

## Executive Summary

### Report of the Orange County Commissioners Affordable Housing Task Force

April 2001

#### Introduction

The Orange County Board of Commissioners recently decided to refine its approach to promoting decent and affordable housing.

On March 13, 2000 the Board of County Commissioners convened an Affordable Housing Summit attended by more than 100 citizens, including elected officials and housing providers, to discuss housing needs and to clarify the policies and strategies that could be used to alleviate the identified housing needs. Following the Summit, the Board formed the Commissioners Affordable Housing Task Force, under the leadership of Commissioners Margaret Brown and Barry Jacobs. Specifically, the charge to the group was "to investigate and analyze information and problems, and recommend strategies and policies, to assist the county commissioners in formulating long-range vision of decent and affordable housing in Orange County."

The Task Force began to meet in June 2000 and convened monthly thereafter through February 2001. In addition, its four subcommittees (Inventory/Needs, Funding, Zoning and Design, and Education) met at least monthly to gather and review pertinent information in order to develop strategies and/or recommendations for action. The results of the work of these subcommittees and the task force collectively are reported on the following pages, each gathering and developing its assigned information and recommendations for action. This material builds on previous local government and private efforts to ensure that all families have affordable housing options, particularly those with limited incomes, the homeless and other special need populations.

The purpose of this Task Force Report is to accelerate and expand the development and maintenance of affordable housing stock in Orange County. The report is intended as a guide to countywide action with proposed housing targets, strategies, proposals for new funding sources, as well as other policy and educational elements. Perhaps the most critical recommendation is the establishment of an Affordable Housing Advisory Board in the County to assist with implementation of the strategies contained in this Report and advise the Board of Commissioners regarding other affordable housing issues. Further, throughout this document are references to the need for the County and Town leaders, University of North Carolina officials, the State Legislature, non-profit and for-profit organizations, and interested citizens to become involved in addressing the affordable housing needs of this community.

The highlighted findings, recommendations, and strategies provide a snapshot view of the more detailed subcommittee reports contained in this report.

## **Acknowledgements**

Many thanks for the hard work of the Task Force Members

**Commissioner Barry Jacobs, Co-Chair**  
**Commissioner Margaret Brown, Co-Chair**

Elizabeth Carter  
Jack Chestnut  
Mark Chilton  
Dan Coleman  
Mark Dorosin, Chair, Education Subcommittee  
Robert Dowling  
John Eckblad  
Kevin Foy  
Marina Heatzig  
Trish Hussey  
Richard Leber  
Susan Levy  
Nancy Milio, Chair, Report Subcommittee  
Chris Moran  
Scott Radway  
Mary Winne Sherwood  
Delores Simpson  
Ruby Sinreich  
Bill Strom  
Jim Ward  
Alison Weiner, Chair, Inventory/Needs Subcommittee  
Christine Westfall  
Runyon Woods, Chair, Finance Committee

## **Staff**

Tara L. Fikes, Orange County  
Loryn Barnes, Town of Chapel Hill  
Chris Berndt, Town of Chapel Hill  
Lanier Blum, Triangle J. Council of Governments

## **Special Thanks**

*The **Commissioners Affordable Housing Task Force** extends special thanks to Erin Kobetz, MPH and Rose Wilcher, students at the University of North Carolina at Chapel*

Hill for conducting focus groups with local housing program clients to better understand their housing needs.

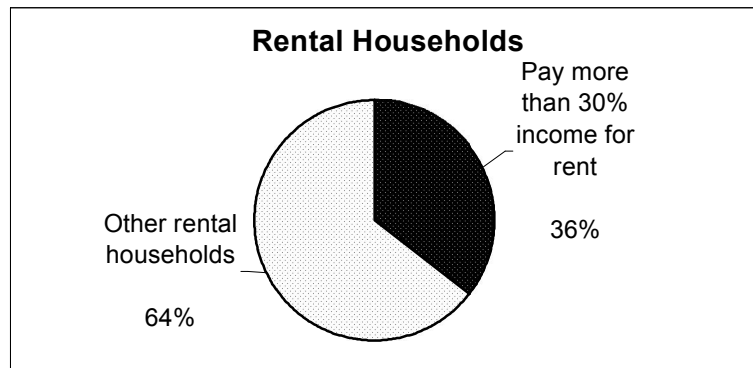
**Affordable Housing Needs at a Glance**

The data presented below demonstrate that affordable owner-occupied and rental housing for *very-low income* (< 30% of median income); *low-income* (30%-50% of median income); and *moderate-income* (51%-80% of median income) working families has become increasingly less accessible in recent years. In addition, the current pace of affordable housing construction, maintenance, and rehabilitation is dramatically lagging behind the growing need. **This is especially true for affordable rental units.**

- There are approximately 44,854 households in Orange County, 58% owners and 42% renters.

**RENTAL HOUSING**

- Of a total 18,839 rental households, approximately 6,697 are paying more than 30% of their income for housing costs and 4,455 households are paying more than 50% of their income for monthly housing costs.



Source: Karnes Research Company

- The Housing Wage in Orange County is \$14.52, higher than the North Carolina wage of \$10.16. This is the amount a worker would have to earn per hour in order to be able to work 40 hours per week and afford a two-bedroom unit at the area's Fair Market Rent (FMR). The current FMR is 282% of the present minimum wage (\$5.15 per hour) or 172% of the Orange County living wage (\$8.45).

Location	Housing Wage						
	Hourly Wage Needed to Afford (@ 40 hrs./wk.)			Percent Change in 2BR Housing Wage (1999-2000)	As % of Minimum Wage (\$5.15/hr.)		
	One BR FMR	Two BR FMR	Three BR FMR		One BR FMR	Two BR FMR	Three BR FMR
North	\$8.60	\$10.16	\$13.58	1.80%	167%	197%	264%

Carolina							
Orange County	\$12.37	\$14.52	\$19.48	14.57%	240%	282%	378%

Source: National Low Income Housing Coalition

- In Orange County, a worker earning the Minimum Wage (\$5.15 per hour) has to work 113 hours per week in order to afford to rent a two-bedroom apartment.

Location	Work Hours/Week Necessary at Minimum Wage (\$5.15) to Afford		
	One Bedroom FMR	Two Bedroom FMR	Three Bedroom FMR
North Carolina	67	79	105
<b>Orange County</b>	<b>96</b>	<b>113</b>	<b>151</b>

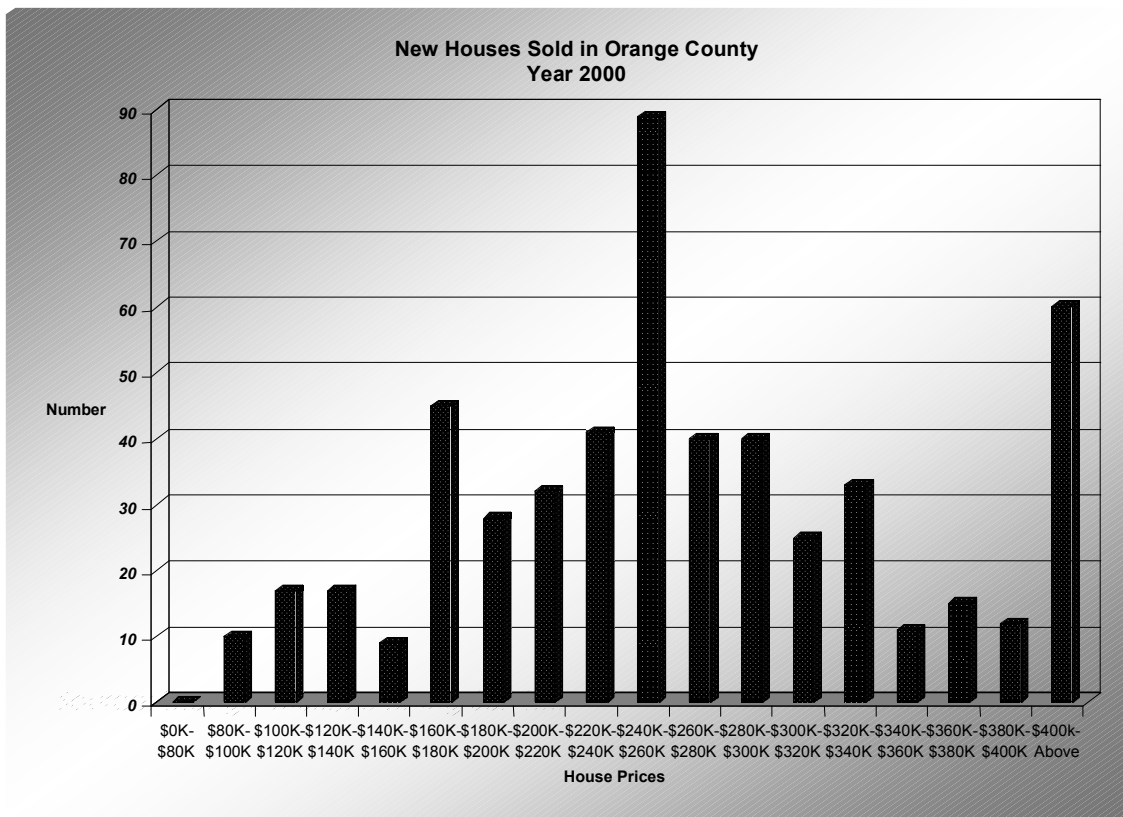
Source: National Low Income Housing Coalition

### HOMEOWNERSHIP

Average Sales Price for New and existing homes in 2000 in unincorporated Orange County  
\$235,633

Average Sales Price for new and existing homes in 2000 in the Town of Chapel Hill –  
\$262,162

Average New Home Sales Price for Single Family Detached Houses in the Town of Chapel Hill  
\$311,255



Source: Triangle Multiple Listing Service

The number of housing units sold in Orange County during the past four (4) years has declined in every price category except for those priced higher than \$250,000.

- The number of homes sold at more than \$250,000 increased by 42% in four (4) years.
- The number of homes sold for less than \$79,000 decreased by 55% in four (4) years.

**Orange County Housing: Sales Price Distribution 1997-2000**

Price Range	Percent Housing Units				
	1997	1998	1999	2000	Change: 1997-2000
\$0-\$79,000	11.6	8.2	7.2	5.2	-55
\$80,000-\$119,000	16.7	14.5	14.8	13.1	-21
\$120,000-\$159,000	15.4	18.5	17.2	15.1	-2
\$160,000-\$199,000	14.8	13.5	15.3	14.2	-4
\$200,000-\$249,999	14.3	14.4	16.9	13.7	-4
\$250,000 and greater	27.3	30.8	34.0	38.6	42
Average Price	\$197,071	\$209,208	\$218,875	\$235,633	20

Source: Triangle Multiple Listing Services; 2001 Chapel Hill Data Book

### **Additional Significant Findings**

- ✓ In the years between 1995-2000, 399 new units of affordable housing were produced in Orange County. The total cost of producing this housing was \$26,507,157. Of that total, \$2,495,026 or 9% was provided by locally controlled funding sources.
  
- ✓ With one exception, non-profit providers completed all of the affordable housing projects created and renovated between 1995 and 2000.
  
- ✓ There is not currently any duplication of services among non-profit providers. Each provider fills a niche in the affordable housing market.
  
- ✓ Agencies that receive funding from a variety of sources and which incorporate donations and volunteerism into their programs require less per unit funding and produce units at a lower cost than agencies that rely exclusively on county and local government funding.
  
- ✓ The focus group study of clients conducted at three local housing facilities by the Inventory/Needs Subcommittee confirmed the affordable housing need data contained in this report.
  
- ✓ The Educational Impact Fee that is collected for all new residential construction in the County poses a potential barrier to affordable housing development. The revenue generated from the fee is used to finance a portion of the cost of new public school space created by new residential growth. Presently, the fee is \$3,000 in the Chapel Hill-Carrboro School District and \$750 in the Orange County School District. To address this concern, the Orange County Board of Commissioners adopted a Impact Fee Reimbursement Policy that provides funds to reimburse non-profit housing developers that construct affordable housing for low-income families. For-profit developers or individuals are not eligible for fee reimbursement under the current policy.
  
- ✓ Fees for public water/sewer service extensions also pose a potential barrier to affordable housing development. In response, in 1998, OWASA implemented a

tiered residential availability fee system for homes in five size classes with the lowest tier including homes less than 1701 square feet. There is currently discussion regarding the inclusion of a new lower tier of service as well.

- ✓ There is a continued need to combat the myth that affordable housing lowers neighborhood property values.

**Recommendations**

1. **Establish** short-term (5-year) and long-term (10-year) affordable housing targets for development. Affordable housing targets should focus on low income rental families (those below 50% of the area median income, i.e., \$31,400 for a family of 4 in 2000) and increase incrementally over the plan period as both the capacity and commitment of local providers grow and local funding sources are developed.

**Recommended Short-term Housing Targets**

<b>% of Median Income(MI)/ Housing Tenure</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 4</b>	<b>Yr 5</b>	<b>Total Number Units</b>	<b>Total Public Subsidy @ \$20,000/unit</b>
<50% MI/Owner	20	22	24	26	28	120	\$10 million
<60% MI/Rental	50	60	80	100	110	400	
<b>Subtotals</b>	<b>70</b>	<b>82</b>	<b>104</b>	<b>126</b>	<b>138</b>	<b>520</b>	<b>\$10 million</b>
51-80% MI/Owner	25	30	36	42	50	183	\$4 million
<b>Totals</b>	<b>95</b>	<b>112</b>	<b>140</b>	<b>168</b>	<b>188</b>	<b>703</b>	<b>\$14 million</b>

- Given that approximately 12,281 households in the County are experiencing housing problems, 703 housing units addresses approximately six (6) percent of the estimated total housing need in Orange County during the next five (5) years.
- \$14 million in public subsidies will generate \$80 million in affordable housing stock. (703 units x \$112,000 [estimated cost per unit] = \$80 million)
- County bond initiatives, including the current bond monies and a new 2001 bond issue, can be used to finance the recommended housing targets.

[Reference: Inventory and Needs Subcommittee Report]

2. **Establish** an Affordable Housing Advisory Board for Orange County. The Board would assist the Board of Commissioners with the following:

- ◆ Prioritizing needs;
- ◆ Assessing project proposals;
- ◆ Aid the process of publicizing the County's housing objectives;
- ◆ Assist in the implementation of the strategies contained in the FY 2001 Commissioners Affordable Housing Task Force Report;
- ◆ Monitor progress of local housing programs;
- ◆ Explore new funding opportunities;

- ◆ Generally increase the community's awareness, understanding, commitment to and involvement in a comprehensive program of initiatives to increase the amount of attractive affordable housing;
- ◆ Assist in the investigation of residential segregation patterns in the County.
- ◆ Other housing-related items identified by the Board of Commissioners.

[Reference: All Subcommittee Reports]

3. **Initiate** a joint effort between the County and Town governments to engage a concerted and ongoing dialogue with the University of North Carolina at Chapel Hill on issues that affect affordable and accessible housing. Current estimates are that up to 15,000 students live in off-campus housing, a number equivalent to about a third of the total number of county households. [Reference: Inventory/Needs Subcommittee Report]

4. **Adopt** the revised Evaluation Criteria for the Housing Bond Program as proposed in this report. Housing bond funds should be awarded as soon as a proposal is approved. Housing proposals that score of 60 points indicate projects are well structured and deserve funding. If funds are not available, funds should be raised for all projects scoring above 60 points. [Reference: Finance Subcommittee Report]

5. **Adopt** affordable housing enabling zoning provisions including enhanced accessory zoning and inclusionary development ordinances. When necessary, the governments should aggressively encourage the state legislature to grant the authority to enact these provisions. [Reference: Zoning Subcommittee Report]

6. **Acquire** land for eventual affordable housing development purposes. There is a dwindling supply of appropriate available land for development in the County and the County and towns should take the lead in acquiring land for future housing development. [Reference: Finance Subcommittee Report]

7. **Utilize** equity sharing and other methods of limiting housing cost escalation to make and keep housing affordable for future generations of low income households. [Reference: Finance Subcommittee Report]

8. **Challenge** and encourage all non-profits and for-profit housing providers to share resources and collaborate together on affordable housing projects. Further, these groups should incorporate opportunities for in-kind donations and community support into their programs. Involvement creates consensus. [Reference: Finance Subcommittee Report]

9. **Require** all new residential and commercial developments in the County and Towns seeking zoning approval and/or permits to contain at least 15% of affordable units (for families at 80% or less of median income) in residential projects or a donation of land for commercial developments. Further, these projects should be exempt from associated project development fees. [Reference: Zoning Subcommittee Report] See



the attached memorandum regarding recent projects approved by the Council as an example.

10. **Declare** the Year 2002 "The Year of Affordable Housing" and implement a public education campaign defining affordable housing. [Reference: Education Subcommittee Report]

### **Emerging New Strategies**

1. **Investigate** the feasibility of a countywide public-private investment fund. This would be open to public and private institutional and individual investors, especially area entrepreneurs, public and non-profit educational, religious, and other institutions and foundations, and upper-income earners in the Triangle. The fund would pay a guaranteed low interest rate of return (ranging at the choice of the investor between 0-5%) in order to allow the Fund to make loans to nonprofit low income housing providers at 3 percentage points below market rates.
2. **Develop and support** the capacity of non-profit and other willing providers to cooperatively plan, develop, and maintain affordable rental and owner-occupied low-income housing.
3. **Investigate** the use of tax-exempt bonds that are issued through 501(c)(3) organizations as a funding mechanism. Sometimes called private placement bonds, they are not backed by the county nor do they impact the county's bond rating. They can be used to produce rental units at below market rates, as an example.
4. **Locate** new affordable housing where infrastructure is available, especially water, sewer, and public transportation services, and disperse it throughout the County, especially near jobs, with a range of types and densities of housing in urban and rural areas.
5. **Establish** dialogue with local builders and developers to determine the effectiveness and constraints of current government incentives intended to promote or discourage affordable housing development.
6. **Pursue** the creation of a housing information clearinghouse that can be accessed by a hotline and website for individual renters, buyers, sellers, housing developers, media, and officials.
7. **Support** the efforts of the Continuum of Care Committee to develop a Continuum of Care Plan is designed to organize and deliver housing and related support services to meet the specific needs of homeless individuals and

families as they move to stable housing and maximum self-sufficiency. Key components of the plan include: outreach/assessment; emergency shelter; transitional housing; and permanent housing. Counties are required to engage in the Continuum of Care planning process in order to access available HUD funding for homeless families.

## **Additional Strategies**

### **I. Finance**

- Seek local government commitment to fund affordable housing initiatives with:
  - Bonds
  - Local Property Taxes
  - Rental License Fees
- Challenge local governments to further avail themselves of the following funds and commit them to affordable housing initiatives:
  - Economic Development Initiative Funds (EDI)
  - HUD Section 108 Loan Guarantee Funds
  - Individual Development Accounts (IDA)
- Seek state legislation to fund affordable housing initiatives from:
  - Corporate Tax Credits
  - Linkage Funds
  - Restructured Property Taxes
  - Title Transfer Fees
  - Reserve Fund Set-asides
  - Special Taxes
- Encourage Public/Private Initiatives such as:
  - Seattle-style Philanthropy
  - Affordable Housing-Friendly Foundations

### **II. Land-Use/Zoning**

- Review the inter-relationship between land use policies and affordable housing relevant to land costs, availability of water and sewer systems, density controls, and government incentives and other policies that influence the development of affordable housing.
- Encourage the preservation, repair and replacement of existing affordable housing stock, by, for example, adopting a maximum size limit for homes in neighborhoods where there is pressure to replace small homes with larger ones.

- Balance affordable housing design standards, environmental concerns, and harmony with surrounding neighborhoods and ensure that the design of all housing minimize barriers to accessibility, allowing people to age in place and use materials that conserve energy. Expectations are that the 65 and older population of Orange County will grow from 9,308 to 21,553 by 2020. This is an increase of 131.6% compared to total county population growth of only 38.1%. (See Zoning Subcommittee Attachment)
- Support safely installed and sited manufactured homes as a valuable form of affordable housing, expanding building inspector purview and improving standards for installation.
- Provide a safety net for individual mobile home owners when parkland is removed through sale and development or due to health and safety deficits.
- Work with human service providers to expand services and capacity in shelter, group homes, transitional housing, SROs, assisted living, and other “service-enriched” housing. Towns should locate and reserve suitable sites for these types of housing.

### **III. Education**

- Utilize a variety of educational formats including brochures, videos, press/media kits, and an Internet website.
- Provide personalized examples of “eligible” affordable housing consumers in educational materials using demographic data and celebrating successes to address NIMBY concerns of officials, providers, and neighborhoods.
- Demonstrate the importance of affordable housing, the value of diversity for the community, and paint scenarios of what the community might look like if the problem of affordable housing is ignored (based on economic, racial, ethnic and age data).
- Produce an annual report on affordable housing availability by cost, numbers in relation to need, and ownership type as well as an Annual Affordable Housing Report Card to keep elected officials and the community up to date and aware of needs and successes.

### **Collaboration with UNC-CH**

- Encourage the University to house more students on University land, and assist with the provision of affordable housing for any projected new employees or facilities.
- Include University officials in all ongoing deliberations in the County and the Towns regarding affordable housing.

