

Affordable Housing: Strategies and Tools for Local Governments

**Piedmont Triad Regional Housing Summit
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UNC School of Government – Values

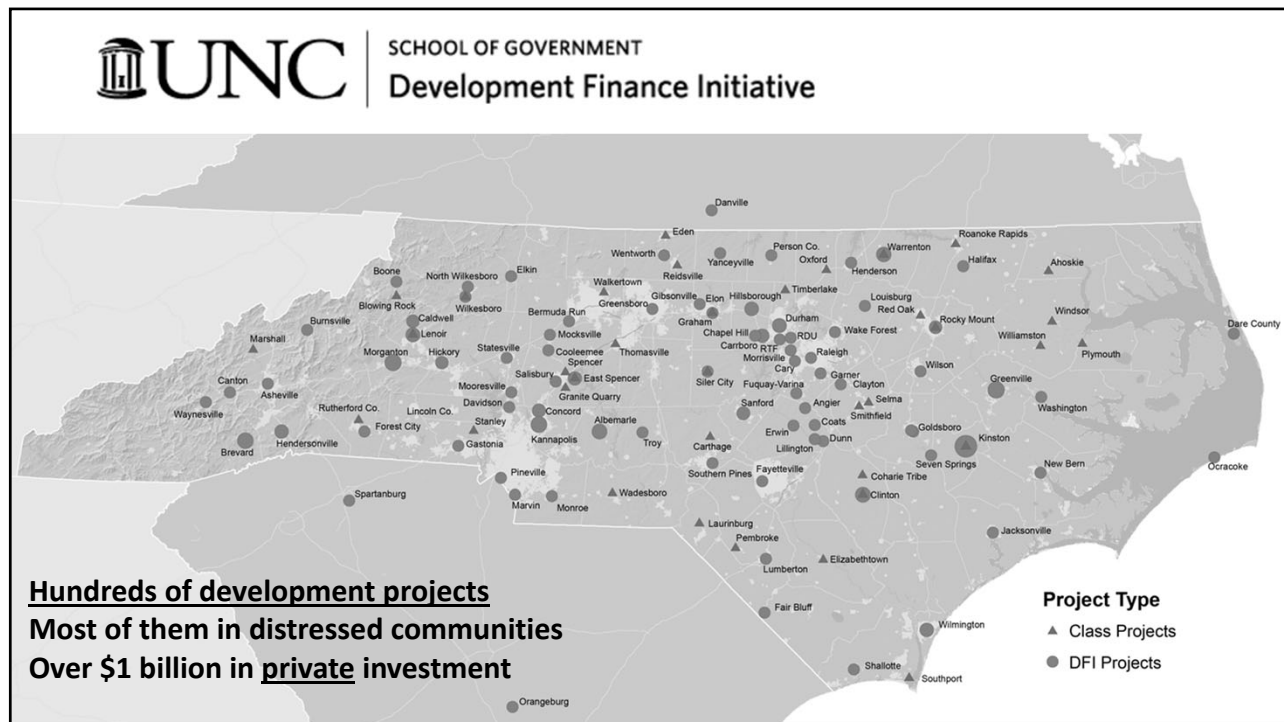
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Responsive



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Agenda

- *Private* Affordable Housing: Terminology and Finance
- Strategic Approaches to *Private* Affordable Housing
- Overview of Local Government Legal Authority
- Tools for Local Governments
- Q&A

Private Affordable Housing: Terminology and Finance

What is meant by “affordable housing?”

Who is served?

The Math Problem

What is affordable housing?



Affordable housing is either...

Restricted by income

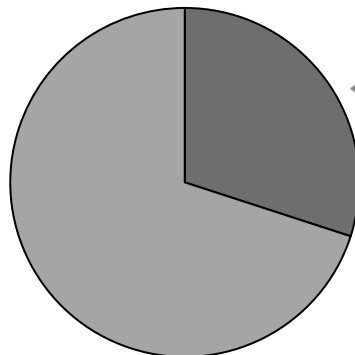
- Funding source or contract imposes restrictions:
 - Income eligibility
 - Affordability
 - Transfer controls
- Owned and managed by:
 - Government (public housing)
 - Private owner (LIHTC)

NOT restricted by income

- “Naturally occurring affordable housing” (NOAH) due to
 - Quality
 - Location
- No contract for price/rent control so could lose affordability

Affordable means not “cost burdened”

- **Cost burdened:** Spend over 30% gross income on housing
- **Severe:** *More than 50%*

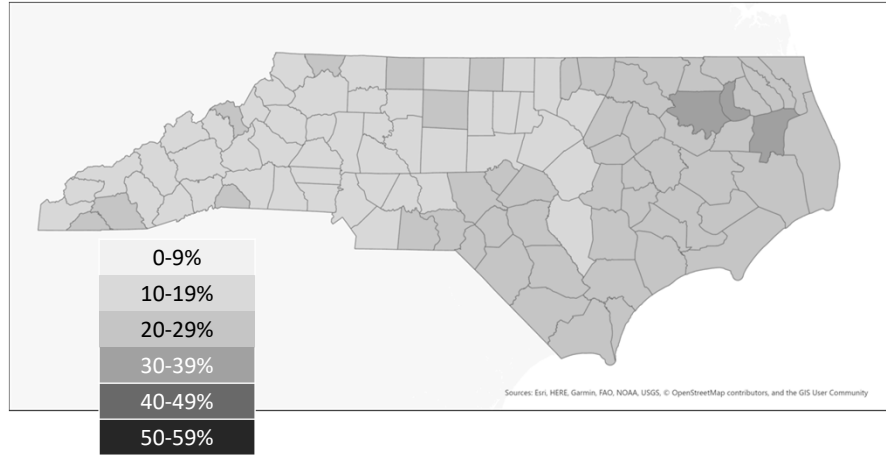


Housing costs in federal data:

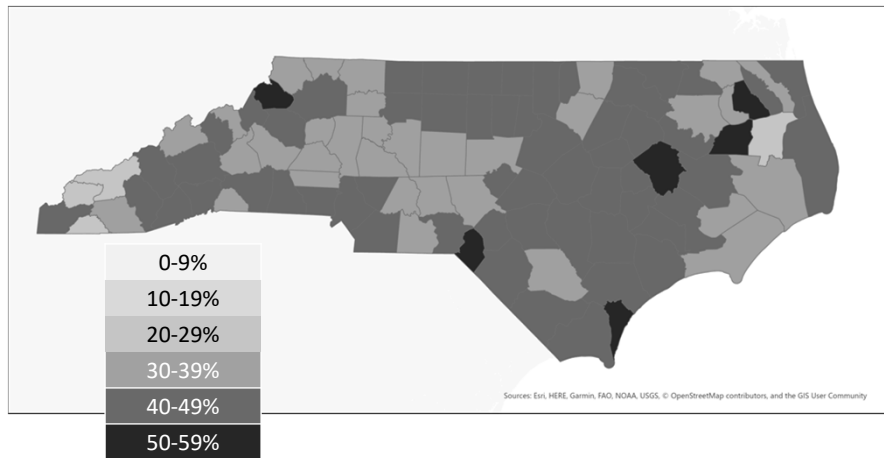
- Renters: rent plus utilities
- Owners: mortgage, utilities, HOA, insurance, and tax.

What costs are not included in federal data?

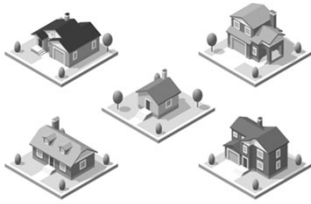
Percent of owners cost burdened



Percent of renters cost burdened



Housing cost not the only factor



Availability

Different types of housing for different household sizes?



Adequacy

Age and quality of housing stock?

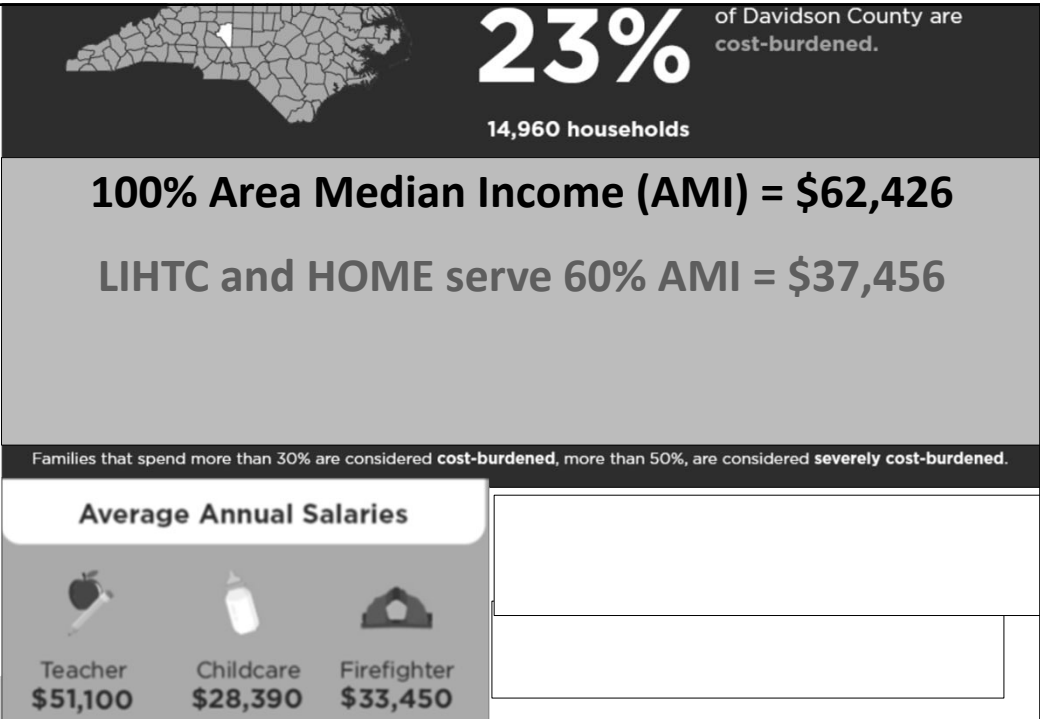


Accessibility

Are there sufficient options for persons who are older or disabled?



Who is served by affordable housing?



NC Housing Coalition
Davidson County Profile




Household size nuance for Area Median Income (AMI) *New teacher making \$40,000 annually*

| | 1 Person Household | 2 Person Household | 3 Person Household | 4 Person Household |
|--|--------------------|--------------------|--------------------|--------------------|
| Moderate Income (80% AMI) | 42,600 | 48,700 | 54,800 | 60,850 |
| Low Income (60% AMI) | 31,980 | 36,540 | 41,100 | 45,660 |
| Very Low Income (50% AMI) | 26,650 | 30,450 | 34,250 | 38,050 |
| Extremely Low-Income (30% AMI) | 16,000 | 18,300 | 20,600 | 22,850 |

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Federal grant programs: Who is served?

| <u>Federal Program</u> | <u>AMI Served</u> |
|---|--------------------------|
| National Housing Trust Fund (HTF) | primarily 30% max 50% |
| Home Investment Partnerships Program (HOME) | primarily 60% max 80% |
| USDA 504 Home Repair Grant | max 30% |



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These programs attempt to address ...
the math problem



Homeownership Math

Demand-Side

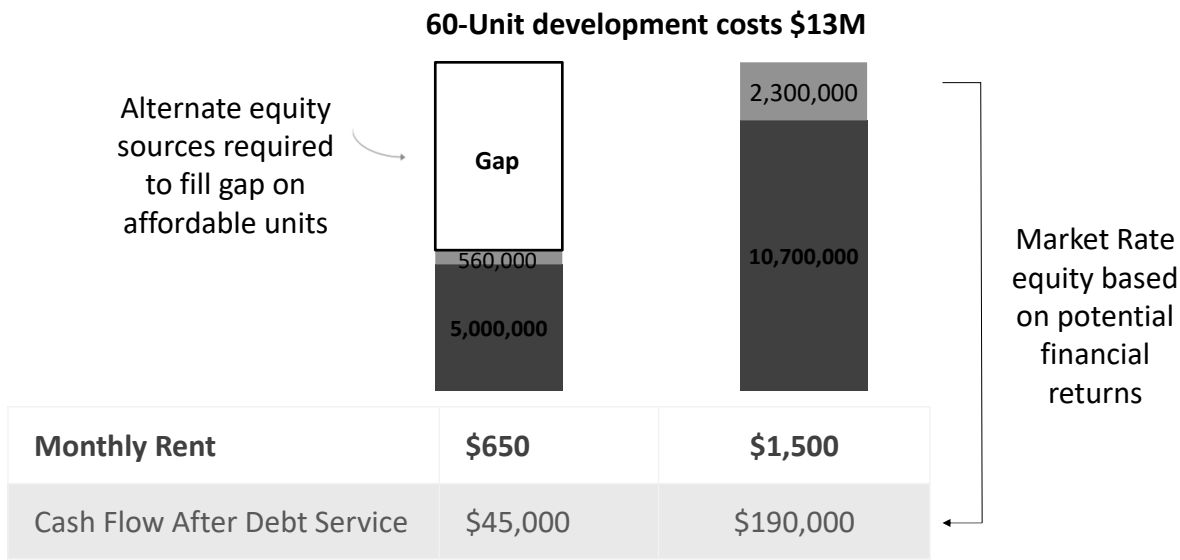
| | |
|--|------------------|
| Maximum payment for low-income family of 4 (mortgage, insurance, tax) | \$1,100 |
| Potential mortgage | \$145,000 |
| Down payment | \$4,000 |
| Maximum can afford | \$149,000 |

Supply-Side

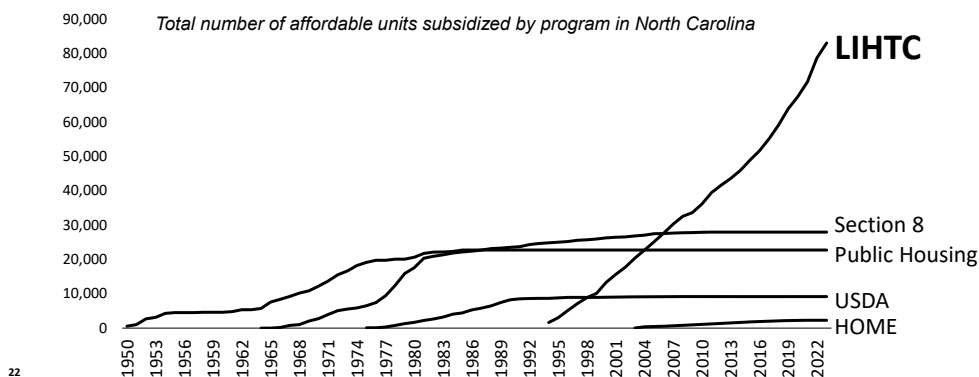


| | |
|---------------------|------------------|
| Land | \$20,000 |
| Construction | \$220,000 |
| Profit 20% | \$48,000 |
| TOTAL | \$288,000 |

Math Problem for Multifamily Rental



Private developers of rent-restricted housing turn to LIHTC (Low Income Housing Tax Credit)

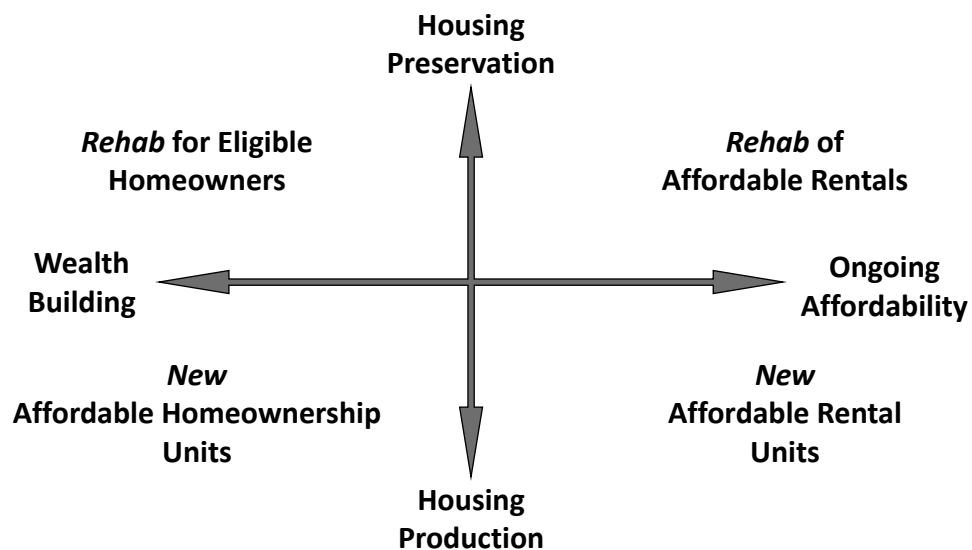


So what can local governments do? (legally)

Set strategic priorities

Legal authority and tools

Affordable Housing Approaches

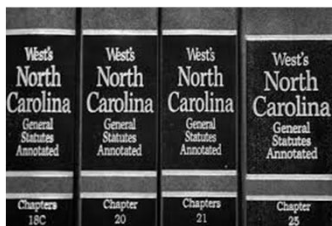


NC Constitution: Who may be aided?

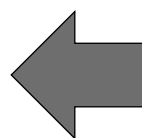
- Housing for “low income” or “poor”
- No donations to developers or nonprofits
- Serves a **public purpose**:
 - “only when ... decent residential housing is not otherwise available”
 - because “**private enterprise is unable to meet the need**”
- Moderate income “with same purpose in mind” as aiding low income (moderate income is add-on)



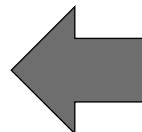
NC Statutes reflect the constitutional rule



| | |
|---------------|---------|
| NC Low Income | 60% AMI |
| NC Mod Income | 80% AMI |

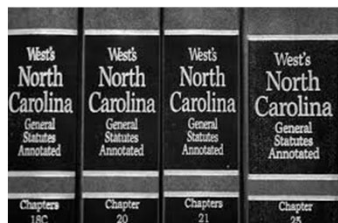


This is who local governments can aid. Funding must flow to these eligible households.



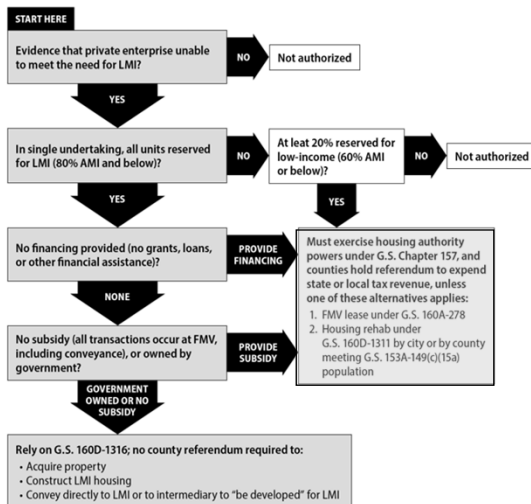
Can also aid these households in the same program if need is shown.

All "LMI" (or 20% low income), No Funds Diverted, Referendum by Counties



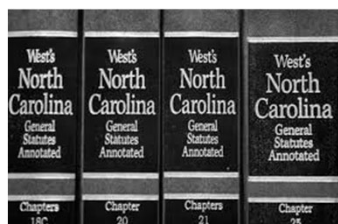
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Flowchart to Determine Statutory Authority for Engaging in Housing Projects



C. Tyler Mulligan, *Community Development, Revitalization, and Affordable Housing (Ch. 26), County and Municipal Government* (UNC School of Government 2025).

All "LMI" (or 20% low income), No Funds Diverted, Referendum by Counties



| | |
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Property Conveyance relative to FMV

| Private Sale/Lease of Real Property at or above Fair Market Value (FMV) | | | |
|---|--|------------------------------------|--|
| Household (HH) income eligibility restrictions imposed | Lease in capacity as city or county | Sale in capacity as city or county | Exercising powers of housing authority per G.S. 160D-1311(b) |
| All units for LMI only (no HH over 80% AMI served) | G.S. 160A-278 | G.S. 160D-1316(3) | G.S. 157-3(12), 157-9* |
| HHs above 80% AMI served. At least 20% of units reserved for 80% AMI or below | G.S. 160A-278 | No statutory authority | G.S. 157-3(12), 157-9* |
| HHs above 80% AMI served. Less than 20% of units set aside for 80% AMI or below | No statutory authority or supporting constitutional case law | | |
| Compliance period (unless sold to eligible HH) | Entire lease term | Perpetual & reverter | Perpetual & reverter |

*Yellow highlighting indicates referendum required for counties if property acquired with state or local tax revenues.

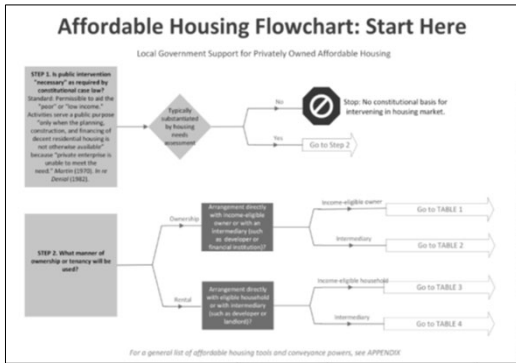
| Private Sale/Lease of Real Property below FMV (Subsidy Flows to Eligible HHs) | | |
|---|--|--|
| Household (HH) income eligibility restrictions imposed | Acting in capacity as city or county | Exercising powers of housing authority per G.S. 160D-1311(b) |
| All units for LMI only (no HH over 80% AMI served) | No statutory authority | G.S. 157-3(12), 157-9* |
| HHs above 80% AMI served. At least 20% of units reserved for 60% AMI or below | No statutory authority | G.S. 157-3(12), 157-9* |
| HHs above 80% AMI served. Less than 20% of units set aside for 60% AMI or below | No statutory authority or supporting constitutional case law | |
| Compliance period (unless sold to eligible HH) | Not permitted | Perpetual & reverter. PLUS, if rental, 20% of units set aside for 60% AMI for 15 years. G.S. 157-9.4 |

*Yellow highlighting indicates referendum required for counties.

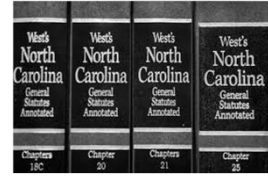


C. Tyler Mulligan, *Community Development, Revitalization, and Affordable Housing (Ch. 26), County and Municipal Government* (UNC School of Government 2025).

More on NC legal authority



| Income-eligible households | Household income above 80% AMI |
|--|---|
| <p>Income-eligible households</p> <p>Income-eligible households are those households that are eligible for the HOME or CEHAG program. The income-eligible household must be a low-income household as defined in the applicable statute. For HOME, the income-eligible household must be a low-income household as defined in G.S. 150D-131(a)(1) and (2). For CEHAG, the income-eligible household must be a low-income household as defined in G.S. 150D-131(a)(1) and (2).</p> | <p>Household income above 80% AMI</p> <p>Household income above 80% AMI is defined as a household with an income greater than 80% of the area median income (AMI) for the area in which the household is located. The AMI is determined by the U.S. Department of Housing and Urban Development (HUD) and is published annually in the HUD Handbook of Housing Statistics.</p> |
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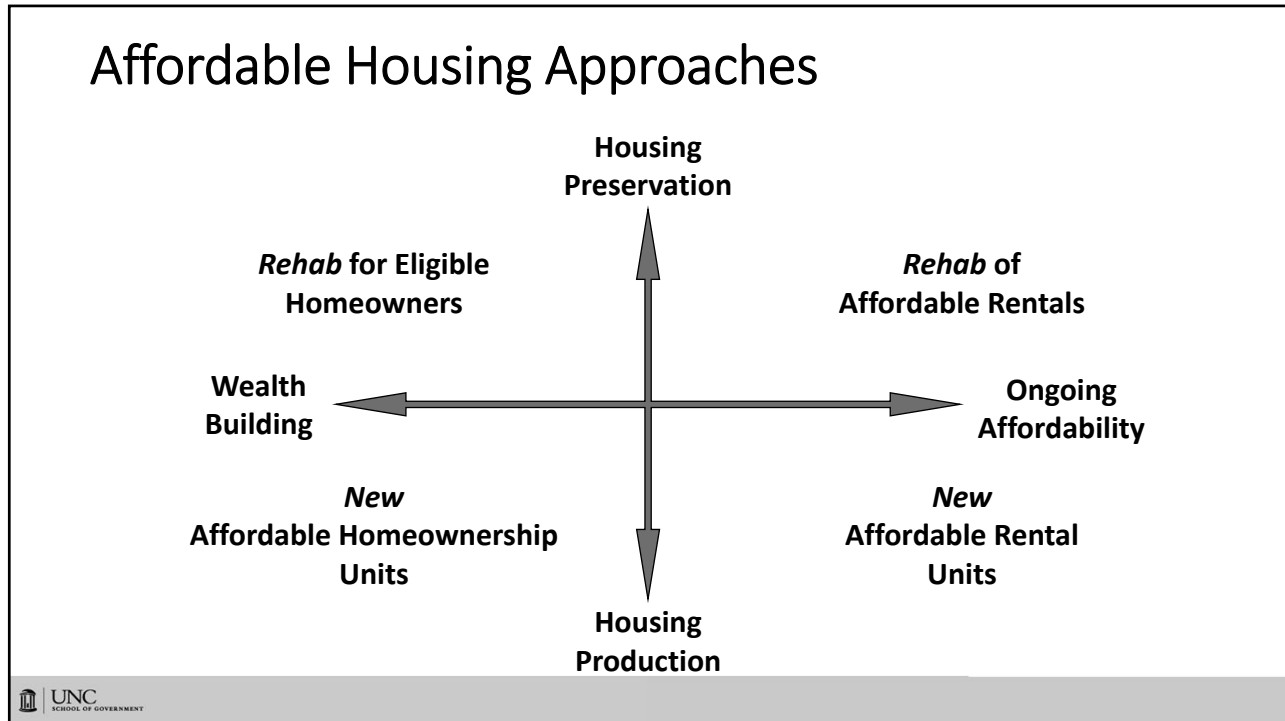
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Blog posts at ced.sog.unc.edu



Local government tools depend on strategic focus





Affordable Housing Approaches


Rehab for Eligible Homeowners

Carrots and....

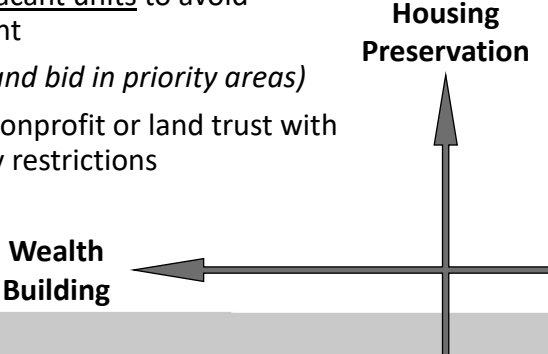
Carrots for low-income units:

- Weatherization and energy efficiency
- Rehab and repair programs
- Foreclosure prevention programs
- *See NCHFA for resources*

Code Enforcement



- Follow through with repair actions, especially vacant units to avoid displacement
- Foreclose (*and bid in priority areas*)
- Convey to nonprofit or land trust with affordability restrictions



Housing Preservation
 ↑
Wealth Building ←

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Code Enforcement Resources



Affordable Housing Approaches

New Affordable Homeownership Units

Wealth Building

Demand-side (households)

Supply-side (developers)

- Credit repair
- Down payment assistance

- Construct and convey directly to eligible households
- “Necessary” subsidy for private units (land or financing)
- Conditional zoning and public-owned infrastructure
- Community Land Trust

Housing Production



Hybrid Approach: Community Land Trust

- Community owns land
- Household owns improvements
- 99-year ground lease
- Preservation and new construction

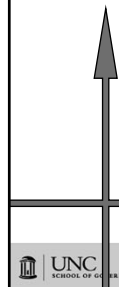


Affordable Housing Approaches

Rehab of Affordable Rentals

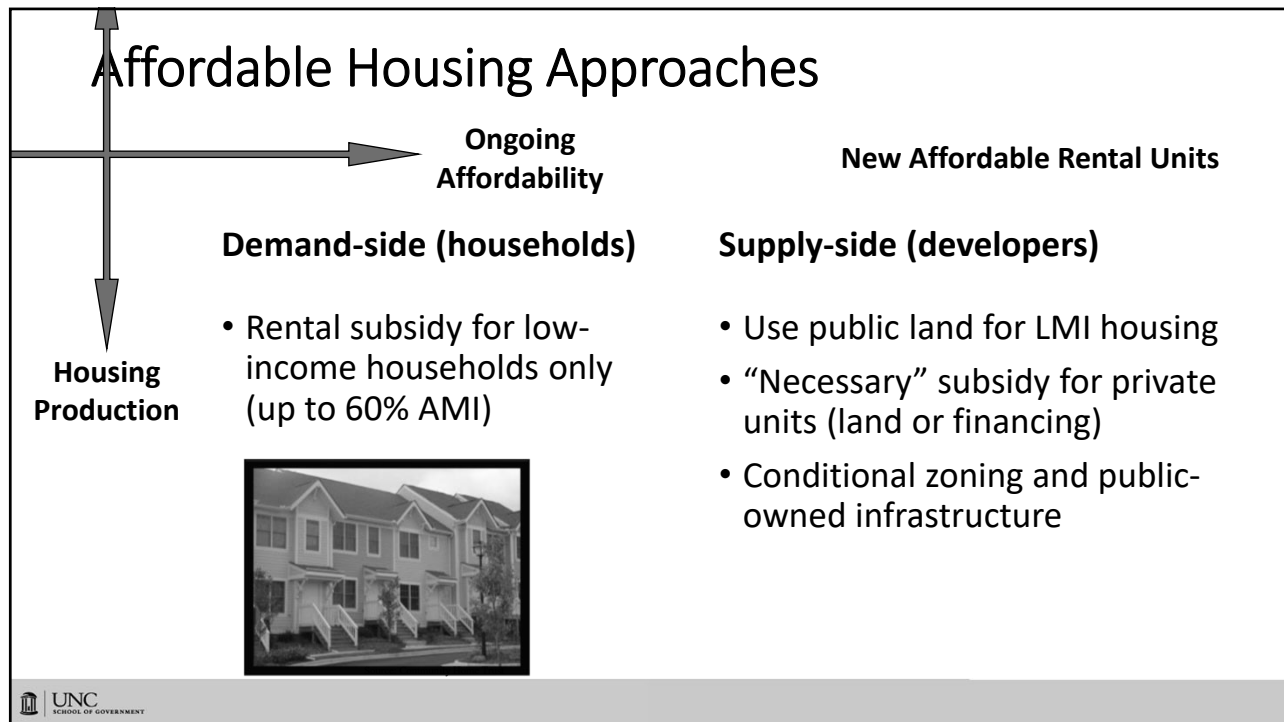
- Identify expiring LIHTC
- Acquire or negotiate ROFR on LIHTC or other housing rentals
- Carrots and code enforcement for landlords
 - Financing for repairs in exchange for reserving units for LI

Housing Preservation



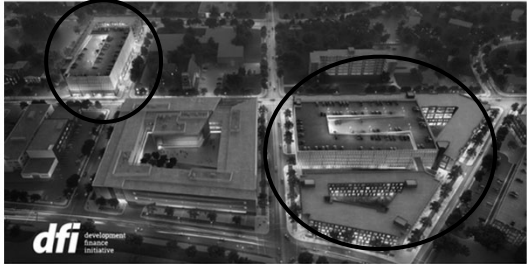

Ongoing Affordability






Wait for developers ... or be proactive?

- Development program includes:
 - 305 affordable rentals (30%-80% AMI)
 - 248 market rate rentals
 - Parking for public employees
 - Pre-K
- 4% LIHTC (*intentionally not 9%*)
- Public participation for affordable units
 - Parking
 - Loan
 - Ground lease of property at nominal cost
- Legal complexity



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- Overview of Local Government Legal Authority
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Questions and Comments

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