



# Affordable Housing 101



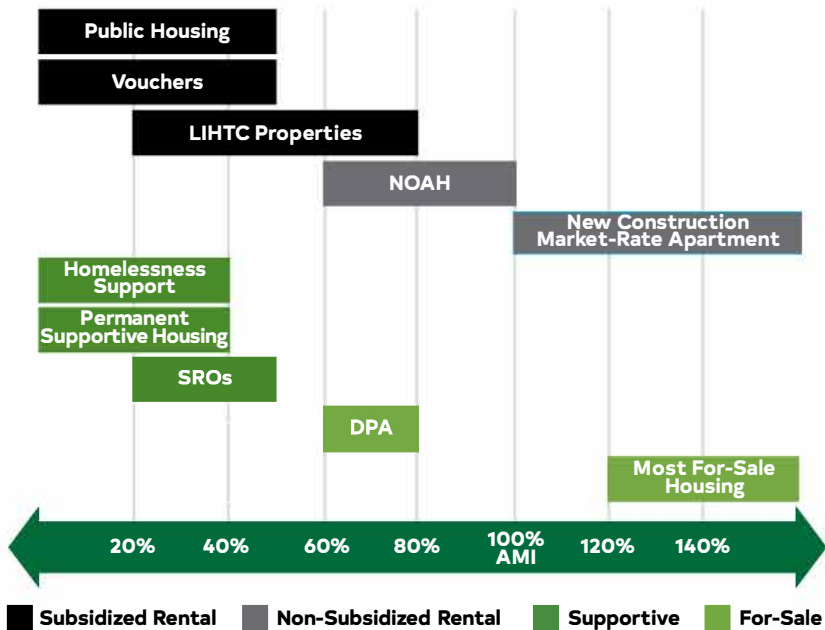
Raleigh  
Housing

# What is affordable housing?

Housing is affordable when a household spends no more than 30% of their income for housing costs like rent, mortgage, and utilities.

Affordable housing can be:

- **Subsidized**, meaning that it is funded in part by public or private non-profit dollars.
- **Unsubsidized**, meaning that it is naturally occurring in the market (often called "naturally occurring affordable housing" or "NOAH")



If you lined up every household in the Raleigh area in order from least to most income, the area median income (AMI) is the amount in the middle.

AMI is used to determine eligibility for affordable housing programs. These programs are targeted to households earning below 80% AMI, with some programs intended for lower AMI levels.



We can think of the affordable housing landscape as a continuum that shows the range of affordable housing options available to residents:



The City's affordable housing programs focus primarily on the development of affordable rental units as well as support for homelessness initiatives and first-time homebuyers with low incomes.

# Homelessness Support Initiatives

The City works alongside regional partners to address the pressing concern of homelessness. The City partners closely with Wake County, which is the primary funder of emergency shelter and prevention services, and actively participates in the Wake County Continuum of Care (CoC).

The City leverages federal funding to support homelessness initiatives. These programs are outlined below (with homelessness-related services in **bold**).

ESG Emergency Solutions Grant	CDBG Community Development Block Grant	HOME HOME Investment Partnership
<ul style="list-style-type: none"><li>• <b>Rapid re-housing</b></li><li>• <b>Homelessness prevention</b></li><li>• <b>Street outreach</b></li><li>• <b>Homeless Management Information System (HMIS) support</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Non-profit support</b></li><li>• Rehabilitation Programs</li><li>• Neighborhood Site Improvements</li></ul>	<ul style="list-style-type: none"><li>• Rehabilitation Programs</li><li>• Down payment assistance</li><li>• Gap financing for affordable rental development</li></ul>

Funding from the City's Affordable Housing Bond and American Rescue Plan Act (ARPA) dollars have also been used to support homelessness initiatives.

Some examples include:

- \$3 million to Healing Transitions to renovate the Men's Campus and add 110 emergency shelter beds.
- \$10 million to local non-profit CASA to construct King's Ridge, a 100-unit apartment community to serve households with very low incomes and those exiting homelessness.
- The creation of a homelessness prevention and diversion pilot program.
- Support to emergency shelter improvements, homelessness prevention, rapid rehousing, and street outreach.

# Affordable Rental Development

The construction of affordable rental housing requires capital, just like any other development. However, the rents must be affordable to families earning lower incomes. Affordable units are made accessible primarily through the Housing Choice Voucher Program and the Low-Income Housing Tax Credit (LIHTC).

**The Housing Choice Voucher Program** is the primary program serving households under 30% AMI. Vouchers are administered locally by Public Housing Authorities.

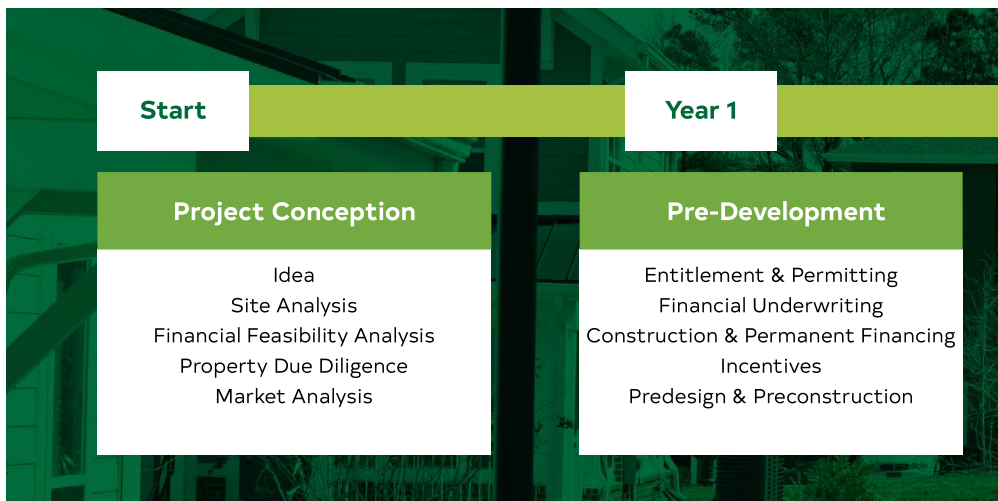
In Raleigh:

- Approx. 3,700 vouchers are in circulation (85% of voucher holders are at or below 30% AMI).
- There are 1,449 public housing units (75% occupied by households at or below 30% AMI).
- There is high demand and utilization (only approx. 300 vouchers turn over annually)
- Vouchers can only be used for rent at or below Fair Market Rent (FMR)

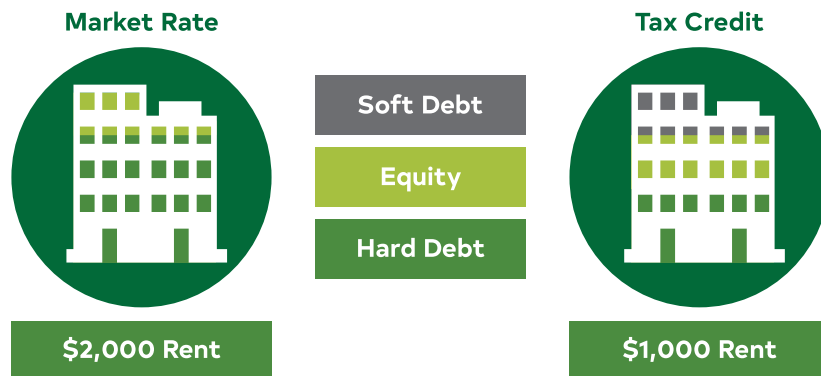
	Studio	1BR	2BR	3BR	4BR
FMR	\$1,038	\$1,073	\$1,223	\$1,517	\$1,982







**LIHTC** development is the most widely used tool to create affordable rental units. It subsidizes the acquisition, construction, and rehabilitation of units through financing (debt and/or equity).



*Layered financing through LIHTC equity and soft debt (like low-cost loans) reduce the hard debt, thus allowing monthly charged rents to be lower.*

LIHTC development is a multi-year process. It can be challenging for funders to commit dollars to a project until all other funding sources are solidified. The development review process at the local level can be lengthy, with construction or rehabilitation of housing taking 18 months to a year depending on the project size.

LIHTC is a tightly regulated program with:

- Limits on contractor profit.
- Specific reserve amounts.
- Underwritten to 1.15 debt coverage ratio.
- Independent cost certification upon completion of construction.
- Legally binding 30-year affordability period through deed restrictions.

The City contributes millions of dollars per year to support the development of affordable rental housing (nearly \$17 million budgeted for FY23-24). As of 2023, the current average subsidy required to create one rental unit affordable at 60% AMI is \$159,000.

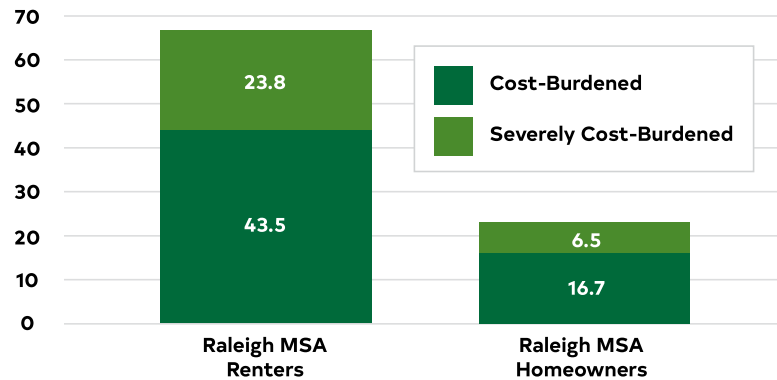
Developers building market-rate rental housing have more flexibility and higher profit margins that LIHTC developers:

- Profit achieved when the project is built, occupied, and sold.
- To create affordable units in a market-rate development, the \$159k subsidy must come from somewhere.

Tools that the City can use to incentivize affordable units in market-rate developments include inclusionary zoning and financial subsidy.

## Why Focus on Affordable Rental?

- The stock of affordable rental units is limited.
- Deeper income targeting to reach lower AMI households is feasible through affordable rental development.
- The proportion of renters burdened by the cost of housing is nearly triple the amount of cost-burdened homeowners.



### Project Spotlight: Washington Terrace

Washington Terrace is an aging 23-acre, 245-unit housing project for households with low incomes. It is in east Raleigh, located in the City's Neighborhood Revitalization Strategy Area.

A local non-profit developer, DHIC, purchased the property with the assistance of \$2.1 million from the City of Raleigh and is redeveloping the entire site in four phases. The first two phases are Villages at Washington Terrace (162 units for families) and Booker Park North (72 units for the elderly).







## Affordable Homeownership

The City aims to promote affordable homeownership and address the racial homeownership gap (in the Raleigh area, the homeownership rate for white households is 74% vs. 47% for Black households).

Homeownership programs include:

- Homebuyer assistance programs to offset the cost of a down payment, closing costs, and other financing gaps.
- Home rehabilitation programs to preserve existing housing and allow homeowners to age in place.
- Strategic acquisition for affordable homeownership development.
- Public-private partnerships with affordable developers and non-profits.

### **Project Spotlight: East College Park**

The City partnered with six builders to develop 98 single-family homes in East College Park, which is located less than a mile east of downtown. This mixed-income neighborhood ensures that 60% of homes are affordable to families earning under 80%AMI.

East College Park has been recognized as a strong model of affordable homeownership development in North Carolina.



**Housing and Neighborhoods**  
Community and Small Business  
Development Division

[cd.info@raleighnc.gov](mailto:cd.info@raleighnc.gov)  
(919) 996-4330

[raleighnc.gov/housing](http://raleighnc.gov/housing)



**Raleigh  
Housing**