

# Appendix B: The Affordable Housing Shortage & Opportunity of Light Rail

## ABSTRACT

This report examines tools and strategies that can leverage the investment in light rail and related economic growth to support construction and conservation of attainably priced and affordable housing in Chapel Hill and Durham along light rail. For this report, the term “Attainable Housing” and “Affordably-Priced” represents naturally occurring, non-subsidized housing, sometimes called Naturally Occurring Affordable Housing [NOAH] while “Affordable Housing” represents housing that is supported by public subsidy to bring down the cost to renters and owners, sometimes referred to as Legally Binding Affordable Restricted [LBAR] housing. The affordability crisis is a multi-faceted issue that will require an “all-of-the-above,” “all-hands-on-deck” approach, in order provide all families of varying means the opportunity to live in Chapel Hill and Durham in suitable and safe homes.

The Durham-Orange Light Rail (light rail) project will not be a panacea for housing; however, the light rail project presents Durham and Chapel Hill with a remarkable opportunity to leverage transit-oriented development (TOD), associated new property tax revenues, and other potential financial resources to make substantial progress toward preserving and creating new attainable and affordable housing within light rail station areas and beyond.

**Strategies advanced herein include land acquisition and control; leveraging new property tax revenues; socially focused public-private and public-public partnerships; the role of community-based and anchor institutions; maintaining a balance of existing affordable housing with new construction; financial resources from a wider range of traditional and non-traditional sources; and improving context sensitive, locally calibrated land use and zoning policies.** A new concerted effort is required. Substantially more money is needed. There must be a willingness to try and test new policies and approaches, and to adjust them expeditiously as experience dictates. Responsive, course-correcting innovation will be priceless as it will engender expanded community commitment.

Successful housing initiatives will achieve a meaningful mix of market rate- as well as attainable and affordable housing to support a diverse and sustainable economic context for the TOD neighborhoods connected by light rail as well as by bus, in addition to complete streets and multi-use paths. A sustainable mix includes—by definition—a diversity of housing types and sizes within a given neighborhood. Finally, delivery of affordable housing that is diversified and integrated increases access to jobs and thereby expands the effective regional labor base to support even more jobs. Creating a virtuous circle, increased regional job access in turn grows wages expended by working class families on reasonably priced housing as more supply reduces pressures on cost.

**Success—measured simply as substantially more units available and preserved, in line with existing and projected needs—will be dependent on two big factors: more money as well as coordinated public, private and NGO partners executing a unified approach for the Region.**

## THE GROWING AFFORDABILITY CRISIS

Understanding the causes of the affordability crisis will enable policy makers, investors, anchor institutions, and other partners to establish a comprehensive approach to increase the amount and availability of legally protected affordable housing as well as affordably-priced housing. The affordability crisis is a multi-faceted issue that has been many decades in the making and is the result of a variety of factors.

There is a shortage of housing across the nation and within Durham and Chapel Hill. The housing market has been unable to keep pace with job growth, shifts in family composition, and changing preferences, resulting in a dizzying cycle of increasing home and rent prices and the construction of ever more luxurious homes and apartments. The result is that families with lower incomes are being displaced by families with higher incomes, stymieing Chapel Hill and Durham's efforts to build an equitable community and far outstripping their ability to provide and support legally binding affordable housing.

### Causes and Implications of the Affordability Crisis

The affordability crisis is affecting communities across the nation. It currently threatens the quality of life in Durham and Chapel Hill. Many families are spending a disproportionate amount of their income on housing and transportation, excluding them from the increasing prosperity that the Triangle is experiencing. Amidst historic population and job growth in the Triangle Region, not enough housing is being built to accommodate the growing number of jobs and families in Chapel Hill and Durham. This shortage increases price pressures for houses and apartments across the region, but especially in the desirable, transit-rich "in-town" neighborhoods within proximity to Downtown Durham, Duke, and throughout much of Chapel Hill. As prices increase, more people find themselves unable to afford rents or home ownership in places that they once could, increasing the need and competition for the limited number of legally binding affordable homes supported by Chapel Hill, Durham, and variety of other partners.

**Affordability is not limited to the cost of housing.** As prices rise, people are forced to make the difficult decision to either pay more for housing in transit-rich "in town" neighborhoods within Durham and Chapel Hill or to find lower cost housing further away in a place with fewer transportation options. To account for this dynamic, a more realistic picture of housing affordability can be gained by combining the cost of housing and daily transportation into a total related impact on household budgets relative to income. When a person must drive greater distances to secure a wage that will provide some financial security or to find housing that is affordable to them, the resulting increased transportation costs imposed on that person's budget is a de facto increase in the cost of housing. Building housing on the fringes of the region does little to address affordability in Chapel Hill and Durham. Solving for housing affordability also requires solving for transportation affordability.

**Not enough new homes are being built.** Recent studies indicate that there is a shortage of more than 35,000 affordably-priced homes in Chapel Hill and Durham County, as measured by the number of cost burdened households<sup>1</sup>. Nearby, in Wake County that number is 56,000,<sup>2</sup> which puts additional pressure on Chapel Hill and Durham. As major centers for employment, health care, and education, both have historically added more jobs than homes; both have day-time populations that are much higher than the number of people who live within their boundaries. More recently, this imbalance has increased to the point where the number of new homes being built has not kept pace with the number of new families. From 2010-2015 the new number of new households, or families, in Chapel Hill and Durham substantially exceeded the number of new homes built. If not addressed, this trend will continue to put significant upward price pressures on homes.

**Not only is there an overall shortage of land and homes in Chapel Hill and Durham, there is a**

1 Come Learn With Us Chapel Hill-- 30 years of Affordable Housing <https://www.townofchapelhill.org/home/showdocument?id=26249>  
City of Durham Affordable Housing Goals 2016-2021 <https://durhamnc.gov/DocumentCenter/View/12522/Housing-Goals-Report?bidId=>

2 Key Housing Trends in Wake County <http://www.wakegov.com/humanservices/social/Documents/Key%20Housing%20Trends.pdf>

**mismatch between family sizes and housing preferences with the types and locations of existing homes.** Changing demographics indicate that by 2030, 87% of new households will not have children and over 50% will be single individual households. This shift in demographics places a premium on smaller homes and homes near retail and services within transit-rich, desirable “in-town” neighborhoods close to Downtown Durham, Duke, and UNC.<sup>3</sup> Further, as congestion and commute times continue to increase, people’s preferences will continue to shift toward living closer to where they work. If not enough homes are built in places that people want to live, price pressures in those “in-town” neighborhoods will not only increase but also spread to other nearby lower-cost neighborhoods leading to more gentrification and gentrification-driven displacement.

There are many factors, some of which are decades in the making, that restrict enough new homes being built. Chapel Hill is out of available undeveloped land and Durham is quickly running out, putting significant upward price pressures on land and homes within their respective urban service boundaries. **Local regulatory policies—embedded within Durham’s and Chapel Hill’s zoning requirements—exacerbate the shortage of homes in desirable areas by limiting or prohibiting homeowners and home builders in these neighborhoods from adding small, neighborhood-scaled infill.** Burdensome requirements and cumbersome processes for medium to large scale residential infill in Chapel Hill and in Durham add risk and cost to projects, constraining the number of homes that get built and making the ones that do get built more expensive as a result.

**The inability for home builders and developers to provide enough new homes can lead to a series of unintended consequences and an upward price cycle.** When there are not enough homes, especially in desirable neighborhoods, price pressures increase. As price pressures increase, only more expensive homes become economically feasible in order to recoup land costs. In residential neighborhoods, these factors encourage homebuilders to almost exclusively build larger, more expensive homes. **In the case of new apartments, developers turn to squeezing as many apartments as possible on the property and by branding them luxury apartments.**

**This cycle is playing out in Durham and Chapel Hill, and across the United States as a whole.** Due to a number of factors discussed in this report, there are significant constraints that limit the overall supply of housing, even more so in regard to attainable and affordable options. As population growth exceeds new housing supply, a number of factors coalesce. Prices for housing as a whole trend upward as landlords see an opportunity and increase rents on what were once attainably-priced homes. **Where there are limited opportunities for development, lenders and homebuilders seek to upgrade and/or redevelop existing affordably-priced properties into housing that commands a higher price point, decreasing supply of attainable housing.**

**This also occurs within the single family home market, where smaller, older and less expensive properties are purchased with the intent to upgrade and flip, usually at a far greater price point.** These trends contribute to gentrification and displacement, particularly in and near desirable “in-town” neighborhoods, leaving lower income tenants with few options. Finally, residents who can no longer afford to live near the urban cores are pushed out of these areas (which, as will be explained later, provide affordability benefits due to their compact, walkable and transit-served nature), forced to find housing that they can afford - at the risk of spending significantly more of their limited income (and time) on transportation.

Increasing housing costs and the resulting displacement create acute pressures on policy makers and traditional resources to aid those negatively impacted. As population and jobs continue to increase faster in the Triangle relative to the amount of new homes, more people will find themselves

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3 CLYDE HOLLAND CEO/Chairman Holland Partner Group as presented at LOCUS Leadership Summit April 25, 2017

cost burdened, spending more than 45% of their gross income on housing and transportation costs.<sup>4</sup> Accordingly, the living wage necessary to afford rent or a mortgage will continue to climb as inflation-adjusted income remains stagnant. As more people become cost burdened, the need for already-scarce housing resources provided by Chapel Hill, Durham, and other partners increases. Even with recent commitments to increase funding for legally binding affordable housing by Chapel Hill, Durham, Durham County, and Orange County, the need for affordable homes will far outstrip the resources needed to build them.

The result is significant upward price pressures for attainably-priced and legally binding affordable homes, which can further impact a region's ability to retain and attract the young workforce that desires mixed-use environments and multifamily living. Even more concerning, the housing shortage has significant social equity implications, as low and moderate income families feel the economic strain the most. The present crisis is multi-faceted, was created over many decades, and has been exacerbated by the inability of the current housing pipeline to deliver a range of housing options including legally binding affordable homes at the rate needed to keep up with historic job growth, let alone the recent uptick in economic growth. There is no silver bullet for the issues described above. The issues are complex and interrelated and require an all-of-the-above and approach to solutions. Both market-based, and public-resource-based solutions must be utilized in a coordinated and strategic fashion. To be effective, all partners including private, public, and non-profit must be enabled and tapped to be a part of the solution.

### Local Evidence of a Shortage

The United States has an overall housing shortage of nearly 3.5 million homes, driving price pressures upward across the board. This national shortage is evident locally. **While just a decade ago there may have been a far lesser concern with affordability, it has become a pressing issue in a very short period of time, and is on a trajectory to become an acute issue, if not properly addressed in the near term.**

Recent studies demonstrate a shortage of 11,000<sup>5</sup> affordable homes in Chapel Hill and 27,000 in Durham County<sup>6</sup>. From 2010-2016 the number of new households in Durham County exceeded the number of new houses built by 3,400 (representing 26 percent fewer new homes than there were new households). The housing shortage in Durham County is even more acute when the number of new jobs is compared to the number of new homes. From 2010-2016 new jobs exceeded new homes by 127 percent; more than 29,300 jobs were created but only 12,911 homes were created during that same time frame<sup>7</sup>. Similarly, between 2010 and 2015, Chapel Hill added about 1,700 more jobs than homes<sup>8</sup>. These trends compound the historic trends whereby housing to support job growth in Durham County and Chapel Hill have, to a large degree, been built elsewhere, resulting in a net commuter inflow of 24,000 or 40% of its population for Chapel Hill and 57,000 or 20% of its overall population for Durham County<sup>9</sup>. In addition to the aforementioned factors leading to a housing shortage, people continue moving to the Triangle from regions with higher incomes which further disadvantages families with lesser means.

Perhaps most striking are the trend lines that demonstrate rapidly escalating housing prices at. In Durham County, median homes sale price jumped from \$168,000 five years ago to \$258,000 in March of 2018. In Chapel Hill, median home value increased from \$356,000 in 2010 to \$390,000 in 2016 and continue to be among the highest home values in North Carolina. Similarly, from January,

4 Center for Neighborhood Development - <https://htaindex.cnt.org/>

5 Come Learn With Us Chapel Hill-- 30 years of Affordable Housing <https://www.townofchapelhill.org/home/showdocument?id=26249>

6 City of Durham Affordable Housing Goals 2016-2021 <https://durhamnc.gov/DocumentCenter/View/12522/Housing-Goals-Report?bidId=>

7 Expanding Housing Choices Presentation. Durham City-County Planning Department. [https://durhamnc.gov/DocumentCenter/View/24619/Expanding-Housing-Choices\\_Rolling-with-VoiceOver](https://durhamnc.gov/DocumentCenter/View/24619/Expanding-Housing-Choices_Rolling-with-VoiceOver)

8 US Census Bureau

9 2018 State of the Community Report. Chapel Hill-Carrboro Chamber of Commerce. <https://www.slideshare.net/carolinachamber/2018-state-of-the-community-report-presentation>

2014 to August, 2018, median rents increased by 15.5% in Durham and by 17% in Chapel Hill, more than twice the rate of inflation during that time period of 7.8%<sup>10</sup>.

Per a 2015 presentation by Chapel Hill Economic Development, “home values above \$500,000 have grown dramatically and there has been limited new housing for the middle and affordable market”. The report cited the fact that the cost of housing has outpaced inflation and median household income growth while lacking significantly in meeting the needs for those with incomes at or under 80% of mean annual income. The presentation cited that the number of units with rents between \$1000-1,500 had jumped by 300% between 2000-2011<sup>11</sup>. An early study indicated a shortage of 11,000 affordably priced homes in Chapel Hill. This shortage matches with recent data that indicate that 75% of Chapel Hill’s homes are unaffordable to families of four earning \$64,500 or less (80 percent of area median income), and that over half of renters are cost burdened.

In addition to population growth, changing demographics indicate that 87% of new household formation through 2030 will be made up of households without children and over 50% of new households will be single individual households. This mismatch between market demand and available housing is demonstrated by Durham County, where there are 35,000 one-person households but only 17,000 one-bedroom homes. This mismatch places a premium on smaller units, and in areas where multifamily residential options are in short supply, as these demographic groups are more likely to desire homes within transit-rich, walkable “in-town” neighborhoods close to Downtown Durham, Duke, and UNC as well as neighborhood retail and services.<sup>12</sup>

The housing shortage and resulting price pressures are compounded between an existing disconnect between wages and the cost of housing. Even before the recent uptick in growth, many households do not earn enough to afford the median rent without being cost burdened. For example, the housing wage necessary to afford a two-bedroom apartment in the Durham-Chapel Hill HMFA is \$19.04 per hour.<sup>13</sup> That is over 2.5x greater than the minimum wage, and accounts only for the cost of housing. Looked at from a different angle, utilizing the generally accepted 30% of income as the upper limit of affordability for the housing component of one’s cost of living, the average two bedroom apartment would command \$39,600 in salary to be considered attainably priced. This figure jumps to over \$54,000 for a three bedroom, constraining families with children, and especially single income households with children as the necessary housing wage jumps to \$25.62.

These statistics clearly demonstrate how the housing affordability issues has become acute in nature, commanding immediate attention and action. For a robust analysis of local housing affordability and income data please see Appendix C.

**Existing Local Means to Create New Affordable Homes**

Solutions cannot be effectively implemented if the specific underlying conditions that exist in Durham and Chapel Hill are not understood. With this opportunity at hand, it is important to recognize challenges that exist that are unique to Durham and Chapel Hill, respectively, in addition to programs and policies that are currently in place. This section provides a 30,000 foot view of key affordable housing policies and programs in place in Chapel Hill and Durham. For a more detailed discussion, please see Appendix C.

10 Data from Apartment List.com and US Census Bureau  
 11 Come Learn With Us Chapel Hill-- 30 years of Affordable Housing <https://www.townofchapelhill.org/home/showdocument?id=26249>  
 12 CLYDE HOLLAND CEO/Chairman Holland Partner Group as presented at LOCUS Leadership Summit April 25, 2017  
 13 National Low Income Housing Coalition (Source: <http://nlihc.org/oor/north-carolina>). HMFA stands for HUD (Housing and Urban Development) Metro Fair Market (rent)

Durham, for example, controls a significant amount of land located within close proximity to future rail stations. However, the City faces a dual challenge of finding revenue sources to provide for attainably priced and affordable housing at these properties in addition to the questions of timing and phasing as to when to build in affordable housing and when to invest in infrastructure to support affordability.

The City of Durham, Durham County, and the Durham Housing Authority have historically supported a variety of partners in order to build new affordable units throughout Durham. Currently, these agencies are each planning several projects that will include legally binding affordable housing on properties that they own, resulting in a robust pipeline of potential new affordable homes. The City has made a significant local commitment by dedicating “two pennies<sup>14</sup>” on the property tax rate to affordable housing programs. However, even if this amount and other traditional sources were quadrupled, it would come nowhere near the level of funding that is needed to fully address the affordable housing crisis relative to the shortage of 27,000 affordable units. The primary traditional funding mechanism, Nine Percent Federal Tax Credits, which are awarded by the North Carolina Housing Finance Agency following a competitive application process, typically results in one project, with 80-100 homes, per year in Durham County. The limited ability of traditional sources to address the affordable housing need underscores the importance of finding new funding sources and developing new strategies to build out the projects within Durham’s existing pipeline in addition to continue encouraging other partners to contribute to affordable housing.

The City and County of Durham have also established a 15% target for new affordable homes (15% of the total number of new homes need be affordable to families earning 60% of less of area median income) within the light rail station areas. To help achieve this goal, the Durham UDO includes density bonuses in all station areas as well as a zero parking requirement for affordable homes in the station areas outside of Downtown. In the station areas outside of Downtown, these two regulatory incentives to developers alone are not sufficient to make it more profitable to provide affordable units, even with the added density bonus. Often, in order to add density to a project, a developer must switch to more expensive construction methods to accommodate the additional density, height and parking needs. More expensive costs, when combined with below-market-rate rents, make the project unprofitable when the market rents are not high enough to cover added expenses. The result is that lower density development may remain more profitable than more intensive development that is built utilizing the density bonus. Downtown Durham is beginning to witness market-driven upward price pressures that result in more expensive rents in buildings with more expensive construction types, but in many cases, these higher rents are still not enough to fill the gap that would be created by including below-market rate units in the project.

Even if market-rents in Downtown buildings could support new affordable units in the building, these units would be a very inefficient use of private contributions to affordable housing given that these represent the most expensive construction costs in the region. Instead of relying on private projects to include a limited number of affordable homes on-site through a density bonus that only works in very expensive buildings, private market activity could be better leveraged by adjusting policy levers by station area and over time so that they are precisely calibrated to the market. This would result in more impactful public funding, and better collaboration among private, public, and non-profit partners, including anchor institutions.

**To this end, the City and County of Durham deserve credit for revisiting and adjusting the density bonus provisions within the UDO with the goal of finding the right set of incentives. However, more work and additional strategies are needed to reach the optimal level of calibration to fully leverage the private market – including a balance between new construction and conservation and utilizing density bonuses to invest in off-site provision of a greater number of attainably priced and affordable homes.**

In addition, and to reinforce two primary themes of this report, it is important to look at taking a multi-pronged approach that utilizes a number of strategies in tandem while simultaneously recognizing that the single greatest overall lever to improve affordability is the need to increase overall housing supply

14 \$0.02 per \$100 of tax valuation of real and personal property

in a manner that meets the needs of the market. As such, it is important to always ask “do we have enough overall housing supply to support public policies and investments in a manner that results in a meaningful impact on housing affordability.” **To accomplish this, there must be a focus on providing not just new housing, but housing that can be built (and subsequently rented or sold) at a lower price point along with housing that meets the growing trends toward smaller household size.**

**Chapel Hill has policy tools and some dedicated funding; however, its primary constraint is a lack of publicly owned land. In addition, the current development approval framework inhibits the creation of new homes in general, and even further discourages the construction and delivery of affordably-priced homes.**

Historically, Chapel Hill’s primary means of adding affordable housing was through the rezoning process and also the Inclusionary Zoning ordinance which was adopted in 2009. In the almost 20 years since the inception of the rezoning policy, more than 300 units have been approved; however, fewer have actually been built. Although this mechanism has produced some affordable homes, the number pales in comparison to the shortage of over 10,000 affordable homes in Chapel Hill. Additionally, this mechanism has proven far less effective for rental projects, as a reflection of lending practices and a State Law that prohibits any local mechanism that can be construed as mandatory rent control. Only four rental projects have been approved with on-site affordable homes in exchange for a rezoning or a density bonus. Only one, with a total of six affordable units, has broken ground; the other three are indefinitely on hold.

**More recently, Chapel Hill has increased staffing for its Office of Housing and Community, adopted affordable ownership and rental strategies, and completed an evaluation of Town-owned properties to identify opportunities for new affordable homes. Similar to Durham, Chapel Hill is planning to reinvest in its public housing communities, partly through mixed income redevelopments, which in addition to a one for one replacement of existing public housing, will result in new affordable options. To make progress on these strategies, the Town Council ordered a \$10 Million bond referendum that was overwhelmingly approved by voters to fund 400 new permanently affordable homes in addition to the preservation of 300 existing homes over the next five years, a goal of the adopted Affordable Housing Investment Plan.** The Town Council has also waived all permitting and development fees for affordable projects, including a rebate of water and sewer impact fees, and the Town has initiated an evaluation of requirements and procedures that add costs to affordable housing projects.

While these efforts are to be commended, as in Durham, even if these efforts were multiplied, they would still be nowhere near what is needed to address the shortage of affordable homes in Chapel Hill. Like Durham, new partners, new strategies, and new funding sources area needed. Much of the land in Chapel Hill’s station areas is under institutional control, specifically the University of North Carolina at Chapel Hill and UNC Health Care, along with a few select private property owners such as SECU. Considering the limited amount of developable land, adjustments to land use and zoning processes and regulations will be necessary to promote the construction of more affordable homes in partnership with anchor institutions and private partners.

**Simply put, expanding supply to meet pent-up demand will result in lower relative costs to families over time.**

As will be discussed in the Strategic Interventions chapter of this report, the ability to promote different scales of development (especially the provision of middle market and attainably priced options) throughout new and existing neighborhoods will be a key component to successfully addressing the affordability issue. On a parallel track, conservation of existing homes and strategies aimed toward

preserving and/or allowing incremental density within existing residential neighborhoods will likely be necessary to overcome the limited amount of available land within the Town.

Expanding supply with a focus on meeting the specific needs of the market will help meet pent-up demand, resulting in lower relative costs to families over time. However, as will be discussed later in this report, creating policies and increasing investment to increase supply provides the ability to meet demand over a long period, while other areas of focus (such as policies that increase short term supply of missing middle housing, conservation efforts and other tools) will be necessary to address the more acute issues within a near-term horizon.

**The existing housing stock is exponentially greater than the limited number of new units put on the market each year, further solidifying the need to take a hard look at what exists today.**

The cost of providing attainable and affordable housing via the introduction of new product is quite inefficient, as it costs significantly more to construct new housing than it does to conserve existing product. This is exacerbated by the reality that most residential development is geared toward higher end, if not luxury markets, creating even higher costs for new construction. Expecting to solve a historic, regional affordability issue through fees or other demands on new development alone can reduce the number of units developed (while increasing the cost of those that are built) as it becomes less economically viable to do so.

While, over the long run, the most important aspect of housing policy should be to increase supply that meets the specific demands of the local market, this approach is incremental in nature and takes time to provide impact. In addition, new supply is incremental. The reality is that the number of existing homes is exponentially greater than the limited number of new homes put on the market each year. Therefore, it is essential to focus on the conservation of the much larger stock of attainably priced and affordable housing that exists today in addition to constructing new affordable homes.

## **UNLOCKING THE POTENTIAL OF TOD TO ADDRESS THE AFFORDABILITY CRISIS**

### **The Opportunity**

Today, there are over 100,000 jobs along the light rail line; in 20 years that number will exceed 150,000. The concentration of jobs, amenities, services and healthcare services along the line means that placing more housing near light rail station and along frequent bus routes that connect to the light rail means that more people will have low cost, frequent, and reliable access to opportunity.

The implementation of light rail will provide Durham and Chapel Hill a once-in-a-lifetime-opportunity to harness the growing market for walkable, mixed-use environments by leveraging growth in property values to support attainable and affordable housing. This provides an opportunity to spur transformative redevelopment at specific, strategic locations, including opportunities to build new mixed-income and affordable homes within the new developments.

As will be discussed in this report, there are significant economic benefits to residents and employees by locating jobs and housing around frequent, reliable transit. More people near transit + more jobs near transit = more access to opportunity. Additionally, with the economic development achieved through TOD, the municipalities have the ability to allocate a portion of the new local property tax revenues, estimated to be \$1.4 Billion through 2057, to make additional investments in permanent affordable housing to address the affordability issue along the light rail line and beyond.

Setting the stage for overcoming the rising affordability gap in Durham and Chapel Hill, the following statements frame the opportunity for a comprehensive approach for substantial affordable housing to be developed along the light rail line. **These statements underscore that tools and policies alone are insufficient. Honesty about the need for more money, leadership and cooperation through new non-traditional partnerships will be critical.**

“When you adopt TOD plans and zoning you have arrived at the starting line for securing affordable



housing, not the finish line. The plans and zoning make TOD and affordable housing permissible, something very different than making them viable. The first pertinent question is ‘how much affordable housing and urban density do the plans and zoning allow?’ Then you can have the conversation about the robust toolbox necessary to help assure the outcomes the plans envision<sup>15</sup>

The light rail project provides an opportunity to reframe the vision for how communities along the line wish to grow, within the context of leveraging economic growth and development from TOD to achieve Community Goals. New tax revenues, increased property values, and economic growth can be harnessed to utilize a wide array of strategies that will result in greater production and conservation of affordable housing while improving overall quality of life for residents and employees across the line.

Resources, including financial ones, will be necessary to combat, address and overcome the growing housing affordability crisis, particularly for lower income families for whom a market-affordable unit is out of reach, even in transportation-efficient locations. Transit-oriented development along the light rail line will provide new property tax revenues. The municipalities and counties have the opportunity to utilize these increased tax revenues in addition to other potential revenue streams that are not available today, for future use and investment. Should Chapel Hill, Durham, Durham County, and Orange County direct these revenues to affordable housing programs (whether to support development directly through funding or financing tools or to create a land bank for affordable projects in the future), there are a number of tools that can be utilized – or created – to conserve existing affordable housing, spur new construction of missing middle attainable housing and increase long term supply across the board. On the other hand, if there is no additional money available, the reality is the community will struggle to make any meaningful dent in the effort to provide a more equitable array of housing choices for residents across all income levels.

**Additional outcomes that can be fostered through economic development include investments in infrastructure and creating engaging public spaces or preserving open space. Further yet, retaining and attracting talent by creating vibrant, walkable neighborhoods can be viewed as another set of desired outcomes.**

As mentioned prior, the most significant cost burden for most families outside of housing is transportation, which is a cost that varies greatly depending on where a particular family lives. Therefore, a simple means to consider the true cost of where someone lives is to take into account both the cost of housing and transportation.

**As stated prior, it is important to the overall analysis to consider the full cost of living, rather than isolate housing without context.**

The Center for Neighborhood Technology, which has compiled a significant amount of research on the subject, has developed a methodology to compute the actual cost of housing when incorporating the imputed cost of travel between accessible housing and a job. Again, certain non-subsidy policy reforms, such as expanding housing access near jobs, can make an immediate impact on the availability of attainable housing. As Scott Bernstein of the Center for Neighborhood Technology and one of the nation’s foremost experts on affordability states “Very low-income people can easily spend 80 percent of their incomes on the combined cost of housing and transportation.” Bernstein continues, “Even moderate-income people who are stuck with no mass transit can end up spending as much on transportation as on housing.”<sup>16</sup>

Counterintuitively, while land and housing costs are greater in walkable and transit served locations

15 GB Arrington, Principal GB Placemaking

16 Scott Bernstein of the Center for Neighborhood Technology as quoted in Governing.com article by John Buntin, May 2017

(all other factors being equal), the reduction in cost for transportation for those able to walk, bike or use transit results in a lower overall cost of housing + transportation as compared to auto-oriented, non-transit served environments. In addition, the provision of transit greatly increases access to jobs and other economic opportunity. In a recent survey conducted by George Washington University, researchers found that a correlation exists that demonstrated a higher degree of social equity within walkable, mixed-use neighborhoods (which, when supported by transit such as light rail, can provide increased densities and overall activity as compared with non-transit served walkable nodes).<sup>17</sup>

**The creation of walkable, transit rich and connected environments has significant social equity benefits. In addition to greater access to jobs and opportunity, by eliminating one car from a family results in \$150,000 in additional mortgage spending power (30 year term), or \$468 per month in additional renting power.**<sup>18</sup>

Housing near services, retail and frequent, reliable transit provides people with the option to forgo the expense of owning a car, significantly reducing their household transportation expenditures and enabling more of their housing + transportation budget to be spent on housing if they so choose. While enabling more housing to be built in transportation efficient locations does not result in the direct creation of affordable housing supply, it does present people, including people with lesser means, with an option to reduce their transportation costs significantly and to choose to allocate some of that additional money towards housing while still reducing their total household housing + transportation costs.

To reiterate, the potential growth and new public and private revenue generation associated with light rail will be no panacea; but rather, light rail provides an opportunity to leverage the new investment in a manner that provides additional resources (financial and otherwise) to foster meaningful change in addressing housing affordability across the line.

### **Barriers to Success**

**The following barriers are explained to set the stage for solutions.** While there is general consensus as to the need to provide more affordably priced housing and legally binding affordable housing, and while Durham and Chapel Hill are both undertaking ongoing efforts to address the growing affordability issue, a number of impediments create obstacles to achieving these goals. These barriers must be addressed in order to enable more affordably-priced and legally binding affordable homes to be built. While the affordable housing crisis requires an all-of-the above approach with respect to solutions, the effectiveness of those solutions will be muted until the following barriers are addressed. Providing more housing options in places where people want to live is essential to reducing pressures of gentrification and displacement in nearby neighborhoods where affordably-priced homes and apartments exist today. Failure to address these barriers that inhibit enough housing from being built will result in more and more families, higher up the income spectrum, becoming housing + transportation cost burdened at a faster rate than Durham and Chapel Hill are able to support the construction and preservation of affordable homes.

**Increasing Land Costs:** Due to population and economic growth, land costs have increased and will continue to increase, especially in desirable neighborhoods. Land costs are often greatest in more walkable, transit-connected, “in town” neighborhoods. While Chapel Hill and Durham cannot create new land in desirable neighborhoods, they can adopt policies that make it easier to provide new appropriately scaled housing in those neighborhoods. Large minimum residential lot sizes, lot widths, setbacks, and restrictions on vacant non-conforming lots all have an effect on limiting the number of sites that are available for the construction of homes. Modest adjustments to lot size/ shape requirements can provide more opportunities for homeowners and homebuilders to split their lot and allow another home to be built.

**Restrictions on Missing Middle Housing:** In addition to limitations on the number and size of available lots, local regulatory policies make certain types of housing such as “missing middle” difficult to

<sup>17</sup> Foot Traffic Ahead Report by Smart Growth America and George Washington University, 2016

<sup>18</sup> Chris Leinberger, GWU and Brookings Institution

build or by prohibiting them out right. Missing middle housing is a range of multi-unit or clustered housing types compatible in scale with single family homes (i.e. Accessory Dwelling Units, Duplex, Triplex and Quadplexes, and small multifamily buildings with six to 12 homes). These modestly-scaled housing types help meet the growing demand for walkable urban living that match the needs of many households, such as workforce households, single households, parents with adult children living at home, and elderly parents living with adult children. In addition, they allow for a greater degree of social equity, by enabling families within a greater range of economic strata to live within residentially-oriented neighborhoods near retail, services, and other amenities. To the contrary, limiting the types of housing that can be built in established and desirable neighborhoods limits the types of families who can live in the neighborhood, negatively impacting social equity outcomes. By limiting the ability for homeowners and homebuilders to spread rising land costs over multiple homes, over time, only families with increasingly higher incomes will be able to afford to live in the neighborhood.

**Site Development Requirements:** Site development standards embedded in zoning codes have a substantial effect on the costs of the homes that do get built. Stringent site-by-site stormwater requirements, recreation space requirements, and tree canopy requirements add costs to all projects, but can add disproportionate costs to small scale multi-family homes and single family homes.

In both Durham and Chapel Hill, existing single and two family homes may add impervious surfaces without required stormwater mitigation. Meanwhile for multi-family homes, the same set of requirements are applicable regardless of whether a project has three or three hundred homes. For smaller multi-family projects, these requirements often prove cost-prohibitive; larger projects are typically able to absorb these costs, but pass them along to renters and buyers.

Tree canopy preservation and recreation space requirements or payments-in-lieu represent another constraint on buildable space as well as a cost. Stormwater mitigation, tree canopy conservation, and park space are all integral in providing a comfortable neighborhood environment. However, these interests and resulting requirements must be examined to ensure that both existing homes, through property taxes, and new homes, through development requirements, are contributing their fair share to achieve these goals. Failure to do so will limit the ability of homebuilders to build in affordability and add extra costs to legally binding affordable homes.

**Off Street Parking Requirements:** Off street parking requirements limit what can be built and can often add unnecessary costs to projects of all sizes. Many small scale projects are required to provide redundant on-site parking even though plentiful space exists on publicly owned streets. Parking minimums often result in the need for structured parking for mid-sized and larger projects, which can make up as much as 30 percent of the construction cost.<sup>19</sup> This cost is passed on to renters and buyers in rents and sales prices, including families who do not own a car. In addition to adding costs, parking spaces and driveways take up space that could otherwise be used for housing or communal space and adds extra impervious surface, which is then required to be mitigated. These requirements make it difficult for small and mid-sized projects to make financial sense for homebuilders to pursue, even if some families would like to live in these types of homes. The result is that fewer types of homes and less homes overall are built, limiting the number of options that are available to families.

**Arduous Development Entitlement Processes:** With the exception of Durham’s Downtown and Compact Design Districts, zoning processes in Durham and Chapel Hill are punishingly complex and cumbersome for most uses other than single family residential homes. As a result, homebuilders and developers shy away from small and mid-size projects, and either take the path of least resistance by building single

<sup>19</sup> A recent Government Accountability Office Report of focused on Low Income Housing Tax Credit (LIHTC) projects found that the average cost of structured parking made up 27% of construction costs of projects. Industry group reports have drawn similar conclusions for market-rate housing.

family homes or by focusing on big projects with larger returns-on-investment to better ensure that their time and efforts are worthwhile. A difficult process, without defined outcomes, sends a strong signal to homebuilders, developers and investors, to maintain the status quo and avoid innovative approaches to providing housing. Many homebuilders and developers who do build, or who might consider building moderately priced, mixed-income, or legally binding affordable homes, simply do not when faced with an arduous process. Finally, uncertainty results in lenders demanding higher return-on-investment for project loans to offset the increased risk. The end result is less homes, higher cost homes, and a tendency to build fewer, but increasingly larger, multi-family communities made up of luxury homes.

**Infrastructure:** The state of local infrastructure also plays a role in the affordability issue. For example, a disconnect between roadway design and/or pedestrian infrastructure, and adjacent land uses, can make it difficult to create a local environment that is conducive to walking, biking and other non-auto oriented means of transportation. Good urban design is necessary to create a public realm that enables privately owned parcels to work together in a manner that promotes walkability and access to transit. If these outcomes are not achieved, it becomes more difficult, if not impossible, to adequately build and support appropriate densities within a transit-oriented setting.

The same is true of stormwater, water, and sewer infrastructure. These systems are foundational for the development of housing, and even more so for legally binding affordable housing. Public policies that place the mitigation burden on individual projects, especially smaller and mid scaled projects, rather than on a community as a whole precludes affordability from being built into these projects. In the case of water, sewer, and streets, if sufficient infrastructure is not in place, it is very unlikely that a single project, especially one that includes affordable homes, would be able to bear the costs of improving public infrastructure in addition to building housing.

The question of timing and phasing is a paramount issue. To ensure the private sector is able to develop the type of compact, walkable neighborhoods desired within a transit-oriented setting, it is first essential to provide the infrastructure necessary to support development activity.

**The Funding Gap:** Often, legally binding affordable homes and even attainably priced housing are faced with a funding gap, which is the difference between what a developer can afford to invest in a project and the ability to deliver lower cost homes that allows for enough profit to induce the private sector into building. Even with a clear approval process and favorable zoning standards, this gap usually exists. The economic factors at play, such as a lack of available land, increased costs for construction materials, and a tight labor market for construction workers, stack the deck against providing attainably priced housing through market measures, alone. For attainably priced housing to be built, it must be feasible for sales prices or for future rents to cover the construction costs in addition to financing costs. If a project does not earn enough in rents to cover its costs and earn a sufficient return on investment, it will neither obtain financing nor be built.

**Limited Effectiveness of Regulatory Incentives:** It must be noted that certain tools that are available in many other states are not available for Chapel Hill and Durham due to limitations under state law. “Inclusionary Zoning,” one of the more popular, albeit questionably effective tools in middle-tier markets such as the Triangle, is not lawful in North Carolina. Even affordability conditions agreed to by the developer and approving body as a part of a legislative rezoning decision are on questionable legal footing in the state. Opt-in density bonuses can often prove ineffective, particularly in the case of multifamily rental homes, due to the paradox of affordability at the middle market.

In this paradox, awarding additional density to a project in exchange for the project constructing affordable homes makes the project less profitable. In such an instance, additional density can result in the need for higher cost construction typologies, rendering the project financially unfeasible at the higher density (unless there is a commensurate increase in rent or sales price). For example, at four to five stories, structured parking is necessitated, even at parking ratios of one space per unit; at six-seven stories the lower one-two floors must be concrete or steel; and over seven stories, the entire structure must be concrete or steel.

Each of these factors adds significant additional per square foot (and per home) cost to the project.

The cost to construct concrete and steel are far above those necessary to build utilizing less costly construction typologies, often by factors of two or more. Meanwhile, below market rate homes increase the effective cost per home for the overall project in addition to the switch to more expensive construction types, affecting the project's profit margin overall. A developer will not take advantage of more density if the profit margin is substantially lower and especially if profitability is not even possible.

**Limited Funding for Legally Binding Affordable Homes:** Traditional funding sources including the Federal Government, the State, local governments, and other subsidy programs for affordable housing are limited, and produce too few units per year relative to the need demonstrated in Chapel Hill and Durham. The lack of substantial state funding and other policies is fundamentally a barrier in real estate markets, like those in North Carolina, that rely on the private sector to deliver most of the housing. Means by which to increase and maximize the efficiency of funding are discussed further in this report. More funding is essential to addressing affordability, especially for families with the lowest incomes. Chapel Hill and Durham must also strengthen existing partnerships and create new ones so as to maximize the amount and types of funding available for affordable housing.

However, in order for additional funding and new partnerships to provide affordable homes to be effective, they must be accompanied by changes to the regulatory framework to be more favorable to developing more homes at all scales in a manner whereby the private sector can meet financing requirements to achieve a sufficient return on investment while constructing more attainable priced housing. Failure to do so will mean that publicly supported efforts to provide affordable homes will be quickly outpaced by rising home prices as a result of these of barriers limiting homeowners, homebuilders, and developer's ability to provide enough housing and better build affordability into new housing.

**A BROAD SET OF INTEGRATED STRATEGIES**

**With the anticipated light rail service and station area infrastructure investments, there is a window of opportunity to leverage the significant economic growth from transit-oriented development catalyzed by the light rail to support an increased supply of affordable units.**

The affordability crisis is a multi-faceted issue and will require an all-of-the-above and all-hands-on-deck approach in order provide all families the opportunity to live in Chapel Hill and Durham. Utilizing a broad set of integrated strategies, Chapel Hill and Durham have a rare opportunity to leverage new property tax revenues and economic growth that will result from the investment in light rail, to make substantial progress toward preserving and creating new attainable and affordable housing within light rail station areas and beyond.

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

1. Create new affordable housing units
2. Conserve 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 <b>inform</b> private sector, anchor institution and non-profit partners, along with prospective homeowners, about actions they can take.

STRATEGIC APPROACH	ROLE OF LOCAL GOVERNMENT
Facilitate	Strategies that <b>encourage</b> partners to take specific actions.
Stimulate	Strategies that <b>reward</b> partners for actions they take.
Regulate	Strategies that <b>require</b> partners to take specific actions.
Allocate	Strategies that <b>acquire</b> public resources and <b>allocate</b> 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 addressed 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 line to provide training and job opportunities for lower-income residents, so they can better afford the housing opportunities served by the transit investment.

This section of the affordable housing opportunity report discusses 10 key objectives that can guide Durham and Chapel Hill as they pursue specific strategies for 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 incentive the private sector to provide affordable housing, and
- The need for on-going subsidies for the operation and maintenance of affordable housing.

**Common Needs, a Shared Vision**

Success is also represented in terms of access to opportunity and employment along with entertainment, cultural and public amenities for communities that represent the full spectrum of economic standing—a requirement for integrating and sustaining affordable housing within a diverse and equitable community context.

**Trial and Error, Utilizing an Integrated, Cross-Silo Approach**

To that end, there must be a concerted effort, including a degree of trial and error. Efforts should be focused not on a limited number of viable strategies, but rather a broad range, calibrated for both the local context and the market in a manner that leverages the investment in light rail to provide greatest results. In addition, and as mentioned elsewhere, some tools that are available in other locales may be limited or prohibited under North Carolina state law. This is especially true in regard to legislation and legal frameworks that affect taxing authority and rules of property disposition, in addition to zoning levers and the ability to create Tax Incremental Financing and other financial-regulatory frameworks for development. That said, it is important to consider the full spectrum of potential strategies to determine what adjustments in policy may be necessary at the local level, and, perhaps in time, in terms of a changed state legislative landscape to promote greater affordability.

Understanding potential limitations, it is essential to utilize a multi-strategy approach that takes into account the comprehensive nature of the light rail line and related development activity. Looking at the line holistically, a set of strategies can be combined to best leverage local conditions at and around each train station, and throughout the region as a whole. Collectively, this series of specific interventions (each created according to a local, context-sensitive framework) provide short-, mid- and long-term solutions that continually chip away at the need for more affordable units.

A comprehensive and holistic approach with appropriate prioritization of resources and efforts can both maximize the potential benefits of public investment as a whole, while focusing on those who need assistance, the most. By both reducing barriers to enable the market to produce more housing

at all scales, while investing strategically in supporting the development of affordable housing (be it through investment in supportive infrastructure or financial support as is described below), increased supply would help reduce, to some degree, upward pressures on price for housing in the short term, while providing greater equilibrium between long term supply and demand. It could also provide greater and more robust access to employment and economic opportunity, while reducing a household or individual’s transportation costs enabling a household to have more money available for other necessities such as food, medication, clothing and so on.

**A number of potential strategies should be examined to determine a comprehensive and holistic approach to meeting the region’s affordable housing needs. There is no one silver bullet in terms of policy or financing that would successfully overcome the challenges associated with creating additional affordable housing. There must be a complete suite of tools that can work in a complementary manner which utilize a test, evaluate and adjust strategy, to best enable Chapel Hill and Durham to capitalize on a range of short-, mid- and long-term opportunities.**

**OBJECTIVE #1**

**Set Realistic Yet Aggressive Affordable Housing Goals by Number of Homes to Close the Affordability Gap within Station Areas**

In order to substantially address the affordable housing crisis within the region and to make a positive contribution to addressing it along the light rail line, it is necessary to have estimates and projections of the following:

- The shortage of affordable homes that exists today and will exist 10 years from now without action.
- The number of affordable homes that need to be built and conserved to address this shortage and the time it will reasonably take to do so.
- Identification of strategies that will be used to build and create new legally binding affordable homes and estimates of the number that can reasonably be produced by each strategy.
- Identification of strategies that will be used to support the construction of market rate homes and reduce price pressures on existing naturally occurring affordable homes.

**ACTION STEP:** Durham and Chapel Hill set and validate a target number of affordable homes for both construction and conservation over the next five, ten, and twenty years within station areas by the end of 2019.

**OBJECTIVE #2**

**Prioritize Conservation / Conversion of Existing Affordable Housing**

While much of the burden to provide new attainably priced housing is put on the backs of new development, this approach is a rather inefficient way to make meaningful progress towards bold housing goals and production targets.

Instead, multiple existing naturally occurring affordable homes (or legally binding affordable homes whose affordability restrictions are about to expire) could be conserved for the cost of producing one new affordable home.

This is especially true of new construction in popular locations with higher land prices and higher construction costs. Conservation of affordable homes could be achieved through establishing a fund for affordable housing partners and private property owners to reinvest in existing communities in exchange for new or extended affordability commitments. This could also be done in partnership with

property owners who would like to redevelop by using regulatory bonuses and financial incentives in exchange for the property owner committing to maintaining a certain amount of affordability as the property is redeveloped.



As a note on this issue, while there are benefits to adding additional overall supply to the market (more supply reduces price pressures), those benefits accrue over a long period of time. In addition, the provision of one new subsidized affordable unit reduces displacement pressures more than two additional market rate units, while the former can also be more target to meet short term, acute needs. In terms of countering concerns of gentrification and displacement, these are important factors to consider.

**ACTION STEP:** Chapel Hill and Durham conduct an audit of existing workforce and affordable housing to determine properties that are best suited for conservation.

- Identify naturally occurring affordable properties and score their risk of either being redeveloped or renovated with accompanying rent increases.
- Identify and score legally binding affordable properties with expiring affordability restrictions.

**ACTION STEP:** Chapel Hill and Durham build capacity to better understand and engage in the private real estate markets by hiring or contracting with a multifamily real estate professional with expertise in the capital markets. This type of professional experience would support land purchases, land banking, dispositions, and provide in depth knowledge of potential off-market opportunities.

### OBJECTIVE #3

#### Implement Innovative Approaches to Land Acquisition and Control

Without land upon which to build or redevelop, it is impossible to create new homes. There is a need for both municipalities and their partners to acquire and/or control land for the purposes of creating a pipeline for affordable housing. There must be sense of urgency to acquire and preserve key parcels within station areas for future development of affordable housing before land prices increase in anticipation of the opening of light rail. This could take the form of a land bank or partnerships with local institutions such as foundations or pension funds with social impact goals.

**Land is more expensive than it has ever been. It is also less expensive than it will ever be.**

While it is difficult to ascertain the specific timing of land appreciation due to the investment in rail, it is likely that the following progression is likely to take place (it should also be noted that these assumptions recognize that it is a vastly different climate today, and into the future, as compared with a decade or so ago with Charlotte’s light rail began to take shape, in addition to other similar efforts around the country): (1) In the years during the light rail’s construction, at least some speculative land purchases are likely to occur, especially in areas where significant future development is expected and/or a land is in short supply, today and (2) as stations begin to open, and as local station areas infrastructure is put in place, additional escalations in price/cost should be expected and (3) as initial phases of station area development are underway, with a mix of uses and good urban form, additional escalations are likely to occur. Mind you, these steps of appreciation in land cost don’t include additional increases in land cost that would be associated with anticipated zoning changes and actual changes in land use regulation that allow for greater height, density and range of uses.

Interim uses are a potential tactic within a land banking strategy. This entails putting the property to a temporary economic use that is suitable to be transitioned through redevelopment to accommodate affordable housing once the funding is available. Not only do interim uses help reduce the carrying cost of the property, reserving more funding for affordable housing, they can also help to activate the area around the property. For example, a food truck park could provide an amenity to the employees



and residents of a station area during its early phases of development without affecting the longer-term ability for the land to be used for affordable housing.

**ACTION STEP:** Chapel Hill and Durham identify and prioritize purchase of land in station areas and other locations throughout the corridor, with timing informed by the targets established under Objective #1.

**ACTION STEP:** Ensure that each land banked property has a role in meeting established targets for affordable housing. Master plan and prioritize each site for development based on the analysis contained in this Guidebook and other pertinent community priorities.

**ACTION STEP:** Identify potential private sector, not-for-profit and institutional partners to implement an interim use of the land until it is ready to be developed into affordable housing.

**OBJECTIVE #4**

**Capitalize on Market Activity to Generate Revenue for Affordable Housing**

Explore innovative means to capture and use new property tax revenues to support Affordable Housing through public and private financing mechanisms. The following potential strategies are available to local governments to capture increased property values in station areas:

- **Synthetic Tax-Increment Finance (TIF) District.** This tool relies on committing a certain portion of increased property tax revenues that result from new development activity.
- **Special Assessment Improvement District.** This tool is a levy on properties to support community needs, including affordable housing. This tool requires approval by a majority of property owners within the district boundary and is therefore suited to station areas with concentrated land ownership.
- **Municipal Service District.** This tool an additional property tax on properties to support the provision of services or community needs, including affordable housing.

These committed future revenue streams can be monetized through an array of financing tools available to local governments in North Carolina as a way to pay for costs associated with the construction of station area infrastructure and affordable housing. New revenue districts are not necessarily required in order to allocate funding in this manner; in the absence of a formal mechanism, Durham, Chapel Hill, or the counties could commit a certain percentage of future revenue within station areas to their affordable housing funds for the conservation of existing homes or the creation of new ones within station areas.

**Regulatory changes, infrastructure projects, and affordable housing must be timed to complement each other, and they must be completed ahead of the uptick of land prices associated with the opening of light rail to maximize (or even realize) the ability to support affordable housing.** For example,

Durham and Chapel Hill should adopt work plans that coordinate policy changes and investments in utilities, streets, land banking, and parking management strategies ahead of or concurrent with the construction affordable housing. This coordinated infrastructure/land/parking investment should be undertaken when it can be catalytic to market-rate development on other nearby properties in addition to supporting an investment in affordable housing. A coordinated approach is especially important given that other developments can help create a walkable neighborhood context for the affordable housing by providing things like sidewalks, public space, and retail. This approach will further reinforce the opportunity for equitable prosperity by using public investments to spur the creation of new places where people of all backgrounds and incomes can live, work, and interact with one another.

**ACTION STEP:** Durham and Chapel Hill to commit portion of new station area tax revenue to affordable

housing. As specific projects make their way forward, finance officers from the City of Durham, Chapel Hill, Orange County, and Durham County should work together to identify and recommend revenue mechanisms and finance vehicles to fund those projects.

**ACTION STEP:** Create a set of priority investments (including their timing) to determine which investments provide the greatest opportunity to maximize future tax revenue generation and support affordable housing.

## **OBJECTIVE #5**

### **Conserve and Create Affordable Housing Opportunities through Partnerships between Anchor Institutions and Local Communities**

Durham and Chapel Hill must continue to coordinate and formalize partnerships with local universities, health care systems, and other anchor institutions. This strategy could be utilized in both the short- and long-term to leverage their presence and respective desires to be leaders within the community in addition to introducing housing as a potential benefit for employee recruitment and retention.

**ACTION STEP Chapel Hill:** Incorporate affordable and workforce housing plans into entitlement review for the UNC Health Care Eastowne Master Plan and Campus Master Plan / Development Plan Update

**ACTION STEP Durham:** Incorporate affordable and workforce housing plans to into entitlement review for future Duke and NCCU planning and/or development processes.

For sake of discussion, the Town of Chapel Hill and the potential transformative redevelopment opportunities that exist on university-owned property are utilized as an illustrative demonstration of how this could unfold, with benefits for multiple constituencies throughout the region. As UNC is undergoing a Master Planning effort, opportunities may present themselves for development of this sort that is beneficial to the mission of the university as well as the Town. Both the University of North Carolina and the Town acknowledge the need to work together to provide an appropriate framework by which development can occur around the stations, specifically the main campus stations and the Friday Center where there opportunities for new mixed use development in addition to institutional development.

To simplify this potential process, there could be mechanisms that provide for the approval of additional uses and densities on university- or health care system- owned land in exchange for the university providing affordable housing on site for its staff. Another scenario might be that an agreement is executed whereby a certain percentage of residential units are built on site, for use by university or health care system employees who seek and are qualified for affordable units. Additional funding could be placed into a special housing fund that enables the creation of units off the university's land for qualified staff. This approach would yield multiple wins for a wide range of constituencies:

- **Enables University to help address the affordable housing issue**, with greatest impact on those working for the University in regard to providing affordable and/or attainable housing in conjunction with housing that is within close proximity to their workforce's place of employment
- **The University would be able to garner public support for more intensive development** (higher densities, heights, range of uses etc.) than might otherwise be publicly amenable, allowing them to grow at a faster pace while utilizing land to its highest and best use – something of utmost importance considering the long range vision of the University, its land locked status, and need to retain flexibility to grow into the distant future;
- **The University would be able to tend to the needs of its employees by providing affordable units** within the confines of its own property, which helps to attract and retain employees and provide more equitable opportunities for lower wage employees.
- **By providing some housing for lower wage employees, workforce housing helps relieve the overall need for affordable units in Chapel Hill and Durham;**
- The Town would be able to address its affordable housing demand more aggressively, as the

off-site contributions would help fund land acquisition and/or offset development costs for the private sector and/or allow the Town to build units itself or within a Joint Venture partnership;

- **University employees would have additional opportunities to live within the communities they currently live and/or work;** and
- **The community at-large will see a true partnership,** whereby the University is not only looking out for the needs of its employees, but is also proactively working with the Town to address, in a meaningful way, the overall affordability crisis, even with the understanding that the University cannot be seen as the sole party responsible for / able to address this growing need.

**This objective may have positive implications in Durham in terms of potential partnerships with Duke and associated foundations.** This tactic could be utilized in conjunction with one or more of the other aforementioned strategies, in addition to existing programs, creating a “capital stack” of sorts whereby no one program, institution nor constituency can meet the significant affordable housing need on its own. Instead, there would be a layering of multiple and complementary strategies and tactics upon one another in a manner that could make a significant dent in addressing the overall situation and need.

**OBJECTIVE #6**

**Establish partnerships with private and not-for-profit entities to fund, develop and manage new affordable housing**

In addition to partnering with the anchor institutions along the line, it is necessary to find partners who can provide capital, develop affordable housing, and manage it. These partners can help provide the financial capacity and development expertise to make the most out of public investments in affordable housing while allowing the municipalities and counties to pursue multiple projects at once.

Quasi-governmental or non-profit entities that provide a socially-minded investment function, such as a Community Development Corporation, are particularly well-suited to fund land acquisition and/or development. This approach might also fit within the purview of an “impact fund” which is comprised of socially-minded investors who are willing to invest in projects that produce social community benefits even though financial returns may occur on a longer timeline.

There may also be an opportunity for the municipalities and counties to partner directly with affordable housing developers which could take a number of forms including the following:

- Selling or leasing municipal land at reduced or not cost.
- Providing construction of necessary infrastructure such as streets or utilities.
- Being a part owner of the project by contributing equity and sharing in financial returns or losses.

**ACTION STEP:** Identify and engage in discussions with potential private, not-for-profit, faith/mission based and institutional partners. These include potential property owners and managers, developers, builders and investors.

**OBJECTIVE #7**

**Ensure Zoning Requirements are Context Sensitive**

It is essential to think beyond the corridor, and beyond downtown and mixed-use type environments.

An important aspect to addressing the affordability issue is to “densify everywhere” while ensuring

new homes fit within the local neighborhood scale. This type of housing is known as “missing middle” and it includes housing types that range in scale between a stand-alone single-family home and smaller apartment buildings. These types include Accessory Dwelling Units (ADU’s), duplexes, or fourplexes that are sized to match and blend in to an existing neighborhood. Allowing missing middle housing types within residential neighborhoods surrounding station areas is a valuable strategy to complement the larger scale development anticipated in areas closer to the light rail stations.

In addition to allowing a diversity of housing types, it is important to reduce parking, unusable open space, and setback requirements in neighborhoods surrounding the station areas so that new homes can become a part of the neighborhood fabric while incrementally allowing it to adapt and change over time.

**ACTION STEP:** Chapel Hill and Durham to conduct a neighborhood by neighborhood land use analysis to determine opportunities to increase supply of incremental, small scale “missing middle” housing

**ACTION STEP:** Review, assess and update zoning and other land use regulations to spur development of missing middle housing types, in accordance with the findings of the aforementioned analysis.

**ACTION STEP:** Review, assess, and update zoning codes and other land use regulations to remove Regulatory Barriers that unnecessarily increase the costs of new housing and to remove barriers to constructing affordable and workforce housing in general. Refer to the Zoning Policy Brief on page 29 for a listing of Regulatory Barriers identified by the TOD study.

**ACTION STEP:** Create a public engagement process to educate the public as to the need for and benefits of incorporating incremental, small scale and missing middle housing within existing neighborhoods

## **OBJECTIVE #8**

### **Ensure that Density Bonuses are Calibrated to be Cognizant of Market Forces**

Inclusionary zoning, while politically popular, is often applied too broadly resulting in decreased overall production and higher housing costs – the exact opposite of the intended outcome. Too often, the result of compelling developers to include an affordable component is an economic burden that makes it difficult to get a loan to build the project. As a result, the project may not occur, it may occur with fewer, larger, and more expensive homes, or it may skimp on design. Mis-calibrated density bonuses can have a similar effect. Policies that decrease the amount of new construction in places where people would like to live will result in upward price pressures for housing both in the station areas and in surrounding neighborhoods.

Given this reality, properly calibrated tools to encourage developers to provide more workforce and affordable housing rather than “force their hand” are recommended.

**ACTION STEP:** Chapel Hill and Durham review existing land use regulations and policy levers regarding development to consider adoption of new and/or revised density bonuses, fees-in-lieu of and other mechanisms to support mixed-income communities by incentivizing developers to produce more affordable and workforce housing both on and off site, for new development.

**ACTION STEP:** Chapel Hill and Durham to incorporate metrics in addition to straight line density (number of homes) as opposed to sole reliance on density in calculations, to increase the incentive for developers to build smaller, less expensive homes. These considerations could include:

- Height requirements (which Durham already utilizes in areas)
- Exemption (or flexibility) for lot coverage requirements
- Exemption (or flexibility) for building massing requirements such as upper story setbacks
- Reduced public space and parking requirements (where parking requirements exist)
- Flexibility from material and design requirements, so long as requirements that relate to providing appropriate urban form and street-level characteristics are retained.

**OBJECTIVE #9**

**Ensure Development Processes are Transparent, Fair and Predictable**

One of the most overlooked and largest factors that dampens supply of both market rate and affordable housing are overly complex land use policies and entitlement processes. The additional time and risk work in tandem to contribute to higher costs for housing. Sometimes, adjusting the existing framework is not enough to provide the desired outcomes. At times, it is necessary to “start fresh” and either change the rules or break them and create a new way in which to do business.

**As such, it is essential to provide clarity and transparency in the development process. Developers are willing to work within the rules, even jump through additional hurdles, if the process is clearly defined and conducted with fairness and objectivity.**

**ACTION STEP:** Chapel Hill and Durham review existing land use, development and construction entitlement and approval processes to determine what aspects may hinder production of quality development in general, and the provision of affordable and attainable housing in particular.

**ACTION STEP:** Chapel Hill and Durham revise approval framework with an expedited review for projects that meet certain affordability criteria. This type of framework provides more clarity and predictability and less financial risk for developers and investors.

**OBJECTIVE #10**

**Increase Sources of Affordable Housing Funding Using Innovative Financing Tools**

**To successfully meet community goals, the municipalities and counties must increase their financial capacity to support the pipeline and construction or purchase of affordable homes.**

Both Chapel Hill and Durham have experienced staff working on these efforts, and each has created a series of policies and mechanisms that result in a solid policy framework for the development of more affordable homes. However, limited financial resources remains a significant impediment to addressing community needs and reaching adopted housing goals.

The potential transit-oriented development spurred by the Light Rail Project could provide a catalytic opportunity to obtain new revenue sources to meet the needs of the municipalities and the Region. However, new revenues must be leveraged by appropriate policies and investments along the light rail line and beyond.

**ACTION STEP:** Chapel Hill and Durham assess potential impact of innovative finance and funding strategies to increase capacity for affordable and attainable housing development at all scales (incremental, missing middle, larger scale intensive development).

**ACTION STEP:** Chapel Hill and Durham codify mechanisms to utilize a portion of new tax revenues generated at and around station areas as a result of the Light Rail investment, to fund/catalyze/leverage these funding sources and financing tools.

Some potential venues to provide new sources of revenues and/or financing to spur development, especially at the local, non-institutional and neighborhood scale include:

- **Financing for Upgrades of Existing Affordable Product:** offer financing that allows for-profit developer to upgrade the property in exchange for continuing to rent to low income households

for a certain period of time.

- **Incentivize owners to bring vacant sites to market:** An example of this might be the imposition of a higher marginal tax rate on idle urban land than on improved urban land (this may not be currently allowed under state law, but could be considered if there is an opportunity for enabling legislation at some point in the future).
- **Provide incentives for development of affordable product on vacant sites:** Where feasible and appropriate, consider property tax holidays or partial public funding for infrastructure upgrades. This might take the form of a land use incentive grant or synthetic TIF.
- **Create a revolving fund (public and/or private) to invest in ongoing rehabs:** to spur smaller scale upgrades. It may be worth exploring the creation of a partnership led by a public or not-for-profit entity which could then seek to create a fund for the acquisition of existing Class C or C- Multifamily properties. The fund could be managed and operated by a private sector developer that has the capacity, wherewithal and market know to purchase, rehabilitate and manage subject properties. By partnering with the private sector, additional market knowledge will be brought to the table, including knowledge of properties that have not formally hit the market and other industry information that may not be privy to governmental or not-for-profit entities as a general rule of thumb. Such an effort could be utilize to provide attainable product or legally binding affordable options by converting market rate (and/or conserving affordable) into the future.
- **Create long-term, low interest funds** (even up to 50 year financing at 3%) for more significant affordable housing project
- **Create low and/or no cost interest financing assistance to support incremental development** and ongoing rehabs including ADU's and one to four unit properties and missing middle projects. Utilizing General Obligation Bonds or other municipal funding sources, financing vehicles can be created whereby low interest or no interest loans can be provided to incent the development of smaller scale missing middle product. Such an approach could piggy back onto Freddie Mac's new financing program which provides Mezzanine loans at favorable pricing and additional debt capital conditional upon the multifamily property owner voluntarily keeping a rents affordable for low and moderate income families through limitation of rent growth on 80% of their units.
- **Explore Neighborhood Empowerment Zones** that would create designated districts that could provide tools and incentives such as:
  - Consider a property tax freeze for a period of time (i.e. 10 years) for homeowners if they are making improvements to their property resulting in more than 25% increase in value and increased density (ADU's, granny flats, additions)
- **Utilize development fee rebates** (permits, planning, zoning, recreation space, landscape & utilities)
- **Consider Tax Exempt Bond Financing** to assist persons of low and moderate income for the acquisition and ownership of quality, safe, sanitary, and affordable housing. Bonds could be issued to finance, in whole or in part, the development costs of a residential development or redevelopment; the costs of purchasing or funding the making of home mortgages; and any other costs associated with the provision of decent, safe, and sanitary housing and non-housing facilities that are an integral part of or are functionally related to an affordable housing development.
- **Create a Housing Trust Fund:** Chapel Hill and Durham each have such funds, however Go Triangle may wish to establish a Housing Trust Fund that allows monies to be used to make loans to support the production goals of updated Housing Policies. Set funding aside to support developments. Research the ability to direct dedicated revenue sources for the Housing Trust Fund, including unencumbered property tax revenues from developments that have been built on previously City-owned land, proceeds from the sale of properties acquired by the City following non-tax lien foreclosures, among other sources. In addition, Chapel Hill's current fund is limited to only four projects to be financed annually through such a fund, and as such, may wish to explore expanding the program and/or enabling more projects at lesser

cost to be applicable, which would serve to reduce or eliminate the funding gap for a series of smaller, incremental and missing middle projects.

**OBJECTIVE #11**

**“Stack” different strategies and tactics to provide a layered solution**

A layered solution would reduce, if not eliminate, the funding gap between the cost to construct affordable homes and the requisite rents necessary to support such development. Public dollars can go much further when they are matched by or are used to incentivize and support private development when compared to having the public sector fund affordable housing directly. Increasing revenues for affordable housing without also finding ways to increase the efficacy of those revenues will result in the inability of Chapel Hill and Durham to substantively address the affordable housing shortage.

**ACTION STEP:** Chapel Hill and Durham create matrix of affordable housing priorities and opportunities categorized by scale, neighborhood typology and timing to create integrated strategies for a full range of affordable and workforce housing opportunities.

By utilizing efforts that enable and support the private development community, municipalities can be better stewards of public dollars as they be utilized with far greater impact. Public dollars can go much further when they are matched by or are used to incent and support private development when compared to having the public sector fund affordable housing directly. For example, New Urbanist developer Robert Chapman describes a program whereby different strategies are combined:

- Low or zero land cost by utilizing municipal property or creating a public-private and/or not-for-profit entity. Municipal property could be provided at no cost for the development of affordable housing;
- Long term, low-interest finance –up to 50 year financing at 3%, to reduce cost of debt and the burden of debt service;
- Not profit-sponsorship of affordable development projects; and
- Utilization of good design and location, which is paramount to the light rail project and the creation of walkable, mobility rich and transit-connected neighborhoods. All other development factors aside, this would reduce the need to construct more parking.

Such an approach, in theory, could reduce the cost of housing by as much as 50%, leveraging a series of tools and strategies in a concerted effort that may include public, private, institutional and not-for-profit participants.

**OBJECTIVE #12**

**Support Interdisciplinary Engagement and Collaboration**

**There must be a marriage between land use, mobility, infrastructure and public policy to provide the greatest economic and social returns for the investment in light rail, and associated private investment induced by the new transportation potential.**

Since the only constant will be change (market conditions, policy tools, site opportunities, funding streams, organizational leadership, and staffing,) structured and sustained engagement and collaboration will be important for success. Two initial collaborations that should be supported are:

- The existing Housing Practitioners Group facilitated by the Triangle-J Council of Governments that brings together housing expertise from local government agencies, the private sector and

- non-profit organizations to collaborate on affordable housing issues.
- Increased communication and cross-department frameworks within each municipality to ensure that a coordinated and informed process occurs to address a range of issues that inter-relate, including land use, economic development, infrastructure, affordable housing, and transportation.

**ACTION STEP:** Chapel Hill and Durham create inter-municipal partnership frameworks to promote greater communication and coordination between and among the Town, City, Durham and Orange Counties and TJCOG.

**ACTION STEP:** Chapel Hill and Durham look to create internal, cross-department frameworks to foster coordination and collaboration among and between all staff and agencies that either affect or are affected by development in general, and affordable housing, in particular.

## SUMMATION

**The issue of affordable housing is not an isolated issue.** It is interrelated with many policies, including but not limited to transportation, land use and zoning and other regulatory frameworks. As such, it is important to consider the affordability issue across the board, by explicitly stating support for affordable housing within comprehensive plans and other strategic documents. **Emphasize the need to ensure construction and preservation of existing housing that is attainable at a full range of income levels (30%-120% of AMI) and set production goals and income bands to be served to serve as a baseline and set of goals to monitor progress and adjust strategies as needed.**

In addition, recognize housing as a key tool for equitable economic development by encouraging walkable, mixed-use development to drive additional corporate retention and attraction while providing equitable opportunities for upward economic mobility. Light Rail as a transit spine anchoring TOD neighborhoods with affordable housing makes this possible on a large scale.

This approach not only generates new tax revenues through new employment, but recent studies have demonstrated greater worker productivity within walkable, mixed-use neighborhoods, further improving economic competitiveness, wage growth and additional tax revenues. Perhaps most importantly, these walkable environments have been shown to be more socially equitable through a reduction in housing + transportation costs while increasing access to economic opportunity and jobs for those who live in and near such walkable nodes or who are connected to these nodes by reliable, frequent bus service.

## GATEWAY/PATTERSON PLACE STATIONS—AN OPPORTUNITY

An often overlooked, and very impactful strategy to provide greater affordability is to focus on the issues of adjacency and proximity. Specifically, there may be no single factor that can better address regional affordability as that associated with individuals living close to their place of employment, and, secondarily, proximate to mobility options to connect the two.

As discussed in more detail above, location efficiency that can be leveraged by transit-oriented development near light rail stations:

1. Housing near jobs + retail + services + community facilities + transit
2. Jobs near transit

**The Gateway station in Chapel Hill and the adjacent Patterson Place station in Durham provides an opportunity for several million square feet of TOD development, representing thousands of potential residential units.** This opportunity area is also adjacent to the anticipated UNC Health Care's Eastowne Campus mixed use development just to the north of U.S. 15-501. Gateway station to the west of I-40 provides a substantial ground-up live-work-play corporate relocation opportunity; and Patterson Place to the east of I-40 represents a major suburban retrofit opportunity, providing a multi-village context with Eastowne linked by rail, trails and bike/ped.





The recent study by George Washington University, referenced earlier in this report, showed a correlation between walkable, urban environments and increased social equity benefits. These equity benefits are compounded when combined with access to transit. While this may run counter to expectation, as housing in transit-rich areas may become more costly than in auto-oriented and non-walkable environments, the reduction in transportation costs per household is sufficient to overcome the higher price for housing. But achieving affordable housing in station areas can be difficult, especially in greenfield and suburban areas with significant new infrastructure.

**Using Gateway and Patterson Place stations as an example, the cost and timing of infrastructure must be considered through a comprehensive approach that recognizes no single development can support the foundational infrastructure needs to support even initial development (let alone built out of multiple developments that promote good urbanism), at these stations.**

For example, if Chapel Hill builds a street that connects neighborhoods, and that street that provides access to multiple properties is built in a manner to support pedestrian activity, a mix of uses and significant economic and social activity, greater private investment and higher resulting tax revenues are likely to occur. In addition, private sector investments – supported by the public provision of infrastructure – can promote outcomes including affordable housing and access to economic opportunity. Such outcomes are further reinforced should Chapel Hill, in this example, look to foster bike and pedestrian-mobility within the new station development, and retrofit existing auto-oriented roads. Prior to any of these investments by the public or private sector, it is essential to anticipate the provision of appropriate mixed-use zoning, to ensure that land use regulations are in lock step with

planned infrastructure investments and preferred private sector development typologies. Conversely, failure to adjust regulations and invest in infrastructure will make it less feasible for any type of transit-oriented development to occur at station areas, let alone affordable housing, which is already at a cost disadvantage, as noted earlier in the report.

**By harnessing the pent up demand for mixed-use developments such as Gateway and Paterson Place, a number of the recommendations contained within this report may become feasible. As discussed, the first step is to address the lack of funding and resources, which can be partly ameliorated by the scale and types of development in these locations; In short larger, higher value developments will produce greater tax revenues that can be used to further support affordable housing at Gateway and Patterson Place and beyond. By providing for a potential mix of subsidized and market rate housing, the true cost of living would be addressed to a greater degree, as these new developments would provide connectivity, transit and walkability that reduces the need for the automobile. In addition, partnerships with UNC Healthcare and/or SECU would be able to further promote the provision of affordable and attainable units at these sites.**

As such, and with economic development and economic competitiveness as the lead (locally, regionally and statewide), there may be an opportunity for discussion at the State level in terms of mechanisms, regulations and financing tools that would better support economic development through a focus on creating quality places that meet the markets demand for more walkable, mixed-use environments.

## **CONCLUSION AND NEXT STEPS**

### **“Get Real About Affordable Housing”**

To conclude, in one of the early community meetings for the TOD study, a resident implored Durham and Chapel Hill to “get real about affordable housing.” Her admonition was clear. Getting real will require hard decisions to be made to successfully overcome the growing divide between housing needs and attainably priced options.

**The solution to Affordable Housing is not a silver bullet. No one policy nor financial tool will be sufficient. Instead, it is essential to embark upon a comprehensive approach that includes a coordinated and phased set of strategies that include changes to existing policies, the creation of new partnerships** and tools and, the need to identify new funding sources, such as new property tax revenues from transit-oriented development. That said, no one effort, nor single funding source, will be sufficient – not even the significant new revenues that are to occur from new property tax revenue as a result of the transit-oriented development projected to occur around light rail stations. The admonition to “get real” underscores the need to embrace the light rail project as an opportunity to begin a comprehensive effort to address affordable housing, and utilize this seminal investment to catalyze a coordinated set of strategies.

The One Overarching Recommendation is to adopt an all-of-the-above, trial and error approach. No one tool will be sufficient, and trial and error will be necessary to properly calibrate strategies and tactics as the effort progresses. The recommendations set forth in this report should be viewed collectively as a tool-kit, rather than as individual tools.

It is essential that specific programs, policies and regulations are conceived of within a comprehensive framework, to ensure that efforts are complimentary and to identify and ameliorate conflicting efforts and unintended consequences. A comprehensive “try, test, evaluate and evolve” approach will enable individual programs and policies to leverage others, resulting in an overarching strategy whereby the whole becomes far greater than the sum of its parts.

**There is no single silver bullet that can successfully address the affordability crisis in the Chapel Hill and Durham region. However, taken in concert with one another, a range of potential strategies could make significant progress in meeting this need.**

This is a situation that is not unfamiliar throughout the United States, especially in areas such as Chapel

Hill and Durham that are experiencing significant population growth as a result of economic expansion and a desirable quality of life. However, one of the silver linings from economic growth is the ability to produce and harness additional tax revenues that can be invested to achieve community goals and objectives. The significant development potential along the light rail line provides such an opportunity. To maximize the benefits, it is essential to coordinate zoning and land use regulation, infrastructure priorities to support affordable housing, using the strategies set forth in this report, to spur enough private sector investment activity to make substantive progress towards meeting the need.

The private sector can be harnessed by appropriate public sector policies, further supported by well-planned infrastructure. The tax revenues created by this private sector activity can be utilized to build these appropriate infrastructure networks to promote walkable, mixed-use and economically vibrant station areas. This, in turn, will produce even greater ongoing tax revenues that can be utilized to support additional affordable housing and other priorities in which, the community wishes to invest. In addition, by paying for new infrastructure from the revenues associated with development along the light rail line, other public monies can be allocated (today and into the future) to pay for affordable and attainable housing strategies, as the economic activity generated by light rail can be a primary means to build the very infrastructure that will enable that growth to occur, in the first place.

By optimizing potential station area development through land use, zoning, other policies and appropriate infrastructure, a series of economically and socially vibrant neighborhoods will be created, providing significant new tax revenues. These revenues enable the utilization of the toolkit of strategies in this report to further bolster the supply of affordable and attainable housing choices along the line and throughout the region.

**There is one underlying reality that must not be dismissed. While land values are increasing, that land will never be cheaper than it is today... The time to act is now. The manner in which to act is comprehensive in nature.**

While there may be some difficult decisions to make, there is one underlying reality that must not be dismissed. While land values are increasing, that land will never be cheaper than it is today. To punt on this issue, especially in terms of identifying land and development opportunities (public, private and with the local institutions) will only result in a more acute crisis in the years ahead, with the added difficulty of even higher land costs and other potential restraints in the future.

**NEXT STEPS**

Four important next steps are for Durham and Chapel Hill to work with GoTriangle and the Triangle-J Council of Governments to:

- **Use the strategy framework and objectives of this document, along with the companion deliverables developed by the Triangle-J Council of Governments, to further refine and implement** broad Action Steps and specific strategies within particular station areas.
- **Track changes over time in legally-binding affordability-restricted (LBAR) housing and Naturally Occurring Affordable Housing (NOAH),** along with other important affordable housing and transit performance measures and opportunity metrics.
- **Support the existing housing practitioners group** and ensure that the group is cognizant of opportunities related to transit investments.
- **Create and support an inter-disciplinary collaboration among local and regional agency staff involved in housing, transportation and land use** to provide guidance on strategies and performance measurement.

**The time to act is now. The manner in which to act is comprehensive in nature and should involve structured and sustained collaboration.** Through collaboration, interdisciplinary approaches to affordable housing will be aligned with the ongoing transit investments in Durham and Chapel Hill. It is clear that in order to achieve the goals outlined herein and to maximize the efficacy of public support of Affordable Housing, a full toolkit must be leveraged to create context- and market-driven strategies for light rail station areas and for other transit investments planned in the region.

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