Raising the Roof

Linking Housing Affordability and Transit Investments

-- Metrics and Strategies for the Durham-Orange Light Rail Transit Corridor --

GoTriangle ◈ Triangle J Council of Governments

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Contents

Introduction

The idiom "raising the roof" can refer to either a boisterous celebration or a loud complaint. Major transit infrastructure investments – like the one being planned to link Durham and Chapel Hill using light rail – provide an opportunity to serve affordable housing, but also pose risks that current affordable housing could be lost. This report brings together hard evidence and strategic actions so that over time, we can look back and know we have done what we could to increase the chances for a boisterous celebration about our housing affordability successes and decrease the chances for loud complaints about what we were unable to do.

This report is designed to help inform a variety of decision-makers who, working together, will determine how well we align our transit investments with concrete actions to create and preserve affordable housing near these investments: local elected officials, developers and builders, non-profit housing and community development organizations, financial professionals, transportation agencies, and leaders in anchor institutions such as universities and medical centers.

The vast majority of housing – from single-family detached homes to townhouses to a range of multifamily housing in urban and suburban settings – is successfully provided and managed through the private marketplace. This report focuses on a particular segment of the housing market: housing that can remain affordable to low- and moderate-income households where public investments in high-quality transit may increase land values, market rents and prices. Many of these households are home to people who make our communities run: the firefighters, teachers, nurses, technicians and others who provide vital services in our economy.

The report does not point to a single solution – a range of tools and techniques will need to be either started or strengthened to improve our efforts at creating and preserving affordable housing. Instead, it surveys the current landscape, highlights some approaches that have been successful elsewhere, and frames the next steps for greater progress along our planned transit corridors.

The Big Picture

Easy access to high quality transit helps connect Triangle employers with the workers on which business depends. Better access also increases the number of riders on transit systems, helping transit agencies develop and operate more cost-effectively. Better access also helps people get to critical services, from health care to social services to schooling, in addition to providing more opportunities to find gainful employment without needing to own a vehicle. Increasing the number of people who live near and regularly use transit – especially low- and moderate-income residents who are more likely to depend on and use transit – benefits citizens, economic development and the cost-effectiveness of public services.

Recognizing this mutually supportive relationship, the Federal Transit Administration includes land use and housing affordability metrics along transit corridors in the process it uses to decide which new transit investments to fund. These metrics reward communities that, through plans and actions, are collaborating on transit investments, land use plans and affordable housing decisions.

GoTriangle and the region's communities are working together to plan a network of high-quality bus, light rail and commuter rail services to connect communities within Wake, Durham and Orange Counties. With affordable housing options along transit lines, the Triangle's residents will be able to choose the commute option that best fits their budgets. Furthermore, the more that people who depend on transit to get to jobs, schools, and everyday needs live near transit stations, the better they will be able to access these services, and the more riders the system will carry, improving the Triangle's chances to secure the federal funds included in our transportation plans.

The housing-transit relationship is a pocketbook issue: average transportation costs for households living near transit are 10% lower than for those that live farther away and more households are seeking to lower their transportation costs by living closer to jobs or transit.[1] Moderate income households in Durham and Orange Counties spend between 57% and 68% of their incomes on housing and transportation costs combined[2]; accepted affordability benchmarks indicate this cost should be less than 45%.

Finally, as a result of increasing congestion and unpredictable travel times, Triangle employers may increasingly rely on the region's public transit infrastructure to get their employees to work each day; more than 40,000 households in the Triangle metro region have no car available.[3] High profile companies, Amazon being a recent example, make it clear that they look at a community's quality of transit in making locational decisions. An increase in public transit options in the region may help attract and retain companies seeking more travel choices for their employees.

The development of new transit services, especially light rail, increases the value of land near stations. This is due to improved access to jobs, healthcare, and other necessities that transit provides. While this increase in land value benefits cities, towns and counties along the transit corridors by increasing their tax base, it makes it harder for low- and moderate-income families to afford existing and new homes in or near these station areas, further exacerbating the challenge of living in transit-rich areas for lower income households. Since low- and moderate-income families tend to be more dependent on – and heavier users of – transit service, failure to make room for these families in station areas can hurt ridership, making transit service less cost-effective than it could be.

Creating and preserving affordable housing near transit will not happen by accident. Arlington County, VA, a national leader in both transit investment and affordable housing strategies, saw its market-rate housing affordable to households making 60% of the Area Median Income (AMI) decline by over 80% between 2000 and 2013 due to market conditions.[4] In the wake of the loss of a significant portion of its affordable housing stock to market forces, the County has committed to making every reasonable effort to prevent additional loss of market-rate affordable rental housing in their community. If the Triangle is to avoid a similar fate, creativity and collaboration among a wide range of actors will be needed, so that all the region's citizens can benefit from transit investments.

Housing Goals, Priorities and Current Efforts

Affordable housing is central to Durham and Chapel Hill's growth strategies and plays a key role in retaining existing residents, attracting new residents, and creating equitable and inclusive communities. Both Durham and Chapel Hill have focused on addressing the affordable housing need from two perspectives – preserving the affordability and quality of the existing housing stock and creating new affordable housing where possible. Both Durham and Chapel Hill have formally adopted goals and prioritized strategies to address the affordable housing need, and efforts are currently underway in both communities to reach their goals.

Durham

The City of Durham's Affordable Housing Five-Year Plan (2016-2021) includes a goal to create or preserve 1,150 affordable units over five years. The plan prioritizes strategies that preserve and expand the supply of affordable rental units, maintain affordability for very-low income households in appreciating neighborhoods, and engage the broader Durham community.[5]

These goals and strategies indicate a shared concern and resolve to address the affordable housing crisis in Durham, particularly near proposed transit investments. In 2015, City Council Members and County Commissioners formalized this commitment by adopting the goal of having 15% of housing units within ½ mile of each light rail station be affordable to households earning 60% AMI or below, based on annual U.S. Department of Housing and Urban Development Income Limits for the Durham-Chapel Hill Metro Area.

Ongoing efforts to address affordable housing in Durham include the City's commitment to support the redevelopment of publicly-owned downtown properties, to support preservation and creation of affordable units in multifamily and smaller scale developments, and the preservation of owner-occupied units through repair and rehab programs. More specifically, during the 2018-2019 Fiscal Year:

- Durham anticipates supporting the rehabilitation of 356 Durham Housing Authority (DHA) units at three existing properties
- the preservation or creation of over 230 rental and ownership units in partnership with non-profit organizations and private developers, and
- the rehabilitation of over 40 owner-occupied units.

The City also continues to commit public resources for affordable housing. Council Members most recently approved doubling the property tax set-aside dedicated to affordable housing to two cents, totaling approximately $5.7 million annually going into the City's dedicated housing fund.[6]

Durham has also created new tools to address its affordable housing need. These tools include revising their existing density bonus incentive and working to revise its Unified Development Ordinance (UDO) to reduce barriers to the development of a variety of housing types, including duplexes, townhomes, and Accessory Dwelling Units. Additionally, the City of Durham has begun engaging with Duke University, Self Help, and North Carolina Community Development Initiative to form a $15 to $20 million housing loan fund.

Finally, the City of Durham is working to create new partnerships within City departments and with DHA, as well as with partner stakeholders, such as GoTriangle and other private and community organizations to support affordable housing. These partnerships are key to addressing the affordable housing need as they may lead to the preservation and creation of units as well as financial support.

Chapel Hill

The Town of Chapel Hill has also established goals and strategies to address the affordable housing need within its own community. The Town Council has expressed its commitment with the adoption of its Affordable Housing Policy in 2000 and an Affordable Housing Strategy in 2011. The Town's Affordable Housing Policy is used by the Town Council to negotiate affordable housing for any project that requests a rezoning or as part of the Inclusionary Zoning Ordinance The Strategy is broader and outlines three main goals, which include supporting solutions and programs that offer affordable housing options to a range of incomes, advocating for sustainable approaches to community development that balance economic vitality, social equity, and environmental protection, and pursuing creative partnerships on a local and regional level.[7]

The Town's ongoing efforts to support affordable housing include creating policies that induce affordable housing development, creating financial assistance programs for low- and moderate-income households, and providing financial support for the preservation and creation of new housing units. Chapel Hill also has an Inclusionary Zoning Ordinance, which mandates a set-aside percentage for affordable housing for new for-sale residential developments with more than five units. These developments are required to provide 15% of the units (10% in the Town Center zoning districts) at prices that are affordable to households that earn between 65% and 80% AMI, or provide a payment-in-lieu. The Inclusionary Zoning Ordinance only applies to for sale unit residential developments, not rental developments. An example can help clarify the policy:

> "If a development application proposes 10 market-rate units and is required to provide 15% affordable units, then the development would be required to provide 1.5 affordable units (the amount of 1.5 is 15% of 10 market-rate units). The development would be required to build one affordable dwelling unit. Then, rather than building half of a unit, the applicant would meet his/her remaining obligation by providing a payment-in-lieu for the half unit. As outlined in the Ordinance, the payment would be calculated based on the amount needed to make a unit affordable (3.10.3(B)(1))."[8],[9]

By-and-large, these set-aside units are sold to the Community Home Trust, which then sells them to eligible homeowners through a renewable 99-year ground lease, thus ensuring the permanent affordability of these units. Additionally, since the adoption of the Affordable Housing Strategy, both an Affordable Rental Housing Strategy and a Rental and Utility Assistance Program for low-income housing voucher holders have been established. The Town is currently working to develop a strategy to preserve naturally occurring affordable housing.

Financial support for the preservation and creation of affordable housing units comes from local sources of funding, including the Town's Affordable Housing Fund and Affordable Housing Development Reserve as well as federal sources in the form of Community Development Block Grant funds. Funds for the Affordable Housing Fund are generated through inclusionary zoning payments-in-lieu, while funds for the Affordable Housing Development Reserve (AHDR) are funded through an annual allocation of the Town's general fund. Priority project areas for the AHDR funds include land banking and land acquisition, rental subsidy and development, home ownership and development assistance, and future development planning.[10] The Town has also committed additional funds to support land banking through the Northside Neighborhood Initiative – a partnership with the University of North Carolina, Chapel Hill, Self-Help, and the Jackson Center.[11]

The Town's efforts to provide financial assistance for affordable housing are also supported by Orange County, which passed a $5 million affordable housing bond in 2016. Orange County has since awarded five development projects a total of $2.5 million of the Affordable Housing Bond Funds in 2017.[12] Those projects will preserve or create 54 affordable units, including both rental and homeownership opportunities. On November 6, Chapel Hill voters overwhelmingly approved a $10 million affordable housing bond, which is intended to support the creation and preservation of 700 affordable units. The Town anticipates using the bond funding to support several large-scale affordable housing projects, including public housing redevelopment and development on Town-owned parcels. In January 2017, Town Council established and appointed the Council Task Force on Strategic Uses of Town Properties to develop a strategic framework and initial ideas for specific Town-owned sites, including affordable housing. The Task Force recommended that four sites be used for affordable housing development, including 2200 Homestead Road, which is currently in the pre-development phase.[13,14]

Supply and Demand: What We Have and What We Need

The Demand for Affordable Housing

If a household can keep its housing expenses to a reasonable level, it is more likely to be able to access economic opportunities and achieve greater financial stability and educational outcomes. Affordable housing can also provide community benefits by generating public health savings, jobs, and increased tax revenue.[15,16] Understanding the income and socioeconomic profile of households living within Durham and Chapel Hill today is key to addressing the need for affordable housing. The socioeconomic profile of a community helps us understand where existing low- and moderate-income households live and where they are most cost-burdened. Additionally, this data helps determine where there may be a need for higher-paying jobs within the community, as well as workforce development. By pairing this information with data on the current inventory of affordable housing, we can most effectively create specific strategies to preserve and create additional affordable housing that are responsive to the unique context of the communities along the light rail.

Housing is considered affordable when housing costs, including rent or a mortgage and utilities, are no more than 30% of a household's gross monthly income. Many of the people who work within the university and healthcare systems in close proximity to the proposed light rail make less than $50,000. These workers include police officers, fire fighters, childcare workers, janitors, registered nurses, home health aides and minimum wage retail workers. In fact, the average annual earnings for the majority of these professions is 50% AMI or below.

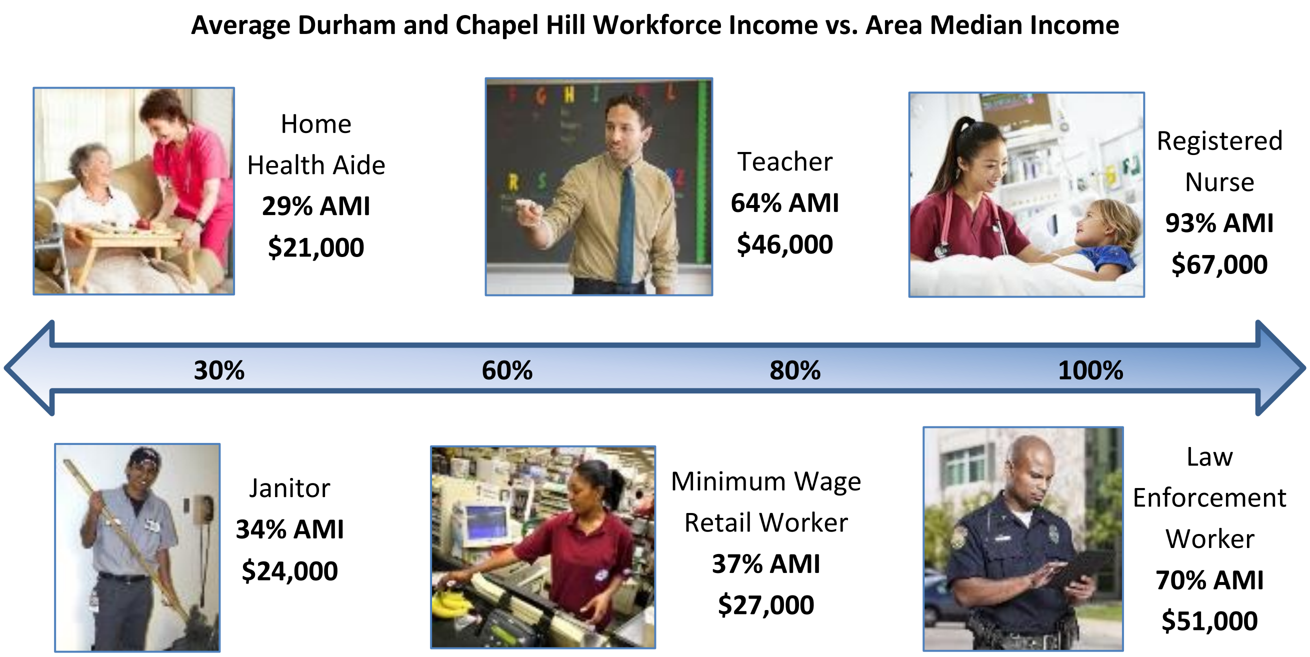


Figure 1: Average Durham-Chapel Hill Metro Area Workforce Income vs. AMI, 2017 BLS Data, 2018 HUD Income Limits, assumes worker is sole earner in a 3-person household.

Households able to secure affordable housing near access to transit are further supported, as they may be able to spend less of their remaining disposable income on transportation costs. Housing affordability is defined as a household spending no more than 30% of their income on housing costs. For low- and moderate-income households in particular, spending more than 30% of their income towards housing costs means they have limited funds to cover transportation, food, healthcare, education, and other essentials. Higher-income households can sometimes spend over the 30% of their income on housing and still have enough disposable income left over for other needs. Thus, understanding the number of low- and moderate-income cost-burdened households in a community is important in determining affordable housing needs.

In both Durham and Chapel Hill, approximately 35% of all households are cost-burdened. More than 37,000 households that make less than $50,000 are cost-burdened, approximately 68% of all low-income households. Low-income renters are particularly affected by the lack of affordable housing. In Durham, approximately 90% of renter households making less than $20,000 are cost-burdened and more than 95% of households in Chapel Hill. Owner households are also cost-burdened – particularly low-income homeowners. In Durham, 83% of owner households making less than $20,000 are cost-burdened, compared to 80% in Chapel Hill.

Table 1: Cost-Burdened Households by Income Range and Approximate AMI Level

	Durham and Chapel Hill		Durham		Chapel Hill	
	Cost-Burdened Households	Percent	Cost-Burdened Households	Percent	Cost-Burdened Households	Percent
Total Cost-Burdened Households (All Incomes)	42,253	35%	35,017	34%	7,236	36%
Total Cost-Burdened Households (Low-Income)	37,017	100%	30,993	100%	6,024	100%
Under 30% AMI (less than $20,000)	17,415	47%	14,463	47%	2,952	49%
30% - 50% AMI ($20,000 to $34,999)	13,247	36%	11,291	36%	1,956	32%
50% - 80% AMI ($35,000 to $49,999)	6,355	17%	5,239	17%	1,116	19%

*Note that given AMI ranges are rough estimates as they do not match Census income ranges.

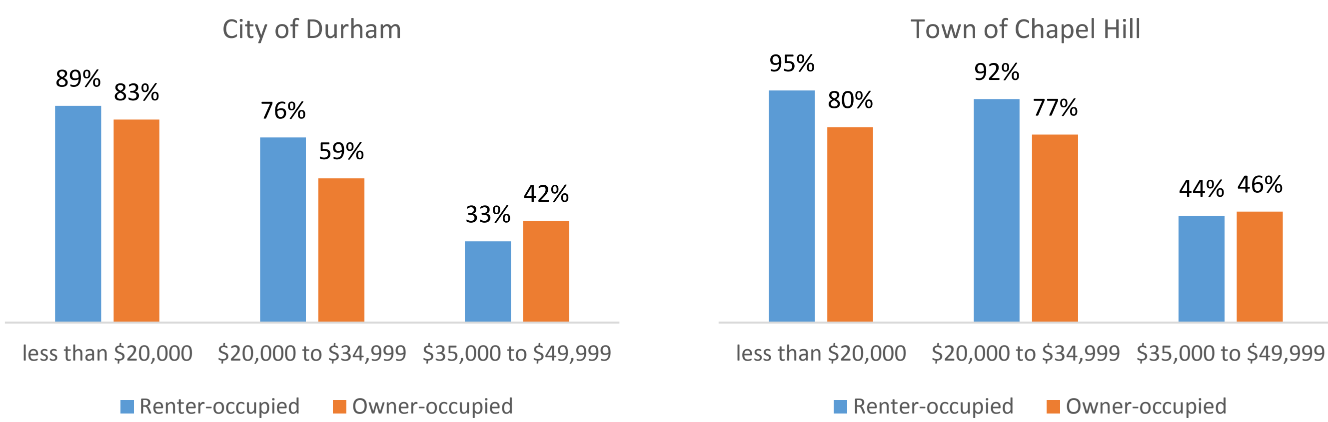


Figure 2 and 3: Low-Income Cost-Burdened Households by Tenure

To holistically understand whether a household is cost-burdened, we must also consider how much the household spends on their housing and transportation costs combined. The Center for Neighborhood Technology's Housing and Transportation Index (H+T), defines housing and transportation cost-burden as households who spend 45% or more of their income on housing and transportation costs combined.[17] If a household has greater access to public transportation or job opportunities, they may choose to spend more of their income on housing. According to H+T, the average household in both Durham and Chapel Hill is considered cost-burdened, with the average household in Durham spending 46%, and the average household in Chapel Hill spending 56% of their income on the combined costs.

While the importance of the demand side of affordable housing cannot be ignored, this report focuses primarily on strategic approaches and strategies designed to address only the cost challenges on the supply side of the housing affordability equation. To address the affordable housing need within Durham and Chapel Hill, local governments could leverage the transit and associated development investments in station areas to boost access to workforce development and meaningful employment opportunities in order to increase household incomes.

The Supply of Affordable Housing

Tracking the supply of affordable housing and the unmet demand is a critical element of tracking progress towards achieving the goals and priorities set by the local governments. Areas near future transit investments may not remain affordable to low- and moderate-income households over time as development occurs, especially if not enough new affordable housing is built where people would like to live. In these locations in particular, examining the inventory of affordable housing can help identify context-specific strategies towards creating and/or preserving affordable housing opportunities. Additionally, by establishing and maintaining a current inventory of affordable housing, we are more prepared to track the amount of and need for affordable housing in our communities over time.

Affordable housing can be thought of in two ways – big “A” and little “a” affordable housing. Big “A” affordable housing broadly refers to housing that is intentionally developed as affordable housing and is only available to households that meet specific income limits. Big “A” affordable housing is often referred to as legally-binding affordability restricted (LBAR) housing or income-restricted affordable housing, and its affordability is tied to its funding source and/or its ownership. Little “a” affordable housing refers to housing that is affordable to low- and moderate-income households but is not income-restricted. This type of housing, also called naturally occurring affordable housing (NOAH) or market-rate affordable housing, is often older, smaller, or has fewer amenities than the general housing stock and thus is less expensive. To successfully address the affordable housing issue in Durham and Chapel Hill, both of these types of affordable housing will need to be considered and are included in the inventories for both communities.

Examples of LBAR and NOAH Housing in Durham and Chapel Hill

Figure 4: Examples of LBAR Housing

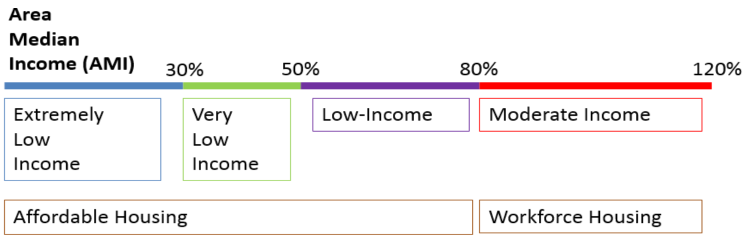
Figure 5: Examples of NOAH

The term “affordable housing” is generally used to describe housing for households who make less than 80% AMI. The table below shows HUD’s 2018 Income Limits for the Durham-Chapel Hill HUD Metro area, which includes Chatham, Durham and Orange Counties. The figure below also illustrates the income ranges that describe different affordable housing terms. When looking at Census data for households by annual income range, this report used $50,000 or less as a rough equivalent to households making less than 80% AMI.

Table 2: 2018 HUD Income Limits by Household Size and AMI Level (Durham-Chapel Hill HUD Metro Area)

	1-person	2-person	3-person	4-person
60% AMI	$33,900	$38,700	$43,560	$48,360
80% AMI	$45,150	$51,600	$58,050	$64,500

Figure 6: Affordable Housing Terminology by Area Median Income



Legally-Binding Affordability-Restricted Housing

This housing is considered big "A" affordable housing. Income restrictions for this kind of housing are legally-binding, and are often set by the requirements of the funding source used to develop the units. Housing built through Low-Income Housing Tax Credits, HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), or other federal funding sources are in this category. In addition, homes built or managed by a specific entity, such as a housing authority, Habitat for Humanity affiliate, or a community land trust, often have legally-binding income restrictions. It is extremely difficult to build new affordable housing without a subsidy. As shown in the figure below, the rent or mortgage paid by low- and moderate-income residents is simply not enough to cover the costs to construct and operate a property, including land acquisition, construction, and operating expenses. Subsidy is often used as equity in the deal, allowing a develper to take on debt that is sized to the reduced rental income received from renting units at affordable rates. This mismatch between incomes and housing costs is only exacerbated by increasing land costs and construction prices. Because of this mismatch, subsidy is often required in order to make housing prices more affordable. To secure the subsidy, which is often a public investment, legally-binding affordability restrictions are put in place.

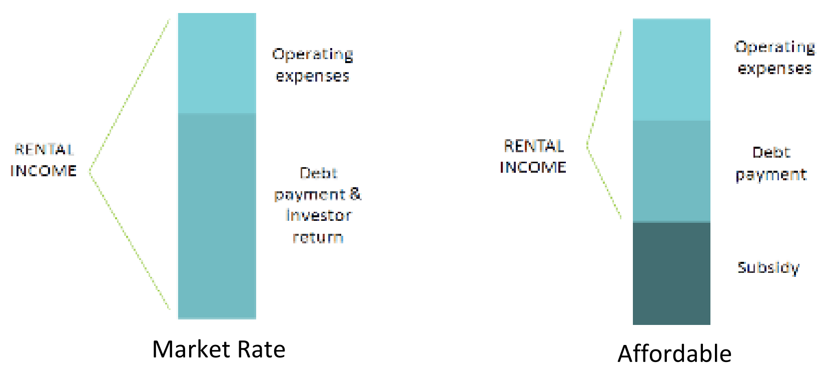


Figure 7: The Financing Structure of Market-Rate versus Affordable Housing

Two specific types of LBAR housing are public housing authority-owned units and units rented with public housing authority vouchers. Public housing units are built or purchased with government subsidies and are owned and operated by the local public housing authority. Public housing authorities generally only serve extremely low-income households, in the less than 30% AMI range, although some new management models are emerging. The Durham Housing Authority (DHA) owns and operates public housing units, which make up over 30% of the existing income-restricted affordable housing in Durham.[18] Several DHA properties are located in downtown Durham and are a part of DHA's Downtown Neighborhood Planning Initiative – a partnership with the City of Durham to redevelop six DHA properties, including Oldham Tower, Liberty Street, Forest Hill Heights, JJ Henderson, Fayette Place, and DHA's Central Office.[19] Many of these sites are located near the proposed light rail corridor. The Orange County Housing Authority (OCHA) does not currently own or operate any public housing units; however, the Town of Chapel hill manages more than 300 public housing units in 14 properties. None of the public housing units owned and operated by the Town of Chapel Hill are near the proposed light rail corridor.

Tenant-based Section 8 vouchers are also provided by public housing authorities and can be used for any property where the landlord accepts vouchers. This is another way of making market-rate housing affordable to lower income households. With a Section 8 voucher, a household pays 30% of their income towards rent and utilities, and the voucher pays the difference between that amount and the rental rate directly to the landlord. Known primarily as Section 8 vouchers, these are also referred to as Housing Choice Vouchers. Both DHA and OCHA manage their own Housing Choice Voucher (Section 8) programs.[20] It is important to note that while voucher programs have the ability to provide much needed resources to low-income households, many voucher recipients have difficulty finding landlords that will accept their vouchers, particularly in attractive housing markets, such as Durham and Chapel Hill.[21,22]

Legally-Binding Affordability Restricted Housing Inventory

Income-restricted units play a critical role in meeting the affordable housing need due to their long-term periods of affordability. For example, properties developed with Low-Income Housing Tax Credits or other federal funding sources have a 15-30 year affordability period. Housing developed using federal subsidies often becomes unaffordable when those affordability restrictions expire and owners are free to convert their properties to market-rate housing. Maintaining an inventory of legally-binding units helps communities be proactive about preserving this housing, as tracking a property's affordability restrictions allows local stakeholders to make decisions about the property before the restriction expires.

There are close to 10,000 income-restricted housing units that serve households at 80% AMI or below throughout Durham and Orange counties.[23,24] This number includes both single- and multifamily property types and include both rental and affordable homeownership units. Overall, rental units make up the majority of income-restricted housing in both Counties, though affordable homeownership opportunities are a larger portion of the LBAR housing inventory in Orange County (30%) compared to Durham County (6%). Chapel Hill's income-restricted affordable homeownership units are primarily developed through their Affordable Housing Policy as part of negotiations with the Town Council for special use permits. Much of the legally-binding affordable housing in Chapel Hill is either public housing managed by the Town, properties managed by the Community Home Trust, or properties developed by partner organizations such as EmPOWERment, Inc., Habitat for Humanity of Orange County, and Self-Help.

Approximately 25% of all legally-binding units in Durham County are located within the proposed light rail station areas, compared to only 8% in Chapel Hill and 4% in Orange County overall.[25] Approximately 20% of the income-restricted inventory in Durham is owned and managed by the Durham Housing Authority (DHA). Several properties included in DHA's downtown inventory are being redeveloped as part of the Downtown Durham Neighborhood Planning Initiative. In Chapel Hill, 40% of the income-restricted inventory is owned and managed by the Chapel Hill Housing Authority. Orange County Housing Authority does not currently own any public housing units.

Table 3: Legally-Binding Affordability Restricted Housing Units in Durham and Orange Counties

	Durham County		**Orange County**	
	Units	Percent	Units	Percent
All Legally-Binding Units (County-wide)	8,107	100%	1,768	100%
Legally-Binding Units (Station Analysis Areas)	2,091	26%	73	4%
<60% AMI	1,311	63%	23	32%
60% - 80% AMI	780	37%	50	68%

Within Durham County, there are 16 properties with close to 750 units whose affordability restrictions will expire within the next 20 years. Of these, four properties with a total of 67 units are set to expire within the next five years. Expiring affordability restrictions are also important for properties in Orange County; however, of the four properties located within the proposed light rail stations, only one unit has affordability restrictions to consider, which will expire in the next 11 to 15 years. The other properties are homeownership units managed by the Community Home Trust and have no expiration date for their affordability restrictions due to their renewable 99-year ground lease.[26]

Table 4: Expiring Affordability of Legally-Binding Units and Properties in Durham near Proposed Light Rail Stations

	Properties	Units
Next 5 Years (2019 – 2024)	4	67
6 to 10 Years (2025 – 2029)	1	60
11 to 15 Years (2030 – 2034)	4	151
16 to 20 years (2035 – 2039)	7	468

Naturally Occurring Affordable Housing

Also known as market-rate affordable housing, this is housing that is affordable based on its price on the private market, and it is not restricted to occupancy by low-income households. As previously shown in Figure 7, rental rates for market rate properties are enough to cover the operating expenses, debt payment, and investor return. Naturally-Occurring Affordable Housing (NOAH) properties tend to be older, lack amenities, and may be of substandard quality. For purposes of this report, properties are considered NOAH if their rental rates are affordable to households at or below 80% AMI based on number of bedrooms and household size.

Naturally Occurring Affordable Housing Inventory

It is important to track information on NOAH as part of an overall affordable housing inventory, particularly to hone in on where changes in the market – potentially brought on by the proposed transit investment – may increase rents and cause the loss of NOAH units. For example, in Arlington County, VA, market-rate housing affordable to households making 60% AMI declined by over 80% county-wide between 2000 and 2013, primarily due to rent increases and the redevelopment of market rate affordable rental properties.[27,28] This statistic illustrates just how dire the need is to preserve NOAH in growing markets For the purposes of this inventory, NOAH units do not include homeownership properties due to data limitations around calculating and tracking the affordability of owner-occupied units. Data comes from CoStar, a real estate listing company that collects information on multifamily residential buildings, typically with 20 units or more.

In Durham and Orange Counties combined, there are more than 35,000 NOAH units that serve households at 80% AMI or below. Similar to the legally-binding units, NOAH units near the proposed light rail station areas are only 25% and 8% of the total NOAH units overall for Durham and Orange Counties, respectively. While the majority of the NOAH units near the proposed light rail station areas in Durham serve households between 60 and 80% AMI, existing NOAH units near station areas in Orange County are more likely to serve households less than 60% AMI.

More than 400 NOAH units near the proposed stations in Orange County are found within the Glen Lennox apartment community, which is currently slated for redevelopment over the next 20 years to add denser housing and office space. As this community develops, there will be a loss of NOAH units in this area; however, there will be limited displacement because the owner will enter into a master leasing agreement in which they will lease units to a community housing organization at market rate rents. The housing organization will then sublease the units to qualified existing residents and will subsidize their rents to ensure that a household pays no more than 30% of their income on rent.[29,30] Chapel Hill's Inclusionary Zoning Ordinance will also apply to any new for-sale homes built and will require 15% of the units to be affordable for households that earn between 65% and 80% AMI or will require a payment in-lieu.

Table 5: Naturally Occurring Affordable Housing Units in Durham and Orange Counties

	Durham County		Orange County	
	Units	Percent	Units	Percent
All NOAH Units (County-wide)	25,409	100%	9,108	100%
Total NOAH Units (Station Analysis Areas)	6,074	24%	693	8%
<60% AMI	2,565	42%	601	87%
60% - 80% AMI	3,509	58%	92	13%

Strategic Interventions

Durham and Chapel Hill are pursuing two housing affordability goals, not only along the light rail corridor, but also more broadly in their communities:

1. Create new affordable housing units
2. Preserve existing affordable housing units

To achieve these goals, local governments have five strategic approaches they can take – outlined in the table below – that frame how local government interacts with private sector, anchor institution and non-profit partners:

Strategic Approach	***Role** of Local Government*
Educate	Strategies that **inform** private sector, anchor institution and non-profit partners, along with prospective homeowners, about actions they can take.
Facilitate	Strategies that **encourage** partners to take specific actions.
Stimulate	Strategies that **reward** partners for actions they take.
Regulate	Strategies that **require** partners to take specific actions.
Allocate	Strategies that acquire public resources and **allocate** them to affordable housing projects and programs.

These strategic approaches are designed to address the *cost* challenges on the supply side of the housing affordability equation. Although not highlighted in this report, local governments can also leverage the transit and associated development investments in station areas to boost household incomes, essentially a third "goal." A strategic approach to achieve this goal might be termed, "Elevate" – strategies that take advantage of the transit investment and development along the corridor to provide training and job opportunities for lower-income residents, so they can better afford the housing opportunities served by the transit investment. Workforce development and business creation opportunities can be important for addressing the "demand side" of the affordable housing challenge, providing local residents with the skills and business opportunities to afford market-rate housing.

This section of the report discusses specific strategies within each of these approaches. As local government and its private sector, anchor institution and non-profit partners work on strategies, they should recognize and respond to three significant barriers to success:

- The ability to gain site control for affordable housing,
- The ability to devise land use standards that are sufficient to incentivize the private sector to provide affordable housing, and
- The need for dedicated funding sources for on-going subsidies to cover the cost of the operation and maintenance of affordable housing

The matrix on the next page takes these five strategic approaches and lists various strategies that local governments can pursue to address the affordable housing need within their communities. Within the matrix, each affordable housing strategy is categorized in three ways:

1. The **goal** of the strategy – whether the strategy will create or preserve affordable housing units, or both.
2. The **role** of local government in utilizing the strategy – whether the local government would educate, facilitate, stimulate, regulate, or allocate to implement the strategy.
3. The **type** of housing the strategy targets – whether the strategy supports the preservation and creation of **multifamily housing**, **single-family housing**, or is able to support both **multifamily and single-family housing types** (denoted by font color).

Some strategies included in the matrix work best in particular housing markets, while other strategies could be pursued more generally throughout a community. For example, if a local government chooses to implement a strategy focused on landlord outreach for voucher programs, the strategy could be used throughout the entire community, as voucher holders can use their assistance anywhere within the community, provided they can find a landlord who accepts it and the housing authority approves the unit.

Table 6: Matrix of Affordable Housing Strategies

Strategic Approach	Create New Housing: Affordable Housing (Legally-Binding and Naturally Occurring)	Create New Housing: Market Rate Housing (Diversify Only)*	Preserve Existing Housing: Affordable Housing (Legally-Binding and Naturally Occurring)
Educate (inform private action)	- From NIMBY to YIMBY: Neighborhood-scale education and engagement - Equitable TOD: Community-scale education and engagement		- Landlord outreach for voucher programs - Repair assistance for low-income homeowners - Educate homeowners
Facilitate (encourage private action)	- Reduce barriers for missing middle housing, including ADUs - Crowd sourcing - Development review efficiency - Departmental coordination - Opportunity zones - Reduce parking minimums - Anchor institution involvement - Social impact investing	- Reduce barriers for missing middle housing, including ADUs - Opportunity zones	- Opportunity zones - Social impact investing - Preservation warning system
Stimulate (reward private action)	- Density bonus	- Density bonus	
Regulate (require private action)	- Municipal service districts - Inclusionary zoning (conditional)		- Right of first refusal - Delayed demolition timelines within historic overlay districts - Municipal service districts
Allocate (invest public resources for control of land or to subsidize units)	- Disposition of publicly-owned property - Contribute to a housing fund - Contribute to an acquisition fund - Rental subsidy - Fee rebates - Joint development - Land banking - Public housing redevelopment - Tax Increment Financing - Master leasing - Homebuyer support		- Contribute to a housing fund - Contribute to an acquisition fund - Rental subsidy - Land banking - Incentivize landlords to rehabilitate and preserve affordable housing - Incentivize landlords to participate in voucher programs - Public housing redevelopment - Tax Increment Financing - Master leasing - Repair assistance for low-income homeowners

**Strategies to create market-rate housing included in this table are suited only for areas where the goal is to diversify the housing stock where little or no market rate housing currently exists.*

Strategy Housing Type	Multifamily Housing	Single-Family Housing	Multifamily and Single-Family Housing

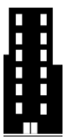
Context-Driven Solutions for Station Types

Most strategies included in the matrix are context-specific, meaning their effectiveness to preserve and create affordable housing is dependent on the location and neighborhood-level housing market. This table shows context-specific strategies based on GoTriangle's station area families. Strategies that might be particularly effective are shown in **bold font**.

Table 7: Matrix of Context-Driven Strategies for Stations

Stations	Characteristics	Housing Strategies
University Villages		
• UNC Hospitals • Mason Farm Road • Friday Center Drive • Duke/VA Medical Center • NCCU	• Near anchor institutions • Large amounts of institutionally-owned property	• **Anchor institution involvement** • **Public housing redevelopment (NCCU)** • Repair assistance for low-income homeowners • Opportunity zones (NCCU) • Reduce barriers for missing middle housing, including ADUs
Urban Hubs		
• Alston Avenue • Dillard Street • Blackwell/Mangum • Durham Station	• Downtown location • Public housing redevelopment sites and other publicly owned land • Single-family homeowners (Alston Avenue) • Expiring legally-binding units (Alston Avenue)	• **Public housing redevelopment** • **Joint development (Alston and Durham Station)** • **Land banking** • Repair assistance for low-income homeowners • Incentivize landlords to rehabilitate and preserve affordable housing • Disposition of publicly-owned property • Opportunity zones
• Ninth Street • Buchanan Boulevard	• Downtown-adjacent location • Near anchor institutions • Located within historic district • Many vacant small infill lots • Significant number of NOAH units	• **Anchor institution involvement** • **Reduce barriers for missing middle housing, including ADUs** • **Land banking** • Delayed demolition timelines for historic districts • Density bonus
Neighborhood Destinations		
• LaSalle Street	• Close to activity centers • Anchored in existing community • Larger landlords, fewer single-family homeowners • Significant number of NOAH units	• **Public housing redevelopment** • **Incentivize landlords to rehabilitate and preserve affordable housing** • **Land banking** • Repair assistance for low-income homeowners • Opportunity zones
• Hamilton Road • Woodmont	• Anchored in existing community Single-family homeowners	• **Missing middle housing, including ADUs** • **Land banking** • Inclusionary zoning (conditional)
New Communities		
• Leigh Village	• Nearby Interstate access • Large, undeveloped or underdeveloped parcels • Opportunity for big change	• **Municipal service districts** • **Density bonus** • **Inclusionary zoning (conditional)** • Land banking • Reduce barriers for missing middle housing, including ADUs
Suburban Retrofits		
• Patterson Place • Martin Luther King Jr. Parkway • South Square • Gateway	• Opportunity for big change • Significant number of NOAH units	• **Tax increment financing** • **Municipal service districts** • **Incentivize landlords to rehabilitate and preserve affordable housing** • Density bonus • Anchor institution involvement (Eastown area) • Opportunity zones • Joint development (South Square and Gateway)

The matrix on the previous page lists **34** strategies with potential for application in transit station areas - their definitions are in Appendix 1. Many strategies either work well together, or are different ways to reach similar ends. This section of the report shows how several strategies might relate to one another.

$	Municipal Service Districts (MSDs), Tax Increment Financing (TIF), Contributions to Acquisition Funds or Housing Funds, Providing Rental Subsidy, Master Leasing, and Reimbursement of Development Fees are all strategies that devote local government revenues to affordable housing. Contributions to funds are allocations from the general fund, typically annually through the budgeting process, and are sometimes referred to in terms like "pennies for housing." TIF takes the growth in tax revenue from a parcel over time from a starting year (the "increment") and applies it to affordable housing. The tax paid by the parcel owner is the same whether or not TIF is in place. MSDs apply a supplemental property tax specifically for use within the district – affordable housing within a Transit Oriented Development is an eligible activity under NC law. Landowners in MSDs pay a higher tax rate than landowners outside of the district.
	Joint Development, Opportunity Zones, Anchor Institution Involvement, Social Impact Investing, and Crowdsourcing are all strategies to bring non-traditional resources to affordable housing. Joint Development (using federal transit dollars on or adjacent to transit station areas) and Opportunity Zones (tax-advantaged areas designated by the federal government) have both geographic and use limitations, but can bring important funding to creative applications. Universities, medical centers and concerned investors can use stable, affordable housing as one means to advance their missions and goals, whether a productive workforce, a healthy community, or poverty alleviation.
	Land Banking, Land Disposition, and Public Housing Redevelopment are strategies to set aside, repurpose, or redevelop publicly-owned or publicly-acquired land to maximize affordable housing benefits. Public control of land can be one of the most critical elements of success, not only because it is a tangible asset, but also because it can shorten development timelines and decrease carrying costs of land for housing developers.
	Conditional Inclusionary Zoning, Private Sector Led Inclusionary Zoning, and Density Bonuses are strategies to generate new affordable housing without direct allocation of government financial resources through the private sector development process.
	Development Review Efficiency, Departmental Coordination, and Reducing Barriers to Missing Middle Housing are strategies to increase the speed and certainty of the development review process for affordable housing units, since time is money and risk translates to cost. When risk is reduced and timelines are faster, developers may be more willing to take creative approaches than they otherwise would.
	Right of First Refusal, Delayed Demolition Timelines in Historic Districts, and Preservation Warning System are strategies to provide upfront notification or time to address the potential loss of existing affordable housing. Working collaboratively with owners of affordable housing can preserve key parts of the housing stock.
	Landlord Outreach for Voucher Programs, Landlord Incentives for Voucher Programs, and Landlord Incentives for Rehabilitation and Preservation are strategies to work directly with private sector landlords, who own and manage the largest portion of rental affordable housing. Helping landlords repair their properties as well as addressing risks and uncertainties associated with managing affordable housing can play an important role in maintaining and expanding the housing choices that low-income renters have.
	Homeowner Education, Repair Assistance for Low-income Homeowners, and Homebuyer Support are strategies to work directly with people living in or purchasing affordable homes. Helping people with financial and management skills – and in some cases financial assistance – can ensure stable, quality affordable housing in a community. Additionally, in a rapidly changing market, low-income homeowners could also benefit from education around predatory practices.

An In-Depth Look at Highlighted Strategies

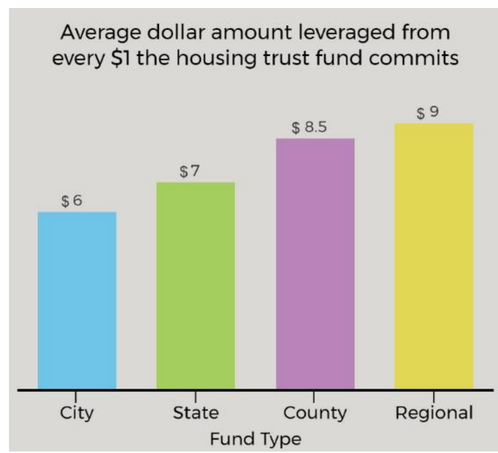
Creating transit-oriented neighborhoods that provide opportunities to households at a wide range of incomes requires intentional and strategic planning to preserve and create affordable housing. The intentional planning for transit-accessible neighborhoods, known as equitable transit-oriented development (eTOD), strives to ensure affordably-priced housing options for people who stand to benefit the most from cost savings associated with increased access to transit. In many cases, eTOD requires specific tools and strategies to preserve and create affordable housing in transit-oriented neighborhoods – particularly as property values increase and neighborhoods become less accessible for lower income households.

Successful eTOD strategies are based off several key characteristics, including using and creating dedicated funding sources to provide flexible and consistent funds for affordable housing, providing more flexibility and incentives for the private market to provide affordable housing options, and partnering with the community to support affordable housing. This section provides an in-depth look at highlighted strategies that can spur equitable transit-oriented development within the Durham-Orange Light Rail corridor:

- Increase funding through a regional transit-oriented development fund
- Prime private-sector support using density tools
- Accessory dwelling units as Missing Middle Housing
- Partner with anchor institutions for financial and community support

Increase Funding through a Regional Transit-Oriented Development Fund

As planning for the proposed light rail corridor continues, the preservation of land affordability and existing affordable housing is key to preserving opportunities for low- and moderate-income households near station areas. A regional transit-oriented development (TOD) fund could be used to purchase land, acquire existing affordable housing developments, and provide gap financing for the development of new affordable housing projects near transit. A regional TOD fund could be used to leverage funds from local, regional, state, and county resources, as shown in Figure 8.[31] These funds are often created by local governments in partnership with banks, foundations and anchor institutions, and can be structured as a revolving loan fund. There are many examples of TOD funds for affordable housing, but few that work at a regional scale. Denver, Colorado's Regional TOD Fund and the San Francisco Bay Area's Transit Oriented Affordable Housing (TOAH) Fund are two examples of regional TOD funds for affordable housing.[32,33]



Source: Housing Trust Fund Project (data), Triangle J Council of Governments (figure)

	Denver Regional TOD Fund	Bay Area Transit Oriented Affordable Housing Fund
Goal/Focus	Creating and preserving affordable housing and mixed-income, mixed-use projects along current and future transit corridors	Provides financing for the development of affordable housing, community services, fresh food markets, and other neighborhood assets near transit lines throughout the San Francisco Bay Area.
Partners	Partners include the City and County, the Colorado Housing and Finance Authority, Enterprise Community Loan Fund, as well as several banks and foundations.	The fund is sponsored by the Great Communities Collaborative and seeded with investment from the region's MPO, the Metropolitan Transportation Commission. A consortium of five community development financial institutions will originate loans: the Low Income Investment Fund, Corporation for Supportive Housing, Enterprise Community Loan Fund, Local Initiatives Support Corporation, and Northern California Community Loan Fund.

Fund Size	Launched in 2010 with $13.5 million in capital, expanded to $24 million to serve the entire Denver metropolitan area. Since 2010, the Fund has made 14 acquisitions and has created or preserved 1,200 affordable rental units.	Launched in 2011 with a $10 million investment, the fund leveraged an additional $40 million in private capital from six local community development financial institutions, baking institutions, and local and national foundations. The fund serves the 9-county Bay Area region.

Current Efforts in the Region

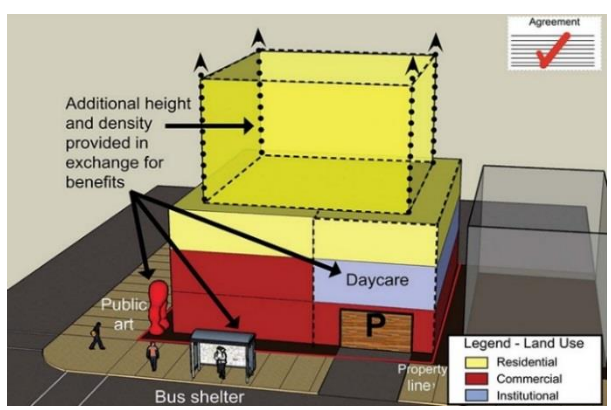
Durham is currently working to create an Affordable Housing Loan Fund (AHLF) in partnership with Duke University's Office of Durham and Regional Affairs. The fund is Durham specific, rather than a regionally-focused fund. Some key characteristics of the Durham AHLF proposal are:

Goal/Focus	Creating and preserving affordable housing by enabling local affordable housing developers to stabilize and expanding production by building multi-year development pipelines. Affordable rental units must serve households at or below 60% AMI and affordable ownership units must serve households at or below 80% AMI.
Partners	Duke University, City of Durham, and other investors will provide the initial investment. Self-Help Ventures Fund and the North Carolina Community Development Initiative will act as fund administrators.
Fund Size	As of June 2018, the City of Durham has committed up to $3.5 million in first and second loss funds, which are the most risky. Duke University has also committed $1 million in second loss and $2 million in senior debt. Fundraising is currently underway for the balance of funds (approximately $9 to $14 million) for a total fund size of $15 to $20 million.
Anticipated Success	Over 10 years, the Fund is expected to support the creation or preservation of over 1,000 affordable homes.

While the Durham AHLF does not currently serve the region, there may be potential for the Durham model to scale up the regional level to include multiple jurisdictions. If there is interest in pursuing the fund as a regional strategy to preserve and create affordable housing, existing and future stakeholders might consider the following questions:

1. Who are the fund partners, investors, and administrators?
2. What will the revenue sources be?
3. What is the scale of the fund?
4. What is the goal and/or focus of the fund and how does that impact project eligibility criteria?
5. How are local government contributions to the fund structured? How are the funds disbursed throughout the region? How should the Fund's legal agreements reflect this?
6. How should the fund be structured? Should the fund provide grants or be structured as a revolving loan fund?

Prime Private-Sector Support Using Density Tools



Source: Spacing Ottowa

A density bonus is a zoning incentive tool that allows developers to build at higher than allowed densities in exchange for a provision of a defined public benefit, such as affordable housing. Typically, affordable housing density programs allow for bonuses related to height or floor area ratios (FAR). In exchange for the provision of affordable housing, developers may be allowed increases of between 10% and 20% over baseline permitted density.[34] Programs can be also designed to allow developers to provide other contributions in lieu of building affordable units, such as a providing a payment in lieu, land, or preserving existing affordable housing. The benefit of using a density bonus is that it can provide affordable housing without directly using public funding and it can incorporate affordable housing into market-rate developments, thus creating mixed-income communities.

Where are Density Bonuses Most Successful?

Density bonuses work best in strong housing markets where land values are high and developable land is limited.[35] In weaker housing markets where developers can more easily develop lower-density projects, this tool is not well utilized. Density bonuses should be carefully designed to provide enough of an incentive given the higher construction costs for mid- and high-rise buildings that utilize steel-frame construction. Density bonuses are also often used to incentivize transit-oriented development in more urban areas, such as the density incentive being provided by the City of Durham within the City's Compact Neighborhood districts.

Current Efforts in the Region

In 2015, Durham City and County elected officials adopted a resolution in support of affordable housing near planned transit areas and set a goal that at least 15% of housing units within one-half mile of light rail stations would be affordable to households at or below 60% AMI. Additionally, elected officials adopted an interim density bonus incentive in planned transit areas that have the Compact Neighborhood zoning designation. The bonus allowed an additional three market-rate units for every one unit of affordable housing built. According to a 2017 memo addressing proposed changes to the density bonus, developers have been more interested in voluntarily providing monetary contributions for affordable housing in exchange for rezoning to a higher-density zoning district rather than utilizing the recently adopted density bonus program.[36]

The density bonus was amended again in February 2018 to provide increased incentives for developers. If projects meet location and eligibility requirements, they are eligible for a density bonus up to 75 units per acre, less restrictive height limits (height up to 90 feet is permitted unless otherwise specified), and waived parking requirements.[37] Additionally, projects that provide affordability for households up to 60% AMI will be eligible for this incentive. This density bonus is being offered on an interim basis while a longer-term policy is developed. A memorandum addressed to the Durham Planning Commission outlined several potential consequences of adopting the interim density bonus incentive as a long-term solution. The density bonus may push developers toward developing lower-density housing or possibly away from developing residential projects at all. Furthermore, developers may choose to build projects outside of the Compact Neighborhoods, which would decrease density and transit ridership near the proposed light rail.

Chapel Hill's Inclusionary Zoning Ordinance outlines the provision of density bonuses, known as development bonuses within the Ordinance. Projects that abide by the Ordinance may be eligible for both height and FAR bonuses for single- and multifamily developments, if the development falls within an approved zoning district. The type and size of the bonus is dependent on both the zoning district where the development is located as well as the type of unit being developed.[38]

Best Practices to Consider When Utilizing Density Tools

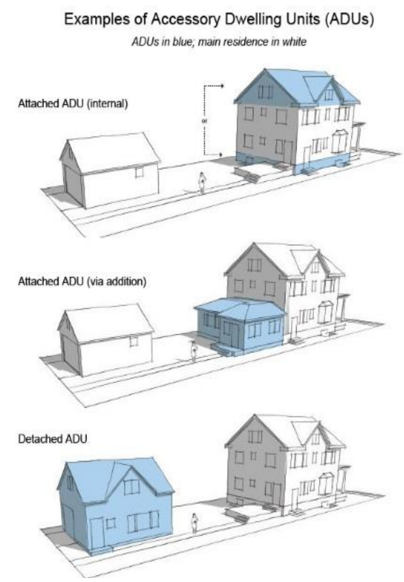
1. Regularly monitoring the use of the program over time is key to the success of the incentive. Density bonuses should be able to be adapted as necessary in order to address potential changes in housing market conditions.
2. Density bonuses are most effective when used in tandem with other affordable housing strategies.
3. Jurisdictions could consider adopting a density bonus incentive that regulates density based on residential FAR rather than unit count. This could be done as a measure to encourage developers to build more, smaller units as opposed to fewer, larger units, which could result from a density bonus program that limits density based on the number of units.

Accessory Dwelling Units as Missing Middle Housing

It is clear that we must build more housing and different types of housing as a way to increase housing accessibility and affordability within Durham and Chapel Hill near the proposed light rail. Several of the station areas and their surrounding neighborhoods are comprised of predominantly single-family homes. To expand housing choices and allowing more people the opportunity to live within transit-served neighborhoods, building different housing types that are still compatible with the existing neighborhood fabric should be a development option. This strategy, known as reducing barriers to building missing middle housing, "offers a range of multi-unit housing types compatible in scale with single-family homes that help meet the growing demand for walkable, urban living."[39]

One type of missing middle housing is accessory dwelling units (ADUs). An ADU is a small, secondary dwelling unit built on the same lot as the main house, and can be attached or detached. Because they are built to the rear of the primary structure, they increase density without dramatically changing the character of the neighborhood. Accessory Dwelling Units support affordable housing in a variety of ways. Due to their smaller size, ADUs can often be rented at moderate prices, creating units that could be considered market-rate affordable housing. In addition, the rental income can potentially allow the homeowner to afford to remain in their home for a longer period of time even as property values and associated costs rise.

It should be noted that this strategy is likely to be more appropriate in neighborhoods surrounding the proposed light rail station areas, rather than inside of them. For example, the City of Durham's policies and ordinances for Compact Neighborhoods promote multi-family and mixed-use developments, rather than smaller forms of missing middle housing, such as ADUs.



Source: City of Saint Paul, Minnesota

Current Efforts in the Region

Although ADUs are currently allowed in Durham, few have been developed.[40] In fact, in Durham, despite being allowed by-right for all single-family homes since 2006, only 72 permitted ADUs exist on record.[41] To promote the development of ADUs, Durham's City/County Planning Department is working on a project called Expanding Housing Choices, which aims to contribute to market-rate affordability by removing certain regulatory barriers that restrict the supply and types of housing that can be built. As part of this project, the Planning Department is working with the Triangle J Council of Governments (Triangle J) to reduce financing barriers and increase community education related to ADU development.

The regulatory barriers related to ADUs that are being reviewed include the maximum square footage and height of the ADU, parking requirements, the location on the lot, and which types of lots can have a permitted ADU (such as nonconforming lots). In addition, Durham is developing an ADU manual that will provide a basic understanding of the process by which a homeowner can build an ADU, including easily accessible information on zoning and land use restrictions, permitting and utility fees, development costs and processes, and financing options.

Triangle J has focused primarily on reducing barriers related to financing the cost of constructing an ADU. Currently, existing pathways to financing an ADU are generally limited to homeowners who either have access to a significant amount of personal assets or home equity. Due to these constraints, many low- and moderate-income homeowners are limited in their ability to construct an ADU, which would provide an additional source of income and help them remain in place. Triangle J also identified that there is a lack of existing comparable sales data for houses with ADUs, which makes it difficult for financial institutions to provide construction loans for homebuyers who want to build an ADU. The lack of available comps also makes it difficult for banks to establish new lending products that are predicated on the value of the ADU.

To address this issue, Triangle J has engaged the financing and real estate community in a variety of ways. First, Triangle J has begun conversations with the Triangle Multiple Listing Service (Triangle MLS) to include data fields specifically for ADUs in the MLS database to increase the intake of data and the availability of comparable sales information for properties with ADUs. This will improve appraisers' ability to easily search and document sales of homes with ADUs, which is necessary to establish the value of ADUs in the market and increase the possibility for new lending products in the future. Additionally, Triangle J has researched alternative lending products and development models that may be replicable within the Triangle region. Craft3, a certified non-profit Community Development Financial Institution based in the Pacific Northwest, is creating an unsecured consumer loan for low- and moderate-income homeowners to finance the construction of an ADU on their property. The loan is predicated on the projected rental income from the ADU, which is included as borrower income in the underwriting of the loan. Craft3 cites the need for pre-fabricated or modular units in order to bring down the cost of construction. The organization intends to establish the market for ADU financing with this product, and hopes other lenders will enter the market once it stabilizes. Craft3 intends to raise funds from foundations and public entities in addition to its own equity to finance this product.[42] Given the strong rental market and the need for more housing, a similar product would be valuable in the Triangle region to support low- and moderate-income homeowners in pursuing the construction of ADUs on their property.

Source: City of Decatur, Unified Development Ordinance

Finally, Triangle J researched alternative development models for ADUs, including building them within a community land trust (CLT) model. A CLT ADU model could work in either of two ways. The CLT could construct an ADU on a property and sell both the main home and the ADU to an eligible homebuyer. Or, as outlined in the figure on the right, the CLT could work with the owner of the main structure to construct, rent, and manage the ADU on a CLT property.[43] This may be a particularly good fit for a CLT that is already equipped to act as a property manager for rental units, such as Durham Community Land Trustees.

Next Steps and Considerations for Supporting the Development of ADUs

To promote housing variety, increase density, and address affordable and accessible housing needs along the future light rail, Durham and Chapel Hill could continue to do several things:

1. Establish quantitative and qualitative data about existing ADUs through surveys, MLS data, and other sources.
2. Educate elected officials, the public, and lending institutions on the importance of ADUs and the need for financing for low- and moderate-income homeowners within the community.
3. Collaborate with mission-driven and private organizations to develop alternative lending products and development models to increase construction of ADUs, particularly for low- and moderate-income homeowners and renters.
4. Support efforts to make revisions to the North Carolina Building Code to make it easier to build ADUs.

Partner with Anchor Institutions for Financial and Community Support

Durham and Chapel Hill, as well as their surrounding counties, will need partners to holistically address the need for affordable housing throughout the proposed light rail corridor. Universities and medical centers, also known as anchor institutions, act as engines of innovation and growth for the communities in which they are situated as well as the region as a whole. As highlighted earlier in this report, the proposed transit corridor connects several key anchor institutions, including Duke University, Duke University Health System, North Carolina Central University (NCCU) and the Duke/VA Medical Center in Durham, as well as the University of North Carolina (UNC)-Chapel Hill and UNC Health Care. Many of the workers at these institutions have incomes that are at or below 80% AMI. By pairing reduced housing costs with close proximity to public transportation, these workers could realize significant savings between their combined housing and transportation costs.

In addition to contributing to stable and safe housing for their employees and members of the surrounding community, motivations for anchor institution involvement include maintaining diverse and thriving communities, stimulating economic development and new investment, and attracting new residents while incentivizing current residents to stay. For medical centers, supporting quality affordable housing not only means reducing housing-related health issues, but potentially generating significant public health care savings through the provision of supportive housing. Permanent supportive housing, targeted towards people who are homeless or otherwise unstably housed, combines low-barrier affordable housing, health care, and supportive services to help people lead more stable lives.[44,45]


Source: West Philadelphia Neighborhood, University of Pennsylvania Home Ownership Services

There are many examples of universities and medical centers making a difference in affordable housing. The University of Pennsylvania (Penn) has worked to provide affordable housing through community development and the West Philadelphia Initiative. Penn raised more than $50 million to create the Neighborhood Housing Preservation and Development Fund as part of the University's neighborhood revitalization effort.[46] Through this fund, the University invested $4.5 million to acquire 20 aged and declining apartment buildings with 448 apartment units, which they rehabbed and preserved as affordable housing for students and community residents in partnership with private-sector actors.[47] The University also provides direct financial assistance to University staff and faculty to help them buy and maintain their homes in West Philadelphia, the neighborhood in which the University is located.[48]

ProMedica, a regional health system that serves Michigan and Ohio, has worked for more than a decade to combat the physical and social effects of distressed housing and neighborhoods in Toledo, Ohio, where it is headquartered. While much of the housing stock in Toledo is publicly subsidized or income-restricted, many units are at risk of being lost due to expiring affordability restrictions. As a core component of ProMedica's efforts to stabilize the aging affordable housing stock, it collaborated with KeyBank to provide $2.65 million to preserve the affordability of affordable housing funded through Low-Income Housing Tax Credits, through the Year 16 Initiative.[49] Working with the Local Initiative Support Coalition (LISC), the funds will be used to make upgrades to affordable rental properties and will be made available for first-time homebuyers' assistance.[50] ProMedica is also particularly interested in supporting its entry- and mid-level employees by providing down payment assistance for first-time homebuyers.

Current Efforts in the Region

Duke University in Durham has invested in affordable housing to increase affordable rental and homeownership opportunities for faculty, staff, and community residents. Launched in 1996, the Duke-Durham Neighborhood Partnership has helped revitalize Durham neighborhoods through direct assistance by building and rehabbing affordable housing. The Partnership includes Duke's Office of Durham and Regional Affairs, local affordable housing organizations, such as Habitat for Humanity, Builders of Hope, and Durham Community Land Trustees, as well as Self-Help Credit Union. In 2004, Duke doubled its loan commitment to Self-Help, bringing the total value of the loan to $4 million. These funds allowed Self-Help and non-profit developers to expand its homeownership work and develop a land bank.[51] More recently, Duke's Office of Durham and Regional Affairs convened a working group that includes representatives from the City, County, affordable housing developers and lenders to discuss affordable housing challenges facing the City. The working group developed the proposal for the Durham Affordable Housing Loan Fund to assist with the creation and preservation of affordable housing in Durham. To date, Duke has committed a total of $3 million to the fund. Over the next 10 years, the Fund is expected to support the creation or preservation of over 1,000 affordable homes.[52]


Source: Duke Office of Durham and Regional Affairs

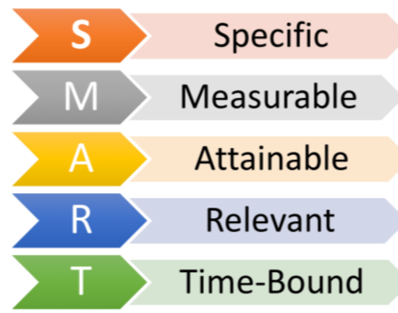
In Chapel Hill, a similar partnership exists between the University of North Carolina (UNC)-Chapel Hill, the Town, and two non-profits, Self-Help and the Jackson Center.[53] These stakeholders created the Northside Neighborhood Initiative (NNI), to preserve the Northside neighborhood in Chapel Hill near the University campus. Through a $3 million no-interest loan provided by the University, and $200,000 in administration funding from the Town of Chapel Hill, NNI's efforts have focused on ensuring that long-term community residents can stay in their homes, while attracting new residents and providing affordable housing throughout the Northside neighborhood. Self-Help has used the loan to buy properties to be placed into a land bank and maintain them until they are ready to be converted to homeownership or rental housing.[54] Since the creation of NNI in 2015, affordable housing partners, including Community Home Trust, EmPOWERment, Inc., and Habitat for Humanity have purchased property from the land bank, while other properties have been rehabbed by Self-Help.[55]

Next Steps for Interested Anchor Institutions to Get Involved

1. Continue to participate in conversations around local housing initiatives, such as the TJCOG's quarterly Housing Practitioners' Group or a more focused work group with housing developers, local governments, and other stakeholders.
2. Duke and UNC may continue to provide additional funds for affordable housing through the Duke's Duke-Durham Neighborhood Partnership or UNC's Northside Neighborhood Initiative or through other affordable housing funding mechanisms, such as Durham's Affordable Housing Loan Fund.
3. Look to see how anchor institution assets, such as land and parking, can be leveraged to address the financing gap for affordable housing.
4. Provide employee housing assistance through homeownership or rental assistance or by developing housing.

Set, Measure, and Track Transit Corridor Housing Goals

Setting affordable housing goals is key to addressing the affordable housing need throughout the proposed light rail corridor in a meaningful way. To accomplish these goals, local governments must be able to point to specific actions and outcomes that will support preservation and creation of additional housing and also identify adequate measurements of successful implementation. To remain accountable to these goals, it is important to set implementation timeframes and plan for continued revision of goals, outcomes, and metrics to ensure that the needs of the community are met and objectives accomplished. To ensure goals and objectives are clear and achievable, each one should be specific, measurable, actionable, relevant, and time-bound, or S.M.A.R.T.



Source: Google Image Search

Examples of jurisdictions that have proactively adopted transit-corridor housing goals are Austin, Texas, and Atlanta, Georgia. Austin's housing-specific strategic plan includes two 10-year targets for linking housing with transportation.[56] The first target sets a goal that 25% of affordable housing that is created or preserved be within ¼ mile of high-frequency transit. The second target poses that 75% of affordable housing created or preserved by within ¾ mile of local, fixed-route transit service. In Atlanta, the BeltLine 2030 Strategic Implementation Plan presents the target that 20% of the new residential units to be built in the planning area be affordable.[57] In support of this goal, the City adopted an ordinance requiring 15% of revenues from the tax increment district associated with the planning area to be directed to the BeltLine Affordable Housing Trust Fund (BAHTF), which supports the creation of rental and owner-occupied housing units within Beltline neighborhoods.

Durham and Chapel Hill have both set goals for affordable housing within their respective communities. In Durham, the housing goal is tied to the objective of transit-oriented development within Compact Neighborhoods, where the goal is to have 15% affordable housing. Chapel Hill's has established annual goals as well as five-year targets for affordable housing. The Town has also defined a work plan for the major affordable housing initiatives. The Town generates quarterly reports to determine where they are in meeting their affordable housing goals. The Town's dashboard tracks its progress in real time, as well.

Emerging Strategies

The below strategies are innovative, emerging strategies that have not yet been tested in the Triangle region, but that may be unique approaches to bring additional investment into the region. They include:

- Joint development for affordable housing
- Attracting social impact investments
- Private sector-led inclusionary housing
- Opportunity Zone investing

Joint Development for Affordable Housing

After several years of cumulative cuts in federal housing funding, public and private partners must utilize new tools to address the growing shortfall of affordable housing in our communities. One of these tools is joint development. Joint development is defined by the Federal Transit Administration (FTA) and GoTriangle's TOD Policy Framework as:

- Partnerships between transit agencies and the public or private sector in the development of land owned by a transit agency.
- Integrated development of transit and non-transit projects. Or, transit improvements physically related to, and often co-located with, commercial, residential, or mixed-use development.
- Mutual benefit and shared cost among all of the partners involved.

Source: Federal Transit Administration, Examples of Joint Development

The most important word in joint development is "joint:" without the transit investment itself, there can be no transit-oriented development benefit. So joint development will always remain contingent until final designs, costs and revenues are assured. In order to take advantage of this opportunity, planning for joint development needs to occur throughout the process, since identifying viable opportunities and putting together complex affordable housing financing also takes a long time.

Through the use of FTA joint development funds, public and private partners can join together to develop projects near transit investments that incorporate affordable housing and economic development. The objectives of joint development, as outlined by FTA, are to simultaneously generate benefits for transit agencies and value for real estate developers while enhancing the transit system and creating mixed-use, transit-oriented communities. Projects aligned with these objectives have the ability to receive FTA funds during the period of performance of the federal grant, or utilize transit agency-owned real property previously purchased using FTA funds to support development along a proposed transit corridor of a transit investment project.

Understanding the importance and availability of this financial tool, GoTriangle has included a joint development line item in its budget for the light rail project in the amount of approximately $50 million in federal funds.[58] Joint development funds may be used to develop residential, commercial, or mixed-use developments. Eligible uses of FTA funds for joint development projects include property acquisition, demolition of existing structures, relocation or improvement of utilities, construction of foundations, and site preparation. Other eligible capital expenses can be found within FTA's Joint Development Circular.[59] Joint development typically involves land owned by a transit agency and joint development funding is only available to that transit agency when the development expenses are incurred simultaneously with a FTA-funded transit improvement project, currently anticipated to extend to Year 2032. To partner with FTA during the development period of the light rail, a strategy that may work especially well is for stations near park and ride lots, such as Gateway, South Square, and Alston Avenue, where funds could be primarily be used to land bank and prepare park and ride lots for eventual redevelopment. For example, GoTriangle is currently working with a site planning consultant to ensure that parking lots are designed in a way that is conducive to receiving future development, which could possibly include affordable housing.

Proposed development projects must meet several criteria to be eligible for joint development funds, including:

1. creating an economic benefit by either enhancing economic development or incorporating private investment in the development of the site;
2. enhancing public transportation through a physical or functional relationship to transit or by establishing new or enhanced coordination between transit and other multi-modal options;
3. providing local or private funds to match FTA's investment in the project; and
4. providing a "fair share of revenue" generated by the development to GoTriangle for transit operations, except in some exceptional cases, like affordable housing.[60]

As the need for affordable housing in our communities continues to increase and federal funding remains stagnant at best, public entities must rely on their ability to leverage public funds to garner private investment for projects that align with public interests. As the engineering and implementation phases of the light rail project continue, it is clear that investments must be made to capitalize on the rising value of real estate in close proximity to future transit investments. GoTriangle and other public entities have the opportunity to achieve their goals by leveraging joint development to attract additional private investment. By utilizing these funds, rather than local sources of subsidy alone, public agencies can more efficiently achieve their objectives to increase affordable housing and create inclusive communities.

Attracting Social Impact Investments

With continued decreases in federal funding sources for affordable housing, gaps in affordable housing finance are more critical than ever. Social impact investing, whereby private entities invest with the intention of generating a specific social or environmental benefit, has emerged as an innovative way to raise capital to fill the financing gap for affordable housing developments. Social impact investing for affordable housing can be used to preserve or create LBAR or NOAH units as well as provide capital for predevelopment activities or other line items that can be difficult to finance.

By providing capital that is, by nature, more flexible, developers can utilize this financing to respond quickly to preserve expiring LBAR units or acquire land in a quickly appreciating market, such as areas surrounding a proposed transit investment. According to a new report highlighting successful impact investing practices, "investments that trigger additional capital not otherwise available to a fund, enterprise, sector, or geography [and] can be transformative, generating exponential social and/or environmental value."[61],[62] Essentially, impact investing has the ability to produce a catalytic impact, allowing developers to secure additional financing once the gap financing is in place.

Private Sector-Led Inclusionary Housing

Extensive private sector multi-family housing development has been occurring near proposed light rail stations, particularly in and around Downtown Durham and Duke, and more is on the drawing boards. On the plus side, this development is locating households close to transit and has so far been built on land that was commercial, so has not directly displaced residents. But very few of these new projects have included legally binding affordable housing. Some developers have indicated a desire to voluntarily contribute to affordable housing solutions – for example, by providing some level of internal subsidy for affordable units -- but are constrained by two market dynamics:

1. Projects need to show they can provide competitive returns or investors will not finance them, and
2. Projects cannot be put at a cost disadvantage relative to competitors, or market-rate tenants will choose lower cost units in other developments.

Given these constraints, a private sector-led inclusionary housing program may be able to supply only a limited number of new units. If only 5% of the approximately 4,000 multifamily units built or renovated in light rail station areas over the past decade had been affordable, a total of 200 new affordable units would be in place. With a private sector-led program, there may be opportunities for public partnership elements to spur acceptance. For example, communities might explore rebates on tax amounts that can be attributed to any legally-binding units in a mixed income development.

Opportunity Zone Investing

The Opportunity Zones Program was created through The Tax Cuts and Jobs Act (H.R.1), which was signed into legislation on December 22, 2017. The program provides tax incentives for qualified investors to re-invest unrealized capital gains into low-income communities throughout the state, and across the country. Low-income census tracts are areas where the poverty rate is 20 percent or greater and/or family income is less than 80% of the area's median income. In North Carolina, 252 census tracts have been certified as Opportunity Zones.[63] Along the light rail corridor, there are overlaps between the station analysis areas and Opportunity Zones near the Martin Luther King Jr. Parkway, LaSalle Street, Blackwell/Mangum, Dillard Street, Alston Avenue, and NCCU planned stations (Figure 8).

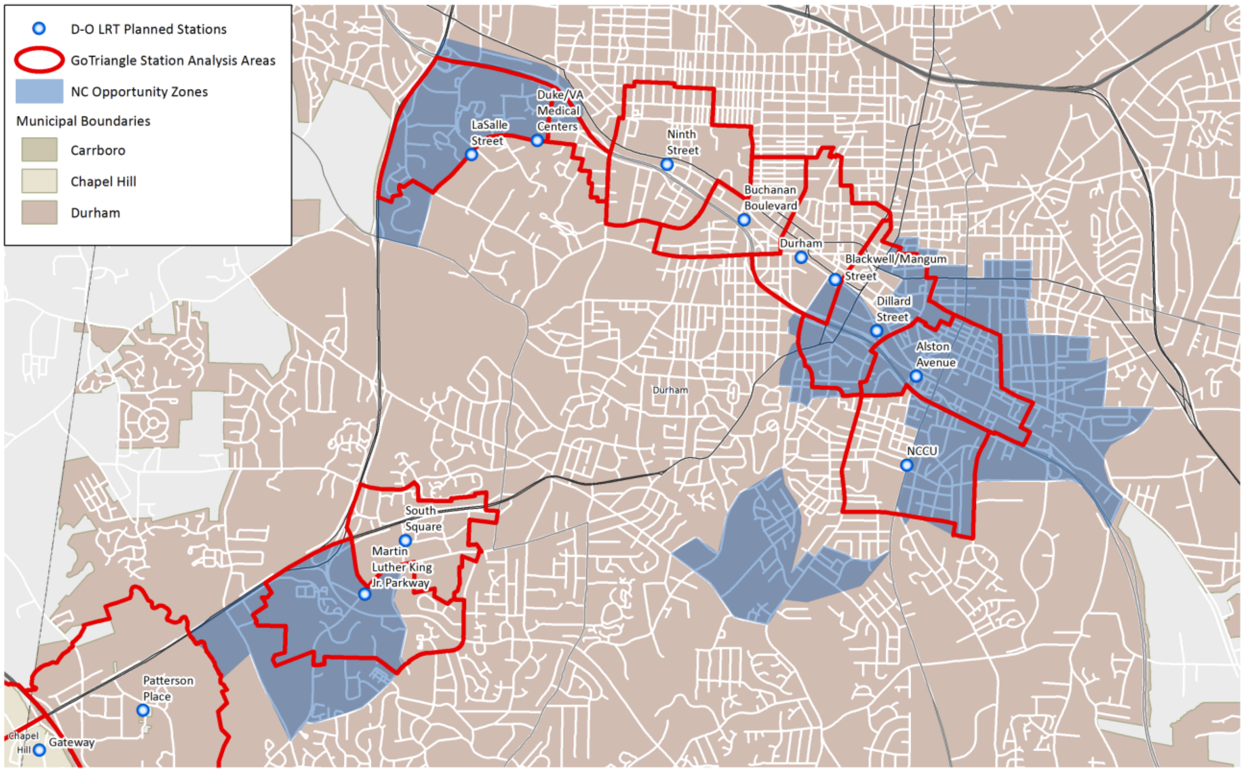


Figure 8: Opportunity Zones in Proximity to the Station Analysis Areas

The Opportunity Zones program offers three tax incentives for investing in these zones through a qualified Opportunity Fund:[64]

1. **Temporary Deferral:** A temporary deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund.
2. **Step-Up In Basis:** A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis is increased by 10% if the investment in the Opportunity Fund is held by the taxpayer for at least five years and by an additional 5% if held for at least seven years, thereby excluding up to 15% of the original gain from taxation.
3. **Permanent Exclusion:** A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued after an investment in an Opportunity Fund.

Real estate development projects are ideal Opportunity Zone investments given the long hold periods required to take advantage of the federal tax benefits. To attract investment in Opportunity Zones, local governments can identify attractive private development projects within Opportunity Zones, secure site control, make them "investment ready," and market them to Opportunity Zone developers and investors. Projects that are ready for investment by the end of 2019 will be most attractive to investors, because equity invested in Opportunity Zones before the end of 2019 will receive the greatest tax benefit. The Development Finance Initiative at the UNC School of Government provides a pre-development process that can help local governments ready sites for Opportunity Zone investments.[65]

Measuring Performance

Tracking Data to Achieve Affordable Housing Goals and Outcomes

Durham and Chapel Hill have two overarching goals related to affordable housing within their communities:

1. Preserve Legally-Binding (LBAR) and Naturally Occurring Affordable Housing (NOAH) Units
2. Create New Legally-Binding Affordability Restricted (LBAR) Units

Both communities also have a third goal:

3. Encouraging transit-oriented development near the proposed light rail stations to promote affordable and accessible communities

This goal should also be included to track whether development near stations is aligned with the priorities of several agencies that provide funding to affordable housing and public transportation, such as the Federal Transit Administration through its Capital Improvement Grant Program and the North Carolina Housing Finance Agency's Low-Income Housing Tax Credit Program. A system must be implemented to track and monitor progress toward achieving all three affordable housing goals. Annual updates should be completed to assist with data tracking and monitoring. As a regional organization, Triangle J Council of Governments is particularly suited to track and maintain this data and convene regional stakeholders, including housing and planning departments of towns and counties within the light rail corridor, to assess the progress made towards these goals annually.

Data included in the annual update will be comprised of metrics related to each of the three housing goals and associated desired outcomes. Baseline metrics will also be included to measure the overall trends in the proposed transit corridor. Baseline metrics and metrics related to the three affordable housing goals and their associated outcomes are outlined on the following pages. Each outcome is linked to a metric, its desired trend, and baseline data, where applicable. Baseline data has been pulled for each metric and will be updated on an annual basis. Data sources and geographies for each metric are also included in the table.

The Light Rail Corridor At-A-Glance

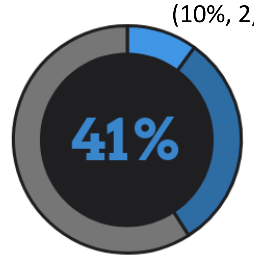
Housing Tenure and Income

	Proportion in Corridor	Median Household Income	Cost-Burdened Households <80% AMI
Owner	**32%**	**$80,000**	**13%**
Renter	**68%**	**$31,000**	**45%**

Corridor Diversity

55% of residents
in the corridor are
people of color

Affordable Housing Inventory



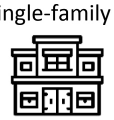
LBAR
(10%, 2,164 units)

NOAH
(31%, 6,767 units)

21,896 units total in Station Analysis Areas

Housing Type Breakdown

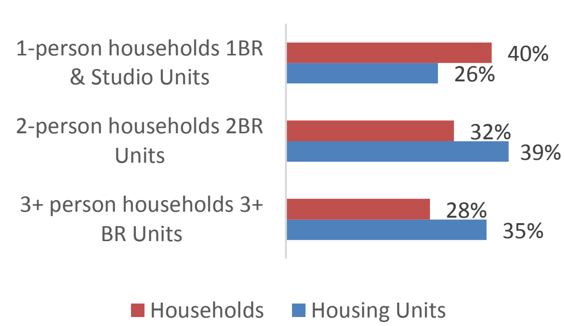
51%
Single-family



10%
Small multifamily (<4 units)

39%
Large multifamily (>4 units)

Household Size and Housing Unit Size Mismatch



Employee and Housing Mismatch

1-in-10 employees
live and work
within the corridor

Table 6: Baseline Metrics

Topic	Metric	Baseline Data	Data Source	Geography of Analysis
Population Characteristics	1. Population 2. Population density (per sq.mi) 3. % White alone 4. % African American alone 5. % Other races or multiracial 6. % Hispanic/Latino (of any race)	1. 81,603 2. 2,236 persons/sqmi 3. 55.4% 4. 23.4% 5. 16.5% 6. 12.6%	American Community Survey	Census block groups within station analysis areas
Household Characteristics	1. Number of households 2. % Family households	1. 67,845 2. 65.4%	American Community Survey	Census block groups within station analysis areas
Resident Economic Characteristics	1. Median family income 2. Median Family income as a % of area median income 3. Median household income: owner occupied unit 4. Median household income: renter occupied unit 5. % of renter households below 80% AMI who are housing cost-burdened	1. $47,252 2. 58.6% 3. $80,230 4. $30,947 5. 44.8%	American Community Survey	Census tracts within station analysis areas
	6. Median household income 7. % families with income below poverty level 8. Share of aggregate household income in bottom two income quintiles 9. Number and proportion of zero car households	6. $35,668 7. 18.9% 8. 10.9 9. 4,316 (13%)	American Community Survey	Census block groups within station analysis areas
	10. % of income spent on housing and transportation costs for households less than 80% AMI (a household is considered cost-burdened if they spend more than 4% of income on combined costs)	10. 50.2%	H+T Index	Census block groups within station analysis areas
Housing Supply Characteristics	1. Number of housing units 2. % owner-occupied units 3. % renter-occupied units 4. Median gross rent 5. Median owner-occupied house value 6. Median gross rent as a % of household income 7. Median owner costs as a % of household income (with mortgage)	1. 33,942 2. 31.8% 3. 68.2% 4. $930 5. $227,700 6. 29.8% 7. 21.2%	American Community Survey	Census block groups within station analysis areas
	8. % single-family properties 9. % small multifamily properties 10. % large multifamily properties	8. 50.6% 9. 10.2% 10. 39.2%	American Community Survey	Census tracts within station analysis areas

Table 7: Performance Metrics to Achieve Affordable Housing Goals

Goals	Outcomes	Metrics & Desired Trend	Baseline Data	Data Source	Geography of Analysis
1. Preserve Legally-Binding (LBAR) and Naturally Occurring Affordable Housing (NOAH) Units	1.1 Maintain the number of existing LBAR units	1.1.1 Number of LBAR units that have reverted to market-rate within the last year (→)	0 units	TJCOG-maintained affordable housing inventories	Station analysis area
	1.2 Prevent displacement of low- and moderate-income renters and homeowners	1.2.1 Number of homeowners provided with financial assistance to rehab their homes (↗)	6 homeowners	Durham Home Repair Collaborative, Orange County Home Preservation Coalition, Durham, Chapel Hill	Station analysis area
		1.2.2 Number of homeowners who receive property tax assistance (↗)	103 homeowners	Durham and Orange Counties	Station analysis area
		1.2.3 Proportion of residential properties that are 10+ years old that have sold within the last year (→)	Durham County - 9% (300/3,207 properties) *Orange County - pending data*	County property records	Station analysis area
	1.3 Maintain the number of naturally occurring affordable housing units	1.3.1 Number of multifamily NOAH units (→)	6,767 units	TJCOG-maintained affordable housing inventories	Station analysis area
	1.4 Increase availability of healthy, safe, and affordable places for renters	1.4.1 Number and proportion of rental properties considered to be in poor, very poor, or unsound condition by the tax assessor (↘)	Durham County - 2% (51/3,202 rental parcels) *Orange County - pending data*	Durham and Orange County Tax Assessors	Station analysis area
2. Create New Legally-Binding Affordability Restricted (LBAR) Units	2.1 Increase in number of LBAR units	2.1.1 Number of LBAR units (↗)	2,164 units	TJCOG-maintained affordable housing inventories	Station analysis area
		2.1.2 Proportion of legally-binding units within 1/2 mile station area buffer vs. proportion of total legally-binding units in the county in which station is located (↗)	2.42 - Medium-High FTA rating	TJCOG-maintained affordable housing inventories	1/2 mile station area buffer and Durham and Orange Counties
	2.2 Increase the availability of market-rate units with a range of sizes	2.2.1 Difference between number of units by bedroom size compared to the number of households by household size (↘)	1BR/Studio & 1 Person HHs: -3,161 2 BR & 2 Person HHs: 3,229 3 BR & 3 Person HHs: 3,662 4 BR & 4 Person HHs: 277 5 BR & 5+ Person HHs: -603	American Community Survey	Census block groups within station analysis areas

3. Encourage Transit-Oriented Development	3.1 Increase employment opportunities near affordable housing and public transportation	3.1.1 Number of employees (↗)	94,793	LEHD OnTheMap database	Census block groups within station analysis areas
	3.2 Increase population densities near public transportation	3.2.1 Number of people who live and work within the transit corridor (↗)	9,181	LEHD OnTheMap database	Census block groups within station analysis areas
	3.3 Increase mixed-use transit-oriented development communities	3.3.1 Square feet of office, multi-family, industrial, hospitality, retail, health care, and sports & entertainment properties (↗)	Office: 375 properties/9,401,597 sqft Industrial: 64 properties/1,191,213 sqft Hospitality: 25 properties/1,936,646 sqft Retail: 406 properties/4,552,482 sqft Health Care: 9 properties/2,705,427 Sports & Entertainment: 6 properties/467,573 Multi-Family: 144 properties/15,242 units	CoStar database	Station analysis area

Desired Trend Outcomes
↗ Metric increases over time
→ Metric remains the same over time
↘ Metric decreases over time

Next Steps: Advancing Strategies for Affordable Housing near Transit

Chapel Hill and Durham do not have deep pockets relative to the larger and more prosperous regions that are investing significant amounts public money to address their affordable housing shortages. Additionally, they are hampered by state restrictions from applying innovative tools used successfully elsewhere to create and preserve affordable housing. In the light rail corridor itself, actions by major anchor institutions – universities and medical centers – can significantly influence housing efforts. In order to be successful, people of good will must collaborate voluntarily to do their part.

In one word: Partnerships. Both this report, and the light rail Guidebook prepared by GoTriangle, come to the same conclusion: sustained, systematic partnerships will be needed if meaningful affordable housing results are to be achieved.

The tools and techniques outlined in this report can lead to better affordable housing results, but none is a silver bullet, and the effect of each is stronger when used as part of a comprehensive approach. For these strategies to achieve their full potential, partnerships between interdisciplinary stakeholders can be created where they do not yet exist, and nurtured and strengthened where they do.

Two initial partnerships – one already existing and the other with a precedent in the region – can serve as cornerstones for collaboration:

- *The Triangle Housing Practitioners Group* – Consisting of stakeholders from the public, private and civic sectors with direct responsibility to fund, build, manage or regulate affordable housing, the practitioners group was created in 2017 and is convened by the Triangle J Council of Governments to examine specific techniques, learn about emerging opportunities, and share effective practices.
- A *Land Use-Housing-Transit Partnership* that can bring together expertise from different "silos" for a laser-like focus on the inter-related decisions that communities make on land use regulation, transit investment, and housing programs. An analogous group was created by Triangle J COG to look at passenger rail, bus rapid transit, and frequent bus service corridors in the Wake Transit Plan. Transitioning this group to a regional group and sustaining it over time could be a productive collaboration.

These two partnerships can have the added benefit of supporting affordable housing efforts not just in the light rail corridor, but along other bus and rail investments planned in the region.

In addition to partnerships, four other next steps can form an effective framework for pursuing the strategies outlined in this report:

1. Monitoring, Evaluation, and Reporting. Both Triangle J COG and GoTriangle have work programs oriented to TOD performance. By divvying up tasks and coordinating efforts, they can provide decision-makers with timely information to inform policies and make course corrections. Triangle J COG has particular strengths in housing and community land use planning due to its work with the national Housing Preservation Database and the CoStar development database, and as the managing partner of the CommunityViz Growth Allocation tool for the two Metropolitan Planning Organizations. GoTriangle has particular strengths and interests in tracking project submittals affecting station areas and land values along transit corridors. GoTriangle and Triangle J COG can develop a collaborative monitoring,

What If …

If partnerships are crucial to implementing strategies, what can help strengthen partnerships?

Partnerships need to be more than people sitting around a table discussing issues. Four pillars could provide a foundation:

- Recognition. What if we created a "Part Of The Solution" recognition program that rewarded developers and communities that go the extra mile?
- Commitment. What if we created an "A Place For All" Resolution that communities could sign on to strengthen the connective tissue of regional housing partnerships?
- Policy Advancement. What if we worked with the state to allow tried-and-true affordable housing tools in carefully designated Transit-Oriented Development zones?
- Innovation. What if we created a Land Use-Transit-Housing Strategy Lab that brought together university, developer and community expertise to explore and test innovative approaches?
- eTOD. What if we partnered with local government, financial organizations, and housing and transit authorities to advocate for state policies that better support eTOD?

evaluation and reporting system that can work seamlessly with other tools, like Chapel Hill's Affordable Housing Dashboard. As monitoring results accumulate over time, the data can help us discern where we have come from, in an effort to plan for where we would like to go, and how we can get there.

2. Resource Attraction. From private investment in Opportunity Zones to federal joint development funding to social impact investing, innovative techniques to attract non-traditional revenues for affordable housing emerge periodically. Ensuring Chapel Hill and Durham are on the leading edge to take advantage of these opportunities could have significant benefits.

3. Top Priorities and Next-in-Line. With 34 specific strategies identified in this report, it would be easy to dilute collaborative efforts by trying to pursue everything at once. One task of the partnerships can be to select a limited set of top priorities for collaborative effort, and a "next-in-line" list to begin to gather information about, even while individual organizations may work on some of the other strategies.

4. Annual Development & Transit Investment Summit. Building on the work of the partnerships and the monitoring and evaluation effort, an annual summit can showcase what communities along the LIGHT RAIL corridor are doing to meet their affordable housing goals and introduce fresh ideas from people in the Triangle and experts from peer regions. A summit or similar event can be a way to partner with organizations with similar interests, such as the Urban Land Institute, and engage regional stakeholders.

While this report does not point to a single solution, it does outline a range of tools and techniques that can be utilized to improve our efforts at creating and preserving affordable housing in our region. Preserving housing affordability near transit will not happen by accident. Our solutions must be intentional and strategic, so that over time, we can look back and know we have done what we could to increase the chances for a boisterous celebration about our housing affordability successes and decrease the chances for loud complaints about what we were unable to do.

Additional Resources

- TJCOG Housing – www.tjcog.org/housing.aspx
- GoTriangle Transit Planning Projects – https://gotriangle.org/lightrail/home
- Enterprise Community Partners – www.enterprisecommunity.com
- HUD Evidence Matters – www.huduser.org/portal/evidence.html
- Center for Transit Oriented Development – www.ctod.org
- Reconnecting America – www.reconnectingamerica.org
- Denver TOD Fund – www.urbanlandc.org/denver-transit-oriented-development-fund/
- Bay Area Transit-Oriented Affordable Housing Fund – www.bayareatod.com
- TJCOG Affordable Housing Glossary - https://bit.ly/2tml3o0
- Missing Middle Housing – www.missingemiddlehousing.com

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- North Carolina State University
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- GoTriangle

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  Loryn Clark
  Nate Broman-Fulks
  Emily Holt

- City of Durham
  Karen Lado
  Hannah Jacobson

Triangle J Council of Governments

Appendices

Appendix 1: Definitions of Affordable Housing Strategies

Strategies	Definitions
Anchor Institution Involvement	Hospitals, universities, and other institutions contribute funds or land and even construct properties to preserve and create affordable housing opportunities for faculty, staff, students, and existing and future members of the community surrounding the institution.
Contribute to a Housing Fund	Established by local elected officials, housing trust funds are distinct funds made up of a variety of sources, including public revenue, to provide affordable housing. Housing trust funds have an organized way to distribute the funds to specific projects and to achieve housing goals.
Contribute to an Acquisition Fund	Support acquisition funds for affordable housing developers to acquire and rehabilitate NOAH properties close to planned transit
Crowdsourcing for Affordable Housing	Crowdsourcing leverages social networking tools to create funding, build support, and gather input into projects.
Delayed Demolition Timelines	Utilize Historic Overlay Districts to implement a delayed demolition timeline of any structure for up to one year while alternatives to demolition are explored as a way to preserve naturally occurring affordable housing, particularly multi-family properties. This action is allowed by NC state law under enabling legislation for the Creation of Historic Preservation Commissions by Counties and Municipalities (GS. 160A-400.1-400.14).
Density Bonus	Engage market-rate developers to produce affordable housing units in exchange for an increased number of units, taller buildings, or more floor space than normally allowed.
Disposition of Publicly-Owned Property	Create a developable land inventory to determine which publicly-owned parcels are suitable for affordable housing development.
Educate Homeowners	Support homeowners in appreciating neighborhoods by providing education on their rights, options, and opportunities to remain in their homes
Engage Faith Leaders and Faith-Based Organizations	Engage faith leaders organizations who support affordable housing in order to increase community support through advocacy and raise funds or allocate land for affordable housing.
Equitable TOD: Community-Scale Education and Engagement	Local governments can engage with staff, boards, commissions, and community members to educate and create tools and strategies to support affordable housing in the community.
Fee Rebates	Reduces or eliminates permitting fees for affordable housing developments. North Carolina statute prohibits local governments from waiving fees, but they are able to reimburse these fees.
From NIMBY to YIMBY: Neighborhood-Scale Education and Engagement	Engage community members who support development of affordable housing to increase community support and educate community members who are against development to understand the needs and benefits of increasing density and providing affordable housing within the community.
Homebuyer Support	Provide loans or grants to moderate-income homebuyers. Some programs can be specifically targeted to support first time homebuyers, public sector employees, or other targeted groups.
Incentivize Landlords to Participate in Voucher Programs	Create risk mitigation fund to provide financial assistance to landlords of private market units to mitigate qualifying damages cause by tenants who use a voucher program, including Section 8, VASH, or other voucher program.
Incentivize Landlords to Rehabilitate and Preserve Affordable Housing	Provide financing or tax incentives to rehabilitate their properties in exchange for affordability restrictions.
Inclusionary Zoning (Conditional)	Developers receive certain valuable incentives, such as planning, zoning, or financial benefits, in exchange for providing affordable homes or paying into an affordable housing fund. Common benefits include the right to build higher density (also known as a density bonus), lower parking requirements, or tax incentives.
Increase Development Review Efficiency	Increase efficiency of the development review process to reduce costs and timelines for developing affordable housing. Strategies to increase efficiency include streamlining the review process, increasing staff capacity, creating a separate process for expedited review, implementing online permitting, creating accountability, and making the process more user-friendly.
Increased Departmental Coordination	Reduce barriers to development within other departments and coordinate meetings with other departments to discuss proposed affordable housing projects early and often.

Joint Development	Local transit agencies can utilize joint development funds from the Federal Transit Administration to support affordable housing projects near transit, including funds for property acquisition, demolition of existing structures, site preparation, relocation or construction of utilities, building foundations, walkways, and providing bike and pedestrian access between public transit and related development.
Land Banking	Assembling, temporarily managing, and disposing of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. This can happen through established land banks, which can be created by governmental entities or nonprofit corporations.
Landlord Outreach for Voucher Programs	Continue to conduct outreach to existing and potential landlords to educate them on voucher programs, including but not limited to, Section 8 voucher program and the Veterans Affairs Supportive Housing voucher program, to increase number of landlords who accept vouchers near proposed transit corridors.
Master Leasing	A local government or non-profit organization could master lease rental units at one property or throughout the community at existing market rates and then sublease the units at affordable rates to qualified tenants. Local governments or non-profit organizations may also be able to secure a subsidized rate from the property owner and pass on the discount to the tenants without requiring additional subsidy. Local governments may choose to provide subsidy and work with a third party as property manager.
Municipal Service Districts	Municipal service districts assess an additional tax on the full value of a property paid by property owners within a defined municipal service district that will benefit from public improvements.
Opportunity Zones	The Opportunity Zones Program was signed into legislation in December 2017 through the Tax Cuts and Jobs Act (H.R.1) that provides tax incentives for qualified investors to re-invest unrealized capital gains into low-income communities through a qualified Opportunity Fund.
Preservation Warning System	Track properties with expiring affordability requirements or that otherwise are available for purchase and notify public and private entities of properties to encourage acquisition and rehabilitation of properties for affordable housing. Including tax credit properties or other properties available for purchase.
Public Housing Redevelopment	Continue to partner with the housing authority to support the redevelopment of housing authority owned properties.
Reduce Barriers for Missing Middle Housing, including ADUs	Decrease barriers to constructing missing middle housing, including ADUs, in single-family and low-density neighborhoods by changing zoning to allow development by right and minimizing other regulatory barriers where applicable. ADUs are a secondary dwelling unit on the same lot as a principal single-family home. Because ADUs are usually small, they are often more affordable to rent than full-size single-family homes. Examples include a guest house, pool house, garage apartment, in-house apartment, granny-flat, etc.
Reduce Parking Minimums	Reducing parking requirements allows developers to provide an appropriate amount of parking based on demand; it does not prevent a developer from building parking. Most provisions do not reduce or eliminate parking requirements uniformly across a municipality, but rather target lower parking requirements to downtown areas, areas with greater accessibility to alternative modes of transit, or to specific types of development, such as affordable and senior housing.
Rental Subsidy	Support existing renters with rental and utility assistance. Local governments may choose to serve only housing voucher recipients or other special populations.
Repair Assistance for Low-Income Homeowners	Support existing low-income homeowners with funds for rehabilitation, repair, and energy efficiency upgrades as well as educate homeowners on the expanded use of the State property tax relief programs
Right of First Refusal	A right of first refusal in the deed requires property owners to give identified entities the right to buy rental housing before they offer to sell it to another party. For this policy to be successful, potential buyers need to have experience purchasing and operating housing and need to have quick access to funding or financing.
Social Impact Investing	Work with social impact investors to provide gap financing to acquire and rehabilitate NOAH properties or properties with expiring affordability requirements or to preserve or create new affordable housing units.
Tax Increment Financing (TIF)	Local government establishes a district and borrows monies to fund public infrastructure projects that will benefit and incentivize new private development in the district. TIF uses the increased property taxes that a NEW real estate development will generate to finance the development cost. Note that synthetic TIFs are often a more viable option as compared to traditional TIF districts.

Appendix 2: Affordable Housing Inventory – Station Area Data

Stations	Total DUs	SF	MF	2018 Total AH	% Affordable ≤80% AMI	2018 LBAR	2018 NOAH	<60% AMI		60-80% AMI	
								LBAR MF	NOAH MF	LBAR MF	NOAH MF
Station Analysis Areas											
UNC Hospitals	167	47	120	0	0%	0	0	0	0	0	0
Mason Farm Road	350	283	67	0	0%	0	0	0	0	0	0
Hamilton Road	838	79	759	423	50%	27	396	11	396	16	0
Friday Center Drive	496	96	400	46	9%	46	0	12	0	34	0
Woodmont	741	46	695	0	0%	0	0	0	0	0	0
Leigh Village	702	99	603	411	59%	0	411	0	0	0	411
Gateway*	751	229	522	473	63%	0	473	0	297	0	176
Patterson Place	1,163	25	1,138	932	80%	0	932	0	88	0	844
Martin Luther King Jr Parkway	2,491	172	2,319	1765	71%	24	1741	24	825	0	916
South Square	1,149	9	1,140	770	67%	0	770	0	420	0	350
LaSalle Street	3,735	96	3,639	2374	64%	864	1510	464	910	400	600
Duke/VA Medical Centers	136	0	136	0	0%	0	0	0	0	0	0
Ninth Street	1,993	183	1,810	86	4%	5	81	3	0	2	81
Buchanan Boulevard	719	252	467	212	29%	25	187	13	95	12	92
Durham Station & Blackwell/Mangum	1,429	177	1,252	112	8%	0	112	0	0	0	112
Dillard Street	899	171	728	529	59%	489	40	357	40	132	0
Alston Avenue	982	340	642	593	60%	519	74	285	55	234	19
NCCU	1,456	745	711	205	14%	165	40	165	40	0	0
Compact Neighborhoods											
Leigh Village	48	48	0	0	0%	0	0	0	0	0	0
Patterson Place	1,163	25	1,138	932	80%	0	932	0	88	0	844
South Square / Martin Luther King Junior Parkway	2,767	4	2,763	2535	92%	24	2511	24	1245	0	1266
Erwin Road	3,628	18	3,610	2236	62%	726	1510	726	910	0	600
Hillsborough Road	33	14	19	14	42%	0	14	0	14	0	0
Ninth Street	1,316	24	1,292	81	6%	0	81	0	0	0	81
Downtown Tier	2,558	51	2,507	875	34%	723	152	668	40	55	112
Alston Avenue	641	159	482	440	69%	366	74	366	55		19

*Gateway Station Analysis Area includes the Eastown Station Analysis Area

Endnotes

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[24] Affordable housing data included in this inventory includes data from the National Preservation Database, Durham Habitat for Humanity, the Durham Community Land Trust, and CoStar, a real-estate database.
[25] Units were included if they were located within the Station Analysis Area for each station, as defined by GoTriangle. Of all legally-binding affordable housing units in the Town of Chapel Hill, 8% are located within the Station Analysis Areas for the Chapel Hill stations.
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[41] ADU data comes from the Durham Tax Assessor and includes all permitted Garage Apartments. These only represent free-standing ADUs and are a proxy at best. A note that no additional information on use of the ADUs is currently available.
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[57] Atlanta BeltLine, *2030 Strategic Implementation Plan*. (2013). https://beltlineorg-wpengine.netdna-ssl.com/wp-content/uploads/2013/03/Beltline_Implementation-Plan_web.pdf
[58] The joint development line item is line 20.05 in the Standard Cost Category (SCC) summary sheet submitted to FTA to enter the Engineering phase of the New Starts Program. GoTriangle assumed $90 million in "base year" funds for joint development with an

additional $8.5 million assigned as "unallocated" to account for contingencies. With the understanding that 50 percent of the total joint development funds must come from local sources, federal funds for joint development as outlined in the SCC amount to approximately $49.25 million.

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