

ATTACHMENT B

Housing & Affordability

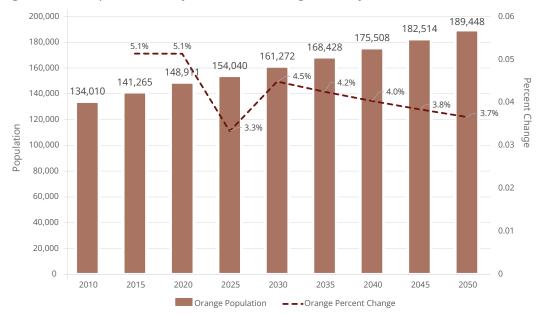
All residents in Hillsborough, regardless of age, race, or income, should have access to safe and attainable housing. Rising costs of living and housing in the region are contributing to housing insecurity. This chapter highlights opportunities and strategies for improving housing options and opportunities in the town.

Introduction

Housing is a key tenet of sustainability as the health and well-being of community members is dependent on having access to stable housing. Housing is a foundational element of an adequate standard of living, serving as a precondition for work, health, education, and success. Hillsborough must manage growth to provide a diverse supply of safe and affordable housing that serves the whole community. It must provide a range of housing types, sizes, designs, and ownership structure to accommodate varying lifestyles and needs. A mixture of housing types helps neighborhoods be more sustainable and stable. Approaching housing with a smart growth lens curbs sprawl and reduces environmental impacts by building compactly, promoting a mix of uses, creating connections, and designing housing with adaptation and resilience in mind. Implementing a smart growth approach allows the town to use infrastructure more efficiently, accommodate the housing needs of all residents, and establish a foundation where people can remain in the community through different stages of their lives.

Housing affordability is a complex issue facing municipalities, particularly in the Triangle region, and is impacted by access to mobility options, education and employment opportunities, among other factors. A surge in demand, combined with a lack of supply, has resulted in soaring housing prices. Rising incomes and low mortgage rates pushed housing prices to near record levels at the end of 2021. The housing market had one of the most dramatic reversals in 2022 as rising interest rates and stubbornly high prices drove the national affordability rate down by 37%.¹ To compound the problem, apartment rents have been rising since the end of 2019, affecting the affordability of rental units. These effects are not only being felt by low-income residents, but also by middle-income residents (earning 60–120% of the area median income).

The housing challenges are exacerbated in the Triangle region due to the current and projected growth. Orange County is expected to experience growth rates of 3.3 to 4.5% over the next 30 years (*Figure 8.1*). Specific to Hillsborough, the town's housing strategies will need to work within the infrastructure constraints that are directing the areas of growth.





Source: North Carolina Office of State Budget and Management, Standard Population Estimates, Vintage 2021 and Population Projections, Vintage 2022

¹ North Carolina Office of State Budget and Management, Standard Population Estimates, Vintage 2021 and Population Projections, Vintage 2022



Affordable Housing

Affordability is defined as the availability of reasonably priced housing, particularly for individuals and households with earnings below the median income. Typically, affordability is spending no more than 30% of annual income on housing (rent/mortgage, utilities, taxes, and insurance).

During the development process for this plan, "addressing affordability and cost of living" was noted as one of the most important sustainability issues facing the town.

The affordability of housing in a market functions on a supply and demand model. The prices of housing units will be higher the lower the supply is in an area (number of units available for purchase or rent) and if a stable growth in demand exists (number of households/persons looking for a home). The influx of newcomers and the attractiveness of the town elevates the affordability challenges experienced in Hillsborough. Furthermore, Orange County and the town have high tax rates compared to much of the state, impacting overall affordability.

When housing costs increase, many households are forced to spend less on essentials, such as food and health care. This adversely affects all aspects of quality of life. Further, high housing costs have the unintended consequence of promoting sprawl, as households seek more affordable options away from densely populated areas with access to services. This generates adverse social and environmental effects, such as development of natural areas, increases in service rates (such as water and sewer), and higher emissions from longer commutes.

Missing Middle Housing

Missing middle housing refers to building types that provide denser housing options, such as duplexes, fourplexes, cottage courts, and courtyard buildings. These housing types have the capacity to better support transit and economic mobility of residents without the cost and maintenance burden of a detached single-family home.

Missing middle housing types typically have lower costs because they are constructed with multiple units on one parcel that do not need extensive parking. The inclusion of missing middle housing provides neighborhoods the affordability and diversity needed to create sustainable, smart growth communities.





Planning Context

Planning for housing takes place at all levels of government, and many entities at the federal, state, regional, and local levels have some influence over residential development. In North Carolina, municipalities typically are not responsible for constructing housing but can direct the types and location of housing through land use regulations and design standards. In Hillsborough, the key players in housing regulation at the local level are the Hillsborough Board of Commissioners, Planning Board, Historic District Commission, and Board of Adjustment. Hillsborough does not build or maintain housing or have a housing support program. Thus, addressing housing challenges in the town involves a larger partnership with the county. Orange County provides housing programs in Hillsborough.

Orange County Housing Department Programs

HOME Investment Partnerships Program

Orange County and the towns of Chapel Hill, Carrboro and Hillsborough participate in the HOME Investment Partnerships Program of the U.S. Department of Housing and Urban Development. The consortium in Orange County, now called the Orange County Local Government Affordable Housing Collaborative, works to improve the quality of housing for residents by retaining and increasing the supply of affordable housing units for owner occupants and renters and by providing homeownership opportunities for low- and moderate-income residents.

Participating jurisdictions in the federal HOME program have the opportunity to identify and choose the housing activities that best meet local housing needs. In Orange County, HOME funding is used for a wide variety of affordable housing activities.

Longtime Homeowner Assistance

The Longtime Homeowner Assistance program provides property tax bill assistance to help people stay in their homes. Residents can apply for this program online through the county website.

The Orange County Housing Department operates two home repair and rehabilitation programs for low-income homeowners and is a member of the Orange County Home Preservation Coalition, made up of organizations that provide Orange County residents with home repairs and modifications. The organizations coordinate through the coalition to ensure high quality program delivery.

Additional programs

The Orange County Housing Department also offers several rental assistance programs: Housing Choice Voucher Program (Section 8), Emergency Housing Assistance Program, and the Rapid Rehousing Program, operated by the Orange County Partnership to End Homelessness.



State and County Housing Plans

State of North Carolina 2021–2025 Consolidated Plan and 2021 Annual Action Plan

North Carolina is required to submit a consolidated plan every five years to the U.S. Department of Housing and Urban Development that outlines the state's goals and strategy for using federal funds to meet identified housing and community development needs. The federal department historically has been the agency that provides the most support in creating policy and providing funding for housing development. The state's most recent plan indicates that affordability and availability of decent housing stock are dominant needs. The plan details how North Carolina municipalities and community partners can use specific program funding to improve housing in their communities. Key programs outlined in the plan that are used by Orange County to develop housing for Hillsborough are:

- > Community Development Block Grant Program
- > HOME Investment Partnerships Program
- National Housing Trust Fund
- > Emergency Solutions Grants Program
- > Housing Opportunities for Persons with AIDS Program

Rising housing prices have been evident in Orange County for decades. These high property values limit options for first-time buyers and prohibit others from the market. The Orange County 2030 Comprehensive Plan includes a full chapter on housing challenges and identified that the rental housing supply is inadequate, especially for low-income households. The plan prioritizes collaboration and long-term sustainability of the housing market. Other significant collaboration efforts between the county and the town focused on housing policies and strategies include:

- > 2005–2010 Housing and Community Development Consolidated Plan (2005)
- > Orange County Comprehensive Housing Strategy (2006)
- > Orange County 2030 Comprehensive Plan (2008)
- > Orange County Master Aging Plan (2007)
- > Orange County Plan to End Homelessness (2020).

Other state and regional agencies that collaborate with the town on housing include:

- > North Carolina Housing Finance Agency
- > North Carolina Department of Health and Human Services
- > North Carolina Housing Coalition
- > Orange County Housing Authority
- > Central Pines Regional Council (formerly Triangle J Council of Governments)

Existing Conditions & Opportunities

Demographic shifts in a community affect the need and demand for housing. In 2020, Hillsborough had 7,160 residents with a homeownership rate of 65.3% — approximately the same as the national and Orange County average, which had a 63.8% homeownership rate.²

Hillsborough's average property value for 2020 was \$292,800, a 12.1% increase from 2019. This average was less than the \$331,800 average of Orange County and greater than the national average of \$229,800 (see *Figure 8.2*). Meanwhile, Hillsborough's median household income was \$65,591, while Orange County had a median household income of \$74,803, and \$67,521 was the national median household income.²

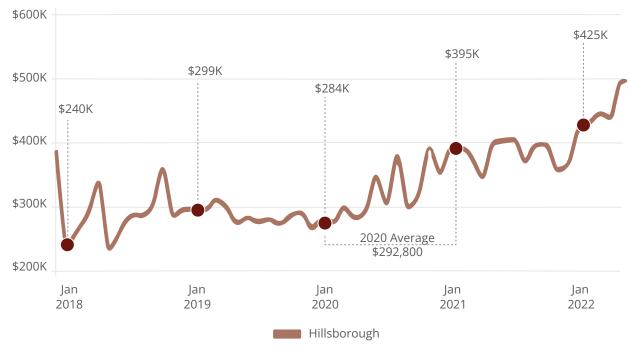


Figure 8.2. Property Values for Hillsborough, 2018–2022

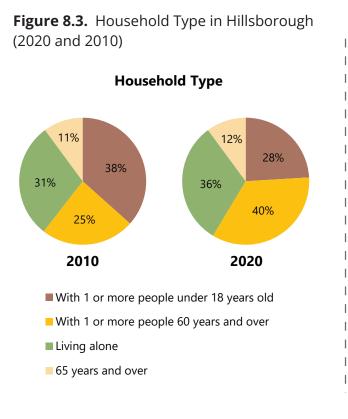
Source: Multiple listing service data provided via Redfin, a national real estate brokerage

² U.S. Census, American Community Survey 5-Year Estimates

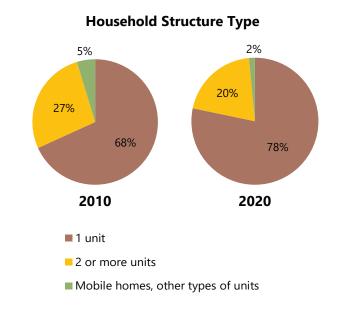


In 2020, Hillsborough had 3,014 households with an average size of 2.23 people per household. The table below (*Figure 8.3*) demonstrates the types of households in town. The comparison between household types in 2020 and 2010 shows the town is experiencing trends similar to other municipalities in that the aging population is growing and more people are living alone. In 2010, the median age was 35.9, with 7.8% of the population 65 years and over. In 2020, the median age in Hillsborough was 44.1, with 16% of the population 65 years and over.

Based on the same years for comparison, single-family residential structures overwhelmingly make up the majority of housing structures in town, growing by 10% between 2010 and 2020 (see *Figure 8.4*). This mix of structure types indicates Hillsborough had fewer housing options in 2020 than in 2010. Of the housing types in town as of 2020, nearly 70% are single-family detached.







Source: U.S. Census, American Community Survey 5-Year Estimates

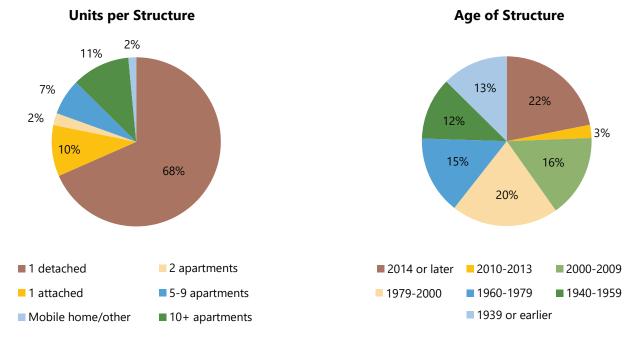


Figure 8.5. Household Units/Structure and Structure Age (2020)

Source: U.S. Census, American Community Survey 5-Year Estimates

As indicated in *Figure 8.5*, nearly 40% of Hillsborough's existing housing stock are structures 50 years and older, with single-family detached and multi-family apartments being the main housing types. Some duplexes and quadplexes exist in older neighborhoods in town. It is clear there is opportunity for middle housing types such as duplex units and mid-rise apartments. Revising the town's Unified Development Ordinance to encourage a variety of housing types would support more development in this space. The town already allows accessory dwelling units and has received several applications for this type of housing. Continuing to work with developers on streamlining regulatory processes for housing projects that offer diversity will be valuable.





Collins Ridge

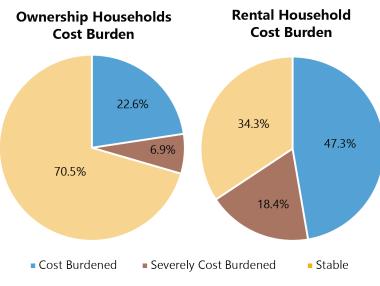
Eno Haven



Cost Burden

To understand the need for affordable housing, it is helpful to frame the data in the same terms that federal agencies like the Department of Housing and Urban Development use. One such measure is whether a household is cost-burdened. The department defines a household as cost-burdened if housing costs are greater than 30% of the household income and severely cost-burdened if housing costs are greater than 50% of the household income.³

Based on 2015–2019 data from the **Comprehensive Housing Affordability Strategy** of the Department of Housing and Urban Development, 405 ownership households in Hillsborough are cost-burdened, with 125 of those households severely cost-burdened representing 22.6% and 6.9% of the ownership households, respectively.⁴ For renter-occupied households, 47.3% were cost-burdened, while 18.4% were severely cost-burdened. The data also demonstrates that the majority of the costburdened households (both ownership and rental) has a household income less than 50% of the department-adjusted median family income. This indicates that lower-income residents of the town have a greater need than those of higher incomes. Comparatively across North Carolina, 41% of renters and 21% of homeowners are cost-burdened.⁵



Source: Department of Housing & Urban Development, Comprehensive Housing Affordability Strategy (2015-2019).

Affordable Housing

Hillsborough needs more affordable housing (reasonably priced housing, particularly for individuals and households with earnings below the median income). In 2021, the median monthly housing cost in Hillsborough was \$1,315 for occupied units, which is higher than the state average of \$999 and the Orange County average of \$1,270.⁶ Neighboring communities also have lower median monthly housing costs — \$1,248 in Carrboro and \$1,251 in Durham. Hillsborough's higher housing costs directly impact housing affordability and the ability for residents to remain in their neighborhoods.



Townhouse community in southern Hillsborough

³ Some professionals argue that the U.S. Department of Housing and Urban Development's 30% rule for measuring affordability is arbitrary, primarily because of cost-of-living differences where housing is expensive and because some families must spend their money differently on basic necessities, such as a household that includes children.

⁴ https://www.huduser.gov/PORTAl/datasets/cp.html

^{5 2015–2019} American Community Survey, five-year estimates

⁶ U.S. Census, American Community Survey 5-Year Estimates

A network of nonprofit housing providers and assistance programs has been built to provide educational, financial, and technical services to households in need. Examples of these organizations include:

- Orange County Community Housing and Land Trust provides affordable housing opportunities for first-time homebuyers earning less than 80% of the average median income.
- Orange County Habitat for Humanity offers homeownership support to working families through loans, repairs of existing homes, and assistance in the construction of homes.
- EmPOWERment Incorporated works to increase affordable housing and preserve workingclass neighborhoods.
- CASA develops and manages rental communities to provide access to stable, affordable housing for people who are homeless or at risk.
- Chrysalis Foundation for Mental Health supports the development of affordable housing for people with disabilities and mental illness.
- InterFaith Council for Social Services provides shelter, food, and direct support services to people in need.
- Orange County Housing Coalition provides housing opportunities for all through an association of nonprofit housing developers, service providers, advocacy groups, and local government partners.

Workforce Housing

Workforce housing is housing affordable to households earning between 60 and 120% of the average median income, according to the Urban Land Institute. Workforce housing targets middle- or moderate-income workers, which includes professions such as police officers, firefighters, teachers, health care workers, and retail clerks. Households that need workforce housing may not qualify for housing subsidized by the Low-Income Housing Tax Credit Program or the Housing Choice Voucher Program (formerly known as Section 8). These are the two major programs in place for addressing affordable housing needs.

Having middle-income workers living in the same community they serve is a major benefit to building stronger connections within the community. It also reduces commute times, decreasing carbon footprints of individuals and the businesses where they work.



Aging in Place

Aging in place refers to the decision to continue in a current residence with loved ones, friends, and neighbors while getting older rather than relocating to a residential facility built to support long-term care, such as an assisted living facility. The choice can depend on which best supports their well-being and promotes healthy aging.

Hillsborough has several retirement and age-restricted communities. The median age is increasing and more households have seniors living alone. Hillsborough will need to address increasing housing options that meet the needs of the elderly and persons with disabilities. The Orange County Master Aging Plan, which is detailed in Chapter 7 of this plan, states that age-friendly housing should:

- > Be affordable.
- > Be close to services or have transportation options.
- > Have accessible design.
- > Provide a wide range of living options.
- > Be integrated into the community at large.
- > Be safe and comfortable.

Providing support for aging in place includes housing that can be affordably adapted to meet residents' changing needs throughout their lifetime. Universal design incorporates seven principles in designing environments that can be used by all people. For example, essential universal design features include no-step entry, single-floor living, wide doorways and hallways, reachable controls, and easy-to-use handles and switches. In addition to the housing unit, being in close proximity to food, other essential needs and transit access is very important for the elderly and persons with disabilities.



Corbinton Commons

Universal Design

Seven principles of universal design were developed by a group of architects, designers, engineers, and researchers at North Carolina State University. The principles serve as a guide for designing communications, goods, and the environments we live in. They may be used to evaluate existing designs, direct the design process, and educate users about the elements that make up more accessible environments.

Fundamentally, universal design is adaptive, flexible, safe, and effective. To produce a truly universal user experience, universal design is based on the following:

7 PRINCIPLES OF UNIVERSAL DESIGN

1. Equitable Use

- Design is appealing and provides the same means of use to all individuals.
- Provisions for privacy, security, and safety are equally available.

2. Flexibility in Use

- There is choice in methods of use.
- Accommodations for right or left handed use.
- Allow for accuracy and precision as well as adaptable to the individual's pace.

3. Simple & Intuitive Use

- Use of the design is easy to understand.
- Any undue complexity is removed.

4. Perceptible Information

- Ambient conditions do not affect use.
- · Consider individual's sensory abilities.
- Provide contrast between essential information and its surroundings.

Source: Center for Universal Design at North Carolina State University

5. Tolerance for Error

- Consider and minimize hazards and the adverse consequences of accidental or unintended actions.
- Provide fail-safe features.

6. Low Physical Effort

- Allow user to maintain a neutral body position.
- · Minimize repetitive actions and sustained physical effort.

7. Size and Space for Approach and Use

- Provide a clear line of sight to important elements for any seated or standing user.
- Make reach to all components comfortable for any seated or standing user.
- Accommodate variations in hand and grip size.
- Provide adequate space for the use of assistive devices or personal assistance.

Homelessness

On any given night in the United States in 2020, approximately 580,000 persons could be classified as living in a state of homelessness. The U.S. Department of Housing and Urban Development classifies homelessness in four categories: chronic, episodic, transitional, and hidden.

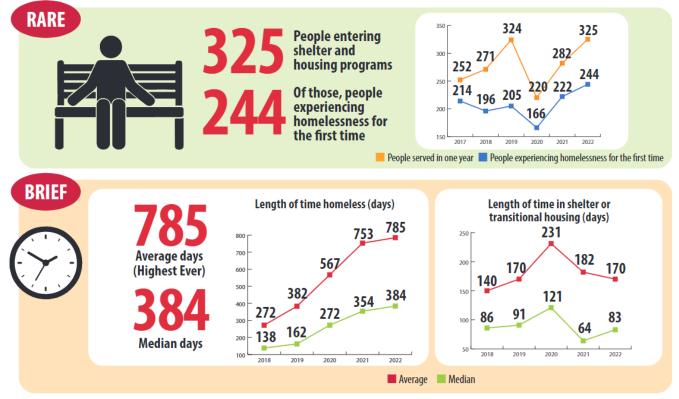
While all levels of homelessness face unique situations, policies and programs treating chronic homelessness are the most critical and have benefits to all levels of homelessness.

The Orange County Partnership to End Homelessness participates annually in the nationwide Point-in-Time Count to understand the number of people facing homelessness (both sheltered and unsheltered) and publishes snapshots of the estimated number of homeless in Orange County (see *Figure 8.6*). The 2022 count showed fewer people experiencing all levels of homelessness in 2022 than in 2021, but it showed progress has stalled when comparing the number to years prior to 2020. While the chronically homeless population has increased since 2020, both families and veterans experiencing homelessness have decreased in Orange County.

The Orange County Partnership to End Homelessness provides help to those in need, including rental and utility assistance, eviction diversion, emergency housing, and homeless services. Since June 2019, the Orange County has created a housing access coordinator position within the county government, added funding for homelessness diversion, and started the Street Outreach, Harm Reduction and Deflection Program. These services aim to reduce homelessness by partnering with landlords and property management organizations to use housing choice vouchers while actively working to connect those living in shelters with housing solutions.

To help provide resources for the homeless, the town allows homeless shelters under a special use permit in many of its zoning districts. Additionally, the town will continue to coordinate with the county to help those experiencing homelessness and to identify ways to prevent homelessness. A focus on providing affordable housing options will support the regional work on ending homelessness.





Source: Orange County Partnership to End Homelessness



Based on the demographics of the town and the minimal housing options that currently exist, there is a need and opportunity for additional affordable housing. Demographics and lifestyle preferences are shifting, indicating a need to add new forms of housing to traditional housing types. With the infrastructure constraints that are directing development in the town (see Chapter 4 of this plan for details), the use of smart growth principles will be critical for addressing housing needs. These tools have been successful in other communities for supporting housing options and affordability.

- Integrate single- and multi-family structures: accessory dwellings, microunits, patio homes, quadplexes, co-housing
- > Collaborate on addressing high density concerns
- > Streamline the approval process for affordable housing projects
- > Retain and maintain existing housing stock
- Incorporate house-scale buildings with multiple units in walkable neighborhoods
- Offer density opportunities
- Allow for discussions with the construction community on notable developments in building materials
- Support housing projects with infrastructure development, new sidewalks and curbs, parks, transit stops, and greenway connections
- Bring in neighborhood representatives to the Planning Board and Board of Adjustment
- > Evaluate site assembly opportunities for housing projects
- > Promote energy-efficiency techniques in residences



among all income levels. Creates opportunities for communities to slowly increase density without radically changing

the landscape.

Housing & Affordability Goals and Actions

These strategies and recommended actions identify how Hillsborough will reach its goal of ensuring housing stability for renters and homeowners.

Goal

Develop and maintain a variety of safe, healthy, and sustainable housing options to increase housing stability for renters and homeowners.

Strategies

Plan for and monitor progress toward meeting housing needs in the town.

- Participate in the creation of a countywide housing plan that includes a gap analysis, housing security analysis, and housing needs assessment.
- Participate with the Partnership to End Homelessness to fill gaps identified in the plan to end homelessness.
- Monitor conditions for early warning signs of issues in housing supply to help the town identify and address incipient changes before they become urgent problems.
- Monitor housing policies, programs, and initiatives for progress in closing gaps in housing need, supply, and demand.
- > Create an annual action plan and develop a dashboard for the town website that tracks affordable housing progress, highlights challenges and successes, and is reviewed quarterly.



Develop and adopt policies that contribute to meeting identified affordable housing needs.

- > Adopt guiding principles for affordable housing.
- > Create resilient neighborhoods through housing policy that supports thriving neighborhoods.
- Establish an affordable housing fund and begin contributing to it in the following fiscal year, increasing to 2% of the town's general fund over three to five years. Dedicate funding to support housing programs.
- > Research establishing an affordable housing trust fund to support affordable housing development.
- Consider an affordable housing payment in lieu only for smaller developments and dedicate these funds to the affordable housing fund once established.
- Encourage changes to state law that hamper the development of affordable housing or block town efforts to increase the stock of affordable housing.
- Identify a town staff member to manage affordable housing efforts, including working with developers, maintaining an inventory of units, identifying relevant resources, and collaborating with stakeholders and peer municipalities to learn about best practices and funding opportunities.

Invest in public projects that contribute toward meeting housing needs in town.

- > Support the creation of affordable housing through strategic acquisition and use of public land.
- Explore public-private partnerships to purchase vacant land, land entering foreclosure, or land in other forms of receivership and to build affordable housing on town-owned land, especially in areas with low transportation costs.
- > Prioritize surplus town-owned land for potential affordable housing.
- > Dedicate at least a third of the remaining buildable train station land to future affordable housing in partnership with a trusted entity.
- > Invest in public projects that support aging in place and accessibility.
- > Investigate tools to acquire land outside the traditional real estate market that can be made available for affordable housing development by others.

Participate in partnerships and programs that provide security and stability for homeowners and renters.

- > Coordinate with regional partners on housing assistance programs.
- > Coordinate with housing agencies, regional partners, and the private sector to implement initiatives.
- Streamline existing programming to maintain continued housing affordability and the ability of residents to remain in their homes.
- > Develop a metric to assess the cost of government and consider the impact of increased government costs on cost-burdened households.
- > Work with regional housing partners to ensure housing goals and policies guide implementation of affordable and workforce housing developments within the town's planning area.

- Continue preserving existing, naturally occurring affordable housing through the creation and expansion of programs targeted on home repair for income-eligible owners and those renting to income-eligible households. Place focus on housing in areas experiencing growth.
- > Partner with housing agencies to implement policies and programs to retain existing housing and residents, including actions to rehabilitate and restore homes to a state of good repair.
- > Continue to encourage landlord participation in existing federal and other voucher programs to maximize housing options within the county.
- > Develop or partner with others to develop educational efforts to encourage preservation of generational wealth through careful estate planning.
- > Increase funding of programs to help residents stay in their homes by supporting repairs and efficiency improvements.
- > Foster connections with residents and other agencies and organizations that provide repair and efficiency improvement services to help residents stay in their homes.

Participate in partnerships and programs that contribute to meeting identified future housing needs.

- > Work with regional housing agencies, regional planning bodies, the private sector, and other partners to increase the supply of affordable and workforce housing.
- Leverage financial resources or debt capacity to support incorporating affordable housing into new development projects.
- > Supplement federal voucher programs through locally funded rental vouchers or direct income supports.
- Create a program that identifies beneficial and challenging site characteristics for housing developments, such as beneficial connections to public transportation and burdens like siting, topography, above-average construction costs, and restrictions by funders or regulator.

Adopt development regulations that contribute to meeting identified affordable housing needs.

- Investigate regulatory requirements and incentives for affordable housing that require 15% of housing units to be affordable in new residential developments and more in property zoned other than residential but have flexibility to achieve overall goals of the town.
- Investigate town-wide regulatory programs that require or incentivize development of affordable housing in mixed-income developments, in standalone affordable housing developments, and in targeted neighborhoods.
- Increase housing opportunities for households or individuals with limited access by increasing the number of affordable rental units, targeting those at 80% or less of the average median income.
- Support affordable housing opportunities in transit corridors or transit supportive developments and neighborhoods.
- > Increase diversity of housing stock through development regulations and decisions.



Adopt development regulations that contribute to meeting overall housing needs.

- > Update the Unified Development Ordinance and regulations to result in a broader range of quality housing types of different sizes, configurations, tenures, price points, ownership structure, and income levels within close proximity.
- Enact regulations that make building smaller, moderately priced homes easier (incentivized), including zoning reforms; relaxed dimensional requirements, such as minimum lot sizes, setbacks, lot coverage, or floor-to-area rations; reduced minimum parking requirements; and flexibility in design standards.
- Revise the Unified Development Ordinance to allow for higher density housing or lower cost housing types in accordance with the Future Land Use Plan.
- > Incorporate universal design principles and share information with developers.
- Encourage housing in existing and proposed commercial areas (mixed use) in accordance with the Future Land Use Plan.
- > Adopt regulations that ensure housing developments are accessible and connected.
- Retain affordable and workforce housing units by managing gentrification, displacement, and redevelopment within existing neighborhoods.
- > Adopt regulations that promote a variety in housing that fills the missing middle housing.
- > Evaluate additional practices to encourage the construction of accessory dwelling units.
- > Incentivize green housing developments and retrofits.
- > Streamline the permitting process for multiple parts of the housing development process.

Engage with community groups and individuals on topics and decisions that contribute to housing needs and affordability.

- Improve outreach and education to encourage resident participation in existing county tax relief programs for homeowners.
- > Provide outreach and education to promote housing accessibility and affordability.