



AFFORDABLE HOUSING 2024 SUMMIT

Affordable Housing 101: The State of Housing

August 17, 2024



Raleigh
Housing

Today's Conversation

1. Defining “Housing Affordability” and “Affordable Housing”
2. The State of Housing Affordability and Homelessness
3. The State of Affordable Housing
4. The State of Action



Defining Housing Affordability and Affordable Housing



We have a housing affordability and homelessness crisis, nationally and in Raleigh.

A city's affordability is influenced by four factors:

- Housing demand
- Housing supply
- Development costs
- Household income

Homelessness is a housing problem.

- Homelessness rates are driven by **market conditions** not individual behaviors.
- Homelessness rates decrease when more housing units & types are available & rents are lower.
- Homelessness is about **affordability** and can be ended by increasing incomes and/or decreasing housing costs.

Every **\$100**
increase in rent is
associated with a
9% increase in
homelessness

(U.S. GAO)

Homelessness comes at a high cost.

- Doing nothing costs more than ending homelessness
- The taxpayer cost of one person experiencing chronic homelessness **outweighs the cost** of ending their homelessness with financial assistance and voluntary supports
- Clearing camps costs cities ~\$1,600 - \$6,200 per person per year and **\$0** goes toward solutions that **end homelessness**

Homelessness

*One
Person*



\$35-96k
per year

Financial Assistance

*One
Household*



\$18-24k
per year

Addressing the housing and homelessness crises requires action on three fronts.

Improving Housing Affordability

*across Raleigh's entire
housing supply*

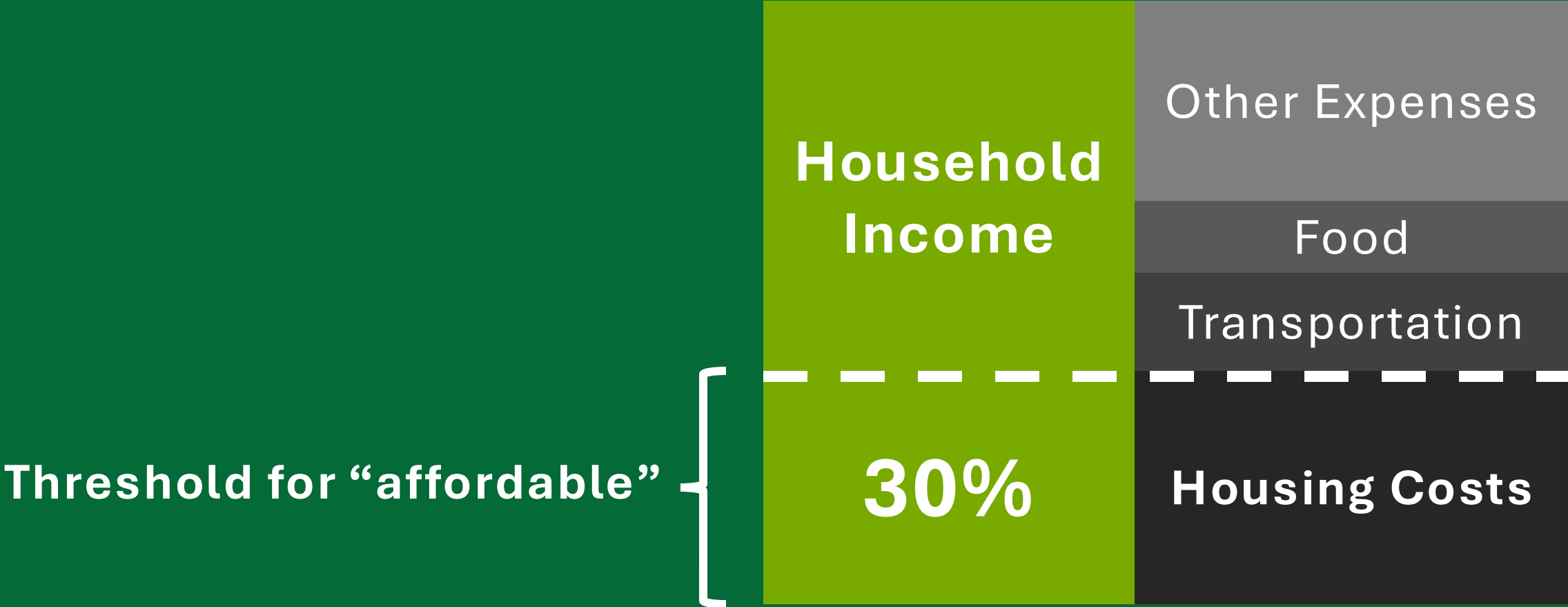
Increasing Affordable Housing

*or the supply of income-
restricted units*

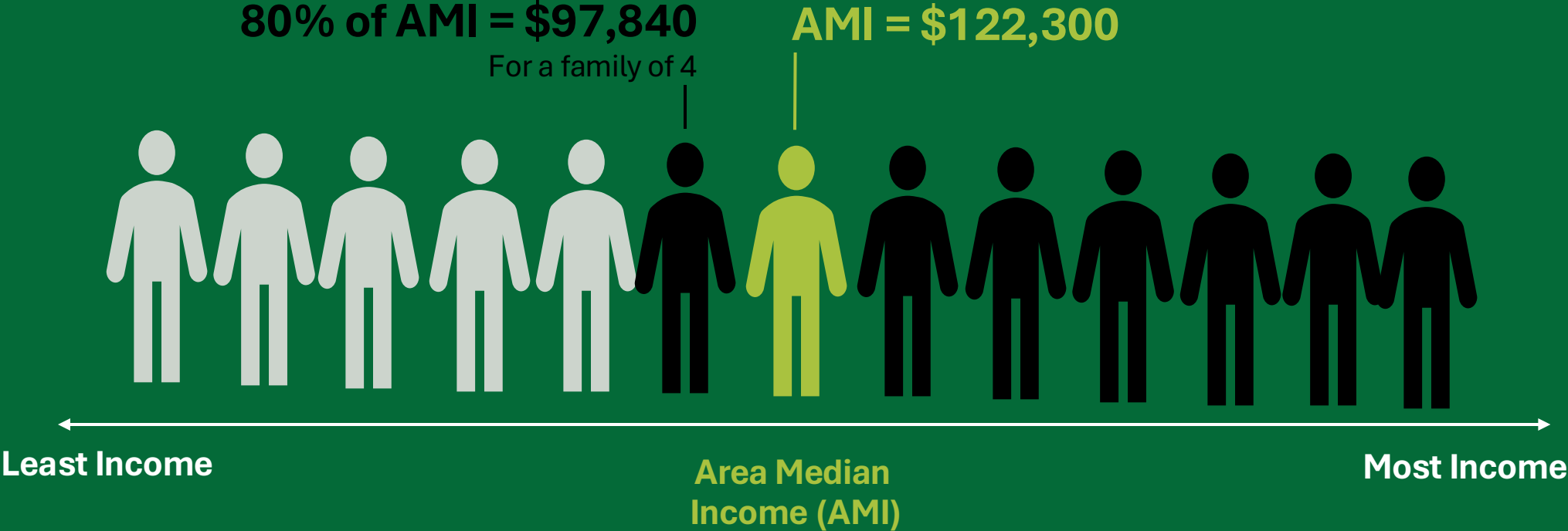
Addressing Homelessness

*preventing and ending
homelessness with evidence-
based, data-driven practices*

Housing is considered “affordable” for a particular household if its costs account for no more than 30% of monthly income.



“Affordable housing” is subsidized and serves specific income levels, with rents capped relative to the Area Median Income (AMI).



(Wake County, 2024)

Only 8% of housing units produced in Raleigh in the last 7 years were legally binding "affordable housing" units.



Many neighbors in Raleigh need affordable housing.



Mechanic
earns \$22.90/hr



Restaurant cook
earns \$22.90/hr



Childcare worker
earns \$12.40/hr

\$27.15

*Wage needed to afford a 2-
bedroom apartment at Fair
Market Rent*



Minimum wage worker
earns \$7.25/hr

(source: National Low Income Housing Coalition)



State of Affordability and Homelessness

Raleigh has become significantly less affordable in recent years and homelessness is increasing.



Housing Demand



Housing Supply



Development Costs



Household Income

Affordability is a matter of demand, supply, development costs, and household income.

\$1,371

Median Gross Rent
(2022)

Stagnant Supply

Growing Demand

Rising Development Costs

\$875

Median Gross Rent
(2017)

Source: U.S. Census American Community Survey
(2022 5-year Estimates, 2012 5-year Estimates)



Housing Demand



Housing Supply



Development Costs



Household Income

Raleigh's rising demand for housing is driven by migration from large cities.



Housing supply and variety has previously been stunted due to the proliferation of low density, single-family zoning.

55% of Raleigh's land was zoned for single-family prior to 2021





Housing Demand



Housing Supply



Development Costs



Household Income

Operating Expenses

Revenue

Development Costs

Land Costs

Soft Costs

Hard Costs

Property Management

Financing

Rent





Housing Demand



Housing Supply



Development Costs



Household Income

Construction costs have increased nearly 20% from 2020-2024, exceeding inflation

Construction Materials	Price Change 2021 to 2022	Price Change 2023 to 2024
Softwood Lumber	+20.1%	-9.0%
Hardwood Lumber	+30.8%	-2.7%
Plastic Construction Products	+35.0%	-2.9%
Steel Mill Products	+112.7%	+4.4%
Cement	+8.9%	+8.2%
Concrete Products	+9.8%	+6.2%
Construction Machinery and Equipment	+11.4%	+4.5%



Housing Demand



Housing Supply



Development Costs



Household Income

The household income required to afford a home in Raleigh more than doubled from 2020 to 2022 – one of the largest jumps in the country.

Raleigh, NC

+111%

United States Avg

+88%



Housing Demand



Housing Supply



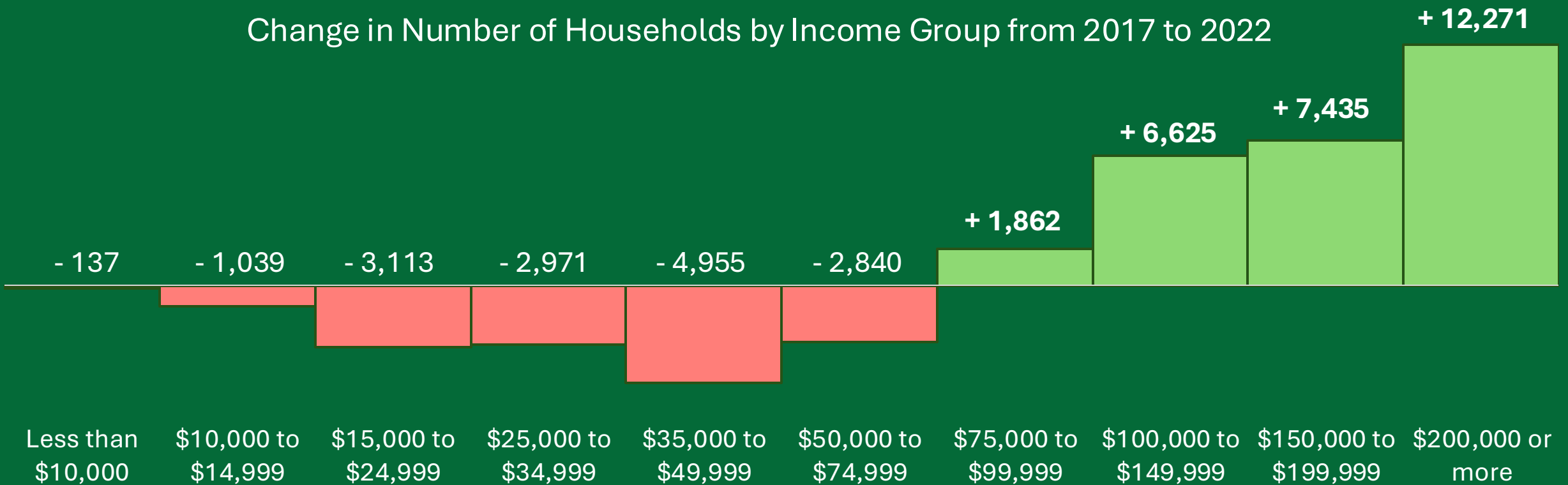
Development Costs



Household Income

While the median income has risen in Raleigh over time, most of that growth has been for families at the **top 10%** of the income spectrum.

Change in Number of Households by Income Group from 2017 to 2022



Source: U.S. Census American Community Survey (2022 5-year Estimates, 2017 5-year Estimates)



Housing Demand



Housing Supply



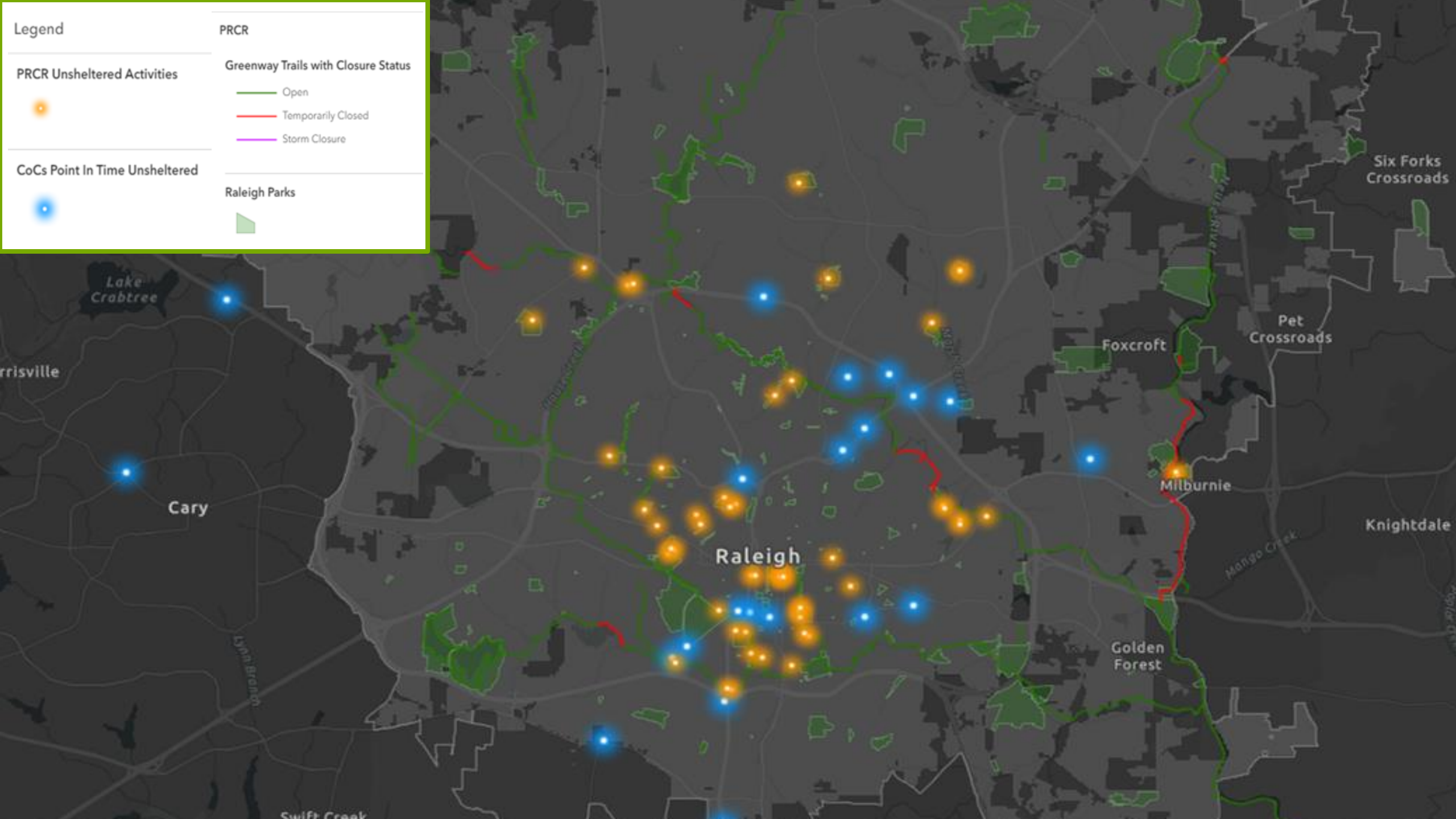
Development Costs



Household Income

All these factors reduce housing affordability, which has led to rising homelessness.

Since 2020, the number of people experiencing unsheltered homelessness has **doubled**.



Key Takeaways

Affordability is driven by four factors:

- Demand
- Supply
- Development costs
- Household income



State of Affordable Housing

Raleigh has increased its affordable housing supply in recent years, but not enough to meet the need.



The City has multiple housing policy goals, which require tradeoffs to achieve with limited resources.



Prevent and end homelessness



Encourage mixed-income neighborhoods



Increase number of affordable units



Promote community integration and housing choice for people with disabilities

% AMI

Deepen level of affordability



Lower barriers to accessing affordable units



Preserve affordability long-term

In 2016, the City established an aspirational goal to create 5,700 units by 2026.

Total = 3,844	317	YEAR 1 FY 15-16
	489	YEAR 2 FY 16-17
	519	YEAR 3 FY 17-18
	790	YEAR 4 FY 18-19
	449	YEAR 5 FY 19-20
	308	YEAR 6 FY 20-21
	156	YEAR 7 FY 21-22
	411	YEAR 8 FY 22-23
	405	YEAR 9 FY 23-24
	1,856	REMAINING UNITS FY 24-25

An additional
2,803 units are
in pipeline for a
grand total of
6,647 units
through FY24

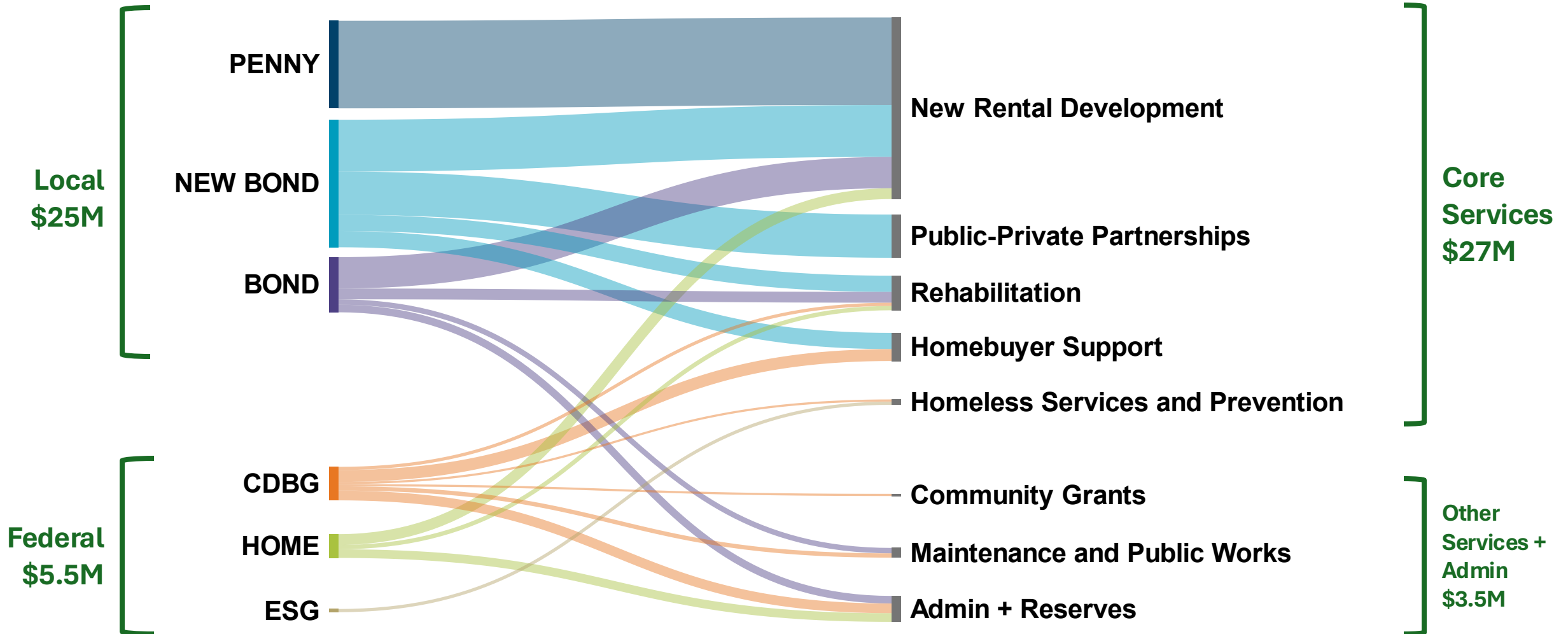
The City has designated local and federal funding to support affordable housing and homelessness.

Intervention	CDBG* \$460k/y	ESG \$255k/y	HOME \$1.6M/y	Penny \$7.9M/y	Bond \$11.8M/y
Homelessness Prevention	x	x			
Diversion**					
Street Outreach	x	x			
Emergency/Crisis Housing and Services	x	x			
Rapid Rehousing		x			
Rental Assistance			x	x***	
Affordable Housing			x	x	x

*HUD allows 15% of CDBG (~\$460k of \$2.8m) to fund public services, which can cover certain elements with some limitations (e.g., 3 months of rental assistance)
 **While CDBG and ESG can cover certain elements of diversion, limited in scope
 ***With City Council direction

x = eligible for funding
 x = currently funded

The City has designated local and federal funding to support affordable housing and homelessness.



Subsidy requests to the City for affordable housing continue to rise on a per-unit basis.



High interest rates → expensive debt



Materials and labor inflation → high construction costs



Low wages/household incomes → low rental income



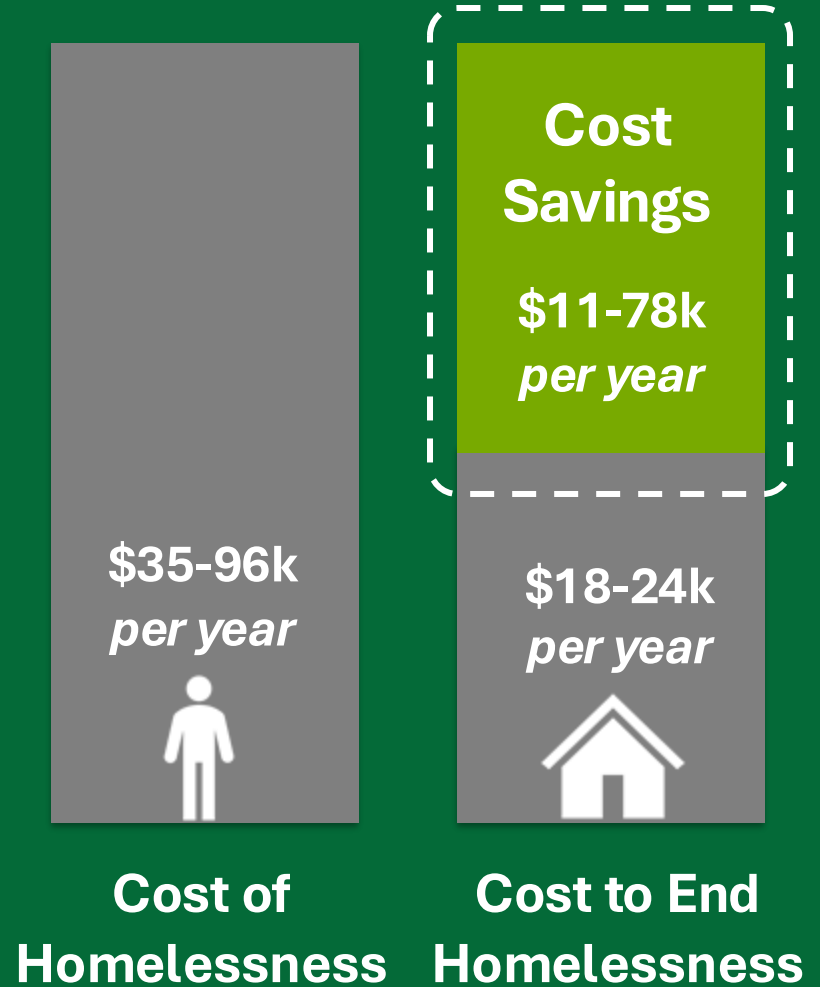
Lower land availability → higher cost per acre



Stagnant federal and State funding → more local subsidy needed

Ending homelessness is not a mystery.

We must direct resources to connect people experiencing homelessness with existing permanent housing.



Key Takeaways

- The City has multiple housing policy goals, which sometimes require **tradeoffs**.
- The City has dedicated **more funding than ever before** to developing affordable housing, but gaps remain – especially in more urban locations.



Key Takeaways

- Subsidy requests to the City are rising. **More resources must be dedicated** to produce the same number of units.
- The City has dedicated funds for an **unsheltered pilot and homelessness prevention and diversion**. More resources are needed to address the public health emergency.



A large, multi-story residential building under construction. The building features a mix of brick on the ground floor and light-colored horizontal siding on the upper floors. It has multiple windows with white frames and a prominent gabled roofline. In the foreground, there are several utility boxes and a brick foundation. The sky is overcast and grey.

State of Action

We know how to improve affordability and end homelessness.
We need additional resources to do so.



Housing Demand



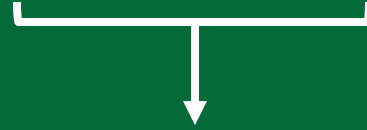
Housing Supply



Development Costs



Household Income



Zoning/Regulations



Review Process



Voluntary Contributions



Subsidies



Housing Demand



Housing Supply

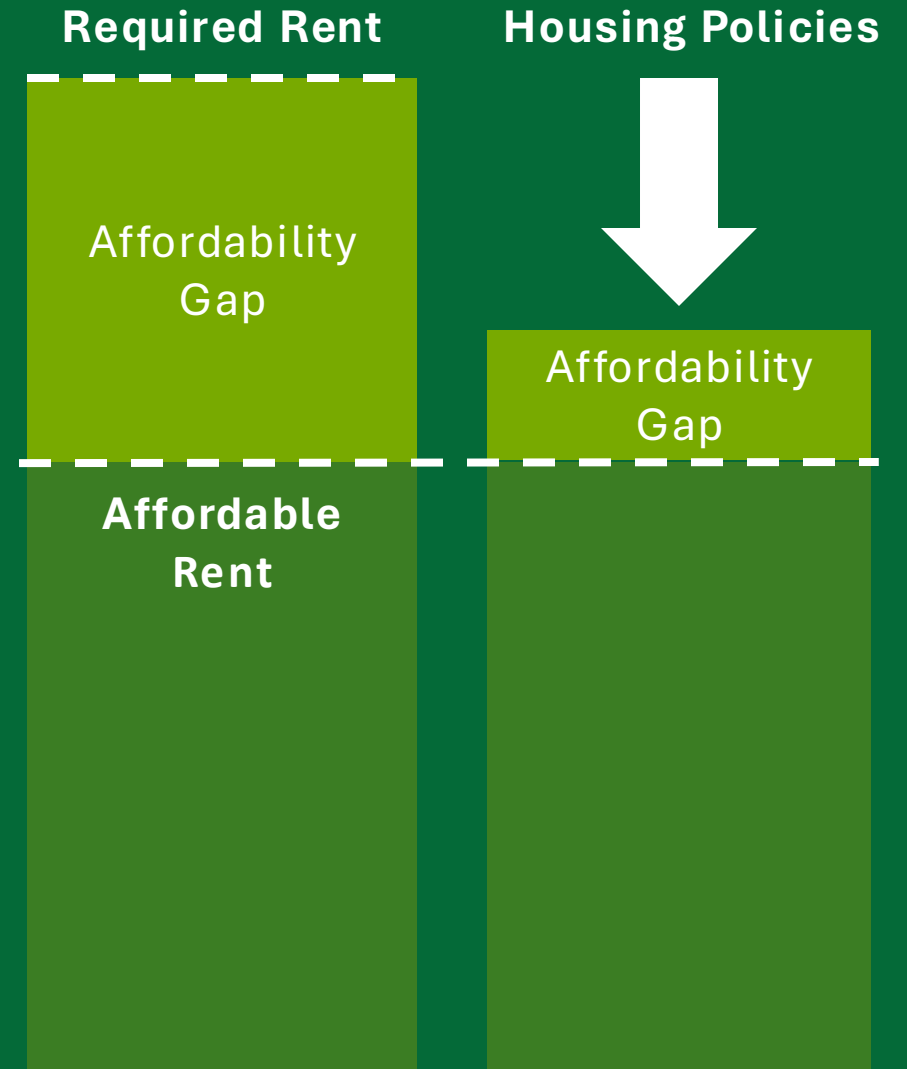


Development Costs



Household Income

Housing policies aim to make the construction or preservation of affordable housing financially feasible.





Housing Demand



Housing Supply



Development Costs



Household Income

Reducing zoning regulations and adding incentives can make development more feasible, boosting supply.

But, some tools legal in other states are not available in North Carolina.



Housing Demand



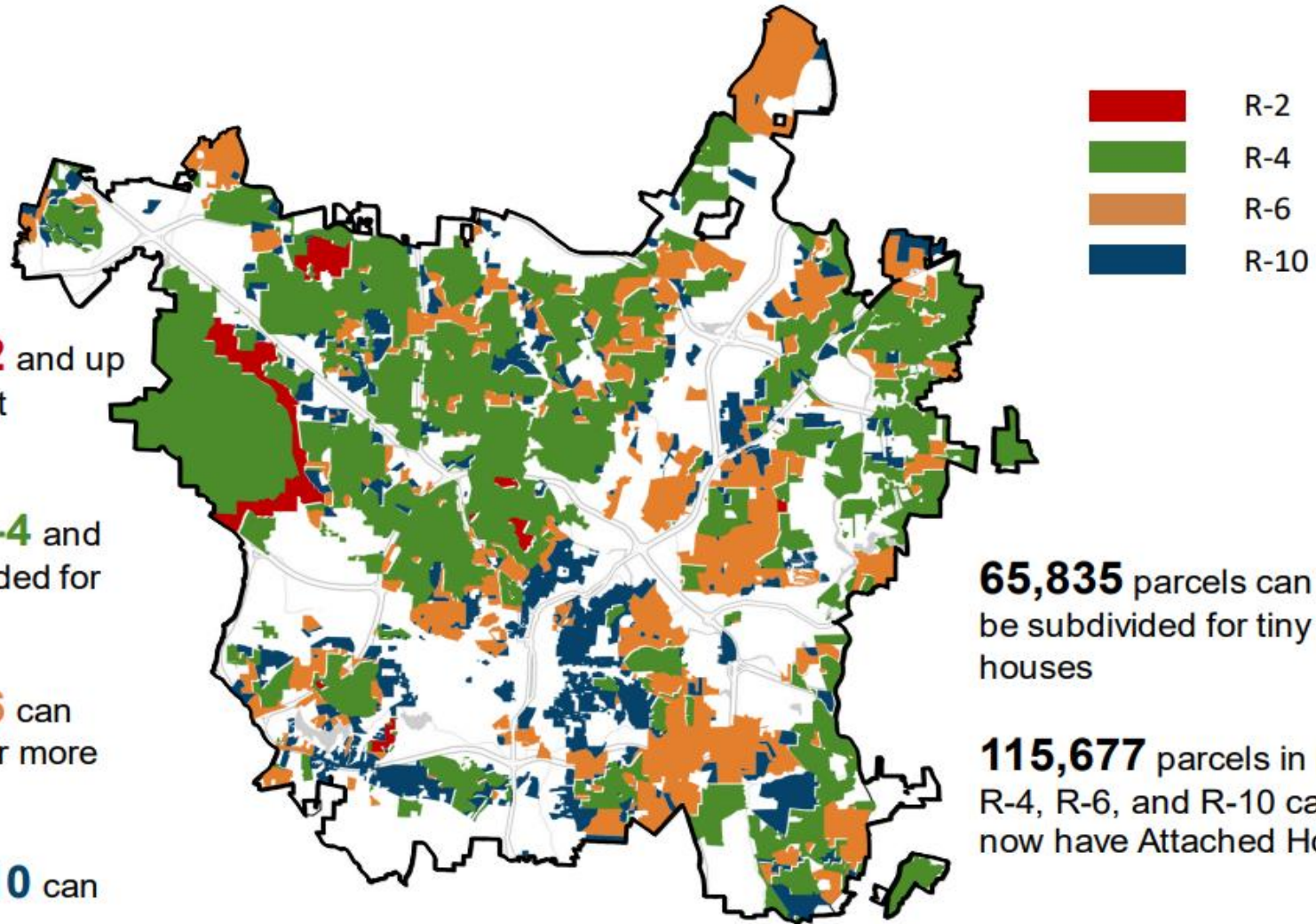
Housing Supply



Development Costs



Household Income



1,099 parcels in **R-2** and up can now have Two-Unit Townhouses

25,226 parcels in **R-4** and up can now be subdivided for flag lots

6,877 parcels in **R-6** can now accommodate 3 or more townhouses

5,163 parcels in **R-10** can now have Apartments

65,835 parcels can now be subdivided for tiny houses

115,677 parcels in R-2, R-4, R-6, and R-10 can now have Attached Houses



Housing Demand



Housing Supply



Development Costs



Household Income

The City has taken steps to streamline the review process for affordable projects, decreasing risk and development costs.



Provide advocacy support for affordable housing



Streamline FTDO approval process



Accelerated approvals (ADU fast track program)



Fee waivers and deferrals



Housing Demand



Housing Supply



Development Costs



Household Income

North Carolina municipalities don't have legal authority to require developers to build affordable housing.



Mandatory impact fees



Mandatory affordable housing contributions



Housing Demand



Housing Supply



Development Costs



Household Income

The City has directed more than \$116 million to create and preserve 6,000+ affordable units since 2016.



Public land for affordable housing



Public funding for affordable housing



Public-private partnerships



Non-LIHTC models; revolving fund



Tax abatements/incentives



Housing Demand



Housing Supply



Development Costs



Household Income

The City is subsidizing the development of affordable housing in Moore Square through a ground lease and strategic land sale.



Key Takeaways

- Raleigh is committed tackling the puzzle of affordable housing.
- There is no “silver bullet” and local government’s influence has limitations.
- Raleigh’s zoning-based efforts to reduce supply constraints on affordability have been some of the most ambitious in the state.



Key Takeaways

- Raleigh has committed more resources than ever before to building new affordable housing, resulting in thousands of new proposed units.
- Raleigh continues to explore innovative tools to improve affordability, build more affordable housing units, and end homelessness.



Questions?

Affordable Housing Summit
Questions

