

DRAFT OCTOBER 7, 2019

# Affordable Housing Plan for Morrisville, NC

2019



Prepared by czbLLC



## Acknowledgements

This Affordable Housing Plan would not have been possible without contributions from members of the Morrisville community who responded to the project survey and a variety of local stakeholders who generously shared their insights with the consulting team. In addition, Morrisville’s elected and appointed officials were instrumental in supporting the project and setting the Plan’s direction.

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# About this Affordable Housing Plan

In recent decades, the Raleigh-Durham region has experienced a high rate of growth in population and employment as well as in housing and other forms of physical development. Across the region, a variety of forces have conspired to distribute housing demand unevenly, resulting in a spiky landscape of home values and rents, with a handful of places becoming expensive relative to regional incomes while others remain relatively affordable.

While most households in the region are earning enough to find housing that works for them — in spite of high costs in specific areas — the lowest-earning households are left with too few options, always being forced to react to the cascading choices made by those higher up the income ladder. This is the context within which Morrisville seeks to advance goals related to housing affordability.

The Town of Morrisville commissioned this plan in order to better understand the affordable housing challenges facing its region and community, to understand its options for responding, and to devise a course of action that would be both effective and practical. The plan attempts to achieve those ends.

## Morrisville's Affordable Housing Plan has three parts:

### PART 1 The Regional Market

Morrisville is not an island unto itself. The Raleigh-Durham region is a complex web of employment and housing markets, thick with a variety of job centers and residential communities that offer a wide variety of choice for workers and residents. To analyze Morrisville without understanding the broader region would not be useful. This section provides insight into what has been happening in the region and identifies issues shaping Morrisville's particular circumstances.

### PART 2 The Morrisville Market

This section describes the nature of the Morrisville market, trends that have played a role in establishing Morrisville as the community it is today, and outlines its housing affordability situation at the current time. It also sets forth the specific challenges that the Town will seek to address.

### PART 3 Recommendations for Taking Action

This section identifies and details the discrete action steps that the Town will take to advance its affordable housing goals. They include efforts the Town can undertake alone as well as potential regional collaboration opportunities. The recommendations further discuss the cost implications of each.

#### Note on Data and Sources:

Unless otherwise specified, all 2000 data are from the 2000 Decennial Census and all 2017 data are from the 2013-2017 American Community Survey five-year estimates produced by the Census Bureau. Land value data comes from Durham County and Wake County assessment information. Sales data from 2009-2019 comes from the Multiple Listing Service with the generous assistance of the Raleigh Regional Association of Realtors.

For the purposes of this analysis, czb has defined the region as the combined Raleigh metropolitan statistical area (MSA) and Durham-Chapel Hill MSA. The Raleigh MSA includes Franklin, Johnston, and Wake Counties. The Durham-Chapel Hill MSA includes Chatham, Durham, Orange, and Person Counties. The combination of these two MSAs was selected instead of the Raleigh-Durham-Chapel Hill combined statistical area (CSA), which would have included Granville, Harnett, Lee, and Vance Counties, in addition to those previously listed. This choice was made for a number of reasons. First, the two MSAs selected are inclusive of major population centers, employment centers, and educational institutions comprising what is commonly known as the "Research Triangle." Second, inclusion of outlying areas of the CSA would potentially dilute the analysis because those areas are not subject to the same demographic and economic conditions as those counties closer to the center of the region. And third, due to shifting statistical area boundaries over time, data was collected and analyzed largely at the county level, meaning fewer counties would allow for a more efficient analysis.



# PART 1 THE REGIONAL MARKET

**The Raleigh-Durham region has experienced remarkable change during this century.**

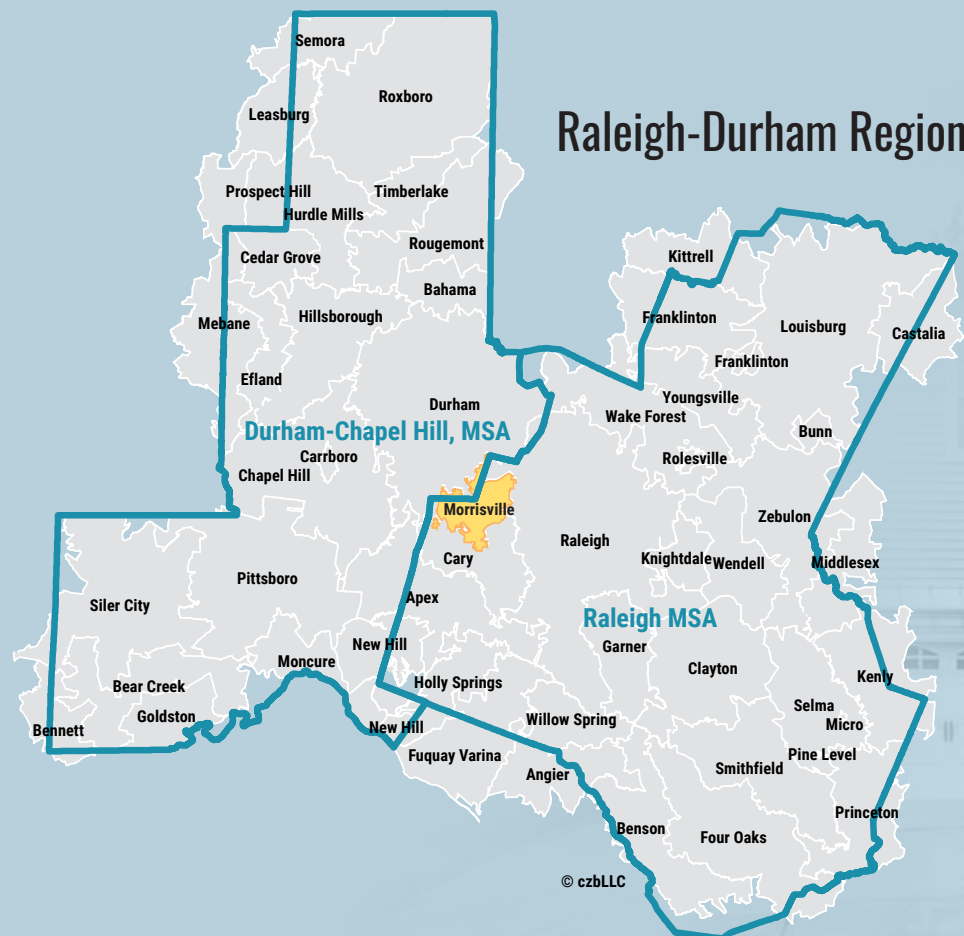
The region's decades-long commitment to building a 21st Century economy has paid off in some highly visible ways. Its population and employment have grown roughly two-and-a-half to three times as fast as the country's and the state's. Incomes have kept pace with the country's while outpacing North Carolina's overall. Its population, already much better educated than either the state's or country's in 2000 (as measured by the percentage of adults with college degrees), has only grown more educated since then.

All of this indicates good things for the Raleigh-Durham region and for the strength of its housing market. But there are clear costs to the success as well. Traffic congestion is perhaps the most notable for most regional residents, as the spatial mismatch between housing and jobs meets the realities of finite transportation infrastructure. And for those who are not directly connected to the mainstream of a strengthening regional economy – those who may be retired and living on fixed income or those working at low-wage service sector jobs, for example – housing costs are increasingly a challenge as well.

**Region Defined:**

For the purposes of this analysis, czb has defined the region as the combined Raleigh metropolitan statistical area (MSA) and Durham-Chapel Hill MSA. The Raleigh MSA includes Franklin, Johnston, and Wake Counties. The Durham-Chapel Hill MSA includes Chatham, Durham, Orange, and Person Counties.

The geography chosen for maps in this section is ZIP Codes, with each ZIP Code assigned to a municipal jurisdiction. For example, the area labeled as Raleigh is not the Raleigh corporate limits, but rather the collection of ZIP Codes associated with Raleigh.



**BY THE NUMBERS, 2000/2017**

	REGION		NC		US	
	2000	2017	2000	2017	2000	2017
<b>POPULATION</b>	1,223,564	1,824,266	8,049,313	10,052,564	281,421,906	321,004,407
<b>% CHANGE</b>	↑ 49%		↑ 25%		↑ 14%	
<b>HOUSEHOLDS</b>	475,182	688,675	3,132,013	4,521,697	105,480,101	118,825,921
<b>% CHANGE</b>	↑ 45%		↑ 44%		↑ 13%	
<b>EMPLOYED PERSONS</b>	644,550	925,092	3,824,741	4,571,020	129,721,512	150,599,165
<b>% CHANGE</b>	↑ 44%		↑ 20%		↑ 16%	
<b>COLLEGE DEGREE</b>	38%	46%	22.5%	29.9%	24.4%	30.9%
<b>% CHANGE</b>	↑ 21%		↑ 33%		↑ 27%	
<b>PER CAPITA INCOME</b>	\$24,142	\$33,808	\$19,940	\$27,180	\$21,243	\$30,088
<b>% CHANGE</b>	↑ 40%		↑ 36%		↑ 42%	

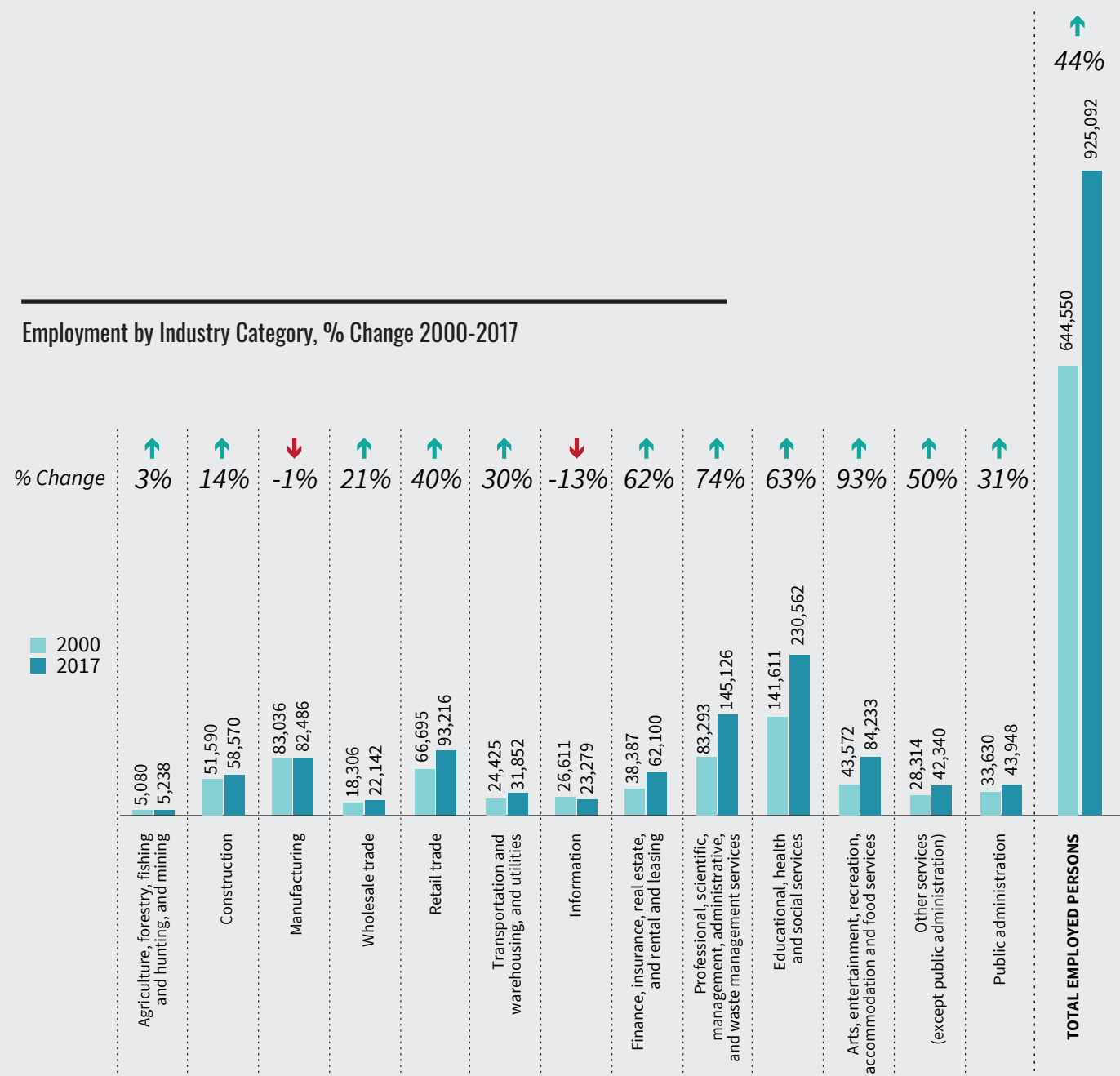
Source: czb analysis of 2000 Census and 2013-2017 American Community Survey Data.



# ECONOMY AND EMPLOYMENT

The region has been successful at creating jobs over the past 20 years but, like the rest of the American economy, the greatest growth has come at two ends of the income spectrum. The largest employment gains came in a handful of industry sectors. Over 60% of employment growth was in relatively high-paying professional, scientific, and management positions, as well as education and health care. But nearly a quarter of job growth was in low-paying sectors such as retail trade and arts, recreation, accommodations, and food service. Traditional mid-wage sectors, such as construction and manufacturing, were only a very small percentage of total employment growth.

Employment by Industry Category, % Change 2000-2017

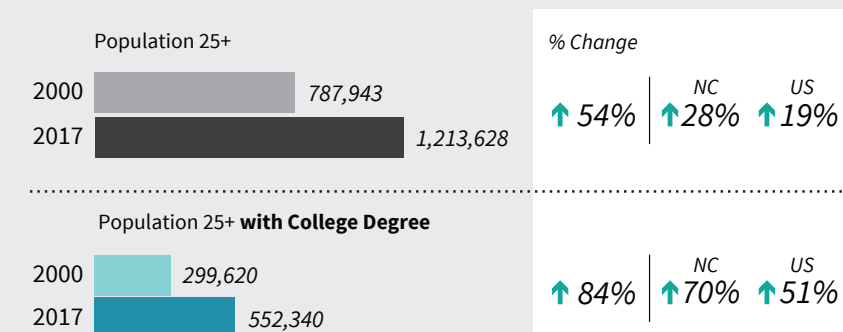


Source: 2000 Census and 2013-2017 American Community Survey Data

# EDUCATION

In 2000, the Raleigh-Durham region was already more educated than the rest of the country, and the gap has only widened since then. On a net basis, nearly 60% of all new adults in the region aged 25 or more had a four-year college degree. This increase in educational attainment is both cause and effect of a robust regional economy as good jobs and well-educated workers find each other in the marketplace. Higher levels of education also fetch higher wages. In the Raleigh-Durham region, a worker with a four year degree can expect a median salary of \$50,000 while a worker with only a high school diploma can expect a median salary of about \$28,000.

Population and Population with College Degrees % Change 2000-2017

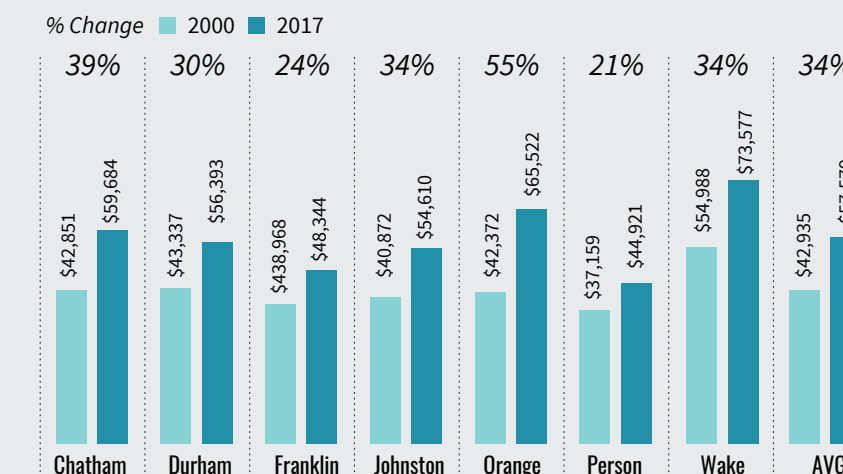


Source: 2000 Census and 2013-2017 American Community Survey Data

# INCOME

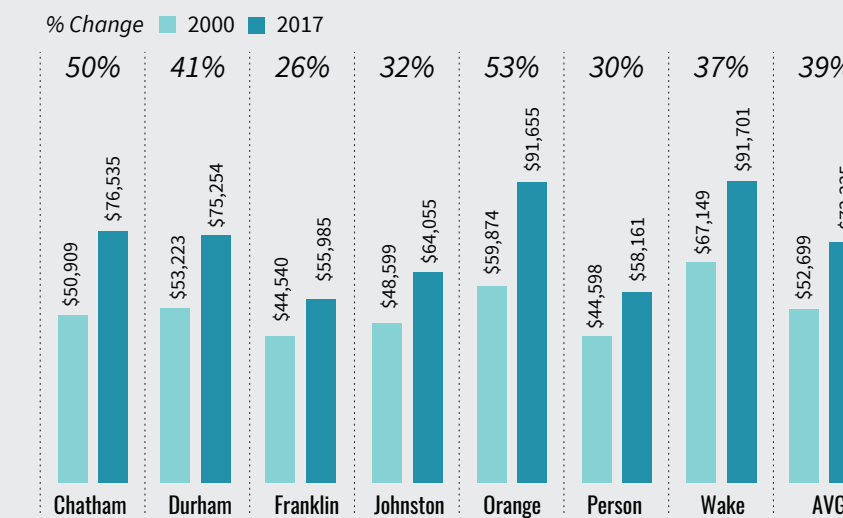
Incomes across the region, on average, have kept pace with national change, though the income benefits of the region's developing economy and increasing levels of education are not accruing evenly. Wake County and Orange County have had higher incomes than the rest of the region since 2000 and still do. Orange County and Chatham County have seen incomes rise faster than all other counties.

Median Household Income



Source: 2000 Census and 2013-2017 American Community Survey Data

Median Family Income



Source: 2000 Census and 2013-2017 American Community Survey Data

## THE TAKEAWAY

Employment and education impact incomes, which in turn impact housing demand and thus housing costs. In areas of the region where incomes are highest, home prices and rents will also tend to be the highest. Where incomes are lower, prices and rents will also be lower.

# REGIONAL FAIR SHARE OF HOUSEHOLD INCOME

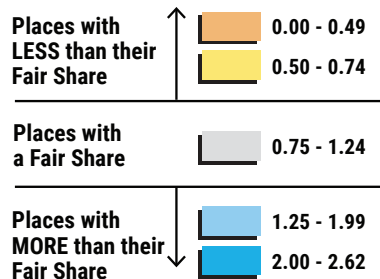
Regional numbers can provide a certain sense, at a high altitude, of what is happening across the area, but the Raleigh-Durham region is not monolithic. When it comes to important demographic, economic, and housing indicators, the region is vast, varied, nuanced, and uneven.

The maps in this section illustrate a variety of data based on the deviation from a perfect distribution. czb refers to this as “fair share” analysis. For each data category, each sub-geography of the region is assigned a score based on its deviation from what it would be expected to have under a perfectly even regional distribution. Scores at or near one (in this case a range of 0.75-1.24) indicate a “fair share” or about what an area would be expected to have. Scores far below one (in this case less than 0.75) indicate an area has less than its fair share, while scores far above one (in this case 1.25 or higher) indicate an area has more than its share.

A regional analysis of this type puts any local jurisdiction into context and allows local actors to understand and find their place in the larger region. It also allows regional actors to more fully understand opportunities and constraints across a variety of locations and plan regionally before implementing locally.

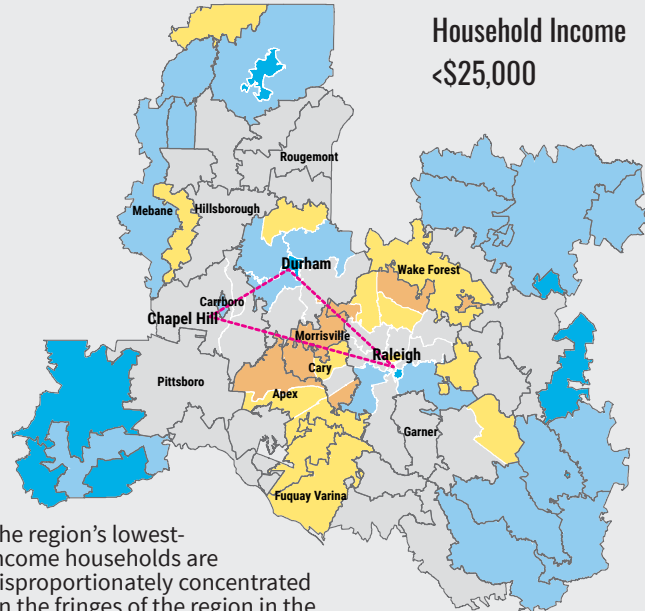
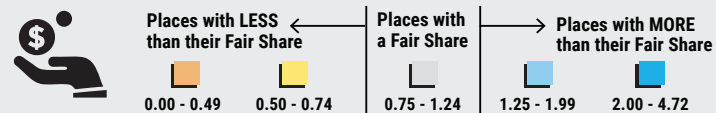
What follows is a series of maps illustrating distribution of households by income, owner units by value, and rental units by gross rent across the region. The maps help describe the geography of the regional market.

### Understanding the Fair Share Analysis

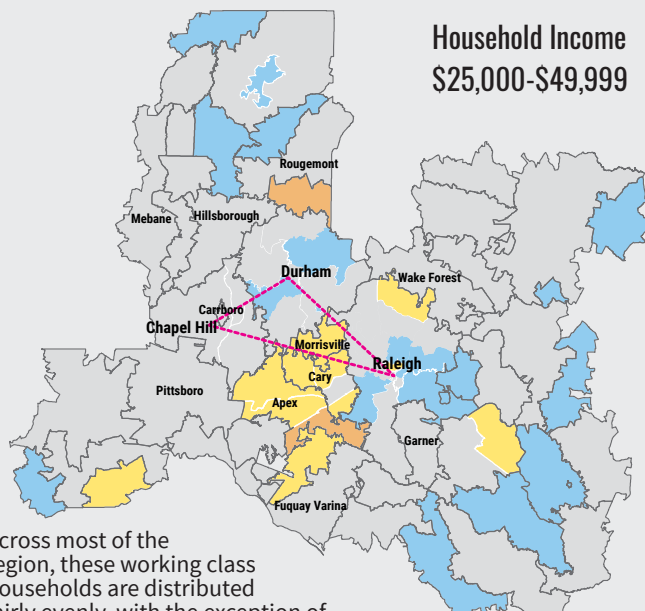


ZIP Codes (white lines) within a ZIP Code Municipal Area (black lines)

### Fair Share of Household Income Levels by ZIP Code Across the Region



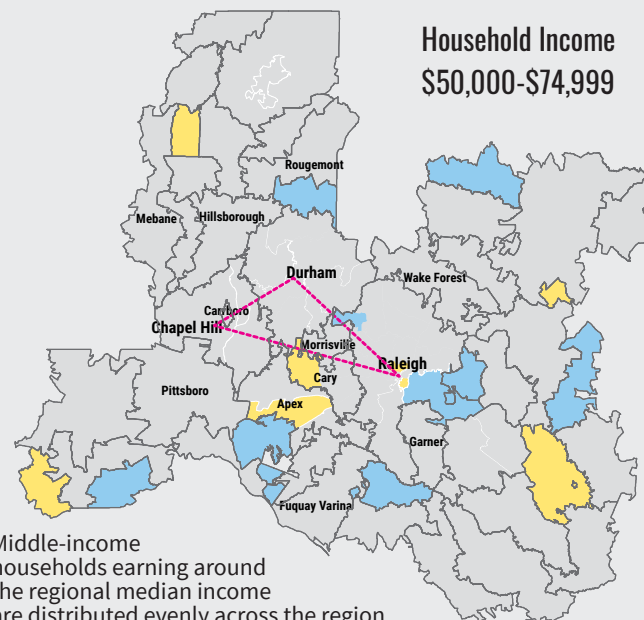
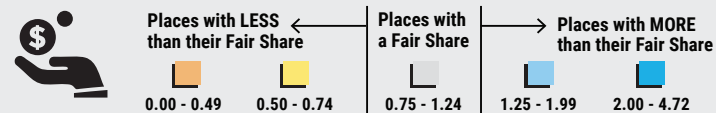
The region's lowest-income households are disproportionately concentrated on the fringes of the region in the counties of Chatham, Johnston, Franklin, and northern Orange and Person and, to some extent, in northern Durham and parts of Raleigh. In the heart of the region, notably in the north-south arc of western Wake County, the lowest-income households are a disproportionately smaller share of all households.



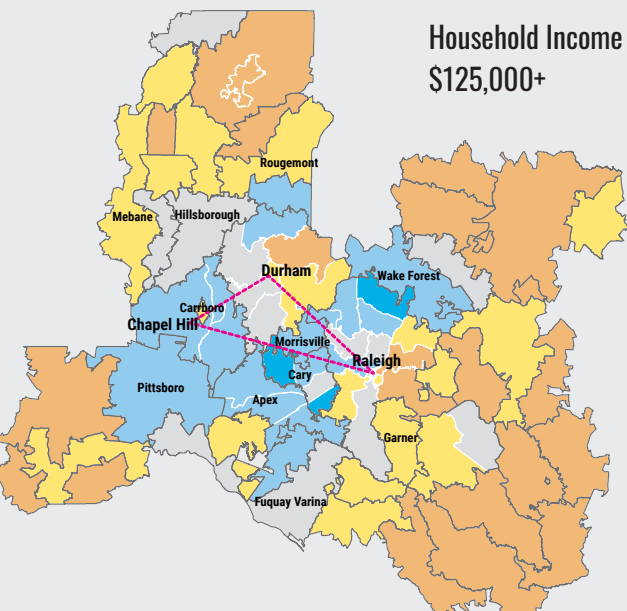
Across most of the region, these working class households are distributed fairly evenly, with the exception of western Wake County. Morrisville, Cary, and Apex are home to fewer of these households than a perfect distribution would predict.

Source: czb analysis of 2013-2017 American Community Survey data

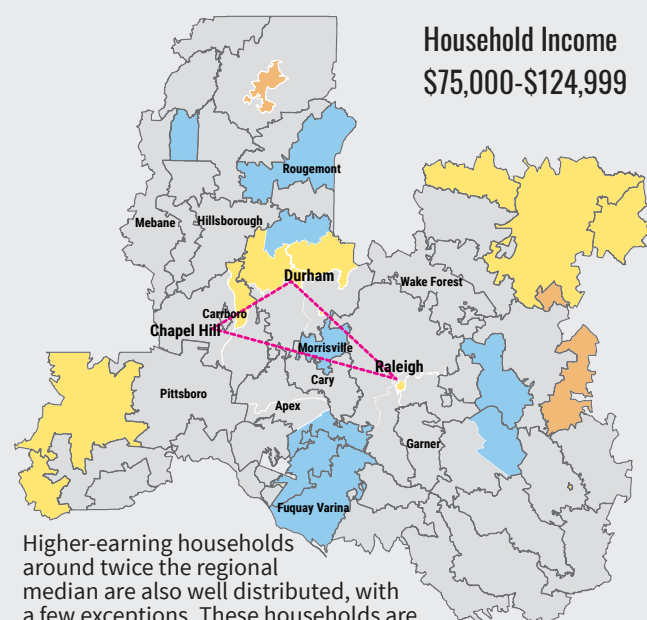
### Fair Share of Household Income Levels by ZIP Code Across the Region



Middle-income households earning around the regional median income are distributed evenly across the region. There are some ZIP Codes with as much as twice their fair share, and some with as little as half of their fair share, but the overall pattern is an even one.



The region's highest-earning households, those with the highest levels of education and most likely to have two incomes, are not evenly distributed across the region. They are disproportionately found in a west-east arc from Chapel Hill down to Apex and Holly Springs and up through northern Raleigh to Wake Forest. Their concentration in these areas correlates with high home values.



Higher-earning households around twice the regional median are also well distributed, with a few exceptions. These households are disproportionately not found in northern areas of Durham and in the outer reaches of Chatham and Franklin Counties. They disproportionately live in a handful of ZIP Codes around the area, including Morrisville, Holly Springs, Fuquay Varina, Wendell, and Rougemont.

### THE TAKEAWAY

The story that emerges from a study of household shares by income and ZIP Code is one in which:

- The core of the region is home to the highest income households but not the lowest income households;
- The lowest-income households are concentrated on the region's edges; and
- Working class households between \$25,000 and \$49,999 are disproportionately not living in western Wake County.

These realities underpin the regional housing market.



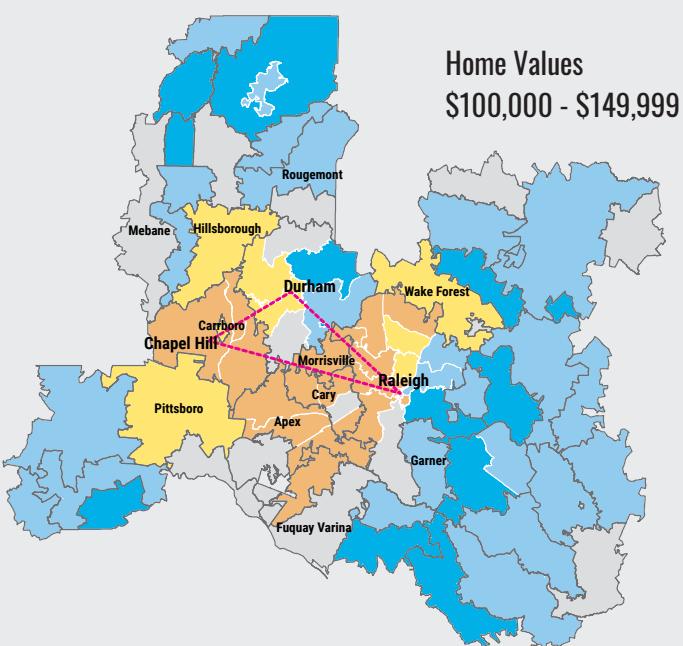
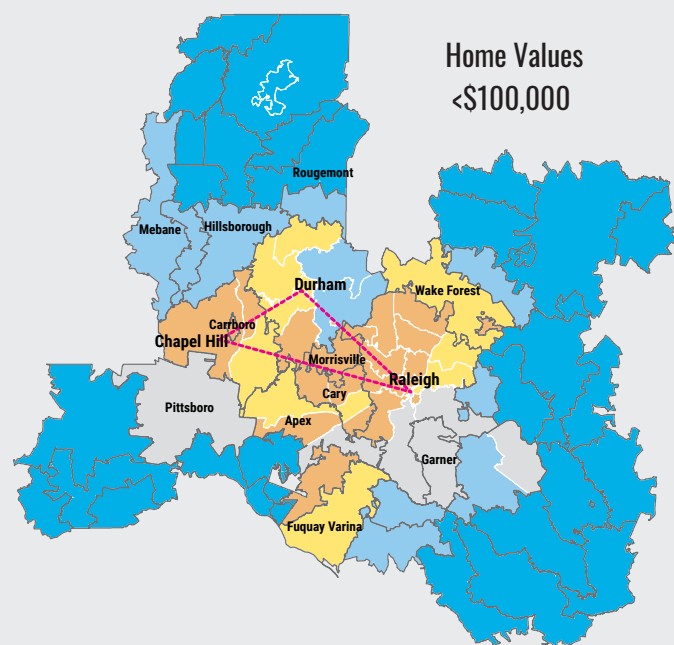
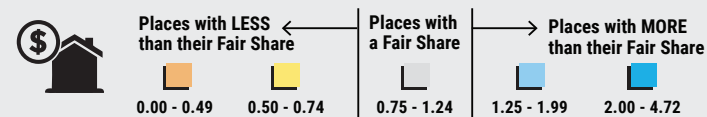
# REGIONAL FAIR SHARE OF HOME VALUES

With a regional median home value of over \$200,000, low-priced houses valued at less than \$100,000 are not easy to find. But they can be most easily found on the region's edges in Franklin, Johnston, Chatham, and Person Counties. These counties also have higher concentrations of mobile homes than do the core counties of Durham, Wake, and Orange.

At the next highest price range, the story is similar. Houses valued between \$100,000 and \$149,999 are disproportionately located on the edges of the region and not in the core.

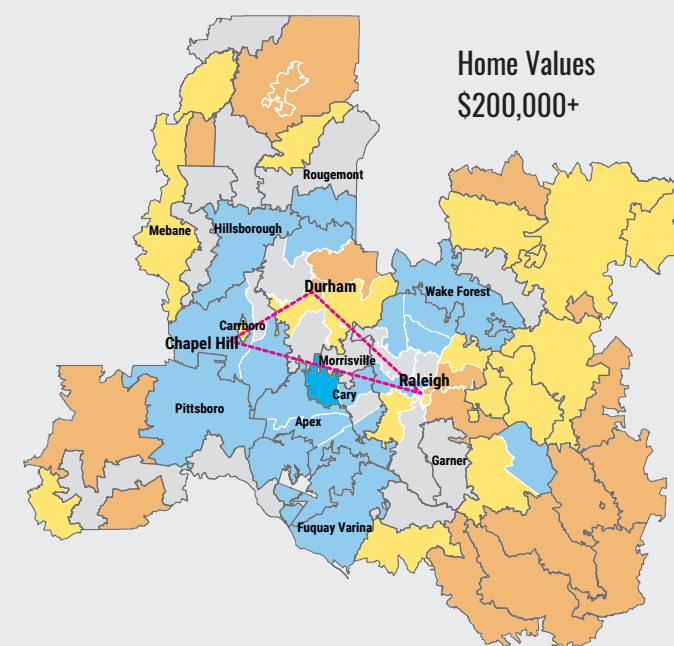
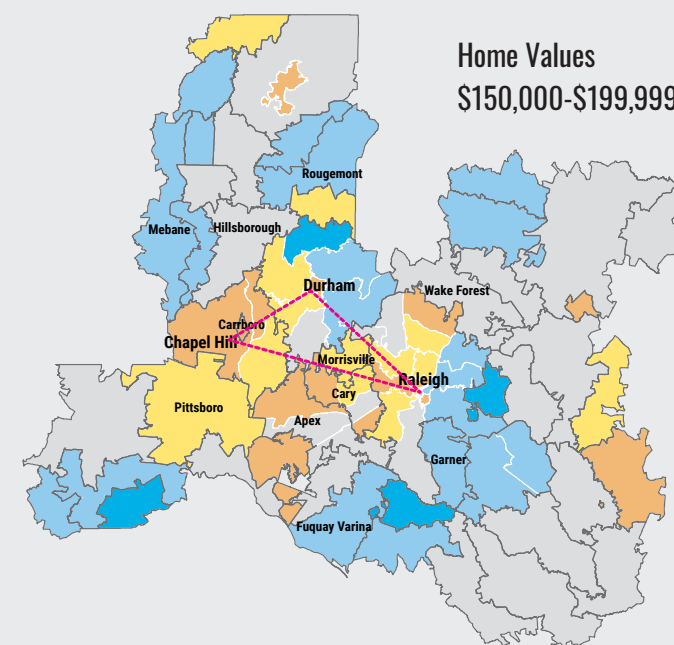
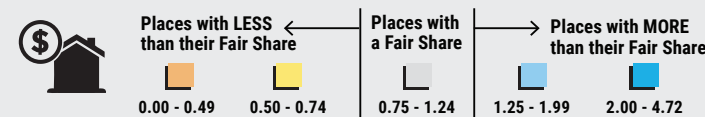
Homeownership for households earning \$50,000 or less is difficult under most circumstances, but they will find it especially difficult in the center of the region. The swath of territory extending from Chapel Hill and Carrboro through western Wake County has less than its fair share of houses below \$150,000. If a household seeking a home in that range is insistent on living closer to the region's center, the lack of fair share does not make it impossible. It simply means that there will be fewer affordable houses as a percentage of all houses, and therefore constrained choices.

Fair Share of Home Values by ZIP Code Across the Region



Source: czb analysis of 2013-2017 American Community Survey data

Fair Share of Home Values by ZIP Code Across the Region



Source: czb analysis of 2013-2017 American Community Survey data

The regional distribution is more even for houses valued between \$150,000 and \$199,999, but Chapel Hill, Pittsboro, and western Wake County still stand out as areas with less than their share of houses in this range.

For houses in the top half of the marketplace—valued at and above the regional median value of \$218,600—the picture is clear. Like the distribution of the region's highest-income households, these high value homes are more likely to be found in a west-east arc from Chapel Hill down to Apex and Holly Springs and up through northern Raleigh to Wake Forest. In fact, their concentration appears as a donut, with Durham as the missing hole.

These patterns of concentration reinforce the anecdotal evidence that about half the households in the region—those below the regional median income of roughly \$60,000—simply cannot afford to own homes in the region's core. In reality, the situation may be more dire in specific locations.

Morrisville, for example, has less than half of its fair share of houses valued at less than \$150,000 and more than twice its fair share of houses valued at \$200,000 or more. But with a median value of just over \$300,000, even a household with an income well above the regional median would struggle to afford a house there.

For now, the patterns also reveal that the odds of finding an affordable house for entry-level buyers or those earning moderate wages are better if a household looks to areas just east of Durham, just east of Raleigh, or farther out on the region's edges.

## THE TAKEAWAY

The region's most expensive ownership housing is concentrated in the core, including western Wake County and eastern Orange County.

Less expensive ownership housing is disproportionately found on the region's edges.

These patterns track with the patterns of income across the region.



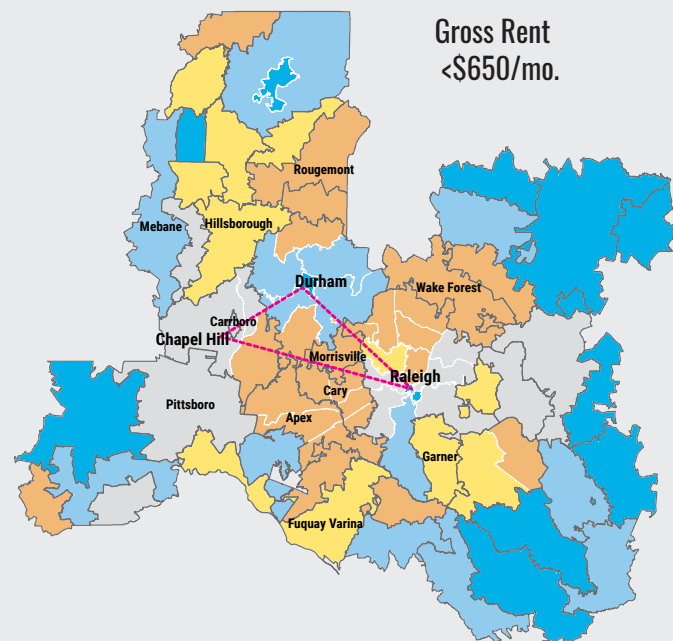
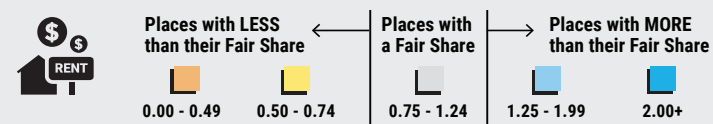
# REGIONAL FAIR SHARE OF RENTAL PRICES

Low-cost rental units are disproportionately found on the fringes of the region, likely due to the availability of mobile homes as rental units, and in Durham, which has both public housing units and some low-demand neighborhoods with affordable units in the hands of the private sector. Western Wake County has far less than its fair share of these affordable units.

Rents this low are about half of what would be required to cover the costs of new construction, which means outside of public housing units or other deeply subsidized units, these low-cost rentals are some combination of older, lower quality, and in less desirable locations. The areas with less than their fair share – notably western Wake County – feature a high percentage of recently built units and are desirable due to their central location.

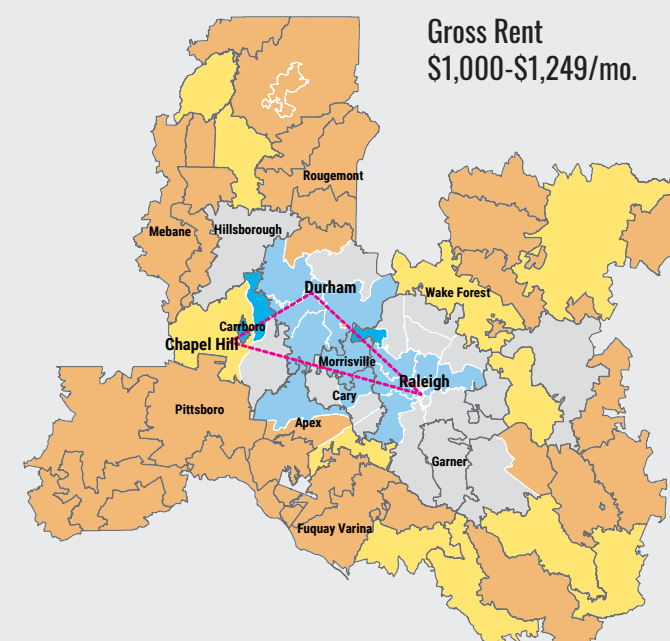
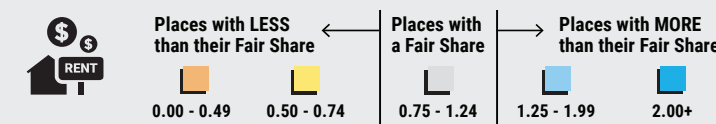
There is little discernible pattern for the distribution of rental units at and below the regional median of \$980. They can disproportionately be found in the cities of Durham and Raleigh, and are generally less likely to be found north and south of the Triangle itself in the southern reaches of Orange and Chatham Counties and the northern reaches of Durham, Orange, and Person Counties.

Fair Share of Gross Rent by ZIP Code Across the Region

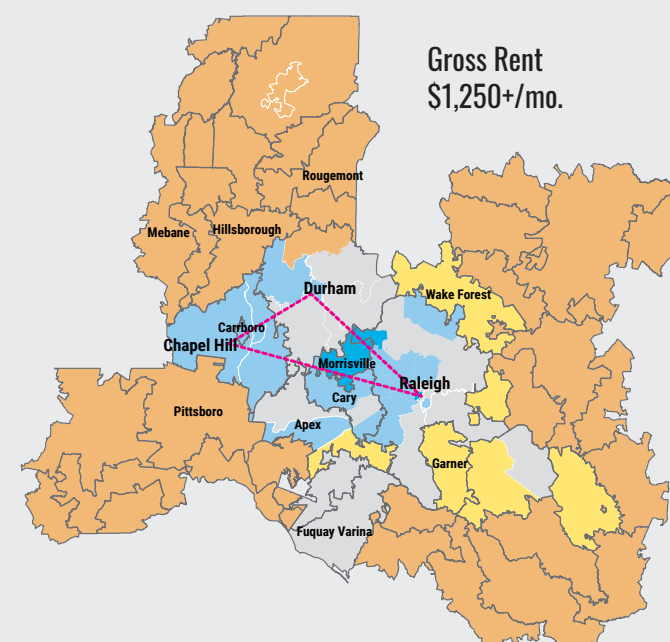
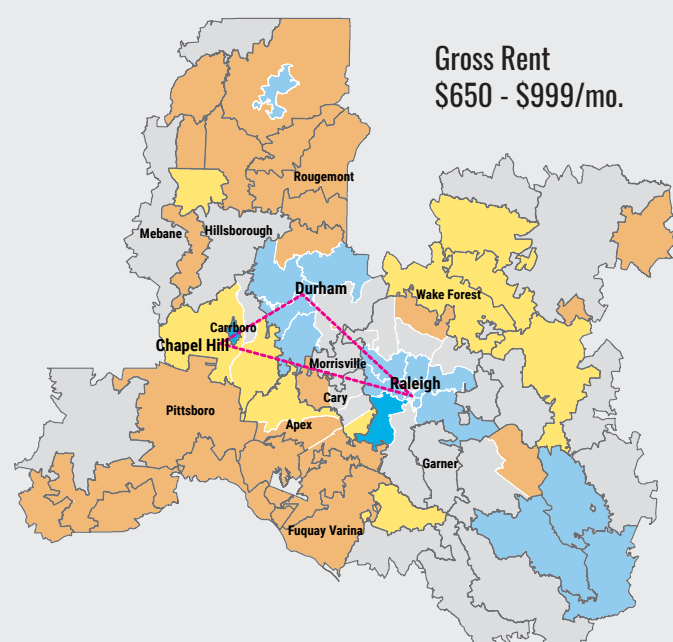


Source: czb analysis of 2013-2017 American Community Survey data

Fair Share of Gross Rent by ZIP Code Across the Region



Source: czb analysis of 2013-2017 American Community Survey data



Rental units just above the region’s median rent are more likely to be overrepresented in the heart of the region, within and around the Triangle proper. They are underrepresented on the region’s edges.

The highest rents are concentrated clearly within and around the Triangle proper, with Morrisville as the outlier in having more than twice its share of expensive rental units. Morrisville in recent years has played an outsized role in meeting the market demand for new suburban rental units. The edges of the region have fewer than half their fair share of high-cost rentals.

In the Raleigh-Durham region, with some exceptions, high rents will reflect the age of a structure. New construction is expensive to build and therefore requires high rents. Since 2000, the rental marketplace in the region’s core has matched new units with renter households looking for new product and with the means to afford it.

It should be noted however, that there has been a ceiling on rents. The region’s median rent is \$980, affordable to a household earning \$37,700 per year. Morrisville, with one of the highest median rents in the region at \$1,262, should be even higher considering that the median Morrisville renter household earns nearly \$77,000 per year and could afford to pay 50% more. But landlords understand that nearby competition at lower rents limits what they can charge. A concentration of high-priced units in the middle of the region does not automatically mean a renter household cannot find something affordable a short drive away.

## THE TAKEAWAY

Similar to the patterns for income and house values, the core of the region has less than its fair share of low-cost units and more than its fair share of high-cost units.

The opposite is true on the regions’ edges.

An important exception is the overrepresentation of units priced between \$650 and \$999 in Durham and Raleigh area ZIP Codes.

# AFFORDABILITY

Despite rising home values and rents and the perception of an affordability crisis, the region is not especially unaffordable for households earning median incomes or above. Based on accepted ratios of affordability – owners can afford a home valued at three times their annual income and renters can afford to spend 30% of gross income on rent – the region does not have an overall affordability problem. The median owner income can actually afford a higher value home than the median home in the region. While not as comfortably as owners, median renters can afford the region’s median rent.

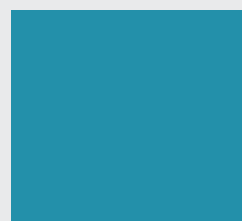
By definition, however, half of households earn less than the median and many of these households may struggle to pay their housing costs.

## Regional Affordability, 2017

For Owners



**Median Affordable Home Value**  
\$255,000



**Actual Median Home Value**  
\$218,600



For Renters



**Median Affordable Rent**  
\$983



**Actual Median Rent**  
\$980



Source: czb analysis of 2000 and 2010 Census and 2013-2017 American Community Survey Data.

# AFFORDABILITY FOR HOMEOWNERS

Gap analysis for the ownership market in the Raleigh-Durham region reveals the following:

There is a deficit of ownership units affordable to households earning less than \$35,000 per year, but an even larger deficit of ownership units for households earning more than \$75,000. There is an excess of units available to households in the middle, earning \$35,000-\$74,999.

The region’s median home value hovers just north of \$200,000 but a solid majority of owner households (57%) earn at least \$75,000 and can afford more than that. The deficit means that nearly 90,000 of those quarter million households are living in houses that are priced below what they can afford.

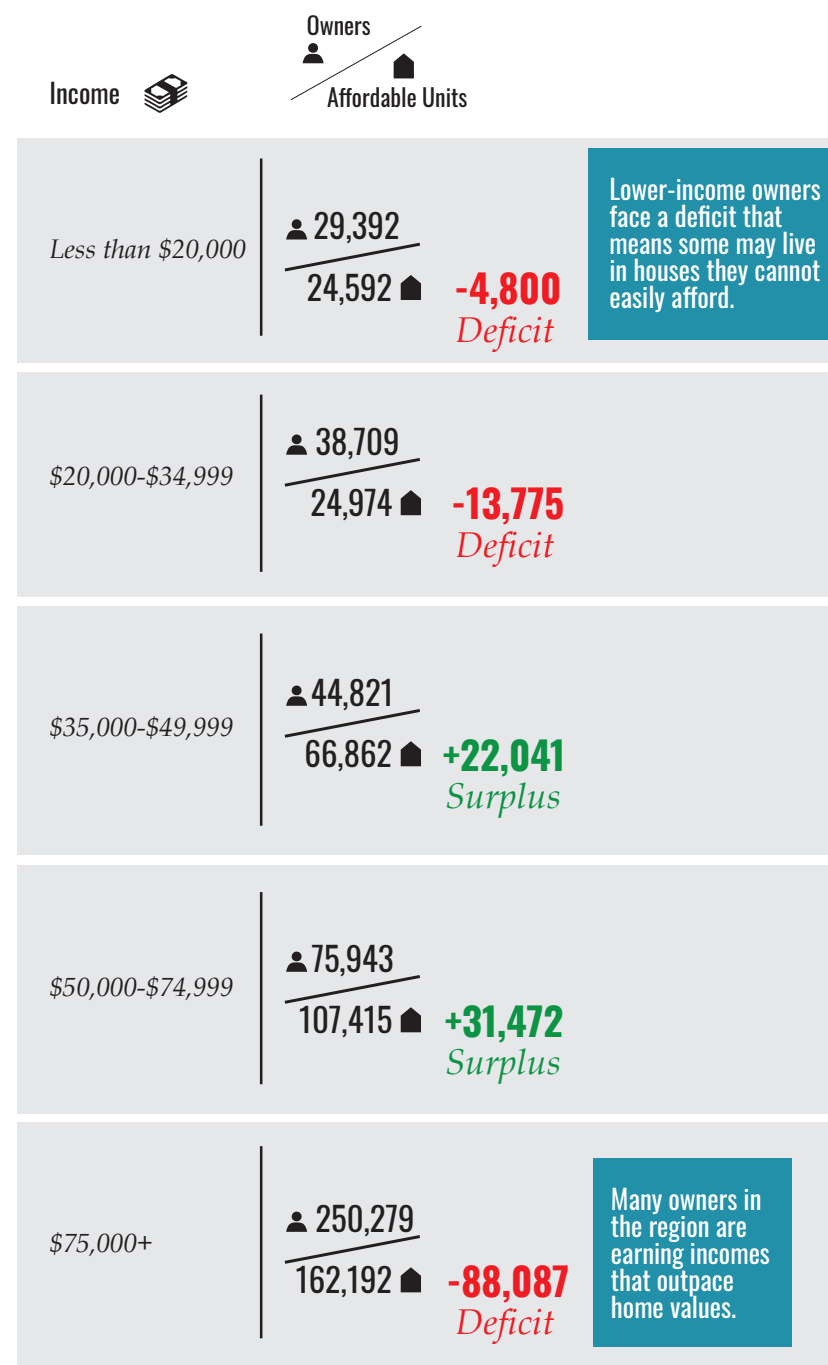
At the other end of the income spectrum, lower-income owners face a deficit that means many of them may live in houses that they cannot easily afford. These numbers could include elderly owners who no longer have a mortgage. In that case, the affordability story is more nuanced. But certainly new buyers at such low incomes will struggle to afford ownership.

The gap for owners earning less than \$20,000 represents about 1% of all ownership units. The gap for owners earning \$20,000-\$34,999 represents 3.5% of all ownership units.

The headline of this story is one of widespread affordability for the region’s owners with a relative few who could be struggling to afford homeownership.

A gap analysis illustrates the difference between the number of households in a given income range and the number of housing units affordable to that income range.

## Gap between Owner Units and Owner Households by Income, 2017



Source: czb analysis of 2000 and 2010 Census and 2013-2017 American Community Survey Data.

# AFFORDABILITY FOR RENTERS

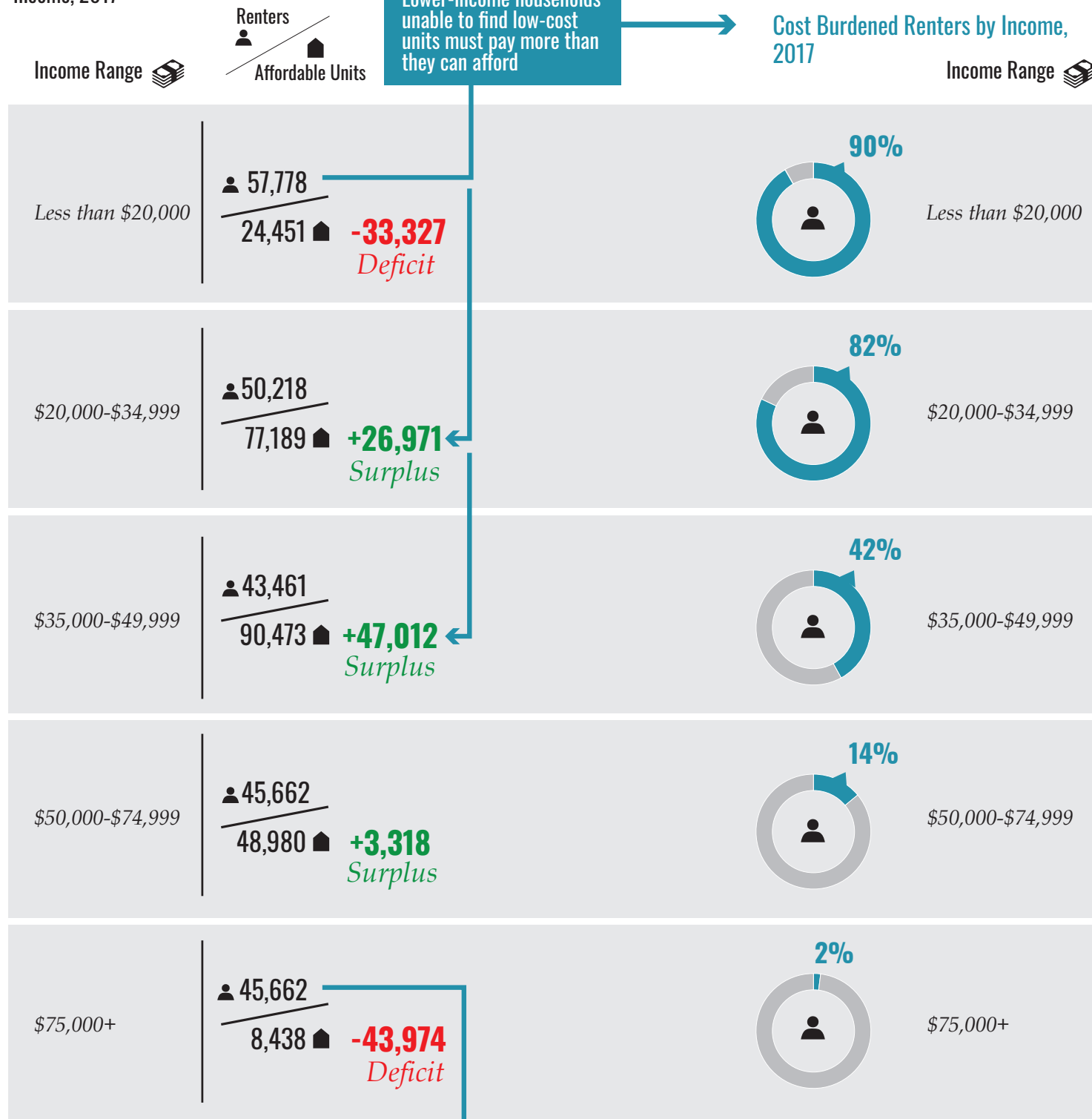


Gap analysis for rental units in the Raleigh-Durham region reveals the following:

There is a deficit of rental units affordable to households earning less than \$20,000 per year and households earning \$75,000 or more. There is an excess of units available to households in the middle, earning \$20,000-\$74,999. Households earning less than \$20,000 can only afford \$500 per month in rent, but the private sector struggles to provide such low-cost units because rents at that level cannot cover the costs of owning the units. It is no surprise then, that there are not enough units in that price range. For higher-income households earning \$75,000 or more, there are not enough rental units available that will absorb 30% of their gross income.

The excess of units in the middle reflects the pricing in the regional market, where the vast majority of units rent for \$500-\$1,250 per month, with a median rent of \$980. This means lower-income households unable to find low-cost units must pay more than they can afford while upper-income households get a relative bargain by paying less than they could afford.

Gap between Renter Units and Renter Households by Income, 2017



Lower-income households unable to find low-cost units must pay more than they can afford

Upper-income households get a relative bargain by paying less than they could afford.

Source: czb analysis of 2000 Census and 2013-2017 American Community Survey data

The region is home to over 57,000 renter households who earn less than \$20,000 and, for all intents and purposes, are unable to afford market rents. The inability to afford market rents may result in some level of homelessness, but more common is rent burden, which is defined as spending more than 30% of gross income on housing costs. Nine in ten low-income renter households are rent burdened as they are forced to pay more than they can afford in rent. Households at this income include single low-wage workers – North Carolina’s minimum wage is \$7.25 – or those who are not working at all.

Even at twice the minimum wage, rent burden continues to be a problem. Two full-time minimum wage earners, or a single earner at twice the minimum wage, will earn \$30,000 per year. At that salary, a renter household can afford about \$750 per month. Eight in ten renter households between \$20,000 and \$35,000 are facing a rent burden in a regional market with a median rent of \$980. It is not until a household earns about 2.5 times the minimum wage that its odds of being rent burdened truly begin to drop.

## THE TAKEAWAY

The Raleigh-Durham region’s worst affordable rental crisis is for the 58,000 renter households earning less than \$20,000. The region is short by over 33,000 units for that group. This is more a low income problem than it is a high housing cost problem. Households between \$20,000 and \$35,000 may also struggle to afford rent, though the problem is not as severe as it is for those earning less.



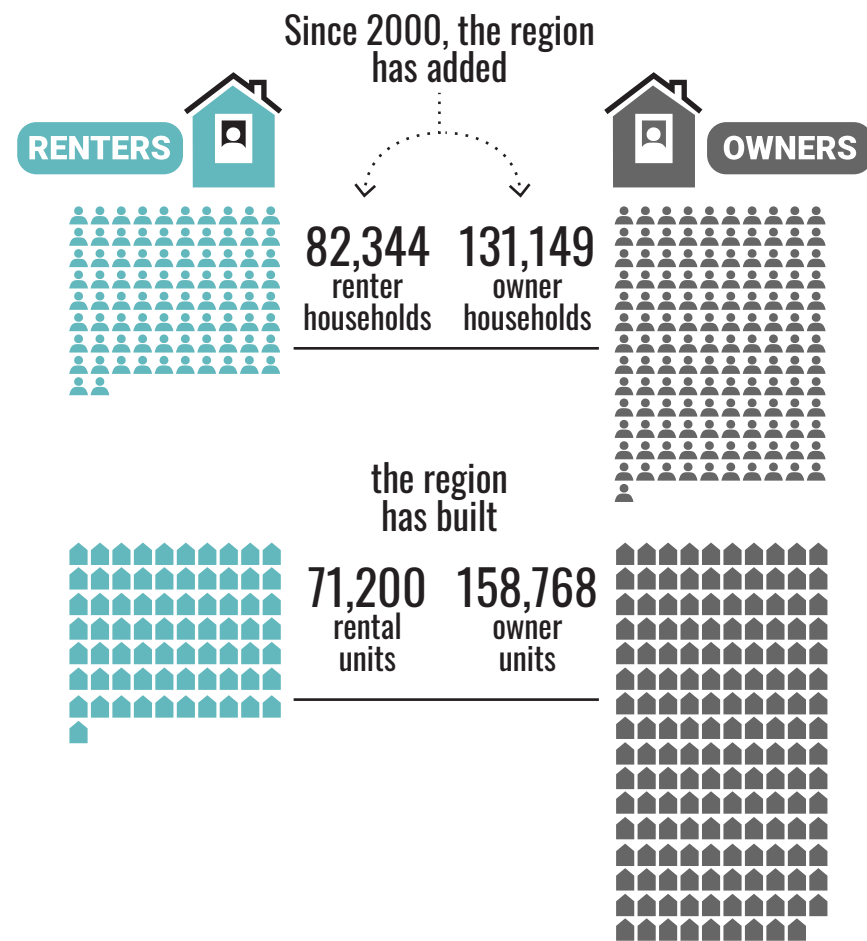
# HOUSING PRODUCTION SYSTEM

The regional housing production system has responded better to the needs of owners than renters since 2000. Between 2000 and 2017, the region grew by more than 82,000 renter households but built fewer than 72,000 new rental units. At the same time, new construction in the ownership market grew faster than the number of owner households, with nearly 160,000 new owner units built for just over 130,000 new owner households.

Why is the housing production system building ownership units that seemingly are not needed? Why is it not producing much needed rental units, especially with the deficit of units for low-income households? The simple answer is that new construction is expensive, and therefore is only affordable to incomes at or near the top of the market.

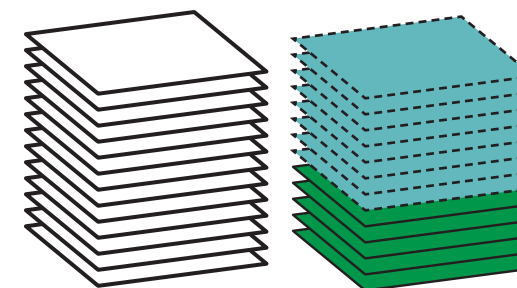
Based on market data, stakeholder interviews, and data on local construction and land costs, czb estimates the break even rent – what is required to make construction feasible – for a new, modest two-bedroom apartment is \$1,300, which is far out of reach for the region’s poorest renters who can afford no more than \$500 per month. For a new single-family house of 1,800 square feet with three bedrooms and two bathrooms, czb estimates a required sale price of approximately \$350,000. At these costs, there can be no new construction for renter households earning less than \$50,000 or for owner households earning less than \$100,000 unless the new construction is heavily subsidized.

The marketplaces solves the mismatch between housing needs and new construction through filtering, which is the process of housing becoming older, less desirable, and therefore more affordable as new units are built. As part of the process, older ownership housing may convert to rental to satisfy the market for rentals at lower rents than new construction can offer. This is undoubtedly occurring in the region and is the only explanation of the gap between new renter households and new renter units.



Source: czb analysis of 2000 and 2013-2017 American Community Survey Data.

Break Even Rent for a New Unit  
**\$1,300**



**\$800**  
Monthly Rental Gap

**\$500**  
Monthly Rent Affordable to Households Earning \$20,000

Source: czbLLC.

## THE TAKEAWAY

New construction is only affordable at the top of the market—owner households earning at least \$100,000 and renter households earning at least \$50,000.

The private sector housing production system cannot create units for incomes below that level without significant subsidy.

As the top of the market leaves older units behind, and they decrease in value or price, they filter down to lower earning households.

Rental demand is often met with ownership units that convert to rental as they age.

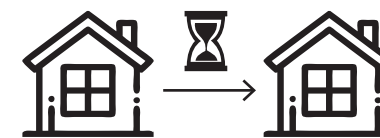
## How does filtering work?

As new units are built and satisfy demand at the top of the market, older housing...

becomes less desirable.

becomes more affordable.

ownership may convert to rental.



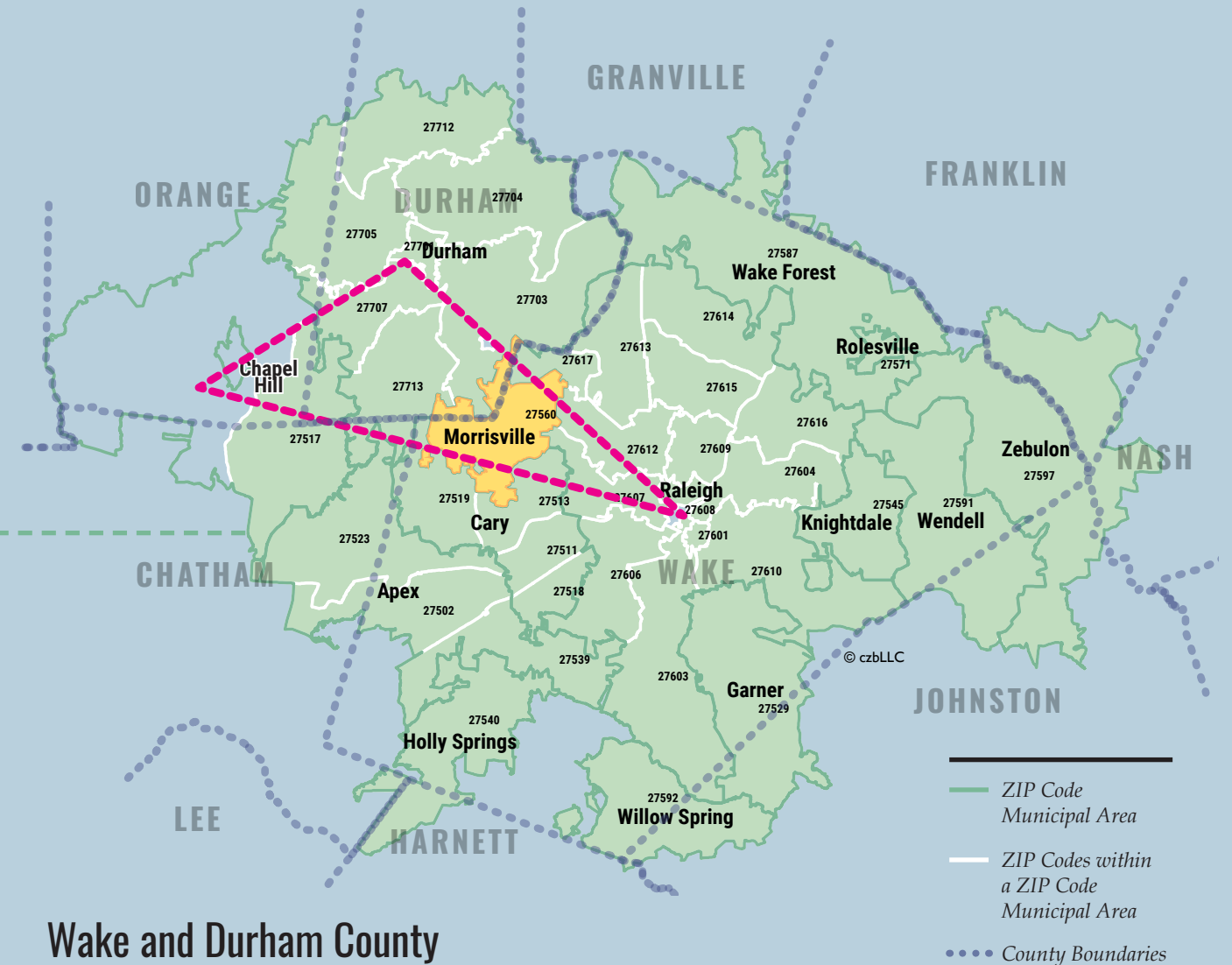
HOUSING OVER TIME



# HOUSE AND LAND VALUES IN WAKE AND DURHAM COUNTIES



The most acute issues in housing affordability owing to high costs are not region-wide. They are concentrated in the core of the region, especially in western Wake County. Understanding what is happening and what opportunities for intervention might be most appropriate requires zooming in to the region's center.



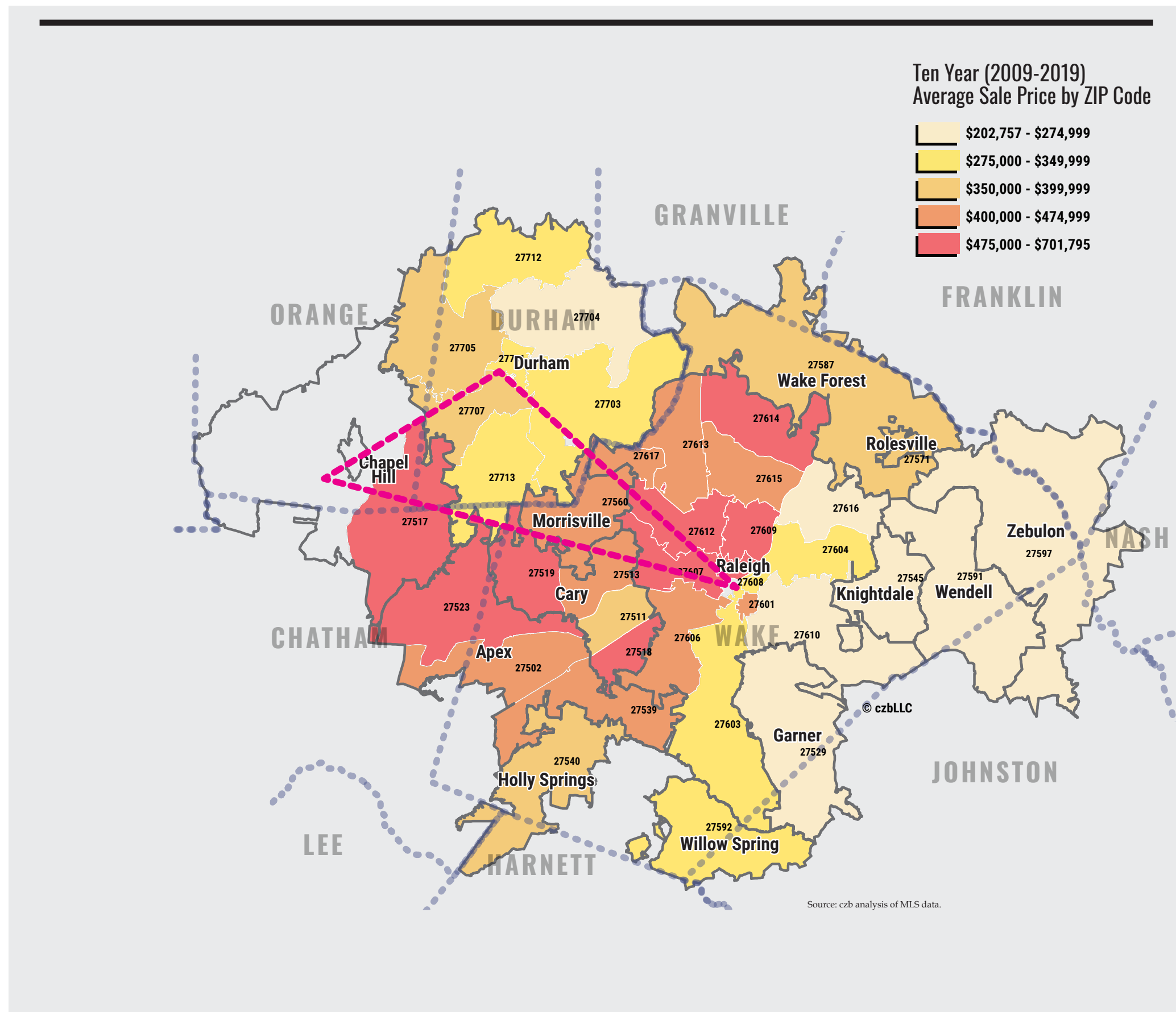
The availability of a decade's worth of sales information from the Multiple Listing Service (MLS) for Wake County and Durham County allows for an analysis of the ownership market at the region's core. Wake and Durham Counties are home to more than 70% of the region's population and households. Data are analyzed and reported by ZIP Code. Each ZIP Code is assigned to a municipal jurisdiction by the Census Bureau. For example, the area labeled as Raleigh is not the Raleigh corporate limits, but rather the collection of ZIP Codes associated with Raleigh.

## HOUSE AND LAND VALUES IN WAKE AND DURHAM COUNTIES

The region's highest average sales prices are found in western Wake County, stretching from the west side of Raleigh, across Morrisville, Cary, and Apex westward toward Chapel Hill.

The map to the right shows the ten year average sales price by ZIP Code across the two counties. In nearly every part of this territory, average sales prices have exceeded \$400,000. Homeownership in eastern Wake County and in Durham County has been less expensive, with most ZIP Codes in those two areas staying below an average sale price of \$350,000. In fact, across much of eastern Wake County, average sales prices have been well below \$300,000, offering some of the most affordable ownership opportunities.

As a practical matter, however, ownership is not really an option across the two county area, even in the least expensive places, for households with incomes below \$75,000. The income required as a household shifts its gaze from eastern Wake County to western Wake County grows to \$100,000. In every ZIP Code across the Raleigh-Durham region, there will be affordable ownership units for households earning lower incomes, but there will not be as many of them as there will be higher priced units, and they will be older, of lesser quality, and in less desirable locations than most buyers would likely want.





## HOUSE AND LAND VALUES IN WAKE AND DURHAM COUNTIES

# THE EFFECT LAND VALUES HAVE ON HOUSING VALUES OVER TIME

To understand opportunities and constraints when it comes to affordable housing, it is important to understand how markets change over time and the role that land plays in housing development and values.

While the housing policy world in 2019 is focused on costs of construction and land use regulations, the value of land is the major variable bearing on housing costs. Construction can only be value engineered but so far, and density increases only help when there is some combination of very expensive land and a major increase in the number of units allowed. Across Wake and Durham Counties, the value of land in any given ZIP Code currently ranges from about \$20,000 per acre to nearly \$1,000,000 per acre. This has important impacts on housing costs, both present and future.

**High land values are an indicator of high demand for those locations.** The highest land values in the region are in or near the downtowns of Raleigh and Durham and in Morrisville and Cary. These high values, due to renewed demand for urban cores in the former case and centralized regional locations in the latter, will boost the prices of existing units and justify high prices for new units.

**Values appreciate slower at the top.** Some of those same areas, notably Morrisville, Cary, and central Raleigh, are also areas that have seen the slowest appreciation in the last five years. This is because there is a plateau effect when prices rise too high; the market for the most expensive locations is not infinitely deep and it is price sensitive. Cheaper options nearby decrease price pressure at the top. For top earners in the region, there is always another choice nearby.

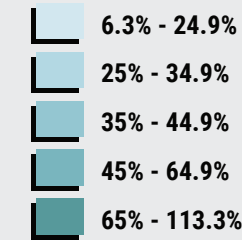
**Values appreciate faster closer to the bottom.** In areas of cheap land and relatively easy suburban development, an influx of new houses can boost the average sales price quickly. This is because new construction, independent of land value, is expensive. This phenomenon has been on display in places like Wendell and areas west of Apex.

**Land becomes valuable when it becomes scarce.** When demand for a certain location exceeds the supply of land in that location, the value rises. That is what has occurred in the most expensive parts of the region. As demand grows in the region, and that demand is increasingly satisfied by moving outward from the core of the region, peripheral land will become more expensive, and more and more land will be consumed. And what is not consumed will see its monetary value benefit from scarcity.

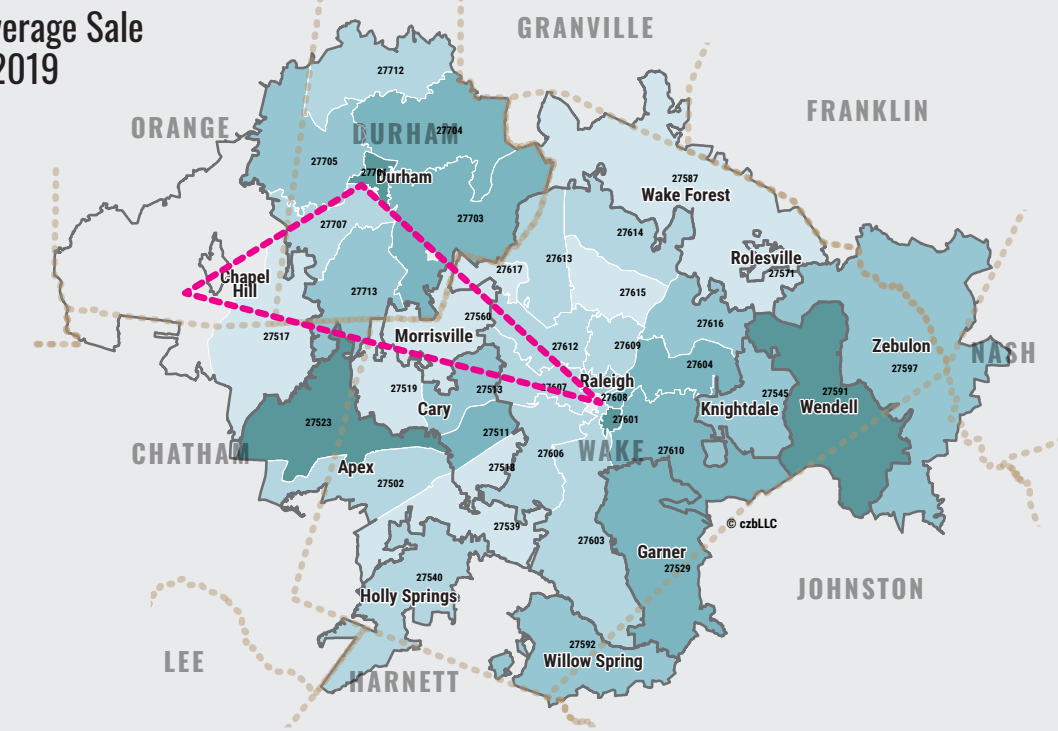
The lesson for housing strategists across the region is to control land in areas that are experiencing now, or will soon experience, significant increases in demand and thus land values and thus housing costs. Intervening to create affordability once the values have already skyrocketed is a heavy lift for the public sector. By contrast, making land investments now that will grow in value allows for much more flexibility in the future.

Land banked now can be sold at higher value later or contributed to affordable housing development under a variety of scenarios that will support and maintain affordability.

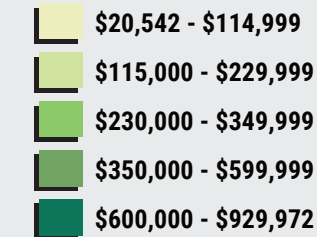
Five Year % Change in Average Sale Price by ZIP Code, 2014-2019



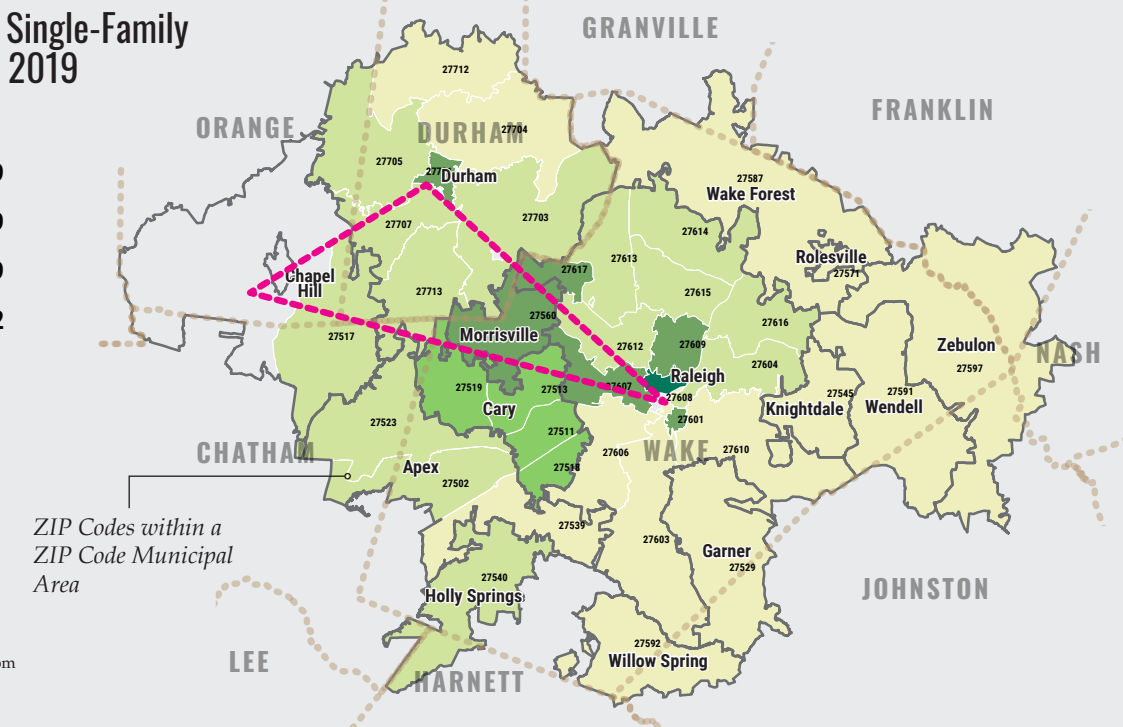
Source: czb analysis of MLS data



Land Value Per Acre, Single-Family Parcels, by ZIP Code, 2019



Source: czb analysis of Assessor data from Durham County and Wake County



THE TAKEAWAY

The Raleigh-Durham affordability challenge is best described as: high costs in a few places and low renter incomes everywhere.

OWNERS

Owner incomes, in relation to home values, are not only high enough to afford homeownership in the region, but high enough to afford even more than owners are actually paying. The region is a relative bargain for homeowners as it stands today.

Technically speaking, there is a shortage of ownership units for households earning less than \$35,000, but given the unpredictable additional expenses of homeownership beyond the down payment and mortgage, it is generally not advisable for households at such low incomes to be homeowners anyway, and not a direction to point affordable housing policy towards.

The 10% of households earning between \$35,000 and \$50,000 will have less choice in the ownership market, but their affordability challenges go away if they choose instead to rent until their incomes change for the better.

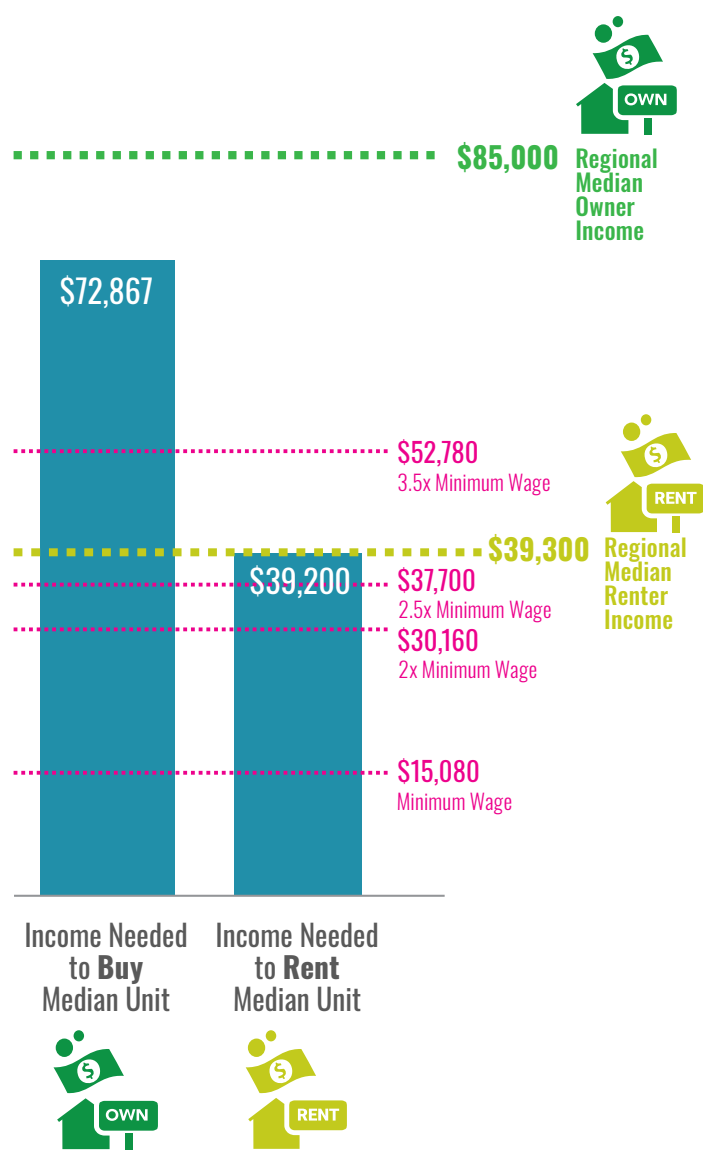
For the 75% of owner households who earn \$50,000 or more, there is significant choice across the region. Not every household will be able to find the exact house they want in the exact location they want at the exact price they want to pay, but as a matter of affordability, most owner households can find a house they can afford.

RENTERS

While rents are high in Chapel Hill and parts of western Wake County relative to renter incomes in the region, rents across the rest of the region are not. This means there is not an overall rental affordability crisis.

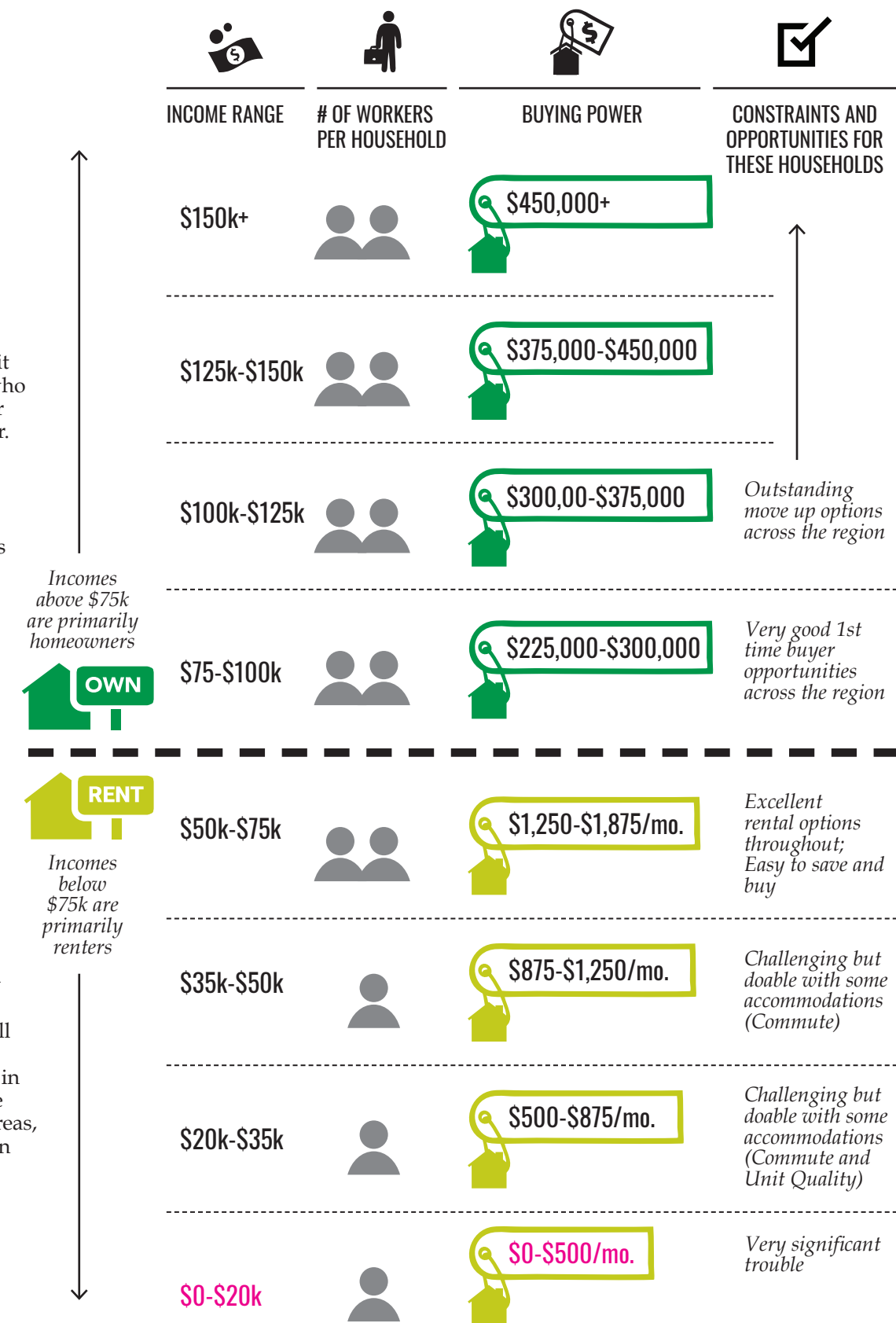
The challenge in the rental market is for those renter households below the median renter income of about \$39,000, and the farther below the median a household is, the more it will struggle.

For simplicity's sake, when a household earns about 2.5 times the minimum wage (\$37,700 per year at full time), it is within striking distance of the median rent in the region. As renter income drops below that level, rent burdens begin to climb. Eighty-two percent of renter households between \$20,000 and \$34,999 and 90% of renter households earning less than \$20,000 per year are cost burdened, paying more than 30% of gross income toward rent.



Source: czb analysis of 2013-2017 American Community Survey data

If there is a rental affordability crisis in the Raleigh-Durham region, it is for those households who have either no workers or a single low-wage worker. The region's biggest problem in reality, is not high housing costs, but tens of thousands of low-income renter households who would struggle to afford housing anywhere in America. There are 58,000 renter households earning less than \$20,000 in the region (8% of all households) who would be cost-burdened even if they lived in one of the least expensive cities in the country, like Youngstown, OH or Buffalo, NY. Another 7% of renter households are earning between \$20,000 and \$34,999 and they too may struggle to pay the rent, though not as severely. All other households should be able to afford housing in the region unless they are seeking to live in select areas, most especially in western Wake County.



PART 2

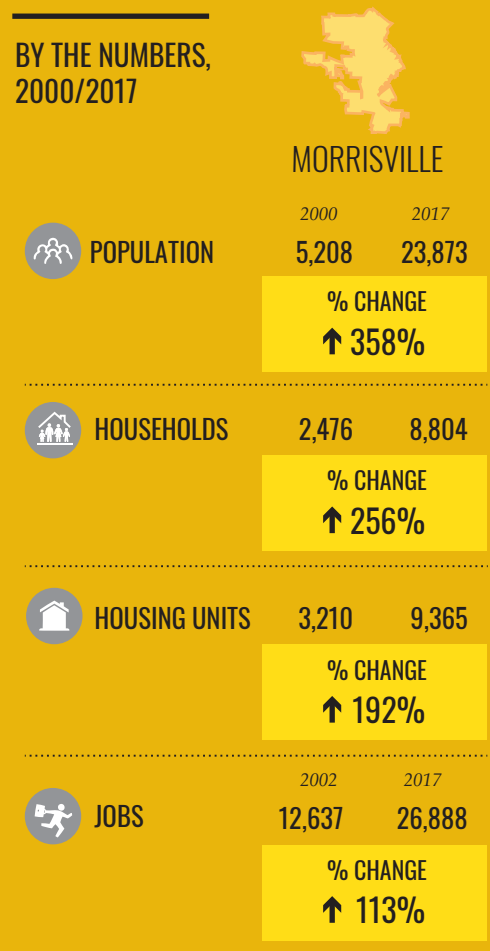
# THE MORRISVILLE MARKET

To say Morrisville has changed since 2000 is a dramatic understatement. In fact, Morrisville as it is known today did not even exist in 2000.

In 2000, Morrisville had barely more than 5,000 residents in fewer than 2,500 households. Less than two decades later, the population has increased nearly fivefold and the number of households has more than tripled. In addition to its emergence as a residential suburb, it has increasingly become an employment center, doubling the number of jobs in the town from roughly 12,000 to 26,000 between 2002 and 2017.

Two-thirds of Morrisville's current housing units did not exist in 2000. As western Wake County leveraged its location near the Triangle to absorb growing regional demand over the past 20 years, Morrisville developed quickly into a modern suburb.

BY THE NUMBERS, 2000/2017



Source: czb analysis of 2000 Census and 2013-2017 American Community Survey Data.

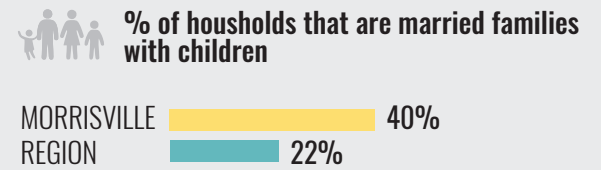
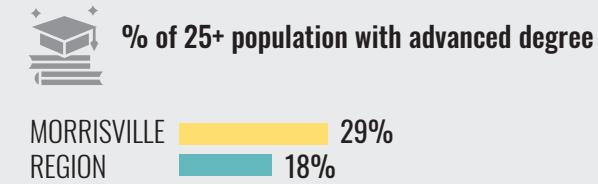
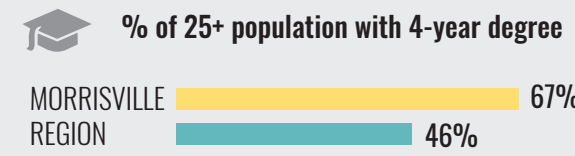
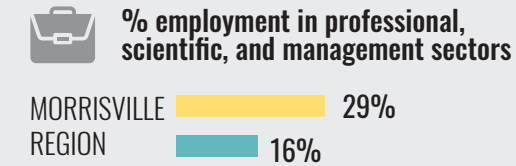
Generally speaking, Morrisville today is comprised of households headed by well-educated people, earning incomes higher than those found in the rest of the region, and married and raising children at rates higher than the rest of the region.

Morrisville residents more or less resemble the region in terms of employment, with a notable exception in the professional, scientific, technical, and management sectors. Morrisville residents hold those jobs at nearly twice the rate of the region overall. This goes hand in hand with Morrisville's high level of educational attainment, which exceeds that of an already highly educated region. Two-thirds of adults living in the town have four-year degrees and nearly 30% have advanced degrees.

It is no surprise then that a town with highly educated residents working in well-compensated fields has higher incomes than other parts of the region. Morrisville's median household income of \$95,763 is over 50% higher than the surrounding region's.

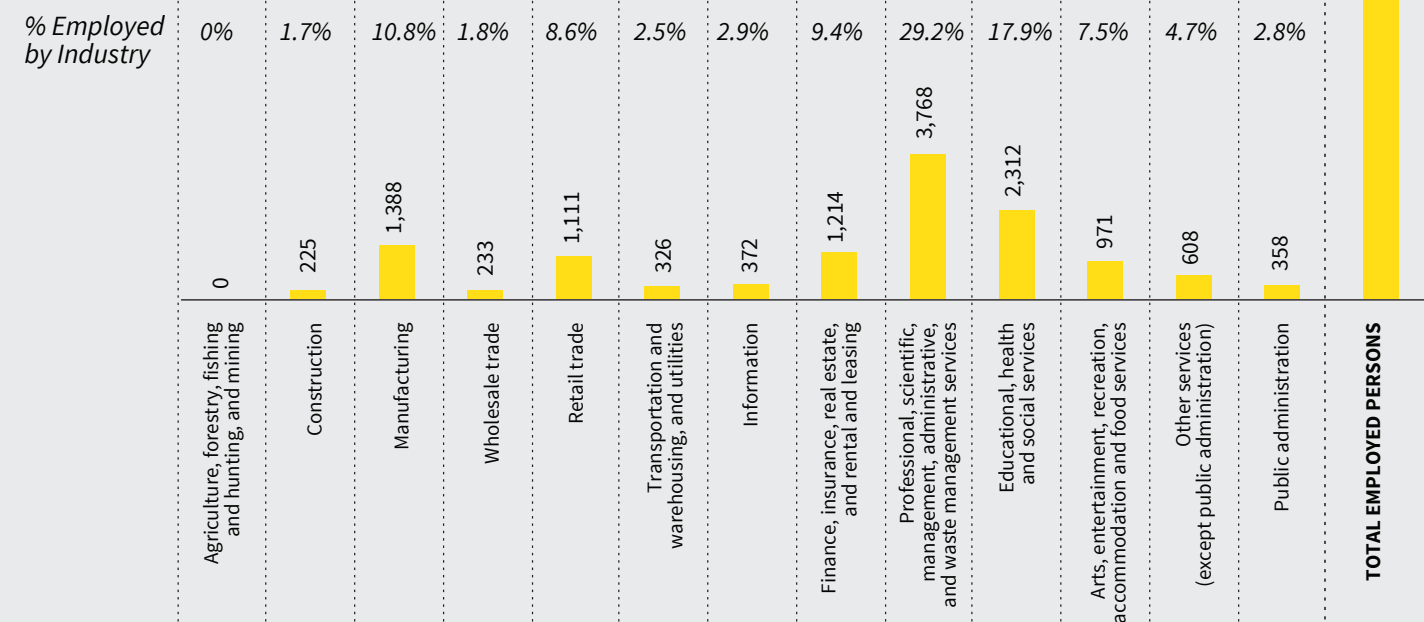
Morrisville is a regional outlier when it comes to household types as well. The town has become home to many married couple families with children. These families comprise 40% of the town's households, compared to only 22% across the entire region. The high levels of education and rates of marriage result in a number of high-earning two-income families which push Morrisville's median family income to \$111,000 compared to about \$80,000 in the region.

Morrisville / Region, 2017



Source: 2013-2017 American Community Survey data

Morrisville Employment by Industry Category, 2017



Source: 2013-2017 American Community Survey data



# MORRISVILLE HOUSING STOCK

The strength of the Morrisville market has been tied in recent years to its physical housing stock. Top-of-market demand from well-educated and high-earning households in the core of the region has supported expensive new construction in Morrisville. In turn, new construction has attracted top-of-market demand. The town's housing stock shares some important characteristics with those of selected Wake County neighbors—characteristics that transcend municipal boundaries. But Morrisville's housing is also different from some of its neighbors in important ways.

## Units per Structure

According to Census figures, Morrisville's housing stock, in terms of its breakdown of units per structure, differs dramatically from that in nearby places. Just over one-third (37%) of Morrisville's stock is single-family detached, less than in Raleigh (where half (47%) is) and well below Cary (61%), Apex (68%), and especially Holly Springs (86%). Morrisville has a much larger share of single-family attached homes, and a significantly larger share of units in medium-sized multifamily buildings.

## Homeownership Rate

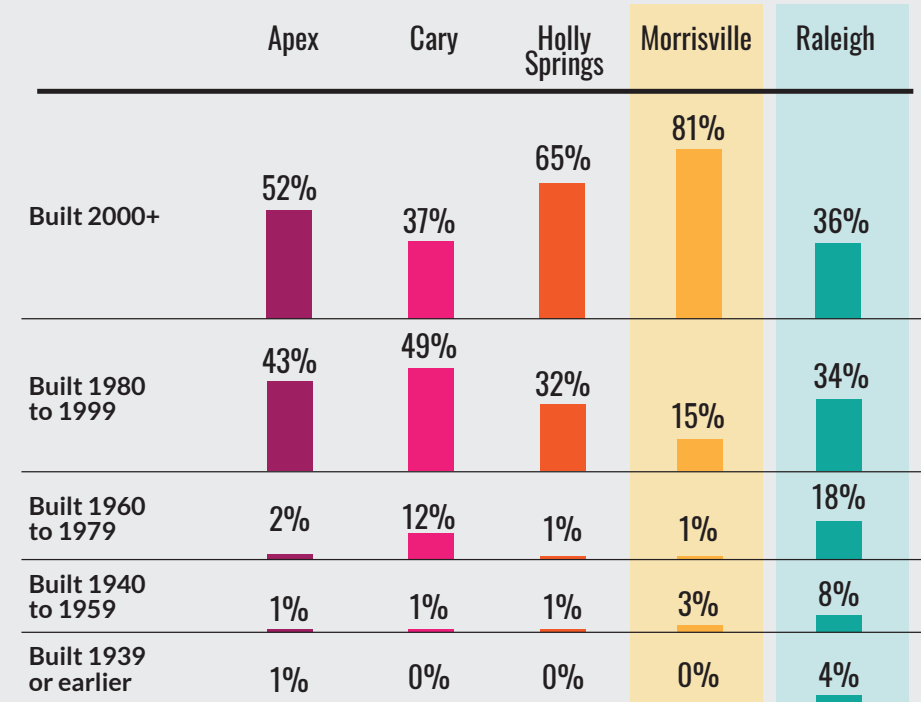
Morrisville's single-family detached units are also slightly less likely to be owner-occupied than those in nearby towns (85% in Morrisville versus at or over 90% in Apex, Cary and Holly Springs); Morrisville's homeownership rate in single-family detached homes is nearly identical to Raleigh's. While Morrisville's single-family attached homes have a lower homeownership rate than its detached homes do (64% versus 85%), this rate is comparable to that for single-family attached homes in all nearby places except Holly Springs, where 78% of single-family attached units are owner-occupied.

	Apex	Cary	Holly Springs	Morrisville	Raleigh
<b>All Housing Units</b>	16,883	63,008	10,425	9,365	194,768
<b>Single-family Detached</b>	68%	61%	86%	37%	47%
<b>Single-family Attached</b>	13%	13%	5%	21%	14%
<b>Multifamily, 2-4 Units</b>	3%	2%	0%	4%	6%
<b>Multifamily, 5-19 Units</b>	9%	15%	4%	27%	19%
<b>Multifamily, 20+ Units</b>	6%	7%	3%	10%	12%
<b>Homeownership Rate</b>					
<b>SF Detached</b>	90%	92%	92%	85%	84%
<b>SF Attached</b>	67%	67%	78%	64%	64%
<b>Owner occupied single-family (detached or attached) as a percentage of all units</b>	67%	64%	81%	43%	45%

Source: 2013-2017 American Community Survey data

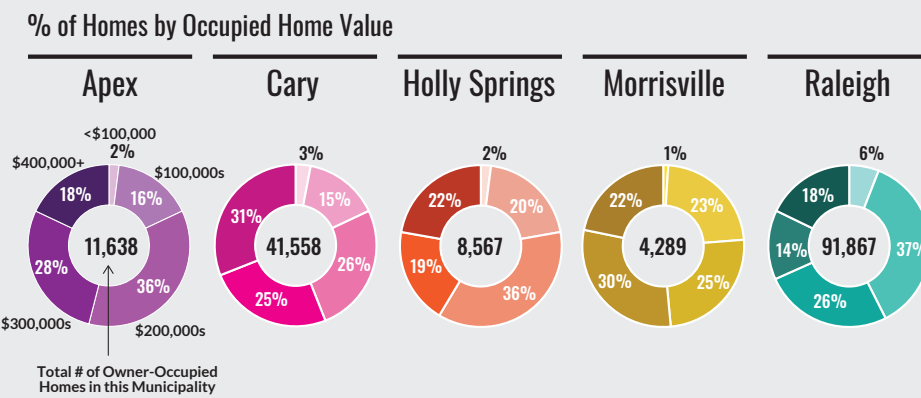
## Age of Housing Stock

The vast majority (81%) of Morrisville's single-family units were built since 2000, a much larger share than nearby Holly Springs (65%) and Apex (52%), and more than twice the share in Cary (37%) and Raleigh (36%). Just 4% of Morrisville's single-family homes were built prior to 1980 – not unlike in Apex and Holly Springs. Cary and Raleigh both have a much larger percentage of older (pre-1980s) homes.



## Owner-Occupied Home Values

Overall, Morrisville's owner-occupied units breakdown between values much like its peer towns (although significantly differently than nearby Raleigh).



## Year Owners Moved In

As another indicator of demand, *nearly all* (94%) of Morrisville's owner-occupants moved into their current unit since 2000, and *nearly half* (48%) moved in since 2010. Holly Springs comes closest to matching these percentages, followed by Apex. Both Cary and Raleigh have smaller percentages of recent movers.

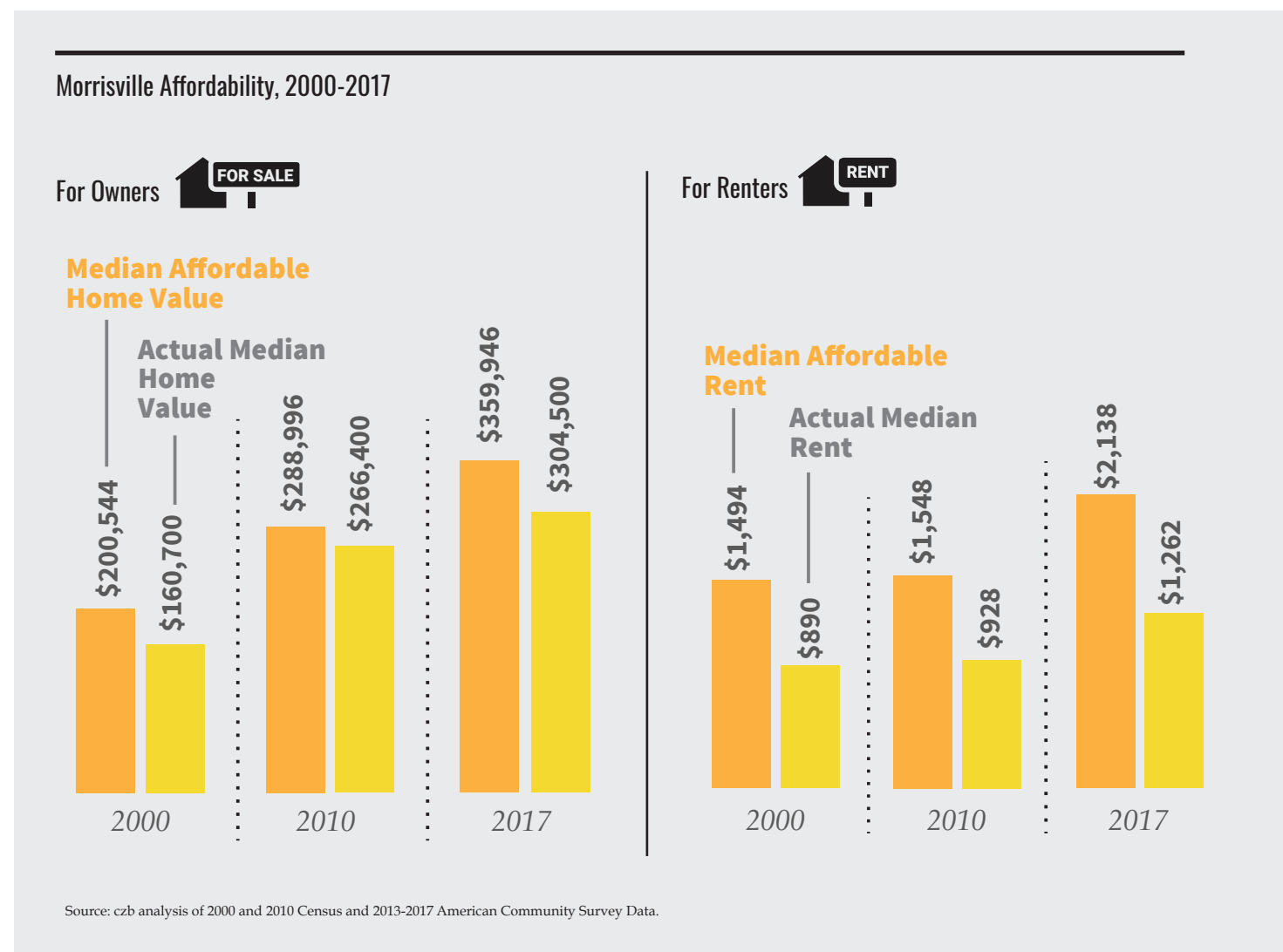
	Apex	Cary	Holly Springs	Morrisville	Raleigh
<b>% of Owners Moved in 2000+</b>	82%	73%	89%	94%	71%
<b>% of Owners Moved in 2010+</b>	37%	32%	39%	48%	30%

Source: 2013-2017 American Community Survey data

# MORRISVILLE AFFORDABILITY

Similar to the region, Morrisville owners at the median do not struggle to afford homes in the town. This is not because owner units are inexpensive—the 2017 median value was \$304,500—but rather because the median owner income is quite high at \$120,000. This relative ease of owner affordability has been the case since 2000.

Like Morrisville owners, Morrisville renters benefit not from low rents, but from high incomes. The town has experienced construction of numerous housing units in recent years, which come with the higher rents necessary to cover the cost of new construction. The 2017 median rent in Morrisville was \$1,262, easily affordable to the median renter household in Morrisville which was earning \$77,000. Morrisville renters have generally been able to afford Morrisville rents since 2000.



# MORRISVILLE AFFORDABILITY FOR HOMEOWNERS

## Gap analysis for the ownership market in Morrisville reveals the following:

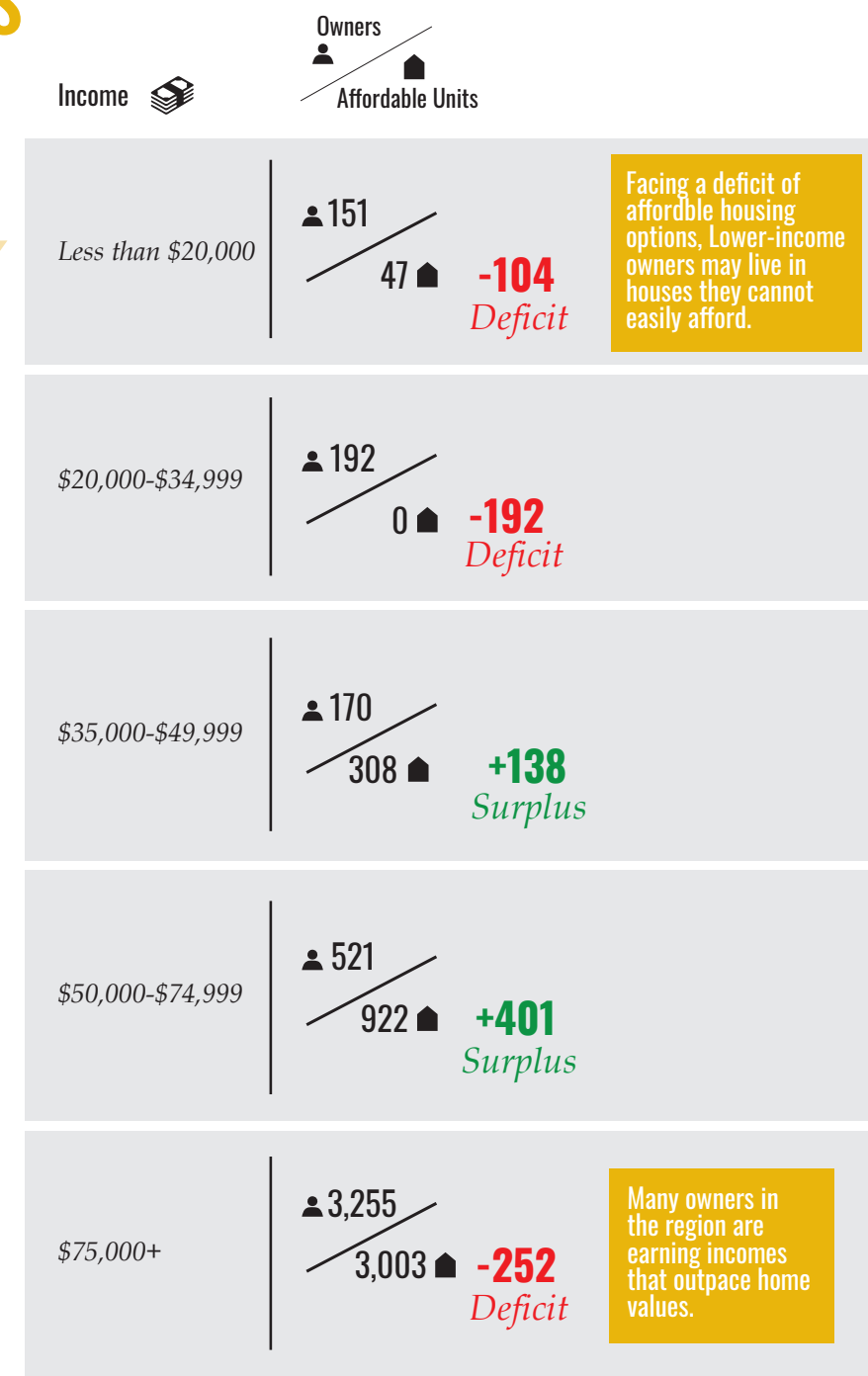
There is a deficit of ownership units affordable to households earning less than \$35,000 per year, but an even larger deficit of ownership units for households earning \$75,000 or more. There is an excess of units available to households in the middle, earning \$35,000-\$74,999.

The deficit for households earning \$75,000 or more means there are not enough ownership units valued at \$225,000 or more to take up 30% of income for those owner households. Many owners in the town are earning incomes that outpace home values.

At the other end of the income spectrum, lower income owners face a deficit that means they may live in houses they cannot easily afford. These numbers could include elderly owners who no longer have a mortgage. In that case, the affordability story is more nuanced. But certainly new buyers at such low incomes will struggle to afford ownership.

The excess of units in the middle reflects the pricing in the regional market, where many homes can be purchased for somewhere between \$100,000 and \$225,000. This means lower-income households must stretch to afford a house, while upper-income households get a relative bargain by paying less than they could afford.

Gap between Owner Units and Owner Households by Income, 2017

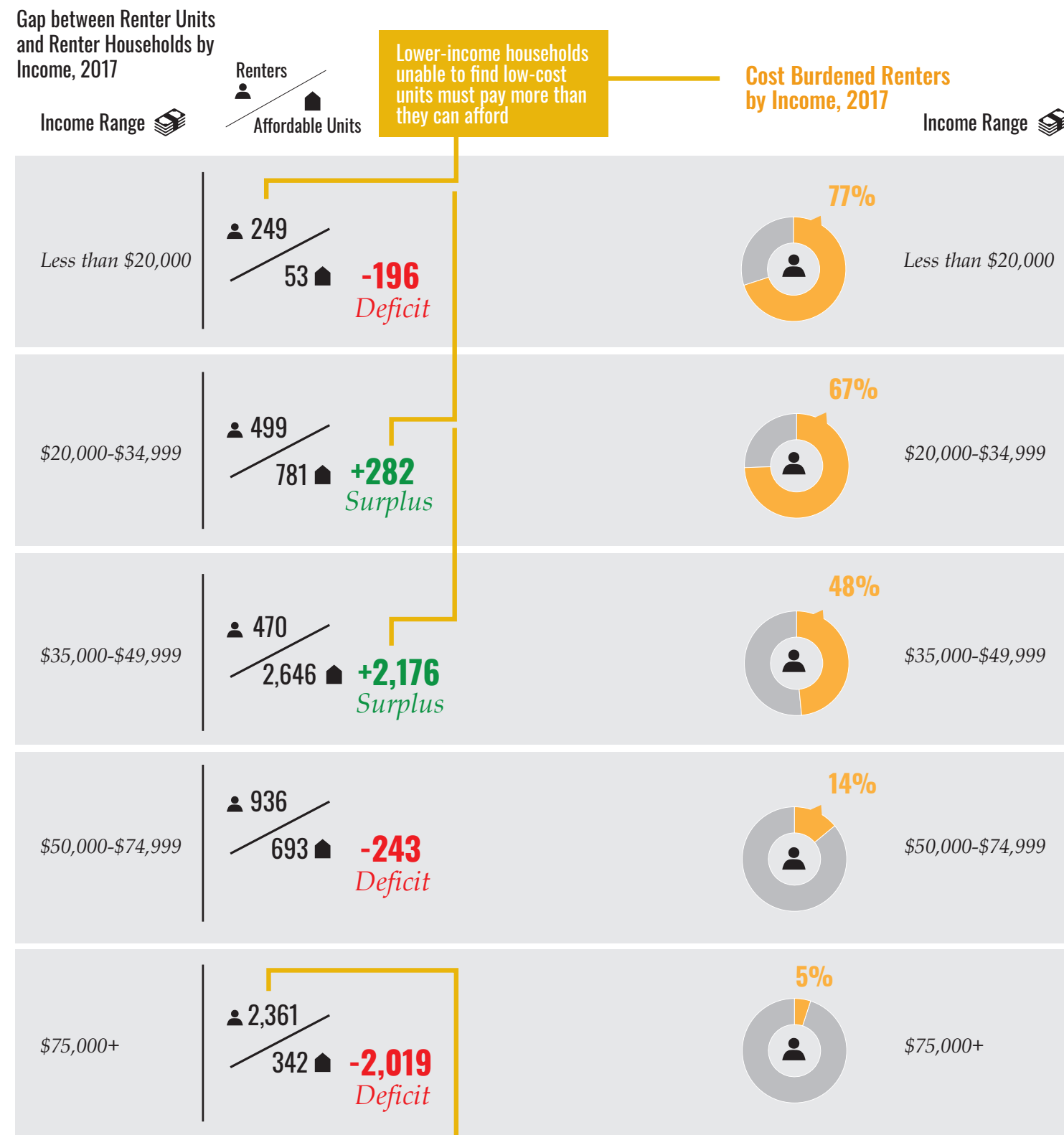


# MORRISVILLE AFFORDABILITY FOR RENTERS



Gap analysis for rental units in Morrisville reveals the following:

There is a deficit of rental units affordable to households earning less than \$20,000 per year and households earning \$50,000 or more. There is an excess of units available to households in the middle, earning \$20,000-\$49,999. Households earning less than \$20,000 can only afford \$500 per month in rent, but the private sector struggles to provide such low-cost units. It is no surprise then, that there are not enough units in that price range. For higher-income households earning \$75,000 or more, there are not enough rental units available that will absorb 30% of their gross income.



The percentage of cost burdened renters at lower incomes resembles the region. Nearly eight in ten renter households earning less than \$20,000 and two-thirds of renter households earning \$20,000 to \$34,999 pay more than 30% of their gross income toward rent. However, out of 4,500 renter households in Morrisville, there are fewer than 250 earning less than \$20,000 and fewer than 500 earning between \$20,000 and \$34,999. Morrisville's higher rents compared to the region make it unlikely that lower income renter households will live in the town.

Source: czb analysis of 2013-2017 American Community Survey data



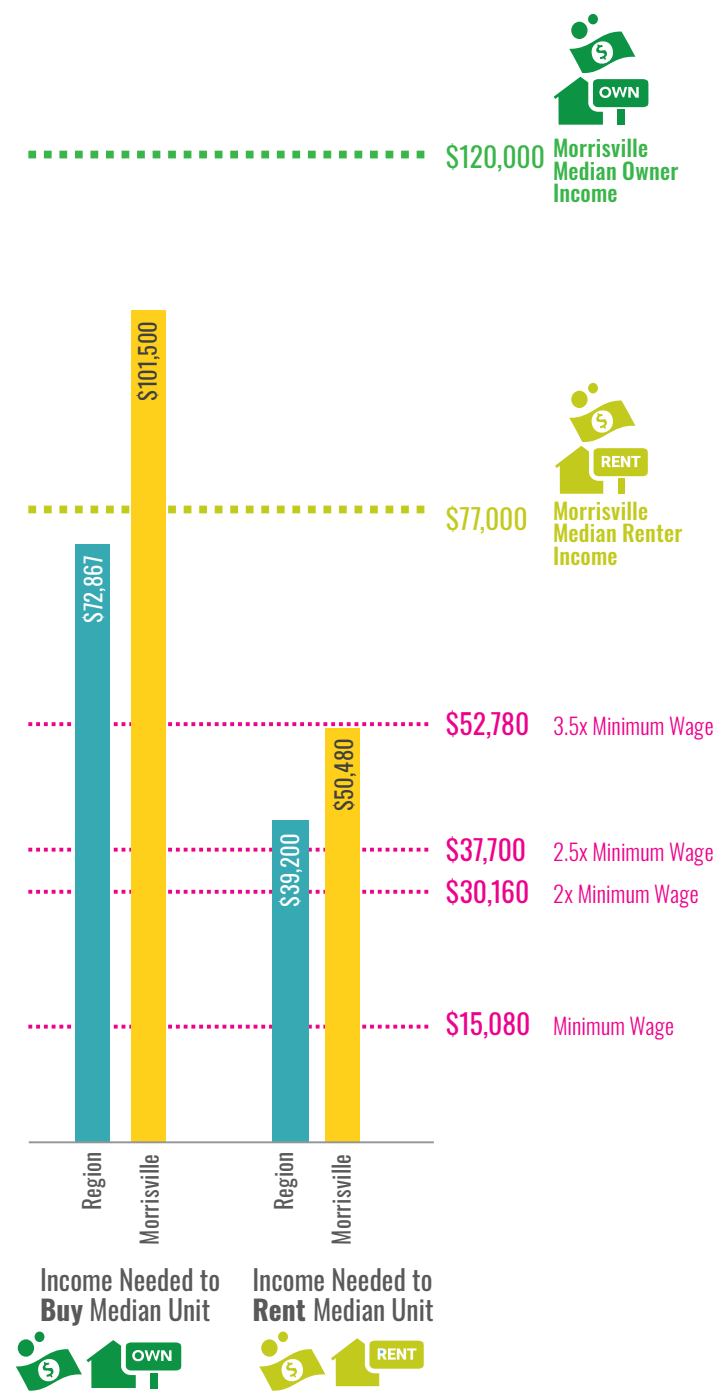
**THE TAKEAWAY**

**Like the region, Morrisville is not facing an overall affordability crisis.**

Rents and home values in Morrisville are some of the highest in the region, but owner and renter incomes are also among the highest. What this adds up to is a picture of comfortable affordability for most Morrisville households. There are some households, however, that will struggle to afford housing in Morrisville.

Unlike the region, where 2.5 times the minimum wage allows renter households to avoid the worst affordability challenges, Morrisville rents require nearly 3.5 times the minimum wage. Ownership is difficult in Morrisville until a household's income approaches \$100,000. The cost burden figures for lower-income renters and owners in Morrisville indicate that only a small percentage of existing households are paying more than they can afford. This is likely because renter households making less than \$50,000 or owner households making less than \$100,000 have many more affordable options just outside Morrisville. There is no justification for paying more than they can afford to live in Morrisville. Morrisville's affordability problems, such as they are, are solved by other nearby places.

The Town, however, has expressed interest in contributing to increasing affordability within the region and enhancing housing opportunities for specific categories of workers who have connections to the town.



Source: czb analysis of 2013-2017 American Community Survey data

**Target Markets for Housing Opportunities in Morrisville**

Discussion by the Town Council, supported by survey results from the community, suggest that the Town of Morrisville should focus its affordable housing efforts as narrowly as possible in order to responsibly achieve its aims. Affordable housing interventions are expensive and public funds, especially at the local level, are finite.

As a general rule, the lower a household's income, the more expensive it is to assist; affordability gaps widen as incomes shrink. Those gaps also become easier to close as incomes rise. With this in mind, and given its limited financial resources, the Town should not focus its efforts on households making less than twice the minimum wage, which is about \$30,000 per year.

Rental: As a general rule, the Town should not dedicate resources to households earning more than 3.5 times the minimum wage, which is about \$53,000 per year, as households above this income threshold have sufficient rental options in Morrisville and even better options in the region outside Morrisville.

Ownership: Morrisville especially values public employees, including teachers, first responders, and other local government workers who today might not be able to live in the community they serve. While public sector workers generally have higher incomes than those in the service sector, and thus have more housing choice in the region, they may struggle to be homeowners in Morrisville due to the town's higher home values. To facilitate ownership opportunities for public sector workers in Morrisville, the upper household income limit for ownership assistance should be approximately \$80,000.

	Type of Worker	Minimum Income	Maximum Income
<b>RENTAL</b>	Any	\$30,000	\$53,000
<b>OWNERSHIP</b>	Public Employee	\$30,000	\$80,000

PART 3

# RECOMMENDATIONS FOR TAKING ACTION

Narrowing the focus of Morrisville’s affordable housing work to two specific challenges to address – as laid out at the end of Part 2 – is an important step to taking action and avoiding the paralysis that comes with being unfocused. Now, for each challenge to address, there are specific actions that can be expected to yield tangible results. Those presented here have been selected due to their responsiveness to the challenges and to the housing market and land use context of Morrisville and the region today.

## Challenge to Address Public Sector Employees



### ESTABLISH A COMMUNITY SERVANT HOUSING CHOICE PROGRAM



Down Payment Assistance



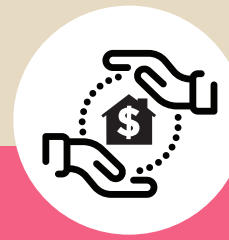
Shared Equity



Rent Assistance

Ensure that teachers, first responders and other public employees have opportunities to live affordably in the community they serve.

## Challenge to Address Low-Income Affordability



### CREATE AN AFFORDABILITY PARTNERSHIPS TOOLKIT



Master Leases



Land Purchases



Density Bonuses

Partner with private developers and Wake County to preserve existing affordable housing options and create new mixed-income housing developments.



### PAY INTO A REGIONAL HOUSING TRUST FUND

MORRISVILLE  
APEX  
WAKE COUNTY

RALEIGH  
CARY  
DURHAM COUNTY

DURHAM  
CHAPEL HILL  
ORANGE COUNTY

Be a charter member of a regional housing trust fund to contribute to affordable housing solutions for the Research Triangle and attract regional dollars to favored local projects.



## ESTABLISH A COMMUNITY SERVANT HOUSING CHOICE PROGRAM

The most direct way to address the challenge of affordability for public servants without revising pay scales is to offer financial assistance that broadens their range of housing options in Morrisville.

This means helping employees afford a home purchase that may be just beyond their current budget, or with covering a small rent gap to bring monthly rent within 30% of the employee household's gross income.

All or a combination of the following components should be considered core elements of a Community Servant Housing Choice Program. Which components to deploy and how much to allocate for them each year depends on how many households the Town wants to assist and what balance of homeowner or rental assistance it wants to achieve.

### Potential Components



Down Payment Assistance



Shared Equity



Rent Assistance

### TAKING ACTION: HOW MIGHT THIS BE SEQUENCED?

- 1 Select the components that would comprise a Community Servant Housing Choice Program
- 2 Develop program rules, determining such factors as
  - Employee eligibility
  - Responsible pricing parameters
  - Maximum assistance levels
- 3 Prepare the administrative functions, potentially within Human Resources, that would manage promotion, intake, contracting, and payments
- 4 Begin the program and promote it to employees
- 5 Evaluate the components and funding levels annually based on demand and the outcomes being realized, such as employee retention and successful homeownership

### Down Payment Assistance

A down payment assistance component would cover a share or maximum amount of the down payment and closing costs on a home purchase in Morrisville.

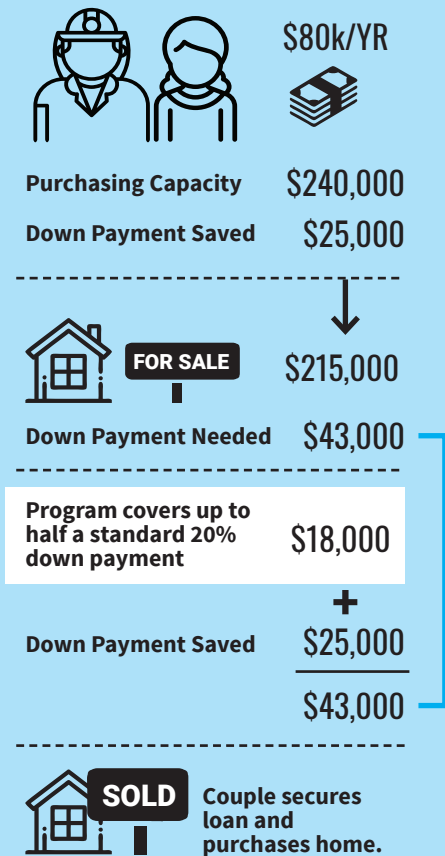
It could be treated as a loan with repayment due at sale, or it could convert to a grant if the employee stays with the Town on good terms for a minimum period and/or stays in the house for a minimum period.



### Example

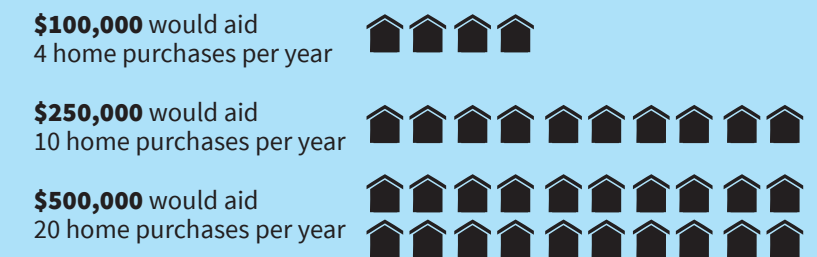
A Morrisville firefighter is newly married and renting in Cary with their spouse. Together they make \$80,000 and have begun shopping for a house. Their combined income gives them a purchasing capacity of up to \$240,000, but they currently have only \$25,000 saved for a down payment.

They find a townhouse selling in Morrisville for \$215,000. **The Town's program offers to cover up to half of a standard 20% down payment to help a qualifying employee secure a conventional loan.** The firefighter and spouse then put their \$25,000 down alongside \$18,000 from the Town to secure a loan and finalize the purchase.



### Cost Scenarios

Assuming that the average down payment assistance would be \$25,000...



...with the Town recouping its payment at future sale or making it a conditional grant.





# ESTABLISH A COMMUNITY SERVANT HOUSING CHOICE PROGRAM

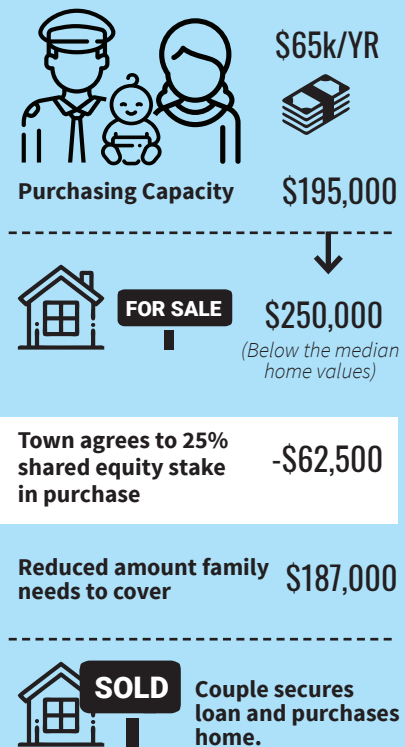
## Shared Equity

A shared equity component would provide a loan investment covering a specified share of a home purchase in Morrisville. The investment would stay with the home and the Town would receive the share back (including any appreciation) at resale.



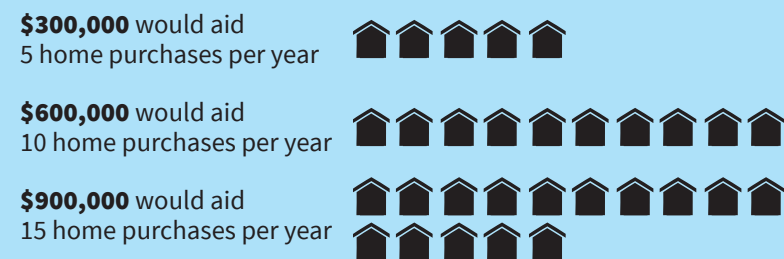
### Example

A Morrisville police officer and their spouse have a combined household income of \$65,000 and currently rent in Morrisville with a two-month-old baby. Their home purchasing power is around \$195,000 – well below median home values in the town. They find a house they like priced at \$250,000. **The Town agrees to a 25% shared equity stake in the purchase**, which brings the amount the family needs to cover down to \$187,500 – helping them qualify for a conventional loan. When the family sells, the Town will receive 25% of the fair market selling price.



### Cost Scenarios

Assuming that the typical shared equity investment would be **\$60,000...**



...with the Town receiving its share of equity back when the participating employees sell (and sharing in potential gains or losses).

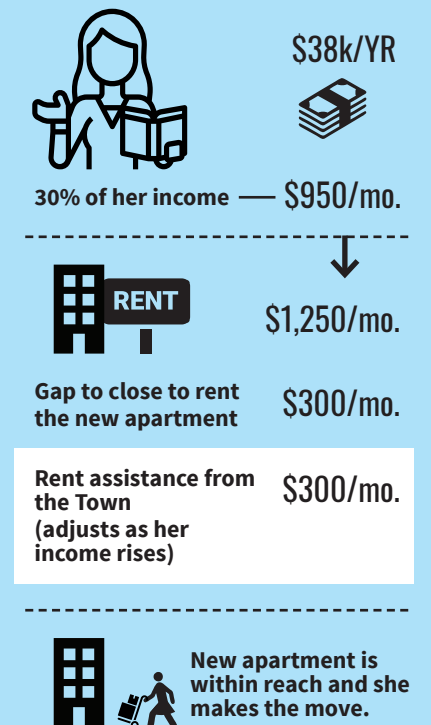
## Rent Assistance

A rent assistance component would cover the gap between what an eligible employee can afford to spend each month on rent (30% of net household income) and their actual rent payment.



### Example

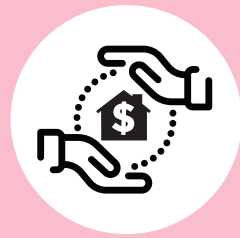
A teacher at Morrisville Elementary lives alone and makes \$38,000. She currently rents in Raleigh but is eyeing an apartment in Morrisville that rents for \$1,250 (on par with median rent in the town). 30% of her current income is \$950 – which means that there is a \$300 gap between what she can technically afford and what the new apartment would cost. She applies for rent assistance from the Town, makes the move, and receives a monthly payment to cover the gap – an amount that gets adjusted as her salary rises. Assistance is terminated if rent falls below 30% of net household income.



### Cost Scenarios

Assuming that the average recipient of rent assistance receives **\$250 per month (or \$3,000 per year)...**





## CREATE AN AFFORDABILITY PARTNERSHIPS TOOLKIT

To address rental affordability challenges in Morrisville, the Town has an opportunity to partner with the private sector in ways that will preserve and incrementally expand the supply of income restricted apartments.

A particular set of tools – those presented here – can be leveraged to make affordability partnerships work for the Town, for tenants, and for owners and developers.

As with the Community Servant Housing Choice Program, the exact composition and utilization of this toolkit will depend on the balances the Town wishes to strike – for example, between actions that quickly add to the affordable housing inventory and those that involve longer-term planning to shape new and inclusive residential communities.

### Potential Components



Master Leases



Land Purchases



Density Bonuses

### TAKING ACTION: HOW MIGHT THIS BE SEQUENCED?

- 1 Select the partnership tools that best reflect the Town's willingness and capacity to expand the community's
- 2 Identify how to integrate the toolkit into administrative and decision-making processes of relevant departments and boards.
- 3 Invest in the groundwork needed to make the tools work
  - Master Leases: Relationships with landlords and potential non-profit managers, an approach to contracting and administration.
  - Land Purchases: Criteria for evaluating and capitalizing purchase opportunities.
  - Density Bonuses: Proposing and adopting revisions to the zoning code.
- 4 Establish annual goals for the chosen tools and evaluate outputs and outcomes.

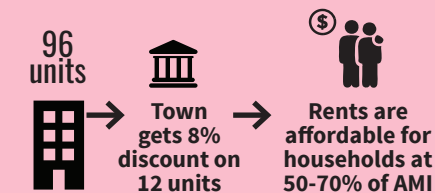
### Master Leases

A master lease program would involve the Town of Morrisville entering into long-term apartment leases with landlords, allowing the Town to preserve access to affordable units for income-qualified renters. Such an arrangement can ensure stability and cash flow for landlords and stability for potentially vulnerable tenants.



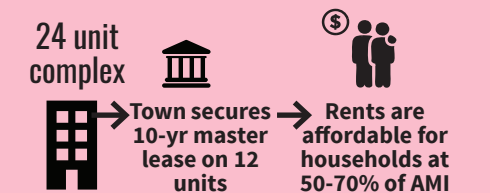
### Example A

A 96-unit apartment complex is proposed near Morrisville Town Center. To increase the supply of units affordable to service-sector workers in that area, the Town makes a deal with the owner to have a 10-year master lease on 12 of the 96 units. The Town gets an 8% discount from the market rate for saving the owner from advertising and vacancy costs and has contracted with a local non-profit to handle sub-leasing and tenant screening. Rents on the units are set to be affordable for households making 50% to 70% of AMI.



### Example B

Over the course of a year, the Town works with the owner of a 24-unit complex built in 1996 to secure a 10-year master lease on a block of 12 units. The Town contracts with a local non-profit to handle sub-leasing and tenant screening, and the Town's lease stipulates standards for maintenance and reinvestment by the owner. Rents on the units, which are already below the Town median, are set to be affordable for households making 50% to 70% of AMI.



### Cost Scenarios

Costs incurred by the Town would be a reflection of the number of units controlled, the gap between the cost of the lease and the revenue from the sub lease, and overhead.

If a master lease on a unit costs **\$1,600**, the Town sub-leases it for **\$950**, and annual overhead is **10% of the lease...**

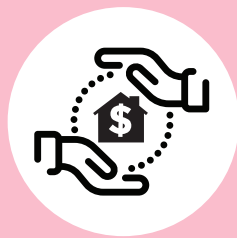
**One unit = \$9,720 per year**

**Ten units = \$97,200 per year**

If a master lease on a unit costs **\$1,100**, the Town sub-leases it for **\$800**, and annual overhead is **10% of the lease...**

**One unit = \$4,920 per year**

**Ten units = \$49,200 per year**



## CREATE AN AFFORDABILITY PARTNERSHIPS TOOLKIT

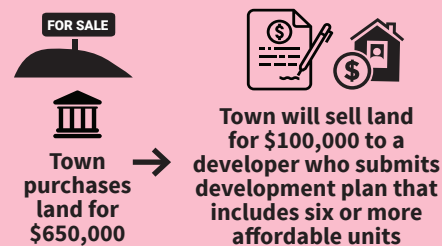
### Land Purchase with Inclusionary Outcomes



The Town would strategically purchase land, or secure purchase options on land, for the purpose of ensuring an inclusive outcome at sale. This may include selling below market value to a developer who agrees to build mixed-income housing, or selling at market value and investing the proceeds from appreciation into affordable housing efforts.

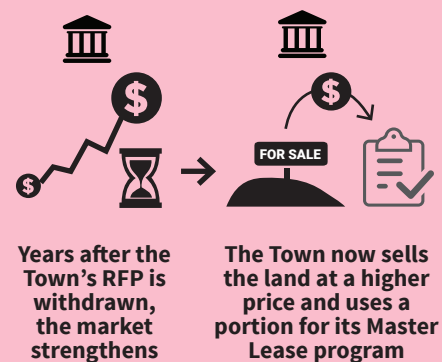
#### Example A

Two acres of mostly vacant land are for sale along Chapel Hill Road, with zoning that supports mixed-uses of moderate density. The Town makes the winning purchase offer (\$650,000), acquires the property, and demolishes two small homes and an outbuilding on the site. It then issues an RFP offering to sell the land for \$100,000 to the developer who submits the best plan for a mixed-income housing development that includes no fewer than six affordable units.



#### Example B

A short recession strikes before a developer is selected in Example A. Development slows considerably, interest in the RFP is limited, and the RFP is withdrawn. Two years later, the market is once again strong. The Town decides to sell the land for \$750,000 and allocates the \$100,000 profit towards its new Master Lease program.



#### Cost Scenarios

The costs incurred by the Town would be the price paid for strategically targeted land and the opportunity cost of making the purchase (and not, for example, spending the same sum on down payment assistance for employees or on master leases).

The potential benefit would be realized months or perhaps a few years later in the form of a carefully controlled outcome at the purchased property, privately developed affordable units, or proceeds to invest in affordable housing.

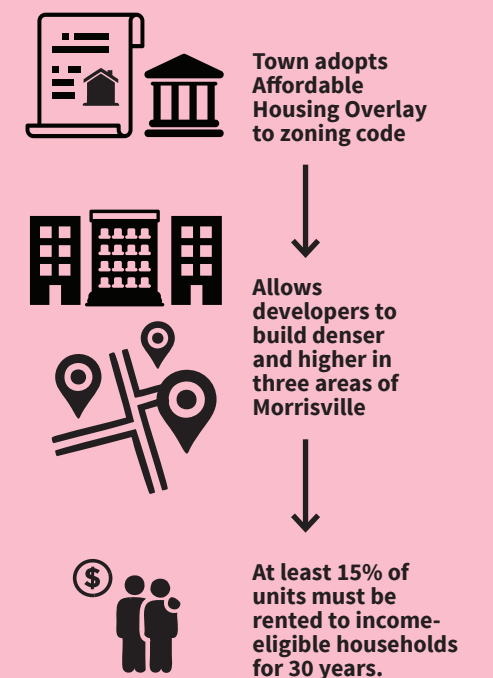
### Density Bonuses with Inclusionary Guarantees



The Town would identify areas where density bonuses will be granted to developers IF AND ONLY IF the resulting project incorporates a required number or percentage of units affordable to households in targeted income ranges.

#### Example

The Town adopts an Affordable Housing Overlay into its zoning code that specifies three areas of Morrisville – all near major job and retail centers – where developers will be allowed, by right, to build at a density and height greater than that allowed by the underlying zoning in return for supplying the market with affordable housing units. Of the total number of units produced, at least 15% must be rented to income-eligible households (making between 50% and 70% of AMI) for the following 30 years.



#### Cost Scenarios

The Town would have to grant new entitlements in order to obtain the benefits of having additional affordable units. Changing the zoning code to make this possible would require expenditure of political capital and a willingness to accept more density and height in prescribed areas.





## PAY INTO A REGIONAL HOUSING TRUST FUND

As Parts 1 and 2 of this Affordable Housing Plan demonstrate, it is impossible to adequately understand housing markets and issues in Morrisville or any Research Triangle community without grasping how housing works as a regional system.

After all, even the region’s largest city – Raleigh – has only a quarter of the region’s households. The City of Durham has 15%. The other 60% are scattered across dozens of smaller communities. Morrisville has 2.3% of Wake County’s households and only 1.3% of the region’s.

While individual efforts are underway in several places to address issues of affordability and access – including Morrisville – there is an overriding sense of uncertainty about how any one place’s efforts impact or change the bigger picture. This is a problem. If no single community or entity feels responsible for affordable housing in the region, or capable of making a meaningful dent, it will be difficult for any effort to be sustained at a serious level for a prolonged period. It will be too easy to become discouraged or point the finger at others.

A regional trust fund mechanism drawing upon local dollars to leverage state and federal resources – and doing so with an eye on achieving regional and local outcomes and making affordable housing work for residents and neighborhoods – is needed. Anything short of that risks decades of poorly coordinated half-measures in a region that is already 20 years late to this issue.

Of course, the actions of individual communities is where this must start. For Morrisville, assisting several employees each year with purchasing a house in the Town or affording rent is meaningful. Partnering with private owners and developers to build the inventory of affordable units by a few hundred over the next decade is meaningful. **And in taking these steps Morrisville will be leading by example on this issue.**

As a regional leader, Morrisville should build a strong working relationship with Wake County and actively draw its peer communities to the table. While an active regional trust fund may be a few years down the line, it will begin to take shape as Morrisville, Wake County, and others make a case (and commitments) for regional action.


### TAKING ACTION: HOW MIGHT THIS BE SEQUENCED?

- 1 Begin work towards implementation of the recommendations in this plan to build credibility as an active leader on the issue.
- 2 Establish a strong working relationship with Wake County on affordable housing – seek their partnership whenever possible and work with the County to help peer communities understand their options.
- 3 Make an annual funding commitment to Wake County, initially, to support County-level affordable housing efforts.
- 4 Work with Wake County and/or the Triangle J Council of Governments to initiate a regional dialogue on affordable housing and be an advocate for a regional trust fund. Signal the Town’s willingness to convert its annual payment to the County into a payment to a regional trust fund.
- 5 Use ongoing regional dialogue to build a founding coalition for a regional trust fund.


### Cost Scenarios

A payment into a regional housing trust fund would not serve as a replacement for the other steps recommended by this plan – but as an additive measure that recognizes the regional scope of the issue and as a down payment for active participation in the trust fund’s work and a beneficiary of trust fund investments.

If a regional housing trust fund had a goal of raising a set dollar amount annually from local contributors – to then leverage with state, federal, and other resources – a fair share contribution from Morrisville (mirroring its 1.3% share of regional households) would be as follows:

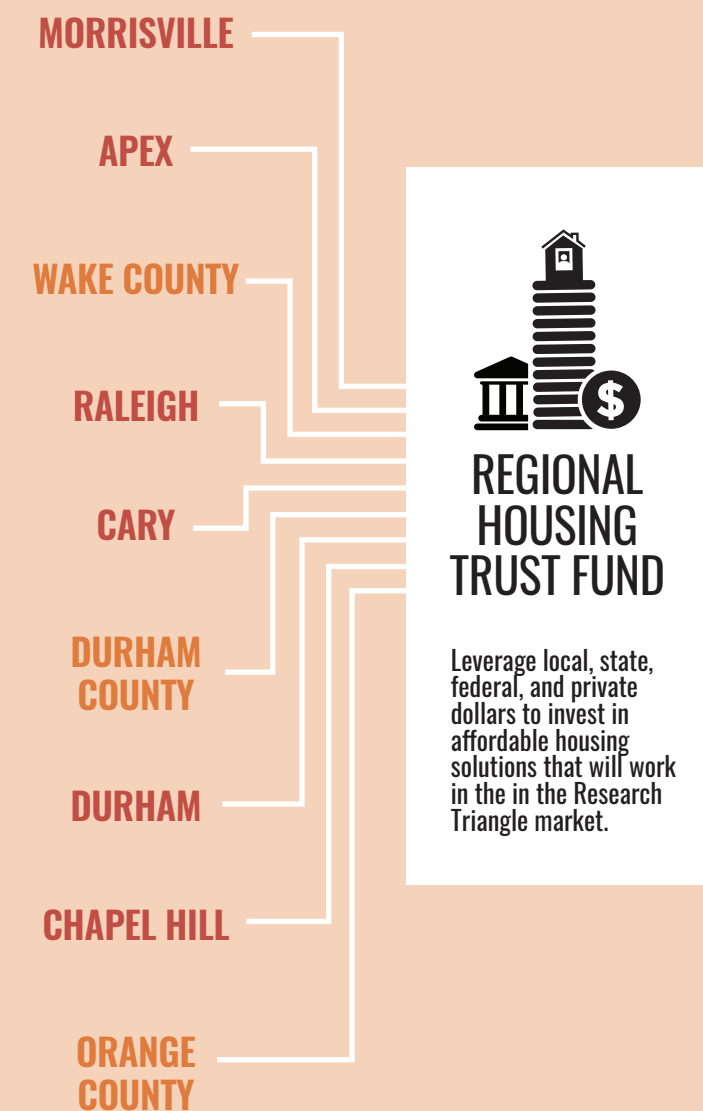
- 

If the trust fund sought to raise **\$10 million per year and \$100 million over a decade...**

  - Morrisville would contribute **\$130,000 per year and \$1.3 million over a decade**
- 

If the trust fund sought to raise **\$25 million per year and \$250 million over a decade...**

  - Morrisville would contribute **\$325,000 per year and \$3.25 million over a decade**



DRAFT OCTOBER 7, 2019

AFORDABLE HOUSING PLAN FOR MORRISVILLE, NC, 2019

Prepared by czbLLC

