

Draft Housing Needs Assessment for Rutherfordton, NC

July 28th, 2020

Introduction

As highlighted in the 2019 Town of Rutherfordton Action Plan, quality housing is a top priority. The Town Council seeks to ensure access to quality housing for all citizens.

This report begins with a comprehensive analysis of demographic trends in the Town and the county, as well as an assessment of the Town's current housing inventory. Together the data presents a richer understanding of the need for affordable housing in Rutherfordton.

As the Town of Rutherfordton reviews its affordable housing strategy, the demographic, income, and housing data presented in this report should provide an important baseline of understanding of the current conditions impacting possible future housing interventions.

*It should be noted that the economic impact from COVID-19 will not be represented in any data in this report.

Demographics

Methodology

Data for this section come from the North Carolina Housing Coalition, the North Carolina Housing Finance Agency, and the 2018 American Community Survey (ACS) 5-year estimates. The 2018 ACS includes data collected over a 5-year period in order to achieve a large enough sample size for small places, such as Rutherfordton. Even so, as sample data, a degree of uncertainty around the reported numbers must be acknowledged. These data reflect the people and area within the Town limits and do not include the extra-territorial jurisdiction (ETJ).

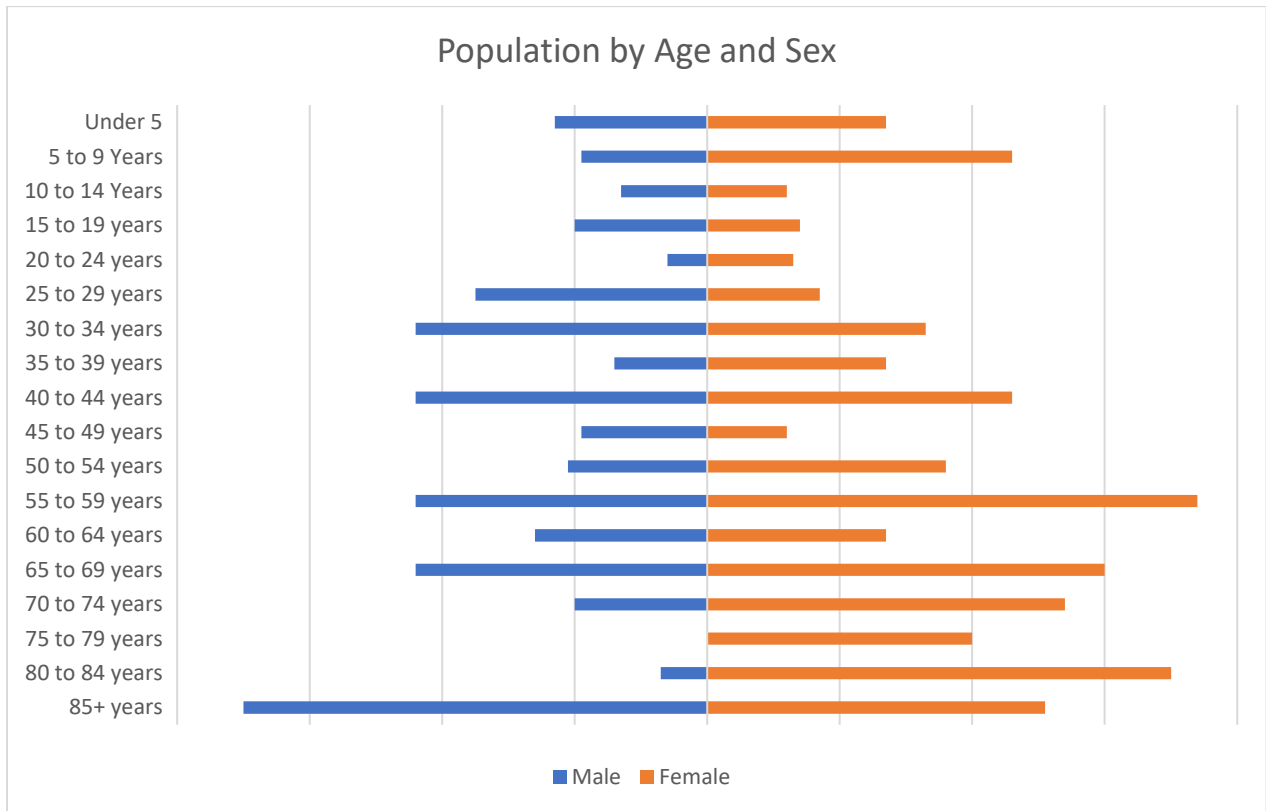
Nestled in the Blue Ridge Mountains, the Town of Rutherfordton is a small area, equating to 4.2 square miles. As the county seat, Rutherfordton is the home of 4,044 citizens, according to the 2018 American Community Survey. There are 981.6 people per square mile.

Age

The age structure of Rutherfordton is similar in many ways to other suburbs. The large swells in the population pyramid at the bottom and toward the middle are typical of most suburbs and reflect the strong presence of families with children (adults in their 40s and 50s and grade school children). The older age groups are more prominent in Rutherfordton than the typical suburbs, due to the median age of 53.1.

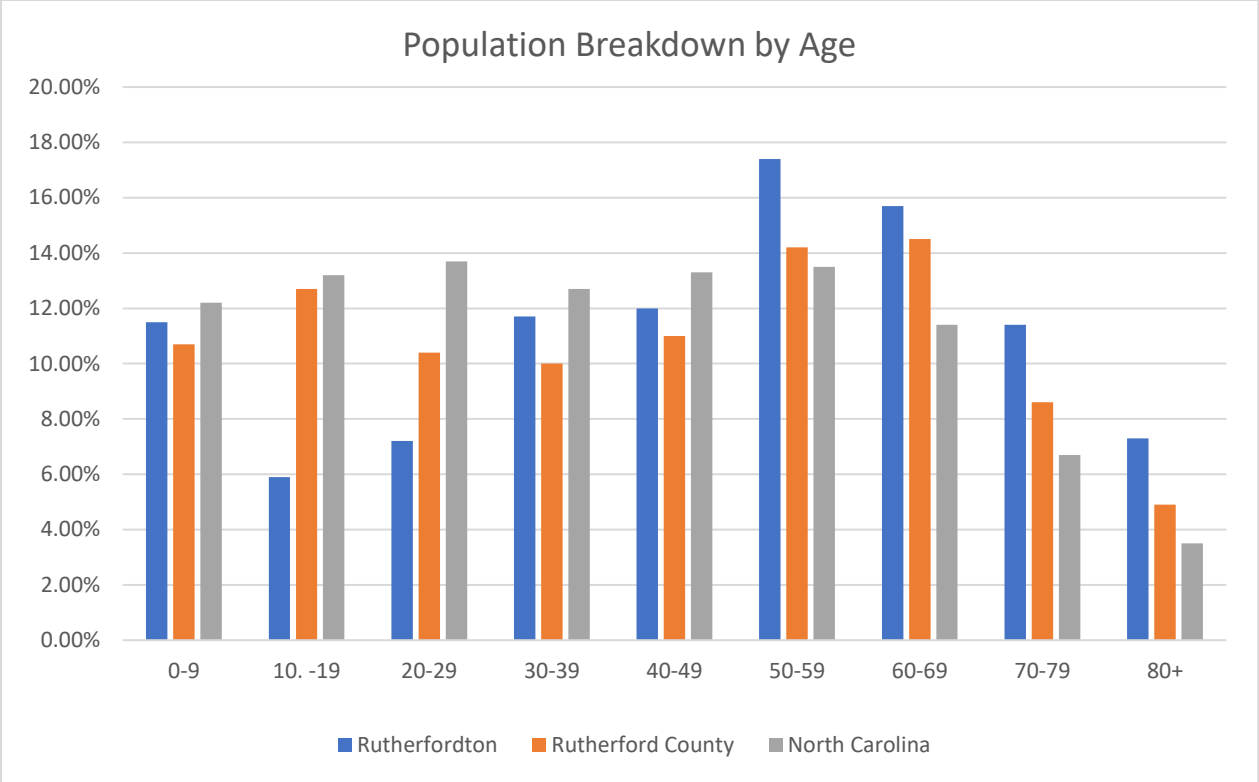
The sizeable divot in the middle is millennials (ages 20 to 39). This group is small in most suburbs, but the lack of millennials is even more pronounced in Rutherfordton. Millennials have been noted in recent years for their strong preferences for living in urban areas with vibrant, walkable downtowns full of amenities. However, these preferences may be changing. According to a recent study by the Urban Land Institute, "Many feel that time is on the suburbs' side. They argue that the deferral of marriage and

family formation by millennials, and the related preference for downtown living in denser, more active “mating markets,” is just that: deferral. Eventually, the logic goes, generation Y will follow the baby boomers’ path and head to the suburbs in the child-rearing years.”¹ The Joint Center for Housing Study at Harvard notes that millennials will start to play a bigger role in the housing market, but at the same time, they “have come of age in an era of lower incomes, higher rents, and more cautious attitudes towards credit and homeownership,” which may impact their home buying habits.²



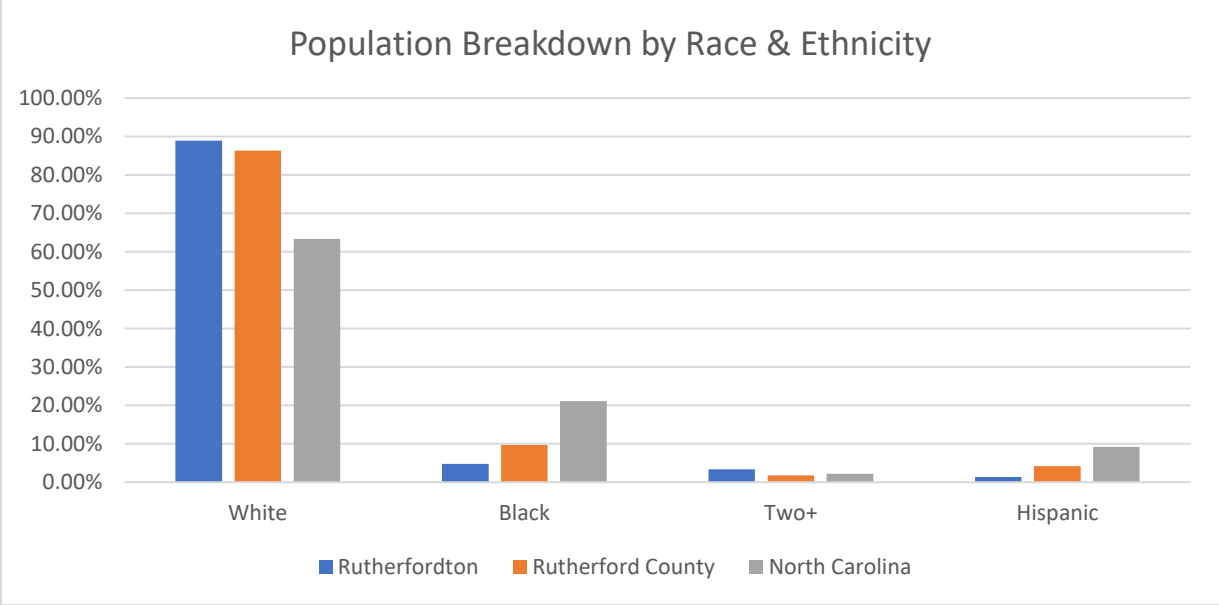
¹<http://uli.org/wp-content/uploads/ULI-Documents/EmergingTrends-in-Real-Estate-United-States-and-Canada-2016.pdf>

²http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_2016_state_of_the_nations_housing_lowres.pdf



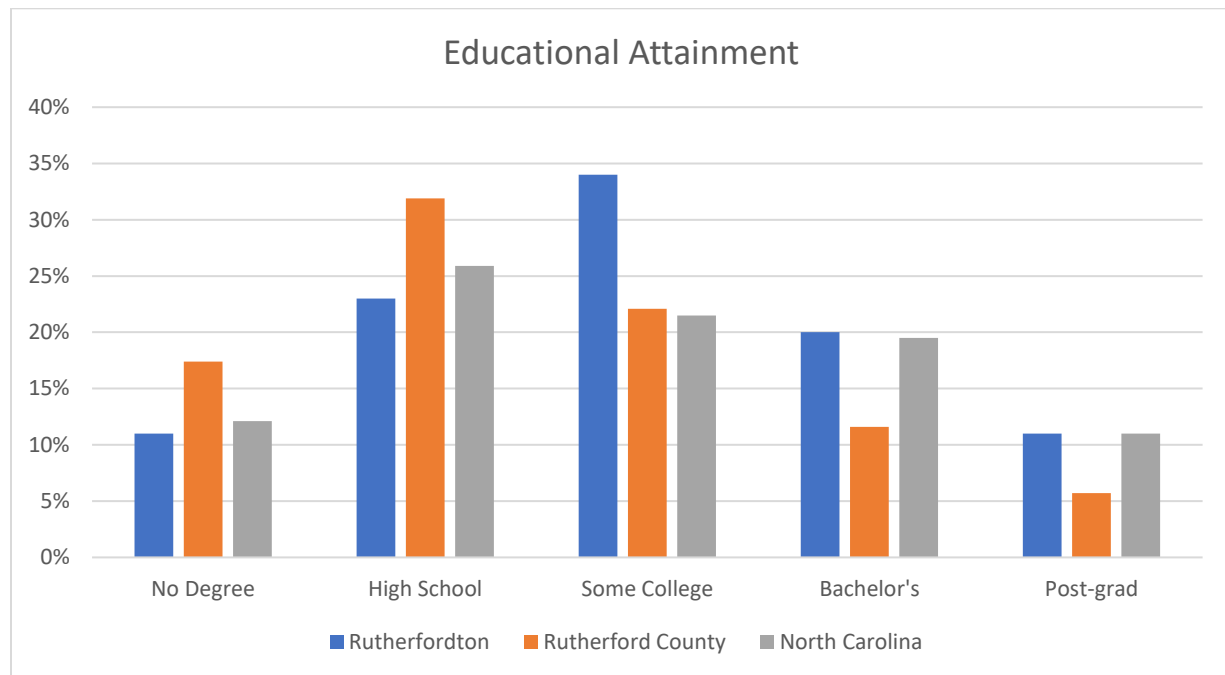
Race/Ethnicity

The population of Rutherfordton is predominantly white, accounting for 89% of the population. About 5% of the population identifies as black and 2% as Hispanic. This is fairly similar to Rutherford County but far less diverse than North Carolina.



Education

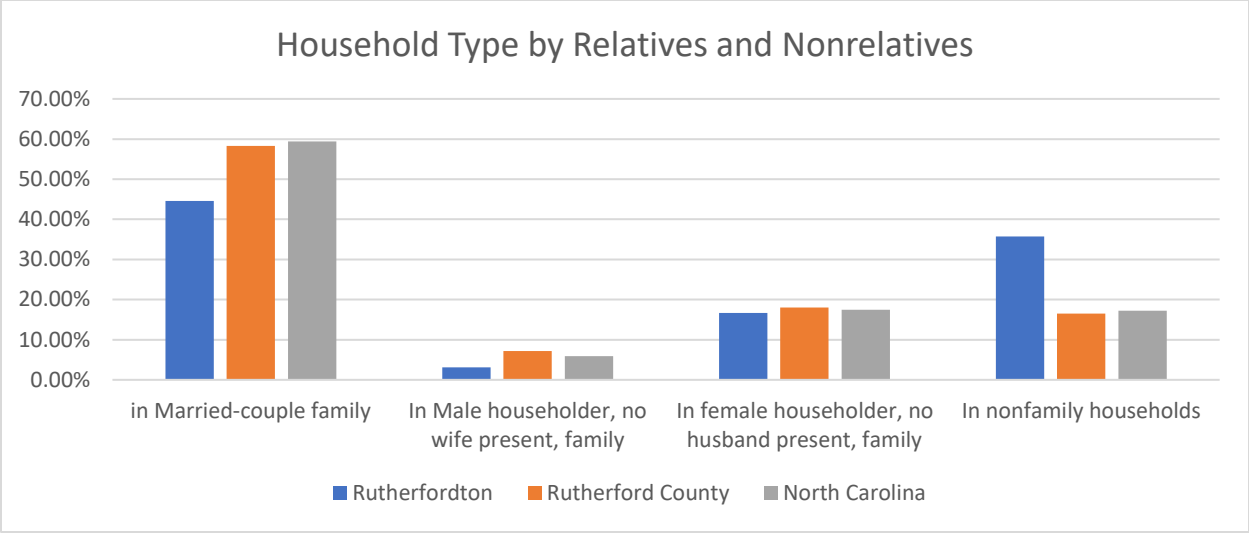
Rutherfordton's population is moderately educated. 31% of the town's population has at least a bachelor's degree, compared to the county's 17.3%.



Household

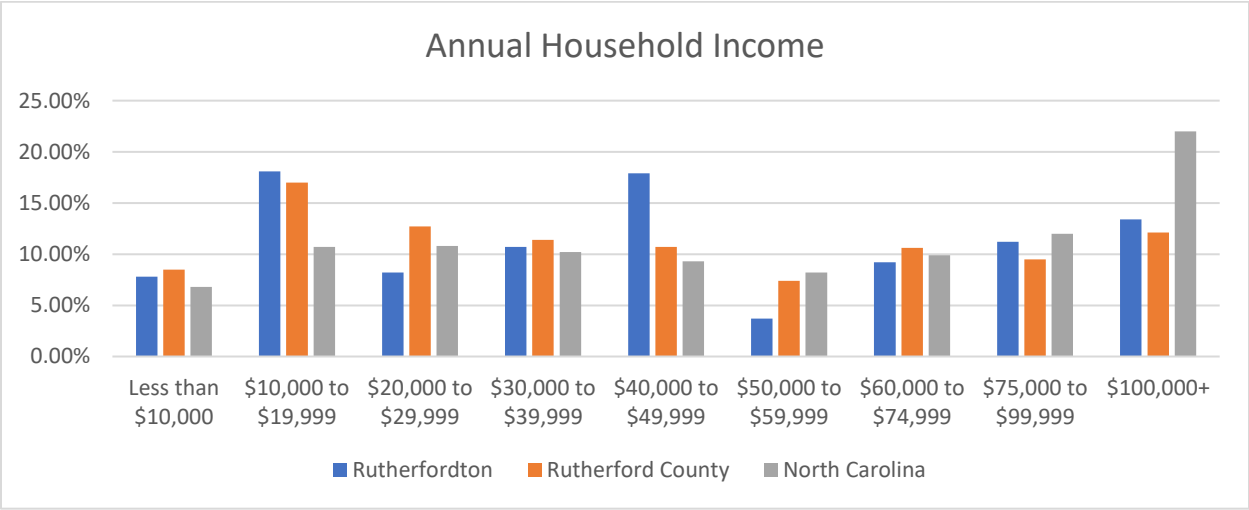
The majority of Rutherfordton's households consist of one or two people. The average household size is 1.86, which is less than North Carolina's 2.5. The rate of one-person households is greater in Rutherfordton than North Carolina.

Married-couple households are the most prominent households in Rutherfordton. Non-family households, which include individuals living alone or with nonrelatives only (like unmarried couples), and the next prominent household type in Rutherfordton. The remainder fall in the other types of family households. The prominence of non-family households in Rutherfordton is not due to a large share of young adults living with roommates, as may be the case in larger metropolitan areas. Instead, it is primarily middle-aged adults (35-64) and seniors (65+) living alone.



Income

Rutherfordton and Rutherford County are moderately poor areas when compared to the state of North Carolina. Household incomes are generally concentrated in low income areas, particularly below \$50,000 a year. The Area Median Income (AMI) for Rutherfordton is \$42,346. Almost half of the total population (44.8%) falls under the AMI.



According to the Center of Poverty, Work and Opportunity³, income is highly affected by race, age, family structure, and location. Household income is a crucial and pervasive measure of economic wellbeing, but wealth represents assets and economic resources that could replicate itself or turn into future income. Wealth provides a financial cushion and stability in the event of economic hardship. National trends of various disparities are more pronounced in North Carolina, including all mentioned above. It should be noted that the microdata that measures wealth (i.e. income, savings, and debt) has not been collected in Rutherfordton, but we can expect that the wealth data in Rutherfordton is proportionate to North Carolina as a whole.

³<https://www.zsr.org/sites/default/files/documents/Racial%20Wealth%20Disparity%20in%20NC.pdf>

Housing Inventory

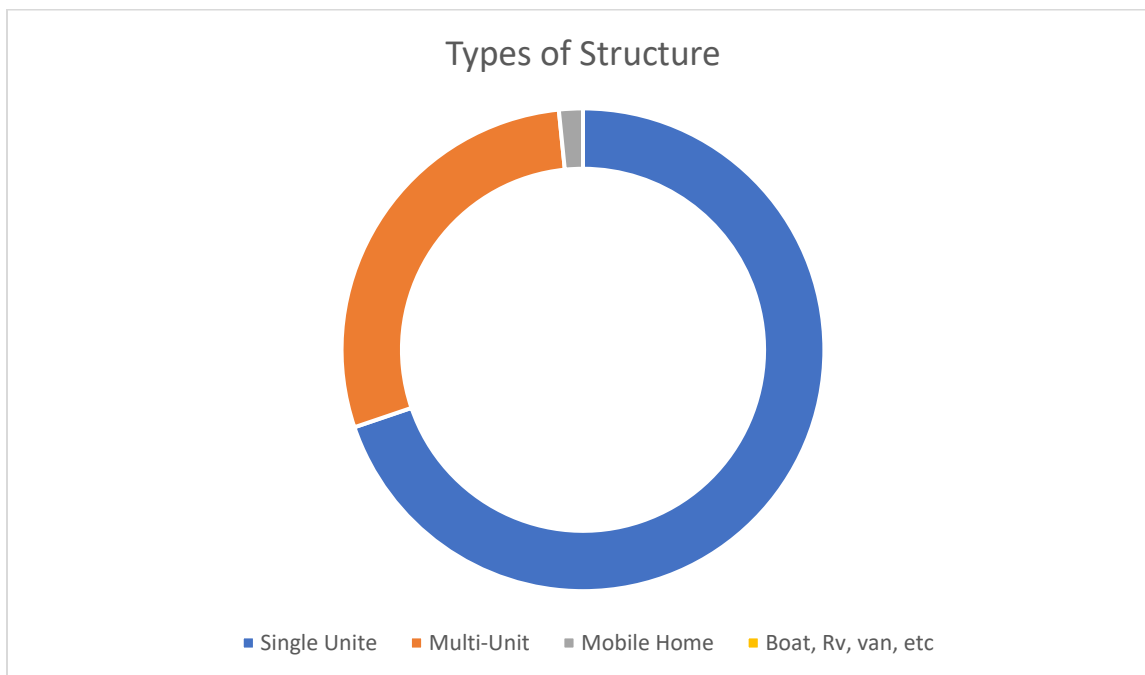
Methodology

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According to the 2018 American Community Survey (ACS) 5-year estimates, there are about 2,255 housing units in the Town of Rutherfordton. This section provides a detailed snapshot of the Town's housing stock including the breakdown of units.

Type

The most common type of home in Rutherfordton is a single-family unit. 69.8% of Rutherfordton's housing units are detached single-family homes.



Housing Affordability

Methodology

Data for this section come from the North Carolina Housing Coalition, the North Carolina Housing Finance Agency, the Comprehensive Housing Affordability Strategy data, and the 2018 American Community Survey (ACS) 5-year estimates. The 2015 ACS includes data collected over a 5-year period (2011-2015) in order to achieve a large enough sample size for small places, such as Rutherfordton. Even so, as sample data, a degree of uncertainty around the reported numbers must be acknowledged. These data reflect the people and area within the Town limits and do not include the extra-territorial jurisdiction (ETJ).

Defining affordability

Many affordable housing programs utilize the U.S. Department of Housing and Urban Development's area median family income (AMI) limits for areas to determine eligibility for affordable housing and to determine what housing price points would be affordable to low-income buyers. The AMI is the midpoint of income distribution for a specific region. HUD calculates the AMI and defines the following income segments:

Segment	Definition
Extremely Low-Income (ELI)	Households with incomes <30% AMI
Very Low-income Housing	Households with income 30%-50% AMI
Low-Income Housing	Households with income 51%-80% AMI (LIHTC at <60%)
Moderate-Income (Workforce) Housing	Households with income 81% - 120% AMI (Can vary by community)

Housing is generally considered affordable if a household spends no more than 30% of their gross income on housing and utilities. This is a common affordability measure; however critics point out that net income would be more appropriate to use and that it should take into account a household's debt to income ratio. Additionally, many households have additional expenses such as daycare, medical costs, transportation, and other essential or fixed living expenses.

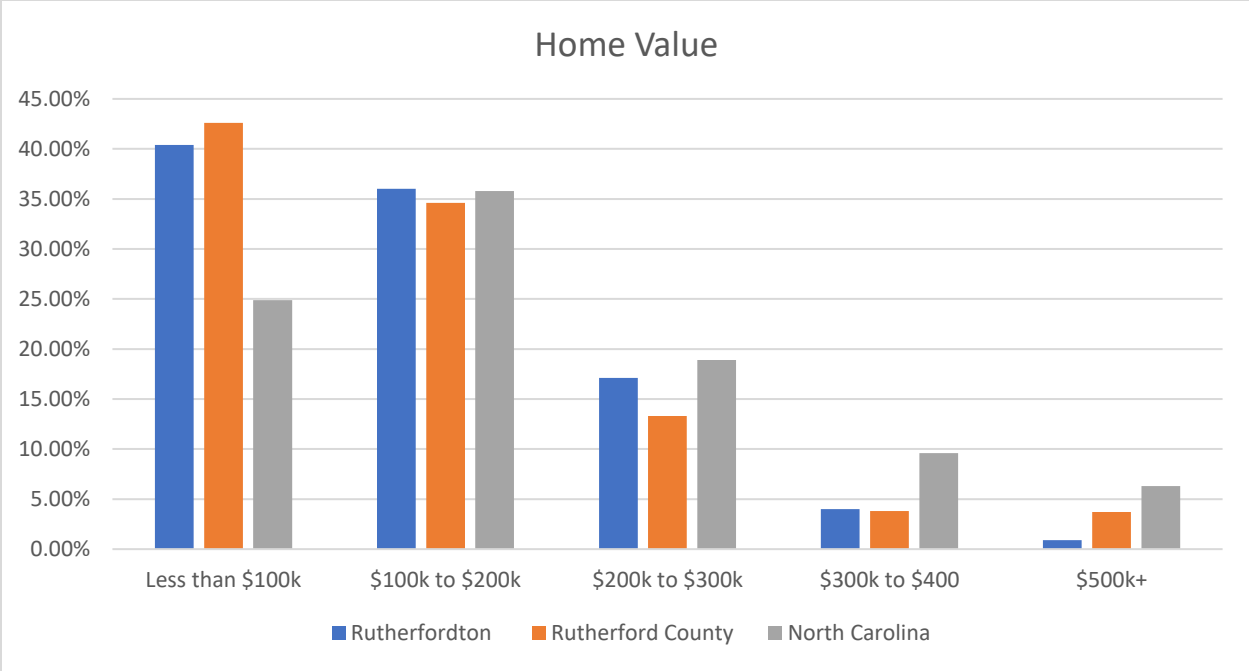
Households are **cost-burdened** if they pay over 30% of their gross household income in housing related expenses.

Households are **severely cost-burdened** if they pay more than 50% of their gross income in housing related expenses.

Fair Market Rent (FMR) is calculated by HUD as *"the 40th percentile of gross rents (rent paid plus utilities) for typical, non-substandard rental units occupied by recent movers in a local housing market."*

Home Values

Home values in Rutherfordton are lower, which is comparable to the values of homes within the county. In 2018, the median assessed home value in Rutherfordton was about \$114,899. This is significantly lower than the median value of units in North Carolina which is \$165,900. About 40% of all homes in Rutherfordton are valued at less than \$100,000, and only about 20% of houses are valued above \$200,000.



Cost-Burden

As described at the beginning of this section, spending no more than 30% of gross household income on housing and utilities is a commonly used measure of affordability. Households that spend more than 30% are considered housing cost-burdened and are in need of a more affordable place to live. Thus, cost-burdened households are often used as an indicator of need for affordable housing.

Income Distribution Overview	Definition	Owner	Renter	Total # of People
Extremely Low-Income (ELI)	Households with incomes <30% AMI	245	225	470
Very Low-income	Households with income 30%-50% AMI	385	435	820
Low-Income	Households with income 51%-80% AMI (LIHTC at <60%)	465	365	830
Moderate-Income (Workforce)	Households with income 81% - 100% AMI (Can vary by community)	420	205	620
Other	Household Income >100% AMFI	1,795	415	2,210
Total	-	3,305	1,645	4,945

Income by Cost-Burden (Renters only)	Cost Burden >30%	Cost Burden >50%	Total Renters
Extremely Low-Income (ELI)	175	145	225
Very Low-income	250	80	435
Low-Income	64	60	365
Moderate-Income (Workforce)	35		205
Other	4	4	415
Total	528	289	1645

50% of all renters are cost burdened in Rutherfordton.

Income by Cost-Burden (Owners only)	Cost Burden >30%	Cost Burden >50%	Total Owners
Extremely Low-Income (ELI)	160	85	245
Very Low-income	255	175	385
Low-Income	180	30	465
Moderate-Income (Workforce)	95	75	420
Other	75	20	1795
Total	765	385	3305

35% of all homeowners are cost burdened in Rutherfordton

As of 2016, about 1,967, which **is about 40% of all households in Rutherfordton, are cost-burdened.**

Lower income households are more likely to be cost-burdened than higher income, indicating a greater need for more affordable housing for lower income families. Virtually all renters with less than \$35,000 in annual household income in Rutherfordton are cost-burdened, as are the majority of homeowners in this income range.

Housing Problems & Severe Housing Problems.

Of the 4,950 households, 1,535 have at least one of the following issues: incomplete kitchen facilities, incomplete plumbing facilities, more than one person per room, and cost burden greater than 30%.

920 households have at least one of the following issues: incomplete kitchen facilities, incomplete plumbing facilities, more than one person per room, and cost burden greater than 50%.

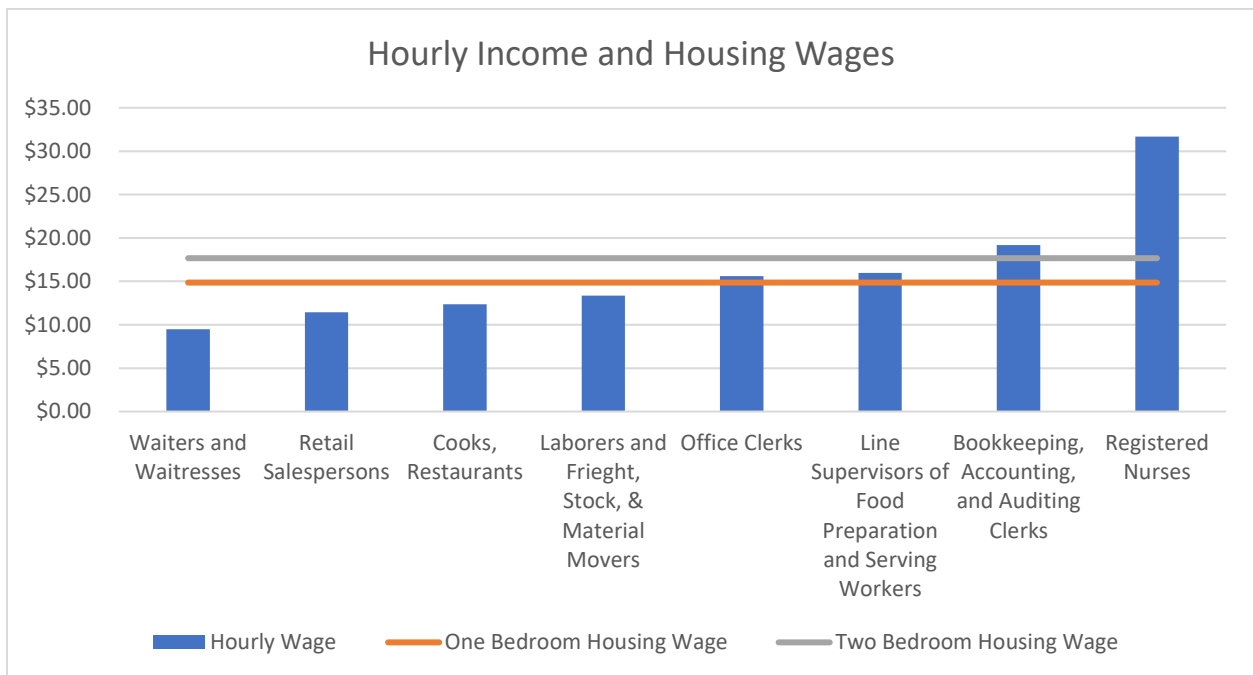
Affordability in Rutherfordton

Fair Market Rent	North Carolina	Rutherford County
Zero-Bedroom	\$744	\$506
One-Bedroom	\$773	\$509
Two-Bedroom	\$919	\$671
Three-Bedroom	\$1,225	\$842
Four-Bedroom	\$1,502	\$1,005

Fair Market Rents (FMRs) represent the estimated amount, base rent plus essential utilities, that a property in a given area typically rents for. The data is primarily used to determine payment standard amounts for the Housing Choice Voucher program; however, FMRs are also used to:

- Determine initial renewal rents for expiring project-based Section 8 contracts
- Determine initial rents for housing assistance payment (HAP) contracts in the Moderate Rehabilitation Single Room Occupancy program (Mod Rehab), rent ceilings for rental units in both the HOME Investment Partnerships program and the Emergency Solution Grants (ESG) program
- Calculate of maximum award amounts for Continuum of Care recipients and the maximum amount of rent a recipient may pay for property leased with Continuum of Care funds, and
- Calculate flat rent amounts in Public Housing Units.

The graph below illustrates the comparison of different hourly incomes and housing wages. To afford a modest 1-bedroom apartment that is priced at Fair Market Value, an individual would need an annual income of \$20,360 to not be cost burdened. To afford a modest 2-bedroom apartment at Fair Market Value, an individual would need an annual income of \$26,840 to not be cost-burdened.



Affordable Housing Programs in Rutherfordton

There are a few programs in Rutherfordton that aim to help make housing more affordable. Together, these programs provide approximately 5 low income housing communities, equating to 167 subsidized units. Here, the term “subsidized” is used to refer to units where the occupants receive any financial assistance toward housing costs, not exclusively federal housing assistance of which there is little in Rutherfordton.

Rental Assistance

Rental assistance is a type of housing subsidy that pays for a portion of a renter's monthly housing costs, including rent and tenant paid utilities. This housing assistance can come in the form of Section 8 Housing Choice Vouchers, project-based Section 8 contracts, public housing, USDA Rental Assistance (in Section 515 properties) as well as HUD Section 202 and 811 properties for elderly and disabled households.

Isothermal Planning & Development Commission

The Isothermal Planning & Development Commission is a regional council for Region C in western North Carolina. Region C consists of Cleveland, McDowell, Polk and Rutherford Counties and the municipalities of each county. IPDC seeks to serve its members, and their citizens by fostering regional collaboration and by providing professional and technical expertise. The Commission houses the region's Area Agency on Aging, Workforce Development programs, housing programs and provides planning and technical services.

Habitat for Humanity

Habitat for Humanity provides affordable housing support through two main programs—new homeownership and critical repairs. The new homeownership program provides low income families (30-60%AMI) with an affordable mortgage. In addition to income and residency requirements, families must commit to homeowner and financial education classes, and serve 400 “sweat equity” hours in order to participate in the program. Information about the number of Habitat homes in Rutherfordton will be updated soon.

Affordable Housing Gaps

It was not possible (or within the scope of this study) to calculate precise numbers of units needed at different AMI levels for a number of reasons. First, the available data sources were not comprehensive or consistent enough to provide reliable numbers on a town-level. Some of the data sources often used to quantify specific affordable housing needs in large cities are not reliable enough for towns with small populations like Rutherfordton. Second, despite the fact that such numbers often appear to be objective, there is a great degree of subjectivity involved in determining them. Many of the factors that contribute to setting affordable housing goals for a community are dependent upon that community's core values. As will be seen from the key informant interviews, there is a need for greater clarity about the target populations the Town's residents hope to serve through its affordable housing program. To that end, we provide some information below that can inform such a process- information that identifies potential gaps in affordable housing for the various AMI levels.

Very Low Income (>50% AMI)

There is very little housing in Rutherfordton that is affordable to households making less than \$13,000 a year (an approximation of the HUD AMI limits for a family of 4). About 1,295 households fall in this income range. Virtually all renters in this lowest income range (about 650 households) are cost-burdened, indicating they are in need of less expensive housing, as are the majority of homeowners in

this income range (about 645 households), indicating a strong need of affordable housing units that are available to individuals with very low incomes.

Low Income (50-80% AMI)

There are about 830 households that make between \$22,000 and \$34,000 a year. Of this income level, 334 households are cost-burdened, or 210 owner households and 124 renter households. This again indicates a strong need for affordable housing units that are available to low-income households.

Moderate Income (80-100% AMI)

About 620 households are classified as having a moderate income or make between \$34,000 to \$42,346 a year. Around 130 of these households are cost-burdened (35 renter- and 95 owner-occupied). This, once again, indicates a need for more affordable housing units that are available to moderate-income households.

Key Informant Perspectives & Recommendations

Needs assessments are data driven; however, the qualitative context of the data often adds important depth and breadth to the analysis. As a complement to the data portion of this housing needs assessment, we must also consider the quality of housing within the corporate limits.

N.C.G.S. 160A-503

"Blighted area" shall mean an area in which there is a predominance of buildings or improvements (or which is predominantly residential in character), and which, by reason of dilapidation, deterioration, age or obsolescence, inadequate provision for ventilation, light, air, sanitation, or open spaces, high density of population and overcrowding, unsanitary or unsafe conditions, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs the sound growth of the community, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency and crime, and is detrimental to the public health, safety, morals or welfare.

The data shows that there is still a need for more affordable housing in Rutherfordton and for housing options that address current and potential residents of diverse socio-economic backgrounds, and that there is a need for revitalization to address the dangers for the blighted areas. Due to the volume of dilapidated and deteriorated housing within Rutherfordton, specific microdata is not currently available.

Recommendations

After sifting through the demographic, employment, and housing data, a few recommendations emerged as logical next steps.

Engage in broad community discussion around affordable housing to set community goals

Given that the Town's commitment to affordable housing is based in part on a commitment to maintaining a diverse and inclusive community, a broader community discussion is needed about what "diverse and inclusive" means for the Town's residents. This discussion should then serve as context in determining the types of housing and the ranges of affordability that Rutherfordton wants to encourage through its affordable housing program. This would include establishing target goals for the amount of

housing affordable to different AMI levels and the issue of the geographic distribution of affordable housing.

Drafting plan for Neighborhood Revitalization

With the Town initiating conversations with the Isothermal Development and Planning Commission, we should develop and strengthen a plan for neighborhood revitalization. Since there are two separate neighborhoods that consist of a large number of blighted houses with households, mixed incomes and/or delinquent bills, the Town has further opportunity to submit different grant applications to fund the neighborhood revitalization.

Urban Redevelopment Law

The North Carolina General Statutes (N.C.G.S.) in Article 22, Urban Redevelopment Law, recognize that there are blighted areas which exist throughout North Carolina, and grants power to municipal governing bodies to create a commission to address these issues. Generally, these blighted areas exhibit some or all of the following conditions:

- economic or social liabilities, inimical and injurious to the public health, safety, morals and welfare of the residents of the State, harmful to the social and economic well-being of the entire communities in which they exist, depreciating values therein, reducing tax revenues, and thereby depreciating further the general community-wide values.
- areas which contribute substantially and increasingly to the spread of disease and crime, necessitating excessive and disproportionate expenditures of public funds for the preservation of the public health and safety for crime prevention, correction, prosecution, punishment and the treatment of juvenile delinquency and for the maintenance of adequate police, fire, and accident protection and other public services and facilities, constitute an economic and social liability, and substantially impair or arrest the sound growth of communities.
- conditions beyond remedy or control entirely by regulatory processes in the exercise of the police power and cannot be effectively dealt with by private enterprise under existing law without the additional aids herein granted.
- the acquisition, preparation, sale, sound re-planning, and redevelopment of such areas in accordance with sound and approved plans for their redevelopment will promote the public health, safety, convenience and welfare.

In order to promote the health, safety, and welfare of the inhabitants of communities and their blighted areas, the creation of bodies corporate and politic, to be known as redevelopment commissions, is authorized. Such commissions shall exist and operate for the public purposes of acquiring and re-planning such areas and of holding or disposing of them in such manner that they shall become available for economically and socially sound redevelopment. Such purposes are hereby declared to be public uses for which public money may be spent, and private property may be acquired by the exercise of the power of eminent domain.

Many individuals will associate Redevelopment Law with the powers of eminent domain. Eminent domain is the power of the government or its agent to acquire private property for public use with payment of just compensation. The North Carolina General Assembly specifically granted the right of eminent domain to redevelopment commissions in N.C.G.S. §160A-515. A redevelopment commission may only use eminent domain where the property to be acquired is a blighted parcel and in accordance

with existing law. Although a redevelopment commission will have the powers to exercise eminent domain, the commission's comprehensive plans should use eminent domain as a last resort in acquiring property.

HUD Choice Neighborhoods Grant

As of August 3rd, 2020, we are not eligible to apply for this grant, but I still see the information below as pertinent to the Housing Needs Assessment and provides an idea about possible future grant opportunities.

The Choice Neighborhoods program leverages significant public and private dollars to support locally driven strategies that address struggling neighborhoods with distressed public and/or HUD-assisted housing through a comprehensive approach to neighborhood transformation. Local leaders, residents, and other stakeholders, such as public housing agencies, cities, schools, police, business owners, nonprofits, and private developers, come together to create and implement a plan that revitalizes distressed HUD housing and addresses the challenges in the surrounding neighborhood. The program helps communities transform neighborhoods by redeveloping severely distressed public and/or HUD-assisted housing and catalyzing critical improvements in the neighborhood, including vacant property, housing, businesses, services and schools. To this end, Choice Neighborhoods is focused on three core goals:

1. **Housing:** Replace distressed public and assisted housing with high-quality mixed-income housing that is well-managed and responsive to the needs of the surrounding neighborhood.
2. **People:** Improve outcomes of households living in the target housing related to employment and income, health, and children's education; and
3. **Neighborhood:** Create the conditions necessary for public and private reinvestment in distressed neighborhoods to offer the kinds of amenities and assets, including safety, good schools, and commercial activity, that are important to families' choices about their community.

To achieve these core goals, successful applicants must develop and implement a comprehensive neighborhood revitalization strategy, or "Transformation Plan." This Transformation Plan becomes the guiding document for the revitalization of the public and/or assisted housing units, while simultaneously directing the transformation of the surrounding neighborhood.

Experience shows that to successfully develop and implement the Transformation Plan, broad engagement is needed. Successful applicants will need to work with public and private agencies, organizations (including philanthropic and civic organizations), and individuals to gather and leverage the financial and human capital resources needed to support the sustainability of the plan. These efforts should build community support for and involvement in the development and implementation of the plan.

Additionally, past revitalization efforts have demonstrated that even modest physical improvements and investment actions can help communities build momentum for change and transition from planning to implementation of that plan. These actions improve neighborhood confidence, sustain the community's energy, attract further engagement, and help convince skeptical stakeholders that positive change is possible. Successful applicants should undertake such "doing while planning" projects during the grant period.

Next Steps:

1. *Pass a resolution/ordinance to establish Redevelopment Commission:* According to N.C.G.S. 160A-513, in order to prepare and adopt redevelopment plans, a commission shall be created by the Town Council. Due to the presence of blighted areas and the need for redevelopment, the Council must pass an ordinance or resolution that creates a commission to function within the territorial limits of the municipality (160A-504).
2. *Appoint citizens to the Commission:* The Redevelopment Commission is a public body created made up of 5 to 9 citizens of the town in which the commission is to operate according to N.C.G.S. 160A-508. Each member will have 1 to 5-year terms which is defined in N.C.G.S. 160A-509. After it's creation, the commission will:
 - a. Finalize this Draft Housing Needs Assessment for Council Approval; and
 - b. Establish neighborhood redevelopment areas within the Town; and
 - c. Prepare redevelopment plans for those neighborhoods; and
 - d. Seek grant funding and partnerships to implement approved redevelopment plans.