



Holly Springs Housing Affordability Study

A PATH TO MEETING HOLLY SPRINGS' HOUSING NEEDS

2023

**This document was not adopted by the Town Council*



HR&A

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1. Introduction

In response to strong and sustained population growth in Holly Springs and across the region, the Town undertook the Holly Springs Housing Affordability Study to understand current housing affordability trends and identify potential strategies to help address the housing needs of the Holly Springs community. Housing has emerged as a top priority for the Town, addressed by the Town's Comprehensive Plan, which identifies increasing home and neighborhood choices and increasing the availability of affordable housing as two themes to transform Holly Springs.¹ Further, residents and workers in Holly Springs consistently express growing concerns about the availability and cost of housing, as those who work in Holly Springs struggle to afford housing and those who have lived in Holly Springs struggle to become homeowners or to find options to age-in-place.

The Housing Affordability Study identifies key housing challenges in Holly Springs, existing barriers to addressing those challenges and a series of strategies for the Town to consider to meet the housing needs of the community.



Image: Holly Springs Farmers Market

Figure 1: Housing Affordability Study Process



¹ Vision Holly Springs Section 1: Land Use & Character Plan, 2019.

Overall Approach

The Housing Affordability Study was developed through data analysis using publicly-available data sources, conversations with local housing market experts and guidance from Town staff, with input from a broad range of community stakeholders. The Study was completed using the following steps:

- 1. Housing Needs Assessment:** Data analysis, expert interviews and community engagement to understand current housing market and demographic trends in Holly Springs, identify the primary housing issues exacerbated by those trends and understand who is most impacted by those trends.
- 2. Development of Housing Goals:** Engagement with the Housing Advisory Committee, Town Staff and Town Council to prioritize goals based on the needs identified.
- 3. Identification and Prioritization of Housing Tools:** Exploration of a range of housing tools based on national and local best practices and prioritization based on the housing goals, the legal, political and financial feasibility of implementation in Holly Springs and the potential impact of the tools. Some tools may be implemented today, while others may require further study.

Community and Stakeholder Engagement Approach

The Housing Affordability Study was guided by stakeholder engagement throughout the process. The Town used multiple forms of community engagement in order to better understand housing needs directly from community members, understand priorities for housing, and identify goals, tools, and strategies unique to Holly Springs.

- The Housing Affordability Study Advisory Committee**, made up of residents, developers, homeowners, Planning Board Members, Town Council members, and representatives from nonprofit organizations in Holly Springs, guided the Study. The Advisory Committee met 5 times throughout the process and provided input and direction to Town Staff and HR&A Advisors.
- An online survey** solicited input from residents and workers in Holly Springs about housing issues they have faced and strategies they would support the Town using to address housing needs. The survey was translated in

English and Spanish and was live on the Town's website for three months. Hard copies were also issued to key community groups and apartment complexes. The survey received 455 responses.

- **Individual interviews** with Town Staff, local market rate developers, and local affordable housing developers offered insights into the housing market, the development process and potential strategies for Holly Springs.
- **Three community meetings**, hosted by members of the Advisory Committee, provided an opportunity to share about the study, including draft findings from the Housing Needs Assessment. During community meetings, participants shared the housing needs they've seen or experienced, and provided feedback on draft strategies for promoting housing affordability.
- **Engagement with Town leadership** through Town Council meetings to present the findings of the housing needs assessment, discuss the potential role of the Town and review proposed tools for the Town to prioritize.

Hearing from the Community

22% of survey respondents have had trouble finding the type of housing that meets their family's needs.

"Seniors are being pushed out. Where will our parents go?" – Resident

"It's a shame that our elderly have to choose between paying for their medication and paying their housing costs." – Resident

"I am a teacher and single parent, working in Holly Springs. I want to live here in Holly Springs with my family, but I can't afford it." – Holly Springs Teacher

"We just built a massive hospital, and most of those workers are commuting in from other Towns." – Resident

"There should be more condos because that is the only typology that sells for less than \$300k in the Town." – Resident

"The town should help assist by any means possible, but NOT while using taxpayer dollars." – Resident

"There are many non-profits that can help with these issues. This isn't something the town should use taxpayer dollars for." – Resident

2. Executive Summary

Rapid Regional Growth

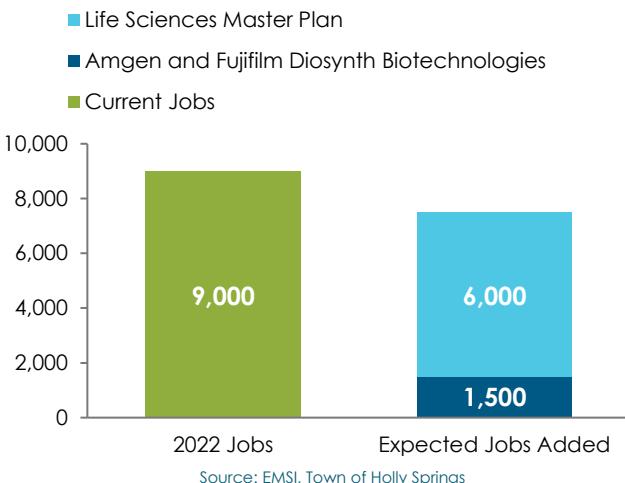
Holly Springs' **population has grown by 66%** since 2010 to 42,000 residents.² The Town has also committed to economic growth by **recruiting companies like Amgen and Fujifilm Diosynth Biotechnologies** to locate here.

Price Impacts in Holly Springs

This regional and local growth has led to **almost unlimited demand for housing** in Holly Springs, which puts pressure on the local housing market.

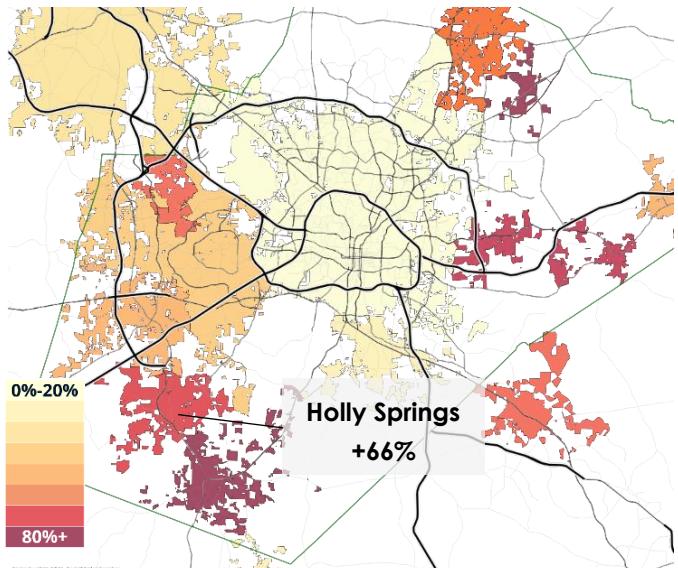
The median Holly Springs home price in 2010 was \$259,000. **In 2022, home prices increased to \$545,000, marking a 109% increase** since 2010. Rents have grown by 56% in the same time period.

Figure 2: Current and Planned Jobs in Holly Springs, 2022



Source: EMSI, Town of Holly Springs

Figure 3: Change in Population, 2010-2020



² US Census 2010, 2020.

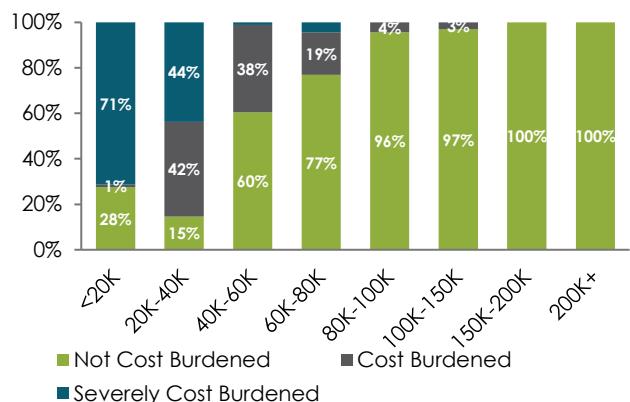
Housing Affordability in Holly Springs

Affordability is a growing challenge in Holly Springs, as households are impacted by rising prices across the region and wages have not kept pace for all residents. **Thirty percent of renters in Holly Springs are cost burdened or severely cost burdened.**³ Forty percent of renter households that make less than \$60,000 are cost burdened or severely cost burdened, making them particularly vulnerable.

In Holly Springs, a family of four household making 60% of Area Median Income (AMI) can afford monthly rent not to exceed \$1,662 (Figure 5).

A family in Holly Springs now needs to earn at least \$80,500 annually to afford the median rent, compared to \$66,000 in 2019.

Figure 4: Renter Cost Burden by Income, 2019



Source: ACS 2019 5-year Estimates, U.S. Census, HR&A Advisors.

Figure 5: Holly Springs Household Incomes and Affordable Rents

| AMI Limit | Holly Springs Households at or Below AMI Limit | Income | Affordable Rent |
|-----------|--|----------|-----------------|
| 30% | 3,400 | \$33,240 | \$831 |
| 50% | 6,500 | \$55,400 | \$1,385 |
| 60% | 8,500 | \$66,480 | \$1,662 |
| 80% | 12,500 | \$88,640 | \$2,216 |

In response to these trends, the Housing Advisory Committee developed the following goals for Holly Springs:



Meet growing demand for a range of housing types.



Preserve and expand **access to homeownership**.



Retain existing residents and prevent displacement.

³ Cost-burdened, as defined by the U.S. Department of Housing and Urban Development, is a term for when a household's housing costs exceed 30% of their income. Households that pay over 50% of their income on housing are severely cost-burdened.

The Role of the Town

The Town can only impact a portion of the factors that drive affordability, through the following types of tools:

Land Use: Use municipal regulations and zoning authority to increase supply of housing.

Investment: Through public or private resources, provide below-market rate loans, grants, or other resources to close the gap between what a household can afford and the costs of housing.

Tenants' Rights: Preserve housing affordability and stability using laws and regulations that protect current occupants.

The tools recommended for consideration in this report are organized across these three categories and aligned with the housing goals set by the Advisory Committee.

Figure 6: Recommended Housing Tools by Type

| Tools | Land Use | Investment | Tenants' Rights |
|---|----------|------------|-----------------|
| 1. Pursue Land Partnerships (page 30) | | X | |
| 2. Offer Economic Incentives for Employer-Assisted Housing Programs (page 31) | | X | |
| 3. Dedicate Staff Capacity (page 32) | X | X | X |
| 4. Create a Standardized Development Negotiation Strategy (page 35) | X | | |
| 5. Pilot an ADU Demonstration Program (page 37) | X | X | |
| 6. Zone for Attached and Multifamily Housing (page 38) | X | | |
| 7. Create a Utility Allocation Ordinance (page 40) | X | | |
| 8. Offer Down Payment Assistance and Homeowner Counseling (page 44) | | X | |
| 9. Pilot an Owner-Occupied Rehab Program (page 48) | | X | X |
| 10. Provide Funding for Legal Counsel and Services (page 50) | | X | X |
| 11. Invest in a Community Land Trust (CLT) (page 51) | X | X | |

The Town of Holly Springs is part of a broader housing ecosystem that can help address housing needs in the town, and partnerships will be essential to increasing the capacity of the Town to implement the recommendations in this Study and other strategies that emerge over time.

The Town can focus on the areas where it has influence over housing affordability, such as land use regulations, and pursue strategic partnerships with public, non-profit and development partners to leverage resources and expertise to meet broader housing needs.

Currently, **Holly Springs is only using land use tools to address affordability** and relying on the State of North Carolina and Wake County to provide subsidy-based tools. The Town can consider piloting subsidy-based programs to demonstrate their success before committing additional funds. For more details about potential pilot programs, see

Figure.

Figure 7: Roles and Responsibilities of Public Agencies

| Agency | Responsibilities |
|---------------------------------------|--|
| Town of Holly Springs | <ul style="list-style-type: none"> Design and enforce zoning and land use in alignment with the Town's strategic goals Manage community planning Design and implement historic preservation Grant development approval and work with developers to deliver projects that meet the Town's strategic goals Pursue and oversee partnerships to deliver housing and programs to meet the community's housing needs Build support for and secure a local funding source in order to expand the capacity of the Town to meet housing needs |
| Wake County Housing Authority | <ul style="list-style-type: none"> Offer subsidized public housing Administer rental housing vouchers for seniors, low-income families and veterans |
| North Carolina Housing Finance Agency | <ul style="list-style-type: none"> Distribute tax credits to fund affordable housing development Fund local governments and community partners to provide a variety of housing programs for renters and homeowners |
| Wake County | <ul style="list-style-type: none"> Provide gap funding for affordable housing projects Fund a variety of housing programs for renters and homeowners |

The Role of Partners

The Town can help residents and the development community take advantage of County and State housing programs. Simultaneously, the Town can foster partnerships with other public agencies, non-profit partners and the development community. This requires dedicating staff time to implementation.

Figure 8: Holly Springs Housing Affordability Ecosystem

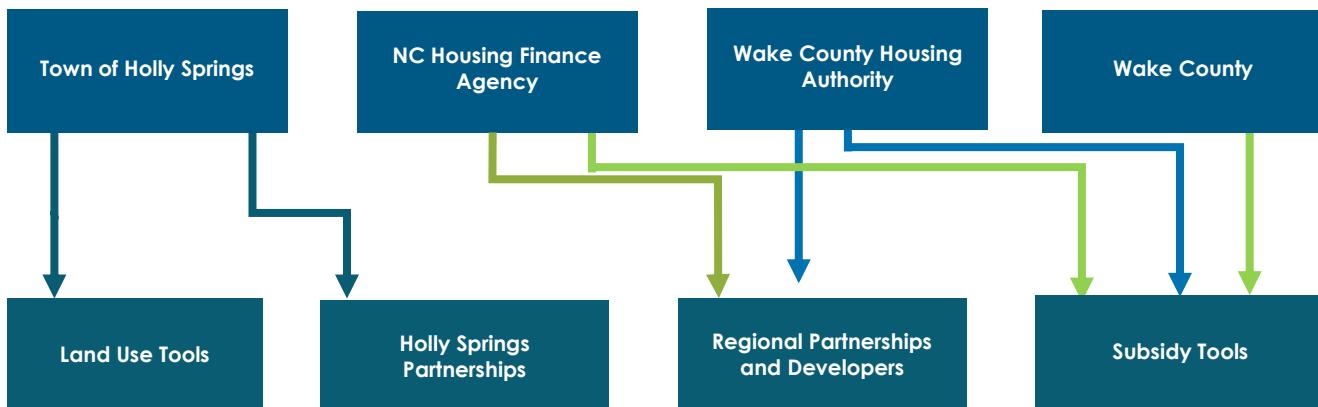


Figure 9: Housing Toolbox for Holly Springs

| Tools | Description | Return on Investment | Metrics | Key Partners |
|--|--|----------------------|---|-------------------------|
| Establish Partnerships | | | | |
| 1. Land Partnerships (page 300) | The Town can partner with existing landowners to leverage existing land for increased affordability. | High | Number of housing units supported through public and partner-owned land. | Landowners |
| 2. Offer Economic Incentives for Employer-Assisted Housing Programs (page 31) | Through the Town's current economic incentive programs, the Town can prioritize incentives for employers that offer down payment assistance programs for their employees or offer land for affordable housing development. | Medium | Homeownership rate | Holly Springs Companies |
| 3. Dedicate Staff Capacity (page 32) | Fully implementing the Housing Affordability Study requires dedicated staff time. | Medium | Development timeline, Town Staff, units supported through new partnerships. | Town Council |

Immediate Next Steps

- Compile a reference list of companies and organizations that own land in the Town, including private firms such as Duke Energy, and government institutions such as Wake County and the State of NC.
- Identify tools that the Town is most interested in pursuing and necessary staff capacity to advance those goals.

| Tools | Description | Return on Investment | Metrics | Key Partners |
|---|---|----------------------|--|-----------------|
| Tools to Meet Growing Demand | | | | |
| 4. Create a Standardized Development Negotiation Strategy (page 355) | The Town should use the development approvals process to prioritize residential development that includes housing that supports affordability. | High | Share of housing stock that is deed restricted; share of housing stock that is detached dwelling homes; average size of new homes. | Developers |
| 5. Pilot an ADU Demonstration Program (page 37) | The Town can provide standardized renderings and drawings of allowed Accessory Dwelling Units (ADUs) to make it easier for homeowners to develop ADUs. Cost Estimate: Upfront ~\$100,000 investment to create demonstration program. | Low | Number of ADUs constructed. | Local architect |

| | | | | |
|--|---|------|--|-----|
| 6. Zone for Attached and Multifamily Housing (page 38) | The Town should zone more land for attached and multifamily housing or increase the capacity of areas that are already zoned for this housing type. | High | Share of housing stock that is detached dwelling homes; Rental supply gap for households making less than \$60k. | N/A |
| 7. Utility Allocation Plan (page 40) | The Town should implement a Utility Allocation Plan to prioritize housing projects that increase affordability and protect the Town's valuable utility resources. | Mid | Number of new units affordable to households making 60% or less of AMI. | N/A |

Immediate Next Steps

- Identify policy goals the Town wants to advance through development agreements, such as the types of residential units, the level of affordability or other public benefits like sidewalks or open space.
- Establish housing affordability requirement to earn points under the Town's utility allocation policy.
- Identify incentives the Town is willing to offer, such as having the Town construct infrastructure or reduce fees.
- Assess which of those services the Town is willing to codify in the zoning ordinance to make available without a development agreement.
- Identify existing or future residential nodes where multifamily development would increase walkability and consolidate development, particularly where the Town is focused on attracting new business campuses.

| Tools | Description | Return on Investment | Metrics | Key Partners |
|-------|-------------|----------------------|---------|--------------|
|-------|-------------|----------------------|---------|--------------|

Tools to Preserve and Expand Access to Homeownership

| | | | | |
|---|---|--------|--------------------|---|
| 6. Zone for Attached and Multifamily Housing (page 38) | See above. | High | See above. | See above. |
| 8. Offer Down Payment Assistance and Homeowner Counseling (page 444) | The Town would commit local funding and provide grants or forgivable loans to income-qualified moderate-income homebuyers to reduce the up-front costs of purchasing a home. Cost Estimate: \$20,000 per unit (Comparisons: Wake County and Raleigh). | Medium | Homeownership rate | Wake County, Local non-profit to administer funds and counseling. |
| 5. Pilot an ADU Demonstration Program (page 37) | See above. | Low | See above. | See above. |

Immediate Next Steps

- Identify potential funding sources for a pilot down-payment assistance and ADU demonstration program.
- Define the objectives of the down payment assistance program, including specific groups eligible for down payment assistance, financing structure, source of funds.
- Collaborate with Wake County to ensure that homeownership programs are complementary.

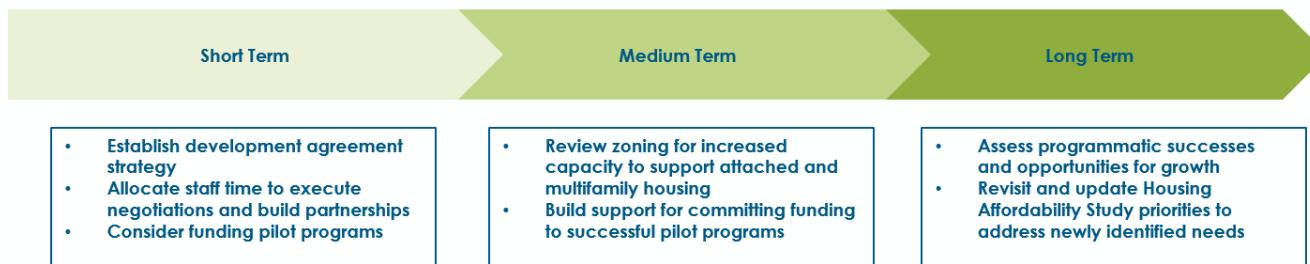
| Tools | Description | Return on Investment | Metrics | Key Partners |
|-------|-------------|----------------------|---------|--------------|
|-------|-------------|----------------------|---------|--------------|

Tools to Retain Existing Residents

| | | | | |
|--|--|--------|--|---|
| 9. Pilot an Owner-Occupied Rehab Program (page 48) | The Town can offer grants for income-qualified homeowners for home repairs or energy retrofits to maintain affordability. Cost Estimate: \$15,000 per unit for limited repairs, \$90,000 per unit for substantial repairs (Comparison: Raleigh) | Medium | Stabilize the decline in households making ~60% of Area Median Income. | Wake County, Local non-profit to administer funds and make repairs. |
| 10. Provide Funding for Legal Counsel and Services (page 500) | The Town could dedicate funding to counsel for low-income renters without adequate representation for housing-related legal disputes. Cost Estimate: \$5,000 per household served | Medium | Stabilize the decline in households making ~60% of Area Median Income. | Local non-profit to administer support. |
| 11. Invest in a Community Land Trust (CLT) (page 51) | The Town can work with partners to dedicate land or funding for a new CLT. Cost Estimate: Pursue land contributions as subsidy through publicly owned or partner-owned land | Medium | Number of long-term affordable units created. | New or existing local community land trust. |
| 5. Pilot an ADU Demonstration Program (page 37) | See above. | Low | See above. | See above. |

Immediate Next Steps

- Build support for and dedicate a stable funding stream for the housing affordability programs.
- Identify qualified private and nonprofit housing providers and pre-approve contractors to implement an owner-occupied rehabilitation program.
- Identify town-owned land that can be dedicated to a CLT.



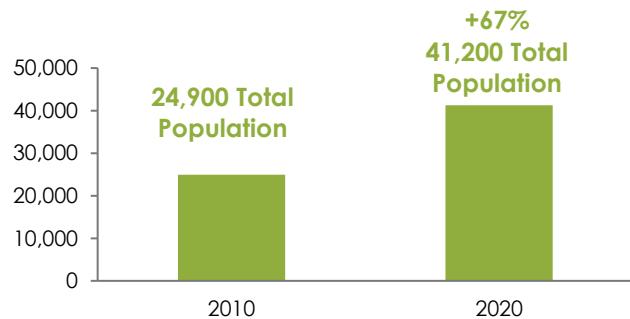
3. Market Conditions

Population Growth

The Triangle region, a nine-county region named for the region centered around the cities of Raleigh, Durham, and Chapel Hill, has experienced significant and sustained **population growth** in the past decade, as new residents flock to the region for its strong economy and high quality of life. The Raleigh Metropolitan Statistical Area (MSA), which includes all of Wake County, added approximately 280,000 residents from 2010 to 2020 and added 130,000 jobs over the same period (American Community Survey (ACS) 2010 and 2020, EMSI). North Carolina is one of the fastest growing states in the nation, and Wake County is the fastest growing county in North Carolina (U.S. Decennial Census, 2010 and 2020). This growth has been particularly concentrated in the Towns surrounding Raleigh, such as Apex, Cary, Fuquay-Varina, and Holly Springs. These towns have experienced anywhere from 40% to 80% population growth since 2010 (Figure 11).

Holly Springs' **population has increased by 67%**, or 16,300 people, since 2010 (Figure 10). This is in-line with similar trends in the Towns surrounding Raleigh (Figure 11). The Raleigh Metropolitan Statistical Area (MSA), which includes all of Wake County, added 130,000 jobs from 2010 to 2020, marking a 27% increase in total jobs (EMSI).

Figure 10: Total Population Growth in Holly Springs, 2010-2020



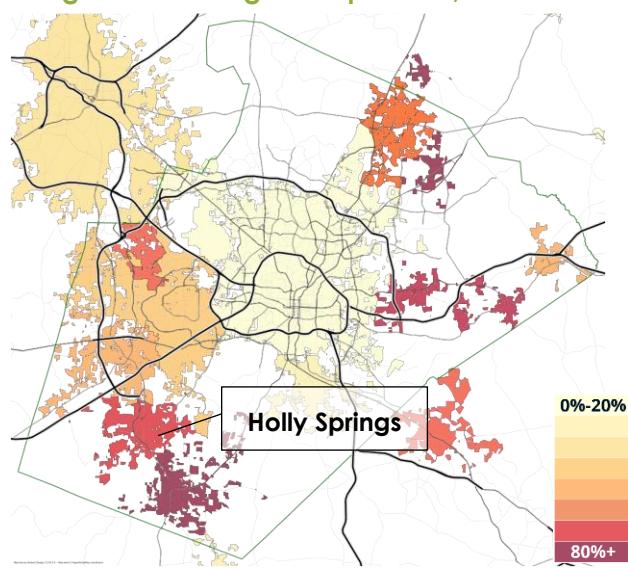
Source: U.S. Census 2010 and 2020

How is Holly Springs Different?

Holly Springs contributes to this regional trend, having added over 2,000 jobs over the same time-period (EMSI). **While some of the overall increase in demand for housing is attributable to job growth in Holly Springs, it is largely driven by regional job and population growth.** Holly Springs accounts for 1.5% of all jobs in the Raleigh MSA and 1.7% of jobs added in the Raleigh MSA since 2010 (EMSI). In other words, while Holly Springs is experiencing significant job growth, it comprises a small share of job growth in the region. Job growth in the region will impact population growth in Holly Springs, even if those jobs are created in neighboring towns.

Some of the households moving to the region for jobs choose to live in Holly Springs, even if they work elsewhere; (2,900 people aged 25 to 55 have moved to Holly Springs between 2010 and 2020, ACS 2010 and 2022). The town has also nearly doubled its population of middle- and retiring-aged individuals since 2010, who are drawn to Holly Springs for its quality of life. This also contributes to the increased demand for housing in the town.

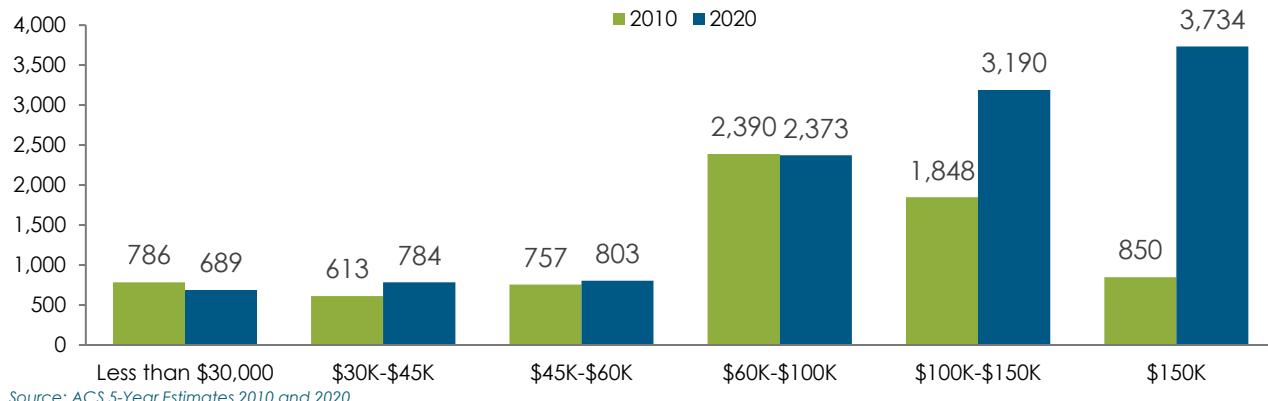
Figure 11: Change in Population, 2010-2020



The overall increase in households in Holly Springs specifically has largely been driven by households making over \$100,000 a year (Figure 12), which has driven up the median household income in Holly Springs to \$110,800 (ACS 2020). Lastly, while the

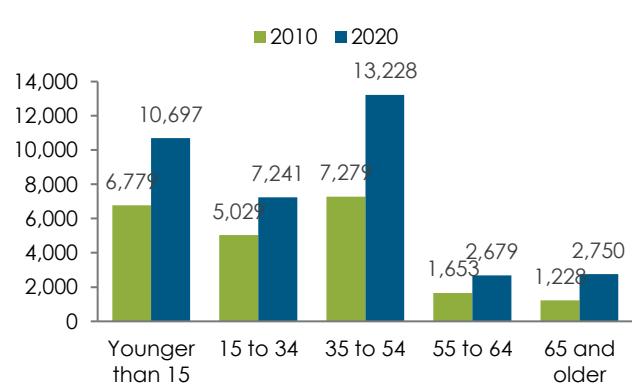
town has experienced population increases across all racial and ethnic groups, Asian and Hispanic/Latino households comprise a larger share of the population now than they did in 2010 (Figure 14).

Figure 12: Households by Income Bracket, 2010 vs. 2020



Source: ACS 5-Year Estimates 2010 and 2020

Figure 13: Population by Age, 2010 vs. 2020



Source: ACS 5-Year Estimates 2010 and 2020

As Holly Springs grows, residents benefit from more services and amenities, such as new restaurants and increased access to groceries and healthcare. Additionally, new residents bring new tax dollars, allowing the Town to invest in existing infrastructure and schools. Sustained growth also brings challenges. For example, growth puts pressure on Holly Springs' housing stock and helps drive significant **increases in rent** and **sales prices**. This puts pressure on existing households, who generally have lower incomes than new residents. For example, households making between \$100,000 and \$150,000 comprise a greater share of homeowners added since 2010 than the overall population

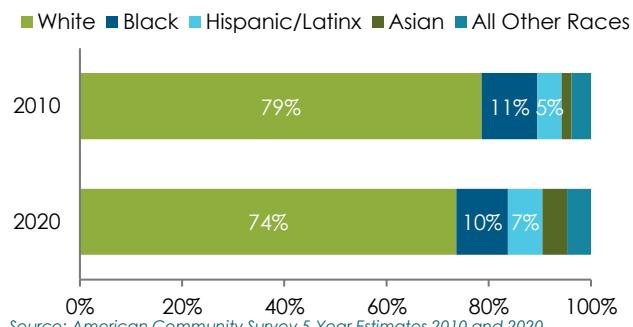


Figure 14).

Figure 14: Population Share by Race/Ethnicity, 2010 vs. 2020

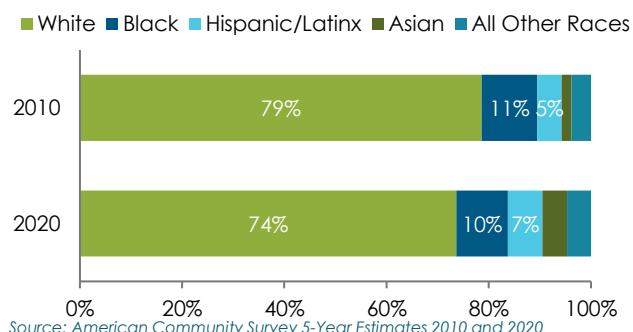
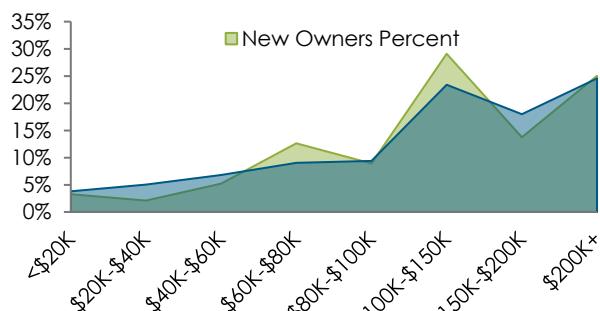


Figure 15: Homeowners by Income Bracket, 2020



Source: American Community Survey 5-Year Estimates 2020

Growth in Households Making Over \$100,000

In line with state trends, **population growth in Holly Springs has almost entirely been driven by households making more than \$100,000 per year**, and particularly those making more than \$150,000. This is particularly driven by households from high-income cities, such as Los Angeles and New York, moving to Wake County (Figure 6).

Figure 16: Top Ten Origin of Households Moving to Wake County, 2020

| Rank | City | Average Income |
|------|--------------------------------|----------------|
| 1 | Los Angeles, CA | \$124,457 |
| 2 | Brooklyn, NY | \$95,246 |
| 3 | Chicago, IL | \$131,124 |
| 4 | Fairfax County, VA (DC MSA) | \$106,534 |
| 5 | Long Island, NY | \$82,661 |
| 6 | Fort Lauderdale, FL | \$73,042 |
| 7 | San Jose, CA | \$178,668 |
| 8 | Queens, NY | \$64,851 |
| 9 | New York, NY | \$134,481 |
| 10 | Miami, FL | \$58,181 |

Source: Internal Revenue Service, 2022

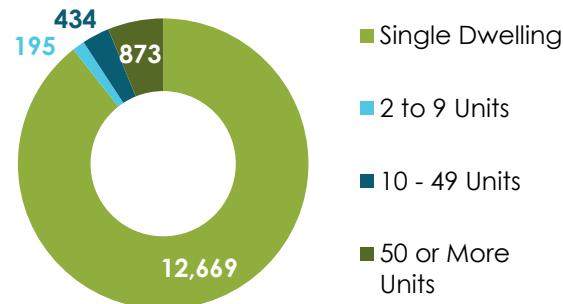
Additionally, households making between \$60,000 and \$100,000 declined from 2010 to 2020. The decline of these households is due to both increases in incomes of existing residents and households relocating to lower cost markets.

Housing Supply

As demand for housing grows, adding housing supply to meet that demand is crucial to ensuring that prices don't quickly rise. Holly Springs' overall housing supply has increased steadily since 2010, including 908 apartments between 2020 and 2021 (CoStar). Holly Springs has added more housing, including multifamily housing, in the past couple of years than ever before, which leaves the share of detached dwelling housing at about 86% (Figure 7).⁴

Despite the recent influx of housing units, there are still housing gaps in Holly Springs, particularly for households making under \$100,000, prospective first-time home buyers and those hoping to age in place in Holly Springs. Low and very low income renters (less than \$35,000 annually) face an acute need for rental housing they can afford. These community members are often priced out of the market by higher-income households that make up the majority of the population growth.

Figure 17: Existing Housing Inventory in Holly Springs, 2022



Source: ACS 2010-2019 5-year Estimates, U.S. Census, CoStar 2020-2021, Town of Holly Springs

Housing Price Growth

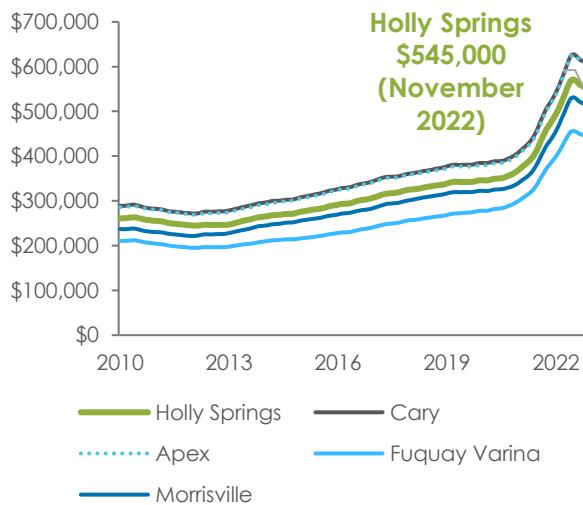
Supply has lagged population growth due to job creation and the increase in retiring-age households both within Holly Springs and across the region. Since 2010, the Town has added 6.5

⁴ This chart includes 908 multifamily units delivered and under construction in 2019, 2020 and 2021.

people for each new job created, indicating job growth is just one trend impacting overall population growth (EMSI). For example, Holly Springs has doubled their 65 and older population (ACS 2010 and 2020).

The recent population growth has been accompanied by a steady increase in home prices, which have increased by 59% since 2019, accelerating affordability concerns (Figure 18). Since the beginning of the COVID-19 pandemic, home prices have risen rapidly, increasing by 48% since January 2021 (Figure 18). In other words, a home that cost \$350,000 in January 2021 would cost over \$517,000 in November 2022.

Figure 18: Average Sale Price, 2010-2022



Source: Zillow

This rapid increase in prices aligns with the rest of the Research Triangle region (Figure 18). Since 2010, Wake County has added nearly 250,000 residents. This has been particularly felt in towns outside of Raleigh, with population increases ranging from 40% to over 80% in places such as Apex, Cary, and Fuquay-Varina. This population growth has put pressure on the housing market, particularly since COVID-19. Towns such as Apex, Cary, Fuquay-Varina, and Holly Springs have experienced 59% increases in housing prices since January 2020 (Figure 8, Zillow).

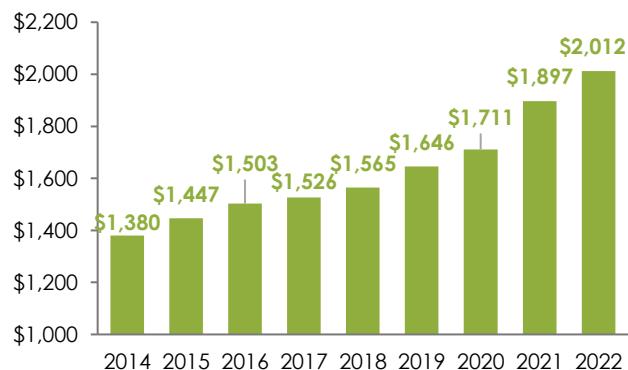
Rental Price Growth

Rents have also grown steadily since 2014 and surged during COVID-19, with 22% growth in rent from 2019 to 2022 (Figure 19). The median rent is now over \$2,000, compared to \$1,650 in 2019.

A family in Holly Springs now needs to make at least \$80,500 to afford the median rent, compared to \$66,000 in 2019.

By 2020 there was already a gap in rental housing units available to households making less than \$35k, or units priced at \$875 per month and less. Housing gaps occur when there are not enough houses for households at certain income levels. When households cannot find housing at their income level, they end up moving into units that rent for more than they can afford. These households then become cost-burdened.

Figure 19: Average Rents in Holly Springs, 2014-2022

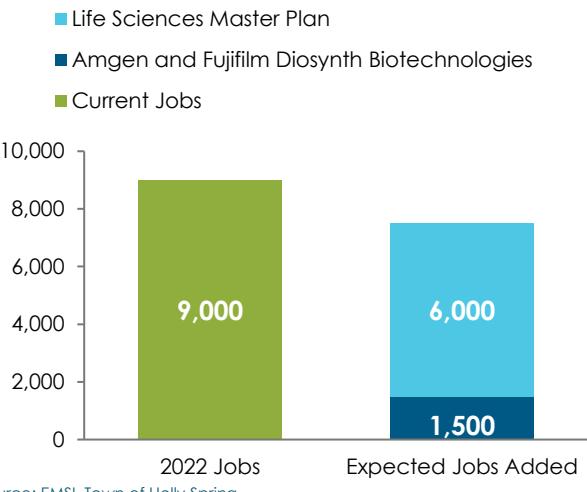


Source: Zillow

Job Growth in Holly Springs

Holly Springs has committed to economic growth and the benefits it can bring. The Town has actively recruited companies to move to Holly Springs, using development agreements and economic incentives to attract companies such as Amgen and Fujifilm Diosynth Biotechnologies. Additionally, the Town has prioritized identifying available land for large employment campuses.

Figure 20: Current and Planned Jobs in Holly Springs, 2022



The continued push for job growth will continue to contribute to population growth of higher income households in Holly Springs. Amgen and Fujifilm Diosynth Biotechnologies alone will add **1,500 new jobs**, with average salaries ranging between \$113,000 and \$120,000. Additionally, a master planned Life Sciences community will add an estimated 6,000 jobs (Figure 0). While some of these jobs will be filled by Holly Springs residents, the added jobs will put more pressure at the higher end of the market as higher income households outbid each other for limited housing. ([Urban Institute](#))

While this contributes to population growth, it pales in comparison to the effects of regional job growth. The Town cannot control the level of interest in the region but can strategically accommodate this growth and invest in infrastructure to support a high quality of life.

4. Housing Needs

The trends described impact housing affordability in Holly Springs and, coupled with local land use and regulations, create a range of housing needs for those who live and work in Holly Springs. Based on public engagement, data analysis and conversations with local housing stakeholders, Holly Springs' most pressing housing needs can be understood in three major categories: limited housing supply, rising barriers to accessing homeownership, and increasing displacement pressure.

Limited Housing Supply

In Holly Springs, there is not enough housing supply to meet demand, in particular for households making lower wages (less than \$35,000 annually). In Holly Springs, overall housing inventory growth has lagged population growth between 2016 and 2020, contributing to growth in housing prices (Figure 8). When there is not enough housing to meet demand, households compete for an increasingly limited supply of housing, driving prices up overall.

+130,000 jobs added in Raleigh MSA since 2010

+124% increase in population of individuals aged 65 and older in Holly Springs

Source: EMSI, ACS 2010-2020 5-year Estimates, U.S. Census

Homes in this region are turning over quickly, meaning there is a much higher demand for housing units than supply. Between June 2021 and June 2022, homes in Wake County stayed on the market only 19 days, compared to an average of 27 days across other U.S. Metro areas (Redfin). Multifamily rental units in Holly Springs have an average vacancy rate of 3.5%, which is one of the lowest in the region; multifamily rental units in Wake County (4.9%), Morrisville (4.9%), Fuquay Varina (5.5%) and Cary (4.5%) have higher

average vacancies than Holly Springs (CoStar, multifamily apartments built before 2020). Vacancy rate is a helpful metric to understand existing demand for housing.

Holly Springs also lacks diverse housing options to meet different housing needs. An "adequate" housing supply should serve a range of households through detached dwelling, attached, multifamily, for-sale, and rental units at different price points. With limited variety in new housing supply, market pressures can displace low- and moderate-income residents from "naturally affordable" market-rate housing, such as older or smaller homes in Holly Springs. Diverse housing typologies, like townhomes, attached homes, detached dwelling homes, and multifamily apartment buildings, meet housing needs of different types of households, especially "soft density" housing, which can be built at a lower cost (Figure 1 ~~Error! Reference source not found.~~).

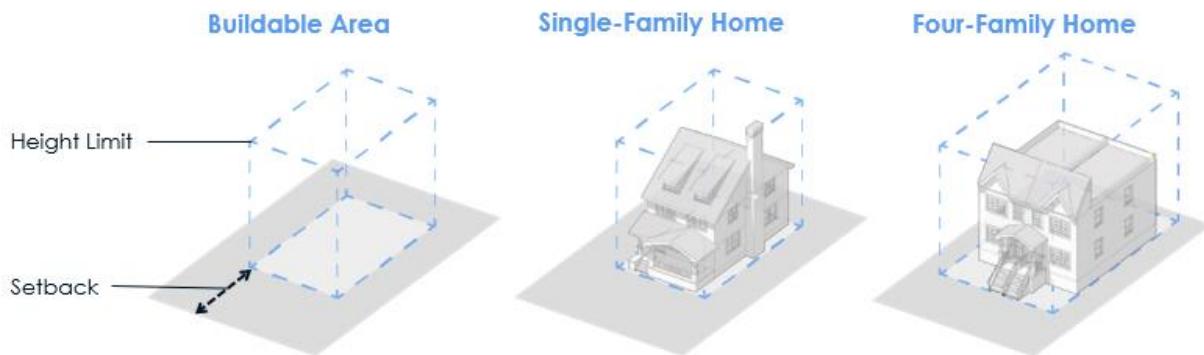
Benefits of Soft Density Housing

Multifamily housing rents and sells at a lower price point than detached dwelling housing units.

Multifamily units cost less per unit to construct than detached dwelling homes because their footprint is typically smaller and land cost is shared between multiple units, rather than just one detached dwelling home. A lower cost of construction means the unit can rent or sell for less per unit than a detached dwelling home.

Creating a larger supply of housing units at a variety of price points will put less pressure on infrastructure, like schools and roads. Adding multifamily units at a higher density than detached dwelling homes means fewer roads need to be built in order to serve those new units. Additionally, adding more households increases tax revenues, which can support additional funding for local schools. Similarly, fewer miles of water, electrical, and sewer infrastructure can serve more units if those units are spread across fewer acres of land.

Figure 21: Soft Density Housing Types



The housing inventory in Holly Springs is currently 86% detached dwelling and 14% multifamily⁵ (Figure 22), a higher share of detached dwelling homes than nearby Towns like Cary (60%), Apex (69%) and Wake County (59%).⁶

Diversifying typology and tenure (renter-occupied versus owner-occupied units) helps to serve a range of Holly Springs residents. Holly Springs has a very high homeownership rate of 82% (ACS 2010-2020 5-year Estimates, U.S. Census, CoStar, Town of Holly Springs). Some lower income households cannot afford a down payment and are limited to rental housing options. Further, there are over 700 renter households in Holly Springs making more than \$100,000 annually who rent by choice or who also struggle to afford the rising cost of homeownership. These high income renter households compete for the same supply of rental housing as lower income renters, exacerbating supply issues (Figure 23). As Holly Springs continues to grow, and the number of service jobs increases to support overall Town growth, more rental options will provide housing units affordable to the workers and families filling those service jobs.

Who does this impact?

Everyone in Holly Springs is impacted by the limited number of units and lack of diversity in housing typology. A limited number of units drives up the cost of housing as the Town grows and demand for housing increases. Older homeowners are forced out of the community because the

competition for smaller units is high, and they struggle to downsize in Holly Springs.

Lack of diversity in housing types drives up infrastructure costs for the entire town since detached dwelling homes incur a higher Town services cost per unit (police department, fire department, etc.) and infrastructure cost per unit, as homes are more spread out across a greater land area. The entire Town is also impacted by traffic since lower-income workers cannot find housing units at lower price points and are forced to commute into Holly Springs from surrounding areas.

What is the scale of need?

Over 86% of the housing stock in Holly Springs is detached dwelling homes (Figure 22). The Town lacks diverse housing typologies, such as attached housing and multifamily buildings, which can be delivered at a lower price point and meet housing needs for different households at different phases of life.

By 2020, there was supply gap of about 460 units for renter households making less than \$35,000 annually, exacerbating the issue of cost burden for Holly Springs renters and for service workers who are meeting the growing demand for services from high income households moving in. There is also an imbalance at higher income levels, or renters making more than \$100,000 annually (Figure 23). Over 700 households making more than \$100,000 are choosing to rent and are renting

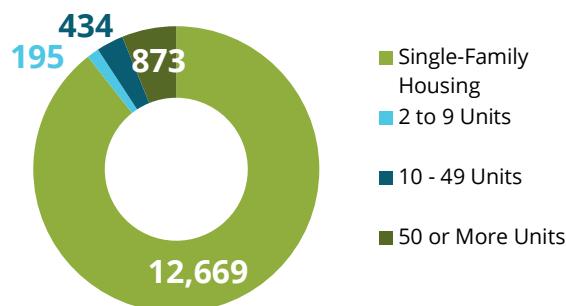
⁵ ACS 2010-2019 5-year Estimates, U.S. Census, CoStar 2020-2022, Town of Holly Springs

⁶ ACS 2010-2020 5-year Estimates

units that are affordable to moderate income groups, exacerbating demand pressure for lower cost units and driving the high cost burden rate (40%) for renter households making up to \$60,000.

As prices have soared recently, more renter households are competing for an increasingly limited supply of rental housing in Holly Springs, and this gap has likely grown substantially since 2020 as a result. By increasing the diversity of housing types in Holly Springs, the Town can move towards its target of reducing the number of cost-burdened households and increase the amount of long-term affordable housing.

Figure 22: Existing Housing Stock by Number of Units in Structure, 2022



Source: ACS 2010-2019 5-year Estimates, U.S. Census, CoStar, Town of Holly Springs

Figure 23: Holly Springs Rental Supply Gap, 2020



Source: 2015-2020 ACS 5-year Estimates

What are the barriers?

Many low and very low-income households simply don't make enough money to afford rents given high local costs. To support these households, the Town can focus on strategies to reduce total development costs and increase the diversity of housing types that can be built. A significant

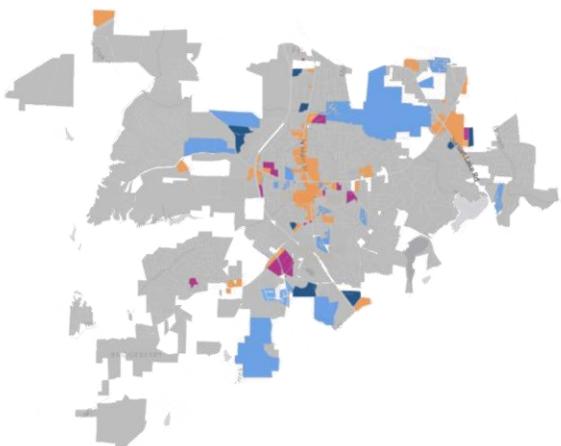
portion of land in the town is zoned for detached dwelling homes. Creating more zoned areas for attached housing requires an amendment to zoning regulations and the zoning map.

The development approvals process in Holly Springs requires Council approval, which increases time and uncertainty for developers. As the development approvals process lengthens, holding costs for developers increase, increasing the total cost of development. Higher development costs translate into higher rents or sale prices. When the approvals process is unpredictable, developers are also less incentivized to propose interesting or unique development projects.

The Town's utility meter connection requirements increase the cost of development by requiring each housing unit to have its own utility meter, even for large multifamily developments. This significantly increases the cost of development, discouraging Developers from pursuing new housing projects in Holly Springs.

Lastly, while most survey respondents believe the Town should take steps to support housing affordability, some respondents stated they did not support the creation of new neighborhoods. This is a common barrier for small and large towns alike, particularly in growing towns.

Figure 24: Holly Springs Zoning Map



Key

- Other Zoning
- Apartments/Attached Housing Allowed
- Attached Housing Allowed
- Attached Housing Allowed, Apartments Conditional
- Attached Housing Conditional, Apartments Allowed with Additional Standards

Access to Homeownership

Homeownership is a key wealth building tool, enabling families to save for retirement, save for college, or start a business. When homeownership is unaffordable and ownership rates decrease, households struggle to prosper.

Holly Springs has historically been affordable to first-time homebuyers, but over time prices have increased while renter incomes have stayed stagnant, making it more difficult for renters to become homeowners.

Who does it impact?

In line with regional trends, Holly Springs has a high share of homeowners. However, homeownership is increasingly out of reach for households with incomes lower than \$75,000 and elderly populations.

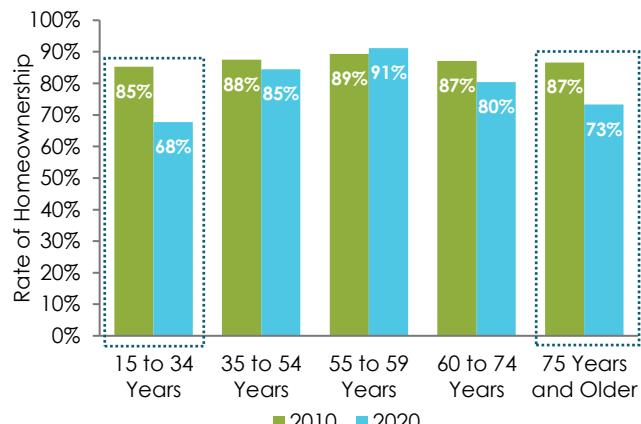
In line with national trends, the homeownership rate in Holly Springs has decreased to 82% in 2020, but is still notably higher than Cary, 67%, and the United States, 64%, overall. The rate of homeownership in the Town has declined across all racial and ethnic groups, and most sharply for lower income households making less than \$50,000 per year (Figure 25), elderly households 75 years and older, and households age 15 to 34 (Figure 26).

Figure 25: Homeownership by Income Level, 2010 and 2020



Source: ACS 2010 and 2020 5-year Estimates, U.S. Census

Figure 26: Homeownership Rate by Age, 2010 and 2020

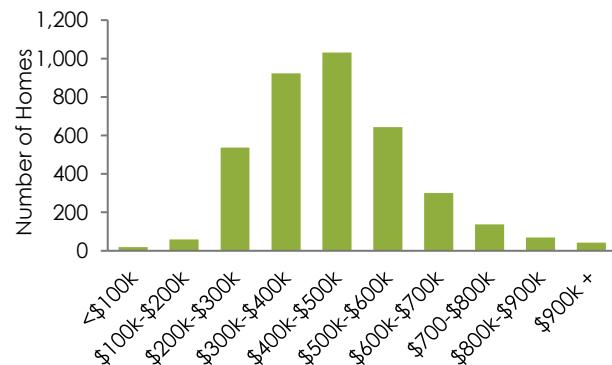


Source: ACS 2010 and 2020 5-year Estimates, U.S. Census

What is the scale of need?

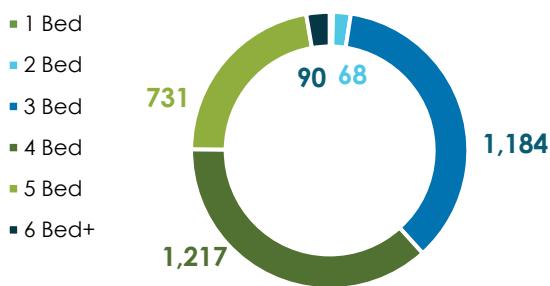
The median renter in Holly Springs can afford to purchase a \$340,000 home. Only 978, or 26% of the total, homes were sold within the last two years at a price point affordable to the median renter. Only 81 homes, or 2% of total homes sold, were 1- or 2-bedrooms, which are most desired by first-time homebuyers (Zillow, Figure 27Figure, Figure8).

Figure 27: Homes Sold by Price, 2020-2022



Source: Zillow, Last 2 Years; National Association of Home Builders, Characteristics of New and First-Time Home Buyers

Figure 28: Units Sold by Unit Size, 2020-2022



Source: Zillow, Last 2 Years; National Association of Home Builders, Characteristics of New and First-Time Home Buyers

What are the barriers?

Barriers to accessible homeownership include lack of funding, constraining design standards, and housing types. The Town is lacking direct assistance programs for homeownership, which help bridge the gap between what renters can afford to pay, and the high purchase price of homes. Design standards can also increase the cost of constructing new homes, which causes sale prices to increase. The Town can consider efforts to adjust design standards, such as changing rear-alley and site dimension requirements, to reduce the cost of construction. The current housing stock is mostly 3-bedrooms, 4-bedrooms, and 5-bedroom homes, which are larger than the typical home first-time homebuyers are looking to purchase.

Emerging Displacement Pressure

Displacement is generally referred to as a forced or involuntary movement from a household's place of residence and can take several different forms, including forced displacement, such as eviction, and pressured displacement caused by factors such as unaffordable rents or poor or unsafe living conditions. Other examples of forced displacement include extreme rent increase, foreclosure, threats or malicious actions, or disaster. Examples of pressured displacement include housing cost burden, poor housing quality, or unsafe neighborhood conditions.

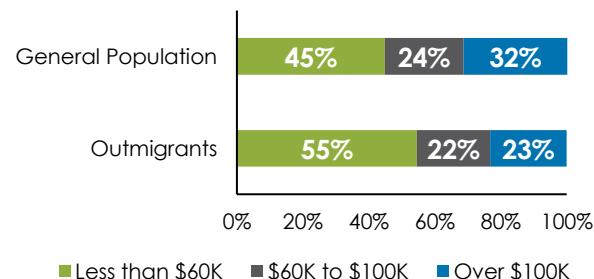
Who does it impact?

Pressured displacement is an emerging issue in Holly Springs, as cost burden continues to increase, and as long-term homeowners struggle to afford

necessary improvements to their homes or to move to a different unit. During a community meeting, a longtime Holly Springs resident shared, *"In our area, all I can do is upkeep on my house. I cannot afford to move anywhere else."* Data suggests that there is not yet widespread displacement, but as higher income households continue to move to the Town, moderate and low-income and older residents will become vulnerable to displacement over time.

In Wake County as a whole, households making less than \$100,000, and particularly less than \$60,000, are moving out to other more affordable counties. Essential workers and Town employees typically fall into this category, meaning they are disproportionately impacted by emerging displacement pressures (Figure 29).

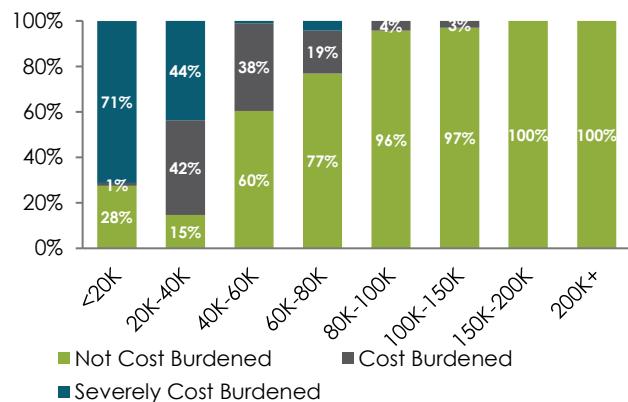
Figure 29: Households Moving Out of Wake County to Other NC Counties by Income, 2019



Source: ACS 2019 5-year Estimates, U.S. Census

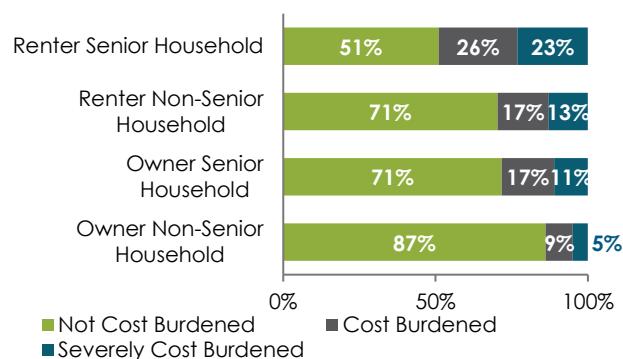
Renters and elderly households are increasingly cost-burdened and lack housing options that they can afford. Holly Springs has a high share of homeowners: 82% (ACS 2020 5-year Estimates), and a high share of owner-occupied units, meaning that renter households must compete for a smaller pool of units. Similarly, elderly households are competing for a limited supply of units to downsize and age in place (Figure 1).

Figure 30: Renter Cost Burden by Income, 2019



Source: ACS 2019 5-year Estimates, U.S. Census, HR&A Advisors.

Figure 31: Cost Burden for Seniors, 2019



Source: ACS 2019 5-year Estimates, U.S. Census, HR&A Advisors.

What is the scale of need?

Thirty percent of renters in Holly Springs are cost burdened or severely cost burdened, which can lead to displacement. Sixty-four percent of renter households that make less than \$60,000 are cost burdened or severely cost burdened, making them particularly vulnerable (ACS 2019 5-year Estimates, U.S. Census). Cost burden for households making less than \$35,000 is in part due to a rental unit supply gap at these income levels.

Emerging displacement pressure is demonstrated in Wake County by significant outmigration since 2012 (Figure 2). On average since then, more than 58,000 households have moved to other counties in North Carolina (excluding Durham and Mecklenburg, other high-cost counties).

Figure 32: Outmigrant Households by Income, 2012-2019



The households described in this chart are households that moved out of Wake County to a different NC county, excluding Durham or Mecklenburg (other high-cost counties).

Source: 2019 5-year Public Use Microdata Sample (PUMS). PUMS data reflects a broader area beyond Holly Springs town limits.

What are the barriers?

One barrier to curbing displacement pressure is a lack of affordable rental housing options for households making less than \$35,000. For this income group, there is a significant unit supply gap, forcing renters into homes they cannot afford, and increasing cost burden.

Growth in the Town is expected to continue, particularly with recent new employers coming to Holly Springs, the construction of NC 540, and other economic development initiatives. The construction of the highway impacts both existing and future residents. Some existing residents have been forced to relocate to make way for the construction of the highway, while other existing residents will encounter indirect impacts as the highway attracts increased development interest. Additionally, as highway construction concludes, new housing development will bring more people to Holly Springs. The Town will need to identify strategies to accommodate those households to prevent significant traffic increases and infrastructure strain.

The Town of Holly Springs can implement housing strategies to adapt for future growth and limit displacement pressure going forward.

5. Housing Strategies

To begin to address the housing needs described in Section 3, **Holly Springs should focus on three housing goals:**

1. **Meet growing demand;**
2. **Preserve and expand access to homeownership; and,**
3. **Retain existing residents.**

Meet Growing Demand

Both the regional and local economy are growing, which increases demand for both housing and local services. To help reduce the price pressures of increased demand and to meet household needs for different types of housing, the Town can take a proactive approach to the development approval process that prioritizes housing developments that support affordability.

Preserve and Expand Access to Homeownership

Traditionally, Holly Springs has been a place that is affordable for first-time homebuyers in the region. Helping create affordable homeownership opportunities is an important tool to ensure that seniors can age in place, to reduce racial wealth disparities and racial segregation, and to ensure that those who work in Holly Springs can live in Holly Springs.

The Town can help preserve opportunities for first time homebuyers by providing down payment assistance and working with employers to support homeownership. Additionally, the Town can help increase the supply of smaller houses that are naturally affordable to first time homebuyers. Lastly, the Town can support owner-occupied rehabilitation to help existing homeowners remain in their home.

Retain Existing Residents

Pressured displacement is an emerging housing issue in Holly Springs. Creating permanently affordable rental and homeownership

opportunities, and providing support to residents at risk of displacement, can help to ensure that this issue doesn't grow in Holly Springs as it has in much of the region.

The Benefits and Challenges of Growth

Holly Springs has committed to economic growth and the benefits it can bring. The Town has secured Amgen and Fujifilm Diosynth Biotechnologies, bringing significant employment and population growth. Combined, these two companies will add approximately 1,500 new jobs. Additionally, Holly Springs expects a life sciences community that will bring an additional 6,000 jobs. These new jobs are expected to pay salaries ranging between \$113,000 and \$120,000. The new jobs will create additional, lower paying service jobs in the community, which will increase the demand for housing across all income groups.



Image: Amgen Groundbreaking

Growing the Town's economy requires that the Town continue to attract businesses to Holly Springs. When new businesses move to Holly Springs, it not only adds the jobs from those businesses, but also the jobs of other businesses that expand to support new businesses. The

service industry also grows, as new households create demand for retail, restaurants, and services.

When workers cannot afford to live in Holly Springs, service businesses may hesitate to move to Holly Springs as they struggle to find employees, which reduces the overall services available to existing residents. If service industries decide to locate in Holly Springs, their workers may live outside the Town, increasing overall traffic. New companies can help alleviate these pressures by committing funding to support housing affordability or by helping employees purchasing houses. The Town also can support new housing for these households by allowing for smaller and more affordable housing types.

Additionally, as the Town grows, it will incur more fiscal costs to fund increased infrastructure needs, such as water and sewer, parks and open space, and transportation improvements. If the Town neglects these improvements, local roads, parks, and sewer systems may become overburdened. However, the increased tax revenue from new development can support intentional planning efforts that efficiently concentrate amenities to reduce the burden on infrastructure. For example, by encouraging mixed-use development and higher density zoning, the Town can encourage more walkability and concentrate infrastructure in targeted areas, lowering the relative cost of infrastructure improvements. An example of a successful mixed-use project is Main Street Square, a place where people can live, access health and



Image: Holly Springs Farmers Market

dental care, get a cup of coffee, and other services.

Additionally, the Town can work with companies moving to Holly Springs to have them contribute to necessary infrastructure upgrades and affordable housing. The Town has regularly negotiated development agreements in the past, such as the Village Gate development agreement, where the developer made improvements to roadways and sidewalks. The Town can deploy a strategy in which it uses the development agreement process to prioritize residential projects that have affordable components, either through below market rate units or through smaller housing types like one- and two-bedroom homes and attached houses that are less expensive to build.

The Role of the town

Many factors impact housing affordability. These include the cost of construction, interest rates, regional demand, and more. While the Town

cannot influence all these factors, it can influence some, including land costs, funding availability, hard costs, and soft development costs.

Figure 33: Drivers of Affordability
(see Figure 34 for definitions)

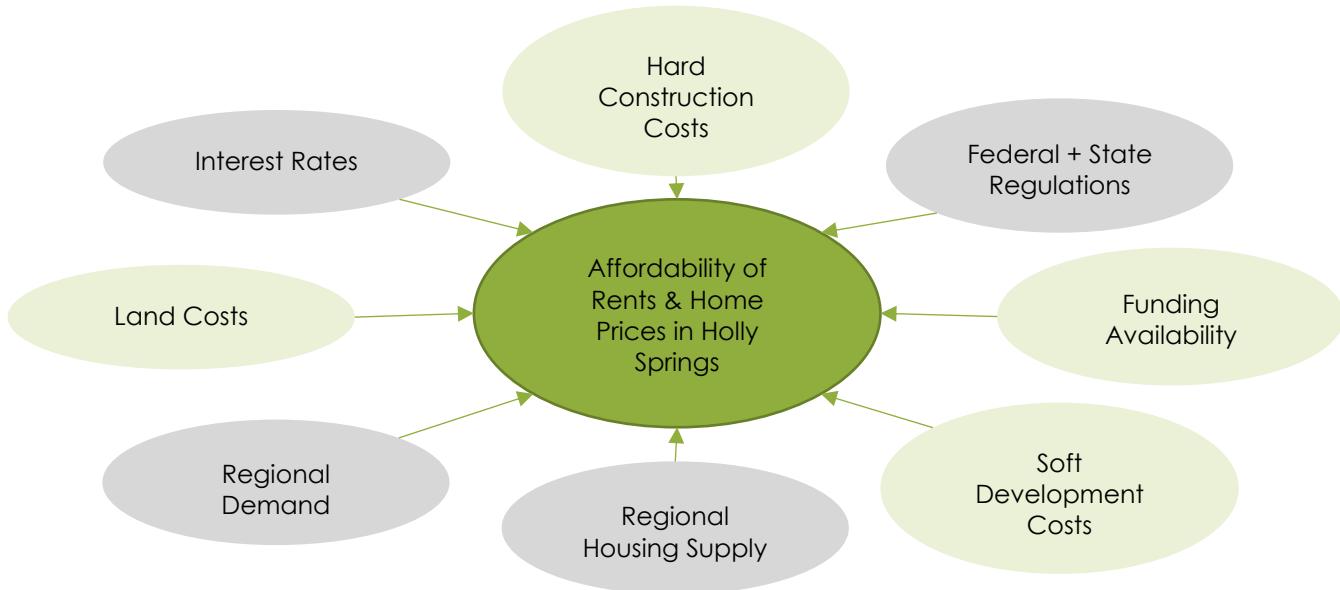


Figure 34: Defining Drivers of Affordability

| | |
|--------------------------------------|---|
| Hard Construction Costs | Cost of construction materials and contractors. The Town can support reduced construction costs by allowing for diverse housing types. |
| Federal and State Regulations | Government regulations indirectly impact the cost of development as developers are required to meet certain requirements. |
| Funding Availability | Includes availability of private financing from banks and public investment from local, state, and federal governments. |
| Soft Development Costs | Construction costs that facilitate development, including architects, engineers, permitting fees, and lending fees. |
| Regional Housing Supply | When overall supply is low, high-income households compete with lower income households to find housing. Large housing supply does not guarantee housing affordability. |
| Regional Demand | As more people desire to live in a region, they will pay more for housing options. |
| Land Costs | Many factors influence land costs. Proximity to desirable uses and the overall supply of land are two prominent factors. |
| Interest Rates | Banks will raise or lower interest rates to account for the amount of risk they are willing to incur based on economic conditions. The Federal Reserve plays a significant role in influencing base interest rates. |

The Town has two primary pathways it can pursue. First, Holly Springs can prioritize leveraging land use standards to influence land and construction costs. By doing so, the Town can increase affordability for moderate income households. The tradeoff is that land use tools do not increase housing for the lowest income households. On the other hand, the Town can prioritize building support to dedicate funding for housing, which would support more funding for the most vulnerable households but would utilize taxpayer dollars. In the short-term, the Town can pilot subsidy tools and pursue partnerships to start supporting low-income households.

Development Approval Process

In Holly Springs, nearly every residential development requires Town Council approval, even if the proposal complies with the existing zoning regulations, lengthening the time of development. Many jurisdictions allow projects that comply with the zoning to be approved by staff instead of requiring Town Council approval. While maintaining the land use planning process, Holly Springs can shorten project approval times by condensing some parts of the development approvals process.

Additionally, unpredictable development approval processes increase risk for developers, discouraging them from pursuing new projects. The Town can increase certainty by providing clear timeline standards and clarifying zoning regulations with clear language and illustrations.

Land Use Tools

Another important type of housing tool is land use and density rules. These regulations define and enforce what types and sizes of structures can be built in specific locations. When it comes to housing, density standards limit the number of units that can be built in a particular portion of land. Holly Springs is mostly detached dwelling only zoning but has allowed for more attached and multifamily in recent years. Allowing more duplexes, triplexes, and multifamily units decreases the relative cost of land and helps stabilize housing costs.

One general advantage to land use tools is that they can help support broad affordability without dedicated public investment. Land use tools are a means of allowing private developers to increase the stock of housing in the Town. However, land

use tools rely on market rate development. Because of this, housing production declines in weak markets and recessions. Additionally, even in healthy markets, market rate development typically does not produce very low-income units.

Figure 35: Land Use Tools Pros and Cons

| Pros | Cons |
|--|---|
| <ul style="list-style-type: none">• Do not require public investment to induce private development• Increases the overall supply of housing• Channels stakeholder input towards overall zoning regulations and away from individual development projects | <ul style="list-style-type: none">• Typically, does not create housing for very low-income households• Community opposition to land use changes can limit the ability to enact meaningful change |

Public Investment

To help meet the housing needs of low and very-low-income households, the Town can make investments to support housing affordability both directly to households and through non-profit partners who can administer programs in collaboration with the Town.

Local, county and state governments can provide direct assistance to households struggling to access rental or homeownership opportunities or those who already have housing but may be at risk of displacement due to rising costs or maintenance needs.



Image: Holly Springs Neighborhood

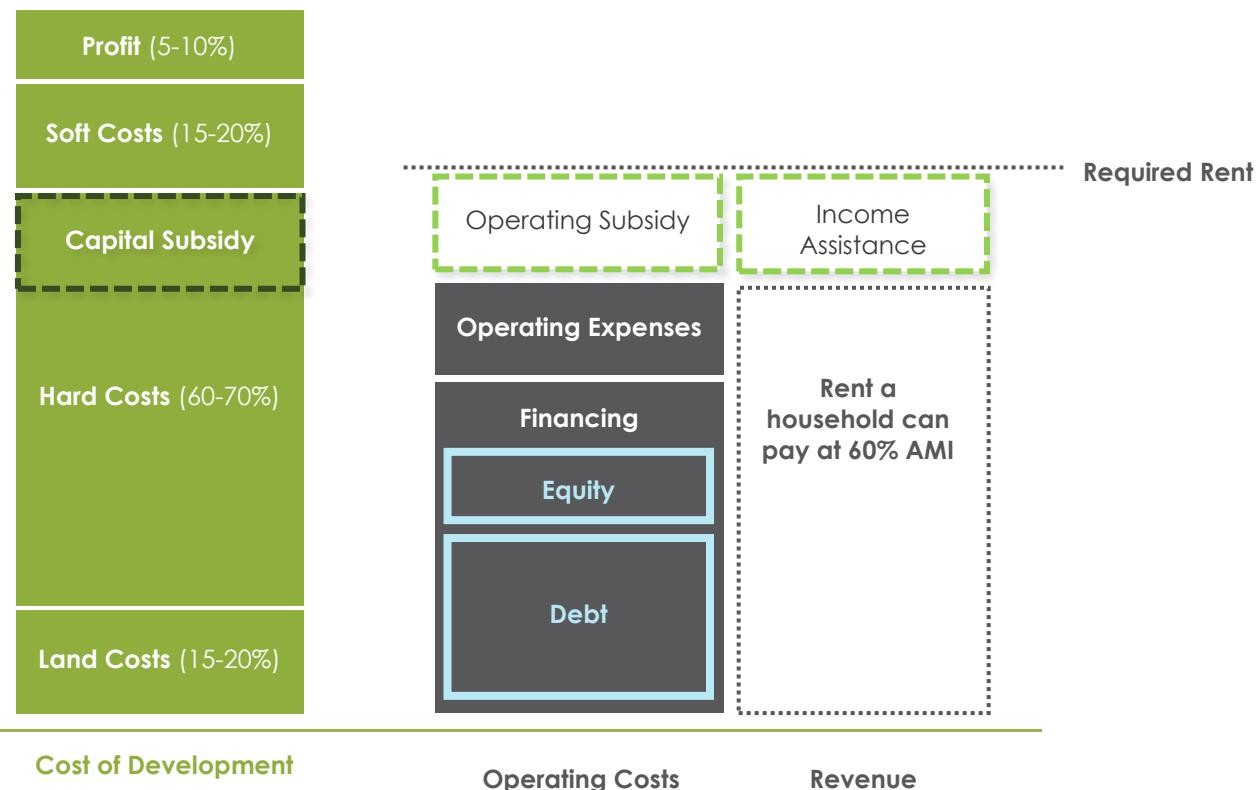
The Town can also provide funding to developers of affordable housing. There are two primary forms of funding for developers: capital subsidies and operating subsidies. **Capital subsidies** fill funding gaps for developers, allowing them to acquire the amount of funding necessary to develop, while requiring units to remain affordable. For example, providing low-interest loans can allow developers to prioritize more affordable housing. This type of financing gets paid back to the government over time. Additionally, the Town could reimburse certain development fees to reduce the cost of development. **Operating subsidies and income assistance** can also provide ongoing payments to the property owner or tenant to supplement lower, affordable rent. The most common form of operating subsidies are housing vouchers, which allow property owners to receive typical rental revenue, while reducing the cost to individual households.

Figure 36: Public Investment Tools Pros and Cons

| Pros | Cons |
|---|--|
| <ul style="list-style-type: none"> • Directly creates housing with affordability restrictions • Most effective type of tool to serve the lowest income households | <ul style="list-style-type: none"> • Identifying source of the funds • Often requires large amounts of capital from governments and philanthropies, or tax increases |

In order to pursue the design and deployment of some of the housing tools described in this Study, the Town would need to build support for and dedicate local funding.

Figure 37: Economics of Rental Housing Development: Public Investment



Tenants' Rights

Tenants' rights tools seek to preserve existing affordable housing by protecting the occupants of affordable housing. Tenants' rights tools take two primary forms: Tools to enforce existing rights typically relate to the availability and affordability of legal services (e.g., right to counsel, mandatory mediation), and tools to expand tenants' rights help tenants stay in their homes by limiting the actions that landlords can take. (e.g., foreclosure intervention, just cause eviction).

Tenants' rights tools are highly limited in North Carolina and are primarily advanced by non-profit partners. The Housing Affordability Study recommends funding for legal counsel as the primary way to address tenants' rights.

Figure 38: Tenants Rights Tools Pros and Cons

| Pros | Cons |
|--|---|
| <ul style="list-style-type: none">• Particularly important for housing stability and preventing displacement• May increase affordability for current tenants• Pressures exploitative landlords to act in current and future tenants' interests | <ul style="list-style-type: none">• North Carolina laws limit potential• None of the tools create new affordable units or directly increase unit affordability• Laws and regulations only have impact if there is supporting enforcement mechanisms |

6. The Role of Partnerships

Immediate Next Steps

1. Compile a reference list of companies and organizations that own land in the Town, including private firms such as Duke Energy, and government institutions such as Wake County and the State of NC.
2. Identify tools that the Town is most interested in pursuing and necessary staff capacity to advance those goals.

Partnerships are the foundational piece of successfully implementing the recommendations of the Housing Affordability Study. They are essential to both administer housing programs and leverage additional County, State, Federal, and Philanthropic funds. The tools outlined throughout the Housing Affordability Study should be viewed through the lens of the partnerships necessary to effectively implement the programs.

The Town can partner with local organizations in various ways, such as providing operating funds or capital contributions to partner organizations, and by establishing regular channels of communication and coordination. There are several partner organizations within Wake County that meet substantial housing needs that the Town does not have the capacity or funding to address.

Key potential partners in Holly Springs include:

- **Wake County:** The County has [several programs](#) designed to support increased affordable housing options that the Town can participate in and partner with. Additionally, the Wake County Housing Authority provides funding to support housing and direct funding for low-income families. The Town can work with the County to stay up to date on their available programs and communicate that information to Holly Springs residents who could benefit from the County's offerings. For example, the County has an owner-occupied rehabilitation program for aging households that Holly Springs residents could qualify for.
- **Non-Profit Organizations:** There are several non-profit organizations in the region who provide a range of services to address housing affordability. Some non-profits are focused on supporting individual households such as Western Wake Crisis Ministry that provide meals

for low-income households. Other nonprofits, such as DHIC, specialize in affordable housing development. Habitat for Humanity does both, constructing new houses and identifying families who can afford to purchase those homes. The Town can proactively seek out relationships with these organizations and ensure they remove any barriers that prevent them from working in Holly Springs. If the Town is able to dedicate local funding, the Town can collaborate with partner organizations to pursue strategies described in this Study, such as down payment assistance and owner-occupied rehabilitation. The Town can also promote their work, pointing residents to services made available by non-profit organizations.

- **Developers:** While the Town wants to retain certain levers over development, Town leadership should continue working with developers to identify barriers to development and alleviate those pressures, particularly with nonprofit affordable partners such as DHIC, Habitat for Humanity, and CASA that specialize in affordable housing development. Additionally, the Town can incentivize developers to provide housing at lower price points through development agreements (see Tool #1 Create a Standardized Development Agreement Negotiation Strategy).
- **Residents:** Changes such as increased density and housing units at lower price points are often met with hesitancy from nearby residents concerned about the impact on their property values. Housing affordability is an issue that requires collaboration from all Holly Springs residents and ongoing engagement with the community. The Town should continue to engage residents by establishing a permanent housing affordability advisory committee that meets regularly to make recommendations on

policies to address housing affordability in Holly Springs. The committee would also support coordination with the County, non-profit organizations, developers, and local employers.

- **Local Employers:** New and existing Holly Springs businesses can support the implementation of the Housing Affordability Study by leveraging existing land they own or by contributing to programs that help their

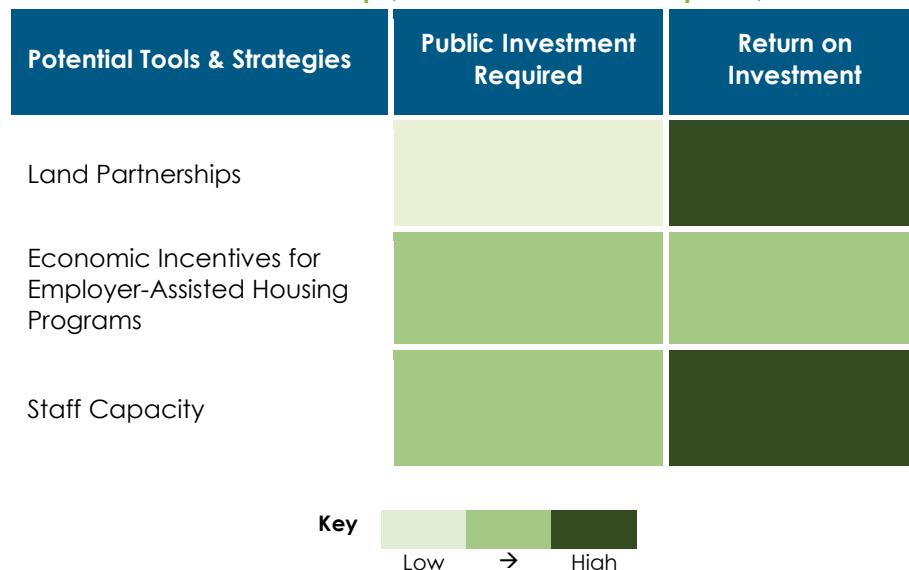
employees access housing. The Town will need to work with existing and new employers to identify strategies to support increased affordability.

In particular, the Town should pursue **land partnerships and employer assisted housing programs**. The Town will also need to assess existing staff capacity to facilitate these relationships

Figure 39: Local Housing Nonprofits and Developers

| | |
|-------------------------------------|---------------------------------|
| Habitat for Humanity of Wake County | DHIC |
| Raleigh Area Land Trust (RALT) | Wake County Housing Authority |
| Triangle Family Services | InterAct of Wake County |
| CASA | Passage Home |
| Families Together | Salvation Army of Wake County |
| Family Promise of Wake County | Urban Ministries of Wake County |
| Healing Transitions | Western Wake Crisis Ministry |

Figure 40: The Role of Partnerships, Public Investment Required, Level of Impact



1. Land Partnerships

Overview

The Town can partner with existing landowners to leverage existing land for increased affordability. Once the Town has identified prominent landowners, they can coordinate partnerships between them and potential developers to advance the project. The Town can then provide support throughout the development approvals process, ensuring they advance in a timely manner and negotiating certain requirements and fees in-line with the Town's development agreement strategy.

Existing companies like Duke Energy own land in and near Holly Springs that could be leveraged for increased affordability. Particularly as new firms, such as Amgen and Fujifilm Diosynth Biotechnologies, move to the region and acquire land, it will be important to build relationships to support strategies that increase affordability.

Because landowners are unlikely to sell land at below market prices, these types of land partnerships are most likely to happen during a zoning approval process where a landowner needs flexibility from the Town. That said, the Town should be ready to take advantage of these opportunities as they arise to address housing affordability.

Current Context

One of the largest barriers to development in Holly Springs is the cost of land. This drives up the cost of housing and prevents developers and the Town from acquiring new land. The Town has already worked with Wake County to provide land for DHIC to develop new apartments with affordable rents. Duke Energy is an example of a company that owns substantial land in Holly Springs, providing a potential partnership opportunity.

Next Steps

1. Compile a reference list of companies and organizations that own land in the Town, including private firms such as Duke Energy, and government institutions such as Wake County and the State of NC.
2. Assess which landowners the Town has existing relationships with and which are likely to engage in joint development strategies.
3. Develop a set of requests for land partnerships to guide discussions and negotiations. For example, the Town could request developers donate lots in new subdivisions to a non-profit. In exchange, the Town could reduce open space requirements, or allow the donated lots to not be counted against the density requirements.

Guidelines

Affordability Goals: Required density to allow for target number of units; waived requirements to required target level of affordability

Location: Proximity of existing land to jobs and services

Key Actors: Development Services, Town Council, local landowners

Case Study: Holly Springs

Holly Springs worked with Wake County and DHIC, a non-profit affordable housing developer based in Raleigh, to advance a new development on Main Street. This development came about after Wake County's Department of Housing Affordability and Community Revitalization issued a request for proposals (RFP) to develop a parcel of County-owned land. Wake County selected DHIC to construct housing on the site. Following the Town's development review process and approval by the Holly Springs Town Council, The County then executed a memorandum of agreement (MOA) to sell the parcel to DHIC, allowing them to begin construction.

Source: Town of Holly Springs

2. Economic Incentives for Employer-Assisted Housing Programs

Overview

Large employers—such as universities, hospitals, and private corporations—have an interest in helping their employees live in safe and affordable housing close to work. Due to the high cost of land, an employer-assisted down payment assistance program would expand wealth-building and housing stability through homeownership for more Holly Springs residents.

There are two primary ways to structure employer-assisted housing programs. First, the Town can simply provide a scoring boost to companies that provide employer-assisted housing in their criteria for offering tax incentives. Under this scenario, the employer would be completely responsible for designing and managing the program. The Town would be responsible for monitoring the program to ensure compliance.

Alternatively, the Town could establish a pool of funding that provides “matching” funds to employer-assisted housing programs. Under such a program, an employer could opt-in to providing employer-assisted housing, and in return the Town would match the funding committed by that employer, up to a certain amount. The Town would also need to monitor the program to ensure Town funds were directly benefiting the employees.

These programs can be attractive to employers because they improve worker retention and community relations. The program could potentially match public and private investment, both amplifying the impact of public dollars (Wake County's down payment assistance program) by leveraging private contributions and help employers better retain workers.

Current Context

Holly Springs has provided economic development incentives for companies making significant investments in the Town but has not previously asked companies to prioritize employer-assisted housing. Holly Springs is uniquely positioned to leverage private dollars through economic incentives for housing, due to its strong history of attracting private companies, most recently Amgen and Fujifilm Diosynth Biotechnologies.

Next Steps

1. The Town should decide if it wants employers to be solely responsible for establishing programs or if it wants to establish a fund for employers to make contributions.
2. Encourage major employers to create or contribute to employer-assisted housing programs if offering economic incentives.
3. The Town should identify large employers with the capacity and interest to support a down payment assistance program for employees, educate leaders about the costs and benefits of such programs.
4. Work with the Economic Development Department to define objectives for the program.
5. Establish a set of priorities as guidelines for negotiating with companies looking to locate in Holly Springs.

Guidelines

Eligibility: Employees

Level of Assistance: Determine per household maximum

Key Actors: Economic Development, Town Council

Case Study: Yale Homebuyer Program

The Yale Homebuyer Program was established in 1994 to support Yale employees, including faculty and permanent staff, with \$30,000 to \$35,000 in (pre-tax) benefits over ten years, to be used towards a home purchase.

Participants must commit to owning and residing in the home for at least two years from the date of closing, and the benefit ends when occupancy ends. Therefore, to receive the full \$30,000 to \$35,000, participants must reside in the home for ten years. Between 1994 and 2015, the Homebuyer Program supported 1,134 new homeowners.

Source: Yale University

3. Dedicate Staff Capacity

Overview

Fully implementing the recommendations included in the Housing Affordability Study requires dedicated staff time. In particular, staff capacity is necessary to support robust negotiations with developers through the Town's development agreement strategy. Additionally, the Town will rely on staff to build new and existing partnerships. Some of the tools described in the Study can be pursued using existing staff capacity, while others may require new staff capacity.

Next Steps

1. Identify tools that the Town is most interested in pursuing.
2. Assess existing staff that are best positioned to implement selected tools, balancing with their other responsibilities.
3. Assign staff new responsibilities to implement selected tools. Add new staff as necessary.

Current Context

The Development Services department is primarily responsible for the implementation of the Housing Affordability Study. Other departments, including Economic Development, Public Works, and Utilities and Infrastructure will need to be consulted as various tools are implemented.

Guidelines

Target Tools: Required staff capacity depends on the tools selected to advance

Existing Staff Capacity: Do existing staff have the capacity to add additional responsibilities?

Case Study: Tax Rebate Partnership, Charlotte, NC

Tax rebate programs are an example of how local governments can partner with the private sector to advance housing affordability when there are limited tools to support the creation of deep affordability. Tax rebates are an efficient way to ensure the preservation of affordable housing serves households with the deepest need through public-private partnerships.

Under such partnerships, a local government partners with a housing developer that commits to support housing affordability. The housing developer dedicates 15-20% of units to the program and relies on a local nonprofit to connect tenants to the program. The local government assigns 100% of property-tax revenue generated at the apartment community to the nonprofit which funds the difference between market rents and 30% of a tenant's income, all without tapping into existing taxpayer dollars. The primary Town resource necessary to implement such a program is staff time to facilitate public-private partnerships and oversee the program.

Tax rebates are being used at the Lake Mist Apartments in Charlotte, NC. Ascent Housing, an owner of affordable housing focused on naturally occurring affordable housing (NOAH), is partnered with the City of Charlotte, Mecklenburg County, and Socialserve to provide 22 units (15.3%) to households between at 30% AMI with Synthetic Vouchers. During the 20-year contract at Lake Mist, Ascent Housing offers one of every five available units to Socialserve for the program until all 22 units are filled. Every month, Socialserve pays the difference between 30% of a tenant's income and Fair Market Rent to Ascent Housing. 61% of the cost of the program is covered by the County with 39% covered by the City, in line with the relative millage rates of each jurisdiction.

At Lake Mist, the agreement to provide housing at 30% AMI is funded with 20 years of projected property tax revenue by the County and City and requires Ascent Housing to enter into an agreement with Socialserve to refer tenants and serve as the City and County's fiscal agent.

Source: HR&A Advisors

7. Tools to Meet Growing Demand

Immediate Next Steps

1. Identify policy goals the Town wants to advance through development agreements, such as the types of residential units, the level of affordability or other public benefits like sidewalks or open space.
2. Establish housing affordability requirement to earn points under the Town's utility allocation policy.
3. Identify incentives the Town is willing to offer, such as having the Town construct infrastructure or reduce fees.
4. Assess which of those services the Town is willing to codify in the zoning ordinance to make available without a development agreement.
5. Identify existing or future residential nodes where multifamily development would increase walkability and consolidate development, particularly where the Town is focused on attracting new business campuses.

Challenge | There is substantial new demand for housing in Holly Springs, and the housing added is not sufficiently meeting diverse housing needs

Solution | Grow the supply of homes, increase the diversity of the types of homes that can be built and invest in infrastructure to support new households.

More people—a lot more people—are coming to Wake County and the region regardless of whether Holly Springs allows another home to be built there or not. The Town can help reduce the pressure created by these new residents on the quality of life through traffic, housing cost, and other impacts and instead have new residents increase the tax base, attract more interesting retail, and support local businesses if it is intentional in where and what type of housing it allows to be built. **The Town should focus on both increasing the total number of new houses built and diversifying the existing housing stock.**

By doing so, the Town can support increased quality of life and reduce the per-household impact on infrastructure services. For example, the Town can prioritize locating new housing near schools and employment centers, which will minimize traffic as fewer households have to drive to access education and workplaces. Second, adding soft density units creates more property tax revenue and requires less per unit infrastructure costs, because developers can consolidate infrastructure to serve more units in less space. Similarly, increasing housing stock diversity encourages more households without children to move to the area, increasing the number of

households contributing to the costs for school. Lastly, concentrating households in a small area can increase consumer spending as households have increased access to goods and services.



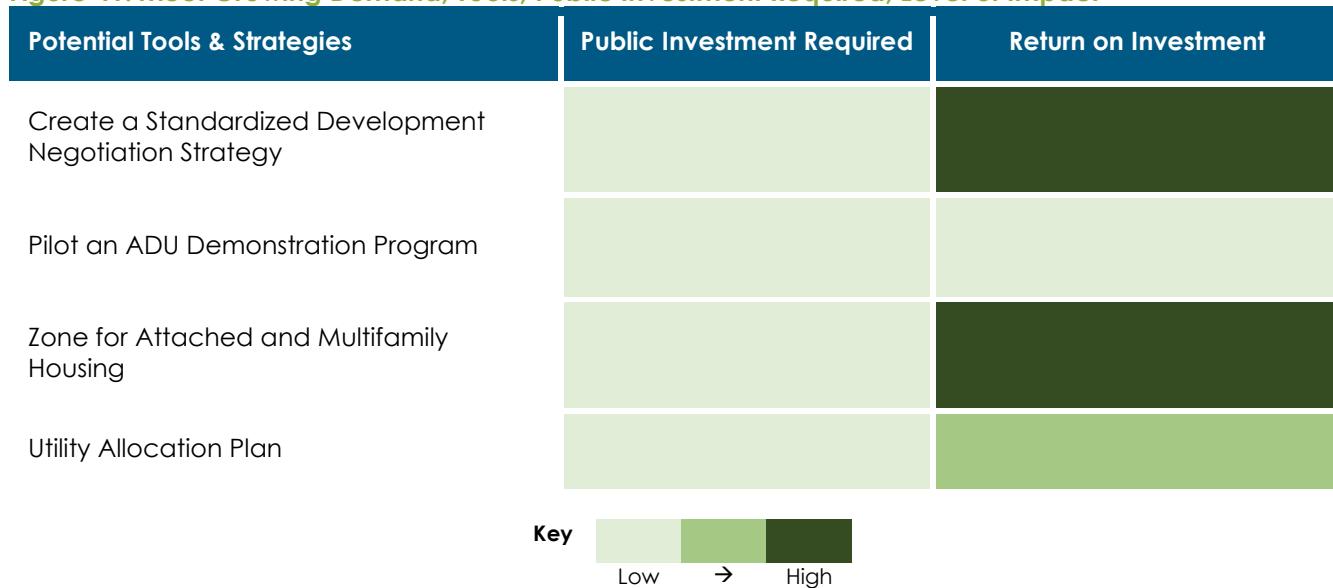
Image: The Block on Main, Holly Springs

The Town can **support affordability** by providing clear guidance on what types of development are favored, for example, setting a goal for a share of homes in new subdivisions to be less than 2,000 square feet or deed restricted. Having a clear understanding of what structure can be built allows developers to construct new housing more quickly. The Town can be willing to negotiate on requirements and development costs to allow for more units to be built in exchange for affordability.

Additionally, the Town needs to **diversify the housing stock** by allowing for more increased soft density (attached units, duplexes, triplexes, and multiplexes) and multifamily units along commercial corridors and near employment centers throughout the Town. Doing so will align housing needs with economic development efforts by allowing for more dense development near employment campuses and commercial centers. Holly Springs has already done this by locating Holly Springs Place (a multifamily community) next to Holly Springs Town Center. This supports the businesses in Holly Springs Town Center because residents and employees from the adjacent community can walk to restaurants and services in the Town Center. Additionally, it supports a thriving community where residents can easily access goods and services.

Lastly, as the Town grows, it needs to continue balancing the infrastructure needs associated with population growth. In particular, by adjusting land use standards to allow for soft density and multifamily development along commercial corridors, the Town can support improved walkability, which will ease the pressure on transportation facilities, and reduce the relative cost. Increasing mixed-use development and walkability alleviates the increased stress on roads and transportation systems, while providing new residents an attractive place to live. Furthermore, mixed-use development supports efficient use of utilities, as the Town can concentrate construction of new utilities in smaller locations, rather than developing miles of infrastructure outward as the Town sprawls.

Figure 41: Meet Growing Demand, Tools, Public Investment Required, Level of Impact



4. Create a Standardized Development Negotiation Strategy

Overview

The Town should clearly articulate and publicize affordability level and housing types preferred for new development in Holly Springs and prioritize those projects in the approvals process, both through a utility allocation ordinance and through the overall development review process.

This will create a “points-based” system in which the Town can prioritize approval for projects that score highest. Specific details such as preferred housing type (detached dwelling, soft density, or multifamily), affordability level (share and depth of affordability), infrastructure requirements, and mixes of uses will provide certainty to the development community, which will foster more development. The Town can then clearly communicate which incentives it will provide in exchange for these targets.

Development agreements provide one method to facilitate these incentives. Development agreements are legal agreements between developers and local governments that provide development flexibility not typically achievable through zoning ordinances. They allow for alterations to the zoning requirements of a specific parcel of land, typically in exchange for public benefits. For example, local governments may allow zoning concessions in exchange for infrastructure improvements from developers. Additionally, development agreements can be leveraged to incentivize housing affordability, economic benefits, and other public benefits.

The primary challenge with development agreements is that each new agreement starts a new negotiation, which can be time intensive and create uncertainty for developers. While there will always be a need for negotiations, a clear framework will streamline the process and provide clear guidance to developers on the types of projects desired by the Town.

By standardizing the priorities and strategies when using development agreements, the Town can clearly communicate expectations to developers and spend less time negotiating agreements, allowing them to spend more time conducting the work of local government. Without a standard strategy and set of priorities, development agreements can create

uncertainty for developers and increase burden on Town staff.

Current Context

Development agreements are allowed in the State of North Carolina and are a strategy the Town has employed, particularly with larger developments that have increased impacts. In particular, the Town negotiated a development agreement with DHIC where the Town agreed to construct sewer infrastructure to ensure DHIC could construct affordable units.

Next Steps

1. Identify policy goals the Town wants to advance through development agreements, such as the types of residential units, the level of affordability or other public benefits like sidewalks or open space.
2. Establish housing affordability requirement to earn points under the Town’s utility allocation policy.
3. Identify incentives the Town is willing to offer, such as having the Town construct infrastructure or reduce fees.
4. Assess which of those services the Town is willing to codify in the zoning ordinance to make available without a development agreement.
5. Create a utility allocation ordinance for the Town of Holly Springs.

Guidelines

Town priorities: Identify what types of concessions are favorable and meet Town needs and what benefits the Town wishes to gain from development agreements

Affordability requirements: Develop criteria to determine what affordability levels should be targeted when using development agreements

Infrastructure needs: Balance concessions with Town infrastructure needs

Staff Capacity: Development agreements require monitoring over time to ensure compliance. The Town should account for staff time to administer these agreements over time

| The Town should ask for: | The Town can be willing to negotiate on: |
|---|--|
| <ul style="list-style-type: none"> • Mixed detached dwelling developments: a portion of subdivisions should be developed as attached housing or smaller detached dwelling units (less than 2,000 square feet). • Affordability: a portion of new detached dwelling or multifamily developments should be affordable for households making less than 80% of AMI. <ul style="list-style-type: none"> • In North Carolina, the standard length of affordability for rental units is 30 years. • For-sale units often have a shorter requirement (10-15 years), enabling existing homeowners to build wealth. | <ul style="list-style-type: none"> • Fees: parks and water/sewer fees can be deferred or reduced. • Development approval: review can be expedited for plans that include affordability or mixed housing types. • Increased density: when asking for affordability, the Town can offer increased density. • Lot size decrease: when asking for smaller detached dwelling homes, the Town can offer smaller lot size requirements. • Design standards: reduce expensive requirements like rear alleys, wall length, etc. • Utility allocation: incorporate housing affordability in scoring for projects to receive utility services under the Town's utility allocation policy. |

Case Study: Asheville Hotel Overlay

The City of Asheville put a temporary pause on construction of hotels in 2019 after several years of significant hotel development. The moratorium provided the City time to assess its needs and planning approach for future hotel development.

After a two-year study in collaboration with the Urban Land Institute (ULI), the hotel moratorium was lifted and a new policy was implemented. Under this new policy, Asheville established a new hotel overlay district. The overlay district implemented a points system for developers who wanted to construct hotels. Developers can earn points by:

1. Pitching a hotel project that revamps and reuses a historic building
2. Donating to the city's affordable housing or reparations fund
3. Agreeing to pay workers a higher, livable wage
4. Contracting with women or minority-owned businesses

The city focused its scoring system on prioritizing projects that address affordable housing, requiring that at least half of the developer's points come from contributing to housing affordability. As reported in the Charlotte Observer, "A 100-room hotel in downtown Asheville would need to either contribute \$400,000 to either the Housing Trust Fund or a Reparations Fund, or build 10 affordable for sale housing units, plus choose from a menu of other benefits such as supporting a Business Inclusion Program or providing living wages in order to get approval at the staff level."

The overlay district has shown signs of success in meeting community needs. The Asheville Citizen-Times reported that the new hotel policy has raised over \$1 million for the City's reparations and affordable housing funds. Additionally, over half the approved projects provide a mix of uses, adding a total of 164 residential units.

Source: Charlotte Observer

5. Pilot an ADU Demonstration Program

Overview

Accessory Dwelling Units (ADUs) are secondary units on detached dwelling property lots, independent from the primary home. They can be attached to the primary structure or detached. The Town should dedicate funding for a demonstration program, which would create renderings and drawings of allowed ADU structures based on the zoning standards.

Towns and cities may allow for ADUs to increase the overall housing stock, but simply allowing for ADUs does not guarantee they will be built. In markets where ADUs have not traditionally been allowed, builders may not know what ADU design standards are allowed or feasible on certain sites.

As part of the ADU demonstration program, the Town may even create full development plans that a developer can take and immediately implement, knowing the construction will comply with existing zoning. By doing so, the Town can increase certainty for developers, which increases the overall feasibility of development.

Current Context

The Town currently allows for ADUs in residential districts but has limited uptake of ADUs. For instance, homeowners may be hesitant to build an ADU because of uncertainty regarding cost and challenges navigating the design process. The Town does not have an ADU demonstration program.

Next Steps

1. Develop a request for proposals (RFP) to solicit firms who can develop renderings of allowable ADU designs.
2. Create diagrams of the ADU development process and timeline.
3. Identify and remove additional zoning barriers to ADU development.

Guidelines

Design Standards: What types of design standards should be prioritized in ADUs?

Program Administration: Determine whether Town staff should develop standard ADU plans or to work with an outside organization

Town Priorities: ADUs can take many forms, including attached or detached, and can range in number and size. The Town should account for their housing priorities when establishing ADU design standards



Case Study: Boston ADU Loan Program

In 2017, Boston launched their ADU pilot, with the intent of reducing barriers to entry for homeowners interested in building an ADU. To meet this goal, the city provided design clarifications, streamlined their permitting process and released an online ADU "Toolkit." The Boston Home Center offers loans that provide gap funding for qualified program participants, to make the construction process more affordable. The Home Center ADU loan is a zero percent interest deferred payment loan of up to \$30,000 for home renovations. These loans have no monthly payments and do not come due for repayment until the owner sells, transfers ownership, or undertakes a cash-out refinancing of the home. To qualify for a loan, applicants must be approved for an ADU Permit.

6. Zone for Attached and Multifamily Housing

Overview

Attached housing, or soft density, as well as multifamily housing can efficiently increase the supply and affordability of housing in Holly Springs.

Attached housing, such as townhomes, duplexes, and triplexes, can accommodate more households in smaller units, which can be built at a lower price point, without significantly changing the character of housing or neighborhoods. Multifamily housing (structures with at least five units) allows more housing units to be built on a site and serves more households at a lower price point than detached dwelling housing. It also expands the tax base and commercial vitality of an area, allows for more housing to be built in desirable areas with greater employment opportunities, and meets demand for rental housing, which otherwise might be met through the conversion of for-sale detached dwelling houses to rental units.

Figure 42: Townhome Purchase Prices in Holly Springs



Townhomes

2,300 Average SF \$490,000 Average Sale Price

Affordable to owners making
\$84,000 (assuming a 20% down payment)

Single-Family Detached

3,100 Average SF \$686,000 Average Sale Price

Affordable to owners making
\$112,500 (assuming a 20% down payment)

Current Context

Detached dwelling homes and attached housing already exist in Holly Springs, but very few areas in Holly Springs permit them by right. Current zoning regulations limit the development of multifamily development and generally require Town Council approval. For instance, only nonresidential buildings less than 40,000 square feet and subdivisions with four or fewer lots are allowed by-right. Parcels that are zoned for multifamily or attached housing can still be rejected in the development approvals process in Holly Springs. Increasing attached and multifamily housing can accommodate more households and provide smaller units, which are generally built at a lower price point than detached dwelling homes.

Currently, 86% of Holly Springs' housing stock is detached dwelling. The predominance of detached dwelling zoning limits the type and supply of new housing. Additionally, this style of housing creates higher sale prices compared to allowing for attached and two-to-four-unit structures on the same parcel. When developers can construct more units on a single parcel of land, it decreases the per unit cost of development, which allows them to decrease the sales price of each unit.

Similarly, allowing for more multifamily development reduces the cost of rents as developers can fit more units on the site.

Next Steps

1. Identify existing or future residential nodes where multifamily development would increase walkability and consolidate development, particularly where the Town is focused on attracting new business campuses.
2. Publicize sites the Town is willing to rezone to attached and multifamily to provide certainty to potential developers.
3. Identify parcels where attached and small multifamily sites, such as duplexes, triplexes, and multiplexes, are appropriate and rezone them.
4. Update UDO to increase housing typologies and locations where allowed.

Guidelines

Geographic targeting: Some or all detached dwelling neighborhoods, in particular those that are proximate to planned employment centers like The Yield and Friendship Innovation Park (Figure 43)

Systemic affordability: Reduce price pressures on new development by allowing increased density

Resource efficiency: High degree of local control, and no public investment required

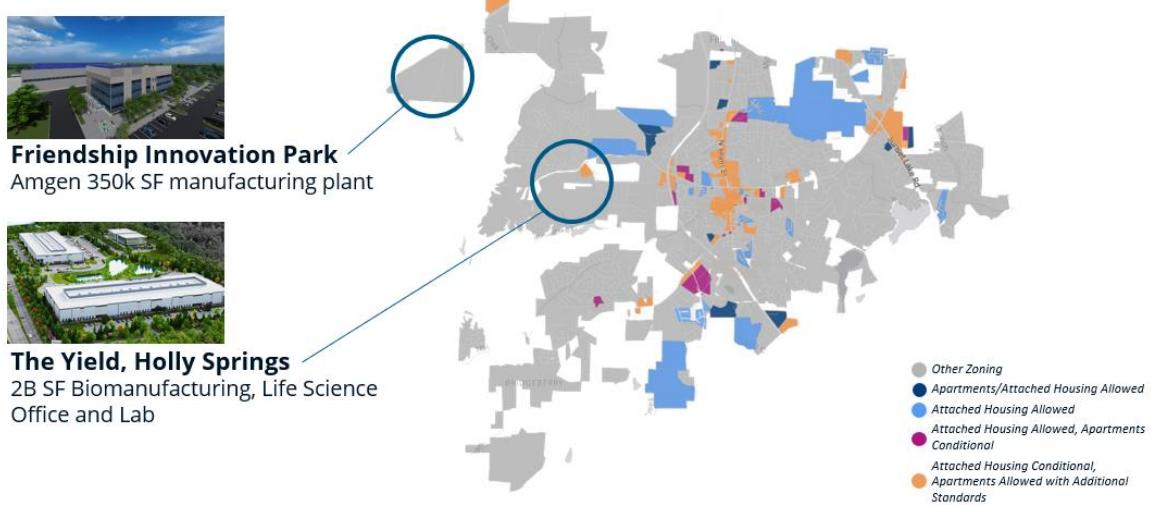
Political feasibility: E.g., resistance to zoning reform by existing homeowners in detached dwelling neighborhoods

Format: Regulations (increase by-right density in areas that allow multifamily, zone more areas for multifamily); processes (streamline entitlements & review processes)

Specifications: Evaluate target areas

Staff Capacity: Requires staff capacity to develop and analyze recommended changes

Figure 43: Friendship Innovation Park and The Yield



Case Study: Fairfax County, VA

Fairfax County, VA rezoned areas around transit stations and commercial corridors to allow housing supply to keep pace with population growth while avoiding contributing to traffic congestion. This nearly doubled the allowable housing, contributing to more efficient use of land and increased housing supply ([Local Housing Solutions](#)).

7. Utility Allocation Plan

Overview

Utility Allocation Plans allocate utility allowances to development projects according to the priorities set by the Town to manage limited resources. Towns can consider allocation requests on a prioritized basis, for example, prioritizing affordable housing projects or housing projects located near job centers.

Utility allocation plans are often used to incentivize more commercial and industrial development. However, utility use can be one of several evaluation criteria in the allocation plan. Other criteria for utility allocation can include alignment with the Town's housing goal to meet the growing demand for housing.

Current Context

Holly Springs does not have a utility allocation plan in place, however, in recent years, other towns in North Carolina have adopted similar plans, including Beaufort, Concord, Fuquay Varina, Knightdale, and Zebulon.

Next Steps

1. Draft a utility allocation plan that prioritizes housing developments that include affordable housing as well as projects located near current and future jobs in Holly Springs.
2. Implement the utility allocation plan.

Guidelines

Town Priorities: Identify specific housing priorities and other priorities to include in the utility allocation plan

Program Administration: The utility allocation process will be managed by the Development Services department as part of the project approval process

Case Study: Town of Knightdale Municipal Water Allocation Policy

In 2008, the Town of Knightdale, NC implemented their first Water Allocation Policy, in an effort to conserve limited and valuable water resources and promote diversity of housing available in the Town. The goals of the policy are:

- Ensure a diversified tax base and housing supply
- Promote diversity of housing available to a wide cross section of citizens of diverse socio-economic backgrounds
- Promote economic viability and sustainability by providing for retail and other commercial development
- Achieve a tax base of 60% residential and 40% commercial/industrial
- Encourage construction of dwellings in Knightdale of an appraised tax value approaching averages found in other communities across Wake County

Proposed projects shall complete a water allocation worksheet, which determines a set of points based on the project use, infrastructure improvements, green development standards, gateway and transit improvements, and amenities for residential projects.

Evaluation and Monitoring

Increasing the supply and diversity of housing types to meet the broad range of housing needs in Holly Springs requires regular monitoring by Town staff. The following metrics are helpful indicators for tracking progress on this goal. The following

targets were developed in collaboration with Town staff and will need to be reassessed annually based on current demographic and housing market trends.

Figure 44: Meet Growing Demand, Evaluation Metrics

| Metric | Current Metric | 2032 Target |
|--|--|-------------|
| Average time to approve development | 18+ months | <12 months |
| Share of housing stock that is detached dwelling homes | 86% detached dwelling housing (share of total housing inventory) | 80% |
| Ratio of new homes built to new jobs added, last 2 years | Not currently monitored | 1:1 |

8. Tools to Preserve and Expand Access to Homeownership

Immediate Next Steps

1. Identify potential funding sources for a pilot down-payment assistance and ADU demonstration program.
2. Define the objectives of the down payment assistance program, including specific groups eligible for down payment assistance, financing structure, source of funds.
3. Collaborate with Wake County to ensure that homeownership programs are complementary.

Challenge | Holly Springs has traditionally been affordable to first-time homebuyers, but homeownership is becoming increasingly out of reach.

Since 2019, sale prices have spiked 59% in Holly Springs, making homeownership less attainable (Figure 45).

Figure 45: Average Sale Price, 2000-2022



Source: Zillow

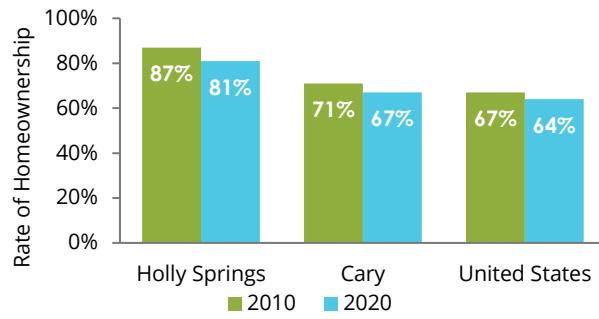
The median renter in Holly Springs can afford to purchase a home for \$340,000, where the median home sale price has increased to \$545,000 in November 2022, which is out of reach for most renters (Figure 45). Homeownership is a key wealth building tool, enabling families to save for retirement, save for college, or start a business. When homeownership is unaffordable and ownership rates decrease, households struggle to prosper.

Solution | Create affordable homeownership opportunities through land use changes that reduce the cost of housing and direct assistance to households.

There are two primary methods the Town can use to help create affordable homeownership

Holly Springs' homeownership rate is 81% which is notably higher than the national average, and slightly higher than neighboring Towns in the Triangle region (Figure 6, ACS 2020 5-year Estimates, U.S. Census). Nonetheless, the Town should seek to preserve the current homeownership rate and expand access to homeownership to households currently priced out.

Figure 46: Rate of Homeownership, 2010 and 2020



Source: ACS 2020 5-year Estimates, U.S. Census

opportunities in Holly Springs: land use tools and direct assistance tools.

The **land use** regulations in Holly Springs set the regulatory environment in which developers and property owners make investment decisions and influence housing affordability by impacting the amount, type, location, and cost of new development. There are two ways that land use and regulatory tools can support affordability:

1. Direct tools support the creation of affordable housing through incentives or requirements for the production of affordable units. (e.g., expedited review for affordable housing projects, inclusionary or incentive zoning).
2. Indirect tools increase the overall supply of housing and lower the cost of new housing. (e.g., multifamily by-right zoning, accessory dwelling units). In Holly Springs, indirect tools should be implemented to create more opportunities for homeownership. For example, permitting more attached housing, smaller lot sizes, or using development agreements to encourage a mix of uses within a single development can incentivize smaller unit types, which are generally more affordable to low-to-middle income households. During Community Meetings as part of the Study,

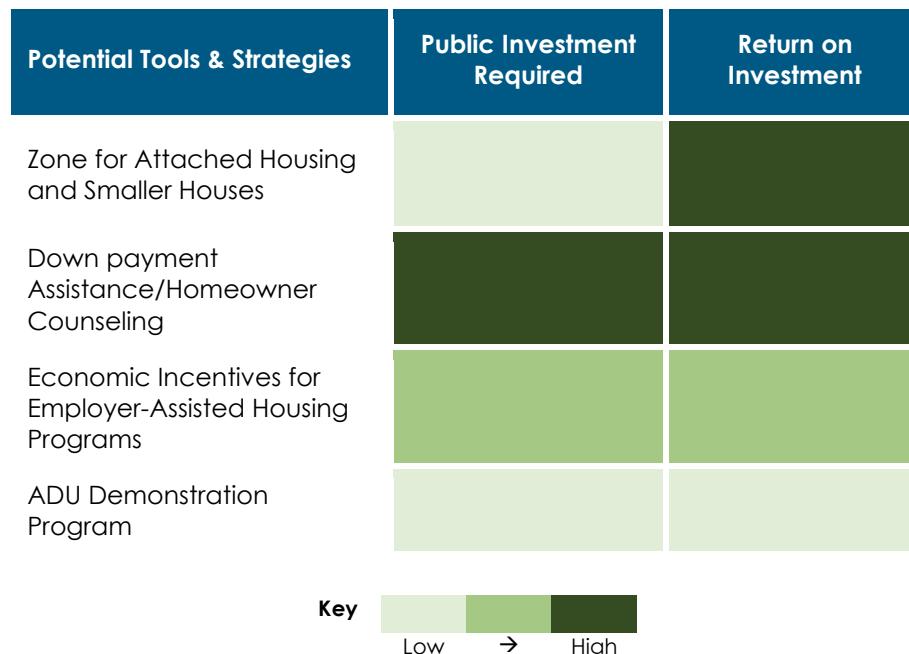
Holly Springs residents expressed a desire for more attached condo units, "There should be more condos because that is the only typology that sells for less than \$300k in the Town." Land use tools, such as attached housing or multifamily housing allows developers to build more, smaller units at a lower price point without significantly changing the character of housing or neighborhoods.

Direct assistance provides direct funding to households in order to support a purchase of a home the household otherwise could not afford.

Holly Springs can plan for and deploy the following tools to preserve and expand access to homeownership.

- Permit More Attached Housing and Smaller Houses
- Down Payment Assistance and Homeowner Counseling
- Economic Incentives for Employer-Assisted Housing Programs
- ADU Demonstration Program

Figure 47: Preserve and Expand Access to Homeownership, Tools, Public Investment Required, Level of Impact



8. Offer Down Payment Assistance and Homeowner Counseling

Overview

Down Payment Assistance programs provide funding in the form of a grant or forgivable loan to reduce the up-front costs of purchasing a home. To increase impact, assistance programs can be paired with counseling for first-time homebuyers. Many first-time homebuyer households have incomes to support monthly mortgage payments but do not have the assets required for the upfront down payment and closing costs. Homeownership counseling helps existing or prospective homeowners to plan for the costs of homeownership.

Housing Counseling may include services such as:

- Identify affordable purchase prices and evaluate mortgage options
- How to choose a home, a real estate agent, insurance, etc.
- Navigating inspections, home purchase, and closing
- Planning for full costs of homeownership including maintenance needs
- How to avoid discrimination & predatory lenders
- Financial planning assistance
- Foreclosure prevention

Typically, down payment assistance programs contribute \$35,000-\$40,000 per household, primarily benefitting low- and moderate-income homebuyers (50%-80% AMI, equivalent to incomes of approximately \$48,000-\$77,000 for a family of four).

Current Context

Holly Springs does not have a down payment assistance program or partner with an organization to provide homeownership counseling. Wake County launched the Affordable Homeownership Program in 2021 to provide down payment assistance to households. Their program provides up to \$20,000

in assistance per households. HUD limits the purchase price of homeowners using this program to \$308,000 in the Raleigh MSA. A household making 60% AMI can afford a home between \$272,000 and \$379,000, depending on the down payment. If a household can only offer a 3% to 5% down payment, they still have a \$5,000 to \$15,000 gap after accounting for the \$20,000 received from Wake County. This \$5,000 to \$15,000 gap can be met by the Town if it dedicates funding to a down payment assistance program.

Next Steps

1. Define the objectives of the program, including specific groups eligible for down payment assistance, financing structure, source of funds.
2. Collaborate with Wake County to ensure the programs are complementary.

Guidelines

Program Scale: Extent of funding will directly correlate to the extent of impact

Eligibility: Determine target households (e.g., households at 80% AMI, older households, veterans, etc.)

Buyer Financing: Structure financing structure, considering loan forgiveness, reduced interest rates, etc.

Level of Assistance: Determine per household maximum

Price Cap: Consider max sales price eligibility

Key Actors: Development Services, Wake County, private lenders and funders, nonprofit partners

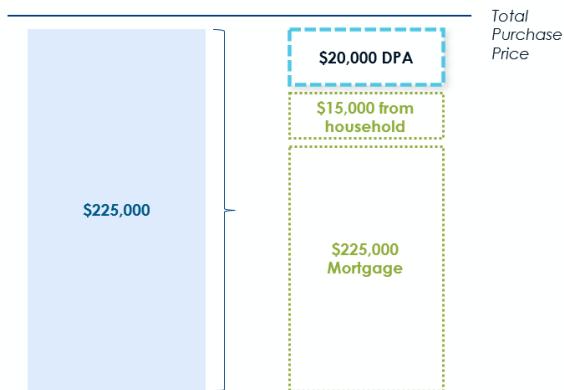
Administration: The Town can contract with outside partners to support the program. Staff capacity will need to be dedicated to oversee partner organizations

Case Studies:

Raleigh's [Homebuyer Assistance program](#) offers zero-interest loans up to \$20,000 to help with down payment and closing costs or a gap in financing. Loan payments are not due until the home is sold or the owner no longer lives there. Qualified homeowners must make less than the specified household income limit, which varies by household size. Applicants are required to attend homebuyer counseling courses with DHIC.

Durham's [Down Payment Assistance Program](#) aids low-income residents for the purchase of a home. The program also provides homebuyer education and counseling along with financial assistance, to help households acquire and sustain homeownership. Eligible applicants must be first-time homebuyers with household income less than 80% of AMI.

Figure 48: Example Down Payment Assistance



Evaluation and Monitoring

Preserving and expanding homeownership access in Holly Springs requires regular monitoring by Town staff. The following metrics are helpful indicators for tracking progress on this goal. The following

targets were developed in collaboration with Town staff and will need to be reassessed annually based on current demographic and housing market trends.

Figure 49: Preserve and Expand Access to Homeownership, Evaluation Metrics

| Metric | Current Metric | 2032 Target |
|---|--|--|
| Homeownership rate for households with seniors present (75+). | 67%, with a 20% decline since 2010 | Stabilize the decline in homeownership for this demographic group. |
| Number of units in new construction affordable to the median renter or first-time homebuyers. | 26% of homes sold in the last 2 years were affordable to the median renter, 2% were 1-2 bedroom units. | 30% affordable to median renter, 5% 1-2 bedroom units. |

9. Tools to Retain Existing Residents

Immediate Next Steps

1. Build support for and dedicate a stable funding stream for the housing affordability programs.
2. Identify qualified private and nonprofit housing providers and pre-approve contractors to implement an owner-occupied rehabilitation program.
3. Identify town-owned land to sell at a discount to a Community Land Trust.

The Town can deploy public investment tools to combat growing displacement pressure and help existing residents remain in their homes. However, in order to use these types of tools and strategies, the Town would first need to build support to dedicate local funding to address housing issues. In the meantime, the Town can focus on **piloting subsidy-based programs** at a small scale.

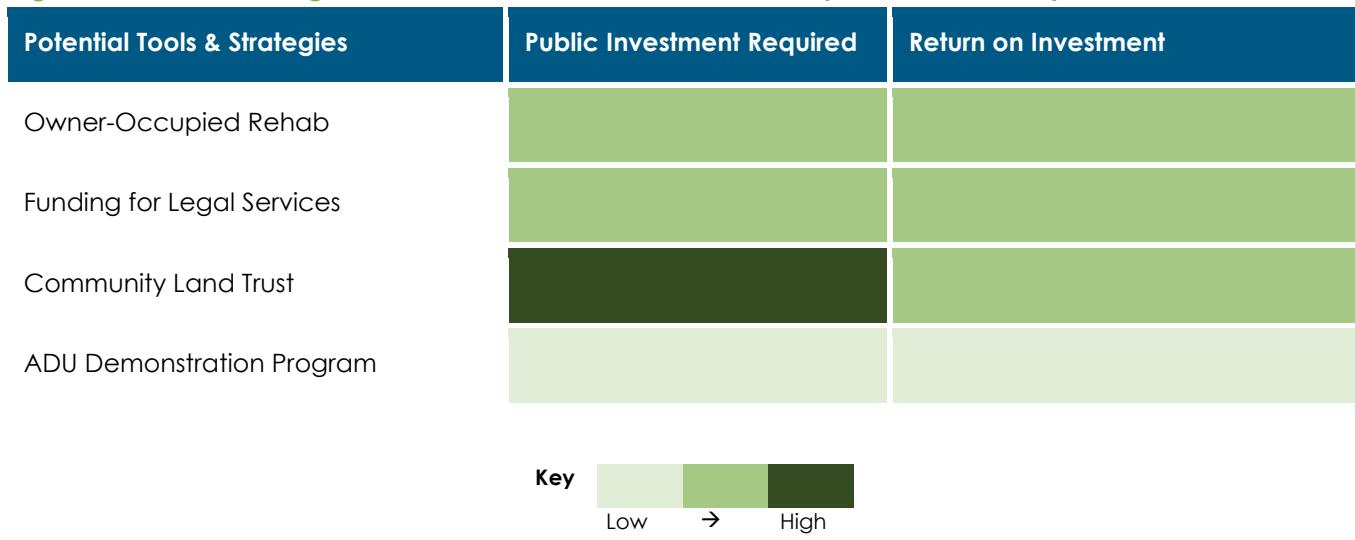
Public investment in the form of capital subsidies and operating subsidies are critical for meeting the housing needs of low-and very low-income households. **Capital subsidies** are low- or no-interest debt and grants to reduce the cost to develop or acquire housing. Capital subsidies are crucial for creating permanent affordable housing in an expensive housing market like Holly Springs. Examples of capital subsidies include gap

financing, down payment assistance, and public land disposition.

Operating subsidies and income assistance are ongoing payments to the property owner or tenant to supplement lower, affordable rent. Operating subsidies and income assistance are the primary way to make rent affordable for households that do not make enough to pay local housing costs, for example, housing vouchers.

Tenants' rights tools help low-income renters hold power over their housing and counter predatory and unjust practices. These tools serve to cushion market pressures on existing tenants to increase housing stability. For example, legal counsel or funding for legal services helps existing residents stay in their homes when faced with pressures that often lead to displacement.

Figure 50: Retain Existing Residents, Tools, Public Investment Required, Level of Impact



9. Pilot an Owner-Occupied Rehab Program

Overview

Owner-Occupied Rehabilitation programs help maintain the affordability of homeownership by ensuring that income-qualifying homeowners can make necessary repairs to make their homes safe and age in place. Owner-occupied rehabilitation works to repair existing naturally occurring affordable housing (NOAH) stock. Rather than targeting multifamily homes, owner-occupied rehab typically targets detached dwelling homes. Qualifying repairs often include structural repairs, modernization, repairs to heating and plumbing systems, weatherization, and accessibility improvements to help seniors age in place. Cosmetic improvements are typically not eligible costs.

Owner-occupied rehab typically benefits low- and moderate-income homeowners and particularly senior homeowners who have lived in Holly Springs for a long time. Programs are typically structured such that homeowners can receive owner-occupied rehab funds through grants, loans, or tax abatements.

Current Context

Holly Springs does not have an owner-occupied rehabilitation program. Wake County offers grants for home repairs for homeowners making 50% or less of Area Median Income. Holly Springs can create its own pilot program, and layer funding on top of the County's to make the programs more feasible in high-cost areas.

Next Steps

1. Build support for and dedicate a stable funding stream for the program.
2. Identify qualified private and nonprofit housing providers and pre-approve contractors to make repairs.
3. Periodically evaluate annual allocation of owner-occupied program funds.

4. Engage non-profit partners to coordinate with Wake County's program managers so that participants can layer the program with the County's when appropriate.
5. Coordinate with partner organizations to ensure that Holly Springs residents know about and can apply for Wake County funding.
6. Reevaluate the program on an ongoing basis to set terms that are complementary to Wake County's programs.

Guidelines

Eligibility: Determine target households (e.g., detached dwelling homeowner households at 80% AMI, older households, veterans, etc.)

Key Actors: Wake County, Development Services, non-profit partners

Administration: The Town can contract with outside partners to support the program. Staff capacity will need to be dedicated to oversee partner organizations

Case Studies:

Wake County offers several owner-occupied rehabilitation programs to support residents with home repairs. These programs are applicable to specific homeowner groups (see Figure 51).

Raleigh offers two different owner-occupied rehabilitation programs, which layer on top of Wake County's programs. The Homeowner Rehabilitation Program helps elderly or disabled homeowners finance the cost of major repairs to homes when a threat to life, safety, or health of the occupants is present. The Limited Repair Program helps with specific repairs when the resident's life, safety, or health is threatened (see Figure 51).

Figure 51: Owner Occupied Rehab Program Case Studies

| Program | Funding or Financing Mechanism | Description | Population Served |
|---|---|---|---|
| Wake County Elderly and Disabled Homeowner Grants | Grants | Modest home repairs to assist with mobility or retrofits. | Elderly and disabled homeowners making up to 50% of Area Median Income (AMI). |
| Wake County Emergency Grant Program | Grants | Home repairs including heating, well/septic, roof, and electrical hazards. | Homeowners earning up to 40% of AMI. |
| <u>Raleigh Homeowner Rehabilitation Program</u> | 0% interest loan, forgiven after 5 years | Major repairs to home that address issues presenting a threat to the life, safety, or health of the occupants. | Elderly (62 years) or disabled owner-residents for at least 5 years. Eligible applicants must not exceed the specified income limits, which vary by household size. |
| <u>Raleigh Limited Repair Program</u> | Loans, discounted 20% every year and forgiven after 5 years | Repairs for roof, heating and cooling systems, electrical, plumbing, or structural problems threatening the life, safety, or health of occupants. | Homeowners with incomes below the specified limits, which vary by household size. |

10. Provide Funding for Legal Counsel and Services

Overview

Legal counsel or funding for legal services provides counsel for low-income renters without adequate representation for legal disputes, including those involving housing, such as evictions or landlord/tenant disputes. Funding for nonprofits and other agencies that provide legal services to tenants facing eviction, landlord disputes, and other housing problems makes efforts towards mitigating the negative consequences of displacement for low-income families facing increasing rent burdens.

Next Steps

Key Next Steps:

1. Create a fund to support counsel for eviction cases.
2. Identify pro bono representation to supplement City-funded support.
3. Design a suite of supporting services that help tenants stay in housing and out of court long-term, such as funding for mediation or court appearances.

Guidelines

Program Scale:

Town-wide

Eligibility: Determine target households (e.g., households at 80% AMI)

Key Actors: Development Services, Planning Board, Town

Case Study: Durham Eviction Diversion Program

In response to the COVID-19 pandemic, Durham County provided funding to support a partnership between the Durham Department of Social Services, Legal Aid of North Carolina, and Duke Law's Civil Justice Clinic to support households at risk of eviction. The program provides a mixture of education, legal advocacy, and rental assistance to prevent evictions for low-income renters in Durham.

To be eligible, households must meet the following criteria:

- Client's household income must be below 125% of the Federal Poverty Threshold;
- Client must have received a late rent notice; or
- Client must have fallen significantly behind in rent; or
- Client has been served with an eviction court proceeding (Summary Ejectment)

Source: Legal Aid of North Carolina, Durham Evictions Mapping Project

11. Invest in a Community Land Trust

Overview

Community Land Trusts (CLTs) preserve long-term affordability of homes and provide access to wealth creation for low- and moderate-income residents. CLTs create opportunities for perpetual, affordable homeownership for low-income households by selling homes at a reduced cost to income-qualified buyers. Restrictions are also placed on the resale price of the properties. A CLT is an alternative to a public-private land bank.

A community-based organization, such as a local housing nonprofit or community development corporation, makes an upfront investment of funds to "buy" the affordability of homes in perpetuity for low- to moderate-income residents. CLTs operate under a shared equity model, whereby the CLT retains ownership of the land and households purchase the structure. After the property is purchased, the community-based organization will build or rehabilitate the home and sell to an income-qualified household. Because the homeowner only purchases the home and not the land it sits on, this purchase price is typically more affordable.

The Town and partner organizations can layer down payment assistance to help increase affordability. If the owner chooses to sell the home, they must sell it at a specified price, to maintain affordability in perpetuity.

Next Steps

1. Build support for funding and create a budget for an annual CLT allocation program.
2. Identify town-owned land to sell at a discount.
3. Determine objectives for the CLT including level of subsidy and affordability level.
4. Release a Request for Proposals to existing CLTs to apply for land in Holly Springs.

Guidelines

Key Actors: Raleigh Area Land Trust or newly established land trusts, Development Services

Current Context

Home prices in Holly Springs have increased 65% since 2019 to \$578,100 on average (Zillow). The median renter in the Town can afford a home for only \$360,000 (ACS 2010-2019 5-year Estimates, HR&A). As costs continue to rise, homeownership becomes increasingly out of reach for renters in the Town.

The typical cost per home in Wake County, after Town Contribution through a CLT, is \$40,000-\$65,000. Primary beneficiaries of a CLT structure are low- and moderate-income potential homeowners.

There is not currently a CLT in Holly Springs, but the Raleigh Area Land Trust (RALT) is a new CLT looking to expand community ownership in the region.

Case Study: Community Home Trust, Chapel Hill, NC

Community land trusts can be an effective tool in neighborhoods with high displacement risk. Community Home Trust (CHT) is a community land trust that already exists in Chapel Hill. CHT was created to support affordable homeownership in Chapel Hill, with over 330 permanently affordable homes in their existing inventory. Their portfolio includes a mixture of rental and for-sale properties that serve households making 60% area median income (AMI) and below. As of 2021, the average income of CHT homeowners at the time of purchase was \$41,820. Additionally, the average purchase price of a CHT home was \$120,500 compared to a median price of \$475,000 in Chapel Hill overall. Additionally, CHT provides homebuyer counseling, including courses on home maintenance. They also accept housing vouchers for tenants of their rental units.

Source: Community Home Trust



Image: Detached dwelling home sold by CHT

Figure 52: Community Land Trust Structure

Traditional Purchase



In traditional Real Estate Transactions, the homeowner owns the house and the land it sits on

CLT Purchase



A CLT structure separates ownership of land from the buildings that sit on it. The CLT maintains ownership of the land, and leases it to the homeowner.

Evaluation and Monitoring

Preventing displacement in Holly Springs requires regular monitoring by Town staff. The following metrics are helpful indicators for tracking progress on this goal. The following targets were developed

in collaboration with Town staff and will need to be reassessed annually based on current demographic and housing market trends.

Figure 53: Retain Existing Residents, Evaluation Metrics

| Metric | Current Metric | 2032 Target |
|--|--|---|
| Households paying at least 30% of their income on housing by income level: <ul style="list-style-type: none">• Renters making \$20K to \$40K• Renters making \$40K to \$60K | 86% of renters making between \$20k and \$40k are cost burdened. 38% of renters making between \$40k and \$60k are cost burdened. | <60% of renter households making between \$20k and \$40k. <20% of renter households making between \$40k and \$60k. |
| Decline in households making less than 60% of Area Median Income. | -4% from 2010 to 2019 | Stabilize the decline in households in this demographic groups. |
| Number of long-term affordable units created and preserved. | 128 units since 2010 | 20% of new rental and homeownership units affordable to 80% AMI or less, 10% of new rental units affordable to 60% AMI or less. |

APPENDIX

Study Preparation

HR&A Advisors, Inc. (HR&A) helps create more equitable, resilient, and dynamic communities. Our work turns vision into action through rigorous analysis, strategy development, and implementation planning.

We have offices in New York, Atlanta, Dallas, Los Angeles, Raleigh, and Washington DC; a presence that allows us to serve clients all over the world. Through its 40 years of history, HR&A has advised local governments, developers, philanthropies,

advocates, and community stakeholders on how to develop and implement effective housing policies and development projects.

Holly Springs Town Staff played an integral and advisory role in this Study by offering input on housing analysis and draft strategies and facilitating portions of the community engagement effort. Departments involved include Development Services and Economic Development.

Acknowledgements

This Study is the result of a 10-month planning process led by Town of Holly Springs and conducted in collaboration with a broad group of local stakeholders, including residents, elected leaders, Town staff members, Advisory Committee members, and members of the public who were instrumental to this process and provided invaluable insight and feedback.

Holly Springs Housing Advisory Committee

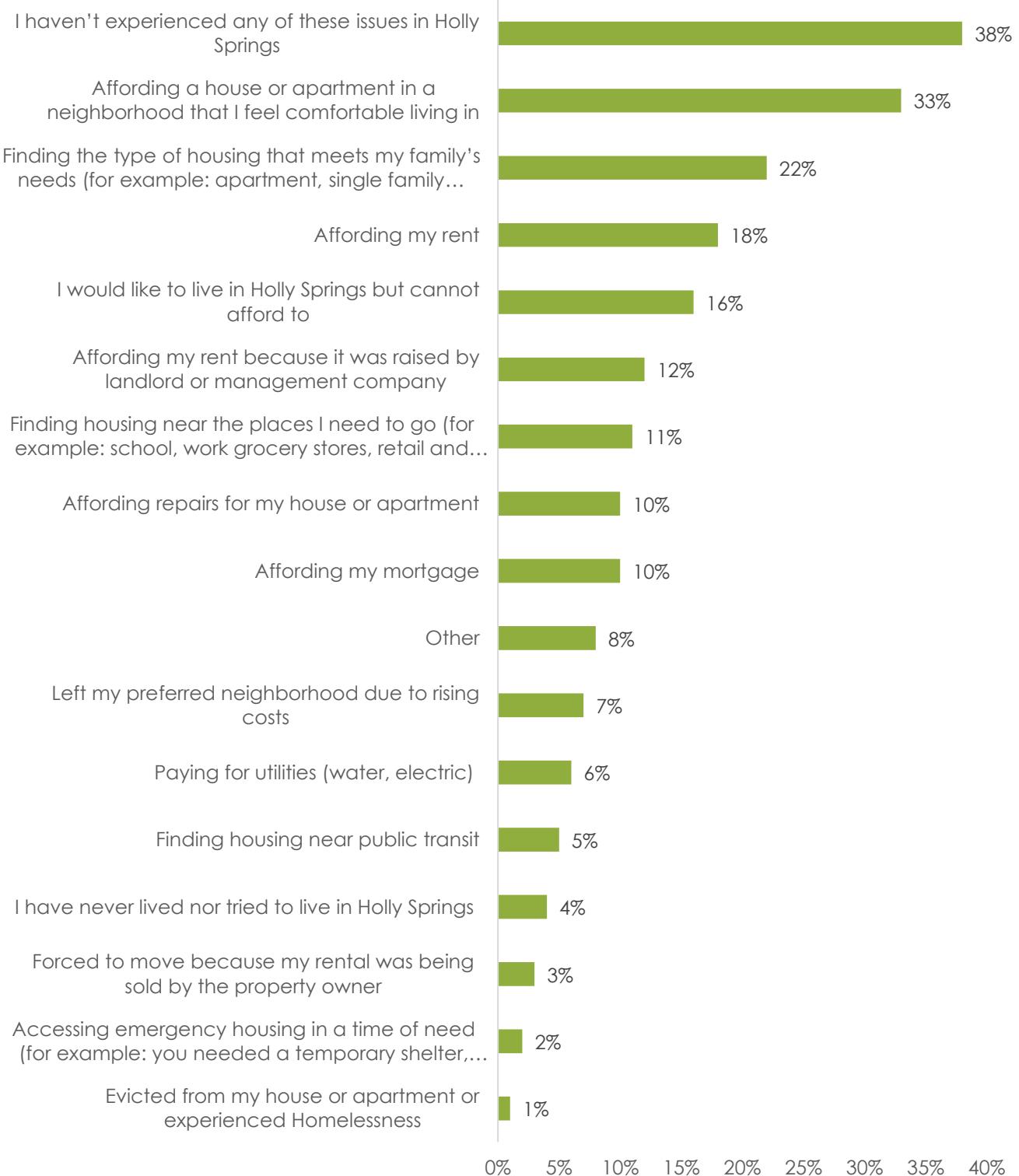
Jeremiah Casewell, Western Wake Crisis Ministry
Devin Cofield, Holly Springs Resident
Chris Deshazor, Planning Board Alternate
Tim Forrest, Town Council Alternate
Joel Geniesse, Holly Springs Homeowner
Joanna Holder, Planning Board
Brooke Little, Holly Springs Resident
Frances Perkins, One Wake
Sherry Presnall, Western Wake Crisis Ministry
Jacob Rogers, Home Builders Association
Kimberly Sanchez, Holly Springs Homeowner
Sandra Stanislaus, Holly Springs Homeowner
Phaedra Watkins, Realty One Group Promise
Aaron Wolff, Town Council

Holly Springs Town Council

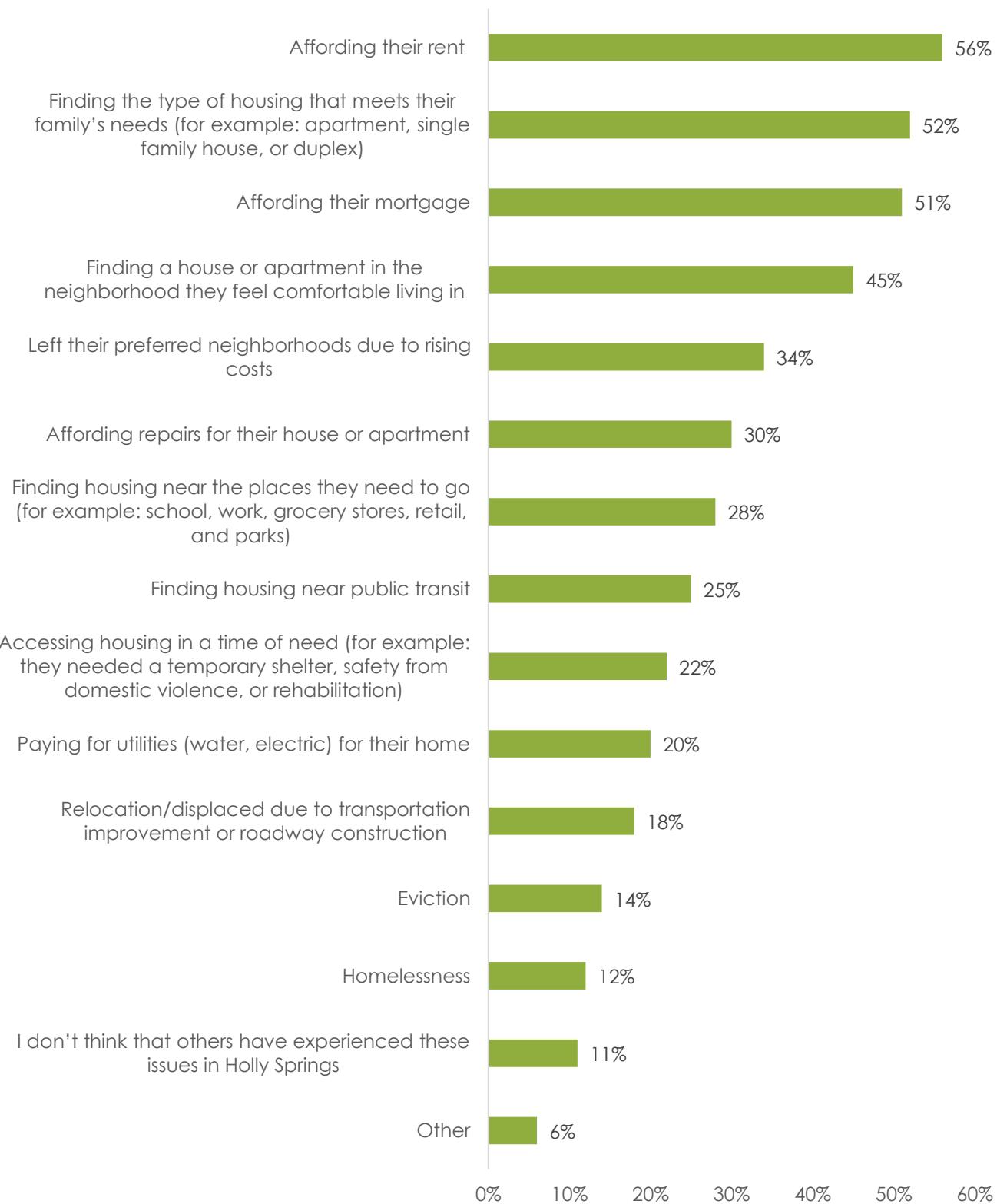
Sean Mayefskie, Mayor
Daniel H. Berry, Mayor Pro Tempore
Kristia Bennett
Timothy Forrest
Shaun McGrath
Aaron Wolff

Community Survey Results

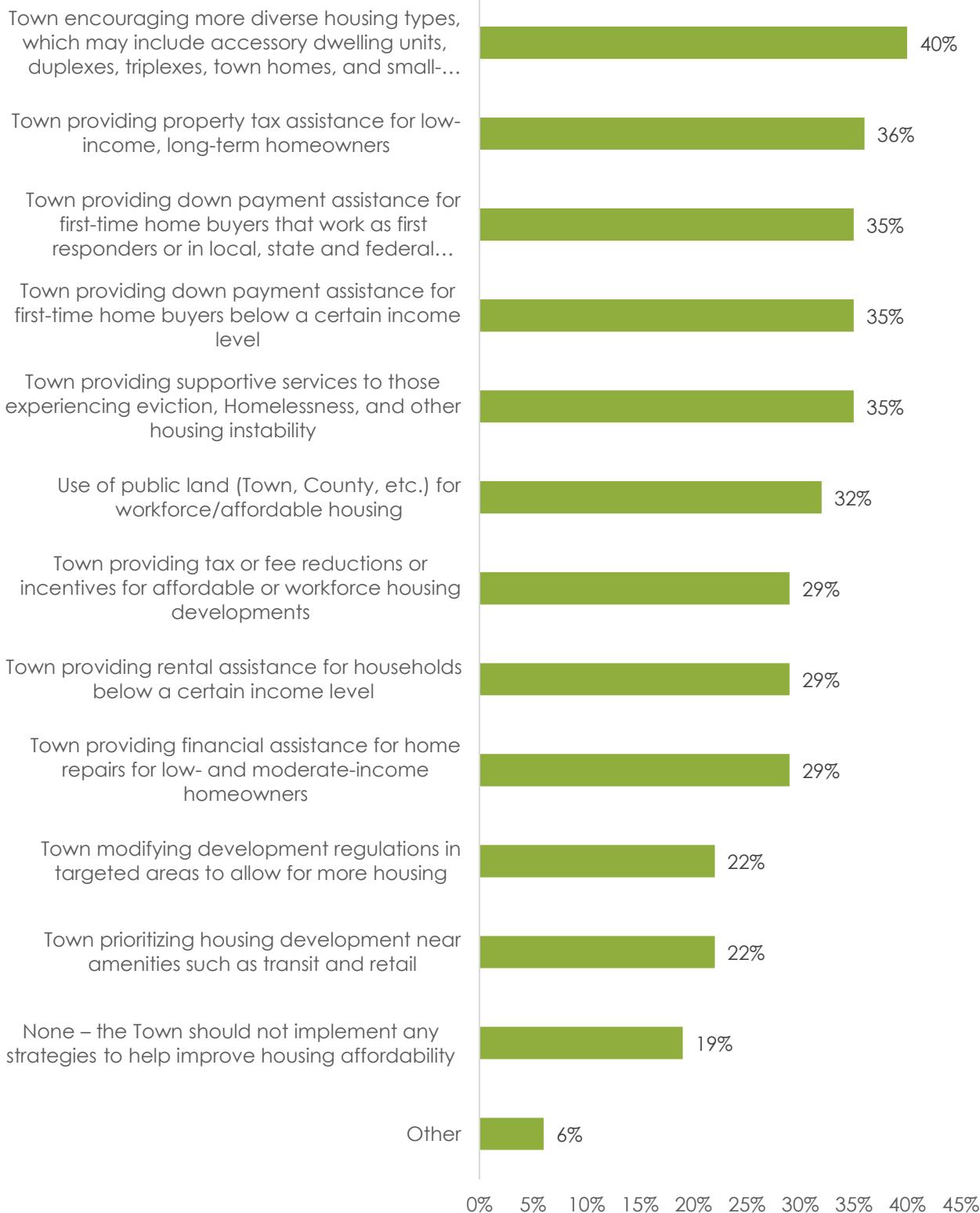
What housing challenges, if any, have you experienced in Holly Springs? Select all that apply.



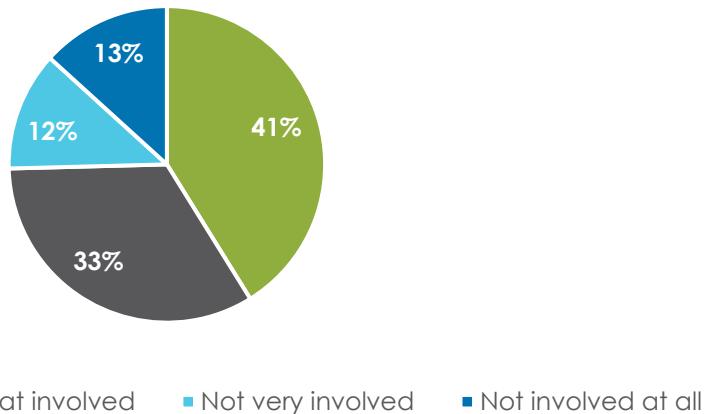
What housing challenges do you think others experience in Holly Springs? Select all that apply.



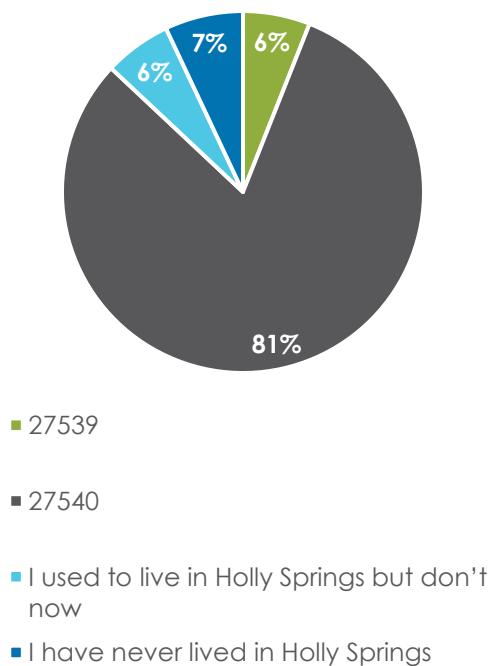
Using the list below, select the strategies you would support the Town using taxpayer dollars to address housing affordability within Holly Springs.



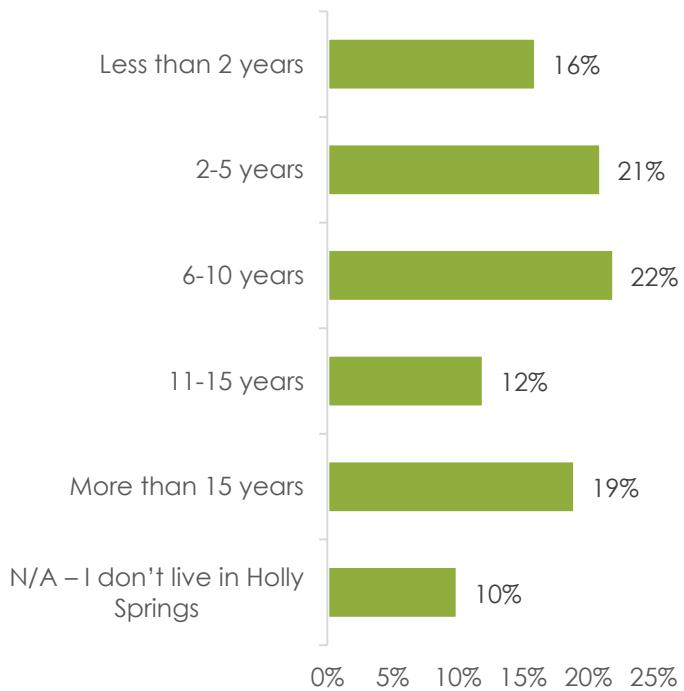
To what extent should the Town be involved in ensuring there are affordable or workforce housing opportunities in Holly Springs?



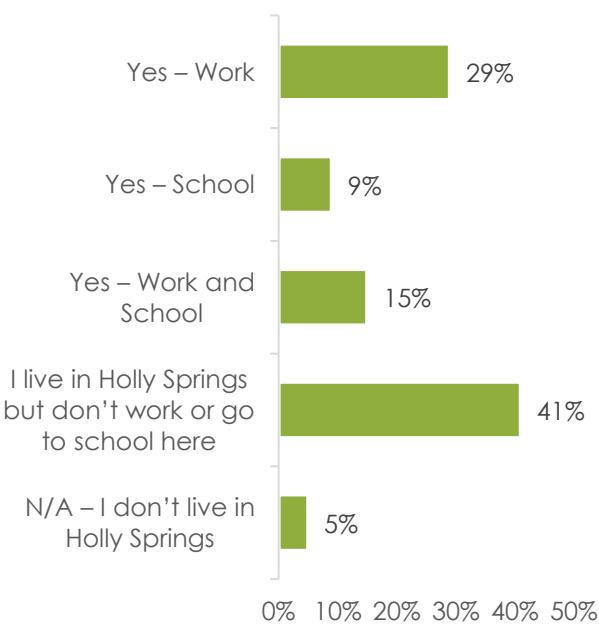
What zip code do you live in within Holly Springs?



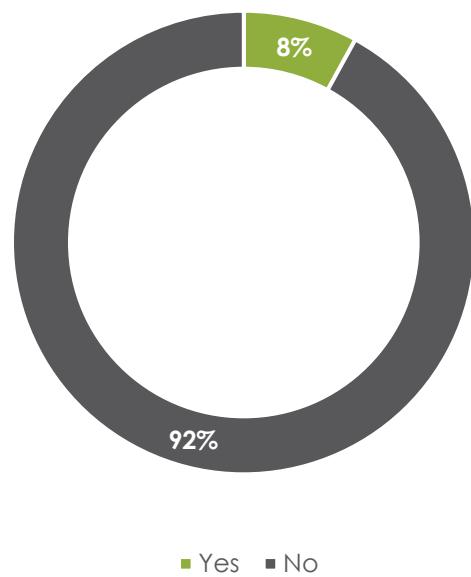
How long have you lived in Holly Springs?



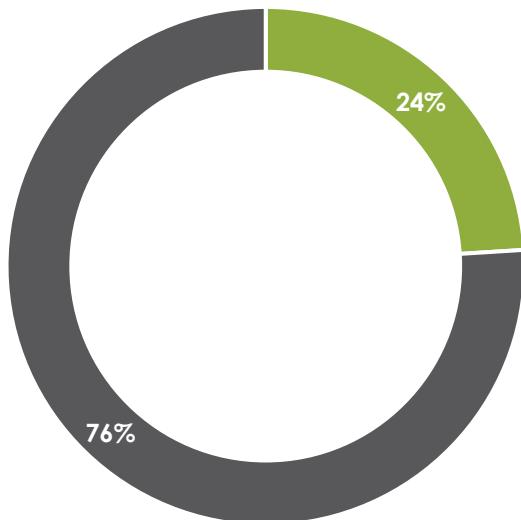
Do you work and/or go to school in Holly Springs?



Are you a Town of Holly Springs employee?

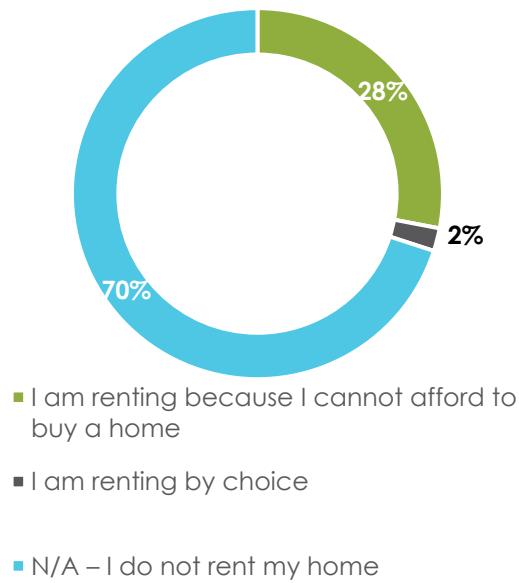


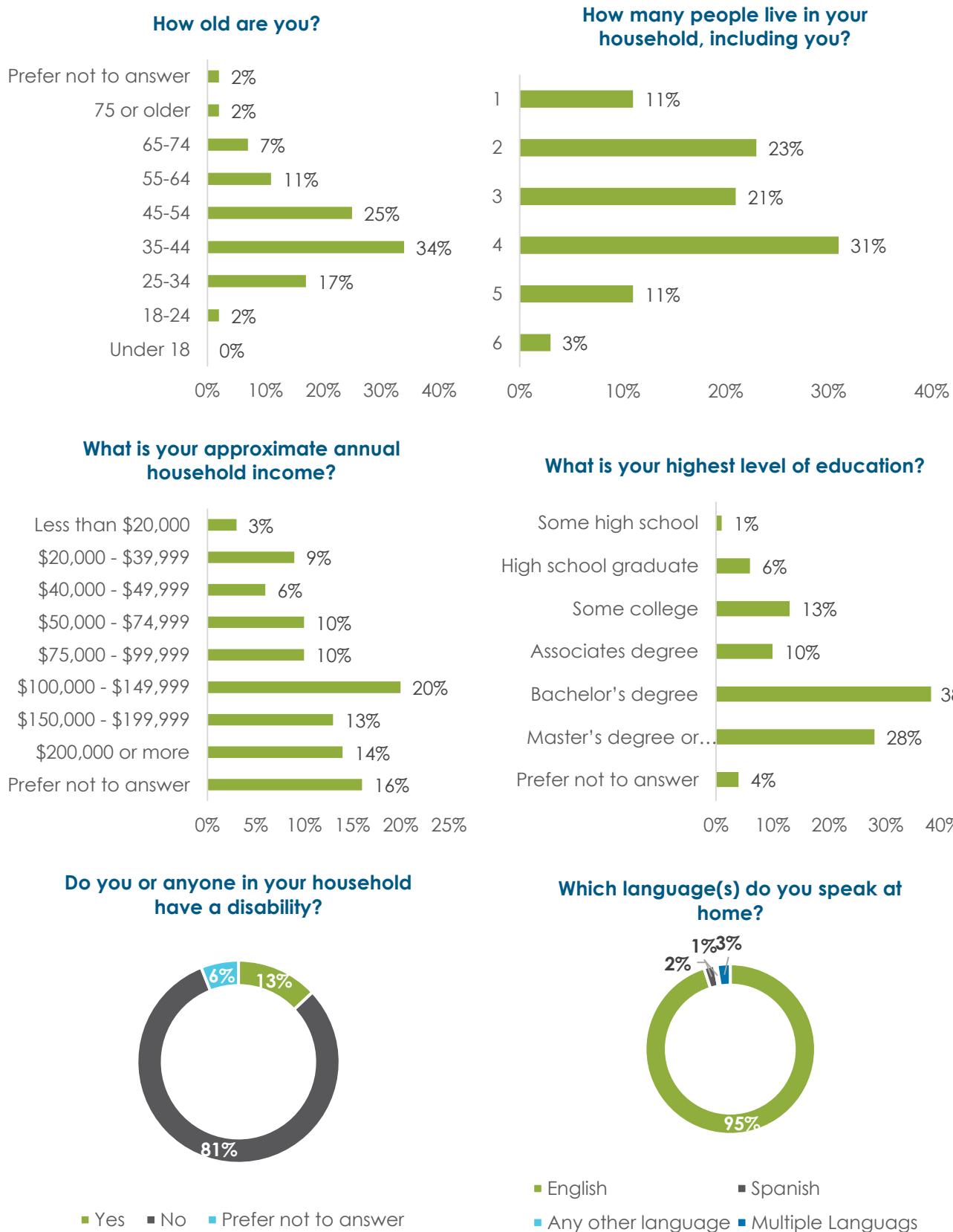
Do you rent or own your home?



■ Rent ■ Own

If you selected “Rent”, why do you rent your home?





■ Yes ■ No ■ Prefer not to answer

■ English ■ Spanish
■ Any other language ■ Multiple Languages

Which categor(y)(ies) best describes you? Select all that apply.

