



MAY 16, 2023

HOUSING CHOICES FOR A COMPLETE COMMUNITY EXHIBITS

TOWN OF CHAPEL HILL
PLANNING DEPARTMENT

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Project History and Background

Chapel Hill's available housing supply does not meet the needs of current and future residents. As written, the Land Use Management Ordinance (LUMO) has encouraged suburban development trends, fostering the construction of owner-occupied, detached single-family houses and renter-occupied multi-family housing complexes. This has led to a segregation of housing types with about 70% of Chapel Hill's land devoted to single-family neighborhoods. Staff proposes a text amendment to the Land Use Management Ordinance (LUMO) the Housing Choices for a Complete Community text amendment to encourage Missing Middle Housing forms, such as two-, three-, and four-family developments, as a bridge between single-family and large multi-family developments.

For nearly a decade, the Town Council has stressed the need for a mix of housing types to meet the price points, life stages, and preferences of current and future residents.

The *Projected Housing Needs, 2020-2040* study found that over the last 20 years, Chapel Hill has largely developed two types of housing – single-family in 2000s and large-scale apartment complexes in the 2010s. This lack of diversity has led to the community's housing stock no longer meeting the needs of many households, including first-time buyers, families with young children, divorcees, empty nesters, and seniors.

At the same time, Chapel Hill has one of the highest ratios of jobs to housing in the region. The value of owner-occupied housing is 53% higher than Durham. While luxury apartments may meet the needs of young professionals today, these same professionals are likely to choose lower-cost housing near their jobs when it comes time to buy.

To keep the jobs-housing ratio from rising, the study found that housing production needs to increase by 35% over that of the 2010s, or on average 500 units per year. Of this, 440 units are required for working-aged people and seniors while 45 units are needed for students living off-campus.

There are consequences to keeping the status quo:

- By choosing not to grow, Chapel Hill will experience higher housing prices, less social diversity, fewer middle-income jobs, and difficulty attracting faculty and staff to the university.
- By improving the planning process and creating new neighborhoods, we have the opportunity to keep down housing costs and achieve our goals for climate change.
- By continuing to regulate growth as we currently do under a project-by-project basis, housing costs will continue to grow as we lose our sense of place.

The historic development trends in Chapel Hill are not only inefficient but have also contributed to higher home values and higher rents for tenants, pricing many out of the community. By limiting development in low-density neighborhoods, housing demand has moved to the fringes of the community and has led to loss of tree canopy and farmland. These areas on the edges of the community contribute to longer commutes, greater use of automobiles, and increased emissions. Low-density zoning districts do not align with Council's goals for promoting social justice and creating an inclusive and integrated community.

Recognizing this, the Town Council has indicated in its adopted plans and commissioned studies the need for a mix of housing types to provide opportunities for missing middle housing.

Proposal

In response to Town Council's direction, the Planning Department proposes addressing Chapel Hill's housing crisis by encouraging "Gentle Density." Gentle density allows small-scale residential projects such as accessory apartments, two-, three-, and four-family developments to be constructed within existing neighborhood fabric. The purpose of allowing these uses in existing residential zoning districts is to:

- Expand opportunities for diverse housing types that meet different price points, life stages, and preferences.

- Increase housing unit production that will in turn improve the availability and affordability of housing.
- Encourage compatible infill development specifically designed to respond to the context of existing single-family neighborhoods.
- Sensitively and slowly increase the density of existing neighborhoods. In turn, this will support community commercial centers, transit routes, and greenways.
- Increase density and promote walkability on existing and proposed greenways and trails and increases transit ridership. These alternative forms of transportation meet the town's goals for fostering environmental suitability.

Past Advisory Board and Town Council Meetings

In October 2022 and January 2023, Planning staff introduced a series of text amendments to encourage “gentle density” into existing residential neighborhoods. The table below details some of the key benefits of “gentle density” and potential applications in Chapel Hill.

General Benefits of Gentle Density	Benefits of Gentle Density for Chapel Hill
Greater variety of household sizes and demographics require variety of housing choices	Provides a range of housing options for current and future residents not currently met Future Land Use Map (FLUM) encourages duplexes, triplexes, fourplexes, and accessory apartments to have a review process like single family and recognized they could fit into the existing fabric of single-family neighborhoods if carefully integrated
Walkable and accessible amenities	Compact, higher density and multi-family development creates demand for greenways, walking and biking paths, as well as transit.
Variety of Transportation Options	Density around existing transportation networks supported by the Mobility & Connectivity Plan as well as the Climate Action Plan
Need for affordable and attainable housing	Range of unit types and sizes creates opportunities for – but does not guarantee – improved affordability
Sense of community	Land use, form, and density that strengthens the community, social equity, economic prosperity, and the natural environment

Staff have presented and received feedback on iterations of the text amendment at multiple public meetings, Open House events, Lunch and Learn gatherings, and Council Work Sessions. A full list of these meetings is in the Appendix of this report.

Long Range Analysis

The proposed amendment is supported by the following adopted plans, commissioned reports, and the 2021 housing petition signed by several Council members:

Plan	Goals or themes supporting diversity of housing:
Chapel Hill 2020 Comprehensive Plan¹ <i>Adopted: June 25, 2012</i>	A range of housing options for current and future residents (<i>Place For Everyone</i> . ³) Low density, green Rural Buffers that exclude urban development and minimize sprawl (<i>Good Places, New Spaces</i> . ¹)

¹ <https://www.townofchapelhill.org/home/showpublisheddocument?id=15001>

	<p>A vibrant, diverse, pedestrian-friendly, and accessible downtown with opportunities for growing office, retail, residential, and cultural development, and activity (<i>Good Places, New Spaces.2</i>)</p> <p>A range of neighborhood types that addresses residential, commercial, social, and cultural needs and uses while building and evolving Chapel Hill's character for residents, visitors, and students (<i>Good Places, New Spaces.5</i>)</p> <p>Future land use, form, and density that strengthen the community, social equity, economic prosperity, and natural environment (<i>Good Places, New Spaces.8</i>)</p> <p>Reduce the carbon footprint of all Town-owned or managed services and properties; require that all new development meets standards; and support residents in minimizing their personal footprints (<i>Nurturing Our Community.7</i>)</p> <p>Housing for students that is safe, sound, affordable, and accessible and meets a demonstrated need conducive to educational and maturational needs of students, and housing for Town, University, and the Health Care System employees that encourages them to reside in the community (<i>Town Gown Collaboration.4</i>)</p> <p>Promote access for all residents to health-care centers, public services, and active lifestyle opportunities (<i>Town Gown Collaboration.6</i>)</p>
<p>Future Land Use Map²</p> <p><i>Adopted: December 9, 2020</i></p>	<p>Guiding Statement 1: Respond to the threats associated with climate change and environmental stewardship and resiliency by:</p> <ul style="list-style-type: none"> • Creating compact, walkable, mixed-use communities where activities are in close proximity and require less time and energy to access and travel between destinations. • Densify at strategic locations and mixing land uses shortens trips and reduces car dependency. • Promote patterns and styles of development that are climate responsive and utilize existing infrastructure. • Support transit systems through additional housing units and more intense land uses. <p>Guiding Statement 2: Ensure equitable planning and development.</p> <ul style="list-style-type: none"> • Mitigate residential displacement as development and redevelopment occurs • Provide affordable housing options for all family sizes and incomes in all neighborhoods • Preserve and strengthen intact neighborhoods, building upon local assets and resources • Develop healthy and safe communities through, among other improvements, walkable neighborhoods. <p>Guiding Statement 3: Encourage of Diversity of Housing Types</p> <ul style="list-style-type: none"> • Development of duplexes, triplexes, fourplexes, and accessory dwelling units with an approval process and requirements similar to single-family detached dwellings. FLUM recognizes that small-scale multi-family uses could fit into the existing fabric of single-family neighborhoods if carefully integrated into the existing neighborhood. • Development of townhouses at the edge of existing neighborhoods that act as a transitional use. • Small lot single-family subdivisions that utilize traditional neighborhood design to create compact, livable, and accessible neighborhoods. <p>Guiding Statement 4: Promote distinctive, safe, and attractive neighborhoods.</p> <ul style="list-style-type: none"> • Direct dense growth to multimodal and key transportation corridors to promote a multi-modal network and increase mobility options.

² <https://online.flippingbook.com/view/26191/>

	<ul style="list-style-type: none"> Protect and preserve historic neighborhoods and neighborhood conservation districts (NCDs). <p>Guiding Principal 8: Provide appropriate transitions between land uses and buildings of different scales.</p> <ul style="list-style-type: none"> Create harmonious transitions between different types and intensities of land uses and built forms physically through form, use, architectural, and landscaped transitions. <p>Guiding Principal 9: Preserve and maintain the appearance of Chapel Hill and create quality design and development</p> <ul style="list-style-type: none"> Focus high quality appearance and design of private development to public views Develop design guidelines, regulations, streetscape plans, and improvements that provide guidance on building massing, scale, shape, and orientation
Mobility & Connectivity Plan <i>Adopted October 28, 2020</i>	<p>Compact, higher density and multi-family development creates demand for greenways, walking and biking paths, as well as transit.</p>
Climate Action & Response Plan³ <i>Adopted: April 7, 2021</i>	<p>Compact, walkable, bikeable, transit-served neighborhoods require higher density development. The plan calls for incentivizing more compact, affordable, and mixed income housing, including “missing middle” and accessory dwelling units.</p>
<u>Petition from Council Members Regarding Affordable and Missing Middle Housing⁴</u> <i>Submitted: September 22, 2021</i>	<p>Several members of Council asked staff to create a new application pathway to foster the creation of missing middle housing, such as duplexes, triplexes, townhouses, and other forms of compact development.</p>
<u>Projected Housing Needs, 2020-2040⁵</u> <i>October 12, 2021</i>	<p>The Town of Chapel Hill and University of North Carolina jointly funded a report to determine housing needs. The report found that most new housing was single-family and apartments, with only 5% of new units completed serving as owner-occupied condominiums or townhouses. The Chapel Hill housing market found that more diverse housing types were needed in walkable neighborhoods to meet the needs of those left out of the current market, including first time homeowners, young families, divorcees, empty nesters, and seniors. About 485 units/year are needed to meet housing demands.</p>

³<https://www.townofchapelhill.org/Home/ShowDocument?id=48581>

⁴<https://chapelhill.legistar.com/View.ashx?M=F&ID=9834553&GUID=1DB8AFA8-3BDF-42E2-9E41-D6747BD4ECF4>

⁵<https://www.townofchapelhill.org/home/showpublisheddocument/50141/637715343396500000>

Complete Community Strategy⁶

December 7, 2022

The Town of Chapel Hill worked with consultants to develop a new approach to housing that clarifies where and how its built to create inclusive, sustainable, and complete communities.

The strategy supports:

Diversity of housing types, including missing middle density for both renters and homeowners.

Diversity of tenures for a diversity of households and recognizes that both units and secondary suites add gentle density.

Higher density, higher use, and lessened need for driving/parking will lower infrastructure and building costs.

Housing Types

Existing & Proposed Uses

Proposed Use Table

	R-LD5	RT	R-LD1	R-1A	R-1	R-2	R-2A	R-3	R-4	R-5	R-6	HR-L	HR-M	HR-X
Single Family	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Two-Family Dwelling														
Single-Family with Accessory Apartment	P	P	P	P	P	P	P	P	P	P	P	A	A	A
<u>Single-Family with Cottage</u>	-	-	-	-	P	P	P	P	P	P	P	P	P	P
Two-Family, Attached	P	P	P	P	P	P	P	P	P	P	P	A	A	A
<u>Two-Family, Detached</u>	P	P	P	P	P	P	P	P	P	P	P	A	A	A
Multi-Family Dwellings														
<u>Three-Family, Attached/Detached</u>	-	-	-	-	-	-	-	-	P	P	P	-	-	A
<u>Four-Family, Attached/Detached</u>	-	-	-	-	-	-	-	-	P	P	P	-	-	A
<u>Multi-family, 5-10 units, attached/detached</u>	-	-	-	-	-	-	-	-	P	P	P	-	-	A
<u>Multi-family, over 10 units, Attached/detached</u>	-	-	-	-	-	-	-	-	-	-	P	-	-	-

Uses: New uses proposed to be added to the table

P: Permitted Use

P: New Permitted Use

⁶ <https://www.townofchapelhill.org/businesses/complete-community#:~:text=The%20Complete%20Communities%20Strategy%20is,current%20and%20future%20housing%20needs.>

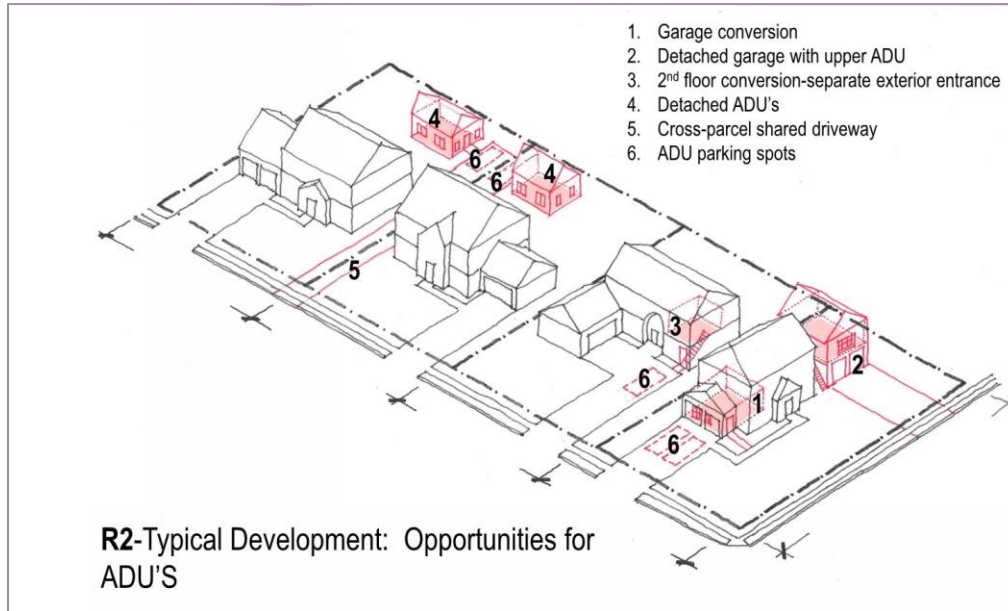
Two-Family Development

Single-Family + Accessory Apartment

What is it?

A self-contained unit with cooking, sleeping, and sanitary facilities that may be attached to, within, or detached from the single-family dwelling unit.

Example Scenarios:



Proposed Dimensional Standards:

Unit Size	<ul style="list-style-type: none">• No more than 75% of the floor area of the primary dwelling unit• No more than 1,000 square feet total• Planning Director may grant an exception for larger units if:<ul style="list-style-type: none">○ Built within an existing structure and does not increase the footprint of the structure○ Contained within one floor, except any necessary points of access○ Does not exceed 1/3 of the floor area of the primary dwelling unit
Height	29 feet
Impervious Surface Ratio	0.50
Parking	1 space/bedroom
Density	1 accessory apartment per 1 single-family dwelling unit
Occupancy	With the single-family dwelling unit, no more than 4 unrelated people

Revision to the Rules:

- Move accessory apartment development standards from Appendix A definitions to the LUMO
- Increase the allowed size of accessory apartments

Potential Future Work:

- Consider accessory apartments as an accessory use to institutional and cultural facilities as well as places of worship
- Explore ways to increase the size of accessory apartments in some zoning districts
- Pre-approved plans

Single-Family + Cottage

What is it?

A smaller, single-family dwelling unit of no more than 1,200 square feet that shares a lot with a detached single-family house.

Example Scenarios:

In progress

Proposed Dimensional Standards:

Minimum Lot Size	Minimum lot size required by the zoning district + 2,700 square feet
Building Dimensions	
Maximum Footprint	1,000 square feet
Maximum Height	29 feet
Building Separation	Separation between dwelling units shall comply with fire code
Impervious Surface Ratio	0.50
Parking	Max. 1 space per bedroom
Density	1 cottage per 1 single-family dwelling unit
Occupancy	No more than 4 unrelated people

Revision to the Rules:

- This is a new use based on Durham's "Small House, Small Lot" concept that allows the construction of a second single-family dwelling unit on existing lot.
- Under the current scenario, a property owner would have to complete a townhouse subdivision to allow separate ownership of the first single-family house and the cottage.

Potential Future Work:

- Consider ways in which the cottage can be on a subdivided lot measuring less than the minimum lot size required by the zoning district

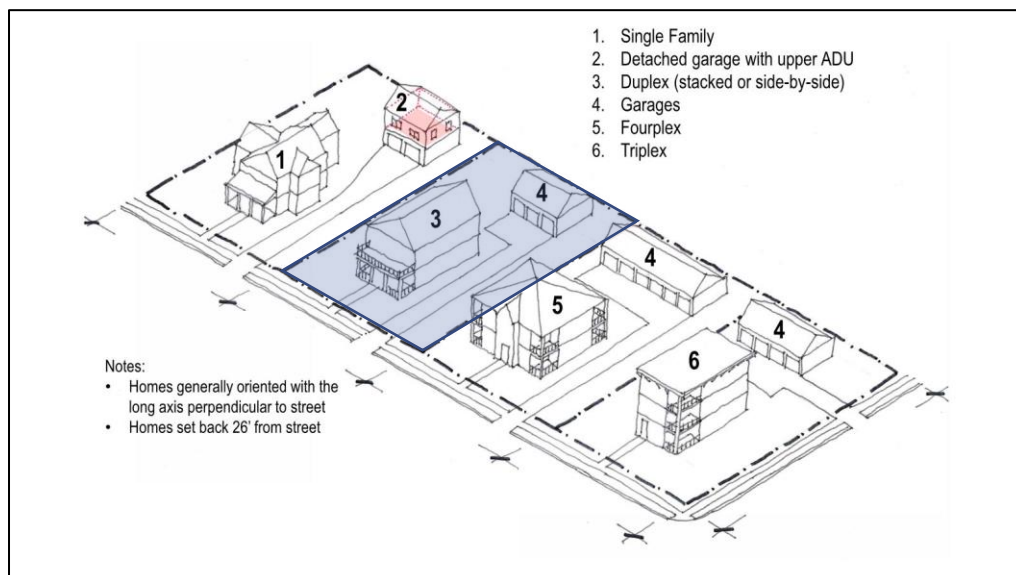
Two-Family, Attached or Detached

What is it?

This type of housing can take two forms:

- A traditional duplex in which two dwelling units share either a vertical wall or a floor-ceiling
- Two detached units on the same lot

Example Scenarios:



Proposed Dimensional Standards:

Minimum Lot Size	Minimum lot size required by the zoning district
Building Dimensions	
Floor Area	0.40
Maximum Floor Area	3,000 square feet
Impervious Surface Ratio	0.50
Building Separation	Shall comply with fire code
Parking	No more than four (4) vehicles on-site
Occupancy	No more than 4 unrelated people per unit

Revision to the Rules:

- No longer require two times the minimum lot size for two-family developments
- Allow two-family developments in more residential zoning districts
- Provides an opportunity for the units to either be attached, like a traditional duplex, or detached as separate structures

Multi-family Development

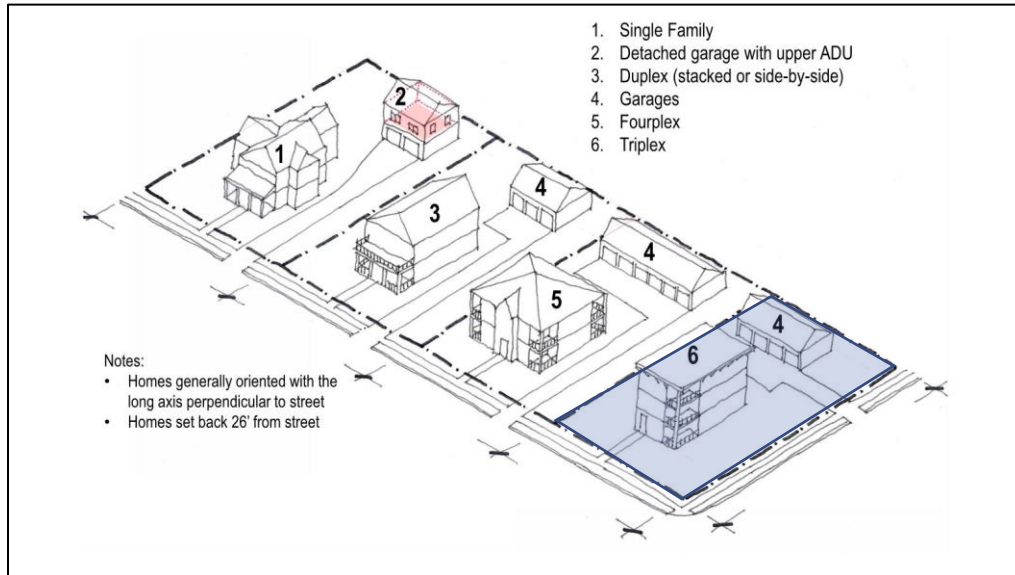
Three-Family, Attached or Detached

What is it?

This type of housing can take two forms:

- A traditional triplex in which the dwelling units share either a vertical wall or a floor-ceiling
- Three (3) detached units on the same lot

Example Scenarios:



Proposed Dimensional Standards:

Minimum Lot Size	Two times the minimum lot size required by the zoning district
Building Dimensions	
Floor Area	Follows underlying zoning
Impervious Surface Ratio	0.50
Tree Canopy Coverage	40%
Stormwater Management	Required

Parking	⁷ Follows Multi-family parking requirements specified in LUMO 5.9.7⁸ Parking shall be located to the side or rear of the structures (not front yard)
Occupancy	No more than 4 unrelated people per unit

Revision to the Rules:

- Three- family developments are currently classified as Multifamily, 3-7 units. This proposal would allow them to be their own uses.
- These types of development currently require either site plan approvals, special use permits (SUPs), or conditional zoning district (CZD). Under this scenario, those projects that comply with the LUMO could be approved administratively by staff.
- This option allows for the units to be attached or detached.

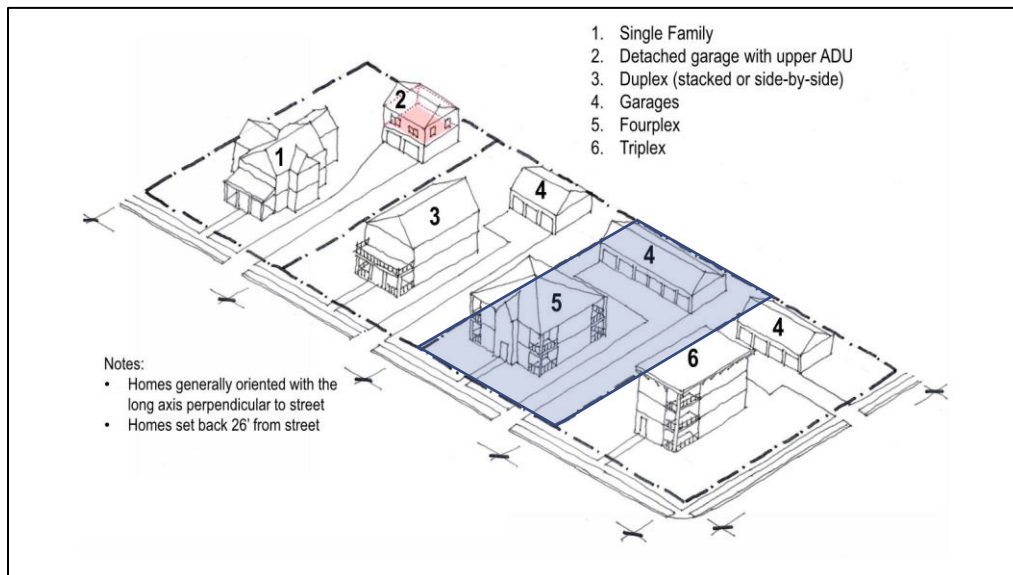
Four-Family, Attached or Detached

What is it?

This type of housing can take two forms:

- A traditional fourplex in which the dwelling units share either a vertical wall or a floor-ceiling
- Four (4) detached units on the same lot

Example Scenarios:



Proposed Dimensional Standards:

Minimum Lot Size	Two times the minimum lot size required by the zoning district
Building Dimensions	
Floor Area	Follows underlying zoning
Impervious Surface Ratio	0.50
Tree Canopy Coverage	40%
Stormwater Management	Required
Parking	Follows Multi-family parking requirements specified in LUMO 5.9.7⁹ Parking shall be located to the side or rear of the structures (not front yard)
Occupancy	No more than 4 unrelated people per unit

⁷https://library.municode.com/nc/chapel_hill/codes/code_of_ordinances?nodeId=CO_APXALOUSMA_ART5DEDEST_5.9PALO

⁸https://library.municode.com/nc/chapel_hill/codes/code_of_ordinances?nodeId=CO_APXALOUSMA_ART5DEDEST_5.9PALO

⁹https://library.municode.com/nc/chapel_hill/codes/code_of_ordinances?nodeId=CO_APXALOUSMA_ART5DEDEST_5.9PALO

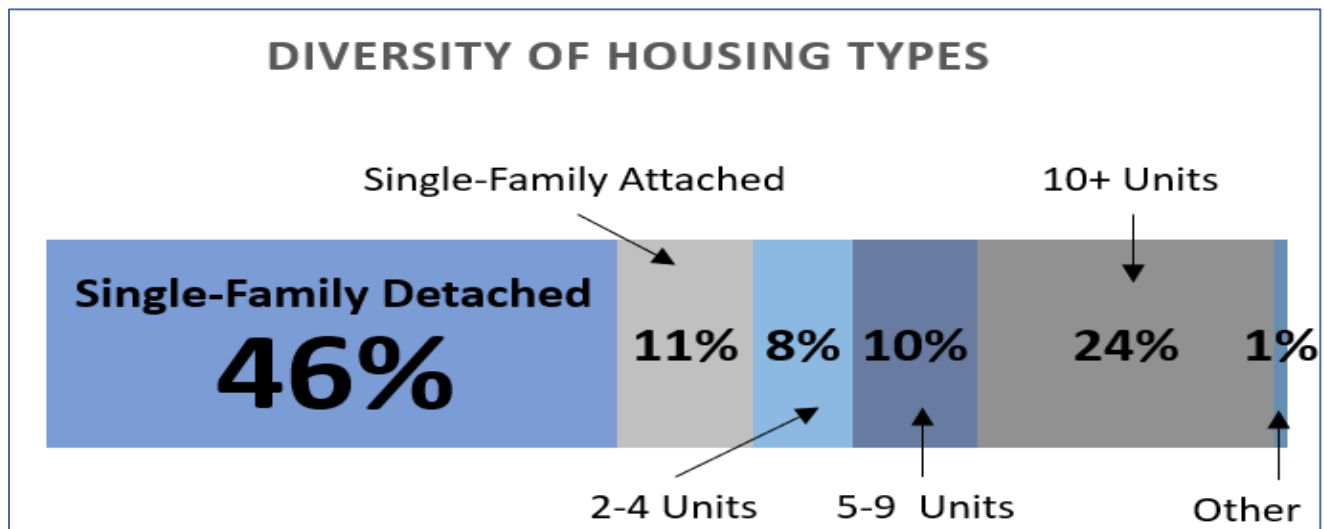
Revision to the Rules:

- Four- family developments are currently classified as Multifamily, 3-7 units. This proposal would allow them to be their own uses.
- These types of development currently require either site plan approvals, special use permits (SUPs), or conditional zoning district (CZD). Under this scenario, those projects that comply with the LUMO could be approved administratively by staff.
- This option allows for the units to be attached or detached.

Housing Units and Land in Chapel Hill

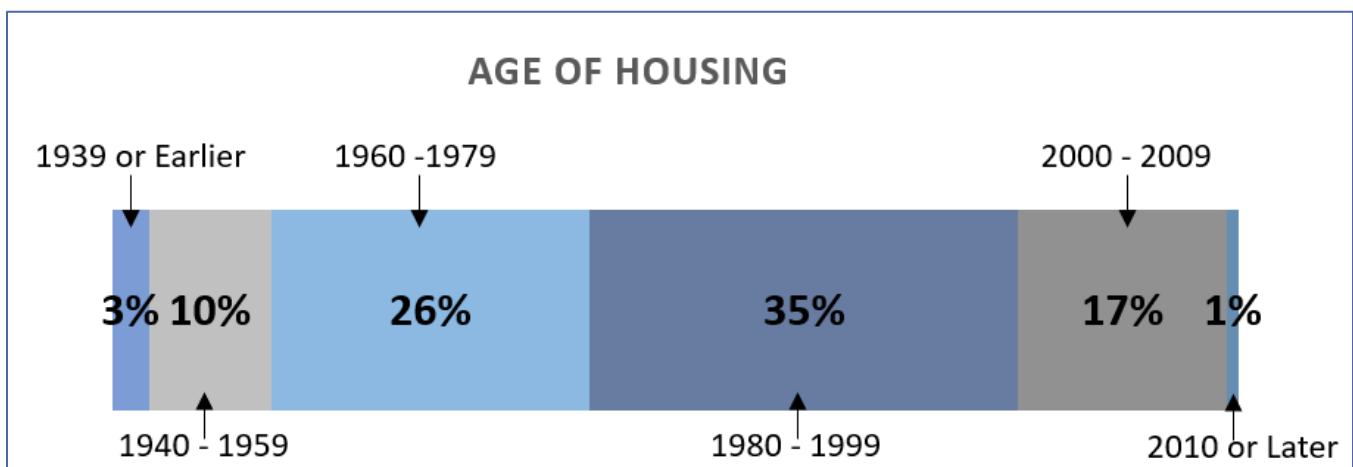
Current Housing Stock

Chapel Hill's housing stock is dominated by single-family detached homes.



Source: [SB Friedman Market Assessment](#)¹⁰

The majority of Chapel Hill's housing stock was constructed in just four decades between 1960 and 2000.



Source: [SB Friedman Market Assessment](#)¹¹

¹⁰ <https://www.townofchapelhill.org/home/showpublisheddocument/53443/638151783539000000>

¹¹ <https://www.townofchapelhill.org/home/showpublisheddocument/53443/638151783539000000>

Our existing housing supply is siloed into two categories: single-family homes built between 1960 and the early 2000s and multi-family units built in the past 20 years. There are limited housing options for residents with preferences, needs, and life stages that do not align with the current market. The next section further demonstrates the lack of housing options in Town.

Analysis of Zoning Districts

Lower-density zoning districts represent nearly half of all land in Chapel Hill.

- *32% of land area is in R-1 zones and 15% is in R-2 zones.*

By design, single-family homes represent the vast majority of the housing stock within R-1 and R-2 zoning districts.

- *98% of housing units in R-1 zones and 86% of units in R-2 zones are single-family detached houses.*
- *11% of housing units in R-2 are categorized as “multi-family”, which includes condominiums and townhomes.*

There are approximately 31 zoning districts with housing or dwelling units in Chapel Hill. An analysis of the approximate share of land area of those zoning districts is in the table below. The districts that represent 4% or more of land area are emphasized in **bold text**.

Distribution of Zoning Districts with Housing, by Share of Total Land Area	
Zoning Districts	Share of Land Area (<i>approx. % of total</i>)
CC	1.2
DA-1	0.3
HR-L	0.8
HR-M	0.2
MU-OI-1	1.3
MU-R-1	0.8
MU-V	0.5
NC	0.4
OI-1	0.5
OI-2	5.2
OI-3	0.5
OI-4	3.2
R-1	32.1
R-1A	3.2
R-2	15.2
R-2A	0.2
R-3	3.9
R-4	4.2
R-5	4.7
R-6	0.3
R-LD1	6.8
R-LD5	4.9
R-SS-CZD	0.3
RT	4.2
TC-2	0.4
TC-3-CZD	0.1
U-1	3.8
WR-3	0.0
WR-7	0.0
WX-5	0.2

WX-7	0.6
TOTAL	84.8%

Analysis of Housing Types by Zoning District

The table below represents the 31 zoning districts with housing or dwelling units. Each row provides a breakdown of the distribution of housing types in a particular zoning district and the total housing units in that district.

Table - Housing Units by Type in Zoning Districts

Zoning Districts with Housing Units	Single-Family Units (approx. % of total units in district)	Two-Units (approx. % of total units in district)	Manufactured Homes (approx. % of total units in district)	Multi-family (approx. % of total units in district)	All other Dwelling Types (approx. % of total units in district)	Total Housing Units
CC	55	0	18	18	9	11
DA-1	100	0	0	0	0	8
HR-L	84	3	13	0	0	75
HR-M	97	0	3	0	0	61
MU-OI-1	6	0	14	80	0	513
MU-R-1	2	0	0	98	0	42
MU-V	3	0	1	95	1	339
NC	4	1	5	89	1	156
OI-1	21	0	0	54	25	48
OI-2	3	0	50	47	0	343
OI-3	40	0	0	0	60	5
OI-4	1	0	0	70	29	102
R-1	98	0	0	2	0	4853
R-1A	99	1	0	0	1	396
R-2	86	2	1	11	0	4928
R-2A	100	0	0	0	0	63
R-3	48	7	0	45	1	2348
R-4	16	2	0	81	0	4698
R-5	57	0	0	43	0	4178
R-6	45	2	0	48	5	306
R-LD1	93	1	6	0	0	594
R-LD5	100	0	0	0	0	106
R-SS-CZD	2	0	0	97	0	506
RT	87	7	7	0	0	31
TC-2	9	1	0	88	2	175
TC-3-CZD	0	0	0	100	0	457
U-1	0	0	0	100	0	1
WR-3	1	0	0	99	0	291
WR-7	0	0	93	7	0	833
WX-5	0	0	0	99	1	163
WX-7	0	0	0	100	0	949
TOTAL	53	1	4	40	0	27,579

Chart 1 – Total Housing Units by Zoning District

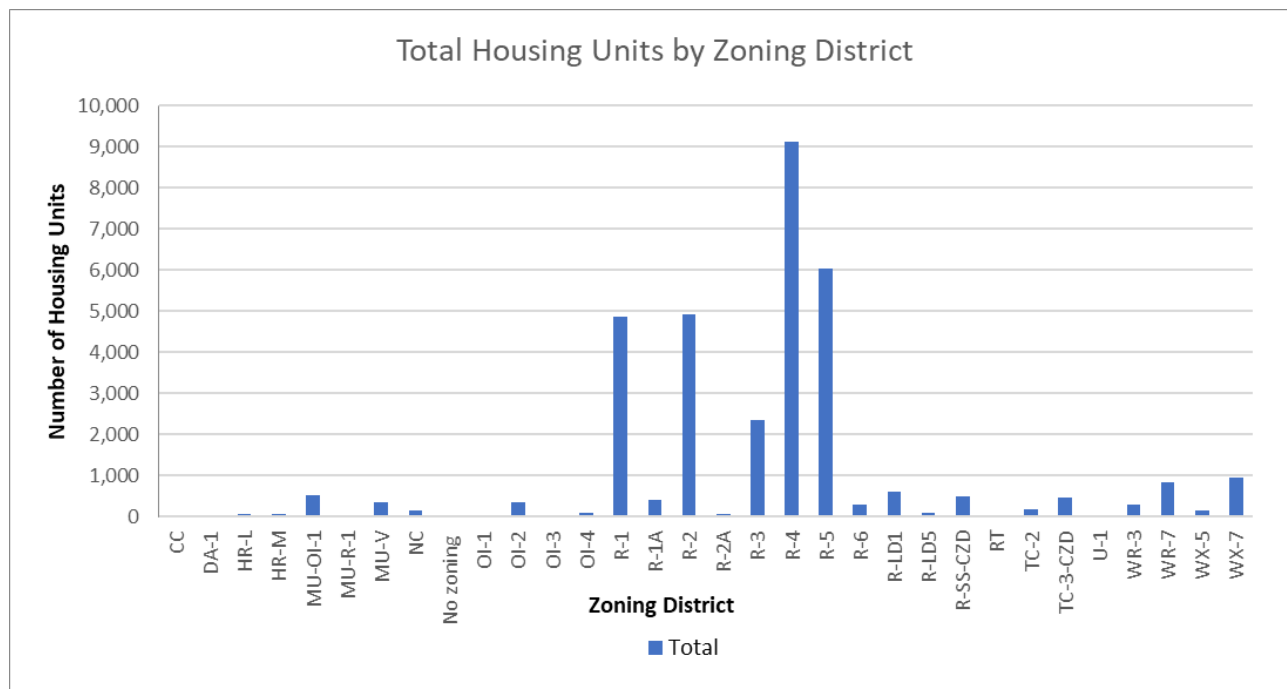


Chart 1 illustrates that the highest concentration of total housing units is in districts R-1, R-2, R-4, and R-5.

Chart 2 – Total Housing Units by Zoning District and Housing Type, Single Family Units

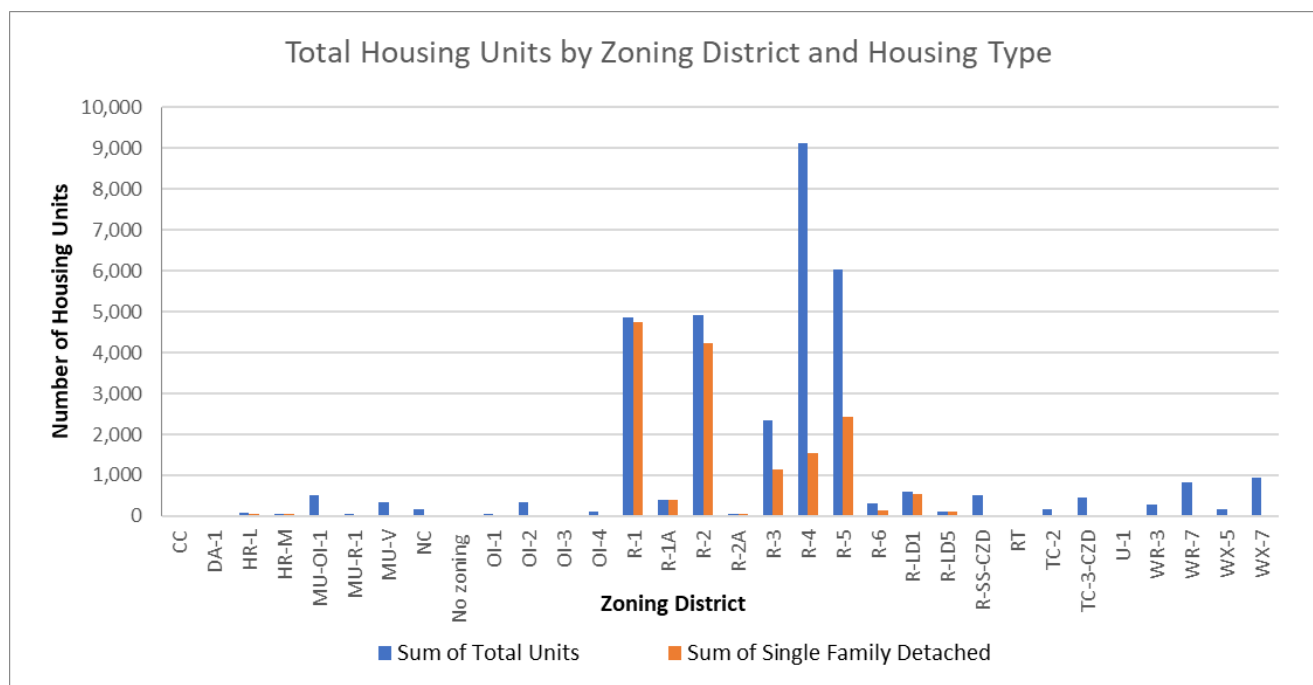


Chart 2 illustrates that single-family units are concentrated in R-1 and R-2 zoning districts and make up the largest proportion of total housing units in those districts. Single-family units are also located in other districts, such as R-3, R-4, and R-5, but they represent a smaller proportion of total units in those districts.

Chart 3 – Total Housing Units by Zoning District and Housing Type, Manufactured Homes

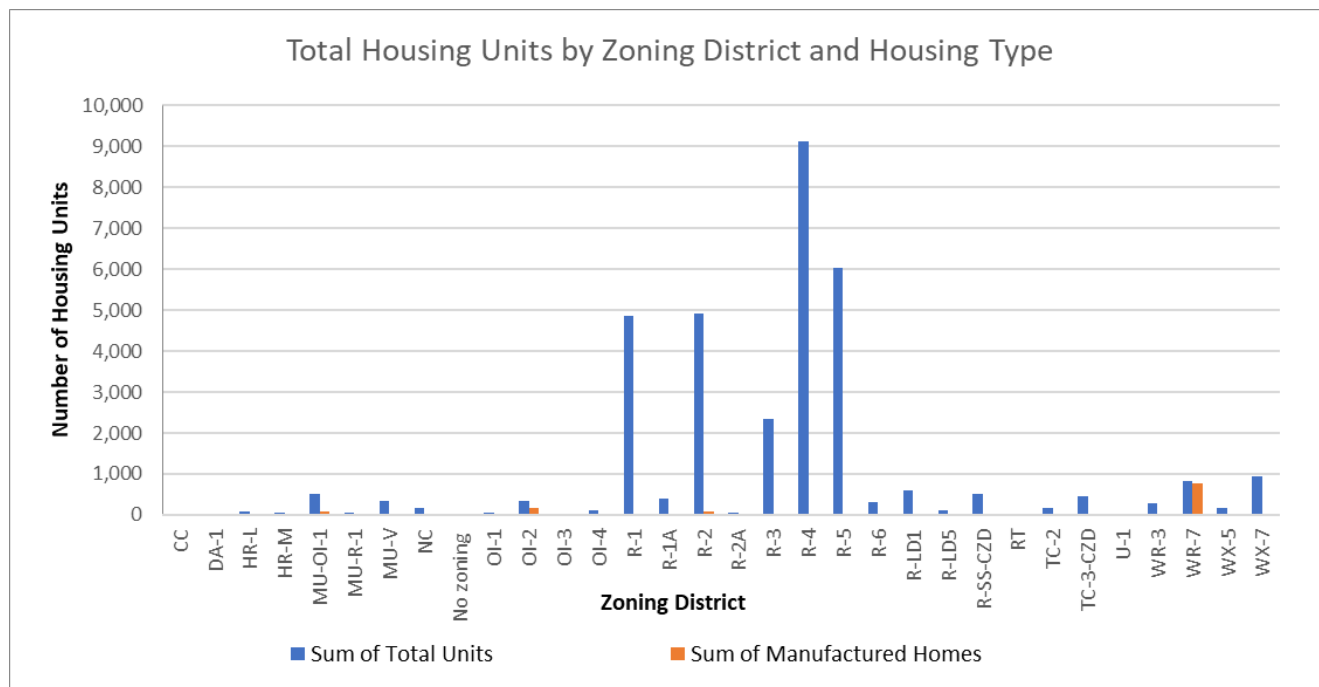


Chart 3 illustrates that the majority of manufactured homes are located in the WR-7 and OI-2 districts. The housing units in the WR-7 district are majority manufactured homes.

Chart 4 – Total Housing Units by Zoning District and Housing Type, Two- Unit

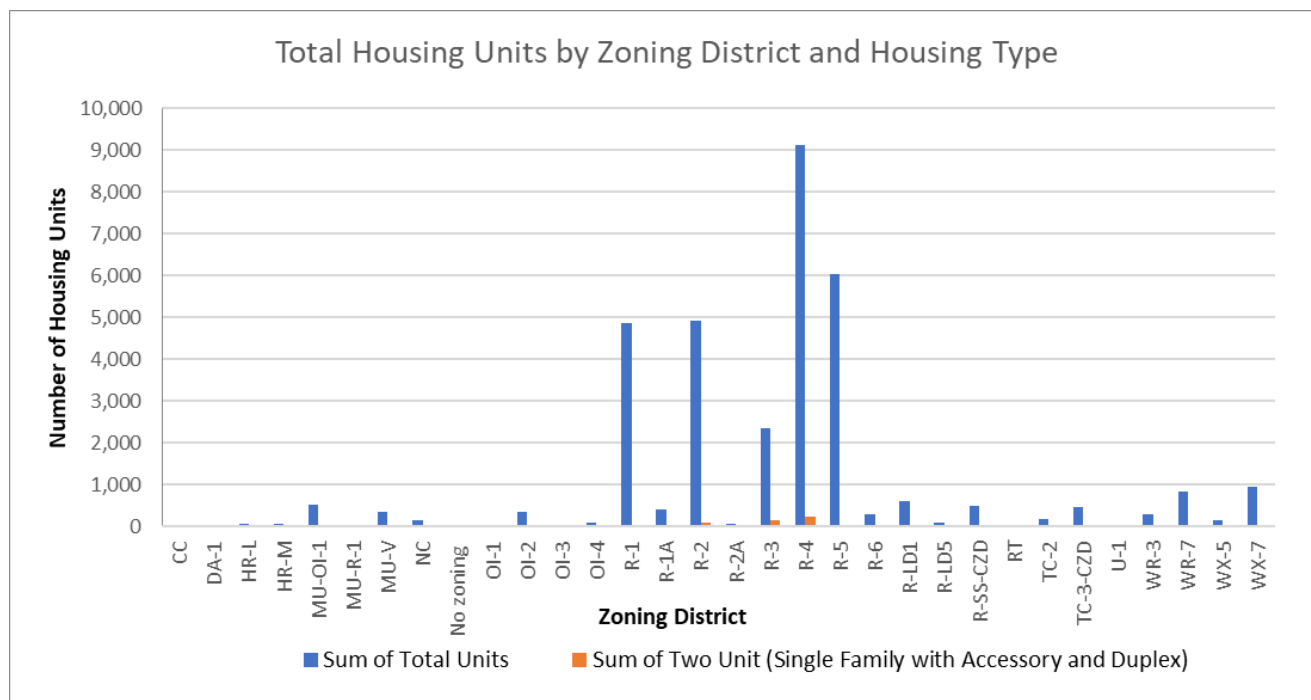


Chart 4 above illustrates that duplexes and single-family homes with accessory apartments comprise a very small percentage of total housing units. They are present in R-2, R-3, and R-4 zoning districts.

Chart 5 – Total Housing Units by Zoning District and Housing Type, Multi-Family

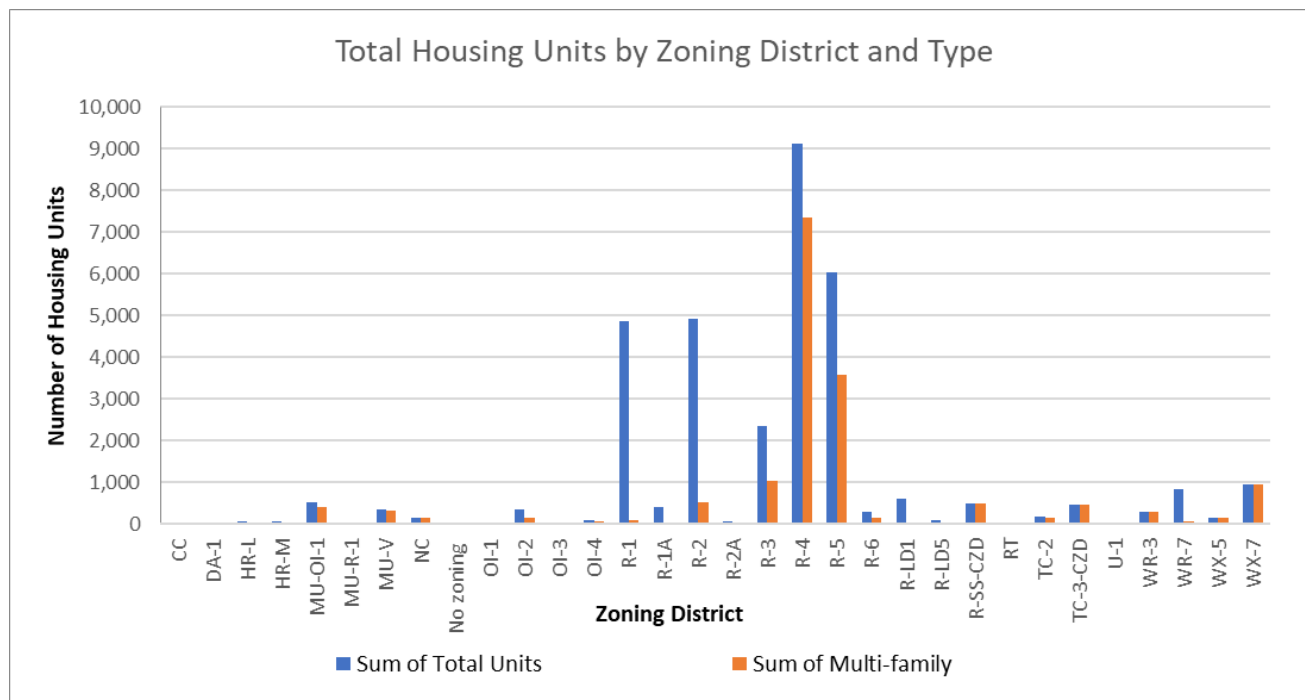


Chart 5 illustrates the distribution of multi-family units throughout each of the 31 zoning districts. The majority of multi-family units are located in R-4 and R-5. However, multi-family housing units, defined as townhomes, condominiums, and apartment buildings, are present in small numbers throughout town.

Other Considerations

Neighborhood Conservation Districts:

No changes to the Neighborhood Conservation Districts (NCDs) are proposed at this time. Of the Town's thirteen NCDs, only Northside and Pine Knolls currently allow duplexes and triplexes for affordable housing. Glen Lennox allows duplexes on specific lots. The majority of the NCDs prohibit duplexes and are silent on triplexes and fourplexes as these are currently not allowed in the underlying low residential zoning districts. It is not the intent to allow small multi-family developments in the NCDs at this time.

Staff find that the NCDs were created after significant community engagement and input. While staff is not proposing to amend NCDs at this time, staff believes further analysis should be conducted to determine what updates to the NCDs may be needed in the future. It would be helpful to receive input from Council about revising the NCDs.

Occupancy Limits:

Staff has proposed limiting occupancy to no more than four unrelated people per dwelling unit. Note, however, that the State's residential building code allows up to eight unrelated people per dwelling unit, so enforcement of the occupancy requirement would be separate from building code enforcement. Occupancy has been difficult to enforce in the past.

Stormwater:

Stormwater staff are currently considering amendments to their regulations, and staff has not made text amendments to this section of LUMO. Multi-family developments of 3 or more units will still be required to make stormwater improvements.

Subdivision Standards:

Staff has not proposed changes to LUMO 5.2.4¹² which requires that every subdivided lot front on a street meeting Town standards, which include sidewalks, curbs, and gutters.

Subdivision standards of LUMO 4.6.3(b)¹³ have not been amended. Any subdivision that seeks to create more than four (4) lots from any tract of land or lots of record that existed as of October 8, 1956 will require Council review as a major subdivision.

Staff has, however, included new definitions for:

- Townhouse subdivision that would allow multiple individual lots within a larger lot
- Condominiums that allow private ownership of individual units

Restrictive Covenants & Other Entitlements:

Restrictive covenants are private property rights that run with the land. Generally speaking, covenants with single-family restrictions are common for neighborhoods platted in the last fifty years. The Town has no role in enforcing provisions of restrictive covenants between other landowners. The onus for enforcement is on the property owners or their Homeowners Association (HOA).

The Town's GIS maps have identified approximately 247 neighborhoods in Chapel Hill. While restrictive covenants are typically recorded with the county's Register of Deeds, staff does not have the ability to certify with confidence a full listing of neighborhoods with covenants, the exact boundaries of such covenants, or whether covenants are accurate and active. In addition, multiple factors, including new and developing case law, may dictate whether any given set of covenants is enforceable as written. This work requires certification and should be left to legal professionals representing the landowners subject to these covenants.

Other neighborhoods may be encumbered by an underlying entitlement, such as a master land use plan, conditional zoning, or special use permit. These entitlements run with the land and may limit the types of housing allowed on a site.

Short-Term Rentals (STRs):

No changes are proposed to the STR regulations at this time. Currently the Residential (R-) zoning districts only permit primary residence STRs. A primary residence is defined as, "a dwelling unit, a single-family dwelling unit with accessory apartment, or a dwelling unit with an attached duplex unit owned by the same property owner, in which a host resides a majority of the year (183 days per year or 50% of the time)." There is no provision for triplexes and fourplexes, and staff finds that these would be treated as dedicated STRs which are not permitted in the R- zoning districts.

Zoning is One Tool in a Larger Toolbox

Zoning regulations alone will not address the housing shortage. Other tools that could be applied include:

- Amending the zoning map to allow more density
- Development bonuses for affordable housing
- Transit-oriented development, which is currently underway
- Expedited review for pre-approved housing designs
- Programs that incentivize the construction of affordable or attainable housing units

¹²https://library.municode.com/nc/chapel_hill/codes/code_of_ordinances?nodeId=CO_APXALOUSMA_ART5DEDEST_5.2LOLAST

¹³https://library.municode.com/nc/chapel_hill/codes/code_of_ordinances?nodeId=CO_APXALOUSMA_ART4PR_4.6SU

Economic Development Analysis

Estimated Development Costs for Duplex Construction

The following are estimated costs of constructing a duplex with two 3-bedroom units on a vacant lot:

Activity:	Estimated Costs:
Cost of a vacant lot in Chapel Hill	\$250,000- \$500,000
Plan design, engineering, and surveying	\$12,000
Site Development Preparation	
Clearing and grading	\$11,000
Erosion control	\$2,500
Driveways, walkways, and hardscape	\$14,000
OWASA water and sewer fees (\$7,536 per side)	\$15,072
Water and sewer line installation from OWASA Main	\$32,000
Permits and inspections	\$2,000
Landscaping	\$4,000
Miscellaneous site controls	\$2,000
Duplex Construction Cost	
1,200 SF x 2 units x \$150-\$250/SF	\$360,000 - \$600,000
Legal, Administrative, and Construction Interest Carry	\$8,000
Net Total	\$712,000 - \$1,200,000
Contingency	\$71,200-\$120,000
Profit (5%-10%)	\$39,160-\$132,000
Total Development Costs	\$822,360 - \$1,452,000

Estimates courtesy of Home Builders Association of Durham, Orange, and Chatham Counties, May 4, 2023.

Notes:

1. The total costs exceed new construction costs for a variety of reasons including scarcity of single lots and the costs of water and sewer connections.

Potential Outcomes

Based on the results of similar zoning initiatives in other communities, staff anticipates seeing the following results:

City:	Results:
Minneapolis 2020 Comprehensive Plan (January 2020 – 2022)	Approximately 9,000 housing units permitted including: <ul style="list-style-type: none">• 62 new duplexes (0.68% of total permits)• 17 new triplexes (0.18% of total permits)
Durham Expanded Housing Choices (EHC)	407 EOC-related permits: <ul style="list-style-type: none">• 15 duplexes (3.68%)• 132 small lot options (32.4%)
Raleigh Missing Middle Housing Reforms (August 2021-February 2023)	Approximately 2,682 residential permits, and the following based on the code changes: <ul style="list-style-type: none">• 166 Accessory Dwelling Units (6.2%)• 0 Townhouses (0%)
Chapel Hill Projected Results	Approximately 262 new housing units/year <ul style="list-style-type: none">• 5 Accessory Apartments (Based on existing trends)• 1.8-9.6 duplexes

- 84 cottage on a compact lot

Key Takeaways:

- Research has shown that changes to the zoning ordinance alone will not significantly increase housing production.
- Durham has seen the most demand for its smaller, single-family detached units.
- Chapel Hill began permitting accessory apartments, sometimes called accessory dwelling units, in 2015 and there are only about 39 in existence today.

Racial Equity Analysis

Advancing Racial Equity in Zoning Policy

Staff continues to analyze the racial equity impacts, benefits, and burdens of the Land Use Management Ordinance (LUMO) LUMO and the proposed Housing Choices for a Complete Community text amendments. Zoning regulations, in combination with private agreements and public systems, often create disparate outcomes among American households. There is clear evidence to suggest exclusionary zoning policies that restrict housing types limits racial and economic diversity.¹⁴

- Nearly 70% of Chapel Hill is exclusively zoned for single-family dwelling units.
- Neighborhoods with legally enforceable restrictive covenants that dictate larger lots and larger homes contribute to economic and racial segregation.

The Land Use Management Ordinance (LUMO) and its predecessors have perpetuated suburban development trends in a rapidly urbanizing town.¹⁵ Suburban land use requirements such as large lot zoning, minimum house size requirements, parking minimums, and open space requirements all contribute to racial and economic stratification.¹⁶

Staff acknowledge that zoning alone cannot “fix” the systemic nature of economic and racial segregation; however, changing the land use rules is one important tool of many. The proposed LUMO text amendment (LUMOTA) is aligned with at least three of the recommended policies in the American Planning Association (APA) Equity in Zoning Policy Guide.¹⁷

Equity in Zoning Policy <i>Guidance</i>	Housing Choices LUMO Text Amendment
<u>Zoning District Policy 1:</u> Establish new residential zoning districts or amend existing residential districts to allow more types of housing by right.	Would amend existing residential districts to allow more housing types by right.
<u>Zoning District Policy 4:</u> Where supported by a historically disadvantaged or vulnerable communities, consider establishing specialized overlay zones to help protect residential areas that are affordable to low- and moderate-income households, but are not protected from speculative development pressures by any local, state, or federal program.	Would not change the existing 13 Overlay “Neighborhood Conservation” Districts.
<u>Permitted Use Policy 1:</u> Where supported by historically disadvantaged and vulnerable populations, expand the list of residential use types permitted in those neighborhoods to include one or more of the following forms of non-	Would expand the list of residential use types permitted in neighborhoods to include most missing middle housing types.

¹⁴ <https://housingmatters.urban.org/feature/zoning-matters-how-land-use-policies-shape-our-lives>

¹⁵ <https://www.townofchapelhill.org/home/showpublisheddocument/53443>

¹⁶ Equity in Zoning Policy Guide <https://www.planning.org/publications/document/9264386/>

¹⁷ Ratified in December 2022

traditional and “missing middle” housing that is more available to America’s diverse, aging population.	
SiteSite Development Policy 2:: Require high levels of accessibility and connectivity for pedestrians, bicycles, and motor vehicles in all new development and significant redevelopment	Focuses incentivizing higher density development by allowing administrative review of triplexes and fourplexes in those zoning districts that already have greater access to transit and connectivity.
SiteSite Development Policy 5:: Draft zoning standards that require or incentivize new development and redevelopment to increase the amount of landscaping, open space, and tree canopy in those neighborhoods that currently have less of these site design features.	The changes increase the tree canopy requirements for triplexes and fourplexes to be better aligned with single family development tree canopy coverage.

Advancing Racial Equity in Housing Policy

Zoning is one tool in the toolbox to addressing racial disparities institutionalized by past housing policies. Planning, Diversity, Equity, and Inclusion (DEI) and Affordable Housing and Community Connections staff are considering policies and programs for mitigating inequity and incorporating reparative practices as a part of our departmental work plan.

The racial equity analysis for potential housing policy is focused on five key questions. These questions are a part of the One Orange Racial Equity Framework¹⁸ and identified as an appropriate tool to analyze the proposed text amendment at this stage. This assessment is based on the [Projected Housing Needs, 2020-2040](#)¹⁹ and [SB Friedman Market Analysis](#)²⁰. A version of this was presented to Council at the April 10, 2023, work session.

1. *What are the racial impacts?*

- Black and Hispanic/Latino homeownership rates lag behind those of white and Asian households.
- Only 30% of Chapel Hill residents work in Chapel Hill. Many people who work in Chapel Hill are unable to find a home that fits their needs, partly due to the constrained and restrictive housing market. The U.S. Census Bureau American Community Survey estimates that over a ten-year period (2010-2021), Chapel Hill added approximately 1% additional housing units²¹, whereas Durham grew their housing supply by 21% over that same period.²²
- Many low-income households have fewer resources and are forced to live in housing that exceeds their income levels. At the same time, more affluent households occupy housing that would be affordable to lower income levels.
- More affluent households also experience greater opportunities for choosing where they live, and many have sought housing outside of Chapel Hill at lower price points. This has led to over 45,000 workers commuting into the community for work.

2. *Who is or will experience burden?*

- While the household incomes of white, Asian, and Hispanic/Latino households appear comparable, 75% of Black households and 44% of mixed race, American Indian, and/or Alaskan native households earn 60% or less Area Median Income (AMI). Overall, 38% of all Chapel Hill households earn 60% AMI or less.

¹⁸ <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=5390141&GUID=E4E7D69C-ABDA-4398-8CC3-5DA89ED1E78F&Options=ID%7CText%7C&Search=%22one+orange%22>

¹⁹ <https://www.townofchapelhill.org/home/showpublisheddocument/50141/637715343396500000>

²⁰ <https://www.townofchapelhill.org/home/showpublisheddocument/53443>

²¹ HR&A Affordable Housing Plan Update, <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=6179411&GUID=21FA17CB-C10E-45B8-B529-50D6CE8E1EC6&Options=&Search=>

²² HR&A Affordable Housing Plan Update, <https://chapelhill.legistar.com/LegislationDetail.aspx?ID=6179411&GUID=21FA17CB-C10E-45B8-B529-50D6CE8E1EC6&Options=&Search=>

- Median household incomes have not kept pace with median home values, leaving many behind, including low-income earners that cannot afford to live in the community.
 - In 2020, the median home value of \$435,500 required a household income of \$96,200, yet the median household income that year was \$75,249.
 - Further, 40% of homes in the community were valued above \$500,000. Single family home values in Chapel Hill increased by 14% between 2020 and 2021 alone and the annual income required to afford the typical home value requires a household income of \$110,000.
 - In 2020, the median rent was \$1,220, requiring an annual income of \$50,000 to be affordable (where not more than 30 percent of household income is spent on housing costs). Almost one-third of renters paid more than \$1,500 per month in rent, and those apartments built after 2011 typically required an annual income above \$69,000 to be affordable.
- Currently, an estimated 3,280 housing units are needed for households earning less than 60% AMI. Non-student households make up 60% to 70% of this need.
- Homeownership is becoming less of an opportunity to many due to lower housing inventories and higher debt levels. The growth of renters and demand for rental housing has led to escalating rental rates and rental units are absorbed quickly. With 6 out of 10 rental households cost burdened, additional rental units are needed to reduce demand as well as decrease monthly rental rates.
- Choosing to maintain the status quo by continuing to regulate growth on a project-by-project basis is not recommended as it will lead to:
 - capturing a decreased share of the region's job and population growth.
 - Pricing out low- and moderate-income households, many of which may choose to live outside of the community and commute into Chapel Hill for work.
 - Increasing the competition between students and long-term residents for lower costs housing units.
- Low income and Black households are the most likely to be cost burdened. The median home value and monthly rent exceeds median household incomes, leading to a significant number of cost burdened renter (58%) and owner (19%) households; the U.S. Census Bureau American Community Survey estimates that approximately 58% of renter households and 19% of owner households in Chapel Hill are cost-burdened.

3. *Who is or will experience benefit?*

- Current trends have led to the production of housing at higher price points. Single-family home values in Chapel Hill have increased by 33% between 2015 and 2021.
- While increasing the supply of housing for higher income households could relieve pressure on more modestly priced houses, a diversity of housing types at different price points is needed to increase affordability overall. New housing units need to reflect the changing household composition and preferences of both buyers and renters.
- Providing a greater diversity of housing – not just single family and large apartment complexes – could provide greater opportunities for both homeownership as well as rentals. This creates greater opportunity for naturally occurring affordable and moderate-income housing. It is also predicted to reduce the upward price pressures in the market that has led to cost burdened households, displacement of lifelong residents, and pricing out Chapel Hill's workforce.
- There is a demand for approximately 6,000 missing middle housing units through 2040 that will provide greater opportunities for:
 - New buyers – younger generations are purchasing townhouses, condos, and other forms of attached housing at higher rates than previous generations. With younger and middle-aged households projected to postpone purchasing homes, rental demands increase.
 - Baby boomers –these buyers are looking at opportunities to downsize their family homes and age in place.
 - Multi-generational households – post-COVID, many young adults continue to live with family members.

- Employment sectors that can afford and choose to live in Chapel Hill.

4. *What are the root causes of inequity?*

A number of factors have contributed to the inequality of housing access in the community over time. These include, but are not limited to:

- Access to education and jobs
- Household income levels
- Access to housing – both affordable and market rate housing as well as opportunity to rent or own
- Ability to purchase and maintain property ownership, build equity, and create generational wealth
- Real estate market trends that contribute to property values (both appreciation and depreciation)
- Property ownership contributes to political influence
- Zoning regulations that restricted housing types, required minimum lot sizes, and set maximum house sizes thereby segregating residents by income and class
- Restrictive covenants that have further perpetuated these trends and, before the Fair Housing Act of 1968, included racial restrictions
- Development patterns that led to larger homes for university professors and professionals around the UNC campus and limited workforce housing to Pine Knolls and Northside
- Lack of diversity in housing types that have created a gap between detached, single-family houses and large apartment complexes that has led to a constrained housing market, cost-burdened households, as well as increased traffic from commuters
- Sunset laws and policies that restricted Blacks and other people of color from being in certain neighborhoods or towns after sunset. Often enforced by police and residents, these laws often restricted people of color from residing within certain neighborhoods or even town borders.
- Access to public transportation and other community amenities

5. *What might be the unintended consequences of this action or strategy?*

- Housing production needs to be focused on both student and individual households. Staff recognizes that new housing, especially rental housing, is typically consumed by students in those neighborhoods closest to campus.
- Strategic placement and design of new missing middle housing units is needed to ensure that the new regulations are not incentivizing the demolition of naturally occurring affordable housing units.
- Missing Middle Housing requires access to multi-modal transportation to reduce the impacts of parking and traffic on existing neighborhoods.
- Special consideration is needed to guarantee the continued preservation of local and National Register-designated historic districts.

Community Engagement

Survey Results

- Staff shared the [results](#)²³ of the initial survey with the Town Council on [April 10, 2023](#)²⁴.
- A second survey is open and collecting comments on [PublicInput](#)²⁵. Responses are visible to the public.

²³ <https://chapelhill.legistar.com/View.ashx?M=F&ID=11820284&GUID=4038DF50-3A04-4B05-A489-A745F13268E9>

²⁴ <https://chapelhill.legistar.com/MeetingDetail.aspx?ID=1055828&GUID=FA598DED-049E-4193-A452-032251DCA772&Options=info|&Search=>

²⁵ <https://publicinput.com/v3540>

Emails to Mayor and Council

Many residents have shared their feedback directly with the mayor and council via [email](#)²⁶.

²⁶ <https://councilmail.townofchapelhill.org/searchform.do>

Appendix

Past Meetings

Date:	Meeting:
<i>October 4, 2022</i>	Planning Commission
<i>October 11, 2022</i>	Housing Advisory Board (HAB)
<i>October 19, 2022</i>	Town Council
<i>November 16, 2022</i>	Town Council
<i>December 2, 2022</i>	Council Committee on Economic Sustainability (CCES)
<i>January 10, 2023</i>	HAB
<i>January 11, 2023</i>	PIM
<i>January 17, 2023</i>	Planning Commission
<i>January 25, 2023</i>	Town Council
<i>February 1, 2023</i>	Greenwood Neighborhood Meeting
<i>February 2, 2023</i>	Community Open House (In-Person) Gimghoul Neighborhood Meeting
<i>February 7, 2023</i>	Franklin-Rosemary Neighborhood Meeting
<i>February 8, 2023</i>	Community Open House (Virtual) Coker Hills West Neighborhood Meeting
<i>February 9, 2023</i>	Franklin-Rosemary Neighborhood Meeting
<i>February 14, 2023</i>	Community Open House (In-Person)
<i>February 15, 2023</i>	Community Open House (In-Person)
<i>February 16, 2023</i>	Community Open House (Virtual)
<i>February 22, 2023</i>	Town Council
<i>February 27, 2023</i>	Glendale Neighborhood Meeting
<i>February 28, 2023</i>	Hidden Hills Neighborhood Meeting
<i>March 6, 2023</i>	Laurel Hills Neighborhood Meeting
<i>March 8, 2023</i>	Colony Woods
<i>March 21, 2023</i>	Pope Road
<i>March 27, 2023</i>	Community Open House (In-Person)
<i>March 29, 2023</i>	Neighborhood Conservation Districts (NCDs)
<i>March 30, 2023</i>	Westwood
<i>April 4, 2023</i>	Lake Ellen
<i>April 10, 2023</i>	Town Council
<i>May 9, 2023</i>	Historic District Commission
<i>May 16, 2023</i>	Planning Commission

Meeting agendas, materials, and recordings are available on the project webpage: <https://chplan.us/housing-choices>.

Research Completed

Comparison to other communities

Staff has been researching and meeting with different resources to learn more about Missing Middle Housing and zoning reforms:

Cities Staff Met With:	Land Use Codes Reviewed:	Additional Resources:
<ul style="list-style-type: none">• Charlotte, NC• Durham, NC• Iowa City, IA• Oxford, MS• Raleigh, NC• Tuscaloosa, AL	<ul style="list-style-type: none">• Aberdeen, TX• Bloomington, IN• Burlington, NC• Bryant, TX• Charlotte, NC• Charlottesville, VA• Davidson, NC• Des Moines, IA• Fayetteville, AR• Gainesville, FL• Greensboro, NC• Kill Devil Hills, NC• Lake Stevens, WA• Langley, WA• Madison, WI• Missoula, MT• Montgomery County, MD• Montgomery County, PA• Morrisville, NC• Nags Head, NC• Sea Tac, WA• Seattle, WA• Wenatchee, WA• West Yellowstone, MT• Winston-Salem, NC	<ul style="list-style-type: none">• AARP Livable Communities• American Planning Association• Chamber for Greater Chapel Hill-Carrboro• Congress for New Urbanism• Environmental and Natural Resources Law Center, University of Oregon• Home Builders Association of Durham, Orange, & Chatham Counties• National Trust for Historic Preservation• North Carolina Historic Preservation Office• Orange County Tax Assessor• Orion Planning + Development• OWASA• Preservation North Carolina• SOM• Student Development & Campus Partnerships, UNC• The Terner Center, UC Berkley• Town of Chapel Hill Affordable Housing, Inspections, Fire, Stormwater, Parking Services, and Parks & Recreation

Key takeaways:

- Most cities saw the most significant increases in Missing Middle Housing through larger development projects, not as infill development on individual lots.
- Traditional residential design is necessary for Missing Middle Housing forms to fit into existing residential neighborhoods. Most of the cities we spoke to already had historic examples of smaller multi-family apartment buildings.
- Creating intentional student housing near commercial areas allows students to benefit from amenities. Both Oxford and Tuscaloosa identified student-oriented development as a specific use allowed in certain zones, and these uses measure density in terms of beds per lot. In Oxford, student-oriented development led to student housing return to single family houses in some cases.
- Durham saw that there was still a significant demand for single family homes and their “small house on a small lot” option has been the most popular.

- To discourage out-of-town developers, there is a significant need for connecting small scale home builders to lending and financing options that facilitate missing middle housing. Tuscaloosa worked with their local homebuilders' and realtors' associations to host a Missing Middle Housing Symposium that facilitated conversations on how the housing could be created.
- Communities are exploring other ways to incentivize Missing Middle Housing such as expedited review using pattern books, focusing on development of Missing Middle Housing on vacant or underdeveloped town-owned properties, or creating specific zones in which Missing Middle Housing is permitted.

Tree Canopy Analysis

Staff looked to the amount of existing tree canopy coverage per zone to determine the appropriate tree canopy coverage for triplexes and fourplexes. Please note, the LUMO currently exempts tree canopy coverage from single-family and two-family developments.

Zoning District:	Zoning District Acreage:	Tree Canopy in Acres:	Percent of Canopy:
CC	217	45	21%
DA-1	47	34	73%
HR-L	139	90	65%
HR-M	34	13	39%
IND	34	8	24%
LI-CZD	34	23	67%
MU-OI-1	228	132	58%
MU-R-1	141	50	35%
MU-V	90	57	64%
NC	72	14	19%
OI-1	85	22	26%
OI-2	912	470	51%
OI-3	84	42	50%
OI-4	566	209	37%
R-1	5,625	4,123	73%
R-2	2,670	17	1%
R-3	678	379	56%
R-4	731	387	53%
R-5	817	253	31%
R-6	60	43	71%
R-LD1	1,195	753	63%
R-LD5	853	691	81%
R-SS-CZD	53	26	49%
RT	739	468	63%
TC-1	8	2	26%
TC-2	64	16	24%
TC-3	15	3	19%

U-1	663	477	72%
WR-3	6	3	44%
WR-7	8	2	30%

Key Takeaways:

- As a whole, Chapel Hill has about 52% of its acreage covered by tree canopy.
- Individual zoning districts have on average 30% tree canopy coverage. In those zones that currently allow triplexes and fourplexes, the average tree canopy coverage is about 44%.