# NORTH CAROLINA HOUSING MARKET ANALYSIS AND NEEDS ASSESSMENT



# NEEDS ASSESSMENT EXECUTIVE SUMMARY

Over the last few decades North Carolina has made tremendous strides improving its housing stock and addressing development needs across the state. The state has significantly lowered the number of households lacking plumbing facilities since the middle of the 20<sup>th</sup> century, and housing conditions are generally improved for many citizens. However, dire housing and community development needs still exist statewide while newer concerns, particularly the cost of decent housing for low-income residents, are becoming more prominent.

North Carolina has 3.1 million occupied housing units; 69.4% of them are owneroccupied, and 30.6% are renteroccupied. North Carolina's housing stock has increased dramatically since 1990, with roughly one-fourth of the units built in the 1990s.

During this time period North Carolina's population has increased dramatically; between 1990 and 2000 the state gained 175,000 renter households (an increase of 22%) and 494,000 owner households (an increase of 25%). Renter household growth outstripped the growth in the rental housing stock, while the growth in the owner housing stock kept up with the growth in owner households.

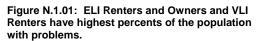
More than 80% of the housing stock is comprised of single-family detached houses and mobile homes. Mobile homes comprise 16% of the total stock, 17% of the owner-occupied stock, 14% of the renter-occupied stock, and 14% of the vacant stock. Both renter and owner housing costs have been increasing in the last decade, even after adjustment for inflation. In real dollars, between 1990 and 2000 median gross rent in North Carolina increased by 8.8%. Median owner housing costs for households with mortgages increased by 14% in real dollars, and the median costs for households without a mortgage increased by 5%. Sales prices have increased by 18.5% in real dollars over the five-year period 1998-2003.

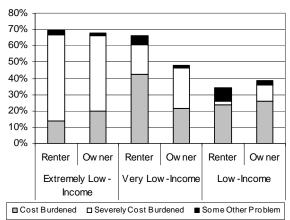
Lack of reliable data on the state's homeless population has hampered efforts by state and local governments to design effective housing and service programs for the population. Currently, there are two different sources of data on the state's homeless population-a statewide point-in-time count that was conducted on December 15, 2003 and the total number of homeless persons served by shelters receiving Emergency Shelter Grants funding. On December 15, 2003, almost 10,000 homeless families and individuals were counted. 13% of which were children. Over the last fiscal year, ESG-funded shelters served over 45.000 homeless families and individuals. Twenty-two percent were children.

According to the 2000 Census, over 358,000 renter households (or 37.4% of all North Carolina's renter households) had a housing problem (meaning these households pay more than 30% of their income for housing, and/or they live in overcrowded housing units, and/or they have incomplete plumbing or kitchen facilities). For 84% of the renter households with housing problems (over 302,000 households), one of the problems is cost.

Over 497,000 owner households (or 22.9% of all North Carolina's owner households) had a housing problem in 2000, according to the 2000 Census. For 21.2% of the owner households with housing problems (or over 460,000 owner households), one of the problems is cost.

The populations in which the highest percent of the households have housing problems are extremely low-income (ELI) and very low-income (VLI) renters, and ELI owners (Figure N.1.01). Extremely low-income (ELI) means the household earns less than 30% of the median income for its area. Very lowincome (VLI) means the household earns between 30% and 50% of the median income. Low-income (LI) means the household earns more than 50% of the median income but no more than 80% of the median income.





Certain populations have special housing needs, due to age, disability, or other special circumstance. Over forty percent of elderly renters and 23% of elderly owners have housing problems. Roughly 30% of those with problems also have a mobility or self-care limitation that may require housing modifications. The aging baby-boom population will require an increase in affordable rental housing for the elderly, as well as increased accessibility improvement to existing housing.

There are also shortages of housing affordable to individuals with disabilities. Many receive SSI payments, which are insufficient for the recipient to afford housing. In 2003, an average efficiency apartment cost more than 250% of what a person receiving SSI could afford, and a one-bedroom apartment cost more than 300%.

Because the majority of the data used to analyze housing needs was collected in 1999, at a time of greater prosperity for the state, it is expected that the needs have not decreased in the past five years.

The state is currently experiencing large numbers of foreclosure cases (compared to previous decades), and it is also likely to experience increased foreclosures in the future as interest rates climb. Climbing interest rates will make it more difficult for current renters to become homeowners, and will likely result in a strengthening (and increasingly unaffordable) rental market.

In addition to the need to increase and improve the physical stock of housing across the state, the infrastructure necessary to support residential dwellings is also expected to require significant investment over the next few decades. It is estimated that \$13.7 billion for capital improvements and expansion in water and wastewater treatment will be required to keep up with growth across the state.

While the state has addressed much of the housing stock lacking adequate plumbing and wastewater facilities in recent years, the lack of public infrastructure to address these needs is still a major concern in many areas across the state. Unsanitary conditions due to lack of proper wastewater methods have led to public health and environmental dangers for many of our state's poorest residents. Without proper funding, it is financially infeasible that most of these areas could be supplied with public sewer and/or water facilities. In those areas, especially in the western part of the state, where topography and other factors make public sewer and/or water provision extremely difficult, alternative wastewater systems may be needed.

As the state's economy has encountered a structural shift from a primarily manufacturing and agricultural base to one focused on service industries, economic and community development will need to be addressed in more nontraditional ways. Efforts at increasing the state's human and educational capital will be instrumental in meeting the economic and housing needs of lowincome residents.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable rental housing, and rehabilitation and/or preservation of existing affordable housing—particularly to increase affordable housing opportunities to those earning less than 30% of median family income. Without increased availability of funding for rent assistance, it is unlikely that the state's current resources will be able to meet the state's most critical housing needs.

# **DEMOGRAPHICS**

# **Topics:**

- Physical Characteristics and Regional Differences
- Population Growth
- Age
- Race and Ethnicity
- Persons with Disabilities
- Population with HIV/AIDS
- Severe Mental Illness, Developmental Disabilities, and Substance Abuse

# **Highlights:**

- 21.4 Percent Population increase from 1990- 2000
- Pronounced Rural to Urban shift since 1970
- Median age 35.3 (at 2000 census)
- Dramatic rise in the number of Hispanics
- 5 counties in which more than 5% of the population receive SSI
- HIV/AIDS rate higher in economically disadvantaged areas
- 322,000 residents with mental, emotional, or behavioral disorders
- 748,000 residents with substance abuse problems

# Introduction

Population characteristics and trends are important in assessing a state's housing needs. An examination of past demographic trends, coupled with a forecast of future growth, is important to the planning process. Recently released data from the U.S. Census Bureau from the 2000 Census, as well as other sources, are utilized in this analysis.

North Carolina's population underwent significant changes during the 1990s. The state's population became more urban and older, and North Carolinians are more educated now than they have ever been. This evolution coincided with an economic boom during the

1990s that increased the real incomes of many North Carolinians. However, these changes were not universal across the geographic landscape, and many counties in North Carolina have not prospered and grown with their neighbors.

# Physical Characteristics and Regional Differences

North Carolina covers 52,669 square miles with a diverse landscape. Just as states differ in their housing and community development needs based upon geography and other circumstances, regions and counties within states have different needs. Because of its location in the Appalachian Mountain Range, Western North Carolina offers a mild climate and an admired natural setting. Yet, while its rural character is seen as an asset, living in the Mountains has its drawbacks. Poor topography causes housing construction costs to be higher than other regions in the state and makes it difficult to construct the roads and infrastructure some expect would bring higher paying jobs to the area. Furthermore, a recent influx of inmigrants, primarily retirees, has been moving to the North Carolina mountain region with a demand for higher priced housing, limiting the availability of land and contractors for more affordable home construction. Therefore, families with low-to-moderate incomes are unable to purchase most housing in the area.

While the western part of North Carolina is the most rural and has the lowest population density of the three regions, the Piedmont region in the central part of the state contains the majority of the state's population. Most of the state's urban centers – Charlotte, Durham, Greensboro, Raleigh, and Winston Salem – are located there. Unlike the Mountain Region, the Piedmont has seen unprecedented economic growth over the past several vears, but at a cost. Unbridled suburban sprawl has become a hot issue in the central part of the state, as quality of life has deteriorated in the name of economic prosperity. Realizing that there is little sign of the region's growth slowing anytime soon, the state must be prepared to not just grow but also grow wisely.

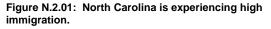
The coastal region of North Carolina can be divided into two regions – the narrow coastline along the Atlantic Ocean and the rural counties between the coast and Interstate 95. While growth in the coastal region has been concentrated along the ocean, agriculture continues to be a prominent industry and the area maintains a distinctly rural character. The Coastal Region has many of the same problems that are plaguing the Mountain Region, particularly a lack of high-wage industries. Another important factor is the impact that hurricanes have had on the region's housing stock.

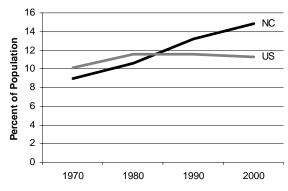
#### **Population Growth**

During the last decade, North Carolina's population grew at a rate faster than the nation's to just over 8 million residents in 2000 (an increase of 1.42 million residents). The 21.4 percent rate of population growth for North Carolina from 1990-2000 (the national rate was

13.2 percent) is the third highest in state history and the highest since 1930. In 2004 the North Carolina population is estimated to be 8,634,777. This rapid population increase has had many dramatic effects on our state, such as increasing urbanization and ethnic diversity. Natural increase was a substantial factor in North Carolina's population increase. From 1991-2000 there were 1,067,527 live births and 649,693 deaths.

However, a more significant component of the meteoric rise in North Carolina's population during the 1990s was inmigration. Figure N.2.01 displays the percentage of North Carolina and U.S. residents five years of age or older that lived in a different state five years earlier for the years 1970-2000. While the national rate has been relatively static (meaning that the rate nationwide for persons moving to a new state in the previous five years has not changed dramatically in the last three decades), a sharp increase in North Carolina's rate of in-migration occurred, growing from 8.9 percent of the state's population in 1970 to 14.8 percent in 2000.





As North Carolina's population has grown, the state has become increasingly urbanized<sup>9</sup>. While over 60 percent of North Carolinians lived in rural areas in 1970, by 2000 over 60 percent of North Carolinians were defined as urban. The transition of population from rural to urban is a national phenomenon, though North Carolina is urbanizing at a much faster rate than the United States. During this period, the percentage of population in the United States that was defined as urban increased from 73.6 percent to 79 percent, while in North Carolina the urban percentage jumped from 39.1 percent to 60.2 percent.

While statewide population is increasing at a rapid rate, the growth has not been evenly distributed. Figure N.2.02 displays population growth by county during the 1990s. All of the counties, except Dare, that experienced the most population growth since 1990 surround metropolitan areas. The western part of the state saw relatively modest population growth over the last decade. North Carolina's northeastern corner experienced the smallest population increase in the state during the 1990s, with three counties (Bertie, Edgecombe, and Washington) reporting a slight decrease in their populations from 1990-2000.

Figure N.2.02: Population growth is not spread evenly across North Carolina.

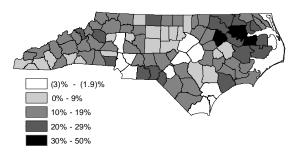


Figure N.2.03 displays the thirteen counties with the highest rates of out-ofstate in-migration from 1990-2000. In other words, as a total percentage of the population, the counties listed in figure N.2.03 had the highest rates of residents that did not live in North Carolina five years previous. Alongside those numbers is data on the percentage of the county's labor force that is employed directly in the armed forces, the median household income, and the county's median age.

Figure N.2.03: Counties with the most out-of-state
in-migration have large military presences, high
incomes, or old populations.

County	igrants as % population	Labor Force in Armed Forces		Force in Household		nold	Median Age	
	In-migrants of populat	percent	rank	income	rank	age	rank	
Onslow	39.6	26.5	1	33,756	54	25	100	
Cumberland	27.7	14.1	2	37,466	33	29.6	99	
Craven	23.8	9.2	3	35,966	40	34.4	87	
Mecklenburg	23.7	0	98	50,579	3	33.1	90	
Wake	22.5	0.1	66	54,988	1	32.9	91	
Orange	22.4	0.1	71	42,372	9	30.4	95	
Currituck	22.1	1.7	9	40,822	15	38.3	40	
Dare	21.6	0.5	22	42,411	8	40.4	18	
Durham	21.4	0.1	95	43,337	5	32.2	93	
Macon	20.6	0.2	54	32,139	63	45.2	2	
Clay	19.4	0.5	20	31,397	66	46.7	1	
Transylvania	17.8	0.1	64	38,587	28	43.9	5	
Polk	17.5	0.3	37	36,259	39	44.9	3	

Source: U.S. Census Bureau, 2000

<sup>&</sup>lt;sup>9</sup> For Census 2000, the Census Bureau classifies as "urban" all territory, population, and housing units located within an urbanized area (UA) or an urban cluster (UC, a new definition in 2000). Census definitions of urban territory and urban population have changed throughout the years; data are not exactly comparable but similar enough to compare basic trends. In this needs assessment the Census 2000 definition is the definition of "urban" used. In the strategic planning section, "urban" refers specifically to CDBG entitlement areas.

Some striking correlations are evident from this table. The three counties with the highest rates of out-of-state migration, Onslow, Cumberland, and Craven, are also the top three counties in North Carolina for the percentage of the labor force in the armed forces. This type of transient population will greatly influence the housing needs of these counties. The high wages found in counties such as Durham, Mecklenburg, and Orange help drive the housing market there. While attracting such high-wage industries and their earners has certainly led to economic growth and development, it has also priced many in the service and government sectors out of reasonable housing options. Workforce housing (housing affordable to the workers that provide vital services to the community) is a need to be addressed in these areas. Finally, many of the mountain counties such as Macon, Transylvania, and Polk are seeing large numbers of retirees settle in their counties. This has driven up the price of housing at a rate faster than incomes, limiting the availability of land and contractors for affordable home construction. Furthermore, the mountain counties have experienced a shift in their industry base from higher-wage manufacturing to service sector jobs that pay lower wages. Therefore, the mountain region is also suffering from a shortage of workforce housing, but for a reason different than that found in the state's urban areas.

While population growth is a catalyst for economic growth and development, there are also many drawbacks to explosive growth, especially in regard to the housing needs of low-to-moderate income residents. Housing prices can jump dramatically as demand due to in-

migration outpaces construction. Furthermore, long-time residents in a growing area can face a heavy tax burden as their property is revalued at a rate that grows faster than household income. Environmental threats can occur as open space is diminished altering eco-systems and wildlife corridors; water and air pollution tend to increase due in part to increased run-off from construction and greater numbers of commuters. Educational systems can become strained from a rapid increase in the number of students moving into a school system, faster than the system can accommodate them.

## Age

The median age of a population is an indicator of future housing demands. A higher median age is reflective of an older population, one with differing housing needs. The median age of North Carolina residents in 2000 was 35.3, the same as for the United States, and the highest it has ever been. North Carolina's median age has been rising steadily since at least 1970 in a fashion similar to that of the country as a whole; in 1970 North Carolina's median age was 26.5, the United States' median age was 28.1. An aging population is going to demand greater medical and special needs services, as well as housing that can accommodate the needs of the elderly.

Figure N.2.04 is an age/sex pyramid for North Carolina based on 2000 Census data. This pyramid displays the number of males and females per age cohort. The largest cohort is of persons in the 35-39 age range. With most North Carolinians fully into middle age, their housing needs are going to reflect the general desires of that population group.

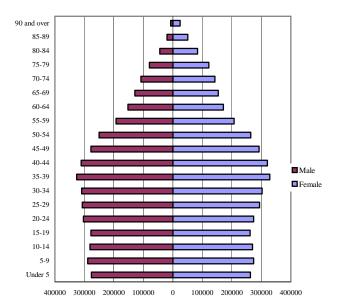


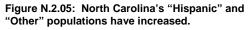
Figure N.2.04: North Carolina's male population is slightly younger than its female population.

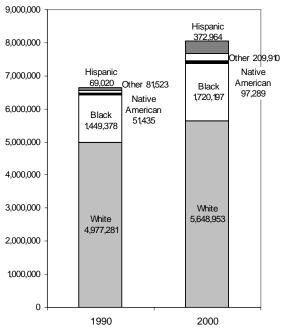
Source: U.S. Census Bureau, 2000

Of further note, the cohort of North Carolinians entering the workforce, those ages 20-24, have a much larger proportion of men than women. There are 10.4 percent more men in this age cohort than women. Furthermore, males outnumber females in all groups under 35 years of age. Conversely, females outnumber males in all groups 35 years of age and older.

#### **Race and Ethnicity**

North Carolina experienced increased racial and ethnic diversity during the 1990s. Because the census bureau redefines racial classifications for each census, temporal studies of racial data are problematic. However, some general trends can be deduced. While the proportion of whites in North Carolina has been decreasing, the percentage of Asians and Pacific Islanders and those who classify themselves as 'other' has seen significant increase over the past 30 years<sup>10</sup>. The black population has remained relatively stable proportionally in North Carolina, and a small increase in the percentage of American Indians is also seen.





Source: U.S. Census Bureau, 1990 & 2000

The most dramatic change to the racial and ethnic makeup of North Carolina's population has been the dramatic rise in the number of Hispanics in our state. From 1980, when persons of Hispanic origin were first counted by the Census, to 2000, the percentage of North Carolina's population that was of Hispanic ethnicity jumped by over 600 percent. This increase is evident graphically in Figure N.2.05, which shows the population of North Carolina

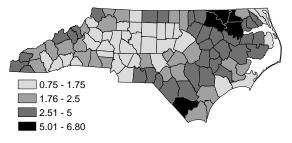
<sup>&</sup>lt;sup>10</sup> The sharp increase in the 'other' category in 2000 is most likely due to the ability of responders on the census forms to classify themselves as 'more than one race', an option not previously available.

in 1990 and 2000 by race<sup>11</sup>. However, despite that surge, persons of Hispanic ethnicity still represented only 4.7 percent of North Carolina's population in 2000, compared to 12.5 percent nationwide. Housing providers, developers, and advocates need to remain aware of the differing needs of our housing delivery systems for this culturally distinct and growing population.

#### **Persons with Disabilities**

Those residents of North Carolina with disabilities or additional needs are particularly vulnerable and face acute housing needs. The housing needs of these populations are discussed later in this document. Often faced with discrimination, poor facilities or simply priced out of the market, those with disabilities require the most targeted programs for housing delivery.

The persons identified in the Census as being disabled are not precisely the same persons commonly considered disabled in the disability-services community or the affordable housing community. An alternative measure of disabled person counts is the number of people collecting Supplemental Security Income (SSI) for disability purposes. Figure N.2.06 maps the percent of population by county that is currently receiving SSI benefits for disability in 2002. Figure N.2.06: SSI recipients with disabilities are located disproportionately in eastern and certain mountain counties.



A general pattern regarding SSI distribution is evident from Figure N.2.06. First, the largest concentration of counties with a high percentage of the population receiving SSI is in the Northeast portion of the state, with the Southeastern portion of the state also experiencing a large percentage of its population receive SSI. Finally, a smaller concentration is seen in the counties along the Tennessee border. The pattern of SSI recipients mirrors that of poverty rates across the state (see the Economy section for further details).

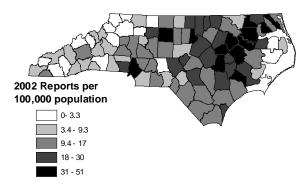
## **Population with HIV/AIDS**

Providing housing for the state's HIV/AIDS population is problematic. Persons living with HIV/AIDS often suffer from discrimination and housing development for this population must regularly deal with NIMBY battles at the local level. In addition, AIDS-related service provision and health care must be nearby, which can cause logistical difficulties.

Figure N.2.07 maps the number new reports of persons with HIV/AIDS per 100,000 people by county for 2002.

<sup>&</sup>lt;sup>11</sup> The categories of 'White', 'Black', 'Native American', and 'Other' are of Non-Hispanics only. Asians, Native Alaskans, Pacific Islanders, and persons of two or more races are classified as Other in this chart.

Figure N.2.07: Certain areas of state have higher percents of the population living with HIV/AIDS than other areas.



Higher concentrations of new reports of HIV/AIDS are seen in the Eastern part of the state than in the West. Also, many urban counties such as Durham, Guilford, and Mecklenburg are experiencing high numbers of HIV/AIDS reports. However, the numbers of newly reported cases of HIV/AIDS are also very high in many rural counties in the Northeastern part of the state, such as Bertie, Gates, and Edgecombe counties.

According to preliminary results from a survey of 600 people living with HIV/AIDS<sup>12</sup>, the median income of survey respondents was only 75% of the poverty level (or \$577 per month). Many respondents were receiving disability income, including 36% who received Social Security Disability Insurance (SSDI) and 35% who received SSI. Only 22% were getting paid to work.

## Severe Mental Illness, Developmental Disabilities, and Substance Abuse According to the North Carolina Department of Health and Human

Services (DHHS) <sup>13</sup>, approximately 322,000 residents of this state suffer from a mental, emotional, or behavioral disorder that impairs with at least one life activity. That figure accounts for 5.4 percent of the state's adult population. Of those residents, 99,000 are estimated to be suffering from severe and persistent mental illness. Furthermore, DHHS estimates that ten to twelve percent of the state's children experience serious emotional disturbance. In addition, DHHS estimates that over 130,000 North Carolinians have developmental disabilities.

An even more startling figure released by DHHS deals with substance abuse. It is estimated that 748,000 adults in North Carolina suffer from a substance abuse problem. That means that one in every eight adults in North Carolina must overcome a substance abuse problem in addition to all other issues in their daily lives.

Due to restructuring of the state mental health institutional system, many of these residents will face new housing challenges in the near future. State housing providers must be aware of the special needs and service delivery requirements for both the adult and minor populations suffering from severe mental illness. As services for those with a mental illness, developmental disability, or substance abuse problem decentralize, coordination between housing and service providers is critical to program success.

<sup>&</sup>lt;sup>12</sup> Preliminary data from a survey conducted in as a part of the North Carolina HIV/AIDS Housing Plan

<sup>&</sup>lt;sup>13</sup> State Plan 2004, North Carolina Department of Health and Human Services, Division of Mental Health, Developmental Disabilities, and Substance Abuse

# **ECONOMY**

## **Topics:**

- Historical Perspective
- Employment
- Impact of Layoffs in Manufacturing Employment on Rural Counties
- Income
- Poverty
- Unemployment
- Educational Attainment
- Tier 1 and Tier 2 Designations, State Development Zones, and 21<sup>st</sup> Century Communities
- Impact of Natural Disasters on the Economy
- Impact of Economic Development on the Environment

# **Highlights:**

- Shift from manufacturing to technology and service economy
- Employment growth in Urban areas and decline in Rural areas
- Median Household Income of \$39,184. in 1999 (32<sup>nd</sup> in U.S.)
- Large income gaps between "whites" and "minorities"
- And between women and men
- 12.3% poverty rate
- Unemployment rate of 5.8% (June 2004)

# Introduction

While the North Carolina economy grew at enormous levels during the 1990s, it was also hit hard by the recession of the early part of the new millennium. That recession made obvious the dual economy in the state, one where metropolitan areas continue to grow and prosper based on growth industries such as technology and banking, but economic decline is seen in rural areas as traditional industries continue to move cheaper labor markets, often overseas.

There are also many positive aspects to the changes in the state's economy. The Research Triangle is rated as one of the best places in the nation to do business and is most favorable to entrepreneurs. The state has a dispersed network of small cities, a healthy overall business climate, a strong transportation system, a renowned university and community college system, advanced technology resources, and a high quality of life. North Carolina is a growing, prosperous state well positioned to take advantage of opportunities for a better future for its citizens. The current growth, however, is not evenly benefiting all citizens. Even in regions that appear to be thriving, disparities are evident, while other areas are experiencing severe distress. The United States Census Bureau provides the majority of data demonstrating these tendencies<sup>14</sup>.

# **Historical Perspective**

Fifty years ago, North Carolina was a largely rural state, highly dependent upon agriculture. State leaders, recognizing the state's economic needs, embarked upon a period of rapid growth and development. Major investments were made to address four critical needs: 1) roads and other infrastructure, 2) an advanced system of technical colleges for worker training, 3) a renowned university system, and 4) a first-class industrial recruitment program. This

<sup>&</sup>lt;sup>14</sup> Data not obtained from U.S. Census is cited.

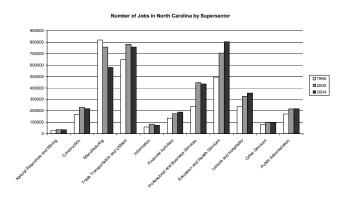
strategy worked well for the state. North Carolina moved from an agriculturally oriented economy to the most manufacturing intensive state in the nation. By 1997, North Carolina led the nation in percentage of labor force in manufacturing. North Carolina became the model that other Southern states sought to emulate. North Carolina had arrived, but in the 1990s changes in the structure of the economic base began.

Manufacturing employment began to shrink as plants moved out of state and sometimes out of the country in search of cheaper labor. In order to remain competitive, those companies that did remain reduced their workforce at an alarming rate. While short-term concerns existed due to this structural change, North Carolina saw an opportunity to diversify its economic base in other employment sectors, such as retail and service. However, most of the new industries were locating in or near urban centers; rural regions lost manufacturing jobs, and did not gain other employment opportunities to replace them. Furthermore, studies have shown that the new jobs gained in the service industry often pay lower wages and provide fewer, if any, benefits to employees (such as health care) that residents have come to expect from their employers.

#### Employment

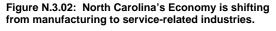
In 2003, approximately 3,720,000 people were employed in North Carolina. However, the dynamics surrounding those jobs has changed dramatically in recent years. Figure N.3.1 displays the number of employed persons by NAICS super sector for 1990, 2000, and 2003. Though the total number of jobs statewide has grown by over 640,000 since 1990, the number of manufacturing jobs in the state decreased by 218,000. Most super sectors lost employment from 2000 to 2003, but service-related super sectors such as financial services, education and health services, and leisure and hospitality gained employment.

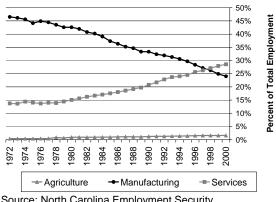
# Figure N.3.01: In North Carolina, manufacturing is in decline while many other sectors are growing.



Source: North Carolina Employment Security Commission

The shift of North Carolina's economy from a manufacturing to a servicerelated economy is even more apparent when looking at longer-term trends. Figure N.3.02 displays the share of employment in North Carolina in three sectors: agriculture, manufacturing, and services. The share of employment in manufacturing in North Carolina has been steadily decreasing since the early 1970s; manufacturing employment share increased for only two years during this 28 year time period. Conversely, employment share in the services sector has increased every year since 1978. In 1998, the share of North Carolina employment in the services sector surpassed that in the manufacturing sector for the first time, and has remained the predominant sector since.





Source: North Carolina Employment Security Commission

According to the N.C. Department of Commerce, the service and trade industries are expected to add the most jobs over the next decade. Within the service sector, health, business and educational services are the three industries expected to display the greatest increase. Business, health and educational services account for 68% of the projected increase in the service sector and 44% of all projected growth in total employment for all sectors. Business services include such fast growing industries as employment and temporary help agencies, and computer programming firms. The projected increase in employment for hospitals is the largest component of health services. The predicted growth in school age population and the increasing enrollment in post secondary education are major contributors to the growth in education services. Eating and drinking establishments should show the greatest expansion within the trade sector: they are expected to increase at a pace of 3.3% annually (compared to a 1.9%) annualized growth rate for the trade sector), and account for 48% of the projected growth in the sector.

#### Impact of Layoffs in Manufacturing Employment on Rural Counties

The dramatic decrease in manufacturing has not had as profound an impact on urban centers as it has on rural areas. many of which are highly economically dependent upon manufacturing. As former Governor Hunt noted when he created the Rural Prosperity Task Force in 1999, "North Carolina is on the verge of becoming two North Carolinas: one part urban and thriving, and the other part rural and struggling." Urban areas have the ability to rebound through other employment sectors, but rural areas are at a considerable disadvantage because they lack the education, training, and infrastructure to draw other employment opportunities besides manufacturing.

By 1999, nearly two-thirds of the manufacturing job losses affected rural workers. Some counties had already experienced layoffs of more than 5% of their manufacturing workforce. Others have more than 15% of their workers still involved in traditional manufacturing jobs – those that are most vulnerable to plant closings and layoffs. Still others are heavily dependent on our threatened agricultural economy. Without a strong, proactive retraining effort, rural North Carolina is a vulnerable link in our economy<sup>15</sup>.

#### Income

According to 2000 U.S. Census figures, in 1999 the Median Household Income in North Carolina was \$39,184, ranking it only 32<sup>nd</sup> in the country; the national average was \$41,994. In addition, North Carolina's per capita income was measured at \$20,307, 28<sup>th</sup> in the nation; \$1,280 less than the national average of \$21,587. Although the state has

<sup>&</sup>lt;sup>15</sup> Rural Prosperity Task Force Report, pp. 44-45

improved from its 1990 median household income ranking of 37<sup>th</sup> (\$26,647), there is considerable room for improvement, particularly among minorities and in poorer regions of the state.

#### Income as it Relates to Race

Figure N.3.03 displays the 2000 median household income for North Carolina by race of householder. This table clearly shows that African Americans, American Indians, and those classified as Other have median incomes that are significantly lower than their Caucasian counterparts. The Black median household income was \$14,685 less than that for Whites, and \$21,652 less than that for Asians in North Carolina. It has been well documented throughout the U.S. that certain minorities typically fare worse than whites in household income for a variety of reasons, whether it is a lack of education, poor job skills, or racism. "Income gaps reflect complex social, cultural, and economic factors that affect educational levels, occupational choices, and ultimately household income."<sup>16</sup> One of the roles of the Consolidated Plan partners is to determine the causes of these inadequacies, how they affect the differing needs of these groups for housing, and begin to remedy them.

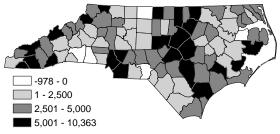
# Figure N.3.03: White and Asian households have the highest incomes in North Carolina.

Race of Householder	2000 Median Household Income
Asian	\$49,497
White	\$42,530
Native Hawaiian or Pacific Islander	\$37,778
Two or more races	\$32,149
Other (only one race)	\$31,147
American Indian or Alaska Native	\$30,390
Black	\$27,845
All Households Source: U.S. Census Bureau, 2000	\$33,242

## Income as it Relates to Location

Besides racial disparities, regional differences in incomes within the state also exist. Figure N.3.04 maps median household income growth by county. Based on this data it is evident that income growth in the state is centered around metropolitan areas, particularly the Triangle and Charlotte. Other, more rural parts of the state, such as the Southwest, Northeast, and Southeast, have been left out of the economic prosperity seen in the rest of the state.

Figure N.3.04: Income increase 1990-2000 (in 2004 dollars) is not spread evenly across state.



Source: U.S. Census Bureau

## Income as it Relates to Gender

Data from the 2000 Census shows that in North Carolina the median earnings per male resident was \$26,812, while for women the median earnings were \$18,619. According to the study, "Equal Pay for Working Families: National and state Data on the Pay Gap and Its Costs", a woman earns an average of \$431 a week, compared to \$579 for men. On an annual basis, that wage gap translates to

<sup>&</sup>lt;sup>16</sup> Pollard, Kelvin, and O'Hare, William. <u>America's Racial and Ethnic Minorities</u>. *Population Bulletin*, Vol.54, No. 3, September 1999.

more than \$7,500. Minority women do even more poorly than white women, earning an average of only \$369 a week. Most noteworthy is the impact the pay disparity has on single mothers, who are the most susceptible to poverty. If single mothers earned the equivalent as men at the same job, they would earn \$4,459 more a year, cutting their poverty rate in half, from 25.3 percent to 12.6 percent<sup>17</sup>. Income level deviations by gender need to be understood and taken into account when designing appropriate housing programs for specific target groups, such as single parents, across the state.

Statistics of income by gender are directly related to labor force participation by gender. The ability of workers to find full-time employment directly affects the type of housing they will be able to provide for their families. Participation in the workforce remained majority male in 1999 in both North Carolina and the United States. In North Carolina, 56.5 percent of full-time workers (35+ hours per week) were male. This is slightly below the national rate of 57.9 percent, showing that women in North Carolina participate in the labor market more than women in the nation as a whole. Part-time work in 1999 was the domain of female workers, however. In 1999, 63.1 percent of parttime workers in North Carolina were women, nearly the same rate as that for the nation (63.3 percent).

The fact that the North Carolina and national workforce are majority male is further reflected in data regarding employment status by family type<sup>18</sup>. Figure N.3.05 details the percentages of the labor force by family type<sup>19</sup>.

<sup>18</sup> The census bureau defines a family as "a group of two people or more (one of whom is the

# Figure N.3.05: In 81.8% of the households comprising the labor force, the male householder is in the labor force.

	North Carolina	United States
Married Couples	77%	76.7%
Husband in labor force	76.3%	75.2%
Only husband in labor force	16.9%	17.3%
Wife also in labor force	41.8%	40.3%
Wife in labor force, not husband	5.4%	5.2%
Other Families	23%	23.3%
Male householder, no wife	5.5%	6%
Female householder, no husband	17.5%	17.3%
Source: U.S. Census Bureau, 2000		

Overall, the labor force participation of North Carolina households mirrors the nation. Married residents of North Carolina participate in the labor force at a slightly higher rate than the national rate, while non-married residents participate in the labor force at a lower rate. Furthermore, single parent families are more than three times more likely to be headed by a working female (17.5 percent) than a working male (5.5 percent.

#### Income as it Relates to Tenure

Figures N.3.06 and N.3.07 below list the number and percent of households by income classification and housing tenure.

householder) related by birth, marriage, or adoption and residing together; all such people (including related subfamily members) are considered as members of one family." Therefore, this indicator does not include unmarried people who reside together or households raising non-related children. <sup>19</sup> Percentages in table are of total number of families, except for the percent in labor force of male householders, no wife and female householders, no husband. For these two rows, the number represents the percentage of those families where the householder is in the labor force.

<sup>&</sup>lt;sup>17</sup> <u>The Labor Educator</u>, "Working Women". Vol. 8, No. 2., April 1999.

#### Figure N.3.06: Households in 1990

	Owne	ər	Ren	ter
	number	%	number	%
0-30% MFI	141,148	8.1%	172,914	22.0%
31-50% MFI	153,503	8.9%	123,842	15.8%
51-80% MFI	265,312	15.3%	177,805	22.7%
Over 80% MFI	1,172,692	67.7%	309,882	39.5%
Source: U.S. Cer	sus Bureau,	HUD Spe	cial	

tabulations, 1990

#### FigureN.3.07: Households in 2000

	Owner		Ren	ter
	number	%	number	%
0-30% MFI	165,360	7.6%	209,649	21.9%
31-50% MFI	183,942	8.4%	155,164	16.2%
51-80% MFI	338,978	15.6%	218,830	22.8%
Over 80% MFI	1,483,978	68.3%	375,525	39.2%
Source: U.S. Cer	sus Bureau,	HUD Spe	cial	

tabulations, 2000

As might be expected, renter households in North Carolina, on average, had lower incomes than homeowners. A much higher percentage of all renter households in 2000 earned less than 50% of the area median income (38.1%) than of owner households (16%). Moreover, 60.8 percent of all renters had incomes at or below 80 percent of the area median income while only 31.7 percent of owners had incomes below that limit.

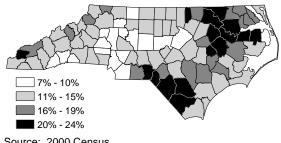
Comparing the two charts, one notices that the percentages changed very little over the past decade. While the raw numbers increased in every category, due primarily to population growth in the state, the percentages of households moving from lower income to moderate income or into homeownership was very low. In fact, the percentage of households that owned their own home in 1990 in North Carolina was 68.8 percent, and rose only slightly in 2000 to 69.4 percent.

#### **Povertv**

Income is a good, but imperfect, indicator of the economic health of a region. Qualitative reports indicate that in the last few years many areas have been moving to a trend of a dual economy; one in which the economic distance between those with financial means and those struggling to survive is getting wider. One measure of the number of people having difficulty making ends meet is the poverty rate.

The poverty rate for North Carolina in 1999 (based on 2000 Census data) was 12.3 percent. However, that rate was not equal across the state. Figure N.3.08 displays the poverty rate by county for North Carolina in 1999. It is clearly evident from the map that there are three pockets of overwhelming poverty in the state. The first two are in the Northeast and Southeast corners of the state. though not along the coast. Most of the counties in these regions have more than 21 percent of their population in poverty. The third, and of least magnitude, are the counties along the Tennessee border. The lowest rates of poverty are in the state's metropolitan areas. Though even these metropolitan counties have up to 15 percent of their population living below the poverty level, compared to the rest of the state the levels of poverty are quite low.

#### Figure N.3.08: Certain pockets of the state have extremely high poverty rates.



Source: 2000 Census

#### Poverty as it Relates to Race

Statewide, in 1999, the lowest rate of poverty by race was among whites, at approximately 8.4 percent. All other races had higher rates of poverty: blacks (22.9 percent), Native Americans (21.0 percent), Asians (10.1 percent), Pacific Islanders (15.1 percent), and all others (25.3 percent). Though these rates are quite high for a number of racial categories, all saw decreases from 1989 to 1999, with the greatest decreases in the poverty rate occurring for Asians (decrease of 4.9 percent) and blacks (decrease of 4.2 percent). However, the poverty rate for Hispanics increased from 1989 to 1999, (from 19.2 to 25.2 percent).

Though the decreases in the poverty rate are certainly a positive development, there are still many families across the state in dire poverty. Furthermore, current and pending cuts in state and federal funding for housing for those in poverty makes future service provision more difficult and the need to devise inventive ways to address the concerns all the more paramount.

# **Family Structure and Poverty**

Families with children are disproportionately affected by the daily struggles of poverty. Over half of the families in North Carolina living below the poverty level were single parents with children (52.2 percent). These families will have certain needs that must be addressed by our state's housing providers.

# Age and Poverty

Of the more than half a million elderly persons<sup>20</sup> in North Carolina, 12.6 percent were living in poverty in 1999. While it

is not a surprise that persons over age 65 have lower incomes, due to retirement, it is how much lower the income is that is so disturbing. There is a clear indication that social security, Medicare, and retirement investments are not keeping pace with the needs of North Carolina's older population.

The percentage of children living in poverty in North Carolina is actually higher than that of the elderly. In 1999, 15.9 percent of children in North Carolina between the ages of 0 and 17 were below the poverty level. Though relatively high, this is an improvement from the rate of 19.6 percent reported in 1995.

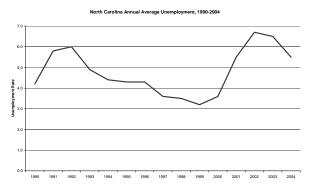
## Unemployment

A good measure of the health of an economy is its unemployment rate. The latest unemployment figure available from the North Carolina Employment Security Commission shows the statewide unemployment rate to be 5.0 percent in April 2005<sup>21</sup>. Figure N.3.09 displays the annual North Carolina unemployment rate from 1990-2004. Since the recent highs in 2001 of approximately seven percent, the unemployment rate has remained relatively modest; in historical terms, an unemployment rate of between five and six percent is considered low and as recent as twenty years ago would have been an ideal goal. However, three considerations must be taken into account before concluding that this data is indicative of a positive economic situation in the state.

<sup>&</sup>lt;sup>20</sup> Defined as those aged 65 and older

<sup>&</sup>lt;sup>21</sup> Not Seasonally Adjusted

Figure N.3.09: Unemployment is high but decreasing.

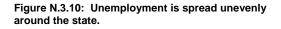


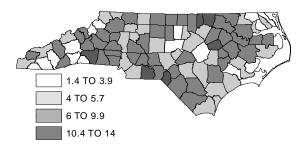
Source: North Carolina Employment Security Commission

First, qualitative data provided by local housing and community development leaders has shown that the low unemployment rate is due at least partly to an increasing amount of the potential labor force "giving up" looking for employment and resigning from the workforce. Those that do not actively seek employment are not counted in the unemployment rate, leading to an undercount that is growing according to local service providers. Second, though service-related jobs may be replacing manufacturing jobs, those jobs often pay much less and provide fewer benefits, lowering the purchasing power of families across the state. The wages that many dislocated workers in North Carolina receive upon re-hiring is substantially less than what they previously earned<sup>22</sup>. Finally, unemployment is not evenly distributed across the state. There are wide variations in the unemployment rate dependent upon location.

# Unemployment as it Relates to Location

Figure N.3.10 maps the unemployment rate by county for the most recent data available (April 2005). As shown, the unemployment rate varies considerably statewide (from a low of 1.4 percent in Currituck County to a high of 14 percent in Vance County). The highest unemployment rates are concentrated in areas that have shown other indicators of economic decline; the Northeast and Southeast portions of the state (except along the coast) and also portions of the Piedmont that have historically focused on manufacturing for its labor base.





Source: North Carolina Employment Security Commission, April 2005

#### **Educational Attainment**

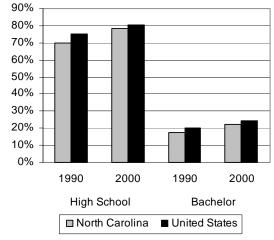
The education of the workforce is key to shaping its abilities and the success of the economy it drives<sup>23</sup>. An uneducated workforce will have difficulty attracting the kinds of industries that produce quality, high-wage jobs. Likewise, a workforce that has lower educational achievement will have greater difficulty adjusting to structural changes in the

<sup>&</sup>lt;sup>22</sup> Source: Dislocated Workers in North Carolina, Aiding Their Transition to Good Jobs, North Carolina Justice and Community Development Center

<sup>&</sup>lt;sup>23</sup> Educational attainment is an important but imperfect tool for assessing the skill level of an area's workforce. Educational attainment does not take into account vocational skills and abilities learned through apprenticeship and on the job training.

economy that have been seen in many parts of our state. Education has been of particular importance as the manufacturing base of the economy shrinks and employment gains are seen in high-tech and service industries.

Figure N.3.11: North Carolina residents have less education than the nation's residents.



Source: U.S. Census Bureau, 1990 & 2000

Figure N.3.11 shows the percentages of residents 25 years of age and older that have earned a high school diploma (or equivalent) and a bachelor degree in North Carolina and the United States in 1990 and 2000. As shown, the educational attainment of North Carolinians rose significantly over the past decade. Over 78 percent of the state's residents aged 25 and older in 2000 had earned a high school diploma, and over 22 percent of North Carolinians in this age group had earned a bachelor degree. While both figures lag behind that of the U.S. (80.4 and 24.4 percent, respectively), North Carolina is catching up with the nation in educational attainment. One question that these figures immediately draw out is whether the graduation numbers are due to improving achievement of the state's young people or whether they are due to

a disproportionate number of educated in-migrants moving to North Carolina.

## Tier 1 and Tier 2 Designations, State Development Zones, and 21<sup>st</sup> Century Communities

In 1996 North Carolina passed the William S. Lee Act designed to attract companies to distressed areas of the state through the use of tax incentives. In order to target distressed cities and counties, the state established State Development Zones for cities and a Tier System for counties. Counties are recategorized annually from 1 to 5 using a formula based upon unemployment rates, income, and population growth, with Tier 1 being the most distressed, and Tier 5 being the least distressed counties.<sup>24</sup> A development zone was defined as an area comprised of one or more contiguous census tracts, census block groups, or both with the following conditions: 1) located in whole or in part in a city with a population of more than 5,000, 2) having a population of 1,000,and 3) more than 20% of its population below the poverty level. Businesses choosing to locate in counties designated Tier 1 and Tier 2 counties were eligible for higher tax credits than those locating and investing in higher Tier 3, 4, and 5 counties.

In addition to the tier and state development zone designations, in 2001 the North Carolina Department of Commerce launched the 21<sup>st</sup> Century Community program. This program provides counties, and the municipalities within those counties, awarded with this label access to department services for

<sup>&</sup>lt;sup>24</sup> These categorizations are posted on the Department of Commerce website (June 13, 2005 the tiers were posted at http://www.nccommerce.com/finance/tiers).

strategic economic planning and priority funding for economic and community development projects. The first round of grantees was awarded in 2001. A subsequent second round was announced in 2004, with a third round of designees awarded in 2005.

# Impact of Natural Disasters on the Economy

Natural disasters are usually thought of as major storms that devastate the physical and social fabric of a region. And though that is the case, especially as North Carolina has seen its share of hurricanes and ice storms in recent years, other forms of natural disaster, such as drought, can also have a profound effect on the state's economy.

In 2003 and 2004 North Carolina experienced a series of storms that, while not on the scale of Fran in 1996 or Floyd in 1999, did have a measurable impact on our state's economy. In 2003 Hurricane Isabel struck the western part of the state, wreaking devastation in fifteen counties from the Tennessee border to Charlotte. A minimum of 1,041 homes received at least minor damage from the storm, with 347 of those completely destroyed<sup>25</sup>. A further 86 homes were deemed inaccessible due to standing water or a destroyed bridge or road. In addition, 455 businesses were damaged, creating an economic as well as a public service dilemma for the state and affected counties and municipalities.

North Carolina experienced a spate of storms in 2004, and not just in the eastern part of the state. In 2004, 4,619 primary residences received at least minor damage from storms Frances and/or Ivan<sup>26</sup>. The majority of the households affected by the storm were of low-income. Furthermore, there were significant business losses due to these storms. The damage force brought by Hurricane Alex damaged 155 businesses in Dare and Hyde counties, and Hurricane Alex damaged 65 businesses in the southeastern part of the state.

Though primary relief agencies such as the Federal Emergency Management Agency (FEMA) are assigned primary responsibility for cleanup from such natural disasters, the funding they provide rarely can rebuild the homes and lives of the community's poorest residents. It has fallen on community development agencies to assist in picking up the pieces, by providing housing and economic assistance, wrought by these terrible occurrences and help people put their lives back together.

# **Impact of Economic Development on the Environment**

While economic prosperity has enriched the lives of many families in North Carolina, there are consequences to growth. Urban sprawl can have severe environmental, public health, and sociological consequences. Though difficult to measure, some indicators are available that can document these effects.

Between 1992 and 1997, rural land in the state was developed at a rate of 18 acres per hour, ranking it fifth in the nation in the number of acres converted

<sup>&</sup>lt;sup>25</sup> Source: North Carolina Division of Emergency Management

<sup>&</sup>lt;sup>26</sup> Only primary residences. Source: North Carolina Division of Emergency Management

(781,600 acres) over this time period<sup>27</sup>. Between 1978 and 1997, the number of farms in N.C. dropped by 40%. Since 1997, the state has lost more than 5,000 more farms and over 300,000 acres of farmland<sup>28</sup>. Between 1983 and 2003, North Carolina lost 1.9 million acres of open space, and is expected to lose another 2.4 million acres by 2022<sup>29</sup>. The loss of farmland and open space due to development can cause environmental degradation due to increased pollutants and runoff, as well as have a negative impact on public health due to lack of public recreation space.

Public health officials have also been concerned in recent years about Americans' increasing dependence on the automobile for transportation, rather than methods that encourage exercise. In the ten-year period from 1989 to 1998, the number of vehicle miles traveled in North Carolina grew twice as fast as the population (population increased 15% and vehicle miles traveled increased 37%).<sup>30</sup> The increased miles lead to increased commute times. The median commute length for both North Carolina and the United States is between 20 and 24 minutes. However, the percent of workers whose commute is 25 minutes or greater increased from 29.4 percent in 1990 to 36.5 percent in 2000. Increased commute times is a possible indicator of increased stress on the lives of workers and their families as well as environmental problems due to larger road patterns and increased fuel

<sup>30</sup> Sources: N.C. Department of Transportation; N.C. Office of State Planning emissions. In 2002, there were 50 smog days due to ground-level ozone pollution, and a total of 602 (63 more than the 539 occurrences in 1999) ozone violations statewide<sup>31</sup>.

<sup>&</sup>lt;sup>27</sup> Source: Natural Resources Conservation Service

 <sup>&</sup>lt;sup>28</sup> Source: U.S. Agricultural Census
 <sup>29</sup> Source: North Carolina Public Research

<sup>&</sup>lt;sup>29</sup> Source: North Carolina Public Research Interest Group

# **HOMELESSNESS**

# **Topics:**

- Who is Homeless?
- Tabulation of Homeless Needs
- Inventory of Homeless Facilities
- The Sheltered Homeless
- Homeless Individuals
- Homeless Families with Children
- Racial Breakdown
- Non-sheltered Homeless
- Homeless Subpopulations

# **Highlights:**

- Fifty of NC's 100 counties have no shelter for the general homeless population.
- There are a minimum of 182 emergency shelters in the state according to a 2005 inventory of housing facilities for the homeless.
- The 132 facilities receiving ESG funds in FY 2004 served 45,031 homeless people.
- Of the homeless people served in FY 2004 by ESG funded facilities, 20% (9,199) were children ages 0 to 17 years of age.
- Of the 4,728 homeless families served in FY 2004 by ESG funded facilities, almost 90% were headed by women only.

# **Overview and Analysis of Homeless Needs in North Carolina**

This section discusses the needs of individuals and families who are homeless or threatened with homelessness. It includes the sheltered and unsheltered homeless as well as homeless subpopulations.

# Who is Homeless?

The most commonly used definition of homeless is the one found in the federal

McKinney-Vento Homeless Assistance Act. This definition states that a homeless person is one who is:

- sleeping in places not meant for human habitation, such as cars, parks, sidewalks and abandoned buildings;
- sleeping in emergency shelter;
- living in transitional or supportive housing after having originally come from the streets or an emergency shelter;
- staying for a short period (up to thirty days) in a hospital or other institution but who would ordinarily be sleeping in one of the above places;
- being evicted within a week from a private dwelling; or
- being discharged within a week from an institution in which the person has been a resident more than 30 consecutive days without having an adequate place to live in subsequent to discharge.

# **Inventory of Homeless Facilities**

An inventory of emergency shelters, transitional housing and permanent supportive housing for the homeless was conducted by the Office of Economic Opportunity (OEO), Department of Health and Human Services and NC Housing Finance Agency in preparation for this five-year Consolidated Plan (See Appendix E). This inventory revealed that 19 of the state's 100 counties had no housing facilities of any type for the homeless. The remaining 81 counties have one or more types of housing for homeless people. Forty-seven of these 80 counties have only emergency shelter beds and in 31 of these counties the only type of emergency shelter available is designated for victims of

# Figure N.4.01: Statewide inventory of homeless facilities for homeless individuals, families, and subpopulations.

# **Homeless and Special Needs Populations**

## **Continuum of Care: Housing Gap Analysis Chart**

Current	Under	Unmet Need/
Inventory	Development	Gap**

	Indivi	duals	
	Emergency Shelter	2980*	1162
Beds	Transitional Housing	2088	1213
	Permanent Supportive Housing (Units)	861	3252
	Total	5929	5627

#### Persons in Families With Children

Emergency Shelter	1988*	900
Transitional Housing	1817	712
Permanent Supportive Housing (Units)	282	1111
Total	4087	2723

\*Assumes that 60% of existing shelter beds (4968) are for individuals.

\*\*Unmet Need based on Housing Activity Charts in Exhibit I, 2005 Continuum of Care submissions in North Carolina.

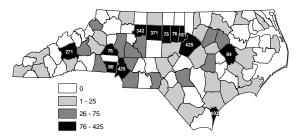
# **Continuum of Care: Homeless Population and Subpopulations Chart\***

Part 1: Homeless Population	She	Sheltered Unshelt		Total
	Emergency	Transitional		
1. Homeless Individuals	2045	1112	1545	4702
2. Homeless Families with Children				
2a. Persons in Homeless Families with Children	749	804	177	1730
Total (lines 1 + 2a)	2,794	1916	1,722	6,432
Part 2: Homeless Subpopulations	She	ltered	Unsheltered	Total
	Indiv.	Fam		
1. Chronically Homeless	1389			
2. Seriously Mentally Ill	1431	239		
3. Chronic Substance Abuse	3049	362		
4. Veterans	1012	35		
5. Persons with HIV/AIDS				
6. Victims of Domestic Violence	448	695		
7. Youth	79			

\*Based on January 26, 2005 Statewide PIT Count

domestic violence and/or sexual assault only. Fifty counties of the state's 100 counties then have no shelter for the general homeless population. Figure N.4.01 depicts the statewide inventory of homeless facilities for homeless individuals and homeless families as well as homeless subpopulations. It shows that although there are 5,929 beds for homeless individuals, there is a need for 5,627 more. Also, although North Carolina currently has beds for 4,087 people in homeless families, it needs 2,723 more for this population.

Figure N.4.02: The state's metropolitan counties have the highest average daily occupancy of ESG-funded shelters.



Further examination of the inventory reveals that 18 of the 80 counties have emergency and transitional housing, but no permanent supportive housing. One county has transitional housing only and three counties have only emergency and permanent supportive housing. Only 12 counties in the state have emergency, transitional and permanent supportive housing units for homeless persons – Alamance, Buncombe, Cumberland, Durham, Forsyth, Guilford, Haywood, Mecklenburg, New Hanover, Pitt, Wake and Watauga. Except for Watauga County, all of these 12 counties are generally thought of as metropolitan areas.

According to the homeless facilities inventory, there are 4,968 emergency beds for homeless persons provided by 182 emergency shelters in the State.

In terms of transitional housing, the homeless facilities inventory shows that there are 3,905 beds of transitional housing in the State,

including 2,088 (53%) beds for individuals and 1,817 (43%) beds for families.

The facilities inventory also shows that there are 1,143 units of permanent supportive housing in the State, including 861 (75%) units for individuals and 282 (25%) units designated for families.

## **The Sheltered Homeless**

Much like other states, there is no definite count of the number of homeless persons in North Carolina. The State's Interagency Council for Coordinating Homeless Programs (ICCHP) has guided the development of a statewide Homeless Management Information System. However, the Carolina Homeless Information System, or CHIN, is not scheduled to begin operation until July of 2005. It is believed that CHIN will provide a more definitive count of the state's homeless population and the population's characteristics and needs when fully operational.

In the meantime, there are two other sources of information which can provide data on the state's homeless population. These sources include annual performance reports submitted by those organizations and units of local government that receive balance-of-state Emergency Shelter Grants (ESG) Program funding and an ICCHP sponsored point-intime count conducted in January of 2005.

## **Homeless Individuals**

In FY 2004, 132 ESG-funded facilities for the homeless in 53 counties reported serving a total of 45,031 homeless people. Facilities funded included 24-hour emergency shelters, day-only shelters, night-only shelters, domestic violence shelters, transitional housing facilities, youth facilities and interfaith hospitality networks. It should be noted that in those counties where more than one organization was funded, there is the possibility that some persons were counted by more than one facility. This would occur when a homeless person or family sought shelter and/or services from more than one facility in the same county in the program year. Of the total homeless people served (45,031), 68% were single male and female adults. Sixty-eight percent (20,746) of all single individuals served were male adults. Of those single male adults served, 68% were ages 31 - 55. Of those 9,726 single female adults served, 52% were ages 31-55. Seventy-six percent of the 2,626 single adults ages 55 and over served by FY 2004 ESG grantees were male.

The NC Interagency Council for Coordinating Homeless Programs (ICCHP) has sponsored a point-in-time count for the last two years. The 2005 count was held on January 26 with homeless people counted in 92 counties of the state. On the count date, a total of 11,165 homeless persons were reported. Of the total people counted, 1,662 were residing outside on the count date, 2,794 were in an emergency shelter, 1,916 were in transitional housing, 167 were jailed, 48 were hospitalized and the residence of 59 persons counted was identified as "Other." The residence of 4,459 people counted was not reported. Of the 11,165 persons counted, 68 % (7,642) were single individuals, adult males and females. Seventy percent of the single individuals served were identified as male adults. The age of those single individuals counted was not reported.

The dominance of male adults among homeless single individuals has remained consistent over the last seven years of ESG Program operation. While the number of homeless single females served by ESG grantees increased 14% from FY 1998 to FY 2004, the number of adult single males reported served increased 20% from FY 1998 to FY 2004.

#### **Homeless Families with Children**

Homelessness is a devastating experience for families. It disrupts virtually every aspect of family life, damaging the physical and emotional health of family members, interfering with children's education and development and, frequently, resulting in the separation of family members. The scarcity of family shelters in the State causes a good number of homeless families to seek temporary shelter with friends, other family members, in their vehicles or in parks or campgrounds.

In FY 2004, the 132 balance-of-state ESGfunded facilities reported serving 4,728 families. These families included 5,360 adults and 9,199 children. Of the adults in families served 88% (4,705) were females. Adult males in families numbered 561 or only 10% of total adults in families served. Of the 9,199 children in families served, 49% were males and 51% were females. Fifty-four percent (4980) of children in families served were age birth through 5 years. The remaining 46% (4,219) were ages 6 through 17 years.

The January 26, 2005 point-in-time count identified 933 families with 3,523 members. Of total family members counted, 119 (3%) were identified as male adults, 29% were identified as female adults. Male children accounted for 30% and female children accounted for 27% of family members served. The gender of 285 children and 80 adults in families was not reported.

Of the 3,523 members of homeless families identified in the January 26, 2005 point-intime count, 749 were in emergency shelters, 804 were in transitional housing, 33 were incarcerated, one was hospitalized and the residence of 10 people was identified as "Other." A total of 177 family members counted were reported as residing "outside." The type of residence of 1,749 persons counted was not reported.

## **Racial Breakdown of Sheltered Homeless**

Although minorities comprise approximately 29% of North Carolina's population (2000 U.S. Census), they made up almost 62% of the 45,031 people served by ESG grantees in FY 2004. African-Americans totaled 23,761 or 53% of total people and 87% of minorities served. People of Hispanic or Latino ethnicity made up almost 5% (2,284) of the total people served and 9% of minorities served. A total of 361 Native American/Alaskan Natives and Asian/Pacific Islanders and 741 persons whose race was identified as "Other" were reported as served by ESG grantees during FY 2004. People in these racial categories made up 3% of the total persons served. The race of 802 (2%) people served was reported as 'Unknown." A total of 16,324 Whites, or 37% of the total number of persons served, used a homeless facility operated by an ESG grantee in FY 2004.

The race of people counted in the January 26, 2005 point-in-time count was not reported.

# **Non-sheltered Homeless**

Homeless people have various reasons for not seeking shelter in a conventional emergency facility. Some are denied access to a shelter because no bed space is available or they may have been suspended or banned from a shelter due to violations of the shelter's code of conduct. In some areas, as previously discussed, there may be no emergency shelter in a particular area or the only emergency shelter may be designated only for a specific subpopulation of the homeless, such as the victims of domestic violence/sexual assault. Other homeless people may not seek shelter because they do not like shelter rules and restrictions. In these situations, homeless people find shelter in makeshift camps in wooded areas, under bridges or overpasses, in

abandoned or condemned buildings, abandoned vehicles or literally on the streets.

Fifteen percent of the 11,165 people counted during the point-in-time count of January 26, 2005 were unsheltered. Of these 1,722 unsheltered people, 90% (1,545) were single individuals. Of these single individuals, 22% (59) were single females, 77% were single males and 1% was youths under the age of 18. The gender of an additional three adults and 23 youth was not reported under single individuals.

Family members comprised 10% (177) of the unsheltered persons reported by the point-in-time count. Of these family members, 100 (57%) were children, 59 (33%) were adult females and 10% (18) were adult males.

The residence of 4,459 (40%) of the 11,165 homeless people reported in the point-in-time count was not identified.

# **Homeless Subpopulations**

# Persons with Severe Mentally Illness

National studies have indicated that about a third of people who are homeless have a serious mental illness. Aggressive outreach is often needed to bring these individuals into the service delivery system. Once engaged, homeless persons with a mental illness usually need a wide range of psychiatric and social support services. Structured, supportive permanent housing is needed to establish stability and acquire the skills of independent living so that these individuals have the best possible opportunity to maintain their lives within their home community.

FY 2004 ESG grantees reported that 3,888 (9%) of individuals served in FY 2004 selfreported mental illness as their primary cause of homelessness. Fifteen percent (1,670) of those counted in the point-in-time count were identified as having a mental illness while 27% reported they had no mental illness. Of the 1,670 point-in-time individuals with mental illness, the majority (86%) were single individuals.

# Persons with Alcohol and Other Substance Addictions

Alcohol and substance abuse addictions have propelled large number of persons into homelessness. Still others have developed patterns of alcohol and substance abuse as a way of coping with life as a homeless person. Many believe that untreated substance use disorders may well be the primary contributing cause of homelessness in the country.

People with alcohol and other substance addictions require a full array of comprehensive services including treatment, transitional and halfway houses for both individuals and family members and affordable permanent housing with appropriate and consistent after care.

In FY 2004, ESG grantees reported that 8,392 (19%) of the homeless people they served self-reported alcohol and/or substance abuse as the primary cause of their homelessness. Thirty-one percent (3,411) of the total people counted in the 2005 point-in-time count reported having an alcohol other substance use disorder. Of this number, 90% were single adult individuals.

#### Persons with Dual Diagnosis (Mental Illness and Substance Use Disorder)

People with dual disorders are difficult to outreach and serve because their needs are often so complex. Unable to conform to the rules and structure of generic homeless facilities or mainstream treatment programs, many are more comfortable living on their own in isolated camps or on the streets. Some homeless people who have been dually diagnosed may be well served by a Safe Haven model. This type of facility provides access to shelter and services without the demand of total sobriety for admission expected by most shelters. Residential treatment programs, as well as transitional programs, halfway houses and permanent, affordable rental housing with ongoing supportive services is also needed by this subpopulation of the homeless.

A total of 2,236 homeless people served by the 133 ESG-funded facilities in FY 2003 reported having both a mental illness and a substance use disorder.

#### **Chronically Homeless**

The U.S. Department of Housing and Urban Development defines a "chronically homeless" person as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more, or has had at least four episodes of homelessness in the past three years. as those people who have a disability and have been homeless for at least one year, or experienced four episodes of homelessness in three years. In an effort to maximize federal resources available to local communities in North Carolina, the State's Ten Year Plan to End Homelessness will focus initial efforts on federal priorities regarding people who have experienced chronic homelessness. This will entail improving the access of the chronically homeless to safe, permanent, affordable housing and coordinated support services.

The 2005 point-in-time count identified 1,389 (12%) of the 11,165 individuals counted as chronically homeless. Adult males made up 81% of the people identified as chronically homeless.

#### Persons with HIV/AIDS

Lack of affordable housing is a critical problem facing an ever-increasing number of people living with Acquired Immunodeficiency Syndrome (AIDS) or other illnesses caused by the Human Immunodeficiency Virus (HIV). People with HIV/AIDS may lose their jobs because of discrimination or because of the debilitating effects of the disease and subsequent hospitalizations. They may also find their incomes drained by the high cost of health care, especially medications.

Data from a survey of persons living with HIV/AIDS is currently available. The survey was conducted by AIDS Housing of Washington in conjunction with the creation of the North Carolina HIV/AIDS Plan 2004.

Of the over 600 survey respondents, one-third had experienced homelessness, many for more than one month. If this trend applies to the entire HIV/AIDS population, then of the estimated 28,000 persons living with HIV/AIDS in North Carolina 9,333 would have experienced homelessness at some point.

Some studies indicate that the prevalence of HIV among homeless people can be as high as 20% with some subpopulations having much higher incidences of the disease. Further, it has been estimated that 36% of people with AIDS have been homeless since learning that they had the disease and that up to 50% of people living with HIV/AIDS are expected to need housing assistance of some kind during their lifetimes<sup>32</sup>.

Less than 1% of the homeless people served by the FY 2003 ESG grantees reported HIV/AIDS as the primary cause of their homelessness.

#### Victims of Domestic Violence

Although domestic violence shelters provide necessary and immediate shelter for the victims of domestic violence, such shelter is temporary and in such demand that clients are often allowed to stay no more than 30 - 60days. Women with children are often give priority in admission to domestic violence shelters. However, this results in some battered single women living in general population shelters or on the street and, thus, left even more vulnerable to continued homelessness or to a return to an abusive situation. Lack of affordable housing and transitional housing and impossibly long wait lists for public housing provide few viable choices for most victims of domestic violence.

A total of 8,693 (19%) victims of domestic violence were served by the 133 FY 2004 ESG-funded homeless facilities. Forty-three of the 132 facilities were domestic violence centers. Ten percent (1,143) of the people identified in the 2005 point-in-time count were identified as victims of domestic violence. Of these 304 (27%) were children. Approximately 60% of the reported victims of domestic violence identified by the point-intime count were members of families.

#### Youth

Homeless youth are individuals under the age of 18 who lack parental, foster or institutional care. Causes of youth homelessness include disruptive home situations including physical, emotional and/or sexual abuse, family member addiction or parental neglect and/or strained relationships with parents and/or guardians. Residential instability can also contribute to youth homelessness. A history of foster care can lead to homelessness at an earlier age. Some youth living in foster care

<sup>&</sup>lt;sup>32</sup> Robbins, Greg and Fraser, Nelson. Looking for a Place to Be: A Report on AIDS Housing in America, 1996. Available from AIDS Housing of Washington, 2025 First Ave., Marketplace Towers, Suite 420, Seattle WA 98121-2145; 206/448-5242.

or in institutional or residential settings are released with no housing or income support. Few homeless youth are housed in emergency shelters because of lack of shelter beds for youth or shelter admission policies which do not allow male youth, particularly those 13 years of age and over, to be served. This policy is particularly devastating to families and can cause a family to resist entering the shelter system.

The ESG Program has not collected data to date using a methodology that differentiates between accompanied youth and unsheltered categories. But, FY 2003 ESG grantees reported serving a total of 587 youth who identified themselves as a runaway, a victim of child abuse and neglect or as a juvenile delinquent who had been asked or who decided to leave their home. Seventy-nine homeless youth were counted in the point-intime count on January 26, 2005.

#### Veterans

Veterans comprised 8% (3,614) of the total persons served by FY 2004ESG grantees. Male veterans far outnumbered female veterans served by the ESG-funded homeless facilities. Indeed, 3,462 (96%) of all veterans served were male. Those ages 31-55 were the most represented age group among veterans served. This was true of both male and female veterans.

Of the 1,047 veterans identified by the 2005 point-in-time count, 982 (94%) were male and 65 (6%) were female. Of the total veterans counted, 1012 or 97% were single individuals and 3% (35) were female.

The most effective programs for homeless and at-risk veterans are community-based, vet helping vet programs. These programs feature transitional and permanent supportive housing that supplies the camaraderie of living in a structured, substance-free environment with fellow veterans.

## Elderly

In FY 2004, 2,760 homeless people ages 55 and over were served by ESG-funded facilities. This represents 6% of the total number of homeless people served. Of this number, 2,007 (73%) were single adult males, 619 (22%) were single adult females, 118 (4%) were adult females in families and 16 (1%) were adult males in families. The 2005 point-in-time count did not collect data on the elderly homeless.

The elderly homeless are of poorer health, often lack family support and have little financial resources. Currently there are no shelter facilities in North Carolina that specialize in serving the elderly homeless. Congregate facilities which can provide affordable rents, meal service, medical treatment, transportation, mental health services and benefits counseling are needed to serve this particularly fragile subpopulation of the homeless.

## Persons at Risk for Homelessness

Poverty is the single most common bond among the homeless. Households living in poverty comprise the communities that homeless individuals and families transition out of and back into. Although the analysis of homeless sub-populations is important for the planning and delivery of appropriate services, it is also important to recognize the sheer number of households that are vulnerable to homelessness.

Individuals returning to their communities from various institutional facilities without adequate discharge planning constitute another population at risk of homelessness. For example, in FY 2004, 1,278 (3%) of the homeless people served by ESG-funded facilities cited their release from prison as the primary cause of their homelessness. Upon their release from incarceration, many exoffenders find that their prison record makes it difficult to obtain employment or housing. Sex offenders, in particular, find employment and housing difficult to secure. The point-intime count identified a total of 545 homeless persons who had been discharged from prison. People discharged from substance use disorder treatment programs and/or health care facilities can also face a higher risk of becoming homeless. The 2005 point-in-time count reported that 555 of the homeless people counted had been discharged from treatment programs and 213 had been discharged from health care facilities.

# HOUSING OVERVIEW

# **Topics:**

- Housing Stock
- Housing Market
- Current Housing Needs
- Future Housing Needs
- Additional Housing Needs

# **Highlights:**

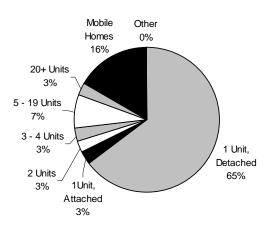
- 391,931 of the units are vacant
- 65% of stock is single family detached units
- Median year of construction for existing stock is 1978
- 37,800 units lack complete kitchen facilities
- 37,100 units lack complete plumbing
- From 1990 to 2000 North Carolina gained:
  - o 174,725 new renter households
  - o 493,603 new owner households
- During the same period, housing costs increased:
  - 8.8% for renters
  - o 14% for homeowners
- 22.9% of owner households and 37.4% of renter households had a housing problem at the time of the 2000 census
- Extremely Low-Income, Very Low Income and Low-Income, owners and renters are much more likely to have housing problems
- Minorities are more likely to have housing problems
- 12% of Population is elderly From 1990 to 2000 North Carolina gained:
  - o 174,725 new renter households
  - o 493,603 new owner households
- During the same period, housing costs increased:
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- Extremely Low-Income, Very Low Income and Low-Income, owners and renters are much more likely to have housing problems

As of the 2000 Census, North Carolina had over 3.5 million housing units (3,132,013 occupied and 391,931 vacant housing units). Owner-occupied housing made up 69.4% of all occupied housing units. From 1990 to 2000, North Carolina's housing stock increased by 25%--the fifth highest in the nation. North Carolina added the fourth highest number of housing units in the nation (705,751) behind only Florida, Texas, and California.

# **Type of Unit**

Sixty-five percent of North Carolina's housing units are in one-unit, detached structures (single-family homes) (Figure N.5.01). North Carolina ranks 15<sup>th</sup> in the nation in the percent of renter-occupied units that are in one-unit detached structures (35) but the 36<sup>th</sup> in the percent of owner-occupied units that are (79%).

Figure N.5.01: More than 80% of North Carolina's housing stock is single-family homes and mobile home.



Sixteen percent of North Carolina's housing stock is mobile homes (17% of owneroccupied stock, 14% of renter-occupied stock, and 14% of vacant stock). From 1990 to 2000, North Carolina's mobile home stock increased by 155,859 units or 37%. This was the second highest increase in the nation in number (behind Texas) and the seventh highest percent increase.

Within the state, the distribution of different types of housing varies. For both owneroccupied and renter-occupied housing, oneunit, detached structures and mobile homes make up a larger part of the stock in the Eastern and Western Regions. The Central region has a higher percentage of multi-unit structures.

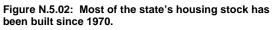
The percent of a county's housing stock that is mobile homes varies widely, from 37% in Robeson and Greene Counties to 2% in Mecklenburg and Durham Counties.

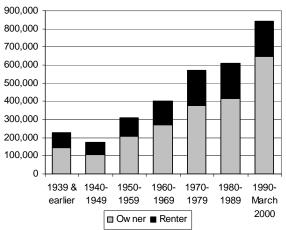
It is estimated that between 51% and 53% of mobile home residents (or 253,000 to 264,000 households) rent part of their housing. If the state's homeownership rate of 69.4% were calculated just for those households that own both their housing unit and their land, the rate could be as low as 65%. This is slightly higher than the 1990 rate when calculated with just those households that own both their unit and land (64%).

#### Age

The age of housing stock is used as an indicator of the condition of housing, as well as the level of recent development in an area.

The median year of construction for North Carolina's housing stock is 1978. Sixty-one percent of the state's rental housing stock was built after 1970 and 66% of the state's owner-occupied stock was (Figure N.5.02). Twenty-seven percent of North Carolina's housing stock was built in the 1990s. Twenty percent of the rental stock was built in the 1990s and 30% of owner-occupied stock was.





# Condition

Housing condition is difficult to analyze at the state level. The US Census provides few indicators of housing condition; only the conditions of kitchen facilities and plumbing facilities are reported, and those questions are among those with the least reliable responses. The American Housing Survey gives more detailed information on housing condition, but does not make the data readily available at the state-level. This report will summarize the available Census data and provide estimates of the American Housing Survey data for North Carolina.

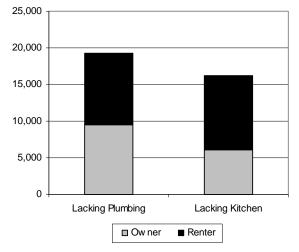
## **Kitchen and Plumbing Facilities**

As of the 2000 Census, North Carolina had 37,754 total units lacking complete kitchen facilities and 37,118 total units lacking complete plumbing facilities. Unfortunately, the Census does not provide data on how many units lack both complete plumbing and kitchen facilities; however, it is likely that some units lack both plumbing and kitchen facilities.

A large percentage of units lacking kitchen and plumbing facilities are vacant units. Forty-eight percent of units lacking complete plumbing facilities and 57% of units lacking complete kitchen facilities were vacant.

Of the occupied units lacking complete kitchens (16,202) and complete plumbing (19,295), most are renter-occupied.

Figure N.5.03: Most occupied units lacking complete plumbing or kitchen facilities are occupied by renters.



#### **American Housing Survey**

The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data readily available a the state-level.

This report estimates the number of North Carolina's renter- and owner-occupied housing units with each type of moderate and severe housing problem. The estimates are based on the assumption that North Carolina's housing units have condition problems in exactly the same proportion as does the nation's housing stock. The American Housing Survey classifies condition problems as either severe or moderate.

In total, North Carolina is estimated to have 104,000 renter-occupied housing units with moderate or severe problems and 89,000 owner-occupied units with a moderate or severe problem (Figure N.5.04). Similarly to the Census data on plumbing and kitchen

facilities, renter-occupied housing units are disproportionately affected by housing problems.

Figure N.5.04: Renter-occupied housing units are	
disproportionately affected by housing problems.	

disproportionatory anected by nousing problems.						
	Severe F	roblems	Moderate	Problems		
	Renters	Owners	Renters	Owners		
Plumbing	19,931	20,137	4,686	2,885		
Heating	11,095	6,642	14,850	29,665		
Electric	621	1,683				
Upkeep	2,315	872	21,710	20,558		
Hallways	198	-	2,625	180		
Kitchen			31,506	9,798		
Total	33 256	28 493	71.368	60.382		

Source: American Housing Survey, 2001.

Notes: (1) In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.

(2) A more detailed breakout of specific housing condition problems can be found in Appendix C.

# **Housing Market**

## **Highlights:**

- From 1990 to 2000 North Carolina gained:
   0 174,725 new renter households
   0 493,603 new owner households
- During the same period, housing costs increased:
  - 08.8% for renters
  - 0 14% for homeowners

#### **Household Growth**

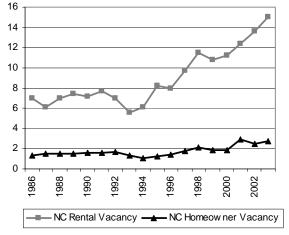
From 1990 to 2000, North Carolina gained 174,725 renter households (a gain of 22%) and 493,603 owner households (a gain of 25%). North Carolina's renter household growth outpaced rental unit growth by 4 percentage points; in contrast, its owner stock growth outpaced owner household growth by 2 percentage points.

Of renter household populations, the highest rate of growth was seen in households earning between 30% and 50% of median family income (25%). Of owner household populations, the highest rate of growth was seen in households between 50% and 80% of median family income (28%).

#### Vacancies

Of the nearly 400,000 vacant units in North Carolina, almost 24% (94,000 units) were vacant for rent and more than 13% (52,000) were vacant for sale.<sup>33</sup> In recent years North Carolina's rental vacancy rate has been growing faster than the national vacancy rate. The owner vacancy rate has showed both periods of decline and increase since the mid-1990s, but generally has increase much faster than the national vacancy rate (Figure N.5.05).<sup>34</sup>

Figure N.5.05: Rental vacancy rates far outstrip owner vacancy rates, and are increasing rapidly.



Source: Housing Vacancy Survey

More than 16% of the vacant units reported in the Census (nearly 64,000 units) are vacant for "other" (not for rent, not for sale) reasons. There are a variety of reasons a unit could be in this category, including being too deteriorated to remain occupied, temporarily unoccupied because of legal concerns, vacant family property, property of absentee owners, and many other reasons.

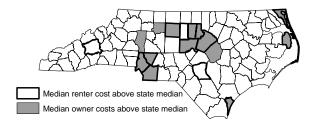
#### Costs

Approximately 72% of the units for sale are in metro counties, and 7% are in rural counties. Housing costs are most expensive, for both renters and owners, in metropolitan regions (Figure N.5.06). Of the units that are priced below \$100,000, 62% are in the metro counties, and 10% are in rural counties.

<sup>&</sup>lt;sup>33</sup> 2000 Census

<sup>&</sup>lt;sup>34</sup> Housing Vacancy Survey

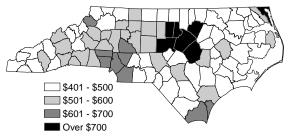
Figure N.5.06: In certain counties, both renter and owner costs (for owners with mortgages) are higher than the state median.



Both renter and owner costs have been increasing in the last decade, even after adjustment for inflation. Between 1990 and 2000 median gross rent in North Carolina increased by 8.8% - far surpassing the rest of the Region (which only had an increase of 2.5% in real dollars). Over the same time period, the median owner housing costs for households with mortgages increased by 14% in real dollars (more than the national increase of 12%). The median costs for households without a mortgage increased, but less than the nation as a whole (5% in inflation-adjusted dollars, compared to 7% for the nation).

According to Home Mortgage Disclosure Act (HMDA) data, sales prices appreciated by 21.4% over the 5-year period from 1998 to 2003.<sup>35</sup> Information from the National Association of Home Builders, the North Carolina Association of Realtors, the Census, and HMDA give slightly different pictures of sales prices, but they paint a very clear picture that home prices in North Carolina have increased dramatically in recent years. The incomes necessary to afford a unit at North Carolina's FMR<sup>36</sup> (without paying more than 30% of the household's income) range from \$17,763 for an efficiency or studio to \$36,834 for a four-bedroom unit According to the 2003 FMR calculations, rents in the Triangle region of the state are the most expensive (Figure N.5.07).





#### **Development Costs**

Development of multi-family housing (which accounts for almost half of all rental housing in North Carolina) has become more expensive per unit, in inflation adjusted dollars, since the 1980s. The same is true of development costs for singlefamily units. In 2004 dollars, rental development in 2003 cost \$62,900 per unit and single-family development cost \$146,500 per unit. Multi-family development costs have increased by 36% in real dollars since 1980, and single-family costs have increased by 66% (FigureN.5.08).

<sup>&</sup>lt;sup>35</sup> This is HMDA data from the Office of Federal Housing Enterprise Oversight, from the March 1, 2004 press release. This data was compiled using the sales prices for individual units that sold multiple times in a given period. This is not in real dollars.

<sup>&</sup>lt;sup>36</sup> Fair Market Rent, a rent level set by HUD that is meant to depict the rent for a less-than-average but not substandard quality unit in a market.

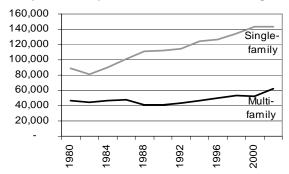


Figure N.5.08: Both multi-family and single-family development costs per unit show trend of increasing.

Source: Census data, based on the construction value from building permits.

The sales prices for HUD-code manufactured housing indicate that development costs of manufactured housing have also increased slightly over time; since 1995, the sales price for singlewide units has increased 2% in real dollars, and the price for doublewide units has increased only 8%. (These increases in sales prices are much smaller than the increase in development costs for single-family and multi-family housing over this time.)

#### **Trends and Projections**

HMDA data indicate that, of the MSA areas in North Carolina, households are applying

for loans in the Triad, the Triangle, and the Charlotte area (Figure N.5.09).

Figure N.5.09: 62% of all loan applications in MSAs are in the Charlotte-Gastonia-Rock Hill, Triad, and Triangle MSAs.

	loan applications
MSAs	in 2003
Asheville	6,289
Charlotte-Gastonia-Rock Hill	48,496
Fayetteville	4,348
Goldsboro	1,905
Triad	27,738
Greenville	3,369
Hickory-Morganton-Lenoir	6,220
Jacksonville	2,632
Triangle	34,602
Rocky Mount	2,261
Wilmington	9,351
Source: HMDA data	

Typically, as mortgage interest rates decrease, as they have been doing in recent years, the rental vacancy rates rise. This is because low interest rates make households better able to become homeowners, and many of those renters who are able, purchase homes. This has been the case in North Carolina; the homeownership rate has increased and the rental market has softened. Because interest rates tend to be cyclical, the state can expect that the rates will rise in the future, which will lead to a tightening of the rental market once again.

## **Current Housing Needs**

#### Highlights:

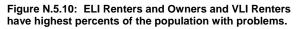
- 22.9% of owner households and 37.4% of renter households had a housing problem at the time of the 2000 census
- Extremely Low-Income, Very Low Income and Low-Income, owners and renters are much more likely to have housing problems
- Minorities are more likely to have housing problems

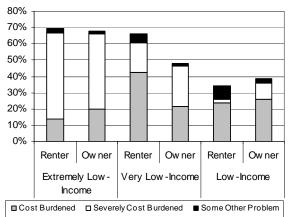
According to the 2000 Census, 497,000 owner households (22.9% of the state's owner households) and nearly 359,000 renter households (37.4% of the state's renter households) have a housing problem. A housing problem is defined as having one or more of the following problems: being cost burdened (or paying more than 30% of income for housing costs), being overcrowded (having more than one person per room), or being without complete kitchen or plumbing facilities. Fully 460,500 owner households and 302,000 renter households are cost burdened.

#### Income

Low-income households make up a disproportionate number of households with a housing problem. Low- income owners comprise 32% of all owners, but 67% of all owners with problems. Low-income renters comprise 61% of all renters, but 90% of all renters with problems.

The populations in which the highest percent of the households have housing problems are, in this order, extremely low-income renters, extremely low-income owners, and very low-income renters (Figure N.5.10).



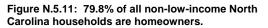


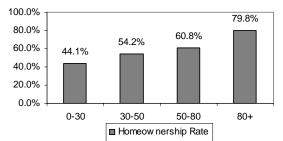
Source: 2000 Census

Over 53% of all ELI renter households (110,000 households) and 47% of all ELI owner households (77,000 households) are severely cost burdened; this means they pay more than half of their income for housing. Nearly as large a percentage of VLI renters have housing problems as ELI renters and owners, but a smaller percentage are severely cost burdened; the majority of the households in this category are moderately cost burdened (paying between 30% and 50% of their income for housing). The other renter and owner categories also have large numbers of households with problems, but much smaller percentages of each population have problems.

According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41% of North Carolina's renter households (over 393,000 households) were unable to afford a two-bedroom apartment at the Fair Market Rent in 2003. A household would need to earn \$11.61 per hour in order to afford a two-bedroom apartment at FMR. This is a higher wage than the average starting salary for firefighters, police officers, and preschool teachers in North Carolina. Low-income households also have difficulty purchasing homes in North Carolina, in large part because of their low incomes. Homeownership is affordable if the household can pay the costs associated with being a homeowner (mortgage, taxes, insurance, utilities, etc.) without using more than 30% of the household's income. Because underwriting criteria vary, some lenders will allow households to borrow money spending slightly larger percents of the household income on housing, but even with these standards many low-income households are unable to purchase homes. Low-income households are less able than moderate-income households to save sizeable down payments.

While 69.4% of all North Carolina households are homeowners, only 54.1% of all low-income households are homeowners (Figure N.5.11). Low-income households have more difficulty than other households saving down payments to buy homes, paying the expenses of homeownership without spending more than 30% of their income on housing, and many of them have credit histories that disqualify them from affordable interest rates.

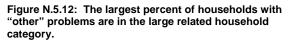


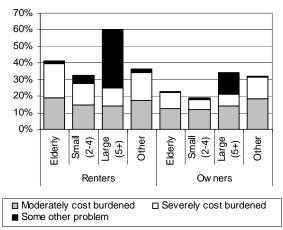


#### **Household Type**

The Census provides limited information on housing problems for the following household types: 1- or 2-person households in which at least one member is elderly, 2to 4-person households in which no one is elderly and the household members are

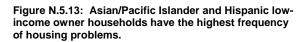
related, 5-person or larger households in which the members are related, and all other households. Of those categories, the category in which the largest percent of the population has housing problems is largerelated households. Nearly 43% (106,400 households) of large-related households have housing problems; this is 60% of large related renter households and 34% of large related owner households (Figure N.5.12). Large-related households also have different types of housing problems. While these types of households are cost burdened at a rate similar to that of other types of households, their rate of non-cost-related housing problems is 30 percentage points higher than that of the next highest household for renters and more than 12 percentage points higher for owners.

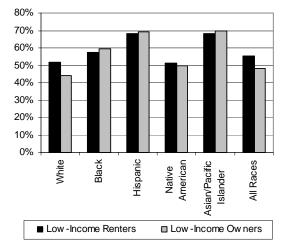




### Race

Households of different races/ethnicities have housing problems with differing frequencies. Hispanic renters have the highest frequency of housing problems overall (59%). However, when only looking at low-income households, Asian/Pacific Islander and Hispanic owner households have the highest frequency of housing problems (Figure N.5.13). When looking all low-income households, renters have a higher rate of problems than do owners; but for Black, Hispanic, and Asian/Pacific Islander low-income households, owners have a higher rate of problems.

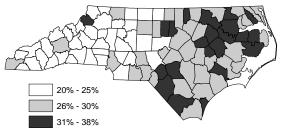




#### Location

When looking at HUD-defined housing problems, counties in the East had a higher percent of households with a housing problem (Figure N.5.14). Hoke County had the highest percent (38%) and Yancey and Transylvania Counties had the lowest percent (20%).

# Figure N.5.14: Eastern counties have higher percentages of households with HUD-defined housing problems.



However, urban counties had the highest percentage low-income renter households with housing problems. Orange, Watauga, and New Hanover counties have the highest percent of low-income renter households with a housing problem (70%, 67%, and 66% respectively). Stokes, Alleghany, and Yadkin counties had the lowest percent (37%, 37%, and 36% respectively).

It is important to point out that HUDdefined housing problems are mostly driven by cost burdening. Condition of housing is only measured as a problem if the unit is reported to lack complete kitchen or plumbing facilities. In the Regional Housing Needs meetings, participants in rural counties (those least likely to have cost burdening) repeatedly cited condition problems in their rental stock affordable to low-income households. Some mentioned that poor quality mobile homes were the main source of "affordable housing".

### Stock

As stated earlier, condition data is not widely available for North Carolina. According to estimates using the American Housing Survey Data, there are an estimated 71,368 rental housing units and 60,400 owner-occupied housing units with moderate condition problems. Additionally, there are an estimated 33,256 rental units and 28,500 owner-occupied units with severe condition problems.

As of the 2000 Census, there were 37,754 total units lacking complete kitchen facilities and 37,118 total units lacking complete plumbing facilities. A large percentage of units lacking kitchen and plumbing facilities are vacant units. Forty-eight percent of units lacking complete plumbing facilities and 57% of units lacking complete kitchen facilities were vacant. Of the occupied units lacking complete kitchens (16,202) and complete plumbing (19,295), most are renter-occupied.

In the Regional Housing Needs meetings held across the state, participants in nearly every meeting mentioned that the condition of housing stock was a problem.

## Additional Housing Needs

### **Highlights:**

- 12% of Population is elderly
- 21.1% of North Carolinians have some kind of disabling condition
- Estimated 22,500 North Carolinians living with HIV/AIDS
- 813 units in North Carolina that require lead base paint remediation or where remediation has been recommended

There are several groups, due to disability, age, or other special circumstances, have distinct housing needs.

## Elderly

The elderly population is the fastest growing age group in North Carolina. In 2000 there were 969,048 people age 65 and older living in North Carolina, making up 12% of the state's residents. In the coming years this percentage will increase dramatically as the baby boomers age and enter retirement. In 83 of the state's 100 counties, the rate of increase among those 65 and older (22%) is expected to exceed the growth of the total population (18%) between 2000 and 2010. 13.2% of persons over 65 are living below the poverty level.

Fully 41% (53,000) of all elderly rental households have housing problems, and 23% (128,400) of all elderly owner households have problems. There were 558,500 one and two-person elderly homeowners in 2000, and 52% of them (290,900) were low-income. Of the elderly one and two-person owner households with problems, 84% were low-income; this is 106,000 elderly households. Ninety-eight percent of those households (fully 104,100 households) pay more than 30% of their income for housing.

Additionally, elderly households frequently have low, fixed incomes. When an elderly household of one person receives only SSI, the monthly income is \$579 per month. Considering HUD guidelines that a low income person should spend no more than 30% of their income for housing costs (rent plus utilities) or in this case \$167 per month, there are no rental markets in the state where this person can afford to rent even the most modest one bedroom apartment without rental assistance.

Both elderly homeowners and elderly renters express a strong preference for remaining in their homes as they age. There are 199,100 one and two-person elderly households in North Carolina that have some mobility or self-care limitation, according to the Census. More than half of them have one household member older than 75 years old, and are considered frail elderly households. Many seniors with mobility and self-care limitations can live independently with appropriate support services. While this is a cost effective alternative to institutionalization, the NC Division of Aging and Adult Services reports waiting lists for a full range of in-home and community based services.

## Persons with Disabilities

Disability impacts individuals across population categories without regard for age, race, ethnicity or sex. A 2001 US Department of Housing and Urban Development (HUD) report found that 25% of households with "worst case housing needs" are persons with disabilities and that persons with disabilities were the only group eligible for federal housing assistance whose housing needs had increased in the 1990s, a decade of economic growth. This situation has worsened in subsequent years of economic downturn.

According to the 2000 census, 21.1% of North Carolinians have some kind of disabling condition. The Social Security Administration reports that in 2003, 319,858 of these individuals between the ages of 18 and 64 had qualified for Social Security benefits because their disability was so severe that they were unable to work. Contrary to the perception of many, these benefits are not adequate to cover living expenses. Over 200,000 disabled workers, individuals with a work history that became disabled, receive Social Security Disability Income (SSDI) with an average payment of \$813 a month. One hundred seven thousand two hundred thirty-three non-elderly individuals in North Carolina with disabilities and no work history receive Supplemental Security Income (SSI) of only \$579 a month.

For many persons with disabilities, income, and not disability, is the operative barrier to securing safe, decent affordable housing in their communities. According to Priced Out in 2002 and analysis of rental costs done by the Technical Assistance Collaborative, between 2000 and 2002, rental housing costs rose at twice the rate of SSI cost of living adjustments, and in some metro areas, as much as six times. Using HUD guidelines that a low income person should spend no more than 30% of their income for their housing, there is no rental market in the state where a persons living on SSDI or SSI can afford to rent even the most modest one bedroom apartment. It is not surprising that persons with disabilities are disproportionately represented among the homeless. The National Institute on

Disability and Rehabilitation estimates that nearly half (46%) of the nation's homeless are individuals or households headed by an adult with a disability or chronic health condition.

Supportive housing, independent housing units where residents have access to adequate and flexible support services tailored to their individual needs, is a housing model that can meet the needs of individuals across disability categories. While the support service needs of the individual will vary according to the type and severity of their disability, the need for affordable and accessible housing units is common across all disability categories.

At this time there is no cumulative data on the number of persons with disabilities in need of supportive housing in North Carolina. The North Carolina Department of Health and Human Services (DHHS) is the public agency charged with providing publicly funded services for persons with disabilities in the state. Across DHHS service agencies the lack of supportive housing options compromises the effectiveness of treatment and rehabilitative services and leaves many of our most vulnerable citizens caught in a cycle of instability that only exacerbates the challenges of living with a serious disability or long term illness.

According to *State Plan 2004: Blue Print for Change* (North Carolina's plan for mental health, developmental disabilities and substance abuse services) there are 99,000 persons with severe and persistent mental illness in North Carolina. The most conservative estimates from the National Institute of Mental Health indicate that 10% or nearly 10,000 of these individuals are in need of supportive housing. 755 of the 12,576 admissions to the state psychiatric

hospitals in 2004 were homeless upon admission. 628 of these were discharged back into homelessness, primarily because there were not appropriate and affordable supportive housing options available. As of July 2002, of the approximately 130,810 people in North Carolina with developmental disabilities, there were 4,069 adults waiting for services in North Carolina, many of these are also in need of supportive housing. Almost 10,000 adults with developmental disabilities are currently living in the community with aging parents and care givers. In the near future many of these will need both housing and service supports.

According to *State Plan 2004: Blue Print for Change* 784,000 adult North Carolinians are in need of substance abuse services, with an estimated 2,600 who are homeless. The Department of Correction reports that of the approximately 25,000 persons released from prison each year, 60% have a substance abuse problem and 10-13% have a mental illness. Without access to stable housing and treatment services, many of these individuals are at high risk for returning to prison.

The Division of Services for the Blind (DSB) served 14,571 individuals in 2004. A survey of DSB social workers indicated that just over 20% of these, or 3,125 individuals, would immediately benefit from access to affordable and accessible housing. The Division of Vocational Rehabilitation serves persons with disabilities seeking to re-enter the work force. Of the 26,645 person served in 2004, 1,506 had affordable and accessible housing identified as a needed element in their rehabilitation plan.

The lack of affordable supportive housing options has costs beyond the loss of human potential. Without stable housing,

individuals and families are at higher risk for needing more expensive crisis and emergency services. It also costs the state through our dependence upon more costly institutional care. A 2000 study commissioned by the Office of the State Auditor found that "many of the individuals currently residing in North Carolina's four state [psychiatric] hospitals, in all levels of care, could be treated in community-based services if such services were available." This same report found that North Carolina serves a greater proportion of people with developmental disabilities in large stateoperated residential centers than does other states, concluding that North Carolina has a higher rate of institutionalization than peer states. "At 32.3 beds per 100,000 persons in the general population, the bed capacity is 23 percent higher than the average in the peer group of comparable states. North Carolina's rate of adult admissions, at 243 per 100,000, is second highest among peer group states."

In addition, according to the Division of Facility Services, as of September 2004 nearly 4200 non-elderly adults with a mental illness or developmental disability reside in Adult Care Homes supported by State and County Special Assistance. Many of these individuals could live successfully in the community with support. However, some of those who want to live independently are unable to do so. This is because of a shortage of appropriate residential options in the community that are, affordable to persons living on SSI.

North Carolina's dependence upon institutional care is even more troubling in light of the 1999 United States Supreme Court decision *Olmstead v. L.C..* In this landmark case interpreting the Americans with Disabilities Act, the court found that the unnecessary segregation of individuals with disabilities in institutions may constitute discrimination based on disability. North Carolina's current mental health reform effort is designed to build the capacity of community based services to meet the needs of persons with Mental Health/Developmental Disabilities in the community, but meeting the state's responsibilities under *Olmstead* and realizing the vision of the mental health reform will require significant increases in the number of supported housing units across the state.

#### **HIV/AIDS**

The total number of persons living with HIV/AIDS and reported to the HIV/STD Prevention and Care Branch is17,960. Based on CDC's formula for estimating prevalence (two-thirds to three-fourths of the persons living with HIV/AIDS have been tested and know their status), North Carolina's current surveillance total of 17,960persons would indicate an estimated 28,000 persons living with HIV or AIDS in the state of North Carolina.

Data from a housing survey of persons living with HIV/AIDS is currently available. Of the over 600 persons responding to this survey, 80% reported at least one challenge that made their daily lives difficult. The median income of the survey respondents was only 75% of the U.S. poverty threshold (only 18% of the median family income for a one-person household in North Carolina). Half of the survey respondents were paying more than 55% of their income for housing. This is similar to the cost burdening rate for other extremely low-income households. More than half of respondents were renters. Fifteen percent owned their own home (which, according to focus groups are most typically mobile homes) and 12% were staying with friends or family indefinitely.

Persons with HIV/AIDS tend to have extremely low incomes. In order for them to be housed adequately and affordably, rent assistance or operating support is needed in addition to any development financing or grants made available.

#### **Elevated Blood Lead Levels**

Though lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950, thus pre-1950 housing is often used as an indicator of housing containing lead-based paint. Of the housing stock in North Carolina, 12% of the owner-occupied stock (253,000 housing units) and 15% of the rental stock (144,753 housing units) was built prior to 1950.

In 2000 there were 437,266 households that had children ages 6 or younger. This means there is a need for a minimum of 437,266 lead-safe housing units.

According to the NC Department of Environment and Natural Resources' North Carolina Childhood Lead Poisoning Prevention Program, there are currently 337 housing units that require remediation by law (blood lead levels  $\leq 20\mu g/Dl$ ). This included 63 owner-occupied units, 267 rental units, and 7 units with tenure unknown. In addition, there are 476 housing units for which remediation is recommended (blood lead levels  $\leq 10\mu g/Dl$ ). This included 124 owner-occupied units, 337 rental units, and 15 units with tenure unknown.

## **Future Housing Needs**

Identifying current and future housing needs is difficult because most of the data on housing needs cited in this report was collected in the late 1990s, at the peak of an expanding economy. Since then, North Carolina has experienced increasing unemployment and an economy shifting from the manufacturing sector to the service sector, with a resulting loss of income for many.

At the same time, it has also seen a softening of many rental markets and a lowering of home mortgage interest rates statewide. Because of this, more households have been able to become home buyers. Also since the late 1990s foreclosures have been increasing across the state.

According to *The State of the Nation's Housing*, by the Joint Center for Housing Studies of Harvard University, "The scope of future gains and losses will depend on what direction job and income growth takes. In the meantime, risks in the system remain relatively contained. Most worrisome are the many homeowners with scant savings who are spending half or more of their incomes on housing, along with the growing share of sub prime borrowers who are by definition more likely to default. If the recovery stalls, theses owners will be at a substantially higher risk of losing their homes."

Rental housing has also become more affordable for many, as apartment complexes have had to lower rents. However, complexes can only lower their rents so far before they begin to lose money and most extremely low-income renters cannot afford even the lowered rents. According to *The State of the Nation's*  *Housing*, "even at current levels housing assistance programs reach only a small fraction of the lowest-income households who are in desperate need." Pressure to cut federal rent assistance for extremely lowincome households and to eliminate the federal HOPE VI public housing funding is mounting.

Rental demand could surge if interest rates rise. Independent of the economy, the age distribution of the US population will soon start to favor rental markets. The foreignborn population continues to increase the number of young adults and the children of baby-boomers will soon be able to form their own households. Because both young adults and the foreign born are more likely to be renters, these trends point to a strengthening of rental markets over time. With North Carolina's age and racial/ethnic trends mirroring the nation, this is likely to be the case in North Carolina as well. While strong rental markets are certainly good news for landlords and rental investors, it makes rental housing more expensive and thus less affordable.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable rental housing, and rehabilitation and/or preservation of existing affordable housing. Without increased availability of funding for rent assistance, it is unlikely that the state's current resources will be able to meet the state's biggest rental housing needs.

## **RENTAL HOUSING**

#### **Topics:**

- Housing Stock
- Housing Market
- Subsidized Housing
- Current Housing Needs
- Future Housing Needs
- Additional Housing Needs

### **Highlights:**

- 35% are single unit detached
- 51% are two or more units attached
- 14% are mobile homes
- Median year of construction was 1975
- 20% of stock built during the 1990s
- 10,000 units lack complete kitchen facilities
- 9,800 units lack complete plumbing
- Vacancy rate of close to 15% in 2003
- Median gross rent in 2000 was \$548.
- Median gross rent was highest in Wake County \$727
- Median gross rent was lowest in Graham County \$319
- Total subsidized, permanent rental housing units in North Carolina is about 120,000 units
- To serve those at below 30% of the area median income, properties need ongoing operating subsidies
- 37.4% of renters had a housing problem in 2000
- In 2003 41% of North Carolina renter households could not afford a two-bedroom apartment at the fair market rent

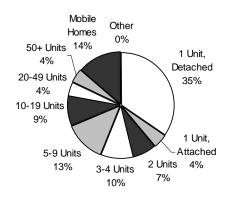
## **Housing Stock**

As of the 2000 Census, North Carolina had over one million rental housing units (959,743 renter-occupied housing units and 93,913 vacant housing units available for rent). Rental housing makes up 30% of North Carolina's 3.5 million housing units. From 1990 to 2000, North Carolina's rental housing stock increased by over 160,000 units or 18%. This was the fourth highest increase in the nation in both percent increase (behind Nevada, Idaho, and Oregon) and amount increase (behind California, Texas, and Florida).

Within North Carolina, Mecklenburg and Wake Counties had the largest increase in the amount of rental housing (24,044 and 20,133 housing units respectively). Hoke County saw the highest percent increase in the number of rental housing units (56% or 1,128 units). Nine counties had a drop in the rental housing stock (Camden, Carteret, Currituck, Dare, Edgecombe, Graham, Hyde, Lenoir, and Martin); however, only Lenoir, Martin, and Edgecombe counties had a drop in the number of renter-occupied housing units.

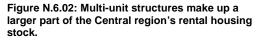
## **Type of Unit**

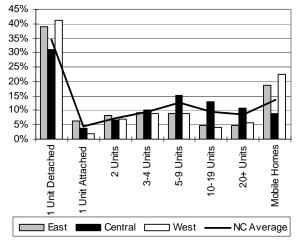
Thirty-five percent of North Carolina's rental housing units are in one-unit, detached structures (single-family homes) (Figure N.6.01). North Carolina ranks fifteenth in the nation in the percent of rental units that are one-unit, detached structures, and second in the region (behind West Virginia). Figure N.6.01: Almost half of North Carolina's rental housing is mobile homes and single-family homes.



Fourteen percent of the state's rental stock is mobile homes. North Carolina has the most rental mobile homes (130,141) of any state in the nation. Only South Carolina and West Virginia have higher percentages of the rental stock comprised of mobile homes.

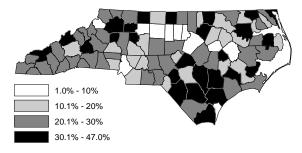
Within the state, the distribution of the different types of rental housing varies (Figure N.6.02). One-unit, detached structures and mobile homes make up a larger part of the rental stock in both the East and the West regions. The Central region has a much higher percentage of multi-unit structures.





The percent of a county's rental stock that is mobile homes varies widely, from 1% in Durham County to 47% in Brunswick County (Figure N.6.03). While the metropolitan counties in the state have more rental mobile homes than the micropolitan and rural counties combined, mobile homes make up only 10% of the metropolitan counties' rental housing stock. In the micropolitan and rural counties, mobile homes make up 21% and 27% of the rental housing stock.<sup>37</sup>





#### Age

The age of housing stock is used as an indicator of the condition of housing, as well as the level of recent development in an area.

The median year that North Carolina's rental housing stock was built is 1975. Sixty-one percent of the state's rental housing stock was built after 1970 (Figure N.6.04).

<sup>&</sup>lt;sup>37</sup> See Appendix H for definitions of metropolitan, micropolitan, and rural, and Appendix A for a map indicating which counties are in each category.

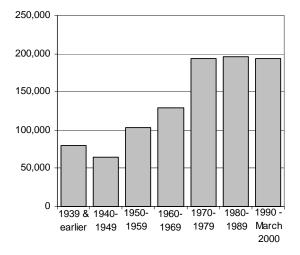
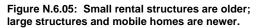


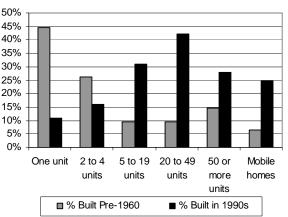
Figure N.6.04: Most of North Carolina's rental housing stock has been built since 1970.

Twenty percent of North Carolina's housing stock was built in the 1990s. Nationally, only four states have a higher percentage (Nevada, Oregon, Arizona, and Georgia). Regionally, only Georgia has a higher percentage. North Carolina also ranks fifth nationally in the number of rental housing units built in the 1990s (behind California, Texas, Florida, and Georgia).

Twenty-six percent of North Carolina's rental housing stock (or 247,781 units) was built before 1960. North Carolina ranks fourteenth in the nation and second in the region (behind Florida) in the *number* of rental housing units built before 1960. However, the state is ranked thirty-ninth in the nation and fifth of the eight state region in the *percent* of the rental housing stock built before 1960.

While North Carolina has a relatively new rental housing stock compared to the rest of the nation, the age of rental housing by county varies widely. The median year built ranges from 1986 in Hoke County to 1965 in Camden County. The age of the different types of rental units is also not uniform. Rental units in structures of less than four units had a much higher percentage of housing units built before 1960 (39%) than the rest of the rental housing stock (9%). Singlefamily units had an even higher percentage of housing units built before 1960 (44%). Mobile homes had the lowest percentage built before 1960 (7%).





#### Condition

Housing condition is difficult to evaluate at the state level. The United States Census provides few indicators of housing condition; only the conditions of kitchen facilities and plumbing facilities are reported. Those are also some of the least reliable data provided by the Census. The American Housing Survey gives more detailed information on housing condition, but does not make the data available at the state-level. This report will summarized the available Census data, and provide estimates of the American Housing Survey data for North Carolina.

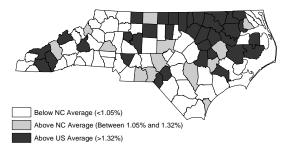
#### **Kitchen Facilities**

As of the 2000 Census 10,092 North Carolina households lived in rental

housing units lacking complete kitchen facilities. This represents 1.05% of the state's occupied rental housing stock, and is below the national percentage of 1.32%. North Carolina ranks twelfth in the number, but the 39<sup>th</sup> in percent, of rental units lacking complete kitchens in the nation.

Although North Carolina as a whole has a smaller percentage of rental housing units lacking complete kitchen facilities than does the nation, many of North Carolina's counties have a rate higher than that of the nation (Figure N.6.06). Percentages range from a high of 3.9% in Caswell County to 0% in Camden, Currituck, and Washington Counties. In all, thirty-five counties have higher percentages of rental units lacking complete plumbing than the national average. Most of those counties (18) are in the East.

Figure N.6.06: North Carolina's northeastern counties have the highest percent of rental housing lacking complete kitchen facilities.



Although the East has a higher incidence of rental housing units lacking complete kitchens than the national average; the rural, central region of North Carolina has the highest percentage of units lacking complete kitchens, of the geographic/metropolitan regions of the state (Figure N.6.07). Of the four counties in the rural, central part of the state (Caswell, Granville, Montgomery, and Warren), both Caswell and Warren have above 3% of units with this deficiency.

Figure N.6.07: The rural, central region of North Carolina has the highest percentage of rental units lacking complete kitchens.

	East	Central	West	NC
Metro	0.95%	1.05%	0.79%	1.00%
Micro	1.31%	1.00%	0.81%	1.11%
Rural	1.48%	2.40%	0.98%	1.44%
NC	1.12%	1.07%	0.83%	1.05%

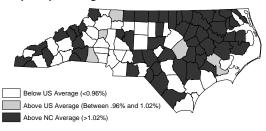
In general, rural counties have a higher percentage of rental units lacking complete kitchens than do metropolitan or micropolitan counties; and micropolitan counties have a higher percent than do metropolitan counties. However, there are two exceptions. Western rural counties have a lower percentage than metro, micro, or rural Central region counties and a lower percentage than micropolitan Eastern counties. Also, in the Central region metropolitan counties have a higher percentage of rental housing units lacking complete kitchens than do micropolitan counties. This is due to Orange, Person, Franklin, and Stokes counties; all of which have percentages of 2% or above. Orange County actually has one of the highest rates in the state at 3.4%.

#### **Plumbing Facilities**

As of the 2000 Census 9,811 North Carolina households lived in rental housing units lacking complete plumbing facilities. This represents 1.02% of the state's occupied rental housing stock, and is above the national percentage of .96%. North Carolina has the ninth highest number and the twelfth highest percent of rental units lacking complete kitchens in the nation. It has the third highest percent in the region (behind West Virginia and Virginia), and the second highest number of rental units lacking complete plumbing facilities (behind Florida).

Fifty-five of North Carolina's counties have a percentage of rental units lacking complete plumbing facilities above that of North Carolina as a whole (Figure N.6.08). Most of those counties (28) are in the East. Forty counties have a percentage below the national percentage of .96%. Percentages range from a high of 5.20% in Northampton County to 0% in Alleghany, Currituck, and Transylvania Counties.

Figure N.6.08: North Carolina's eastern counties have the highest percent of rental housing lacking complete plumbing facilities.



Although the East has more counties with percentages of rental housing units lacking complete plumbing higher than the state average; the rural, central region of North Carolina has the highest percentage of the geographic/metropolitan regions of the state (Figure N.6.09). All four counties in the rural, central part of the state have percentages above the state average. Caswell, Granville, and Warren Counties have percentages above 4% (4.1%, 4.8%, and 5.7% respectively). Figure N.6.09: The rural, central region of North Carolina has the highest percentage of rental units lacking complete plumbing.

	East	Central	West	NC
Metro	1.13%	0.79%	0.54%	0.84%
Micro	1.65%	1.01%	0.86%	1.27%
Rural	2.29%	4.10%	1.43%	2.27%
NC	1.43%	0.88%	0.78%	1.02%

**American Housing Survey Estimates** 

Given the inadequacy and unreliability of the Census information on condition, it is important to search for other information on the condition of North Carolina's rental housing stock. The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data available at the statelevel. However, this report estimates the number of North Carolina renteroccupied housing units with each type of moderate and severe problem. The estimate is based on the assumption that North Carolina's rental housing units have condition problems in exactly the same proportion as does the nation's rental housing stock. The American Housing Survey classifies condition problems as either moderate or severe.

In total, North Carolina is estimated to have 71,368 rental housing units with a moderate condition problem and 33,256 with a severe condition problem (Figure N.6.10). According to this estimate, about twice as many housing units had a severe plumbing problem than were identified as having incomplete plumbing by the 2000 Census (19,931 and 9,811 respectively). Three times as many rental housing units had a moderate kitchen problem than were identified as having incomplete kitchen facilities by the Census (31,506 and 10,092 respectively). Additionally, the estimates show that over 11,000 renter households have severe heating problems, and almost 15,000 have moderate heating problems. The Census does not provide any information on the condition of heating systems with which to compare, but does report that 13,552 renter households used wood for heating fuel and 3,693 used no fuel.

Figure N.6.10: Plumbing, heating, and kitchen facilities are the most common problems for NC's rental stock.

	Severe Problems		Moderate Problems	
	% of US Renters	NC Estimate	% of US Renters	NC Estimate
Plumbing	2.1%	19,931	0.5%	4,686
Heating	1.2%	11,095	1.5%	14,850
Electric	0.1%	621		
Upkeep	0.2%	2,315	2.3%	21,710
Hallways	0.0%	198	0.3%	2,625
Kitchen			3.3%	31,506
Total	3.5%	33,256	7.4%	71,368

Source: American Housing Survey, 2001. Notes: (1) In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.

(2) A more detailed breakout of specific housing condition problems can be found in Appendix C.

(3) The American Housing Survey classified the units' problems as "moderate" or "severe'; the criteria they used for this classification are not readily available.

### **Housing Market**

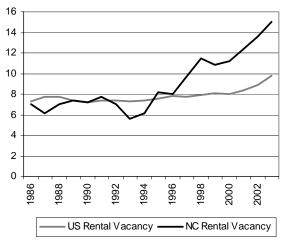
#### **Household Growth**

From 1990 to 2000, North Carolina gained 174,725 renter households—a gain of 22%. Despite having the fourth highest increase in rental housing stock in the nation during the same period, North Carolina's renter household growth outpaced rental unit growth by 4 percentage points. The highest rate of growth (25%) was seen in renter households earning between 30% and 50% of median family income.

#### Vacancies

Of the nearly 400,000 vacant units in North Carolina, almost 94,000 (24%) were vacant for rent as of the 2000 Census. Just over 2,100 additional units specifically for migrant workers were vacant. An additional source of information on rental housing vacancy is the Housing Vacancy Survey. Starting in 1996, the North Carolina rental vacancy rate has been growing faster than the national rental vacancy rate (Figure N.6.11). In 2003, North Carolina's reported rental vacancy rate was 5 percentage points higher than the national rate.

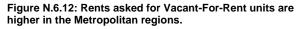
## Figure N.6.11: NC rental vacancy rates are increasing faster than US vacancy rates.

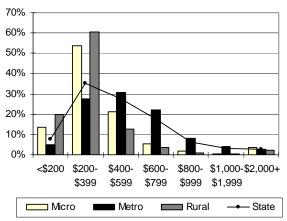


Source: Housing Vacancy Survey

#### Costs

For the units that were vacant-for-rent in 2000, in the metropolitan counties, the rents asked were higher than in the micropolitan<sup>38</sup> and rural counties (Figure N.6.12). The rents asked were higher in the central region of the state than in the western and eastern regions.

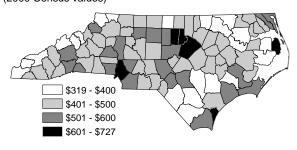




Median gross rents vary across the state from \$727 in Wake County to \$319 in Graham (Figure N.6.13). For the most part, the highest rents are paid in the metropolitan areas. The exception is Dare County, which has the 5<sup>th</sup> highest median gross rent (\$638) after Wake, Mecklenburg, Orange, and Durham Counties. The areas with the lowest median rent are the Tennessee border counties and pockets of the north and southeastern parts of the state. Wake County was the only county with a median rent over \$700.

<sup>&</sup>lt;sup>38</sup> See Appendix A for a map showing which counties have been defined by the Census as micropolitan, metropolitan, and rural.

Figure N.6.13: Median Gross Rents vary across state, with lowest rents paid in Tennessee border counties and certain pockets of the east. (2000 Census values)



Median gross rent increased by 8.8% (in real dollars) in North Carolina between 1990 and 2000; this was the largest increase in our eight state region, where median gross rent increased by only 2.5%. Half of the states in the region saw either no increase or a decrease in median gross rent when adjusted to real dollars. Between 1990 and 2000 the median gross rent increased most in Camden County (61%) and Gates County (43%). In real dollars, Dare, Onslow, and Rutherford Counties' median rents declined in that period.39

Between the 2000 Census and the writing of the report, the rental market across the state has softened. This is likely a result of the low interest mortgage rates; many former renters have become homeowners. It can be expected that as the interest rates increase the rental market will strengthen.

The Department of Housing and Urban Development (HUD) sets Fair Market Rents (FMRs) for the state as a whole as well as for each county. These values are chosen to approximate the gross rent (rent for the unit plus utilities) of a less-than-average standardquality unit in the area.<sup>40</sup>

The incomes necessary to afford a unit at North Carolina's FMR (without paying more than 30% of the household's income) range from \$17,763 for an efficiency or studio to \$36,834 for a four-bedroom unit (Figure N.6.14).

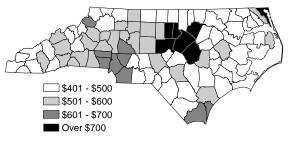
household to afford a unit priced at NC's FMR			
Number of	North Carolina's	Income	
Bedrooms	FMR	necessary to	
		afford unit	
0	\$444	\$17,763	
1	\$511	\$20,441	
2	\$603	\$24,127	
3	\$806	\$32,222	
4	\$921	\$36,834	

Figure N.6.14:	Incomes must exceed \$17,763 for
household to a	ford a unit priced at NC's FMR

Source: 2003 Out of Reach Report, published by the National Low Income Housing Coalition

Not all counties in the state are equally affordable according to the FMR designations. According to the 2003 FMR calculations, rents in the Triangle region of the state are the most expensive (Figure N.6.15). In 2005 the FMRs of counties will change, due both to the changes in costs (which are included in each recalculation) and the changes in the counties included in each Metropolitan Statistical Area.

#### Figure N.6.15: Fair Market Rents are highest in the Triangle.



### **Development Costs**

Only 47% of the rental housing in the state is in multi-family developments. Nonetheless, the development costs for multifamily

<sup>&</sup>lt;sup>39</sup> This is calculated from Census median gross rent data for specified renter-occupied housing units paying cash rent. <sup>40</sup> HUD's website www.huduser.org/datasets/fmr.html

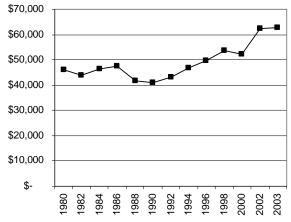
gives a detailed explanation of how these rents are

calculated. For most areas of the nation the FMR value is the value of the unit at approximately the  $40^{\text{th}}$ percentile.

housing are useful for determining how much future rental development will cost since few new rental units are not multi-family. Development has been getting noticeably more expensive since 1992 (Figure N.6.16). In 2004 dollars, the value per unit (measured at the point of permitting) of multi-family housing in North Carolina averaged \$62,900. This is 80.5% of the average costs of all the states in the region (\$78,100).

## Figure N.6.16: Multi-family housing is becoming more expensive to build.

(Multifamily valuation per building permitted unit, per the Census)  $% \left( \frac{1}{2} \left( \frac{1}{2} \right) + \frac{1}{2} \left( \frac{1}{2} \right) \right) + \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \right) + \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \right) + \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \right) \left( \frac{1}{2} \right) + \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1$ 



Note: Data from building permits.

#### **Trends and Projections**

Between 1990 and 2000 the growth in renter households was spread very unevenly across the state. The central metro regions experienced more than half of the growth of renter households (Figure N.6.17). The central region experienced 64% of the state's growth in renter households (compared to 22% for the East and 14% for the West)<sup>41</sup>.

## Figure N.6.17: Central Metro regions experienced the largest growth in number of renter households

(increase in renter households, 1990-2000)				
	Central	East	West	
Metro	83,872	22,483	13,287	
Micro	12,871	7,562	4,569	
Rural	1,517	3,995	4,443	

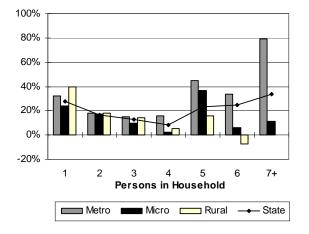
From 1990 to 2000, metropolitan counties experienced a tremendous increase in the number of large (5 or more related persons) renter households (Figure N.6.18). More specifically, between 1990 and 2000 the Central metro regions received almost 80% of the state's growth in large households and nearly half of the state's increase in small households (1 to 2 people).

The number of small households in the state increased by almost 111,000 between 1990 and 2000. The number of small households increased in all MSA categories (Metro, Micro, and Rural) in each geographic region (Central, East, and West). (See Appendix A for a map of these regions.) Two-thirds of this growth occurred in the central and eastern metro regions. The western micro regions and central, eastern, and western rural regions each received less than 3.5% of the state's growth in small households. Almost a quarter of the state's total growth of renter households was comprised of 1-person households in the central metro regions.

The number of large households in the state increased by almost 17,000 between 1990 and 2000. Of this growth the central metro regions experienced almost 80%. The only other areas of the state to experience a noteworthy increase in large households are the western metro regions and the central micro regions; all other areas of the state combined only received 1.2% of the state's growth of large households.

<sup>&</sup>lt;sup>41</sup> The map of the regions is Appendix B. In the counties comprising the Central region are Raleigh, Durham, Chapel Hill, Winston-Salem, Greensboro, and Charlotte.

Figure N.6.18: Metro regions experienced more growth in large households than micro and rural regions. (Average increase, for counties in each metro category, of households of each household size)



If the trends in the last 10 years continue for the next ten, the state's central metro regions will continue to experience large increases in both large and small renter households.

## **Subsidized Housing**

There are numerous different rental housing subsidy programs run by federal, state, and local governments. However, despite the many different programs; all the programs either subsidize the rent (demand-side) or subsidize the development/rehabilitation (supply-side).

#### **Demand-Side Programs**

Demand side programs come in the form of rental assistance or operating subsidy. The large majority of rent assistance programs are federal. They can either be tenant-based or project-based. In a tenant-based rent assistance program, individual households qualify for rent assistance. If they decide to move, they can take their rent assistance with them to their next home. Project-based rent assistance is rent assistance tied to a specific development or unit. An income qualified person living in the unit receives the rent assistance only if they are living in that unit. When they move, the assistance does not come with them.

#### **Supply-Side Programs**

Supply-side programs come in all shapes and sizes-from simple, direct grants to developers, to the Low Income Housing Tax Credit Program. However, the end result of all supply-side programs is that owners are able to (and required to) charge less rent because they have lower debt service. Supply-side programs can be sufficient to allow owners to set rents low enough to reach renters with incomes between 30% and 60% of Median Family Income (MFI). However, renters with incomes below 30% usually require rent-assistance even to afford to live housing developed with supply-side subsidies. For that reason, supply-side and demand-side programs are frequently combined. One example of this is public housing. When public housing was still

being constructed, housing authorities received grant funding for the construction of their units. However, in order to house their residents (who frequently have incomes below 30% of MFI), housing authorities also need to subsidize the operating costs on those units.

As a part of this analysis of the rental housing market, NCHFA has begun an inventory of subsidized, permanent rental housing in North Carolina. The count is still in progress and will likely have changes in future drafts of this document. The count currently does not include rental housing funded only by local governments or nongovernmental sources. It only includes rental housing with subsidized rent either through demand-side or supply-side programs. In all, it is currently estimated that North Carolina has over 119,000 subsidized, permanent rental housing units.

#### Figure N.6.19: Subsidized, Permanent Rental Housing

	Number of Units	
Federal Programs		
Public Housing	37,835	
Section 202 (elderly and disabled only)	6,975	
Section 811 (disabled only)	1,007	
Section 515	21,767	
Project Based Section 8 <sup>(1)</sup>	21,194	
Section 221(d)(3)	2,109	
Section $221(d)(4)$	7,499	
Section 236	3,120	
Section 515	2,609	
Section 8 only	5,857	
State Programs (NCHFA)		
LIHTC	29,215	
Other Rental Development Programs	11,658	
Supportive Housing Development		
Program (disabled or homeless only)	226	
Total <sup>(2)</sup>	119,534	
Notes: (1)Some of the programs listed under	r Project Based	
Rent Assistance (Sections 221(d)(3) 236) produced more total units than		
However only those units that were assisted (receiving Section 8 subsidy) were listed as the other units are		
likely to be market rate housing.	a from more than	

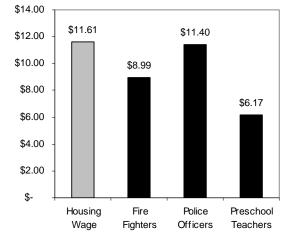
(2)Many developments received funding from more than one source. The total shown has counted those units only once.

## **Current Housing Needs**

According to the 2000 Census, over 358,000 renter households (or 37.4% of all North Carolina's renter households) had a housing problem. A housing problem is defined as having one or more of the following problems: being cost burdened (paying more than 30% of income for housing costs), being overcrowded (more than one person per room), or being without complete kitchen or plumbing facilities. For 84% of the renter households with housing problems (or over 302,000 households), one of the problems is cost. (Note: For the entire cross-tabulation table, see Appendix B.)

According to the National Low Income Housing Coalition's 2003 Out of Reach Report, 41% of North Carolina's renter households (over 393,000 households)were unable to afford a two-bedroom apartment at the Fair Market Rent in 2003. A household would need to earn \$11.61 per hour in order to afford a two-bedroom apartment at FMR. This is a higher wage than the average starting salary for firefighters, police officers, and preschool teachers in North Carolina (Figure N.6.20).

## Figure N.6.20: Many of North Carolina's vital workers cannot afford housing.



#### Income

In Regional Housing Needs meetings that were conducted across the state, the most frequently cited urgent housing need was rental housing for those with incomes below 30% of the median family income. This is confirmed by the available data.

Low-income renters make up a disproportionate share of renters with a housing problem. Of the 358,729 renter households with a housing problem, 322,881 (or 90%) of them are earn less than 80% of the median family income. In contrast, all low-income households make up only 61% of all renters. Over 55% of low-income renters have a housing problem and for 90% of them one of those problems is cost burdening.

Extremely low-income (ELI) renters have the highest frequency of housing problems. Seventy percent of all ELI renter households have a housing problem (Figure N.6.21). Over half (53%) of all ELI renter households, or over 110,000 households, are severely cost burdened—paying more than half of their incomes for housing costs. Surprisingly, according to HUD's cross-tabulations of the 2000 Census data, ELI renter households also report the lowest frequency of having other housing problems (overcrowding, lacking complete kitchen facilities, and lacking complete plumbing facilities) without cost burdening.

Very low-income (VLI) renter households have housing problems with almost as high frequency as ELI renter households. However, their problems are not as severe as ELI renter households'—the majority of VLI renter households with a housing problem are moderately cost burdened (paying between 30% and 50% of their incomes for housing).

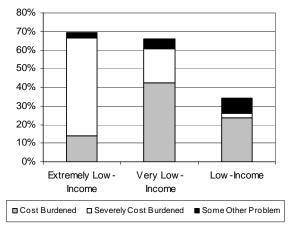


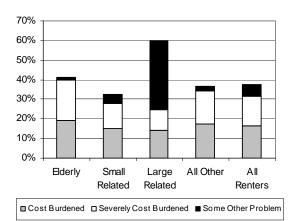
Figure N.6.21: Over half of extremely low-income renters are severely cost burdened.

It is important to note that while extremely low-income renters have the most severe housing needs, the percentage of households with a housing problem does not drop significantly until the low-income category. Both extremely low- and very low-income households have a severe need for affordable rental housing.

#### **Household Type**

HUD's cross-tabulations of the 2000 Census data define four types of households: elderly (1 or 2 person households, either person 62 years old or older), small related (2 to 4 related household members), large related (5 or more related household members), and all other households. Large related households have the highest frequency of housing problems—60.1% (Figure N.6.22). While they have the lowest frequency of cost burdening of all household types, their rate of non-cost-related housing problems is 30 percentage points higher than that of the next highest household type. While the crosstabulations do not break down non-costrelated housing problems into three components, it is reasonable to assume that the majority of large related households with a housing problem are overcrowded.

Figure N.6.22: Large related renter households have a high rate of non-cost-related housing problems.



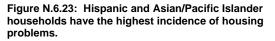
Large related households continue to have the highest percent of problems when looking at household type within income groups. Eighty-seven percent of extremely lowincome, large related renter households have a housing problem. Unlike the household type as a whole, ELI large related households also have the highest rate of cost burdening (74%). Large related households continue to have a high rate of housing problems across income categories. In fact, over 40% of large related renters that are not low-income continue to have non-cost-related housing problems.

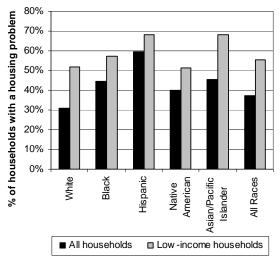
Elderly renter households have the highest rate of both moderate and severe cost burdening. Forty percent of all elderly renter households are cost burdened, and 21% are severely cost burdened. Interestingly, extremely low-income elderly renter households actually have the lowest percentage of housing problems of all household types. It is possible that this is because there is more subsidized housing rental housing available only for elderly households.

#### Race

Renter households of different races and ethnicities have housing problems with differing frequencies. Hispanic renter households have housing problems with the highest frequency—over half of all Hispanic households (59%) have a housing problem (Figure N.6.23). White, non-Hispanic renter households have the lowest frequency of housing problems, still, almost one third of all white, non-Hispanic households have a housing problem.

It is important to control for income when looking at housing problems, as some race/ethnicity groups tend to have lower incomes than others. Hispanic and Asian/Pacific Islander low-income renter households have the highest frequency of housing problems (68%). In all of the race categories over half of the low-income households have housing problems.





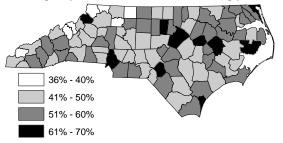
For extremely low-income and very lowincome renter households, each racial/ethnic group makes up a share of the households with housing problems that is proportional to its share of all the households within that income group. However, for renter households with incomes above 50% of median family income, Hispanic households comprise a disproportionate share of the households with a housing problem. Hispanic households are 8% of all renter households earning 50-80% of MFI, but make up 12% of the households with a housing problem in that income category (Figure N.6.24). Hispanic households make up 6% of all renter households earning more than 80% of MFI, but are 26% of the households with a housing problem in that income category.

Figure N.6.24:	Higher income Hispanic households
comprise a dis	proportionate share of higher income
households wi	th a housing problem.

		50-	
		80%	80%+
		MFI	MFI
White	% of All Households % of Households with Problem	59% 55%	70% 43%
	% of All Households	31%	22%
Black	% of Households with Problem	30%	25%
Hispanic	% of All Households % of Households with	8% 12%	6% 26%
	Problem		
Native	% of All Households	1%	1%
American	% of Households with Problem	1%	1%
Asian/	% of All Households	2%	2%
Pacific Islander	% of Households with Problem	2%	5%

#### Location

When looking at HUD-defined housing problems, urban counties had the highest percentage low-income renter households with housing problems (Figure N.6.25). Orange, Watauga, and New Hanover counties have the highest percent of low-income renter households with a housing problem (70%, 67%, and 66% respectively). Stokes, Alleghany, and Yadkin counties had the lowest percent (37%, 37%, and 36% respectively). Figure N.6.25: Low-income households in urban counties have a higher percent of HUD-defined housing problems.



It is important to point out that HUD-defined housing problems are mostly driven by cost burdening. Condition of housing is only measured as a problem if it is reported to lack complete kitchen or plumbing facilities. In the Regional Housing Needs meetings, participants in rural counties (those least likely to have cost burdening) repeatedly cited condition problems in their rental stock affordable to low-income households. Some mentioned that poor quality mobile homes were the main source of "affordable housing".

In summary, although the urban areas of the state may have condition problems, their main rental housing problem appears to be cost burdening. In contrast, the main housing problem of the more rural areas of the state seems to be condition of housing.

#### Stock

As stated earlier, in the rental stock section, condition data is not widely available for North Carolina. According to estimates using the American Housing Survey data, there are an estimated 71,368 rental housing units with a moderate condition problem and 33,256 with a severe condition problem.

As of the 2000 Census, 9,811 North Carolina households lived in rental housing units lacking complete plumbing facilities and 10,092 North Carolina households lived in rental housing units lacking complete kitchen facilities. Rural and micropolitan counties have a higher share of these units than do metropolitan counties.

In the Regional Housing Needs meetings held across the state, participants in the rural areas stated two distinct housing stock problems as contributing to the housing problems of their clients. In some areas, participants stated that the rental stock available and affordable in their region was in poor condition and in need of rehabilitation. Some participants mentioned that their Section 8 rent assistance recipients were having a difficult time finding rental housing that met the U.S. Dept. of HUD's Housing Quality Standards. In other areas, participants stated that there was a lack of rental housing of any condition and that they had a need for new rental units to be constructed.

## **Additional Housing Needs**

There are several groups which due to disability, age, or other special circumstances have distinct housing needs.

#### Elderly

Since 1999 the Governor's Advisory Council on Aging and the Senior Tar Heel Legislature have advocated for expanding the availability of affordable rental opportunities for older adults with low incomes. While only 19% of elderly households are renters, 41% of elderly households with mobility or self-care limitations are renters. About half of all elderly renters (48%) have a mobility or self-care limitation. Over 40% (42.6%) of these households had a housing problem in 2000. This figure does not differ significantly from the percentage of all elderly renters with a housing problem (41.3%), but does not take into account the accessibility problems that households with mobility or self-care limitations may face. Elderly renter households both with and without mobility and self-care limitations tend to have fewer housing problems than do other types of renters. However, there are still over 50,000 elderly renter households with a housing problem.

Additionally, elderly households frequently have low, fixed incomes. Elderly households receiving only SSI income receive only \$579 per month. If a household on SSI pays the 30% of income considered affordable for housing, this would leave only \$406 for all other expenses combined, including expenses for medication. More than 55,400 elderly households earn less than 30% MFI. For renters at such low incomes, operating subsidies or rent assistance are required to bridge the gap between tenant income and the cost of operating the housing units. Both elderly homeowners and elderly renters express a strong preference for remaining in their homes as they age. Rehabilitation of appropriate homes, maintenance, weatherization, and installation of assistive devices (ramps, rails, grab bars) are cost effective ways to help seniors remain in the community and prevent premature institutionalization. Obstacles to addressing these needs are inadequate funding, the lack of specific statewide data on housing rehabilitation needs and an inadequate housing delivery system for rehabilitation.

Many seniors with mobility and self-care limitations can live independently with appropriate support services. While this is a cost effective alternative to institutionalization, the NC Division of Aging and Adult Services reports waiting lists for a full range of in-home and community based services.

Over the past decade there has been a dramatic increase in the number of private, self pay, housing with services and continuing care retirement communities in the state. These models offer seniors both housing and a variety of services and often include varying levels of care from independent living to skilled care as part of the same development. While these are popular and successful models for seniors with sufficient incomes, it has been a difficult model to replicate for low income seniors. Affordable housing with services requires public funding for housing development, rental assistance and supportive services. The range of financing support needed to develop these models are administered by different agencies with different eligibility requirements and

program requirements that make them extremely difficult to combine.

Elderly-only rental developments with offsite supportive services through service coordination, are a popular and effective rental model for seniors. North Carolina historically maximizes its annual allocation of HUD 202 funding (which provides capital development grants and ongoing rental assistance) to develop supportive housing for the low income elderly but with an allocation of only 115 units in 2004, the supply does not meet the demand.

#### **Persons with Disabilities**

Because of the severity of their disability, many adults with disabilities are unable to work full-time. Some receive SSI and some work part-time. Most have extremely low incomes. In 2003, the fair market rent of an efficiency apartment was more than 250% of what a person receiving SSI could afford, and a one-bedroom apartment cost more than 300%.

A person receiving SSI is only able to afford \$166 per month in housing costs. Assuming utility costs of about \$60/month, an SSI recipient is able to pay at most \$106 per month in rent. This rent is only half of the \$200 to \$250 that it costs to operate a rental housing unit if the unit has no debt service at all. Therefore, affordable housing for people receiving SSI (or with incomes as low) must include a rent or operating even if the development is entirely grant-financed.

Supportive housing (independent housing units where residents have access to adequate and flexible support services tailored to their individual needs) is a housing model that can meet the needs of individuals across disability categories. While the support service needs of the individual will vary according to the type and severity of their disability, the need for affordable and accessible housing units is common across all disability categories.

Meeting the need for supportive housing across disability populations will require a range of strategies. For some populations, such as persons with substance abuse problem, or persons transitioning from homelessness or an institution, there is a need for transitional housing and halfway houses for both individuals and families (so that children can remain with their parents). Too often the state's limited transitional housing resources are not serving those who would most benefit simply because current residents cannot "transition" out of their unit due to a lack of affordable and accessible permanent housing.

The need for permanent housing with appropriate supports that is accessible and affordable include scattered site independent units, clustered independent apartments that can foster a sense of peer support, and for those with the most severe disabilities, small scale structured settings that are designed to maximize the individual's potential for independence through specialized services and skill building.

Given the extremely low incomes of the persons with disabilities, all of these models, whether developed through new construction or utilizing existing housing stock, will require rental assistance or operating subsides that can bridge the gap between tenant income and the cost of operating housing units.

North Carolina does not support the housing costs of persons with disabilities outside of licensed facilities. This contributes to the state's dependence upon facility based care, as many facility residents could live independently if affordable and accessible community options were available to them. This includes many of the state's specialized group homes for persons with mental illnesses and developmental disabilities, where if affordable housing was available many current residents' needs could be met in the community, freeing up these resources for persons who need this more intensive level of support.

Many persons with mobility impairments face an additional barrier in finding housing that is accessible. There are limited funds available to retrofit housing units to meet these needs and while the overall number of accessible units has been increasing under legal mandates, the number of these that are affordable to extremely low income person remains small.

The Independent Living Program (ILP) assists individuals with severe mobility impairments to live more independently. Many ILP constituents are young adults who are currently living in nursing homes and other institutional settings simply because adequate accessible housing options affordable to persons with extremely low incomes are not available. According to the ILP Transitions staff "finding affordable and accessible housing is one of, if not the most significant barrier to individuals who are looking to move from institutions back to homes in their communities."

#### **HIV/AIDS**

According to the North Carolina Epidemiological Profile for HIV/STD Prevention & Care Planning (07/05), NC ranks as the eleventh most populous state in the nation and experienced rapid growth from the 1990 to the 2000 Census. It has the seventh largest non-White population in the nation. In 2000, the racial/ethnic make-up of the state was about 22 percent Black or African American (non-Hispanic), 71 percent White (non-Hispanic), 5 percent Hispanic with the remaining proportion consisting of primarily American Indians and Asians or Pacific Islanders. The state was ranked 37<sup>th</sup> in the nation for per capita income in 2004, with 14 percent of its population at or below the federal poverty level (2002-2003). Recognizing North Carolina's diverse population is important to understanding the impact of HIV/AIDS and other STDs on the state because these diseases disproportionately affect minorities and the economically disadvantaged.

In 2004, 1,641 new individuals were reported with an HIV and/or AIDS diagnosis (HIV disease). The overall HIV disease infection rate is 19.5 per 100,000 persons. The cumulative number of HIV disease cases reported through December 31, 2004 was 26,818, of whom, 8,858 have either died or have an unknown status. Therefore, the total number of persons living with HIV/AIDS and reported to the HIV/STD Prevention and Care Branch is 17,960. Based on CDC's formula for estimating prevalence (two-thirds to three-fourths of the persons living with HIV/AIDS have been tested and know their status). North Carolina's current surveillance total of 17,960 persons would increase to an estimated 28,000 persons living with HIV or AIDS in the state of North Carolina.

While trends among new HIV disease reports can indicate prevention needs, estimates of persons living with HIV or AIDS can indicate service and care needs. As a result, health providers are working to provide enough housing and services for the increased number of persons living with HIV or AIDS in the state. There is a desperate need for adequate housing that provides not only safety and comfort, but also a base in which to receive supportive services, care and support. Data from a housing survey of persons living with HIV/AIDS is currently available. The survey was conducted by AIDS Housing of Washington in conjunction with the creation of the North Carolina HIV/AIDS Plan.

Of the over 600 persons responding to this survey, 80% reported at least one challenge that made their daily lives difficult. Fifty percent indicated that HIV/AIDS was a daily challenge, 32% indicated physical challenges, 9% indicated alcohol abuse, and 9% indicated drug abuse. The median income of the survey respondents was only 75% of the U.S. poverty threshold or only 18% of the median family income for a oneperson household in North Carolina. Thirtysix percent of respondents received SSDI and 35% received SSI. Only 22% were getting paid for work. The median amount of income survey respondents spent on housing costs was 55%. In other words, half of the survey respondents were paying more than half of their income for housing. This is similar to the cost burdening rate for other extremely low-income households. Respondents in the East and Hispanic/Latina females had median percentages of 62% and 63% respectively. Additionally, 68% of respondents indicated that they would not be able to pay a \$50 increase in monthly rent or utilities. Total average housing costs for the respondents were \$359 per month. Fortyfive percent of respondents were receiving housing assistance of some sort.

More than half of respondents were renters. Fifteen percent owned their own home (which, according to focus groups are most typically mobile homes) and 12% were staying with friends or family indefinitely.

Many respondents reported housing quality problems such as insects or rodents, lack of heating, lack of air conditioning, and incomplete bathrooms. Additionally, nearly one-quarter of respondents indicated that there was illegal drug activity, violence, or other criminal activity occurring in their building or neighborhood.

Forty-three percent of respondents had been in jail or prison. More than one-quarter of respondents indicated that they had experienced discrimination, usually due to criminal history, HIV/AIDS status, or race. One-third of all respondents had experienced homelessness, many for more than one month.

The vast majority of respondents preferred not to live in HIV/AIDS-only housing when offered the choice of living in housing available to everyone or housing only for people living with HIV/AIDS. Many respondents (55%) preferred to live where services were available onsite throughout the day.

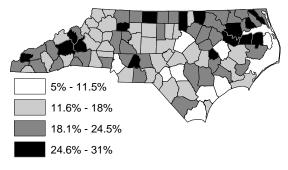
As can be seen from the survey results, like those with mental illnesses or developmental disabilities, persons with HIV/AIDS tend to have extremely low-incomes. In order for them to be housed adequately and affordably, rent assistance or operating support is needed in addition to any development financing or grants made available.

#### **Elevated Blood-Lead Levels**

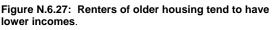
In 2000, there were 168,958 renter households with children under the age of six. That means there is a need for a minimum of 168,958 lead-safe housing units.

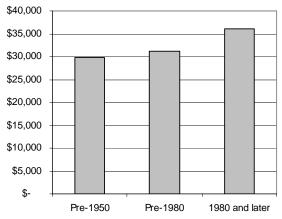
Though lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950, thus pre-1950 housing is often used as an indicator of housing containing lead-based paint. Overall, fifteen percent of North Carolina's rental housing (or 144,753 housing units) was built pre-1950. Two-thirds of the pre-1950 units are located in metropolitan counties, but the largest metro counties have relatively low percentages of pre-1950 renter housing (Figure N.6.26).

Figure N.6.26: Except Buncombe, the counties with high percentages of pre-1950 rental housing are outside the hubs of MSAs.



In North Carolina, renters of housing built before 1950 are a lower-income population: they have an average income \$6,000 less than that of renters of housing built from 1980 (Figure N.6.27). Additionally, households with children under the age of five are twice as likely to be in poverty than the entire population, and over four times as likely than households with no children. Houses of lower-income families are also more likely to be of poorer quality and in worse condition. Additionally, rental houses are more likely to be deteriorated than owner-occupied homes.





According to the North Carolina Department of Environment and Natural Resources' Childhood Lead Poisoning Prevention Program, there are currently 267 rental units that require remediation by law (because it ahs been confirmed that children in the unit have blood lead levels greater than  $20\mu g/Dl$ ). In addition, there are 337 rental housing units for which remediation is recommended (blood lead levels  $\leq$  $10\mu g/Dl$ ).

## **Future Housing Needs**

While it is not possible to quantitatively measure rental housing needs in 2004, participants at the Regional Housing Needs meetings repeatedly stated that their clients' rental housing needs were getting worse, not better. Despite the tens of thousands of affordable rental units added to the rental market in the state from 1990 to 2000, the percent of low-income renters with housing problems has only dropped by 2%, and the percent with severe cost problems has increased by 1% (2% for extremely lowincome renters). There were almost 50,000 more low-income households with a housing problem in 2000 than there were in 1990.

Most of the data on housing needs cited in this report was collected in the late 1990s, at the peak of a booming economy. Since then North Carolina has experienced increasing unemployment and an economy shifting from the manufacturing sector to the service sector, with a resulting loss of income for many.

At the same time, North Carolina has also seen a softening of many of its rental markets. This has made rental housing more affordable for many, as apartment complexes lowered their rents. However, complexes can only lower their rents so far before they begin to lose money. Most extremely low-income renters cannot afford even these lowered rents.

Will North Carolina's trend of an increasing number of households with housing problems continue? While this is possible, it seems more likely that the situation will worsen.

According to *The State of the Nation's Housing*, by the Joint Center for Housing Studies of Harvard University, "even at current levels housing assistance programs reach only a small fraction of the lowestincome households who are in desperate need." Yet, there is considerable pressure to cut federal rent assistance for extremely lowincome households and to eliminate the federal HOPE VI public housing funding.

Rental demand could surge if interest rates rise. Independent of the economy, the increase in elderly households will soon start to favor rental markets. The foreign-born population continues to increase and the children of baby-boomers will soon be able to form their own households. Because both young adults and the foreign born are more likely to be renters, these trends point to a strengthening of rental markets over time. With North Carolina's age and racial/ethnic trends mirroring the nation, this is likely to be the case in North Carolina as well. While strong rental markets are certainly good news for landlords and rental investors, it makes rental housing more expensive and thus less affordable.

Many subsidized rental housing programs require, in exchange for the subsidy, that the rents be kept affordable to low-income households for a specific period of time. Many rental apartment complexes are reaching the end of their affordability period, which means the rents may soon rise out of the range affordable to low-income renters. North Carolina ranks 17<sup>th</sup> in the nation in the number of "expiring apartment complexes" with 46 HUD mortgages scheduled to expire by 2013. These developments are in both urban and rural areas. Certainly not all owners will decide to make their apartments market rate, but all will have that option.

In the next five years, North Carolina is likely to need more rental assistance, new construction of affordable rental housing, and rehabilitation and/or preservation of existing affordable housing. Without increased availability of funding for rent assistance, it is unlikely that the state's current resources will be able to meet the state's biggest rental housing needs.

## HOUSING FOR HOME BUYERS

#### **Topics:**

- Current Market
- Current Housing Needs
- Future Housing Needs

#### **Highlights:**

- From 1998 to 2003 housing prices appreciated 21.4% in NC
- Prices only declined in three Multiple Listing Service areas
- North Carolina's homeownership rate is 69.4%
- Homeownership rates are higher for white people than for minorities
- 20.7% of homeowners have a housing problem
- In many areas of NC home prices are well above what people at 100% of area median income can afford

## **Current Market**

#### Vacancies

According to the 2000 Census, there were more than 52,000 units in North Carolina that were vacant for sale; this is 13.3% of the total vacant units and 2.4% of all potentially owner-occupied units.

#### Costs

Statewide, over the 5-year period from 1998 to 2003 housing prices appreciated  $21.4\%^{42}$  (18.9% in real dollars). Over that time period the median family income (according to HUD) increased 25.6% - more than

keeping up with the appreciation in sales prices.

Figure N.7.01: In every MSA below except Hickory-Morganton-Lenoir and Norfolk-Virginia Beach-Newport News the increase in Median Family Incomes 1998-2003 has exceeded the increase in house prices.

	%		
	change	%	
	in house	change	
MSAs	price	in MFIs	difference
Wilmington	18.9%	30.0%	11.10%
Triangle	18.7%	27.6%	8.91%
Greenville	18.1%	24.5%	6.38%
Charlotte-Gastonia-			
Rock Hill	19.2%	24.6%	5.40%
Jacksonville	23.5%	28.7%	5.16%
Triad	18.7%	22.0%	3.28%
Rocky Mount	15.2%	17.9%	2.65%
Goldsboro	20.9%	22.5%	1.63%
Hickory-			
Morganton-Lenoir	22.2%	20.9%	-1.37%
Norfolk-Virginia			
Beach-Newport			
News	37.8%	23.8%	-14.06%

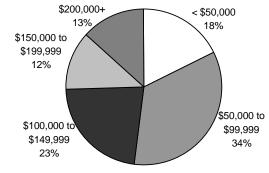
The various sources of information available about house prices differ, primarily because they include different units in their calculations.

According to the 2000 Census, 52% of all homes that are vacant-for-sale are priced at less than \$100,000, and 76% are priced lower than \$150,000.<sup>43</sup> Approximately 72% of the units for sale are in metro counties, and only 7% are in rural counties. Of the 52% of all units that are priced below \$100,000 (Figure N.7.2), 62% are in the metro counties, and only 10% are in rural counties. This is roughly in proportion to where low-income household live; 66% live in metro counties and 10% in rural counties.

<sup>&</sup>lt;sup>42</sup> This is HMDA data from the Office of Federal Housing Enterprise Oversight, from the March 1, 2004 press release. This data was compiled using the sales prices for individual units that sold multiple times in a given period.

<sup>&</sup>lt;sup>43</sup> Because this is census data, it does not include the prices for newly-constructed (not yet occupied) homes.

Figure N.7.02: In North Carolina 52% of all vacant-forsale units are priced lower than \$100,000.



Source: 2000 Census

The National Homebuilders Association publishes median sales prices for metropolitan areas throughout the country  $(Figure N.7.03)^{44}$ . This price includes both new and existing homes. With the exception of the Triangle region (Durham, Raleigh, and Chapel Hill), North Carolina metropolitan areas' median sales prices were below the national average. The area with the highest median home price was the Triangle region (\$162,000) and the area with the lowest price was Fayetteville (\$95,000).

The median sales price-to-income ratio for all North Carolina metro areas was well above two (two times the estimated median family income in 2002). This ratio ranged from 2.17 in Fayetteville and Rocky Mount to 2.59 in Ashville.<sup>45</sup> (Figure N.7.03) This data indicates that the median newlyconstructed house in these regions is affordable to a household at the median family income. Participants at the Regional Housing Needs meetings across the state uniformly disagreed that new homes were affordable in their areas.

#### Figure N.7.03: Median Sales Prices are less than 2.5 times the Median Family Income, according to the National Association of Home Builders.

			Price:
	2002 Median	2002 Median	Income
Metro Area	Family Income	Sales Price	Ratio
Asheville	\$49,000	\$127,000	2.59
Charlotte MSA	\$64,100	\$153,000	2.39
Fayetteville	\$43,700	\$95,000	2.17
Goldsboro MSA	\$45,300	\$108,000	2.38
Triad MSA	\$56,100	\$125,000	2.23
Greenville MSA	\$49,100	\$110,000	2.24
Triangle MSA	\$71,300	\$162,000	2.27
Rocky Mount MSA	\$48,800	\$106,000	2.17
Nation	\$54,400	\$160,000	2.94
Source: National Ha	mobuildore Acc	ociation	

Source: National Homebuilders Association

Data from the NC Association of Realtors shows a different picture; it shows that only in Fayetteville and Rocky Mount can the average home be considered "affordable" to a household earning the median income (Figure N.7.04).

Figure N.7.04: Average Sales Prices are not less than 2.5 times the median family income, according to the North Carolina Association of Realtors.

			Price:	
	2002 Median	2002 Average	Income	
Metro Area	Family Income	Sales Price	Ratio	
Asheville	\$49,000	\$194,020	3.96	
Charlotte MSA	\$64,100	\$191,678	2.99	
Fayetteville	\$43,700	\$101,018	2.31	
Goldsboro MSA	\$45,300	\$124,663	2.75	
Triad MSA	\$56,100	\$158,554	2.83	
Greenville MSA	\$49,100	\$128,482	2.62	
Triangle MSA	\$71,300	\$201,939	2.83	
Rocky Mount MSA	\$48,800	\$113,720	2.33	
Source: North Carolina Association of Realtors				

NC Association of Realtors data shows that of the multiple listing service (MLS) areas for which information is available, only the Fayetteville, Catawba Valley, and Rocky Mount MLS areas have seen a decline in average sales prices from 1998 to 2003 (Figure N.7.05). In all other MLS areas for which the Realtor's association collects consistent information the real prices have increased, and across all MLS areas the average sales price increased by 21% over that time period.<sup>46</sup> This data indicates that

<sup>&</sup>lt;sup>44</sup> NAHB uses sales price information from First American Real Estate Solutions (formerly, TRW). <sup>45</sup> This data covers only newly-constructed homes.

<sup>&</sup>lt;sup>46</sup> This data covers only homes listed in the Multiple Listing Service; it does not include homes that are for sale by owner.

nearly everywhere in the state, homes are getting more expensive.

Figure N.7.05: All MLS areas except Catawba Valley, Fayetteville, and Rocky Mount have seen an increase in inflation-adjusted sales prices.

-	1998	2003	Increase,
Multiple Listing	Average	Average	in real
Service Area	Cost	Cost	dollars
Asheville	142,190	194,020	21%
Catawba Valley	116,585	126,537	-4%
Carolina (Charlotte)	162,389	191,678	4%
Fayetteville	100,252	101,018	-11%
Goldsboro	102,555	124,663	8%
Greenville	110,849	128,482	3%
Haywood	117,248	164,241	24%
Hendersonville	146,946	186,502	12%
Outer Banks	190,381	428,007	99%
Rocky Mount	113,784	113,720	-12%
Pinehurst/Sandhills	159,235	195,771	9%
Triad	140,322	158,554	0%
Triangle	174,389	201,939	2%
Wilmington	160,501	186,845	3%
Wilson	104,420	124,575	6%
Totals	135,223	184,824	21%

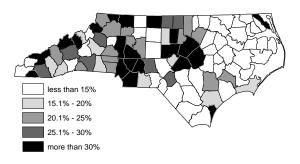
Source: North Carolina Association of Realtors

Census information shows that homes are most expensive in the metropolitan areas and in resort and retirement communities. The most expensive counties were, in this order: Orange Transylvania, Wake, Dare, Watauga, Mecklenburg, New Hanover, Moore, and Union.

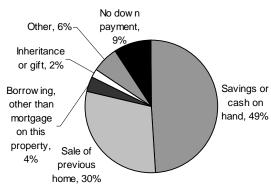
The value of owner-occupied homes varies around the state, with the lowest-valued homes in the Eastern rural counties. The average of the median home values in the rural counties was \$11,000 lower than the average of the median values of micro counties, and \$24,000 less than the average of the median values of metro counties. The average of the median values of the owneroccupied homes in the east was \$11,000 less than in the west and almost \$19,000 than in the central region.<sup>47</sup>

Not all counties have experienced significant growth in the value of the owneroccupied homes in the counties. The highest change in value has primarily occurred in certain (but not all) major metropolitan areas, and in neighboring counties (Figure N.7.06, from Census data).

Figure N.7.06: Metro areas and some mountain counties have seen large increases in home values between 1990 and 2000.



One considerable cost for homeowners is the down payment. Typically, a household is required to pay 20% of the value of the home as a down payment in order to avoid being required to purchase mortgage insurance. Most loan products require that the owner pay some amount in a down payment, even if the owner will be financing mortgage insurance. In the South, 79% of current homeowners either used savings or proceeds from the sale of a previous home to pay the down payment (Figure N.7.07)



## Figure N.7.07: Nearly half of all current owners used savings for the down payment on their current home.

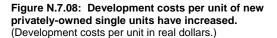
#### **Development Costs**

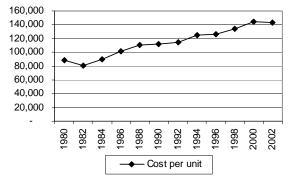
Development costs and sales prices vary across the state. The location of development indicates, by and large, the

<sup>&</sup>lt;sup>47</sup> 2000 Census values.

places where there is demand and the profit margin for the developer is highest. The most development has been occurring in central metro counties. In 2002, 30,500 building permits were issued in those counties; this is 38% of the total building permits issued in the state. Fully 60% of the permits were issued in the central counties, 63% in the metro counties, and 19% each in the micro and rural counties.

Census information indicates that development of single-family units has become more expensive over time (Figure N.7.08). The dollar values in this figure have been adjusted for inflation.





Source: U.S. Census Bureau

#### **Trends and Projections**

Households are applying for loans in certain areas of the state more than others. HMDA data shows that the MSAs around the Triangle, the Triad, and Charlotte account for 62% of all loan applications in the state's MSA regions (Figure N.7.09). These areas are likely to continue to be large real estate markets. Figure N.7.09: 62% of all loan applications in MSAs are in the Charlotte-Gastonia-Rock Hill, Triad, and Triangle MSAs.

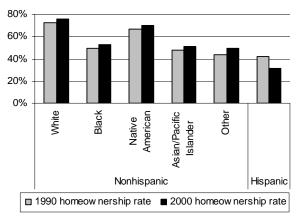
	Loan
	applications in
MSAs	2003
Asheville	6,289
Charlotte-Gastonia-Rock Hill	48,496
Fayetteville	4,348
Goldsboro	1,905
Triad	27,738
Greenville	3,369
Hickory-Morganton-Lenoir	6,220
Jacksonville	2,632
Triangle	34,602
Rocky Mount	2,261
Wilmington	9,351
Source: HMDA Data	

As the affordable housing industry has grown in the last few decades, lenders have begun offering loan products with extremely low or no down payment requirements. The goal of these programs has been to allow households without savings but with the ability to make monthly mortgage payments to become homeowners.

The State has seen a trend toward increased homeownership rates. There were nearly 450,000 more homeowners in 2000 than in 1990. The Hispanic population in particular, although seeing a decline in the homeownership rate, experienced a morethan-tripling in the number of homeowners over that ten-year period.

The state's home ownership rate is 69.4%. White non-Hispanic households have a homeownership rate exceeding this rate (with a rate of 70%), and all other categories except non-Hispanic Native Americans have homeownership rates below 69.4% (Figure N.7.10). The homeownership rate of non-Hispanic Native Americans is 70%, of non-Hispanic Blacks is 53%, non-Hispanic Asian/Pacific Islanders is 51%, and non-Hispanics of other races is 50%. This indicates that that the market for homeownership in the future will be among minority households.

Figure N.7.10: Nonwhite households have homeownership rates substantially below the state's rate.



## **Current Housing Needs**

In the affordable housing industry, homes are considered affordable to a household if they can pay the costs associated with ongoing homeownership (mortgage, taxes, insurance, utilities, etc.) without using more than 30% of the household's income.

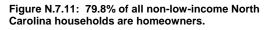
One rule of thumb states that a household can generally afford to buy a home worth 2.5 times the households annual income. This holds true only with certain interest rates and only if the households can afford sizable down payments (near 15% of the sales price).

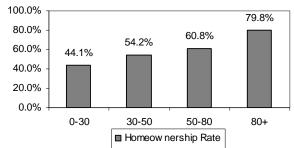
#### Income

Low-income households are less able than moderate- and upper-income households to save sizable down payments. They also frequently have credit histories that disqualify them from prime and fixed interest rates. Additionally, low-income households have less ability to pay housing expenses without exceeding 30% of the household income.

In the Regional Housing Needs meetings, all three of these reasons were cited as problems for the low- and moderate-income potential home buyers in the areas. The lack of down payment assistance was particularly sited as a problem in the Sanford meeting. The difficulty in affording homeownership was mentioned as a problem in every meeting held. Participants in the Asheville and Boone meetings reported that in their regions even non-low-income households are unable to afford to buy homes in their markets.

While 69.4% of all North Carolina households are homeowners, only 54.1% of all low-income households are (Figure N.7.11).





#### Race

Historically, white households have been better able to purchase homes than nonwhite households. The current and past homeownership rates attest to this (Figure N.7.10). The homeownership rates have been increasing in every race, but have been decreased for Hispanic households.

The decrease in homeownership rates among Hispanic households disguises the tremendous increase in households that became homeowners between 1990 and 2000. There were 3.5 times as many Hispanic homeowners in 2000 (when there were more than 28,000) as in 1990 (when there were almost 8,000).

One reason for the lower homeownership rates among minorities is that many minority groups continue to have lower incomes than Whites in North Carolina. The median income for Hispanic households is only 83% of the median income for the all households. For Black non-Hispanics, the median income is 71% of the state's, for non-Hispanic Native Americans it is 78% of the state's, and for non-Hispanic households that classified themselves as being of multiple racial categories it is 82% of the state's median income.

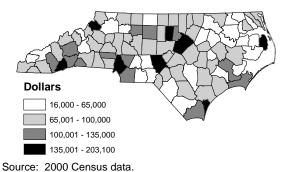
#### Location

Information from the NC Realtor's Association shows that the average sales price, in all the MLS areas combined,

increased by 21% in inflation-adjusted dollars. The average housing prices increased in every multiple listing service area around the state between 1998 and 2003, with the exception of the Fayetteville, Catawba Valley, and Rocky Mount MLS areas, (which saw decreases of 11%, 4%, and 12% respectively) when the prices were adjusted for inflation. The area with largest increase was the Outer Banks, in which the average sales price more than doubled (in nominal terms); it increased 99% when the prices were adjusted for inflation. The Asheville and Haywood MLS areas also saw large price increases; the prices increased by more than 19% between 1998 and 2003.

Census data shows that the eastern rural counties have markedly lower median sales prices, on average, than the averages of counties in other regions. Of the 14 counties with median sales prices of below \$50,000, 11 are in the East. Richmond, Robeson, Hyde, Bertie, Greene, Edgecombe, Tyrrell, and Washington all have median sales prices below \$40,000 (Washington and Tyrrell with median sales prices of only \$18,800 and \$16,000 respectively). (Figure N.7.12)

Figure N.7.12: Certain metropolitan counties and resort and retirement counties have high sales prices.



This data is fairly consistent with 2000 Census data about sales prices asked for vacant-for-sale units. The counties in which it would be most difficult to afford a home are Orange (with a median price of \$203,100), Transylvania (\$156,600), Wake (\$153,600), Dare (\$146,900), Watauga (\$146,500), Mecklenburg (\$141,500), New Hanover (\$140,800), and Moore (\$135,800).

Data from the National Association of Home Builders (Figure N.7.03, above) indicates that in the major metro areas in 2002 the price of the median home built was less than 2.5 times the median income; this indicates that the median home built was, in fact, affordable to the median household in those regions. It is worth noting that these are new homes sold, not all homes sold; data from the North Carolina Association of Realtors (which includes both new construction and previously owned homes) indicates that the median sales price for all homes is substantially higher than for new construction.

The North Carolina Association of Realtors' data indicates that home prices are increasing far more quickly than inflation, in nearly every area of the state. Between 1998 and 2003 home prices increased statewide by 21% in real dollars. This increasing unaffordability was affirmed by participants in the Regional Housing Needs meetings in every area of the state; this was particularly a problem in the mountain counties.

### Stock

Participants in the Regional Housing Needs meetings, particularly in the Henderson meeting, said that there is a need for a rehabilitation program that could be used by home buyers. This is because a large section of the stock that is available for sale is in need of moderate or substantial rehabilitation.

In several regions of the state, there are few developers willing to build homes affordable to low- and moderate-income home buyers; this has resulted in a lack of affordable stock for low-income buyers.

# **Future Housing Needs**

Because interest rates have been particularly low in recent years, more households have been able to become home buyers. It can be expected that the interest rates will increase in the future; this will cause many of those home buyers who purchased with variable interest rates to be less able to afford their monthly mortgage payments. This may contribute to a rise in foreclosures among recent home buyers. The economy, which doesn't show signs of immediate improvement, will be a strong contributor to foreclosures.

The future increases in interest rates will also make it more difficult for low- and moderate- households that are already credit challenged to become homeowners. Sub-prime interest rates, which are typically charged to households with low credit scores, will rise as the prime rate rises. Increasing interest rates will exacerbate the problems that advocates and public agencies face.

# **OWNER-OCCUPIED HOUSING**

### **Topics:**

- Stock
- Market
- Current Housing Needs
- Additional Housing Needs
- Future Housing Needs

### **Highlights:**

- Over 2 million owner occupied units in North Carolina
- 79% of owner occupied units are single family detached
- 17% are mobile homes
- 30% of stock was built during the 1990s
- 57% of homeowners carry a mortgage (\$985 average payment)
- NC experienced 189.3% more filings of cases with foreclosure in 2003 than in 1998

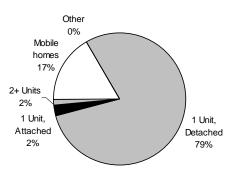
## **Housing Stock**

As of the 2000 Census, North Carolina had 2,172,355 owner-occupied housing units. Owner-occupied housing makes up 69.4% of North Carolina's 3.1 million occupied housing units (up from 68.8% in 1990). From 1990 to 2000, North Carolina's owner-occupied housing stock increased by over 460,000 units or 27%. This was the fifth highest increase in the nation in number (behind Texas, Florida, California, and Georgia) and the eleventh highest in percent increase. Of the South Atlantic states<sup>48</sup>, North Carolina ranked third in both percent and amount increase behind Florida and Georgia. Within North Carolina, Wake and Mecklenburg Counties had the largest increase in the number of owner-occupied housing (58,448 and 50,829 housing units respectively). Wake County also saw the highest percent increase (58%). Union, Johnston, Hoke, and Brunswick Counties also saw increases of more than 50%. No counties had a decrease in owner-occupied housing stock.

## **Type of Unit**

Seventy-nine percent of North Carolina's owner-occupied housing units are in oneunit, detached structures (single-family homes) (Figure N.8.01). North Carolina ranks thirty-sixth in the nation in the percent of owner-occupied units that are one-unit, detached structures, and fourth in the region (behind Georgia, West Virginia, and Virginia).

Figure N.8.01: A high percentage of North Carolina's owner-occupied housing is mobile homes, and a relatively low percentage are single family homes.



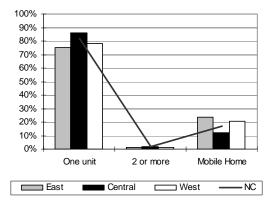
Seventeen percent of the state's owneroccupied stock is mobile homes. North Carolina has the fourth highest number of owner-occupied mobile homes (364,414) in the nation (behind Florida, Texas, and California). The state has the sixth highest percentage in the nation and the third highest

<sup>&</sup>lt;sup>48</sup> The South Atlantic Division is defined by the Census Bureau, and includes Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

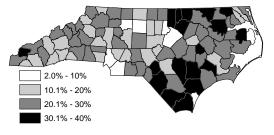
percentage in the region (behind South Carolina and West Virginia).

Within the state, the distribution of the different types of owner-occupied housing varies (Figure N.8.02). One-unit, detached structures make up a more (and mobile homes less) of the owner-occupied housing stock in the Central region, and mobile homes less, than in the East and West regions.

Figure N.8.02: Mobile homes make up a larger part of the owner-occupied housing stock in the East and West Regions.



The percent of a county's owner-occupied stock that is mobile homes varies widely, from 2% in Mecklenburg and Durham Counties to 39% in Robeson County. Although the state's metropolitan counties contain more owner-occupied mobile homes than the micropolitan and rural areas combined, mobile homes only make up 13% of metropolitan counties' owner-occupied housing stock. In the micropolitan and rural counties, mobile homes make up 22% and 27% of the owner-occupied housing stock. Figure N.8.03: Mobile homes make up a larger part of the owner-occupied housing stock in central and eastern, rural North Carolina.



#### Age

The age of housing stock is used as an indicator of the condition of housing, as well as the level of recent development in an area.

The median year of construction for North Carolina's owner-occupied housing stock is 1979. Sixty-six percent of the state's owneroccupied housing stock was built after 1970 (Figure N.8.04).

Thirty percent of North Carolina's housing stock was built in the 1990s. Nationally, only three states have a higher percentage (Nevada, Arizona, and Georgia). North Carolina also ranks third nationally in the number of owner-occupied housing units built in the 1990s (after Texas, Florida, and California).

Twenty-one percent of North Carolina's owner-occupied housing stock (or 460,167 units) was built before 1960. North Carolina ranks sixteenth in the nation and third in the region (behind Florida and Virginia) in the *number* of owner-occupied housing units built before 1960. However, the state is ranked forty-first in the nation and fifth in the region in the percent of owner-occupied housing stock built before 1960.

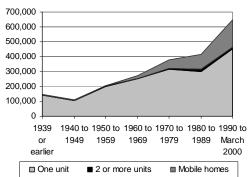


Figure N.8.04: Much of North Carolina's owner-occupied housing stock has been built since 1990.

The age of the different types of owneroccupied housing units is not uniform. While most (70%) of the owner-occupied units built in the 1990s were single-family homes, fiftyone percent of owner-occupied mobile homes were built in the 1990s.

While North Carolina has a relatively new owner-occupied housing stock compared to the rest of the nation, the age of owneroccupied housing by county varies widely. The median year built ranges from 1970 in Stanley County to 1988 in Hoke County.

### Condition

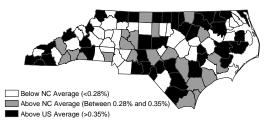
Housing condition is difficult to analyze using Census data. The United States Census provides few indicators of housing condition; only the conditions of kitchen facilities and plumbing facilities are reported, and those questions are among those with the least reliable responses.<sup>49</sup> The American Housing Survey gives more detailed information on housing condition, but does not make the data available at the state-level. This report will summarized the available Census data, and provide estimates of the American Housing Survey data for North Carolina.

#### **Kitchen Facilities**

As of the 2000 Census, 6,110 North Carolina households lived in owner-occupied housing units lacking complete kitchen facilities. This represents .28% of the state's owneroccupied housing stock, and is below the national average of .35%. North Carolina has the twelfth highest number, but the sixteenth lowest percent, of owner-occupied units lacking complete kitchens in the nation. Regionally, North Carolina has the fourth lowest percent (behind Delaware, Maryland, and Florida) and the second highest number (behind Florida) of owner-occupied units lacking complete kitchens.

Although North Carolina as a whole has a smaller percentage of owner-occupied housing lacking complete kitchen facilities than does the nation, many of North Carolina's counties have a rate higher than that of the nation (Figure N.8.05). Percentages range from a high of 2.17% in Tyrrell County to a low of 0% in Alleghany, Camden, and Graham Counties. In all, fortytwo counties have percentages of owneroccupied units lacking complete kitchen facilities at or above the national average.

Figure N.8.05: NC's rural counties tend to have higher percentages of their owner-occupied housing stock lacking complete kitchen facilities.



In general, counties in the East region and counties that are rural both have a higher percentage of their owner-occupied housing units lacking complete kitchens. Counties that are both rural and in the East region have the highest percentage (.96%) of all.

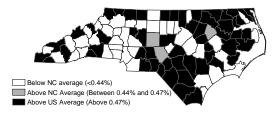
<sup>&</sup>lt;sup>49</sup> The Census department regularly retests its surveys by asking the same respondents the same questions as it previously asked; on the plumbing and kitchen questions there were very high percentages of households changing their responses between the first and second questionnaires.

#### **Plumbing Facilities**

As of the 2000 Census, 9,484 North Carolina households lived in owner-occupied housing lacking complete plumbing facilities. This represents .44% of the state's owneroccupied housing stock, and is below the national percentage of .47%. North Carolina has the thirteenth highest number and the twenty-third highest percent of owneroccupied units lacking complete plumbing in the nation. Regionally, it has the third highest number (behind Florida and Virginia) and the fourth highest percent (behind West Virginia, Virginia, and South Carolina).

Fifty-six of North Carolina's counties have a percentage of owner-occupied units lacking complete plumbing facilities higher than the nation's average (Figure N.8.06). Most of those counties (30) are in the East region. Percentages range from a high of 2.26% in Tyrrell County to a low of .17% in Avery and Orange Counties.

Figure N.8.06: North Carolina's eastern counties have the highest percent of owner-occupied housing lacking complete plumbing.



#### **American Housing Survey Estimates**

Given the inadequacy and unreliability of the Census information on condition, it is important to search for other information on the condition of North Carolina's owneroccupied housing stock. The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data readily available at the state-level.

However, this report estimates the number of North Carolina owner-occupied housing units with each type of moderate and severe problem. The estimate is based on the assumption that North Carolina's owneroccupied housing units have condition problems in exactly the same proportion as does the nation's owner-occupied housing stock. The American Housing Survey classifies condition problems as either moderate or severe.

In total, North Carolina is estimated to have 60,382 owner-occupied housing units with a moderate condition problem and 28,493 with a severe condition problem (Figure N.8.07). According to this estimate, about twice as many housing units had a severe plumbing problem than were identified as having incomplete plumbing by the 2000 Census (20,137 and 9,484 respectively).

Additionally, the estimates show that over 6,500 owner households have severe heating problems, and almost 30,000 have moderate heating problems. The Census does not provide any information on the condition of heating systems with which to compare, but does report that 52,105 owner households used wood for heating fuel and 5,174 used no fuel.

# Table N.8.07: NC's owner-occupied stock has the most problems in plumbing, heating, and upkeep.

	1 0/	0,			
	Severe I	Problems	Moderate Problems		
	% of US Owners	NC Estimate	% of US Owners	NC Estimate	
Plumbing	0.9%	20,137	0.1%	2,885	
Heating	0.3%	6,642	1.4%	29,665	
Electric	0.1%	1,683			
Upkeep	0.0%	872	0.9%	20,558	
Hallways	0.0%	-	0.0%	180	
Kitchen			0.5%	9,798	
Total	1.3%	28,493	2.8%	60,382	

Source: American Housing Survey, 2001.

Notes: (1) In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.

(2) A more detailed breakout of specific housing condition problems can be found in Appendix C.

(3) The American Housing Survey classified the units' problems as "moderate" or "severe'; the criteria they used for this classification are not readily available.

## **Housing Market**

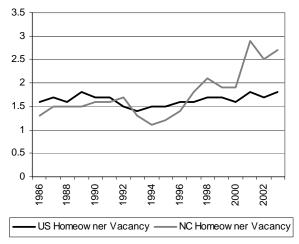
#### **Household Growth**

From 1990 to 2000, North Carolina gained 439,603 owner households—a gain of 25%. During the same period, North Carolina had the fifth highest increase in owner-occupied stock in the nation. North Carolina's owner stock growth outpaced owner household growth by 2 percentage points. The highest rate of growth was seen in owner households earning between 50% and 80% of median family income (28%).

#### Vacancies

According to the 2000 Census, there were more than 52,000 units in North Carolina that were vacant for sale; this is 13.3% of the total vacant units and 1.5% of the total units. The vacancy rate among housing for owneroccupancy exceeds the national rate (Figure N.8.08).

Figure N.8.08: NC vacancy rates in housing for owneroccupancy are increasing more rapidly than rates for the US.

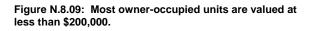


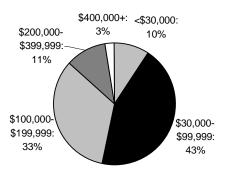
Source: Housing Vacancy Survey

Of the vacant units, 147,000 (37.5%) were seasonal homes, recreational homes, or homes for occasional use, so are not part of the available market.<sup>50</sup>

### Costs

Of the South Atlantic states<sup>51</sup>In North Carolina, fully 53% of the housing is valued (by their owners, per the 2000 Census) at less than \$100,000 (Figure N.8.09).





As has been discussed earlier in this document, the available information about housing conditions is limited. As a proxy for houses that will be in need of future rehabilitation investment, one may wish to know the number and location of owneroccupied units with low values. In North Carolina more than 206,000 owner-occupied units were valued below \$30,000. Roughly one-fourth of these units were located in Central Metro areas (Figure N.8.10).

Figure N.8.10: One-fourth of all owner-occupied units in
NC valued below \$30,000 and valued below \$50,000 are
located in the Central Metro counties.

located in the Central Metro counties.							
	Central	East	West				
Homes value	Homes valued at less than \$30,000						
Metro	52,286	29,644	22,220				
Micro	24,767	32,660	11,063				
Rural	4,548	17,783	11,532				
Homes valued at less than \$50,000							
Metro	99,771	54,343	40,969				
Micro	48,234	61,326	20,875				
Rural	9,125	33,991	21,443				

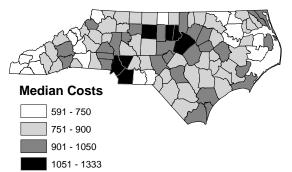
<sup>51</sup> The South Atlantic Division is defined by the Census Bureau, and includes Maryland, Delaware, West Virginia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

 $<sup>^{50}</sup>$  This 37.5% does not include homes that were vacant for migrant housing.

In the South, approximately 57% of all homeowners have a mortgage on their property.<sup>52</sup> For current North Carolina owners with a mortgage, the median housing cost in 1999 was \$985.<sup>53</sup> For those without a mortgage the figure was \$254. These are slightly lower values than for the eight-state region (\$1,047 for mortgagors and \$273 for owners without mortgages). Housing costs of \$985 are affordable only to households earning \$39,400 or more. Housing costs of \$254 require incomes of \$10,100 in order to be affordable.

In North Carolina, 14 counties had median housing costs for owners with mortgages that exceeded the state median of \$985 in 2000. Metro counties are the highest-cost counties (Figure N.8.11).

# Figure N.8.11: Median monthly costs of for homeowners with mortgages are higher in metro regions.

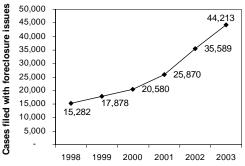


In the South, the 2001 median monthly cost for real estate taxes was \$59 and the median monthly amount spent on routine maintenance was \$22. For those homeowners who live in condominiums and cooperatives, the median monthly fee was  $$164.^{54}$ 

## **Trends and Projections**

Anecdotal evidence strongly indicates increasing numbers of households have been losing their homes in recent years; data backup this conclusion (Figure N.8.12). North Carolina experienced 189.3% more filings of cases with foreclosure issues in 2003 than in 1998.

Figure N.8.12: Cases filed with foreclosures have been increasing in North Carolina.<sup>55</sup>



Both the default and foreclosure rates of NCHFA-financed homes have increased over the past three years. The foreclosure rate of these homes in 2003 was 165% of the rate in 2001.

Every county except Tyrrell saw an increase in cases with foreclosure issues filed annually between 1998 and 2003 (Figure N.8.13). Eastern counties experienced the lowest percent increase in these cases (averaging only 158% more in 2003 than in 1998). Central counties averaged 253% more cases and Western counties averaged 199% more cases in 2003 than 1998. Metro counties had the largest average increase (214%) between 1998 and 2003, while micro counties averaged 183% more cases and rural counties averaged 201% more cases. In only three

<sup>&</sup>lt;sup>52</sup> 2001 American Housing Survey data.

<sup>&</sup>lt;sup>53</sup> These costs include payments for mortgages, deeds of trust, contracts to purchase, or similar debts on the property (including payments for the first and subordinate mortgages, and home equity loans); real estate taxes; fire, hazard, and flood insurance on the property; utilities and fuel, and, where appropriate, condominium fees. For mobile homes it also includes mobile home costs (including personal property taxes, site rent, registration fees, and license fees).

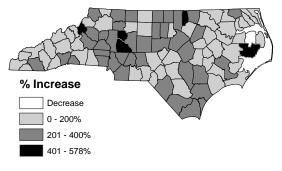
<sup>&</sup>lt;sup>54</sup> 2001 American Housing Survey data.

<sup>&</sup>lt;sup>55</sup> This data was provided by NC Justice. The cases are civil VCAP SP cases with at least one fore-foreclosure issue in the case.

counties (Tyrrell, Camden, and Dare) were the 2003 cases fewer than 130% of the number of 1998 cases. In all other areas the number of foreclosure cases filed far outstripped the growth in the number of homeowners.

# Figure N.8.13: In 47 counties, foreclosure case filings per year have more than tripled.

(Foreclosure cases filed in 2003 as a percent of the cases in 1998)



At the Regional Housing Needs meetings, participants confirmed that foreclosures are an increasing occurrence in all areas of the state. They also confirmed that many households have been taking advantage of the lower interest rates available to refinance their homes for lower monthly payments.

## **Current Housing Needs**

According to the 2000 Census, over 497,000 owner households (or 22.9% of all North Carolina's owner households) had a housing problem. A housing problem is defined as having one or more of the following problems: being cost burdened (or paying more than 30% of income for housing costs), being overcrowded (more than one person per room), or being without complete kitchen or plumbing facilities. For 21.2% of the owner households with housing problems (or over 460,000 households), one of the problems is cost. (Note: For the entire cross-tabulation table, see Appendix B.)

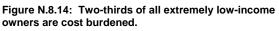
For current North Carolina owners with a mortgage, the median housing cost in 1999 was \$985. For those without a mortgage the figure was \$254. More than 25% of the mortgagors are cost burdened, and almost 9% (96,700 households) are paying at least half of their income for housing. Of the owners without mortgages, more than 10% are cost burdened and almost 4% (19,200 households) are paying at least half of their income for housing.

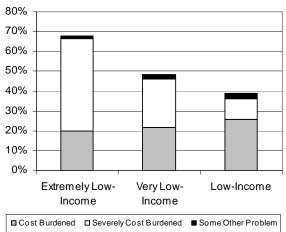
### Income

Low-income owners make up a disproportionate amount of owners with a housing problem. Of the 497,000 owner households with a housing problem, 332,000 (or 67%) of them are earn less than 80% of the median family income. In contrast, lowincome owners comprise only 32% of all owners. Over 48% of low-income owners have a housing problem—for 96% of those low-income owners with problems one of those problems is cost burdening.

Extremely low-income (ELI) owners have the highest frequency of housing problems. Sixty-eight percent of all ELI owner households have a housing problem (Figure N.8.14). Nearly half (47%) of all ELI owner households are severely cost burdened paying more than half of their incomes for housing costs.

Very low-income (VLI) owner households have fewer and less-severe problems than ELI owners. Forty-eight percent of all VLI owners have a housing problem, and nearly half (46%) of all VLI owners are cost burdened. But 22% are only moderately cost burdened (paying between 30% and 50% of their incomes for housing).





The increasing numbers of homeowners who are facing foreclosure (Figure N.8.12) is evidence that homeowners in the state are less able to afford their homes than they were in years past. This was mentioned as a problem in several of the Regional Housing Needs meetings held across the state, particularly in the meeting in Kannapolis.

## **Household Type**

Of owner households, the household type with the highest percent with housing problems is large related households. It is noteworthy that only 21% are cost burdened while 13% have "other" problems (crowding, inadequate kitchens, and/or inadequate plumbing). This is a much larger percent with "other" problems than in all other household types. This large representation exists across all income categories; even in the category of large related owner households that are not low income, 12% have non-cost-related problems.

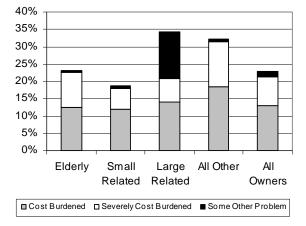


Figure N.8.15: Large related owner households are more likely to have housing problems other than cost.

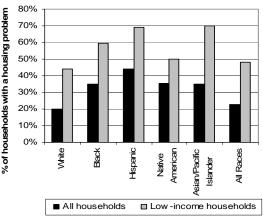
Large related households at 30-50% and 50-80% of MFI have higher percents with noncost-related problems than large related households earning 0-30% MFI. If most of these instances of non-cost-related problems are overcrowding, it could indicate that that there is an income threshold below which large households will refrain from adding excess household members. Alternatively, it could indicate underreporting of crowding by the lowest-income large households. Unfortunately, insufficient data is available to test these theories.

The household type with the highest frequency of cost burdening is "other" households; this category includes nonelderly single-person households and households with unrelated individuals that are not elderly. Data doesn't exist to show what percent of the households have one person and what percent have multiple unrelated people, but it is reasonable that households with only one person would be more likely to be cost burdened; one-person households only have one income. Additionally, one-person households may be better able to purchase homes than households that are comprised of single individuals with children, because their expenses are fewer (while single-individuals with children will remain renters).

#### Race

Owner households of various races and ethnicities have housing problems in varying frequencies. Hispanics have housing problems in higher frequencies than non-Hispanic households<sup>56</sup> (Figure N.8.16). Among low-income households, both Hispanic and Asian households have very high frequencies of housing problems.

Figure N.8.16: Low-income Asian/Pacific Islander and Hispanic owner households have the highest frequency of housing problems.



Of all owners, 23% have a housing problem. Both Black owners and Hispanic owners have housing problems above the average: 34% of all Black owners and 39% of all Hispanic owners have a housing problem. These are the only two groups for which the percent of the population with housing problems exceeds the percent of the overall population with housing problems by more

<sup>&</sup>lt;sup>56</sup> Figure 7.16 contains census race and ethnicity data. For this analysis Hispanics have been pulled out of each racial categories to comprise a category of their own. This leaves the other categories as: non-Hispanic Whites, non-Hispanic Blacks, non-Hispanic Native Americans, non-Hispanic Asians, and non-Hispanic Pacific Islanders.

than 10%. According to Census data, the three remaining minority categories, although the populations are small, all also have higher percentages with problems than the population as a whole.

In every race and ethnic group, those households which are low-income are more likely to have housing problems that the population as a whole. All racial and ethnic groups except Native Americans are more than 10% more likely. Low-income Hispanic households and low-income Asian/Pacific Islander households are more than 10% more likely to have housing problems than low-income household of all races (Figure N.8.16). Low-income homeowners have more difficulty affording mortgages and necessary maintenance on homes.

Black households comprise a large share of the households with problems, compared to their share of the households in each income category; this is even true of the black households earning more than 80% MFI (Figure N.8.17). This may be true of Hispanic households of all income categories and Asian households of Asian households earning more than 80% of MFI as well; the data indicate that in certain income categories Hispanic and Asian households make up a larger percent of the households with problems than of the overall households.

#### Figure N.8.17: In all income categories, black households comprise a disproportionate share of the owner households with housing problems.

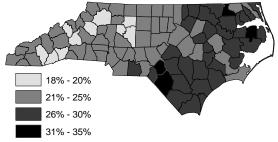
(Percent of total owners comprised of each race / Percent of owners with problems comprised of each race.) Native Pacific

Income	Wh	ite	Bla	ick	Hisp	banic	Ame	rican	As	ian	Isla	nder
0-30	70	67	27	29	2	2	2	2	0	0	0	0
30-50	75	68	21	27	2	3	1	/ 1	1	/ 1	0	0
50-80	77	71	19	23	2	/ 3	1	/ 1	1	/ 1	0	/ 0
80+	85	77	12	18	1	3	1	/ 1	1	2	0	0

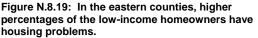
### Location

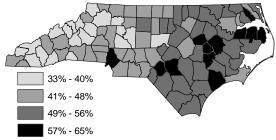
All of the counties in North Carolina have homeowners with housing problems; no county has less than 17.5% of the homeowners with housing problems. The eastern counties have higher percentages of the owner population with census-defined housing problems than the western counties; these problems are overcrowding, cost burdening, and inadequate kitchen or plumbing facilities.(Figure N.8.18). If county-specific data were available with more detailed condition problems, a slightly different distribution of needs might become evident.

Figure N.8.18: In the eastern counties higher percentages of homeowners have housing problems.



By-and-large, the counties in which all owners have high rates of problems, lowincome owners have high rates of problems.





#### Stock

Statewide, there are approximately 60,400 owner-occupied households with moderate condition problems, and 28,500 with severe condition problems. These estimates are based on the assumption that North Carolina has condition problems in the same proportions as the nation's housing does.

According to this estimate, roughly twice as many housing units had a severe plumbing problem than were identified as having incomplete plumbing by the 2000 Census (20,137 and 9,484 respectively).

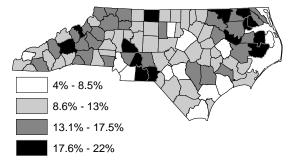
These estimates regarding moderate and severe heating problems are particularly concerning: approximately 36,300 owners have condition problems resulting in difficulty heating their homes, and an estimated 6,600 do not have heat.

Appendix C contains estimates of housing condition problems of more detailed types; however, this data is not divided into owner and renter households.

In the Regional Housing Needs meetings held across the state, participants in nearly every meeting mentioned that the condition of the housing stock was a problem. In the West, participants reported that it was nearly impossible to find contractors willing to do rehabilitation work, because they are more profitably occupied in new high-end construction.

Although lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950. For this reason, pre-1950 housing is often used as an indicator of housing containing lead-based paint. Approximately 12% of the owneroccupied stock (253,200 units) were built before 1950. Approximately 61% of these pre-50 units are in metro counties. However, with the exception of Buncombe, in the counties that center metropolitan regions pre-1950 units comprise a small percent of the owner-occupied housing (Figure N.8.20).

Figure N.8.20: Most major metropolitan hubs have low percentages of pre-1950 owner-occupied housing.



# **Additional Housing Needs**

Certain homeowners, due to age or special circumstances, have distinct housing needs.

## Elderly

As time has passed, a larger proportion of North Carolina's population has become comprised of elderly households. There were 558,500 one- and two-person elderly homeowners in 2000, and 52% of them (290,900) were low-income. Of the elderly one- and two-person owner households with problems, 84% were low-income; this is 106,000 elderly households. Ninety-eight percent of those households (104,100 households) pay more than 30% of their income for housing.

Both elderly homeowners and elderly renters express a strong preference for remaining in their homes as they age. Elderly homeowners are more likely to be living in older homes, where many are unable to afford the regular maintenance necessary for their homes to remain safe because of income limitations and/or the death a spouse.

In many cases, rehabilitation, maintenance, weatherization and installation of assistive devices (ramps, rails, grab bars) is a cost effective way to help seniors remain in the community and prevent premature institutionalization. Obstacles to addressing these needs are inadequate funding, the lack of specific statewide data on housing rehabilitation needs and an inadequate housing delivery system for rehabilitation.

Many seniors with mobility and self-care limitations can live independently with appropriate support services. While this is a cost effective alternative to institutionalization, the NC Division of Aging and Adult Services reports waiting lists for a full range of in-home and community based services.

## **Elevated Blood-Lead Levels**

Though lead-based paint was used in homes until 1978, higher concentrations are found in homes built prior to 1950, thus pre-1950 housing is often used as an indicator of housing containing lead-based paint. Of the owner-occupied stock in North Carolina, 12% was built prior to 1950 (fully 253,000 units).

In 2000 there were 268,308 households that had children ages 6 or younger. This means minimally 268,308 lead-free housing units are needed.

According to the North Carolina Department of Environment and Natural Resources' Childhood Lead Poisoning Prevention Program, there are currently 63 owneroccupied units that require remediation by law. In addition, there are 124 owneroccupied housing units for which remediation is recommended (blood lead levels  $\leq 10\mu$ g/Dl).

## **Mobility Limitations**

In addition to the nearly 200,000 elderly one- and two-person households in which at least one member has a mobility or self-care limitation, there are nearly 70,000 other households with a member with such a limitation. Of those households, nearly 72% (50,200 households) have a census-defined housing problem. Low-income households in need of accessibility improvements are frequently unable to obtain them due to lack of funds.

# **Future Housing Needs**

Identifying current and future housing needs is difficult because the most trusted source of data to which we have access, the Census, was gathered in 1999, during a time of relatively high economic prosperity for the state, and is now six years old. Subsequent evidence, including and particularly anecdotal evidence, indicates that the needs of homeowners have seen no decrease since that time.

The ability of homeowners to afford their homes likely will not improve. Many homeowners who purchased homes in this recent period of low interest rates, but who purchased on adjustable rates, will no longer be able to afford the monthly payments as the interest rates rise. Also, despite the relatively low interest rates, the number of foreclosure cases filed has increased dramatically over the past several years; no signs indicate a future lessening in these foreclosure cases filed.

Individuals are living longer than in previous generations, so the state will see an increase in the elderly population. As the number of elderly homeowners increases, the state will face a growing population of elderly homeowners with problems, particularly cost burdening (which is currently the most prominent problem among elderly homeowners). Elderly homeowners will continue to need the rehabilitation that they have needed in recent years. There will be an increased need for accessibility adaptations to the homes of elderly residents, as owners live longer.

# MANUFACTURED HOUSING

Noteworthy differences exist between manufactured housing and site-built housing. Manufactured homes are produced in sections off-site. Historically, because most manufactured homes have not been affixed to property on a permanent concrete slab foundation, owner-occupied mobile homes have generally been financed as personal property rather than through less costly conventional real estate mortgages. In general, manufactured homes are less expensive than conventional homes of similar size and features. Households can either rent manufactured housing or own it. However, many manufactured home owners rent the land beneath the home. This gives residents a blended set of advantages and disadvantages of being both owners (of a home) and renters (of the land). Because of the unique nature of manufactured housing, it is discussed here as a separate section.

Note: In this report, both "manufactured housing" and "mobile homes" will be used synonymously because the 2000 Census reports only on "mobile homes." The "manufactured housing" and "mobile homes" discussed in this report differ from "modular homes" which are constructed according to the building codes of site-built housing.

#### **Topics:**

- Stock
- Market
- Current Housing Needs
- Future Housing Needs

### **Highlights:**

- 16% of total housing stock
- 23% renter occupied, 63% owner occupied and 14% vacant
- 44% of all occupied mobile homes were built in the 1990s
- Average cost of a multi-section mobile home in 2001 was \$64.843

## **Housing Stock**

As of the 2000 Census, North Carolina had 577,323 mobile homes. This represents 16% of North Carolina's 3.5 million housing units.

Within North Carolina, Brunswick County had the most mobile homes (18,458) and Camden County had the least (499). In Robeson and Greene Counties, 37% of housing stock is mobile homes—higher than any other counties. Durham and Mecklenburg Counties had the lowest percentage (2%).

North Carolina's Western region has consistent percentages of mobile homes regardless of the level of urbanization of its counties, while the East and Central regions have a higher percent of mobile homes in their more rural counties (Figure N.9.01). Central, metropolitan counties have the lowest percentage of mobile homes (9%) and Eastern and Central, rural counties have the highest percent (30%).

Figure N.9.01: Rural counties in North Carolina's Eastern and Central regions have the highest percent of mobile homes.

	East	Central	West	NC
Metro	20%	9%	20%	13%
Micro	25%	20%	20%	22%
Rural	30%	30%	21%	26%
NC	23%	12%	21%	16%

From 1990 to 2000, North Carolina's mobile home stock increased by 155,859 units or 37%. This was the second highest increase in the nation in number (behind Texas) and the seventh highest percent increase. In the South Atlantic region, North Carolina had the highest increase in the number of mobile homes and the second highest percent increase (behind South Carolina).

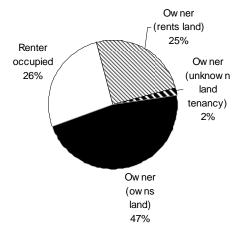
Within the state, Robeson County had the largest increase in the number of mobile homes (7,389) and New Hanover County had the largest decrease, losing 229 mobile homes. Greene County had the largest percent increase (126%) and Dare County had the largest percent decrease (8%). In all, five counties reported decreases in the number of mobile homes – all were in the East (Camden, Currituck, Dare, Hyde, and New Hanover).

#### Tenure

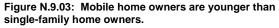
Of North Carolina's 577,323 mobile homes, 23% were reported to be renter-occupied, 63% were reported as owner-occupied, and 14% were vacant (Figure N.9.02). According to the 2001 American Housing Survey, in the South Region 63% of mobile home owners reported that they owned their lot, 34% reported that the rented their lot, and 3% had unknown land tenancy (Refused to Answer, Don't Know, and Not Reported). The South had a higher percent of land-owning mobile home owners than did the nation as a whole. Nationally, 56% of mobile home owners reported that they owned their lot, 42% reported that the rented their lot, and 2% had unknown land tenancy. Additionally, 6% of mobile home renters in the South and 4% of mobile home renters in the nation reported that they owned the lot on which their rented mobile home was sited.

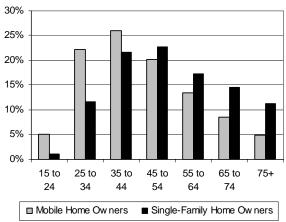
Assuming that North Carolina's mobile home land ownership pattern follows the South Region more closely than the nation, between 51% and 53% of mobile home residents (or 253,000 to 264,000 households) rent part of their housing. If the state's homeownership rate were calculated just for those households that own both their housing unit and their land, the rate could drop from 69.4% to as low as 65%.

Figure N.9.02: About half of mobile home residents rent some part of their housing.



While the head of household age distribution of mobile home renter households tends to mirror the distribution of all renter households, mobile home owners tend to be younger than homeowners as a whole – especially owners of single-family homes (Figure N.9.03). Twenty-seven percent of mobile home owners' head of households are under the age of 35, while 13% of all owners are. Thirty percent of all home owning households with a head of household under the age of 35 own a mobile home, compared to 17% of home owning households overall.

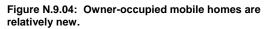


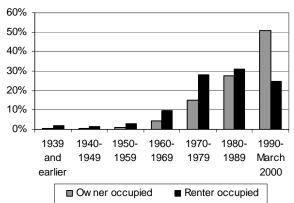


#### Age

Mobile homes are by far the newest type of housing overall in North Carolina. Fortyfour percent of all occupied mobile home units were built in the 1990s and 72% were built in or after 1979. In comparison, only 41% of all other units were built after 1979. It is significant that 28% of all mobile homes in use today were built prior to 1979 because it was in 1978 that the HUD code (a minimum housing code for manufactured housing) was implemented. The construction standards for mobile homes manufactured prior to that time period are less rigorous.

While mobile homes as a whole are newer than other types of housing in North Carolina, owner-occupied mobile homes are much newer than renter-occupied mobile homes. Over half of owner-occupied mobile homes were built in the 1990s, compared to 25% of renter-occupied mobile homes. The estimated median year built of renteroccupied mobile homes is 1980 to 1981, while the estimated median year built for owner-occupied mobile homes is 1989 to 1990.





### Condition

The Census has only very limited information available about housing condition, and that data is not available by housing type. The American Housing Survey gives more detailed information on housing condition than does the Census, but does not make the data available at the state-level. However, this report estimates the number of North Carolina mobile homes with each type of moderate and severe problem. The estimate is based on the assumption that North Carolina's mobile homes have condition problems in exactly the same proportion as does the nation's mobile home stock. The American Housing Survey classifies condition problems as either moderate or severe.

In total, North Carolina is estimated to have 19,120 mobile homes with a moderate condition problem and 8,047 with a severe condition problem (Figure N.9.05). The most prevalent severe problem is plumbing and the most prevalent moderate problem is upkeep.

# Figure N.9.05: NC's mobile home stock has the most problems in plumbing, heating, and upkeep.

	Severe I	Problems	Moderate Problems		
	% of US Mobile Homes	NC Estimate	% of US Mobile Homes	NC Estimate	
Plumbing	1.1%	5,502	0.4%	1,857	
Heating	0.5%	2,338	1.6%	7,841	
Electric	0.1%	481			
Upkeep	0.1%	413	1.9%	9,491	
Hallways	0.0%	0	0.0%	0	
Kitchen			0.2%	1,032	
Total	1.6%	8,047	3.9%	19,120	

Source: American Housing Survey, 2001.

Notes: In the American Housing Survey, electric problems were only classified as severe, and kitchen problems were only classified as moderate.

Mobile homes in North Carolina have a lower percentage of both severe and moderate housing problems than do all rental units combined (3.5% have severe problems and 7.4% have moderate problems); but have a higher percentage of severe and moderate problems than do all owner-occupied units (1.3% and 2.8%).

## **Housing Market**

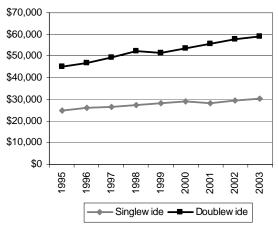
#### Vacancies

There were approximately 83,000 vacant mobile homes in North Carolina at the time of the 2000 Census; this is approximately 14% of the total mobile homes in the state. These vacant mobile homes comprise 11% of the vacant units of any type in the state. The fact that mobile homes comprise approximately 17.6% of the housing in the state (per the 2003 American Community Survey) but only approximately 11% of the vacant housing units indicates that there is more demand for mobile homes (per mobile home) than for the other housing types combined (per unit of other housing).

Mobile homes increased by 37% between 1990 and 2000, and the vacancy rate increased only 32%. This indicates that there was more demand for mobile homes in 2000 than in 1990.

### Costs

In North Carolina, according to a 2001 survey of manufactured home retailers conducted by the NC Manufactured Housing Institute (NCMHI), the average cost of a multi-section home in 2001 was \$64,843. According to a HUD-sponsored survey conducted by the Census bureau, the average sales prices in 2003 were \$30,300 for a single-wide and \$56,700 for a doublewide (which is substantially lower than the average cost for a multi-section unit in 2001 according to the NCMHI survey.) (Figure N.9.06) Figure N.9.06: In North Carolina, doublewide prices are increasing more quickly than singlewide prices.



Source: Census Bureau. Not adjusted for inflation.

According to sources referred by NCMHI, the approximate cost of sitting a doublewide unit on land owned by the owner is \$3,500, and transportation costs in North Carolina are approximately \$600 for each home<sup>57</sup>. Information is not readily available about how those costs vary according to the size of the unit or the distance that the unit must be transported..

According to the Census, prices in North Carolina are lower than in the nation. The average singlewide price is 95% of the nation's average singlewide price, and the average doublewide price is 99% of the nation's price. However, the average doublewide price in North Carolina is more expensive than in its area of the nation; it is 103% of the price in the eight-state region.

There are noteworthy difference in the values of owner-occupied mobile homes in various parts of the state. The values of the owner-occupied mobile homes in the East are lower than in the West, and both Eastern and Western regions have lower values than

<sup>&</sup>lt;sup>57</sup> These figures were estimates provided by industry members whose businesses are involved in the transportation and siting of manufactured housing.

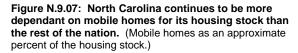
the Central region. The Eastern rural counties have the lowest median mobile home values, on average. Counties with the highest median mobile home values (of owner-occupied mobile homes) are those in the central rural and micro areas. This is different from the owner-occupied stickbuilt trend of metro areas having the highest value.

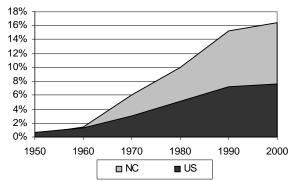
The median park fee paid by households living in mobile home parks in the South for 2001 was \$70. Of those who rented their land, the median land rental fee was \$34.<sup>58</sup>

Generally speaking, purchasing a previously-owned mobile home is less expensive than purchasing a new mobile homes. Nationally, of the owner-occupied mobile homes built 1990 or later, 72% are not previously occupied, and 28% are previously occupied.. These percentages indicate an estimated 134,000 owneroccupied mobile homes built after 1990 being occupied by the first owners, and 51,500 of the post-1990 units having been resold.

#### **Trends and Projections**

Historically, mobile homes have comprised a large part of North Carolina's housing stock.. Current estimates indicate that in 2003 mobile homes comprised 17.6% of the total housing stock<sup>59</sup>; all signs indicate that the state will, in the future, continue to be at least as dependant on this housing type as it currently is (Figure N.9.07).





Mobile homes house a large number of North Carolina households; this appears to be particularly true of North Carolina's Hispanic population. Approximately 25% of Hispanic households lived in mobile homes at the time of the 2000 census; only 16% of non-Hispanic households occupied mobile homes at that time. As the Hispanic population in the state has increased it is likely that the number of Hispanic residents living in mobile homes has also increased.

<sup>&</sup>lt;sup>58</sup> 2001 American Housing Survey data.

<sup>&</sup>lt;sup>59</sup> American Community Survey 2003

## **Current Housing Needs**

As mentioned earlier, mobile home residents are in a unique situation regarding the security of their occupancy. Approximately half of all mobile home residents in North Carolina rent some part of their housing (either the unit or the land beneath the unit), and roughly one third of the mobile home owners rent the land beneath the home. Those owners who rent the land beneath the home have less security in their ownership than do owners of site-built homes; the owner may be evicted from the land for violation of a lease or because the owner chooses to use the land for an alternative use. In such a situation, unless the home is in adequate condition to be moved and the owner is able to quickly acquire a new site on which to place it, the owner loses his or her home, resulting in a forfeiture of one of the household's major assets, as well as in potential homelessness.

#### Income

Of all mobile home renters, 35% are cost burdened (paying more than 30% of the household income for rent). This figure is for those households who indicated that they rented their mobile home on the census; it does not include those who rent only the land beneath the unit or the land rent fee for those households.

For mobile home owners, the average monthly housing cost total is \$589.<sup>60</sup> This is affordable to households earning \$23,574. For mobile home residents (owners and renters), nationally the median family income is \$26,639.<sup>61</sup> This indicates that many mobile home owners, are cost burdened.

#### **Household Type**

Mobile home owners are younger than single-family home owners. Qualitative reports indicate that in many areas of the state young households do not have the financial understanding necessary to make wise investment decisions.<sup>62</sup> This was particularly an issue in the Lumberton and Henderson meetings. Also, particularly in the Vance and Granville area, households have difficulty finding financing for mobile homes because of the way Fannie Mae defines the value of a mobile home.<sup>63</sup>

#### Race

More than 36% of non-Hispanic Native American households in North Carolina live in mobile homes, and more than 25% of all Hispanic households do. They are the two race categories with the highest dependency on mobile homes for their housing stock. Because of this, any condition problems which are more prevalent in mobile homes than site-built housing will affect those two race categories disproportionately (Figure N.9.08).

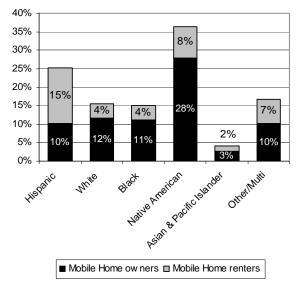
<sup>&</sup>lt;sup>60</sup> Census data. Aggregate of "selected monthly housing costs" for mobile home owners divided by the number of mobile home owners.

<sup>&</sup>lt;sup>61</sup> American Housing Survey data.

<sup>&</sup>lt;sup>62</sup> This was reported at several of the regional housing needs meetings hosted by the NCHFA and the Division of Community Assistance.

<sup>&</sup>lt;sup>63</sup> The participants at the Henderson Regional Housing Needs meeting reported that Fannie Mae values the home at approximately \$.50 on the dollar.

**Figure N.9.08: Native Americans and Hispanics live in mobile homes more than other races.** (Households occupying mobile homes, as a percent of the population.)



All race/ethnicity categories in North Carolina have more mobile home owners than renters, except Hispanics. Fully 13,400 Hispanic households rent their mobile homes.

Hispanic mobile home residents tend to have more people per unit than households of other race/ethnic categories. The average number of people per unit for all mobile home owners is 2.7, and for all mobile home renters is 2.6. Hispanic households have, on average, 4.5 people per owner-occupied mobile home, and 4.0 people per rented mobile home.

### Location

Counties in the East are more heavily dependant on manufactured housing for both their owner-occupied stock and renteroccupied stock than the rest of the state. (Figures N.9.09 and N.9.10) Figure N.9.09: Eastern counties are slightly more dependent on mobile homes for their owner-occupied housing stock than the rest of the state. (Mobile homes as percent of owner-occupied stock.)

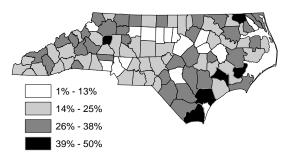
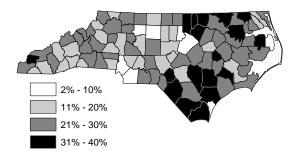


Figure N.9.10: Mobile Homes comprise a large portion of the East's rental stock. (Mobile homes as percent of renter-occupied stock.)



The costs for owning a mobile home are higher in the metro counties than the rural counties, but the counties with the highest average costs per unit are the central rural counties (with an average monthly cost of \$636). The western rural counties are the least expensive, with average owner costs of \$470 per month.

For renters, there are no substantial differences in the percent of the population that is cost burdened between metro, micro, and rural counties. In the Central counties 28% of the renters are cost burdened, in the East 33% are, and in the West 30% are.

#### Stock

Approximately 28% of all manufactured housing in use today was constructed prior to the development of the HUD code (a federal construction standard for manufactured housing); because of this, it is likely a large portion of the occupants of those units are experiencing condition problems.

North Carolina has an estimated 19,100 mobile homes with moderate condition problems and 8,000 with a severe condition problem. In the Regional Housing Needs meetings participants stated that most rental mobile homes are in very poor condition. Participants in the western counties cited

**Future Housing Needs** 

A decrease in the use of mobile homes in North Carolina in the future is unlikely. In light of this, the advocates and public agencies need to be aware of the problems experienced by mobile home dwellers in have manufactured housing that is becoming dilapidated.

As manufactured housing construction technologies continue to improve, the mobile homes will be better able to last that many of the Section 8 recipients are utilizing mobile homes, because they are the only rental stock in the area that is below the Fair Market Rent limit. A large portion of those units are, in the opinions of the participants, uninhabitable; evidence of this is that the Section 8 recipients, despite their dire need for affordable housing, are returning the vouchers to the public housing authorities rather than live in the mobile home.

their areas. Participants in the Regional Housing Needs meetings attested that unethical and unwise financing continue to be a large problem in nearly every area of the state. Additionally, many areas

beyond thirty years. In light of this, the rehabilitation that is necessary for standard site-built homes will need to be applied in increasing frequency to manufactured homes as well.

# **COMMUNITY DEVELOPMENT**

### **Topics:**

- Infrastructure
- Human Capital Development
- Microenterprise Business
   Development
- Comprehensive Neighborhood Revitalization
- Community Capacity Building

# **Introduction**

During the economic boom of the 1990s, it was evident that prosperity was not reaching all citizens of the state. Growth, and its consequential improvements in infrastructure and purchasing power, was concentrated in the state's metropolitan areas. The recession of the early part of this decade further exacerbated the economic gulf between the urban and rural parts of North Carolina. The effect on the physical infrastructure and community fabric of rural areas is evident in the current strong demand for community development services and products.

Even in regions that appear to be thriving, disparities are evident, and other areas are experiencing distress. North Carolina needs to ensure that all regions and communities of the state have strong neighborhoods and employment opportunities. In order to reduce that poverty in North Carolina and ensure that low-to-moderate income residents receive a piece of the economic prosperity pie, the state has identified community development needs to be targeted within the next five years. These needs are based upon various statistical data, reports, a series of public workshops, one-on-one consultations, literature reviews and staff analysis. These needs are 1) new infrastructure and infrastructure improvements, 2) human capital development, 3) microenterprise development, 4) comprehensive neighborhood revitalization, and 5) community capacity building.

# **Infrastructure**

One of the most important services that a governmental entity provides, whether it is at the local, state, or national level, is infrastructure for its citizens and businesses. Infrastructure such as public water and sewer, roads and mass transit, and other utilities are the backbone that allows the state's economic and social fabric to grow and thrive. However, if that infrastructure is not managed properly, it can either grow out of control or deteriorate to a level of inadequate performance.

Regardless of location, all of our communities face issues with growth and development. Some are straining to maintain adequate public services, environmental quality, and community character in the face of rapid growth, while others are struggling to provide economic opportunity, maintain a crumbling residential infrastructure, or are recovering from devastating natural disasters. Increasing reports on traffic congestion and environmental degradation in many metropolitan areas and the devastating impacts of natural disasters in the last few years has shown that North Carolina is not immune to the consequences of poorly managed growth. To that end, the principles of

the *smart growth* movement continue to be emphasized and intertwined within the programs of the four partner agencies, in particular the CDBG program, whenever applicable.

In order to meet the statewide need for safe, clean drinking water, a minimum of \$7.2 billion will need to be invested for capital improvements and expansions by 2030<sup>64</sup>. To provide safe and sanitary wastewater treatment to all our communities for which sewage systems (rather than on-site treatment such as septic) are practical, an additional \$6.5 billion of investment is necessary for capital improvements and expansions by 2030<sup>65</sup>. Addressing funding needs for water and wastewater infrastructure in our state's most needy communities becomes vitally important during the tenure of this Consolidated Plan.

#### Residential

Access to clean water for all of North Carolina's citizens is critical. According to the North Carolina Department of Environment and Natural Resources, in 2003 10% of the state's residents served by public water systems experienced some sort of contamination of their drinking water supply<sup>66</sup>. The number of public water system contamination violations is a significant increase from previous years, and while that may be due to improved techniques for detecting contamination, "the number of small systems needing improvements in capacity is also large<sup>67</sup>."

Unfortunately, more than 50% of the state's water systems are more than 40 years old, and only 6% have made major line repairs since the original installation. 75% of those surveyed have no excess capacity to handle additional water needs, and more than 72% of those surveyed say their sewer systems have no excess capacity. North Carolina has more outhouses than any other state in the nation<sup>68</sup>.

A growing concern of many small rural communities is the deterioration of existing water and sewer lines. Many of these lines were constructed almost a century ago and have received little attention since. Most of these communities are mill towns whose infrastructure was put in place by the mill at a time of industrial economic expansion. The shrinking economic base in these communities makes infrastructure improvements financially infeasible. The challenge of requiring local communities to maintain public water and sewer systems while meeting the public health need of providing safe drinking water is one that must be addressed during the life of this Consolidated Plan.

In March 2004 a statewide initiative, known as Water 2030, was created to ensure North Carolinians of clean water supply. All 100 counties are included in the Water 2030 initiative study, including research of storm water systems, flood hazards, and sewer

<sup>&</sup>lt;sup>64</sup> North Carolina Rural Economic Development Center, Water2030 Initiative

<sup>65</sup> ibid

<sup>&</sup>lt;sup>66</sup> "North Carolina's Capacity Development Report for Public Water Systems", September 30, 2003, Public Water Supply Section, North Carolina Department of Environment and Natural Resources.

<sup>&</sup>lt;sup>67</sup> Ibid, p. 5

<sup>&</sup>lt;sup>68</sup> North Carolina Rural Economic Development Center, North Carolina Water & Sewer Initiative, 1998 Clean Water Report

infrastructure. The Rural Center of North Carolina has collaborated with partners within the government to fund the initiative study of Water 2030, including a \$1 million grant from the N.C. Congressional Delegation, and \$200,000 support from the N.C. General Assembly. Public education and outreach network has combined with the Rural Center to inform citizens of the water infrastructure, knowledge of the state water resources, and the initiative study of Water 2030.<sup>69</sup>

North Carolina State Senator John Kerr, speaking at a Rural Prosperity Task Force meeting, said, "when a community runs out of water and sewer capacity, it becomes stagnant." Clean water for drinking and proper waste disposal ensures environmental quality and is the foundation of present and future rural prosperity. No family in North Carolina should have to endure the health risks and nuisance of outhouses or straight pipes that carry raw sewage into neighborhood creeks, but many rural families still do. Without the means to provide safe drinking water and adequate disposal of wastewater, communities cannot protect the health of their citizens or provide a suitable environment for needed development. For many communities in the state's rural counties, the need for improvements to water and sewer systems is a matter of survival.

One theme mentioned numerous times in focus groups conducted by the Consolidated Plan partners was that of the need for scattered site development. This discussion usually focused on housing, the need to be able to

rehabilitate or construct new housing on individual, non-contiguous lots rather than being required to concentrate such community development activities in generally dilapidated neighborhoods. However, that sentiment has also extended to water and wastewater infrastructure. More specifically, communities have requested help for their low-to-moderate income residents who are experiencing septic system or well failure. In many instances these problems can be overcome by providing public water and sewer lines. However, especially in the western counties, individual wastewater treatment options are necessary.

#### **Economic Development**

Physical infrastructure – highways, water and sewer facilities, natural gas, electricity, and other power sources form the basic foundation upon which businesses and communities are built. They are crucial in attracting and retaining employers that provide workers with reasonable wages and, thus, allow communities to thrive. The state's distressed areas shouldn't continue to lose desperately needed jobs because they lack the water and sewer capacity to accommodate growth, but many rural areas still do. Without adequate sewage treatment plant capacity, existing businesses are constrained and new businesses must seek other sites, not only out of the region, but the state as well.

Economic development should be the product of an agreement between business/industry and the public sector. If government builds and maintains public infrastructure projects, the private sector will undoubtedly produce goods, services, and jobs to meet the needs of

<sup>&</sup>lt;sup>69</sup> North Carolina Rural Economic Development Center, North Carolina Water 2030

the people using those facilities. The more responsibly government performs its task, the more attractive the location will be and the more likely businesses will start up, relocate, or expand.

Because infrastructure investments are so central to economic revitalization, many communities are rededicating themselves to restoring and enhancing these public amenities. The North Carolina Commerce Finance Center, administrators of the Small Cities CDBG funds for economic development, will address this need for the state's low-tomoderate income workers in primarily rural areas. Keeping our rural communities from falling further behind will, thus, require both careful planning and creative thinking on financing.

## Human Capital Development

Many leaders in the state have realized the importance of human capital formation in the economic development and social well being of our communities. Human capital, which can be defined as the knowledge or skills of a workforce that leads to increased productivity, is a vital investment in the 21<sup>st</sup> century.

Evidence abounds demonstrating that dependence on low-skill, high-wage manufacturing jobs is not a prudent economic development strategy for North Carolina. Many of those jobs have left the state for parts of the world with lower wages and less stringent governmental regulation. The manufacturing industry, which at one time was the staple employment opportunity and the backbone of the state's economy, is now decreasing at a rapid rate. In 1999, approximately 775,000 North Carolinians worked in manufacturing industries. By the first quarter of 2004, that number had shrunk to less than  $578,000^{70}$ , a 25% decrease in five years.

As many of our traditional manufacturing jobs disappear, we can no longer afford an uneducated workforce. As discussed in the Economy section, North Carolina continues to lag behind the country in terms of educational attainment, though the state is improving. More than 78% of North Carolinians have earned a high school diploma compared to just over 80% for the United States, and 22.5% of North Carolinians have a bachelor degree, compared to 24.4% for the country<sup>71</sup>.

The key to building human capital in North Carolina is enabling people to become better educated, better trained, and more flexible. Further education and training for displaced workers seems an obvious avenue for policy. Public investment in human capital is often necessary because many displaced workers cannot afford an investment in education or training<sup>72</sup>. It is of utmost importance that the four partner agencies, especially the Division of Community Assistance (because of the flexibility of CDBG funds it administers), find ways to address these issues and incorporate possible solutions into their programs over the next five years.

<sup>&</sup>lt;sup>70</sup> North Carolina Employment Security Commission

<sup>&</sup>lt;sup>71</sup> U.S. Census Bureau, Census 2000

<sup>&</sup>lt;sup>72</sup> Salamon, Lester. "Why Human Capital? Why Now?" <u>Human Capital & America's Future</u>.
Hornbeck, David & Salamon, Lester, eds. Johns Hopkins University Press: Baltimore, 1991.

## Micro-enterprise Business Development

### An Alternative Form of Economic Development

One avenue of success for dislocated workers is entrepreneurship. It has become apparent from our consultations and public workshops that there is more of a demand for micro-enterprise businesses in North Carolina than ever before, particularly in rural communities. In 2004, the Division of Community Assistance, in partnership with the North Carolina Rural Economic Development Center (Rural Center), launched an Entrepreneurial Assistance Demonstration Program to help local communities provide technical assistance to low-to-moderate income residents interested in starting their own business. The response was overwhelming, underscoring the need for alternative forms of economic development in the face of structural change in the state's economy.

One category of business start-up is microenterprise. Microenterprises are defined as very small entities capitalized with less than \$5,000 and employing less than five people. They tend to offer services oriented toward retail trade, services, or construction, and may be part of a cooperative, or located in a home or a commercial strip. The State believes that micro-enterprises are important in communities, especially where there are few formal job opportunities and where there are people who have little formal education and training. Most micro-businesses lack access to traditional credit institutions and the knowledge to start their own businesses. By providing capital, technical assistance, and peer support,

the state can empower low-income people to become self-sufficient and a working member of today's society<sup>73</sup>.

In support of this model, the North Carolina Division of Community Assistance, in partnership with the North Carolina Rural Economic Development Center, ran a demonstration project in 2004-2005 to determine the feasibility of state public funding for technical assistance and peer support operated at the local level. The response was tremendously positive, with the number of jobs created per public funding dollar well below CDBG threshold requirements in many cases. Qualitative feedback indicates a strong desire to continue these programs and find ways to create new ones in areas not already served.

The structural change from a manufacturing to a service-oriented economy has been devastating for many North Carolina communities. Though the 6,500 manufacturing jobs lost with the closing of Pillowtex in 2003 in the Kannapolis area is widely viewed as the most dramatic example, layoffs resulting from the closing or restructuring of manufacturing plants across the state has led to economic hardship for many communities. The likelihood of enticing such large manufacturers of non-durable goods to these regions in the future is slim. By encouraging growth of small businesses, which tend to have stronger ties to their location than their manufacturing predecessors, the state can fill the employment gap and give

<sup>&</sup>lt;sup>73</sup> The Empowerment Zone Fund: A Model, September 1995, Andrew M. Cuomo, Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development

more low income people the opportunity to succeed.

# <u>Comprehensive Neighborhood</u> <u>Revitalization</u>

In previous years, one of the greatest criticisms of North Carolina's Small Cities Community Development Block Grant program has been that it is narrow and inflexible, limited mainly to housing rehabilitation, water, sewer, streets, and drainage. Communities have requested a more comprehensive approach to be allowed with CDBG funds. Comprehensive approaches to community development integrate economic, physical, environmental, and human development in a coordinated fashion, responding to the total needs in a community. Comprehensive neighborhood revitalization involves an ongoing process of expanding, rehabilitating, and maintaining affordable housing, and improving public facilities, resources, and services. At a municipal, county, or regional level, this may entail multi-year plans to identify priority areas and strategies to improve the quality of the physical, social, economic and housing conditions in those areas.

In response to this criticism, the North Carolina Division of Community Assistance has created the Revitalization Strategies program, which takes a holistic view of community development and allows, within parameters, any CDBG eligible activity within the project area. Furthermore, greater flexibility within the Concentrated Needs and Scattered Site Housing programs has been implemented.

Even with these new, innovative programs and designs, a common statement in regional focus groups was the need for the North Carolina Division of Community Assistance to continue to improve its design of the CDBG program to encourage more comprehensive and flexible approaches within project or neighborhood areas. Poor communities and families are best helped when the solutions are comprehensive and attack all the elements that cause poverty. The ability of the four partner agencies to adapt their guidelines to meet changing needs at the local level will be paramount to success.

# **Community Capacity Building**

Local communities and officials know their local needs, as well as what housing and community building approaches will and will not work in their community. Allocating resources, setting priorities, and identifying the specific delivery system are decisions that should be made by local governments in conjunction with citizens and resource deliverers. Decisionmakers at the neighborhood, local and state levels should have maximum flexibility to address local needs. Resources should be flexible enough to reach across multiple local jurisdictions and solve problems on an area-wide or regional basis.

Many rural communities have good ideas about what needs to be done to strengthen their communities, but struggle to launch and sustain projects that will produce real returns – financial, social, civic, educational and environmental – for all their citizens, whether they are black, white, Native

American, Latino or Asian, young or old, rich or poor. North Carolina's rural communities face a range of critical issues that demand urgent attention, defy easy solution, and have both direct and indirect effects on rural prosperity. These issues, including the need to improve education, adapt to rapid changes in the local and regional economy, prepare and retrain the workforce, continue sustainable economic development, preserve environmental quality, and adapt to increasing population diversity, will shape the lives of all citizens in the state. The specific solutions to these issues will be most effective when they are local and regional, developed from within, and tailored to each community. The ability of rural communities to address these issues successfully will determine whether they build on their considerable current strengths or lose ground in the future.

In many Regional Housing Needs meetings, citizens spoke of the importance of building the capacity of their community and its leadership to improve collaborative problem-solving and project implementation. Successful community development depends on a community's ability to marshal knowledge of best practices and mobilize broad-based leadership toward clear outcomes that benefit the whole population. Many communities struggle to launch and sustain community development ventures that produce real returns – financial, social, civic, educational, and environmental – for all of their citizens.

Another important theme from Regional Housing Needs meetings was the ability to work with the newest members of a community; recent immigrants who may not share the same ethnic or racial background of the community's more established residents. This issue is most evident among communities with a recent influx of Hispanic residents. Though reports of discord between longtime residents and new immigrants are very rare, community development professionals have indicated a need for state guidance on reaching out to the newest residents who may be in need of support and technical assistance on regulatory issues unique to new immigrants.

#### **Economic Self-Sufficiency**

In the past, the traditional way of thinking was that homeownership was the key to reducing poverty. New research indicates, however, that a "new" home is not the answer to reducing poverty for all poor people. Yes, it is beneficial to those individuals who are on the border of owning a home, but for extremely low-income people, those individuals 30% of Median Family Income, owning a home may be a difficult task. Though possibly able to afford a subsidized mortgage, the additional cost of maintenance, insurance, and taxes can make homeownership for many very- and extremely-low-income households an onerous burden. Affordable rental housing is often a better option. However, many experts believe that economic literacy is the key to reducing poverty. Tying in homeownership programs to economic and financial literacy, credit counseling, and housing counseling is key to breaking the cycle of poverty and creating wealth for lowincome households. The best way for low-income people to attain selfsufficiency is acquiring financial skills

through economic literacy programs. Self-sufficiency involves more than a job or a home; it is the building of selfesteem, worth, and responsibility, and creating a certain personal dignity, along with the financial savvy to make good decisions on use of credit and avoiding predatory lenders.

Individual Development Accounts (IDAs) Programs give economic incentives and training to low-income individuals for the purposes of homeownership, micro-enterprise, or education. Many poor people have never had any training of any kind in how to manage money; by giving them the opportunity to improve their credit rating and providing incentives to save, the state aims to instill some of the principles necessary to achieve selfsufficiency. There is a clear indication that learning to save is one of the largest obstacles to economic mobility and obtaining quality housing. Counseling programs that inform people of their economic options make investing in the future feasible and aspirations for education, homeownership, or starting or investing in a business a reality.

## **Conclusion**

Although North Carolina has seen substantial losses in the manufacturing sector, its ability to diversify its economy in other employment sectors has created new potential for economic growth in both the urban centers and rural regions. Improving education and worker training, as well as developing the human capital throughout North Carolina will improve economic welfare for many of the state's low-to-moderate income residents. Furthermore, by continuing to diversify its employment base, the state will ensure that it remains competitive with other states in the Southeast.

Along with economic prosperity come many responsibilities. Economic disparities between areas and the protection of the environment are just two issues that North Carolina must recognize as challenges posed by economic growth. The urban/rural economic disparity is evident in the inability of rural local governments to provide proper infrastructure, harming not only future economic development but also residential quality of life.