



FY21-22

Affordable Housing Annual Report



Raleigh
Housing



Executive Summary

The City of Raleigh's Housing and Neighborhoods Department has four key focus areas to address housing affordability:

- Rental housing development
- Neighborhood stabilization
- Public-private partnerships
- Homelessness

To stabilize low- and moderate-income neighborhoods as Raleigh grows, the City is investing in the creation and preservation of affordable housing in areas that will be impacted by the planned Wake Bus Rapid Transit system and other large public projects.

Supply chain disruption, high material costs, labor shortages, and rising interest rates slowed affordable housing production in Fiscal Year 2021-2022. Despite these challenges, the City of Raleigh created or preserved 156 affordable housing units in FY21-22, for a total of 3,028 units produced since FY15-16.

Looking forward to FY22-23, the City will continue to advance affordable rental development projects currently in the production pipeline, while also seeking new and creative ways to create affordable rental opportunities such as leasing City-owned lots for smaller scale infill development. To promote the expansion of public-private partnerships, the City will continue to dedicate funding and provide other incentives to leverage City resources and private investment to build affordable housing.

In addition to these efforts, the City will continue to provide ongoing financial support for the local homeless services system and providers, and will invest in large-scale projects to create new supportive housing options for people experiencing homelessness.



Affordable Housing in Raleigh

As Raleigh residents know well, our city is growing rapidly — and we have the housing prices to prove it. Rents rose by 21% from 2014 to 2021, compared to just 9% nationally. Home prices increased by 22% in just one year from 2020 to 2021. And nearly 29,000 low-income renters and 15,000 homeowners are “housing cost-burdened,” meaning they pay over 30% of their income on housing costs. COVID-19 put further pressure on the housing market — job losses and other economic impacts of the pandemic put many residents face-to-face with eviction, foreclosure, and homelessness. Others were pushed to relocate to places outside of Raleigh with lower costs of living.¹

The Housing and Neighborhoods Department combats cost burden and housing instability by creating and preserving affordable housing from a variety of angles: down payment assistance for first-time homebuyers, home rehabilitation for elderly and disabled homeowners, gap financing for affordable rental housing developers, and financial and planning support for homelessness service providers.

This report highlights the Department’s affordable housing initiatives and accomplishments in Fiscal Year 2021-2022 and lays out our strategy and priorities for Fiscal Year 2022-2023.

¹ Raleigh Housing Investment Plan

FY21-22 Accomplishments

In 2016, the City of Raleigh established a goal to **create or preserve 570 affordable housing units** per year for 10 years, with a grand total of **5,700 units by 2026**. Since FY15-16, the City has added or preserved **3,028 units**.

In FY21-22, affordable housing production was lower than usual due to the pandemic. Across the country, rental development slowed due to supply chain disruption, rising construction costs, labor shortages, and high interest rates on construction loans. Many developments in the pipeline in Raleigh experienced unanticipated funding gaps which delayed the projects.

First-time homebuyers were impacted as well, as home prices soared in 2020 and 2021. Because the City's Homebuyer Assistance Program uses federal funds, buyers must purchase homes at or below a maximum price established annually by the U.S. Department of Housing and Urban Development (HUD). In FY21-22, this limit for the City of Raleigh was \$275,000 – whereas the median home sale price was more than \$450,000. Such high home prices have made it very difficult for prospective first-time buyers to find a home within their budget and program guidelines.

Home rehabilitation also took a hit. Supply chain issues and construction labor shortages slowed production, and many elderly homeowners did not want contractors in their homes due to health and safety concerns.

Raleigh's affordable housing initiatives pressed forward, albeit more slowly than usual, despite these significant barriers. In total, **156 affordable units** were created or preserved in FY21-22.

Affordable Rental Units

In September 2021, the City purchased a 116-unit extended-stay hotel, renamed **Studios at 2800**, with \$8 million from the American Rescue Plan Act. The property will be mixed occupancy, combining the existing extended-stay model with permanent supportive housing units for people exiting homelessness and other flexible affordable housing options. The City has selected CASA as the non-profit operator to manage the property. The City and CASA are currently working on capital improvements to the property, which will include a new outdoor gathering space in addition to room and facility upgrades.



In addition to these units on the ground, the City awarded funds in May 2022 to three rental development projects utilizing the Low-Income Housing Tax Credit program, which will create **344 new affordable units** once complete. Another **2,102 units** received City funding commitments in prior years and are currently in the development pipeline.





Homebuyer Assistance and Home Construction

The City provided down payment assistance to **16 first-time homebuyers** in FY21-22 and sold homes that were constructed on City-owned lots to 10 first-time homebuyers, including **8 low-income buyers**. An additional 4 homes are under construction on City-sponsored land in the East College Park neighborhood and 3 homes in the Martin-Haywood neighborhood.

The City also provided funding to DHIC, Inc. to provide homebuyer counseling services to **212 residents** in FY21-22.



Home Repair and Rehabilitation

Repairs were completed on **16 homes** owned and occupied by low-income Raleigh residents in FY21-22, including 8 homes repaired through the Limited Repair Program, administered on behalf of the City by Resources for Seniors, and 8 homes through the Substantial Rehabilitation Program. These repairs addressed major failing systems in the home and threats to life or safety and will help the owners remain safely and stably housed.

116

**RENTAL UNITS
CREATED/
PRESERVED**

16

**FIRST-TIME
HOMEBUYERS
ASSISTED**

16

**HOMES
REPAIRED/
REHABILITATED**

	FY15-16 - FY20-21	FY21-22	TOTAL
Rental units created/preserved	2,144	116	2,260
First-time homebuyers assisted	318	16	334
Homes constructed & sold to low-income buyers	221	8	229
Homes repaired/rehabilitated	189	16	205
TOTAL	2,872	156	3,028

Roadmap for FY22-23

The City faces several challenges to housing affordability. During the pandemic, supply chain issues and labor shortages made construction costs skyrocket — building material prices have risen more than 35% since March 2020.² This, along with rising interest rates, is straining the budgets of rental development projects. Several projects in the pipeline have seen interest rate increases of 100 basis points or more on their senior loans. As these costs trickle down to consumers, the soaring rents and home purchase prices that builders set to re-coup their construction costs are pricing many residents out of Raleigh.

To combat these challenges, the Housing and Neighborhoods Department has four key areas of focus for the new fiscal year: rental housing, homelessness, neighborhood stabilization, and public-private partnerships. Strategic initiatives are underway in each area to advance the City's affordable housing priorities and make Raleigh a secure, equitable place to call home.

Pre-Construction	
PROJECT NAME	UNITS
Milner Commons	156
New Bern Crossings	192
King's Ridge	100
Sumner Pointe I & II	192
The Pointe at Town Center I & II	264
Hampton Spring	56
Thrive at South End	90
The Summit at Sawyer	154
Toulon Place	200
Aspen Spring	84
Lake Haven*	56
The Preserve at Gresham Lake*	156
The Terrace at Rock Quarry*	132
TOTAL	1,832

Under Construction	
PROJECT NAME	UNITS
Abbingtion Square	82
Walnut Trace	180
Booker Park South	68
Oak Forest Pointe	120
Primavera	164
TOTAL	614

2,446

**TOTAL RENTAL
UNITS IN PIPELINE**

**Projects funded in FY21-22*

² <https://www.wakegov.com/news/may-2022s-median-price-wake-county-real-estate-topped-462000-another-new-record-high>



Rental Housing

- **Continue to advance City-funded affordable rental projects through the development pipeline.** The Joint Venture Rental Development Program has funded more than 3,000 units in the City of Raleigh since 1988 by providing low-interest loans to affordable multifamily housing developers. Maintaining rental production remains a priority and a primary driver of housing affordability in the City.
- **Solicit proposals for rental development on City-owned land targeting downtown service industry workers.** Two clusters of City-owned lots in downtown Raleigh will be made available via long-term land lease for development of three-story walk-up apartments with studio units with a target renter market of downtown service industry workers. At least 20% of the units will be affordable to households earning no more than 60% of the area median income (AMI).



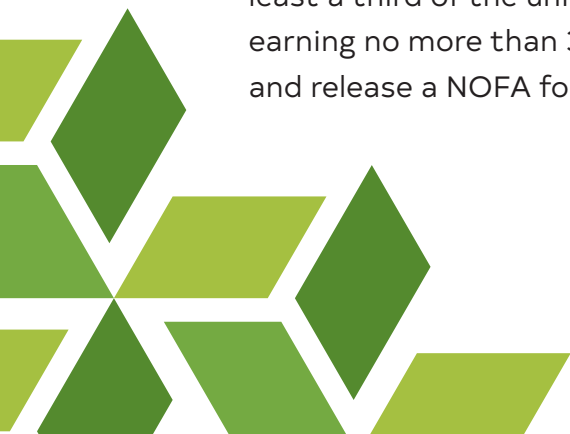
Homelessness

- **Maintain support for homeless services system and providers.** In partnership with Wake County and the Raleigh/Wake Partnership to End Homeless, the City will continue to identify the right resources for people experiencing homelessness or at risk of becoming homeless.
- **Expand system planning, including planning for the use of HOME-ARP funding.** HOME-ARP and other sources of funding will fund housing, rental assistance, supportive services, and non-congregate shelter for people who are experiencing or at risk of homelessness and other vulnerable populations.
- **Begin capital improvements on Studios at 2800.** Like many extended-stay hotels, Studios at 2800 provides housing for residents with significant housing barriers, such as poor credit and justice system involvement. As tenants move out and units turn over, a portion of units will be set aside as permanent supportive housing for individuals experiencing homelessness. CASA will provide programming and case management for these tenants.
- **Disburse remaining \$2.4 million for renovation of the Healing Transitions Men's Campus.** In FY20-21, the City committed \$3 million in 2020 Affordable Housing Bond funds to Healing Transitions, a peer-based substance use disorder recovery facility, to renovate and modernize the Men's Campus, including the addition of 110 shelter beds.
- **Close City loan for King's Ridge.** In May of 2022, CASA broke ground on King's Ridge, a 100-unit affordable rental development. The City has committed \$7 million in 2020 Affordable Housing Bond Funds, as well as over \$1 million in federal HOME funds, in gap financing to support the project. At least 50 of the units will be set aside as permanent supportive housing for people experiencing homelessness — a significant addition to the housing stock, which could reduce homelessness in Wake County by as much as 10 percent.



Neighborhood Stabilization

- **Successfully manage the City's flagship homeowner programs.** The City's long-standing homeowner programs create affordable homeownership opportunities for first-time buyers and fund repairs that allow elderly and disabled homeowners to remain safely in their homes. Below are the production goals for FY22-23:
 - **Homebuyer Assistance Program:** Provide financial assistance to **25** first-time homebuyers
 - **Limited Repair Program:** Fund repairs to **35** owner-occupied homes
 - **Substantial Rehabilitation Program:** Fund rehabilitation of **15** owner-occupied homes
- **Expand the Small-Scale Rental Development pilot program.** In fall of 2021, the City released a Notice of Funding Availability (NOFA) for \$2 million in 2020 Affordable Housing Bond Funds for small-scale affordable rental development on City-owned lots downtown. In June 2022, City Council awarded Southeast Raleigh Promise the funds to develop a mix of duplexes, accessory dwelling units, single-family homes, and townhomes on 10 lots. At least a third of the units will be affordable to extremely low-income households (those earning no more than 30% AMI). The Department will advance this project in FY22-23 and release a NOFA for another round of funding in fall of 2022.





- **Promote housing affordability near planned transit corridors.** The funds in the 2020 Affordable Housing Bond are largely being targeted toward the planned Wake Bus Rapid Transit (BRT) corridors as part of the City's Equitable Development Around Transit framework to ensure that current residents in the BRT corridors are not priced out and that other low-income Raleighites can afford to move closer to transit. To work toward this goal, the City has carved out several funding buckets:
 - **Transit-Oriented Site Acquisition (\$16 million)** to acquire sites near transit to develop new and preserve existing affordable rental housing.
 - **Rental Gap Financing (\$24 million)** to fund affordable rental developments within ½ mile of the BRT lines and other frequently serviced bus routes.
 - **Home Rehabilitation (\$6 million)** to rehabilitate homes owned and occupied by low-income households within transit corridors to help mitigate displacement and facilitate aging in place.
 - **Homebuyer Assistance (\$6 million)** to help first-time homebuyers purchase homes in transit corridors.
- **Preserve existing affordable housing near transit.** The City has committed \$4 million in Transit-Oriented Site Acquisition bond funds to seed the Wake Affordable Housing Preservation Fund. The Preservation Fund is a revolving loan fund, made up of public and private dollars, that will provide developers with loans to preserve existing affordable housing. The City's funds will be targeted within ½ mile radius of the BRT corridors and other frequently serviced bus routes.

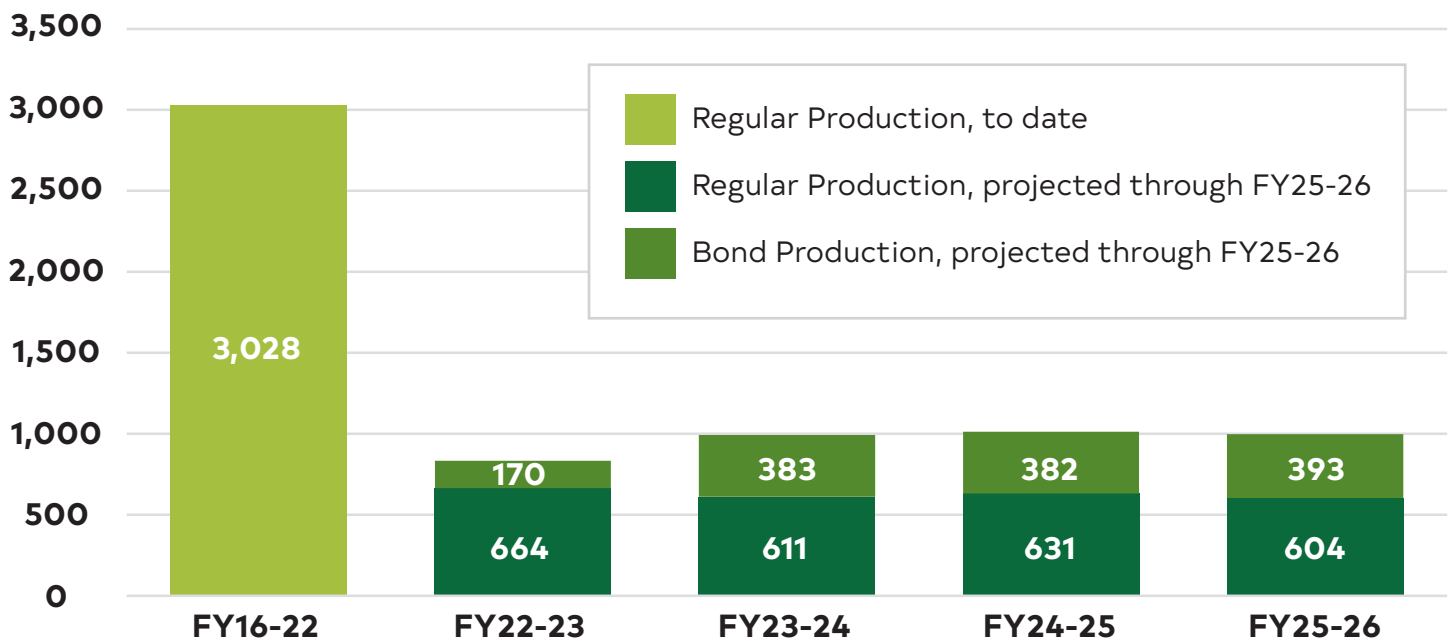


Public-Private Partnerships

- **Expand the City's public-private partnerships in developing affordable housing.**

The City has carved out \$28 million in 2020 Affordable Housing Bond funds for public-private partnerships. Of this, \$12 million was budgeted for FY21-22 and committed to three projects discussed in prior sections: CASA's King's Ridge project (\$7 million), Healing Transitions' Men's Campus renovation (\$3 million), and Southeast Raleigh Promise's small-scale rental project (\$2 million). In FY22-23, the City has another \$2 million budgeted for small-scale, nonprofit-sponsored rental development projects, as well as \$2 million for market-rate rental projects near transit that include a "voluntary" affordable housing component.

Affordable Unit Production



On top of the goal to add or preserve 570 affordable housing units per year, the 2020 Bond will fund an estimated 1,300 units over the next four years.

Keeping the Momentum

The City of Raleigh has made landmark investments in affordable housing over the past six years from passing the "One Cent for Housing" in 2016, a penny on the property tax to be designated for affordable housing, to the \$80 million Affordable Housing Bond approved in 2020. The Housing and Neighborhoods Department strives every day to continue advancing this work and turning these dollars into units on the ground and keys in doors for low- and moderate-income residents of our city.





421 Fayetteville St
Ste. 1200
Raleigh, NC 27601

raleighnc.gov/housing



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