

# HAYWOOD COUNTY AFFORDABLE HOUSING STRATEGY



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**JUNE 2017 DRAFT**

# ACKNOWLEDGEMENTS

## Acknowledgements

The Affordable Housing Task Force would like to thank the towns of Waynesville, Clyde, Canton and Maggie Valley and the Senior Resource Center for hosting the Task Force meetings. We thank Jeff Staudinger, Assistant Director of Community and Economic Development, with the City of Asheville, for sharing his expertise with the Task Force. Over the last year many members of the community, including those who have worked for years to meet the county's housing needs, have taken time out of their busy schedules to meet and contribute their knowledge to this endeavor; their efforts were crucial for the creation of this strategy. We are fortunate that the local media has kept the public informed of the affordable housing need in our community and the work of the Task Force. Finally, we thank the Haywood County Board of County Commissioners for having the foresight and courage to seek solutions for an issue that affects the economic well-being of the entire county.

Patsy (Dowling) Davis, Co-Chair, Haywood County Affordable Housing Task Force  
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### Haywood County Affordable Housing Task Force Participants

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# MISSION STATEMENT

## Mission Statement

In October 2016, the Task Force adopted the following mission statement:

The Haywood County Affordable Housing Task Force brings nonprofits, government agencies, the faith-based community, private sector housing and mixed-use developers together to improve the diversity of housing opportunities in Haywood County. The group works to identify housing needs and gaps in the housing market, cooperatively leverage grant opportunities, promote economic development through housing investment and address homelessness.

## History of the Task Force

In March 2016, the Haywood County Board of County Commissioners established a task force at the request of local service providers and community stakeholders to “devise a systematic approach to address housing solutions for all persons in Haywood County”. At that time, the demand in the county for affordable housing was being addressed largely by two non-profit organizations (Mountain Projects and Haywood Habitat for Humanity); there was no systematic county-level action on this issue. The non-profits recognized that even if they could fully fund and implement their affordable housing program they would not be able to meet the demand.

The duties of the Haywood County Affordable Housing and Homelessness Task Force “Task Force” were: 1) to conduct an assessment of the county’s affordable housing stock and the demand for affordable housing and 2) to create a strategy to address the affordable housing and homelessness needs.

In May 2016, Haywood County Administrator/Program Evaluator Dona Stewart, was asked to research and write a housing assessment for the county. The report, “Haywood County Affordable Housing Assessment”, was released at the first meeting of the Task Force in August 2016. The Task Force members included: representatives of county and municipal governments, local developers and business owners, representatives of service providers, nonprofit organizations and the faith-based community and other community stakeholders. The Task Force met five times between August 2016 and June 2017. In January 2017, a subcommittee was established to focus on the development of this housing strategy, which was brought to the Task Force in June 2017 for their consideration.

## Purpose of the Strategy

The Haywood County Affordable Housing Strategy is intended to provide a framework for the county to address its affordable housing needs. Though the Haywood County Board of County Commissioners, who chartered the Task Force, is the primary audience for this strategy, continued collaboration among the county, municipalities, service-providers, faith-based community, private-sector, businesses, developers and public will be needed for goals of this strategy to be realized.

# MISSION STATEMENT

## Constraints and Opportunities

A number of constraints and opportunities impact the potential development of affordable housing in Haywood County and were considered during the development of this strategy.

### Constraints

**Topography:** the county has a scarcity of flat, easy-to-develop land. Much of the land is steep and can only be developed after costly land preparation (grading), making it economically unfeasible for affordable housing. Much of the flat land lays in the flood plain, which can increase costs for development and result in higher insurance rates.

**Infrastructure:** Utilities such as water and sewer are not available in much of the county. The drilling of wells, septic installation, combined with long term maintenance, increase the costs of development.

**Construction Costs:** Construction costs, including the cost of raw materials such as concrete, framing materials and plywood, have risen in western North Carolina and are expected to continue to rise.

**Funding:** Numerous federal and state programs that support affordable housing are facing budget cuts. One such program is the HOME Investment Partnerships Program, a program that provides block grants to states and local governments to create affordable housing. Self Help Housing, a sweat equity program for housing development, funded by USDA, is also facing possible budget cuts.

### Opportunities

**Community Support:** Community support for affordable housing is reflected in the high level of participation in meetings of the Task Force. In addition, the political leadership and staff at the county and municipal levels are committed to affordable housing development.

**Local Expertise:** Haywood County is fortunate to have a strong, existing network of non-profit and faith-based organizations engaged in affordable housing provision and development. This network brings expertise and experience needed to implement this strategy and is a critical foundation for the development of future affordable housing initiatives.

**Increasing Economic Growth:** Haywood County's economy is recovering from the economic depression that started in 2008. Unemployment is low and tourism spending has increased. Economic growth is both a challenge, as well as an opportunity, as it may increase housing costs.

**Redevelopment of County & Municipal Properties:** There is potential to redevelop county and municipal properties to meet affordable housing needs.

# NEED FOR AFFORDABLE HOUSING

## The Need for Affordable Housing

Haywood County has a large – and growing – need for affordable housing. Housing is said to be “affordable” when its costs are 30% or less of household income. In Haywood County, over half of all renters and 35% of home owners report paying 30% or more of their household income for housing and are considered to be “housing cost burdened”. Seniors (over the age of 65) and Millennials (aged 25-34) make up the largest portion of households with incomes \$15,000 or less. The number of homeless children reported by the county school system (300 in June 2017) is increasing. More details can be found in the Haywood County Affordable Housing Assessment (August 2016).

A market analysis conducted in March 2017, determined the demand for rental units where tenants make 40%, 50% and 60% of Area Median Income (AMI) for the County.<sup>1</sup> The AMI for Haywood County was \$53,400 in 2016.

Income Level/Target Income Ranges	Demand (units)
40% AMI (\$13,540 to \$22,220)	766
50% AMI (\$16,630 to \$27,775)	652
60% AMI (\$20,400 to \$33,330)	495

The study further identified an optimal mix to meet demand.

Bedrooms	Optimal Mix
1	30%
2	50%
3	20%
4	0%
Total	100%

## Regional Market Impacts

The median sales price of a home in Haywood County has risen from \$144,450 in April 2015, to \$169,000 in April 2016, and \$185,000 in April 2017. The supply of homes for sale in Haywood County decreased by 29.3% between April 2015 and April 2016 and 28.0 % between April 2016 and April 2017. The supply of homes priced below \$200,000 is very low. The inventory of homes for sale dropped from 790 in April 2016 to 569 in April 2017, a 28.0% decrease.

A strong regional real estate market, especially the growth of Asheville and Buncombe County has driven up local housing prices. The median sales price of a home in Buncombe County (April 2017) was \$285,000. Asheville also faces a shortage of affordable housing. A recent study determined that Asheville needs an additional 3,580 affordable rental units by 2020.\*(Staudinger) As people who work in Buncombe County seek more affordable housing in Haywood County, we are likely to see demand increase.

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<sup>1</sup> Market Analysis performed by John Wall and Associates, March 2017.

# NEED FOR AFFORDABLE HOUSING

There are few long term rentals available in the county; rental rates are typically above HUD Fair Market Rent level and are not affordable. Only 7.4% of the units in the county are multi-family units.

## **Affordable Housing and Economic Growth**

The county is a popular tourism destination, with many people maintaining second homes (nearly 27% of the housing units in the county were considered 'vacant' in the 2010 census), reflecting the large number of seasonal residents. The tourism based service economy generated \$167.56 million in direct spending (2015) and \$6.24 million in county tax revenue. Tourism generates 1,710 jobs per year and provides \$442 in state and local tax relief for households in the county.<sup>2</sup> Many tourism jobs are in the service sector, characterized by relatively low wages. There is the potential for the lack of affordable housing to limit the potential labor pool. In addition, Haywood County's future population growth is dependent on in-migration. A supply of housing, in a range of income categories, will be needed to attract new residents, especially young families.

The primary goal of the Haywood County Affordable Housing Strategy is to increase the availability of affordable housing. While the ultimate vision, to "create a community where everyone has a safe and affordable place to live", should guide the county's affordable housing initiatives, interim objectives must be set, and met. These objectives should be regularly assessed, performance measured, and revised in response to changing opportunities and obstacles.

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<sup>2</sup> "Haywood County, NC 2015 Tourism Economic Fact Sheet", Western Carolina College of Business, March 2017.

# TASK FORCE RECOMMENDATIONS

The Task Force identified the following 5 objectives and offers 18 recommendations on how to achieve them:

OBJECTIVE 1:	SET A SPECIFIC AFFORDABLE HOUSING GOAL
OBJECTIVE 2:	BUILD INSTITUTIONAL CAPACITY TO CREATE AFFORDABLE HOUSING
OBJECTIVE 3:	INCREASE RESOURCES FOR AFFORDABLE HOUSING
OBJECTIVE 4:	INCENTIVIZE PRIVATE DEVELOPMENT OF AFFORDABLE HOUSING
OBJECTIVE 5:	MAINTAIN AND IMPROVE EXISTING AFFORDABLE HOUSING

## **OBJECTIVE 1: SET A SPECIFIC AFFORDABLE HOUSING GOAL**

### **Recommendation 1.1 By 2028, increase the supply of affordable housing by 400 units**

A specific goal to create affordable housing units should be set. A specific goal is needed to focus effort on this endeavor and to serve as a metric to assess progress. The Task Force recommends the county set a goal to create 400 units by the end of 2028; this represents 61.3% of rental unit demand at 50% AMI based on the March 2017 market study.

It is anticipated that 80% of these 400 units will need to be created by the private sector (average of 30 units per year), while the non-profit sector can meet 20% of this goal (average of 10 units per year).

### **Recommendation 1.2 Prioritize the creation of rental units, especially studios, 1-bedroom and 2 bedroom units**

The development of rental housing should be prioritized in order to increase the supply of housing that can be afforded at 80% of area median income (AMI) and below. In 2016 the AMI for Haywood County was \$53,400; this is adjusted according to household size. For a 4 person household 80% of AMI was \$42,700; for a 2 person household it was \$34,200. (In 2016 the AMI was \$53,400). The Haywood County Housing Assessment determined the demand for affordable housing was greatest among two person households headed by seniors or millennials. Multi-family developments, such as 'patio homes', are becoming increasingly popular options, especially among the demographic groups most in need of affordable housing in the county.

## **OBJECTIVE 2: BUILD INSTITUTIONAL CAPACITY TO CREATE AFFORDABLE HOUSING**

### **Recommendation 2.1 Provide a permanent county staff member to focus on affordable housing development**

Currently there is no county employee whose primary job is the development of affordable housing. Typically affordable housing is part of the economic and community development activities of local government. This staff member is needed to execute the recommendations outlined in this strategy. This staff member will also create a central coordination point that provides: links to various services, affordable rentals and homes for sale, inventory of public and privately-owned building lots, housing and budget counselors, and other relevant information. The county should provide a permanent staff member focused on affordable housing development.

# TASK FORCE RECOMMENDATIONS

## **Recommendation 2.2 Integrate Affordable Housing as an Economic Development Strategy**

Affordable housing is necessary for continued economic growth in the county. Many economic sectors, especially tourism, food services and healthcare, rely on a workforce that earns below the AMI for the county. The County should work with the Economic Development Council and municipal Economic Development Boards to identify land and infrastructure that can be marketed to developers as a business opportunity, recognizing the economic value of residential development.

## **Recommendation 2.3 Establish an Affordable Housing Advisory Council**

The Affordable Housing Advisory Council should include representatives of each municipality and other community stakeholders. For practical purposes, its size should be limited to 10 members and a staff liaison. This council will advise the Board of County Commissioners on affordable housing policy issues, develop specific action steps to implement the Affordable Housing Strategy and monitor and evaluate the county's progress on implementing this strategy. The Council will guide outreach and educational initiatives on affordable housing.

## **Recommendation 2.4 Develop Partnerships with the Non-Profit and Private Sector**

Partnerships between the county government and the non-profit organizations, faith-based community and the private sector should be identified and/or strengthened for collaboration on specific projects. Organizations such as Habitat for Humanity, Mountain Projects, and Mountain Housing Opportunities, among others, need land and opportunities to target grant funding. Development companies and consultants within western North Carolina who have experience with grant programs and tax credits could collaborate with the county on projects, such as redevelopment of the Haywood County Hospital (See Recommendation 3.3). Approaches that connect housing and support services to increase the likelihood of successful outcomes for those in need of affordable housing should also be supported.

## **Recommendation 2.5 Join the North Carolina Housing Coalition**

The County should consider joining the North Carolina Housing Coalition (NCHC) as an institutional member ([www.nchousing.org](http://www.nchousing.org)). The NCHC is a nonprofit organization focused on advancing affordable housing in North Carolina. Its members include lenders, developers, property managers, housing counselors and government officials. With the North Carolina Housing Finance Agency, it sponsors the annual Housing Works! North Carolina Affordable Housing Conference.

## **OBJECTIVE 3: INCREASE RESOURCES FOR AFFORDABLE HOUSING**

### **Recommendation 3.1 Create a Haywood County Affordable Housing Trust Fund**

An Affordable Housing Trust Fund would promote the construction and rehabilitation of affordable housing units and/or emergency housing by offering low interest construction loans to developers, including non-profit organizations, and local governments. Options for funding a Trust Fund include: sales tax, a bond issue and the general fund. Projects funded from the Trust Fund should reflect the priorities of the Affordable Housing Strategy. Funds received from the sale of any county-owned property for affordable housing development could be placed in the Trust Fund.



# TASK FORCE RECOMMENDATIONS

## **Recommendation 3.2 Support Passage of a General Obligation Bond**

The county government should consider passing a general obligation bond to support the development of affordable housing. General obligation bonds are often used by local governments to fund infrastructure and public works projects. Such bonds are a debt instrument backed by the full faith and credit of the county. These funds can be used to create affordable housing units through public-private partnerships using mechanisms such as loans and grants.

## **Recommendation 3.3 Repurpose Local Government Owned Properties**

Properties owned by local governments (county and municipalities) should be evaluated for their affordable housing potential and made available for development through a competitive request for proposal process (RFP) that mandates specific requirements for affordability.

## **Recommendation 3.4 Donations of Land and/or Real Property**

The County and municipalities should have a mechanism to accept any land and/or other real property individuals may wish to donate for affordable housing development. This is allowable under North Carolina General Statute 153A-378 (2) that authorizes the county to acquire real property by voluntary purchase, which would include the acceptance of gifts or donations and similar statutes that reference municipalities.

## **Recommendation 3.5 Extend Water and Sewer to Unincorporated Areas**

The lack of water and sewer infrastructure in areas of the county is a barrier to affordable housing creation, increasing the cost of development. The county and municipalities should consider expanding infrastructure in underserved areas designated for housing development.

## **OBJECTIVE 4: INCENTIVIZE PRIVATE DEVELOPMENT OF AFFORDABLE HOUSING**

### **Recommendation 4.1 Market the County for Affordable Housing Development**

The county should develop a portfolio of land and/or existing properties that are available within the county for affordable housing development. This portfolio can be used to reach out directly to local, regional and national developers to make them aware of the opportunities in Haywood County. Along with the mechanisms described below this would encourage public-private partnerships to create affordable housing.

### **Recommendation 4.2 Create a Land Use Incentive Grant (LUIG) Program**

A land use incentive grant program would provide grants to developers, the amount to be tied to the change in property tax that results from the increase in value due to the development. The grant, competitively awarded, would be contingent upon designation of a certain percentage of affordable units over a specific time period, enforced by deed restrictions. This is an annual grant based on monitored performance.

# TASK FORCE RECOMMENDATIONS

## **Recommendation 4.3            Permit Fee Reductions**

The county and municipalities should consider reductions or deferrals in permit fees (building permits, zoning permits, tap fees) for affordable housing units. Eligible properties would have deed restrictions tied to affordability.

## **Recommendation 4.4            Support Inclusionary Zoning Practices**

The county should consider incentives or requirements in which the percentage of every new residential development beyond a given size (e.g. 10%, or 1 unit per 10 for developments of 10 units or greater) be offered at a sales price point or rental range accessible to low and middle income residents. This could include developments with multi-family structures, subsidized rental strategies or major subdivisions.

## **Recommendation 4.5            Promote Infill and Higher Density Development**

The county and municipalities should encourage infill development and higher density through the promotion of development that includes duplexes, triplexes or quadplexes, or the conversion of existing structures into multiple units. The recommendation would encourage affordable housing development by reducing the per unit construction cost. The use of garage apartments and/or accessory residential structures (or “granny-flats”) should be encouraged.

## **OBJECTIVE 5:            MAINTAIN AND IMPROVE EXISTING AFFORDABLE HOUSING PROGRAMS**

### **Recommendation 5.1            Support the Rehabilitation of Existing Affordable Housing**

The maintenance and improvement of existing affordable housing, including homes currently owned by residents, is necessary as the removal of this housing stock will even further increase demand for affordable housing. The creation of programs that allow residents to ‘age in place’ through installation of adaptive items such as ramps or those that facilitate a necessary repair that the homeowner cannot afford can help keep people in their homes. The county should increase their support for the existing adapt and repair efforts currently carried out by non-profit organizations.

# KEY TERMS

## Haywood County Affordable Housing Task Force Key Terms

<b>affordable housing</b>	<p>The Department of Housing and Urban Development (HUD) defines affordable housing as housing that costs its occupant (owner or renter) no more than 30% of their gross monthly household income. Housing cost includes: rent or mortgage payment, utility costs, any real estate taxes, property insurance, mobile home parks and/or lot rental fees, homeowner association fees, and/or condominium fees. Because income varies by geographical region, what constitutes affordable housing varies as well. Affordable Housing developments typically have a target income of 60% of AMI.</p>
<b>area median income (AMI)</b>	<p>The midpoint value for households based on income. 50% of the households in the geographic area will have income above the median, 50% will have incomes below the median. HUD calculates this on an annual basis for geographic regions in the United States. The 2016 Area Median Income for Haywood County is \$53,400</p>
<b>emergency housing</b>	<p>Short term housing for people who are homeless or in crisis, may be in response to weather, definition varies on length of stay, but typically 1 day to no more than 3 weeks. Goal is immediate stability while in shelter.</p>
<b>Fair Market Rents</b>	<p>Fair Market Rents (FMRs) are estimates of rent plus the cost of utilities, except telephone. FMRs are housing market-wide estimates of rents that provide opportunities to rent standard quality housing throughout the geographic area in which rental housing units are in competition.</p>
<b>Homeless Children and Youth</b>	<p>Under federal guidelines section 725(2) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(2)), the term “homeless children and youths”—</p> <ul style="list-style-type: none"> <li>(A) means individuals who lack a fixed, regular, and adequate nighttime residence...; and</li> <li>(B) Includes— <ul style="list-style-type: none"> <li>(i) children and youths who are sharing the housing of other persons due to loss of housing, economic hardship, or a similar reason; are living in motels, hotels, trailer parks, or camping grounds due to the lack of alternative accommodations; are living in emergency or transitional shelters; are abandoned in hospitals; or are awaiting foster care placement;</li> <li>(ii) children and youths who have a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings;</li> </ul> </li> </ul>

# KEY TERMS

	<p>(iii) children and youths who are living in cars, parks, public spaces, abandoned buildings, substandard housing, bus or train stations, or similar settings; and</p> <p>(iv) migratory children who qualify as homeless for the purposes of this subtitle because the children are living in circumstances described in clauses (i) through (iii).</p> <p>Children and youth are considered homeless if they fit both part A and any one of the subparts of part B of the definition above.</p>
<b>Housing Choice Voucher Program (Section 8):</b>	a federally funded housing assistance program administered by local Public Housing Agencies (PHAs) or other administrating agencies in which very low-income households receive vouchers to help cover housing expenses.
<b>housing wage:</b>	the hourly wage a renter needs to earn in order to afford a rental unit at the Fair Market Rent for a particular unit size. To be affordable, the cost of rent and utilities must not exceed 30% of household income.
<b>low income household:</b>	households that are at or below 80% of area median income (HUD).
<b>sheltered homeless people</b>	individuals who are staying in emergency shelters, transitional housing programs, or safe havens
<b>short term housing</b>	follows emergency housing, up to a period of 6 months, need may result from incarceration release, unexpected costs
<b>transitional housing program</b>	a program that provides homeless, sheltered homeless or persons in short term housing a place to stay combined with supportive services for up to 24 months in order to help them overcome barriers to moving into and retaining permanent housing, goal is to transition to self-sustainability
<b>very low income</b>	households that are at or below 50% of area median income (HUD)
<b>workforce housing</b>	Definitions vary, however this housing typically meets the needs of working households that have incomes between 60% to 120% of Area Median Income (Urban Land Institute). Teachers, public safety employees and healthcare workers often fall into this category.

Many of these definitions, and other, are on the HUD website at:  
[https://www.huduser.gov/portal/glossary/glossary\\_all.html](https://www.huduser.gov/portal/glossary/glossary_all.html)

Photo Credits: (bottom left), Affordable housing for older adults, licensed under a Creative Commons Attribution 3.0 United States License., (top), Asheville Housing Authority, (bottom right) Chattanooga Neighborhood Enterprise.