

11-18-2020 Town Council Meeting Responses to Council Questions

ITEM #4: Receive the First Quarter Fiscal Year (FY) 2021 Affordable Housing Report

Council Question:

Do we have the means to project/predict increases in rental rates over the next few years?

Staff Response:

The average rental rates in Chapel Hill have increased by 20% over the last seven years, or about 3% increase per year. [Current data](#)¹ is showing the average rents in Chapel Hill have decreased slightly from last year. This is a [trend seen](#)² in many urban areas across the country due to effects of COVID-19.

It would be very difficult to project future rent rates with any level of confidence as the long-term economic impacts of COVID-19 are unknown for residents in Chapel Hill, as is how long and to what degree students moving to online courses will affect the local rental housing market.

Council Question:

How much of the \$6,093,984 for FY20 is the affordable housing bond?

Staff Response:

\$5,000,000 of the \$6,092,984 allocated towards affordable housing projects in FY20 was from the Affordable Housing Bond.

Council Question:

Did the four employees who became Chapel Hill residents through the Employee Housing program become homeowners or renters?

Staff Response:

The four employees who became Chapel Hill residents were all renters. Town staff are kicking off an evaluation of the Employee Housing Pilot Program this fall and plan to report back to Town Council in the spring on the results of our evaluation and potential strategies for improving program outcomes.

¹ <https://www.rentjungle.com/average-rent-in-chapel-hill-rent-trends/>

² <https://www.bloomberg.com/news/articles/2020-10-30/where-rents-are-falling-and-where-they-are-rising>

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Council Question:

Could we get some analysis, context, additional information here? The report looks pretty bleak for housing costs, increases in those who are cost burdened, etc. but there is no information on why that may be happening or what we should be doing in response: Is this because of all the luxury apartments in Blue Hill (which came online in 2014, when the trend starts rising) along with the loss of Park apartments? What else could account for this rapid increase? Is any of the cost burden attributable to COVID and the economic downturn, or is it a longer trend line?

Council Question:

Can we get analysis of these figures and some more granular data to inform policy choices? For instance, how many of the households in the “cost-burdened” category are undergraduate or graduate students? How much in the rise of rental prices is market increase in general, and how much is driven by new market-rate/luxury apartment buildings being added to our stock (and lower-rent units like the Park Apartments being redeveloped)?

Staff Response:

The purpose of the quarterly report is to show high-level housing market data to identify trends and to track and communicate our progress towards reaching the Town Council’s affordable housing goals. It has also proven to be a useful tool to identify areas of concern, areas on which to focus further.

Below are responses to some of the more specific questions. Staff plan to continue to monitor and delve deeper into the local housing market data. There is a lot of uncertainty in the housing market currently, as long-term effects from COVID-19 on the real estate market could produce changes in the trends we have been seeing over the last several years.

Housing prices have been increasing in many urban areas nation-wide and is a key reason why there is an affordable housing crisis in cities. Based on the rental price data for other municipalities in North Carolina since 2014, Chapel Hill’s 20% increase is similar to increases in other North Carolina municipalities. See table below.

<u>Location</u>	<u>Median Rent 2020</u>	<u>Median Rent 2014</u>	<u>Percent Change</u>
Chapel Hill	\$ 1,378	\$ 1,152	20%
Raleigh	\$ 1,243	\$ 952	31%
Durham	\$ 1,292	\$ 1,074	20%
Wilmington	\$ 1,180	\$ 940	26%
Asheville	\$ 1,282	\$ 1,037	24%

Source: Rentjungle.com

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The cost-burdened data is a longer trend-line and does not include recent enough data to be attributed to COVID. The American Community Survey data used does not delineate between students and non-students.

As can be seen in many places across the country, there is a shortfall of affordable housing in Chapel Hill as market forces have been leading to increases in rent and property values, while median incomes for households have not been increasing at the same rate, especially for lower income households. This has caused households to spend more of their income on housing, leading to an increase in cost-burdened households.

There are many strategies the Town is pursuing to address these issues, including initiating new affordable housing development, creating a strategy framework for guiding our preservation work, increasing funding to support affordable housing projects and support households in need of emergency housing assistance, among others outlined in our Affordable Housing Work Plan, attached. There are other opportunities that are planned to be pursued as well, such as mechanisms for increasing housing choices through the Charting Our Future project and related Land Use Management Ordinance re-write.