



The Need for and Benefits of Affordable Housing in Greensboro, NC

A Summary of White Papers and Community Data

Prepared by NPH Consulting LLC for The Community Foundation of Greater Greensboro and
The City of Greensboro

The Need for and Benefits of Affordable Housing in Greensboro, NC: A Summary of White Papers and Community Data

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I. Executive Summary

Greensboro has a long-standing need for affordable housing that has increased greatly due to current economic and demographic trends. Strategic investments in a continuum of affordable housing options can help meet the pressing needs of community residents while providing economic and other community benefits.

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Strategic investments in a continuum of affordable housing options can help meet the pressing needs of community residents while providing economic and other community benefits.

Two recent White Papers, one by a prominent local professor of urban development, Dr. Keith Debbage, and the other by a well-known and respected statewide housing research and policy advocate, the North Carolina Housing Coalition, both show the economic impact of the lack of affordable housing and the potential economic benefit of affordable housing development and rehabilitation in Greensboro. These papers are:

- *Affordable Housing in Greensboro: The Challenge and the Benefits* (April 2016) Prepared by: Dr. Keith Debbage, Department of Geography, University of North Carolina at Greensboro
- *Economic and Community Impact of Affordable Housing Investment: A Report for the City of Greensboro* (April 2016) Prepared by: North Carolina Housing Coalition

These studies were commissioned by The Community Foundation of Greater Greensboro (CFGG) as part of the joint *Housing Our Community* initiative of CFGG and the City of Greensboro, and are summarized in Part II of this report.

This report also presents additional data on the community's housing stock and trends in development that further define the need for investment in affordable housing, as well as qualitative data from the community which was shared by participants in *Housing Our Community* conversations that took place January through February 2016.

The data summarized in this report show the following needs and benefits that can serve as a framework for a common community understanding and focus for action.

This summary and the two white papers can be found on the websites of the City of Greensboro at www.greensboro-nc.gov and the Community Foundation of Greater Greensboro at www.cfgg.org.

Housing Needs and Challenges

- Effects of the 2008 recession as well as long term economic trends in the area continue to impact Greensboro. The number of families in poverty has doubled, unemployment rates are above the national average, and the slow housing market recovery has impacted affordable housing.
- To increase affordability, over the past five years, the City has provided acquisition, construction, rehabilitation, and rental/homebuyer assistance for 1,160 rental units and 1,108 owner units for low and moderate income households. However, there are still large gaps between what is needed and what is safe and affordable.
- 38% of all households in Greensboro are housing cost burdened (pay more than 30% of their income for housing). This number has increased by 8.6% since 2012, while state and national figures have gone down (currently 31.3% in NC and 33.3% nationally).
- 49% of renter households are cost burdened. In addition to housing cost burden, many lower income renters face substandard housing conditions and overcrowding.
- The rental market is tightening, with vacancy now at 10%. Rental rates are increasing. Opportunities for homeownership among lower income and younger families are constrained.

Homeownership rates reached a 5 year low of 47.9% in 2014

- Much of the housing unit construction that has begun to revive since 2009 has been of higher cost units.
- From 2009-2014, the number of rental units in the \$1,000 – \$1,249 rent level increased by 137%, while units in the \$300-\$349 rent level decreased by 29%.
- Unit bedroom size in the current housing stock does not meet the changing trends in population needs. Currently 24% of existing units are studio or one-bedroom apartments while more than 70% of renters are 1 or 2 person households.
- The existing housing stock is aging (nearly 40% were built before 1980).
- Nearly 12,000 total (including 8,000 local) families are on the waiting list at the Greensboro Housing Authority for public housing units or vouchers.

- Despite gains in addressing homelessness, the local 2015 Point in Time Count of Homelessness showed 662 homeless individuals (548 sheltered and 114 unsheltered, including 48 families with children).
- Federal and state funding for housing is limited. Funding such as the Low Income Housing Tax Credits (LIHTC) is allocated in a highly competitive manner and is difficult to secure due to the number of competitors for the limited amount of funding.

Benefits of Affordable Housing Development

- Building new affordable housing and rehabbing existing housing creates jobs and a ripple effect on the local economy.
- The National Association of Home Builders estimates that each 100 units of affordable housing development generates:
 - 80 direct and indirect jobs related to construction;
 - 42 induced jobs from spending of locally earned wages;
 - 30 jobs that support the ongoing consumer activity of the new development's residents;
 - \$827,000 in one-time local tax/fee revenue; and
 - local wage and business earnings of \$2 million annually.
 (Other studies show similar benefits.)
- North Carolina Housing Finance Agency estimates that every \$1 million in State Housing Trust Fund dollars generates \$5 million in real estate value, \$455,000 in state and local revenue, and assists 108 households.
- The NC Housing Coalition affordable housing study using the Regional Input-Output Modeling Systems (RIMS II) showed that Greensboro's LIHTC funded affordable housing developments generate an average of 80 jobs, \$24,712 in local property taxes, \$422,800 in state revenue and \$2,874,600 in labor earnings.
- Companies give high priority to affordable and conveniently located housing in their location selection analysis.
- The following City examples help show the local impact of affordable housing development:
 - Terrace at Rocky Knoll* (48 one and two bedroom units – built in 2013). The City's investment of \$497,500 in the total development cost of \$6,829,915 leveraged over \$12 for every \$1 of City investment. (The development also generates annual property taxes of \$18,821 and annual loan payments of \$7,000).

Homeowner Rehabilitation – In a demonstration project by Community Housing Solutions of Guilford, Inc., houses rehabbed to energy performance standards averaged a 40% reduction in air leakage and energy savings of 25%, resulting in costs savings of \$25 to \$50 per month in small houses.

Healthy Homes – A recently published Greensboro asthma intervention study showed that an investment of less than \$1,000 in repairs could save over \$7,000 in health care costs over a 12 month period. Similarly, the remediation of lead paint hazards to prevent poisoning has lifelong benefits for young children.

Southside – (comprehensive neighborhood redevelopment). The City's investment of \$6,300,000 generated an assessed tax value eight times higher than in 1995, and a property tax revenue increase of 637% over ten years.

- In September 2015, Greensboro had the 2nd highest rate of foreclosures in the state. Foreclosure assistance increases neighborhood stability, decreases municipal costs (up to \$34,000 per foreclosure), and protects the value of nearby properties.
- Several studies show that stable, healthy, and affordable housing increases family health and decreases health costs.
 - Household funds are freed up to pay for health care and healthy food.
 - A Center for Outcomes Research and Education report cited showed a 12% decrease in Medicaid costs for families moving into affordable homes.
- Studies also show that stable, healthy, and affordable housing can improve the academic performance of children in the family.
- Community residents who attended the 2016 Community Conversations on housing are strongly supportive of more affordable housing and willing to be part of the solution.

Strategic local investments in a continuum of affordable housing options can not only meet the pressing needs of community residents but can also generate the correlated benefits of contributing to the area's economy, increasing positive health and academic outcomes, and creating a more sustainable community.

II. Economic and Community Data on Affordable Housing in Greensboro: Summaries

A. Affordable Housing in Greensboro: The Challenge and the Benefits (April 2016)

Prepared by: Dr. Keith Debbage, Department of Geography, University of North Carolina at Greensboro

This report was prepared by Dr. Keith Debbage, professor of urban development at the University of North Carolina at Greensboro. A Coleman Entrepreneurship Fellow, his principal economic interests include urban economic development and city planning, and he is the author of over 80 research publications. He prepares the annual State of the City Report for the Greensboro Partnership.

This report on affordable housing in Greensboro uses American Community Survey data, housing literature reviews, and other data to explore the issue and associated economics.

Need: Dr. Debbage notes that Greensboro has had a persistent shortage of housing that is both good quality and affordable for low to moderate income households, especially rental households. The report cites the U.S. Department of Housing and Urban Development in noting that families who pay more than 30 percent of their income are considered to be housing cost burdened may have difficulty affording necessities such as food, clothing, transportation and medical care.

The report documents the large and growing number of unaffordable housing units in Greensboro, currently at 43,026 units, an 8.6 % increase since 2012. This represents 38% of all housing units in Greensboro are unaffordable to their occupants.

The majority (68.6%) of these unaffordable units are rental units (a total of 29,507 units), and the number of unaffordable rental units has increased 22.1% since 2012.

The socio-economic trends behind this decrease in rental affordability include declining homeownership rates (partly due to foreclosures crisis and tighter lending requirements and partly due to the preference of millennial families for rental rather than homeownership due to the turbulent nature of the labor market). In Greensboro, the rate of homeownership reached a 5-year low of 47.9% in 2014.

The result is an increased demand for rentals, a declining rental vacancy rate, and increased rental rates. 2014 gross median rents were \$778, a 12.6% increase since 2010.

Benefits:

Economic Impact: Dr. Debbage's report cites National Association of Home Builders data to estimate that building 100 new Low-Income Housing Tax Credit units for families creates 80 new jobs from direct and indirect effects and 42 jobs from induced effects of spending, as well as 30 new jobs that support the ongoing consumer activity of new LIHTC residents, with earnings for local business owners and employees estimated to be in excess of \$2 million annually (estimate based on national averages). The Louisville Affordable Housing Trust Fund estimates that every \$1 million invested in affordable housing in Louisville creates as many as 84 units of affordable housing and supports 112 jobs, generating more than \$6.4 million in local revenue (including over \$500,000 in tax revenue). On an ongoing annual basis, the economic impact of these new affordable housing units was estimated to be 44 jobs supported and over \$3 million in local revenue.

Other benefits cited in the Debbage report:

Reductions in foreclosure for lower income buyers increase neighborhood stability, and affect property tax collections, utility revenues, maintenance and security of empty properties, court and legal expenses and demolition. (In September 2015, Greensboro had the second highest rate of foreclosures in NC with 749 homes in foreclosure).

Health benefits of affordable housing arise from family resources being freed up to pay for health care and healthy food. A Center for Outcomes Research and Education report cited showed a 12% decrease in Medicaid costs for families moving into affordable housing. Several studies cited showed that increases in rent correlated with increased rates of food insecurity, an issue pertinent to Greensboro since in 2015 it was ranked first in the nation in food insecurity by the Food Research and Action Center, with 27.9% of Greensboro families lacking funds to buy food within the past 12 months (compared to the national average of 17%).

Health benefits also accrue from the housing itself being safe and healthy, avoiding issues such as lead poisoning, asthma, and accidental injury. The recent problems with Heritage House were cited, where inspectors found more than 800 building code violations resulting in eventual closure and City involvement in a Redevelopment plan. The issue of relocating residents from the property showed the scarcity of safe affordable housing in the city.

Improved academic performance was shown in several studies cited that indicated that a more stable home environment leads to higher student achievement by reducing the stress and negative impacts of overcrowded home situations and frequent moves.

Environmental benefits are illustrated with US data showing increased energy efficiency and environmental sustainability, as well as lower monthly energy costs for families in housing built with green building techniques.

Dr. Debbage's report concludes that increasing the inventory of housing units in Greensboro with more diversified and affordable housing stock will not only alleviate the affordability problem but will also generate significant economic and other benefits to the community at large.

B. Economic and Community Impact of Affordable Housing Development: A Report for the City of Greensboro (April 2016)

Prepared by: North Carolina Housing Coalition

This report was prepared by the North Carolina Housing Coalition, a private, nonprofit membership organization created in 1988 that provides data, research, technical assistance, outreach, and advocacy on affordable housing.

The report uses American Community Survey data, a case study of low income housing development in Greensboro, and other data to explore the issue. It uses the same HUD accepted definition of housing cost burden as Dr. Debbage's report, that families who pay more than 30 percent of their income are considered to be housing cost burdened, and may have difficulty affording necessities such as food, clothing, transportation and medical care.

Need: The NCHC study notes that there are a total of 126,557 housing units in Greensboro, and that over the last 5 years the vacancy rate has fallen from 11.8% to 10.5% even though new units of housing have been added over this time. The report cites 38% of Greensboro households as cost burdened. The majority of these are renters, with 49% of renters being cost burdened.

This study also notes the trend of increasing renter households over the past 5 years.

Benefits:

Economic Impact: This study utilized statewide data in the Regional Input-Output Modeling Systems (RIMS II) to estimate benefits of Greensboro's affordable housing development. Over the life of the Low Income Housing Tax Credit program, Greensboro has had 44 LIHTC projects that built a total of 5,295 units of affordable housing. The average value of a LIHTC property in Greensboro is \$3,907,000. The report calculates that 1 average Greensboro LIHTC development generates 80 NC jobs, \$422,800 in state tax revenue, \$24,712 in local property taxes, and \$2,874,600 in labor earnings.

A Pennsylvania report cited shows that every \$1 of average LIHTC value generates \$0.74 of labor earnings, and that rehabilitation projects have a multiplier of \$1.28, with that higher number being due to the greater likelihood of using local labor and materials.

NCHC's report shows that homeownership programs such as one cited in Utah, can generate earnings and jobs as well; in that case \$6.2 million in down payment assistance translated into \$2.4 million in earnings and 95 jobs supported.

Foreclosure prevention is noted as decreasing municipal costs, which can range up to \$34,000 per foreclosure according to one study cited, as well as protecting the value of near-by properties.

Increased affordability of housing translates to increased spending power of households, and the report shows as an example that if an apartment with a gross rent of \$751 were made affordable to a household with the area median income for renters of \$27,867, it would free up an extra \$181 each month in spending power.

The report also cites the power of local public investment to leverage other investments, showing the NC Housing Finance Agency's estimate that for every \$1 million the Housing Trust Fund spends, 108 households are assisted, \$5,169,000 in affordable housing real estate value is generated, and \$455,000 in state and local revenue is generated.

Other benefits: The effect of affordable housing on economic development is also noted, with companies giving high priority to affordable and conveniently located housing in their location selection analyses.

The impact of affordable housing development on property values was explored through a study cited in which 21 different studies on this impact were reviewed with the general conclusion that it has either a positive effect (as when replacing depressed conditions) or no effect. The size, location, and management of the development were contributing factors to the impact.

The impact on health care is also noted, with the 12% decrease in Medicaid costs shown for those moving into affordable housing.

The correlation between academic performance and the quality and stability of the home environment is noted as well, with three studies cited that show this correlation.

The NCHC study also concludes that investing along several points in the affordable housing continuum is crucial not only to assist households that are cost burdened but for the health and vitality of the local economy.

C. Community Data on Housing Stock and Trends

Housing Stock, Trends, Needs

The *Greensboro-Guilford County Consolidated Plan: Planning for a Resilient Community 2015-2019*, which uses HUD data for the area, includes a very detailed assessment of current housing conditions and needs. The Plan shows that effects of the 2008 recession as well as long term economic trends in the area continue to impact Greensboro. The number of families in poverty has doubled, unemployment rates are above the national average, and the slow housing market recovery has impacted affordable housing. These economic impacts increase the need for housing affordability; however, much of the housing unit construction that has begun to revive since 2009 has been of higher cost units. Data below is from the Consolidated Plan or City staff reports developed for the *Housing Our Community* conversations.

The American Community Survey [ACS 2010-2014 Five Year estimates] count a total of 126,557 housing units for the Greensboro area, with 113,232 occupied. Tenure is almost evenly split between owners and renters. Since the recession, the rental market has tightened significantly to a 10% vacancy rate and the owner market is at 2.6% vacancy.

From 2009 – 2014, there was a net increase of 7,830 rental units (some new construction and some conversion of single family stock from owner to rental). However, when units are examined by rent levels, most of the increases in rental stock were in the upper rent levels and there was a net loss in the lowest rent levels, due to the movement of some existing units into higher rent level categories. The number of units in the \$1,000 – \$1,249 rent level increased by 137%, (1,494 units), while units in the \$300-\$349 rent level decreased by 29% (353 units).

To increase affordability, over the past five years, the City has provided acquisition, construction, rehabilitation, and rental/homebuyer assistance for 1,160 rental units and 1,108 owner units for low and moderate income households.

However, there are still large gaps between what is needed and what is safe and affordable. The availability of existing units does not match the needs of the population, particularly for lower income households and elderly/disabled. The location of affordable units may not be in locations near jobs, services, transportation and schools. Many households leave to find housing affordability, but their commuting patterns to jobs in the city affect our regional transportation costs, air quality, and lead to a loss of their spending power locally.

For renters, the greatest number with housing cost burdens were households making 0 - 30 % of the Area Median Income. Low income renters were more likely to be in units with crowding or severe crowding (more than 1.51 people per room); a total of 2,837 households below AMI were

facing crowding. Lower income renters were also more likely to be in substandard units (units that do not meet City minimum housing code standards).

There is currently a lengthy waiting list of over 12,000 families for public housing units and vouchers at the Greensboro Housing Authority. (Slightly less than 8,000 of these families qualify for local preference, meaning that they are already residents of the area.) This gives an indication of the current unmet need for affordable housing, while the housing trends referenced above indicate likely further increases in demand for affordable rental units.

Unit bedroom size in the current housing stock does not meet the changing trends in population needs. There are currently relatively few studio or one-bedroom apartments (24% of units) while single person households continue to grow as a portion of the population (currently 33.9%). More than 70% of renters are 1 or 2 person households.

Benefits of Local Affordable Housing Development and Rehabilitation

The following City examples help show the local impact of affordable housing development.

Terrace at Rocky Knoll (48 one and two bedroom units – built in 2013)

The City's investment of \$497,500 in the total development cost of \$6,829,915 leveraged over \$12 for every \$1 of City investment. (The development also generates annual property taxes of \$18,821 and annual loan payments of \$7,000).

Homeowner Rehabilitation – In a demonstration project by Community Housing Solutions of Guilford, Inc., houses rehabbed to energy performance standards averaged a 40% reduction in air leakage and energy savings of 25%, resulting in costs savings of \$25 to \$50 per month in small houses.

Healthy Homes – A recently published Greensboro asthma intervention study [*Annals of Allergy, Asthma and Immunology*, May 2016] showed that an investment of less than \$1,000 in repairs could save over \$7,000 in health care costs over a 12 month period. Similarly, the remediation of lead paint hazards to prevent poisoning has lifelong benefits for young children.

Southside – (comprehensive neighborhood redevelopment). The City's investment of \$6,300,000 generated an assessed tax value eight times higher than in 1995, and a property tax revenue increase of 637% over ten years.

Investment in developing and preserving affordable housing provides an opportunity to move forward toward providing a better quantity and balance of safe and affordable housing to meet community needs. Federal and state funding, such as such as the HUD funding that is the focus of the Consolidated Plan is limited. Funding such as the LIHTC funding, cited in the White

Papers as an example of the multiplier effect of building new affordable housing, is already allocated in a highly competitive manner and is difficult to secure due to the number of competitors for the limited amount of funding. Local investment in a continuum of affordable housing types and programs can help to attain economic and community benefits.

D. Community Voices: Community Conversations on Affordable Housing



The City of Greensboro and The Community Foundation of Greater Greensboro partnered to sponsor community conversations on affordable housing in Greensboro during January and February 2016. These conversations took place:

- January 7, 2016, at Community Foundation of Greater Greensboro
- January 25, 2016, at McGirt-Horton Branch Library
- January 26, 2016, at Hemphill Branch Library
- January 28, 2016, at Shiloh Baptist Church
- February 4, 2016, at St. John’s Methodist Church

Qualitative data from these community conversations on housing in Greensboro indicated strong support for a wide range of more affordable housing options in Greensboro, including supportive housing, special needs housing, affordable rental housing, and homeowner assistance and repair programs. Community recommendations included many innovative ideas for types of affordable housing (mixed income units, tiny houses, shared housing) and also for increased income and other family and community supports to increase affordability. Suggestions also included a mix of funding options to support affordable housing including public funding, private funding, and public-private partnerships.

This qualitative data, along with the quantitative data provided in the White Papers and the Community Data, confirms the strong incentives for investment in the development and preservation of a continuum of affordable housing in Greensboro.



Building Your Capacity to Serve

NPH Consulting LLC provides planning, coordination, and resource development services for governmental and nonprofit organizations and public-private coalitions.