

Assessment of Housing Needs In Fletcher, North Carolina

**Prepared for
The Town of Fletcher**

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Executive Summary

Fletcher is a young, affluent, working community. It is a fast-growing Town in a fast-growing county, situated in a region with a stable economic base. About 300 new households are projected to move to Fletcher over the next five years.

Median net worth and household income for Fletcher households are relatively high, driven by the hundreds of working households who have bought new, mid-priced homes in Town over the past ten years. By the year 2007, it is projected that 19% of households will have incomes over \$100,000. Most Fletcher workers take advantage of the Town's convenient location to commute to jobs elsewhere, in Henderson, Buncombe, and Transylvania counties. One worker out of five works in Fletcher, which has a substantial industrial base for a community of its size.

Fletcher is overwhelmingly a Town of homeowners, almost all of whom own a detached site-built home or a HUD-code manufactured home. The latter comprise about one-fifth of the housing stock. About 70 manufactured homes pre-date the 1976 HUD code. There is very little attached housing in Fletcher. Three renters out of five live in detached homes.

Some Fletcher housing is very new and some is decades old, reflecting the building boom of the 1990's combined with traditional homes. There is little dilapidated housing. Some HUD-code units need repair or replacement, and older site-built stock would benefit from moderate rehab.

The median value of Fletcher site-built, owner-occupied housing is quite high, at \$133,700, again reflecting the large number of new owner-occupied units built during the 1990's. Many of these homes have a similar appearance, reducing the diversity of Fletcher's housing stock and giving the Town a more suburban character than it had a decade ago.

The Windsor Aughtry Company of Greenville, South Carolina has built most of the newer homes in Fletcher, at prices ranging from the low \$100's to the low \$200's. In a departure from the prevailing single-family construction pattern, another firm has recently developed a higher-density attached housing project. It has been well-received by the market with prices beginning around \$100,000. Up to now, no non-profit builders have developed units in Fletcher.

The supply of buildable land is diminishing, though there are still some opportunities. Town zoning provides for higher density in east Fletcher than it does in areas west of US 25, but residential density is conservative Town-wide. Relatively low permitted density makes it a real challenge to deliver ownership or rental housing affordable to low-moderate income households. Even at today's very low mortgage rates, workers in low-wage jobs need to look for housing priced well below \$120,000 to avoid over-straining household budgets.

Resale prices for ownership housing in Fletcher center on a median of \$148,500, which is in the same range as the overall Buncombe/Henderson market. Only eight homes sold for less than \$120,000 in Town in a recent 20-month period. Fletcher's median home price has risen gradually over the past several years. However, the median home value rose much faster than the community's median income during the 1990's.

The Town's rental market is small. Twenty-eight percent of renters pay more than 30 percent of income for housing, reflecting the low incomes of renters working in low-wage full-time jobs. One-third of Fletcher renters live in manufactured homes.

This housing needs assessment, and the recommended strategies, were guided by the Town's stated interest in being a diverse community in economic, racial, and demographic terms. To promote housing affordability and to attract economically diverse owners and renters to Fletcher, increased density and inclusionary zoning are the most effective tools at the Town's disposal. The Town should also consider building active partnerships with non-profit developers and housing advocacy groups. Low income housing tax credits and federal HOME funds will be key resources to complement the potential reduction in land costs from increased density. A big challenge will be overcoming inevitable Not in My Back Yard sentiment, and winning community support for affordable housing. To that end, an informational campaign about who benefits from affordable housing will help.

Part One: Economy and Demographics

Summary

- Households continue to move to Fletcher, driving demand for new housing units
- The number of Fletcher households is projected to increase by about 288 over the next five years, continuing the growth trend of the 1990's at about the same pace
- Fletcher households have relatively high incomes and net worth
- Three out of four Fletcher residents work, a much higher proportion than for Henderson
- The Town's location puts it within convenient reach of jobs throughout Buncombe-Henderson
- Four out of five Fletcher workers commute; one out of five Fletcher workers works in the Town itself
- The regional economy is strong, with a steady rate of job growth and low unemployment
- Fletcher households living in mid- and east-Fletcher have lower incomes than those on the west side of Town.

Population, Households, and Workers

Fletcher is Growing Even Faster than Henderson

Fletcher is a fast-growing town in a fast-growing county.

The Town's population grew by 33.5 percent to 4,185 during the 1990's. In 2001, population increased by an estimated 151 people (3.6 percent).¹

Henderson County grew by 27.9 percent from 1990 to 2000, which is somewhat faster than Buncombe. In-migration is driving population growth in both counties.

Henderson's population grew more rapidly during the 1990's than North Carolina as a whole. Growth is projected to slow to about 1.3 percent annually through 2006, which would represent a growth rate one-half that of the '90s.

During the 1980's, the county saw an increase in the population aged 50 and over, along with a corresponding decline of 8 percent in average household size, from 2.59 to 2.38. Household size stabilized at that level during the 1990's and is projected to remain stable. Incremental housing demand will therefore closely track increases in population.

Population and Household Growth Henderson County, 1980-2006

	1980	1990	2001	2006
Population	58,577	69,285	90,268	97,660
Households	22,390	28,709	37,601	40,757
Avg HH Size	2.59	2.38	2.37	2.37

Source: US Census, Claritas

Newcomers Drive Fletcher Growth More than Surrounding Areas

Newcomers make up a large portion of Fletcher’s population. Just 41 percent of Fletcher households lived in the same house in 2000 as in 1995. Three-fourths of those who moved into their Fletcher home since 1995 came from outside the county, and about one-third moved from outside North Carolina. Fletcher’s proportion of newcomers is higher than in nearby counties, as shown below:

Percent Population Living In Same House, 1995-2000

Fletcher	40.1%
Buncombe	53.0%
Henderson	54.1%
Madison	59.7%

Source: Census 2000 DP-2.

Only about one Fletcher household out of five moved into their present home before 1990.²

Fletcher’s Population is Younger

The median age of Fletcher’s population is 36, more than six years younger than Henderson’s median of 42.7. Barely one Fletcher household out of five has a member 65 years old or older.

Household Growth and Size

Increases or declines in the number of *households* are critical to housing analysis. Households consume housing, and by definition the number of households equals the number of occupied housing units.

During the 1990’s, the 37 percent increase in the number of Fletcher households was close to the Town’s rate of population growth. Household size was stable. During the same time period, the number of Henderson households grew by 29.5 percent; Buncombe’s grew by 21.5 percent

Most Workers Commute Outside Henderson County

Fletcher’s location is a convenient commute to jobs in Buncombe and Henderson. This has been a basic reason for the rapid growth in new housing construction in Town. 59 percent of

Fletcher’s working population commute to jobs outside Henderson County. Of the 41 percent who work in Henderson, about half (470) work in Fletcher itself.³

Strong Regional Economy

Diverse Base

The 2001-02 recession has had an impact, but the fundamental economic situation of the region remains favorable. Henderson County has seen solid, steady economic and employment growth for more than a decade. The economic base is diverse, consisting of manufacturing, tourism, and health care.⁴ The diversity is reflected in the region’s major employers, as shown below:

Buncombe and Henderson County’s Major Employers by Employment Size

Name	Industry Description	Number of Employees
Memorial Mission Hospital	Health Services	1000+
Ingles Markets	Retail Food	1000+
Park Ridge Hospital	Health Services	500+
Grove Park Inn and Country Club	Hotel Services	500+
The Biltmore Company	Hotel Services	500+
Wilsonart International	Manufacturing	500+
Steelcase (Fletcher)	Manufacturing	500+
GE Lighting Systems Inc	Manufacturing	500+
Cutler-Hammer Inc.	Manufacturing-Electrical Equipment	500+
Sonopress	Manufacturing-General	500+
Wal-Mart Stores Inc.	Retail Trade	500+
Ingles Markets	Retail Trade	500+
Wal-Mart Stores Inc	Retail Trade	500+
Fatz Café	Retail Trade	500+
Pinnacle Staffing Inc.	Service	500+
Charles D. Owen Manufacturing	Textile Manufacturing	500+
American Freightways	Transportation	500+
Meritor Heavy Vehicle Systems	Manufacturing	250+
Friday Services Inc.	Services	250+

Source: NC Employment Security Commission

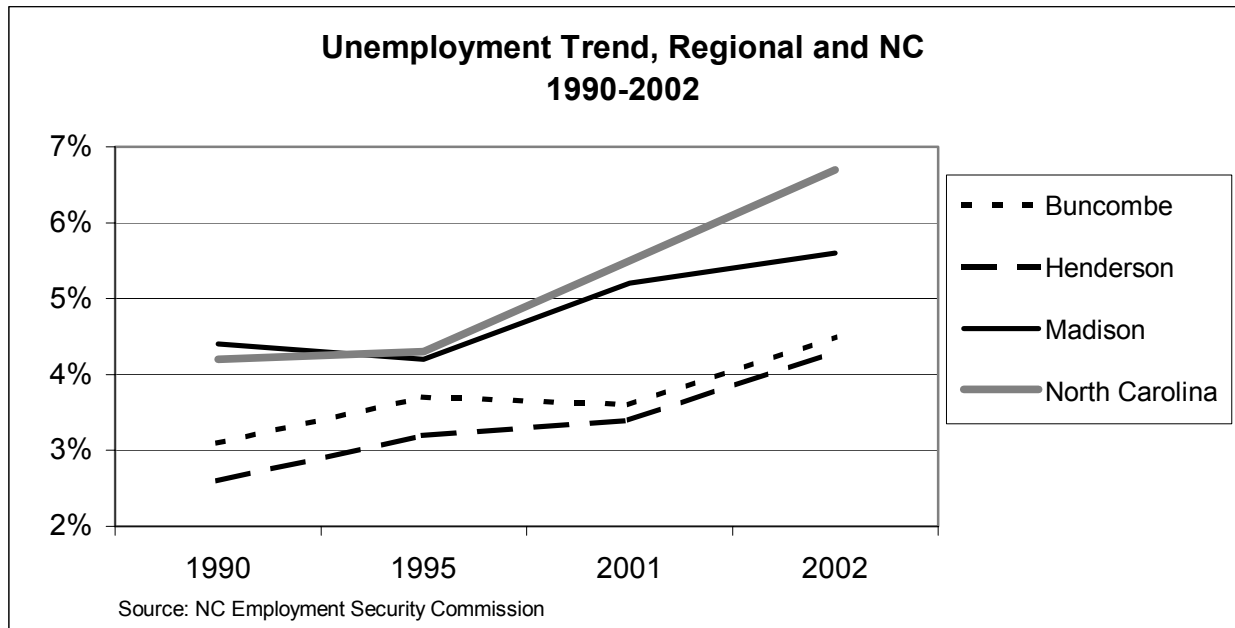
Good Job Growth, Low Unemployment

New jobs affect housing demand in Town, because Fletcher is a working community. The percentage of Fletcher residents in the labor force, almost 74 percent, is much higher than Henderson’s 57 percent, and higher than Buncombe’s 64 percent.⁵ The number of new jobs in

the region, a key determinant of housing demand, has been increasing at an average of about 2% annually over the past six years.⁶

For a town its size, Fletcher has an impressive industrial base. Borg Warner, Steelcase, Blue Ridge Metals, and the Earthfare distribution center are all located in Fletcher.

As of October 2002, Henderson County’s unemployment rate of 3.7 percent is one of the lowest in the state. Buncombe’s was 3.5 percent. Unemployment in Henderson County has been well below statewide rates for the past twelve years.



Growing Labor Force

The labor force has been growing steadily in all parts of the region, helping to drive household incomes. Henderson County’s labor force grew at an average annual rate of 1.7 percent from 1990 through 2001, faster than Buncombe’s 1 percent growth rate or the state’s 1.3 percent. Henderson’s labor force dropped by an estimated 2.3 percent in early 2002.

Labor Force Trend

	1990	1995	2001	Feb-02
Buncombe	91,310	95,860	101,950	101,740
Henderson	32,330	34,650	38,590	37,670
Madison	8,200	8,360	9,120	9,130
North Carolina	3,468,300	3,630,800	3,994,800	3,967,000

*Based on worker’s place of residence.

Source: NC Employment Security Commission

Henderson County Employment Details

The number of jobs located in Henderson County grew by 2.6 percent annually from 1998 through 2000, then slumped 1.2 percent in 2001.⁷

Aggregate payroll for all jobs in the county grew at a strong 5.5 percent annual rate from 1998 through 2000 (insured employment). In 2001, total payroll dropped 3%.

Wage and Employment Trend, Employees Covered by Unemployment Insurance for Jobs in Henderson County 1998-01

	1998	1999	2000	2001*
Total Wages (000's)	\$839,997	\$920,146	\$979,083	\$950,936
Avg Weekly Wage	\$25,941	\$27,023	\$28,045	\$27,560
Avg Annual Employment**	32,381	34,051	34,911	34,491

*Estimated from Q1 and Q2 01 data

**Based on job location.

Fletcher Is an Affluent Community

Income

Fletcher is a relatively high-income community. Median household income in the Town as of 1999 was \$45,426, compared with \$38,109 in Henderson and \$36,666 in Buncombe.⁸

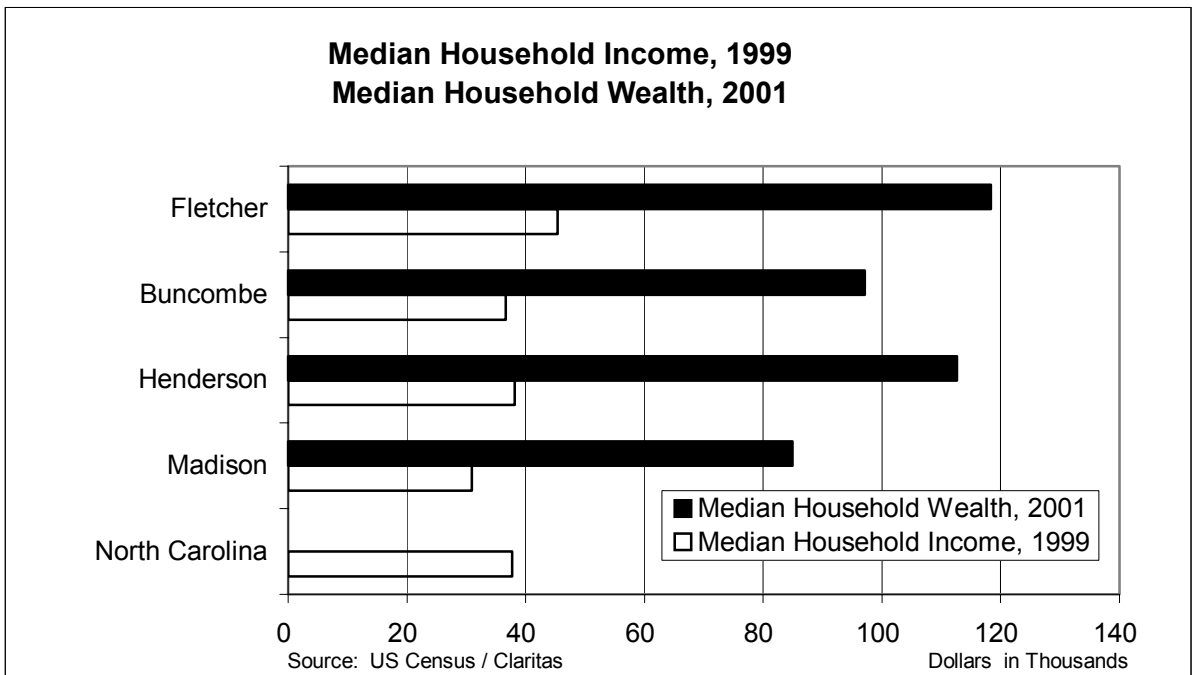
Incomes in Fletcher vary widely between households who own and those who rent their home. The median owner income was \$49,022 in 1999, compared with \$28,083 for renters.⁹

Household incomes have grown rapidly in Fletcher during the past 12 years, faster than those in Henderson County. The annual rate of increase in Fletcher, 6 percent,¹⁰ has been substantially higher than the rate of inflation during that period.

Net Worth

Fletcher households have relatively high median net worth, higher than Henderson County's and considerably higher than Buncombe's. Fletcher's estimated median net worth for 2001 was \$118,351.¹¹

For perspective, the nationwide median wealth for households in the 45 to 54 age group was \$61,248 in 1995, the most recent Census data available. National data shows that household wealth rises steadily until age 65-69, after which it declines gradually.¹²



Forecast: Continued Strong Housing Demand

Population and Household Growth to Continue

Fletcher is projected to continue its strong growth through the next five years.¹³

The number of Fletcher households is expected to increase by 288 (15.5 percent) through 2007, continuing the growth trend of the 1990's decade. Household size is projected to remain stable.¹⁴

Fletcher will outpace Henderson County, where households are projected to increase by nine percent from 2002 through 2007.¹⁵ Henderson's population is projected to grow strongly through 2010, by 21 percent.¹⁶

Projected Age Composition of Population

Over the next five years, Fletcher is projected to see a small decline in the population cohort aged 25-44, the prime first-time homebuyer group.¹⁷ The proportion of Fletcher's population aged 60 or more will remain stable. Detailed projections by age group follow:

Fletcher Population By Age Cohorts, 2000-2007

Age	2000		2002 Est.		2007 Proj.	
Total	4185	100%	4446	100%	5110	100%
0 to 4	371	8.9%	390	8.8%	445	8.7%
5 to 9	301	7.2%	313	7.0%	340	6.7%
10 to 14	225	5.4%	245	5.5%	266	5.2%
15 to 19	153	3.7%	163	3.7%	195	3.8%
20 to 24	182	4.3%	201	4.5%	227	4.4%
25 to 34	781	18.7%	801	18.0%	883	17.3%
35 to 44	718	17.2%	735	16.5%	768	15.0%
45 to 54	609	14.6%	672	15.1%	821	16.1%
55 to 59	241	5.8%	284	6.4%	374	7.3%
60 to 64	180	4.3%	201	4.5%	279	5.5%
65 to 74	270	6.5%	278	6.3%	328	6.4%
75 to 84	124	3.0%	129	2.9%	146	2.9%
85+	30	0.7%	34	0.8%	38	0.7%
Median Age	36.0		36.3		37.3	

Source: US Census, Claritas Inc.

Income by Householder Age: 2002 and 2007 Projection

Five-year projections from Claritas Inc. suggest that income disparity among the Town's population will increase over the next five years. Fletcher's median household income is projected to rise at 3.8 percent annually through 2007. However, its per capita and average household incomes will rise considerably faster (respectively, at 4.9 and 4.8 percent per year).¹⁸ The proportion of Fletcher households earning more than \$100,000 could more than double over the next five years.

The following tables provide a detailed breakdown of Fletcher household income by householder age for 2002 and 2007.

**Fletcher Households By Age of Householder and Income 2002
(% of Total)**

Household Income in 2002	Percent 2002 Households by Age of Householder											
	Total	15-24	25-34	35-44	45-54	55-59	60-64	65-69	70-74	75-79	80-84	85 +
Total Households	100	3.6	20.7	22.5	20.8	9.4	6.7	5.3	4.5	3.3	2.1	1.1
<\$5,000 - \$14,999	8.4	1.2	0.9	0.9	0.4	0.8	0.6	0.7	0.6	1.2	0.8	0.5
\$15,000 - \$24,999	12.1	0.3	3.5	2.9	0.4	1.0	0.9	1.2	0.8	0.7	0.3	0.1
\$25,000 - \$34,999	12.0	0.6	2.7	1.8	1.7	1.7	1.3	0.9	0.7	0.2	0.2	0.2
\$35,000 - \$49,999	14.5	0.5	2.8	2.9	3.1	1.9	1.3	0.8	0.7	0.2	0.2	0.2
\$50,000 - \$74,999	28.5	0.7	5.0	6.4	8.8	3.1	2.0	0.9	1.0	0.2	0.3	0.1
\$75,000 - \$99,999	15.9	0.3	3.4	4.7	4.5	0.7	0.5	0.6	0.5	0.3	0.2	0.1
\$100,000+	8.6	0.0	2.2	2.9	1.9	0.2	0.1	0.2	0.3	0.4	0.2	0.1

**Fletcher Households By Age of Householder and Income, 2007
(% of Total)**

Household Income in 2007	Percent 2007 Households by Age of Householder											
	Total	15-24	25-34	35-44	45-54	55-59	60-64	65-69	70-74	75-79	80-84	85 +
Total Households	100	3.5	19.6	20.1	21.9	10.7	8.0	5.6	4.2	3.1	2.2	1.0
<\$5,000 - \$14,999	6.1	0.9	0.6	0.5	0.1	0.7	0.4	0.5	0.4	0.8	0.5	0.2
\$15,000 - \$24,999	9.2	0.3	2.4	2.1	0.5	0.7	0.6	0.9	0.6	0.6	0.4	0.1
\$25,000 - \$34,999	9.1	0.3	2.2	1.5	0.8	1.3	1.0	0.8	0.6	0.3	0.2	0.1
\$35,000 - \$49,999	16.7	0.7	3.3	2.6	3.1	2.5	2.0	1.1	0.8	0.2	0.3	0.2
\$50,000 - \$74,999	20.8	0.7	3.5	3.9	5.9	2.7	1.9	0.9	0.7	0.2	0.2	0.2
\$75,000 - \$99,999	18.7	0.4	3.1	4.1	6.0	2.0	1.4	0.7	0.6	0.2	0.2	0.1
\$100,000+	19.4	0.2	4.5	5.6	5.4	0.8	0.6	0.7	0.6	0.7	0.4	0.0

Source: Claritas

Expected Housing Production

In developing a forecast of housing production in Fletcher through 2005, we make the following assumptions:

- job growth in the region will continue at its recent six-year pace of 2 percent per year
- new households in Fletcher will average about 60 per year
- the supply of land for residential development will continue to tighten
- the mix of owners and renters in Fletcher will not change substantially
- mortgage interest rates will remain in the single-digits.

Given this environment, the following mix of housing production is projected for Fletcher through 2005:

- 160 site built homes, including a mix of attached and detached units
- 15 real-property manufactured homes
- 30 personal-property manufactured homes.

Fletcher Income and Demographics by Census Block Groups

Income and other basic characteristics vary significantly across Fletcher’s three Census Block Groups. Higher incomes and more recently arrived households are concentrated on the west side of US 25 in Census Tract 9906, Block Group 2. Mid-Fletcher Block Group 1, Census Tract 9906 lies between Cane Creek on the east, and US 25, St. Johns Road, and Bridge Road on the west. Incomes are lowest and housing stock is older in this mid-Fletcher Block Group. Fletcher has no Qualified Census Tracts as defined by HUD for purposes of allocating low income housing tax credits.

The following table presents basic information about each of these three Block Groups:

Selected Demographic and Housing Characteristics for Fletcher Block Groups

	Population	Per Capita Income	% HH with Income < \$34,999***	Percent White	Percent Housing Pre-1960	Percent HH in Different House, 1995	Percent Renters Cost-Burdened**	Percent Owners Cost-Burdened**
West BG 2 Census Tract 9906	2,895	\$22,797	23%	95%	15%	65%	32%	16%
Mid BG 1 Census Tract 9906	649	\$15,780	68%	94%	42%	40%	None	15%
East* BG 1 Census Tract 9905	1,293	\$16,174	49%	97%	31%	47%	24%	24%

*Includes some households to the east of Fletcher Town Boundaries.

**Cost-burdened: paying 30 percent or more of income for housing costs

***\$34,999 is approximately 80 percent of median income.

Part Two: Construction Activity

Henderson County Single-Family Housing Construction Data

Single-family construction in Henderson County has held steady in the range of 600-700 units per year for the past seven years. Construction activity is concentrated in price ranges beyond the reach of households earning \$42,240, or 80 percent of the HUD median.

Single-Family Residential Building Permits, Site-Built Homes, Henderson County 1996-2002

Year	Number of S/F Permits	Construction Cost*		Square Feet	
		Median	Mean	Median	Mean
Thru 11/02	749	\$130,000*	\$169,138*	1,776*	2,073*
2001	711	\$139,000	\$167,181	1,752	1,943
2000	670		\$177,677	n/a	n/a
1999	800 (est.)		\$148,384	n/a	n/a
1998	700		\$143,139	n/a	n/a
1997	661		\$138,199	n/a	n/a
1996	600		\$115,689	n/a	n/a

*Calculated only for permits issued through May 2002. Excludes land, profit, and soft costs.
Source: Henderson County, US Census, Housing & Community Insight

We estimate the median sale price of all new site-built, single-family homes in the county to be between \$150,000 and \$175,000, based on a review of Henderson building permits issued over the 17 months ending May 2002. Building permits express only the cost of unit construction, not land - and builders customarily understate construction cost. Interest, architectural fees, overhead, and profit can add 25 to 30 percent of hard construction costs to the final price of a completed home on a lot.

Henderson Residential Projects Planned

In May 2002 we asked the following sources about projects “in the pipeline”:

- Homebuilder's Association in Hendersonville
- Henderson County Planning Office
- Henderson County Zoning Office
- Henderson County Building Permits Office (also handles City of Hendersonville)
- City of Hendersonville Zoning
- Housing Assistance Corporation.

We learned of only one future ownership development in the planning phase, a high-end development of 20 condominiums proposed for downtown Hendersonville. However,

ownership housing developments already in progress contain a substantial inventory, estimated in the hundreds, of developed lots ready for future construction.

We learned of no proposed rental developments other than the affordable and special needs units the Housing Assistance Corporation plans for its King Creek site near Hendersonville.

Asheville and Buncombe Single-Family Housing Construction Data

**Single-Family Residential Building Permits, Site-Built Homes
City of Asheville and Buncombe County, 1999-2002**

Year	Number of S/F Permits	Mean Construction Cost
11/02	1168	\$304,711
2001	1085	\$285,358
2000	939	\$270,036
1999	984	\$275,992

Henderson, Buncombe, and Asheville Multi-Family Construction Data

Buncombe has seen the majority of multi-family construction in the region over the past three years.

Multi-Family Residential Building Permits (Units)

Year	Henderson	Buncombe	Asheville
Jan-Nov 02	97	181	105
2001	263	717	70
2000	50	118	70
Total	410	1,016	245

Fletcher Residential Construction Activity

Fletcher is a “hot” location for new single-family home construction in Henderson County. The convenient location, relatively low taxes, well-regarded schools, and the ease of doing business with Town staff were all cited by observers as reasons why the Town has seen 682 site-built homes and 164 manufactured homes added over eight years beginning in 1994. This

is an impressive total growth in a Town with 1,816 total housing units. The Town has seen a negligible amount of multi-family construction until the Stafford Crossing project began construction in 2002 (see discussion below).

Homes Built in Fletcher, 1994 – 2001

Year built:	1994	1995	1996	1997	1998	1999	2000	2001	Total
S-F site built (incl. condo & modular)	43	64	76	97	98	116	97	91	682
Median value as of 2002	\$121,500	\$152,900	\$154,400	\$133,500	\$131,050	\$133,800	\$139,900	\$129,550	
MH Real property	2	9	3	2	5	2	4	3	30
Median value as of 2002	\$69,650	\$56,400	\$60,200	\$60,850	\$69,000	\$60,150	\$59,150	\$64,800	
MH personal property*	17	14	13	27	30	18	10	5	134

*Values not available for personal property MH.

Source: Henderson County Property Tax Database

One company, Windsor Aughtry of Greenville, South Carolina, has been responsible for the great majority of Fletcher’s housing production, about 600 homes in all according to the company. Windsor Aughtry has played a major role in defining Fletcher. The company found Fletcher an attractive location for development due to its relatively flat land and the presence of water and sewer. Beginning in the early 1990’s with its South Chase project, moving on to the upscale Windsor Forest and the patio homes in St. Johns, Windsor Aughtry developments have sold quickly, with absorption rates of 3-4 units per month, according to the company’s Drew Norwood. All of the company’s Fletcher units have been single-family detached homes. Buyers commute to work in Hendersonville, Asheville, and Brevard. At times there have been customer backlogs of several months. A realtor reports that at one point demand was so strong that resale units were occasionally selling for \$15,000 premiums over the cost of new units. Windsor Aughtry’s Fletcher sales have slowed somewhat in the past six months, which Norwood attributes to economic conditions.

TNCO Development’s Stafford Crossing project off Rutledge Road represents a significant milestone for the Town, being the first sizeable attached housing project built for ownership. Its units are priced lower than recent single-family detached construction in Town, from \$94,900 to \$139,900. Forty-six of the planned 143 units in the project had sold as of December 2002. Units range in size from 1160 to 1449 square feet. The developer reports that buyers are responding to key selling points: Fletcher’s convenient location, low mortgage rates, and relatively low prices. Buyers are diverse. They include airport employees, single mothers, a few early retirees, and young couples. Many are first-time buyers. The project was developed on land zoned C-2, and the project’s density is 16 units per acre, significantly higher than the single-family detached home developments constructed in Fletcher during the 1990’s.

Fletcher single-family construction activity continued strongly in 2002. The fifty-five permits issued for Fletcher single-family construction January through May 2002 amounted to almost 20 percent of new Henderson County single-family building permits for the same period. All of those permits were for units in the 205-unit Livingston Farms project in Hoopers Creek, developed by Windsor Aughtry. Homes in Livingston Farms range in price from \$123,700 to \$218,392. Lot sizes range from 14,000 to 7,700 square feet (3 to 5.5 units per acre). The median permit amount for the January-May 2002 period was \$157,000.

Comparison: Recent S-F Permits in Fletcher, Henderson, and Buncombe

Although five months does not make a trend, recent construction activity in Fletcher's Livingston Farms development is causing a spike in median permit amounts relative to those in other parts of the region.

Recently Issued Single-Family Building Permits (Site-Built Units): Fletcher, Henderson, and Buncombe

	# Permits	Median Amount*	Mean Amount*	Median Sq. Ft.	Mean Sq. Ft.
Fletcher 1/02 - 5/02	55	\$157,000	\$168,518	1572	2072
Henderson (all) 1/02 - 5/02	285	\$130,000	\$169,138	1776	2073
Buncombe 10/01 - 6/02	604	\$134,000	\$180,236	1,792	2,053

*Excludes land, profit, and soft costs.

Source: Henderson and Buncombe County Building Permit Offices

In all markets, it is typical for strong demand for new housing to push builders toward the mid- and high-end markets where profit margins are higher.

Land Available for Residential Development

Some sizeable tracts of land remain available for residential development in Town, but the supply is diminishing. In the northern sections of Hoopers Creek there are large lots zoned R-3, some of them currently used for farming. The Cane Creek flood plain makes a relatively small portion of this land unsuitable for development. Although water and sewer lines have not been extended throughout Hoopers Creek, the lines extended to service Livingston Farms are available for connection.

Some land zoned R-2 is available near St. Johns on Fanning Bridge Road, although there may be a need for a pump station to bring sewer service to the site. A large tract adjacent to South Chase, owned by the Westfeldt family, exists off St. Johns, but it is not on the market at this

time. Part of the land is in a flood plain. Some land zoned C-2, residential/commercial, is available on the western side of Fletcher. A 5-acre parcel zoned commercial along US 25 is now on the market, priced at \$800,000. There are opportunities for infill development throughout the Town. In the long run, land will become available in the area that is now used by a rock quarry off Fanning Bridge Road.

There is a large amount of land zoned M-1 east of US 25, but the zoning ordinance currently places this land off-limits for residential use. M-1 is the only zone which does not include lower-intensity uses as permitted uses.

Manufactured Housing Placements

Popularity of Manufactured Housing: Regional, Statewide, and Fletcher

In this report, the term “manufactured housing” applies only to units built to the federal building code in effect since 1976, known as the HUD code.

Manufactured housing (MH) is a major segment of the Henderson County housing market. 198 permits for multi-section (double- or triple-wide) manufactured housing were issued in Henderson County in 2001, a number amounting to 22 percent of all single-family detached housing permits. Because multi-section homes are rarely moved after their original siting, it is likely that almost all of these permits represent units new to Henderson County, and not relocations.

Manufactured homes are also a major part of the affordable housing scene in Buncombe County and statewide. For the year 2000, for example, 52 percent of all housing units created in Buncombe were manufactured homes. These 963 manufactured units amounted to 55 percent of the county’s additional stock of single-family detached homes. A full 40 percent of new housing starts in North Carolina during the 1990’s were manufactured units.¹⁹

That these units are substituting for the traditional site-built single-family home is reinforced by the fact that the great majority are placed not in parks, but on the buyer’s own land. Statewide, about three out of four units are placed on privately owned land, and a large majority are double-section homes.

The ratio of manufactured home placements to site-built home construction is much lower in Fletcher. In 2001, only about 8 percent of new dwellings in Town were manufactured units. A major proposal for a 200-unit manufactured home subdivision in Fletcher was defeated by community opposition.

Estimated Price of Manufactured Home in Henderson

The median unit cost of Henderson manufactured homes was in the low- to mid-50’s for double-section permits issued from January 2001 through May 2002.²⁰ This suggests a

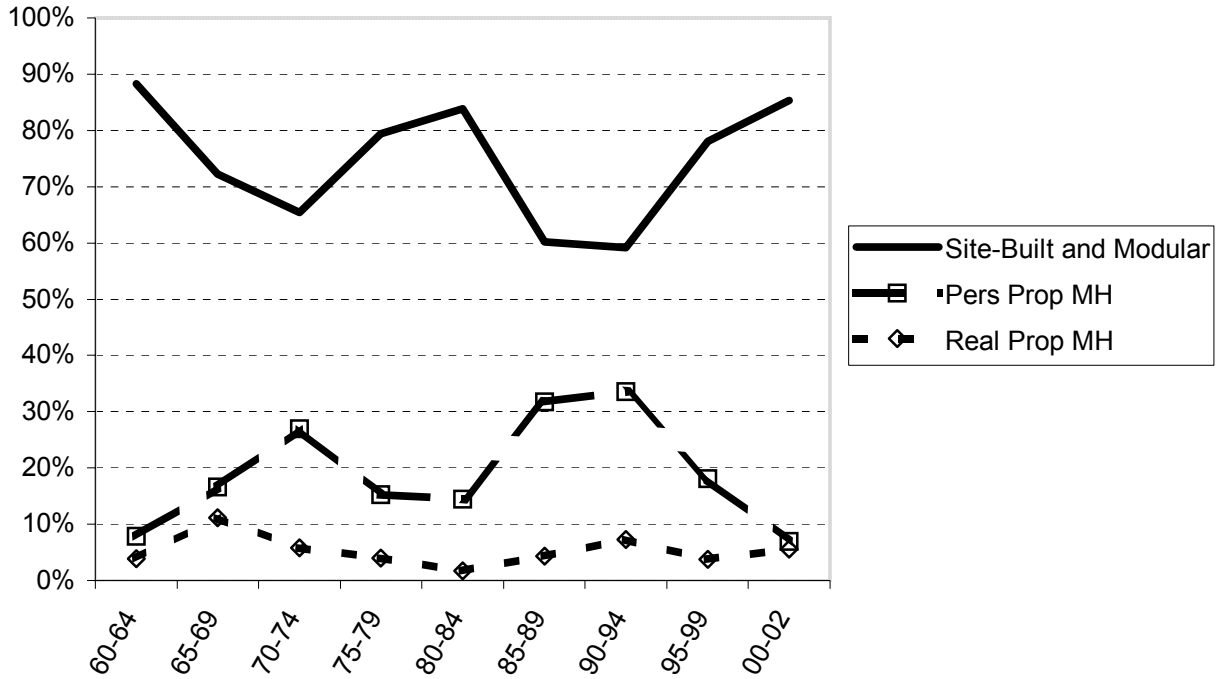
median final value or price in the \$75,000 - \$95,000 range depending on location, lot size, and foundation type. In Fletcher, real-property homes placed in 2000 and 2001 had a median value of about \$62,000.

Composition of New Fletcher Housing Stock, Manufactured vs. Site-Built

An estimated 20 percent of dwellings in Fletcher are manufactured units.²¹ Over the years the mix of manufactured and site-built units added to Fletcher's housing stock has changed considerably. Before the manufactured housing industry's first boom years in the early 1970's, site-built housing comprised the great majority of units in the area that was later to become Fletcher. Pre-HUD-code mobile homes then gained popularity in the early 1970's, amounting to about 28 percent of new housing added to the stock in that period. From 1985 through 1994, HUD-code homes amounted to over 30 percent of the Town's new stock. After 1994, HUD-code housing declined in importance as Fletcher's recent site-built new construction boom took hold.

Of concern is the large number of homes placed in Fletcher before 1976. Homes built before the HUD code were generally built to less stringent standards.

New Fletcher Housing Units By Type, 1960-2002



Source: Henderson County Property Tax Database

Part Three: Housing Stock

Detached Housing, Site-Built and Manufactured, Predominates

Fletcher is a town of detached homes. Only four dwellings out of 100 are attached to another unit, and most of these units exist in structures of five or more units.²²²³

Within the detached stock, two types of housing dominate the town's housing. Three-fourths of the Town's units are single-family detached, site-built homes. The next largest category is manufactured homes, which account for one unit out of five.

There may be an aesthetic issue with the exterior sameness of units added to Fletcher's housing stock during the past 12 years. Ninety-six percent of the site-built single-family units built in Town since 1990 have had vinyl siding exteriors.²⁴

High Ownership Rate

Homeownership is the American Dream because of the stability, privacy, and wealth-building opportunities it offers a household. From the community's standpoint, the individual's commitment to an owned dwelling can translate to greater commitment to the responsibilities of citizenship. Homeownership is promoted heavily with available federal resources under the current administration.

The Town's ownership rate in 2000 was an extremely high 83.9 percent, higher than Henderson's rate of 78.8 percent. For further comparison, the state's rate is 70.2 percent, and nationwide it is 66.2 percent. Fletcher's ownership rate increased substantially during the 1990's, by 10.8 percent.²⁵

Not all of the impacts of high homeownership rates are favorable, however, especially for communities wishing to promote low-income housing opportunities. In a recent book, *The Homevoter Hypothesis*, Dartmouth professor William Fischel argues that because most homeowners have far more wealth tied up in their home's equity than in the stock market, they become especially sensitive to municipal issues that can affect their home's value. This effect is compounded by the fact that homeowners are unable to diversify their home equity investment as they can with stocks and bonds. Fischel reasons that NIMBY and exclusionary zoning are closely related to the rational desire of homeowners to protect their home equity.²⁶

Included among Fletcher's homeowners are 273 owners of manufactured homes, accounting for 18 percent of all Fletcher owner-occupants. Eighty one percent of manufactured homes in Town are owner-occupied. Although they are counted as owner-occupants even if their underlying lot is rented, the owners of manufactured homes often do not realize the wealth-building potential of site-built homeownership.

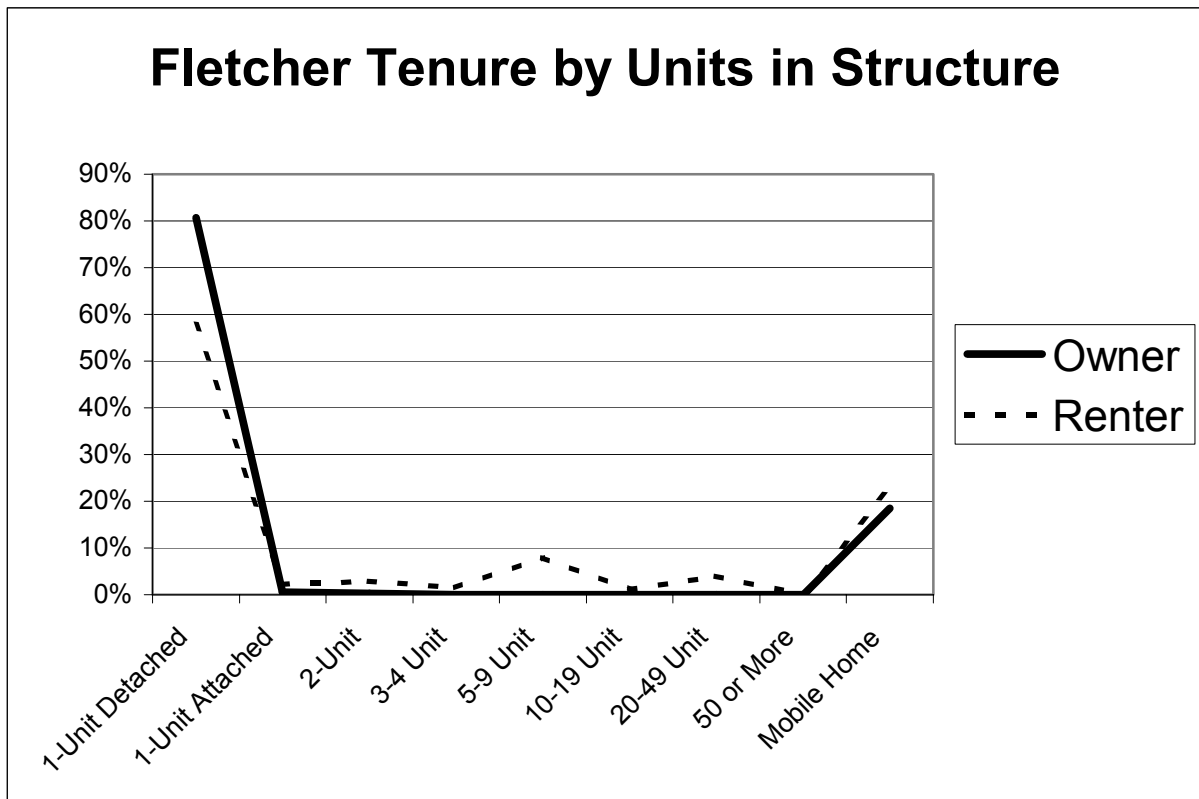
Fletcher Has Many Recent Homebuyers

One-half of all Fletcher homeowners bought their homes during the four years prior to Census 2000. One out of five had purchased during the previous 15 months.²⁷

Owner Stock vs. Renter Stock

As of Census 2000, virtually all Fletcher owners (99%) lived in site-built detached units or manufactured homes.²⁸ This is changing with Stafford Crossing, a new 143- unit attached ownership housing development now under construction.

Most renters (58%) also occupy detached single-family site-built units. An additional one-third of Fletcher's renters rent HUD-code manufactured homes (92 households).²⁹ The Town has a few duplexes and apartment buildings.



Source: Census 2000 Table H32

Vacant and Seasonal Units

Vacant units amounted to only 72 in 2000, 4% of total stock. This compares with 13 percent in Henderson County. The Town has a negligible number of seasonal units, while Henderson's percentage is 6.3.

Manufactured Housing: A Significant Part of Fletcher's Stock

Census 2000 recorded 365 manufactured homes³⁰ in Fletcher, 20 percent of the housing stock. 273 are owner-occupied, and 62 are renter-occupied.³¹ The Town's proportion of manufactured homes declined during the nineties. In 1990, 23 percent of the housing stock was manufactured according to Census figures.

The Town's property tax database shows a total of 433 HUD-code manufactured homes, of which 350 are titled as personal property.

Manufactured Housing: Overview

Congress has reserved the term "manufactured housing" to denote housing that has a permanent, integral chassis, and is built to the National Manufactured Housing Construction and Safety Standards Act, also known as the HUD code. The code took effect in 1976. "HUD-code housing" is synonymous with manufactured housing. The technical term does not include other forms of factory-built housing and components, such as modular, pre-cut, and panelized. To the consternation of the industry, Census still uses the term "mobile home," which includes single and double-section units on foundations but excludes "mobile homes" to which a room has been attached.

Commonly called mobile homes, in reality very few modern HUD-code homes are ever moved after their original trip from the factory to the site.

The HUD building code preempts local codes. Except for manufactured housing as defined above, all residential units must comply with locally adopted building codes - even when they are partly or entirely factory-built, including modular homes, panelized homes, and kit homes. Federal preemption allowed the HUD-code manufacturing industry to place uniformly engineered and constructed homes anywhere, and thereby achieve the economies of scale that factory production can and must achieve.

From 1969 until HUD standards took effect in 1976, mobile homes in North Carolina had to meet American National Standards Institute Mobile Home Standard A119.1. The HUD code was based heavily on the ANSI standard. Nationally, compliance with the ANSI standard was spotty. A Ralph Nader analysis in the early 70's cited "shockingly" poor quality in some homes. While quality problems did not by any means come to an end with the enactment of HUD-code, 1976 is widely regarded as the year when the modern era of manufactured housing really began. Quality, size, and amenities have been improving steadily since then. Although the industry

continues to market some homes of minimal quality, several studies have judged the mid- and upper-range units to be functionally equal to site-built starter homes.³²

HUD oversees quality with contracted inspection firms in the manufacturing plants. Quality-control systems generally focus on the manufacturing process, not on individual homes.

A Harvard study labels as “exaggerated” the “concerns about the difference between manufactured homes...and [homes] built to applicable local building codes.” The study found that code standards have little to do with manufactured housing’s price advantage.³³ The Joint Center for Housing Studies’ 2002 report *The State of the Nation’s Housing* cites “improvements in quality” as a supporting factor in its projection of manufactured housing’s continued central role in the affordable market.

Mr. Pat Walker, North Carolina’s Deputy Commissioner of Insurance, is responsible for certifying code compliance for both modular (factory-built to local code) and HUD-code homes. He told a conference audience in 2001 that the two codes are “very, very similar,” with one being more stringent in some places, and the other more stringent elsewhere.³⁴

For Fletcher, this means two things: 1) HUD-code homes can be a viable affordable choice 2) buyers could use guidance on selecting and siting a home for long-term value, not just low up-front price.

Units built before 1976 may be obsolete. Apart from the issue of building code compliance, very old manufactured units were simply built to a much lower quality standard in the 1960-1975 period than after HUD code implementation. Further evolution in quality occurred from the mid-eighties onward.

Significant Number of Fletcher Manufactured Units Built Prior to HUD Code

An estimated 68 units in Fletcher are manufactured units built before the 1976 HUD code.³⁵ Forty seven of these old units are owner-occupied and 21 are rented. Most of these units should be considered obsolete, depending on case-by-case assessment of maintenance and original construction quality. This is a significant issue for the Town, as these obsolete units amount to up to 3.7 percent of the total housing stock.

Most Fletcher Manufactured Homes are Classified as Personal Property

For Henderson County tax purposes, some Fletcher manufactured homes are classified as personal property, and some as real property. Of the Town’s 433 manufactured units, only 83 (19%) are real property and the balance are personal. This proportion is surprising given that the great majority of the Town’s manufactured home stock (69 percent) is located on the owner’s land. Personal property classification sharply limits financing options and indirectly contributes to depreciation. Recent changes in NC statutes require local authorities to broaden the criteria for classifying manufactured homes as real property, so the current proportion may change.

As shown in the table below, units classified as real property tend to be double-section homes while personal property units are single-section.

Fletcher Manufactured Housing Age and Size, by Legal Classification

	Number	Percent	Mean Age	Median Age	Mean Sq Ft	Median Sq Ft
Total Manufactured Homes	433	20.5%	14.1	12.0	965	1012
Personal Property	350	80.8%			831	940
Real Property	83	19.2%			1529	1476
All	433	100.0%				
Pre 1976	63	14.5%				

Source: Henderson County Property Tax Database

Foundations, Siding, and Manufactured Home Equity-Building Potential

Foundation and siding types have much to do with how well a manufactured home blends into the general housing stock. This in turn relates to whether a household realizes equity appreciation from its investment.

About one-half of Fletcher’s real property manufactured units have masonry or cement block foundations, while fewer than one out of five personal property units do. Vinyl or wood siding is used on two-thirds of real property manufactured homes, compared to just one-fourth of personal property units.

Fletcher’s Manufactured Home Parks

Fletcher has 8 manufactured home parks with a total of 136 units, according to the Town’s tally. This indicates that about 31 percent of the Town’s HUD-code units are sited on leased land.

Fletcher Manufactured Home Parks

	# of Units	Address
Apple Blossom	39	Hooper's Creek Road
Chadbury	34	Hooper's Creek Road
Graham's	21	Rutledge Road
Willis	5	Rice Road
Dogwood	8	US Route 25
Airport	14	Rockwood Road
Reece	6	Hooper's Creek Road
Dalton's	9	
Total	136	

Source: Town of Fletcher

We did a drive-through inspection of several of the Town's manufactured home parks. As neighborhoods they range widely, from very attractive to deteriorated. Parks in commercial areas may be vulnerable to sale and resident eviction if more profitable uses emerge for the underlying land. Basic characteristics are as shown in the table below:

Manufactured Home Park Characteristics

Park	Roads	Unit Type/#	Foundations	Age of Units	Other characteristics
Airport MHP Rockwood Road	gravel	14, most s/s	skirting (some damaged)	20-30 years	commercial area
Dogwood US 25	gravel	8 s/s	skirting	15-20 years	commercial area
Grahams Off Rutledge	paved	21 s/s	skirting	10-15 years	
Chadbury	paved	34 total, most s/s	skirting	10 years	high-density
Apple Blossom Park	gravel	39 total most s/s	skirting	2 – 30 years	open space to west

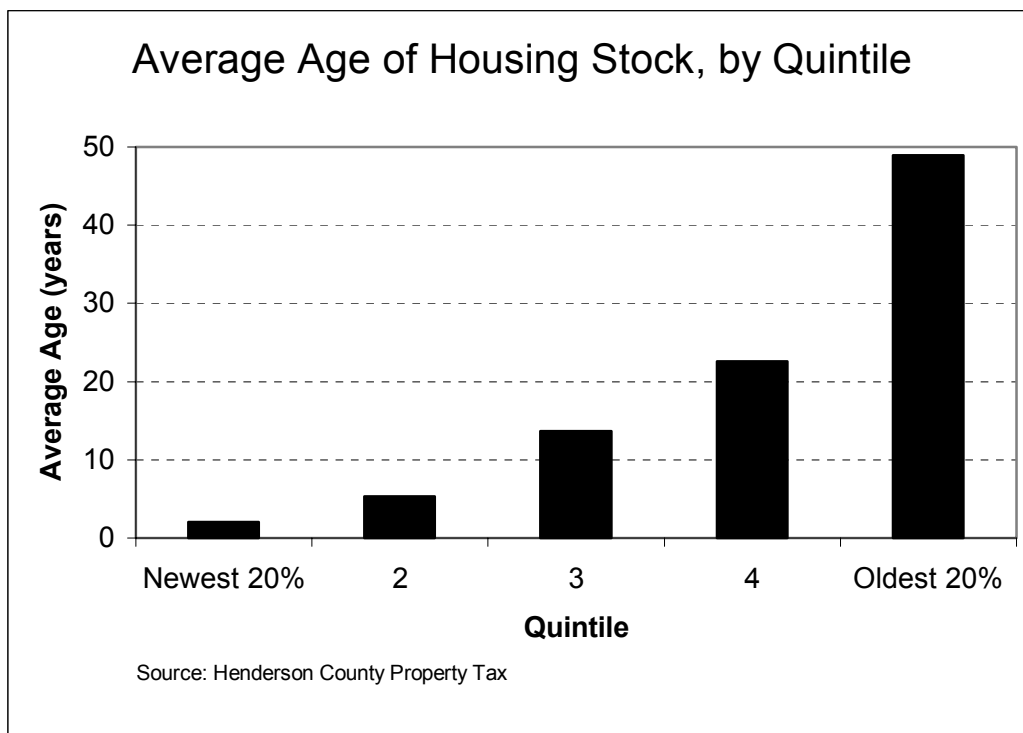
The rate of tax collection in Fletcher parks is just 69 percent. Town-wide, the collection rate is 98 percent.

Only one park, Chadbury, has been added since 1995.

Age of Stock is Concentrated, New vs. Old

The median age of all housing units in Fletcher is just 15 years.³⁶ The rental stock is much older than the ownership stock, with a median age of 25 years for rentals versus 13 years for ownership units.³⁷

Median age blurs a wide variation in the age of Fletcher's stock. As shown in the graph below, Fletcher housing is bunched at the new and old ends of the spectrum. The effect is increased by the fact that old and new housing are also geographically split, with more new stock on the west side of US 25 and more old stock to the east. Housing emphasizes and embodies the split between the "new Fletcher" and the "old Fletcher."



Age of Stock by Housing Type

The age of the housing stock does not vary substantially by housing type.

Age of Housing Stock, By Type

	Number	Percent	Mean Age	Median Age
Single Family	1625	77.1%	20.2	17.0
Personal Property MH	350	16.6%	14.1	13.0
Real Property MH	83	3.9%	14.4	11.0
Apartments	34	1.6%	14.9	13.5
Modular	9	0.4%	3.9	4.0
Condominium/Townhouse	7	0.3%	16.0	16.0
Total:	2108	100.0%		

Potential Lead Paint Hazard

Lead paint is especially likely to be found in units constructed before 1960, which is true of 22 percent of Fletcher’s housing stock. The potential hazard is concentrated in the Town’s rental stock, 29 percent of which was built before 1960 (80 units). 10 percent of owner-occupied homes (153 units) were built before 1960.³⁸

Windshield Survey of Housing Conditions Finds No Substandard Units

For this assessment a windshield survey was conducted of the Hooper’s Creek area and Hillcrest Road, using boundaries³⁹ decided jointly with Elizabeth Teague, Town Planner. A survey form was used to evaluate basic structural systems. A separate methodology was used for manufactured housing. The survey was performed in October 2002. No substandard homes were identified, either site-built or manufactured.

Census Indicators of Housing Conditions

Fletcher has no homes lacking complete plumbing, and only five homes without complete kitchen facilities. Crowding is a problem in 26 of the Town’s housing units, 1.5 percent.⁴⁰ Crowding is more common in the Town’s rental stock, but only 9 units or 3.3 percent of renter households are affected.⁴¹

Tax Parcel Database Condition Ratings

Home Condition Ratings

Henderson County tax records contain a code assessing the condition of residential structures. Following are the current ratings for single-family residences in Town.

Condition Ratings, Fletcher Detached Residences By Type

	Good	Average	Fair	Poor	Unsound	Total
SF/Condo/Modular	0.2%	93.9%	4.9%	1.0%	0.1%	100%
Real Property MH	0	88.7%	8.5%	2.8%	0	100%
Personal Property MH	1.3%	90.9%	7.1%	0.7%	0	100%
Total	0.4%	93.2%	5.4%	0.7%	0.1%	100%

Source: Henderson County Property Tax Database

Relatively Few Owner-Occupied Homes Valued Less than \$100,000

There are relatively few modest, owner-occupied, site-built homes in Fletcher. Only one home out of five in Fletcher is valued below \$100,000; throughout Henderson County, 31 percent are valued below \$100,000.

The median value of Fletcher's owner-occupied residences (excluding mobile homes) was \$133,700 in 2000.⁴² This is a relatively high middle-value; Henderson's was \$130,100 and Buncombe's middle-valued home was \$119,600. The statewide figure is \$108,215.⁴³

Manufactured home owners reported a median home value of \$31,000.⁴⁴ However, this low figure includes owner-reported values for the 136 Fletcher units located in parks. Although Census asks owners to estimate the value of the underlying homesite and include it with the reported home value, Census officials doubt whether owners on leased land are doing so. As a result, these values are understated.

Homes Free and Clear of Debt

One out of four site-built owner-occupied units in Fletcher is free and clear of indebtedness. Precise data for manufactured home owners is not available, but we do know that the *value* of owner-occupied manufactured homes with debt outstanding equals about 74 percent of the aggregate value of all owner-occupied manufactured homes in Town.⁴⁵

Part Four: Owner Housing Market

Overview: Fletcher Prices Track the Strong Regional Market

Median home prices in Fletcher are approaching \$150,000, more than low-moderate income households can afford even at record-low interest rates. Few homes are available for prices less than \$120,000, the maximum affordable to a household at 80 percent of median income.

Fletcher home prices are in the same range as prices throughout the Buncombe-Henderson County market. Prices in the broader local market are increasing faster than those in Greensboro, Charlotte, Raleigh, or Wilmington as shown in the data below.

Median Home Prices 1999-2002

Median home prices are approaching the \$150,000 mark throughout the market area. In the Town of Fletcher, the median price was \$148,500 for homes sold from January 1 through December 5, 2002. For earlier years, Fletcher Elementary School District boundaries were used to identify sales in the immediate surrounding area.

The Fletcher area's median price has risen at an annual rate of 2.3 percent since 1999.

Home Sale Prices: Town of Fletcher and Fletcher Area

	2002	2001	2001	2000	1999
	Fletcher Town Boundaries	Fletcher Town Boundaries	Fletcher Elem. School District	Fletcher Elem. School District	Fletcher Elem. School District
Sale Price Median	\$148,500*	\$149,900	\$148,900	\$138,900	\$135,900
Number of Sales	33	20**	75	89	112

*For period 01/1/02 through 12/05/02.

**Incomplete data because MLS began coding cities in April 2001.

Source: Henderson County Multiple Listing Service.

Home Sale Prices: Henderson and Buncombe County

Henderson County	2002	2001	2000	1999
Sale Price Median	\$147,500*	\$144,000	\$140,000	\$132,100
Number of Sales	1,453	1,419	1,345	1,453
Average Days on Market	102	93	91	100
Buncombe County				
Sale Price Median	\$150,000**	\$136,000	\$142,000	\$135,700***
Number of Sales	2,031	2,648	2,178	2,200 est.

*For period 01/1/02 through 12/05/02.

**For period 01/1/02 through 10/15/02

***Estimated from Q2 and Q4 99 data.

Sources: Asheville Board of Realtors Multiple Listing Service, Hendersonville Board of Realtors MLS, Asheville *Citizen-Times*/MLS/D.Davies, "2002 Buncombe County Real Estate Trends, 10-20-02."

Sales of attached ownership housing are reflected in the median home prices shown above for Buncombe and Henderson counties. Until 2002, these had been a minor factor in the Fletcher market.

Market activity in Henderson has been relatively stable over the past few years, as reflected in the number of sales and average number of days required to market a home. In addition, the ratio of sale price to asking price has been steady at about 96 percent during the past several years, according to MLS data.

Profile of Recent Fletcher Home Sales

Detailed data were available on the characteristics of 28 homes sold through MLS in the year ending April 30, 2002:

- Median price \$142,700
- Mean price \$154,776
- Median square feet 1,659
- Mean square feet 1,635
- Mean days on market 94
- Median age of home 16 years
- Mean age of home 13 years
- Median lot size 0.33 acres

From April 2001 to December 5, 2002, only eight units sold for less than \$120,000 inside Town boundaries. Four of these were 1300 square foot townhouse units in Stafford Crossing, all of which sold for \$107,900. The remaining units included one double-section manufactured home (\$92,000) built in 1999, and some relatively small ranch homes of late 70's to mid-80's vintage.

In the broader Fletcher Elementary School District area, 22 units sold for less than \$120,000 during the period January 1 through December 5, 2002. Included in this group were a few condominiums priced as low as \$43,000 (Pine Villa); two double-section manufactured homes

selling for \$80-\$92,000; some homes of less than 700 square feet; some fixer-uppers and potential investment properties; and a variety of 15-30 year old ranches and contemporaries.

Repeat Sales Index

A repeat sales index measures the actual price change for particular houses as they resell over time. This yields a clearer picture of prices because the focus on particular houses helps to control for variation in home characteristics that affect price.

Data for this federally-published repeat sales index comes from mortgage application data including appraisals.

According to this index, home prices in the Asheville MSA (Buncombe and Madison) have been rising at a strong 7 percent annual rate over the past five years.

**Percent Change in Home Prices for Repeated Sales of Same Home
For Selected Markets, Period Ended March 31, 2002
(Sorted by 5-Year Average)**

MSA/State	1-Year	5-Year Average	National Ranking - 1 Year Price Change
Portland ME	9.1%	9.9%	36
Asheville NC MSA	4.4	7.0	n/a
Burlington VT	8.6	7.0	42
Columbia SC	3.9	5.7	122
Santa Fe NM	3.7	5.4	132
Charlotte	3.1	5.4	157
Chattanooga	4.9	5.3	86
Wilmington NC	3.6	5.1	139
Raleigh-Durham-Chapel Hill	3.1	4.9	154
Knoxville	4.2	4.8	113
Roanoke VA	4.0	4.8	121
Greensboro-Winston-Salem-High Point	3.3	4.8	153
North Carolina	3.4	5.3	42 (states)

Source: Office of Federal Housing Enterprise Oversight (HUD)

Ownership Affordability in the Region: A Comparative View

The ratio of home prices to local incomes determines ownership affordability. The National Association of Homebuilders Homeownership Opportunity Index ranks metro areas nationally and regionally. Each area receives a score tied to the proportion of actual, recent home sales that

a household earning the HUD median income could have afforded, given current mortgage interest rates.

For the Asheville area, the latest figures point to a relatively serious affordability problem. Asheville's score is 67.2, meaning that 67.2 percent of recent home sales were priced so that a household with income of \$49,000 (the area's HUD median) could have qualified to buy. Conversely, about one-third of all home sales were out of reach for median income households. It could be worse: in San Francisco and in Santa Cruz (a.k.a. Silicon Valley), fewer than 10 percent of all home sales were affordable, even with those region's much higher median incomes.

In the South, however, the Asheville region's score is poor, ranking 60th out of 65 markets surveyed. Following are representative ownership affordability scores from the southern region:

**Ranking Ownership Affordability in the South:
NAHB's Housing Opportunity Index, Quarter 1, 2002**

Metro Area	Share of Homes Affordable for Median Income	Median Family Income (HUD)	2002 Q1 Median Sales Price	2002 Q1 Affordability Rank (lower = less affordable)	
				National	Regional
Greensboro-Winston-High Point	83.2%	\$56,100	\$125,000	26	6
Greenville-Spartanburg SC	81.5%	\$53,200	\$116,000	37	12
Raleigh-Durham	75.6%	\$71,300	\$162,000	84	39
Charlotte	73.7%	\$64,100	\$153,000	92	43
Charleston SC	68.5%	\$49,200	\$138,000	112	55
Asheville	67.2%	\$49,000	\$127,000	121	60
Miami FL	58.1%	\$48,200	\$1,380,000	151	65 (last in South)

Source: National Association of Homebuilders

The index has some limitations. It evaluates only what a middle-income household can afford. Most affordability promotion work focuses on those with incomes below the median.

In addition, the NAHB assumes that households need to finance only 90 percent of purchase price, which means households can afford more house by carrying a smaller mortgage payment in their monthly budgets. Many first-time buyers have difficulty putting together even a five percent down payment.

In summary, the Housing Opportunity Index is a good way to gauge *relative* affordability, but it overstates the proportion of homes that are actually affordable to low-moderate income households.

Manufactured Home Resales

Manufactured homes are beginning to appear in some numbers in the Multiple Listing Service. Tax authorities are also realizing that later-model homes on house-like foundations and private land can hold their value and appreciate over time.⁴⁶ Both sets of institutions have generally overlooked manufactured housing, regarding it as depreciable personal property. By doing so, tax and real estate practitioners may have unwittingly contributed to the depreciation that is widespread for owners of HUD-code homes.

Based on the ninety sales that found their way into the Multiple Listing Service system for 2001, the median resale price for an existing manufactured home on its own lot was \$76,700 in Buncombe County. Eighteen percent of these homes sold for more than \$100,000.⁴⁷

Linda Brown, head of Buncombe County's tax appraisal department, says that county has made a special effort to collect sale data on manufactured homes in order to demonstrate that their market value is higher than previously recognized. Robert Baird, former tax assessor in Henderson County, added \$52 million to the county's tax rolls in the nineties by researching the same issue.

Part Five: Rental Market

Fletcher Renters are Few

Fletcher renters comprise just 16 percent of households (280) according to Census 2000. This is somewhat less than for Henderson County (21 percent renters), and much less than for Buncombe County (29.7 percent) and the state (29.8 percent).

Average Fletcher renter household size is about the same as for owner-occupants.⁴⁸

Renter Incomes, and Jobs that Don't Pay the Rent

Renter household incomes are much lower than those of owners in Town. As of 1999, the median renter household income was just \$28,083 compared to \$49,022 for owners and \$46,488 for all Fletcher households.

Thirty percent of renters (82 households) had incomes below \$20,000.⁴⁹

Low renter incomes reflect low wages paid by many area jobs. Having a job does not necessarily put an end to housing problems. For example, available data on Buncombe County jobs shows that 43 percent of jobs paid fulltime, average wages insufficient to pay \$566 per month, the 2002 HUD fair market rent for a 2 bedroom unit including utilities.⁵⁰

Rent Trend

Rents rose moderately faster than incomes during the decade of the nineties. They were up by 50 percent from 1990 through 2000, while median household income rose 44 percent.

Renter Cost Burden

Households devoting more than thirty percent of gross income for housing costs are considered to have a "housing cost burden." Twenty-eight percent of renter households in Fletcher pay at least 30 percent of income for rent including utilities. Twenty-two percent pay more than 35 percent. Full details:

Gross Rent as a Percentage of Household Income in 1999

Percentage of Household Income Paid for Rent	Number of Renters Paying Stated Percentage of Income	Percent of all Renters
Less than 15.0	64	23.3
15.0 to 19.9	50	18.2
20.0 to 24.9	45	16.4
25.0 to 29.9	12	4.4
30.0 to 34.9	17	6.2
35.0 or more	62	22.5
Not computed	25	9.1

Source: Census 2000

Of the 62 households paying more than 35 percent of income for rent, at least 41 were paying more than 50 percent of income for rent.⁵¹ Some of these households are at risk of homelessness. An auto breakdown, medical bill, or other emergency could easily result in eviction. This is the situation for up to 15 percent of Fletcher’s renter households.

Fletcher renters are overwhelmingly of working age. That means the 28 percent of renters showing up in statistics as having rental cost burden really are experiencing a burden, not a retirement choice. Fewer than 10 percent of renter householders in Fletcher are 65 years or older. For elders, rent can reasonably consume somewhat higher percentages of income than the 30 percent rule of thumb. In assisted living facilities, the percentage may approach 70 percent or even higher.⁵²

Evaluating renter cost burden according to structure type is also revealing. Of the Fletcher households who rent manufactured homes, 37 percent pay 30 percent or more of income for rent and utilities. For renters occupying single-family site-built units, the proportion is 26 percent.⁵³ The fact that cost burden is higher for manufactured home residents even though they occupy the lowest-cost rental units on the market only emphasizes the low incomes of manufactured home renters.

Low renter incomes may result in under-stating the reality of cost burden. Some analysts have pointed out that a sliding scale should be used to assess what constitutes a reasonable housing cost burden, with households at the low end of the income scale being expected to devote a lower fraction of income to housing than those with higher incomes. The reason: basic necessities other than housing consume a fixed amount of income, leaving a smaller proportion available for housing at very low incomes.⁵⁴

Fletcher’s Market Rate Rental Housing

With its high ownership rate, Fletcher is obviously a very small rental market. Rents are lower in Fletcher than in Buncombe County and Asheville to the north, which attracts renters working in Asheville who are willing to commute. Rents are also somewhat lower in Town than in Henderson County as a whole.

Many renters have lived in their units for a relatively short time. As of March 2000, half of Fletcher renters reported moving into their rental in 1999.⁵⁵

There is only one multi-family market-rate rental complex in town. According to Town and County planners, there are no multi-family housing projects in the development pipeline at this time.⁵⁶

As of January 2003, we estimate that rental vacancies in the Henderson County market continue at their 2000 level of 8 percent. As of 2000, Fletcher’s vacancy rate was also 8 percent. In recent months, there has been an increase in “free rent” marketing concessions, and Western Carolina Community Action has reported an increase in vacancies and landlord interest in participating in the Section 8 voucher program. Some households who formerly rented are probably taking advantage of low interest rates to purchase a home.

The following table presents gross rents (including utilities) for Fletcher and surrounding areas as of 2000.

**Gross Rents: Fletcher, Henderson County, Asheville, and Buncombe County
(Percent of Total Rentals)**

Gross Rent:	Median Rent	Less than \$200	\$200 -299	\$300- 499	\$500- 749	\$750- 999	\$1000 -1499	\$1500 or more	No cash rent
Location:									
Fletcher	\$508	5.1 %	--	40.0%	28.7%	16.0%	2.5%	--	7.6%
Henderson County	\$513	5.0%	7.1%	29.8%	31.4%	10.5%	3.7%	1.7%	10.7%
Asheville City	\$562	10.0 %	5.2%	22.3%	38.5%	13.7%	4.2%	1.3%	4.9%
Buncombe County	\$551	6.2%	4.7%	24.9%	38.0%	12.5%	4.0%	1.3%	8.4%

Source: US Census 2000 Tables DP-4

More than 90 percent of Fletcher renters actually pay their own utilities.⁵⁷ The median “contract rent,” excluding utilities, was \$425 in Fletcher as of 2000. Of the 33 units vacant and available for rent as of Census 2000, the median rent asked was \$367.⁵⁸

In mid-2002 we surveyed the Town’s rental market and developed the following rent data for single-family site-built homes, manufactured homes, and multifamily apartments.

Fletcher Median Rents By Unit Type (Excluding Utilities) ⁵⁹

Type	1 BR	2BR	3BR
S/F Detached	\$550	\$700	\$950
HUD-Code Manufactured	n/a	\$425	\$500
Misc. Apartments	\$390	\$535	\$850
Kingswood Apartments	\$390	\$490	n/a

Source: Housing and Community Insight, Land-O’-Sky Housing Directory & Assistance Guide

Subsidized Rental Housing Analysis

USDA Rural Housing Service

There are no Rural Housing Service Project 515 complexes in Fletcher.

Hendersonville Housing Authority

The Hendersonville Housing Authority has one small apartment complex in Fletcher, on Fanning Bridge Road at the intersection with US Highway 25. Fletcher residents do not receive priority access to these apartments. They apply to the Hendersonville Housing Authority and are placed in the first available unit in the Authority’s complexes. There is a long waiting list.

Hendersonville Housing Authority - Fletcher

Project Name	Current Occupancy	Year Built	Number of Units	Rents	Comments
Fanning Bridge Apartments (31 Fanning Bridge Road)	100%	1979	4 Studio 4 1 BR 2 2 BR	sliding fees, based on income	Built and managed by the Hendersonville Housing Authority; waiting list

Source: Housing and Community Insight

Section 8 Project-Based Assistance

There are no multi-family complexes in Fletcher with Section 8 project-based subsidies.

Rentals Assisted by Low Income Housing Tax Credit

The main federal subsidy program for construction of new affordable rental units is the low income housing tax credit. Nationwide, the program supports construction of almost half of all new rental units built each year. Federal tax credits are used to defray the cost of rental

production, which enables owners to rent units to households earning no more than 60 percent of median income. Actual tenant incomes are frequently less.

The North Carolina State Housing Finance Agency allocates low income tax credits in a competitive process annually.

There are no rental projects in Fletcher supported by low-income housing tax credits.

Section 8 Vouchers

Program Description

The Section 8 Voucher Program is a rent subsidy program funded by the US Department of Housing and Urban Development (HUD). The program enables very low-income families to choose the apartment, house, or manufactured home in the private market where they would like to live. Voucher holders pay 30% of their adjusted monthly income for housing, and the Section 8 program pays the landlord the difference between that figure and local Fair Market Rents established by HUD.

To be eligible, an applicant individual or family must have income below 50% of area median, or \$26,400 for a family of four in FY 2002. Each year assisted families are re-evaluated to determine whether their incomes still qualify for assistance. Each unit rented through Section 8 is inspected to ensure it meets minimum housing quality standards, and then re-inspected annually.

Western Carolina Community Action (WCCA) administers the Section 8 Voucher Program in the area. It currently receives funding to assist about 440 families in Henderson County.

Vouchers In Use in Fletcher

Eighteen voucher-assisted households live in the Fletcher zip code. This amounts to 4.1% of the vouchers available countywide.⁶⁰ The distribution of Section 8 vouchers to Fletcher is roughly proportional to its population and its existing rental stock.

Henderson Fair Market Rents Appear to be Set Low

Sheryl Fortune at WCCA reports only a 45% success rate for voucher holders seeking rental units in Henderson County. This is well below WCCA's goal of 75%. The main obstacle is that HUD Fair Market Rent maximums for the area are insufficient to accommodate many rental units on the market. For example, only the median rent for manufactured homes in Fletcher is low enough to work within the Section 8 voucher program. However, the complete tabulation of gross rents provided above indicates there are some units on the Fletcher rental market that would qualify for Section 8. As of March 2000, for example, 25 of the 33 rental units vacant in Fletcher were quoting rents of less than \$400. There may be an opportunity to publicize the Section 8 voucher program to Fletcher rental property owners, and collaborate with WCCA to

increase the success rate of clients searching fruitlessly for qualifying units in Henderson County.

The FY 2003 Henderson County FMR's, which apply to Fletcher, are as follows:

Henderson Fair Market Rents,* FY 2003

1 BR	2 BR	3 BR
425	526	699

*Including utilities.

At the request of Western Carolina Community Action, and in response to the low success rate of Section 8 voucher recipients, the Fair Market Rent levels were increased slightly by HUD. WCCA reports the change has not materially changed the success rate.

Part Six: Housing Profile of African-American Residents

152 Fletcher residents are African American. African Americans represent 3.6 percent of the Town's population, which is more than twice as numerous as other minority groups including Latinos, Asians, and Native Americans.

Compared with the Town's White population, African American households:

- Are as likely to be homeowners (84 percent vs. 84 percent for Whites).⁶¹
 - Own lower-valued homes (\$111,300 median value vs. \$135,000 for Whites).⁶²
- Are less likely to pay over 30 percent of income for their ownership housing costs (14 percent vs. 18 percent for Whites).⁶³
- Have lower incomes
 - \$35,833 median household income vs. \$45,426 for Whites.⁶⁴
 - 32% of households have incomes below \$20,000 vs. 16 percent for Whites.⁶⁵
 - 9 percent poverty rate vs. 7 percent for Whites.⁶⁶
- Pay lower rents (median rent \$342 per month vs. \$511 per month for Whites).⁶⁷
- Are less likely to be paying over 30 percent of income for rent (none, vs. 30 percent for Whites).⁶⁸

Part Seven: What is Affordable Housing?

What exactly is “affordable housing?” Admittedly, it is a vague term. Even mansions are presumably affordable to those who own them. The “affordability” of a home depends on how much money one has, and how much of that money one can devote to housing expenses compared to other things.

The term takes on more specific, practical meaning when a certain fraction of income is defined as the maximum reasonable amount that can be spent on housing. If housing costs are high enough or incomes low enough to force a household to spend an unreasonably high fraction of income on housing, then we say there is an “affordability” problem for that household.

Looking at the question from the community’s standpoint, as this report aims to do, the focus is on whether homes and rentals in Fletcher are priced at levels that enable households across the income spectrum to live in Town without stretching their budgets past the breaking point. And if not every family can afford a place in Fletcher, just where is the cutoff point? What kinds of households must scratch Fletcher from their list of possible locations because of the Town’s housing costs?

Incomes and Housing Costs During the Nineties

Ownership housing values rose much faster than incomes in Fletcher during the 1990’s. Rents rose 50 percent, faster than the general rate of inflation.

Fletcher Incomes, Rents, and Home Values: 1990 to 2000

	1990	2000	Percent Change
Median HH Income	\$31,492	\$45,426	+44%
Median Owner-Occupied Home Value	\$78,600	\$133,700	+70%
Median Rent (w/o Utilities)	\$284	\$425	+50%

Housing Cost Burden

The current rule-of-thumb for what constitutes a reasonable maximum share of income that can go to housing is 30 percent. This benchmark is not the result of careful study of household budgets. In the past, the figure was 20 percent, and then 25 percent. It has tended to increase in order to reduce housing subsidy program costs. But 30 percent of income is the present guideline

for evaluating whether housing costs are in line with income for a given household. Households paying more than 30 percent of income for housing are said to have a “housing cost burden.”

Current Households with Excessive Housing Cost Burden

Census data tells us how many owners and renters in Fletcher are paying more than 30 percent of income for housing:

Excessive Housing Cost Burden, Fletcher Owners and Renters

Tenure	Number Households with Excessive Cost Burden	Percent with Excessive Cost Burden
Owners	198	17.5
Renters	79	28.7

Source: Census 2000 Table DP-4

Number of Low-Moderate Income Households

Households with middle or high incomes can manage for themselves in most housing markets. The focus of this study of Fletcher’s affordable housing situation is on households with incomes below 80 percent of the Town’s median income.

In Fletcher, eighty percent of the median income is relatively high, \$36,340, according to Census 2000.⁶⁹ (This reflects the strong 48 percent growth in household incomes in Fletcher during the 1990’s, which in turn is related to the income levels required to afford the abundance of new homes created in Town during the decade.)

As of 1999, 632 Fletcher households had incomes below the 80 percent median income figure, as detailed in the table below:

Fletcher Household Incomes Below \$35,000 (1999)

Income Bracket	Number of Households	Percent of All Households
Less than \$10,000	112	6.3
\$10,000 to \$14,999	74	4.2
\$15,000 to \$24,999	211	11.9
\$25,000 to \$34,999	235	13.2
Total	632	35.6

This tells us that more than one out of three Fletcher households has income below 80 percent of the Town’s median income. What do housing costs and available housing types tell us about the likelihood that the proportion of low-moderate income Fletcher residents will change in the near future?

What Can Households with Low-Moderate Incomes Afford?

The full impact of a rising housing market is felt by the new households in Town, who must purchase housing *at current market prices*. Landlords frequently re-price their rentals when someone moves out, and home sellers capture the full market value of a home at the time of sale. Likewise, the impact of change in the type of housing constructed in Town is registered at the margin, as potential newcomers to Fletcher scan possible places to settle down. If housing prices and types match their buying power and their preferences for housing types, they will come. If not, they will move elsewhere.

In other words, if new households can find the kind of housing they want in Fletcher without imposing an unreasonable burden on their household budgets, then they'll come to Fletcher.

We can get specific about the prices and rents that will be acceptable to low-moderate income households. The following table translates the Town's low-moderate income scale into affordable prices and rents:

Housing Costs Affordable to Households at Selected Incomes*

Income Bracket	Maximum Affordable Home Price	Maximum Affordable Rent Including Utilities
\$7,500	\$6,671	\$187
\$12,500	\$27,520	\$312
\$20,000	\$58,710	\$500
\$27,500	\$90,067	\$687
\$35,000	\$121,257	\$875

*Chosen to reflect the Census 2000 mix of Fletcher household incomes at or below 80% of median.

For households earning less than \$20,000 who would like to own instead of rent, a manufactured home is the only realistic option. In 2000, the average sale price of a double-section home in North Carolina was \$46,900; a new single-section, \$29,100.⁷⁰

Thanks to current low interest rates, a household earning just \$35,000 per year could qualify to purchase a home costing \$121,257. As noted elsewhere in this report, however, few homes in this price range have come on the market in Fletcher during the past eighteen months. Stafford Crossing, the new multifamily ownership development, is a significant exception.

What full-time occupations yield the incomes presented in the table above? Based on federal surveys of area employers, the data are as follows.

\$12,500 is the annual income of:⁷¹

- mail clerk
- presser

- maid
- fast food worker
- entry-level firefighter.

\$20,000 is the annual income of:

- tire repairer
- office clerk
- data entry clerk
- cook
- assembler/fabricator.

\$27,500 is the annual income of:

- machine tool operator
- heating/air conditioning mechanic
- meat cutter
- word processor
- library technician.

\$35,000 is the annual income of:

- vocational education teacher
- graphic designer
- police officer
- social worker
- office manager.

In summary, affordable housing is shorthand for the kind of housing that workers in a multitude of low-to-moderate wage jobs are looking for. By no means does “affordable housing” refer only to housing that welfare recipients alone can afford.

Part Eight: Overview of Fletcher Zoning Regulations

Fletcher zoning provides relatively few opportunities for cost-saving, high-density residential development. The opportunities that do exist are mainly concentrated in one section of Town, the extreme east around Hooper's Creek.

West of US 25, virtually all residentially-zoned land is zoned for large-lot single-family development. On the zoning map, a clear difference between east and west Fletcher appears. On the east, the zoning map calls for smaller lots, low-density multifamily, and manufactured home parks.

The Town's 10-unit-per-acre maximum is considered "low-density" in comparison to a national sample of model affordable housing developments in suburban locations. The average density in those model developments was 16.25.⁷²

Garage apartments are permitted in all residential zones. This provision holds the potential for expanding the rental stock.

Manufactured homes, which if chosen carefully, can yield a cost savings of 20 percent for quality comparable to site-built starter homes, are permitted in zones R-2 and above. Although the zoning ordinance defines various classes of manufactured homes, in its implementation the ordinance does not refer to the classes of homes. It distinguishes only between homes in parks and those on individual lots.

Manufactured home parks are permitted in zone R-3. However, no park can be created closer than one mile from another park. This significantly restricts the supply of land available for new parks.

Higher-density multifamily buildings are permitted in Commercial zones, which are concentrated along US 25. The lowest-priced new housing development the Town has seen in recent years, Stafford Crossing on Rutledge Road, took advantage of the 16 unit/acre maximum in the Commercial zone. However, this option has not been used widely to date. County tax records show that only 75 Fletcher residential units had been constructed in C-1 or C-2 zones as of mid-2002. Commercial zoning is not an especially effective "safety valve" to facilitate multifamily construction because the cost of commercial property frequently makes residential use uneconomic.

Planned unit developments and cluster developments are permitted by the Town's zoning ordinance, but these mechanisms do not permit housing density to be increased above the level ordinarily permitted by the underlying zone. (There is one exception, a 10 percent density bonus for cluster developments in which some land is dedicated to an established greenway.)

The M-1 Manufacturing zone does not permit residential development. It is the only zone which does not permit all less intensive uses. A large amount of land east of US 25 is zoned M-1.

In summary, the conservative density requirements of the zoning ordinance actually contribute to urban sprawl. They run counter to contemporary planning principles that favor compact, walkable development in which a variety of housing types are located in proximity to services.

The following table summarizes key residential requirements of the zoning ordinance.

Town of Fletcher Zoning Ordinance: Summary of Residential Requirements

District	Min. Lot Area (S.F.)	Minimum Land Area per Dwelling Unit (S.F.)	Maximum Dwelling Units per Acre	Setbacks (front/***, rear/side)	Manuf. Housing*	Garage Apts
R-1	20,000	20,000	2.2 units	50/15/15	No	OK
R-2	15,000	15,000	2.9 units	50/15/15	OK on individual lots	OK
R-3	9,500	9,500 first unit, 3,500 ea. add'l unit (about 10/acre)	4.5 s-f units or 10 multifamily units	50/10/15	OK in parks or on individual lots	OK
C-1	9,500	9,500 first unit, 3,500 ea. add'l (about 10/acre)	16 multifamily units	50	OK in parks or on ind. lots	OK
C-2	9,500	9,500 first unit, 3,500 ea. add'l (about 10/acre)	16 multifamily units	50	OK in parks or on ind. lots	OK
M-1	Residential not permitted.					
MH park	none	¼ acre	4**	20 to ROW/20/20		n/a

*The Town permits modular housing (all of which meets local codes by definition) to be placed anywhere.

**Max 30 units per park.

***From centerline of right-of-way; subject to minimum 30 feet from right-of-way.

Source: Compiled from Zoning Ordinance as Amended through October 2001

Part Nine: Fletcher’s Housing Strengths, Weaknesses, Opportunities, and Threats

Identifying strengths, weaknesses, opportunities, and threats is a useful way to frame a strategic plan.

Strengths are the assets Fletcher brings to the challenge of providing a wide range of housing options affordable to economically diverse households. *Weaknesses* are the points of vulnerability, issues that could work against accommodating a wide range of households. There are also *opportunities* for how to move ahead, and *threats* that could cause setbacks.

Strengths

- excellent access to jobs and services, recreational amenities, and natural setting make Fletcher attractive to housing developers
- relatively new housing stock
- high homeownership rate increases commitment to the community
- traditional Fletcher helps to anchor rapid growth
- low tax rate helps housing affordability
- Town is easy for developers to do business with
- real-property manufactured homes are accepted
- some developable land is available
- membership in HOME Consortium provides access to resources
- Town has taken the initiative to plan for housing
- successful partnership with developer Windsor Aughttry
- local lender is active in community (First Citizens)
- Heart of Fletcher plan will create a “downtown,” and include housing element.

Weaknesses

- large-lot zoning has exclusionary impact
- zoning disparity, east and west of US 25
- over-reliance on one developer; sameness of units recently built
- some obsolete manufactured homes and parks
- little racial and ethnic diversity
- commuter-town lacks retail services
- little multifamily housing; few rental units
- Town’s rapid growth has created some reaction; resistance to change.

Opportunities

- build partnership with non-profit developers, especially for rental
- participate in shaping Housing Coalition just forming in Henderson County
- leverage Fletcher's attractiveness as a market into moderately-priced units (inclusionary zoning measures)
- employers inside Town boundaries could be approached re: employer-assisted housing support
- record low interest rates make many things possible
- develop housing expertise among Town staff and elected officials.

Threats

- rising home values could exclude first-time buyers
- becoming more of a suburb/bedroom community, less of a Town;
- possible polarization of community, "east vs. west"
- Not In My Back Yard (NIMBY) could become the Town's housing "strategy by default"
- some manufactured home parks might sell for non-residential uses, causing eviction
- reduction in greenspace from over-development as traditional owners sell land for high returns
- less diversity as small minority and renter populations could get even smaller

Part Ten: Recommended Strategies

Strategy 1: Organize for Production and Preservation of Housing

Action: Join forces with non-profit housing development organizations.

Non-profits like the Housing Assistance Corporation, Mountain Housing Opportunities, Western Carolina Community Action, and Habitat have experience in securing funding, constructing and marketing housing, and managing units long-term. Non-profit housing organizations operate on the boundary of business and government. They seek out housing opportunities that are financially viable, but offer lower returns than private developers are willing to accept. Non-profits are particularly adept at packaging complex financing from multiple subsidy sources.

Local government interest and support is a valuable resource for such organizations. Access to sites and timely zoning approvals are critical resources the Town could help to furnish. There is a natural basis for a partnership between the Town and non-profit housing development organizations.

Action: Attract private sector partners in housing production and management.

Some private housing developers specialize in producing low-cost, well-designed rental and ownership units. This business strategy provides protection against cyclical market trends, because the affordable market is less volatile. Private builders' financial strength may give them the capacity to handle larger-scale developments than some non-profits. The regulatory and resource incentives described below can create interest in doing business in Fletcher's housing market, and enable the Town to select builders who can meet Town goals. Manufactured home retailers and manufacturers who deliver quality products should be part of the Town's partnership network as well.

Private firms may also need to be recruited to provide backroom administrative support for management-intensive programs like housing rehabilitation.

Action: Participate in shaping the evolution of the Henderson County Affordable Housing Coalition.

A housing coalition usually offers a comprehensive array of housing policy advocacy, direct housing programs, and buyer/renter education. The Alliance for Human Services is currently working with the County Manager to organize a housing coalition in Henderson County. The Town can play an active role in getting this organization off the ground, and direct its programs in ways that benefit Fletcher.

Because housing markets are regional, it makes sense for Town staff to stay in close touch with housing initiatives that have a broad geographic reach. Trends and program possibilities will be missed if Fletcher boundaries assume too much importance in the Town's housing planning.

Strategy 2: Develop Resources for Affordable Housing

Action: Seek funding from the HOME Consortium.

The federal HOME Investment Partnership program is a block grant that could support a wide range of affordable housing activities in Fletcher. (This Housing Needs Assessment is funded by the HOME program.) Projects in Henderson County are eligible to compete for HOME funds administered by two entities: 1) the Asheville Regional HOME Consortium, comprising Buncombe, Madison, Henderson, and Transylvania counties; and 2) the NC Housing Finance Agency. A single project may use HOME funds granted from both sources.

HOME funds must generally be matched by local contributions amounting to 25 percent of the HOME grant. Local contributions may come from a variety of sources, such as cash; donated materials or land; foregone interest, taxes, or fees; investments in infrastructure; or bond proceeds.

Examples of HOME projects funded recently by the Asheville Regional HOME Consortium include the following:

- housing rehabilitation financing
- rental assistance payments
- subsidized new construction, ownership and rental
- homebuyer assistance
- financing of pre-development expenses
- demolition and replacement of homes.

The NC Housing Finance Agency is a separate conduit for federal HOME funds. The agency provides funds for:

- new rental production (Rental Production Program)
- homebuyer financial assistance (New Homes Program)
- home rehabilitation (Single Family Rehabilitation)

Municipal governments may apply to NCHFA for HOME funds for housing rehab, first time homebuyer downpayment assistance and new homes development.

Certain non-profit organizations, technically known as Community Housing Development Organizations (CHDO), can receive HOME funds directly. Fifteen percent of HOME funds are reserved for use by CHDO's.

Action: Seek Community Development Block Grant funding for site acquisition, infrastructure, and housing rehabilitation.

Fletcher is eligible to apply to the North Carolina Division of Community Assistance for assistance through the Small Cities Community Development Block Grant (CDBG) program.

Fletcher could use CDBG funds for housing-related activities, including:

- housing rehabilitation
- land acquisition
- infrastructure
- capacity-building for non-profit housing organizations

Another channel for receiving CDBG funds is Henderson County's Scattered Site Rehabilitation Program. Fletcher's Town Manager is on the selection board for this \$400,000 program to rehabilitate owner-occupied homes.

Action: Dedicate a portion of local tax revenue to a Fletcher Housing Trust Fund.

The Town could make a powerful statement in favor of retaining community diversity by setting up its own Housing Trust Fund. The amount might be small, but the impact in leveraging outside funds could be substantial. Allocation of resources like the Low Income Housing Tax Credit is based in part on the degree of local commitment. HOME funds also require a local match.

Action: Implement the concept of tax-increment financing to support affordable housing development.

The use of incremental property tax revenues that accrue from new development to service municipal debt is termed tax increment financing. North Carolina law does not grant this authority to local governments.

However, as sketched out by the Florida Affordable Housing Study Commission, the technique could be applied informally. A baseline tax revenue figure could be established for the area where housing is to be developed or improved. After development, incremental revenues attributable to housing development and rehab could be informally earmarked for repayment of public infrastructure contributions.

Action: Issue a general obligation bond to support affordable housing development.

Informal tax increment district revenues or general Town revenues could be used to float a general obligation bond for housing. Greensboro, Durham, Winston-Salem have all issued such bonds. Orange County issued a relatively small housing bond in the amount of \$1.8 million.

In November 2000 bond referenda, three housing bonds passed:

City	Amount	# in Favor	# Opposed
Greensboro (Neighborhood Development)	\$2,800,000	49,533	22,794
Raleigh	\$14,000	465,115	34,452
Winston-Salem	\$10,400,000	39,713	22,794

In November 2002, Charlotte voters approved the city’s first housing bond by a 60-40 margin. The \$20 million issue will fund new rental housing, rental rehabilitation, and downpayment assistance for homebuyers.

General obligation bonds can provide low cost capital for housing. Funds can be designed to recycle through repayments. If issued as taxable bonds, there is maximum flexibility in how funds are targeted and how loans are underwritten.

North Carolina municipalities pledge their full faith and credit to back the bonds. Issuances must be approved by the Local Government Commission, and a referendum is generally required. Housing bond referenda are often combined with bonds for other purposes. The State Treasurer’s Office advises that a housing bond would be feasible for a Town of Fletcher’s size, based on an analysis of fiscal capacity.⁷³

Action: Work with Fletcher employers to create employer-assisted housing programs, and as a model, establish such a program for Town employees.

The Town could create a program to help Town employees become first-time homebuyers. Fannie Mae has developed a model for such a program. Programs typically contribute funds toward downpayment assistance or closing costs.

After developing a program for Town employees as a model, the City could enlist Fletcher employers in a similar effort. (Memorial-Mission Hospital in Asheville has developed a program to provide employees with downpayment assistance.)

Action: Work with local lenders to develop affordable housing loan products.

Most lending institutions have special underwriting terms available for low-moderate income, first-time home buyers. The Town could collaborate with local lenders in publicizing such programs. Buyer education (discussed below) could also help to build loan volume.

Lenders can also be instrumental in supporting housing development by non-profits, for example with pre-development financing to cover the cost of feasibility studies, preliminary site examination, and market studies. By creating a regular channel of communication with local lenders in advance, the Town can facilitate such a partnership when the opportunity arises.

The Town should familiarize itself with the lending institution's score under the federal Community Reinvestment Act. An active partnership with Fletcher can enhance an institution's rating, which in turn may support the institution's business plans.

Strategy 3: Support Consumer Education and Build Community Housing Awareness

Promoting affordable housing is about more than bricks and mortar. Households need preparation in order to meet the market. Would-be buyers and renters with poor credit may remain locked out of even the most affordable units.

Homeowners who view a home or manufactured home simply as shelter may overlook wealth-building possibilities that are essential to the long-term prosperity of their families.

Consumer education about housing benefits lenders by reducing loan delinquencies and defaults. Lenders often prefer to deliver education through partnerships with governments and non-profits.

Another dimension of housing education is community-wide information about the nature and role of affordable housing in building a diverse, viable community.

Action: Work with Henderson County Schools, Consumer Credit Counseling, and the Housing Assistance Corporation to expand information about home buying and renting.

To support buyer or renter education, the Town could offer HOME funds or provide meeting room space for classes. Completion of an owner or renter education program could be a condition for receiving assistance in other programs.

Action: To pre-empt NIMBY (not-in-my-back-yard), develop an informational campaign around the concept that “working families need affordable housing.”

Public receptivity to basic housing is a crucial resource. If the people of Fletcher remain open to the creation of modest rental and ownership units, resources and developer energy will flow to

the Town. If on the other hand, the Town develops a reputation as an exclusive, “high-end,” community, resources and developer energy for affordable housing will go elsewhere.

The Town’s website, media events, posters and billboards, and the words of public officials should all be used to promote the basic concept that working families need affordable housing.

In conjunction with Henderson County, an educational campaign about housing costs and worker incomes could be incorporated in public schools.

Action: Offer preference to Town residents for any new affordable housing developments supported by Town funds.

Resistance to new affordable housing units from existing Town residents could be reduced if Fletcher residents get priority access.

Action: To prevent NIMBY (not-in-my-back-yard) disputes from polarizing, consider using mediation.

Mediation has been effective in some thorny affordable housing disputes. In Connecticut, mediators successfully guided municipalities to an agreement on their individual targets for producing a minimum “fair-share” of affordable housing units.

The Town could offer to fund the services of a professional mediator to resolve differences between neighbors and would-be affordable housing developers, before issues reach a confrontational point before the Town Planning Board. A Request for Proposals could be issued by the Town, and project(s) could be selected for mediation funding. One criterion might be the number of parties already actively participating in the proposal.

There are limits to this approach. Experts in mediating land use disputes acknowledge that if protesting neighbors are unwilling or embarrassed to place their genuine concerns on the table for resolution, the mediator’s tools may not work. As one report noted, “prejudices masquerading as concerns” need to be exposed for what they are.

Thinking bigger, the Town could support a legal strategy at the state level. Two years ago Florida amended its Fair Housing Act to prohibit discrimination in the permitting of development based on the source of financing, for example, low income housing tax credits or tax-exempt bonds. In a test of the ordinance, a developer in Oldsmar settled a \$10 million lawsuit out-of-court with the City.

Strategy 4: Regulate Fletcher Land to Promote Affordable Housing Production

Action: Increase the maximum density by 50 percent in residential districts. Permit 24 units per acre in C-1 and C-2 zones.

Increasing density is one of the most powerful tools at the Town's disposal for reducing the cost of Fletcher housing. Increasing residential density reduces cost by reducing land and infrastructure requirements, and by promoting less expensive multifamily construction.

High density does not mean quality and appearance have to be inferior to detached large-lot development. For evidence of how good design and affordability can coexist, consider the findings in *Good Neighbors: Affordable Family Housing*, an extensively researched study of affordable family housing projects. The study was prepared by three architects specializing in affordable housing design. Projects were selected for their excellence in design.

Of the 84 different projects profiled in the book, 20 were located in neighborhood contexts that the authors identified as suburban. These 20 suburban projects averaged 38 units each. Average density was 16.25 units per acre. Only four projects had densities below 10 units per acre.⁷⁴ Eight of these highly-regarded family housing developments had densities higher than 20 units per acre.

In their introduction to the model projects, the authors say:

The diversity of American traditional dwelling types, often designed to be affordable when they were built, shows a pragmatic and creative response through our history, often by unknown architects and builders, to accommodate more people on less land within the reach of family incomes.⁷⁵

Examples of such traditional American dwellings include row houses; alley housing over garages; 2- and 3-family houses; housing in mixed-used buildings; and tightly clustered detached houses.

Successfully "accommodating more people on less land" requires careful design. But the effort cannot even begin until zoning laws make it possible to propose harmonious high-density designs without bogging down in legal battles about conditional use permits and zone changes.

A local example of successful high-density development is the new Merritt Condominiums developed in Asheville by Mountain Housing Opportunities. Project density is 27 units per acre. The City made the project possible by extending the downtown business district, which permits such high-density development. Prices range from \$72,000 to \$115,000.

Action: To increase the supply of land for affordable housing and to promote diversity in the housing stock Town-wide, re-zone some land west of US 25 for high-density residential development.

At present the Town's zoning map presents a barbell image, with R1 and R2 zoning to the west, and R3 zoning concentrated on the extreme east in Hooper's Creek. (Much of the R3 zone is in the Town's eastern extra-territorial jurisdiction.) If part of the Town's reason for zoning to promote lower-cost housing is to create a more diverse community, then consideration should be given to distributing residential density more uniformly throughout the Town's geographic area.

Action: As a matter of Town regulatory policy, endorse the concept of mixed-income housing and mixed-income neighborhoods.

Economic segregation of households, based on what people's homes are worth, and whether they own or rent them, is such a common thing in our society that it might seem inevitable. But the concept of mixing income levels in one housing development or neighborhood has been around for a long time. To promote housing affordability, and ultimately, community diversity, it is recommended that Fletcher explicitly endorse the notion that people of widely varying incomes can live successfully side by side. With this as a policy framework, powerful tools for promoting housing affordability such as inclusionary zoning become possible. There is plenty of evidence to show that mixed-income housing and neighborhoods can thrive in the marketplace.

For example, the Massachusetts Housing Finance Agency has had an explicit policy promoting income diversity in its projects since the 1960's. New York City's public housing has a long tradition of mixing very-low and moderate-income families. Tax-exempt bonds for housing have been structured for mixed-income residency since the 1970's. Income mixing is at the core of HUD's Section 8 voucher program, which since the late 70's has enabled low-income families to pay for apartments in the open market.

Mixed income housing became more prominent in the 1990's as HUD adopted the approach in its overhaul of public housing. Existing developments in Charlotte's First Ward are a good example of how to transform a deteriorated, economically segregated neighborhood into one that is diverse and attractive. Although research evidence on the social impact of income mixing is sparse, the accepted wisdom among housing practitioners is that income mixing promotes self-sufficiency and upward mobility, while enabling low-income households to enjoy higher quality housing and neighborhoods than they otherwise could afford.

There is no standard percentage of low-income units that designates a housing development as mixed income, and a leading researcher on the topic says "we know virtually nothing about the optimal combination of incomes needed for successful mixed income housing."⁷⁶ In practice, the percentage is determined by subsidy requirements, community input, and developer instincts. For multifamily high-density construction, the minimum percentage of low income units is usually about 20 percent. The 20 percent minimum has long been a feature of federal bond financing, and since 1986 of the Low Income Housing Tax Credit program. Researchers have used 20 percent as a minimum threshold when selecting projects for studies of the social impacts

of mixed-income housing. Particularly when income limits are set low, one has to be conscious of providing for a “critical mass” of low income residents. In mandatory “inclusionary zoning” programs, which typically apply to both rental and ownership projects, set aside requirements range from 5 percent to 25 percent.

The maximum percentage of low income units is about sixty percent. Above this level, there may be a problem with generating a critical mass among market rate residents. The developer Richard Baron, who has extensive experience in mixed income housing around the nation, uses 60 percent as a maximum proportion of low income units in the context of public housing revitalization.⁷⁷

The income level of households served by mixed income projects is important for management and marketing. Successful projects contain a range of incomes, from those with 50 percent of units for people at less than half the area median, to others with only 10 percent reserved for that income. If very low income households live in set-aside units, there are increased subsidy requirements and more difficult challenges for project management and marketing.

At the other end of the income scale, Fletcher’s high median income (\$52,800 according to HUD) means that “low-moderate income” households up to 80 percent of median have incomes in the low 40’s. Their lifestyle and work patterns would likely be the same as those of market rate occupants, making project marketing and management pretty much standard.

Mixed income does not by itself affect a project’s market appeal, according to researchers and developers. In one of the most extensive studies, 3,200 tenants in 16 Massachusetts mixed-income projects were surveyed. The key finding: “tenant satisfaction was unrelated to income mix.”⁷⁸

A detailed review of seven mixed-income rental projects around the country found that income mixing was no barrier to feasibility. According to the study, the evidence “challenges the conventional wisdom that residential segregation by income and status stratification is an inescapable feature of American society.”⁷⁹ In several projects, tenants were unaware of which households were and were not low-income. Interestingly, in many of the projects renters spent little time with their neighbors at all, much less learning about their incomes or status.

Income mixing has not been a barrier to marketing Charlotte’s First Ward projects. Some prospects asked whether very low income families would be living nearby, but most were satisfied by answers referring to the Housing Authority’s extensive buyer training and work-support programs. The desirability of the units’ location, design, amenities, and tight management appears to have overcome concerns with room to spare. The head of a large New England development firm commented, “You will always lose about 15 percent of the market because some buyers don’t want to live with low income people. On the other hand, some people admire the concept and rent because of it.”⁸⁰

Charlotte’s success in marketing HOPE VI-assisted mixed income housing is shared elsewhere. A Wharton School study of the topic states, “critics worried that households who could afford to rent in the private sector would not want to be stigmatized by living in ‘projects.’ To date

[1999], the experience with HOPE VI suggests this concern may have been excessive. In general little difficulty seems to have been encountered in renting both market rate and subsidized units.”⁸¹

It seems logical that resistance to income mixing would be somewhat greater for ownership projects where buyers are making a longer-term investment, financially and psychologically. One anecdotal study found that in for-sale projects, developers have to be ready with answers for market-rate purchasers about possible unemployed buyers in the project, or resistance to subsidizing someone else’s low price.¹ A joint project between Habitat and the Chicago Housing Authority reported initial hostility as upper-middle income condominium buyers seriously questioned whether they wanted to live with public housing residents. However, project managers report success in overcoming these concerns with a rigorous buyer screening program.

A study by the Innovative Housing Institute evaluated whether home values are affected by proximity to low income units. Researchers studied 1,012 resales of market-rate homes in Fairfax County, VA and Montgomery County, MD developments where local ordinances required low income units to be included. The distance to the nearest subsidized home was found not to have any effect on sale prices.⁸²

Superior design quality is critical in mixed-income housing. Mixed-income projects should be “as nice or nicer than competing developments,” says one major developer.⁸³ There is also broad agreement that low income units should be indistinguishable from market-rate units at least from the outside, and should not be concentrated in one location of the project. “This full integration has an important positive effect on the overall functioning of the developments,” says the former head of the Enterprise Foundation.⁸⁴

Charlotte’s First Ward Place has followed these principles successfully. Exteriors are identical for all units, and so are interiors for rentals. Market-rate ownership units have amenities like granite counters and hardwood floors inside.

Action: Implement inclusionary or “fair-share” zoning so that every new development includes some moderately priced units.

Inclusionary zoning requires every new housing development to incorporate some modestly priced units, i.e., every development must include a “fair-share” of affordable housing units.

Inclusionary zoning is designed to include a range of housing types, sizes, and/or prices in a single development. Advantages of inclusionary zoning:

- Reduces economic segregation by dispersing affordable units into market-rate projects
- Promotes decentralized production of affordable housing. In effect, units are delivered via partnership program with any housing developer.
- Proven results and widespread use, including some beginnings in North Carolina

Inclusionary zones can be mandatory or voluntary. Set-aside requirements range from 5 to 25 percent. Often there is a tradeoff in which the developer provides the kinds of units desired by the local government in exchange for higher density. Usually there are long-term price or rent controls imposed on the units as well.¹

Asheville's affordable density bonus is an example of a voluntary inclusionary zoning program, although several years after implementation the City has yet to approve a project.

Example: Montgomery County, Maryland

There is a good reason why Montgomery County is so well-known for its inclusionary program. It was first (originated in 1974), and as of 2000 the program had generated over 10,781 units priced or rented at rates affordable to households at 65 percent of the area median income. Most programs nationwide "can trace some aspect of their inclusionary zoning ordinances to the Montgomery County program."¹

Key features of Montgomery's program:

- From 12.5 to 15 percent of units in a project must be set aside for buyers or renters below 65 percent of median. (example, \$33,500 for one person; \$52,000 for five)
- Developers receive a density bonus of up to 22 percent, depending on the actual percentage of affordable units in the development
- Mandatory program
- Applies to rental or ownership developments of 50 units or more
- Ownership developments with lots larger than one acre exempted
- Owner units designated affordable must remain so for 10 years; rentals, 20 years
- Owner unit resale price regulated by deed restriction
- Provisions for developers to buy out of the program have rarely been used
- Of the nearly eleven thousand affordable units produced, only 3,805 remain subject to formal affordability restrictions

Status of Inclusionary Zoning in North Carolina

North Carolina has not specifically authorized municipal governments to enact inclusionary zoning measures. In 2002 Chapel Hill seriously considered proceeding with an inclusionary program based on advice from legal/planning consultant S. Mark White. White had researched case law and concluded that inclusionary zoning is enabled under the state's existing grant of zoning powers to local government. In the end, the City decided not to accept the advice and has not yet instituted an inclusionary zoning program. The Town of Cary is also considering inclusionary zoning, but has not yet acted.

Research on how to implement inclusionary zoning in North Carolina is now being performed by Triangle J Council of Governments, with support from the UNC Institute of Government. Findings will be published by the Institute as a guidebook for local governments in summer, 2003. A regional task force in the Triangle area is looking into the subject, and there may be a push for specific authorizing legislation on inclusionary zoning in 2003.

Imposing long-term restrictions on rental rates poses one of the main legal challenges in NC, according to Lanier Blum of Triangle J Council of Governments.

Example: Davidson, North Carolina

Davidson has recently amended its zoning ordinances to require new housing developments to price one-eighth (12.5 percent) of units at levels affordable to households at 80 percent of the median income. Of those, 30 percent must be affordable to households at 60 percent of median income. Planning Director Warren Burgess says the ordinance applies to all projects over 7 units.

Because the ordinance is new, no units have yet been constructed to meet the requirements. However, Burgess reports that four projects including over one thousand units have been approved by the Town. A single project will develop 900 units, of which 112 will be set aside as affordable for a 30-year period as provided by deed restrictions. The smallest of the approved projects will develop a total of about 30 units.

Davidson offers developers no “opt-out” provision for payment of a fee in lieu of creating affordable units.

Affordable units must be dispersed throughout the development.

The Town worked with a legal/planning consultant to develop the ordinance. Town attorney Richard Cline determined that North Carolina law provides sufficient authority for the revision, which is part of the zoning ordinance’s list of required improvements.

Action: Require developers to incorporate affordable housing in new developments as a condition of approving a rezoning.

The Town could make approval of a zone change petition automatic or nearly so if the developer proposes to build affordable housing. The more directly the Town ties approval to the affordable housing, the more powerful will be the incentive, since zone changes are normally time-consuming and unpredictable. Chapel Hill now follows this policy.

Action: Require developers to include some small houses in proposed projects.

This is a variation on inclusionary zoning that requires desired forms of housing to be included in a development. It has been used by Chapel Hill, for example, due to uncertainty about whether North Carolina law permits inclusionary zoning based on resident income.

In Oregon, where inclusionary zoning based on income is specifically banned by state law, the following approaches were prepared by a team of attorneys advising municipalities on “workaround” strategies:

- mandatory minimum densities
- maximum square footage limits
- single garage requirements
- mandatory percentage of accessory apartments
- minimum percentages of attached or multifamily development.

Action: The Town should initiate up-zoning on selected parcels suitable for residential development.

The Town should identify parcels that would be appropriate for high-density housing, which are currently zoned for lower density. Instead of waiting for a developer to fight the re-zoning battle, the Town itself could take the initiative and the political heat. This could defuse potential NIMBY opposition, which tends to be stronger when a developer construction proposal is imminent at the time of re-zoning request.

This measure was recommended by a Wake County NC affordable housing task force, and is being practiced by the City of Bellevue, Washington.

Action: Consider making residential development a permitted use inside the M-1 zone.

The Town has a large amount of serviced land zone M-1, Manufacturing. The eastern boundary of this land currently abuts R-3 residential land. A case can be made that market preferences, not pre-emptive regulation, should determine whether a given parcel is suitable for residential use. At present, M-1 is the Town's only zone which precludes less intensive uses.

Action: The Town should offer density bonuses for cluster and PUD housing developments that incorporate affordable units.

At present, the Zoning Ordinance offers no extra density for Cluster and PUD projects, except where there is a contribution of land to the Greenway. Cluster and PUD projects already require special review that would enable the Town to review project design carefully. This review would make an affordable housing density bonus practical without compromising the Town's development standards. Higher density need not be less attractive or functional. The Town would also benefit from the diversity of housing stock that could be introduced.

Action: Make the conditions for density bonuses as objective as possible to avoid procedural snags that erode the incentive's value.

If the Town decides to incent development with special zones or rules, it would be wise to specify precisely what the conditions are, and allow developments to proceed "by right."

Incentives lose their effectiveness if developers can't rely on them.

Action: The Town should change the wording of the zoning ordinance from “garage” apartments to “accessory apartments” and encourage accessory apartment development.

Accessory apartments are a simple way to add units to the rental stock and increase neighborhood diversity with minimal intrusion on the neighborhood’s existing character. Accessory units or “granny flats” can be especially suitable for the elderly.

Action: Evaluate the cost impact of development regulations from a cost-benefit perspective.

Local requirements for housing developments should be set with a clear understanding of the cost impact. Amenities like sidewalks and basics like street widths can add thousands of dollars to the cost of a home.

The Town could set a threshold dollar amount, above which a change in the zoning ordinance would trigger a staff analysis of costs and benefits.

Charlotte’s Affordable Housing Demonstration Case Study

A case study illustrates how density reductions and a number of individual variances can add up to a very sizeable reduction in housing costs. In the mid-1980’s, HUD funded the National Association of Homebuilders Research Foundation to work with the City of Charlotte to document cost savings achievable with the City’s experimental Innovative Development Zone. The effort was one of many undertaken around the country. Admittedly these numbers leave the question of design quality and compatibility wide open, but they serve to highlight the potential payoff from a rigorous, point-by-point examination of the impact of development requirements.

The result was a 149-unit single-family detached ownership project, Lynton Place, located off Albemarle Road in Charlotte. Crosland Company was the builder. Total land development cost savings amounted to \$7082 in 1985 dollars. The homes were sold at prices from \$60,000 to \$80,000, most of them to first-time homebuyers. Land development cost savings were documented as follows:

**Land Development Cost Savings,
Charlotte Affordable Housing Demonstration Project**

Variance	Estimated savings per unit. 149 units (1985 dollars)
Summary of relevant measures: Reduce lot size from 20,000 to average 8,500 square feet (net density 3.6 units/acre), reduce setbacks, by 25% reduce minimum frontages, reduce building separation from 25 feet to 14 feet	
Acquisition cost	\$2,670
Clearing and earthwork	396
Sewer (PVC vs. VCP main, reduced manholes, smaller diameter sewer laterals)	755
Water (PVC pipe OK, reduce manholes, smaller diameter laterals)	554
Storm water drainage (surface swales OK instead of curb-gutter-underground sewer)	404
Streets curbs gutters (18 foot width vs. 22 foot; eliminate curb and gutter)	1,407
Sidewalks (none, normally required on one side of street)	220
Landscaping (save 300 native trees vs. Cost of transplants)	676
Total Savings	\$7,082

Action: Promote Mixed-Use, Housing-Commercial

“Mixed-use” is the planning term for old-style neighborhoods where shops and homes coexist, often in the same building. It is now widely recognized that segregating housing from all commercial activity was an overreaction to some valid concerns about mixing industrial and polluting land uses with residential ones.

The City of Asheville provides a ready example of the virtues of mixed-use development. Spurred by the Julian Price-inspired company, Public Interest Projects, downtown Asheville now has many condominiums and rental units located above downtown businesses. For example, the former Haywood Hotel above Malaprops Bookstore now houses renters at relatively modest prices. (Many of the downtown Asheville housing units are far out of reach for low-moderate income households.)

In Asheville, a concentration of residents in the downtown business district supports local restaurants and entertainment businesses and a new downtown grocery store. Incorporating residential development into what had become a largely commercial area has maximized use of existing city infrastructure, fire and police resources. A “critical mass” of humanity living in town and making its presence felt on all days, at all hours, contributes to public safety and enhances the City’s attractiveness to tourists.

A specific step Fletcher could take to encourage mixed use development would be to inventory vacant spaces above existing commercial uses, and work with property owners who may wish to see underutilized space developed. Zoning restrictions and building codes could be evaluated to ensure that they do not unnecessarily restrict residential development in buildings with commercial uses.

Action: Provide training to ensure that Planning Board members are prepared for their role in evaluating project proposals.

It is a technical matter to know what is and what is not within the discretion of a Planning Board member. The cost of formal training could be a wise investment for the Town. Developers place a high value on certainty and predictability in land use decision-making. If Board members should accidentally overstep their role, unforeseen and possibly unsustainable costs may be imposed on a development proposal.

Strategy 5: Promote Manufactured Housing as an Equity-Building Option

Action: Require that tenants in manufactured home parks receive written leases of at least 12 months duration.

The units in Fletcher's manufactured home parks are some of the lowest-cost housing the Town has. Although many residents own their homes, it is common for spaces to be leased on a month-to-month basis. This gives inadequate protection to residents, whose home is probably their largest investment.

Action: Do not permit additional pre-1976 manufactured homes to be located in Fletcher. Offer incentives for owners of existing pre-1976 manufactured homes to upgrade to late-model units or to a site-built home.

Pre-1976 manufactured homes were built before enactment of the federal manufactured housing building code (HUD code). These units may be obsolete.

Action: Develop design standards that maximize manufactured homes' potential for equity-building.

Manufactured housing (HUD-code) can appreciate, but frequently it does not. The Town can increase the chances of appreciation, protect the value of neighboring property, and preserve the cost advantages of HUD-code homes by specifying design standards for manufactured housing. (The Zoning Ordinance refers to Class A, Class B, and Class C manufactured homes in the definition section but not in the ordinance itself.) The existing Class A standard is a good

beginning on a simple design standard of the kind recommended, except that it appears to exclude all single-section units.

Action: Provide manufactured home park tenants the right to match any offers for sale of their park within a reasonable time.

Some Fletcher parks are in commercial areas, and the parks may become attractive for other uses. All tenants could be evicted, incurring substantial expenses to move their homes on short notice. Some may have difficulty in finding alternative spaces to lease. By providing tenants the right to match purchase offers, the Town will enable them to preserve their neighborhood while also preserving the seller's right to a fair price. In New Hampshire, more than 50 manufactured home parks have taken advantage of a state law enabling residents to match purchase offers. Their parks are now resident-owned housing cooperatives.

Strategy 6: Town-Sponsored Programs for Construction and Rehabilitation of Housing

Action: Provide downpayment/closing cost assistance and no-interest second mortgages to home buyers below 80 percent of median income.

These are some of the most common initiatives local governments make to support housing affordability. Downpayment/closing cost assistance helps buyers with insufficient cash savings. No-interest second mortgage loans address the gap between a household's ability to make mortgage payments and the cost of a modest unit. HOME funds are a likely source for such a program.

Action: Provide information and financial support for owners of pre-1976 manufactured homes to enable them to upgrade to late-model units.

Pre-1976 homes were built prior to the HUD code. Quality has improved steadily since the code was enacted, although it still varies widely across manufacturers. Upgrading all pre-1976 homes will address a deficiency in the Town's housing stock. Some buyers may need information about home quality as much or more than they need financial support. Replacement units should meet the equity-building criteria referenced above.

Action: Waive normal setback requirements for manufactured home owners wishing to upgrade to site-built housing, or to manufactured homes meeting the Town's equity-building standard.

This step is recommended to facilitate conversion of older manufactured units to site-built or manufactured housing which has a better chance of maintaining value and appreciating.

Action: Offer rehab loan financing to address code violations in owner-occupied and rental properties.

Although the Town's housing stock is in good condition overall, a code-oriented rehab program will help to preserve it. The Town may wish to contract with a private or non-profit organization for administration of the rehab loan program.

Action: Identify sites suitable for rental development using the Low Income Housing Tax Credit.

The Town should inventory possible sites for high-density multifamily construction, and engage owners in discussion about the sites' potential for housing development. This will be a substantial help to for-profit and non-profit developers capable of delivering tax credit units.

If funds are available, possibly through HOME or CDBG, the Town could acquire a site and solicit competitive development proposals. By donating the site or providing it at a below-market price, the Town would gain substantial leverage over project design, income targeting, and other characteristics.

Strategy 7: Explore the Potential of Fletcher Housing Authority

The Town has legally established a Housing Authority under Section 157 of the North Carolina statutes. To date the Authority has been inactive except for passive involvement in a tax-exempt bond issue. The Town should evaluate the powers of a Housing Authority as described in Section 157 to determine whether this organizational structure holds potential for advancing the Town's housing goals.

Endnotes

- ¹ NC State Data Center 2001 population estimate 4,336.
- ² Census 2000 Table DP-4.
- ³ Census 2000 tables P27 and P26.
- ⁴ Asheville Area Chamber of Commerce WCQS radio broadcast 10-8-02.
- ⁵ Census 2000 Table DP-3.
- ⁶ In state planning region B, Buncombe-Henderson-Madison-Transylvania, 1996-2002 average and projection. NC Employment Security Commission data.
- ⁷ Insured employment; 2001 estimated from Q1 and Q2, 01.
- ⁸ Census 2000 Table DP3.
- ⁹ Census 2000 Table HCT 12.
- ¹⁰ Based on Claritas estimated HH median income of \$52,899 for 2002.
- ¹¹ Claritas Market Trend Report for 2001.
- ¹² US Census Bureau, Current Population Reports. *Did You Know? Homes Account for 44 percent of All Wealth: Findings from the SIPP*. Report P70-75. 1995 data issued May 2001, p. 3.
- ¹³ Claritas Market Trend Report.
- ¹⁴ Claritas.
- ¹⁵ Claritas
- ¹⁶ NC State Planning Office: County Population Growth 2000-2010.
- ¹⁷ Chicago Title Co. "Who's Buying Homes in America?" 1998.
- ¹⁸ Claritas.
- ¹⁹ Brookings Institution Center on Urban and Metropolitan Policy. *Adding it Up: Growth Trends and Policies in North Carolina*. Prepared for Z. Smith Reynolds foundation. July 2000.
- ²⁰ Henderson County building permit data, 240 permits for 2001 and January through April 2002.
- ²¹ Henderson County Property Tax Database and Census 2000 Table DP-4.
- ²² Census 2000 Table DP-4
- ²³ Census 2000.
- ²⁴ Henderson County tax parcel database.
- ²⁵ Fletcher's ownership rate was 75.7 percent in 1990.
- ²⁶ Fischel, William A. *The Homevoter Hypothesis*. Harvard University Press. 2001.
- ²⁷ Census 2000 Table H39.
- ²⁸ Census 2000 Table H33.
- ²⁹ Census 2000 Table H32.
- ³⁰ Census uses the term "mobile home" for HUD-code manufactured homes.
- ³¹ Census 2000 Table HCT 6.
- ³² Factory and Site-Built Housing: A Comparative Analysis. US Department of Housing and Urban Development, Office of Policy Development and Research, October 1998
- ³³ Vermeer and Louie, p. 2.
- ³⁴ Pat Walker, Raleigh, November 19, 2001.
- ³⁵ Calculated from Census 2000 Table HCT 6. Units built 1970-1976 were estimated from the 1970-1979 data provided. Units built before the HUD code may be identified by the absence of a red metal HUD plate on the end of the home opposite the hitch.
- ³⁶ Census 2000 Table H35
- ³⁷ Census 2000 Table H37.
- ³⁸ Census 2000 Table H36.
- ³⁹ The Hoopers Creek area was delineated as follows: In easternmost Fletcher, the section bounded to the SW by Jackson Rd., to the NW by Souther Rd., to the NE by Hoopers Creek Rd., and to the SE by a small portion of Mills Gap Rd., to include the housing along the named portions of Souther, Harpers Creek and Mills Gap, and the ten streets within the area outlined
- ⁴⁰ Census 2000 Table DP-4.
- ⁴¹ Census 2000 Table H-20.

⁴² Research shows that owner-reported data on home values is reasonably accurate, within 10 percent of actual market value

⁴³ Census 2000 Table DP-4. These are self-reported values as of Census 2000. Research has shown that owner self-reported values are slightly high.

⁴⁴ Census 2000 Table H82.

⁴⁵ Census 2000 Table H83.

²⁸ As the Harvard Joint Center for Housing Studies wrote in its 2002 *State of the Nation's Housing*:

“Unlike units on rented land, upscale manufactured homes located on owned land appreciate in value at rates close to those of site-built homes, thus offering affordability and equity potential in a single package.” p. 15.

⁴⁷ Asheville Buncombe Board of Realtors MLS.

⁴⁸ Census 2000 Table DP-1

⁴⁹ Census 2000 Tables HCT 11 and HCT 12.

⁵⁰ US Bureau of Labor Statistics, Occupational Employment Survey, 2002. Assumes maximum 30 percent of income for rent and utilities; full-time hourly wage required: \$10.72. 38,290 jobs in Buncombe County paid average wages below this threshold as of 2002.

⁵¹ Census 2000 Tables H69.

⁵² Brecht, Susan B. *Analyzing Seniors' Housing Markets*. Urban Land Institute, 2002. P. 78.

⁵³ Census 2000 Table H72.

⁵⁴ See Stone, Michael E. *Shelter Poverty: New Ideas on Housing Affordability*. Temple University Press, 1993.

⁵⁵ Census 2000 Table H39.

⁵⁶ Phone Interview with Elizabeth Teague, Town of Fletcher.

⁵⁷ Census 2000 Table H68.

⁵⁸ Census 2000 Table H60.

⁵⁹ Issues of the Hendersonville Times (1/1/02 to 9/27/02) and the IWANNA (v. 27, #'s 12, 19 & 27) were reviewed. Land-O'-Sky's Housing Directory and Assistance Guide was also consulted.

⁶⁰ Phone interview with Sheryl Fortune, WCCA.

⁶¹ Census 2000 Table H11.

⁶² Census 2000 Tables HCT42A and HCT42B.

⁶³ Census 2000 Tables HCT47A and HCT 47B.

⁶⁴ Census 2000 Tables P152A and P152B.

⁶⁵ Census 2000 Tables P151A and P151B.

⁶⁶ Census 2000 Tables P159A and P159B.

⁶⁷ Census 2000 Table HCT37A.

⁶⁸ Census 2000 Tables H39A and HCT H39B.

⁶⁹ To complicate matters somewhat, the US Department of HUD issues its own estimates of income for the county. These are used to determine eligibility for housing programs. In Henderson, for a three-person household, 80 percent of median income would be \$38,000 using that scale. We use the Census number since we are trying to understand the actual economics of housing affordability in Town.

⁷⁰ US Department of Commerce. 2000 New Manufactured Homes Average Sales Price, By Size of Home, By State.

⁷¹ Bureau of Labor Statistics, Occupational Wage and Employment Survey.

⁷² Pyatok et al. See discussion in Strategy section of this assessment.

⁷³ Conversation 1-23-03 with Janice Burke, Debt Management Director, Tel. 919 807 2360.

⁷⁴ Jones, Tom, Pettus, William, and Pyatok, Michael. *Good Neighbors: Affordable Family Housing*. McGraw-Hill. 1995.

⁷⁵ Ibid, p. 64.

⁷⁶ Khadduri, Jill and Martin, Marge. *Mixed-Income Housing in the HUD Multifamily Stock*. US Department of HUD, P D & R. p. 43.

⁷⁷ Suchman, Diane R. *Transformation of Public Housing Developments into Mixed-Income Communities*. Urban Land Institute Paper 656. October 1996. public housing.

⁷⁸ Schwartz, Alex and Tajbakhsh, Kian. *Mixed-Income Housing: Unanswered Questions*. Cityscape, Vol. 3 No. 2. 1997. p. 80.

⁷⁹ Ibid.

⁸⁰ Suchman quoting Joseph Corcoran, Chairman of Corcoran Jennison Companies, Braintree MA

⁸¹ Ambrose, Brent and Grigsby, William. *Mixed Income Housing Initiatives in Public Housing*. Working Paper 315. p 3.

⁸² The House Next Door, Innovative Housing Institute, 1997.

⁸³ Joseph Corcoran, Chairman of Corcoran Jennison Companies, Braintree MA, quoted by Suchman Mixed Income Housing p. 5.

⁸⁴ Brophy, Paul and Smith, Rhonda. *Mixed-Income Housing, Factors for Success*, Cityscape: Vol 3 Number 2 1997. p. 26.