

DRAFT

**A Prospective Look at the Need for
Affordable Housing In Mecklenburg County**



Prepared by the oneMECK Affordable Housing Committee
June 2023

Our Premise

- Our community's approaches to the affordable housing gap have been focused on addressing the current deficit.
- Planning for affordable housing should also include **projected** changes in demand and supply: population growth, job growth and associated wages, and anticipated loss of naturally occurring affordable housing (NOAHs).
- Solutions must be more aspirational and creative if the full magnitude of the looming gap is to be addressed.

Mecklenburg County Rental Demand Profile

Five-year projections, 2022-2027

Demand: Population Growth by 2027

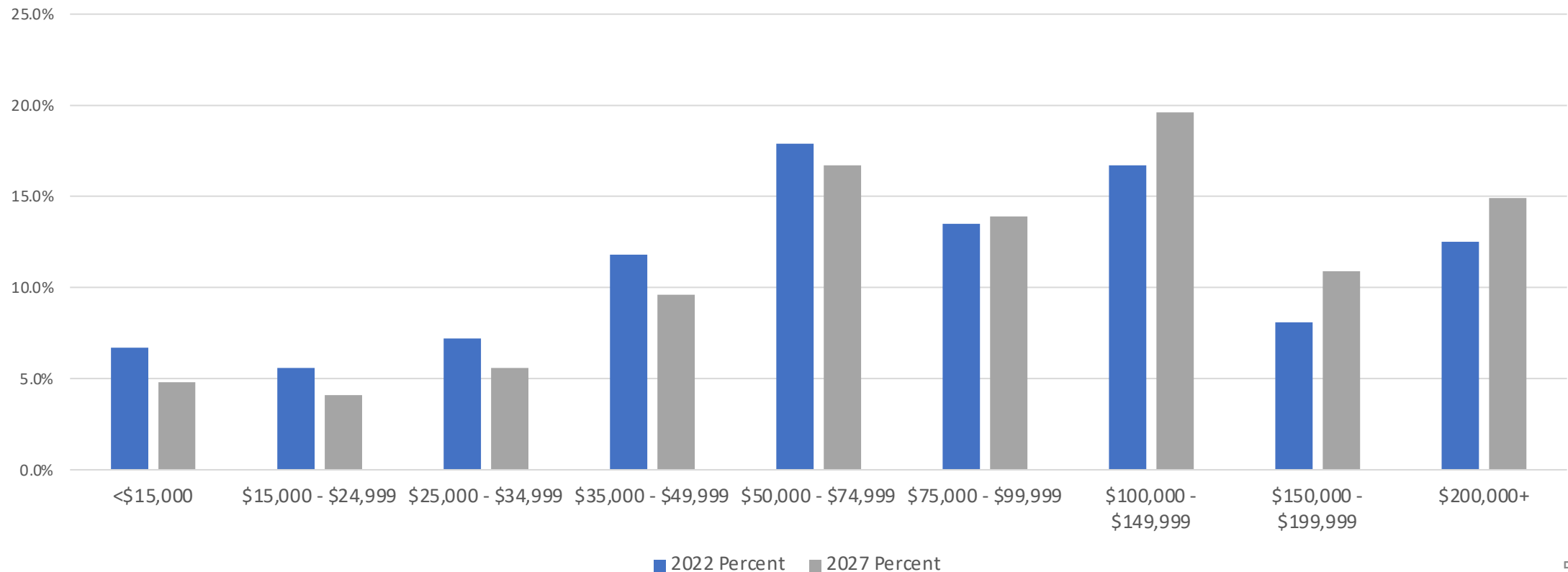
There are projected to be an additional 56,000 individuals and over 25,000 households in Mecklenburg County in the next 5 years. **Half of all new households will be renter-occupied.**

		Actual	Projections	Trends	
Summary for Mecklenburg County	Census 2020	2022	2027	Change (2022-2027)	2022-2027 annual growth rate
Population	1,115,482	1,164,981	1,221,562	56,581	0.95%
Households	448,814	470,446	495,939	25,493	1.06%
Families	-	281,097	294,924	13,827	0.96%
Average Household Size	2.45	2.44	2.43		
Owner Occupied Housing Units	-	258,334	271,064	12,730	
Renter Occupied Housing Units	-	212,112	224,875	12,763	
Median Age	-	35.9	36.0		

Demand: Mecklenburg County is projected to skew wealthier over next 5 years

However, the percentage of the **population earning between \$50,000-\$99,000 will remain flat or decrease** (the middle class). This projection accompanies an outmigration from Mecklenburg County due to housing costs.

Percent population at various earnings levels, 2022 and 2027



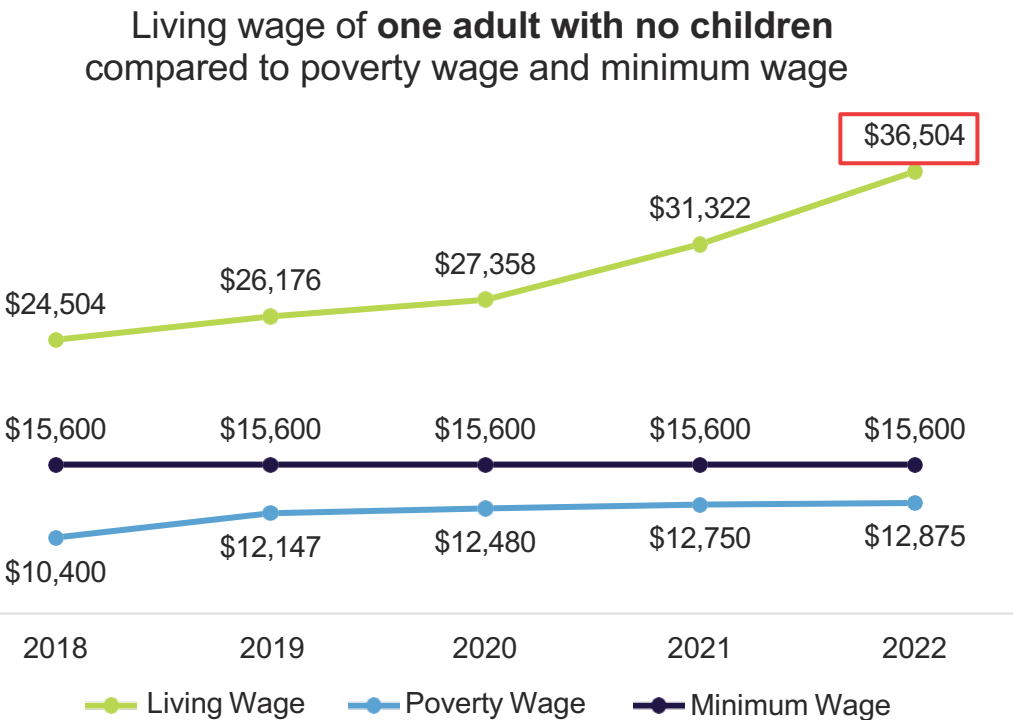
Demand: Mecklenburg County households living below the poverty level is projected to decrease over the next decade

	ACS Estimates (5 year averages)			Forecasted	
	2010	2015	2020	2025	2030
Total	218,847	235,877	256,164	274,619	293,371
Below Poverty Line	20,115	27,368	19,972	20,896	19,425
Above Poverty Line	198,732	208,509	236,192	253,723	273,946
% Below Poverty Line	9.19%	11.60%	7.80%	7.61%	6.62%

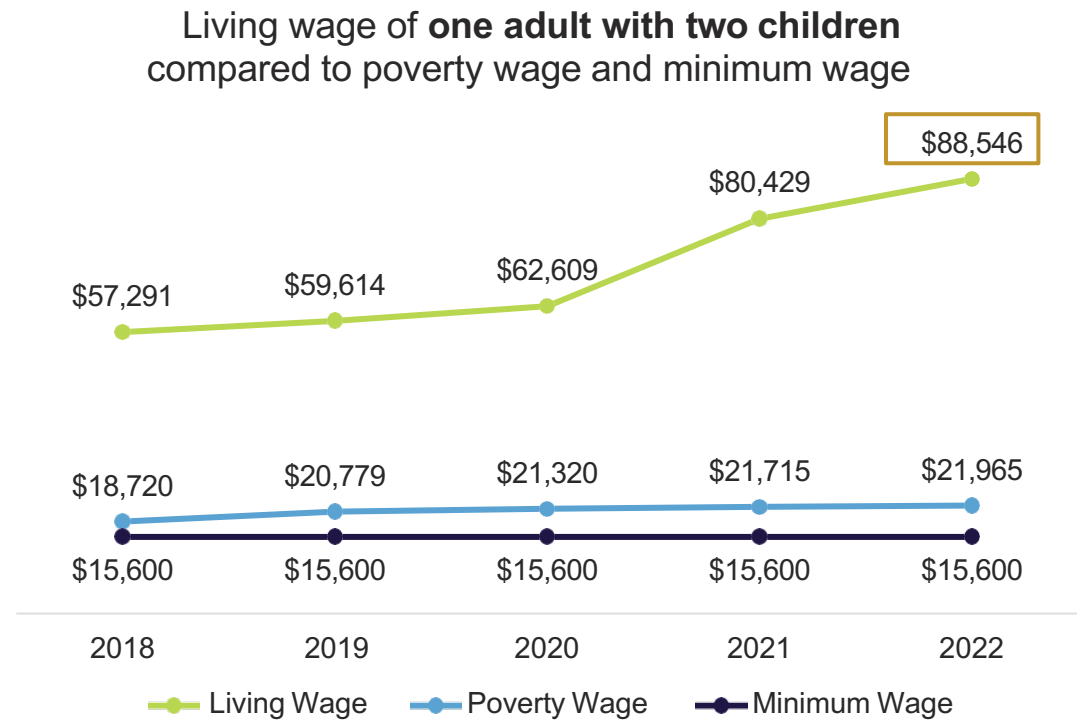
[Source: United States Census Bureau, American Community Survey 5-Year Estimates Data Tables](#)

“Living wage has risen dramatically since 2020

In 2022 in Mecklenburg County, the living wage for single adults with no children was **\$36,504** annually (**\$17.55 per hour**).



The living wage for one adult with two children was **\$88,546** annually (**\$42.57 per hour**).



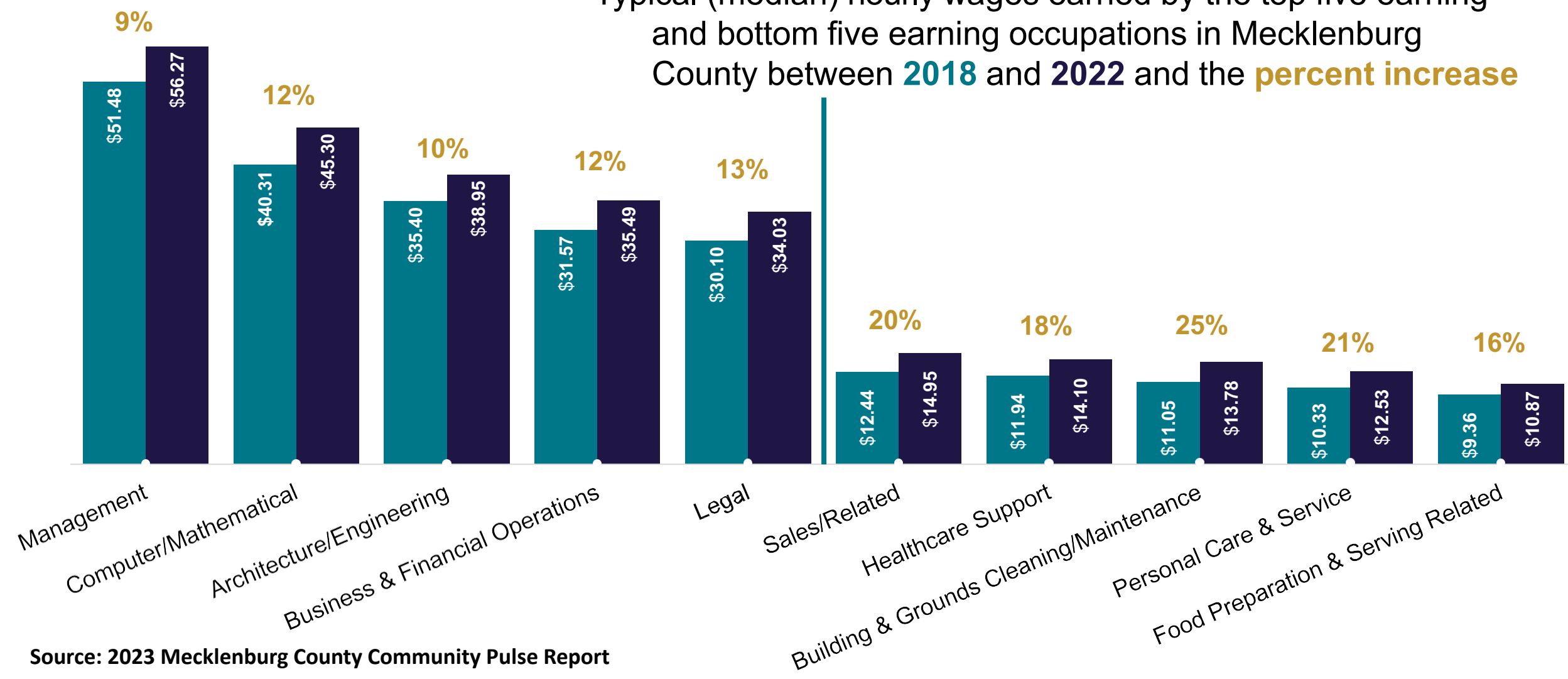
Source: 2023 Mecklenburg County Community Pulse Report

Note: “Civic” variable added to the living wage calculation methodology by MIT in 2021 has been removed for year-to-year comparability.

Source: [Living Wage Calculator - Living Wage Calculation for Mecklenburg County, North Carolina \(mit.edu\)](https://livingwage.mit.edu/lwc/#/county/nc/mecklenburg)

Even with faster growth, lower wage jobs still fall below “living wage”

Typical (median) hourly wages earned by the top five earning and bottom five earning occupations in Mecklenburg County between 2018 and 2022 and the **percent increase**



Source: 2023 Mecklenburg County Community Pulse Report

Source: [Living Wage Calculator - Living Wage Calculation for Mecklenburg County, North Carolina \(mit.edu\)](https://livingwage.mit.edu/lwc/)

LARGEST LOCAL EMPLOYERS, AS OF 2021

BUSINESS NAME	<u>TOTAL LOCAL EMPLOYMENT</u>	COMPANYWIDE REVENUE, 2021
ATRIUM HEALTH ²¹	39,000	\$7.5 billion
WELLS FARGO & CO. ²	27,200	\$78.49 billion
WALMART INC. ³	16,100	\$572.75 billion
BANK OF AMERICA CORP. ⁴	15,000	\$89.11 billion
NOVANT HEALTH INC. ⁶	13,088	\$7.4 billion

Demand: 5 year job growth projections and associated wages

Two of the **lowest-paying job categories will be the fastest growing**, accounting for 40% of the projected job growth.

Industry	Projected annual percentage growth	Currently employed	2027 Expected Employed	Jobs added	Current avg. annual salary	
Arts, Entertainment, and Recreation	2.8%	28,838	33,108	4,270	\$53,805	40%
Accommodations and Food Services	2.5%	113,257	128,140	14,883	\$25,265	
Professional, Scientific, and Technical Services (2.1%):	2.1%	96,086	106,608	10,522	\$97,313	21.9%
Health Care and Social Assistance	2.0%	150,153	165,781	15,628	\$78,963	32.6%
Information	1.9%%	26,729	29,367	2,638	\$104,227	5.5%
Total of Above:		415,063	463,004	47,941		100%

Mecklenburg County Rental Supply Profile

Ten-year trends, 2010-2022

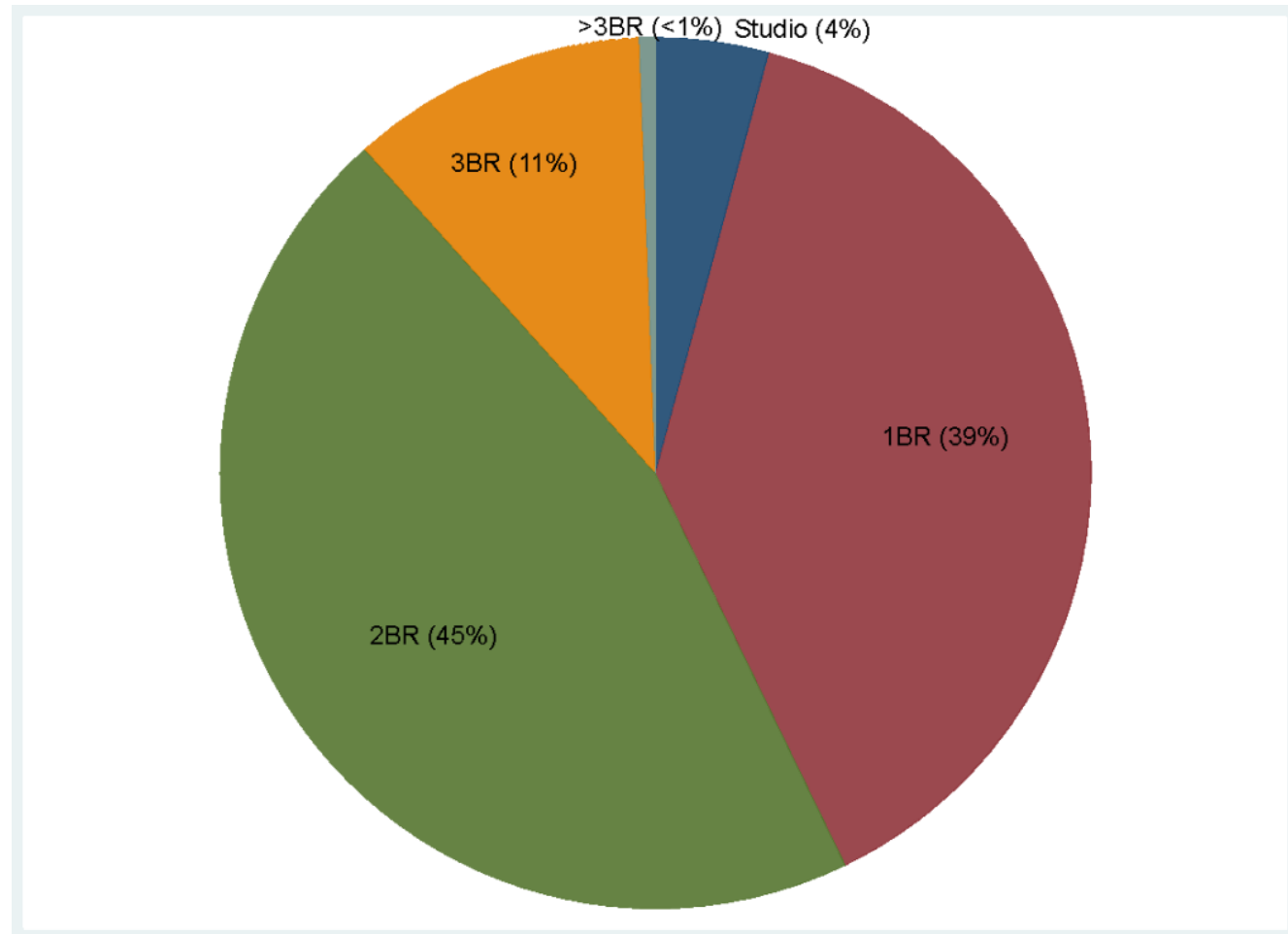
Supply: Rental costs increased most for lower cost apartments between 2010 and 2022.

	Apt. category "A" (Newer units with many amenities and desirable locations))		Apt. category "B" (Older apartments, few amenities)		Apt. Category "C" (Oldest apartments with no amenities and least desirable locations)	
	Effective rent	Annual % change	Effective rent	Annual % change	Effective rent	Annual % change
2015	\$1,309	2.99%	\$1,001	5.26%	\$729	5.81%
2016	\$1,322	0.99%	\$1,029	2.80%	\$772	5.90%
2017	\$1,323	0.08%	\$1,051	2.14%	\$804	4.15%
2018	\$1,378	4.16%	\$1,099	4.57%	\$844	4.98%
2019	\$1,432	3.92%	\$1,149	4.55%	\$889	5.33%
2020	\$1,406	-1.82%	\$1,177	2.44%	\$933	4.95%
2021	\$1,676	19.20%	\$1,372	16.57%	\$1,039	11.36%
2022	\$1,798	6.08%	\$1,492	6.04%	\$1,149	6.49%
10-yr Avg.*		3.04%* (54.5% incr. since 2010)	3.97%* (70% incr. since 2010)		5.37%* (87.7% incr. since 2010)	

*Note: The high and low average values since 2010, indicated in red, were dropped from averaging.

Supply: Within the inventory of apartments, most are 1 and 2 bedroom units

84% of apartments are 1- and 2-bedroom units, not conducive to families with 2 or more children.



Supply: Projected 2027 rental costs, by apartment category

By 2027, it is projected that an annual income of \$67,272 will be required to afford a Category C (lowest quality) apartment in Mecklenburg County, and almost \$79,000 to afford a Category B apartment.

	Apt. Category "A"	Base + utilities	Apt. Category "B"	Base + utilities	Apt. Category "C"	Base + utilities
Projected 2027 base rent and rent +\$376 monthly utilities	\$2,088	\$2,464	\$1,812	\$2,188	\$1,492	\$1,868
Affordability income requirement @ 30% of income (rent + \$376 utilities, NOT adjusted for inflation)	\$75,171	\$88,707	\$65,259	\$78,795	\$53,736	\$67,272

Supply vs Demand: Job & wage growth compared to projected rental cost increases

Without significant salary adjustments, the **jobs that are projected to account for 40% of new jobs will not be able to afford even a Category C apartment** in Mecklenburg County (@ 30% AMI).

Industry	Current avg. annual salary		Projected 2027 annual income (@ 30% housing cost) for each apartment category					
			Apt. Category "A"	Apt. A Base + utilities	Apt. Category "B"	Apt. B Base + utilities	Apt. Category "C"	Apt. C Base + utilities
Arts, Entertainment, and Recreation	\$53,805	Affordability income requirement @ 30% of income (rent + \$376 utilities, NOT adjusted for inflation)	\$75,171	\$88,707	\$65,259	\$78,795	\$53,736	\$67,272
Accommodations and Food Services	\$25,265							
Professional, Scientific, and Technical Services	\$97,313							
Health Care and Social Assistance	\$78,963							
Information	\$104,227							

Supply: NOAH at risk of being lost due to LIHTC expiration

Non-LIHTC, privately-owned units may be equally at risk of becoming market rate at the discretion of the owners/investors.

Developer/owner	All affordable units opened, 1950-1998 and still in use	# of LIHTC only units	Total at risk of being lost
Inlivian (CHA)-owned*	2816	340	
For-profit development	2786	262	3048
Nonprofit development	561	196	
TOTAL	6163	798	

Source: Tom Hanchett and Inlivian

Source: "LIHTC Properties in North Carolina's 12 District (Alma Adams – D) Through 2015," Novogradac & Company, 2018, on-line at https://www.novoco.com/sites/default/files/atoms/files/nc12_2018_lihtc_properties.pdf

Supply: A review of 3667 currently open housing code violations

A review of City of Charlotte outstanding housing code violations as of 5/8/23 identified the following issues:

- 47 housing code cases had been pending for over a year, and many others had been pending for over six months.
- Data available to the public did not disclose reasons for long periods of open cases and did not disclose which cases involved conditions that are classified as “imminently dangerous”.
- It is not possible to ascertain the number of families for whom housing code violations pose a threat of displacement.
- City’s code enforcement needs to be more effective, and we need better data to determine which enforcement methods need improvement.

What the data are telling us

What the data are telling us: Demand side

1. Population growth alone will generate the need for an **additional 12,700 rental units**
2. The projected 5-year **flat earnings among the middle class** between 2022 and 2027 may increase the need for affordable housing beyond current estimates.
3. The projected decrease in Mecklenburg County households below the poverty level is due, in part, to out-migration in search of more affordable housing.
4. In spite of rapid wage growth between 2018 and 2020, **wages are not keeping up with cost of living increases in Mecklenburg County.**
5. Among the 5 job categories projected to grow the most over the next 5 years, **the two lowest-paid categories account for 40% of job growth.** This signals the need for even more affordable housing.

What the data are telling us: Supply side

1. The **most affordable categories** of rental housing (Categories B and C apartments) **have experienced the greatest cost increases** over the past 10 years.
2. There is a **disproportionate shortage of rental units of 3 or more bedrooms** within the current apartment inventory in Mecklenburg County. This exacerbates the affordable housing shortage for families with 2 or more children.
3. The job categories projected to grow the most **will not be able to afford Category B or C apartments.**
4. While there may be **as many as 262 units at risk of being lost due to LIHTC expiration**, there are **another 2,786 privately-owned units** that may be at risk of being converted to market-rate apartments.

Promising Practices and Recommendations

Promising Practices: Public Sector

Anti-Displacement

- Mecklenburg County Property Tax Reduction/Deferral
 - Elderly or Disabled Homestead Exemption
 - Elderly or Disabled Property Tax Deferral (Circuit Breaker)
 - Disabled Veteran Homestead Exclusion
 - HOMES Program (Helping Out Mecklenburg's Homeowners with Economic Support)
- NC Property Tax Exclusion for 65+ and owner-occupied primary residences
- NC Property Tax Exclusion for the Permanently Disabled

Promising Practices: Public/Private/Nonprofit sector initiatives

- **Critical home repair**
- **NOAH preservation**
- **Faith-based housing projects**
- **Rental Assistance**
 - Vouchers
 - Housing Collaborative
 - Freedom Fighting Missionaries
 - Atrium Health's Housing Opportunity Promoting Equity (H.O.P.E.) Program
- **Purchase Assistance**
 - Habitat
 - Down Payment Assistance

RECOMMENDATIONS

- Add funding for existing/new programs with a focus on “promising practices” identified in the presentation
 - HTF bond referendum should be doubled
 - Make available more city and county funds for low-income rent subsidies
- The City should use “in rem” remedies to repair occupied housing complexes where code enforcement orders are being ignored by owners to address substandard living conditions and preserve affordable housing
- The City should use its remedies in Section 11-38(c) of the code to seek injunctions to compel owners to repair imminently dangerous conditions promptly; and
- Promote the use of UDO provisions for higher density resulting in more affordable units (note: Habitat is already having success using this model)
- Engage more employers in piloting subsidized housing as an employment benefit (like Atrium Health’s HOPE Program) in conjunction with career mobility training to increase earnings.
- Explore industries that mass produce housing (e.g., 3-D construction printing), and that can be done with greater density and profitably by the manufacturer, and at less cost per sq. ft. than current construction.

Who we are:

OneMECK Coalition is an alliance of Mecklenburg County organizations and individuals that advocates for equitable access to economic opportunity and housing in all parts of Charlotte and Mecklenburg County.

