



Expanding Housing Choices

August 23, 2018
City Council Work Session

Presentation Overview

- Trends in Household/Job Growth and Competition for Housing
- Growth Strategies
- Challenge: Finding a Middle Ground
- Expanding Housing Choices Project Scope and Timeline



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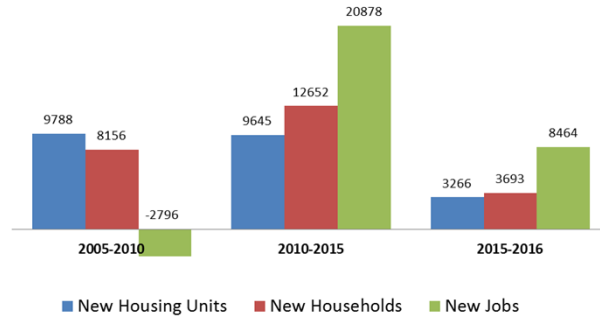
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Housing development is not keeping pace with household or job growth

- Between 2010-2015, the number of households grew more than the number of new housing units*
- Since 2010, job growth has out-paced the number of new housing units*

* Inclusive of for-sale and rental units



Source: US Census, American Community Survey



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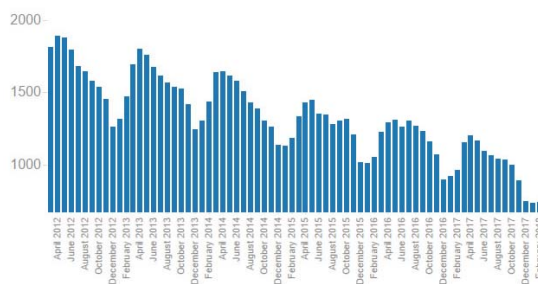
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Growth has led to increased competition in the for-sale market

- Fewer homes are on the market
- 814 homes listed for sale at the end of March 2018

All Homes for Sale



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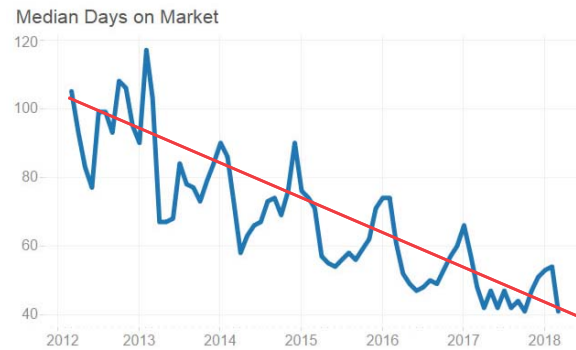
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Growth has led to increased competition in the for-sale market

- Homes are selling more quickly
- Median of 41 days on the market at the end of March 2018



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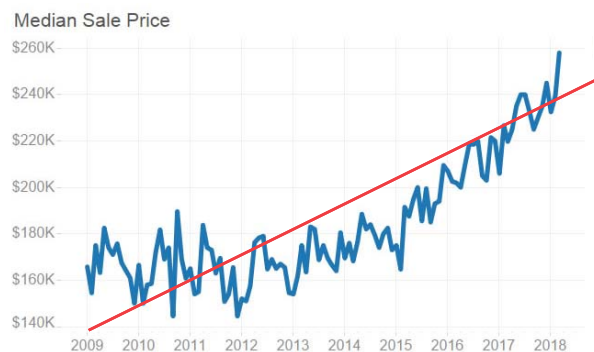
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Increased competition has had an impact on price in the for-sale market

- Homes are getting more expensive
- \$258,000 - median sale price in March 2018
- Up from \$168,000 five years ago (March 2013)



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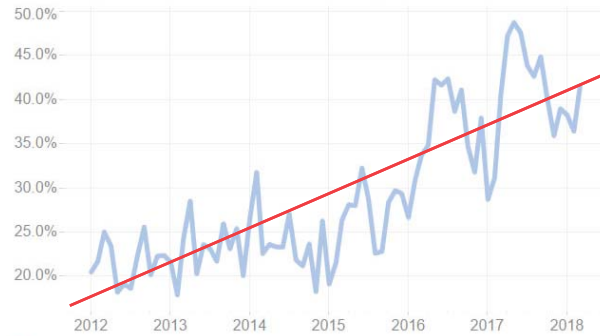
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Increased competition has had an impact on price in the for-sale market

- Homes are sold above the asking price

Percentage of Homes Sold Above Asking



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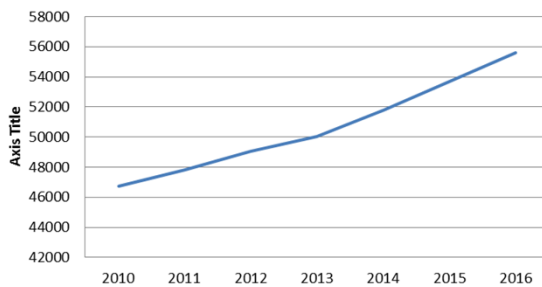
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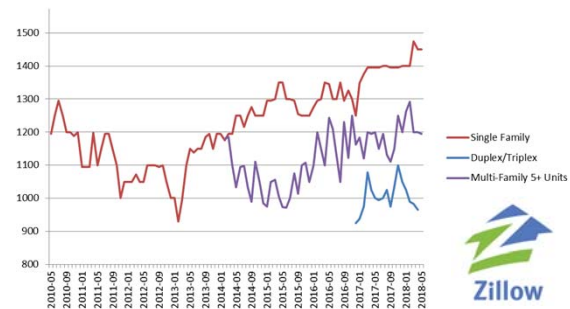
Increase in rental inventory, prices

Inventory of All Rental Units (2010-2016)



Source: US Census Bureau, American Community Survey

Median Rent List Price (2010-present)



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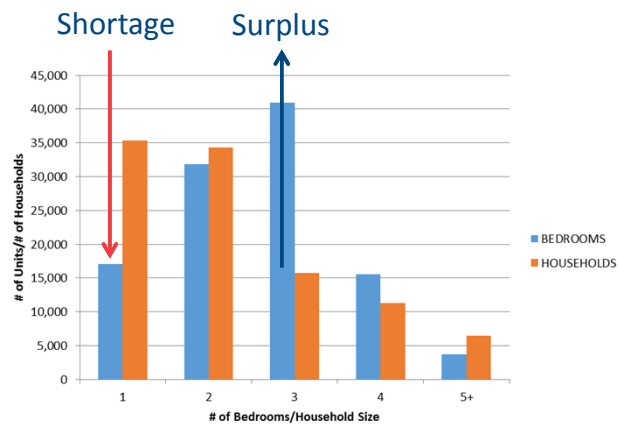
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Mismatch in housing supply and demand

- Aging population
- Millennials' preferences
- Households are shrinking
- More are living with less



Data provided by TJ COG



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Musical Chairs Analogy

“It’s like a huge game of musical chairs. If there aren’t enough chairs when the music stops, someone is left out. When there aren’t enough homes for people who live and work in a city, everyone has to compete for what’s available, and rents go up until people get priced out. ***In the housing market, instead of being fast, you just need to be rich to stay in the game.***” Dan Bertolet, Sightline Institute



<https://youtu.be/EQGQU0T6NBc>



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“Capital A”

Subsidized, meets HUD definitions; legally binding; monitored and tracked by City

“lower-case a”

Naturally occurring through market forces. Affordable for a variety of reasons (age, condition, location, size of unit, size of lot, etc.)

5.9% of all housing units are legally-binding affordable units



Source: Triangle J Council of Governments



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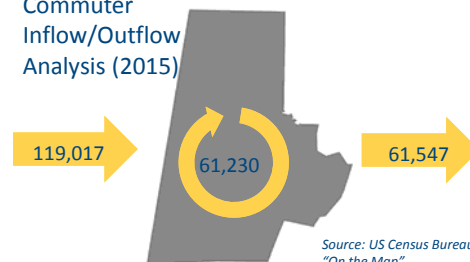
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Difficult choices in a constrained housing market

- Pay a greater percentage of household budget on housing in “high opportunity” neighborhoods
- Pay for housing that does not match need
- “Drive till you qualify”
- Alternative living situations
- Sub-standard living conditions

Commuter Inflow/Outflow Analysis (2015)



Source: US Census Bureau. “On the Map”

Change in Commuter Inflow (2005-2015)			
Home County	2005	2015	% Change
Durham	58,220	61,230	5%
Wake	39,115	55,787	30%
Orange	12,253	14,171	14%
Granville	3,507	4,484	22%
Alamance	2,444	4,016	39%
Person	3,302	3,858	14%
Johnston	2,367	3,326	29%
Chatham	1,843	3,165	42%



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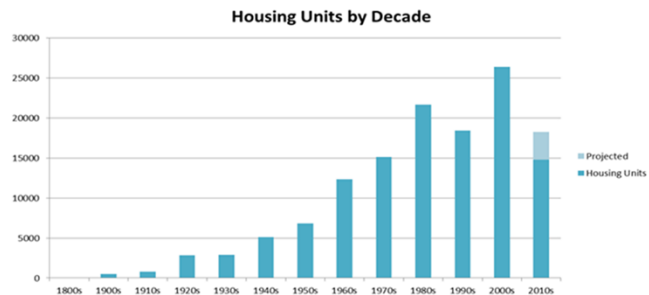
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What's driving competition?

1. Housing development is not keeping pace with population and job growth



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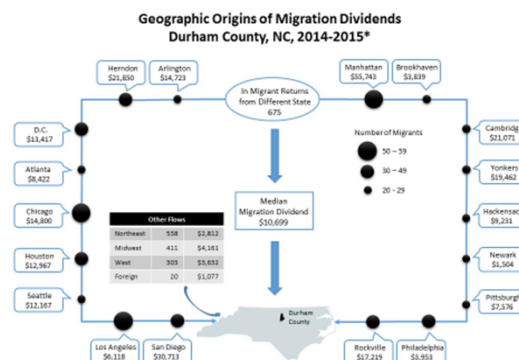
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What's driving competition?

1. Housing development is not keeping pace with population and job growth
2. Attracting populations from wealthy zip codes



*Compared to Non-migrant Per Capita AGI (\$52,333) in 2015.

Source: IRS Migration File

Data and graphic Dr. Jim Johnson, UNC



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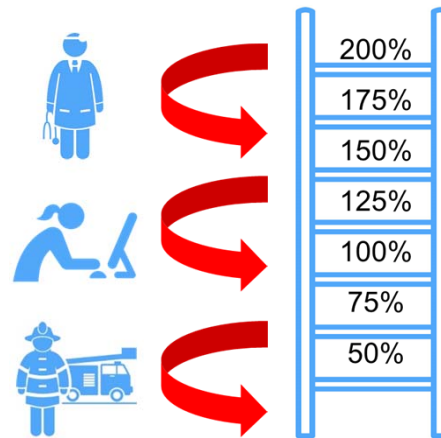
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People at the bottom of the income ladder have the fewest options

If housing doesn't exist at higher price points, people will buy "down the ladder," leaving fewer options for those with the lowest incomes.



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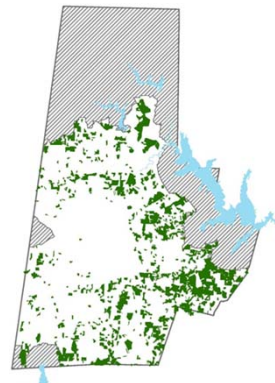
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What's driving competition?

1. Housing development is not keeping pace with population growth
2. Attracting populations from wealthy zip codes
3. **Running out of easily developable land**



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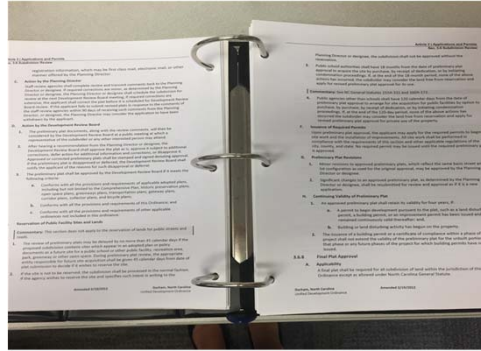
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What's driving competition?

1. Housing development is not keeping pace with population and job growth
2. Attracting populations from wealthy zip codes
3. Running out of easily developable land
4. **Zoning regulations**



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More growth is on the way

- NC Office of State Budget and Management projects 160,000 new people by 2045
- Equivalent to 62,200 new households during that same time period
- Approximately 2,000 units a year to keep up with population growth



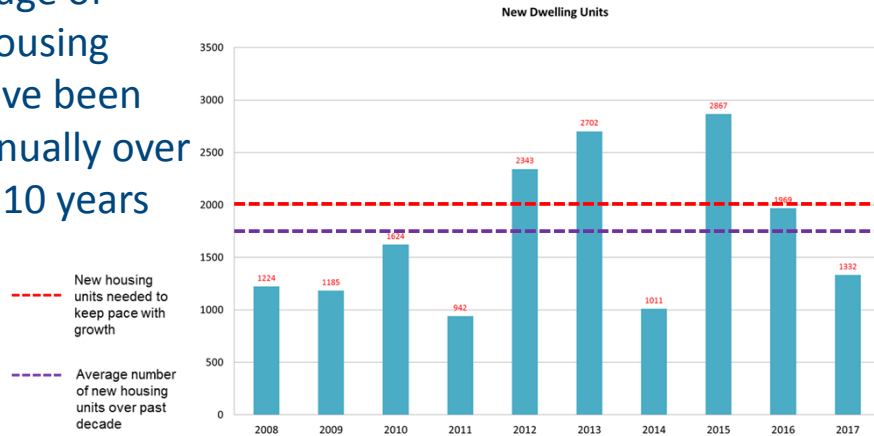
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An average of 1,720 housing units have been built annually over the last 10 years



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How will we accommodate new growth?

- A. Grow Out?
- B. Grow Up?
- C. Grow In?



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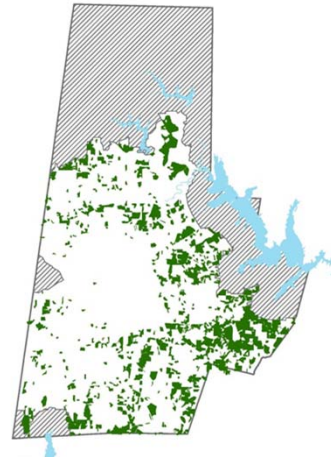
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Grow Out?

Limited amount of large tract vacant land remaining in the City's utility service area that is not encumbered by environmental features.



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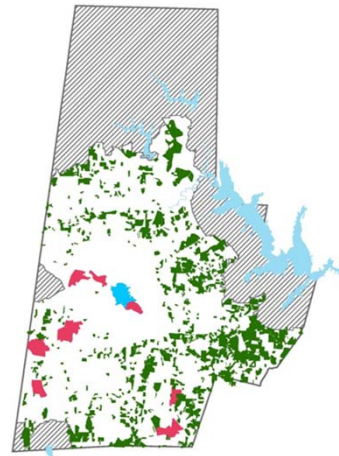
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Grow Up?

Compact Neighborhoods and Downtown are expected to attract significant new development around planned transit investments



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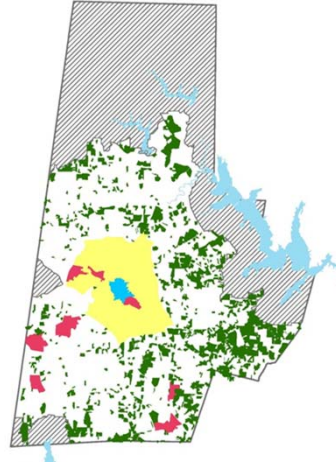
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Grow In?

Context sensitive, small scale development within the core of the City



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How will we accommodate new growth?

- A. Grow Out?
- B. Grow Up?
- C. Grow In?
- D. All of the above



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The Challenge

What do we do when “development” feels like a part of the ***solution*** at the regional scale (housing shortage) but a part of the ***problem*** at the neighborhood scale (gentrification)?



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At the neighborhood scale ...

- Recent experience is that “development” has led to fewer affordable options
 - Felt more acutely in some neighborhoods and by some populations
 - Rising rents
 - Escalating property values
 - Accelerating evictions



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At the neighborhood scale ...

- Infill and redevelopment feels out of scale and character, causing neighbors to:
 - Oppose developments
 - Seek Neighborhood Protection Overlays
 - Seek Local Historic District designations



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Finding a middle ground

- Build **more** to address housing shortages ... but build **differently** to promote housing choices in character with neighborhoods
- Can “Missing Middle” housing offer alternatives and choices currently unavailable?
 - Missing Middle housing offers a range of multi-unit housing types compatible in scale with single-family homes that help meet the growing demand for walkable urban living” *Opticos Planning*

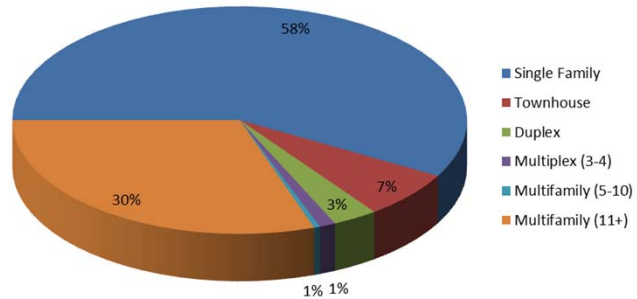

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Inventory of existing housing units

Countywide, less than 12 percent of existing housing units are “Missing Middle” types



Source: City County Planning



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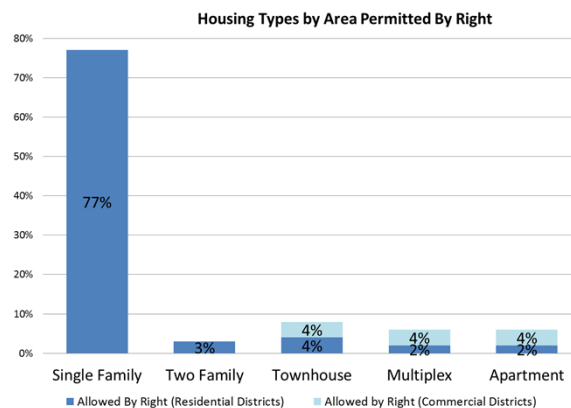
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Current zoning rules perpetuate status quo

- Single family housing is permitted “by right” in 77 percent of the County
- “Missing Middle” Housing types are permitted “by right” in only 8 percent (or less) of the County



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Expanding Housing Choices Project

- First Phase: project timeline of 12 months (April 2019 - Goal)
 - Weigh densification with context sensitivity

- Second Phase: 3 year timeline
 - Policy framework/direction through Comprehensive Plan
 - Continue conversations with partner departments on Ordinances and Codes



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Issues and Cautions

1. **Acting alone, “Capital A” affordable housing is not a guaranteed outcome of this strategy**
 - However, if nothing is done to accommodate additional growth, the current problems created by a constrained housing market are likely to worsen.
 - Needs to be paired with aggressive preservation strategies and the development of subsidized housing to protect specific vulnerable neighborhoods and households.



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Issues and Cautions

2. Increasing supply is a long-game strategy for “lower-case a” affordability

- Filtering: Today’s market rate housing becomes next generation’s affordable housing
- More true at the regional-scale than in-demand neighborhoods where the high price of land will slow filtering (prices will remain high)



Source: Econsult Solutions Inc. “Naturally Occurring Affordable Housing”



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Issues and Cautions

3. Allowing greater density creates tradeoffs for neighborhoods that are not insignificant issues

- Tree canopy/open space
- Impervious surface/stormwater
- Car Clutter (traffic/parking)
- Accelerate teardowns?
- Neighborhood/historic character



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Proposed Concepts

1. Accessory Dwelling Units
2. Duplexes
3. Lot Dimensions
4. Small House, Small Lot
5. Cottage Courts/Pocket Neighborhoods
6. Infill Standards



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Accessory Dwelling Units

Issue

- Allowed since 2006; however, only 72 have been permitted during that time;
- Existing regulations limit viability of ADUs for small primary structures;
- The bulk of some ADU structures can be imposing on neighboring properties; and
- Difficult and expensive process to navigate for “Citizen Builders”

Opportunity

- ADUs can offer a grass-roots approach to increasing supply of housing
- Offer a rental income stream for property owners
- Public interest in building ADUs

Detached: 2713 Elgin Street



Attached: 1212 Vickers Avenue



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Accessory Dwelling Units

	Existing	Proposed Concept
Size	Capped at 30% of primary dwelling	Allow a higher percentage of the primary dwelling, capped at a certain size
Placement	<ul style="list-style-type: none"> Attached: setback standards Detached: accessory structure standards 	Restrict height if placed within a certain distance of the property line
Height	<ul style="list-style-type: none"> RU: 25 ft. tall within 5 ft. of property line, 35 ft. in other locations RS: 15 ft. tall within 10 ft. of property line, 35 ft. 	<ul style="list-style-type: none"> Reduce overall maximum height Measure height to the apex (not the mid-point of the gable)



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Duplexes

Issue

- Construction of new duplexes is limited to only 3% of land area in County
- Dimensional standards for duplexes often mean they “stand out” from neighbors
- Even in areas where duplexes are allowed, only 22 have been permitted since 2007

Opportunity

- Can offer form of discreet, low impact density
- Price often less than equivalent single-family house
- Questionnaire demonstrated general comfort with duplexes

Side by Side: 904 N Gregson



Stacked: 2508 Englewood



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Duplexes

	Existing	Proposed Concept
Permitted Use	Limited to the RU-5(2), RU-M, RS-M and RC zoning districts	Allow in more areas of the Urban Tier and areas of the Suburban Tier with RU zoning
Non Conforming Lots	Single family is allowed on non-conforming lots of record established prior to 2006	If permitted in zoning district, allow duplexes on similar lots
Dimensional Standards	<ul style="list-style-type: none"> RU zoning: 7,000 SF Lot RS zoning: 7,500 SF Lot 	Mimic single family lot dimensions to encourage more consistency
Type/ Format	<ul style="list-style-type: none"> Side by side duplexes Stacked duplexes 	<ul style="list-style-type: none"> Detached duplexes Double frontage duplexes



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Lot Area

Issue

- The cost of land is a significant driver of development costs/affordability
- Relatively large-lot, low-density neighborhoods in Urban Core (median lot size 8,711 SF)
- Large lots can provide space for mature trees, wildlife, permeable surfaces and contribute to the character of many neighborhoods

Opportunity

- Reducing minimum lot area requirements could drive down prices
- General large-lot pattern in Urban Core offers possibilities for creative infill

Concern

- Would allowing smaller lots make it more attractive to tear-down an existing house before subdividing into two?



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Small House/Small Lot and Cottage Courts

Issue

- The cost of land is a significant driver of development costs/affordability
- Small homes are still required same size lot as larger homes
- Tiny homes (less than 400 SF) ≠ Small homes

Opportunity

- Allowing for small homes on small lots could drive down cost/price
- Could provide alternative to an ADU, with a different ownership pattern.



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Cottage Court

Issue

- Cottage Courts are clusters of small homes designed around a common outdoor space
- Could be disruptive to the lot pattern of neighborhoods (neighborhoods within neighborhoods), but may be appropriate at the edges
- Precedents in other NC cities: Raleigh and Pittsboro

Opportunity

- Envisioned as similar to the small house/small lot concept, but for developments of four units or more.

Emerald Village, Eugene OR



Third Street Cottages, Langley WA



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Infill Standards

Issue

- Intended to preserve basic “feel” of a street through context sensitive development standards
- Applies to sites less than four acres in residential districts in the Urban Tier
- Still can result in development that feels out of character. Common complaints are height/bulk, impervious area, loss of tree canopy

Opportunity

- Change how height is measured to reflect the apex of the roof
- Require a canopy tree in backyard, similar to Old West Durham NPO
- Limit parking/driveway paving area similar to Old West Durham NCP
- Explore exceptions to lot width standards to accommodate other proposed concepts (small house/small lot)



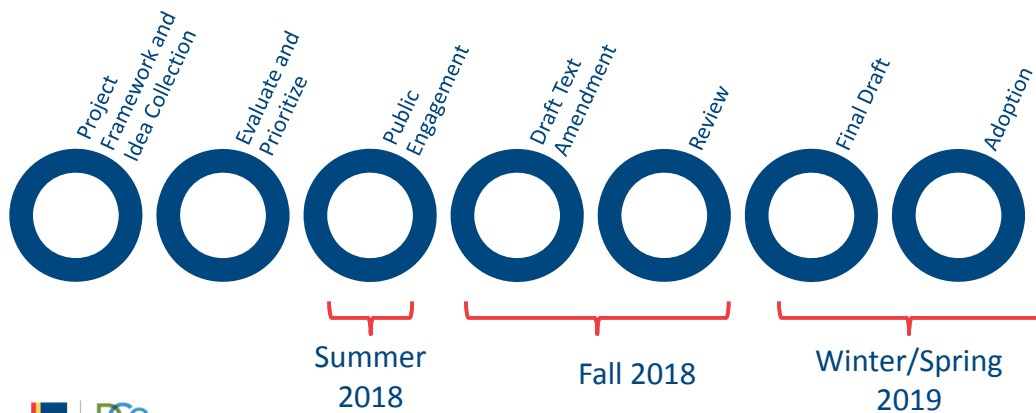
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Anticipated Workflow



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Public Engagement

Round 1

- Questionnaire (1,206 responses – 7/24)
- Pop-Up Events
- Social Media
- Website

Round 2

- Pop-Up Events
- Public Meetings
- Individual stakeholder meetings
- Social Media
- Website

Expanding Housing Choice
Exploring ways to provide a wider variety of housing options.

RAPID GROWTH IMPACTS AFFORDABILITY

- Between 2010-2015 more households were created than new housing units built.
- Homeownership rates are at the lowest for the city. Industry experts estimate only one month of supply now in the "healthy" range.
- Low supply has had an impact on prices. Average sales price has increased by 33% since 2012, up to \$248,000 at the end of March 2016.

CURRENT HOUSING TYPES will struggle to meet TRENDS DRIVING DEMAND

Multi-Family
"Rising Middle" - Higher / Single-Family, Townhomes / Small Apartments.
30% of people aged 45+ is expected to be in the "Rising Middle" by 2015.
"Rising Middle" housing offers a range of multi-unit housing types compatible in style with single family homes." - Smart Planning

Baby Boomers
Baby Boomers are having housing needs in their age. The number of people of the age of 45+ is expected to double by 2015.
40% of the population will be over 45 by 2015. In 2012, 30% of the population was 45 or older.

Millennials
12% of Millennials live in homes with their parents, but most want to live on their own.
Households will be smaller. In 2014, one person households were the most common.

Single-Family

HOW DO WE MAKE ROOM FOR ALL?

160,000 = New people over the next 10 years

62,200 = New homes needed

WE GROW TO MEET DEMAND
OUT? UP? IN?

Take the survey: <https://publicinput.com/2771>
Visit the website: www.durhamnc.gov

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Durham, North Carolina
March 2016
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