Understanding the Affordable Housing Crisis: Why It’s Happening, Why It Matters, And What We Can Do About It.
Cape Fear REALTORS® (CFR) is a not-for-profit 501 (c) (6) corporation that was created on June 2, 1924. It has grown tremendously in the past 90+ years. Presently, CFR serves more than 2,400+ REALTORS® and members in Southeastern North Carolina.

We strive to be the premier resource for technology, services and information for REALTORS® in our region so that they may better serve their clients. CFR serves the interests of the public by:

- Promoting private property rights
- Monitoring and proposing regulation and legislation to ensure the availability and affordability of insurance for both residential and commercial property owners
- Working with the National Association of REALTORS®, the North Carolina Association of REALTORS® and the NC Real Estate Commission to promote ethically and legally sound representation for the consumer.

Our diverse membership is comprised of REALTORS® and Business Partners with the professional expertise to meet your real estate needs, whether it’s your first home, a residential or commercial rental, or a commercial property for sale. Our REALTOR® Members adhere to a strict Code of Ethics, which maintains that a high standard of conduct will be met in all activities.

REALTORS® in Wilmington, NC are an effective voice for real estate, protecting your right to own, transfer and use real property. Our effective legislative program benefits all property owners at all levels of government. As a result of this Association’s involvement in the legislative arena, property owners benefit from an environment that cherishes one of our inherent real property rights.

A Public Awareness Report by Cape Fear REALTORS®

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HOUSING AFFORDABILITY

DEFINING AFFORDABILITY

The term “affordable housing” is often misconstrued. People hear it and think of government-assisted/public housing, and while such housing is generally affordable, that is not what “affordable housing” references.

Affordable housing is more of a blanket term addressing the topic of home affordability in general.

Affordability encompasses both the fast food cook and the middle school teacher, the grocery store cashier and the emergency first responder, the daycare worker and the bank teller.

Affordability is about how much a person is paying for living expenses relative to income.

Also referred to as “workforce housing” in order to emphasize the vast group of people it affects and differentiate it from public housing, affordable housing exists when housing costs do not exceed 30 percent of a household’s total gross income.

Households paying more than 30 percent of their income on housing costs are considered cost-burdened.

Households paying more than 50 percent of their income on these expenses are severely cost-burdened.

This means that anyone paying more than 30 percent of their income on rent or mortgage payments, utilities, maintenance, taxes, insurance, and any other associated fees is cost-burdened.

Households paying more than 50 percent of their income on these expenses are severely cost-burdened.

Source: Joint City of Wilmington/New Hanover County Workforce and Affordable Housing Ad Hoc Committee
WHY AFFORDABILITY MATTERS

Having plenty of adequate, safe, affordable housing is not only beneficial to those who need it, but to the entire community as a whole. From business growth, job stability, and worker performance to traffic congestion, healthcare costs, and academic achievement, affordable housing intersects with all facets of a local economy and overall quality of life. It is as much about economic development and positive growth as it is about housing.

Affordable housing contributes to a diverse and flourishing city, as it welcomes residents of all ages and stages of life while ensuring secure housing for residents. A city cannot be strong and vibrant if it does not offer ample housing opportunities for all income brackets or if any of its citizens are too concerned with the serious financial burden of their home expenses to contribute to the local economy and culture. Affordable housing is necessary to attract and retain employees, particularly young workers just starting out. It also boosts existing employees’ productivity, as they do not have to be distracted on the job about whether or not they can afford to stay in their house another week.

Abundant home affordability allows all residents to fully engage in a lively community, support local businesses, participate in a thriving economy, and enjoy a higher quality of life.

Source: Joint City of Wilmington/New Hanover County Workforce and Affordable Housing Ad Hoc Committee
More and more American families struggle to find affordable housing each year. In 2016, 38.1 million households were cost-burdened—8.3 million households were severely cost-burdened—and the number continues to grow annually. Nearly half of all renters are cost-burdened, and half of those renters are severely cost-burdened. The lowest-income households with children had just $490 available each month after they had paid their housing expenses, which is far less than what is needed for food, health care, transportation, and other basic living and child-rearing costs.

### In 2018, a full-time worker must earn at least this wage in each state to afford a modest, two-bedroom apartment or home without spending more than 30% of income on rent.

Source: National Low Income Housing Coalition's 2018 Out Of Reach Report

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**Minimum-Wage Work Doesn’t Pay The Rent in Most Areas:**

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Number of hours at minimum wage needed to afford rent: 99

Source: National Low Income Housing Coalition's 2018 Out Of Reach Report

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**Two-Bedroom Housing Wage ($22.10)**

**One-Bedroom Housing Wage ($17.90)**

### Hours at minimum wage

- 40 hours per week or fewer
- 41 to 50 hours per week
- 51 to 60 hours per week
- 61 to 80 hours per week
- More than 80 hours per week

Notes: New England states are displayed with HUD Fair Market Rent Areas. All other states are displayed at the county level. This map does not account for the 37 localities with minimum wages higher than the standard state or federal minimum wage. No local minimum wages are sufficient to afford a one-bedroom rental home at the Fair Market Rent with a 40-hour work week. The geographic variation of Oregon and New York’s state minimum wages are reflected at the county level. Puerto Rico is excluded due to wage comparability issues.

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The United States is undoubtedly facing a national crisis. How did it happen?

Housing costs have risen steadily since 1960, while income has barely risen at all. Median rent has grown 62 percent; median renter income has grown a measly five percent. Median home value has increased 112 percent; median owner income has increased only 50 percent.

The Sharp Divergence in Housing Costs and Incomes Has Fueled a Long-Term Increase In Cost-Burdened Renters

The Real Wage Index

Since 2006, wages have risen 12.9 percent overall in the U.S. But when you factor in inflation, “real wages” have actually fallen 9.3 percent. In other words, the income for a typical worker today buys them less than it did in 2006. The PayScale Real Wage Index incorporates the Consumer Price Index (CPI) into The PayScale Index (which tracks nominal wages) and looks at the buying power of wages for full-time private industry workers in the U.S.

The PayScale Index: Real Wage Index (US)

Source: The PayScale Index

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The PayScale Index: Real Wage Index (US)

Source: The PayScale Index
Reasons Behind the Ever-Growing Affordability Gap

There are a multitude of reasons behind the ever-growing gap, ranging from local government regulations to land availability to labor and supply costs. Many governments still discourage or limit multifamily housing, and Not In My Back Yard (NIMBY) groups resist the high-density development that is needed to provide more affordable and adequate homes. More (and higher) fees being imposed on new construction, complex zoning schemes, and lengthy, uncertain approval processes throughout the planning and construction timelines add to the difficulty in developing enough mixed-use, low-cost housing needed to meet the incredibly high demand for such housing.

The Share Of Middle Income Renters With Cost Burdens Is Growing Rapidly

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<th>Share of Households (Percent)</th>
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<td>Under $15,000</td>
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Notes: Household incomes are in constant 2016 dollars, adjusted for inflation using the CPI-U for All Items.
Source: Joint Center for Housing Studies of Harvard University tabulations of US Census Bureau, American Community Surveys.

The affordable housing crisis is a multi-dimensional problem that has to be addressed from several different perspectives in order to begin implementing change and securing affordable homes.

Source: Joint Center for Housing Studies of Harvard University; U.S. Department of Housing and Urban Development; National Association of Home Builders.
North Carolina is on par with most of the rest of the country in its affordable housing availability, or lack thereof. The Fair Market Rent (FMR) for a modest two-bedroom home or apartment in N.C. is, on average, $850 per month. In order for someone to afford this FMR working full time at 40 hours each week, they need to earn at least $16.35 per hour ($34,004 annually); the actual mean wage for the average renter in NC is only $14.66 per hour ($30,492 annually). At this actual mean wage, the average N.C. renter can only afford $762 per month—about 10 percent less than the state FMR. This means that one full-time job is not enough for the average N.C. renter.

For someone working at minimum wage ($7.25 per hour) in N.C., it is even harder. A full-time minimum wage worker can only afford $377 per month—less than half of the FMR. Just to afford FMR, that person would need to work 90 hours, or 2.3 full-time jobs.

Source: National Low Income Housing Coalition's 2018 Out Of Reach Report
The people of ALICE are the hardworking, vital members of our society and economy. ALICE encompasses people from child care workers, office clerks, and home health aides to cashiers, waiters, and retail sales associates.

Every day, millions of North Carolinians wonder where the money for their next housing payment is going to come from.

The people of ALICE work full time but still cannot always pay all of their bills and have little or no savings. They work hard and earn above the poverty level, but they still do not make enough to afford the most basic necessities of housing, food, child care, health care, and transportation.

They are consistently forced to make hard choices on what to sacrifice that week or month. For instance, do they pay rent on time, or do they pay for quality child care? Do they pay for insurance, or do they make sure they are keeping the water on and feeding their kids?

These numbers are especially hard on the 27.4 percent of North Carolina's population that falls into a group called ALICE (Asset Limited, Income Constrained, Employed).

Sources: National Low Income Housing Coalition 2018 Out of Reach Report; United Way ALICE Reports
The following profiles detail the housing needs of the local three-county areas: Pender, Brunswick, and New Hanover Counties.

**PENDER COUNTY**

33% of all households are cost-burdened

6,549 households are cost burdened

30% of homeowners are cost-burdened

1,828 households

39% of renters are cost-burdened

4,721 households

*Of these cost-burdened renters, 16.5% face eviction

Max Home Affordability: Assuming a 95% conventional 30-year mortgage interest rate of 4.5%, covering principal and interest only for various loan amounts. Data source: from the ACS, the BLS, and the NLIHC 2016 Out of Reach report. Monthly Supply & Avg Sale Price Source: North Carolina Regional MLS. Rolling 12 month Average (Nov 2011 - Nov 2018)

In only six years, the average price for a new construction home has increased by 27%, and the average price for an existing home has increased by 30%.

**Average Home Price in Pender County**

- **2012:** $100,000
- **2018:** $225,000
- **2014:** $175,000
- **2016:** $200,000

Increase of $150,047

$200,000 - $300,000: 18 households

$300,000 - $400,000: 17 households

$400,000 - $500,000: 15 households

$500,000 - $600,000: 14 households

$600,000 - $700,000: 13 households

$700,000 - $800,000: 12 households

$800,000 - $900,000: 11 households

$900,000 - $1,000,000: 10 households

**MONTHS OF SUPPLY OF INVENTORY**

Mean the number of months that it would take for the properties currently on the market to be sold at the current rate of home sales. Five to eight months of supply is considered a Balanced Market. If there is less than a five month supply, it is considered a Seller’s Market.

**MONTHS OF SUPPLY OF NEW CONSTRUCTION HOMES FOR SALE IN PENDER COUNTY**

**MONTHS OF SUPPLY OF EXISTING HOMES FOR SALE IN PENDER COUNTY**
The Brunswick County Fair Market Rent (FMR) is $866 per month or earn $35,320 per year, but the average renter can only afford $555 per month.

Sources: North Carolina Housing Coalition, U.S. Department of Housing and Urban Development

29% of homeowners are cost-burdened

5,687 households

48% of renters are cost-burdened

10,742 households

In only six years, the average price for a new construction home has increased by 23%, and the average price for an existing home has increased by 22%.

Max Home Affordability: Assuming a 95% conventional 30-year mortgage interest rate of 4.5%, covering principal and interest only for various loan amounts. Data source: from the ACS, the BLS, and the NLIHC 2016 Out of Reach report. Monthly Supply & Avg Sale Price Source: North Carolina Regional MLS. Rolling 12 month Average (Nov 2011 - Nov 2018)

BRUNSWICK COUNTY

Average Home Price in Brunswick County

$300,000

$275,000

$250,000

$225,000

$200,000

$30,240

$27,240

$22,190

$18,410

Waiter

Childcare Worker

Nurse Assistant

Construction Worker

Firefighter

Teacher

Max Home Affordability

Waiter

Average Annual Salary

Max Home Affordability:

Retail Sales

Bank Teller

Nurse Assistant

Police Officer

Teacher

Registered Nurse

Max Home Affordability:

$18,410

$21,910

$27,240

$30,240

$32,610

$52,630

$231,870

$231,870

$269,679

$269,679

$305,719

$305,719

$35,320

$35,320

$38,849

$38,849

$47,868

$47,868

$53,849

$53,849

In only six years, the average price for a new construction home has increased by 23%, and the average price for an existing home has increased by 22%.

Months of Supply of New Construction Homes for Sale in Brunswick County

Months of Supply of Existing Homes for Sale in Brunswick County

Max Home Affordability: Assuming a 95% conventional 30-year mortgage interest rate of 4.5%, covering principal and interest only for various loan amounts. Data source: from the ACS, the BLS, and the NLIHC 2016 Out of Reach report. Monthly Supply & Avg Sale Price Source: North Carolina Regional MLS. Rolling 12 month Average (Nov 2011 - Nov 2018)
The New Hanover County FMR is $915 per month or earn $36,600 per year, but the average renter can only afford $647 per month.

Sources: North Carolina Housing Coalition, U.S. Department of Housing and Urban Development

33,366 households are cost burdened

50% of renters are cost-burdened

18,976 households

29% of homeowners are cost-burdened

14,390 households

*Of these cost-burdened renters, 18% face eviction

Average Home Price in New Hanover County

Waiter $21,120
Childcare $21,140
Nurse Assistant $27,070
Construction $30,270
Firefighter $32,730
Teacher $42,480

$36,600

%

Max Home Affordability

Retail Sales $81,653
Bank Teller $102,542
Nurse Assistant $102,542
Police Officer $105,995
Teacher $140,201
Registered Nurse $197,652

$75,000 - $124,999
$125,000 - $174,999
$175,000 - $225,999

2012 2014 2016 2018

Supply Nov 2018

2.1 1.7 1.9

Max Home Affordability: Assuming a 95% conventional 30-year mortgage interest rate of 4.5%, covering principal and interest only for various loan amounts. Data source: from the ACS, the BLS, and the NLIHC 2016 Out of Reach report. Monthly Supply & Avg Sale Price Source: North Carolina Regional MLS. Rolling 12 month Average (Nov 2011 - Nov 2018)
The Wilmington area is the fourth most expensive place to live in North Carolina, behind Currituck County, Camden County, and Raleigh. The cost of living in Wilmington is higher than the state average, but Wilmington’s wages are lower than the state average. This has created a bigger affordable housing crisis locally than it has in most other parts of N.C., and it is why the issue is being brought to the forefront of local political discussions more and more.

The Wilmington area has a FMR for a modest two-bedroom place of $993 per month, which is 17 percent higher than the state’s FMR of $850 per month. This means that the average income a Wilmington renter needs to earn in order to afford the local FMR is also 17 percent higher ($5,716 more annually) than what the average renter elsewhere in N.C. would need to earn. In Wilmington, a person needs to make $19.10 per hour ($39,720 annually); the average North Carolinian in other parts of the state needs to make $16.35 per hour ($34,004 annually).

The actual mean wages in Wilmington are 13 percent lower ($3,931 less annually) than the state average, though, despite the higher FMR and the higher income that should accompany this FMR. The actual mean wage for the average N.C. renter is $14.66 per hour ($30,492 annually), while the actual mean wage for the average Wilmington renter is only $12.77 per hour ($26,561 annually).

Furthermore, the actual annual income the average Wilmington renter earns is 33 percent lower ($13,159 less) than what they really need to earn ($39,720 annually) in order to afford decent housing in Wilmington.
Spending 30 percent of your gross income when you make $100,000 a year leaves you with $70,000 for everything else. Spending 30 percent when you make $10,000 leaves you with $7,000 for everything else—you have to eat the same as the person making $100,000, you have the same clothing needs. So, it is a pretty crude measure,” Steve Spain, the executive director of Cape Fear Habitat for Humanity, has said. “When people don’t have enough money beyond their basic needs, they’re not building our economy. They are not spending, they’re not out buying dinner or buying a new car… If you have to spend 80 percent of your income on housing, there is nothing left.”

Tourism and the service industry drive Wilmington’s local economy. Food service workers and retail workers make up 28 percent (31,425) of all workers in New Hanover County, yet these vital employees only bring home between $300 and $550 per week—an average of $22,698 annually. Affordable rent for the average food or retail worker would be under $800 per month, but the average rent for a one-bedroom in Wilmington is $720 per month and the average rent for a two-bedroom is even higher at almost $1,000 per month.

Affordable rent for this large group and other important workers—such as first responders and teachers—who also often earn less than what is needed to afford FMR, is becoming especially scarce as Wilmington faces rapid population growth and diminishing land availability. Wilmington’s population is expected to grow by more than 50,000 new residents over the next 25 years, greatly increasing the demand for property that is already hard to come by.

Affordable housing availability for Wilmington’s working class is disappearing, which affects both the economy and residents’ quality of life.

Wilmington is currently ranked 40th for year-over-year rental price growth among the country’s 250 largest cities.

Wilmington’s 3.4 percent increase in average rent prices from 2017 to 2018 outpaced the national average of 1.5 percent and even outpaced traditional high-rent markets such as New York City and San Francisco.

New developments in the area tend to be focused on retail and luxury apartments, rather than affordable, mixed-use developments that include affordable housing. Some of this has to do with hurdles developers encounter, such as opposition to high-density development or zoning issues. But with apartment prices climbing to $2,000 per month or higher in new developments, it is forcing affordable housing out of the city and into surrounding rural areas.

When people have to move outside of the city in which they work because they cannot afford to live there, they are forced to either commute longer, spending more time away from their families, or find a job in the town in which they do live.
The affordable housing crisis in Wilmington is only escalating and is an issue that will remain at the front of local discussions until solutions can be implemented.

Goal: $39,720 annually

Annual Income Distribution in Wilmington (Percentage of Population)

$10k-20k (15%)
$20k-30k (12%)
$30k-40k (11%)
$40k-50k (6%)
$50k-60k (9%)
$60k-75k (6%)
$75k-100k (10%)
$100k-125k (6%)
$125k-150k (3%)
$150k-200k (4%)
>$200k (6%)

Source: Income distribution statistics from City-data.com

The wage needed to afford a modest 2 bedroom home at Fair Market Rent in Wilmington is $39,720 annually.

Source: Income distribution statistics from City-data.com

"You need to have people who are school teachers here, you need to have cops here, you need bartenders here and people like paralegals at law firms, nurses. You need those people with modest incomes. You cannot have a city that is totally elite," City Councilman Paul Lawler has said.

Possible Solutions to Address Wilmington’s Workforce Housing Shortage by Michael Praats

There has been a lot of discussion about the lack of working class housing in the Greater Wilmington Area. From local leaders to land developers the problem is being bandied about – but what can be done to help solve the problem?

For Steven Spain, executive director of Cape Fear Habitat for Humanity, developers moving into the area with the hopes of constructing mixed-use developments can play a large role in helping to alleviate the problem.

Instead of building luxury apartments only, Spain says developers have the opportunity to put in some more affordable units by using less expensive materials. For example, instead of granite counters, they could use laminate countertops.

Public transportation is another issue facing the Cape Fear region. While it is easy to overlook transportation as a housing problem, the issues are related. The current bus schedule in the region runs from 6 a.m. – 9 p.m., meaning workers who work second or third shifts do not have the option of using public transportation.

“Areas with affordable housing just outside the city, like Castle Hayne, Leland/Navassa, and Murrayville/North Chase/King’s Grant have very limited [public transportation] service. As a result of the limitations of public transportation and the distance between areas with relatively affordable housing and areas with employment opportunities, Wilmington has a growing traffic problem,” Spain said.

Another problem Spain sees with the current public transit system is the circular routes.

“Users can have a 10-minute ride in one direction and a 50-minute (or longer) ride to return,” he said.

Sources: Joint City of Wilmington/New Hanover County Workforce and Affordable Housing Ad Hoc Committee; Quarterly Census of Employment and Wages; Bureau of Labor Statistics; City-data.com; Apartment List Rentonomics Report; Port City Daily
There are also opportunities for local leaders like City Council members or County Commissioners to place requirements on developers who request permits to build new developments.

These requirements could compel developers to include affordable housing options if they want exceptions to zoning laws made for their development.

Source: Port City Daily

RECOMMENDATIONS

As the affordable housing crisis is a multidimensional problem, the solutions are equally multifaceted. Some of the more obvious solutions involve addressing the lagging incomes by increasing employee pay and offering better jobs, and increasing diverse housing stock by supplying smaller, more basic unit sizes at lower prices. More creative solutions that some cities have implemented have also proved successful, such as restoring and redeveloping historic buildings to provide affordable housing while also preserving the history and character of a city.

Sources: Joint Center for Housing Studies of Harvard University; National Association of Home Builders; Joint City of Wilmington/New Hanover County Workforce and Affordable Housing Ad Hoc Committee
The Joint City of Wilmington/New Hanover County Workforce and Affordable Housing Ad Hoc Committee has also produced a list of recommendations tailored to the Wilmington area specifically that would address the issues and begin enacting change:

- Revise City and County land use ordinances to add or improve Accessory Dwelling Unit, Density, and Height requirements and regulations.
- Support a public awareness marketing campaign.
- Include an affordable housing requirement in City and County owned redevelopment projects.
- The City and County should identify ways to streamline/expedite the permitting process.
- Support existing financial literacy and homebuyer education.
- Explore ways to encourage Cape Fear Public Utilities Authority to defer fees and offer payment plans and rebates for affordable housing developers.
- Utilize synthetic Tax Increment Financing (TIF) as a means of supporting the development of housing that is affordable.
- Encourage the use of the 4% Low Income Housing Tax Credit bond program, with bonds to be issued by the Housing Authority.
- Conduct a housing study and a statistically valid opinion survey.
- Research the use of Limited Participation Bonds to support development of affordable housing.

Sources: Joint Center for Housing Studies of Harvard University; National Association of Home Builders; Joint City of Wilmington/New Hanover County Workforce and Affordable Housing Ad Hoc Committee