

Affordable Housing

Recommendation

Provides over \$189 million to address North Carolina’s housing needs, with an emphasis on increasing housing, energy, and utility affordability. Funds will support affordable housing creation and preservation, down payment assistance for first time homebuyers, and housing services. Funds will also be invested in public water infrastructure grants and in utility bill assistance for low-income households.

Table 1: Allocation of Funds for Affordable Housing

	Recurring	Nonrecurring
Housing Trust Fund	\$7,660,000	\$20,000,000
Workforce Housing Loan Program		\$40,000,000
Enhanced Down Payment Assistance		\$50,000,000
Low-and-Moderate-Income Area Water Infrastructure		\$20,000,000
LIHEAP State Supplement		\$25,000,000
LIHWAP State Supplement		\$10,000,000
Transition to Community Living	\$12,320,000	
Key Rental Assistance	\$4,250,000	
	Grand Total	\$24,230,000
		\$165,000,000

Statement of Need

Invests funds to address the increasing need for affordable rental housing and home ownership opportunities, to mitigate public and environmental health problems in low-and-moderate income areas, and to alleviate energy and utility bill burdens.¹

- A 2017 UNC analysis found that over 377,000 households in the state live in overcrowded housing, lack critical facilities, or live in housing that imposes a severe cost burden on residents.
- Forty-three percent of low-income renters in North Carolina are cost-burdened, meaning that they are paying more than 30% of their incomes in rent.²
- A shortage of affordable homes exists in all counties. The NC Housing Finance Agency (NC HFA) estimates that the state needs 545,000 affordable homes for lower-income families.³
- North Carolina has a shortage of 382,000 units for renters who can only afford to pay \$700 or less in monthly rent.⁴
- Home prices across the state rose by 21% over the past year. While this benefits homeowners, low inventory increases prices and raises barriers for entry, particularly for first-time buyers.
- About one-fourth of North Carolinians live in areas not served by public community water systems,⁵ and it costs a median of \$2,400 to connect a single household to public water in NC.⁶
- One and a half million North Carolinians lived with unaffordable energy bills in 2018, meaning that they paid more than 6% of their annual income on home energy bills.⁷

¹ [State of NC Consolidated Plan and 2021 Annual Action Plan](#)

² [2022 North Carolina Housing Profile](#)

³ NC Housing Finance Agency, Analysis of Community Housing Affordability Strategy data, 2014-2018

⁴ Urban Institute, [Housing for North Carolina’s Future](#)

⁵ [NC Department of Environmental Quality](#)

⁶ [UNC School of Government](#), 2015 data

⁷ [NC 2019 Clean Energy Report](#)

Recommendation Detail

Affordable Housing Creation and Preservation

- **Housing Trust Fund:** Provides a total of over \$27 million to NC HFA for new housing development and the rehabilitation of existing units in FY 2022-23.
- **Workforce Housing Loan Program:** Provides \$40 million to NC HFA for the Workforce Housing Loan Program, which finances loans to construct or substantially rehabilitate affordable rental housing in combination with federal low-income housing tax credits.

Down Payment Assistance

- Provides \$50 million to NC HFA for down payment assistance for first-time homebuyers at or below 100% of area median income (AMI). Assistance will be provided at two levels:
 - (1) Standard assistance of \$8,000 for all eligible first-time homebuyers; and
 - (2) Enhanced assistance of \$15,000 for eligible first-time homebuyers who are educators or protectors.

Low-and Moderate-Income Area Water Infrastructure

- Invests \$20 million to be administered by the Department of Environmental Quality (DEQ) for drinking water and wastewater infrastructure grants in low-and-moderate income areas. Eligible projects construct public water and sewer infrastructure to mitigate public and environmental health problems in municipalities and counties where the population is less than 200,000 and the percentage of low-and-moderate income people is at least 51%.

Energy and Water Utility Assistance

- **Low-Income Household Energy Assistance Program (LIHEAP) – State Supplement:** Provides funding for a statewide supplement for LIHEAP, which helps low-income households cover the cost of heating, cooling, reducing energy burden and minimizing service disconnections. LIHEAP is administered by the Department of Health and Human Services (DHHS).
- **Low-Income Household Water Assistance Program (LIHWAP) – State Supplement:** Directs funding to DHHS for a statewide supplement to LIHWAP, which helps low-income households cover the cost of drinking water and wastewater bills, reducing energy burden and minimizing service disconnections.

Housing Services

- **Transitions to Community Living:** Increases funding by \$12.3 million, of which nearly \$4 million is net General Fund appropriations, for the Transitions to Community Living Initiative at DHHS. The initiative transitions eligible adults with mental illness from institutions to community care settings. This funding will provide housing, tenancy support, and wraparound mental health services following the US Department of Justice Olmstead Settlement.
- **Key Rental Assistance:** Provides \$4.25 million recurring for Key Rental Assistance, a partnership between the DHHS's Division of Aging and Adult Services and NC HFA. The program provides supportive housing programs for people who are below 50% of AMI and/or disabled and in need of affordable housing.

Expected Impact

This proposal will increase the state's affordable housing stock and enhance access to housing and necessary utilities for low-income residents. Expected impacts include:

- Repairing more than 500 homes, 300 supportive housing units, and 300 rental units.
- Supplementing the federal Low-Income Housing Tax Credit, which has provided an average of 4,100 new affordable housing units each year and enabled at least seven additional affordable multi-family developments.
- Addressing the primary barrier to homeownership by providing down payment assistance to between 3,300 and 6,250 first-time homebuyers.
- Funding at least 14 new public water infrastructure projects in low- and moderate-income communities across the state.
- Providing up to \$600 in both heating bill and water bill assistance per year for low-income households.
- Sustaining the current caseload of the Key Rental Assistance program, which currently supports about 2,350 households.