

WAKE COUNTY HOUSING JUSTICE COALITION

June 1, 2020
Raleigh City Council
Avery C. Upchurch Municipal Complex
222 W Hargett Street
Raleigh, NC 27601



SENT VIA FIRST CLASS MAIL AND EMAIL TO citycouncilmembers@raleighnc.gov

RE: Written Recommendations to Raleigh’s Proposed Affordable Housing Bond Framework for Equitable Economic Development

Dear City Council Members:

The following comments on the City of Raleigh’s (the “City”) proposed Affordable Housing Bond are offered by the Wake County Housing Justice Coalition (“WCHJC”). The WCHJC is a leadership body consisting of impacted residents of the City’s most impoverished, historically racially segregated, and now most gentrified neighborhoods, along with their allies from various non profits, diverse backgrounds, races, and experiences. We appreciate the opportunity to engage in dialogue and collaborate with the City on ways to promote the equitable development of Raleigh through the creation of a meaningful housing bond that will address the most dire need for housing faced by residents.

Raleigh is one of the nation’s fastest growing cities, with a population increase of 16.1% from 2018 to 2019.¹ The fast pace of development and growth in Raleigh has resulted in the economic shock of many African Americans and people of color living in Raleigh’s downtown core. Gentrification is not revitalization. Gentrification is the process by which higher income people capitalize on decades of disinvestment in the inner city by moving into neighborhoods historically occupied by lower income people and displacing them. Gentrification not only displaces people, but it displaces their churches, their institutions, their businesses, and their culture. This displacement is disrespectful to the long term residents who call these neighborhoods home and who watch their friends, family members, and culture be uprooted. This forceful displacement has occurred in Raleigh’s downtown area, a location that remained under invested, racially segregated, and impoverished for many years. In the places where white households are moving, reinvestment is possible mainly because of the disinvestment that came

¹ City of Raleigh’s Databook 2018, Dept of City Planning, December 2019.

before it. Many of these neighborhoods were once segregated by law² and redlined by banks.³ These past inequities have allowed for reinvestment and growth to be possible downtown. Therefore, a systemic approach to planning and development is needed in order for the City to grow equitably. Equity in housing is providing access to housing opportunities to those with a demonstrated need for it. Equitable Economic Development is an approach to creating healthy, vibrant communities of opportunity. So under the framework of Equitable Economic Development, we offer the following recommendations to the City's proposed Affordable Housing Bond.

1. Fair Housing should be a meaningful priority in shaping the intended results of the bond. This means the City should address the specific and identified needs of its residents and take a balanced approach to growth by ensuring that affordable housing is located downtown and in other areas of the city.

The duty to affirmatively further fair housing is a legal duty that extends to all grantees of certain federal funding, like HUD's CDBG and HOME grants. Affirmatively furthering fair housing (AFFH) means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living patterns, transforming racially and ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws. In areas impacted by gentrification, deconcentrating poverty could create a disparity in who has the opportunity to live in a newly created area of opportunity. Replacing segregated living patterns and transforming racially and ethnically concentrated areas of poverty into areas of opportunity does not mean mass displacement of the poor in order to accomplish this task. Low income and long time residents should benefit from the revitalizations occurring in their communities. A hands-off approach to the AFFH obligation by saying "the developers are displacing people" is arguably a failure by the City to meet its fair housing obligations.

In the City's 2016-2020 Consolidated Plan, the City was required to seek citizen participation in the creation of the plan. The City received numerous public comments and the plan states, *"Rising costs have continued to encourage modest apartment communities with housing stock that's past its prime but affordable to households with modest incomes, to sell to developers who clear the sites to create denser, upscale "luxury apartments," as they are advertised. This has reduced the number of affordable units and put an upward pressure on*

² The Color of the Law, by Richard Rothsein

³ "The Neighborhood Is Mostly Black. The Home Buyers Are Mostly White." The New York Times, By EMILY BADGER, QUOCTRUNG BUI and ROBERT GEBELOFF, APRIL 27, 2019

existing rents. These trends have also prompted some members of minority communities to raise the alarm about “gentrification” and “displacement.”⁴ Yet, even with alarm bells being raised by communities of color, the City decided not to incorporate these comments into the plan and states, “All nonprofit agencies consulted with have expressed their belief that the clients they serve would be better served if more resources were devoted to the services they provide so they could help more people and provide the level of support needed by existing clients.”⁵

Nonprofits, through service programs, only maintain the status quo and don’t result in economic opportunity which leads to economic mobility. Again, the City must take a systemic approach to solving gentrification because services only help individual people. A systemic problem requires a systemic solution.

The purpose of the 1968 civil rights act known as the federal Fair Housing Act was to provide opportunity to those trapped in impoverished living. Moving a concentrated area of poverty to another area of the City is not providing the people living there with access to opportunity, if a concentrated area of poverty is just going to be moved somewhere else. Therefore, it’s important that the proposed affordable housing bond provides some affordable housing to those who are at risk of being displaced in downtown Raleigh due to gentrification.

The City must be intentional in its land use and zoning strategies, public-private partnerships, and in its incentives to developers to make affordable housing a priority. After all, gentrification was caused by the City’s failure to plan for equitable development. In the City’s 2016-2020 Consolidated Plan, the City admits that its focus on creating an innovative downtown district caused gentrification and displacement. The plan states the following,

“The primary housing challenge for Raleigh’s low and moderate income residents is housing cost. Raleigh’s continued rapid growth and focus on creating an Innovation District downtown has resulted in increased land prices, especially near downtown. The rental market inside the Beltline “has increased its capture of regional demand (of multifamily) from 1.8% between 2000 and 2008, to 12.5% from 2009 to 2014.” (Lord Aeck Sargent/Noell Consulting Group: “Market Analysis for the Cameron Village and Hillsborough St. Corridor Study Area,” 2015). The majority of these private market residential developments are “luxury” rentals. These trends have increased the cost of housing for all households with incomes <80% of AMI, particularly renters. There are 67,100 renter households in Raleigh with incomes <80% AMI: 31,909 of those renter households (47.5%) are cost burdened; 16,429 (24.4%) are severely cost burdened. Developers also continue to acquire older, modest private sector rental communities throughout the city to

⁴ Raleigh’s 2016-2020 Consolidated Plan, page 8.

⁵ Raleigh’s 2016-2020 Consolidated Plan, page 8.

redevelop as upscale apartments. This both removes affordable units and contributes to the upward pressure on rents.”⁶

An affirmative approach to the City’s fair housing obligations requires the City to do more than say, “the developers are gentrifying Raleigh.” The City has a moral obligation and a legal obligation under federal fair housing law to create and preserve affordable housing opportunities in its downtown area, Southeast Raleigh, and citywide.

2. The City must do more than make symbolic gestures towards equity and diversity. It must work on becoming an inclusive city for all.

The city council recently announced that it was hiring an equity and diversity director. Under fair housing the city has to be inclusive of people regardless of class and race. The City’s May 2016-2020 Consolidated Plan identified African Americans as bearing a higher proportion of need than other racial groups. The plan states, “of the households that are cost burdened, 42.0% of the total are African American, though African Americans represent just 29.3% of Raleigh’s population.”⁷ Since the dismantling of the Citizen Advisory Councils, residents, including those that are African American and in the WCHJC, feel marginalized and excluded from important local decision making and development processes.

The Fair Housing Act requires civic participation. In order to ensure that the City grows as an equitable, inclusive, and diverse city, *meaningful* community participation is important. Arguably, meaningful community participation involves more than an opportunity to be heard. Community participation means that ordinary residents should have a hand in crafting the proposed bond. Local governments should provide a significant opportunity for residents and voters to be involved in what impacts their day-to-day lives, more so than the state or even the federal government. To ensure equity, diversity and inclusion, those impacted by gentrification and the lack of affordable housing choices in the downtown area and throughout the city should be engaged directly by the City.

3. The Affordable Housing Bond should target those most impacted by the lack of affordable housing, and the bond should be used as part of a larger comprehensive strategy to meet those needs.

Affordable Housing should be an integral part of the City’s Growth Strategy and Spending. According to the 2020 Wake County Analysis of Impediments to Fair Housing Choice

⁶ The City of Raleigh’s 2016-2020 Consolidated Plan, page 27.

⁷ The City of Raleigh’s 2016-2020 Consolidated Plan, page 27.

draft, “Housing costs have continued to increase at a faster rate than household incomes. Many Wake County residents are financially burdened by the cost of housing, especially in Raleigh.”⁸

Further, during the recent public engagement process on the 2021-2025 Consolidated Plan, residents continued to highlight gentrification and displacement as a concern, and the plan restates the City’s use of nonprofits and service organizations to deal with these concerns. Again, the inequities that allowed gentrification to occur in the first place require a more systemic approach and more intentional techniques by Raleigh which will be recommended later in this letter.

The 2021-2025 Draft Consolidated Plan states that with Raleigh’s tremendous growth, incomes for lower-wage earners have failed to keep pace, with very-low (50% AMI) and extremely-low (30% AMI) income households being most affected.⁹ Therefore, this bond should focus on this identified need, and set specific goals for those residents earning below 50% of the area median income, and within that goal set specific goals for housing those earning below 30% of the area median income.

The City’s proposed affordable housing bond is also listed as a tool in the new 2021-2025 Consolidated Plan, which means it’s a tool for fair housing and for meeting the identified needs for affordable housing. If the bond is to be meaningful, it should be a part of a larger strategy that protects affordable housing, and prevents gentrification. The 2021-2025 Consolidated Plan, which was approved in early May, states that “preserving and creating affordable housing is a city-wide goal, and in the College Park area and downtown neighborhoods.”¹⁰ Therefore, the City should take a balanced approach to creating affordable housing opportunities through land use and zoning strategies to preserve and create affordable housing in gentrifying communities, and in communities that have been historically exclusive. Yet, due to the lack of transparency around the spending buckets, residents are unsure if the bond will truly target the most dire needs for housing for residents at 50% and below the AMI as identified in the City’s Consolidated Plan’s needs assessment. As stated, Raleigh should strongly consider addressing housing below 30% of the AMI because of the high joblessness and economic impact caused by COVID-19. The bond should define affordability as it relates to what percentage of the AMI the bond would mostly target.

Providing affordable housing to residents with incomes below 50% of the AMI and below 30% of the AMI is important in a wealthy city like Raleigh, where income disparity is so great. In Raleigh, the area median income is said to be \$92,700 for a household of four. This means that a household of four with an annual income of \$74,000 is considered low income.

⁸ The City of Raleigh’s Draft 2021-2025 Consolidated Plan, page 5.

⁹ The City of Raleigh Draft 2021-2025 Consolidated Plan, page 21.

¹⁰ The City of Raleigh’s Draft 2021-2025 Consolidated Plan, page 5.

Further, a household of four with a combined annual income of \$46,000 is considered very low income and they are at 50% of the area median income. Lastly, those households of four who are around 30% of the AMI, make around \$27,800 annually, and are considered extremely low income. These are working people. However, lower wage workers who have been deemed essential are below 30% of the AMI. These same workers are currently being most impacted by COVID-19.¹¹

We recognized that the City established an advisory committee to vet the bond amongst residents by means of a survey, which results were recently released. As of May 1, only 28% of the respondents were renters, people making less than \$25,000 per year were underrepresented, and only 125 people identified as Hispanic or Latino. Due to the current public health crisis, community engagement was limited to an online survey and a telephone call in process. In the advisory committee's meeting on May 6, Kristen Williams stated that there were only 4,530 participants who responded to the online survey. Per the City of Raleigh's Databook 2018 prepared by its planning division, Raleigh has a population of 469,298 people.¹² Therefore, to say that a 0.96% respondent rate is successful engagement is shocking, to say the least. Further, only 29.2% were African Americans.

Civic participation remains a very important component of fair housing and ensuring that fair housing choice is available throughout the city of Raleigh, and not just the county of Wake.

4. The City should provide more details regarding how the monies in each bucket will be spent, by taking a page from the City of Durham's affordable housing bond playbook.

First, Durham city leaders engaged in meaningful and direct community engagement with residents on its recently passed affordable housing bond. Voters in Durham overwhelmingly approved the city's \$95 million affordable housing bond, now the largest housing bond in North Carolina's history. One key to voter engagement was that Durham was very transparent in what the bond would do, who it would help, and what it would cost taxpayers.

Due to the dismantling of the Citizen Advisory Councils, residents in need of affordable housing feel ignored and removed from the bond process. While residents were allowed to listen to the meetings of the affordable housing advisory committee, they were not allowed to give input. If it had not been due to the pandemic and the use of video technology, ordinary citizens may not have had an opportunity to attend these meetings if they were in-person. While it was

¹¹ "Poorest Americans Hit Hardest By Job Losses Amid Lockdowns, Feds Say." By Jeanna Smialek, May 14, 2020.

¹² City of Raleigh Databook 2018, Dept of City Planning, December 2019.

informative to be able to listen to the Affordable Housing Bond Advisory Committee meetings, community members were prohibited from making any comments to the Committee. There was also a lack of community outreach done to inform residents about the bond process due to COVID-19. Therefore, at the very least, this bond process should be slowed down to give ordinary residents an opportunity to have input, and receive education of how the monies will be spent in each bucket. The housing bond committee should have also used the planning meetings to take comments from residents; an effective measure for the committee to be informed by members of impacted communities.

Further, the newest five year Consolidated Plan mentions the importance of connecting affordable housing to transportation. Residents living along planned rapid transit corridors are afraid that these plans signal further gentrification along corridors like New Bern Avenue. This concern is supported by residents' observations of affordable housing committee discussions which briefly mentioned recommendations for housing at 50 to 30 percent of the area median income. Committee members mentioned that targeted housing at this AMI should be a goal but also discussed that that the City should attempt to provide diverse housing opportunities at various income levels. Diverse housing opportunities can not be viewed in a silo, it must be viewed through a racial equity lens. The council should analyze whether diverse housing opportunities in an area historically occupied by those experiencing poverty and who are primarily black, will lead to economic shock and further displacement. The WCHJC recommends that the City follows its consolidated plan needs assessment, which revealed that low wage workers at 30 to 50% of the AMI were in need of affordable housing. Again, due to the economic impact caused by the current public health crisis, Raleigh's essential workers and low wage workers are in great need of housing below 30% of the area median income. Essential workers should be able to live in the city where they work, and also have fair housing choice opportunities near their jobs.

Raleigh city leaders have expressed admiration for the affordable housing bond passed by Durham. During a workshop session with Raleigh city council, Mayor Schewel presented the Durham Bond Fact Sheet, which itemized bond program and expenditure commitments.¹³ Some highlights of that bond included recommendations that the WCHJC would like to see in Raleigh's Affordable Housing Bond. These include the following:

- Create affordable home ownership opportunities with long-term income restrictions.
- Create downtown affordable housing of all types. (not just for seniors, but for families)

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[https://go.boarddocs.com/nc/raleigh/Board.nsf/files/BJSUT879C4FF/\\$file/20191217HNAffordableHousingDurhamFactSheet.pdf](https://go.boarddocs.com/nc/raleigh/Board.nsf/files/BJSUT879C4FF/$file/20191217HNAffordableHousingDurhamFactSheet.pdf)

- Create smaller-scale, affordable rental options.
- Support existing low-income homeowners, through rehabilitation and repair funds and expand the use of existing state and county property tax relief programs.
- Strengthen the homeless housing system.
- Produce green, affordable rental housing for households at less than 50 percent area median income
- Preserve existing rental housing for households at less than 50 percent area median income.
- Establish a commitment to creating very low AMI housing, like that under 30% of the AMI.
- Create an opportunity for 30% minority contracting for all public & private expenditures
- Support an eviction diversion program with legal aid; now due to COVID-19 it's also important to add housing assistance related to evictions, utilities and mortgage foreclosure.
- Establish an overall commitment to *permanent* affordability, versus time-limited affordability.

At the Raleigh City Council's December 17th worksession, Mayor Schewel of Durham stated that the success around Durham's bond was that he appointed a very diverse Bond Committee that was committed to meeting Durham's most pressing needs. As a result, the Durham Council put forward a bond package that adopted those commitments, and therefore earned the trust of the Durham voters.

In contrast, Raleigh's bond proposal is much less specific and lacks an emphasis on the greatest needs. Instead, the Raleigh bond recommendations allocate the largest share of funds to unspecified development partnerships, where meeting the greatest needs would have to be *negotiated after* the bond vote, rather than being *specified before* the bond vote. This lack of detail and lack of commitment to meeting the greatest needs will make it harder to gain the trust of Raleigh voters.

5. The City should leverage new federal COVID-19 funds to address the needs of those most impacted by the virus, mostly communities of color.

The spread of COVID-19, and its disproportionate impact on black and brown communities only highlights the disparities that existed in these communities before the pandemic. Some refer to health disparities as social determinants of health, which include the availability of quality and affordable housing. Therefore, every and any health policy should also be a housing policy. None of us know how long COVID-19 will be amongst us, but we do know that the same black and brown communities lacked affordable housing prior to the pandemic. To contain this virus and ensure a successful reopening of our economy, it is important that Raleigh citizens have

housing as a place to shelter and recover, should they become sick. In mid May, zip code 27610, which is a Southeast Raleigh zip code, had the 3rd highest rate of COVID-19 cases in the state. Further, a recent report by ABC 11 news states that COVID-19 has increased the need for affordable housing, because there are now less houses on the market. This has made it a seller market, according to Lewis Grubbs, senior vice-president to Coldwell Banker. Grubbs stated that for the month of April there was a 5.1% decline in home closings compared to the time period last year in the 16-county Triangle Multiple Listing Service area. He further stated that this paled in comparison to sales under contract which were down a whopping 19.3%. And fewer houses on the market drove up the prices of those that were on the market by 4.6%.¹⁴

Yet, the City is considering more growth downtown, and is courting a serial developer interested in building a \$2 billion soccer stadium in downtown Raleigh. Developments like this further gentrify a community if intentional strategies aren't put in place that will preserve and create affordable housing for those below 50% of the area median income and also below 30% of the area median income. The need for housing at this targeted AMI is demonstrated by the fact that the proposed site is in an opportunity zone. The fact that it's an opportunity zone underlies the fact that the area is an economically distressed area. If intentional strategies aren't put in place, it could lead to the economic shock by current residents, which will lead to further displacement. Therefore, the city should look at strategies to preserve and create affordable housing, while also equitably developing that community.

6. The City should use strategies that will mitigate the effects of gentrification and create and preserve affordable housing in downtown and throughout the city.

In order to build the soccer stadium in downtown Raleigh, Kane will need the City to rezone the area. The City should use this as an opportunity to request a mixed-used development which would include low income affordable housing with long term affordability of at least 30 years. As far as the developer's bottom line, as an opportunity zone the developer will already be eligible for capital gain tax incentives. The City should request that Kane's rezoning request be conditional on the setting aside of 25% or more affordable housing units with permanent affordability terms. This conditional zoning request was used as a tool to incentivize affordable housing in the Peace Street tower project. Further, as a developer taking advantage of opportunity zone tax incentives, the City should require Kane to enhance the community by giving back to the community. In addition to restaurants and affordable housing, Kane can build community rooms where the community can host job fairs, conduct workforce training, and build out a child care center. Additionally, Kane can add a grocery store that accepts SNAP/EBT

¹⁴ <https://abc11.com/affordable-housing-nc-coronavirus-north-carolina-raleigh/6210737/>

benefits. If Raleigh requires this for its citizens, it can be a model for how opportunity zones should work.

Other strategies that the City can use to preserve and create affordable housing in Raleigh under a framework of Equitable Economic Development include the following:

1. Preserve and expand the supply of affordable housing units by allowing overlay conservation districts in historic African American neighborhoods, located in gentrifying communities. Creating “Conservation Zones” and “Redevelopment Zones” can avoid the situation that happened on Fisher street where one home contributed to an increase in property values. Conservation Zones can be areas in which the existing form of the neighborhood is maintained and where new development is limited. Features of conservations zones can include low density, low scale buildings, open space, and landscaping. Simultaneously, the City could designate “Redevelopment Zones” which could accommodate an increase in density, and serve as the location for mixed-use and mixed-income developments. These areas would be closer to corridors and existing mixed-use nodes.
2. Many residents were upset with the look of the Fisher home, which was built for a developer’s employee. They were also upset with the “upscaling” of the neighborhood park that eliminated the basketball court. One strategy to preserve and expand affordable housing while protecting the culture of the neighborhood is for the City to formally adopt “Form-Based Code,” if it doesn’t have one. Form-Based Code is a land development policy that focuses on a community’s physical form rather than the use of the land. Form-based code may focus on the character of buildings, walkability, street layout, and other considerations related to the community’s form. This strategy will help ensure new development is balanced with the preservation of both the community’s existing character and affordable housing options. This strategy was adopted in Arlington, Virginia with the Columbia Pike Corridor. Form-Based Code is a key tool for achieving urban form goals, including creating sustainability and guiding movement toward a more walkable, mixed-use community.
3. To address “missing middle” housing, and the use of granny flats, duplexes, tiny homes, ADUs, etc., the City should provide grants to residents interested in building such units on their properties. Everyone may not be able to afford to build or rehab such a structure.
4. Use zoning and land use strategies to create opportunities for Project based Section 8 Housing Choice in areas of opportunity. In this situation, the voucher is actually attached to the building. This will avoid the voucher discrimination that some renters face with private landlords.

5. The City should create a policy for **Equitable Code Enforcement**. Targeted code enforcement could displace people and can cause further gentrification. The City should set forth guiding principles for its code enforcement system to ensure that the system is fair, equitable, and balanced. Furthermore, the City could utilize “In Rem Penalties” such as initiating property tax liens and pursuing tax foreclosures on vacant and abandoned homes in order to acquire those homes and use some of them for the rehabilitation or development of affordable housing.
6. Use land use and zoning strategies like inclusionary zoning coupled with incentives like special permitting, expediting permits, and the approval of conditional zoning requests to incentivize developers to build affordable housing for those below 30% of the AMI and below 50% of the AMI. Other cities in NC are considering tools like upzoning and voluntary inclusionary zoning as ways to meet their fair housing obligations and mitigate gentrification.
7. Use city-owned land and property acquisition as a leverage to incentivize the development of affordable housing units below 50% of the AMI. The City can donate the land to the developers as a means to make the development more affordable.
8. Advocate the NCHFA, to increase the number of 9% and 4% LIHTC units in cities like Raleigh where housing affordability is a huge issue.
9. If possible, use tax revenues as additional subsidy to help with gap financing.
10. Provide funds to buy land (one of the bond “buckets”)-”Land Banking” for affordable housing for those at and below 50% of the AMI.
11. Preserve naturally occurring affordable housing, like the City did with Sir Walter Raleigh. Identify naturally occurring affordable housing in the City and strategize ways to preserve its long term affordability.
12. One strategy to help long-term residents remain in their neighborhoods is for the City to create a Housing Assistance Displacement Program, especially for renters. Given the recent one million jobless claims filed in NC, more renters and homeowners will need assistance to avoid eviction and foreclosure. This Housing Assistance Displacement Program could help residents faced with displacement with resources including, but not limited to, finding another affordable home (City staff assistance or local non-profit partner assistance); providing a security deposit for a new home; paying utility

connection fees; and offering first month's rent for a new home. The Town of Chapel Hill has adopted a Housing Assistance Displacement Program which can serve as an example for creating this type of program. ¹⁵

Now more than ever, it's important that the city creates a meaningful affordable housing bond that will address the documented need for affordable housing in Raleigh. The City should consider the need for affordable housing that existed before the current public health crisis and the need resulting from the loss of jobs due to the COVID-19 pandemic. The WCHJC wishes to support a meaningful affordable housing bond, and work as a collaborative partner with the City. Therefore, members of this coalition would like an opportunity for a video meeting in the near future with city council members, or a delegated city manager/assistant city manager to discuss the strategies recommended above.

The Wake County Housing Justice Coalition thanks you for your consideration of our concerns. We look forward to the City's continued engagement of its citizens regarding these important matters.

Sincerely,

Wake County Housing Justice Coalition Members

Yolanda L. Taylor
Attorney at Law

Jazmyne Victoria Childs
Wanda A Gilbert-Coker
Stef Mendell
Cathy Tamsberg
Bob Geary
Alan Reberg
Hwa Huang
Merrilee Jacobson
Suzanne Botts
Carmen Cauthen
Barbara Smalley-McMahan
Russ Stephenson

¹⁵ Town of Chapel Hill Housing Displacement Assistance Program, <https://www.townofchapelhill.org/town-hall/departments-services/housing-and-community/funding/housing-displacement-assistance-program>

