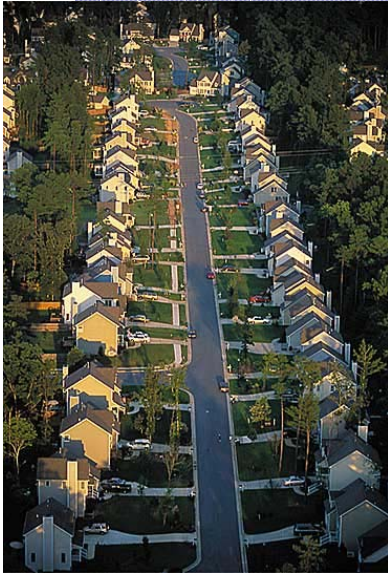
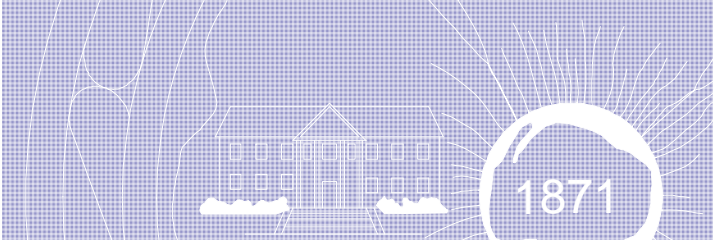
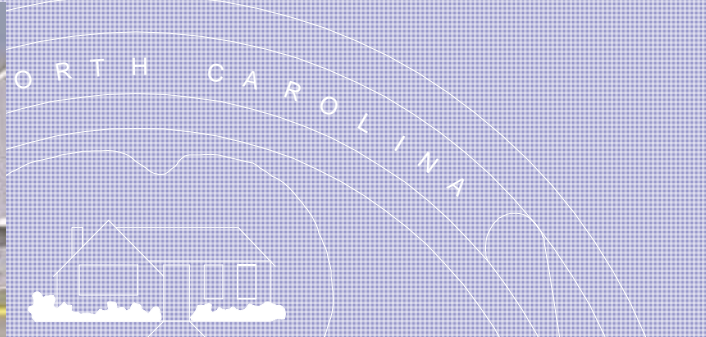


THE TOWN OF CARY

# 2020 AFFORDABLE HOUSING PLAN



Prepared by the Town of Cary  
Planning Department

Adopted by Town Council on October 28, 2010

# ACKNOWLEDGEMENTS

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# I. Introduction

## A. Background

The Cary Town Council adopted the existing Town of Cary Affordable Housing Plan on May 11, 2000. The Plan was the result of a community-wide effort to assess the potential adverse impacts of the high level of growth and development that occurred since the 1980s on the accessibility and affordability of housing in the community. In 1998, the Town commissioned a Growth Management Task Force to examine the impacts. Cary's Growth Management Task Force issued a report in May 1998 that recognized that the escalating price of housing was "excluding many people from living within the city limits of Cary including Town staff, policemen, teachers, retail clerks, and service people." The following goal was included in the Affordable Housing Committee section of the report:

"The Town Council desires to balance the population of Cary via an Affordable Housing initiative and perceives the following benefits of increasing the inventory of affordable housing:

- Promote social-economic diversity within our citizens
- Provide a ready inventory of employees for local employers
- Promote racial and ethnic diversity within our citizens
- Provide different economic levels of housing within our community
- Increase longevity of employment by enabling employees to live closer to work
- Ensure there are viable housing alternatives for Town employees within the town limits."

The Town Council recognized the added value and benefits of providing affordable housing options for many citizens living and working within the town limits of Cary. Based on a population and housing needs assessment the Task Force recommended the development of an Affordable Housing Plan to Town Council. The Plan included an analysis of the Town of Cary's housing market, goals, and strategies to preserve and create affordable housing. Since the adoption of the Plan in 2000, the Town of Cary has since made considerable strides towards preserving and creating affordable housing for low- and moderate-income individuals and families. However, further appreciation in housing values since 2000 have significantly limited housing opportunities for many of Cary's working residents.

The *2020 Cary Affordable Housing Plan* provides an update of the Town of Cary's housing market and affordable housing needs along with short- and long-term strategies to address the creation of additional, sustainable affordable housing opportunities for Town residents. The proposed affordable housing strategies of the *2020 Cary Affordable Housing Plan* build on many of the goals and strategies initially proposed in the 2000 Plan. The aim of the 2020 Plan is to provide the Town of Cary with a "package" of workable strategies from a comprehensive policy, funding and programmatic standpoint. This document contains an updated Affordable Housing Plan, including a set of goals, appropriate strategies, and specific implementation measures.

## B. Methodology

The methodology employed for the *2020 Cary Affordable Housing Plan* involved a housing market analysis of the Town of Cary and surrounding Wake County to determine the key housing demand and supply factors and conditions that impact short- and long-term affordability. The study team conducted a series of interviews with Town officials and a community stakeholders group to gain a general overview and understanding of the Town's evolving housing market with specific focus on the eight years since the adoption of the 2000 Plan. The study team then conducted a review of existing Town housing and planning

documents, including the 2000 Town of Cary *Affordable Housing Plan, Consolidated Housing and Community Development Plan, FY 2004 – FY 2009* and Town of Cary *Land Development Ordinance*.

The housing market analysis and short- and long-term strategies included the following components:

1. **Affordable Housing Demand Analysis:** This section provides an analysis of the regional and local economy to determine the levels of affordable housing needs in the Town of Cary;
2. **Affordable Housing Supply Analysis:** This section provides an analysis of the key housing supply factors and conditions that impact housing affordability and accessibility in the Town of Cary;
3. **Housing Affordability Analysis:** This section extrapolates the key data findings from the housing demand and supply sections to determine the levels of housing affordability in the Town of Cary.
4. **Affordable Housing Strategies:** This section provides a comprehensive package of affordable housing policy, funding, and program strategies based on “best practice” research.

### **C. Data Sources**

The primary data sources for the 2020 Cary Affordable Housing Plan included the U.S. Census, 2007 and 2005-2007 *American Community Surveys (ACS)*, the 2008 North Carolina Department of Commerce, *Economic Development Intelligence System (EDIS)*, Realtor.com, Rent.com and Realtytrac.com. Other sources included the 2008 Triangle Area Residential Realty (TARR) Report and local newspapers.

### **D. Determining a Community’s Housing Needs**

A basic premise of all housing markets is the need to create and maintain a spectrum of housing choice and opportunity for local residents. This axiom establishes that housing choice and needs differ within community settings due to a variety of factors including: household income, population age, proximity of employment, and personal preference. A spectrum of rental housing choice and opportunity is particularly important as an adequate supply of affordable rental housing provides choice and opportunity to working individuals and families with more modest incomes. Prior studies have established that these families and individuals comprise a significant percentage of the Town of Cary’s resident population.

A number of housing studies in recent years have shown a clear correlation between workforce housing demand and transportation costs. The critical link between housing and transportation costs has significant implications with respect to housing choice and affordability. Housing and transportation costs can severely limit a working household’s choice in terms of both housing and job location. Unfortunately, for many working households limited choice in terms of housing affordability has created mounting transportation expenditures. Statistics show that development patterns have significantly increased commute times. For example, Town of Cary workers who commute 60+ minutes to their place of employment increased by 38 percent between 2000 and 2007. The Town’s “aggregate” commute time increased by 26 percent during this period.

## **E. Defining and Measuring Housing Affordability**

Housing Affordability is generally defined as the capacity of households to consume housing services and, specifically, the relationship between household incomes and prevailing housing prices and rents. The standard most frequently used by various units of government is that households should spend no more than 30 percent of their income on housing costs. This is the standard definition for housing programs administered by the Department of Housing and Urban Development (HUD) and most state housing agencies. However, this definition has its limitations because of the inability to determine whether households spend more than 30 percent of their income on housing due to necessity or by choice. Specifically, the definition does not consider that upper income households are able to afford spending far above 30 percent of their incomes on housing and still have sufficient income left over to satisfy other basic needs; whereas low income households that pay only 10 percent of their incomes on housing costs may be forced to forgo essential medical care and healthy food (The Brookings Institution, 2002). Therefore, it is important to develop a clear understanding of the demand for housing based on local employment and wages and the supply of housing based on workforce affordability and accessibility.

## **F. Affordability Indices**

One measure of housing affordability is the cost of homeownership, commonly conveyed through housing affordability indices. These indices generally indicate that affordability increased substantially toward the end of the last decade, primarily because of lower interest rates during that period. A housing affordability index for an area brings together the price and the income elements that contribute to housing affordability. While housing affordability indices are useful tools, they typically examine affordability only from an ownership perspective. For households of lower income in a rapidly appreciating housing market, rent price increases have far exceeded growth in incomes, deepening the housing affordability problem. The following describes the most recognized affordability indices:

### *Median House Price-to-Income Ratio*

The “median house price-to-income ratio” used by the National Association of Realtors and other housing analysts is a key economic indicator in assessing local market trends and vitality. The index compares the median sales price of an existing single-family home to the median household income in a given market. Ideally, a community’s ratio should not exceed 3:1. Nationally, the median house price-to-income ratio has more than tripled in the past five years in many high priced metropolitan markets, including New York City, Boston, Los Angeles, and Miami.

### *National Association of Realtors (NAR) Index*

The most common index is that produced by the National Association of Realtors (NAR). The NAR index measures the ability of the median income household in an area to afford a median priced house. In addition to the median income and median house price in an area, the NAR index considers current mortgage interest rates, assumptions about the down payment required to purchase the median price home, and the maximum percentage of household income that can be spent on housing. An index of 100 indicates the typical (median) family in the area has sufficient income to purchase a single-family home selling at the median price.

### *Housing and Transportation Affordability Index*

The Housing and Transportation Affordability Index, aka “Affordability Index,” evolved from research on the Location Efficient Mortgage ® (LEM) developed by the Centers for Neighborhood Technology and Transit Oriented Development. This Affordability Index calculates the sum of average housing costs plus the average transportation costs for a neighborhood divided by average neighborhood income. Total housing costs equal current housing sales prices and rents, and total transportation costs equal the sum of the costs for auto ownership, auto use, and transit.

The Affordability Index would calculate the affordability of a home based on its market value and the transportation cost incurred by its location. Nationally, transportation is the second largest household expenditure after housing. Transportation expenditures range from 10 percent of the average household’s expenditures in transit-rich areas to 25 percent in more auto dependent areas of the country. The Brookings Institution has calculated that the average U.S. household spends 19 percent of its budget on transportation.<sup>1</sup>

Rising transportation costs have especially significant impacts on the rental housing market. The location of affordable rental housing is particularly relevant as proximity to job centers and public transportation is vital to low and moderate income renters who may already be cost-burdened.

## II. Housing Demand Analysis

### A. Background

This section provides a housing demand analysis of the Town of Cary based on industry, occupational wages, and household income. Housing demand is largely determined by ongoing and planned economic development activities that result in sustained and expanded employment opportunities. Employment growth occurs through the retention and expansion of existing establishments and new economic growth resulting from start-ups, spin-offs, and relocations to the Town of Cary and surrounding area of Wake County. Populations follow jobs and the demand for workforce housing can be determined by the location, occupation types, and wage levels of Wake County’s major employment sectors. Significantly, all communities contain both a resident workforce and a commuter workforce. An understanding of the composition and varying demands of both is critical to an effective affordable housing plan.

### B. The Local Economy

In order to effectively develop affordable housing policies and strategies that address the demand for workforce affordable housing, it is important to first understand the spatial dimension of the regional economy and its effect on the Town of Cary. The first step is to

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<sup>1</sup> The Brookings Institution, Urban Markets Initiative, *Market Innovation Brief*, January 2006.



determine the labor market area (LMA). The Bureau of Labor Statistics (BLS) designates these LMAs in reporting key employment and unemployment data. LMAs are intended to capture economic integration, which is determined by population density and commuting patterns. Within a defined LMA, workers can generally change their jobs without changing their places of residence.

Once the LMA is defined, planners and policy makers must consider the critical relationship between housing supply and demand and the dynamics of the local economy and labor market. Local or regional economies defined by labor markets are fairly structured and have a certain level of geographic arrangement that relates to housing supply and demand. A spectrum of housing choice and opportunity within close commuting distance of employment centers helps create and support sustainable local economies.

### **C. Employment Base and Leading Occupations**

An economic analysis of the Town of Cary and surrounding labor market area of Wake County indicates that the local economy is comprised of four major industries: 1) Retail Trade, 2) Professional and Technical Services, 3) Accommodation and Food Services, Health Care and Social Assistance, and 4) Administrative and Waste Services. Together, these industries comprise 48 percent of Wake County’s private sector employment base. Government, though not included in the “private sector” employment base, is the second largest employer (41,297 employees) in Wake County.

**Table 1  
Wake County Leading Industries by Employment,  
2007**

	Employees	Establishments
<b>Total, All Industries</b>	<b>408,225</b>	<b>27,847</b>
Retail Trade	50,999	2,912
Government	41,297	366
Professional and Technical Services	37,565	4,351
Accommodation and Food Services	36,295	1,676
Health Care and Social Assistance	35,835	2,007
Administrative and Waste Services	35,587	1,806

Source: North Carolina Department of Commerce, EDIS, 2008

Wake County’s leading occupations are reflective of the industrial base. Office and Administrative Support (52,185 employees) is the leading occupation, followed by Management (49,244 employees), and Sales & Related (48,292 employees) occupations. Employment projections through the Year 2012 for Wake County, provided by the North Carolina Department

of Commerce, show continued growth in many of the same industries that comprise the existing economic base. Office and Administrative Support (9,077 employees) is projected to have the largest occupational growth followed by Sales & Related (8,887 employees), and Management (8,166 employees) occupations.

Significantly, there are substantial differences in the annual salaries and wages of Wake County's leading industries and the occupations that comprise these industries. According to the North Carolina Department of Commerce, two of the top three occupations (Office/Administrative Support, and Sales/Related), which constitute 34 percent of the workforce, earn less than \$30,000 annually and four of the eight occupations shown earn \$40,000 or less. Table 2 shows current and projected employment and the 2007 Annual Salary or Wage.

**Table 2**  
**Wake County Leading Occupations by Employment and Income,**  
**2007/2012**

Occupation	# of Workers		Occupation Growth	% Growth 2007-2012	2007 Annual Wage/Salary
	2007	2012			
Office/Administrative Support	52,185	61,262	9,077	17%	\$29,172
Management	49,244	57,410	8,166	17%	\$68,432
Sales/Related	48,292	57,179	8,887	18%	\$26,832
Computer and Mathematical	26,911	33,763	6,852	25%	\$68,692
Business/Financial	26,895	34,201	7,306	27%	\$64,116
Construction	25,094	27,433	2,339	9%	\$47,060
Education/Training/Library	24,715	30,334	5,619	23%	\$32,760
Health Care Practitioner/Technician Occupations	20,023	24,250	4,227	21%	\$40,872

Source: North Carolina Department of Commerce, EDIS, 2008

Though these figures are for Wake County, Cary's leading industries and occupations somewhat mirror those of the County. As shown on Table Three below, the leading

occupations of Cary's working residents include: Management (10,313 employees), Sales & Related (7,929 employees) and Office and Administrative Support (6,691 employees). These occupations include the full spectrum of annual wages and salaries ranging from \$26,832 for employment in Sales & Related, to \$68,692 for employment in Computers and Mathematics.

**Table 3**  
**Town of Cary Leading Occupations by Employment and Income,**  
**2007**

<b>Occupation</b>	<b># of Workers</b>	<b>2007 Annual Wage/Salary</b>
Management	10,313	\$68,432
Sales/Related	7,929	\$26,832
Office/Administrative Support	6,691	\$29,172
Computer and Mathematical	6,135	\$68,692
Business/Financial	5,947	\$64,116
Construction	2,272	\$47,060

Source: U.S. Census, 2005-2007 *American Community Survey*

It should be noted that the two lowest paying occupations make up 37 percent of the workforce. A further extrapolation of leading occupations shows that 19.4 percent of Cary's working residents are employed in Education and Healthcare. As shown in Table 2 above, the median annual wage/salary of these occupations ranges from \$32,760 to \$40,872.

It is useful to translate these figures into terms that audiences can readily grasp. Table 4 below identifies a number of occupations in these broader categories and shows their typical wage and the income category for each. A Low Income household is abbreviated as "LI" and Very Low Income as "VLI." These household income categories will be defined in greater detail below.

**Table 4**  
**Average Wages of Leading Occupations**  
**Wake County, 2008**

<b>Job Title</b>	<b>Estimated Average Wage (Hourly)</b>	<b>Estimated Yearly Earnings (40 hours/week)</b>	<b>Income Category</b>
Veterinary Asst.	\$8.97	\$18,657.60	VLI
Home Health Aide	\$10.11	\$21,028.80	VLI
Child Care Worker	\$10.28	\$21,382.40	VLI
Retail Sales Clerk	\$11.38	\$23,670.40	VLI
Travel Agent	\$15.44	\$32,115.20	LI
Hair Dresser	\$16.94	\$35,235.20	LI
Dental Assistant	\$18.07	\$37,585.60	LI
Fitness Trainer	\$18.46	\$38,396.80	LI

Source: NC Occupational Employment and Wages, Wake County, 2008

Also, figures show that at present most of the workers in these types of occupations are commuting to Cary already. Table 5 below, based on Dun and Bradstreet figures for the Town, show the degree to which Cary relies on persons from out-of-town to fill lower wage jobs.

**Table 5**  
**Commuting of Leading Occupations**

Industry	Resident Population	Employed in Cary
Construction	7036	3229
Retail	6486	7888
Transportation	1559	3059
Arts & Entertainment and Food Services	4306	4453
Other Services	2096	12714

Source: Dun and Bradstreet, 2008

Even if all of the resident workers in these categories were employed in Cary, a considerable number of persons still commute to the Town for employment. Though some percentage of workers will always commute, it is generally more desirable to live close to one's work for both cost and convenience. If employees in these household income categories and occupations are not able to find housing in Cary, they will be forced to look elsewhere for not only housing, but just as likely for new jobs. Workers, especially those in lower paying positions are only willing, or able, to bear the cost and loss of time in commuting to a certain point. At the same time, these commuters add to traffic congestion and air pollution concerns. Also, from an economic standpoint, replacing these workers will cost more in the form of higher wages, and thus increasing prices for goods and services.

While many of Cary's residents do earn wages or have salaries that are relatively high, and give the Town high income figures in statistical tables and presentations, these high salaries mask the fact that a considerable percentage of workers in Cary are employed in relatively low wage positions. This creates significant affordable housing demand issues for many of Cary's working residents.

#### **D. Calculating Housing Demand**

As previously noted, the level of workforce housing demand is largely determined by job growth and retention. The affordability component of workforce housing demand, however, is based on local wages and salaries that are then translated into household income. The previous industry and occupational analysis shows that the economic base of both Wake County and the Town of Cary is comprised of a mix of high-paying employment in Professional and Technical Services and low-paying employment found in Retail Trade and Administrative and Waste Services. The range of occupations and annual salaries/wages within specific industries is a critical factor in

determining workforce-housing demand. This is because annual salaries and wages determine annual household income and level of housing affordability. The Town of Cary has a relatively high Median Household income as shown in Table 6.

**Table 6**  
**Comparison of Median Household Incomes, 2007**

	Cary	Wake	North Carolina	US
Median HH Income	\$89,702	\$61,554	\$44,670	\$50,740

Source: U. S. Census, 2005-2007 *American Community Survey*

The figure of \$89,702 is double that of the state, and one and one-half times the US figure. A high-income level speaks well for the economy of the area, but places significant pressure on those not earning a high income.

As noted, the mix of industries, occupations, and salaries/wages results in the Town of Cary's varied mix of household incomes (Table 7 below). Approximately one-third (30 percent) of Cary's households earn greater than 150 percent (\$134,533) of the Town's current annual median household income of \$89,702. However, 38 percent of Cary's households earn less than \$71,763 annually (classified as Moderate Income) and 24 percent less than \$44,851 (50 percent of median, which is defined as Low Income). Significantly, a total of 16,841 Town of Cary households earn less than 80 percent of the annual median income, that is, they are Moderate to Low Income Households.

**Table 7**  
**Town of Cary**  
**Household Income Categories**  
**Median HH Income = \$89,702**

Household Income Category	Estimated # of HHs	Estimated % of Total HHs
Very Low Income <30 percent of median (<\$26,911)	4,823	11%
Low Income 30-50 percent of median (\$26,912-\$44,851)	5,612	13%
Moderate Income 51-80 percent of median (\$44,852-\$71,762)	6,406	14%
Middle Income 81-120 percent of median (\$71,763-\$107,642)	8,037	18%
Above Middle Income 121-150 percent of median (\$107,643-\$134,553)	6,355	14%
Upper Income 151+ percent of median (\$134,554-\$200,000+)	13,330	30%
Total Households	44,563	100%

Low and moderate income working households are especially impacted by high housing costs as housing choice and opportunity become more limited. The level of impact can be readily determined by calculating the growth in cost-burdened households (households paying 30 percent or more on housing costs). According to the 2007 *American Community Survey* (ACS), the percentage of the Town of Cary's low and moderate-income households that are cost-burdened has grown significantly. The percentages are particularly striking for those households (owner and renter) earning less than \$50,000 annually (Table 8 below). Significantly, nearly all households (94 percent) earning less than \$20,000 are cost-burdened.

**Table 8**  
**Town of Cary Housing Costs as Percentage of Household Income**  
**2007**

	Total Households	Owner-Occupied Households	Renter-Occupied Households
<b>TOTAL</b>	<b>44,563</b>	<b>31,260</b>	<b>13,303</b>
<b>Less than \$20,000:</b>	<b>2,126</b>	<b>932</b>	<b>1,194</b>
Less than 20 percent	73	73	0
20 to 29 percent	60	60	0
<b>30 percent or more</b>	<b>1,993</b>	<b>799</b>	<b>1,194</b>
Percent cost-burdened	<b>94%</b>	<b>86%</b>	<b>100%</b>
<b>\$20,000 to \$34,999:</b>	<b>5,187</b>	<b>1,716</b>	<b>3,471</b>
Less than 20 percent	442	442	0
20 to 29 percent	1,746	474	1,272
<b>30 percent or more</b>	<b>2,999</b>	<b>800</b>	<b>2,199</b>
Percent cost-burdened	<b>58%</b>	<b>47%</b>	<b>63%</b>
<b>\$35,000 to \$49,999</b>	<b>3,952</b>	<b>2,059</b>	<b>1,893</b>
Less than 20 percent	909	455	454
20 to 29 percent	1,541	715	826
<b>30 percent or more</b>	<b>1,512</b>	<b>889</b>	<b>613</b>
Percent cost-burdened	<b>38%</b>	<b>43%</b>	<b>32%</b>
<b>\$50,000 to \$74,999</b>	<b>6,749</b>	<b>4,327</b>	<b>2,422</b>
Less than 20 percent	3,227	1,771	1,456
20 to 29 percent	2,552	1,820	732
<b>30 percent or more</b>	<b>970</b>	<b>736</b>	<b>234</b>
Percent cost-burdened	<b>14%</b>	<b>17%</b>	<b>10%</b>
<b>\$75,000 or more</b>	<b>25,681</b>	<b>22,130</b>	<b>3,551</b>
Less than 20 percent	17,254	14,564	2,690
20 to 29 percent	6,554	5,788	766
<b>30 percent or more</b>	<b>1,873</b>	<b>1,778</b>	<b>95</b>
Percent cost-burdened	<b>7%</b>	<b>8%</b>	<b>3%</b>

### **E. Key Housing Demand Findings**

- Town of Cary/Wake County labor market area (LMA) largely comprised of five major industries – Retail Trade, Professional Services, Accommodation and Food Services, Healthcare and Social Assistance, and Administrative and Waste Services, along with Government;
- Employment projections by the North Carolina Department of Commerce for Wake County show continued growth in many of the same industries that comprise the existing economic base through the Year 2012;
- Town of Cary's leading occupations, including range of salaries and wages, are reflective of the industrial base;
- Two of the top three occupations (Office/Administrative Support and Sales/Related) earn less than \$30,000 annually;
- Approximately one-third (30 percent) of Cary's households earn greater than 150 percent of the Town's current median household income or more than \$134,533 annually;
- However, 38 percent of Cary's households earn less than \$71,763 annually and 24 percent less than \$44,852 (50 percent of median);
- According to the 2007 ACS, the percentage of the Town of Cary's low and moderate income households that are cost-burdened has become significant;
- The percentages are particularly striking for those households (owner and renter) earning less than \$50,000 annually;
- Nearly all households (94 percent) earning less than \$20,000 are cost burdened.

**Thus, there is a significant demand/need for affordable housing in Cary. Over 45 percent of the jobs held by Cary residents are in occupations that place these people in the Moderate, Low, and Very Low Income categories (earning less than \$71,763 per year). The percentage of Cary moderate and low-income households that are cost burdened is significant, especially among the Very Low Income households.**

# III. Housing Supply Analysis

## A. Background

Housing supply factors include the total number of units by type, price range, tenure, and absorption. Housing supply analysis also considers development trends and conditions impacting the overall housing market such as the current foreclosure and mortgage credit issues. When combined with key housing demand factors, the data can be extrapolated to determine the relative balance between affordable housing demand and supply in the Town of Cary.

## B. Housing Inventory

According to the 2007 *American Community Survey*, the Town of Cary has a current total housing inventory of 47,385 units, which represents a 29 percent increase from 2000. The largest increases in the Town's inventory were in single-family, detached units (7,627 units/31 percent increase) and multi-family units of 5+ units (2,581 units/35 percent increase).

**Table 9**  
**Town of Cary Housing Inventory**  
**2000-2007**

Structure Type	Year 2000	Year 2007	Net Change	%Change
Single-family, detached	24,306	31,933	7,627	31.0%
Single-family, attached	3,115	3,417	302	1.0%
Multi-family, 2-4 units	1,409	1,456	47	0.03%
Multi-family, 5+ units	7,449	10,030	2,581	35.0%
Mobile homes and others	571	549	(22)	(0.04%)
<b>Total Housing Units</b>	<b>36,850</b>	<b>47,385</b>	<b>10,535</b>	<b>29.0%</b>

Source: 2000 U.S. Census; *American Community Survey*, 2007

It should be noted that only 18 percent of Cary's housing stock was built before 1970, and much of this housing is in the Town Center area. Though there was significant construction in the 1970s and 1980s, over 40 percent of Cary's housing was constructed in the 1990s. The effect of this building pattern is that older homes, those most likely in need of rehabilitation efforts, are clustered in this area. While they offer opportunities for affordable housing based on market price, they are likely to require considerable additional expenditure to bring them up to current market standards.

## C. Housing Occupancy and Vacancies

The Town of Cary's occupied housing inventory is comprised of 31,260 owner-occupied units (70.1 percent) and 13,303 renter-occupied units (29.9 percent). From 2000-2007, Cary had an increase of 5,748 owner-occupied units (22.5 percent) and 3,928 renter-occupied units (41.9 percent).



**Table 10**  
**Town of Cary Housing Occupancy Status**  
**2000-2007**

<b>Housing Occupancy Status</b>	<b>2000</b>	<b>2007</b>	<b>% Change</b>
Occupied housing units	34,887	44,563	27.7%
Owner-occupied	25,512	31,260	22.5%
Renter-occupied	9,375	13,303	41.9%
Vacant housing units	1,963	2,822	43.8%
<b>Total Housing Units</b>	<b>36,850</b>	<b>47,385</b>	<b>28.6%</b>

Source: 2000 U.S. Census; *American Community Survey*, 2000

Significantly, the Town of Cary experienced a 43.8 percent increase (859 units) in vacant housing units from 2000-2007. The largest increase (200 percent) occurred in the “other vacant” status of the 2007 *American Community Survey* (ACS). The 2007 ACS for the Town of Cary does not include the housing vacancy status, “For seasonal, recreational, or occasional use.” It is assumed, however, that the large increase in “other vacant” units is the result of a developer held inventory that was not available for sale or rent at the time of the census survey. In addition, anecdotal information suggests that the Town has developed a market of homes that are rented or leased to households or corporations for short-term use by persons and families on temporary assignment in the Research Triangle area. This may also affect the number of vacant units at any point in time.

**Table 11**  
**Town of Cary Housing Vacancy Status**  
**2000-2007**

<b>Housing Vacancy Status</b>	<b>Year 2000</b>	<b>Year 2007</b>	<b>% Change</b>
<b>Total Vacant Housing Units:</b>	<b>1,963</b>	<b>2,822</b>	<b>43.8%</b>
For rent, for sale only, and rented or sold, not occupied	1,633	1,786	9.0%
All other vacant	330	1,036	200.1%

Source: 2000 U.S. Census; *American Community Survey*, 2007

### **D. Key Housing Supply Findings**

- According to the 2007 ACS, the Town of Cary has a total current housing inventory of 47,385 units which represents a 29 percent increase from 2000;
- Largest increases are in single-family, detached units (7,627 units/31 percent increase) and multi-family units of 5+ units (2,581 units/35 percent increase);
- Cary’s increase in multi-family units is largely in 20-49 and 10-19 unit structure types;
- Cary’s occupied housing inventory is comprised of 31,260 owner-occupied units and 13,303 renter-occupied units, a proportion that is above the US norm in terms of owner-occupied units;
- From 2000-2007, Cary had an increase of 5,748 owner-occupied units and 3,928 renter-occupied units;

- Cary experienced a 43.8 percent increase (859 units) in vacant housing units from 2000-2007;
- While the majority of Cary's housing inventory is less than 20 years old, 18 percent (8,517 units) is now thirty years or older;

**Thus, the Town of Cary has a considerable supply of housing, including a large number of vacant units. Construction of single-family dwellings has been the primary focus of recent development, but the Town still has seen a solid increase in the numbers of multi-family dwellings. Much of the Town's housing is new, but the older housing units are concentrated in the Town Center area.**

# IV. Housing Affordability Analysis

## A. Defining Affordability

The U.S. Department of Housing and Urban Development (HUD) calculates income definitions for use in administering housing programs across the nation. These figures are based upon different household sizes and income levels and vary according to the region or government statistical area. The usual benchmark is based on a family of four earning the area median income (AMI). The larger the household, the greater the income limits, which allow for multiple wage earners and higher income requirements for family expenses. Table 12 below shows the income limits for renter and owner households in the Raleigh-Cary Metropolitan Statistical Area (MSA):

**Table 12**  
**HUD Household Income Limits**  
**Raleigh-Cary MSA**  
**FY 2008**

Household Income Limits and Maximum Affordable Housing Costs, FY 2008					
Family Size (Persons)	Median Income - Raleigh-Cary, MSA	HUD Household Income Limits - 80%	Max. House Price @ 80% of Median	HUD Household Income Limits - 50%	Max. Monthly Rent @ 50% of Median
1	<b>\$74,900</b>	\$41,950	\$139,833	\$26,200	\$550
2		\$47,900	\$159,667	\$29,950	\$629
3		\$53,900	\$179,667	\$33,700	\$708
4		\$59,900	\$199,667	\$37,450	\$786
5		\$64,700	\$215,667	\$40,450	\$849
6		\$69,500	\$231,667	\$43,450	\$912

Source: HUD Tables

The area median income (AMI) for Raleigh-Cary is \$74,900 as it includes households across the larger MSA. This figure is considerably less than the Town of Cary median household income (\$89,702). The average household size in Cary is 2.79 persons, which is rounded off to three persons. Thus, according to the above table, a three-person household could qualify for housing at 80 percent of AMI if their income did not exceed \$53,900. Table 7 in the previous chapter estimated the total number of households within each income level for the Town of Cary based on the Town's median household income of \$89,702.

The analysis shows that all three-person households in the "Very Low" and "Low Income" categories would qualify at 80 percent of AMI along with a significant number of the Town's "Moderate Income" households.

Table 13 below helps to more clearly define target populations by affordable housing demand and the types of housing and programs that are generally applied. This spectrum shows the income levels and types of housing that households at each level are most like to seek. The

affordable housing market typically includes renters in the under 80 percent of AMI range and first time homebuyers in the 80 to 120 percent of AMI range.

**Table 13**  
**Spectrum of Housing Demand and Program Response**

Income Levels	Very Low Income < \$30% of AMI	Low Income - 30 to 50% of AMI	Moderate Income - 51 to 80% of AMI	Middle Income - 81 to 120% of AMI	Above Middle Income - 121 to 150% of AMI
<b>Income at AMI = \$74,900</b>	<\$22,470	\$22,471 - \$37,450	\$37,451 - \$59,920	\$59,921 - \$89,880	\$89,881 - \$112,350
<b>Number of HH in Cary</b>	4,823	5,612	6,406	8,037	6,355
<b>Type of Housing</b>	Emergency/Subsidized Housing	Income Restricted	Market Rate Rentals/Assisted 1st-Time Homebuyers	Entry Level Market Housing	Step-up or Higher-end Market Housing
<b>Type of Program</b>	ESG/Public Housing	Section 8/CDBG	CDBG/HOME/NSP	CDBG/HOME/NSP	N/A
	Buyer Market		—————→		
	Affordable Housing Market		—————→		
	Renter Market		—————→		

Source: 2000 U.S. Census; American Community Survey, 2007

## **B. Housing Prices and Rents**

The Town of Cary has experienced significant increases in housing prices during the past five years. According to the *Housing and Community Development Consolidated Plan: FY 2005-2009*, the median price of new and existing single-family homes in 2002 was \$320,750 and \$219,000, respectively. The current median sale price of a new single-family home in the Town of Cary is \$650,000 (103 percent increase) and \$320,000 for an existing single-family home (46 percent increase). The current \$182,000 median sale price of an existing townhouse represents a 52 percent increase from 2002. The median sales price (\$102,000) of an existing condominium unit decreased by 2 percent during the same period.

**Table 14**  
**Town of Cary Housing Sale Price Trends 2002-2008**

House Type	2002 Value		2008 Value		% Change	
	New	Existing	New	Existing	New	Existing
Single-Family Detached	\$320,750	\$219,000	\$650,000	\$320,000	103%	46%
Townhouse	\$171,500	\$120,000	N/A	\$182,000	N/A	52%
Condo	N/A	\$104,000	N/A	\$102,000	N/A	2%

Sources: 2002 sales prices extracted from Town of Cary *Housing and Community Development Consolidated Plan: FY 2005-2009*; 2008 sales prices from Realtor.com.

By way of comparison, the national inflation rate for the same period of housing price increases was 18 percent. Wage data for comparison for the same period specifically for Cary is not available. However, the median household income for the Town increased by 19.4 percent between 2000 and 2008. Though the increase in the median sale price of a single-family home in the Town of Cary has been offset, somewhat, by a continued rise in the Town's median household income, neither this figure nor the inflation figure approximates the increase in housing prices.

An analysis of single-family home sales activity for the Town as a whole shows that the median sales price in 2008 was \$320,000, while the affordable price at the median household income was \$253,994. Thus, significant affordability gaps exist for “Low” and “Moderate” income households and for “Workforce” income households earning approximately \$100,000 or less annually.

**Table 15**  
**Town of Cary**  
**Single-Family Home Affordability, 2008**

<b>HH Income Category</b>	<b>Affordable Home Purchase</b>	<b>Median Sale Price</b>	<b>Gap/Surplus</b>
Low Income	\$125,528	\$320,000	\$194,472
Moderate Income	\$172,103	\$320,000	\$147,897
Median HH Income (\$89,702)	\$253,884	\$320,000	\$66,116
Workforce Income	\$335,664	\$320,000	\$15,664
Middle Income	\$458,276	\$320,000	\$138,276

Source: Realtor.com; median value based on adjusted current median sales price of 945 single-family homes

The increase in the median sale price of single-family homes has diminished affordability in certain geographic sub-markets and has created pressure on the larger market as evidenced by higher “asking prices” throughout the Town. Affordability gaps do exist in higher-priced sections of the Town, where new high-priced single-family construction has occurred, thereby increasing the comparative market value of the entire area.

**Table 16**  
**Town of Cary Existing Single-Family Home Affordability by Zip Code**  
**2008**

<b>Zip Code</b>	<b>Median Sales Price 2008</b>	<b>Affordable Price @ Median HH Income</b>	<b>Affordability Gap/Surplus @ Median</b>
<b>27511</b>	\$209,500	\$349,000	\$139,500
<b>27513</b>	\$250,000	\$349,000	\$109,000
<b>27518</b>	\$405,000	\$349,000	\$56,000
<b>27519</b>	\$364,250	\$349,000	\$15,250
<b>Town Median Sales Price</b>	\$320,000	\$253,884	\$66,116

Source: Realtor.com, 2008

Appendix A contains maps of the four ZIP Codes in Cary.

As previously noted, the percentage of the Town of Cary’s “Low” and “Moderate” income households that are cost-burdened is significant. The percentages are particularly high for renter households earning less than \$35,000 annually. Current market rents in the Town of Cary average \$900 for a 2-bedroom unit and \$1,250 for a 3-bedroom unit. At these rent levels, substantial affordability gaps exist for all “Very Low”: income households for both 2- and 3-bedroom units. Essentially, market rents are unaffordable for all Town of Cary households earning less than \$26,911 annually. Low-income renters, those earning less than \$44,841 annually, are also cost-burdened based on the average market price of a 3-bedroom apartment.

**Table 17  
Town of Cary Rent Affordability  
2008**

<b>HH Income Category</b>	<b>Affordable Rent</b>	<b>Median Market Rent 2 BR</b>	<b>Gap/Surplus</b>	<b>Median Market Rent 3 BR</b>	<b>Gap/Surplus</b>
Very Low Income	\$672	\$900	\$228	\$1,250	\$578
Low Income	\$1,121	\$900	\$221	\$1,250	\$129
Moderate Income	\$1,794	\$900	\$894	\$1,250	\$544
Workforce Income	\$2,691	\$900	\$1,791	\$1,250	\$1,441
Middle Income	\$3,364	\$900	\$2,463	\$1,250	\$2,114

Sources: Rent.com and local newspaper listings

### C. Other Housing Supply Issues

The Town of Cary and surrounding areas in Wake County are experiencing the impacts of rising home foreclosure activity. While pre-foreclosure activity has lessened in the Town of Cary since the Fall of 2008, there are currently (March, 2009) 74 homes in some stage of foreclosure activity, including 44 REOs or bank-owned properties. The Town also has 21 residential properties going through foreclosure auction. The highest concentrations of foreclosure activity are found in Zip Codes 27511, 27513 and 27519 though foreclosure activity can be found throughout the Town limits and surrounding areas of Wake County. Maps of the Town ZIP Codes are in Appendix A.

**Table 18  
Town of Cary Foreclosure Activity  
2008**

<b>Zip Code</b>	<b>Pre-Foreclosures</b>	<b>Bank-Owned</b>	<b>Auction</b>
27511	10	20	7
27513	9	12	7
27518	1	5	4
27519	10	7	3
<b>Totals</b>	<b>30</b>	<b>44</b>	<b>21</b>

Source: RealtyTrac.com, March, 2009

### D. Key Housing Affordability Findings

- The Town of Cary has experienced significant increases in housing prices during the past five years; the current median sale price of a new single-family home in the Town of Cary is \$650,000; the current median sale price of an existing single-family home in the Town of Cary is \$320,000;
- The increase in the median sale price of a single-family home in the Town of Cary has been offset somewhat by a continued rise in the Town's median household income, but housing price increases have far outstripped wage increases and inflation;

- The increase in the median sale price of single-family homes has especially diminished affordability in certain geographic sub-markets;
- Increase in the median sale price of single-family homes appears to have impacted the larger market as evidenced by higher “listing prices” throughout the Town;
- Current market rents in the Town of Cary average \$900 for a 2-bedroom unit and \$1,250 for a 3-bedroom unit; at these rent levels, substantial affordability gaps exist for all “very low” income households for both 2- and 3-bedroom units;
- The Town of Cary and surrounding areas in Wake County are experiencing the impacts of rising home foreclosure activity; there are currently 74 homes in the Town of Cary that are in some stage of foreclosure activity including 44 REOs or bank-owned properties;

Thus, the Town of Cary does have a significant “affordability gap”, even at the Median Household Income level. At lower income levels, the gap becomes even greater, and, as shown, this gap is over \$100,000 in two of the Town’s four ZIP code areas. Renters also face an affordability gap, especially in the “very low” income category. The recent decline in housing prices and the increase in the number of foreclosures do not necessarily have a positive effect upon affordability.

## V. Affordable Housing Strategies

### A. Background

#### Introduction

The 2000 *Cary Affordable Housing Plan* included a list of strategies to implement the eight goals of the Plan. The strategies are more fully described in the Plan’s “Toolkit” at the end of the document. The strategies were intended to provide the foundation of housing programs to be developed for the Town of Cary through policies, ordinances, procedures, and related documents. The strategies selected reflect the advice received from Town Council, Town of Cary staff, the Town Planning and Zoning Board, housing stakeholders, and the citizens of Cary who participated in the Plan development process.

The 2020 *Cary Affordable Housing Plan* and current housing market analysis further substantiates the 1998 findings of Cary’s Growth Management Task Force and the stated goal

of the Town Council, which supported an “Affordable Housing Initiative” to promote increased affordable housing opportunities in the community. The current analysis clearly shows that the housing market conditions that were impacting housing affordability and accessibility in 1998 have heightened considerably during the past ten years. The opportunity for many of Cary’s current residents and workers to own a home in the community has decreased substantially. Further, rising housing values have resulted in many Cary owners and renters becoming increasingly cost-burdened.

### The Need

The affordable housing needs assessment in this analysis provides an objective and measurable affordable housing supply and demand analysis that serves as the underpinning for the Town of Cary’s creation and adoption of clear affordable housing goals and strategies. Key factors demonstrating this need are:

- Two of the top three occupations (Office/Administrative Support and Sales Related) earn less than \$30,000 annually;
- Thirty-eight percent of Cary’s households earn less than \$71,763 annually and 24 percent less than \$44,852 (50 percent of median);
- The percentage of the Town of Cary’s low and moderate income households, both owner and renter, that are cost-burdened has become significant;
- The percentages are particularly striking for those households (owner and renter) earning less than \$50,000 annually;
- Nearly all households (94 percent) earning less than \$20,000 are cost burdened.

The Town of Cary has a significant “affordability gap”, even at the Median Household Income level. At lower income levels, the gap becomes even greater, and this gap is over \$100,000 in two of the Town’s four ZIP code areas. Renters also face an affordability gap, especially in the “very low” income category. The recent decline in housing prices and the increase in the number of foreclosures do not necessarily have a positive effect upon affordability.

The 2020 Plan directly addresses the key affordable housing findings in the housing needs assessment and provides clear policy direction and support for the Town’s affordable housing strategies. The Town can be most effective by focusing on households in the low- and moderate-income groups. The Town can provide limited assistance to the Very Low-Income group because it does not have a Section 8 housing program, has a small homelessness problem, and is supportive of the City of Raleigh and the Wake County Housing Authorities. At the same time, the Middle-Income households do not require assistance. Existing programs do focus on these groups.

Based upon an analysis of this data, the focus of the Town’s Affordable Housing Program should be the following income groups, each of which has particular types of housing program needs:

- **Moderate Income (50-80% of Area Median Income (AMI))**
- **Low Income (30-50% AMI)**
- **Middle Income (80-120% AMI)**

The following income ranges are based upon a HUD-calculated (Raleigh-Cary) Area Median Income of \$74,900.



Moderate Income Households are those having an income of between \$27,451 and \$59,920. Households in this group are typically seeking market rate rental housing or are first-time homebuyers, requiring some degree of assistance. Programs that offer such assistance include CDBG funding, the HOME Investment program, and currently, the Neighborhood Stabilization Program (NSP).

Low Income Households are households having an income of between \$22,471 and \$37,450. Households in this income range are most likely seeking rental housing that is affordable. In Cary, this means rental housing constructed with the assistance of CDBG or other programs in order to make the units affordable.

Middle Income Households are those with incomes between \$59,921 and \$89,880. These households are typically seeking entry-level home purchases. The programs most often employed to assist such households include CDBG funding, the HOME Investment program, and currently, the NSP.

Thus, the types of programs that are most needed in Cary are ones:

- to develop affordable rental housing,
- to develop affordable owner units,
- to assist first-time market rate homebuyers,
- to keep households in their homes (e.g., rehab and repair programs), and
- to increase the use of the Town's Affordable Housing Program.

The affordable housing strategies of the *2020 Cary Affordable Housing Plan* build on the goals and strategies initially proposed in the 2000 Plan. Many of the strategies and the full "Toolkit" included in the 2000 Plan are supported by affordable housing "best practice" case studies throughout the country. Therefore, the 2020 Plan re-states many of these strategies within the current housing market context and proposes a "package" of strategies from a comprehensive policy, funding and programmatic standpoint.

## **B. Recommendations**

The following are the key recommendations that flow from the preceding analysis and discussion of affordable housing with the Town Council in the course of several work sessions.

### **RECOMMENDATION 1 – Define the Affordable Housing Program**

#### **We recommend that the Town of Cary adopt a comprehensive affordable housing policy.**

The adoption of a comprehensive local affordable housing policy and the implementation of a coordinated and integrated housing management system are the hallmarks of an effective policy and management process. A comprehensive affordable housing policy will address the interrelated elements of an affordable housing delivery system: planning and land use, local dedicated funding, and public/private institutional capacity building. The adoption of a comprehensive local affordable housing policy and design of a housing delivery system will help ensure the effective coordination and integration of the Town of Cary's affordable housing planning and management activities.

The Town has a policy of supporting and promoting affordable housing, working with developers and other housing groups to tie the production of market-rate housing to the provision of units for low- and moderate-income households. This policy should be continued and expanded upon.

The Town can tie or incorporate Land Use Planning to the provision of Affordable Housing. The principles of Smart Growth, Traditional Neighborhood Design, higher densities, and mixed-use development accommodate growth and provide affordable housing in a sustainable fashion. Higher densities and a mix of land uses will reduce land consumption as well as vehicle trips, and the amenities and connections provided through Traditional Neighborhood Design enhance the quality of life while providing jobs for residents. These methods also provide for more diverse housing and pricing of that type of housing.

The policy statement may read as follows:

“The Town Council desires to balance the population of Cary via an Affordable Housing initiative and perceives the following benefits of increasing the inventory of affordable housing:

- Promote social-economic diversity within our citizens
- Provide a ready inventory of employees for local employers
- Promote racial and ethnic diversity within our citizens
- Provide different economic levels of housing within our community
- Increase longevity of employment by enabling employees to live closer to work
- Ensure there are viable housing alternatives for Town employees within the town limits.

To achieve these ends, the Town will:

- Continue to work with developers and not-for-profit organizations in the development of affordable rental and ownership units, expanding these efforts where possible,
- Continue to support and expand if possible, the current Owner Occupied Housing Rehabilitation Program,
- Target Affordable Housing Funds to neighborhood revitalization efforts,
- Assist First-Time Homebuyers to the extent possible,
- Seek new funding mechanisms, sources, and programs to enhance these efforts and make them more sustainable,
- Coordinate affordable housing programs with other aspects of planning, such as transportation, sustainability, and green growth, and
- Be conscious of opportunities to implement additional proven and acceptable affordable housing programs over time.

## **RECOMMENDATION 2 - Continue and Expand the Existing Affordable Housing Delivery System**

**A. The Town should continue its support of its current affordable housing programs, providing funds to complement resources from the various Federal programs. When possible, the Town should expand its support of these affordable housing programs.**

The current Affordable Housing Program, and the Town’s Housing Rehabilitation Program have been successful in the past, and the operating mechanisms and procedures are already in place. As noted, 784 affordable housing units have been created in the past decade. Additional funding would expand the number of units that could be addressed each year.

More specifically:

*Pre-development Funding Support for Non-Profit Workforce/Affordable Housing Development Organizations*

The Town of Cary should provide pre-development funding assistance to able non-profit housing organizations, including community land trusts (CLTs) and community development corporations (CDCs), to increase affordable housing development opportunities in targeted neighborhoods.

*Targeting Affordable Housing Funds to Neighborhood Revitalization*

Affordable housing funding should be targeted to comprehensive neighborhood revitalization where high concentrations of the workforce reside. These efforts should include public infrastructure investments, code enforcement and increased crime prevention.

*Funding Emphasis on Purchase/Rehabilitation and Rental Rehabilitation Activities*

Given that the highest concentrations of low- and moderate-income households reside in older neighborhoods, the Town should direct affordable housing funding to targeted neighborhood purchase/rehabilitation and investor-owned, rental rehabilitation programs. This program maximizes the use of funds and sustains the number of affordable units in the Town.

*Low Income Housing Tax Credits*

The use of Low Income Housing Tax Credits is a tool that the Town has successfully employed in the past, and which has yielded very satisfactory results; there is little debate about the continued use of this mechanism when appropriate.

**B. Create a revolving loan fund for these programs** so that funds used for these programs can be recaptured over time and used to continue and expand the program. Interest rates for the program would be modest and the infusion of additional capital from the Town each year in addition to the recycling of the original assets would expand each program's impact. It is estimated that ten to twelve rehabilitation loans per year would result in over \$10,000 per year being paid back into the loan fund.

**RECOMMENDATION 3 – Establish Realistic Goals and Routinely Monitor Program Activity and Progress**

**We recommend that the Town establish realistic targets for the creation of affordable housing, regularly review and assess the program in light of current needs and the economic situation, and develop and use a set of measures to monitor program activity and success.**

**GOALS**

As noted, the Town has been successful in developing and maintaining affordable housing units over the past decade, using a combination of funds from Federal and local resources, including the Town's General Fund. Based upon the success of this program at the earlier funding levels, and assuming consistent funding at this level going forward, the Town could expect to create:

- 40 new affordable rental housing units per year,
- 8 new owner housing units per year,
- The repair or rehabilitation of 15 owner units per year,

These goals are both realistic, and conservative. It should be noted that costs have increased consistently over the past decade, and despite the recent recession, land costs and housing prices in Cary have remained high. Implementation of some of the measures recommended above, such as a revolving loan fund, will help mitigate expected increases.

### **PROGRAM REVIEW**

The ability to measure accomplishments and the attainment of goals is important, and indeed is increasingly becoming necessary. Such information not only provides validation of successful programs, but also identifies under-performing programs.

At a minimum, the Town should monitor the amounts spent by type of program, the number of affordable units created and the number of households assisted. This information not only provides a baseline for program evaluation, but also can greatly assist in providing accurate and up-to-date data for reporting and applications for funding entities, including HUD. The Town should make a conscious effort to review and assess its affordable housing programs once each year.

The best time to conduct this review is at the time of the approval of the Town's Annual Action Plan and the Consolidated Annual Performance Evaluation Report (CAPER) for HUD. This document calls for a review of the preceding year's activities involving CDBG and HOME funds, and much of the data for an assessment of the affordable housing program will be collected for the HUD report. It should be noted that some flexibility should be given in this assessment. In some years, funds may be committed for a project, but other issues or the economy may create problems and delays.

We suggest that the Town go further, however, and measure topics such as integration of affordable housing into overall planning and land use activities, the on-going monitoring and direction of the program, and other policy, implementation, and program management measures. The Town may examine issues such as the degree to which additional sources of funding e.g., grants, have been sought; how economic development and transportation policies address or include affordable housing concerns; how extensive are relationships with not-for-profit organizations and have any new relationships been developed?

The Town should also consider the extent to which it has developed new mechanisms to further and expand the development and maintenance of affordable housing. For example, in light of rising land costs and a diminishing supply of available sites, has the Town established a Land Trust to acquire and hold property for the development affordable units, or at least to be able to acquire property if it becomes available? A number of municipalities in Florida are using a detailed Municipal Scorecard for Affordable Housing Delivery © developed at Florida International University, conducting a thorough review of their program on a regular basis.

Research into the application of specific affordable housing policies and mechanisms reveals no definitive benchmarks or trigger points for a particular policy or program. Rather, communities adopt the policies and ordinances that best suit their needs, approach, and commitment to affordable housing. The use of a land trust, linkage fees, density bonuses, and investment trusts reflect the perceived need and desire to provide affordable housing as opposed to identifying a particular level of need or selecting the means to provide a certain number of units.

However, following recommendation notes that there a number of widely used mechanisms available to the Town, and that these tools should be reviewed and discussed periodically as needs and the Town's situation evolve.

#### **RECOMMENDATION 4 - Identify Additional Program Mechanisms**

**The Town should review and consider additional tools and programs that it wishes to use to implement its affordable housing program and objectives in the future.**

The current affordable housing program has employed a number of tools and has been successful in creating affordable units. However, this recommendation emphasizes the need to review and consider other policy and financial options for increasing the stock of affordable housing in the Town.

#### **POLICY MECHANISMS**

##### **Density Bonus Program**

Density bonus programs are designed as affordable housing incentives for private and non-profit developers. Density bonus programs work best when designed as an element of a comprehensive affordable housing delivery strategy that may include inclusionary housing and targeted housing and infrastructure resources.

A density bonus program would provide guidelines and restrictions to qualify for an increase in density/height. A municipality may approve residential development at a density up to a certain percent above the maximums provided it is certified that no less than a certain percent (generally a minimum of 20 percent) of the units in the development will be priced to be affordable to low and very-low income households. Developers may also meet this requirement by providing the units onsite, providing a monetary contribution, or delivery of offsite units. A combination of the three options is usually permissible. For each required workforce housing unit, developers may make a payment of a sum equal to the funds payable to a Housing Trust Fund in lieu of providing the workforce housing unit within the development.

However, please note that the pattern of traditional single-family detached housing that has marked much of Cary's recent development does not affect, or in many cases even permit, the development of affordable housing. Overall market conditions determine what buyers are willing to purchase, and any of the programs described above should be combined with other workforce housing programs to promote diverse and affordable neighborhoods.

Based upon discussions of this topic with Council in work sessions and meetings with Town staff, we perceive that establishing a policy tool that provides developers with incentives or a rationale to produce affordable housing is the most viable mechanism to create affordable housing units. The Town imposed a 15 percent requirement for the development of affordable units in the successful Grove at Cary Park project. This method can result in the production of both rental and owner units.

##### **Workforce Housing Overlay Districts**

The creation of overlay districts allows the Town to target neighborhoods, districts or other locations generally for workforce/affordable housing "infill development."

### *Inclusionary Zoning (Housing)*

Inclusionary zoning (IZ) is a policy tool that ties the production of affordable homes to the production of new market-rate housing by requiring, or providing incentives to encourage, developers to reserve a share of units in new residential developments for low- or moderate-income households. Inclusionary zoning, sometimes called "inclusionary housing," can take many forms. Some IZ programs are mandatory, while others are voluntary or incentive-driven. Some jurisdictions require developers to construct affordable units within the development, while others allow affordable units to be constructed in another location. Some require developers to build the units, while other communities allow developers to contribute "in lieu of" to an affordable housing trust fund.

We cite the Town of Davidson Planning Ordinance (Section 6.0) as an example of creating affordable housing through both the construction of such units or the payment in lieu of construction. Also, note that in some jurisdictions developers of commercial and office projects are required to develop affordable housing or make payments to an affordable housing trust fund based upon the number of jobs created/supported by their project or the dollar value of the project. These linkage fees are typically supported by a "nexus study".

The topic is a sensitive one, as North Carolina law does not specifically address a municipality's authority to enact such regulations, and the General Assembly itself does not appear to want to address the topic. The Town may wish to pursue the Chapel Hill model of adopting a policy requiring developers to produce a certain percentage of affordable units for persons earning 80 percent or less of the AMI. In this case, the Town should define the desired product and match it to the need.

We note that properties developed as affordable units should be deed restricted as permanently affordable. Less than permanent affordability status sets the stage for the loss of the unit or the need for what is likely to prove to be an expensive buy-back at the end of the period.

We also note the need for the assessment of a "stewardship fee" to provide for the maintenance and upkeep of the property over time. Many homeowners in these income categories do not have the resources to keep these structures up, and assistance may be required over time.

## **FUNDING MECHANISMS**

### *Housing Investment (Trust) Fund*

The Town of Cary already has a local affordable housing fund in place that receives general funds from the Town of Cary. The "Affordable Housing Program" (AHP) allocates funds through a competitive request for proposal process and is used for funding projects not eligible for CDBG funding (i.e. new construction projects by for profit developers).

The Town's AHP could be capitalized through a Housing Investment (Trust) Fund that receives voluntary donations from private developers in-lieu of building affordable housing under the Town's recommended "inclusionary housing" provisions. Funds could also be generated via the establishment of a "Housing Linkage Fee" and through an innovative blend of corporate and community investors including voluntary donations from local corporations, foundations, government, and individuals as well as investments and loans from financial institutions.

### **Community Land Trust**

Acquisition of land has become one of the key cost barriers to developing affordable housing within the Town. Community land trusts (CLTs) purchase and hold the land asset in trust for the benefit of low- and moderate-income households, and this entity provides the means to develop and implement a land banking program in conjunction with school site, open space, or other land acquisition programs. By removing land cost from sales and rental transactions, CLTs reduce rent and home prices. CLTs also ensure that the housing will remain affordable in perpetuity. In addition to lowering costs and ensuring long-term affordability, a Town of Cary Community Land Trust can purchase land for housing development; seek opportunities to use vacant land for infill development or to convert old buildings to new uses; and coordinate with institutional providers (e.g. Housing Authorities, School Board, Hospital District, private sector employers).

### **Double Bottom Line Investment Fund**

A “double bottom line investment fund” is designed to provide a return for its investors and help fill the financing gap faced by developers interested in building housing affordable to middle-income households in communities where land costs are excessive. Investors in the fund may include a number of banks as well as insurance companies, pension funds, and other market-driven investors. Sources of funds include might private sector market-driven investments and New Markets Tax Credits. The double bottom line investment fund can provide significant gap financing for development including mezzanine financing for mixed-income/mixed-use development (e.g. transit-oriented development), and can assist smaller developers on projects that will not only provide housing affordable to a mix of incomes, but will also help revitalize older low- and moderate-income neighborhoods.

These suggested financial program strategies would create opportunities to leverage local public/private dedicated funds (e.g. Housing Trust Fund) with federal, state, and other local public funding resources. Given the scale of Cary’s affordable housing demand and limited CDBG resources, it is critical for the Town to effectively leverage and target public/private funds to maximize assistance to low- and moderate-income owner and renter households.

The programs within the family of funds should be balanced among revenue-generating activities (e.g. housing linkage fees, voluntary in-lieu payments); revenue renewable activities (low-interest loans) and non-renewable activities (deferred payment loans).

## **C. Conclusion**

In conclusion, the Town officials endorses the continuation of its current affordable housing programs, including the housing rehabilitation program, the partnering with nonprofit organizations, the use of low-income Housing Tax Credits where appropriate, and the targeting of affordable housing funds to neighborhood revitalization efforts. As noted, these programs have been successful in providing significant additions to the Town’s stock of affordable housing.

Based on the feedback from work sessions, meetings with staff and stakeholder group, the Town should consider the following key recommendations for short term including 1) the creation of a revolving loan fund for the current programs, 2) the establishment of program goals, as described, and 3) the regular review of the programs to determine how they are meeting those goals.

Longer term, this strategy calls for the review and consideration of additional program mechanisms to implement the Town's affordable housing efforts. These mechanisms may be either policy mechanisms or funding mechanisms or a combination of both, depending upon the Town's needs and aims, as well as the state of the economy.



# APPENDIX A

## TOWN OF CARY ZIP CODE MAPS

The following maps, from [www.melissadata.com](http://www.melissadata.com), show the areas of the Town included in each of the four ZIP Codes.



