Welcome

Annual Emerging Trends in Real Estate Program + Housing Summit

November 8, 2018
ULI Americas Trends Report
Andy Warren | PwC

Annual Emerging Trends in Real Estate
Program + Housing Summit

November 8, 2018
Emerging Trends in Real Estate 2019
A New Era Demands New Thinking
40 years and counting

“Real estate as an asset class has matured. Market participants need to realize this and make the appropriate adjustments.”
Market sentiment

“Sure it feels like the activity level will moderate, but more like a plateau and not a sharp downhill slide.”
What word would you use to describe the 2019 real estate market?

Top 5

#1 Plateau
#2 Competitive
#3 Cautious
#4 Evolving
#5 Overheated
2019 Expected Profitability

2018
- Poor, 1.1%
- Fair, 19.3%
- Good, 62.8%
- Excellent, 16.8%

2019
- Poor, 0.8%
- Fair, 20.4%
- Good, 61.8%
- Excellent, 17.0%
2019 Expected Profitability

Total Market
- Excellent: 17.0%
- Fair: 20.4%
- Good: 61.8%
- Poor: 0.8%
- Abysmal: 0%

Triangle Region
- Excellent: 23.1%
- Fair: 19.2%
- Good: 57.7%
- Poor: 0.8%
- Abysmal: 0%

Emerging Trends in Real Estate 2019 Online Survey
2019 Market Outlook

Opinion of current pricing doesn’t appear to indicate a market peak

Emerging Trends in Real Estate 2019 Online Survey

- **Industrial**
  - Over Priced: 29.1%
  - Fairly Priced: 64.7%
  - Under Priced: 6.3%

- **Multifamily**
  - Over Priced: 36.1%
  - Fairly Priced: 57.9%
  - Under Priced: 6.0%

- **Retail**
  - Over Priced: 41.6%
  - Fairly Priced: 48.8%
  - Under Priced: 9.6%

- **Office**
  - Over Priced: 38.8%
  - Fairly Priced: 50.8%
  - Under Priced: 10.4%
Market Outlook

Long economic expansions aren’t that uncommon

- **Australia**: Since 1991 - 3.2% Avg - 324
- **South Korea**: Since 1998 - 4.4% Avg - 240
- **Ireland**: 1986 - 2007 - Ireland 5.9% Avg - 234
- **Netherlands**: 1981 - 2003 - 2.9% Avg - 228
- **Canada**: 1991 - 2008 - 2.7% Avg - 204
- **US**: 1991 - 2001 - 3.8% Avg - 120
- **US**: Since 2009 - 2.3% Avg - 114
- **US**: 1961 - 1970 - 5.1% Avg - 106

Source: OECD
What inning are we in?

25 innings

Longest major league game in baseball history. On May 8, 1984 the Chicago White Sox defeated the Milwaukee Brewers, 7 – 6.
“Demographic growth is slowing and you can’t deny it will have an impact on the real estate industry. Making the right choices will be key.”
Intensifying Transformation

Slower GDP growth projected to be the norm, but contribution by component remains stable.
Intensifying Transformation

Slower GDP growth projected to be the norm, but contribution by component remains stable.

Triangle Region continues to exceed the US rate.

Source: BEA, IHS Markit
Easing into the Future

Natural population change

Source: Census Bureau, IHS Markit
Easing into the Future: More workers leaving the workforce

Population turning 18 and 65 by year

Source: US Census Bureau
“Someday, the most valuable component of an office building may be the data it generates.”

Dealing with disruption
41% Annual increase in global real estate tech investment over the past 4 years

Source: CB Insights

Accelerating Digital Transformation

Real Estate Tech Financing

<table>
<thead>
<tr>
<th>Year</th>
<th>Disclosed funding ($Billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$1.3</td>
</tr>
<tr>
<td>2015</td>
<td>$2.5</td>
</tr>
<tr>
<td>2016</td>
<td>$2.9</td>
</tr>
<tr>
<td>2017</td>
<td>$3.4</td>
</tr>
<tr>
<td>2018*</td>
<td>$5.2</td>
</tr>
</tbody>
</table>

Source: CB Insights
Accelerating Digital Transformation

✓ Nearly $7.0 trillion asset class
✓ 13.2% - real estate rental and leasing value add contribution to GDP
✓ Technology attracted to fragmented nature of the industry: Asset Management, Brokerage, Development, Due Diligence, Finance, Facility Management
✓ Key industry companies have begun their own investment
✓ Maybe...
What does disruption look like?
Their Biggest issues – people didn’t rewind these
Taking their eye off the ball
Markets to watch

- 18-hour city 3.0

“The competition for talent makes being in the right market of vital importance.”
Markets to Watch

Overall Real Estate Prospects

#1 Dallas/Ft. Worth
#2 Brooklyn
#3 Raleigh/Durham
#4 Orlando
#5 Nashville
#6 Austin
#7 Boston
#8 Denver
#9 Charlotte
#10 Tampa/St. Petersburg
Good to Excellent outlook for investment and development by property type.

Source: 2019 Emerging Trends in Real Estate Online Survey
What Makes the Triangle Region #3?

- Not just a desirable place to invest, but a real chance that you could
“The pace of change faced by all property types is making the future viability of each asset increasingly important.”
**Property Type Outlook**

### Investment
- SF housing
- Industrial
- MF housing
- Office
- Retail
- Hotels

- **Poor**
- **Fair**
- **Good**
- **Excellent**

### Development
- SF housing
- Industrial
- MF housing
- Office
- Hotels
- Retail

- **Poor**
- **Fair**
- **Good**
- **Excellent**

Emerging Trends in Real Estate 2019 Online Survey
Why Do We Care About Technology?

70%
The percent of survey respondents who felt technology would have no impact on the demand for retail space.

Emerging Trends in Real Estate 2004 Online Survey
Retail Transforming to a new Equilibrium

Retail sector responds quickly to slowing demand

Shopping center GLA (Sq.Ft) added by year

25-Year Average, 112,000,000 (Sq.Ft.)
Retail Transforming to a new Equilibrium

Transformation to less square feet per capita continues

Source: REIS, Inc
The Myth of “Free Delivery”

An average of 30% of online purchases will be returned

Source: CSCMP

Estimated last mile cost per package in a urban, high-density, e-commerce route

Average value of an online purchase $82

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>$2.10</td>
</tr>
<tr>
<td>Fuel</td>
<td>$0.20</td>
</tr>
<tr>
<td>Vehicle Cost</td>
<td>$0.20</td>
</tr>
<tr>
<td>Maintenance/Other</td>
<td>$0.40</td>
</tr>
<tr>
<td>Total</td>
<td>$2.90</td>
</tr>
</tbody>
</table>
ULI Americas Trends Response Panel

Audie Barefoot | Fonville Morisey Barefoot
Skip Hill | Highwoods Properties
Tom Murphy | ULI (Moderator)
David Ravin | Northwood Ravin
Andy Warren | PwC
Chris Widmayer | Regency Centers

Annual Emerging Trends in Real Estate Program + Housing Summit

November 8, 2018
ULI Americas Trends

Triangle Housing

Market Continuum

Bill King | DRA
Aspen Romeyn | TJ-COG
Kyle Vangel | HR&A

Annual Emerging Trends in Real Estate
Program + Housing Summit

November 8, 2018
ULI Triangle
Housing and Real Estate
Trends

Trends in Housing
Affordability in Triangle
KEY TRENDS IN HOUSING AFFORDABILITY

Kyle Vangel, HR&A Advisors

November 8, 2018
HR&A is an economic development and real estate consulting firm working at the intersection of the public and private sectors.
We approach and understand affordability issues at three comprehensive, mutually reinforcing levels.

**HOUSING STRATEGIES**
Analyzing local housing market conditions

**HOUSING POLICIES AND PROGRAMMING**
Designing solutions that align public and private interests

**HOUSING TRANSACTIONS**
Advising on the development and preservation of housing
1. Affordability Key Terms

2. Indicators of Affordability Challenges

3. Drivers of Affordability Challenges
1. Affordability Key Terms

2. Indicators of Affordability Challenges

3. Drivers of Affordability Challenges
Area Median Income (AMI) is a metric used to benchmark and understand local need and affordability.

- Determined as midpoint in distribution of household incomes within a geographic region
- Provided annually by HUD* for different household sizes (1- to 8-person)
- Used to determine eligibility for income-restricted housing programs

Raleigh MSA AMI Levels 2018

<table>
<thead>
<tr>
<th>AMI Level</th>
<th>30%</th>
<th>50%</th>
<th>60%</th>
<th>80%</th>
<th>100% (median)</th>
<th>120%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income for a 4-person household</td>
<td>$25,300</td>
<td>$42,150</td>
<td>$50,600</td>
<td>$67,500</td>
<td>$84,300</td>
<td>$101,200</td>
</tr>
</tbody>
</table>

*U.S. Department of Housing and Urban Development
Source: HUD
HR&A Advisors, Inc.
In the Raleigh MSA, approximately 70% of households earn less than 120% of AMI.

Raleigh MSA Household Distribution by AMI Level
2018

AMI Level | 0 - 30% | 30 - 50% | 50 - 60% | 60 - 80% | 80 - 100% | 100 - 120%
---|---|---|---|---|---|---
Count | 71,800 | 59,300 | 39,200 | 55,600 | 45,300 | 42,000
Overall Median | $25,300 | $42,150 | $50,600 | $67,500 | $84,300 (median) | $101,200

Source: U.S. Census; HR&A Analysis
HR&A Advisors, Inc.
“Affordable housing” can have a variety of meanings in different jurisdictions. There are three common terms that align with the income bands they each typically serve.

<table>
<thead>
<tr>
<th>AMI Level</th>
<th>0 - 30%</th>
<th>30 - 50%</th>
<th>50 - 60%</th>
<th>60 - 80%</th>
<th>80 – 100%</th>
<th>100 - 120%</th>
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<tbody>
<tr>
<td>Housing Type</td>
<td>Public Housing</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Affordable Housing</td>
<td></td>
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<tr>
<td>Workforce Housing</td>
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</tbody>
</table>
“Cost burden” is a measure of unaffordability that can apply to both renters and homeowners, at all income levels.

Per commonly-used HUD definitions:

- Cost-burdened households spend more than 30% of income on housing
- Severely cost-burdened households spend more than 50% on housing
Providing housing at different densities can add needed housing supply while better fitting the preferences and income levels of households.

Single-Family Detached Home

Townhomes and Small Multifamily (2 – 40 units)

Large Multifamily (40+ units)

The “Missing Middle”: an opportunity to add supply
1. Affordability Key Terms

2. Indicators of Affordability Challenges

3. Drivers of Affordability Challenges
Homeownership rates have fallen to historic lows (albeit from historic highs).

National Share of Homeowner Households
2000 – 2017

height of housing bubble

Source: U.S. Census; Federal Reserve Economic Data; HR&A Analysis

HR&A Advisors, Inc.
For the nation’s renter households, housing affordability in has severely worsened.

Share of Renter Households with Cost Burdens
United States
2000 – 2016

- 38% cost-burdened in 2000 (13.6 M)
- 46% cost-burdened in 2016 (20.2 M)

+ 6.6 million cost-burdened renter households

Source: American Community Survey 5-Year Estimates; HR&A Analysis
Note: Cost-burdened households are commonly defined as those spending over 30% of household income on housing.
HR&A Advisors, Inc.
Notably, renters have become cost-burdened across the nation, outside of traditionally high-cost markets...

Source: Harvard Joint Center for Housing Studies

Share of Renter Households with Cost Burdens
2017

Source: Harvard Joint Center for Housing Studies
...and cost burdens have increased rapidly for middle-income renters.

Share of Renter Households with Cost Burdens, by Income Bracket
2000 – 2016

Source: American Community Survey 5-Year Estimates; HR&A Analysis
HR&A Advisors, Inc.
The increase in cost burden is a direct result of two trends: real renter incomes have been stagnant or falling, while real rents have risen.

Source: American Community Survey 5-Year Estimates; HR&A Analysis

HR&A Advisors, Inc.

*Based on 30% of median monthly renter household income
In Wake County, the rate of growth in housing costs for rental housing has outpaced income growth.

**Growth in Housing Cost Relative to Income (indexed; nominal)**

2000 – 2016

- **Rental Housing**
- **Median Household Income**

---

**Percentage Point Increase In Growth 2000 – 2016**

- **Cost of Rental Housing**: 42%
- **Median Household Income**: 26%

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*Source: U.S. Census; CoStar Group; Zillow; HR&A Analysis*
1. Affordability Key Terms

2. Indicators of Affordability Challenges

3. Drivers of Affordability Challenges
Rents have risen in the past two decades for three main reasons.

1. RISING DEVELOPMENT COSTS

   Increase rents necessary to support development
Rents have risen in the past two decades for three main reasons.

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   Increase rents necessary to support development

2. DECLINING PUBLIC FUNDING
   Limits production and preservation of deeply affordable units
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1. RISING DEVELOPMENT COSTS
   Increase rents necessary to support development

2. DECLINING PUBLIC FUNDING
   Limits production and preservation of deeply affordable units

3. SUPPLY-DEMAND MISMATCH
   Intensifying competition due to supply shortage and greater willingness to pay
Both hard and soft costs to development rose significantly from 2000 to 2016.

Source: Craftsman Cost Data; Lincoln Institute; HR&A Analysis
HR&A Advisors, Inc.
Rising development costs worsen affordability directly by forcing up the rents necessary to develop new housing.

1. Rising Development Costs

- **Increase in Development Costs**
  - Hard Costs
  - Soft Costs

2. Operating Expenses

- Increased Financing
- Property Management

3. Revenue

- Increased Rent
- Rent

**Initial Required Rent**

**Increased Required Rent**
Federal funding for income-restricted affordable housing has steadily decreased.

Trends in Federal Funding from HUD
2000 – 2016

Source: Housing of Urban Development; HR&A Analysis
HR&A Advisors, Inc.
Demand for rental housing has grown by a third since 2000.

Growth in Renter Households
United States
2000 – 2017

Source: Federal Reserve Economic Data; HR&A Analysis
HR&A Advisors, Inc.
3. Supply-Demand Mismatch

At the same time, the supply of subsidized affordable housing is expected to rapidly decline, assuming a continued lack of both new development and preservation.

Cumulative Publicly Assisted Units with Expiring Subsidies (Millions)
United States
2017 – 2027

Source: Harvard Joint Center for Housing Studies; U.S. Census; HR&A Analysis
HR&A Advisors, Inc.
In Wake County, nearly 9,000 publicly assisted units could lose their affordability provisions in the next 20 years.

Publicly Assisted Units with Expiring Subsidies
Wake County
2017 – 2037

Source: National Housing Preservation Database; HR&A Analysis

HR&A Advisors, Inc.
In addition to needing subsidized housing, low-income renters also rely upon affordable, unsubsidized housing: NOAH.

“Naturally Occurring” Affordable Housing, or NOAH, refers to rental housing that is affordable to low-income renters despite being unsubsidized by any government programs. This housing tends to be older, lower-quality housing in less-desirable neighborhoods.

Source: National Housing Preservation Database; HR&A Analysis
This supply of “naturally affordable” market-rate housing is declining nationally.

NOAH is not actually “naturally occurring.” It is the result of filtering in the market as properties age. When housing supply becomes tight, the filtering process slows or stops. As a result, NOAH units may be “lost” to rent growth when rents for aging product are pushed higher in supply-constrained markets. Units may also be lost to obsolescence.

### Net Decrease in NOAH Units

**United States**

**2000 - 2016**

**1.3 Million**

*Source: U.S. Census; HR&A Analysis*
In Q1 2017, Wake County had 9,800 NOAH units.

Map of NOAH Units
Wake County
2017

Source: CoStar Group; HR&A Analysis
Note: Map shows 1-bedroom units at $766 or below. Rent limit set to reflect maximum monthly rent affordable to a two-person household at 50% AMI.

HR&A Advisors, Inc.
3. Supply-Demand Mismatch

80% of these NOAH units are located in areas with higher-than-average poverty rates, relative to the county overall.

Source: CoStar Group; HR&A Analysis

Note: Map shows 1-bedroom units at $766 or below. Rent limit set to reflect maximum monthly rent affordable to a two-person household at 50% AMI.

HR&A Advisors, Inc.
Most of these units are in garden-style apartment buildings built 30 – 50 years ago.

Source: CoStar Group; HR&A Analysis

Note: Measure of 1-bedroom units at $766 or below. Rent limit set to reflect maximum monthly rent affordable to a two-person household at 50% AMI.

HR&A Advisors, Inc.
As a result, the local “gap” between supply and demand for affordably priced housing is expected to grow by over 4,000 units per year.

Projected Housing Gap for Households At or Below 50% AMI
Wake County
2015 – 2035

*These projected rates are mitigated by efforts such as preservation and new development of affordable housing, outsized income growth, or displacement 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.
For additional information, contact:

HR&A Advisors
925 15th Street NW, 3rd Floor
Washington, DC 20005
202-903-0725
www.hraadvisors.com
Regional Housing Snapshot

John Hodges-Copple on behalf of Aspen Romeyn
Principal Planner, Triangle J Council of Governments
November 8, 2018
Housing is a Regional Issue

- TJCOG Board of Delegates identified Transportation & Housing as top priority regional issues in 2016.
- Input at the 2017 TJCOG Regional Summit brought up the same themes:

**Identifying Challenges**

Two generations from now, what challenges do you hope will be overcome in this region?

* Access & Equity of Education
Commuting Patterns

- There are approximately 900,000 workers that live within the seven Triangle J counties.
- Almost **235,000** of them, or **26%**, work in a different county from where they live.
- More than **half** of residents in Chatham and Johnston counties work in another county.

Proportion of workers who work outside their county of residence

Data Source: 2012-2016 American Community Survey
Housing Stock
Chatham, Durham, Johnston, Orange, & Wake Counties

There are over 680,000 homes in the Triangle, 37% of which are rented.

61% of households are 1-and-2-person households, yet just one-third of housing units are 1 and 2-bedroom units. There are limited options for those who want smaller homes.

Data Source: 2012-2016 American Community Survey
Population Growth vs. Building Permits
Chatham, Durham, Johnston, Orange, & Wake Counties

Total new units: 94,068
Total new households: 91,352
Difference: 2,716

Data from the American Community Survey 5-Year Estimates and U.S. Census Bureau Building Permit Survey
Projected Population Growth
Chatham, Durham, Johnston, Orange, & Wake Counties

- Currently **1.7 million** people live in the five counties.
- By 2045, we expect the population will grow to **2.8 million**.
- Will mean an additional **400,000 households**

Data from the NC OSBM 2016 estimates, Connect 2045 population projections
Q: Of residential units that received a building permit over the past six years, what proportion are for units in larger apartment buildings (5+ units)?

A. 12%
B. 25%
C. 31%
D. 43%
- Larger apartments generally make up around 30% of new units permitted in a year.
- Missing middle housing types, or 2-4 units, make up less than 1% of new units.

Data from the U.S. Census Bureau Building Permit Survey.
Rapid Increase in Housing Values, 2004-2015

Source: https://www.washingtonpost.com/graphics/business/wonk/housing/overview/
Job and earnings growth

The region has seen high growth in low-paying jobs, but low wage gains in those low-paying jobs.

Growth in Jobs and Earnings by Industry Wage Level, 1990 to 2012

- Low-wage: 77% of jobs, 17% of earnings
- Middle-wage: 35% of jobs, 34% of earnings
- High-wage: 97% of jobs, 49% of earnings

Source: U.S. Bureau of Labor Statistics; Woods & Poole Economics, Inc. Universe includes all jobs covered by the federal Unemployment Insurance (UI) program.
Cost-Burdened Households
Chatham, Durham, Johnston, Orange, & Wake Counties

154,000 low- and moderate-income households (64%) are housing cost burdened across the region.

Data from the 2012-2016 American Community Survey
Median Rent & Affordability Thresholds
Chatham, Durham, Orange, & Wake Counties

Data from the 2017 Out of Reach Report, and the DataWorks NC 2017 Triangle Rent Summary

Rent affordable at:
- Median income
- 80% of AMI
- 50% of AMI
- 30% of AMI

Durham-Chapel Hill HMFA
- $1,833
- $1,466
- $916
- $550

Raleigh-Cary MSA
- $2,005
- $1,604
- $1,003
- $602

Data from the 2017 Out of Reach Report, and the DataWorks NC 2017 Triangle Rent Summary
Q: What proportion of rental units in the five counties have legally-binding affordability restrictions (income-based rents)?

A. 5%
B. 11%
C. 18%
D. 24%
Affordable Rental Units
Chatham, Durham, Johnston, Orange, & Wake Counties

- LBAR units make up 11% of all rental units
- NOAH units make up 41% of all rental units

Units considered affordable if affordable to at or below 80% AMI based on household size/number of bedrooms.
Data sources: National Housing Preservation Database, CoStar, local government and nonprofit housing providers
Thank You

Resources: www.tjcog.org/housing.aspx

Aspen Romeyn
Principal Planner
Triangle J Council of Governments
aromeyn@tjcog.org
919-558-9319
Why Does it Matter?

Bill King, Downtown Raleigh Alliance
Commuting times and congestion

- There are approximately 900,000 workers that live within the seven Triangle J counties.

- Almost 235,000 of them, or 26%, work in a different county from where they live.

- More than half of residents in Chatham and Johnston counties work in another county.

Proportion of workers who work outside their county of residence
Data Source: 2012-2016 American Community Survey
Commuting times and congestion

1,000-home development gaining steam south of Fuquay-Varina

LOCAL

America’s fastest-growing suburb is in the Triangle
Public Health + Educational Attainment

- Longer commutes = less physical activity
- Asthma, exposure to toxins from substandard and old housing
- More opportunity for green building to reduce energy costs
- Housing security can reduce stress and improve mental health and educational attainment
- Lower housing costs = more spending on other needs
- Better neighborhoods mean more walking and access to amenities
Neighborhood Effects

• Displacement

• Concentration of poverty can lead to isolation and limited economic mobility

• Homogenous communities are less dynamic

• More housing can slow rent growth
Rent Growth

1,803 units added in 20 months
Economic Development

• Cost of living is powerful attraction for employers

• Housing availability matters to employers

• Growth will continue

Amazon’s HQ2 Could Worsen The Housing Crisis, New Report Says
The Urban Institute concludes we’ll need 267,000 additional residences by 2025 to keep up

7 horrible things that could happen to cities if they win Amazon's HQ2 bid

Is Raleigh’s housing market good enough for Amazon’s HQ2? Zillow says maybe.
Economic Development

Only the Triangle, Atlanta, Boston, NYC, Los Angeles, Washington D.C., and Chicago have three Tier-1 Research Universities in one metropolitan region.
Future
Future
Thank You!

Questions?
ULI Americas Trends
National Perspective

George “Mac” McCarthy | Lincoln Institute of Land Policy
Tom Murphy | ULI

Annual Emerging Trends in Real Estate
Program + Housing Summit

November 8, 2018
ULI Americas Trends
Economics of Delivering
New Housing

Alex Cathcart | FCP
Erica Leatham | MI Homes
Tim Morgan | Evergreen
Joe Whitehouse | Creative Urban Environments, Inc. (Moderator)

Annual Emerging Trends in Real Estate Program + Housing Summit

November 8, 2018
ULI Americas Trends
Tools to Make Housing More Affordable

Natalie Britt | DHIC
Loryn Clark | Town of Chapel Hill
Robin Currin | City of Raleigh
Tom Murphy | ULI (Moderator)
Molly Stuart | Morningstar Law Group
Pat Young | City of Durham

Annual Emerging Trends in Real Estate Program + Housing Summit
November 8, 2018
Expanding Housing Choices in Durham

November 8, 2018
Housing and Real Estate Trends in the Triangle: Aligning Supply, Demand and Affordability
Evidence of a housing shortage

Between 2010-2015, the number of households grew more than the number of new housing units.

Source: US Census, American Community Survey
What’s causing the shortage?

1. Housing development is not keeping pace with population growth
What’s causing the shortage?

1. Housing development is not keeping pace with population growth
2. Attracting populations from wealthy zip codes
People at the bottom of the income ladder have the fewest options

If housing doesn’t exist at higher price points, people will buy “down the ladder,” leaving fewer options for those with the lowest incomes.
What’s causing the shortage?

1. Housing development is not keeping pace with population growth
2. Attracting populations from wealthy zip codes
3. Running out of easily developable land
What’s causing the shortage?

1. Housing development is not keeping pace with population growth
2. Attracting populations from wealthy zip codes
3. Running out of easily developable land
4. Zoning limitations
More growth is on the way

• NC Office of State Budget and Management projects 160,000 new people by 2045
• Equivalent to 62,200 new households during that same time period
• Approximately 2,000 units a year to keep up with population growth
An average of 1,720 housing units have been built annually over the last 10 years.
Objectives for Expanding Housing Choices

Vary the menu of housing types available to meet an increasingly diverse set of needs;

Stabilize housing prices, over the long term, by expanding the supply of housing to keep pace with the rate of population and job growth;

Balance densification with context-sensitive development;

Create opportunities for small-scale creative infill, particularly in areas where demand is highest, and finally;

Streamline processes by making choices allowable without seeking special approvals.
Infill Standards

Modify residential infill standards to promote more context-sensitive development.
Menu of Zoning Change Proposals

Accessory Dwelling Units
Modify UDO regulations to increase viability for more properties.
Menu of Zoning Change Proposals

**Duplexes**
Allow duplexes as a housing type in more locations, especially within the Urban Tier.
Lot Dimensions and Density

Adjust lot dimensional standards to allow more opportunities for small-scale infill.
Menu of Zoning Change Proposals

Small House/Small Lot
Create a new housing type/lot dimensional standard to accommodate small houses.
Menu of Zoning Change Proposals

Cottage Court
Create a new housing type/lot dimensional standard to allow for clusters of small homes built around a common green space.
Alignment with City’s Affordability Strategy

City’s Five Year Affordable Housing Goals focused on:

• Creating and preserving affordable rental opportunities for households at or below 50% AMI (approximately $32k for a 2-person household).
  o Includes focus on strengthening homeless housing system and expanding housing opportunities for homeless households

• Stabilizing neighborhoods that are experiencing significant price appreciation, including:
  o Creation and preservation of smaller scale units in target neighborhoods
  o Repair and rehab assistance for existing homeowners
Examples of Current Affordable Housing Initiatives

• Partnership with Durham Housing Authority to redevelop public housing as mixed-income communities, beginning with five properties totaling 50 acres in central Durham

• Creation of a $15-20 million loan fund to enable affordable housing developers to acquire properties for future development

• Utilization of city-owned land for affordable housing development
  • Willard Street Apartments
  • Vacant lots for single family development
Potential Intersections with Expanding Housing Opportunities

• Expand education and outreach to low and moderate income homeowners to forestall predatory acquisitions, and to educate about available housing and tax assistance programs

• Create education and financing programs to enable low and moderate income homeowners to build wealth through creation of ADUs

• Provide financing for affordable housing developers interested in developing affordable units that take advantage of UDO changes
Greenfield Place and Greenfield Commons
Greenfield Place
80 family apartments

SECU Foundation (3%, 30 years) $2,748,448
NCHFA RPP Loan (2%, 20 years) $1,000,000
DHIC Loan $300,000
Orange County Loan $154,500
Town of Chapel Hill Loan $145,500
Deferred Developer Fee $99,495
LIHTC Equity 1.055 $8,282,250

Total $12,730,193
<table>
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<tr>
<th>Source</th>
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<tr>
<td>Centrant (5.76%, 35 years)</td>
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<tr>
<td>NCHFA RPP Loan (2%, 20 years)</td>
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<td>DHIC Loan</td>
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A New Vision for Housing Affordability

American Housing and Economic Mobility Act
Where are the Opportunity Zones?

Source: communityenterprise.org
Across the Street

Source: communityenterprise.org
Durham
Policy Choices Will Matter More Than Ever