




CHATHAM COUNTY

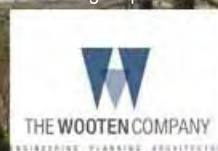
Housing Needs Assessment Update



A Report from the Chatham County Affordable Housing Task Force



Prepared by
The Wooten Company
Planning Department



April 4, 2008

Dedicated to our friend and colleague

Sherwin Rodin

Acknowledgement

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Executive Summary

The planning effort reflected in this document is a continuation of an on-going initiative by affordable housing organizations to address the deepening problem of housing for low and moderate income/workforce families in Chatham County. The Chatham County Affordable Housing Task Force, with financial assistance from the Chatham County Board of Commissioners and technical assistance by The Wooten Company, presents this update of a needs assessment prepared in 2002 in hopes that decision makers in all organizations that impact affordable housing will understand the scope of the problem and the various tools and strategies available to address the situation. To that end, this summary of observations cited in the body of this document is provided.

Key Observations:

- Housing values have increased 62 percent between 2002 and 2007.
- Between 2006 and 2007, 80 percent of homes sold for more than \$200,000.
- Average building permit values in Chatham County increased 32 percent between 2002 and 2007.
- However, 62.6 percent of households in Chatham make at or less than the county median household income of \$60,100 and almost half of these households make less than \$30,000 per year.
- The need for housing for low and moderate income families increased by 27 percent between 2002 and 2007.

Demographics and Economy:

- Chatham County will continue to demonstrate population growth above the state average through 2009.
- The County will continue to experience net in-migration through at least 2020.
- The local economy shows signs of strength: unemployment at 4 percent or less and an increase of 1000 jobs in the study period.
- Following national trends, the County's population is aging. Retired social security recipients have increased 30 percent during the study period. The median income for persons age 65-74 is \$37,965 and \$24,090 for those 75 and older (compared to the median household income of \$60,100).

Growth Management Policies and Land Use on Ordinances

- Current County growth management initiatives encouraging rural preservation and water quality result in lower density development which does not support affordable housing production.
- Current land use ordinances are not favorable to affordable housing.
 - Large minimum lot requirement.
 - Segregation of housing types and densities.

- Limited integration of housing and commercial uses.
- With the exception of a voluntary compact communities ordinance inclusionary zoning requirements do not exist.
- There is no mechanism to insure the preservation of standard housing (no minimum housing code).

Infrastructure

- Public water supply is provided or planned for a large portion of the county.
- While the towns of Siler City and Pittsboro have wastewater treatment facilities to serve their jurisdictions, no public wastewater collection and treatment is available in areas that fall under County jurisdiction.

Demand

- Demand is high for upscale housing in the northeast sector due to proximity to RDU, housing appreciation, highway improvements, low mortgage rates, destination status for out-of-state retirees.
- Land values are increasing particularly in the northeast sector of the county.
- Based on focus group and stakeholder interviews, standard rental housing is difficult to find; waiting lists exist in multi-family developments and the housing voucher program is operating at 105 percent capacity.

Supply

- According to County 911 data, 80 percent of dwellings are single-family, 14 percent multifamily, 6 percent are manufactured housing.
- 152 units of multi-family housing were constructed during the study period.
- Homeownership opportunities and support services for lower income families are being provided by Chatham Habitat for Humanity, EmPOWERment, Inc., and the Chatham County Housing Authority.
- Special needs housing is limited to primary tax credit communities (139 units) for elderly and 81 group home units.

Analysis of Affordability

- A family of four earning area median income (\$46,824 in 2002 and \$61,700 in 2006) could afford a \$160,900 home in 2002 and a \$216,900 home in 2006. However, because housing prices have appreciated greatly and outpaced wage increases, the 2006 family is worse off in terms of the number of homes available for purchase and the size, location, and amenities of these homes.
- Workers employed in private industry have experienced changes in housing choice from an increase of 1 percent to a decrease of 18 percent depending on wage classification.

- County government employees' reduction in housing choice ranged from 9 percent to 26 percent, depending on wage classification.

Quantification of Need to Affordable Housing

- In addition to an increase in the need for affordable housing units from 2002 to 2007, a greater proportion of the need is borne by lower-income households in 2007 than in 2002.

Tools and Strategies to Address the Identified Need

There exists an array of tools and strategies to address affordable housing aimed at both the supply and demand side of the market equation. Some of these tools and strategies are regulatory in nature and others are targeted towards housing consumers and providers. The extent to which these mechanisms are suitable for Chatham should depend upon their relationship to the identified housing needs and articulated goals for affordable housing. Based on feedback and comments from affordable housing stakeholders in coming months, the Task Force will be developing a series of recommendations to present to the Chatham County Board of Commissioners. These recommendations will likely be based upon an evaluation of such factors as the impact on articulated affordable housing goals, implementation costs, time and current legal authority.

1.0 Overview

1.1 Purpose of the Update

The purpose of this Update is to provide an update to the 2002 Chatham County Affordable Housing Needs Assessment. This update builds upon the statistical framework provided in the 2002 study which relied heavily on a comparative analysis of 1990 and 2000 Census data because mid-decade Census data is not available for comparative purposes. This Update relies on data from interviews with focus groups and individuals most affected by affordable housing conditions. A compilation of these stakeholder interviews are provided in Appendix A.

This Update is presented in two parts—Section I – Information Collection and Analysis and Section II – Tools and Strategies. The purpose of Section I of this Update is to provide updated data pertaining to indicators of housing conditions in Chatham County. This data is analyzed and discussed including findings of current housing conditions and projected future housing needs. An objective of this update is to provide data in a user-friendly format. To this end, data has been graphically depicted using graphs and maps to the extent possible.

Section II of this Update lists tools and strategies to support and provide housing for low- and moderate-income families and needed secondary housing services based on Section I findings.

1.2 Defining Affordability

The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income for housing. Families who pay more than 30 percent of their income for housing are considered cost-burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.¹

1.3 Summary

Growth/Housing Demand. Between 2002 and 2007, Chatham County has continued down a road of growth, development and suburbanization. The Raleigh-Durham Metropolitan area has been very prosperous during this period. This prosperity has created a strong market for private industry services and employment opportunities benefiting the County while at the same time creating demands for resources such as housing. Housing demand is a product of the continuing County population growth. Some of this population growth can be attributed to housing consumers purchasing upscale homes in new Chatham County developments. The higher priced homes in Chatham County are often less expensive than comparable homes in Wake, Durham and Orange Counties. Price, along with updated roads and County amenities such as Jordan Lake, makes the decision to purchase in Chatham County an easy one for these consumers. Another factor leading to increased growth is wealthy seniors retiring to Chatham County's upscale retirement communities. Finally, a strong labor force is needed to build housing, staff retirement homes and supply labor for manufacturing plants and local governments. Housing is also needed for this portion of the population.

¹ US Department of Housing and Urban Development.

Loss of Housing Purchase Choice. The prosperity of the last five years has produced some negative by-products. Housing consumers who purchased homes in 2002 or earlier have experienced double digit appreciation in housing values and developed large reserves of home equity. In contrast, consumers who wish to purchase now are considerably worse off than in 2002. Wage increases between 2002 and 2007 were overshadowed by increases in the cost of buying a home. The average wage in Chatham County's private sector increased 26 percent while the median cost of a home increased 62 percent² during the same period. This trend means for low and moderate wage earners such as teachers, factory workers, tradesmen and firefighters, the dream of home ownership moved further from their reach.

Housing Production/Sales. Supplying primarily upper-income consumer demand for ownership, housing production from 2002 through 2007 totaled 4,600 units permitted in Chatham County. The median price of these homes exceeded \$200,000 in 2004 and has steadily increased to a 2007 median price of \$285,500. As of November 2007, 1,055 homes, both new construction and resale, were sold in Chatham County. Of this number, 78 percent were priced above \$200,000; 15 homes were priced under \$100,000; and 130 were priced between \$100,000 and \$149,000. Of the 145 units sold in 2007 priced under \$150,000, 38 of those units were new construction; 107 were resales. For the 62 percent of Chatham County families earning \$60,000 a year and under, housing purchase options are extremely limited. For the 29 percent of families earning below \$30,000 a year, no housing is being constructed in their price range.

Rental Housing. Many housing consumers that are unable to buy must rent. According to Chatham County GIS data, 8 percent or 1,800 units of the housing stock is multi-family housing. The actual number of units available for rent is much lower when considering multi-family units including condominiums and some nursing homes. In the past five years, 152 units of multi-family units have been permitted for development. In contrast to the low level of multi-family rental development, market indicators suggest a demand for affordable rental units. The majority of rental units for low-income and moderate-income families are full and all have waiting lists. The Housing Choice Voucher Program, a government program which pays a portion of a low income family's rent, is operating at 105 percent of its capacity and has a waiting list of 471 families. In addition to multi-family rental units, rental housing consists of single-family units owned and rented out by investors. Information from professionals serving Chatham County and from Chatham County housing consumers suggest that much of the available rental housing is old and in poor condition. Aside from safety and health concerns associated with substandard housing, another major issue for consumers of rental housing is energy efficiency. Many of these homes have inefficient heating and cooling systems resulting in high energy bills.

Special Populations. Elderly and disabled housing consumers are especially vulnerable when lacking basic housing resources. In the past five years, no additional housing has been provided specifically for the elderly. Some housing for the disabled has been established, but this equates to less than 15 units.

² See Figure 6.

2.0 Demographics and Economic Trends

2.1 Population and Growth

Based on population projections and net migration calculations, extensive growth can be expected for Chatham County. Population estimates show the County growing at a rate above state averages for many years prior to the study period and continuing from 2002 through 2007. Above state average growth is projected through 2009. (2009 is the latest Projected Growth Data available.)³

Table 1
Population and Growth 2002-2009

	Estimated						Projected	
	2002	2003	2004	2005	2006	2007	2008	2009
Chatham County Population	52,520	53,742	54,868	56,123	57,707	59,243	60,595	61,845
Chatham County Growth Rate	2.86%	2.33%	2.10%	2.29%	2.82%	2.66%	2.28%	2.06%
North Carolina Growth Rate	1.39%	1.23%	1.37%	1.66%	2.17%	2.04%	1.77%	1.60%

2.2 Labor Market

Chatham County industry growth has continued since 2002, supplying a private labor force of 14,800 workers. Private industry added over 1,000 jobs to the market between 2002 and 2006. The health-care and social assistance industries led growth adding 523 jobs while manufacturing had the greatest reduction in jobs losing 374.⁴

The top ten employers⁵ in Chatham County have played a significant role in job growth. They include:

- Chatham County Schools Education
- Townsends, Inc. Poultry Processing
- Pilgrim’s Pride Poultry Processing
- Performance Fibers Inc..... Polyester Fiber
- Chatham County Government
- Carolina Meadows Inc. Medical Facility
- Wal-Mart..... Retail
- Fitch Creations Development
- Moncure Plywood..... Manufacturing
- General Shale Brick Inc. Manufacturing

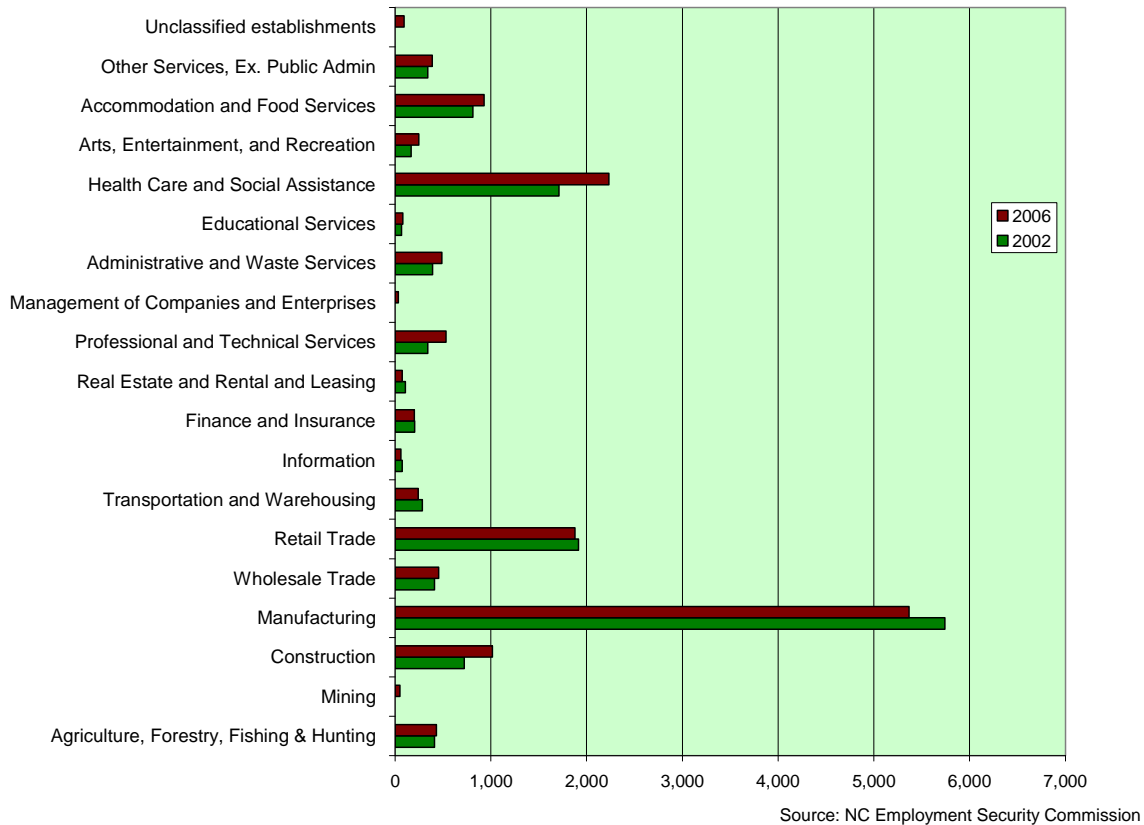
³ North Carolina State Demographic Data, State Demographer, Appendix 1 – Population Growth Table.

⁴ Employment Security Commission of North Carolina, Chatham County Insured Jobs 2002, 2006.

⁵ Federal Reserve Bank of Richmond.

Figure 1 shows job growth in private industry between 2002 and 2006. Manufacturing remains the single largest employment sector in the County supplying over 5,000 jobs to the market. Retail and healthcare remain strong with the healthcare industry adding jobs in response to the needs of retirees.

Figure 1. Private Industry Job Growth 2002-2006



2.3 Income Distribution

Income distribution links various income levels with the number of families in Chatham County at that income. County distribution data is listed in Table 2. County income distribution has held constant since 1999 with the exception of a slight growth in families at the upper income levels. Median income, the middle income of Chatham County, is \$60,100. Approximately 62 percent, or 15,463 families, in Chatham County fall at or below this income level. Of that group of families, almost half (30 percent of the total family population) earn less than \$30,000 a year.

Table 2
Chatham County
Household Income in 2007

TOTAL HOUSEHOLDS IN 2007	24,700	(100.0 %)
< \$20,000	4,520	(18.3 %)
\$20 - \$24,999	1,383	(5.6 %)
\$25 - \$29,999	1,408	(5.7 %)
\$30 - \$39,999	2,816	(11.4 %)
\$40 - \$49,999	2,594	(10.5 %)
\$50 - \$59,999	2,742	(11.1 %)
\$60 - \$74,999	2,939	(11.9 %)
\$75 - \$99,999	3,063	(12.4 %)
\$100 - \$149,999	1,853	(7.5 %)
\$150 - \$199,999	642	(2.6 %)
\$200,000 – plus	740	(3.0 %)

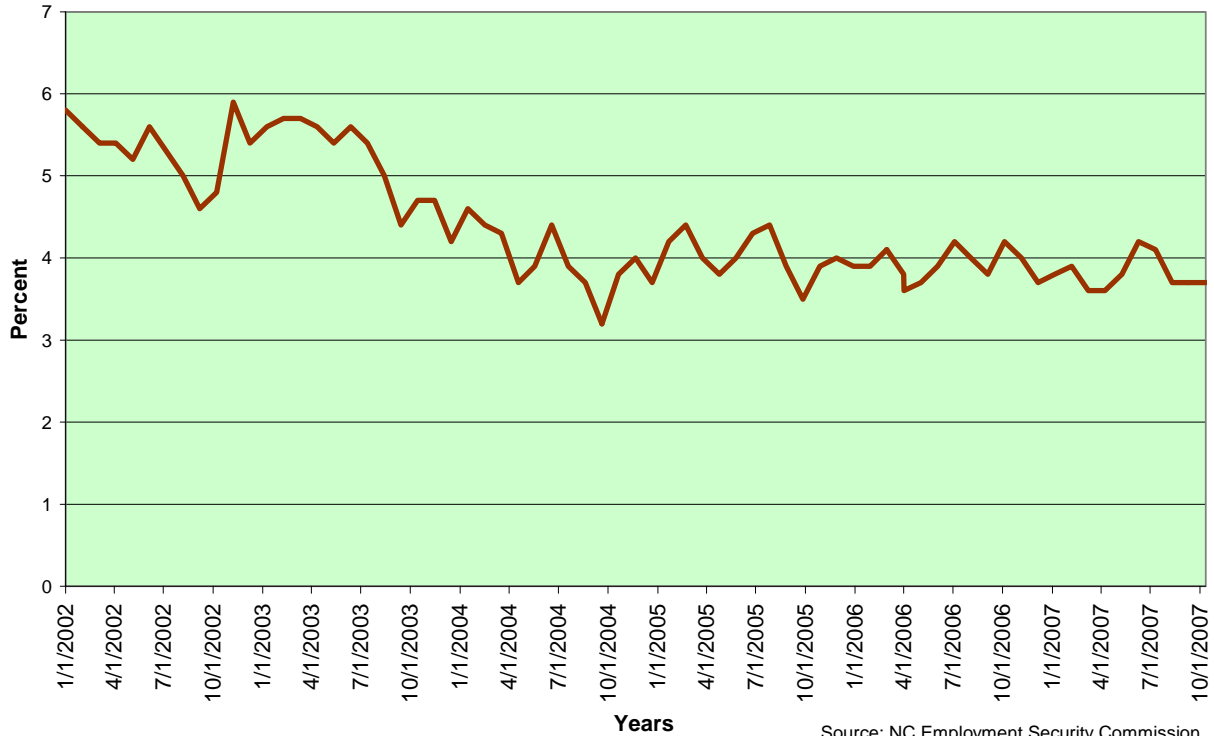
Source: US Census; William Christian & Associates

2.4 Unemployment Rates

Another indicator of strong economic growth is a low unemployment rate. Since 2002 unemployment has declined from the high five percent range to around four percent the last several years. See Figure 2. A four percent unemployment rate is considered “full employment” in that any area will have about four percent of the population in some job transition in any given period⁶.

⁶ Organization for Economic Co-operation and Development www.oecd.org.

Figure 2. Chatham County Percent Unemployment 2002-2007

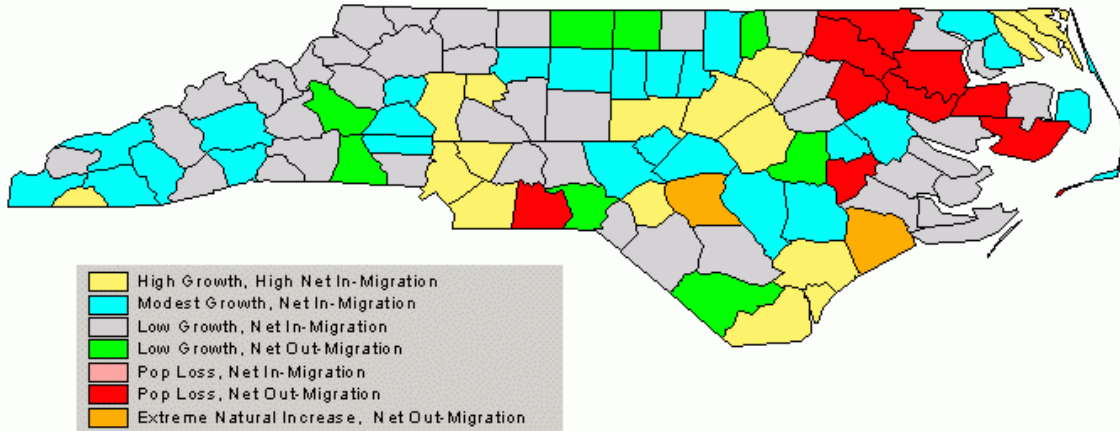


2.5 Immigration Patterns

According to the N.C. State Data Center, over the next 20 years, population trends indicate continuing net out-migration for counties in northeastern North Carolina. Central areas of the State will experience strong net in-migration due, in large part, to strong job markets in Raleigh-Durham-Chapel Hill, Greensboro and Charlotte. Chatham County, located adjacent to the major urban growth center of Chapel Hill, will continue to experience high net in-migration development pressure for years to come.

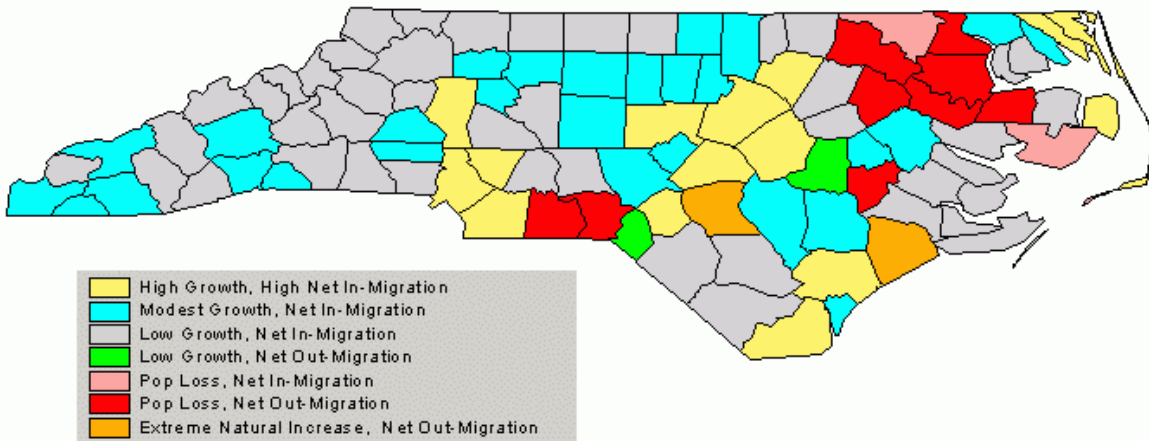
Figures 3 and 4 show population growth and migration patterns in North Carolina through 2020. In both decades, Chatham County is shown as a High Growth, High Net In-Migration County.

Figure 3: North Carolina Population Growth 2000 to 2010



Source: North Carolina State Data Center: <http://demog.state.nc.us/>

Figure 4: North Carolina Population Growth 2010 to 2020



Source: North Carolina State Data Center: <http://demog.state.nc.us/>

As noted in the 2002 Affordable Housing Study, the County is a destination for Hispanic immigrants seeking employment in local factories and processing plants. Hispanics have developed a strong community in Siler City and Pittsboro. The impact of this new community in the County will have lasting effects in terms of available labor, increased housing demand and demand on public services such as schools. It is unclear what affect further international in-migration will play in County growth considering that the original reason for Hispanic migration, jobs in Chatham's manufacturing sector, has shown a slight decline in the past several years.

2.6 Aging

The coming retirement of the Baby Boomer generation means Chatham County will experience an increase in senior citizens that will affect many aspects of housing for the next 25 years⁷. The median income of seniors 65 to 74 in 2007 is estimated at \$37,965. See Table 3. Median income for seniors 75 and over drops to \$24,090. Because of low fixed incomes, it is difficult for many senior citizens to afford special assistance including supportive services, home modifications or in-home health care in addition to day-to-day living costs. Affordable rental rates and financial assistance for housing repairs are especially critical for seniors on fixed incomes.

Table 3
Chatham County
Median Household Income in 2007
By Age of Householder

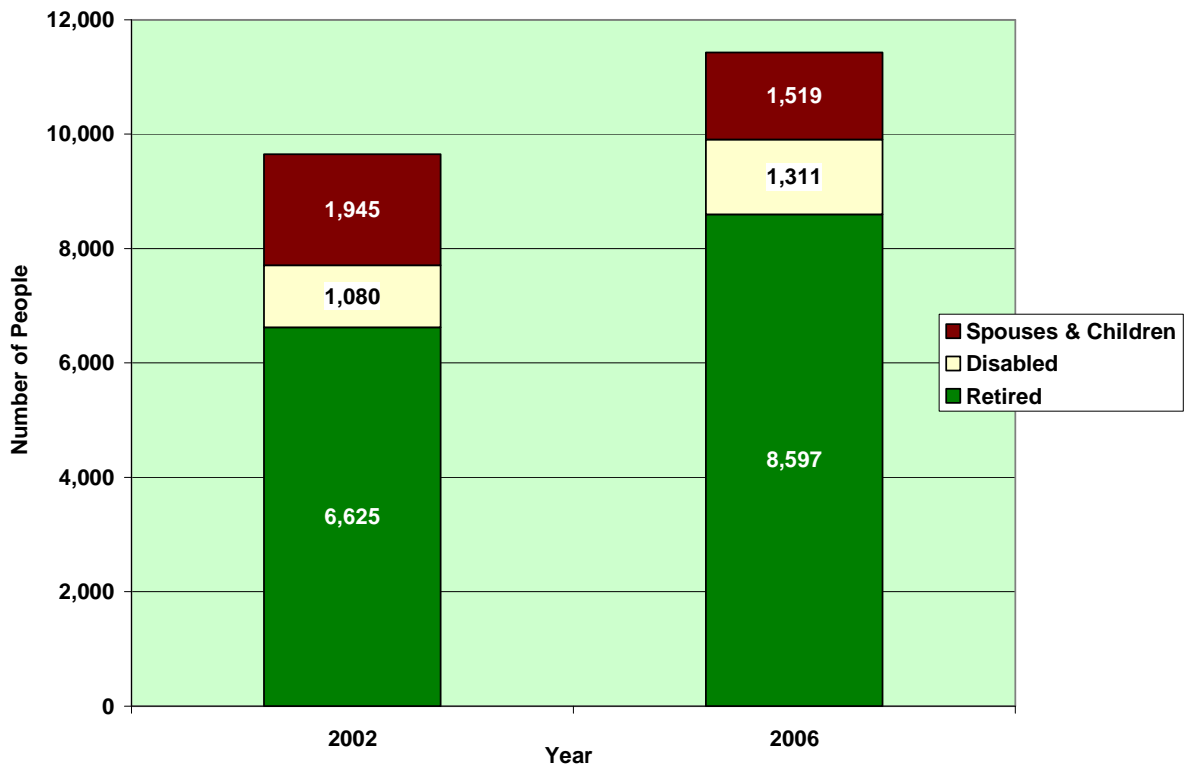
County-wide Median	\$48,570
< 25 Years	\$34,120
25 TO 34 Years	\$47,290
35 TO 44 Years	\$57,855
45 TO 54 Years	\$62,870
55 TO 64 Years	\$52,740
65 TO 74 Years	\$37,965
75 Years and Over	\$24,090

Source: US Census; William Christian & Associates

⁷ Baby boomers retiring 2008 forward. "The Retirement Prospects of the Baby Boomers" Congressional Budget Office, <http://www.cbo.gov/ftpdoc.cfm?index=5195>.

Figure 5 shows the number of persons in Chatham County who collected Social Security from 1999 through 2006. Note that since 2002, there has been an 18.4 percent increase in retirees collecting Social Security, compared to a 6 percent increase in overall social security recipients.

Figure 5. Chatham County Social Security Recipients 2002, 2006



Source: Social Security Administration

3.0 Current Ordinances and Policies

Land development regulations, particularly zoning ordinances and subdivision regulations, are important determinates of the use of land, the density and intensity of use, the form and shape of new development, and the cost of development. Such local regulations significantly impact housing availability and housing cost.

The following local land development regulations were evaluated to assess regulatory obstacles to the provision of affordable housing in Chatham County:

- Chatham County Zoning Ordinance
- Chatham County Subdivision Ordinance
- Chatham County Compact Communities Ordinance
- Chatham County Mobile Home Ordinance
- Town of Pittsboro Zoning Ordinance
- Town of Pittsboro Subdivision Regulations
- Town of Siler City Unified Development Ordinance

Generally, the local regulations permit a variety of housing types and densities. As might be expected, permissible densities are generally higher in the county's urban areas of Pittsboro and Siler City where adequate infrastructure is available to support increased housing densities. These municipalities also generally allow more diverse housing types than does the county. Pittsboro and Siler City both have extraterritorial planning and zoning jurisdiction, thus their land development regulations are applicable within their corporate limits as well as a designated 3-mile unincorporated area outside the municipal limits.

3.1 Permissible Densities

3.1.1 Chatham County. Residential densities in the county's zoning jurisdiction (which covers approximately one-third of the total county land area outside of municipal zoning jurisdictions) range from one dwelling unit per 5 acres to 1.08 dwelling units per acre within general zoning districts. Planned residential developments, which permit flexible lot sizes and a mixture of housing types, are allowed within all residential zoning districts but there is no net increase in overall residential density above that allowed for the zoning district in which located. Within a limited portion of northeastern Chatham County, a development qualifying as a 'compact community' is permitted to have a maximum overall residential density of two dwelling units per gross acre and a minimum net density of five dwelling units per net acre. Densities within mobile home parks vary from one mobile home space per 1.5 acres to one mobile home space per 0.92-acre depending on the availability of water and wastewater services.

Residential densities in unzoned portions of the county are basically limited by health department requirements for water and wastewater utility service. New subdivision lots, however, are governed by the county's subdivision regulations which require either 1.5 acres or 0.92-acre minimum lot sizes depending on the availability of water and wastewater services. There is no reduced minimum lot size requirement for lots with access to both public water and wastewater service.

3.1.2 Town of Pittsboro. Pittsboro allows residential densities that range from one dwelling unit per 5 acres in its Rural Residential zoning district to 4.35 dwelling units per acre in its High Density Residential district. Planned unit developments, which permit flexible lot sizes and a mixture

of housing types, are allowed in all but one residential zoning district and within the Office and Institutional district but there is no net increase in overall residential density above that allowed for the zoning district in which located. Flexible lot sizes and higher densities are, however, permissible within the Mixed Use Planned Development zoning district. Allowable densities in these particular types of mixed-use developments are determined at the time of master plan review and approval. Densities within mobile home parks vary from 2.9 to 8.7 spaces per acre based on the availability of water and wastewater services.

3.1.3 Town of Siler City. Residential densities in Siler City range from a low of 1.08 dwelling units per acre in its Agricultural and Residential zoning district to a high of 7.26 dwelling units per acre in its R-6, Residential district. Higher densities are allowed within Planned Unit Development zoning districts where densities of 4.35 to 7.26 dwellings per acre are permissible. Planned residential developments, which permit flexible lot sizes and a mixture of housing types, are allowed within three residential zoning districts, but there is no net increase in overall residential density above that allowed for the zoning district in which located. The maximum density within a mobile home park is 4.0 units per acre.

3.2 Permissible Residential Uses

3.2.1 Chatham County. Residential use types allowed throughout the majority of the county's zoning jurisdiction include single-family detached units (site-built, manufactured, and modular dwellings) and duplexes. Multi-family residences, including apartments, townhouses, and condominiums, are allowed only within planned residential developments and within compact communities. Manufactured home parks are permissible countywide. Residential uses are not permissible within the county's one general commercial zoning district, B-1 Business, but are allowable within the O&I, Office and Institutional district. Mixed housing types are permitted only within planned residential developments and compact communities. Accessory dwelling units are permissible within the two lowest density residential zoning districts, O&I districts, and within compact communities.

3.2.2 Town of Pittsboro. Single-family detached and modular dwelling units are permitted within all residential zoning districts, O&I districts, and Mixed Use Planned Development districts. Duplexes are allowed within two residential zoning districts, O&I districts, and Mixed Use Planned Development districts. Townhouses and condominiums are permissible within three residential zoning districts, O&I districts, Neighborhood Commercial districts, and Mixed Use Planned Development districts. Multi-family development with one structure per lot is allowable within two residential zoning districts, O&I districts, Neighborhood Commercial districts, and Mixed Use Planned Development districts. Mobile homes on individual lots are permitted within four residential zoning districts and mobile home parks are allowed only within one zoning district, R-12M. Dwelling units above commercial uses are allowable within O&I, Highway Commercial, Central Commercial, and Mixed Use Planned Development zoning districts. Planned unit developments, which allow a variety of housing types and flexible dimensional requirements, are allowed in all but one residential zoning district and within the Office and Institutional district. Accessory dwelling units and caretaker dwelling units are permitted in most residential zoning districts, O&I districts, and Mixed Use Planned Development districts. Rooming and boarding houses are permissible within three residential zoning districts, all commercial districts except for the Central Business district, O&I districts, and Mixed Use Planned Development districts.

3.2.3 Town of Siler City. Single-family detached and modular dwelling units are permitted within all residential zoning districts, O&I districts, and Mixed Use Planned Development districts.

Single-family attached units are allowed within three residential zoning districts, O&I districts, and Planned Unit Development districts. Duplexes are allowed within three residential zoning districts, O&I districts, Neighborhood Business districts, and Planned Unit Development districts. Multi-family dwellings, including apartments and townhouses, are permissible within three residential zoning districts and Neighborhood Business districts. In addition, downtown apartments and condominiums are permitted within the Central Business zoning district. Mobile homes on individual lots and mobile home parks are permitted within two residential zoning districts. Planned residential developments, which allow a variety of housing types and flexible dimensional requirements, are allowed in all but one residential zoning district. Accessory dwelling units are permitted in all but one residential zoning district and within O&I districts. Rooming and boarding houses are permissible within two residential zoning districts, the Central Business district, and O&I districts.

3.3 Summary of Regulatory Obstacles to Affordable Housing

3.3.1 Large Minimum Lot Area Requirements. The minimum lot area requirements, particularly in the county jurisdiction and within municipal ETJ areas, are frequently larger than the minimum size necessary for approval of on-site water and wastewater utilities or for public water supply watershed protection purposes. Excessive minimum lot area requirements increase the cost to construct new housing and limit density levels that are conducive to a diversity of housing types. Permissible higher density options available within public water supply watersheds are not taken advantage of in the county jurisdiction. The county's subdivision regulations do not allow for reduced minimum lot sizes for lots with access to both public water and wastewater utilities.

3.3.2 Segregation of Housing Types and Densities. Overall, the land development regulations do not encourage a blending of housing types and density levels which can promote housing cost diversity. The county allows multifamily uses only within planned developments and compact communities and net densities are still low. Duplexes, triplexes, etc. are not integrated throughout many residential zoning districts. Small-scale multi-family uses are often not allowed to be dispersed among single-family uses. All three jurisdictions have provisions for allowing accessory dwelling units on the same premises as principal residential dwellings but the restrictions and conditions placed on such uses may limit their practical use.

3.3.3 Limited Integration of Housing with Commercial Uses. Residential uses are often totally excluded from commercial areas or are severely restricted. The segregation of residential uses from commercially-zoned districts is particularly prominent within the county's jurisdiction. The municipal jurisdictions promote more integration of housing in commercial areas but a full variety of residential uses is not promoted. For example, a live/work combination dwelling and nonresidential use is generally not permissible.

3.3.4 Limited use of Inclusionary Zoning Requirements. Inclusionary zoning basically is defined as zoning regulations that have mandatory requirements that provide incentives for the provision of housing that is affordable to persons of moderate income. Only the county has provisions for inclusionary zoning in its compact communities ordinance, requiring a minimum percentage of new residential units to be available to buyers whose incomes are designated as 'affordable'.

3.3.5 Restricting Flexible Lot Sizes and Mixture of Housing Types to Large Scale Planned Developments. Flexible densities and mixtures of housing types are generally permitted within planned unit developments, planned residential developments, or compact communities but the extended and uncertain review and approval processes, additional restrictions, large minimum development area requirements, required amenities, etc., limit their practical use. Typically, planned

developments require a large minimum development area (such as 200 acres in the county for a planned residential development in RA-5 zoned areas) as well as special or conditional use approval. Such types of developments are subject to detailed and prolonged scrutiny and the uncertainty of the imposition of additional and, perhaps, excessive site development and building design requirements. Most types of planned developments are allowed only by special or conditional use permit.

3.3.6 Additional HOA maintenance Costs Associated with Required Amenities.

Developments that do accommodate flexible densities and housing mixtures often are required to include recreational and open space, common facilities, and other amenities that must be operated and maintained by a homeowners' or property owners' association thereby adding additional costs for the individual property owner. Individual homeowner maintenance fees for mandated recreational facilities, community buildings, additional landscaping and buffers, entryway features, etc., can only increase over time. Oftentimes, traditional residential developments, such single-family detached subdivisions, are not required to provide amenities (or a commensurate level of amenities). Consequently, long-term maintenance costs for commonly-owned facilities are not an expense for the owners within these types of housing developments.

3.3.7 Group Residential Uses are Segregated and Limited. Although boarding and rooming houses are generally permitted in the municipal jurisdictions, their locations are restricted and additional conditions may limit their practical use.

3.3.8 Minimum Housing Code Enforcement May Assist with Preserving the Existing Housing Stock. Consistent and comprehensive enforcement of minimum housing codes can assist in maintaining the condition of the existing housing stock.

4.0 Infrastructure

The purpose of this section is to address the availability of water and wastewater facilities in Chatham County and the impact on the supply of affordable housing. An exhaustive engineering analysis of the current capacity (permit and treatment) and future expansion plans of the municipal water and wastewater systems in Chatham County is not within the scope of this Update. However, a review of infrastructure planning documents available publicly and interviews with knowledgeable professionals within the development community provides valuable insight into current conditions and future plans.

A review was made of the following documents:

- Local Water Supply Plans for Chatham County (East, North and Southwest), Pittsboro, Siler City, Goldston Gulf Sanitary District (Cary and Sanford)
- Chatham County 2009-2013 Capital Improvements Program – CIP (and newspaper articles related to the adoption)
- Pittsboro Ordinance Establishing a Development Moratorium
- Pittsboro 2007-2008 Budget
- Siler City Web Site (www.silercity.org) data pertaining to Water Treatment Plant and Wastewater Treatment Plant

Discussions were held with Chatham County Public Utilities Director, Chatham County Planning and Environmental Health staff, The Wooten Company engineering staff and a developer of multi-family affordable housing communities.

4.1 Summary of Current Conditions

4.1.1 Water. According to the County's CIP, it is the goal of Chatham County to provide all water consumed by County customers from the Jordan Lake Water Treatment Plant. Accordingly, the County has approved a major expansion to the treatment plant and major transmission mains, storage facilities, booster pump stations as well as interconnections with other municipal systems for emergency supply purposes. The Town of Siler City will be a beneficiary of one such interconnection. From the fiscal year 2008 to fiscal year 2013, a total of \$50,696,651 will be required for water system improvements. The towns of Pittsboro and Siler City (with the proposed Chatham County interconnector) have sufficient capacity to accommodate expected growth.

4.1.2 Wastewater. According to developers of affordable housing, the availability of wastewater facilities is a serious constraint in Chatham County. Currently, Chatham County does not operate a wastewater treatment system (except for a small 50-connection package plant system for the Bynum Community). The rapid growth occurring of upper price range homes in the northeastern section of Chatham County is accommodated by private wastewater systems that are installed and paid for by the developer. Approval, permitting and monitoring of these private systems is provided by the State of North Carolina. The cost of these systems is approximately \$10.00 per gallon of capacity (i.e., a 100-unit subdivision using 100 gallons per day for 3 persons = 30,000 gallons, would likely cost \$300,000 to construct). Most or all of these private systems are owned, maintained and operated by a national private corporation, Aqua Utilities. Typically, Aqua Utilities charges its customers approximately \$50.00/month. This amount is in addition to the monthly rate for water service, typically supplied by Chatham County. Most of these private systems are of the package plant variety; however, concrete instead of metal components is used. A search of public compliance records

reveal no significant compliance issues (possibly because the systems are relatively new). Currently, there are no plans for the County to provide wastewater treatment and collection services.

The Town of Pittsboro is currently under a self-imposed development moratorium resulting from deficiencies in wastewater treatment capacity. The Town is currently securing a permit from the State for an additional 2 to 2.5 million gallons per day (mgd) treatment capacity. It is not certain whether the current treatment plant will be expanded or a new plant constructed.

The Town of Siler City has a 4.0 mgd treatment plant with a reserve capacity of 2.0 mgd.

4.2 Impact on Affordable Housing

The availability and the cost of infrastructure improvements are factors affecting affordable housing. In Chatham County, the water supply, treatment and distribution situation appears well under control. However, given current development regulations applicable to a large part of the County, the availability of water (without wastewater) would require a minimum 40,000 square-foot lot. With the escalating costs of land cited in Section 5.5 of this Update, this one acre lot minimum could be considered cost-prohibitive for low- and moderate-income housing consumers. Even with municipal wastewater and water service, the minimum lot size is still 40,000 square feet in areas under County jurisdiction.

The provision of wastewater collection and treatment in Chatham County is potentially problematic. With the County government staying out of the “wastewater business” and Pittsboro encountering capacity issues, Siler City appears the only viable source of municipal wastewater service. The installation of “package plant” systems to provide wastewater service to higher density developments is certainly an option. However, the cost of plant construction is reflected in the price of the house and high monthly charges for wastewater, in addition to water, present affordability issues for low- and moderate-income households. A question could be raised as to whether the private installation and operation of package treatment plants throughout the County is an appropriate public policy. Private corporations respond to the profit picture and the ultimate welfare of their stakeholders. Management changes and consolidations/mergers/buyouts can create a volatile environment for cost-effective service delivery. Even if operations comply with permit requirements, system components will still eventually wear out and the cost of improvements and compliance-related penalties and fines will likely be passed on to the property owners.

5.0 Demand

5.1 Profile of Housing Consumers

Chatham County consists of a broadly diverse population living and working together. This population includes persons of different ethnicities, professions, and income levels. Many area business and academic leaders call Chatham County home. More recently, Hispanics have established communities in Chatham County seeking work in the Chatham County manufacturing, food processing and construction industries. Retirees from North Carolina and elsewhere have settled to Chatham County for its amenities and short drive to Chapel Hill and the Raleigh-Durham area.

All of these groups are consumers of housing in Chatham County. To understand demand for housing in the County, it is important to understand the consumers who are creating that demand. There are two broad categories of housing consumers—high-income housing consumers defined as families making above median income and low- and moderate-income housing consumers, the focus of this Update. During the interview process for this Update, three main subgroups of low- and moderate-income housing consumers were identified. The following are profiles of these three groups:

- **First Time Homebuyers/Renters.** This group represents individuals and families living in Chatham County because of community. They have grown up in the community or moved to Chatham County to be close to family. Families consist of young singles and couples, often with one or two small children. This group has a varying educational background.
- **Hispanics.** This group includes individuals and families who have immigrated to the United States to work manufacturing jobs. They tend to live in tight-knit communities in proximity to one another. These families are typically larger than family units in other subgroups. It is not uncommon to have several generations or extended families living under the same roof. The head of the household is usually older in comparison to First Time Homebuyer/Renters group. In general, this Hispanic work force is less educated and has a poor understanding of the homeownership process and consumer credit.
- **Service Sector/Industry Workers.** This group covers all of those who work in the County but do not fall under the other two groups. The main difference in this group and the other two is that the consumer's main reason for desiring housing in Chatham County is to be close to their workplace. This group has no set family type or size and commutes into Chatham County from surrounding areas.

5.2 Factors Contributing to Demand

Housing development increased significantly in Chatham County between 2002 and 2006. Factors contributing to this growth include:

- 1) **Chatham's proximity to the Raleigh-Durham Metropolitan Area, a center for research and development drawing technically advanced companies that bring in high paying jobs.** Through the first part of the decade (2000-2005), developers catered

to upper middle class housing consumers who were willing to move further out of the metropolitan area to “buy up”— the practice of selling a smaller home and using the appreciation as a down payment on a larger home. These consumers were attracted to the relative proximity of Chatham County to the Raleigh-Durham area, the size of homes and amenities offered by developers compared to price.

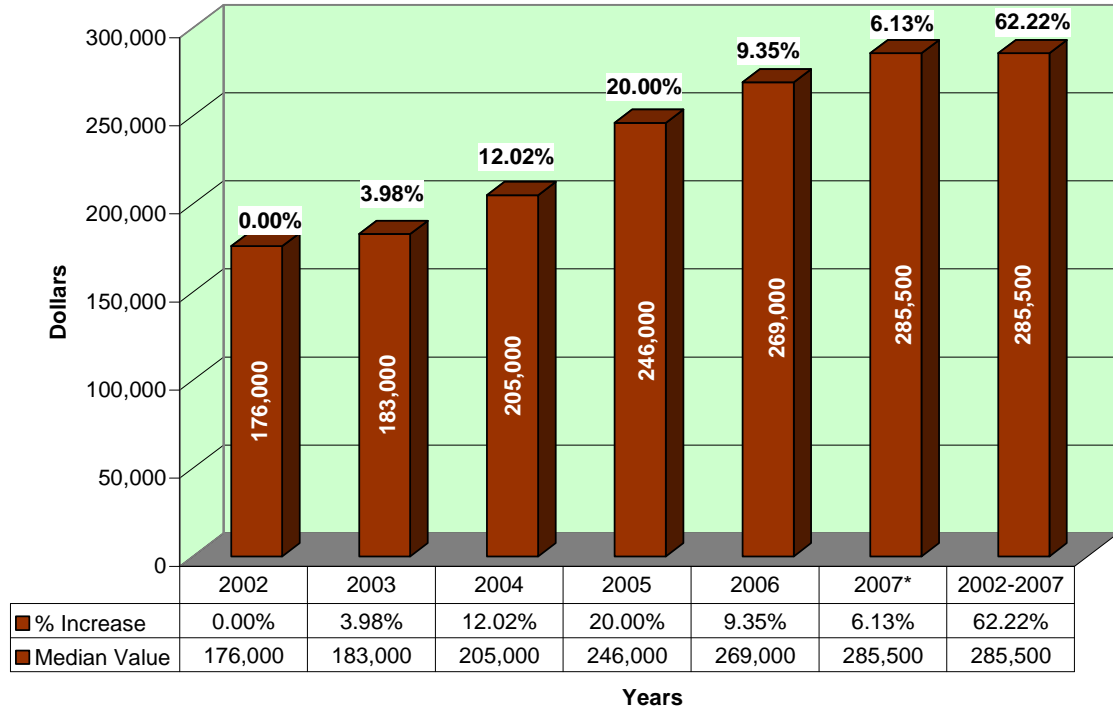
- 2) **Unprecedented double digit appreciation in the housing market.** As the housing market appreciated in the early part of the decade, many consumers used favorable mortgage rates and financing options to upgrade to larger, new construction single-family housing. Developers purchased large tracts of land in northeastern Chatham County at favorable prices compared to land prices in more urbanized counties such as Wake.
- 3) **Highway improvements between Raleigh-Durham and Chatham County.** The expansion of major corridors through the County make travel between Pittsboro, Siler City and northeast Chatham County faster, reducing commuting times.
- 4) **Low mortgage interest rates and the expansion of alternative debt instruments.** During this same period, interest rates continued to fall and new mortgage products offering low upfront payments became popular.
- 5) **Retirees.** A final factor driving Chatham County housing demand is the growing number of out of state retirees relocating to the area. Chatham County, offering scenic vistas, abundant golfing and access to UNC medical care, has quickly become a prime retiree destination.

5.3 Housing Values

The rapid increase in the price of housing is a strong indicator of demand. As a market struggles to meet the rising demand for a good, prices increase until a balance is reached between the amount of a good available and the ability for consumers to purchase at that price point. Figure 6 shows the increasing median housing prices between 2002 and 2007. The greatest increase in price took place in 2005 when Chatham County median housing prices jumped 20 percent, to \$246,000.

Since 2002 the housing market in the Raleigh-Durham metropolitan area has struggled to meet the demand for housing as evidenced by the upsurge in building throughout the area. During this period, median housing sales prices have increased 62.2 percent from \$176,000 to \$285,500. The demand in Chatham County clearly shows: 1) a strong market for upscale housing; 2) Chatham County has amenities that attract families who can afford market prices; and 3) while still very expensive, buyers can purchase more house for less money in Chatham County compared to other communities in the metropolitan area creating an additional incentive to relocate.

Figure 6. Median Home Values and Percentage Yearly Increases 2002-2007



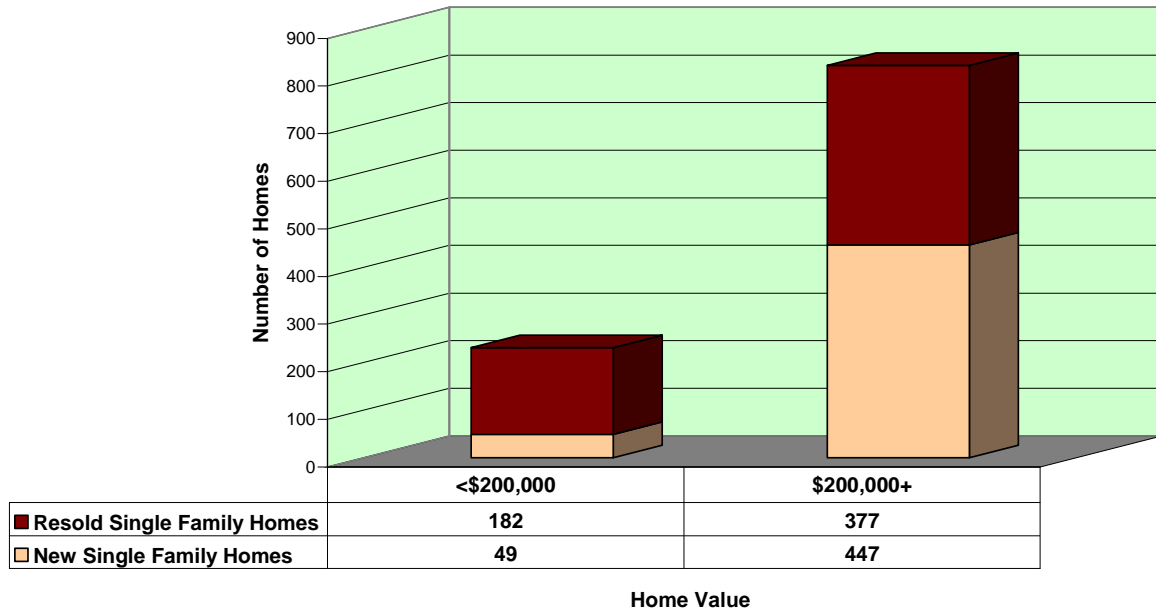
Source: William Christian & Associates

5.4 2006-2007 Market Trend

Free markets are defined as markets where any individual may exchange products or services by competitive bidding without constraint. These markets are considered efficient in that they allow buyers and sellers to set optimal pricing and reduce waste; however, free markets do not necessarily meet all the needs of all citizens or recognize inequity.

Figure 7 shows the number of housing units sold between 2006 and 2007 separated between units sold under \$200,000 and those sold at \$200,000 and above. Nearly 80 percent of the homes sold during the period were over \$200,000, indicating that the market is responding effectively to upper-income housing demand.

**Figure 7. Comparison of Chatham County Homes Sales June 2006 - July 2007:
Sales Above and Below \$200,000**



Source: William Christian & Associates

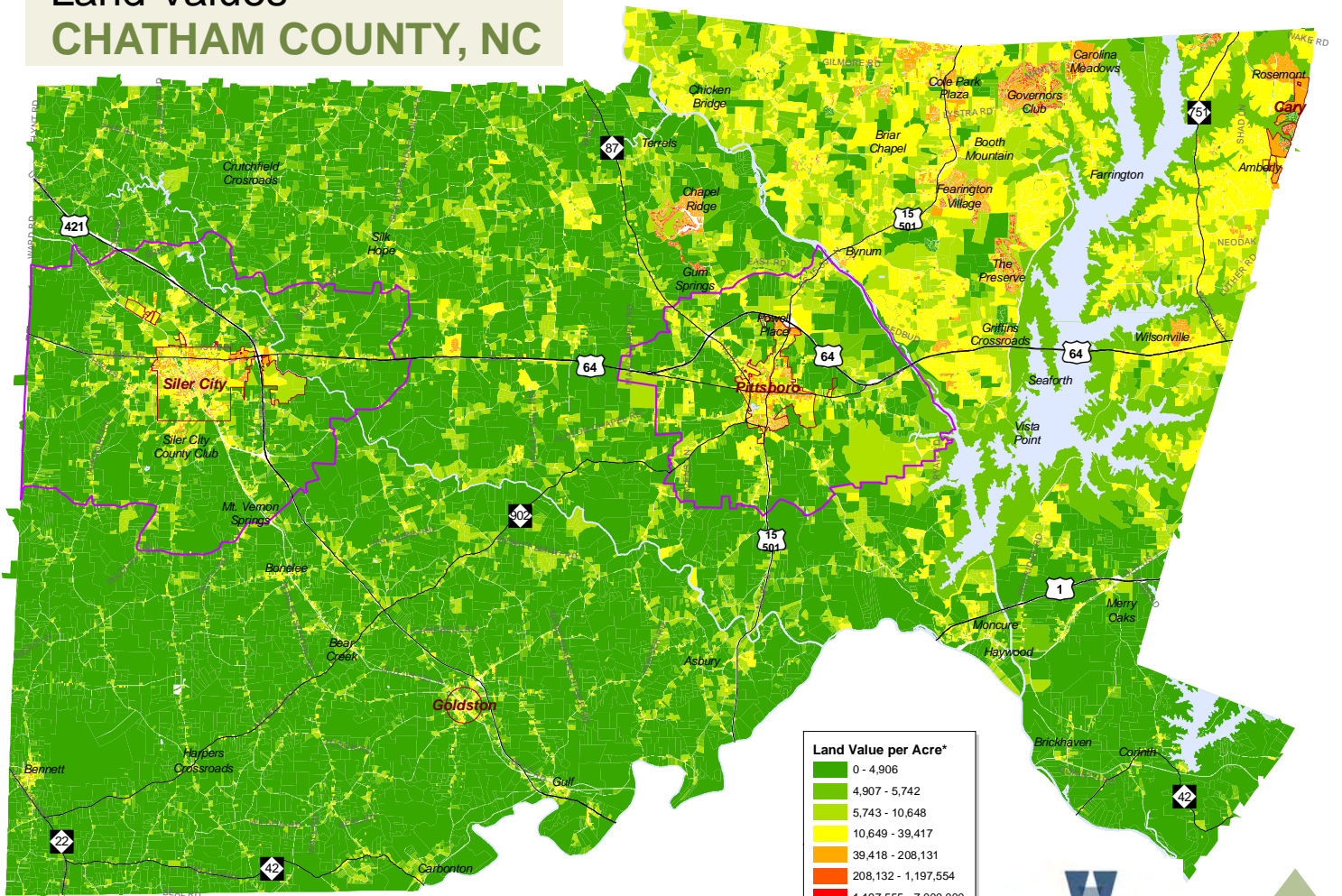
5.5 Land Values

Demand for land, as indicated by parcel value per acre, follows trends similar to housing demands. Factors that affect demand for land include overall availability, location, development potential, access to water and wastewater, and zoning and building regulations.

Map 1 shows the most recently assessed land values from tax assessment records. This data shows only taxable land value and does not include improvements. Per acre land values above \$10,649 are shown in yellow and values over \$39,418 are shown in orange.

Considering the factors that increase demand for land, land cost per acre above the Haw River is valued at \$10,000 - \$30,000 per acre with a large volume of parcels changing hands through 2006. This area has been targeted for large scale development and is characterized by large open tracts, with available County water and private wastewater facilities. High development potential and easy access to urban centers have driven land prices in this area up sharply. Other high demand areas include Siler City and Pittsboro due to lower development costs as well as available water and wastewater.

Land Values CHATHAM COUNTY, NC



Land Value per Acre*	
[Dark Green]	0 - 4,906
[Light Green]	4,907 - 5,742
[Yellow-Green]	5,743 - 10,648
[Yellow]	10,649 - 39,417
[Orange]	39,418 - 208,131
[Red-Orange]	208,132 - 1,197,554
[Red]	1,197,555 - 7,000,000
[Black Outline]	Corporate Limits
[Purple Outline]	ETJ

Source: Chatham County Tax Parcel Data - October 2007
 *Represents Assessed Market Values before Adjustments
 Values displayed using a geometrical interval classification scheme



5.6 Rental Demand

Focus group members stated that the difficulty in finding affordable rental housing units is not only in the price of the unit but also in finding housing in standard condition. A number of participants stated that to afford a rental unit in standard condition, they lived with one or more roommates to divide the cost.

Focus group and interview data also indicate a high demand for affordable, standard rental housing in Chatham County. One quantitative indicator of this demand is the waiting lists maintained by individual rental complexes and the Chatham County Housing Authority.

Out of the 14 identified rental communities in Chatham County, 9 have waiting lists. Of the 841 rental units in Chatham County, 29 units are currently vacant. Multi-family rental complexes typically have credit guidelines an applicant must meet before renting a unit or being placed on the waiting list. This skews demand down when using lease up rates and vacancies as a measure of rental housing demand; demand is higher than these very low vacancy rates and waiting lists indicate because a portion of the market is left uncounted due to their lack of credit worthiness. The figures provided only include multi-family complexes because they are identified by the GIS data as rental. Data for single-family and mobile home rental units is not available; however, based upon interview and the lack of large scale multi-family development, it is estimated that these units comprise a substantial portion of the rental market.

Housing Choice Vouchers, also known as Section 8 Rental Assistance, are another indicator of rental demand. This federal program was created in response to the negative public perception of project based rental assistance developed in the 1970s commonly referred to as 'projects'. Housing Choice Vouchers are federal allocations of rental subsidies available to families earning 60 percent or less of the median area income. The voucher will pay a portion of any rental unit on the market making that unit affordable for the family holding the voucher.

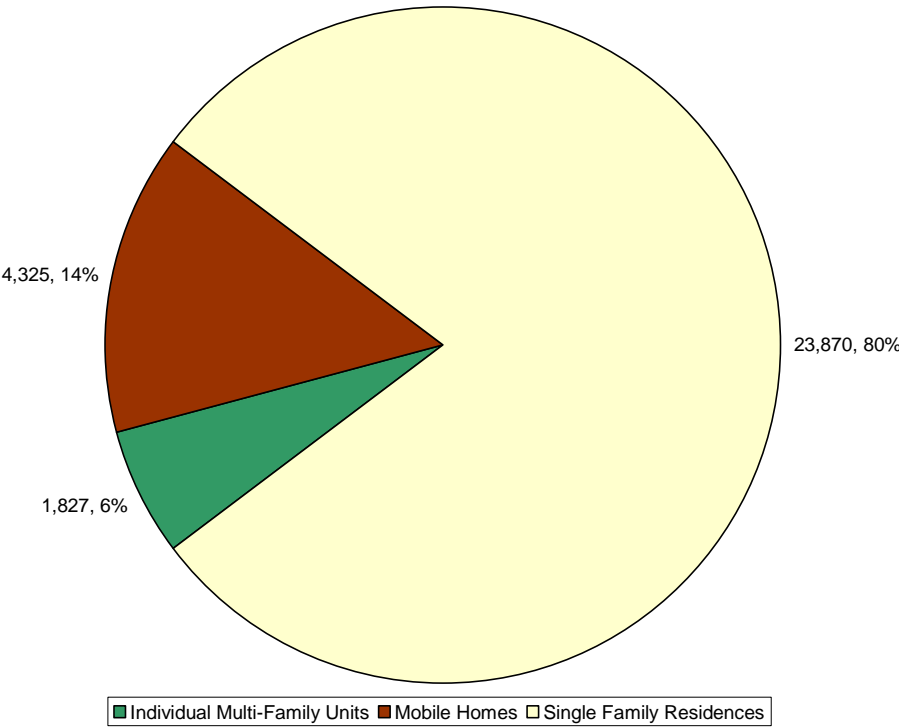
Chatham County has an allocation of 410 vouchers and 430 current program participants meaning the program is at 105 percent of capacity. Additionally, the program has 471 active families on its waiting list. This waiting list consists of persons who have applied for the voucher program but were unable to be served because the entire allocation is already used.

6.0 Supply

6.1 Housing Stock

The number of housing units, or housing stock, has a direct impact on housing cost. Based on Chatham County 911 data, there are approximately 30,000 dwelling units in Chatham County. Of those, 80 percent are single-family dwellings (includes site-built and modular dwellings), 14 percent are mobile homes and 8 percent are multi-family housing units, as indicated in Figure 8.

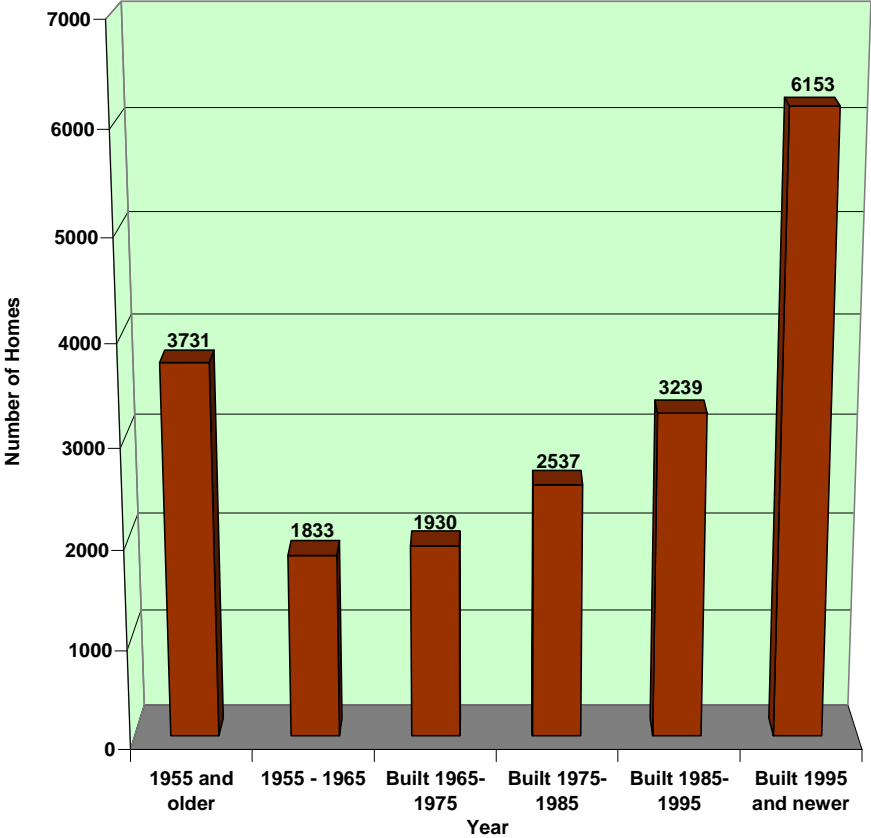
Figure 8. Housing Units By Type



In addition to the number and type of dwelling units available in the County, unit condition is important in assessing the overall housing supply. Since direct survey information on unit conditions is not available, age of housing is useful in assessing unit condition. Generally, the older the housing stock, the greater the number of deteriorated housing units. Figure 9 shows GIS data which dates approximately 65 percent of the known housing stock. Of that 65 percent, 7,494 units (39 percent) are over 30 years old (built in or before 1975). GIS data reveals that 3,731 existing units (19 percent) are over 50 years old (built before 1955).

Anecdotal information from consumer interviews⁸ suggests much of the available rental housing in the County consists of mobile homes and older single-family homes in need of updates and repairs. Nationwide between 2001 and 2005, housing appreciated at rates greater than other investment types such as stocks or treasury notes. During this period, investors purchased significant amounts of real estate, especially at lower price points, to take advantage of favorable market conditions. While providing additional rental units to the market, this trend may have unintentionally crowded out lower income buyers, by reducing the number of lower priced houses on the market.

Figure 9. Dwelling Built by Year



Source: Chatham County GIS

6.2 Housing Production

Current and anticipated new construction can be indicated by review of the building permits issued by Chatham County local governments. The number of permits issued does not directly indicate exactly how many housing units have or will be produced, or when those units will be constructed or occupied. However, permit data is a good general indicator of current and future supply, as well as the type and cost of anticipated units.

⁸ Interview and Focus Group summaries can be found in Appendix A.

Since review of housing production and sales in 2002, high volume development has continued. Between July 2001 and May 2002, Chatham County issued 659 building permits⁹. Permits issuance peaked in 2003 with 881 permits issued, with yearly issued permits above 700 through 2006.¹⁰ Between 2002 and November 2007, 4,609 permits were issued. Permit data indicates rapid price increases (based on values estimated by individual securing permit) during the study period with average permit values increasing 32 percent in Chatham County and 42 percent in Siler City. At the same time, a zoning ordinance change and rising land prices drastically decreased the number of mobile home permits issued. In 2002, 161 mobile home permits were issued compared to 76 in 2006. Steady permit volumes point to a high volume of homes under construction and planned in Chatham County. Increased permit values and the decline in mobile home permits confirm sales data and antidotal information suggesting few newly constructed units will be affordable to persons of low- and moderate-income.

6.3 Below Market Rate Housing Options & Housing for Special Needs Populations

6.3.1 Rental. Reviewing available rental units in Chatham County, many units were developed with affordable housing in mind. These units were produced using programs such as the Federal Low Income Tax Credit or USDA 515 Multi-family as sources of financing for construction. To access this funding, the developer submits an application and, if selected, uses the funds for construction of the units. These funds are either loaned at very low-interest rates or, in some cases, granted to the developer who agrees to keep rents affordable to low-income families based on formulas provided by the funding agencies. Table 4 lists rental units in the County, type of subsidy, number of total units and units available. Subsidized units in Chatham County are typically full with waiting lists.

In the last five years, Chatham County issued permits for 24 units of multi-family housing and 128 units were issued by Siler City. One new tax credit community was developed, Cardinal Chase Apartments, a 48-unit community in Siler City.

⁹ 2002 Housing Study

¹⁰ Permit data provided by Chatham County Central Permitting and Siler City Planning Department.

Table 4 - Listing of Chatham County Multi-family Rental Communities

Rental Name/Location	Type	Number of Units	Market Rent	Waiting List	Vacant
North Glen/Siler City	Family	29	381-628	Yes	0
Sheffield Manor/Siler City	Elderly	36	497-664	Yes	0
Walnut Grove/Pittsboro	Elderly	39	403-636	Yes (13)	0
Pine Glade/Siler City	Elderly	32	374	Yes	0
Windsor Arms/Siler City	Family	32	431-461	No	1
Pittsboro Village/Pittsboro	Family	68	489-600	Yes	5
Cardinal Chase/Siler City	Family	48	410-600	Yes (10)	2
Braxton Manor/Siler City	Elderly	32	375-460	Yes (5)	0
Group Homes	Disabled**	81	*	Yes	0
Creekside/Pittsboro	Market	40	600-700	No	1
Camden Governors Village	Market	242	725-1600	No	19
Stonecrest/Siler City	Market	72	530-640	Yes (3)	0
Cateland Place/Siler City	Market	64	540-615	No	*
Brookwood/Siler City	Market	46	*	*	*
Northside/Siler City	Market	14	*	*	*
Hunters Court	Market	12	500	No	2

* data not available

** primarily focused on mental health

Unit Counts	
Subsidized	397
Market	444
TOTAL	841

6.3.2 Homeownership. Various resources are available to citizens of Chatham County to assist in homeownership. Organizations such as Habitat for Humanity and EmPOWERment Inc. offer education and counseling programs to assist potential buyers to understand issues surrounding homeownership. Nonprofit housing organizations also develop housing at lower price points making owning a home more affordable for low-income buyers. In the past five years, Habitat for Humanity has produced 45 units of affordable housing.

A loan with terms that consider the needs of first-time homebuyers and low-income families are equally as important as the price of the home. Loan products for low income home buyers are available in Chatham County. Local lenders partner with the US Department of Housing and Urban Development (HUD), the United States Department of Agriculture – Rural Development Office (USDA-RD), and the North Carolina Housing Finance Agency (NCHFA) to offer loans with low or no

down payment at low-interest rates. These programs are rarely used in Chatham County. Figures 10 and 11 show the number of loans closed in Chatham County using USDA and Housing Finance Agency products. When asked why Chatham County consistently reported significantly lower numbers of loans closed than surrounding counties, both the USDA and Housing Finance Agency representatives replied that families in Chatham County qualify for the affordable loan products but housing is not available in their price range.

Figure 10. USDA Loans closed 2002-2007

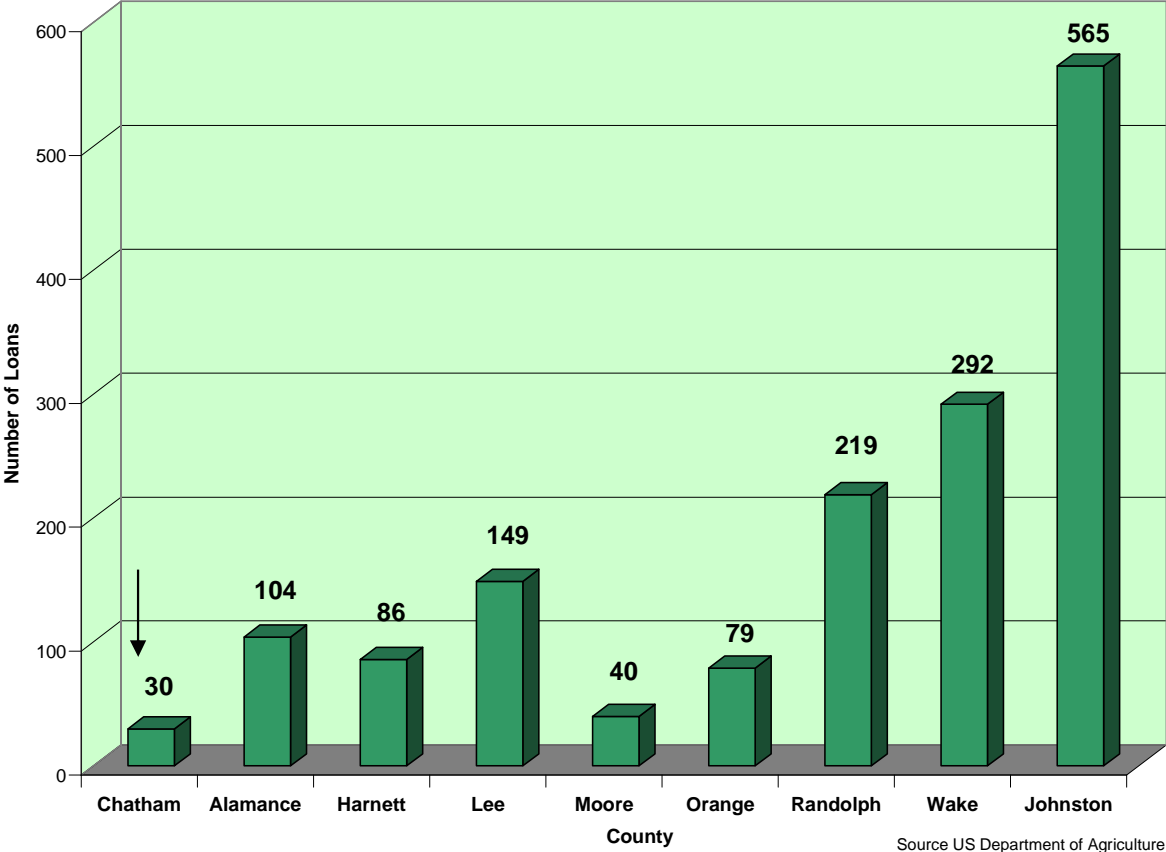
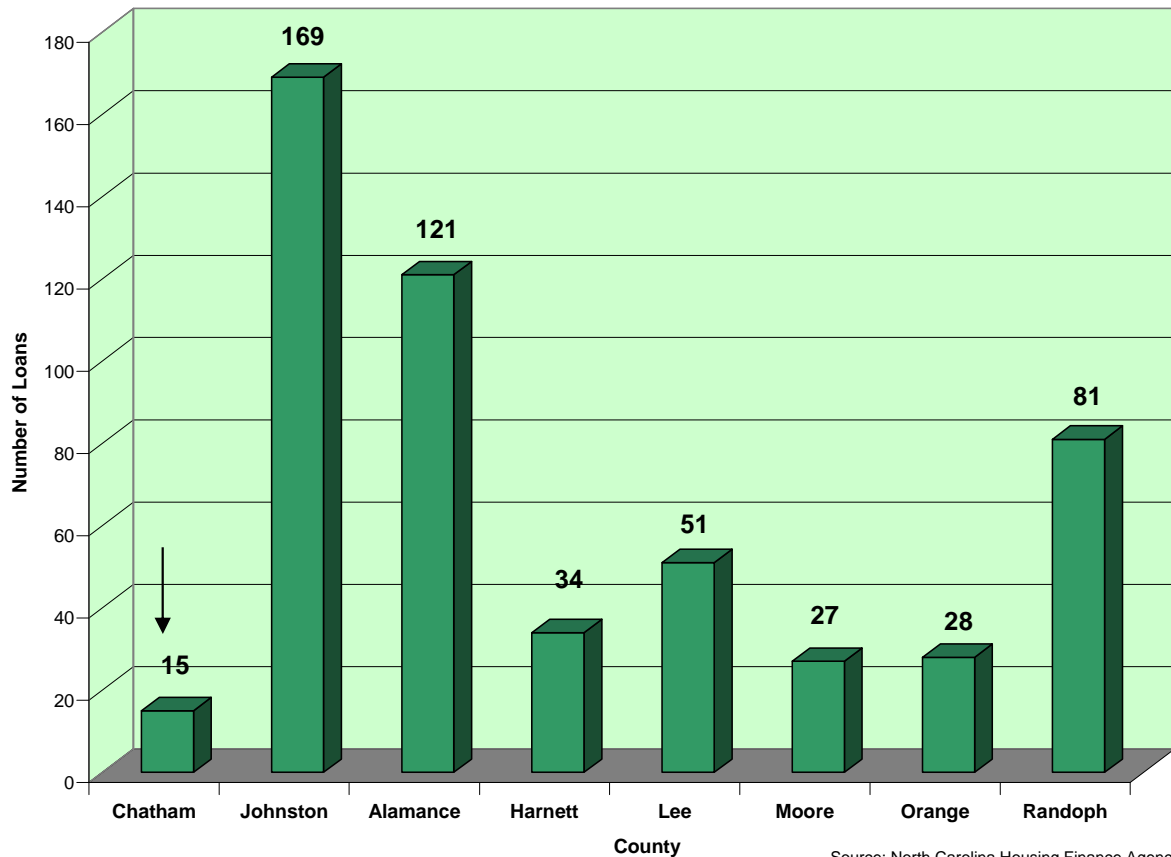


Figure 11. NC Housing Finance Agency Loans Closed 2002-2006



Source: North Carolina Housing Finance Agency

6.3.3 Special Needs Populations. Special needs consumers include individuals and families that, in addition to affordable housing, need some type of supportive services. These consumers include the elderly; persons with physical, mental and developmental disabilities; recovering substance abusers; and victims of domestic violence.

Housing with supportive services are available in Chatham County. Four of the tax credit properties in the County are designated for the elderly. Persons with mental and developmental disabilities have access to 81 units of housing in the form of group homes. These homes supply varying levels of services and supervision for their residents depending on the services required. Housing with services are also available for long term drug treatment and victims of domestic violence.

Persons with physical disabilities have an especially difficult time locating accessible housing in Chatham County. Most rental single-family homes and older rental units do not have necessary accessible modifications needed by the disabled consumer to live in the home. The cost to make these modifications is often more than the consumer can afford.

7.0 Analysis of Affordability

Consumers in Chatham County continue to be affected by the appreciating housing market. To what extent consumers are affected requires a comparison of housing prices changes versus wage increases. In general, housing appreciation has outpaced wage increases creating a decrease in the quantity and quality of homes available to first-time homebuyers.

7.1 Definitions

Median Income Family. A family making an income in the exact middle of the population, similar to the average income for all families in the County.

Home Purchase Choice. An abstract measure of the number of homes on the market affordable to the purchasing family. An increase in this indicator means the family would have more affordable homes to choose from when purchasing and a decrease would mean less homes affordable to the family are available to purchase.

7.2 Methodology

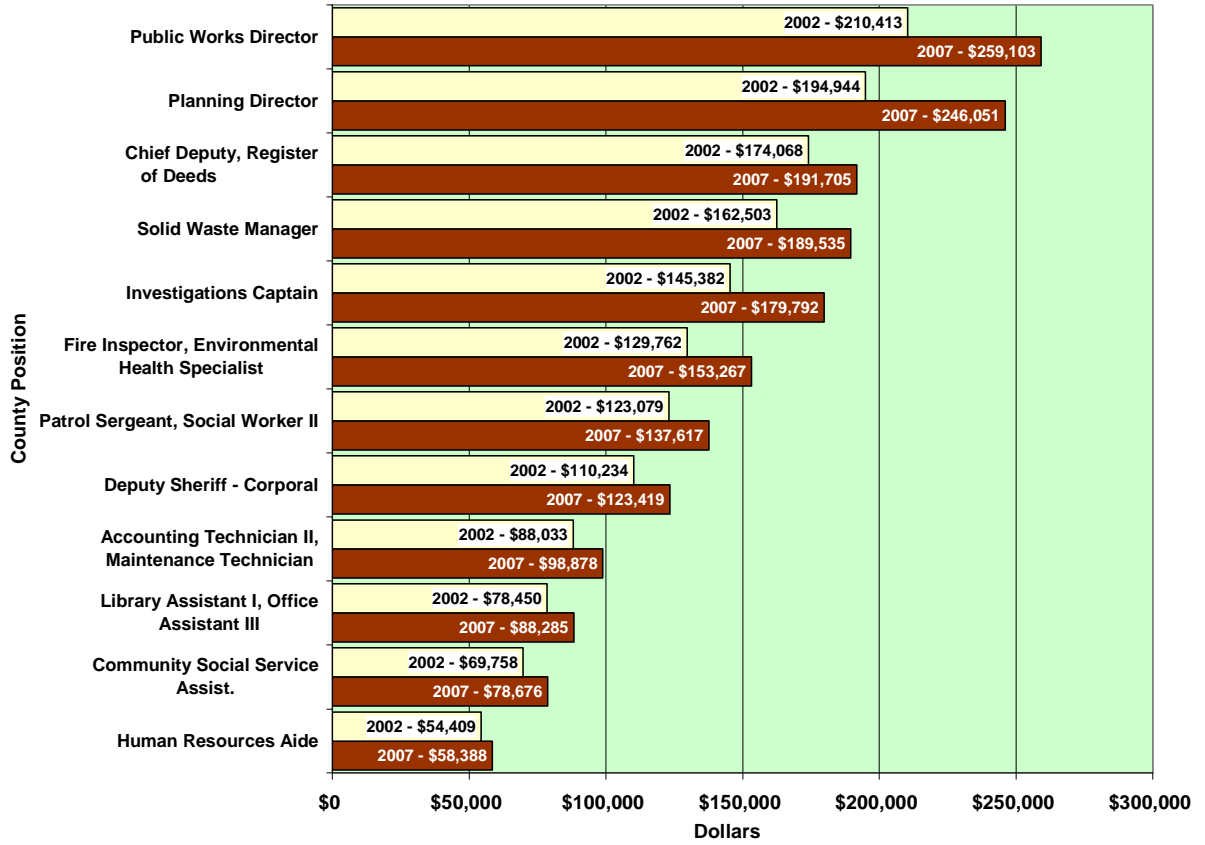
The methodology used in the analysis of affordability involves a review of three sets of consumer income data in Chatham County: 1) the composite median family; 2) private industry laborers; and 3) local government employees.

First, wage data is gathered. A composite median family in 1999 earned \$42,851. Then, the 1999 median income is adjusted for inflation to estimate the income of a 2002 Chatham County median family income. The estimated adjusted income for 2002 is \$46,824¹¹. Next, the maximum mortgage a family at this income level could afford is calculated based on a 30-year fixed rate mortgage at 7 percent interest with taxes and insurance of \$100 per month. The calculation assumes the stakeholder will spend 30 percent of their gross income on housing cost. This percentage is the maximum HUD guidelines allow a family to spend on housing and not be considered cost burdened. It is used as a baseline definition of affordability. These mortgage assumptions are historically consistent with mortgage pricing for first time homebuyers during the study period. The resulting maximum mortgage amounts are listed for County employers and private industry in Figure 12 and 13. A step-by-step explanation of the methodology in this analysis is provided in Appendix B. (Note: Comparing Figures 12 and 13 in and of themselves can be misleading in that they show workers can afford higher mortgage amounts in 2007 than in 2002. However, further analysis shows the change in the number of homes available to purchase of each group, which in most cases describes a decline in available homes affordable to that group). The mortgage amount is then divided by the median house price.

This result is a percentage of median house prices affordable to the stakeholder. The higher the percentage of median house price, the greater the number of housing units available to the consumer in their affordable price range.

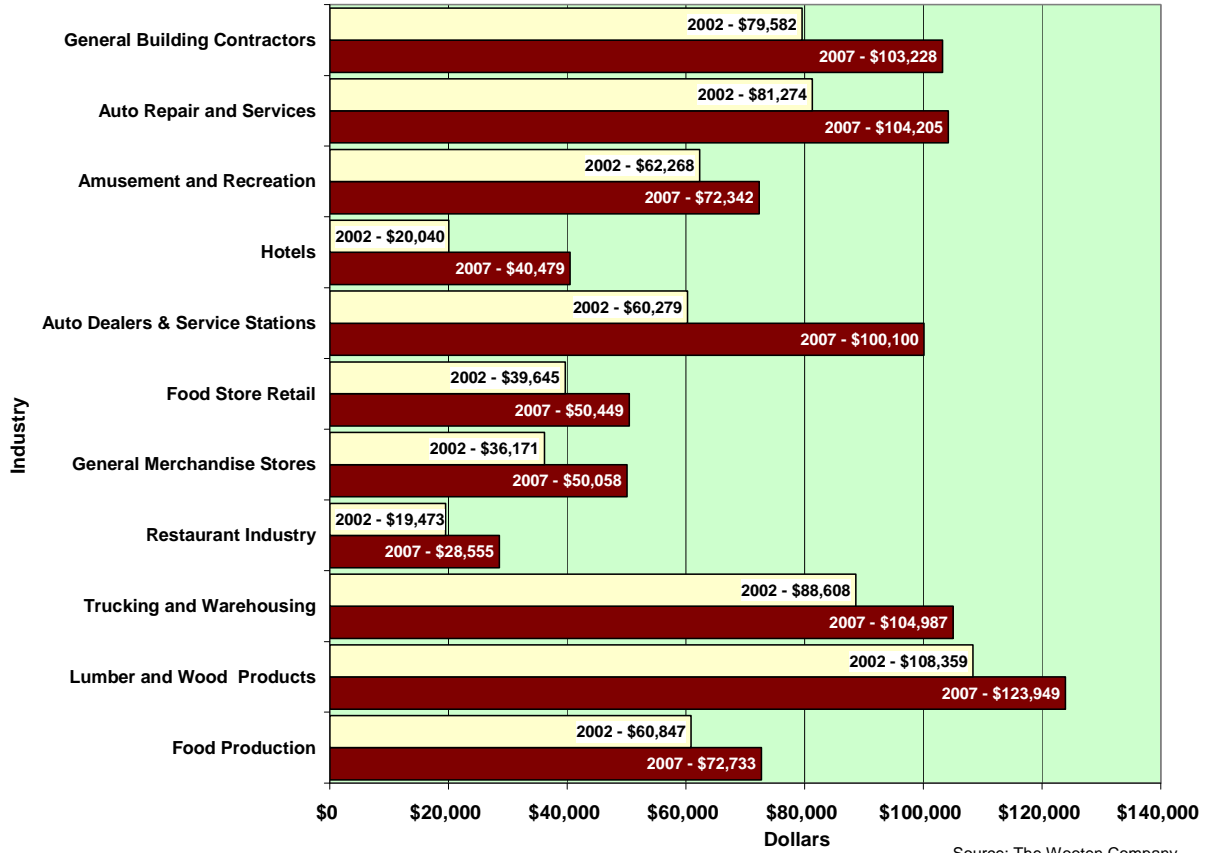
¹¹ 1999 Median income in 2002 constant dollars assuming 3 percent inflation.

Figure 12. Maximum Mortgage Amount for Selected County Positions - 2002, 2007



Source: The Wooten Company

Figure 13. Maximum Mortgage Amount by Industry 2002, 2007

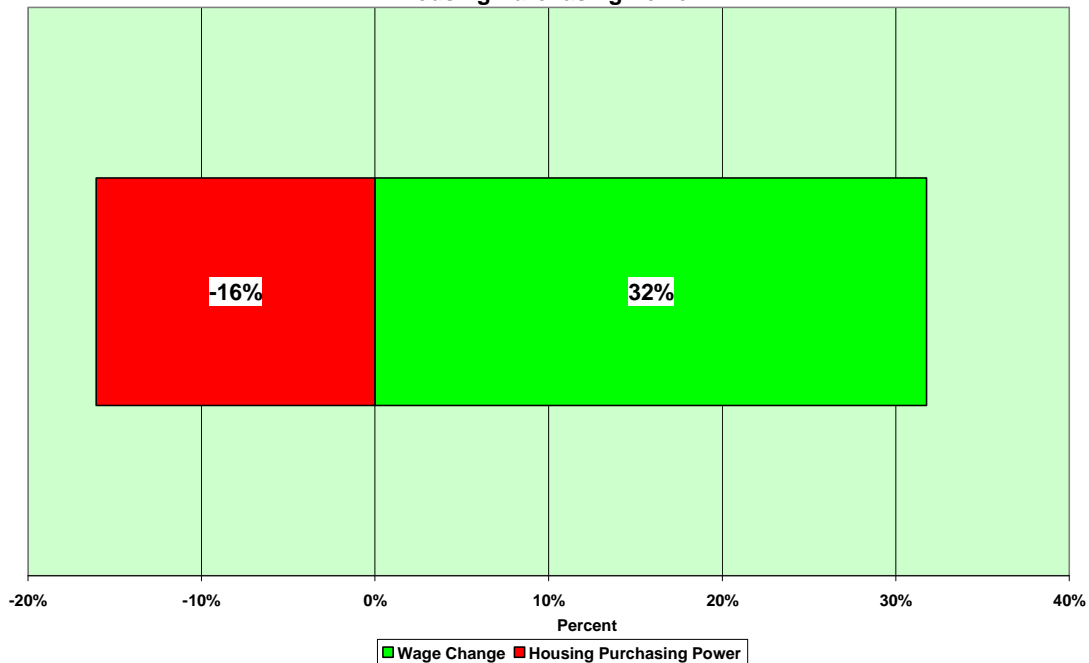


7.3 Composite Median Family

In 2002 the median income family (the median income family could also be described as an average middle-income family) could afford a maximum mortgage amount of \$160,900. In comparison, the median income family in 2006 (the last year complete data is available) could afford a maximum mortgage of \$216,900—\$56,000 more than the same family could afford in 2002.

When comparing what \$216,900 could buy in Chatham County in 2006 to what \$160,900 could purchase in 2002, the analysis shows housing purchase choice went down by 16 percent. Figure 14 shows even with a 31 percent increase in the income, the median family could afford fewer homes on the market in 2006 than in 2002. It is also reasonable to assume that because home price is linked to size, age and amenities, the home affordable to the median family in 2006 would be smaller, older and have fewer amenities.

Figure 14. Comparison 2002 to 2006: Change in Median Family Income and Housing Purchasing Power



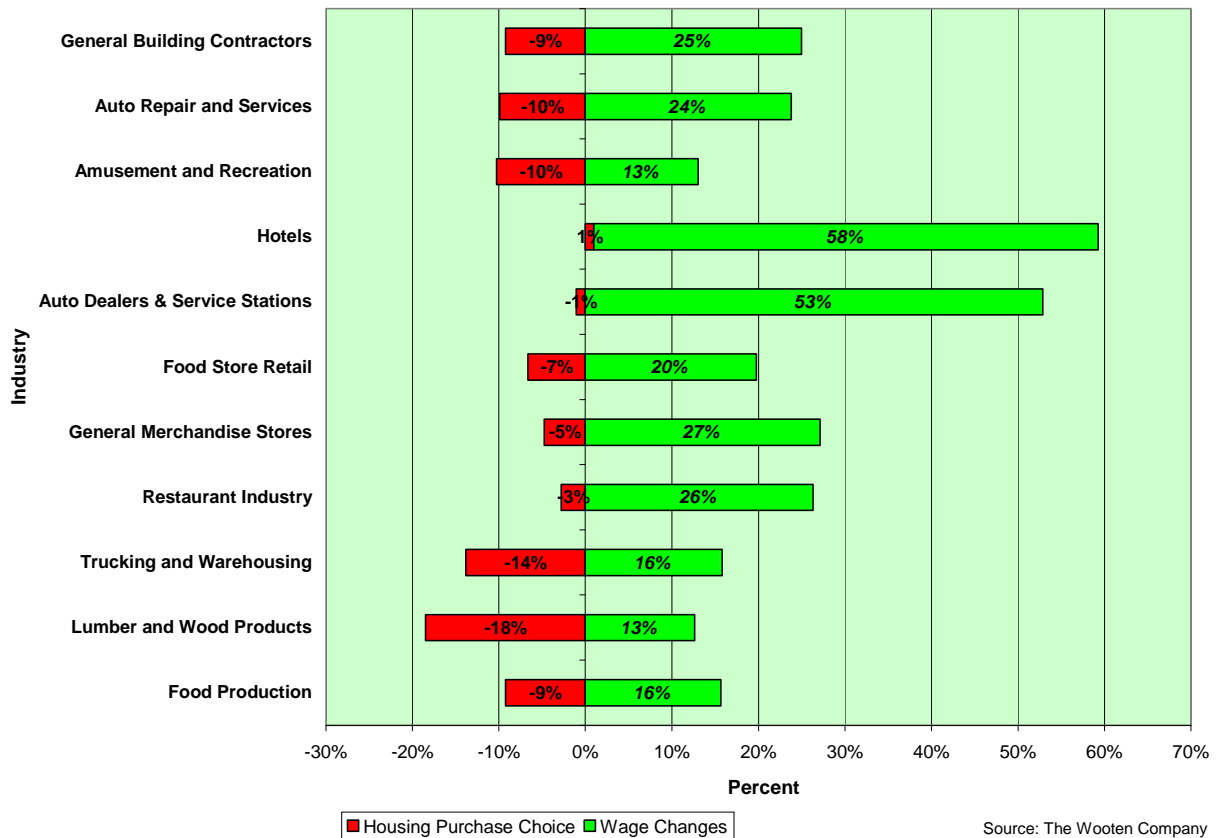
Source: The Wooten Company

7.4 Local Government and Private Industry

Like the median family income, wages in local government and private industry have increased during the last five years. The average wage rate for Chatham County employees increased 10 percent from 2002 to 2007. Private industry wages rates have increased at widely varying rates, from lumber industry wages increasing about 13 percent to hotel industry wages increasing over 58 percent.

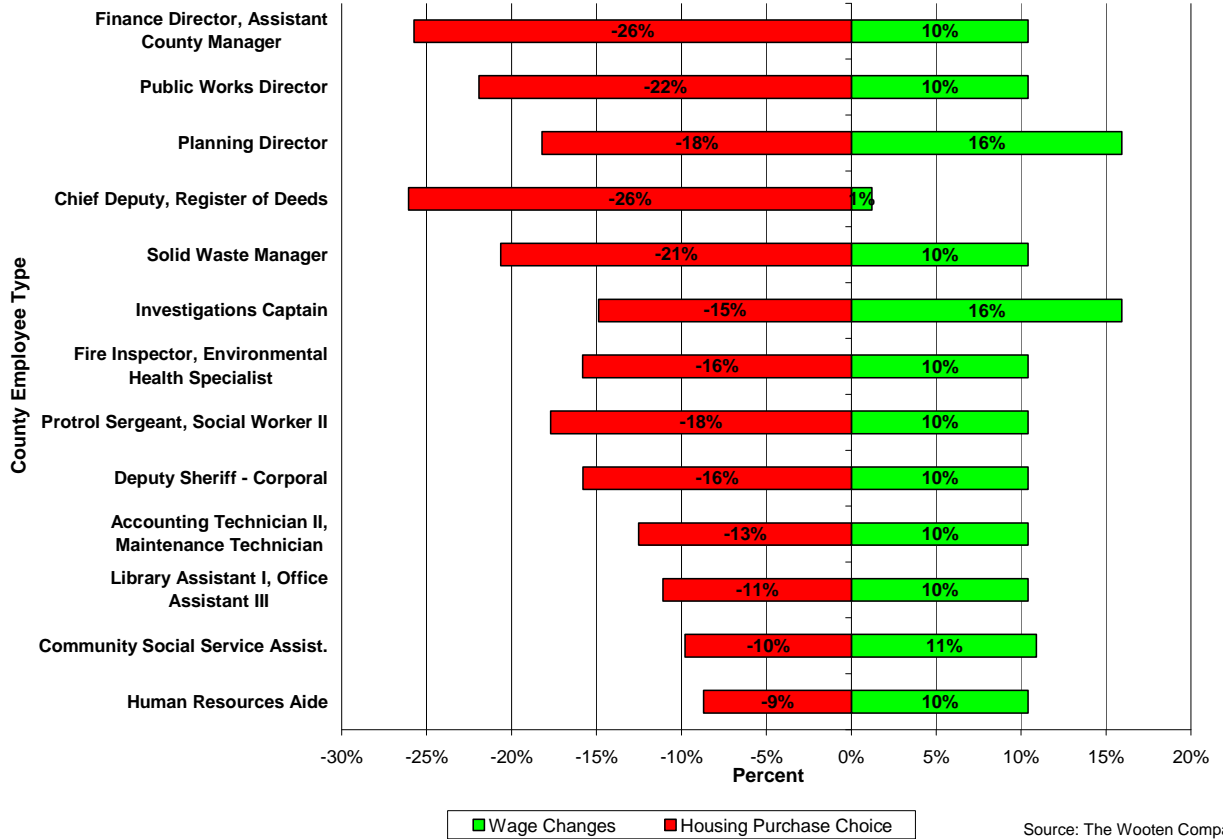
Employees of private industry and local government have also lost housing purchase choice with the exception of hotel employees whose estimated home purchase choice increased less than one percent. Lumber industry employees who saw a modest 13 percent increase in wages experienced an 18 percent decline in housing purchasing choice. Higher wages and lower housing purchase choice is consistent throughout the industry. See Figure 15.

Figure 15. Comparison 2002 to 2007: Change in Private Industry Wages and Home Purchase Choice



Chatham County's employee loss of home purchase choice is more pronounced than that of private industry. Over a five-year period, County government wages have almost uniformly increased 10 percent across all pay grades. This is a lower increase than the lowest private industry increase of 13 percent. Figure 16 shows selected County positions, their pay increase over a five-year period and the loss of housing purchase choice.

**Figure 16. Comparison 2002 to 2007:
Change in County Employee Wages and Home Purchase Choice**



8.0 Quantification of Needs

The purpose of this section is to provide a comparison of the need for affordable housing for certain income categories between the years 2002 and 2007. This analysis, based on income and sales data for 2002 and 2007 and assumptions cited in Appendix C, reveals that the overall need for affordable housing in Chatham County has increased 27.1 percent between 2002 and 2007; and furthermore, the need has been re-distributed such that more units fall into the lower income classifications.

A summary of this analysis is provided below:

% Median Area Income	Units Needed 2002	Units Needed 2007
0-30	270	302
31-50	168	247
51-80	113	303
81-100	121	2
Totals	672	854

It should be noted that the quantities identified here do not represent findings that might be derived by a professional market analysis. This attempt to quantify need is based upon several volatile and highly fluid housing market variables, which were used in the Analysis of Affordability discussed in Section 7.0 of this Update. The analysis methodology and assumptions used to produce the above table is discussed in greater detail in Appendix B.

Section II - Tools and Strategies

Private housing providers in Chatham County have efficiently and effectively offered products to families that can afford high prices common in the Chatham County market. Housing providers have been unable to supply workforce housing in quantities sufficient to meet the needs of lower income workers. To address this problem, the County should consider regulatory tools, incentives, or both. This section of the needs assessment update provides a list of tools and strategies to address affordable housing.

1.0 Findings on Problems/Barriers to Affordable Housing

This section of the Update provides a summary of the findings in Section I of the needs assessment update. These problems/barriers are based on statistical data, anecdotal evidence (interviews) or recognized national trends that appear to relate to conditions in Chatham County.

1.1 General Observations

- 1.1.1 The existing housing available for low-income and moderate-income households is deteriorating in quality and diminishing in quantity. The extent of this problem is not fully known at this time.
- 1.1.2 According to interviews with stakeholders, homeowners on fixed incomes do not have the financial means to make needed repairs and conduct on-going maintenance on their homes.
- 1.1.3 Where affordable housing is available, there are few public transportation options to medical facilities, shopping and employment centers. Furthermore, lower income families commuting long distances to work are more directly affected by rising fuel costs.
- 1.1.4 A high percentage of affordable housing is located in and around Siler City.

1.2 Rental Housing

- 1.2.1 There is a serious deficiency of affordable rental housing available in Chatham County.
- 1.2.2 Many rental units are substandard, although no data is available to quantify the level.
- 1.2.3 The condition of rental housing is not regulated.

1.3 Ownership Housing

- 1.3.1 Approximately 90 percent of for sale housing currently produced in Chatham County is not affordable to low-income and moderate-income families (i.e. those below 80 percent of median household income).

- 1.3.2 Suitable financial mechanisms to increase affordability are not available. Some assistance for low-income buyers is available through agencies such as the North Carolina Housing Finance Agency and the US Department of Agriculture; but, by themselves, the products offered do not go far enough to make homeownership affordable. An affordable housing stock must also exist to effectively utilize these end-user financing mechanisms.
- 1.3.3 Service industry jobs represent a significant portion of employment in the County; however, affordable housing for these workers is not available. Furthermore, the high-end housing in the northeastern part of the County is creating the need for more service-related jobs, yet housing is critically low to accommodate these workers.
- 1.3.4 Many of Chatham County's government employees cannot afford to live in the County and therefore, commute long distances to find affordable housing. Rising fuel prices reduce family discretionary income, which further aggravates the affordability situation. In addition, as employees spend long periods of time driving to work; on-the-job productivity is likely to be affected.
- 1.3.5 Land prices are escalating, presenting a significant barrier to the construction of low-income and moderate-income housing.
- 1.3.6 The lack of adequate municipal water and wastewater service in strategic locations is a barrier to creating affordable housing. In addition, County land use regulations, which do not allow for higher densities, contribute to this same problem.
- 1.3.7 Investors are purchasing affordable housing and converting these units to market-rate rental housing, thereby depleting the supply of affordable housing.

1.4 Existing Plans/Policies/Programs

- 1.4.1 No mechanisms exist to ensure long-term availability of workforce housing for teachers, police, firefighters, nursing assistants and other service industry positions essential to community viability.
- 1.4.2 Affordable housing assistance programs (such as the housing choice voucher program) that assist low-income families, the elderly, and persons with disabilities are overburdened (i.e., long waiting lists).
- 1.4.3 Other state and federal programs available to assist in meeting the demand for affordable housing are not being tapped to their full potential, (i.e., CDBG, NCHFA and USDA-RD programs).
- 1.4.4 Current development regulations are not friendly toward affordable housing. The Compact Communities Ordinance is a step in the right direction; however, it is a voluntary program targeted to one geographical area of the County.
- 1.4.5 Growth management initiatives underway (rural preservation and water quality management) may create a barrier to higher densities needed for affordable housing.

- 1.4.6 There is no mechanism for inspection or enforcement of complaints for existing privately owned single-family or multi-family rental units.

2.0 Goals for Affordable Housing

To assist in developing affordable housing strategy tools that are clearly linked to the current problems, goals to address affordable housing must be formulated. The following broad goals are offered for this purpose:

- 2.1** Provide a full range of housing choices for all income groups and family sizes, including the elderly and persons with disabilities.
- 2.2** Preserve the County's existing stock of affordable housing by identifying homes in need of assistance. Evaluate mechanisms for maintaining homes in a standard condition.
- 2.3** Provide resources to sustain the affordability of existing housing units. Such resources may include federal state and local loans and grants to rehabilitate housing.
- 2.4** In general, increase housing opportunities for households of 80 percent and less of the area median household income. Target homeownership opportunities for families in the 50-80 percent of median income range and increase rental opportunities for incomes less than 50 percent. (It should be noted that some affordable housing providers are effectively providing homeownership opportunities for households between 25-50 percent of median-household income. These programs are not cross-purpose with this general goal.)
- 2.5** Seek partnerships with federal, state and local governments as well as private and non-profit affordable housing providers, financial institutions and service providers in developing affordable housing options in Chatham County.
- 2.6** Encourage the cooperation of other organizations in Chatham County who are involved in new construction, housing rehabilitation, homeownership counseling/ training and other housing related services.
- 2.7** Encourage higher density housing as a way to create more housing in lower price ranges. Ensure that such development occurs in appropriate locations in proximity to employment centers and essential services.
- 2.8** Consider an evaluation of the long-term viability of the current practices of the construction, operation, and maintenance of wastewater facilities by private entities.
- 2.9** Strive to incorporate an affordable housing impact assessment when formulating County plans, policies, ordinances and programs.

3.0 Inventory of Tools and Strategies Available to Address Affordable Housing

The following is a partial list of the various tools and strategies available to assist in the County's efforts to address affordable housing. The appropriateness of these tools and strategies will depend upon costs, timing and administrative requirements as well as the legal authority available to North Carolina local governments.

3.1 Organizing for Affordable Housing – To adequately address the affordable housing problems. There are several organizational arrangements that should be considered:

- Establish a County housing department.
- Expand the responsibilities of the Public Housing Authority.
- Establish a redevelopment commission.
- Employ an affordable housing coordinator.
- Establish and staff a local task force.

The organizational structure selected should balance the housing needs and goals of the County government while effectively engaging the various federal, state and local organizations involved with affordable housing.

3.2 Regulatory Management

3.2.1 **Infrastructure Support** — Clearly, one of the barriers most cited by affordable housing developers is the unavailability of public water and wastewater to support higher density development.

3.2.2 **Reduce infrastructure requirements/standards** — A study completed by the U.S. Department of Housing and Urban Development (HUD) in April 2007 cited infrastructure development standards in excess of those required to achieve health and safety as a clear barrier to affordable housing. Excessive standards for streets, sidewalks, curb and gutter, street signs, landscaping, etc., result in higher development costs.

3.2.3 **Special Consideration in Growth Management Programs** — Refers to incorporating affordable housing in the growth management process. For example, Chatham County is a long time proponent of rural/agricultural preservation and, more recently, water quality management. In developing all growth management strategies and programs, consider the impact on affordable housing.

3.2.4 **Waive development fees for developers of affordable housing** — Such fees may include:

- School and water impact fees.
- Recreation fees.
- Building permit fees.

3.2.5 **Expedite review/approval of affordable housing development proposals** — The adage, time means money, is true for developers of all housing products. Many communities provide

- for an expedited review process for subdivisions with affordable housing. In some cases, a fee associated with an expedited review is waived.
- 3.2.6 Inclusionary Zoning** (mandatory, conditional and voluntary) — Refers to a governmental action to encourage construction of affordable housing in large scale, market-rate, housing developments. Income thresholds and affordability periods are often prescribed.
- Mandatory: An inclusionary zoning ordinance requires a certain percentage of homes in a market-rate project must be affordable. Alternative methods to meet affordability requirements are allowed such as cash payments, off-site development, land donations and wastewater reservations.
- Conditional: Approval to re-zone contingent upon percentage of affordable housing units.
- Voluntary: Developers voluntarily agree to build affordable housing in exchange for a density bonus (beyond that allowed in the zoning ordinance). The Chatham County Compact Communities Ordinance is an example of voluntary inclusionary zoning.
- 3.2.7 Standards for higher density housing** — In the HUD study cited above, land development regulations that do not allow for smaller lot sizes and lot widths, zero lot lines, accessory apartments, etc. were cited as barriers to affordable housing.
- 3.2.8 County initiated zoning for higher densities** — For communities where re-zoning is contentious due to NIMBYism (Not In My Back Yard). A rezoning request is initiated by the County and staff directs the rezoning through the approval process.
- 3.2.9 Affordable Housing Overlay Districts** — Affordable housing allowed as a right, regardless of underlying zoning in strategic areas of community (near employment centers, etc.). The Chatham County Compact Communities Ordinance is an example of such a district.
- 3.2.10 Minimum Housing Code** — Many communities address the problem of substandard housing stock by adopting and enforcing a minimum housing code. Enforcement can be by complaint or systematic and can be targeted to vacant and/or occupied housing units.
- 3.3 Partnerships with local financial institutions** — Some communities have cooperative arrangements for affordable housing where the local government provides down payment assistance for a low-income borrower who places a loan with the institution. Some communities have also linked local government fund deposits to cooperation in providing affordable housing opportunities.
- 3.4 Partnerships with local employers** — Such a strategy could promote the benefits of nearby housing, seek land donations from employers to facilitate workforce housing and employer contributions to an affordable housing fund.
- 3.5 Home ownership program for County employees** — Such programs include down payment assistance, low-interest loans, matching grants to purchase housing in the County and partnering with banks and employers to encourage ownership opportunities for County employees.
- 3.6 Grants or low-interest loans to affordable housing developers** — Involves infrastructure development, acquisition of land and/or removal of environmental contaminants. The North

Carolina CDBG-Housing Development Program provides grants to non-HUD entitlement communities (such as Chatham County) to loan or grant to affordable housing developers.

- 3.7 Financial assistance to homeowners** — In the form of down payment assistance, closing costs and “soft” second mortgages. There are CDBG, HOME and NCHFA funds available for this purpose.
- 3.8 Purchase of land for resale for affordable housing** — Use the County’s current inventory of land or purchase land from public or private entities. This land could be conveyed to profit and/or non-profit affordable housing developers with conditions that encourage affordable housing production.
- 3.9 Participation in a community land trust** — A tool for taking the cost of land out of a home purchase, thereby ensuring the homes remain affordable initially and upon resale. The land remains in the trust which is operated by a non-profit.
- 3.10 Provision of financial assistance to low-income and moderate-income homeowners for rehabilitation of existing homes** — These tools take the form of grants, low-interest loans (deferred or direct) and the provision of technical assistance to homeowners wishing to upgrade their homes. Grant sources are available to Chatham County through CDBG, HOME and NCHFA for these purposes.
- 3.11 Provision of homeowner education/counseling** — There are many excellent non-profits that provide these services. Enter into partnerships with non-profits and make any financial assistance to homeowners contingent on participation.
- 3.12 Pre-development Assistance** — Grants for soft costs: Feasibility studies, market studies, environmental studies, plans and specifications for non-profit affordable housing developers. Some grant sources are available for these activities.
- 3.13 Lease-to-purchase housing** — In this program, a portion of lease payments is applied to the purchase at a later date. The lessee is also required to accumulate funds for a down payment and closing costs.
- 3.14 Acquire existing housing** — Resell to low- and moderate-income purchasers —Property foreclosures and homes acquired through code enforcement are possible sources of these properties.
- 3.15 Adaptive re-use of existing structures** — Utilize County-owned property for conversion to affordable housing, motels/hotels for conversion to apartments, and apartments for conversion to condominiums.
- 3.16 Use of alternative ownership methods or deed covenants** — The methods include land trusts (see above), housing cooperatives, and deed restrictions which encourages continuing affordability upon sale of property.
- 3.17 Establishment of a County Affordable Housing Trust Fund** — This fund could be financed with general funds, developer contributions, grants from foundations, and/or bond proceeds. Proceeds from this fund could be used to finance the tools and strategies discussed in this section.

Appendix A

Attitudes and Opinions: Interviews and Focus Groups

Focus Groups

The following sections are summaries of the focus groups and professional interviews conducted to update this study. The information provided by these stakeholders was invaluable to this analysis and has been used to draw conclusions about the current housing situation in the county as well as to confirm quantitative findings.

Focus Group #1: Police, Fire and EMT Personnel. Members representing police, fire and EMT met to discuss housing in Chatham County. Of the three participants, two live in the County and rent with other emergency services personnel. One lives two hours from his place of work and commutes.

One participant has lived in the County for over 15 years. He stated that a number of his coworkers commute in from Lee, Alamance, and Randolph Counties. One employee commutes from Carthage. Many of these employees would move here if they could, but can not afford to do so. "On \$29,000-\$30,000, you just can't cut it." "In surrounding counties, these employees are paying \$450 a month for what would cost \$850 in Chatham County."

When it comes to law enforcement, they feel that their housing choices are even more limited. "There are some areas where there is affordable housing but we cannot live there. Our apartments get broken into, or our cars get vandalized." What is available to rent, participants stated, is usually in poor condition. "If you want to rent something nice, you really need to know someone." The participants agreed that much of the lower priced housing was purchased by investors. Some would be interested in purchasing land west of the County and building, but could not afford to pay the mortgage for the land in addition to construction cost for a new home.

Even for the first responders who have mid level jobs, housing is out of reach. They could buy homes in surrounding counties but would lose their County vehicles. "We can't take our vehicles out of the County except for special circumstances. If we live outside the County, we have to drive our personal vehicles. Having the County vehicle to drive is a big benefit."

When asked what the county could do to promote affordable housing in the County, the consensus was affordable housing needs to be developed with ownership controls in place so they are not purchased by investors.

Focus Group #2: Pittsboro English as a Second Language (ESL) Class. Members of the Pittsboro ESL met before class to discuss housing issues in Chatham County. All of the participants are immigrants to the United States. All of the participants and their spouses hold full time jobs working in restaurants, factories, processing plants and construction. The group agreed that in general, housing is extremely expensive and what they can afford is in very poor condition. Many of the homes pose safety hazards to the occupants.

When asked about discrimination, there was a universal agreement that housing discrimination occurs. "There are a number of neighborhoods here in Pittsboro that we know not to rent in. They don't rent to Hispanics." One member stated through a translator. A number of the group explained

that to get a good price, they went to look at a rental with a white or black English speaker. If they went by themselves, they found the price was higher. When asked if they knew that housing discrimination was illegal, they all acknowledged that they knew it was but did not feel the time it would take to pursue any action would help them in finding a place to live.

When asked if they considered purchasing a home, most responded that they had. Many did not have long enough credit histories to get favorable mortgage rates. One had qualified for a mortgage at 12 percent interest. There was a general fear of fraud when it came to purchasing a home.

Focus Group #3: Lifelong Residents of Chatham County. Participant 1 and Participant 1's daughter were born and raised in Chatham County. Participant 1 worked many jobs in the County before taking a job at the Bynum Mill, where he worked for 25 years. He has two sons who live in the County, one who drives trucks and the other works at a chicken processing plant. He says he is doing "alright" on \$1,000 a month, which is usually enough to pay for housing, food and the electric bill.

Participant 2 lives outside Goldston in a single wide trailer. The trailer was provided by the North Carolina Rural Assistance Project through the USDA Housing Preservation Grant because the home she was living in had no running water. Participant 2, an elderly woman who retired in 1978, lived without running water until 2004.

Participant 2 struggles to get by. She lives off of Social Security, food stamps and Medicaid. Her daughters take her into town once a week to get food and medication.

Most of Participant 2's family rent homes in and around Siler City. Her family, like herself, struggle to make ends meet. She has one son that works at a chicken processing plant and a daughter and two granddaughters who work at the hospital in Chapel Hill.

She said she hasn't seen much growth in her area but has heard about the growth past Pittsboro. She says that most of the land in her area was agricultural, but the farmers are dying and their children are moving away. She is not sure what the future holds for [West Chatham County].

Focus Group # 4: Renters in Siler City. This interview was with two renters in Siler City. Participant 1¹² is a single mother of one living in an older single-family rental unit. Participant 2, a married man, lives with his wife and son in a tax credit multi-family rental unit.

Both rent in Siler City because it is where most of their family lives and there are no other options. Participant 2 was living in a single-family home but moved out because the owner was not making repairs. The owner offered to sell Participant 2 the home for \$190,000 which was not affordable for Participant 2 on a retirement income.

On the condition of rental housing, both participants stated that housing is old and "just meets standards". The single-family home Participant 2 rented before moving into a multi-family complex was in substandard condition, "It wasn't sealed and the windows were single pane. Our gas bill was very high." Participant 1 complained about the multi-family complex her elderly mother lives in. The management company does not keep the units up and it has roaches." "We spray for them but they just come back."

¹² Participant 1. Participants are not identified to protect their privacy.

Participant 1 and Participant 2 both discuss the struggles of living in Siler City. Participant 1 commutes to Sanford to work as a teacher's assistant. Even with what Participant 1 considers a decent job, it is a struggle every month to pay bills. She feels it is stressful and bad on her health. Part of the struggle is isolation. There is nothing to do in Siler City, no entertainment, nothing to keep kids out of trouble. Participant 1 said "My daughter is a straight A student but she can not find a part-time job, there are no jobs [in Siler City]" Both participants feel fortunate to afford a place of their own. Many have no other choice but to live with their extended family members or friends.

When asked if it is so bad here, why do they continue to live in Siler City, the group responded that many people have the mentality that something is better than nothing, at least they have housing here. "People live here because they can't do any better."

Interviews

Interview #1: Housing Choice Voucher Participant. This interview was with Participant 1 a single middle-aged woman who lives in Pittsboro. She has lived in Chatham County for 25 years and in the rental unit where she currently resided for 14 years. She moved here with her husband when his job changed and was a stay at home mom. She divorced in the 90s and worked as a paralegal then at GlaxoSmithKline until 1999 when she became disabled and was no longer able to work. At the time, her rent was \$540 a month and Participant 1 had a difficult time making ends meet while she was working, "You need a minimum of a bachelor's degree [to make ends meet]."

Participant 1 lives in a duplex and is happy with her living arrangements. Her unit is in need of a number of repairs and upgrades including a new furnace but does not want the landlord to do any work because "[she] couldn't afford to live there anymore." Her rent with housing subsidy is \$172 a month, about 25 percent of the \$700 she receives a month from Social Security.

Participant 1 has two daughters, one is 27 and is on disability and the other is 25 and works as a radio dispatcher making \$30,000 a year. The dispatcher lives in a two bedroom rental which Participant 1 described as "very shabby".

Participant 1 worries about her 27 year old daughter on disability. She lives in a very deteriorated single-family home. "There is no heat, no air and the electric is in really bad shape." In the winter, her daughter heats the home with electric room heaters. Most of her social security goes to pay the rent. The rest of her money goes to trying to pay the power bill and the water bill. She gets food stamps; her mother and sister help her out when they can, and the County has helped her a number of times with her power bill. Her daughter is on the waiting list for a housing voucher but the wait is two to three years long.

When asked what she would like to see done about housing, Participant 1 said "Don't create a ghetto. Make small housing that is easily maintained by an owner or renter. Give them some privacy and a place to call their own, but put it in a good neighborhood. People want outdoor recreation, but it still needs to be affordable."

Participant 1 says, "All these gated communities come in, we're just not fitting anymore. It's a hidden population that people just don't see. People can't afford their food, medication, and utilities."

Interview # 2 Interview: Housing Professionals. Between November 8, 2007 and January 11, 2008, 11 professionals who work in housing related industries were asked their opinions in regards to housing issues facing Chatham County.

These participants included:

- Pat Gibson, Manager, USDA Rural Development, Sanford Office
- Keith Megginson, Planning Director, Chatham County
- Gregory Cheek, Local Housing Contractor
- David Ritter, Local Housing Contractor
- Amy Powell, Executive Director, Chatham County Habitat for Humanity
- Jack Meadows, Planning Director, Siler City
- Mary Linker, Program Director, Chatham County Health Department
- Betsy Cockman, Executive Director, Chatham County Housing Authority
- Charles Johnson, Realtor
- Delores Bailey, Executive Director, EmPOWERment, Inc.
- Cathy Hodges, Executive Director, Council on Domestic Violence,
- Walter Vincent, Regional Housing Coordinator, NC Dept. Health and Human Services

The following is the list of questions asked of the participants and a compilation of their responses. Where responses contradict one another, the minority opinion is listed as 'dissenting'.

Housing Supply

1. *Do you have any general observations about the housing currently available in Chatham County?*
 - There is not enough affordable housing in general. Pittsboro and Northeast of county are very expensive. Affordable housing on the West side of the County. Large stock of poor quality housing.
 - Siler City has a large amount of mobile homes, several apartment complexes and a number of available lots for building. Rents in Siler City are \$500-\$600
 - Lack of rental property in Pittsboro.
 - Much of the rental property in the County is in substandard condition.
 - Housing prices are continuing to rise.

- More housing needed for persons with disabilities, only five designated units and 11 group home beds in the county.
- Housing in the county has reached a price low income persons cannot afford.
- Need for smaller, less expensive housing.
- Current housing market is flooded with upper-end housing; market is as slow as it has been in five years.
- People at the bottom tier are being priced out of the market. Chatham County is becoming a high end bedroom community. A community of 'haves' and 'have nots'. Remaining affordable housing is mobile homes.

2. *There are many factors that can affect the cost of housing developed in any given location. In your opinion, what factors most strongly affect housing costs in Chatham County?*

- Land cost. Lots with available water and wastewater in the northeast part of the County run \$30,000-\$50,000.
- Infrastructure cost.
- Lack of infrastructure (water and wastewater)
- Poor soils. (need larger lots to install septic systems)
- Costly alternative septic systems.
- Housing developments geared toward high-end/luxury homes.
- Need for additional schools.
- Impact fees.
- Demand from outside the County.
- High building materials and construction costs.

3. *What type of housing has been developed in Chatham County in the past five years? What factors contribute to the development of this housing?*

- In Siler City, a mix of construction including single and multi-family as well as mobile homes.
- Pittsboro east many luxury homes.

- A large number of high end homes focused.
- Homes catering to wealthy retirees.
- Larger homes on smaller lots.
- Less mobile homes.

Dissenting: Lots of trailers.

4. *What would you say the supply of housing is for families that make \$40,000 a year in Chatham County? (Could afford a \$138,000 home assuming a monthly P& I payment of 830, taxes of \$95 and Insurance at \$75 for a total PITI of \$1,000. 30-year fixed at 6%)*
- High Demand.
 - No homes in the price range.
 - There is a demand but few homes in buyer's price range.
 - High demand for housing, units available in the West [of Chatham], none in the East.
5. *25,000? (Could afford a \$86,000 home assuming a monthly P& I payment of 517, taxes of \$58 and Insurance at \$50 for a total PITI of \$1,000. 30-year fixed at 6%)*
- No supply. Desperate need for housing at this price. Perhaps purchase a doublewide.

Housing Demand

6. *In your opinion, why do people move to or want to live in Chatham County?*
- Serenity.
 - Rural neighborhoods.
 - Proximity to the Raleigh-Durham area.
 - Job opportunities.
 - Family from the area.
 - Close to many amenities.
 - Less traffic.

- 'Slower' pace.
- Low property taxes.
- Small town atmosphere.

7. *Have you noticed any changes in the county in the last five years that have affected the demand for housing?*

- Most residents commute out for work.
- More political.
- New residents are wealthier, long time residents are working class people.
- Four lane roads, quicker access to metropolitan centers.
- Substantial commercial growth.
- Growth in the Hispanic population.
- Factories closed. Loss of manufacturing jobs.
- Growth in the retirement community.
- Growing general population
- Recent slow down in construction.

8. *What policy changes, if any, could encourage the development of affordable housing in Chatham County?*

- Inclusionary zoning.
- Educate homebuyers.
- Provide down payment assistance.
- Follow needs assessment and land use plan.
- Local government assistance to build affordable housing.
- Additional affordable housing units.

- Require developers to build affordable housing.
- Create a local government housing office.

Barriers to Affordable Housing

9. What prevents families from renting affordable housing in Chatham County?

- Substandard condition of affordable rental units.
- Affordability gap between subsidized and market rate.
- Credit history.
- Cost.
- Cannot afford the deposit

10. What prevents families from purchasing affordable housing in Chatham County?

- No product to buy.
- Poor credit history.
- Lack of credit education.
- Lack of homeownership education.
- Not enough income.
- No savings.
- Do not have the ability to maintain the home. (Perform required maintenance)
- Fear of homeownership
- Affordable housing not in convenient locations.
- Climbing cost.
- Lack of employment with wages to support costs.
- Lack of transportation from affordable housing to job centers.

11. *If/when affordable housing is not available to families in Chatham County, what alternatives do these families chose?*
- Move out of the County.
 - Live with family, friends or combine households. 'Double up'.
 - Go to homeless shelter in Chapel Hill.
 - Disabled end up in nursing homes, often receiving higher level of service than needed.
 - Live in substandard housing.
12. *What are public attitude/opinions towards housing for low/moderate income and/or the elderly and disabled in Chatham County?*
- Generally supported
 - NIMBYism [Not In My Back Yard – common term for describing low income housing discrimination]
 - Average upper income person rarely thinks about affordable housing.
 - Sympathetic towards the elderly.
 - Give affordable housing lip service but don't consider the implications of providing affordable housing.
13. *To what extent do you feel currently available housing programs reach their target populations?*
- Subsidized housing stays full.
 - Not many housing programs available.
 - Good outreach, but programs are saturated.
 - Access is good.
14. *To what extent do you feel housing discrimination occurs in Chatham County? Can you identify any causes or trends to this discrimination?*
- Racism plays a factor in rental housing. Some landlords discriminate against African Americans and Hispanics.

- Negative perceptions of Hispanics and neighbors.
- Discrimination has declined.
- Hispanics discouraged from becoming homeowners.

Rental Housing

15. *What factors do you see driving demand for rental housing in Chatham County?*

- Lack of affordable housing to purchase.
- Change in population demographics. More need for workforce housing.
- High cost of homeownership.
- Lack of affordable land.
- Population increase
- Lower cost than owning.
- Less responsibility than owning.

16. *Describe the overall supply and condition of rental housing in Chatham County.*

- Limited supply
- Old
- More rentals in Western Chatham. Low income rental very scarce.
- Inadequate
- Expensive
- Substandard.
- Available rental very expensive
- Many units would not pass housing quality standards.

Homeownership

17. *What factors do you see driving housing sales in Chatham County?*

- Location of the County.
- Perception that consumers can afford higher priced homes.
- Banks willing to lend
- Demand for new homes
- Desire to gain home equity, build wealth.

18. *Describe the overall supply and condition of housing in Chatham County.*

- Very good to extremely bad.
- Plenty of high end housing
- Aging housing stock with pockets of new development.
- More high end units on the horizon.
- Supply of new homes in the Northeastern portion of the county.
- Most available housing is high end

Special Needs Population

19. *What special needs, if any, do elderly persons and persons with physical, mental and developmental disabilities have when it comes to obtaining and maintaining housing?*

- Physical Modifications
- Energy efficiency
- Supportive services
- Rates conducive to fixed income living

20. *What, if any, housing opportunities and services are available to elderly persons and persons with physical, mental and developmental disabilities?*

- Limited housing services
- Various options. Local list of housing options maintained.

Follow Up Questions

21. *What is/will be the result of a lack of affordable housing in the County?*

- Continued use of substandard housing.
- Overcrowding. Families doubling up to afford payments.
- Consumers more likely to be taken advantage of.
- Housing market will out price consumers who have lived in the county all their lives.
- Longer commutes.
- People moving elsewhere.
- Workers not affording to live in the County.
- Rise in property taxes.
- Older residents struggling to afford their homes.
- Greater disparity between rich and poor.

22. *What type of housing is most needed in Chatham County?*

- Development of homes under \$200,000.
- Most inexpensive housing able to be built.
- Close gap in housing production between high end and affordable.
- Housing in the \$100s. Starting in the \$250s is not good enough.
- Long term rental solutions.
- Affordable housing within walking distance to services, businesses and employment.

- Rental units.
- Affordable Condos.
- Change from building on sprawling lots. Tighter construction such as Townhouses. Provide recreational areas.

General Comments:

- There is a struggle between people who want the County to stay as it is, others who want to develop.
- There is no organized plan for development
- Current development result of influence[pressure] from other counties
- Many fear losing rural character
- Housing for persons with disabilities a statewide concern.
- New county residents do not care where low income people live.
- Cost of transportation and child care are issues that further complicate consumers affording housing.

Appendix B

Affordable Housing Methodology

Step 1. Identify job class groups for analysis.

The purpose of this analysis is to compare each of the job class median incomes with housing sales prices to determine how much choice in home purchase has changed over the last five years. The results of this analysis are listed in the following tables and graphically displayed in section 7.4.

The job classes in this Update are categories of wage earners in North Carolina or pay grades that are tracked from year to year by public agencies. These specific categories, referred to as job classes, are used because the data is publicly available. Some of the job classes for this Update are:

- food production workers
- restaurant workers
- building contractors
- Chatham County human resources aides
- Chatham County fire inspectors
- Chatham County waste managers

The full list of job class can be found on the following tables and are listed on the graphs in section 7.4.

In this analysis, two of the job class groups were previously established in the 2002 study. These groups are Private Industry Service Workers and County Employees. In each job class group, there are between 1 and 14 individual job classes. Each of the following steps are computed using 2002 data and 2007 data. The 2007 study added a third group, The Median Area Family, as a base line for the analysis. Slight variations were found in the County Employee job titles. For the sake of clarity, the 2002 job titles were used.

Step 2. Gather income information for each job class in 2002 and 2007.

To begin, the median income of each job class is established. Certainly there are persons described by each job class who make more or less than is indicated in this analysis. The median income used is a type of average that best describes the income most people working that type of job earn.

The median incomes used were obtained from Chatham County Human Resources Department, the North Carolina Employment Security Commission and the US Department of Housing and Urban Development.

Step 3. Determine median housing price for the County.

Data was obtained from a professional third party that maintains housing data pulled from register of deeds information. For 2002, the analysis uses \$186,750 for the median house price to maintain consistency with the 2002 study. The more accurate data used for the 2007 study has the median home price in 2002 at \$179,000. The 2007 median home price was found to be 285,500.

Each of the following steps is completed for both 2002 and 2007 data.

Step 4. Determine each job class's maximum mortgage amount.

Based on the income data collected in step 2, mortgage amounts are calculated using the following assumptions:

Portion of income used to make housing payment	30%
Mortgage type	30 year fixed
Mortgage interest rate	7%
Amount reserved for taxes and insurance	\$100/monthly

These assumptions are practically identical to the assumptions used for mortgage rate calculations in the 2002 study (the 2002 study used two different amounts for taxes and insurance reserves, to simplify the calculation, \$100/monthly was used for the 2007 study).

Step 5. Determine the percent of median home price each job class could purchase.

Once each job class's maximum mortgage amount is determined, a method for comparing job classes between years that takes environmental factors into account is then established.

To do this, the job class's maximum mortgage amount is divided by the median home price resulting in a fraction that can be expressed as a percentage. This is the percent of the median home price the job class can afford. For example, in 2007 if a job class's maximum mortgage amount was 285,500, and the median home price for 2007 was 285,500, 285,500 divided by 285,500 equals 1. This job class can afford 100 percent of the median home price. Likewise if a job class can afford a maximum mortgage of 142,750 divided by the median home price, 285,500 would equal .5. This means that job class can afford 50 percent of the median home price.

For the purpose of this Update, the percent of median home price a job class can afford is used as a measure to the job class's housing choice. The higher the percentage, the greater the availability of affordable homes.

Step 6. Compare 2002 and 2007 data.

Now that the percent of median income each job class can afford is calculated, the 2002 data and 2007 data can be compared. Subtract the percent of median each job class group could purchase in 2007 from the percent of median each job class group could purchase in 2002. The result is the percentage increase or decrease in the job class's ability to purchase a home in 2007 compared to 2002. A positive percentage would show an increase in the job class's home purchasing choice while a negative percentage shows a decrease.

Example: Auto Dealer and Service Station workers

Looking at Auto Dealer and Service Station workers on the Table 10: Private Industry Workers the analysis was conducted as follows:

- The average wage in 2002 was \$20,035.00 and in 2007 was \$30,628.
- The median home price in 2002 and 2007 was \$186,750 and \$285,500.

- The maximum mortgage affordable to the job class in was \$60,279 in 2002 and \$100,100 in 2007.
- The job class's maximum mortgage amount divided by the median home price in 2002 equaled 36 percent in 2002 and 35 percent in 2007. Subtracting the 2007 percentage from the 2002 percentage equals a 1 percent loss.

In conclusion, while wages for this industry sector increased 53 percent between 2002 and 2007, the percent of median home affordable to the sector decreased by 1 percent. This segment, like most others, lost home purchasing choice during the study period. The tables in Section 7.0 show the other study job classes listed in Step 1. The green lines represent the change in median income during the study period while the red lines show the change in purchasing choice in the housing market, or Step 6. Most job classes lost substantially more choice of home purchase than the Auto Dealer workers shown in the example.

Table 5 Percent of Median Sales Price County Employees May Borrow: 2002 and 2007								
	2002			2007			% Pay Increase, 2002-2007	Change in % of Median Home an Employee Could Afford 2002-2007
	Midpoint Pay Scale	Max Amount Employee May Borrow	% of Median Home Sales Price*	Midpoint Pay Scale	Max. Amount Employee May Borrow	% of Median Home Sales Price		
Median Chatham County Home Price			186,750			285,500		
County Employee Position								
Human Resources Aide	\$17,691	\$54,409	29.13%	\$19,532	\$58,388	20.45%	10.41%	-8.68%
Community Social Service Assist.	\$22,479	\$69,758	37.35%	\$24,929	\$78,676	27.56%	10.90%	-9.80%
Library Assistant I, Office Assistant III	\$24,894	\$78,450	42.01%	\$27,485	\$88,285	30.92%	10.41%	-11.09%
Accounting Technician II, Maintenance Technician	\$27,446	\$88,033	47.14%	\$30,303	\$98,878	34.63%	10.41%	-12.51%
Deputy Sheriff - Corporal	\$33,359	\$110,234	59.03%	\$36,831	\$123,419	43.23%	10.41%	-15.80%
Protrol Sergeant, Social Worker II	\$36,780	\$123,079	65.91%	\$40,608	\$137,617	48.20%	10.41%	-17.70%
Fire Inspector, Environ-mental Health Specialist	\$40,550	\$129,762	69.48%	\$44,771	\$153,267	53.68%	10.41%	-15.80%
Investigations Captain	\$44,706	\$145,382	77.85%	\$51,827	\$179,792	62.97%	15.93%	-14.87%
Solid Waste Manager	\$49,289	\$162,503	87.02%	\$54,419	\$189,535	66.39%	10.41%	-20.63%
Chief Deputy, Register of Deeds	\$54,340	\$174,068	93.21%	\$54,996	\$191,705	67.15%	1.21%	-26.06%
Planning Director	\$59,910	\$194,944	104.39%	\$69,453	\$246,051	86.18%	15.93%	-18.21%
Public Works Director	\$66,051	\$210,413	112.67%	\$72,925	\$259,103	90.75%	10.41%	-21.92%
Finance Director, Assistant Co. Manager	\$72,822	\$235,944	126.34%	\$80,401	\$287,207	100.60%	10.41%	-25.74%

* Based on 2001 Chatham County median home sales price, MLS Service - Updated data shows the actual median home sales price at \$176,000 in 2002

Table 6 Percent of Median Sales Price Private Industry Employees May Borrow: 2002 and 2007											
	2002				2007				2002 to 2007		
	No. of Workers in Industry†	Average Annual Wage	Max Amount Employe es May Borrow	% of Median Home Sales Price*	No. of Workers in Industry	Average Annual Wage	Max. Amount Employees May Borrow	% of Median Home Sales Price**	% Change in Jobs 2002-2007	% Pay Increase , 2002- 2007	Change in % of Median Home a Worker Could Afford 2002- 2007
Median Chatham County Home Price				\$186,750				\$285,500			
Manufacturing											
Food Production	2113	\$20,186.00	\$60,847	34.7%	2,375	\$23,348	\$72,733	25.5%	12.40%	15.66%	-9.2%
Textile Manufacturing	1493	\$0.00	\$0	45.6%	0	\$0	\$0	0.0%	0.00%	0	
Lumber and Wood Products	884	\$32,825.00	\$108,359	61.9%	723	\$36,972	\$123,949	43.4%	-18.21%	12.63%	-18.5%
Transportation											
Trucking and Warehousing	300	\$27,571.00	\$88,608	50.6%	242	\$31,928	\$104,987	36.8%	-19.33%	15.80%	-13.8%
Retail Trade											
Restaurant Industry	633	\$9,180.00	\$19,473	12.8%	761	\$11,596	\$28,555	10.0%	20.22%	26.32%	-2.8%
General Merchandise Stores	274	\$13,622.00	\$36,171	22.3%	414	\$17,316	\$50,058	17.5%	51.09%	27.12%	-4.8%
Food Store Retail	412	\$14,546.00	\$39,645	24.3%	264	\$17,420	\$50,449	17.7%	-35.92%	19.76%	-6.6%
Auto Dealers & Service Stations	248	\$20,035.00	\$60,279	36.1%	100	\$30,628	\$100,100	35.1%	-59.68%	52.87%	-1.0%
Services											
Hotels	32	\$9,331.00	\$20,040	13.2%	121	\$14,768	\$40,479	14.2%	278.13%	58.27%	1.0%
Business Services	380	\$0.00	\$0	35.2%	0	\$0	\$0	0.0%	0.00%		-35.2%
Amusement and Recreation	203	\$20,564.00	\$62,268	35.6%	202	\$23,244	\$72,342	25.3%	-0.49%	13.03%	-10.3%

Table 6											
Percent of Median Sales Price Private Industry Employees May Borrow: 2002 and 2007											
	2002				2007				2002 to 2007		
	No. of Workers in Industry†	Average Annual Wage	Max Amount Employe es May Borrow	% of Median Home Sales Price*	No. of Workers in Industry	Average Annual Wage	Max. Amount Employees May Borrow	% of Median Home Sales Price**	% Change in Jobs 2002-2007	% Pay Increase , 2002- 2007	Change in % of Median Home a Worker Could Afford 2002- 2007
Median Chatham County Home Price				\$186,750				\$285,500			
Auto Repair and Services	85	\$25,620.00	\$81,274	46.4%	129	\$31,720	\$104,205	36.5%	51.76%	23.81%	-9.9%
Construction											
General Building Contractors	457	\$25,170.00	\$79,582	45.4%	297	\$31,460	\$103,228	36.2%	-35.01%	24.99%	-9.2%
Total Workers and Combined Wages					5,628	\$133,481,608					
Two Income Household***	NA	NA	NA	NA	2	\$47,435	\$163,281	57.2%	NA		

* Based on 2001 Chatham County median home sales price, MLS Service - Updated data shows the actual median home sales price at \$176,000 in 2002

**Data provided by Bill Christian & Associates

***Median service industry worker income multiplied by two.

† 2002 Housing Study

Appendix C

Technical Appendix – Needs Quantification

Table 7
2007 Affordable Housing Unit Production Estimates

% Median Area Income	Income Range	Number of Households	Payment Range		Mortgage Range		Units Sold 2006 - 2007	Units Needed
			25 Percent of Income	30 percent of Income	25 Percent of Income	30 percent of Income		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
0-30	21400	4658	\$446	\$535	\$51,982	\$65,384	6	302
31-50	35650	4261	\$743	\$891	\$96,604	\$118,931	50	247
51-80	57050	6396	\$1,189	\$1,426	\$163,617	\$199,346	175	303
81-100	61400	1066	\$1,279	\$1,535	\$177,238	\$215,692	102	2
Total units needed:							854	

Table 8
2002 Affordable Housing Unit Production Estimates

% Median Area Income	Income Range	Number of Households	Payment Range		Mortgage Range		Units Sold 2006 - 2007	Units Needed
			25 Percent of Income	30 percent of Income	25 Percent of Income	30 percent of Income		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
0-30	18700	4793	\$390	\$468	\$43,527	\$55,238	68	270
31-50	31150	2846	\$649	\$779	\$82,513	\$102,022	29	168
51-80	49850	3608	\$1,039	\$1,246	\$141,070	\$172,291	186	113
81-100	62800	3447	\$1,308	\$1,570	\$181,622	\$220,953	158	121
Total units needed:							672	

The purpose of this appendix is to explain the assumptions made and steps taken to reach the conclusions in the above tables.

Assumptions:

- The market for homes in the \$250,000 – \$400,000 range is fully supplied.
- At least a proportionate number of low and moderate buyers would purchase homes in their affordable price as the proportion of buyers that the purchase at the high end of the market, if housing units were available.
- Virtually all buyers that can afford to purchase housing in the \$250,000 – \$400,000 range would not be restricted by their credit rating.
- Approximately 33 percent of low and moderate income families are restricted from purchasing a home by their credit rating.
- Calculations are based on a family of four.
- Mortgage calculations based on a thirty year fixed loan at 7% interest with \$100 budgeted for taxes and insurance.

1. Determine what low income families can afford to pay for housing.

Maximum payment amounts are calculated for each median income category (column 1) using 25 percent and 30 percent of their gross income. These payment amount are listed in column 4 and 5.

2. Calculation the mortgage amount based on estimated payments

Using the mortgage assumptions listed above and the payment calculated in column 4 and 5, the mortgage amounts are then determined and listed in columns 6 and 7.

3. Establish the percentage of buyers at the high end of the market.

Looking at the rate of sales of upper tier housing in Chatham County compared to the population earning the income needed to purchase at price above \$250,000, 9.8 percent of the eligible households were supplied housing during the study period. This number is significant in that it indicates the rate of housing production in the County compared to the population of eligible buyers.

The production rate of 9.8 percent was identified by analyzing sales at the upper price range of units (prices between \$250,000 and \$400,000). That production rate assumes that the majority of the Chatham County households making above median income are eligible buyers of housing. Statistically, this is a reasonable assumption because the rate of homeownership at this income level is well above 80 percent. This is not the case when it comes to low and moderate income buyers. Census data indicates that homeownership at this income level is approximately 67 percent.

4. Determine the number of units supplied for each price range.

Based on the affordable range of prices for each income category, the number of units sold in that price range were counted and listed in column 8.

5. Calculate the number of estimated units could have sold based on market assumptions.

To estimate the needed units for each category, the following calculation is used:

- A, "Number of Households" multiplied 9.8% then Subtract number of units actually supplied
 B, (due to low income homeownership rate), multiply by 67%, equals number of units needed

Example 31-50% of Median Area Income Category:

Column 1	See step 3	Column 8		See step 3		Column 9
A, 4261	X 9.8%	- 50	= 367	B, X 67%	= 246.2	, round up to 247

The data used to analyze sales trends is a year long 'snap shot' of Chatham County housing market activity. The assumption can be made that if workforce housing suppliers were to produce units at the same rate as upper tier housing suppliers, consumers could support a production rate equal to at least 9.8 percent of the population for the period of 2006 through 2007, or 854 units. **This analysis produced quantifications of demand for housing units in four price ranges, columns 6 and 7, that may be unfeasible to produce without considerable financial subsidy, especially for families at the lowest end of the income spectrum.**

Appendix D References

The data used in this Update was compiled from the following sources:

- US Census Data
- US HUD
- USDA
- NC State Demographer
- NC Employment Security Commission
- NC Department of Health and Human Services
- NC Housing Finance Agency
- Chatham County GIS
- Chatham County Building & Permits
- Chatham County Human Resources
- Chatham County Public Utilities
- Chatham County 911
- Siler City Planning
- Chatham County Housing Professionals
- Chatham County Housing Consumers
- William Christian & Associates