planned Tysons Corner Urban District (PTC), which allows greater density in exchange for affordable or workforce units or payments. For residential development to receive the bonus, 20% of new units must be set aside as affordable or workforce housing. For non-residential development to receive the bonus, a one-time contribution of \$3 PSF or an annual contribution of \$0.25 PSF for 16 years must be made to a trust fund. Projects within .25 miles of new Metro stations receive a 20% density bonus. Projects within 0.25 to 0.50 of stations receive a FAR of 2.0 to 2.5.
- **Affordability Requirements:** Of total affordable units, 2% must be for HHs at no more than 60% AMI; 3%, for HHs at no more than 70% AMI; 5%, for HHs at no more than 80% AMI; 5%, for HHs at no more than 100% AMI; and 5%, for HHs at no more than 120% of AMI.
- **Policy Guidelines:** The County established additional policy guidelines for affordable and workforce housing provision, including target income mix, size, and number of bedrooms.

Target Population: Low- to moderate-income renters.

Funding: No public funding provided. Land use policy is used to produce affordable or workforce units or generate payments.

Scale: Neighborhood-level.

Impacts: From 2010 to June 2016, 356 affordable and workforce units have been produced and \$2.9M collected for the Tysons Housing Trust Fund.

Fairfax County, "Tysons 2015-2016 Progress Report on the Implementation of the Comprehensive Plan."

ADU Expansion Program Santa Cruz, CA

CASE STUDY Expanded Accessory Dwelling Units

Overview and Key Actors

In 2003, in response to high housing costs and limited developable land, the City of Santa Cruz adopted an ADU ordinance and development program, which it has subsequently refined. The program provides homeowners with technical assistance and access to capital to develop ADUs. The City published an instructional manual on ADU planning, design, and permitting. The also has partnered with a local credit union to establish a loan program, through which homeowners who commit to keeping their ADUs affordable to renters below 80% AMI for 15 years can apply for up to \$100k in loans. In addition, the City offers development fee reductions to homeowners who target lower-income renters.

City of Santa Cruz, as the program operator; **California Pollution Control Financing Authority**, as a funder; **the private Santa Cruz Community Credit Union**, as a source of mortgage loans; and **local architects**, as technical experts.



Source: Santa Cruz Sentinel

Program Components

ADU Ordinance: The City's ADU ordinance regulates the development of ADUs. The City revised the ordinance in 2003, 2014 and 2017 to facilitate ADU development and simplify the permitting process.

ADU Manual and Plan Book: The manual provides guidance on planning, designing, and obtaining permits for ADUs. The plan book contains ADU prototype concepts designed by local architects.

Technical Assistance Grant: The City will pay up to \$100/hour for a limited amount of time so that individual homeowners can commission an architect to resolve specific ADU design issues.

Loans: In partnership with the City, the Santa Cruz Community Credit Union offers low-interest loans (4.5% interest) of up to \$100,000 to homeowners who commit to keeping their ADUs affordable to renters below 80% AMI for 15 years.

Development Fee Reductions: The City offers progressive fee reductions for homeowners constructing ADUs that target low-income renters. The typical fee for a one-bedroom, 500 SF ADU is around \$9,000. The City will reduce fees by approximately two-thirds for units targeting renters below 60% and fully for units targeting renters below 50% AMI.

Target Population: Low- to moderate-income renters. While there are no specific income requirements for general ADUs, the loan program is only available for ADUs rented to households below 80% AMI and the development fee reductions for ADUs rented to households below 60% AMI.

Funding: The City provides development loans up of \$100k through the local credit union. The City also offers progressive development fee reductions that can be worth \$6k-9k in value.

Scale: Citywide.

Impacts: 40-50 permits for ADUs filed annually.

ADU Expansion Program Portland, OR

CASE STUDY Expanded Accessory Dwelling Units

Overview and Key Actors

Portland was an early adopter of ADUs, passing its first ADU ordinance in 1998. In 2010, following declining development during the Great Recession, the City Council exempted ADUs from all Systems Development Charges (SDCs). This led to a significant increase in ADU production, and annual permits issued for ADUs are now roughly equivalent to those issued for single-family homes. There are no specific affordability requirements or incentives for ADUs, but they have successfully increased Portland's supply of naturally occurring affordable housing.

City of Portland, as the program operator; **Development Services Center**, as the development reviewer; local developers and architects, as technical experts; and **AccessoryDwellings.org**, as the local nonprofit partner.



Source: Portland Tribune

Program Components

- **Ordinance:** The City's ADU ordinance regulates the development of ADUs.
- **ADU Program Guide:** The guide explains minimum site requirements; zoning, design, and construction standards; and the development review and permitting process.
- **Systems Development Charges (SDC) Waiver:** The waiver exempts ADUs from SDCs, which are standard impact fees assessed on new development for use of City storm and sanitary sewer systems, parks and recreation facilities, water, and street systems.
- **Home Tour:** AccessoryDwellings.org organizes the event, which allows interested individuals to take a tour of Portland's ADUs and learn more about its ADU program, as a program education and marketing tool.

Target Population: Low- to moderate-income renters. There are no specific income requirements for general ADUs.

Funding: An ADU permit costs \$5k. The waived SDC fees are roughly \$15-17k per unit. ADU construction costs approximately \$160k in Portland on average.

Scale: Citywide.

Impacts: Cumulatively, Portland has issued 2,200 ADU permits, the largest number in the United States. The number of permits issued has increased dramatically from 27 ADU permits in 2009 to 615 permits in 2016.

District Land for Affordable Housing Amendment Act Washington, DC

CASE STUDY Public Land Disposition Requirements

Overview and Key Actors

In 2014, the District of Columbia passed the Disposition of District Land for Affordable Housing Amendment Act, which requires all new multifamily residential projects developed on City-owned surplus land include at least 20% affordable housing. The requirement is increased to 30% in areas with transit access. The Act allows the District to dispose of land for below market value, so that developers can use the cost savings to subsidize affordable housing units, and also allows the District to provide additional subsidies to ensure that affordability requirements are met.

District of Columbia, as the program operator; and **local developers**, who acquire and build housing on surplus land.



Source: US Airforce

Program Components


- **Land Transfer at Below Market Value:** The City transfers land at below appraised market value to help subsidize the affordable units.
- **Provision of Additional Subsidy:** The City also can provide additional subsidy, whether in the form of grants or loans or in-kind contributions such as infrastructure, to enable developers to meet affordability requirements.
- **Affordability Requirements:** For the 20% (or 30% near transit) of units required to be affordable, for rental units, all units must be affordable for households below 50% AMI and 25% must be affordable for households below 30% AMI; for ownership units, all units must be affordable for households below 80% AMI and 50% must be affordable for households below 50% AMI. The required share of affordable units increases from 20% to 30% in areas with transit access (within 0.5-mile of a Metrorail station or 0.25-mile of a streetcar line or Priority Corridor Network Metrobus Route).
- **Mayoral Waiver Capacity:** The affordability requirements can be waived or reduced under specific conditions, such as the subsidy provided by the difference between the appraised market value and the free or discounted value at which the developer receives the land is insufficient to support the required affordable housing. The waiver system is designed to respond to differences in development economics across the city.

Target Population: 30-50% AMI for renters and 50-80% AMI for homebuyers
Funding: Leverages the City's existing assets, with no direct impact on public budget if no additional subsidy is required to ensure affordability. However, requires the City to forgo the income it otherwise would have received for property sale.
Scale: Citywide with priority for areas with transit access.

ULI. "Public Land and Affordable Housing": http://washington.uli.org/wp-content/uploads/sites/56/2015/02/ULI_PublicLandReport_Final020215.pdf; CSG. "Public Land for Public Good": <http://www.smartergrowth.net/wp-content/uploads/2012/11/pl4pg-final.pdf>; Inclusive Communities Toolkit. "Prioritizing Publicly-owned Land for Affordable Housing "

Seattle Rental Housing Loan Program Seattle, WA

CASE STUDY Rental Housing Loan Program

Overview and Key Actors	<p>In 2014, Seattle's Office of Housing (OH) launched the Rental Housing Loan Program to support the production and preservation of affordable multifamily rental housing. The program is funded through local and federal sources, and provides long-term (50-year minimum), low-interest, deferred-payment loans with renewal options to qualified developers. The program prioritizes projects that target the lowest income levels and leverage non-city funds. OH collaborates with the State Housing Trust Fund, King County, and private lenders, investors, and equity syndicators to maximize the capital distributed.</p> <p>Seattle's OH, as the program operator and funding administrator; Credit Committee, as technical experts appointed by the OH director to advise on financial feasibility; and affordable housing developers, as loan recipients.</p>	 <p>Source: Seattle Housing Department</p>
Program Components	<ul style="list-style-type: none"> • Notice of Funds Available: The NOFA, published annually, establishes the application process and requirements, funding sources available, and project evaluation criteria. Location evaluation criteria are aligned with Seattle's development siting policy. • Washington State Combined Funder Application for Affordable Housing: The standard application is required for competitive loan program funds. • Covenant: The covenant is a property contract that requires units receiving program funds to be used as low-income housing for the stated loan term. The contract may be released wholly or partially at property sale. • Compliance and Performance Evaluation: The OH conducts an annual review of all projects that receive funds. It evaluates a range of factors, such as occupancy, physical conditions, financial conditions, and community relations, and shares its findings with the property owner via an annual performance letter. • Income requirement: For HOME and CDBG funds, 50% of funds must be used for households below 30% AMI and 50% of funds must be used for HHs below 50% AMI. For levy funds, 60% of funds must be used for HHs below 30% AMI, up to 10% of funds can be used for HHs 60-80% AMI, and the balance must be used for HHs 30-60% AMI. 	<p>Target Population: Priority is given to homeless individuals, seniors and people with disabilities, low-wage working families and individuals. Funding from various sources is subject to different income requirements.</p> <p>Funding: Funding comes the 2009 Seattle Housing Levy, earnings and repayments from earlier housing levies, federal funds, land use incentive funds, special mitigation funds, Office of Economic Development equity funds, and other city or grant funds made available through the NOFA.</p> <p>Scale: Citywide.</p> <p>Impact: In 2016, \$47M was awarded to projects that produced 610 units.</p>

City of Seattle Office of Housing. "Housing Funding Policies." https://www.seattle.gov/Documents/Departments/Housing/HousingDevelopers/ProjectFunding/OH_FundingPolicies_2014.pdf

Denver Transit-Oriented Development Fund Denver, CO

CASE STUDY Acquisition Fund

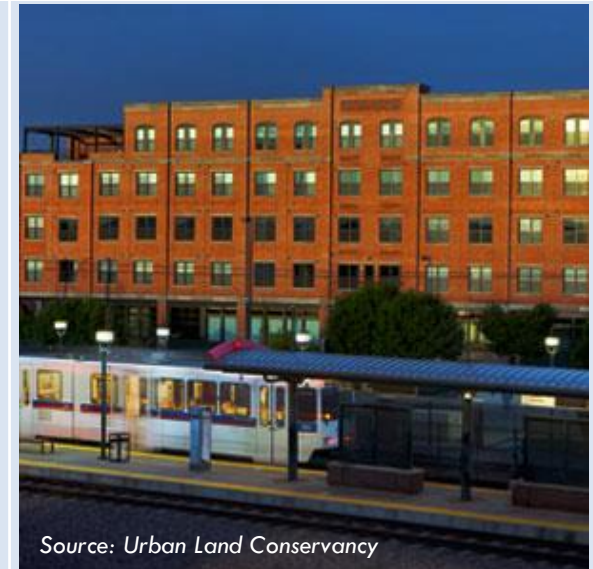
Overview and Key Actors

The Denver region is undertaking one of the United States' largest public transit expansions. Early in this process, affordable housing advocates recognized that strong interest in development around transit would contribute to rising land costs and rents, placing substantial economic pressure on low-income communities. The Fund was created to allow affordable housing developers to acquire and hold properties near transit for either affordable housing preservation or future development. Through flexible financing terms and a streamlined underwriting process, the Fund allows borrowers to react quickly to opportunities in a competitive market.

Enterprise Community Partners as the fund administrator. Investors include the City of Denver, Colorado Division of Housing, Colorado Housing and Finance Authority, Colorado Trust, Denver Foundation, Enterprise Community Loan Fund, FirstBank, Ford Foundation, Gates Family Foundation, MacArthur Foundation, Mercy Loan Fund, Mile High Community Loan Fund, Piton Foundation, Rose Community Foundation, US Bank, and Wells Fargo.

Program Components

- **Loan Products:** The Fund offers loans for the following purposes: 1) preservation or development of multifamily affordable rental housing projects (for-sale projects also are sometimes considered); 2) preservation or development of mixed-use projects that include both housing and community facility or nonprofit space; 3) acquisition of vacant or underutilized land for future affordable housing or mixed-use projects.
- **Loan Structure:** Loan amounts of up to \$5M; terms of up to 5 years; and loan-to-value ratios of up to 90%, based on the lesser of the appraised value or purchase price. Interest rates are fixed, and expected to be between 3.7% and 4.1% (based on term and geographic location).
- **Development Parameters:** Acquisitions must be located in the Denver metro area and either within 0.5-mile of an existing or future fixed rail station or within 0.25-mile of a high-frequency bus corridor.



Source: Urban Land Conservancy

Target Population: Low-income residents of the seven-county Denver metro area. Renters earning no more than 60% AMI and homeowners earning no more than 95% AMI.

Funding: The Fund was initially capitalized at \$13.5M and subsequently expanded to \$24M.

Scale: Regional.

Impact: As of May 2016, the Fund had provided nearly \$20 million for the creation or preservation of more than 1,100 affordable units and 100,000 square feet of community space at 13 transit-accessible properties across the region.

Greater Minnesota Housing Fund Hennepin County, MN

CASE STUDY Preservation Fund

Overview and Key Actors

The Greater Minnesota Housing Fund (GMHF), Hennepin County, and other local partners established the \$25M NOAH Impact Fund in response to the loss of naturally occurring affordable housing through demolition, redevelopment, and rent increases throughout the seven-county Minneapolis, MN region. The Fund, launched in 2017, provides equity to nonprofit and mission-oriented for-profit developers in the region to support acquisition of unsubsidized, older rental apartments in exchange for offering affordable rents to low-income households (below 80% AMI) for 15 years. The Fund's investors have established a goal to preserve 10-20% of for-sale buildings annually.

The **Greater Minnesota Housing Fund**, as the Fund manager; **Hennepin County** and the **McKnight Foundation**, as initial Fund investors; **private financial institutions**, as fund investors; and **local developers**, as Fund users.



Source: Greater Minnesota Housing Fund

Program Components

- **Equity Provision:** The Fund provides 90% of the equity required for property acquisition, with the developer providing the remaining 10% of equity. GMHF estimates this investment covers 25-30% of project costs for the Hennepin County market.
- **Ownership Structure:** The Fund uses an ownership structure similar to the Low-Income Housing Tax Credit, with the Fund co-owning the property for about 10 years, typically until the first mortgage amortizes. GMHF provides active asset management for properties receiving financing through the Fund.
- **Return on Investment:** To generate a competitive ROI to elicit participation from private financial institutions, the Fund pursues high-capacity developers.
- **Investment Criteria:** The Fund prioritizes property investments in areas that provide “social benefit” (e.g., those with access to public transportation, employment, high-performing K-12 schools, higher education institutions, community services, and health-oriented amenities). The Fund also prioritizes investments that qualify as CRA affordable housing investments or endowment-funded Mission or Program Related Investments.

Target Population: Serves low-income families, individuals, and seniors (renters).

Funding: The Fund was seeded through \$25M in public, philanthropic, and private funding. About 50% of the Fund's capital comes from private financial institutions.

Scale: Regional.

Impact: As a pilot project, the Fund assisted Real Estate Equities to acquire, rehab, and preserve an unsubsidized 72-unit building in New Brighton, MN. The Fund provided \$2.3M in equity as part of the \$6.8M project.

Mariposa Public Housing Redevelopment Denver, CO

CASE STUDY Public Housing Redevelopment

Overview and Key Actors	<p>In 2006, the Denver Housing Authority (DHA) initiated the transformation of 270-unit South Lincoln Park Homes into the mixed-income, transit-oriented Mariposa District. The 15.1-acre site's redevelopment emerged from multiple local planning efforts, including DHA's strategic plan for public housing redevelopment and the City of Denver's transit-oriented development framework. Based on extensive public input, DHA prioritized the creation of open space, bicycle and pedestrian access, and energy-efficient features within the district. The redevelopment, to be completed in nine phases over seven years, will produce 800 units in total, with about 400 affordable (including public housing) and 400 market-rate.</p> <p>DHA, as the property manager and master developer; U.S. Department of Housing and Urban Development and Environmental Protection Agency, as funders and technical experts; the City of Denver, Colorado Housing Financing Agency, and Federal Home Loan Bank of San Francisco, as funders; and local property management companies.</p>	 <p>Source: HUD</p>
Program Components	<ul style="list-style-type: none"> • Redevelopment Planning Process: DHA led a redevelopment planning process for the site that involved extensive resident input, including 140+ community meetings and group interviews, as well as door-to-door interviews, to gather design and phasing feedback. • One-to-One Replacement of Public Housing Units: To address resident concerns about displacement, DHA committed to one-to-one replacement of public housing units. • Property Acquisition: DHA acquired an adjacent 2.4-acre, City-owned site by Denver's 10th and Osage light rail station to enable it to construct Phase 1 without relocating any existing residents. • Ownership Structure: DHA has retained ownership of all land, while a partnership of DHA and the various tax credit investors own the buildings • Design Objectives: DHA used several tools, including LEED-Neighborhood Development and the Healthy Development Measurement Tool, to integrate public health and energy efficiency considerations into site and project design. 	<p>Target Population: Serves low-income renters, with a focus on very low- and extremely low-income households. Phase 1 public housing units targeted seniors and disabled residents.</p> <p>Funding: Mix of federal, state, local, and private capital. Average cost per unit across all phases is about \$188k per unit.</p> <p>Scale: District-scale.</p> <p>Impact: Phases 1-3 have resulted in ~300 upgraded public housing, affordable, and market-rate units and new commercial and nonprofit space. The next phases will generate ~500 additional units and commercial space.</p>

U.S. Housing and Urban Development. "Denver's Mariposa District: Supporting Healthy, Mixed-Income Living." www.huduser.gov/portal/pdredge/pdr_edge_inpractice_022414.html
 Confluence Denver. "Rethinking Public Housing: Mariposa and the Transformation of La Alma/Lincoln Park." http://www.confluence-denver.com/features/mariposa_061213.aspx

Overview and Key Actors

The Institute of Housing Studies (IHS) at DePaul University runs the Data Clearinghouse, which tracks the supply of publicly-subsidized and naturally occurring affordable rental housing and other housing market indicators within the Chicago metropolitan area. The Preservation Compact, a multi-sector collaboration created to prevent the further loss of Cook County's affordable rental housing, launched the program. IHS refers at-risk properties to the Interagency Coordination Council (ICC), which includes representatives from U.S. Housing and Urban Development, Illinois Housing Finance Authority, and Chicago Department of Housing, charged with finding solutions for at-risk properties.

IHS, which runs the database; **The Preservation Compact**, which provides strategic direction; the **ICC**, which identifies solutions for at-risk properties; and **staff at local and state agencies**, who deploy preservation resources. **The Preservation Compact was originally started by the Urban Land Institute's Chicago chapter and The MacArthur Foundation, but is currently an initiative of the Community Investment Corporation.**

Program Components

- **Data Collection:** IHS primarily uses local data, including County assessing data, supplemented with federal sources, such as U.S. Census/American Community Survey demographic data, Home Mortgage Disclosure Act lending data, and U.S. Postal Service vacancy data. It uses four key indicators to benchmark and track market conditions: 1) change in price from 2000 to today; 2) market peak; 3) market recovery; and 4) year-over-year change in price.
- **Data Dissemination:** IHS works proactively to educate local stakeholders about market conditions and at-risk properties. It disseminates much of its data through The Preservation Compact.
- **Annual State of Rental Housing in Cook County Report:** IHS also issues an annual report that summarizes changes in rental housing supply and demand relative to previous years and their impact on access to affordable rental housing for Cook County's lowest-income households.
- **Technical Assistance:** IHS provides technical assistance with data analysis to various local organizations and agencies.



Source: The Preservation Compact

Target Population: Tracks subsidized rental properties and naturally occurring affordable rental properties. Income levels vary by property and subsidy type.

Funding: IHS provides ongoing financial support from philanthropic contributions, project funding from individual organizations, and in-kind support from DePaul. IHS estimates its largest costs are associated with from data purchases, data warehouse management, and staff.

Scale: Tracks property-level data for the entire metropolitan Chicago area.

Impact: Much of IHS' current work focuses on 2-4 unit rental properties.

Institute for Housing Studies at DePaul University. "About Us." www.housingstudies.org/data/about-data-clearinghouse.

MacArthur Foundation. "The Preservation Compact: An Rental Housing Action Plan for Cook County." www.macfound.org/media/article_pdfs/ACTION_PLAN_REPORT_51807.PDF.

Habitat for Humanity Affordable Mortgage Program Wake County, NC

CASE STUDY Affordable Mortgage Program

Overview and Key Actors	<p>To expand the number of low-income households that it assists in accessing homeownership, Wake Habitat for Humanity, a nonprofit organization, has partnered with private lenders to layer traditional private 30-year first mortgages with 0%-interest, deferred-payment second mortgages from the North Carolina Housing Finance Agency, and, in limited cases, third mortgages with similar terms from Wake Habitat. The second and third mortgages cover the difference between the price of the home and the mortgage that the household can afford. Wake Habitat also provides private lenders with a financial guarantee to induce them to lend to low-income households that otherwise would not meet their underwriting standards.</p> <p>Wake Habitat, who is the program administrator and third mortgage lender; local banks, who are the first mortgage lender; NCHFA, who is the second mortgage lender; and local sponsors and community volunteers, who provide construction support.</p>	 <p>Source: News & Observer</p>
Program Components	<ul style="list-style-type: none"> • Financing Package: Wake Habitat structures the total financing package, with first, second, and third mortgages, so the household spends no more than 30% of their income on mortgage payments. When serving the lower end of the income spectrum (~25% AMI), Habitat sometimes needs to layer a third mortgage. Homes typically are sold for \$115-\$120k, below the cost of construction. • Below-Market Initial Home Sale Prices & First Right of Refusal Upon Resale: Wake Habitat sells the houses that it builds for below-market prices, leveraging “sweat equity” from future homeowners and community volunteers. When a household leaves a home, Wake Habitat gets first right of refusal to purchase the house at market-rate. • Extensive Homeowner Preparation: Wake Habitat requires potential homeowners to complete a rigorous application and preparation process, including credit history review, personal interviews and home visits, and financial counseling. • Ongoing Homeowner Education: Wake Habitat provides ongoing education and support to homeowners throughout the mortgage lifetime. 	<p>Target Population: First-time homeowners from 25-60% AMI. Wake Habitat reviews credit history, cell phone, utility, and rent payments, but not credit score, to select participants.</p> <p>Funding: Private lender provides 2%-interest first mortgage, guaranteed by Wake Habitat. NCFHA provides 0%-interest, deferred-payment loan of up to \$45k per household (up to \$1.2M annual cap). Program participants contribute closing costs (\$1,700) and monthly mortgage payments. Habitat receives additional funding from government grants and private contributions.</p> <p>Scale: Countywide.</p> <p>Impact: 60-70 loans annually.</p>

Wake County Habitat for Humanity. <http://www.habitatwake.org/>.

Direct communication, Wake Habitat, Rachel Zeitler (Advocacy & Societal Impact Manager) and Jane Beaman (Vice President of Finance).

<p>Overview and Key Actors</p>	<p>The Brighton Center is a nonprofit organization that creates opportunities for individuals and families to achieve self-sufficiency. After recognizing that its homeownership classes were not sufficient on their own to prepare some individuals and families for successful homeownership because they required a broad range of financial knowledge, the Center launched comprehensive financial education classes, which include one-on-one personal budgeting and credit counseling sessions and group workshops on financial decision-making.</p> <p>Brighton Center (nonprofit program operator); local lending institutions and realtors (referrals); other community nonprofits (cross-referrals to programming to meet the full continuum of clients' needs).</p>	 <p>Source: Brighton Center</p>
<p>Program Components</p>	<ul style="list-style-type: none"> • Comprehensive Assessment Process: Upon intake, the Center conducts a comprehensive assessment that considers the individual or family's entire financial situation, beyond the need that initially brought them in, to provide appropriate programming and referrals. • Pre- and Post-Purchase Homeownership Counseling: The Center provides one-on-one and group counseling on achieving and maintaining homeownership, including on topics such as foreclosure prevention and reverse mortgages. • Provision of Emergency and Credit-Building Loans: The Center offers lending resources for households facing emergencies or seeking to build credit, including a saving incentive for those who complete the program and pay their loan in full. • Cross-Referrals: The Center receives referrals from local lending institutions and realtors, and makes referrals to other local government and nonprofit programs to meet their clients' full needs. • Outcome Tracking: The Center measures program outcomes through post-workshop surveys and counseling follow-up to guide program design. 	<p>Target Population: Low-income households with no or poor credit history.</p> <p>Funding: \$575,000 - \$625,000 annually (\$320-\$350 per household served).</p> <p>Scale: Regional.</p> <p>Impact: 60-70 loans annually.</p>

Brighton Center: Direct Communication. https://www.brightoncenter.com/programs/financial_services/financial%E2%80%90education%E2%80%90and%E2%80%90coaching

Austin Community Land Trust Austin, TX

CASE STUDY Community Land Trust

Overview and Key Actors

In 2013, in response to significant displacement of existing residents due to gentrification pressures, the City of Austin, Austin Housing Finance Corporation (AHFC), and Frameworks Community Development Corporation launched a Community Land Trust (CLT). Through the program, homebuyers purchase housing units developed by AHFC and enter into a 99-year agreement to lease the land. The program started by developing single-family homes in East Austin, but the City is considering dedicating additional resources and expanding the program to other neighborhoods and housing types.

City of Austin, who is the program operator and housing counseling provider; **AHFC**, who is the land owner and developer; **Frameworks Community Development Corporation**, who serves as the real estate listing agent and housing counseling provider; **private lenders**, who provide mortgages.



Source: Housing Works Austin

Program Components

- **Required Homebuyer Education:** Homebuyers must be graduates of a housing counseling class provided by the City of Austin or Frameworks Community Development Corporation.
- **Ground Lease:** Homebuyers purchase only the house and enter into a 99-year ground lease with the CLT for use of the land.
- **Income Eligibility Resale Restrictions:** CLT homeowners can sell their home directly to an income-qualified buyer, sell their home to the CLT, or give the home to children or other qualified heirs.
- **Shared Equity to Balance Homeowner Wealth-Building and Long-Term Affordability Preservation:** CLT homeowners who sell their homes get back their equity (e.g., the money that they personally contributed to the downpayment); the mortgage principal that they have already paid off; and a portion of the home's appreciation (annual 2% fixed-rate growth over the initial sales price).

Target Population: Households earning 80% AMI or less who either have not owned a home in the past 3 years or been displaced or divorced, and are able to get a mortgage through an approved CLT lender.

Funding: The average subsidy per household is \$40k for land costs. The CLT homeowner contributes a minimum of \$1k for the home's downpayment and closing costs and pays all property taxes.

Scale: East Austin and other neighborhoods that are experiencing gentrification.

Impact: As of August 2015, the CLT had sold 8 homes in their first target neighborhood in East Austin.

City of Austin, Neighborhood Housing & Community Development. "Community Land Trust." <http://www.austintexas.gov/departments/community-land-trust>.

GLOSSARY

Accessory Dwelling Units (ADUs): ADUs are additional living quarters located on single-family lots that are independent of the primary dwelling unit and provide basic requirements for sleeping, cooking, and sanitation. Due to their smaller size and lower development costs, ADUs tend to be a source of naturally occurring affordable housing, thus helping to increase the full affordable housing supply without the expenditure of public subsidy. They also provide other benefits, discussed in the ADU recommendation.

Area Median Income (AMI): AMI represents the midpoint in the distribution of household incomes within a specific geographic region. HUD publishes annual AMI levels for regions, adjusted for family size. The HUD-provided AMI is used to determine applicants' eligibility for both federally and locally funded housing programs where participation is dependent on income levels.

2015 Raleigh MSA Income Limits								
Category	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person	7-Person	8-Person
30% AMI	\$16,600	\$18,950	\$21,300	\$24,250	\$28,410	\$32,570	\$36,730	\$40,890
50% AMI	\$27,600	\$31,550	\$35,500	\$39,400	\$42,600	\$45,750	\$48,900	\$52,050
80% AMI	\$44,150	\$50,450	\$56,750	\$63,050	\$68,100	\$73,150	\$78,200	\$83,250
100% AMI	\$55,160	\$63,040	\$70,920	\$78,800	\$85,104	\$91,408	\$96,924	\$104,016

Community Development Financial Institution (CDFIs): CDFIs are financial institutions, certified by the U.S. Treasury Department, to provide credit and financial services to underserved people and communities. They encompass a range of nonprofit and for-profit entities, such as community development banks, community development credit unions, community development loan funds, community development venture capital funds, and microenterprise loan funds.

Cost-Burdened: Under a standard set by the U.S. Department of Housing and Urban Development, a household is considered cost-burdened when it spends 30% or more of its income on gross housing costs, whether for renter or ownership housing.

Extremely Cost-Burdened: A household is considered extremely cost-burdened households when it spends 50% or more of its income on housing costs, often leaving the household with very little money to cover other costs of daily living.

Extra-Territorial Jurisdiction (ETJ): ETJs are areas that lie just outside municipalities' corporate limits where future municipal development is expected to reach. Depending on the relevant municipality's size, they can extend 1 to 3 miles beyond corporate limits. Areas within ETJs are subject to the municipality's development regulations.

Floor Area Ratio (FAR): The relationship between a building's total amount of usable floor area and the total area of the lot on which the building stands. This ratio is determined by dividing the total, or gross, floor area of the building by the gross area of the lot.

HOME Investment Partnership (HOME): The HOME program, authorized by the federal government in 1990, gives federal block grants to participating local jurisdictions, which then use the funds to provide affordable rental and homeownership housing to low- and moderate-income families. When HOME funds are used to support rental housing, at least 90% of the units must be occupied by households with incomes at or below 60% of AML, with the remaining 10% capable of being occupied by households with incomes at or below 80% of AML. In rental properties with five or more HOME units, 20% of the units must be set aside for households with incomes at or below 50% of AML. Depending on the amount of HOME subsidy provided per unit, the HOME program places affordability restrictions of 5 to 20 years on units.

HUD-Insured Properties: HUD's Federal Housing Administration (FHA) provides mortgage subsidies to private owners of multifamily housing to reduce development costs. In return, HUD requires assisted properties to agree to low-income "use restrictions," which restrict occupancy to households under specific income limits and cap rent levels. Properties that fall under this category include Section 221(d)(3) BMIR, Section 236, and other non-subsidized HUD insured properties.

Increment Financing: Increment financing is a financing mechanism wherein a government uses anticipated future increases in tax revenues from private development activity to finance present-day improvements, such as new or improved infrastructure, that will benefit that development. In North Carolina, there are two primary types of increment financing, traditional TIF and synthetic TIF, with synthetic TIF being more commonly used. With traditional TIF, the debt used to finance the infrastructure is secured by and repaid from the development's incremental property tax revenues. With synthetic TIF, the debt is secured by either the asset itself (e.g., the improvements being financed) or the local government's full faith and credit (general taxing power), not the incremental tax revenues; however, the tax revenues can be used to pay the debt service and principal of the improvements. Increment financing can be used to capture value from new development to create or preserve affordable housing in areas experiencing significant new growth.

Low Income Housing Tax Credit (LIHTC): The Low Income Housing Tax Credit Program is a federal program that provides a dollar-for-dollar tax credit to support the development of affordable rental housing. The LIHTC program distributes federal income tax credits to developers through states' individual Housing Finance Agencies (HFA), which determine which projects receive tax credits under their federal allocation. There are two general types of credits that can be awarded, 9% credits and 4% credits. 9% credits are higher-value credits that cover a greater percentage of projects' development costs (generally 70% to 80%), and are awarded on a competitive basis. 4% credits are lower-value credits that cover a lower percentage of projects' development costs (generally 30% to 40%), and are generally awarded to any projects that meet specific programmatic requirements and are financially feasible. 4% credits are usually paired with tax-exempt bond financing to make up the difference.

Naturally Occurring Affordable Housing (NOAH): Naturally occurring affordable housing is housing that is priced by market forces at levels that are affordable to low-income residents. Housing is traditionally considered affordable if total housing costs (rent or mortgage, plus utilities) represent no more than 30% of the occupying household's income. NOAH housing often makes up a significant portion of a jurisdiction's affordable housing stock, in addition to publicly-subsidized housing.

"Not in My Backyard" (NIMBY): NIMBY is a term used to describe residents' opposition to new development, including denser multifamily housing and affordable housing, in their neighborhood or community. Opposing residents can sometimes block development, reduce the size of proposed projects, or slow the development process.

North Carolina Housing Finance Agency (NCHFA): NCHFA is a state agency that helps finance affordable housing by operating or administering a range of programs, including the sale of tax-exempt bonds, LIHTC, HOME, and North Carolina's Housing Trust Fund.

Project-Based Section 8 Vouchers: The Project-Based Section 8 voucher program, as it is now known, was established in 1974. Under this program, HUD enters into Housing Assistance Payments (HAP) contracts with private owners to provide affordable housing to low-income tenants. Under the contracts, tenants pay 30% of their adjusted monthly income for rent and utilities, and HUD pays the owner the difference between the tenants' payment and the agreed-upon contract rent. New residents of Project-Based Section 8 units must have incomes of at or below 80% of AMI, and 40% must have incomes at or below 30% of AMI.

Public Housing: Public housing is a type of affordable housing that has been traditionally owned by a local government agency, generally a designated public housing authority. HUD provides federal aid to these agencies to operate housing for residents, who pay rents that they can afford. In the United States today, there are approximately 1.2 million households living in public housing units, managed by 3,300 housing authorities (*HUD Public Housing Program Office*).

Qualified Allocation Plan (QAP): Per federal requirements, the North Carolina Housing Finance Agency (NCHFA) develops an annual QAP to competitively allocate federal Low Income Housing Tax Credits to affordable housing projects across the state. The QAP includes geographic distribution and income limit requirements. The NCHFA can only allocate credits in conformance with the QAP.

Section 202 (Direct Loans): The Section 202 Program was authorized by the federal government in 1959. While the program has evolved over the years, it has either provided direct loans or capital advances from the federal government for low-income senior housing development. From 1959 to 1990, the program provided below market-rate direct loans, generally at 3% interest for up to 50 years, to nonprofit organizations. In addition, from 1974 to 1990, loans were further subsidized by Project-Based Section 8 contracts. In 1990, funding shifted from below market-rate direct loans to capital advances.

Section 202 and 811 (Project Rental Assistance): The Section 202 (Supportive Housing for the Elderly) Program provides capital and operating funding to nonprofit organizations that develop and operate housing for very low-income seniors, while the Section 811 (Supportive Housing for Persons with Disabilities) Program provides funding to entities that develop and operate housing for low-income people with significant and long-term disabilities. Both programs provide project rental assistance contracts (PRAC), which subsidize developments' operating expenses. Residents pay 30% of their adjusted income towards rent, and the PRAC makes up the difference between rental income and operating expenses.

Section 515 (Direct Loans): The USDA Rural Development Housing and Community Facilities Programs Office began making subsidized mortgage loans through the Section 515 (Rural Rental Housing Loan) Program in 1963. This program provides mortgages at 1% interest to nonprofit and for-profit developers to build multifamily rental housing that is affordable to low- and moderate-income households in rural areas. Loan terms are 30 years, with principal amortized over 50 years. Tenants pay basic rent or 30% of their adjusted income, whichever is greater.

Special Assessment Districts (SAD): In a SAD, a local government provides a specific public benefit to a group of properties and imposes a special assessment (extra tax) on them to pay the costs of providing the benefit. In North Carolina, local governments can create two types of SADs, traditional and critical infrastructure, but only critical infrastructure SADs currently include affordable housing provision as an allowable purpose for which a special assessment may be charged.

Supportive Housing: Supportive housing is affordable housing that also includes support services intended to help tenants stay stably housed and build necessary life skills. Supportive housing can be designed to be either permanent or temporary for residents, with temporary housing targeted towards individuals who may be able to transition to traditional housing without support services over time. Supportive housing has proven to be a successful tool to house populations that may be difficult to serve with traditional housing, such as chronically homeless adults.

U.S. Department of Housing and Urban Development (HUD): HUD is the federal agency charged with overseeing affordable housing and community development programs, including programs promoting homeownership, providing low-income rental housing assistance, enforcing fair housing laws, addressing homelessness, and providing aid for distressed neighborhoods.

Value Capture: Value capture approaches seek to capture some of the benefits that private entities realize due to public investments, such as infrastructure investments that make an area more attractive for development, to fund those or other investments.

Year 15 Properties: Low Income Housing Tax Credit projects have a 15-year required affordability period, which is followed by a second 15-year affordability period, called the “extended use period,” that keeps them affordable for a total of 30 years. However, the enforcement mechanisms for the second 15-year affordability period are much weaker than the first 15-year period, such that some properties convert to market-rate before reaching the end of their full 30-year affordability period.

Zoning: Zoning is a planning tool deployed by local governments that regulates a building’s use, size, and shape, as well as other factors, such as parking, signage, accessory structures, and landscaping.