



2019 Affordable Housing Market Study

City of Concord



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Executive Summary

Every resident of Concord, North Carolina deserves a decent, safe, sound and affordable place to live, in a neighborhood that provides opportunities to succeed. The market alone is not always able to meet that need, accordingly, governments at all levels must work together to help. The City of Concord is facing a housing market dilemma. Much of the available housing is not affordable to low- and moderate-income households and working families whose housing costs amount to 30% or more of their incomes.

This 2019 Affordable Housing Market Study (AHMS) has been developed as a long-range plan for addressing affordable housing needs over the next five (5) years. In this AHMS, the Institute for Building Technology and Safety (IBTS) analyzes the current housing market, examines trends in the housing market, evaluates the economic opportunities in Concord, identifies shortcomings in affordable housing, and provides recommendations, goals, and strategies for the next five (5) years.

The AHMS focuses on the status and interaction of four (4) fundamental conditions within the community:

- ▶ Economic and demographic trends, specifically population and household growth, and employment and income characteristics.
- ▶ The rental and homeowner housing market.
- ▶ The provision of financial assistance for affordable housing.
- ▶ Public policies and actions affecting affordable housing.

The methodology employed to develop the AHMS incorporates demographic research for the purposes of analysis that included:

- ▶ The U.S. Census, American Community Survey, HUD's Comprehensive Housing Affordability Strategy (CHAS) data and tables, and other federal and state programs and local data sources.
- ▶ A review of the affordable housing objectives and policies of the City of Concord.
- ▶ A review of local real estate rental markets and mortgage practices.

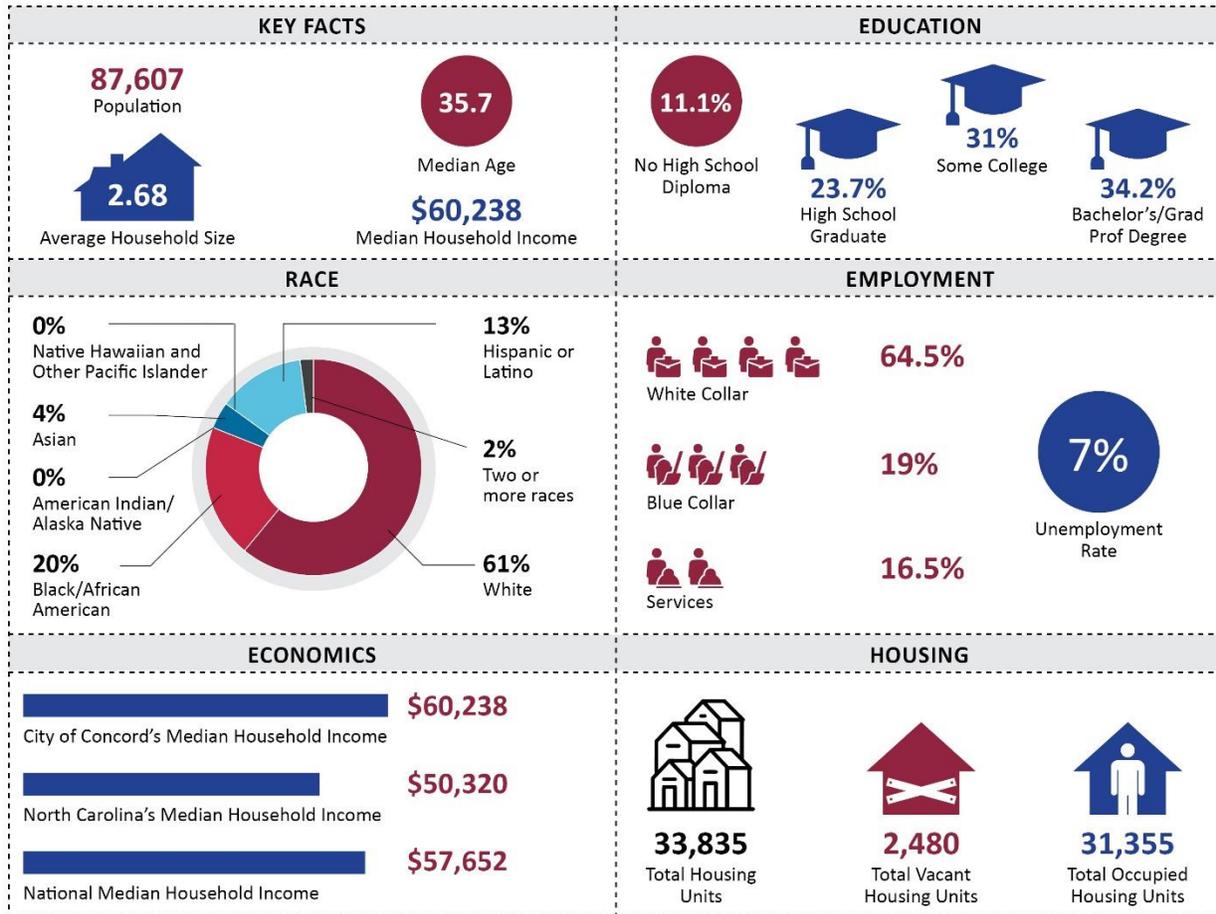
This AHMS provides a broad view of the affordable housing needs and related strategies and recommendations. It recognizes that actions in one area may affect actions in another area, thus requiring ongoing collaboration and engagement of the community, affordable housing providers, and municipal partners.

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Key Demographics

Understanding the demographics of a community is key to understanding its unique needs for housing, infrastructure, employment opportunities, and services. The following Key Facts illustrate important demographic statistics that help to better understand the existing conditions in the City that may be affecting the housing market.



Disclaimer: The demographic data for the Key Facts on this page and for the Affordable Market Housing Study were obtained from latest complete data sources, including and not limited to: DataUSA.io; American Community Survey; Experian Consumer Data; Carolina Demography; U.S. Department of Housing and Urban Development; U.S. Census Bureau; and Institute for Building Technology and Safety.

(Recent 2019 unemployment rate is 3.6%.)



Introduction

This Affordable Housing Market Study (AHMS) is a critical policy document for the community, serving as a housing needs assessment for the City of Concord and its stakeholders. It provides an analysis of household affordability throughout all population segments of the community. This analysis also looks at a comparison between the City of Concord and the HOME Consortium. Forming a consortium is a way for local governments, which would not otherwise qualify for funding, to join with contiguous local governments to participate in the HOME Investment Partnerships Program (HOME). The City of Concord is the lead entity for the HOME Consortium, which also includes the City of Kannapolis, the City of Salisbury, Cabarrus County, Iredell County, the City of Statesville, Rowan County, and the Town of Mooresville. Each of the partners within the HOME Consortium has completed an AHMS study, not including the three (3) Community Housing Development Organizations (CHDOs).

This report highlights demographic trends, future demands for housing, regulations, and obstacles preventing the market from effectively responding to the housing demand. In addition, it provides an inventory of the assets and programs currently available to help the communities to address these challenges.

The findings of this study identify recommended long-term strategies for addressing the City's housing needs, obstacles, and opportunities within the affordable housing market.

Demographic Data

Demographics and Impacts on Housing Demand

Understanding population trends and demographic characteristics is critical in planning and addressing the need for housing. The calculations in this section are based on the Census

Bureau American Community Survey (ACS) 5-Year Estimates (U.S. Census Bureau). The data is from the latest complete data for the specific years indicated in the reference.

Population and Households

The City of Concord is located approximately 12 miles northeast of Charlotte in Cabarrus County, within the Charlotte Metropolitan Statistical Area (MSA). According to the ACS 5-Year Estimates, the estimated population in 2017 was 87,607, making Concord the largest city in Cabarrus County, which has an estimated population of 196,716. Additionally, in 2017, Concord had an estimated 31,355 households and Cabarrus County had 70,596 (U.S. Census Bureau, 2017).

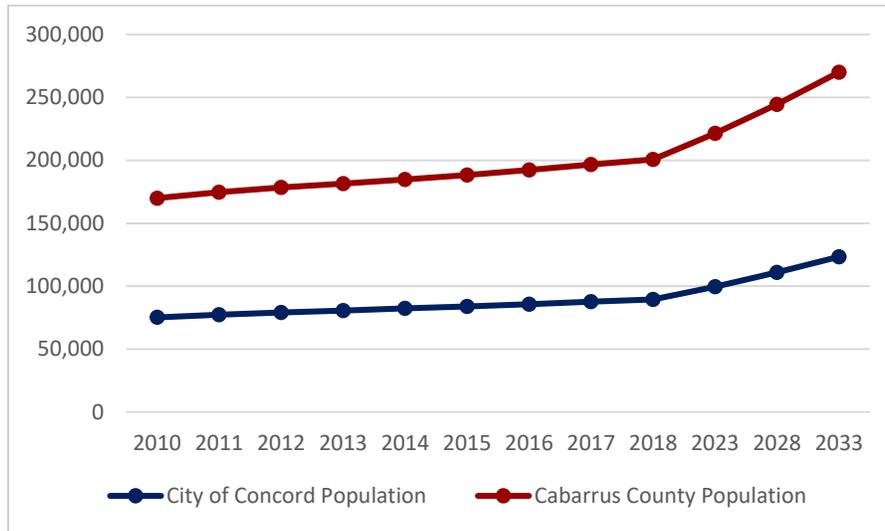
Both the City of Concord and Cabarrus County have experienced an increase in population and number of households since 2010. Concord’s population has increased by 12,435 persons (16.5%) and Cabarrus County has increased by 26,726 (15.7%). Household growth in Concord from 2010 to 2017 was 4,533 (18%) and in Cabarrus County households grew by 9,305 (14%). To keep pace with changing populations, it is important for communities to address housing shortages by providing a diversity of affordable housing options for all citizens (U.S. Census Bureau, 2017).

ACS 5-Year Estimates	City of Concord Population	Cabarrus County Population
2010	75,172	169,990
2011	77,413	174,730
2012	79,171	178,396
2013	80,715	181,415
2014	82,266	184,855
2015	83,903	188,375
2016	85,753	192,296
2017	87,607	196,716
2018	89,501	200,650
2023	99,604	221,534
2028	110,847	244,592
2033	123,359	270,049

Source: U.S. Census Bureau, 2017.

Understanding the demographics of a community is key to understanding where development must occur.

Figure 1. City of Concord and Cabarrus County Population Estimates



Source: U.S. Census Bureau, 2017.

In 2017, out of the total 31,355 households in Concord, an estimated 20,619 (65%) were owner-occupied, and 10,736 (34%) were occupied by renters. In comparison, owner-occupied housing represents 70% of the total 185,843 housing units within the HOME Consortium and renters occupy about 30%. Additionally, Concord renters comprised 20% of the total rental households within the HOME Consortium, the largest amount in any city within the HOME Consortium (U.S. Census Bureau, 2017).

Concord Demographic Trends

It is important to note the relationship between demographics and the availability and affordability of community housing options. Understanding the changing age, ethnic, and socioeconomic characteristics of a population allows communities to anticipate and plan for future needs of the community. In 2010, the City of Concord included 51,146 White households (60%), while Black households accounted for 11,724 (20%), with other racial groups comprising far less (19%) residency in the community. By 2017, the number of White households increased by 4.8% to 53,589, while Black households, increased by 48.5%, to 17,409. Other races are increasing too, with the Hispanic or Latino population group up by almost 22% from 8,957 in 2010 to 10,924 in 2017 (U.S. Census Bureau, 2010-2017).

City of Concord Population by Race		
	2010	2017
White	51,146	53,589
Black or African American	11,724	17,409
American Indian & Alaska Native	142	303
Asian	1,718	3,729
Native Hawaiian & Other Pacific Islander	25	25
Hispanic or Latino	8,957	10,924
Some other race	512	172
Two or more races	948	1,456

Source: U.S. Census Bureau, 2010-2017.

Additionally, the age of Concord’s residents is also changing. Although the median age from 2010 to 2017 has only increased from 34.6 to 35.7, the population will continue to age. It is important for communities and stakeholders to understand the changing needs of housing for growing and aging communities. Moving forward, the City of Concord should be prepared to not only meet the anticipated growth with services, but also have the necessary housing infrastructure in place to manage and sustain the variable housing needs that will accompany the increase in an aging population with an expected median age of 38.8 by years 2038. (U.S. Census Bureau, 2017).

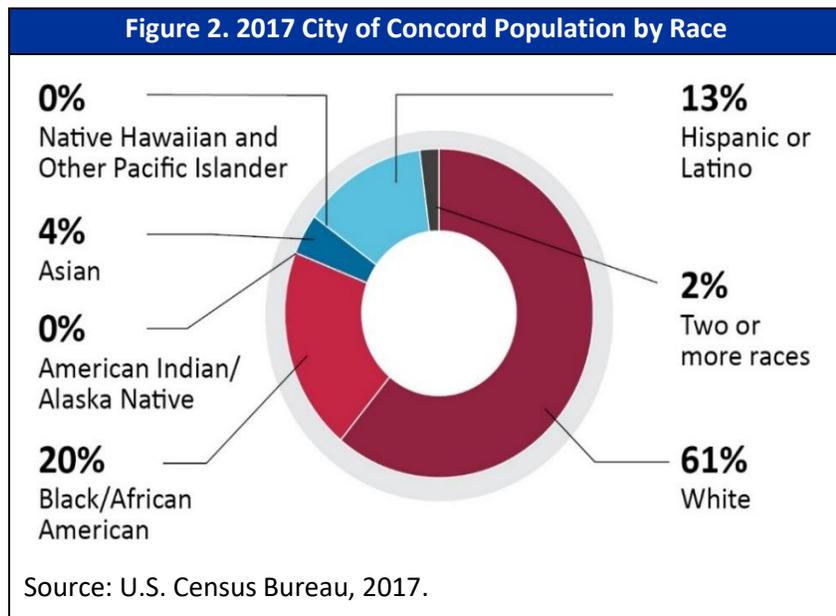
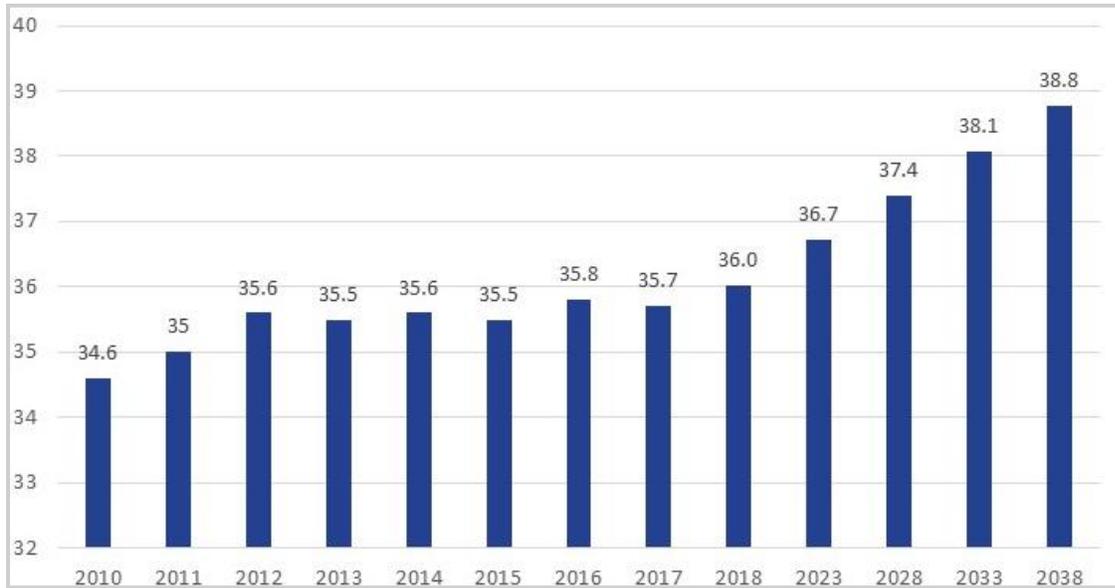


Figure 3. City of Concord Median Age (years)



Source: U.S. Census Bureau, 2010-2017.

Economic Conditions

Economic Conditions Analysis

Concord is home to Charlotte Motor Speedway, Concord Mills Shopping Mall, Sysco Foods, Oiles America Corporation, S&D Coffee, and several top NASCAR race teams. Its proximity to major southeastern transportation corridors, including I-85, I-77, and the I-485 Outer Belt, place Concord in a strategic position within the region as a northeastern gateway into the Charlotte metropolitan region.

Concord is one of the fastest-growing cities in the region. It serves as the County seat and has a City Council/Manager form of government. As the largest city in Cabarrus County, in both land area and population, Concord’s population represents 44.5% of the County’s total population. As part of the larger metropolitan region anchored by the City of Charlotte (the 7th fastest-growing area in the nation), Concord is situated in close distance to Uptown Charlotte, other regional employment, shopping, entertainment centers, and is an important player in the Charlotte metropolitan region. The unprecedented growth in population and housing, within the City and surrounding region, as well as the growth of the commercial and industrial sectors, provides Concord residents with ready access to an abundance of cultural, educational, recreational, commercial, and entertainment opportunities. The Concord of today is a blend of progress and heritage. It is an ideal mixture of business, industry, and residential life. It provides the comforts of a metropolitan area while maintaining the charm of a small town. The City is attractive to many people because of its geographic location and its commitment to community-wide excellence (City of Concord & The Cabarrus/Iredell/Rowan HOME Consortium Action Plan, 2018).

Due to Concord’s large presence in the greater Charlotte Metropolitan area, this analysis includes an overview of economic and housing trends in the Charlotte-Concord-Gastonia NC-SC

Metropolitan Statistical Area, an overview of the economic and housing trends in Cabarrus County, and an in-depth analysis of economic trends in the City of Concord.

Charlotte Metropolitan Statistical Area Economic Trends

The Charlotte-Concord-Gastonia NC-SC Metropolitan Statistical Area (hereafter, the Charlotte MSA) encompasses one-fifth of the population of North Carolina and 8% of the population of South Carolina. As of 2017, the population of the Charlotte MSA was estimated at 2,427,024, with an average annual increase of about 29,050, or 1.3%, since 2010. Seventy-two percent (72%) of the increase was from net in-migration (the number of people moving into the area). From 2000 to 2010, the population increased by an average of 50,000, or 2.6% a year, with 70% from net in-migration (U.S. Census Bureau, 2017).

Cabarrus County Economic Trends

According to the Census, in 2017, the economy of Cabarrus County employed 95,894 people. The three (3) main industrial sectors that are driving the local economy are Educational Services, and Health Care and Social Assistance (21,093 people, with median earnings of \$35,866), Retail Trade (11,892 people, with median earnings of \$24,955), and Arts, Entertainment, and Recreation, and Accommodation and Food Services (9,499 people, with median earnings of \$12,372). However, the three industries with the highest median earnings are Finance and Insurance, and Real Estate and Rental and Leasing (\$61,901), Transportation and Warehousing, and Utilities (\$53,805), and Information (\$50,625) (U.S. Census Bureau, 2017). This data reveals employment in Cabarrus County concentrated in lower wage jobs.

In 2017, the median household income (MHI) in Cabarrus County was \$60,716, which was higher than the national MHI of \$57,652. Compared to \$53,928 in 2010, data shows that there was a 13% increase in median household income in Cabarrus County (U.S. Census Bureau, 2017).

2017 Cabarrus County Employment & Wages			
Industry	Total Employment	% Total Employment	Median Earnings
Agriculture, forestry, fishing and hunting, and mining	390	0.4%	\$25,465
Construction	7,133	7.4%	\$34,435
Manufacturing	9,007	9.4%	\$41,713
Wholesale trade	3,356	3.5%	\$41,429
Retail trade	11,892	12.4%	\$24,955
Transportation and warehousing, and utilities	4,745	4.9%	\$53,805
Information	1,833	1.9%	\$50,625
Finance and insurance, and real estate and rental and leasing	9,262	9.7%	\$61,901
Professional, scientific, and management, and administrative and waste management services	8,585	9.0%	\$40,701
Educational services, and health care and social assistance	21,093	22.0%	\$35,866
Arts, entertainment, and recreation, and accommodation and food services	9,499	9.9%	\$12,372
Other services, except public administration	5,284	5.5%	\$25,331
Public administration	3,815	4.0%	\$47,105

Source: U.S. Census Bureau, 2017.

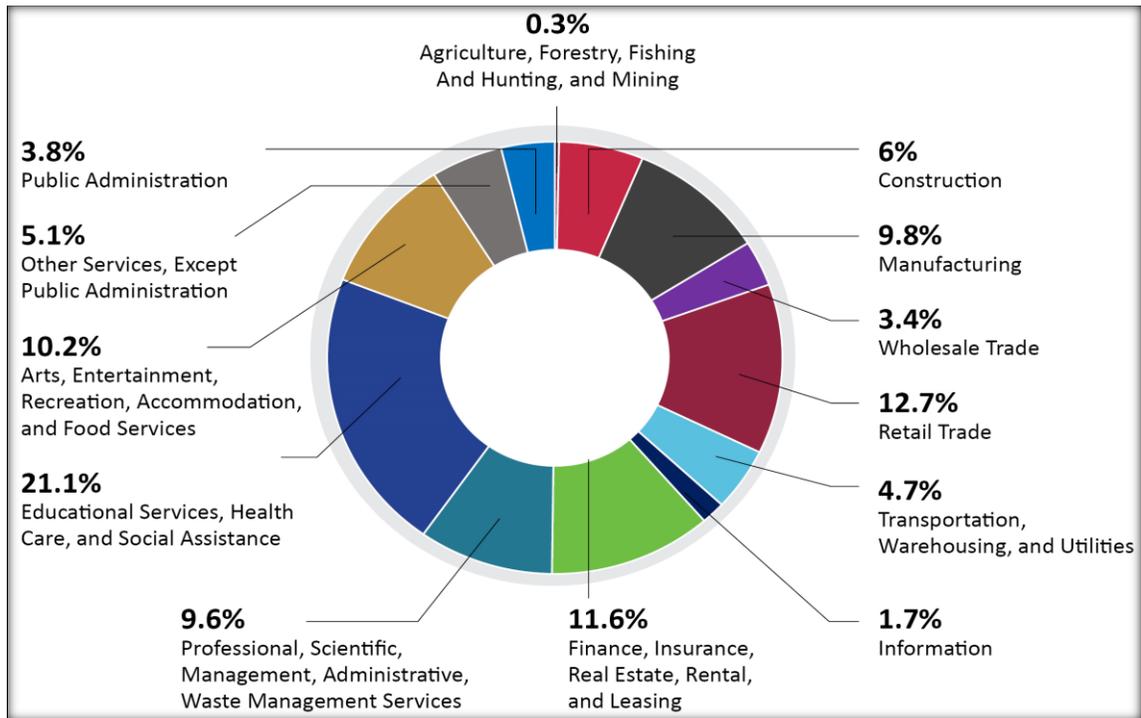
City of Concord Economic Trends

According to the Census, in 2017, the economy of Concord employed 43,280 people. The three (3) largest industries in Concord that are driving the economy are Retail Trade (5,484 people, with median income of \$27,016), Finance and insurance, and Real Estate and Rental and Leasing (5,022 people, with median income of \$62,800), and Educational Services, and Health Care and Social Assistance (9,127 people, with median income of \$36,196). However, the three (3) highest paying industries are Management of Companies and Enterprises (\$96,458), Utilities (\$78,239), and Finance and Insurance (\$68,981) (U.S. Census Bureau, 2017). The following table highlights the number of those employed in the different labor categories, the percentage of the workforce that category represents, and the median income for each workforce category. The data indicates that 48% of the jobs in Concord are concentrated in lower income labor categories. Figure 4 on the following page provides a graphical view of the data.

2017 City of Concord Employment & Wages			
Industry	Total Employment	% Total Employment	Median Earnings
Agriculture, forestry, fishing and hunting, and mining	111	0.3%	\$23,438
Construction	2,595	6.0%	\$31,094
Manufacturing	4,263	9.8%	\$45,641
Wholesale trade	1,489	3.4%	\$36,586
Retail trade	5,484	12.7%	\$27,016
Transportation and warehousing, and utilities	2,043	4.7%	\$54,867
Information	754	1.7%	\$51,111
Finance and insurance, and real estate and rental and leasing	5,022	11.6%	\$62,800
Professional, scientific, and management, and administrative and waste management services	4,165	9.6%	\$37,988
Educational services, and health care and social assistance	9,127	21.1%	\$36,196
Arts, entertainment, and recreation, and accommodation and food services	4,402	10.2%	\$14,225
Other services, except public administration	2,187	5.1%	\$26,998
Public administration	1,638	3.8%	\$45,857

Source: U.S. Census Bureau, 2017.

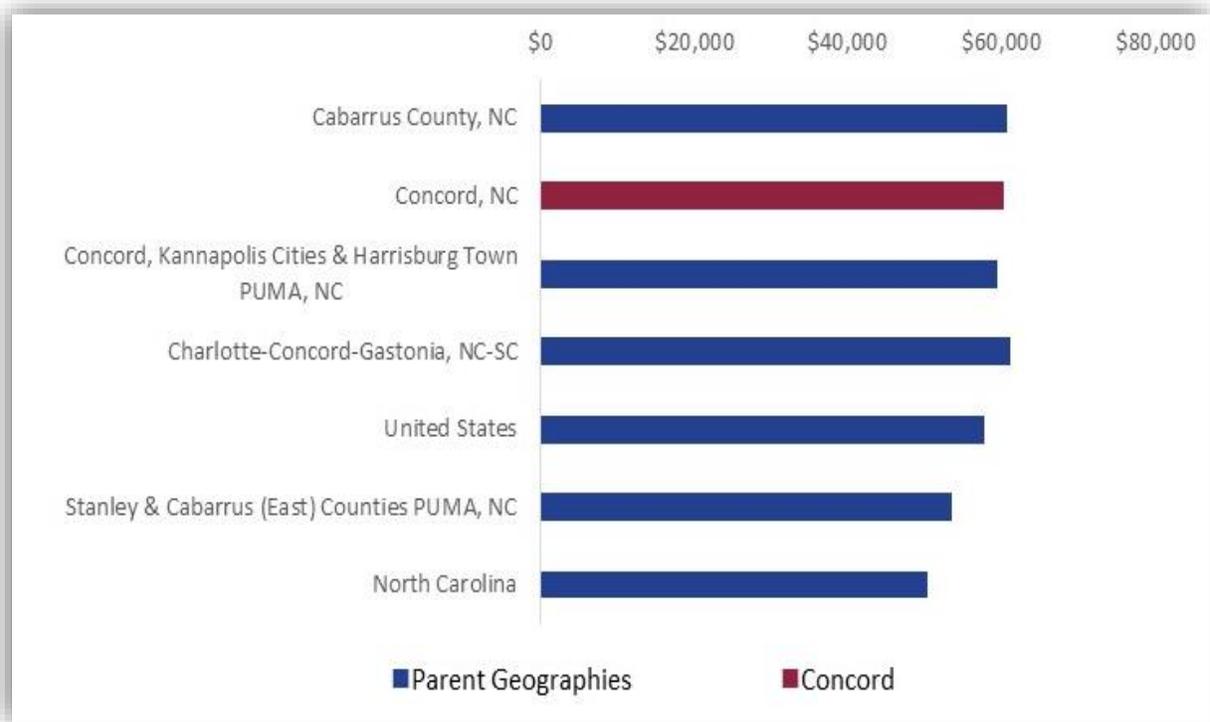
Figure 4. 2017 City of Concord Employment Estimates by Industry



Source: U.S. Census Bureau, 2017.

In 2017, the median household income in Concord was \$60,238, which was higher than the national median household income (MHI) of \$57,652. Compared to \$52,470 in 2010, the data affirmed that there was a 14.8% increase in median household income in the City of Concord (U.S. Census Bureau, 2017).

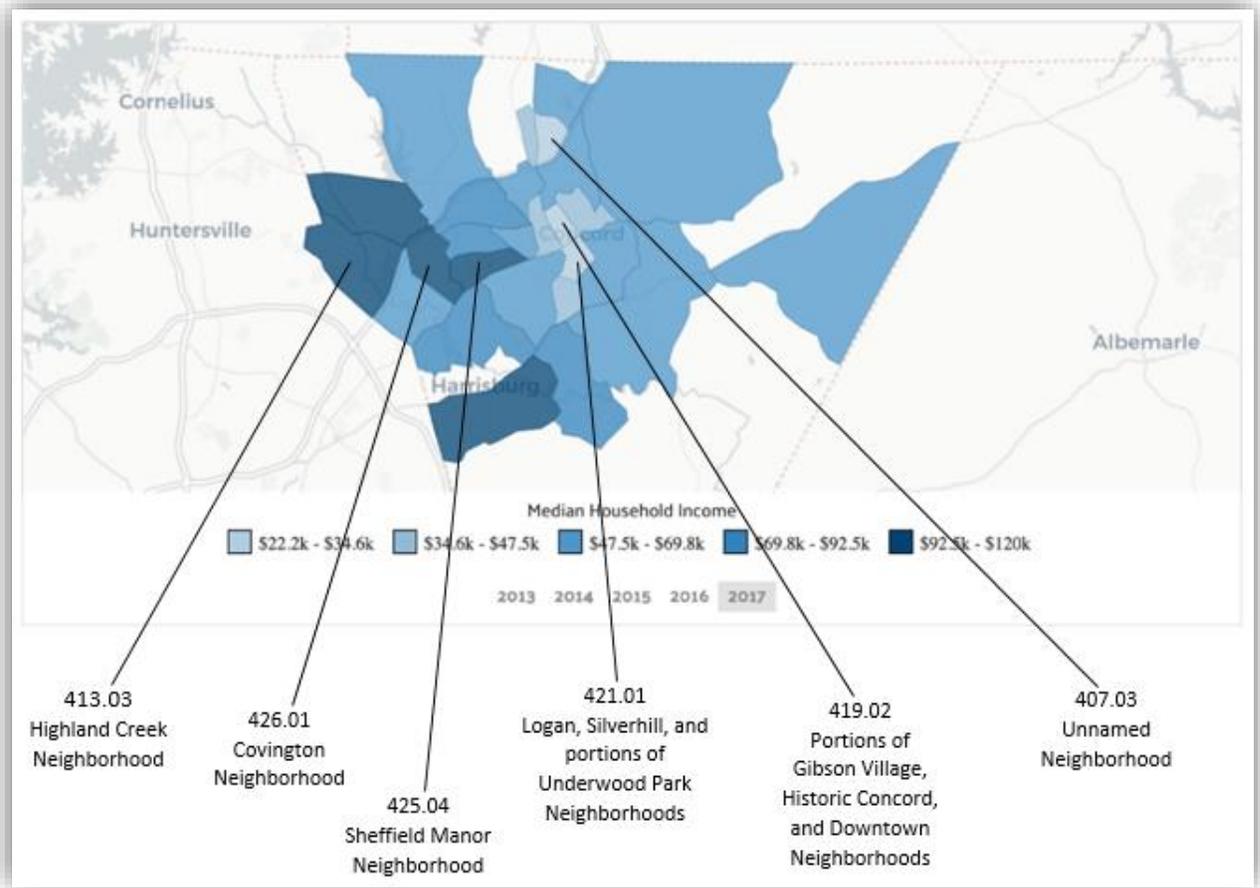
Figure 5. 2017 Median Household Incomes



Source: U.S. Census Bureau, 2017.

Census tracts are the basic geographic unit used to analyze the characteristics of the population and neighborhoods. In 2017, the location with the highest MHI (total) in Concord was Census Tract 425.04 (Sheffield Manor Neighborhood) with a value of \$112,721, followed by Census Tract 413.03 (Highland Creek Neighborhood) and Census Tract 426.01 (Covington Neighborhood), with respective values of \$107,191 and \$89,141. The location with the lowest MHI in Concord was Census Tract 421.01 (Logan, Silverhill, and portions of Underwood Park Neighborhoods) with an MHI of \$29,818, followed by Census Tract 419.02 (portions of Gibson Village, Historic Concord, and Downtown Neighborhoods) and Census Tract 407.03 (Unnamed Neighborhood), with respective values of \$30,433 and \$30,740. The map below shows these neighborhoods color coded and the MHI for each (U.S. Census Bureau, 2017). Historically, lower-income neighborhoods have been clustered towards the center of the city. As communities spread into the suburbs, these clusters continue to exist because the families there cannot afford to move. Living in these poorer neighborhoods adds burdens to low-income families, including poor housing conditions, higher crime rates, and fewer job opportunities.

Figure 6. Median Household Income Map



Source: U.S. Census Bureau, 2017.

The Census Bureau uses a set of income thresholds that vary by family size and composition to determine the families that are classified as impoverished. If a family's total income is less than the family's threshold, then that family, is living in poverty.

In 2017, the percentage of the population in Concord living below the poverty line was 11.9% (10,300 out of 86,600 people). This is below the national average of 13.4%. The largest demographic group of persons living in poverty are females aged 18 to 24, followed by females aged 25 to 34. This demographic group warrants special considerations related to housing conditions and affordability. Special programs, such as home buyer assistance, unique housing design options, or community support, can facilitate easier access into the housing market for these demographics (U.S. Census Bureau, 2017).

Rental Housing Market

Renters Market Analysis

Changing rental demand, the supply of rental housing, and how these dynamics affect access to affordable rental housing for the City's lowest income households are discussed in this section.

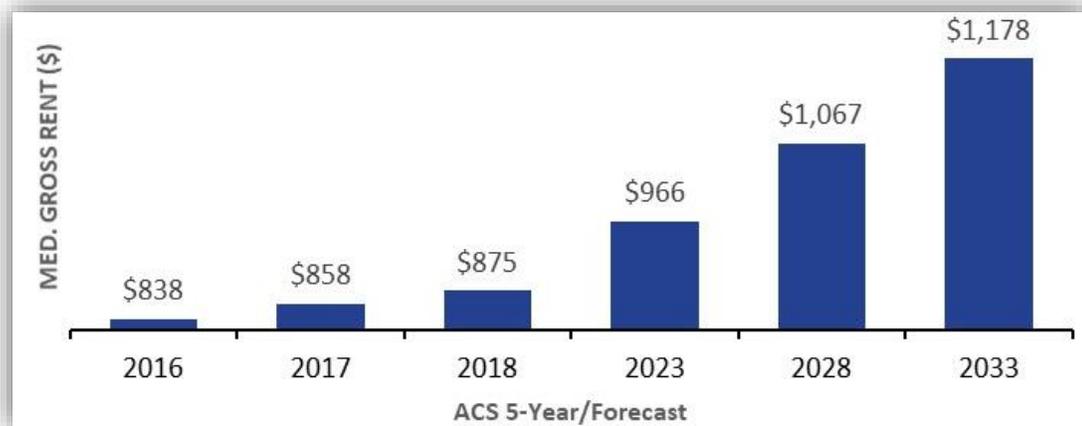
The report addresses conditions in 2017, the most recent data available from the American Community Survey 5-Year Estimates and compares that data to trends in previous years.

The median earnings for workers in the City of Concord in 2017 was \$36,493. However, the median gross rate of rental housing was \$858 (U.S. Census Bureau, 2017). This means that an average worker in Concord will pay roughly \$10,296 on rent in a year, not including other household related costs such as groceries, insurance, childcare, and transportation expenses. This amounts to almost a third of a person’s total income spent only on rent. A household is considered cost-burdened when it spends more than 30% of its income on rent and utilities and is severely cost-burdened when it spends more than 50% on rent and utilities.

Median Gross Rent Market Parameters

Median gross rent provides information on the monthly housing cost expenses for renters and is defined as the contract rent plus the estimated monthly cost of utilities (electricity, gas, and water/sewer) and fuels (oil, coal, kerosene, wood, etc.) if these are paid by the renter (or for the renter by someone else) (U.S. Census Bureau, 2017). From 2018 to 2023, median gross rents for the City of Concord are anticipated to increase by 10% (U.S. Census Bureau, 2017). With the Congressional Budget Office projecting relatively flat growth in wages, increasing rents will create a financial divide for persons in need of affordable housing.

Figure 7. Median Gross Rent Market Parameters, City of Concord



Source: U.S. Census Bureau, 2017.

Higher-income households are free to occupy rental homes in the private market that are also affordable to lower-income households. Because of the shortage of affordable and available rental units, many lower-income households spend more on housing than can afford and sacrifice other necessities, such as groceries and health care.

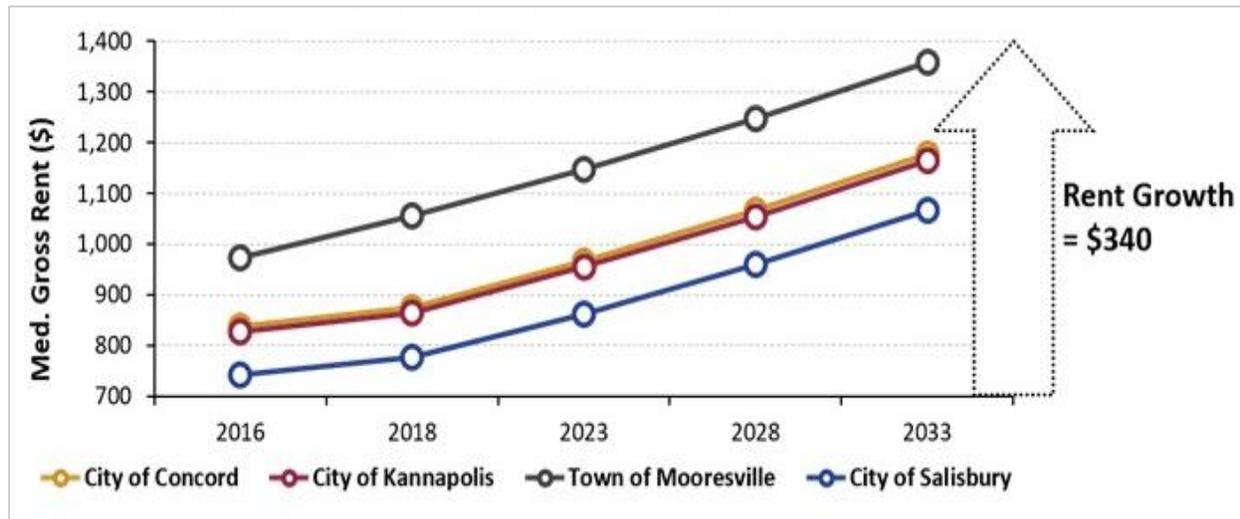
In 2017, the average median gross rent in the United States was \$982, and the average median gross rent in North Carolina was \$844. In comparison, Concord’s average median rent was about 13% less than the U.S. average, but exceeded the North Carolina average slightly by 1.7%. Future projections for 2033 indicate overall that North Carolina’s average median rents will increase by almost 72% to an average of \$1,448. From 2017 to 2033, Concord’s average median gross rent is

expected to increase \$320 (roughly 37%) from \$858 to \$1,178. Because median gross rents in Concord remains lower than both the state and national averages, Concord could become a premier location for individuals and families seeking affordable housing options (U.S. Census Bureau, 2017).

In comparison to other HOME Consortium cities, in 2017, the median gross rent in Concord and Kannapolis were roughly the same, with Concord’s median gross rent slightly higher (\$858) than Kannapolis’s median gross rent (\$848). Salisbury had the lowest median gross rent at \$761 and the Town of Mooresville had the highest median gross rent at \$1,037. The graph shows median gross rents in HOME Consortium cities (U.S. Census Bureau, 2017).

Data indicates shifts in demographics as one of the key drivers for the increasing demand of affordable units in the City. At the same time, the decreasing supply of affordable rental units in Concord means that lower-income renters are forced to live in higher-cost units. Data also shows a substantial drop in lower-income renters in the City. However, this drop in low-income renters is not offset by increases in homeownership or shifts to higher- or lower-income levels, which fosters ongoing concerns that the loss of affordable rental housing may be contributing to low-income renters leaving the City and the County (U.S. Census Bureau, 2017).

Figure 8. Median Gross Rent Market Parameters for the City of Concord, Kannapolis, Mooresville, and Salisbury



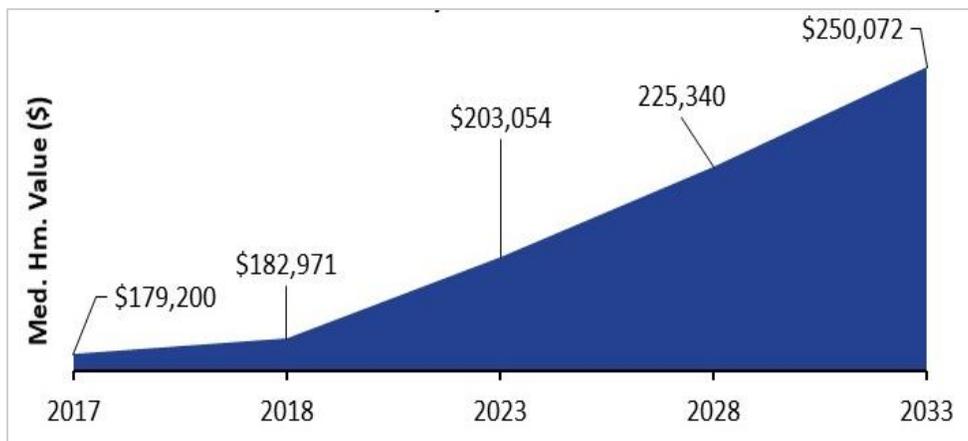
Source: U.S. Census Bureau, 2017.

Homeownership Market

The average home price in Concord in 2017 was \$179,200, roughly 25% higher than the average HOME Consortium average price of \$143,400. This higher rate can be attributed to higher market demand for homes in Concord with an inventory of homes that is smaller than other communities in the area (Jensen, 2017). Further, home prices in Concord are 1% higher than the average North Carolina home price of \$161,000. In 2017, the national average for home price in the U.S. was \$193,500. The price of housing in Concord remains higher than the North Carolina average, but lower than national averages (U.S. Census Bureau, 2017).

Addressing homeownership affordability depends both on financial resources and on required payments. For example, the median earnings for an individual who works in educational services, and health care and social assistance is roughly \$36,196 (U.S. Census Bureau, 2017) and using the 30% rule, this individual would spend \$10,858.80 per year on housing (\$904.90 per month). A monthly mortgage payment on a \$175,000 house is estimated to be \$1,142.00 a month or \$13,704 per year. A monthly mortgage payment on a \$100,000 house is estimated to be \$856.00 a month or \$10,272 a year. Based on these facts, if this individual only spends 30% of their income on housing, the maximum home value they would be able to afford is \$110,000, or \$69,200 below the average home price and only able to afford approximately 39% of the homes in Concord. Having higher than average home prices creates a divide in home affordability and the income needed to afford a home. The chart below shows median home values in the City of Concord from 2017 projected to 2033.

Figure 9. City of Concord Median Home Values, 2017 to 2033

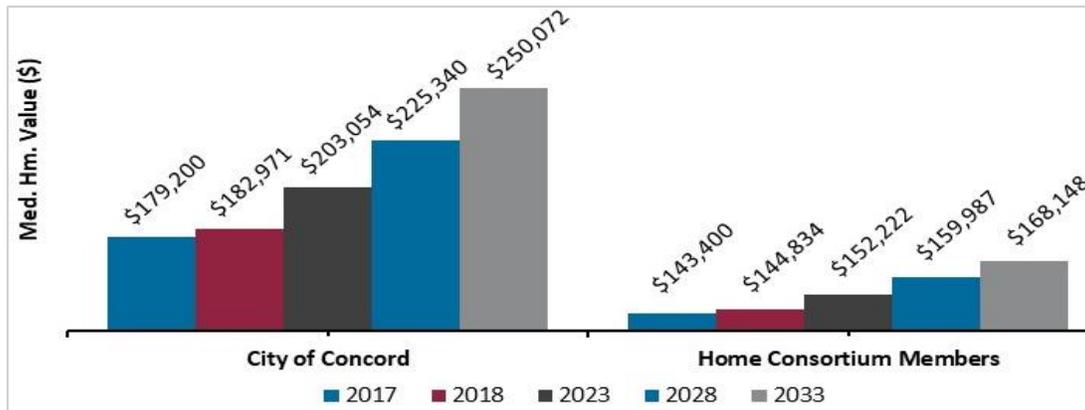


Source: U.S. Census Bureau, 2017.

Since 2010, Concord home values have risen overall. In 2033, the projected home value in Concord will be \$250,072, increasing the affordability gap for low-to moderate-income (LMI) buyers. Compared to \$52,470 in 2010, the data affirmed that there was a 14.8% increase in median household income in the City of Concord (U.S. Census Bureau, 2010). Generally, a home should not cost more than 2.5 times annual income. The projected 2033 price point would keep LMI individuals earning less the median household income out of the homeownership market.

Although the City of Concord’s average home price is, on average, less than the Cabarrus County average home price, Concord is still higher than both Rowan County and Iredell County. The following chart shows the City of Concord in comparison to other HOME Consortium members.

Figure 10. City of Concord Median Home Values vs. HOME Consortium Members



Source: U.S. Census Bureau, 2017.

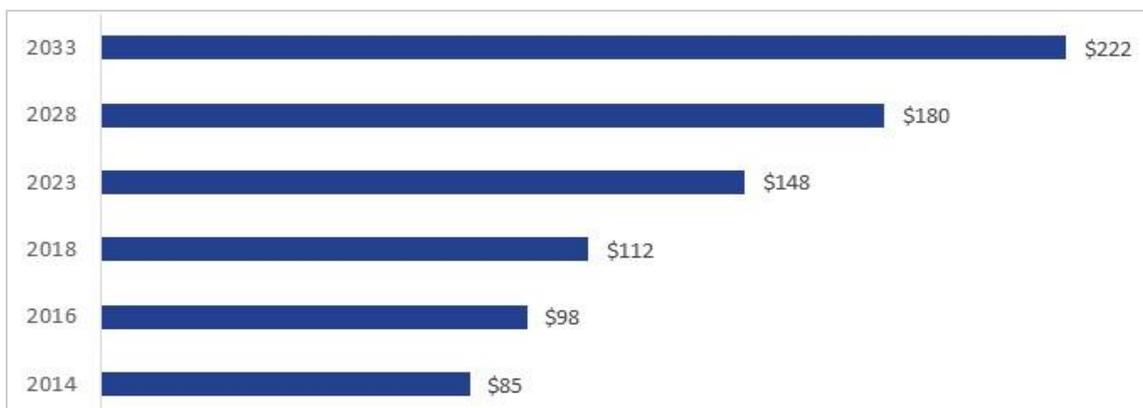
Figure 11. HOME Consortium Housing Values					
Locations	2017	2018	2023	2028	2033
Cabarrus Co.	\$180,300	\$184,508	\$207,068	\$232,387	\$260,802
Rowan Co.	\$130,400	\$130,530	\$131,184	\$131,842	\$132,502
Iredell Co.	\$173,600	\$176,732	\$193,258	\$211,330	\$231,092

Source: U.S. Census Bureau, 2017.

Cost Per Square Foot

The cost of building homes has increased significantly in Concord. Between 2014 and 2018, the cost per square foot increased by 32%. It is anticipated that by 2033 that costs will increase an additional 30% (Multiple Listing Service Data, 2014-2018). These costs will be passed on to homeowners through purchase price, further widening the gap between homeownership and low-income buyers. While price per square foot has increased, the average income has not maintained the same amount of growth.

Figure 12. Concord Home Price per Square Foot



Source: Multiple Listing Service Data, 2014-2019 (data analyzed by IBTS).

Gap Analysis

Owner and Renter Markets

Insufficient levels of quality, affordable housing have long been issues in the City of Concord. Concerns about the impacts of declining affordable housing on population trends, neighborhood diversity, and economic opportunity have intensified as the City emerges from the housing market downturn and recession. The housing market recovery has left neighborhoods throughout North Carolina grappling with very different types of neighborhood change, and in some communities, increased demand for housing may threaten neighborhood affordability and leave lower-income residents financially vulnerable or at risk of displacement. Owners and renters face increasing obstacles to having quality housing choice options throughout Concord.

Different factors shape the affordability gap in Concord. While the supply of affordable units has declined since 2013, the demand has increased, leading to an increased disparity in affordability.

Affordability of Market Rents and Home Prices

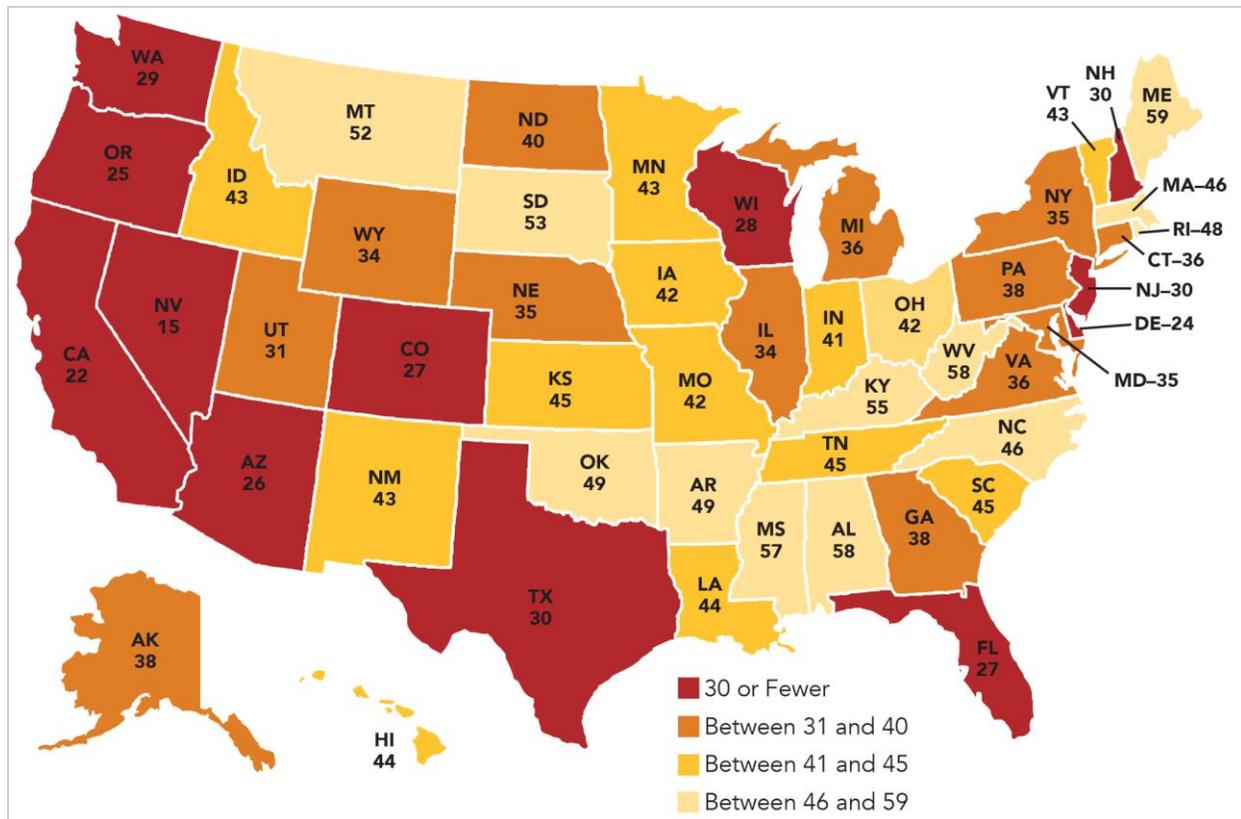
Based on trends in area median income (AMI), rents, and prices, the gap between affordable and market rate rents and home prices is widening. The AMI for the Concord HUD Metro Fair Market Rent Area (HMFA) has increased at an annual compound growth rate of only 0.2% per year since 2000. Since affordable rents and home prices are calculated based on AMI, they have generally increased at comparable rates. In contrast, market rents have increased nine times faster than AMI at 4.6% annually for the past five (5) years, and the median home sales price has increased four (4) times faster than AMI, at an annual rate of 2.1% since 2000 (U.S. Census Bureau, 2010-2015; HUD Comprehensive Housing Affordability Strategy Data).

Based on an analysis of home sales in Concord in the last quarter of 2017, only 20% of three-bedroom units were sold at prices affordable to households at 80% of AMI, and only 42% were affordable to households earning 100% of AMI. In addition, only 4% of four-bedroom units were sold at prices affordable to households earning the median income, and none of the homes were affordable to households at lower-income levels. Two-bedroom units are more affordable for low-income households, representing only 10% of sales (U.S. Census Bureau, 2010-2015; HUD Comprehensive Housing Affordability Strategy Data).

Over the years, there also has been a growing gap for affordable units for the extremely low-income population (ELI). ELI households are those that earn no more than 30% of the area median income. Since 2000, the gap between the need for affordable units and the availability of affordable units to serve the ELI population has grown tremendously. In Cabarrus County, the ELI limit for a household of four is \$25,750 in 2019, which is up from \$23,850 in 2014. On average, in 2017, there were only 46 units available in North Carolina for every 100 ELI households, with Cabarrus County's average being slightly below the state's average, with 40 units for every 100 ELI households. In 2018, 44% of renter households were paying more than 30% of their gross income for housing. Almost half of renter households were cost-burdened (National Low-income Housing Coalition, 2018). The map below depicts rental homes and affordability for ELI renters throughout the U.S. (U.S. Census Bureau, 2017).

What does this mean? The ELI income limit has increased in 2019, adding more overall persons to this group. With the trends indicating that this group is increasing, the units available to serve this group are decreasing. There is a significant housing dilemma for persons that are ELI.

Figure 13. Affordable and Available Rental Homes per 100 ELI Renter Households



Source: National Low-income Housing Coalition, 2018.

Aging Housing Stock

All cities not only have some level of growth, but aging housing stock is another common element that can present a unique set of challenges for local governments. In Concord, the housing boom took place between 2000 and 2009, which makes some of the housing stock nearly 19 years old (based on the houses built in 2000). In addition, the 1,658 units built before 1939 may contain characteristics of historic significance, based on the age of the units, and these units could require

The affordable housing supply is shrinking—leaving many of the City's lower-income renter households in increasingly tenuous housing situations.

a significant amount of upkeep and repair. LMI or ELI residents are not the sole occupants of these units. Middle-class persons who are unable to maintain homes without the assistance of certain federal housing-repair programs occupy many of these units. An aging housing stock without the means to afford the necessary repairs could increase the vacancy rates within various communities throughout the City. The City of Concord must evaluate its current programs to be better prepared to address the anticipated housing rehabilitation needs that will continue to increase over the next five-to-ten years.

Vacancy Analysis

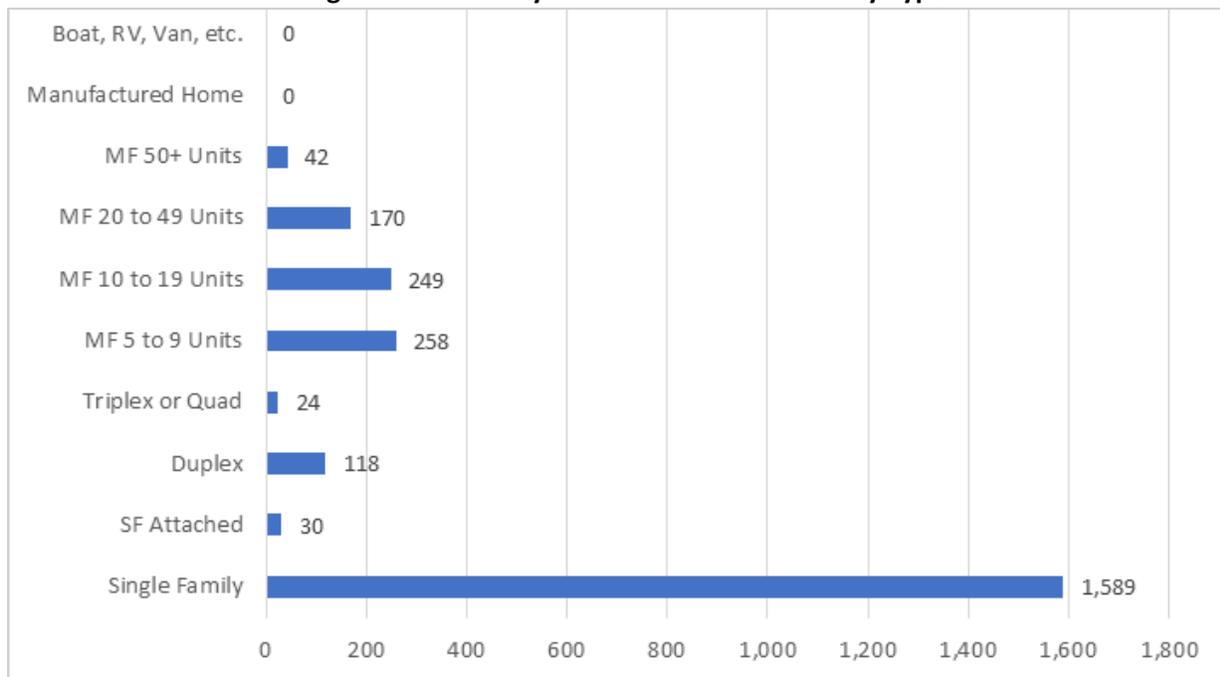
Derelict houses, dormant factories, moribund strip malls, and other types of vacant and abandoned properties are among the most visible outward signs of a community’s reversing fortunes. Properties that have turned from productive use to disuse are found in cities, suburbs, and rural areas throughout the country, and they vary widely in size, shape, and former use.

These vacant and abandoned properties are more than just a symptom of the larger economic forces at work in the community. Their association with crime, increased risk to health and welfare, plunging property values, and escalating municipal costs make them major contributors to a community’s overall decline and disinvestment.

Consequently, local government officials, community organizations, and residents increasingly envision vacant properties as opportunities for productive reuse, by reimagining blight and dilapidation as urban farms, community gardens, and health facilities. Empty homes are viewed as assets in neighborhood stabilization and revitalization that can be renovated and reoccupied.

In 2017, the City of Concord had 2,480 units reported vacant, with 338 (or 13.6%) of the units being categorized as substandard housing units. This number is lower than the 17.5% national average of substandard housing in the U.S. (U.S. Census Bureau, 2017).

Figure 14. 2017 City of Concord Vacant Units by Type

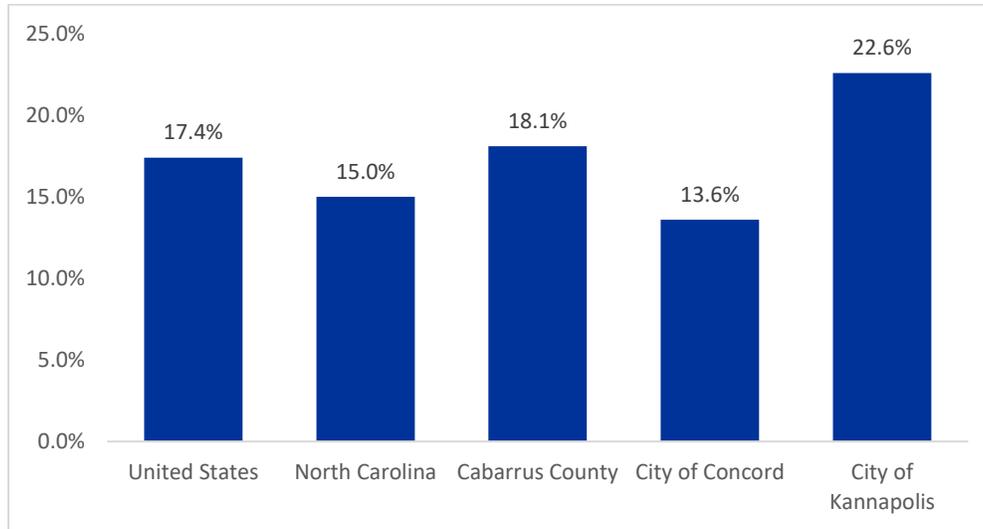


Source: U.S. Census Bureau, 2017.

Properties may become vacant for a variety of reasons. A property that is for rent or sale may be vacant for a short time, and a vacation home might be vacant for most of the year. If owners take responsibility to maintain their properties, they will not become eyesores or lower neighboring property values. In general, a vacant property becomes a problem when the property owner

abandons the basic responsibilities of ownership, such as routine maintenance or mortgage and property tax payments.

Figure 15. 2017 Vacancy Rates of Cabarrus County, North Carolina, and HOME Consortium Communities



Source: U.S. Census Bureau, 2017.

In comparison to surrounding cities and towns, as well as the State of North Carolina, Concord’s vacancy rate or 13.6% was below the State of North Carolina’s average of 15%. The City of Kannapolis had a higher average than the State of North Carolina, with a vacancy rate of 22.6% (U.S. Census Bureau, 2017).

Multiple variables can lead authorities to designate a property as either vacant or abandoned, including:

- The physical condition of a structure;
- The amount of time that a property has been neglected; and
- The relationship of the owner to the property.

Apartment Vacancy Analysis

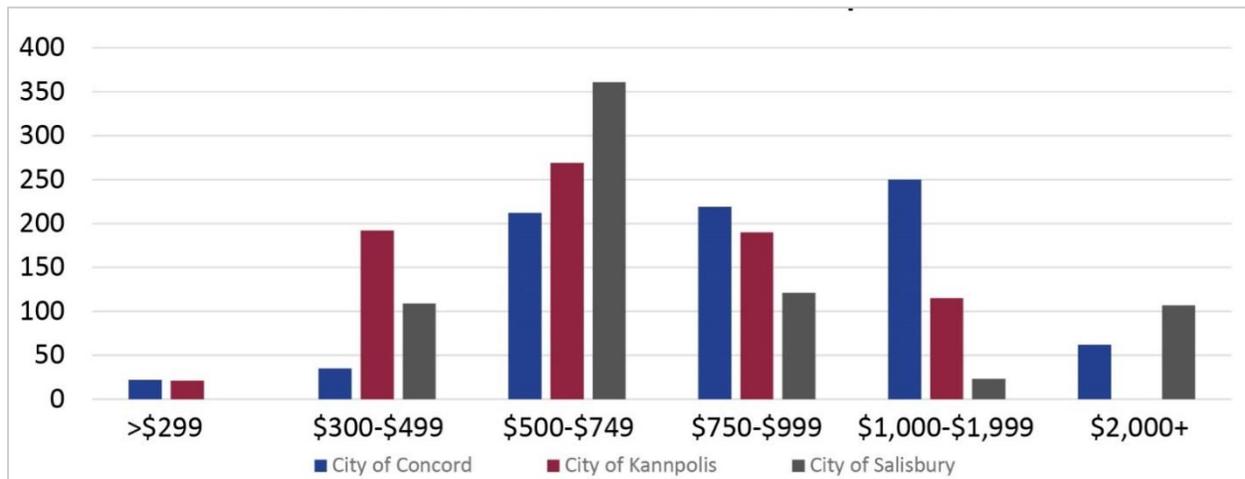
In 2017, apartment vacancy rates declined from the previous year and have dropped significantly since 2013. In 2017, the Mooresville/Statesville market area, which includes Lake Norman, accounted for more than 40% of the apartment construction in the submarket. However, during the past year more apartment construction has occurred in the Concord/ Kannapolis/ Salisbury market area. This increase in construction activity has led to improvements in the communities’ public transportation infrastructure. These improvements also have increased residents’ access to the downtown Charlotte area (U.S. Census Bureau, 2017).

Rental Rates Comparison

Rental data for vacant housing units in Concord show that there are fewer available units within the \$300 to \$499 range when compared to neighboring jurisdictions. This shortage of affordable housing affects individuals and families who are on fixed incomes, who are working in lower-wage industries, and those who live below the poverty line. The lack of affordable housing

prevents low-income households from meeting other basic needs such as nutrition and healthcare or saving for their future and that of their families. Additionally, when comparing vacancy rates with neighboring jurisdictions, demand is less in the higher rent categories. This data clearly shows the need for more affordable units. (U.S. Census Bureau, 2017)

Figure 16. 2017 Comparison of Vacant Unit Rental Prices



Source: U.S. Census Bureau, 2017.

Burdened in Concord

The U.S. Department of Housing and Urban Development defines cost-burdened families as those “who pay more than 30% of their income for housing” and “may have difficulty affording necessities such as food, clothing, transportation, and medical care.” Severe rent burden is defined as paying more than 50% of one’s income on rent. The 30% rule—that a household should spend no more than 30 percent of its income on housing costs—has long been accepted in academic circles and is often included in blogs and websites on family budgeting. However, researchers are reexamining this as a measure of rental burden. They suggest that calculating housing cost-burden using only income ratios oversimplifies the issue of housing affordability. The chief economist at Freddie Mac is quoted as saying, “If your income is \$500,000 a year, you can pay 40 percent and still have money left. But if your income is \$20,000 a year, it will be hard to make ends meet if you’re paying 30 percent of your income on rent.” (U.S. Department of Housing and Urban Development, 2014)

It is a known fact that families with children spend more on clothing, food, and medical bills than single adults do. Therefore, a household with children that spends 50% of its income on housing might be cost-burdened, whereas a single adult who earns the same salary and spends the same percentage of income on housing might not be. In addition, the share of income measure does not consider cost-of-living differences in areas where housing is more expensive. Consider a very low-income family in Concord that earns approximately \$27,650 a year, or approximately 46% of the AMI. If 50% of the family’s income is dedicated to rent, the family has only about \$266 per week left to cover all other basic expenditures including food, clothing, medical costs, and transportation (U.S. Department of Housing and Urban Development, 2014).

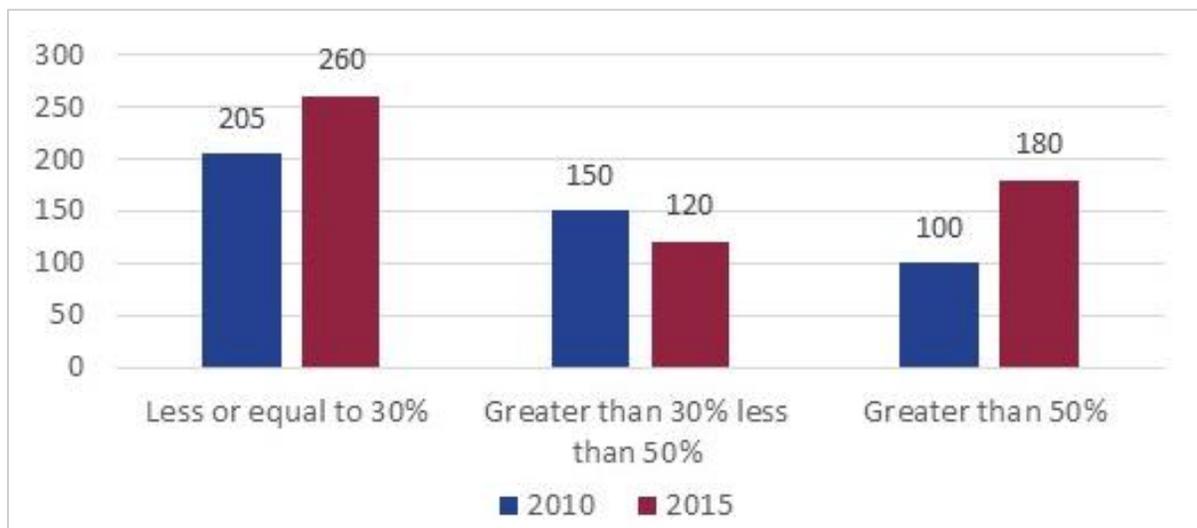
To analyze cost-burden for this study, we used Comprehensive Housing Affordability Strategy (CHAS) data on Concord from 2010-2015, the latest period available. This data demonstrates the extent of housing problems and housing needs, particularly for low-income households. Local governments use CHAS data to plan how to spend HUD funds and may also be used by HUD to distribute grant funds.

Income and Rent Overburden in Concord

An analysis of trends from 2010 to 2015 in cost-burdened and extremely cost-burdened households was completed using HUD Area Median Family Income (HAMFI). Cost-burden is the ratio of housing costs to household income. In this analysis, renter-housing cost is gross rent and owner-housing cost includes mortgage payment, utilities, association fees, insurance, and real estate taxes.

In 2017, the median household income in Concord was \$60,238 a year or \$5,019 a month. The median rent was \$875 a month. In Concord, an individual working in the service or retail industry, making less than \$2,915 a month would be considered overburdened when renting an apartment at or above the median rent (U.S. Census Bureau, 2010 - 2015).

Figure 17. City of Concord Rental Household Cost-burden



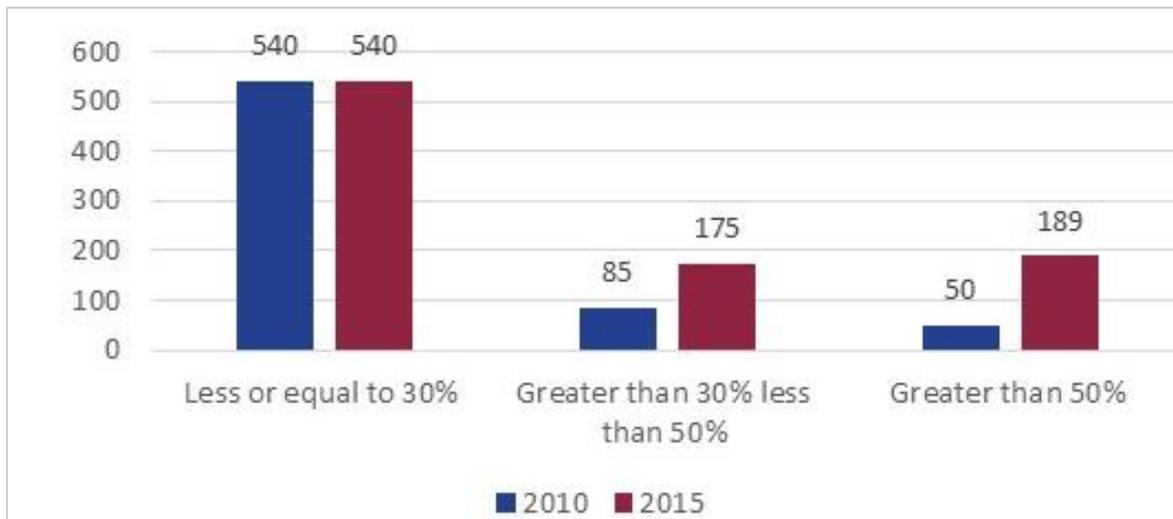
Source: U.S. Census Bureau, 2010-2015.

Cost-Burdened and Extremely Cost-Burdened Households

From 2010 to 2015, owners and renters in Concord increased in all income categories that were most cost-burdened. Renters were the most severely impacted by being cost-burdened (U.S. Census Bureau, 2010-2015; HUD Comprehensive Housing Affordability Strategy Data).

Between 2010 and 2015, homeowners who spend more than 50% of their income on housing costs increased by 28.7%. However, during this period, median home values decreased slightly from \$166,900 to \$166,300. Many homeowners between 2010 and 2015 were in economic recovery with the foreclosure crisis. The number of homeowners considered cost-burdened whose incomes were greater than 50% of the AMI, jumped from 1,270 to 1,635, indicating these individuals are also struggling with housing costs (U.S. Census Bureau, 2010-2015; HUD Comprehensive Housing Affordability Strategy Data).

Figure 18. Owner Household Cost-Burden

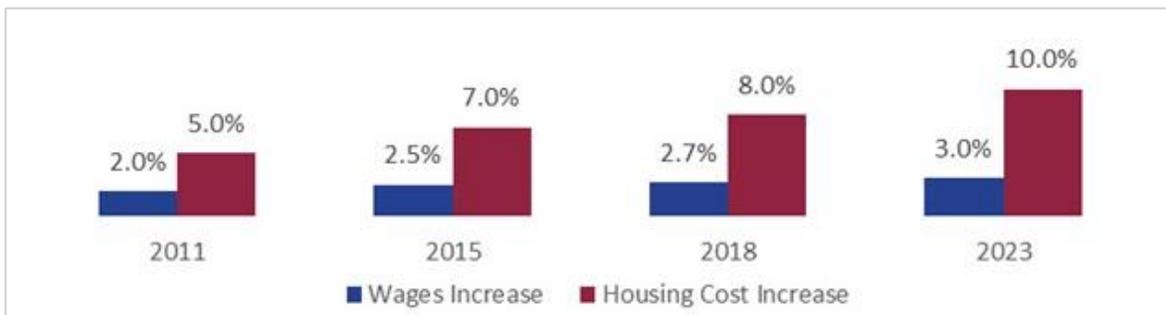


Source: U.S. Census Bureau, 2010-2015.

Cost-Burdened Renters

Wages are not increasing at the same rate as housing costs, and rents continue to increase. The imbalance between the demand for affordable housing and the supply of low-cost rentals can be seen in metropolitan areas in North Carolina, including Concord. Renters bear the greatest burden and risk associated with housing cost.

Figure 19. North Carolina Wage Increase vs Housing Cost Increase



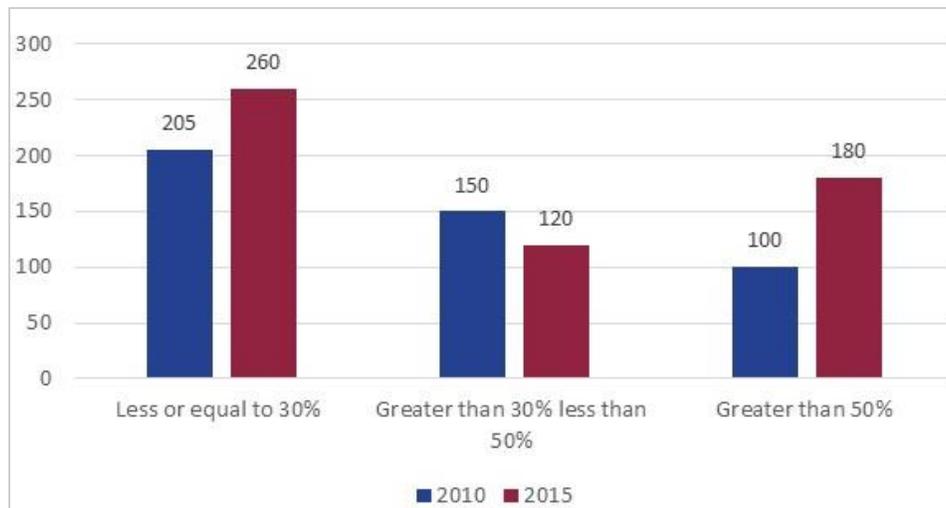
Source: U.S. Census Bureau, 2017; Experian Housing Data; IBTS Analysis.

In Concord, individuals who were at 30% or less of AMI had the highest housing cost-burden increase—up by 13.6%—from 2010 to 2015. Those with incomes between 30% and 50% of AMI saw the least percentage change in total impact with only a 3.7% increase (U.S. Census Bureau, 2010-2015; HUD Comprehensive Housing Affordability Strategy Data).

In comparison to the same renter groups within the HOME Consortium, persons in Concord on average had a higher increase in those considered cost-burdened for persons who were greater than 50% of AMI. For the HOME Consortium, the 30% to 50% cost-burdened group decreased by 6.9%, whereas the same group in Concord increased by 26%. Trends show that renters in Concord are more rent burdened the less money they make, and renters are overall more cost-burdened

than owners (U.S. Census Bureau, 2010-2015; HUD Comprehensive Housing Affordability Strategy Data).

Figure 20. Rental Household Cost-Burden



Source: U.S. Census Bureau, 2010-2015.

Missing Middle Class

While housing affordability has long been a problem for low-income families, middle-income families are also dealing with affordability challenges. When housing costs rise, households can respond by adjusting their consumption, for example, living in smaller spaces or moving farther from city centers.

It is easier to focus on the extremes of the housing shortage, due to rising levels of poverty and homelessness. However, the creeping cost of housing is pinching a middle class already struggling with flat wages, rising child care costs, and the skyrocketing price tag of a four-year college degree. This “middle-class squeeze,” as a 2014 report by the Center for American Progress illuminated, was about new constraints, and how “the costs of key elements of middle-class security rose by more than \$10,000 in the 12 years from 2000 to 2012, at a time when family income was stagnant” (Sisson, 2019).

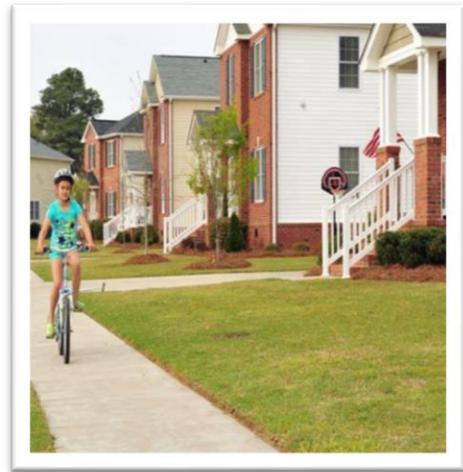
Using household-level data from the Census Bureau’s Individual Public Use Microdata Sample (IPUMS), it is possible to explore briefly how housing stresses vary by income, household type, race, and geography. Results show that, on average, middle-income families are doing well on all four dimensions. However, the middle class also shows stress on several metrics, including affordability, crowding, long commute times, and access to homeownership.

Housing can enhance well-being or create hardship through several channels. Each household makes multiple complex choices when picking a home: how much of its monthly budget to spend on housing compared to other goods and services, the size and quality of the home, proximity to work, and other neighborhood characteristics. Compromise on one dimension does not necessarily raise concerns: for instance, some households strongly value having a larger home and are willing to commute longer distances to afford extra space. For policymakers,

understanding housing choices made by groups of similar households can provide insight into how well local housing markets are working (Sisson, 2019).

Historically in the U.S., high-income households have chosen to occupy large homes in the suburbs, while lower-income households typically live in center cities where public transportation infrastructure is better. Few people enjoy commuting; longer commutes are unpleasant both for individuals and for society because of the environmental impacts. In contrast, many middle-class families see longer commutes as a tradeoff to large affordable housing that is often located outside of city centers. The U.S. average commute times is 26.4 minutes each way. In Concord it is only slightly higher, at 27.4 minutes on average each way (U.S. Census Bureau, 2017). Commuting stress is defined as commute times of more than one hour (U.S. Department of Housing and Urban Development, 2018).

Having a stable, decent home in a safe, healthy community is critical to overall well-being. Housing is the largest single expenditure in most family budgets, more than double the amount spent on either transportation or food. Residential stability provides the foundation for participating in other economic and social activities. Where families live have wide-ranging consequences for their well-being. Location affects access to jobs, transportation, and social networks, as well as the quality of local services such as schools and public safety. Public health researchers have tracked the increasing correlation of location with a variety of health outcomes. Home equity is by far the largest financial asset for most middle-income households (Sisson, 2019).



Nationally, over the past five years, housing costs have risen faster than incomes, as shown in the chart below. Housing affordability has long been a problem for low-income families. Nationally, roughly 80% of renters and 63% of owners making under \$30,000 per year spend more than 30% of their income on rent. Middle-income families are also facing increasing affordability challenges in urban areas with strong labor markets. (Schuetz, 2019)

In Concord's middle class—those earning \$35,000 to \$49,999 between 2012 and 2017—42% were cost-burdened, spending more than 30% of income on housing (U.S. Census Bureau, 2017; U.S. Department of Housing and Urban Development, 2018).

Persons who were non-minority obtained mortgages at a higher rate than minority persons within Concord in 2018. There are 15,927 owner occupied units in Concord with a mortgage and 4,692 homes without a mortgage. The median mortgage payment is \$1,410. Most homes purchased are financed for a 30-year fixed mortgage of \$1,000 to 1,499 per month with 223 homes with a monthly mortgage payment less than \$500. This data indicates high income and some middle-income families can afford home ownership; however, persons who are LMI and or ELI are locked out of the ownership market (U.S. Census Bureau, 2018).

Figure 21. Real Median Household Income and House Price Index. Housing prices have risen faster than income.



Source: Schuetz, 2019.

Trend and Need Analysis

Migration of Extremely Low-income Families

The data showed a substantial drop in low-income renters in Concord. This drop in low-income renters is not offset by increases in homeownership or shifts to higher- or lower-income levels, highlighting ongoing concerns that the loss of affordable rental housing may be contributing to low-income renters leaving the city and county.

With a continuation of this trend, the City of Concord can experience the following correlating problems:

1. **Increases in the Homeless Population.** With the ELI population growing and either leaving the City and or unable to locate affordable units at their price point, there will be an increase in the homeless population in the City of Concord and surrounding cities.
2. **Greater Need for Public Benefit.** With incomes not increasing and greater populations needing more subsidies, increases in public housing waitlists, requests for Section 8 assistance, and public housing assistance will grow within the City.

This trend indicates that there is a requirement within the City to address the need for housing for individuals who are ELI and to take a closer look at income disparities, job opportunities, and potential ways to increase homeownership for lower-income families.

Vacancy Trends and Needs

Since the first quarter of 2013, vacancy rates have dropped to less than 5.4% in Concord. However, when vacancy rates ranged from 8.8% in the Gaston County market area to 6.3% in the Concord/Kannapolis/Salisbury market area, rental rates remained unchanged and the overall vacancy rates in the Concord/Kannapolis/Salisbury market were not affected by other regional fluctuations in vacancies (U.S. Census Bureau, ACS 5-Year Estimates).

The average monthly rents in North Carolina suburbs submarket range from up to \$877 in the Gaston County market area to \$893 in the Mooresville/Statesville market area. The monthly rental rates in the Mooresville/Statesville market reflect a 2% decline with vacancy rates remaining unchanged. Concord rents are increasing with vacancy rates decreasing. The expected trend is that when a region experiences rental rate drops, that vacancy rates are lower. With rental rates increasing in Concord, LMI persons cannot afford housing in the City. The City of Concord needs to look at how regional and city-wide vacancy rates impact rents as the basis for innovative planning to off-set market driven trends minimizing affordable housing (U.S. Census Bureau, ACS 5-Year Estimates).

In conjunction with an aging housing stock overall, Concord will need more housing rehabilitation, not just for owner-occupied units, but also for rental occupied units. With renters unable to afford rents, there will be a trend of renters accepting substandard housing, trading off safe housing for affordable housing.

Housing Trade Offs Trend

As noted above, the HUD “share of income measure” does not include tradeoffs families may make to reduce housing costs. A family may choose to live in a poor-quality home, in a crime-ridden area, or long distance from work/home opportunities to reduce housing costs. According to a study by the Joint Center for Housing Studies, “[t]hese added costs [of tradeoffs] are not now captured by the simple approach of measuring only the share of income households spend on their housing” (Airgood-Obrycki & Molinsky, 2019).

Even if percentage of income were considered an adequate means of measuring affordability, the research is inconclusive on which inputs should be used to calculate the affordability ratio. The surveys used for measuring rental burden are often self-reported measures of income and expenses including rent and utilities. Underreported income, as well as the difference between pretax and post-tax income, can have an adverse impact on the data. In their analysis of American Housing Survey data, Frederick Eggers and Fouad Moumen note, “Low-income households, in particular, often have large year-to-year swings in income” (U.S. Department of Housing and Urban Development, 2014).

Without accurate and consistent data on income and expenses, the share of income and the measure of rental burdens can inadequately represent the problems poor families face. With the new development of multi-family housing units in Concord, a large portion of renters within Concord will remain and are rent burdened.

For example, Legacy Concord, a 348-unit development that opened in April 2017 in the City of Concord has rents that start at \$1,040, \$1,225, and \$1,341 for one-, two-, and three-bedroom units, respectively. The 229-unit Legacy Village and the 203-unit Sorrel Morrison Plantation both

opened in August 2017 in the City of Mooresville. Asking rents at Legacy Village start at \$950, \$1,185, and \$1,410, for one-, two-, and three-bedroom units. Rents were higher in Concord than in the City of Mooresville. These even minor changes in rents can significantly create burdens on low- to moderate- income families as they seek affordable housing options (U.S. Department of Housing and Urban Development, 2018).

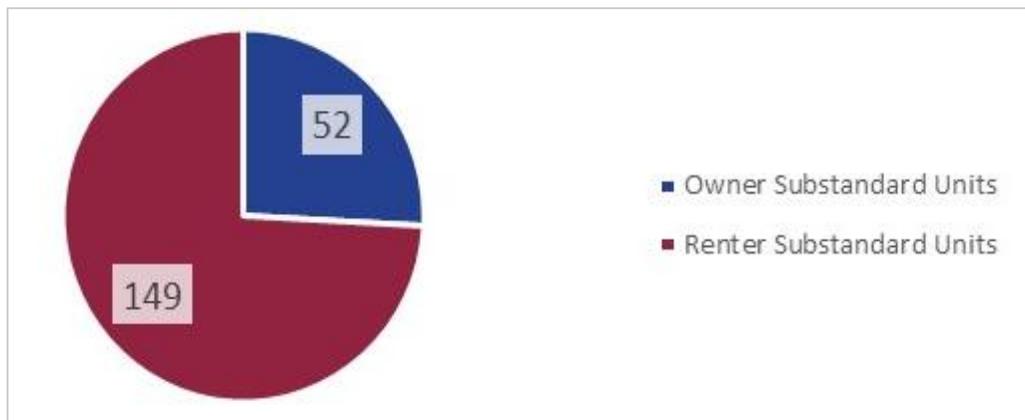
Barriers Analysis

The level of affordability of a home will be relative to the total household income; however, barriers to affordable housing can reasonably be grouped into four (4) primary categories: housing quality, systems barriers, needs barriers, and economic barriers.

Housing Quality: Substandard Housing Analysis

For the purpose of this report, HUD defines substandard housing as any unit lacking complete kitchen facilities or incomplete plumbing. In the City of Concord, there are 31,355 total occupied units, with 20,619 being owner occupied and 10,736 being occupied by renters. Fifty-two (52) owner-occupied units and 149 renter-occupied units were considered substandard, based on HUD's definition. This can be due a variety of reasons, including not only lack of unit repair, but also those that may share common spaces. However, the data shows that renters are 85% more likely to live in a substandard unit due to the inability to afford other housing options. (U.S. Census Bureau, 2017).

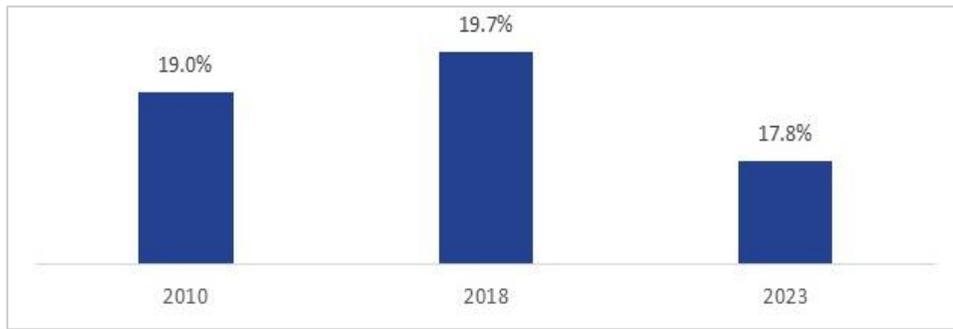
Figure 22. 2017 City of Concord Owner Substandard Units versus Renter Units



Source: U.S. Census Bureau, 2017.

The pool of higher income renters has invited the development of additional market rate, higher priced rentals. Between 2010 and 2018, the average person earning an income between \$50,000 and \$74,999 has increased. However, it is anticipated that this income bracket will decline by roughly 2% in 2023, creating the additional need for more affordable housing (U.S. Census Bureau, 2017). The following chart shows the percentage projections for the \$50,000 to \$74,999 income bracket (blue columns) from 2010 to 2023.

Figure 23. \$50,000 to \$74,999 Income Bracket Percentage Projections



Source: U.S. Census Bureau, 2017.

Systems Barriers

Typical systems barriers relate to the inability of an individual to find affordable homes, either through discrimination, lack of knowledge on where to find more information, language and literacy constraints due to English not being the primary language spoken, education, or break downs in the process. Also, it is possible that the current stock of affordable units may not fit an individual’s housing needs. Reasons may include quality of housing, location, lack of adequate public facilities, including transportation and schools, and/or limited accessibility.

Burdensome governmental program requirements can also cause the supply of affordable homes to decline when homeowners refuse to participate, as was seen in the Housing Choice Vouchers (HCV) program. A survey conducted by the Public Housing Authority Association in 2012, cited that tightening housing markets, the availability of qualified housing, the program policies, landlords’ refusal to participate, racial discrimination, and the local program administration effectiveness led to only 69.2% of voucher recipients being able to find a qualifying home (McLure, 2010).

One of the program findings suggests that landlords were unfamiliar or not knowledgeable about the program. Only 43% of landlords of affordable units indicated they would be willing to rent to HCV, with two of the top three reasons for not renting to HCV as being “too many regulations” (28%) and “too much paperwork” (26%). Due to the limitations of this study, no surveys were conducted for landlords in Concord regarding the use of HCV vouchers. However, with national surveys indicating these issues, Concord must take a closer look at the availability of housing options for families and or individuals receiving this type of subsidy (McLure, 2010).

Rent Subsidies. In 2017, the average contract rent in Concord was \$643.00 while the average rent for that year was \$875.00. The shortfall of \$232 had to be paid out-of-pocket by the individuals or families. This shortfall does not include other out of pocket expenses, such as child care, health care, transportation, groceries and insurance (U.S. Census Bureau, 2017).

Many LMI persons are 50% more likely to have to pay higher deposits on units and live in less energy-efficient units than those with higher incomes. In addition to not receiving enough subsidy, LMI persons also have increased personal costs, such as public transportation.

As with individuals trying to locate affordable housing, many of those receiving a subsidy also face the challenge of locating landlords who are willing to take the subsidy. Many landlords do

not want to deal with any perceived impediments and/or requirements when dealing with a tenant with federal subsidies.

Barriers are also created when affordable housing is located too far away from employment centers, public transportation, and other amenities. This creates a “mismatch” between the requirements of low-income populations for affordable housing and employment opportunities, in which the spatial fit does not match their needs. This spatial mismatch represents a significant barrier to many LMI individuals and families that are much more likely to rely on public transportation because they lack a car. In 2017, a family earning the AMI spent approximately 17.4% of its income on transportation, while LMI families spent as much as 35% (U.S. Department of Transportation, 2018).

The spatial mismatch between employment and housing makes it difficult and costly for low-income households living in central cities to find employment opportunities.

Needs Barriers

Concord does not have the affordable housing stock that can meet the demands and/or needs of ELI individuals and families. Based on a review of datasets, the average annual income for persons who are ELI living in Concord is \$21,350.¹ An ELI household spending 30% of its income on housing costs, would be able to afford a monthly rent of \$533. With rents at an average of \$875², the ELI individual and/or family would not be able to afford necessary rent without making extreme housing tradeoffs.

Economic Barriers

Discrimination in credit lending is another significant barrier for access to affordable housing. This includes loan denial, insurance redlining, higher interest rates, and lower appraisal-to-market value ratio's increasing the size of the down payment values. These processes either deny individuals loans or raise the cost to access credit.

Unreported income is another economic barrier for LMI individuals. Available census and income data sets are based on reported data, but there is much income, especially in LMI income communities, that goes unreported. This not only causes discrepancies in data, but also makes it difficult for LMI individuals to have verifiable income so they can obtain credit. This barrier was perpetuated during the foreclosure crisis. Many LMI persons were taken advantage of by “no-doc” loans where income was not verified and credit was over-extended, creating home loans that LMI persons could not afford.

These economic barriers can be overcome with education. The City of Concord should continue to educate its most vulnerable populations on these practices and provide learning tools on credit. In addition, the City should look to enhance down payment assistance programs to further make homeownership a reality.

¹ Based on a family size of 3. US Department of Housing and Urban Development (2019). HOME Income Limits. Retrieved from https://files.hudexchange.info/reports/published/HOME_IncomeLimits_State_NC_2019.pdf

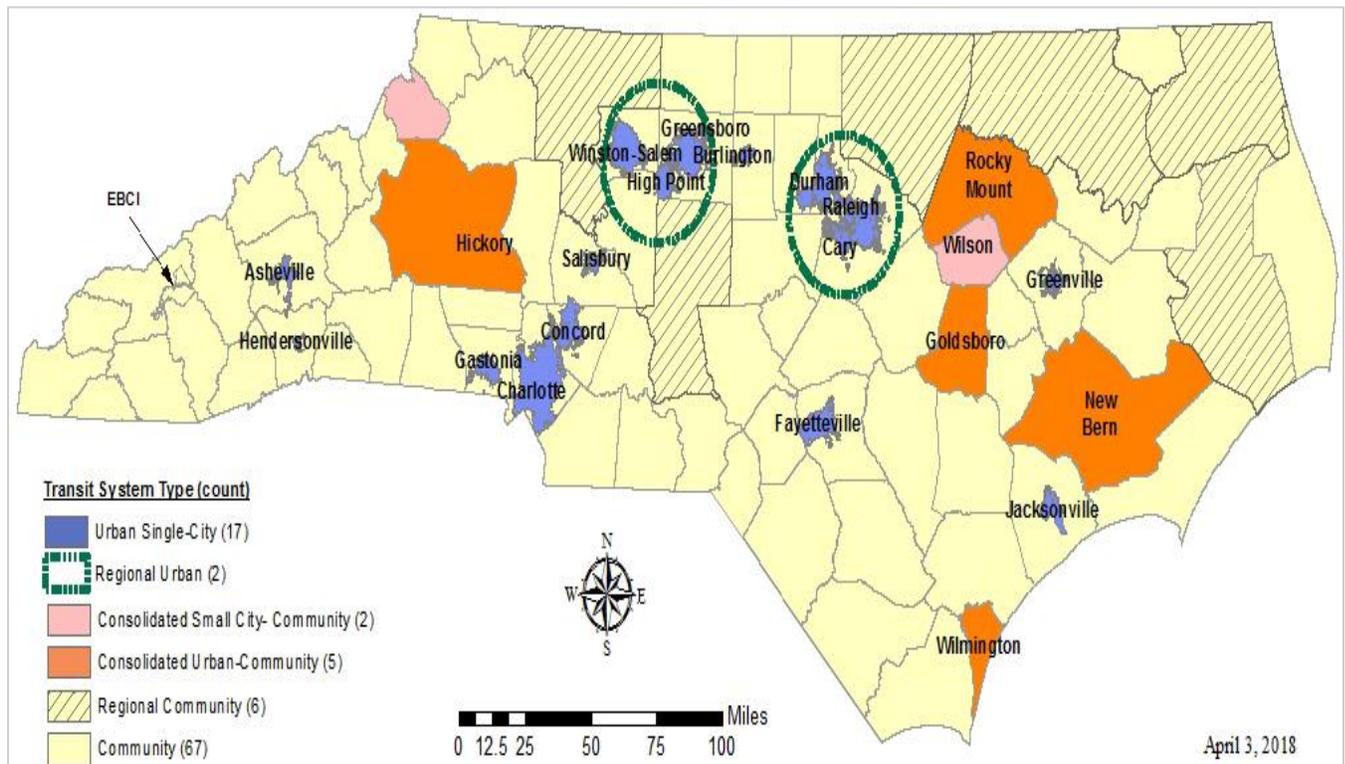
² This does not reflect the size of the unit rented at \$875. Certain ELI families would be subject to rents higher than average due to a larger family needing a larger unit.

Since affordability also includes a household’s ability to save money (i.e., avoid cost) on essential goods and services, it is particularly relevant in the expenditure patterns of lower-income households and their response to financial dilemmas, such as reduced income or new cost-burdens. For example, public transit services tend to provide affordability because they provide a fallback option to lower-income commuters when their vehicles are unavailable. Although cost savings may benefit all income classes, only savings for lower-income households can be considered to increase affordability.

Affordable housing (housing that requires no more than 30% of a household’s income) does not include the transportation costs associated with home locations. True affordability is related to the cost of housing and the cost of transportation. The Center for Housing and Policy has found that the tradeoff in housing savings gained at the cost of transportation is eroding, with \$0.77 being spent on transportation for every dollar spent on housing (Jewkes & Delgadillo, 2010).

Transportation Affordability. Neighborhood and community characteristics, including relative housing and transportation costs, contribute to health disparities by racial/ethnic group, income level, and education level (Woolf & Braverman, 2011). Communities that are walkable and public transportation-friendly allow residents to access employment and amenities easily with less dependence on automobiles. This can result not only in saved time and money, but also increased physical activity and reduced greenhouse gas emissions. However, these communities also tend to have higher housing costs, thus potentially pushing lower-income residents to live where they are not able to reap the many benefits of accessible housing and transportation.

Figure 24. Public Transportation Systems in North Carolina by Category



Source: North Carolina Department of Transportation, 2018.

Why spend so much time discussing transportation in a housing study?

Nationwide studies show that accessible transportation systems support affordable housing. Those in affordable housing with access to transportation have 25-50% more access to jobs.

In Concord, the LMI family could, on average, spend 35% of its income on transportation. Concord operates Concord-Kannapolis Area Transit. This transit system is defined by the North Carolina Department of Transportation as an “urban⁴” system. Cabarrus County recently completed a 20-year vision plan for transportation. This plan included strategically mapping out where in Cabarrus County public transportation will be improved and/or expanded. The City of Concord can partner with the County and incentivize this plan in conjunction with the development of affordable housing options and further reduce the cost-burden for /the most vulnerable populations.



⁴ Transportation definitions are included in the appendices of this study.

Recommendations



The recommendations in this report provide an overview of objectives that the City of Concord can adopt to address housing within the City. Although this is specific to the City of Concord, some of these recommendations will require a multi-jurisdictional approach and are not limited to the City of Concord's borders. There is no exact model that cities can follow, as each City is unique as it relates to affordable housing needs. These recommendations are general and should be thoughtfully considered by policy makers to meet the needs for all residents within the City of Concord.

Approach for setting numerical targets for housing in the City

Establishing a citywide goal for housing affordability would constitute an effort to preserve existing income diversity. This goal should be targeted to areas of need identified in this study— that is, rental units affordable to households earning less than \$25,000 (addressing the rental gap) and ownership units targeting households earning less than \$50,000 per year. Ten percent (10%) is a common goal used by other cities that have embraced affordable housing targets. A 10% goal is also consistent with many existing city programs (e.g., density bonuses, PUDs). These goals are based on comprehensive research, best practices, and data analysis. As discussed in the study, housing affordability is critical for all income groups but especially for those who are LMI, paying more than 30% of their gross income on housing expenses.

The goal would be to maintain or improve the current proportion of affordable units for renters earning less than \$25,000. Home prices would need to be less than \$183,000 to be affordable for

persons who are considered LMI. For middle-class persons (earning from \$35,000 to \$49,999), home price affordability would need to be less than \$185,000. A later portion of this section discusses tools to assist these groups to obtain affordable homes.

Overall, citywide housing goals should be linked to a 10-year citywide goal for planning and infrastructure needs. To determine the citywide goal, it is recommended the City establish a diverse board of community-wide stakeholders to fully evaluate the need for affordable housing. In addition, it is critical to have political buy-in from local governments allocating some level of general fund money for affordable housing development along with the City directly supporting affordable housing needs on an annual and consistent basis. This type of commitment is needed to realistically move forward with any goals established by affordable housing groups.

The City of Concord will need to gauge the future: How will future investors benefit from today's planning and design choices? How will the community change and adapt?

Strategies for ensuring long-term affordability

Market rate housing developments sell out in a matter of years, and market-rent rental properties are often sold after a specified holding period. However, affordable housing developments are often required to remain affordable over the long-term.

Concord must develop, finance, and manage property longevity, which means integrating sustainability into all aspects of the overall affordability of housing projects. Sustainability is the glue that unites the financing, planning, zoning, designing, marketing, selling, and building of an affordable housing development. Concord is already making great strides in integrating sustainability in affordable housing and should continue to stay ahead of this issue.

Sustainability is what can help ensure long-term affordability. A sustainable development fosters a sense of community that benefits buyers over the long-term. In this study, we have discussed the aging housing stock and how wages do not keep up with price increases. Incorporating sustainable development is critical, not just to address the immediate need, but to ensure that housing will remain affordable in the future.

Sustainable Development

Building for sustainability offers the best chance of maintaining long-term value. Sustainable development is high-quality development, but it does not need to be high-cost development. Through creative design and value engineering, developers can create sustainable communities while maintaining affordability.

Key qualities of sustainable affordable housing are

- Promotes economic vitality;
- Fosters environmental integrity; and
- Encourages a sense of community today and for future generations.

Specifically, such housing should promote health, conserve energy and natural resources, and provide easy access to jobs, schools, and services. Collaborative public and private sector

strategies that support the development of quality, affordable housing must be in place to have long-term sustainability.

With projects that operate on tight budgets, affordable housing developers are generally careful to invest in nonstandard strategies only where they make economic sense. However, non-standard strategies, such as green materials, can offer numerous benefits and opportunities for a project and improve the project and the community.

For example, recycled construction materials can often be reused to save money *and* be used for onsite public art projects. Specifying materials to result in durable surfaces reduces maintenance fees for residents and managers. Affordable housing developers should think beyond meeting local, state, or national green-building standards to setting examples of sustainability that add value to the community and its residents. Budget limitations of affordable housing projects can lead to creative sustainable solutions if encouraged.

The focus on sustainability should begin with site selection. Development on infill sites is inherently more sustainable than that on undeveloped sites because infrastructure costs are lower; transportation alternatives are available; it does not use up agricultural or natural lands; and it makes a positive contribution to local economic and social vitality. Sites should be connected to trails, open space, parks, streets, and public transit. Project design should think beyond the car, incorporating options for bicycling, ridesharing, accessing trains and buses, and walking.

Green Standards

The incorporation of greener systems contributes to sustainability. Green affordable housing can reduce utility bills, create healthier living environments, and save nonrenewable resources. Some green options—for example, the use of native plants in landscaping and the use of nontoxic (zero-VOC) paints—cost no more than standard options. Other green options—for example, using old paving material as backfill in trenches and minimizing the amount of grading—can save money. Some green options, such as energy-efficient heating and cooling systems, can cost more initially but offer long-term savings in operating or maintenance costs.

For lower-income residents, investment in high-quality and efficient HVAC and other building systems is important because it achieves savings in maintenance and replacement costs and significantly lowers utility bills, allowing for an aging population to be able to maintain and stay in homes for the long term.



Vacant lots can be greened and repurposed for new uses, such as this play area in Pittsburgh's East Liberty neighborhood.

Photo courtesy: Sara Innamorato

Collaborative public and private sector strategies to support the development of quality, affordable housing

Private capital can no longer be the only option for paying the high price of assembling and preparing appropriate sites for redevelopment, nor can local governments bear the full burden of paying the costs of requisite public infrastructure and facilities. Planning and zoning controls are often either inadequate or too inflexible to ensure either appropriate control or enablement of desired private outcomes. True partnerships replace potential confrontation with collaboration and cooperation to achieve shared goals and objectives. This process requires applying far more effort and skill to weighing, and then balancing, public and private interests and minimizing conflicts.

Housing affects all persons in a community regardless of race, sex, age, creed, and/or color. Furthermore, housing affordability impacts private and public sectors. It is important to have an inclusionary planning approach when a city is seeking advice and community support for affordable housing development.

Today, public/private partnerships are considered “creative alliances” formed between a government entity and private developers to achieve a common purpose. Other factors have joined such partnerships—including nongovernmental institutions, such as health care providers and educational institutions; nonprofit associations, such as community-based organizations; and intermediary groups.

Residents and neighborhood groups also have a stake in the process. Partnerships around the country have successfully implemented a range of pursuits from single projects to long-term plans for land use and economic growth. Partnerships have completed projects such as mixed-use developments, urban renewal through land and property assembly, public facilities such as convention centers and airports, and public services, such as affordable and senior housing.

Public and Private Transportation Collaboration

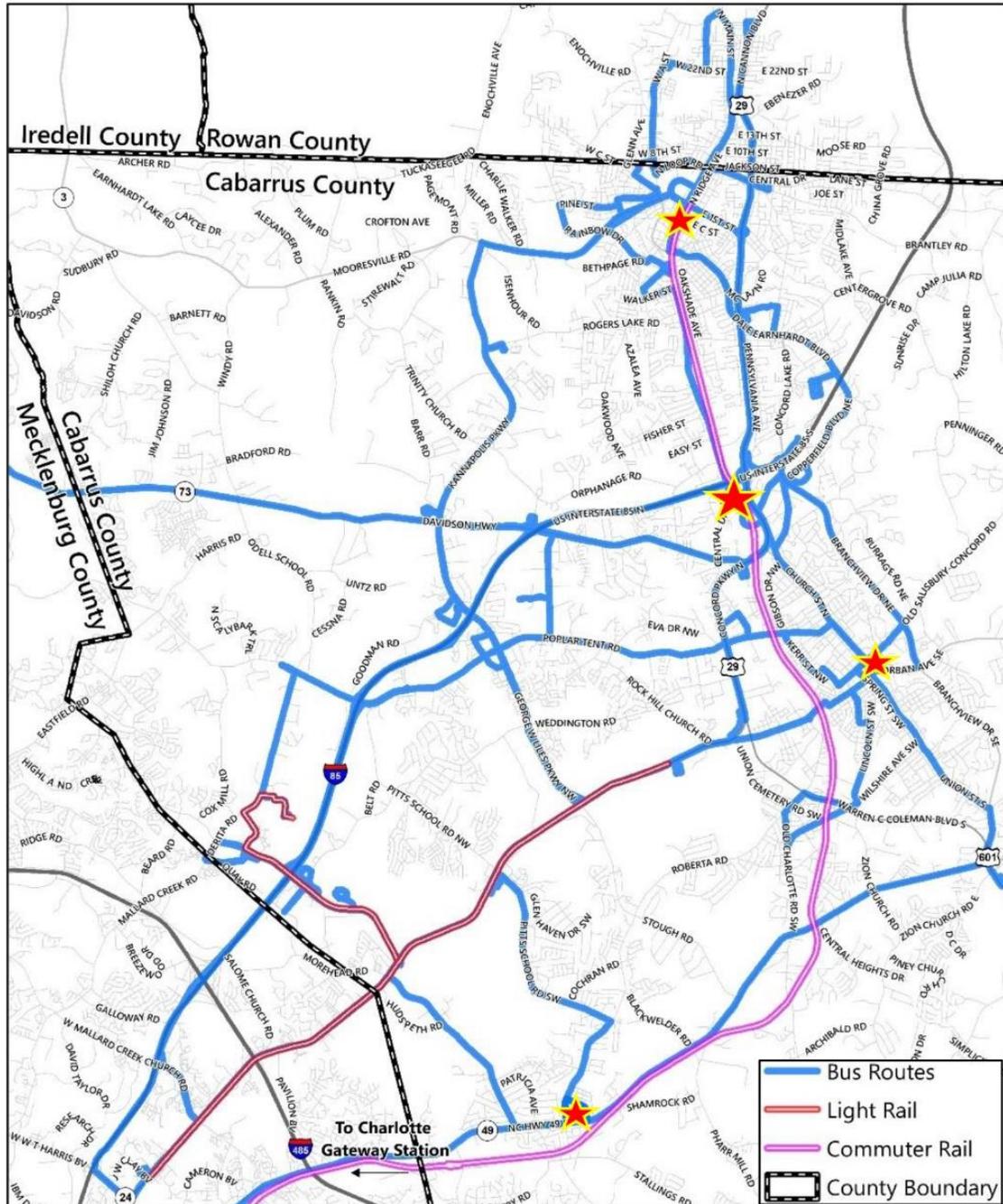
Public-private partnerships are an important way to fund and sustain infrastructure projects and public services. In general, transportation infrastructure projects can be quite complicated to complete, with numerous conceptual and structural issues to resolve. The concept of ensuring that residents of current and future affordable housing options have direct access to public transportation in both an efficient and affordable manner is critical. Low to moderate income households are 72% more likely to be 100% dependent upon public transportation as their only mode of transportation. Ensuring that public transportation exists in places in which these families work, live, and play is essential in creating balanced neighborhoods.

The City of Concord must ensure that housing development is serving the most vulnerable populations and is located near public transportation services.

Cabarrus County has completed a long-range transportation plan that includes Concord-Kannapolis Area Transit and other options for transportation, including rail systems. With this plan, Concord is in position to create a model of how to build affordable housing in conjunction with transportation. This map shows where the projected new service lines will be located within

the County and the City of Concord. It also shows activity centers, or hubs (represented by stars) along the commuter rail. The City should devise a way to incentivize and make affordable housing a reality near these transportation routes.

Figure 25. Comprehensive Transportation Plan



Source: Concord-Kannapolis Area Transit, June 2019.

The City must *continue to partner* with the County to further explore planning and ensure that along with further enhancements for transportation, affordable housing is made available.

According to the North Carolina Department of Environmental Quality, SustainableNC is a Partnership Initiative to encourage public and private collaboration as the state strives to become a national leader in energy innovation and a low-carbon economy. This partnership initiative will help North Carolina reach its goal to reduce greenhouse gas emissions 40% by 2025. It will also help companies, local governments, community groups, and private citizens across the state to achieve their voluntary environmental goals.

The City should explore a partnership option with SustainableNC. Local governments can tap into these resources to connect energy-reducing transportation options with affordable housing alternatives. In addition, they can add value to upcoming neighborhoods and existing neighborhoods with items such as installation of charging stations to encourage residents who own/buy cars to help reduce their carbon footprint.

Engaging Public Housing Resident Councils

Public Housing Resident Councils are councils led and managed by public housing residents and Section 8 voucher recipients. Resident councils provide input on the public housing agency plans, development, and programs. To improve insight into affordable housing needs and create new collaborative approaches, the City should appoint a City staff liaison to participate in and/or lead discussions with Public Housing Resident Councils. The people residing in public housing have direct insight on the needs, cost-burdens, transportation needs, and other support services needed to plan and develop affordable housing projects. Further, individuals who are recipients of Section 8 vouchers can provide a city valuable insight when the city can determine the affordable housing units and the landlords that will accept these vouchers. This type of insight will benefit the City and the residents.

Tool and strategies to promote affordable housing for moderate-, low-, and very-low-income households

Setting up partnerships will be imperative to promoting and financing the building of affordable housing development units. Partners can limit each other's risk and coordinate development roles the City may not be able to take on independently. There are different tools available to both the local government and private developers to further enhance affordable housing within the community. Concord has partnered with the County and is serving as the lead entity within the HOME Consortium. This establishes a foundation to explore new opportunities. An in-depth review of the various aspects of the development agreements and incentives offered by the City was beyond the scope of this study. As a result, the following recommendations offer a high-level look at development tools and partnerships that can be established for the promotion of affordable housing.

Planning and Zoning Tools

Rigid zoning and land use controls may limit the development of affordable housing. Growth control measures designed to protect open space increase the base cost of the land available for residential development. Local zoning regulations, such as minimum lot sizes and parking requirements, can also add to the cost of housing development.

However, a variety of zoning and land use tools are available to remove barriers and encourage the development of affordable housing.

Planning and zoning tools available are:

- Inclusionary Zoning;
- Minimum Lot Sizes and Setbacks;
- Affordable Housing Districts;
- Infill Housing Development;
- Expedited Permitting; and
- Affordable Dwelling Unit Ordinance.

Inclusionary Zoning

Designed as a local regulatory tool, inclusionary housing (zoning) requires developers to include a specific number of affordable homes in new residential developments over a certain size. The number of affordable units to be included in the new developments is based on a percentage of the total number of units in the development (generally 12% - 15%). The cost of providing the affordable units is offset with a density bonus.

Implemented through local ordinances, inclusionary zoning focuses on the affordability of designated units and can target one income group, such as households earning 50% of the median income, or may serve a range of incomes. Additionally, the resale price of the affordable units is restricted for a specific number of years.

Minimum Lot Sizes and Setbacks

Reducing minimum lot sizes or setbacks required for new residential development increases project density and decreases the cost of housing development. While technically not an affordable housing program, the cost savings associated with reduced lot sizes and setbacks make the development of affordable units more feasible. Smaller lot size and setback ordinances may be applied to any new development or may be restricted to target areas where a locality wishes to encourage affordable housing development.

Establishing Affordable Housing Districts

Affordable Housing Districts are areas targeted for affordable housing development. Within these areas, special zoning exceptions, such as relaxing height restrictions and decreasing parking requirements, may be applied to offset developer costs of producing affordable housing. Affordable Housing Districts are often formed in urban neighborhoods where the cost of developing new housing is high, but they can be created in any area where affordable housing is needed. With the establishments of affordable housing districts, cities may offer financial incentives to further offset the cost of affordable housing development in that area.

Completing of City-Wide Tier Reviews for Federally-Funded Projects

One of the biggest struggles for non-profit agencies, as well as municipalities is that funds used to acquire properties are often federal funds. These HOME and CDBG federal funds often require an environmental review process that may take timeframes between 30 to 120 days to complete. While completing or waiting on required public comment periods, other private developers may come in and acquire properties using non-federal funds and avoid these delays, creating circumstances that make it difficult for non-profits, developers, and local jurisdictions to compete

for properties for affordable housing development. With HUD funding, cities and counties can complete a county-wide tier review. Tiered review consists of two stages: a broad-level review and a subsequent site-specific review.

The broad-level review should identify and evaluate the issues that can be fully addressed and resolved, notwithstanding possible limited knowledge of the project. In addition, it must establish the standards, constraints, and processes to be followed in the site-specific reviews. As individual sites are selected for review, the site-specific reviews evaluate the remaining issues based on the policies established in the broad-level review. Together, the broad-level review and all site-specific reviews will comprise a complete environmental review addressing all required elements.

Funds cannot be spent or committed on a specific site or activity until both the broad-level review and the site-specific review are completed. Completion of a broad-level tier review will allow the jurisdiction to complete only a site-specific review when attempting to acquire property, significantly reducing the amount of comment period or time required for the regular environmental review process. Although more expensive to complete up front, environmental tiering can save time on the backend when municipalities are trying to compete with private developers.

Although more expensive to complete up front, tiering can save time on the back end when cities/towns are trying to compete with private development for affordable housing.

Expedited Permitting

Delays during any stage in the development process add to the final costs of new housing. Reducing the costs incurred by developers during the development review process makes affordable housing projects more attractive. Expedited permitting is a cost-efficient and very effective way of reducing developer costs. Fast-tracking review and permitting of affordable housing projects reduces developer costs at no cost to local jurisdictions. Expedited permitting is being utilized by many planning departments across North Carolina. Most have found that expedited permitting didn't require additional personnel, but it may require updated software, procedures, and staff training to expedite the reviews.

Affordable Dwelling Unit Ordinance

The Affordable Dwelling Unit Ordinance is a compulsory law, meaning a mandatory ordinance that developers meet when they plan to develop housing. Under the ordinance, homebuilders are given a density bonus in return for ensuring that a certain project will remain affordable over a length of time. For example, a developer would be given a density bonus of up to 20% in return for ensuring that a certain percent, 12.5% for example, of the total units will be affordable to households earning less than the area median income. The ordinance applies to sale and rental developments of 50 units or more where the density is greater than one unit per acre. Included in the ordinance are guidelines for the location of the affordable units within the development and descriptions of properties not subject to the law.

Density Bonuses

Density bonuses, which can be provided at no additional cost to the local government, can be granted for projects in which the developer agrees to include a certain number of affordable housing units. Essentially, for each unit of affordable housing a developer agrees to build, a jurisdiction allows the construction of a greater number of market rate units than would be allowed otherwise. Most often, density bonuses vary from project to project and do not exceed a specific threshold (for instance, 20% of normal density) determined by local officials.

Partnerships with Community Development Financial Institutions

Community Development Financial Institutions (CDFIs) are private financial institutions that help to organize partnerships that can assist in leveraging small-scale investors and owner-occupants to rehabilitate units in low- to moderate- income neighborhoods and identify in identified distressed areas. CDFIs not only have experience financing larger multi-family buildings, but also are able to scale down projects, which allows cities and developers to “pilot” affordable housing developments.

CDFIs are equipped with the capital infrastructures and expertise to address the shortcomings of funding and knowledge that often cause developers to stay away from affordable housing ventures. Some CDFIs offer high loan-to-value loans (up to 90%), making it easier for owners of low-value distressed properties to finance building repairs and renovation. By pursuing partnerships with CDFIs, cities can create a critical mass of housing density needed in disinvested neighborhoods to catalyze revitalization. There are 12 CDFIs in North Carolina, according to the Opportunity Finance Network (CDFI Coalition, 2019).

Creating Community Land Trusts to Preserve Affordable Housing

Many of the most vulnerable populations located within a community are highly concentrated in areas that are mostly renter-occupied and lack owner-occupied homeownership. Many landlords have low rents to keep dwelling units occupied but are unable to (or do not) provide rehabilitation to those units due to the lack of profitability. City planners often struggle with how to increase options for equitable development in residential areas that serve high concentrations of low- to moderate- income persons without creating new development that would displace families that are not able to absorb higher rents. Creating a community land trust (CLT) is an option that allows communities to preserve and create affordable housing options while causing minimal displacement of existing residents.

A CLT is a nonprofit organization that retains ownership of the land, ensuring the future affordability of housing in perpetuity. A CLT can purchase properties before prices increase and then maintain their affordability for low-income people. Among the possible strategies to preserve affordable housing, residents prefer CLTs because they retain local control of properties. There are examples in other North Carolina counties, such as Orange, Durham, and New Hanover counties in which CLTs have been very successful in being able to create affordable housing options.

Financing options for CLTs also are increasing in the private market, as large mortgage firms such as Freddie Mac have announced they will now start financing CLT mortgages to support affordable housing development.

Creating Dedicated Affordable Housing Development Funds

Many cities and towns create dedicated affordable housing development funds. However, these funds are often resourced from certain taxes collected by the City or through utility profits. Local governments can use these “general funds” in a flexible manner without the restrictions of federal dollars. For example, these dedicated funds can be used to offer grants or low interest loans to developers to encourage investment in affordable housing solutions. Concord has given \$300,000 in 2018/2019 as a revolving fund for affordable housing (from general funds) and an additional \$50,000 in 2019. The City of Concord should continue to expand non-federal resources by creating a Housing Trust Fund, which would allow a portion of these funds as low interest loans to be used as gap financing for developers, which would provide program income back into the fund each year.

Affordable Housing Bonds

Affordable housing bonds are often used by cities and towns to address affordable housing needs. These bonds may be funded through increases to property taxes or another type of tax, with the revenue used to support affordable housing development.

These bonds can help cities who struggle to keep up with the need for affordable housing units and address need over a specified time period. Bonds can be used to provide incentives and additional gap financing for affordable housing units.

State and local governments sell tax-exempt housing bonds, commonly known as Mortgage Revenue Bonds (MRBs) and multi-family housing bonds, and use the proceeds to finance low-cost mortgages for lower income, first-time homebuyers or the production of apartments at rents that are affordable to lower-income families. MRBs have made first-time homeownership possible for over 3 million lower-income families, approximately 100,000 every year. Multi-family housing bonds have provided financing to produce nearly 1 million apartments that are affordable to lower-income families.

Low-income Housing Tax Credits

The Low-Income Housing Tax Credit (LIHTC) program helps to create affordable apartment communities with below-market rents by offering tax incentives to the property owners (not the tenant renting the unit). Properties may contain market-rate units that are not financially assisted in addition to reduced-rent LIHTC units under a tiered-rent structure. A tiered-rent structure means that it’s possible for the same unit to have different rent amounts for occupants with different incomes. Private management companies and individual owners manage these low-income housing apartment communities. LIHTC units may also have a rental subsidy program attached to them, such as the Project-Based Section 8 Program.

The City should seek to partner with North Carolina Housing Finance Agency to learn how to assist developers with obtaining LIHTC in order to make affordable housing available.

Use of Federal Resources

As an Entitlement City, Concord receives both CDBG and HOME funding. This designation allows the opportunity to seek additional funding sources that can potentially be used in conjunction with CDBG and HOME. The City should explore partnerships with developers as well as a more

prominent relationship with the North Carolina Housing Finance Agency to provide greater affordable housing options and sustain the housing options present for low-to-moderate income residents of Concord.

There were many issues identified regarding people being able to afford mortgages. Credit, income ratio and education are just a few of the impediments that can prevent LMI persons and the middle class from obtaining mortgages. Concord should further enhance its housing counseling opportunities to provide education and assistance to this vulnerable population, moving more people to homeownership and expanding down payment assistance options.

Concord offers substantial housing rehabilitation, new construction, and emergency repair programs which are funded through the Department of Housing and Urban Development (HUD). Concord should seek to utilize other non-federal resources, such as additional general funds, to address these same programs for individuals who do not qualify based on HUD income guidelines. The “Missing Middle” class often needs housing assistance, but many in this group do not qualify for various programs due to their income limits. In addition to allotting a portion of the budget for housing needs, the City should seek to develop additional programs that specifically addresses the housing challenges of the middle class.

Other strategies or findings pertinent to the scope of this proposal

Roundtable Discussions

Housing affordability is not an isolated issue facing a few communities. Communities must explore other important factors to housing affordability, such as economic development trends, the need for workforce housing, and housing needs for the most vulnerable populations, e.g. individuals with disabilities, seniors, and veterans. Creating housing partnership round tables can bring a variety of partners together to further explore how communities can create diverse housing options for all people.

Employer Assisted Housing

Generally, employer-assisted housing refers to a housing program that is fully or partially financed by an employer to incentivize and benefit employees to become homeowners or have access to affordable housing. On the development side, employers can provide cash financing for the development costs, donate land, or develop affordable housing themselves. Engaging employers in Concord’s overall affordable housing strategy could be mutually beneficial for employers, workers, and the entire community.

Resourceful Funding

With the increasing scarcity of public sector funds, the complexity of financial packages will necessarily increase. It is, therefore, essential to be both idealistic and innovative thinking to capitalize on any and all funds that might work. Identifying public and nonprofit sector funding mechanisms, such as community development block grants, tax increment financing tools (where available), transportation funds, and local revolving loan funds can sustain continuous momentum for affordable housing initiatives.

Seeking More Subsidies

Changes to land use regulations and housing typologies will help to close the gap of affordable housing, however, Concord’s housing needs will not be met without subsidies. Subsidies come in

different forms. Subsidies, like vouchers or rental assistance, may cover a substantial portion of the rent, which provides tenants with a long-term source of affordability and housing security. Others, like tax credits, HOME funds, CDBG programs, and housing trust funds are typically used to cover the costs of construction, development, or major repairs. No single subsidy can solve the affordable housing problem. Rather, a combination of resources including federal tax credits, state housing trust funds, local zoning decisions, and public land contributions, can help affordable housing to get built. To close the gap for affordable housing, especially for the lowest-income households, there almost always must have assistance for both development and rental income over time (Urban Institute, July 2016).

Forecast the costs associated with the gaps between the City's current housing stock and the projected housing stock needs

Housing is a central component of family life and provides a foundation for family well-being. While we typically think of family households as homes that are occupied by homeowners, renters, in fact, are more likely than homeowners to have at least one child under the age of 18 in their household. Many low-income households struggle to find affordable housing, but for low-income households with children, the search for an affordable, right-sized, and safe unit can be an even greater challenge.

The City of Concord addresses affordable housing needs primarily through its entitlement allocations of CDBG and HOME funds. The City's CDBG and HOME funding sources are not solely used for housing activities. Rather, the City also allocates up to 15% of its CDBG funds to assist area public service organizations that assist low- and moderate-income residents.

For FY 2019, Concord received a CDBG allocation of \$633,508 and a HOME allocation of \$191,752. Since the City's federal resources are not 100% dedicated to new construction activities, the City also earmarks some of the funding for its housing rehabilitation and emergency repair program activities. For the purposes of analyzing the affordable housing gap, the Study looked at new construction activities only.

Based on trends and reviewed data, Concord is, on average, meeting the needs of the owner-occupied rehabilitation and emergency repair needs of its residents. Based on trends in similar cities throughout the U.S. and in North Carolina, it is recommended that 10 to 15 new affordable housing units be built per year over a 10-year period within the HOME Consortium service area (City of Concord and the Cabarrus/Iredell/Rowan HOME Consortium Action Plan, 2018).

As a part of this analysis, it is understood that the City will not commit \$350,000 of non-federal resources annually for housing, which was included in the City's 2018/2019 budget. This analysis does not provide any projections for unexpected cuts to the City's federal funds, but it does include both federal resources (CDBG and HOME funds), the City's one-time allotment of \$300,000 for housing needs, and the additional \$50,000 allotment.

The cost of housing units was analyzed with datasets from the North Carolina Housing Finance Agency, the North Carolina Department of Commerce, and Experian housing data from 2016 to 2018. On average, affordable housing units cost between \$180,000 and \$200,000 to complete. Using the highest cost as the amount to include in a progressive plan to build 15 units per year,

the annual cost to complete the new units is \$3 million dollars. After deducting the baseline budget of \$350,000 and federal resources of \$701,471, the financial gap would be about \$1.9 million dollars.

The City’s public services cap will vary each year, but it will not exceed 15% of the City’s total CDBG allocation. The City may retain additional funds through this activity; however, for the purposes of this analysis, the financial gap summary includes the full 15% cap for each year.

The following analysis, which includes federal and City resources, depicts the financial gap breakdown:

Federal Resources	\$ 825,260
Deducting Public Services Cap @ 15%	\$ 123,789
Total Federal Resource	\$ 701,471
Baseline General Fund Housing Budget	\$ 350,000
A) New Total Budget	\$ 1,051,471
B) Cost for New Housing Per Year (15 units per year at \$200k per unit)	\$ 3,000,000
Financial Gap (B-A)	\$1,948,529

Based on our research, it is anticipated that over a 10-year period, the City’s financial gap will reduce by 4% to 8% each year because the City will receive program income from the sale of housing units and repayments to low-interest loans for housing activities. Some level of return on investment will occur each year, which will help to reduce the overall amount that will be necessary for the City to provide additional affordable housing options within its limits.

Since this is a heavy burden, Concord will need to evaluate and implement strategies to address the anticipated gap. It is not realistic to expect the City to cover the additional \$1.9 million to address its affordable housing needs. However, it is reasonable for the City to start with a smaller goal by implementing a pilot program that will establish some policies and permanent funding in support of affordable housing. For example, some counties in North Carolina have accomplished this initial goal by implementing small property tax increases.

The City must devise a plan to address the \$1.9 million annual gap. A combination of the recommended alternatives that are included in this Study will help the City of Concord to identify practical funding options and set realistic goals to meet its affordable housing needs.

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Definitions

Basic Definitions

Accessible Housing: Housing units that are designed and constructed to be useful to persons with physical impairments.

AMI: Area Median Income.

Cost-burden: Ratio of housing cost to household income. Renter housing cost in this category is gross rent. Owner housing cost in this category includes mortgage payment, utilities, association fees, insurance and real estate taxes.

Extremely Low-Income: Families whose incomes do not exceed the 30% income limits as calculated by HUD.

Household: A loosely defined term that can vary depending on project management and refers to family members and others who live under the same roof.

HAMFI: HUD Area Median Family Income.

Housing Choice Voucher Program (Section 8): A federally funded housing assistance program administered by local Public Housing Agencies (PHAs) or other administering agencies in which very low-income households receive vouchers to help cover housing expenses.

Market-Rate Rental Housing: Privately owned housing that rents at whatever the owner or landlord deems reasonable, which is usually dictated by the market or local economy and varies by location.

Move In Costs: Additional costs that must be paid before moving into housing and can include such fees as security and utility deposits.

Public Housing: Housing developments owned and managed by local Public Housing Agencies (PHAs).

Public Housing Agencies (PHAs): Organizations that contract with the US Dept. of Housing and Urban Development to administer the Housing Choice Voucher Program (Section 8) at the state or local level. Some of these agencies are also Public Housing Authorities.

Public Housing Authorities: Organizations created by state law to provide subsidized housing and own and operate public housing units. Within broad federal rules PHAs have flexibility to operate their programs to best meet local needs. Examples of this flexibility include whether the PHA will establish preferences for certain populations, how they set their payment standards, etc. Policies and procedures must be documented in the PHA Administrative Plan.

Rental Application: A form or forms that landlords require prospective tenants to complete to provide information about the tenant's income, credit history, rental history, and criminal background.

Shared Housing: A living situation in which housing costs are shared between roommate(s).

Subsidized Housing: Housing in which some sort of financial incentive is provided in the form of a direct payment or tax relief to the housing developer, property owner, or individual renter.

Subsidy: A financial incentive provided in the form of a direct payment or tax relief to the housing developer, property owner, or individual renter. Affordable housing subsidy can come in the form of low-income tax credits for developers and Section 8 Housing Vouchers for the individual renter.

Real Estate Terms

Below-Market Interest Rate Mortgages: A mortgage that has a reduced interest rate which can subsequently increase your purchasing power.

Closing: A formal meeting where homeownership is transferred from the seller to the buyer. Also known as a settlement, the meeting is typically attended by the buyer(s), the seller(s), and their attorneys if they have them, both real estate agents, a representative of the lender, and the closing agent. The purpose is to make sure the property is physically and legally ready to be transferred to the buyer.

Closing costs: Expenses in addition to the price of the property that are paid at closing, which generally include a loan origination fee, attorney's fee, taxes, an amount placed in escrow, and charges for obtaining title insurance and a survey.

Credit Report: A record of your debts and payments compiled by credit bureaus. Credit bureaus gather this information from credit card companies, banks, department stores, and other firms.

Down Payment: A portion of the buyer's own funds put towards purchase of a home. Down payments may come from buyers' savings accounts, checking accounts, stocks and bonds, life insurance policies, and gifts.

Escrow Account: An account where a portion of your mortgage payment is held to cover real estate taxes, homeowner's insurance, and mortgage insurance (if applicable).

Homeowner: A person who owns a home.

Homeowner's Insurance: An insurance policy that includes personal liability insurance in case someone is injured on the property, personal property coverage for loss of and damage to personal property due to theft or other events, and dwelling coverage to protect the house against fire, theft, weather damage, and other hazards. If the home you want to buy is located near water, you may be able to get flood insurance as part of your homeowner's protection. Flood insurance may be required in some areas. Check with your real estate professional or lender for further information.

Lenders may require payment of the first year's premium at or before closing. Lenders may add the insurance cost to monthly mortgage payments and keep this portion of payment in an escrow account. Lenders pay the insurance bill out of escrow when premium notices from the insurance company are received.

Interest: The fee charged for borrowing money.

Loan Origination Fee: A fee, sometimes called a "point" or "points," that covers the lender's administrative costs of processing the loan. Often expressed as a percentage of the loan, the fee varies across lenders. Generally, the buyer pays the fee.

Mortgage: A loan obtained to purchase real estate. The "mortgage" itself is a lien (a legal claim) on the home or property that secures the promise to pay the debt. All mortgages have two common features: principal and interest. Also included in your monthly mortgage payment is money paid into an escrow account (see below).

Mortgage Insurance: Generally, if a down payment is less than 20% of the purchase price of the home, mortgage insurance is required. Mortgage insurance is issued by a private company or by a government agency such as the Federal Housing Administration. Lenders may require payment of the first year's premium at closing, but there are mortgage insurance products that do not require a lump-sum payment at closing.

Other credit terms include: Credit history shows how well you have paid past debt. Capacity is your financial means for repaying debt. Capital is money for down payments and closing costs. Collateral protects the lender if you fail to repay the loan.

Principal: Refers to the part of the monthly payment that reduces the remaining balance of the mortgage.

Second Mortgage: An additional mortgage that has a lien (legal claim) position subordinate to the first mortgage. A second mortgage often represents the difference between the price of the house and first mortgage plus the down payment. When offered through affordable housing programs, this is sometimes referred to as a soft second mortgage.

Survey: The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fee, but it may be paid by the seller.

Title: A legal document evidencing a person's right to or ownership of a property.

Title Insurance: Insurance that protects the lender (lender's policy) or the buyer (owner's policy) against losses arising from defects in the title not listed in the title report or abstract.

Title Search: A check of the public records to ensure that the seller is the legal owner of the property and to identify any liens or claims against the property.

Transit System Definitions

Community Transit – A single-county system that provides transportation to the general public, as well as to eligible human service agency and elderly clients. Some are organized as authorities, while others are private nonprofits or county departments.

Consolidated Small City-Community: A single-county system that has a significant level of service in a town a result of the presence of a state university

Consolidated Urban-Community: Includes an urbanized area and a single county.

Urban Single City Transit: Includes transportation programs that operate in single cities located in metropolitan areas (with a population of more than 50,000).

Fixed Route in Small Cities: Small city systems that operate fixed-route transit but are not located in cities large enough under 50,000 in population.

Regional Community: A multi-county transit program that operates primarily in rural areas.