



# AFFORDABLE HOUSING POTENTIAL IN A COMMERCIAL CORRIDOR

Prepared for the Blue Ridge Corridor Alliance

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This report was prepared in Spring 2019 by the graduate student team of Amelie Bailey, Alex Halloway, and Anna Patterson as part of the course requirement for the Housing and Community Development Workshop (PLAN 823) taught by Dr. Mai Nguyen in the Department of City and Regional Planning at the University of North Carolina At Chapel Hill. The Blue Ridge Corridor Alliance mentor team (Levin, Bressler, and Gaskins) applied to have the graduate student team undertake a research project on the housing potential in the Blue Ridge Corridor.

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## Executive Summary

The City of Raleigh's Blue Ridge Corridor (“the Corridor”) is home to a diverse collection of amenities and attractions. Situated between two growing employment centers in the state--downtown Raleigh and Research Triangle Park--the Corridor’s location is desirable for its convenience and affordability. Since 2014, the population of downtown Raleigh has grown 35%. Such substantial growth places pressure on the housing stock of areas surrounding downtown Raleigh, such as the Corridor. In January 2019, the City of Raleigh expanded bus lines into the Corridor, connecting it to downtown Raleigh. In response to such rapid development, there is a need to make investments in land and housing assets before the relative prices increase. As such, this research aims to answer the following question:

*Given the transportation infrastructure patterns and large amounts of public land, what areas in the Corridor have high potential as affordable housing?*

The student team utilized a mixed methods approach to answer this question. Methods include a review of relevant literature and case studies, interviews with key stakeholders, site visits to the Corridor, attendance at Blue Ridge Corridor Alliance (BRCA) board meetings and events, and an in-depth GIS analysis of real estate trends in the area and compliance with the North Carolina Qualified Allocation Plan (QAP)—a tool used to administer Low-Income Housing Tax Credits (LIHTC) to developers for the creation of affordable housing. Results indicate that the area is competitive for LIHTC development, boasts some pre-existing affordability, and contains underutilized parcels that are ripe for redevelopment.

The student team proposes three best-practice strategies for incorporating affordable housing into the Corridor, with several specific recommendations for each strategy. Proposed strategies for maintaining affordability as the area grows include **preservation**, **acquisition** and **adaptive reuse** and **development** of affordable housing.

The student team outlines nine recommendations in the chart below and in the recommendations portion of this report that can be used to implement these strategies. These recommendations are steps that the student team believes that BRCA can begin conversations on, advocate for, or engage other partners around, but may not be recommendations that BRCA has the capacity to carry out alone.

<b>Final Recommendations by Relevant Entities</b>					
<b>Recommendation Description</b>	<b>Private Developer</b>	<b>Nonprofit Housing Developer</b>	<b>City of Raleigh</b>	<b>Wake County</b>	<b>State of North Carolina</b>
#1: Preserve NOAH		X	X	X	
#2: Preserve expiring LIHTC developments	X	X	X		
#3: Implement a dedicated funding mechanism to generate funds for affordable housing			X		
#4: Purchase underutilized properties to adaptively reuse as affordable housing	X	X	X	X	
#5: Dispose of surplus public land to either build or fund affordable housing			X	X	X
#6: Improve walkability to make the Corridor more competitive for 9% LIHTC projects			X		X
#7: Advocate for an affordable housing bond as a source of gap financing			X	X	
#8: Use a 4% LIHTC bond deal as an early win project	X	X	X		
#9: Structure the NCDHHS transition to the Corridor as a private development	X				X

## Glossary

**Area Median Income (AMI)** - AMI is the midpoint in the distribution of household annual incomes within a given area. The US Department of Housing and Urban Development (HUD) releases updated AMIs on an annual basis and considers the size of the household in its calculations. This measure is used to determine a household's eligibility to receive certain funding opportunities.

**“Cost Burden” & Affordability** - Affordability is defined by HUD as housing that costs no more than 30% of a household's income. Cost-burdened households are defined by HUD as those “who pay more than 30% of their income for housing” and “may have difficulty affording necessities such as food, clothing, transportation, and medical care.” Severe cost burden is defined as paying more than 50% of one's income on rent (“Affordable Housing,” n.d.).

**Low-Income Housing Tax Credit (LIHTC)** - Written into the Internal Revenue Service Code in 1986, and made permanent in 1993, LIHTCs are an indirect federal subsidy that aid in the development of affordable rental housing. Under the program, developers whose proposed projects will meet a certain affordability threshold (as determined by the federal government) are eligible to apply for and receive dollar-for-dollar tax credits which are distributed evenly over the course of ten years. These credits are sold to investors which creates the upfront equity to develop affordable housing units. 9% credits, also known as “competitive” credits, typically finance 70% of the development costs of the affordable housing (or the “eligible basis”), while 4%, “non-competitive,” credits typically finance 30% of the eligible basis. The cost to purchase land is not considered as part of the eligible basis.

**Naturally-Occurring Affordable Housing (NOAH)** - Naturally-occurring affordable housing is defined as housing that is priced at rates affordable for residents earning low- to moderate-incomes. The affordability is due to market forces rather than by affordable housing designation or public subsidy. This report considers the existence of naturally-occurring affordable rental housing (below) due to its capacity to serve as one of several sources of affordable rental opportunities for low- to moderate-income families.

**North Carolina Housing Finance Agency (NCHFA)** - NCHFA is the state agency in North Carolina that provides financing for affordable housing through the sale of tax-exempt bonds, management of the federal LIHTC program, the federal HOME Program, the state Housing Trust Fund, and other programs.

**North Carolina's Qualified Allocation Plan (QAP)** - The QAP is used to determine the awarding of competitive 9% tax credits within the state of North Carolina. The distance to various amenities and dis-amenities is considered.

## Background

The Blue Ridge Corridor Alliance (BRCA) is a nonprofit organization that was established in mid-2014 with the aim of convening stakeholders and establishing a collective vision for the development of West Raleigh (BRCA, 2019). The Blue Ridge Corridor (“the Corridor”) is a largely undeveloped 3-square-mile area that is bound by Interstate 40 and Interstate 440 and boasts an easy commute to downtown Raleigh and neighboring Cary (BRCA, 2019). The Corridor contains several amenities that draw visitors from the surrounding areas and across the state, including the North Carolina State Fairground, PNC Arena, North Carolina State University’s Carter-Finley Stadium, the North Carolina Museum of Art, and Rex Hospital. With the recent addition in January 2019 of a bus line to service the area and plans for additional bus routes and commuter rail, the area’s transportation infrastructure is rapidly growing.

Yet, the area lacks the population density and active transportation desired by community leaders for the creation of a bustling mixed-use district. While the Corridor remains active by day and night, only 1% of people who work in the Corridor live in the Corridor (BRCA, 2019). The resident population of the Corridor is relatively sparse--approximately 8,000 residents. (BRCA, 2019). Further, the workforce population that resides within in the Corridor mostly commutes to work by car, with 4.3% of the population taking public transit and 2.2% walking or biking (BRCA, 2019).

BRCA’s board of directors includes leadership from Rex Hospital, North Carolina State University, the City of Raleigh, the North Carolina Museum of Art, Wake County, the North Carolina Department of Health and Human Resources (NCDHHS), and several local businesses. Through the involvement of leaders in the community, the organization has created an economic development plan and advocated for the newly implemented public bus route. Three members of the BRCA Executive Board—Dr. Stuart Levin, Professor Gene Bressler, and Mr. Will Gaskins—approached the student team with a need to better understand potential siting for housing within the Corridor.

## Research Question

The scope of work focused on exploring opportunities to develop affordable housing within the Corridor, in the context of current and planned transportation infrastructure. The research question is as follows: *Given the transportation infrastructure patterns and large amounts of public land, what areas in the Corridor have high potential as affordable housing?* In this study, the student team examines this question and offer suggested tools and recommendations to achieve this end.

## Methodology and Data

The area of study for this analysis (henceforth, “Study Area”) reflects physical boundaries created by I-440 and I-40 to the south, east and west, and by the intersection of Duraleigh Road and Edwards Mill Road to the North (Map 1). The Study Area was chosen to include both previous areas of study of the Corridor and closely proximate residential development, in order to understand the current residential offerings in an area that is primarily commercial.

**Site visits.** The student team conducted site visits of the Study Area on February 2, 2019 and on March 30, 2019. The purpose of each site visit was to understand the current amenities of the corridor and gain greater familiarity with the Study Area. On the March 30 site visit, specifically, students took field notes on the North Carolina Department of Transportation (NCDOT)-owned parcels, the former KMART site, the proposed NCDHHS site, the areas that received a perfect score on the preliminary Low-Income Housing Tax Credit (LIHTC) analysis, and the areas adjacent to GoRaleigh Bus Routes 4, 26, and 27.

**Semi-structured interviews.** The student team conducted four semi-structured interviews with key stakeholders and informants. Interview subjects were identified during conversations with the BRCA mentor team, and recommendations from fellow students. Interview guides were tailored to each individual interview, which allowed for a range of data themes to emerge. The student team conducted the interviews in pairs, with one student guiding the conversation and the other taking detailed notes.

The interviewees were Jennifer Lampman, an experienced affordable housing development professional; Dhanya Sandeep, an urban planner with the City of Raleigh; Ralph Recchie, real estate manager for the City of Raleigh; and Mark Shelburne, an expert on the Low-Income Housing Tax Credit and other affordable housing programs. Data from the interviews provided context to the Study Area and gave insight as to what strategies may have potential given political and economic constraints within the City of Raleigh.

**Board and Annual Meetings.** Members of the student team attended a board meeting on February 14, 2019 and the BRCA annual meeting on February 21, 2019. At these meetings students were informed about potential improvements coming to the corridor, basic statistics concerning the corridor, and relevant stakeholders which facilitated the development of a potential interviewee shortlist.

**Literature review & case studies.** Case studies included Arlington, VA; Atlanta, GA; Denver, CO; Durham, NC; San Francisco, CA, and Seattle, WA. These cities were chosen based on recommendations the student team received during conversations with the BRCA mentor team, semi-structured interviews, and a preliminary literature review for industry standards, innovative solutions, and lessons learned. Case studies were limited to those that spoke of public land and affordable housing transit-oriented development.

A review of literature on the topics of 1) health and housing, 2) public land and affordable housing, and 3) transit-oriented development and affordable housing helped the student team to identify possible avenues of study and narrow the scope of study to a topic that was beneficial both to the students' education and BRCA's needs. Additionally, the student team reviewed qualitative literature to analyze case studies on housing located near transportation infrastructure.

**LIHTC Analysis in GIS.** A LIHTC analysis was conducted to better understand what parcels in the Study Area had high potential to receive 9% tax credits for the development of affordable rental housing. A review of the North Carolina Housing Finance Agency (NCHFA) QAP revealed how amenities are scored and count towards the point total of the North Carolina Qualified Allocation Plan (QAP) score. Primary amenities account for 26 points and secondary amenities account for 12 points; meaning a parcel can receive a possible maximum total of 38 points. Additionally, bus stops can add an additional 6 points (if covered) or 2 points (if uncovered) up to the maximum total previously stated, contingent on these bus stops being accessible by a continuous sidewalk and crosswalks. A greater breakdown of how amenities are scored are displayed in Table 1.

**Table 1. NC QAP LIHTC Amenities Score Sheet**

<i>Primary Amenities (maximum 26 points)</i>	Driving Distance in Miles			
	< 1	<1.5	<2	<3
Grocery	12 pts.	10 pts.	8 pts.	6 pts.
Shopping	7 pts.	6 pts.	5 pts.	4 pts.
Pharmacy	7 pts.	6 pts.	5 pts.	4 pts.
<i>Secondary Amenities (maximum 12 points)</i>	<1	<1.5	<2	<3
Other Primary Amenity	5 pts.	4pts.	3 pts.	2pts.
Service	3 pts.	2 pts.	1 pts.	0 pts.
Healthcare	3 pts.	2 pts.	1 pts.	0 pts.
Public Facility	3 pts.	2 pts.	1 pts.	0 pts.
Public School (Family)	3 pts.	2 pts.	1 pts.	0 pts.
Senior Center (Elderly)	3 pts.	2 pts.	1 pts.	0 pts.
Retail	3 pts.	2 pts.	1 pts.	0 pts.

Source: 2019 NC QAP

The student team used GIS shapefiles of tax parcels, street networks, zoning districts, public schools, railroads and transit stops to conduct a parcel analysis of the Blue Ridge Road District (Map 1). This data was used to gain an understanding of the real estate trends within the Study Area, which guided strategies for implementing affordable housing in the Corridor. Specifically, the student team examined the zoning conditions, ownership trends, land and building valuations, land uses and current infrastructure in the district.



I-40 and I-440 to the south and Reedy Creek Road, Edwards Mill Road and Rex Hospital to the north. The Study Area contains 3,364 parcels, spanning 4,626 acres and representing over \$3.2 billion in real estate value, as shown in Table 2.

**Table 2. Study Area Data**

<b>Profile of the Study Area</b>	
Parcel Count	3,364
Total Acreage	4,626
Total Value	\$3,210,667,089

**Underutilization Analysis.** An underutilization analysis was conducted in order to understand what parcels within the Study Area may be prime for redevelopment (given their relatively low building value per square foot as a result of age, construction quality of the building or deferred maintenance). The student team evaluated various buildings that showed signs of vacancy or underutilization through site visits and google imaging. Building values per square foot were calculated for these selected buildings. The student team then ran several tests by setting “thresholds” of underutilization, attempting to find a point at which high-quality buildings were excluded from the set of buildings below the underutilization threshold. A building value per square foot of \$45 was chosen. State-or institution-owned parcels were excluded from this underutilized set due to conversations with the BRCA mentor team and interviewees that suggest that institutional and state-owned lands will likely not be offered for sale in the near future. Residential structures, too, were excluded from the underutilization threshold based on the student team’s desire to avoid any recommendation that in effect would promote displacement of current residents.

**Amount of institutional ownership.** As shown in Table 3, most of the parcels within the Study Area are residential in use. Yet in terms of total acreage, institutional uses (including Rex Hospital, the North Carolina Museum of Art, and North Carolina State University’s Centennial Biomedical Campus, among others) are the dominant land use within the Study Area (Table 4).

**Table 3. Study Area Land Use by Parcel Share**

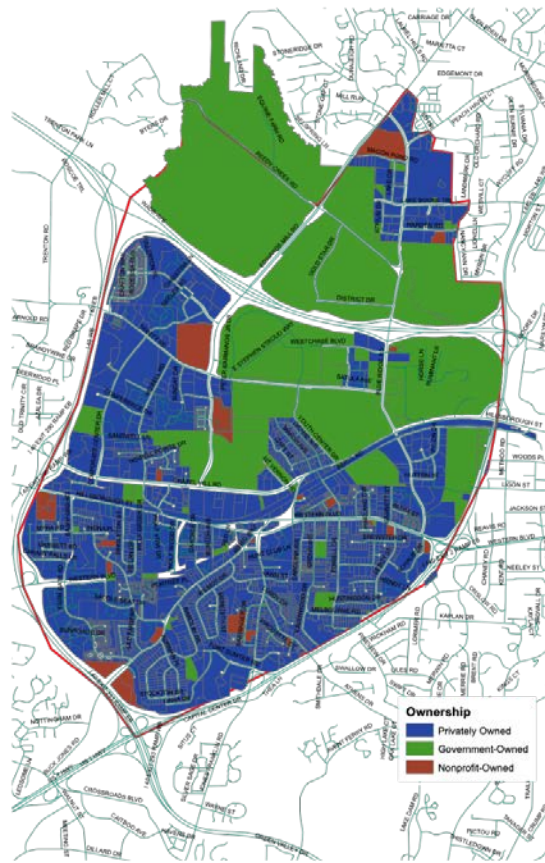
<b>Study Area Land Use by Parcel Share</b>		
<b>Land Use</b>	<b>Parcel Count</b>	<b>Share of Parcels</b>
Residential	2720	81%
Retail	60	2%
Office	101	3%
Industrial	66	2%
Hospitality	2	0%
Institutional	26	1%
Entertainment & Recreation	6	0%
Religious	12	0%
Parking	5	0%
Undeveloped	316	9%
Other	50	1%

**Table 4. Study Area Land Use by Acreage**

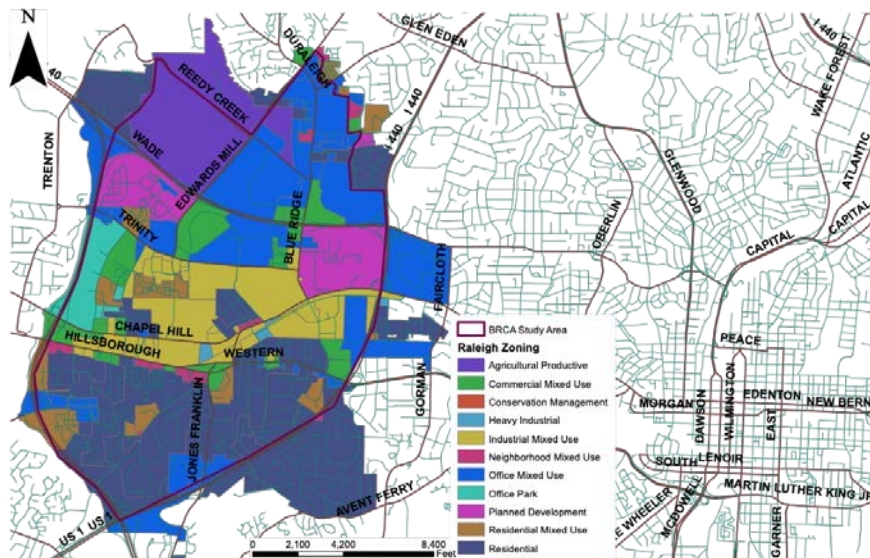
<b>Study Area Land Use by Acreage</b>		
<b>Land Use</b>	<b>Acreage</b>	<b>Share of Acreage</b>
Residential	1337	29%
Retail	116	3%
Office	525	11%
Industrial	180	4%
Hospitality	6	0%
Institutional	1506	33%
Entertainment & Recreation	201	4%
Religious	28	1%
Parking	59	1%
Undeveloped	498	11%
Other	169	4%

The corridor is unique in its significant share of government-owned acres (Map 2). Based on conversations with knowledgeable stakeholders, the student team does not foresee government entities being willing to sell these lands, outside of a few exceptions. For this reason, there are restrictions on the amount of developable land in the Corridor, particularly north of Chapel Hill Road. Though the Study Area is zoned primarily as industrial mixed use, office mixed use or residential use, the uses within the district are siloed with little integration of uses or mixed-use developments within the corridor (Map 3).

**Map 2. Study Area Institutional Uses**

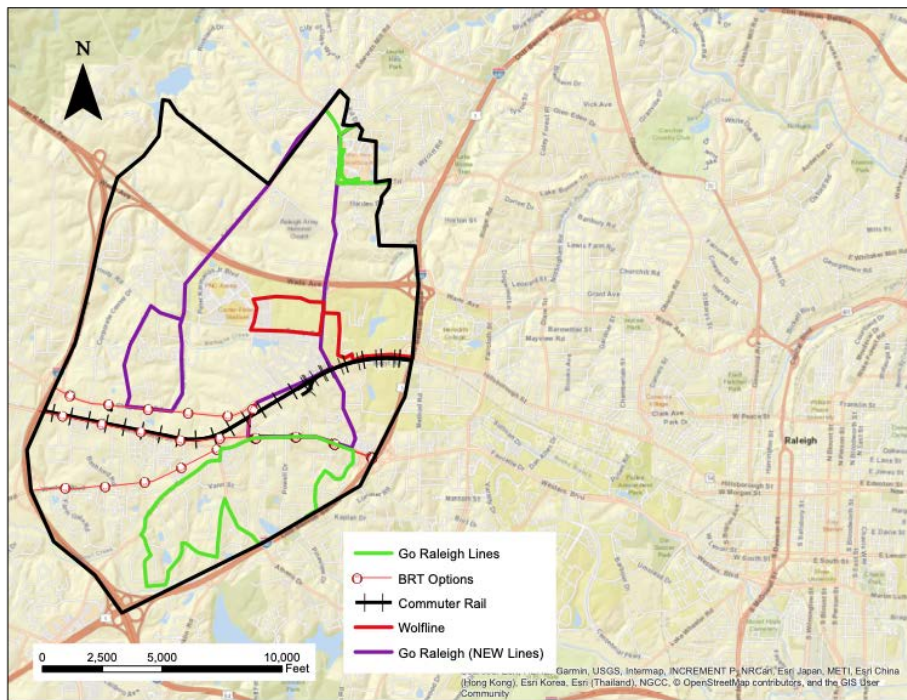


**Map 3. Study Area Zoning**



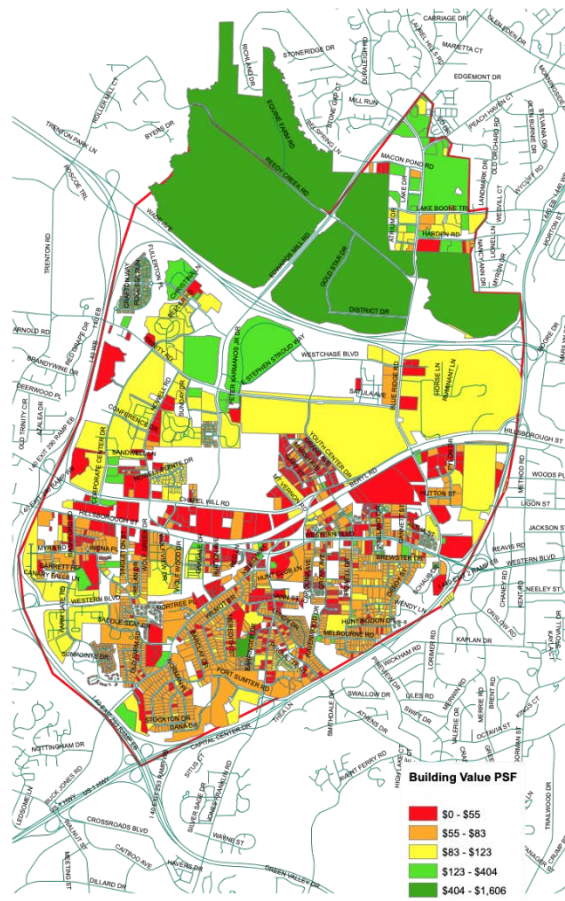
New investments in transit in the Corridor have improved connectivity through the district, particularly, with improvements in north-south travel. Additionally, a new bus rapid transit line is being considered now, and a commuter rail line is planned to run adjacent to Hillsborough Street. These new infrastructure improvements provide important opportunities for residents of the corridor to connect with the many cultural and economic assets in the corridor. However, new bus lines lack fully connected sidewalks and covered waiting areas that could improve the walkability and multi-modal potential of the district (Map 4).

**Map 4. Study Area Public Bus Lines**



**Building Value per Square Foot.** Finally, the Corridor shows a striking pattern of building values per square foot. The highest values are located in the northern portion of the Study Area, associated with institutional and government-owned parcels, while residential developments located south of Hillsborough Road show moderate building values per square foot. The lowest building values are located between Chapel Hill Road, and Hillsborough Street and between Western Boulevard and Beryl Road and are associated with light industrial and mixed-use industrial zoning districts (Map 5). The implications of these lower building values per square foot in the context of building the stock of affordable housing will be explored further, below.

**Map 5. Study Area Building Value per Square Foot**

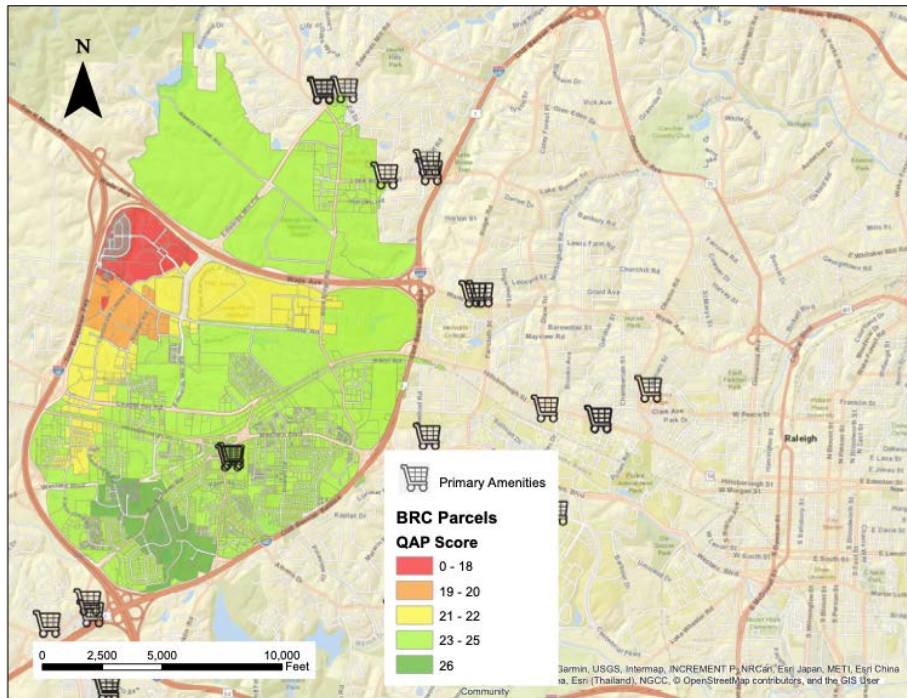


## Findings

### High LIHTC Potential

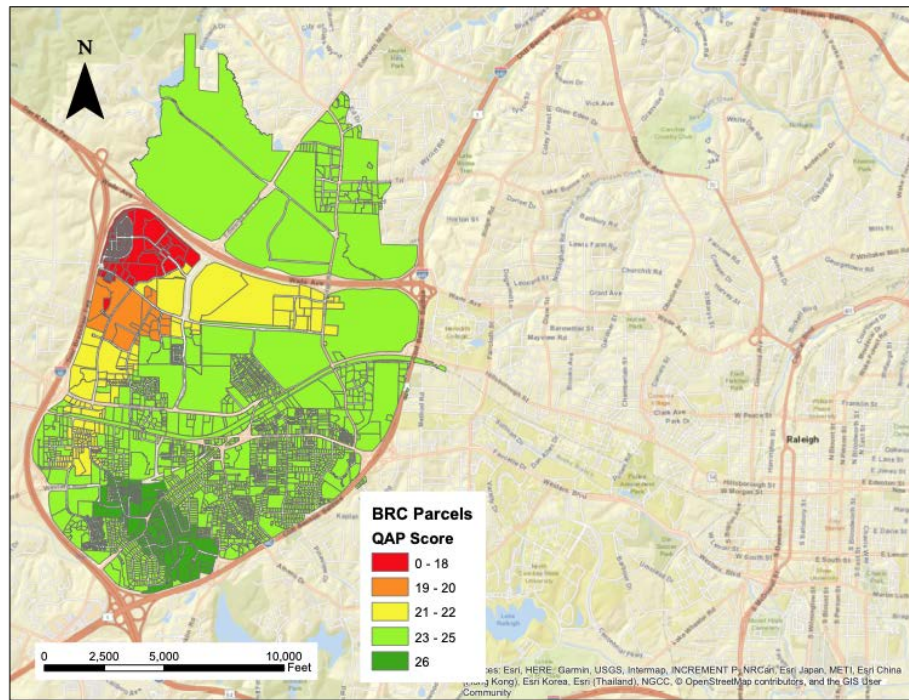
The location for most of the primary amenities tended to be located outside the perimeter of the southern region of the Study Area, as indicated by the shopping cart icons in Map 6.

**Map 6. Study Area Primary Amenities and Bus Stops**



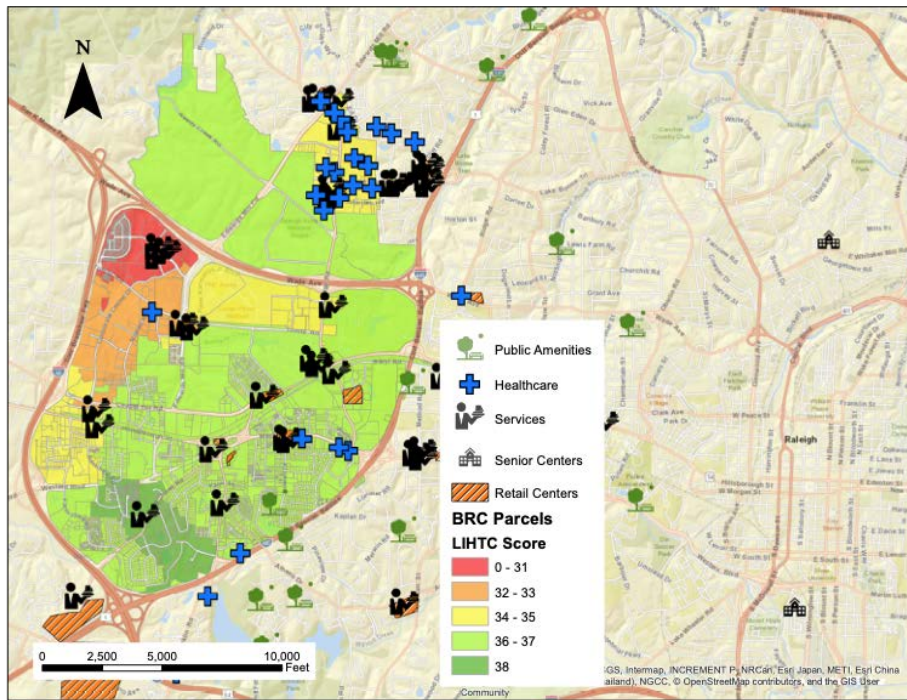
For this reason, parcels that received a perfect primary amenities score are concentrated in a small pocket west of Jones Franklin Road (Map 7).

## Map 7. Study Area Primary LIHTC Score

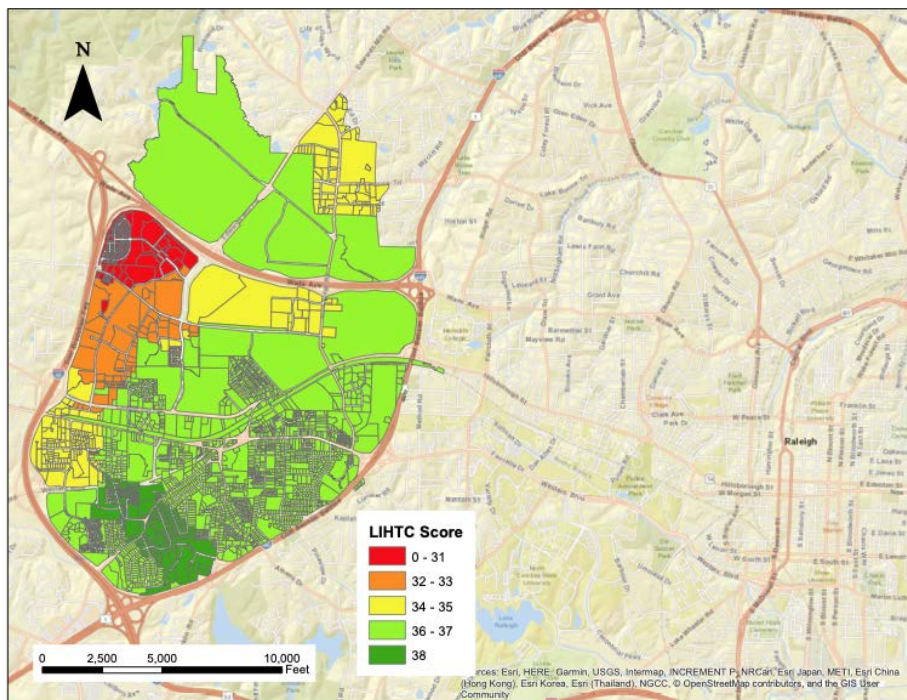


In the second round of analysis, the secondary amenities were added to the point total. The number of secondary amenities located in the corridor are considerably greater than the primary amenities (Map 8). As a result, almost all parcels received a perfect secondary amenities score of 12 points, as indicated by the green colors on the map (Map 9).

**Map 8. Study Area Secondary Amenities**

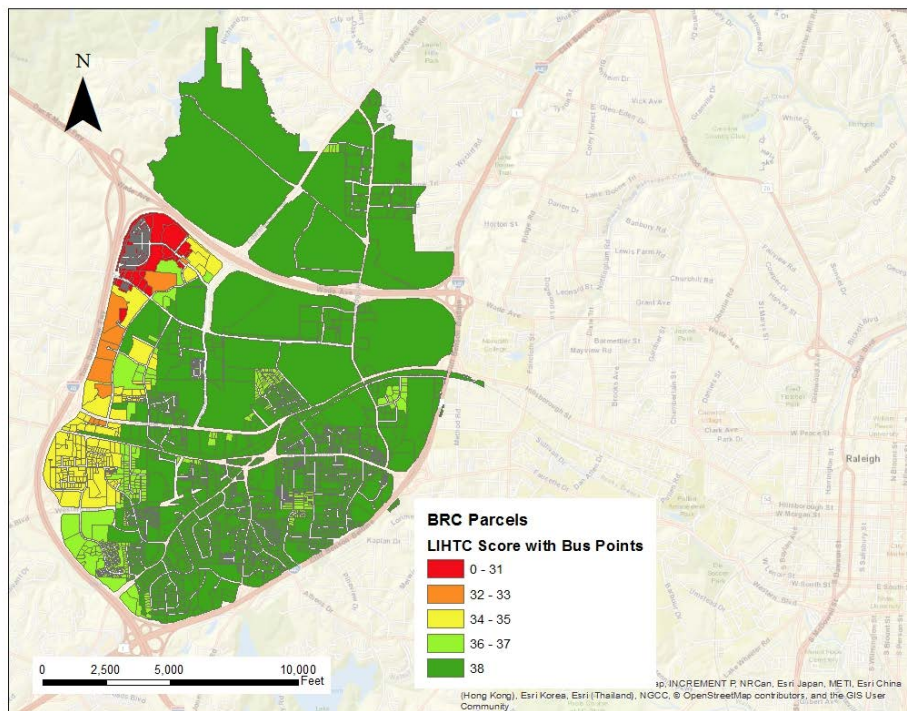


**Map 9. Primary Amenities + Secondary Amenities LIHTC Score**



The last round of analysis included adding points for bus stops. Parcels could receive an additional 2 points (all bus stops in the study region are uncovered) for every bus stop that is within a ¼ mile distance up to the maximum total amenities score. In a sense parcels could “make up points” to reach the 38-point total. The addition of these bus stops allowed for a substantially larger number of parcels to receive a perfect score, as shown by the dark green areas in Map 10.

**Map 10. Full Amenities Score (Including Bus Stops)**



However, points awarded for bus stops are contingent upon whether they are accompanied by continuous sidewalks and crosswalks, as stated by the NCHFA QAP. Field observations conducted by the student team reveal that most bus routes lack continuous sidewalks. This is the case most notably with GoRaleigh Route 26 and 27, and North Carolina State University’s Wolfline Route 6, as shown in Map 4.

### Some Underutilization

The underutilization threshold analysis suggests that there is a cluster of underutilized parcels adjacent to future commuter rail on Western Boulevard. These underutilized parcels show signs of deferred maintenance of the building as well as signs of vacancy. The parcels also have significantly lower density uses as commercial and light industrial sites than the medium- to high-density residential use and community mixed use that is proposed in the 2030 Comprehensive Plan for Raleigh. As transit infrastructure changes, and new zoning designations are installed there may be opportunities to position the City of Raleigh to use this land as dedicated affordable housing, as discussed further below (2030 Comprehensive Plan, 2014).

## Existing Affordable Housing

The Corridor is home to 4 existing LIHTC projects, which contribute a total of 132 units of affordable housing to the area. Additionally, there is a moderate supply of naturally-occurring affordable housing (NOAH) within the Corridor. For the purposes of the project, affordability for NOAH was measured using the percent of renters who are cost-burdened. In general, affordability in the Corridor has increased in recent years (US Census, 2008-2012, 2013-2017). Yet, in one of census tract in the Corridor, over half of all renters (56%) are cost-burdened (US Census, 2013-2017).

## Recommendations

The student team proposes three best-practice strategies for incorporating affordable housing into the Corridor with several specific recommendations for each strategy.

The first strategy proposed is **preservation** of the current affordable housing stock, which will include preservation of designated affordable housing that is income-restricted, such as existing LIHTC) projects as well as preservation of the NOAH stock. The second strategy the student team will recommend is **acquisition and adaptive reuse** of underutilized parcels. This will include recommendations for acquiring privately-owned parcels for future use for affordable housing and recommendations for offering public land in exchange for private investment in affordable housing. The third strategy will be to **develop** new affordable housing units using the LIHTC program.

The student team provides nine recommendations, below, to implement these strategies. These recommendations are steps that the student team believes that BRCA can begin conversations on, advocate for, or engage other partners around, but may not be recommendations that BRCA has the capacity to carry out alone.

### Preservation

Literature suggests that preservation is key to providing a robust stock of affordable housing in any community (Mayer 1991; Treskon & McTarnaghan, 2016). Successful strategies for preserving affordable housing include state and local resources to complement federal funding, policy that promotes preservation, and collaboration between buyers and sellers (Treskon & McTarnaghan, 2016). While redevelopment efforts have been minimal to date, such efforts are envisioned in the Blue Ridge District Study and Future Land Use Plan and should be expected given the fast rate of residential growth in the area (Douglas, 2017). Acting early in the process to preserve both NOAH and LIHTC properties is key to addressing the issue of affordability before private developers use these properties to develop market-rate housing.

**Recommendation 1: Monitor the stock of naturally-occurring affordable housing and look to purchase properties when possible.** Within the corridor, there are several NOAH apartment units within proximity to amenities. Westgrove Tower, Sumter Square Apartments, Brook Hill Apartment Homes, Arbor Creek Apartments, Villages at Lake Boone Trail, and Grand Arbor Reserve Apartment Homes are all NOAH units. If these properties are redeveloped by private developers, they risk pricing current residents out of the Corridor, as some properties have already done.

**Recommendation 2: Monitor LIHTC properties and their Year-30 dates and look to preserve affordability in perpetuity.** All 4 of the current LIHTC properties in the Corridor are set to reach their Year 30 within the next 15 years. Two apartments that supply the majority of the LIHTC units to the Corridor are expiring in the coming years. Meadow Springs Apartments (33 units) expires in 2029 and Trinity Ridge Apartments (48 units) expires in 2030. Efforts to preserve these units in perpetuity should begin soon, given the length of time this process can take.

### Acquisition

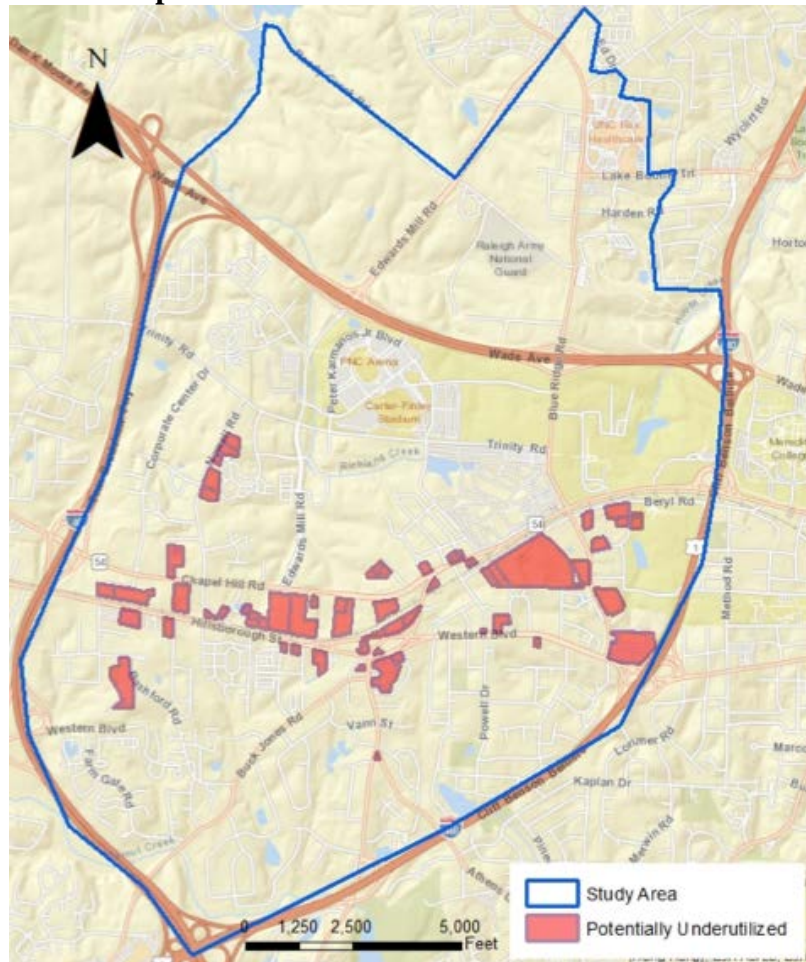
Given the economic and cultural amenities within the Study Area, the future investments in transit, and the envisioned placemaking that will make the Corridor a 24/7 destination for arts, education, entertainment, research and health and wellness, it is expected that property values will rise in the Corridor. Furthermore, the low vacancy in Raleigh's downtown residential rental market and the rapid growth of the population in downtown Raleigh will place additional pressure on the housing stock in the Corridor. Thus, it is important for the City of Raleigh to make investments in land and housing assets before the relative prices increase (Downtown Raleigh Alliance).

**Recommendation 3: Implement a dedicated funding mechanism for affordable housing and earmark funds for land banking.** The ability for the City of Raleigh and the corridor to generate additional funds will be important in creating opportunities for land banking and providing gap financing for affordable housing development specifically near transit lines and stations. According to the NCDOT's 2018 Transit and Affordable Housing report no North Carolina community has a transit-oriented design specific funding source. A Municipal Services District (MSD) is a potential mechanism for this funding, however, the legality of its use for affordable housing in North Carolina is unclear. The student team recommends that the BRCA seek a legal opinion on what mechanisms could be legally used for this recommendation.

**Recommendation 4: Using land bank funds (or other) to purchase underutilized commercial and industrial properties for affordable housing.** The student team recommends that a land bank be established to purchase underutilized commercial and industrial properties for affordable housing in the Study Area. The parcel analysis' underutilization threshold analysis reveals that there is a cluster of underutilized buildings around Hillsborough Street and Chapel Hill Road, much of which overlaps with the Study Area land zoned industrial mixed use (Map 11). These parcels are adjacent to railroad infrastructure that, in the near future, is slated to be transitioned to commuter rail connecting to downtown Raleigh. The literature suggests that transit facilities that produce travel time savings lead to increases in surrounding property values (Ryan, 1999) This new transit investment will likely spark development around the station areas, potentially subjecting these parcels to redevelopment for higher-density commercial or residential uses. Yet, proximity to transit could offer low to moderate-income households

affordable transportation options if an affordable housing product were available. Thus, the City of Raleigh is in a unique position to capitalize on relatively low building values and dedicate the land for affordable housing until transit infrastructure is in place, before market rate development can bid up the price of land and make affordable housing development near commuter rail prohibitively costly.

**Map 11. Underutilized Properties**



One of these underutilized parcels is the former Kmart site, located at 4500 Western Boulevard. This site in particular was mentioned by both the BRCA mentor team and a local real estate development expert as being an anticipated redevelopment site. The site is 14.5 acres, currently underutilized with a baseball training facility, an auto repair facility and nearly 300,000 square feet of surface parking, the vast majority of which is unused. With close proximity to key corridors within the district, Western Boulevard and I-440, surrounded by additional residential development, the site could be an ideal location for a new affordable development.

Best practices recommend using vacant and underutilized commercial and industrial uses for affordable housing development. “The Durham-Orange Light Rail Corridor Transit-Oriented Design Guidebook” produced by GoTriangle, suggests that interim uses can be found for vacant or underutilized parcels in order to reduce carry costs between acquisition and redevelopment of

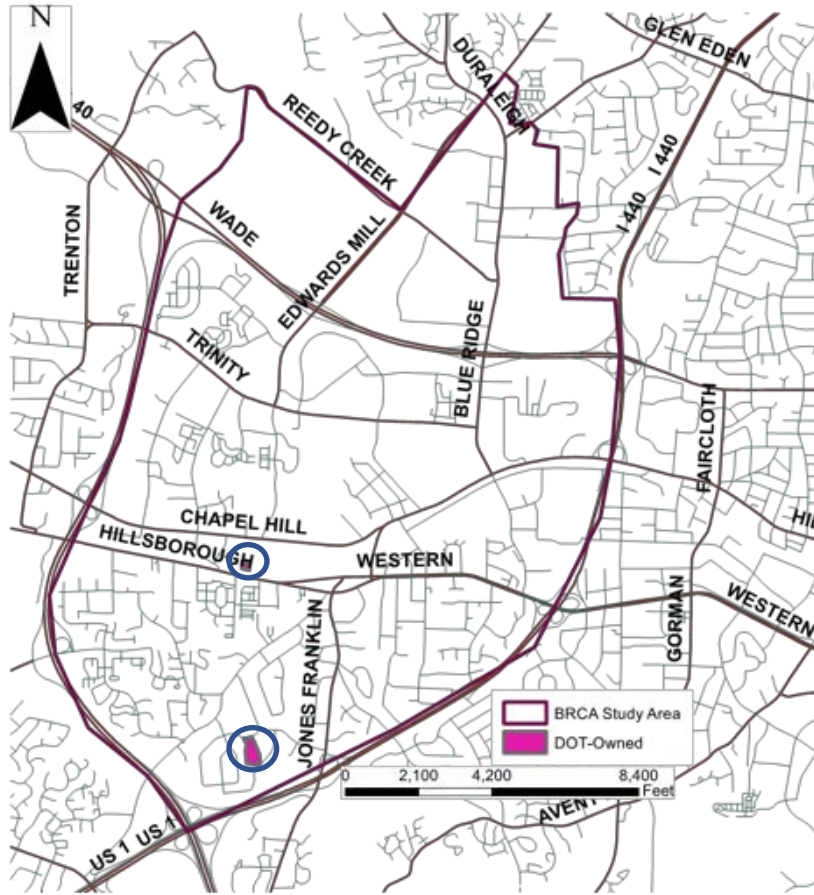
a property such as using the parcels as stations for food trucks (2015). In another example of best practices, Atlanta created a \$15 million revolving loan for acquisitions and predevelopment near transit lines (Invest Atlanta, 2018).

Another site that has been noted by both the BRCA mentor team and interviewees is the Mail Service Center and Motor Fleet Management Site located at the intersection of Blue Ridge Road and Reedy Creek Road, which is owned by the State of North Carolina. Though these sites are not included within the underutilization threshold analysis, they do represent underutilized parcels within a highly amenitized area with access to bus stops, economic and cultural assets, greenways, and other amenities. Relocation of NCDHHS facilities to this site has been proposed in the Governor's budget. This transition of uses of the site could also present an opportunity for redevelopment using public land to create a mixed-use development that could include affordable housing.

**Recommendation 5: Use surplus public lands either for affordable development or to sell and earmark funds for affordable housing.** The student team recommends that the City of Raleigh use surplus public land for development of affordable housing or that the City of Raleigh sell surplus land and earmark funds for affordable housing, depending on the suitability of the land for residential development.

In particular, the student team was informed by the BRCA mentor team that the NCDOT has expressed interest in a land swap for affordable housing. The student team researched two parcels owned by NCDOT within the Study Area indicated by the pink highlighted parcels within the blue circles in Map 12. The student team found that while one was restricted as conservation land in perpetuity, one parcel located along Hillsborough Street could be a promising site for affordable housing after installation of the commuter rail line.

Map 12. NCDOT-Owned Land



Several case studies confirm this as a promising strategy for promoting affordable housing. In Arlington, VA, 122 units of affordable housing were developed by using a deeply-discounted ground lease of public land and shared infrastructure (structured parking, streetscape improvements, and utilities) with an adjacent Wake County-owned community center. As a result of the cost sharing and deep subsidy of the land, Arlington Partnership for Affordable Housing was able to build 122 units affordable to those earning under 60% of the area median income (AMI), which will be kept affordable in perpetuity as a result of the ground lease structure (“Realizing the Potential, 2015”).

The City of San Francisco amended its Surplus Property Ordinance to require that underutilized and surplus public land be turned over to the Mayor’s Office for Housing to be either developed into affordable housing or sold to generate financing for affordable housing. The ordinance has been responsible for the creation of 150 units of affordable housing, including 111 units specifically designated for formerly homeless individuals (“Promoting Opportunity, 2007”).

Prior to the implementation of a new policy, Seattle had a history of selling land to the highest bidder. The 80-80-80 policy mandates that 80% of the land sold must be sold or given to affordable housing developers seeking to develop housing with 80% of the units priced for

people making 80% or less of the AMI. Under this new policy, the City of Raleigh still receives about \$100 million each year from the sale of property (Cohen, 2018).

Though the corridor has significant state ownership, the student team has learned through conversations with the BRCA mentor team and interviewees that the state will want to retain ownership of their land holdings in order to have flexibility to meet future facility needs. For this reason, the student team limits the recommendation to surplus property owned by the City of Raleigh and Wake County. However, the student team also recommends that the NCDHHS relocation include a mixed-use development to include affordable housing, as outlined, below.

### Developing Affordable Housing

Recommendations for the development of affordable housing are focused specifically around the LIHTC. LIHTCs have been used to fund the most affordable housing units in the country since the program inception in 1986. Through 2011 it has produced more than 2.5 million units of affordable rental housing units and now accommodates around twice as many households than public housing does (Schwarz, 2015). Given the relative stability and strong support of the program both nationally and in the state of North Carolina any affordable housing development initiatives undertaken by the corridor should leverage LIHTCs to their full potential (Ankul, 2012).

**Recommendation 6: Prioritize continuous sidewalks and crosswalks to improve walkability and potential for Low Income Housing Tax Credit developments.** The potential to receive a perfect QAP score in most of the parcels in the Study Area is contingent upon whether or not the bus stops adjacent to these parcels have continuous sidewalks to and from a potential LIHTC development site. For this reason, it is important that state and local government, and the BRCA continue to work together to find ways to improve walkability in the corridor. Much of the recent walkability projects that have been completed or planned are occurring along Blue Ridge Road. This includes the bike/pedestrian improvement projects at The North Carolina Museum of Art (across from the proposed NCDHHS site) and a grade separation project scheduled at the intersection of Blue Ridge and Wade Avenues. Funding opportunities to improve walkability elsewhere in the district should be explored.

**Recommendation 7: Implement a City Affordable Housing Bond to generate funding for gap financing.** An affordable housing bond would give the City of Raleigh gap financing, which would unlock other tools like land banking and project acquisitions (both mentioned above, as well as a 4% tax credit deal (mentioned below). Gap financing is crucial to acquiring expiring LIHTC properties for both preservation and development efforts. In an interview the student team conducted, a local real estate development expert suggests a 4% bond deal would be the best tool for developing affordable housing within the BRC.

**Recommendation 8: Prioritize a 4% LIHTC bond deal as an “early win.”** Given the relatively short timeline until major transit projects (such as BRT) are completed, it makes sense to prioritize an “early win” with a 4% LIHTC bond deal since these are considered “non-competitive” due to receiving less equity (about 30% of the eligible basis development cost) than a 9% deal would (about 70% of the eligible basis development costs). A 4% LIHTC development can help to generate momentum for the development of affordable housing. These are suggestions that were made in interviews with both an affordable housing expert and a real estate development expert. The prospect of a 4% LIHTC deal is particularly appealing at the proposed NCDHHS site which is already situated on publicly-owned land. Additionally, many of the parcels that received perfect amenities scores might not be competitive for 9% LIHTC deals until sidewalks improvements are made.

**Recommendation 9: Structure NCDHHS Transition as a Private-Driven Development.** As noted above, the student team recommends that the state capitalize on the transition of NCDHHS to the Motor Fleet Management Facility and Mail Service Center site within the Corridor by partnering with a private developer to create a mixed-use, high-density project that includes commercial, office and affordable housing components. The current light industrial uses underutilize the land that is amenity-rich with continuous sidewalks, frequent transit service, adjacency to the North Carolina Museum of Art and close proximity to amenities and employment nodes.

The student team recommends that the state retain ownership of the land but provide a discounted ground lease in exchange for development of significant affordable housing units. The team recommends that the state then lease portions of the mixed-used development from the private developer to satisfy the agency’s office space needs. A ground lease of public land for affordable housing was used successfully by Arlington, VA to keep units affordable in perpetuity. Both government officials and the partner nonprofit’s leadership report that the ground lease scenario was not a prohibitively complicated tool, and that the structure allowed the deal to not become subject to uncertain annual budgeting. (“Realizing the Potential,” 2007)

## Opportunities for Further Exploration

Future iterations of this report will explore “what if” analyses to determine where specifically within the corridor affordable housing might be needed given private investment in commercial uses. The student team will provide specific site recommendations depending on patterns of private development within the Study Area.

The exact route for the eastern portion of the Western Boulevard Corridor BRT system has yet to be decided. Currently there are three proposed routes that would begin at the Hillsborough Street junction, as shown in Map 4. Using this analysis, the student team intends to offer recommendations for where the route should extend in order to aid in the potential development of affordable housing and contribute to the overall connectivity of the Corridor.

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