

Growing Together



**GROUND
SOLUTIONS
NETWORK**

strong communities
from the ground up

Winston-Salem Anti-Displacement and Inclusive Growth Policy Agenda

Executive Summary

This report summarizes the needs assessment findings and policy recommendations from Phases 1 and 2 of the ForEveryoneHome Initiative – a two-year collaborative effort aimed at helping growing cities get ahead of the curve on displacement pressures. In the first phase of this effort, we conducted a needs assessment to understand the affordable housing conditions and challenges that Winston-Salem currently faces. In the second phase, we crafted a set of policy recommendations to address those challenges. Here, in brief, are the challenges we identified and our policy recommendations to address them:

Policy Challenge 1: **Growing Displacement Pressures** ([see pages 13-20](#))

Some Winston-Salem neighborhoods are changing in ways that signal growing displacement pressures: Rents and home prices are going up, the neighborhood is getting wealthier and whiter, and more people with college degrees are moving in. Much of this change is

occurring in and around the Downtown area. Low-income residents in these predominantly Black and Hispanic neighborhoods may be pushed out as these displacement pressures continue to build in coming years. To address this challenge, we recommend that the City:

- ▶ Establish an affordable housing trust fund to give the city more resources to build affordable housing and combat displacement pressures.
- ▶ Incorporate lasting affordability requirements when providing city subsidies (including land) for development.
- ▶ Provide support for the establishment of a community land trust to help maintain mixed-income communities in fast-changing neighborhoods.
- ▶ Better calibrate the incentives offered to induce developers to include affordable housing in new market-rate rental developments, and mandate the inclusion of affordable housing in housing developed for sale.
- ▶ Establish a land banking program to better leverage municipal property for inclusive development.



Policy Challenge ②:

Building an Inclusive Community ([see pages 21-26](#))

The vast majority of Winston-Salem’s dedicated affordable housing is located in low-income neighborhoods in which the majority of residents are black or brown. Higher-cost neighborhoods tend to be majority white. The city needs to do more to open-up these neighborhoods to a diversity of residents at all income levels.

- ▶ Establish a land banking program to better leverage municipal property for inclusive development.
- ▶ Consider zoning reforms to allow duplexes, triplexes and quadplexes in single-family neighborhoods.
- ▶ Strengthen support for housing choice voucher holders to help them locate housing in low-poverty, amenity-rich neighborhoods.
- ▶ Extend the list of protected classes under the city’s Fair Housing Law.

Policy Challenge ③:

Affordable Housing at Risk of Loss ([see pages 27-30](#))

Some of Winston-Salem’s regulated and unregulated affordable housing units are at risk of loss. These units face two threats. Some may become unaffordable due to rising rents. Others are at risk of loss due to disinvestment. Both threats could leave the city with significantly fewer affordable housing units in coming years. We can address these challenges by:

- ▶ Strengthening support for affordable housing preservation.
- ▶ Incorporating lasting affordability requirements when the city sells property for housing development or provides subsidies for housing development.
- ▶ Increasing resources for housing preservation through the establishment of an Affordable Housing Trust Fund.

Policy Challenge ④:

Poor Housing Conditions ([see pages 31-32](#))

Many housing units in Winston-Salem are in poor condition and in need of repair. These include both owner-occupied and renter-occupied units. There are also a number of vacant and abandoned properties that are in disrepair and may become uninhabitable if not maintained. As a consequence of these conditions, some residents may be displaced, and some affordable units may be lost due to abandonment and demolition. We recommend that the city:

- ▶ Conduct a citywide housing condition assessment to document the level of need across the city.
- ▶ Seek a change in state law to allow a performance-based landlord licensing system.

Policy Challenge ⑤:

Winston-Salem’s High Eviction Rate ([see pages 33-41](#))

Winston-Salem’s eviction rate is very high. It has the third-highest eviction rate in the state among cities with a population over 50,000, and the sixth-highest eviction rate in the country among cities with a population between 200,000 and 300,000 people. Our analysis also found that eviction rates in Winston-Salem’s neighborhoods of color are even higher than they are for the city as a whole. We can bring the eviction rate down and lessen the impacts of eviction by:

- ▶ Increasing resources for rental assistance to prevent eviction and to help renters find new housing when eviction occurs;
- ▶ Developing a model Eviction Prevention Plan for Winston-Salem landlords;
- ▶ Developing a “Landlord Academy” to train landlords in best practices;
- ▶ Providing support for tenant organizing;
- ▶ Establishing a specialized “Housing Court”



This report summarizes the needs assessment findings and policy recommendations from Phases 1 and 2 of the ForEveryoneHome Initiative — a two-year collaborative effort aimed at helping mixed-market cities get ahead of the curve on growth pressures.

Grounded Solutions Network is leading this effort as part of our commitment to building equitable and inclusive communities that are rich in opportunity for all. We selected Winston-Salem to participate in the initiative through a competitive process that began in January 2019. Other participating cities include Indianapolis and San Antonio.

Through the ForEveryoneHome initiative, teams of municipal and community leaders from the participating cities are working together to develop anti-displacement and inclusive growth policies tailored for their communities. The Winston-Salem team includes:

- ▶ Mayor Pro Tempore
Denise D. Adams
- ▶ Community Development Director
Marla Newman
- ▶ Planning and Development Services Director
Aaron King
- ▶ Winston-Salem Urban League President
James Perry
- ▶ Community Engagement Consultant
Paula McCoy

It's not about ideas, it's about making ideas happen.



Members of the Winston-Salem, Indianapolis and San Antonio ForEveryoneHome teams with Grounded Solutions Network staff and consultants.

Our Process

Grounded Solutions Network is providing technical assistance to the ForEveryoneHome team to guide it through a three-phase policymaking process:

- ▶ **Needs Assessment** — Collect and analyze data and past reports; solicit input from a wide variety of stakeholders to understand the displacement and inclusive growth challenges the city is facing.
- ▶ **Inclusive Growth and Anti-Displacement Policy Agenda** — Produce a set of policy recommendations to address the issues identified in the needs assessment.
- ▶ **Implementable Policy** — Take one of the recommended policies from the policy agenda and develop it in detail so the city can implement it.

This report summarizes our needs assessment findings from Phase 1 and our policy recommendations from Phase 2.

Our Values

As we proceed through this work, these values guide what we do:

- ▶ **Community Engagement** – We want to follow a strong community engagement process to have this work grounded in community experience and community vision.
- ▶ **Racial Equity** – We want to center racial equity, highlighting policies and practices that will help Winston-Salem build a thriving and inclusive community.
- ▶ **Peer Learning** – We want the teams in our three cities to learn from each other. We have built mechanisms into our process to help them do that.
- ▶ **Lasting Affordability** – We want to lift-up the value of lasting affordability — the idea that when we create a unit of affordable housing, it is a community asset that should remain affordable for future generations.

Our Recommendations.

This report recommends a set of policies and practices to respond to the needs assessment findings. Grounded Solutions Network developed these recommendations in collaboration with our local ForEveryoneHome team, and through input received from a variety of community stakeholders at in-person (pre-COVID) and online (post-COVID) community meetings, focus groups and one-on-one interviews.

Our recommendations are significantly shaped by a recognition of what Winston-Salem cannot do. The city operates within a state legal framework that accords to the city only those powers specifically conferred by the state legislature or the state constitution. State law includes a mix of seemingly broad delegations of authority combined with explicit or implicit limitations or preemption of that authority in specific circumstances. A mixed-record of judicial interpretations has also made it difficult to predict when any particular policy initiative falls within local authority.¹ Consequently, some innovative efforts implemented in other states may not be allowed in North Carolina, or may be legally risky to implement locally.

Some areas where local government authority is specifically limited include:

- ▶ **Landlord registry.** State law generally prohibits local governments from requiring landlords to register with the local government.² A landlord registry can be a useful tool to address poor housing conditions, as it allows prosecutors and code enforcers to identify and contact absentee landlords when problems arise at their properties.
- ▶ **Pro-active inspections.** Similarly, local governments generally may not require landlords to submit their properties to regular or even random inspections, which can be a useful way to surface otherwise unreported and undetected code violations.³
- ▶ **Rent control.** State law expressly prohibits local governments from enacting rent control ordinances that would limit the pace at which landlords may increase rent on their properties. As discussed below, this statute arguably limits local governments' authority to implement mandatory inclusionary housing programs as well, at least insofar as they apply to rental housing.



We have included some recommendations below that can only be implemented locally with a change in state law. We do so in the hope of highlighting the need for reform. Other recommendations fall into a “grey area” where further legal research is required to ensure that they fall within the city’s legal authority. Indeed, given the complex and sometimes conflicting tapestry of state laws and judicial rulings in this area, all recommendations should be reviewed by city attorneys before being pursued.

The recommendations below address five policy challenges that emerged as priorities from our data analysis and community engagement during the needs assessment. These include:

- ▶ **Growing displacement pressures**
- ▶ **A need to build a more inclusive community**
- ▶ **The ongoing loss of affordable housing**
- ▶ **Concerns regarding housing quality**
- ▶ **Winston-Salem’s high eviction rate**

In many cases, implementation of the recommendations included here will require municipal action. In other cases, other community partners – such as the court system or local nonprofits or foundations – will have to be the lead actors. In all cases, we trust that the relationships we have built through this process will help carry the momentum of this project forward from ideas to action.



A history of discrimination has left Winston-Salem a city divided by race and ethnicity. This divide creates a gap in wealth, income and opportunity that prevents our whole community from moving forward.

A Highway Runs Through It

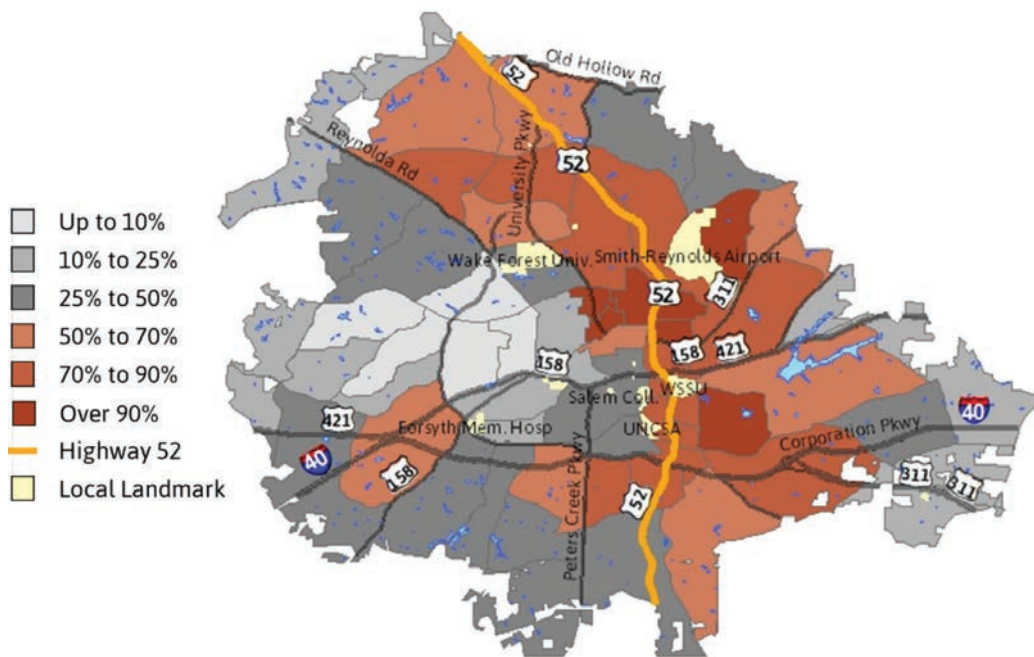
The racial divide in Winston-Salem is not hard to see; a highway runs through it. The neighborhoods around and to the east of Highway 52 tend to be heavily African-American and Hispanic. Those to the west tend to be predominantly white.

This spatial separation matters because place matters – the neighborhoods that we live in shape our experiences, our opportunities, and our collective future. For those residing in neighborhoods where

diminishing access to essential goods and services limits opportunities, the possibilities of achieving a more prosperous future are reduced compared to those in vibrant neighborhoods.

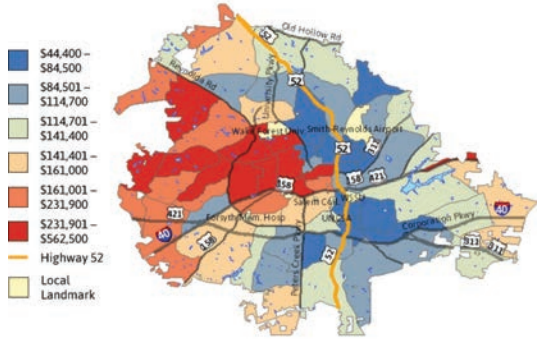
As the following pages make clear, the areas of Winston-Salem where communities of color are most concentrated are often the poorest, most disinvested areas of the city.

Percent People of Color by Census Tract 2018



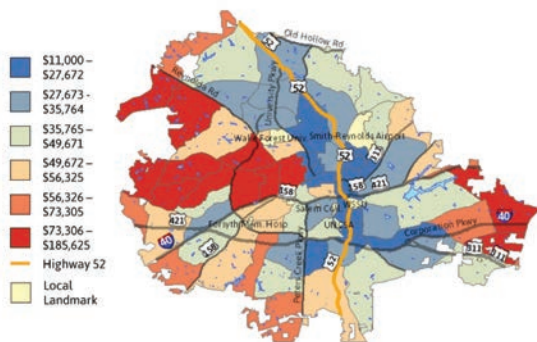
Source: 2018 American Community Survey 5 yr Estimates, U.S. Census Bureau

Median Home Values by Census Tract in 2018



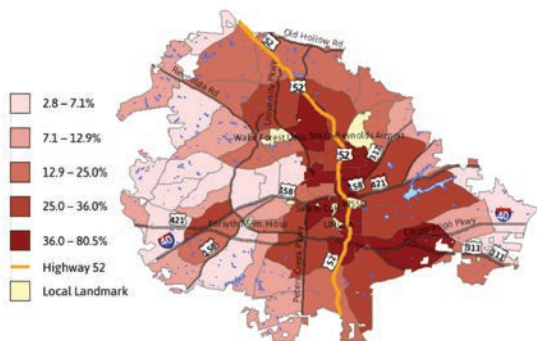
Source: 2018 American Community Survey 5 yr Estimates, U.S. Census Bureau

Median Household Income by Census Tract in 2018



Source: 2018 American Community Survey 5 yr Estimates, U.S. Census Bureau

Percent of Households with Incomes Below Federal Poverty Level 2018



Source: 2018 American Community Survey 5 yr Estimates, U.S. Census Bureau



One Road,
Many Divides

Highway 52 doesn't just separate the city by race. It is also a dividing line for wealth, income and opportunity. Look at a map of Winston-Salem home values, median incomes, or poverty rates, and the divide is just as apparent as when we look at a map of the city by race and ethnicity.

The Opportunity Divide.

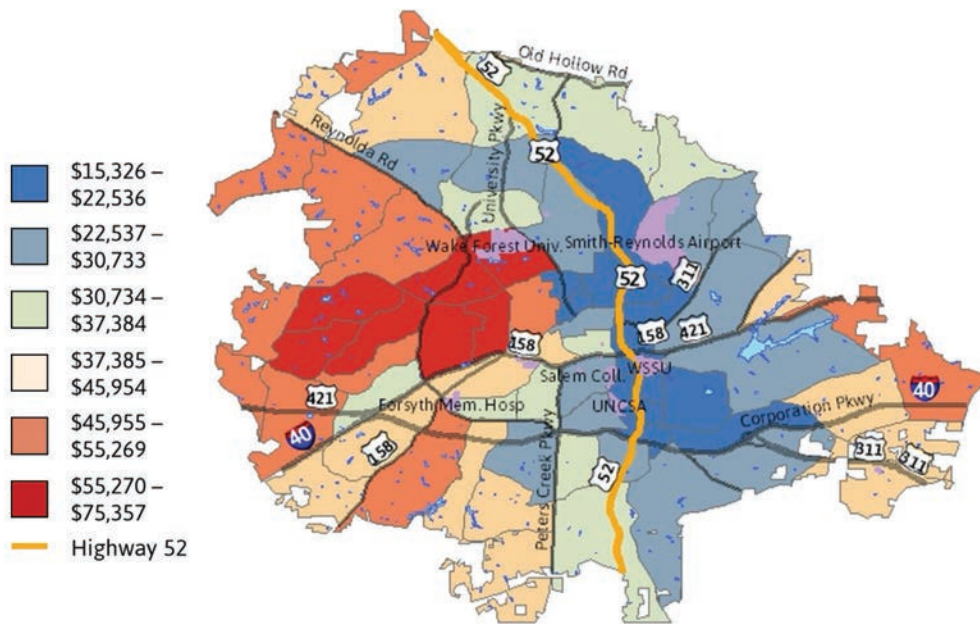
Even more troubling than the current racial divide in wealth and income in Winston-Salem is the Opportunity Atlas' assessment of how Winston-Salem neighborhoods influence their residents' life chances. In collaboration with researchers at Harvard University and Brown University, the Census Bureau developed the Opportunity Atlas to provide a statistical assessment of children's outcomes in adulthood. The Opportunity Atlas explains its project as follows:

The Opportunity Atlas is built using anonymized data on 20 million Americans who are in their mid-thirties today. We map these individuals back to the Census tract

(geographic units consisting of about 4,200 people) in which they grew up. Then, for each of the 70,000 tracts in America, we estimate children's average earnings, incarceration rates, and other outcomes by their parental income level, race, and gender.

The Opportunity Atlas' analysis shows stark differences in people's average expected earnings depending on where in Winston-Salem they grew up (see map below). Those differences closely track the racial divide that separates the community.

Average Income in Adulthood of Children by Neighborhood where They Grew Up



Source: Opportunity Atlas at Census.gov

The racial divides in wealth, income and opportunity in Winston-Salem have been around so long, it can be hard to see the mechanisms of exclusion and displacement that set them in place decades ago.

Unfortunately, government action played a significant role in forming or reinforcing these divides. Some early efforts sought to explicitly separate Winston-Salem by race.

- ▶ A **race-based zoning ordinance** in the early 1900s attempted to legislate where in the city Black residents might live. The State Supreme Court struck it down in 1914.
- ▶ From the early 1900s, property owners added **racially restrictive covenants** to deeds, in an attempt to reserve certain neighborhoods and business properties to “Caucasians.” State courts enforced these covenants until the U.S. Supreme Court declared such action unconstitutional in 1948.
- ▶ Beginning in the 1930s, the federal government followed a “**neighborhood composition rule**” that mandated that the racial make-up of public housing mirror the makeup of the surrounding neighborhood. This reinforced racial segregation throughout the city. The federal government dropped the neighborhood composition rule in the 1960s.

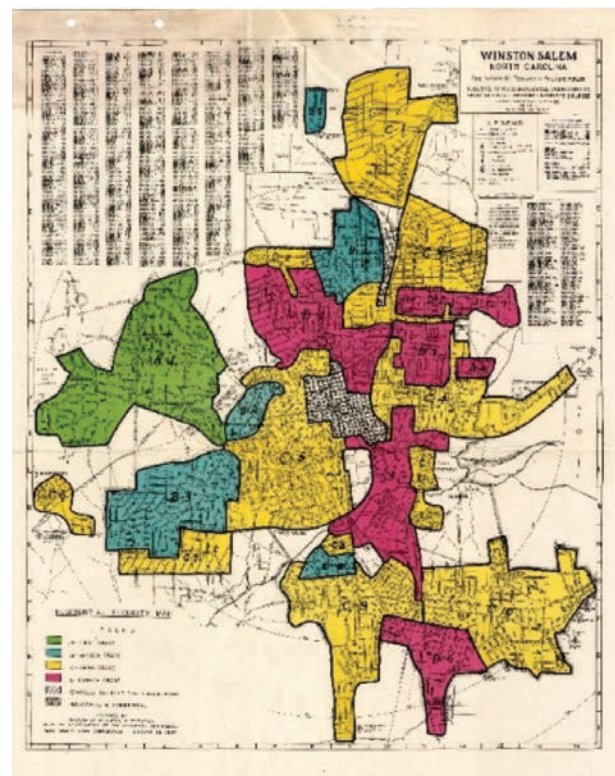
Other policies and practices effectively cut-off non-White residents from the wealth-building opportunities available to their White neighbors, or destroyed the wealth that communities of color had built.

- ▶ In the 1930s, federal surveyors rated Winston-Salem neighborhoods with significant non-White populations as high-risk, “hazardous” areas for making loans. The government refused to back loans in these “**redlined**” areas, and so banks refused to make loans there. Without access to capital, these neighborhoods languished and declined. These discriminatory government practices continued until the Fair Housing Act of 1968 banned them. Historically redlined areas of Winston-Salem remain some of the most disinvested today.
- ▶ The boom years after WW II laid the foundation for wealth accumulation and prosperity for many white families, facilitated in no small part by

the GI Bill. The GI Bill provided a government-guaranteed housing loan to veterans, enabling millions of families across the country to become homeowners. However, black veterans generally were not able to take advantage of the **GI Bill** because banks would not make loans for mortgages in black neighborhoods, and African-Americans were excluded from other neighborhoods – and from the suburbs to which many white families were moving – through restrictive covenants and informal racism.

- ▶ In the 1950s and ‘60s, Winston-Salem used federal **urban renewal** funds to accomplish a variety of “blight-elimination” projects that almost invariably targeted African-American neighborhoods. These projects yielded mixed results, producing better housing conditions for some, but destroying centers of the black community in the process. Thousands of black households lost their homes, businesses, schools and places of worship to urban renewal projects, and to the construction of major transportation corridors (including US 52) through black neighborhoods.

Redlining Map of Winston-Salem



These and other institutional and individual factors sowed the seeds of the racial equity gaps in our community today. The **economic transformation** that Winston-Salem experienced starting in the 1980s exacerbated these differences. The city has lost much of its manufacturing job base in the last four decades, shifting increasingly to a service-sector economy and the associated lower-wage jobs. This has eroded a

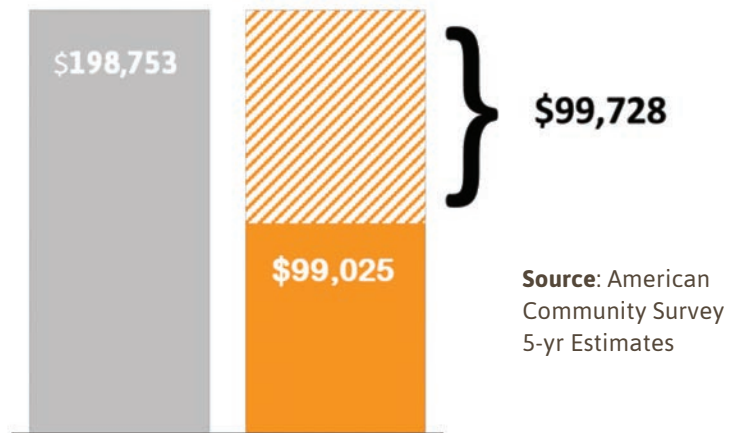
pathway to the middle class that earlier generations of Winston-Salem residents had followed. Accordingly, the structural and systemic racism that people of color in Winston-Salem have faced, combined with the profound economic transformations that have gripped the region, have led to the stark differences in opportunities and outcomes experienced by people of different races in our city.



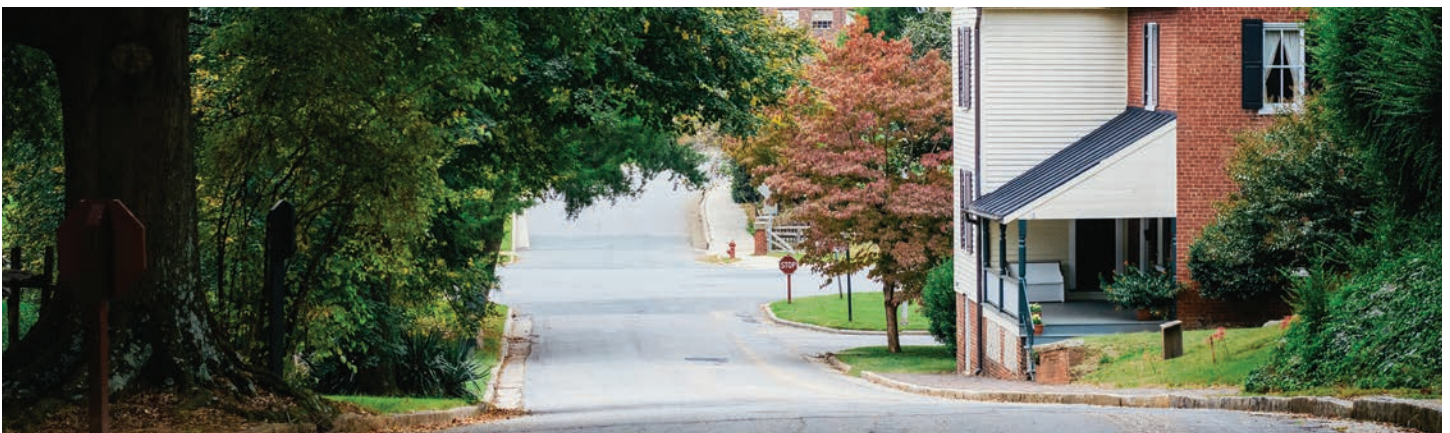
With sound policy and effective action, Winston-Salem's past does not have to define its future. We can close the racial equity gaps that divide the community. The city is already working toward that goal, and by advancing anti-displacement and inclusive growth policies, we will do even more. The smaller those gaps become, the greater the racial equity dividend we will all enjoy. Together, we rise.⁴

Potential Racial Equity Dividend: **\$1.824 Billion More Wealth in Our Community**

The **median home value gap** between predominantly white households and households of color.

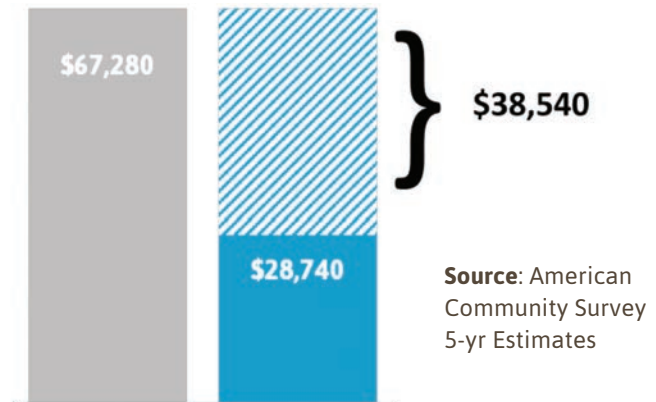


If homes in neighborhoods of color were worth as much as the median home value in predominantly white neighborhoods, Winston-Salem homeowners would have an additional **\$1.824 billion** of wealth.



Potential Racial Equity Dividend: \$705 Million More Money to Spend Locally Every Year

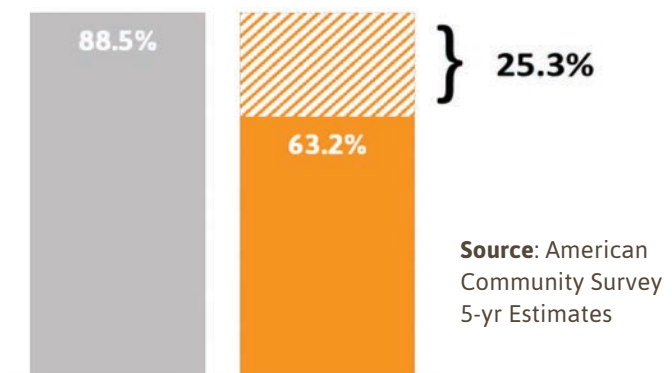
The **median income gap** between predominantly white neighborhoods and neighborhoods of color.



If households in neighborhoods of color earned as much as the median household income in predominantly white neighborhoods, residents would have an additional **\$705 million** to spend in Winston-Salem.

Potential Racial Equity Dividend: 24,284 Fewer People Living in Poverty

The **gap in percent of people living above the federal poverty level** between predominantly white neighborhoods and neighborhoods of color.



If poverty levels in neighborhoods of color were as low as they are in predominantly white neighborhoods, there would be **24,284 fewer people living in poverty** in Winston-Salem.

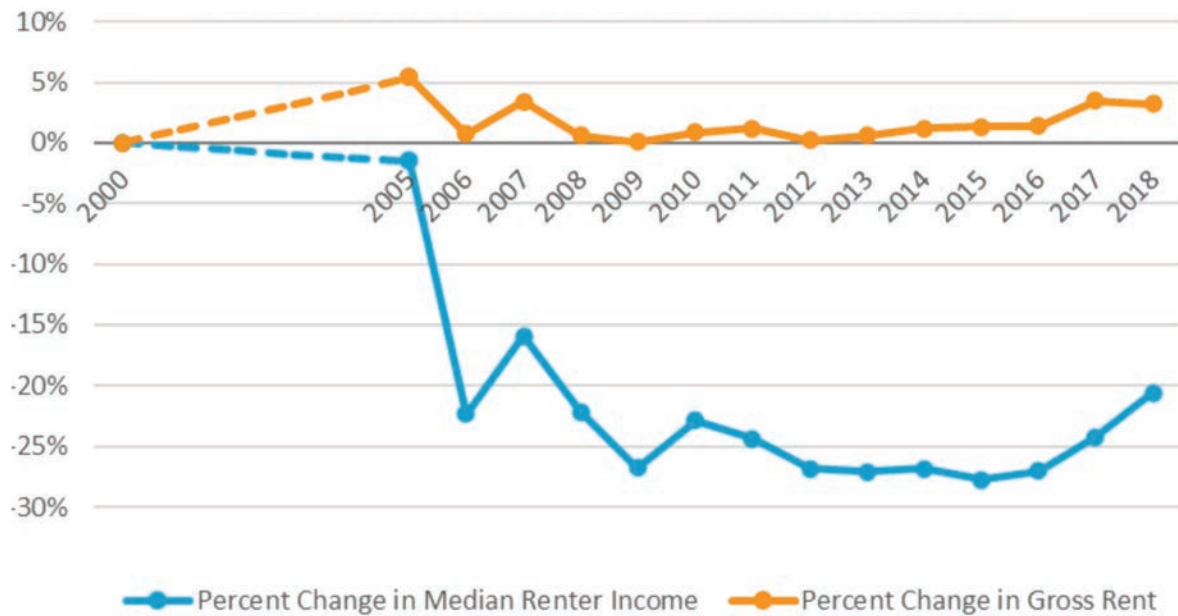
Throughout Winston-Salem, rents have gone up faster than incomes, leaving the city less affordable for many. In some Winston-Salem neighborhoods, the problems are acute. Rents and home prices are going up, the neighborhood is getting wealthier and whiter, and more people with college degrees are moving in. Much of this change is occurring in and around the Downtown area. Low-income residents in these predominantly Black and Hispanic neighborhoods may be pushed out as these displacement pressures continue to build in coming years. To address this challenge, we recommend that the City:

- ▶ Establish an affordable housing trust fund to give the city more resources to build affordable housing and combat displacement pressures.
- ▶ Incorporate lasting affordability requirements when providing city subsidies (including land) for development.
- ▶ Provide support for the establishment of a community land trust to help maintain mixed-income communities in fast-changing neighborhoods.
- ▶ Better calibrate the incentives offered to induce developers to include affordable housing in new market-rate rental developments, and mandate the inclusion of affordable housing in housing developed for sale.
- ▶ Establish a land banking program

Housing affordability is an issue for many Winston-Salem residents, particularly renters. The chart on the next page shows that, for the city as a whole, the issue is less about increased housing costs than it is about lower income levels. The chart shows the percentage change in median renter costs and median renter income since 2000. When adjusted for inflation, median renter costs in 2018 were just 3.3% higher than they were in 2000. By contrast, median renter income (adjusted for inflation) was 21.6% below the 2000 benchmark. Thus, for much of the city, housing is less affordable not because rents are up, but because incomes are down.



Percent Change in Median Renter Income and Renter Cost in Winston-Salem Since 2000



Source: 2000 U.S. Census; 2005 & 2006 1-Year American Community Survey (ACS) estimates; 2007 & 2008 3-Year ACS estimates; 2009-2015 5-Year ACS estimates. All income and cost figures adjusted to 2018 dollars. No data available between 2000 & 2005.

Despite the overall trend depicted in the chart above, there are some parts of the city where housing cost increases are the chief concern – threatening to make entire neighborhoods unaffordable for people who have long lived there. Economic and cultural displacement often go hand-in-hand. Economic displacement occurs when changes in housing costs make a neighborhood unaffordable for those who previously could afford to live there, typically leading to an influx of more affluent, white residents. Cultural displacement occurs through changes in the racial and ethnic make-up of a neighborhood, and through changes in the shops, services and institutions that serve and operate in a neighborhood. These changes can signal longtime residents and prospective new residents of a similar background that they no longer belong in the neighborhood. Combined, these forces can push low-income communities of color out of neighborhoods just at a time when conditions, amenities and property values there are improving.

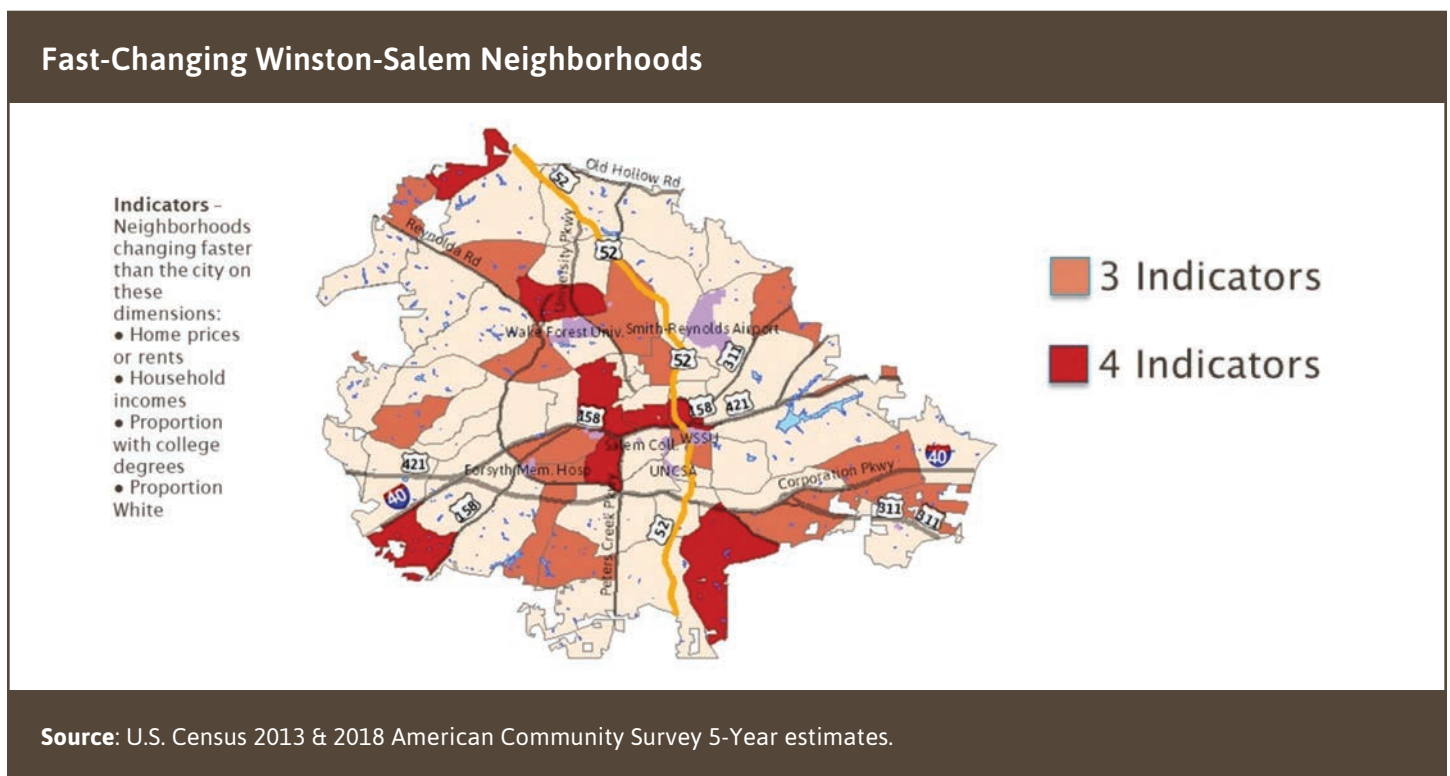
To identify where cultural and economic displacement pressures may be occurring in Winston-Salem, we followed a methodology adopted by the National Association for Latino Community Asset Builders (NALCAB). Specifically, we analyzed four indicators of neighborhood change: (1) median rent or home prices, (2) neighborhood median income, (3) the proportion of neighborhood residents who are white, and (4) the proportion of neighborhood residents with a college degree. For each of these indicators, we compared the percentage change that occurred in the census tract between 2013 and 2018 to the percentage change that occurred across Winston-Salem as a whole. Wherever change in the census tract out-paced change in the city as a whole on a particular dimension, we gave the census tract a score of 1 for that indicator. We then added up each census tract's scores for the four indicators. Tracts with a total score of 3 or 4 are undergoing significant change, and may be sites where economic and cultural displacement are underway.

The table below shows the citywide benchmarks used to judge neighborhood change, including the 2013, 2018 and percentage change values for the city as a whole. Notably, the non-Hispanic White population declined slightly (by 2%) between 2013 and 2018. For purposes of our neighborhood change analysis, census tracts received a score of 1 on this indicator only if the size of the non-Hispanic White population increased (was greater than 0.0%) between 2013 and 2018.

Winston-Salem Neighborhood Change Benchmarks					
	Housing Cost		Median Household Income	Number of College Graduates	Percent Non-Hispanic White Population
	Median Home Values	Median Contract Rent			
2013	\$140,400	\$566	\$40,148	48,192	46.1%
2018	\$144,400	\$630	\$44,311	53,561	46%
% Change	2.8%	11.3%	10.4%	11.1%	-0.1% (0.0%)

The map below shows the census tracts that are changing faster than the city as a whole on at least three of our four neighborhood change indicators. Much of the change is occurring in and around downtown, and in a few neighborhoods on the outer edges of the city.

Low-income households are particularly sensitive to displacement pressures. As rents and home values go up, they can be quickly priced out of a neighborhood. Moreover, changes in the institutions and businesses that serve a neighborhood can leave low-income households without access to the goods, services and support networks on which they depend.



Current Policies and Practices

Winston-Salem's anti-displacement policies are a mix of strong but small-scale and weak but large-scale policies.

An example of a stronger but small-scale anti-displacement policy is the Housing Authority of Winston-Salem's (HAWS) work to avoid displacement of residents during the remake of **Cleveland Avenue Homes**. The aging public housing project on Winston-Salem's east side is in poor condition. According to the Cleveland Avenue Neighborhood Transformation Plan:

At over half a century old, the Cleveland Avenue apartment development, located in the City of Winston-Salem, North Carolina, has outlasted its useful life. Housing units are outdated and physically distressed, lacking many modern amenities. The neighborhood, overall, suffers from an ongoing lack of public and private investment creating gaps in services and resources for the residents who call this community home. Socioeconomic and demographic data point to daunting challenges such as an extremely high poverty rate, low rates of educational attainment, and high unemployment rates.⁵

HAWS has received \$30 million from the U.S. Department of Housing and Urban Development's Choice Neighborhoods Program to upgrade Cleveland Avenue Homes and strengthen the surrounding neighborhood. It plans to replace the 244 existing apartments with 406 units of housing, including 199 units of replacement public housing, 86 units of "workforce" housing (housing intended for working people of limited means) and 122 units of market-rate housing. The grant also provides money intended to improve the lives of residents beyond just their housing. That funding will go toward education programs, workforce development, small business assistance, and neighborhood revitalization efforts.

HAWS is working to limit the displacement that will accompany this major development project. Nonetheless, 45 fewer units of public housing will exist following construction than what Cleveland Avenue Homes had previously provided. HAWS is providing Housing Choice Vouchers to allow residents who wish to move to find other housing they can afford off site. It is also phasing the construction schedule to ensure that new units are available to those who wish to remain in the neighborhood before the existing units are torn down. These efforts should help ensure that the neighborhood remains accessible to those who have long lived there, enabling them to see the benefits of investments that have been too long delayed.

An example of a large-scale but weaker anti-displacement policy is the city's **voluntary inclusionary housing ordinance**. Adopted in 1994, the ordinance incentivizes developers of market-rate housing to incorporate affordable housing into their developments. It does this by allowing developers to build 25 percent more units than would otherwise be allowed under applicable zoning if they agree to set aside a portion of their units as affordable. Developers can secure the density bonus in a number of ways. For multifamily rental housing, developers can agree to:

- ▶ Rent 40 percent of units to households earning less than 60 percent of area median income, or
- ▶ Rent 20 percent of units to households earning less than 50 percent of area median income.

For developments with units offered for sale, developers can secure the density bonus by agreeing to sell 25 percent of all units to households earning up to 80 percent of area median income.

The purpose of the ordinance is to promote more mixed-income developments and neighborhoods. Accordingly, as new development takes place, it should include a portion of units that are affordable to low- and moderate-income households. In theory, this policy should have a broad reach. Unfortunately, it has not succeeded. No developer has invoked the density bonus incentives offered under the ordinance in the more than two decades the ordinance has been in place. This suggests the incentives need to be better calibrated to induce the outcomes the City seeks.

Policy Recommendations:

- ▶ **Establish an affordable housing trust fund.** Nearly every recommendation in this report requires or would be easier to achieve if the city had more financial resources available for affordable housing. A valuable tool to assemble and distribute those resources is a housing trust fund (HTF). HTFs are repositories for locally-generated funds that may be distributed to help housing developers, nonprofit organizations, and local government departments to preserve or develop affordable housing for low- and moderate-income households. The most successful HTFs receive funds from a dedicated source, such as document recording fees, real estate transfer taxes, general revenue bonds, or linkage fees (fees charged to developers to account for the impact of new development on the community). They may also receive discretionary allocations from city revenues.

HTFs are valuable not only because they provide more resources for affordable housing, but because they are so flexible and adaptable. They do not face the restrictions and funding priorities that come with federal housing program dollars. Accordingly, they can be adapted to meet communities' specific needs and priorities. Among other purposes, housing trust funds can be used for the preservation, development, and operation of affordable rental and for-sale housing, homebuyer assistance, and the provision of ongoing rental housing subsidies for the lowest-income renters. How the funding can be used and who will benefit from it should be incorporated into guidelines that the fund adopts and regularly reviews and adjusts, with input from stakeholders and the general public.



Case Study: Housing Trust Funds in North Carolina.

Two local governments in North Carolina have established affordable housing trust funds: Charlotte and Asheville. Asheville established its fund in 2000, and Charlotte in 2001. Both communities have issued bonds to provide financial support for their HTFs. Asheville also dedicates one penny of every \$100 of property taxes it raises toward its HTF.

- ▶ **Charlotte's HTF has received over \$177 million in funding since inception.** This has allowed it to finance 9,118 new and rehabilitated affordable housing units and 694 shelter beds. Approximately 45% of the affordable housing units funded under the program were targeted to households earning less than 30 percent of the area median income (30% AMI = \$25,050). Both non-profit and for-profit developers are eligible to apply for funds. The city prioritizes multifamily rental projects that are affordable to households earning 60% of AMI or below.
- ▶ **Asheville has funded over 660 affordable housing units through its housing trust fund.** The total amount of funding dedicated to the HTF over the years is not available. Most recently, Asheville voters approved a \$25 million affordable housing bond in 2016, which included \$10 million for the HTF. Asheville only makes loans through its HTF; it does not offer grants. Asheville's goal is to make approximately 75 percent of its HTF loan allocations each year for multifamily rental housing. Rental units must be affordable to households earning up to 80% of area median income, with better loan terms available to projects affordable to those earning 60% or less of AMI. For homeownership developments, eligible households may earn up to 100% of AMI.
- ▶ **Incorporate lasting affordability requirements when providing city subsidies (including land) for development.** When the city provides significant support for a housing project – including subsidy dollars or the sale of city-owned land – it is in a position to require developers to make a certain portion of the units affordable to buyers or renters at affordable prices. It can also dictate the length of time that the units must remain affordable. Experience has shown that as markets strengthen, affordable units tend to be lost to the market when

their mandated periods of affordability end. It is almost always more cost-effective to maintain the affordability of existing units than to acquire or build new affordable units to replace them.

Accordingly, in areas where displacement pressures are growing, it is particularly important that the city demand lasting terms of affordability for housing projects for which it provides subsidy dollars. At a minimum, affordability terms should be set at 30 years, which is in line with the requirements of the federal Low-Income Housing Tax Credit program. However, the city should also consider longer terms. Denver, for example, requires 50-year terms of affordability. Other cities require that units remain affordable for the life of the building. These requirements help ensure that cities' one-time investment in affordable housing continues to pay dividends for decades to come.

► **Provide support for the establishment of a community land trust to help maintain mixed-income communities in fast-changing neighborhoods.** A community land trust (CLT) is a nonprofit, community-based organization that acquires, owns and stewards land permanently for the common good. CLTs are best known for providing affordable homeownership opportunities to families in perpetuity. However, CLTs can use their land for any number of purposes, including to provide affordable single and multifamily rental opportunities, mixed-income and mixed-use developments, community-oriented commercial spaces, community gardens and much more. As such, they are extremely valuable and flexible tools to moderate and resist displacement pressures.

Experience has shown that strong municipal support for CLTs — both at startup and throughout operations — is critical to their long-term success. Some helpful roles the City might play in supporting the establishment of a community land trust in Winston-Salem include:

- Help the community develop a shared vision. A variety of stakeholders expressed interest in a CLT as part of our community outreach sessions. However, there is also a lot of uncertainty among residents as to what a CLT is or how it would operate. To address these issues, the city could host a series of community conversations about community land trusts, in the hope of arriving at a shared community vision of how a CLT would fit in the city's housing landscape.
- Actively participate in the planning process. One of the most valuable things a municipality can do in bringing a CLT to fruition is to participate in the planning process. In many cities, both elected officials and municipal staff have participated as key members of the planning team, contributing their knowledge of local conditions, government programs and funding sources to the overall dialogue.
- Provide funding and in-kind support for startup efforts. Before launching a CLT, advocates often need assistance from consultants and other experts to develop a business plan, incorporate a nonprofit, conduct community outreach, etc. It can also be helpful at this stage to have paid staff dedicated to moving the vision for a CLT forward. After launching, paid staff is essential, as is a physical space in which to conduct operations. It can take more than a year for a new CLT to develop or acquire its first units, and even longer before the CLT reaches sufficient scale to sustain its operations. In short, launching and sustaining a CLT takes money. Winston-Salem can help a prospective CLT meet this need by providing grants and other funding. Sometimes municipalities provide in-kind support as well — lending staff or office space to support operations during the startup phase.
- Ensure a project pipeline. Particularly in the first few years of operations, it is important for CLTs to secure and complete a regular flow of homeownership projects. Winston-Salem can help a CLT achieve this goal by prioritizing funding and land sales for projects that provide lasting affordability — whether in rental or homeownership.⁶

► **Better calibrate the incentives offered to induce developers to include affordable housing in new market-rate rental developments, and mandate the inclusion of affordable housing in housing developed for sale.** As discussed above, the density bonus incentives that Winston-Salem offers developers to induce them to include more affordable housing in their projects have not been effective. No developers have made use of the incentives since they were adopted in 1994. This suggests that the density bonus is not sufficiently valuable to developers to offset the costs developers incur in complying with the ordinance’s affordability demands. Recalibrating the ordinance to better align the incentives offered with the demands made could make it a valuable tool in making Winston-Salem a more inclusive city. Indeed, properly calibrated, an inclusionary housing policy can be one of the most effective tools in maintaining access to fast-changing

neighborhoods, and opening-up access to neighborhoods with already strong transportation options, quality jobs, good schools, and safe streets.

There are many program features to consider when designing an inclusionary housing (IH) policy. These include whether to make it mandatory or voluntary (incentivized), the incentives that will be offered to developers, the requirements that will be demanded of developers, which projects will be subject to the policy, and what alternative compliance options will be offered to developers. The graphic below summarizes many of the considerations that go into designing an effective policy:



We recommend that the city reconsider its inclusionary housing policy with an eye toward each of these features.⁷ Attached as an appendix to this report is a worksheet that identifies many of the key decisions involved in designing such a policy. The worksheet helps municipalities define need, outline a basic program structure, plan policy choices, describe incentives, and decide compliance alternatives. Please see inclusionaryhousing.org for more information on designing an inclusionary housing program.

One design decision is currently outside the City's control, however. State law prohibits cities from regulating rents in privately-owned, unsubsidized residential properties.⁸ This provision has been interpreted to bar cities from adopting mandatory inclusionary housing policies that apply to rental properties. A mandatory policy would require developers to include a certain number of affordable units in their rental developments. Such policies tend to be more effective than voluntary policies that rely on incentives to induce compliance. Nonetheless, Winston-Salem can gain significant ground in the production of affordable rental housing through a better-calibrated voluntary inclusionary housing policy for rental units.

The city also retains the authority to adopt a mandatory inclusionary housing policy with regard to for-sale units. Indeed, Chapel Hill has had such a policy in place since 2011.⁹ As demand for housing in and around downtown increases, Winston-Salem can expect to see an uptick in for-sale developments in the area. Mandating that these developments include a portion of units that are affordable to low- and moderate-income homebuyers can ensure that these neighborhoods remain accessible to a wide range of Winston-Salem residents. We recommend that the ordinance include a mandate to maintain the affordability of these units in perpetuity to prevent future displacement of these residents or their successors.

► **Establish a land banking program to better leverage municipal property for inclusive development.**

Winston-Salem holds or could acquire a significant number of land parcels across the city. We propose that the City establish a land banking program to use this property to help resist displacement pressures and build a more inclusive community. We elaborate on this proposal in the following section of this report.



The vast majority of Winston-Salem’s dedicated affordable housing is located in low-income neighborhoods in which the majority of residents are black or brown. Higher-cost neighborhoods tend to be majority white. The city needs to do more to open-up these neighborhoods to a diversity of residents at all income levels.

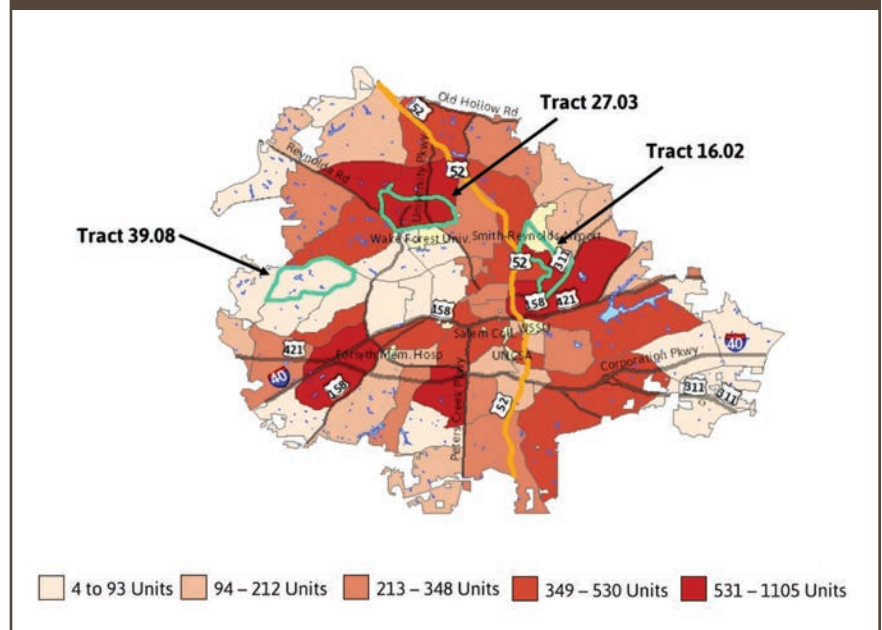
Above, we recommended that the city address displacement pressures by establishing an affordable housing trust fund and a community land trust, incorporating lasting affordability into its public subsidy and land disposition policies, and recalibrating its inclusionary housing program. These same policies will also help it build a more inclusive city. In addition, we recommend that the City:

- ▶ Establish a land banking program to better leverage municipal property for inclusive development.
- ▶ Consider zoning reforms to allow duplexes, triplexes and quadplexes in single-family neighborhoods.
- ▶ Strengthen support for housing choice voucher holders to help them locate housing in low-poverty, amenity-rich neighborhoods.
- ▶ Extend the list of protected classes under the city’s Fair Housing Ordinance to include age and veteran status.

In housing, location matters. Where you live shapes so much of your life – the schools you and your family attend, the jobs that are within easy reach, the recreation facilities available to you, the stores and services you use, whether you feel safe from crime in your home and your neighborhood, etc. If you are a homeowner, the location of your home also significantly influences whether and how much your home appreciates in value over time.

Unfortunately, some neighborhoods in Winston-Salem are largely inaccessible to low-income residents – particularly renters. More unfortunate still, the divide between accessible and inaccessible neighborhoods falls largely along racial lines. The map to the right illustrates this split.







Number of Rental Units Affordable to Tenants Earning 50% of Area Median Income in 2018 by Census Tract



The map shows an estimate of the number of rental units in each census tract that were affordable to those earning 50% of area median income in 2018 – what the U.S. Department of Housing and Urban Development considers a very low-income household. For a family of four, that figure was \$31,250. Affordable units are heavily concentrated on Winston-Salem’s east side, while the west side includes a swath of neighborhoods where only a handful of affordable rental units are available. Those west-side neighborhoods are also predominantly white.

The consequences of this unbalanced housing pattern are significant. Compare the Opportunity

Atlas’ assessment of the three sample neighborhoods below. A child growing up in a low-income household in each of these neighborhoods faces very different prospects. In the west side neighborhood (Census Tract 39.08), such a child can be expected to grow up to earn an average income of \$45,000 per year. In the other two neighborhoods, the child’s prospects are much lower – with an expected annual income of just \$17,000 - \$24,000. The west side neighborhood provides greater economic opportunity. However, there are just four affordable rental units there. In the other two neighborhoods, where economic prospects are weaker, there are hundreds of affordable units.

	Predicted average annual income in adulthood of a child who grows up in a low-income household in this neighborhood:	Number of rental units affordable to households earning 50% of area median income:
<p>Census Tract 39.08</p> <p>This tract is bounded by Robinhood Road to the north, Peace Haven Road to the east, Allistair Road to the south and Muddy Creek Greenway to the west.</p>	 <p>\$45,000</p>	 <p>4 Units</p>
<p>Census Tract 27.03</p> <p>This tract extends almost to Indiana Ave on the North, Cherry St on the east, Polo and Reynolda roads on the south, and Old Town Rd to the west.</p>	 <p>\$24,000</p>	 <p>1,105 Units</p>
<p>Census Tract 16.02</p> <p>This tract extends south from the airport to Cameron Ave, Attucks St, 26th St, Liberty St and New Walkertown Road.</p>	 <p>\$17,000</p>	 <p>613 Units</p>

Current Policies and Practices

Above we highlighted many of the current and historical practices that have left some Winston-Salem residents excluded from some neighborhoods. It is also important to recognize that Winston-Salem and its partners have been working to overcome this legacy of exclusion in order to build a more inclusive community for decades. Below are some of the policies and practices intended to give Winston-Salem residents greater access to a wider range of neighborhoods that fit their needs, budgets and individual preferences than they would have without these policies and practices:

► **Fair Housing.** Winston-Salem is one of only five communities in North Carolina that has fair housing ordinances that the U.S. Department of Housing and Urban Development considers to be as strong as the federal Fair Housing Act.¹⁰ The Human Relations Commission enforces the City's Fair Housing Ordinance,¹¹ with the goal of ensuring that no person is discriminated against when it comes to finding a place to live. The ordinance specifically prohibits discrimination based on "race, color, religion, national origin, sex, handicap or familial status." The Human Relations Department provides a variety of training and outreach to the housing sector to prevent discriminatory practices, and enforces the ordinances provisions when violations occur.

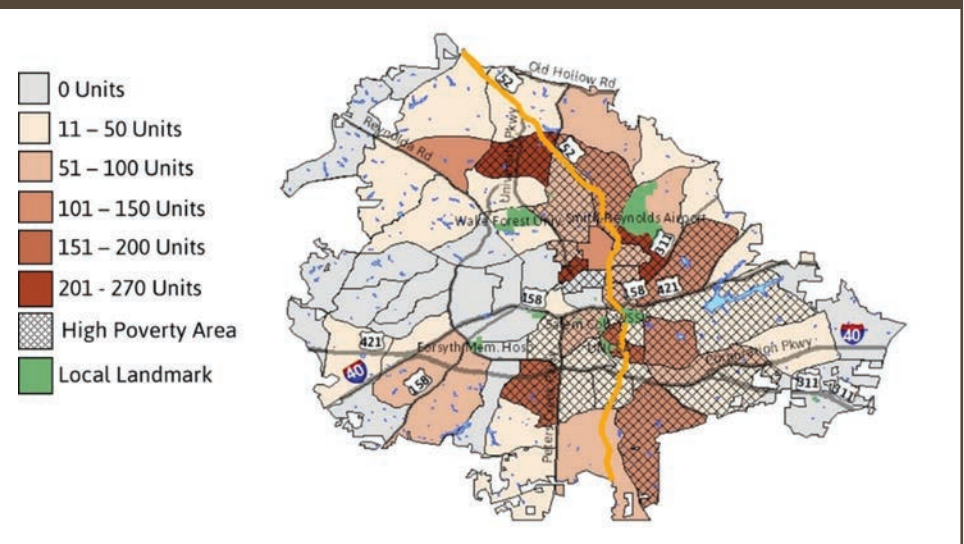
► **Housing Choice Vouchers.** The Housing Authority of Winston-Salem (HAWS) administers the federal Housing Choice Vouchers program. The program provides rent subsidies for very low income families, the elderly and the disabled to afford housing on the private market. Participants are allowed to choose any housing that accepts vouchers and that meets the housing quality and other requirements of the program. Typically, participants must contribute 30 percent of their income toward rent and utilities. The voucher pays the

rest of the housing costs, up to a limit set by HAWS. HAWS currently helps about 4,400 households across Forsyth County through the voucher program.

The premise of the program is that it increases low-income renters' options as to where to live. Rather than selecting only from among the specific buildings that have been subsidized to provide affordable housing, participants can live in a neighborhood of their choice, so long as landlords there accept housing vouchers. Research nationally has shown that the program has helped about 20% of voucher holders to locate in low-poverty tracts.¹² Moving to a low-poverty neighborhood is associated with substantial educational, economic and health benefits for children, including higher academic achievement, reduced intergenerational poverty, lower rates of hospitalization and a reduction in chronic conditions such as obesity and diabetes.¹³

Available data for Winston-Salem indicates that the vast majority of voucher holders find housing in high poverty tracts. The map below shows the number of units occupied by Housing Choice Voucher holders by census tract. The cross-hatch pattern on the map indicates census tracts high poverty rates – poverty rates in excess of 30%. Most of the tracts where voucher holders locate are high poverty tracts.

Housing Units Occupied by Housing Choice Voucher Holders by Census Tract 2020



Source: U.S. Dept. of Housing & Urban Development 2020; U.S. Census Bureau American Community Survey 5-Year Estimates 2018

- ▶ **Voluntary Inclusionary Housing.** As discussed above, Winston-Salem has had an ordinance in place since 1994 that incentivizes developers to incorporate affordable housing into their developments. Unfortunately, the incentives it offers have not been sufficient to induce developers to incorporate affordable housing into their developments. Despite the intentions behind the ordinance, as a tool for building an inclusive community, it has failed.

and maintain (mow) vacant parcels. What it lacks is a system to strategically acquire some of these parcels in order to put them back to productive use. A land banking system would let it do that.

Land banks are typically nonprofit or public authorities that focus on the conversion of vacant and deteriorating properties to productive use. They temporarily acquire, maintain, and steward properties to relieve neighbors of the burden of vacancy and abandonment, and to safeguard the public interest in the future use of the property. To that end, they seek to find productive uses of the property that support the needs and priorities of neighbors and neighborhoods.

Land banks are most common in states that have adopted enabling legislation defining the powers and functions of a land bank. North Carolina lacks such enabling legislation. Nonetheless, Winston-Salem has the authority it needs to set up a land banking program that functions very much like a typical land bank. As the Center for Community Progress – the nation’s leading authority on land banks – explains:

Policy Recommendations

The same policies that we recommend above to address the displacement challenges that Winston-Salem faces will also help it build a more inclusive city. Specifically:

- ▶ An **Affordable Housing Trust Fund** will enhance the City’s ability to encourage the creation of affordable housing in opportunity-rich neighborhoods.
- ▶ Policies requiring **lasting affordability** in housing supported with city subsidies will ensure that low-income households retain access to opportunity-rich neighborhoods for generations to come.
- ▶ Establishing a **community land trust** will ensure that there is an entity dedicated to producing and stewarding affordable housing opportunities for the long term.
- ▶ Better-calibrated **inclusionary housing policies** will produce affordable housing in a wider range of locations, giving low-income household more choices as to where to live.

For details on each of these recommendations, please see the discussion above. In addition to these policies, we recommend the following to help Winston-Salem build a more inclusive city:

- ▶ **Establish a land banking program to better leverage municipal property for inclusive development.** Winston-Salem holds or could acquire a significant number of land parcels across the city. Many of these are vacant and abandoned residential properties with significant tax and demolition liens. Others are parcels available on the open market that are located in opportunity-rich neighborhoods. The city already has some mechanisms in place to acquire parcels, and it is expending resources to demolish unsafe structures

This would definitely be a change for the City, but largely in concept. The reality is that City staff, with the support of private contractors, are already managing a significant inventory of privately-owned properties that qualify as chronic violators. The City has also expended a significant amount of monies for the demolition of privately-owned derelict structures. The City simply needs to acknowledge what it’s already doing, and carefully think through where best to institutionalize this capacity and oversight, such that it’s no longer a reactive job to address private owner neglect, but a proactive response to meet community need.¹⁴



We echo the Center for Community Progress' recommendation that the city establish a land banking program. Doing so would let it leverage its access to residential parcels across the city to help strengthen neighborhoods and to ensure that they remain affordable and accessible to a wide range of households.

► **Consider zoning reforms to allow duplexes, triplexes and quadplexes in single-family neighborhoods.**

One of the reasons that Winston-Salem's higher-resourced residential neighborhoods remain racially and economically segregated is that they are zoned for single-family homes. A single-family home sitting on its own individual lot is a particularly expensive housing type. The exclusion of duplexes, triplexes and quadplexes from these neighborhoods prevents lower-income households from moving to neighborhoods with the best parks, strongest schools and other desirable amenities. Winston-Salem could help create more equitable and inclusive neighborhoods by opening up the zoning restrictions to small-scale multifamily housing, including duplexes, triplexes and quadplexes. Doing so could help address the remnant forces of government policies of exclusion that helped create the racial segregation that still exists in Winston-Salem today.

This recommendation must be pursued carefully and with significant public input. Both Minneapolis and Oregon adopted measures in 2020 that effectively eliminated single-family zoning, with the goal of creating more "missing middle" housing. However, they did so after significant public input and debate. Winston-Salem must similarly pursue a strong community engagement process in order to craft an effective policy with broad public support. Pairing these reforms with a revised inclusionary housing policy could maximize the impact of these changes and ensure that affordable housing is included in the mix of new units built under the policy.

- **Strengthen support for housing choice voucher holders to help them locate housing in low-poverty, amenity-rich neighborhoods.** As discussed, comparatively few of Winston-Salem's voucher holders use their vouchers to locate in low-poverty census tracts. One of the chief barriers to voucher holders' location decisions is landlords' reluctance to accept vouchers in stronger market areas. Many states, counties and cities in recent years have

tried to address this problem by enacting Source of Income (SOI) discrimination laws. These laws typically include a household's source of income as a protected class under fair housing and other anti-discrimination provisions. Eleven states and over seventy county and local governments across the country have adopted SOI discrimination laws, in places as diverse as the state of Oklahoma, Miami-Dade County, and the City of Memphis, Tennessee.

North Carolina does not currently prohibit SOI discrimination or authorize local governments to do so. The City and its partners have sought to reform state law in the past, and we recommend that they continue to do so. The legislature should either prohibit source-of-income discrimination statewide, or allow local governments such as Forsyth County and Winston-Salem to do so for properties within their jurisdictions.

Even without a state law change, HAWS may be able to do more to help housing choice voucher holders to find housing in low-poverty, amenity-rich neighborhoods. Research out of Seattle suggests that housing mobility programs are an effective way to reduce barriers for families with vouchers to live in neighborhoods of their choice.¹⁵ As HUD explains:

These programs generally include a comprehensive set of services offered to families as well as administrative policy changes. Although there is no universally agreed upon definition of a housing mobility program, these programs often include "mobility-related services" such as pre- and post-move supports, family financial assistance (e.g. security deposits), landlord outreach, and housing search assistance. They also include administrative policies such as adequate payment standards in opportunity areas and extended voucher search time.¹⁶



The Seattle research was sufficiently strong that HUD is now conducting a large-scale evaluation of housing mobility programs nationwide to determine their effectiveness and which elements of such programs are key to their success. HAWS should look to this model and emerging research related to it to strengthen the supports it provides to Housing Choice Voucher holders in order to help them find housing in neighborhoods of their choice.

Extend the list of protected classes under the city’s Fair Housing Ordinance to include age and veteran status.

As discussed, Winston-Salem already has a strong Fair Housing Ordinance. Nonetheless, Legal Aid of North Carolina’s Fair Housing Project notes that the ordinance could be stronger by adding age and veteran status to the list of protected classes.¹⁷ Doing so would further the protections the city affords its residents to ensure that they have fair access to housing throughout the city.



Some of Winston-Salem’s regulated and unregulated affordable housing units are at risk of loss. These units face two threats. Some may become unaffordable due to rising rents. Others are at risk of loss due to disinvestment. Both threats could leave the city with significantly fewer affordable housing units in coming years. We can address these challenges by:

- ▶ **Strengthening support for affordable housing preservation.**
- ▶ **Incorporating lasting affordability requirements when the city sells property for housing development or provides subsidies for housing development.**
- ▶ **Increasing resources for housing preservation through the establishment of an Affordable Housing Trust Fund.**

The risk of conversion to market-rate is associated with the end of mandated affordability periods. Most affordable housing created with federal subsidy dollars is required to remain affordable for a fixed period. That period is typically between 10 and 30 years, depending on the program that funded the housing. When the affordability period ends, property owners are free to increase rents to market rates.

Not every property that reaches the end of its affordability period is converted to market rate. Indeed, most are not – because the property condition, its location, and local markets will not bear higher rents. Research shows that rents are more likely to be increased at the end of affordability periods when the units are owned by a for-profit owner, and when they are located in an area in which market rents are above the “affordable” rents set by regulation. Nonprofit and public-sector owners tend to maintain property as affordable even after affordability periods expire, even where there is an opportunity to charge higher rents.

That is not to say that properties owned by non-profit and public sector entities are free from the risk of conversion to market-rate. Sometimes even these owners must raise the rent (or sell the property to a for-profit entity, which then raises the rent). This typically happens when the affordable rents they are able to charge are less than they need to maintain or finance the rehabilitation of a property. Sometimes the sale of a property to a for-profit entity is needed to fund mission-driven work elsewhere.

For properties in disinvested neighborhoods, the risk of loss comes from low rents, rather than high. Where prevailing rents are particularly low, it can be difficult for property owners to maintain their properties, or finance significant rehab efforts. Absent some intervention, conditions in these properties worsen each year, and the properties are ultimately closed and abandoned.



The map below shows the location of all subsidized housing units in Winston-Salem. Those marked with a “star” have affordability restrictions that are due to expire by 2026. The map also shows the median rent charged in each Winston-Salem census tract.

As the map shows, a handful of properties with expiring affordability periods are located in or on the edge of hotter market areas. These are properties that might be lost to higher market rents in coming years. A larger number of properties with expiring restrictions is located in areas with low prevailing rents. These are properties where disinvestment may be a concern. Whether any particular property is truly at risk of loss requires detailed investigation into its ownership status, building and market conditions, the owner’s plans for the property and its capacity to carry them out.

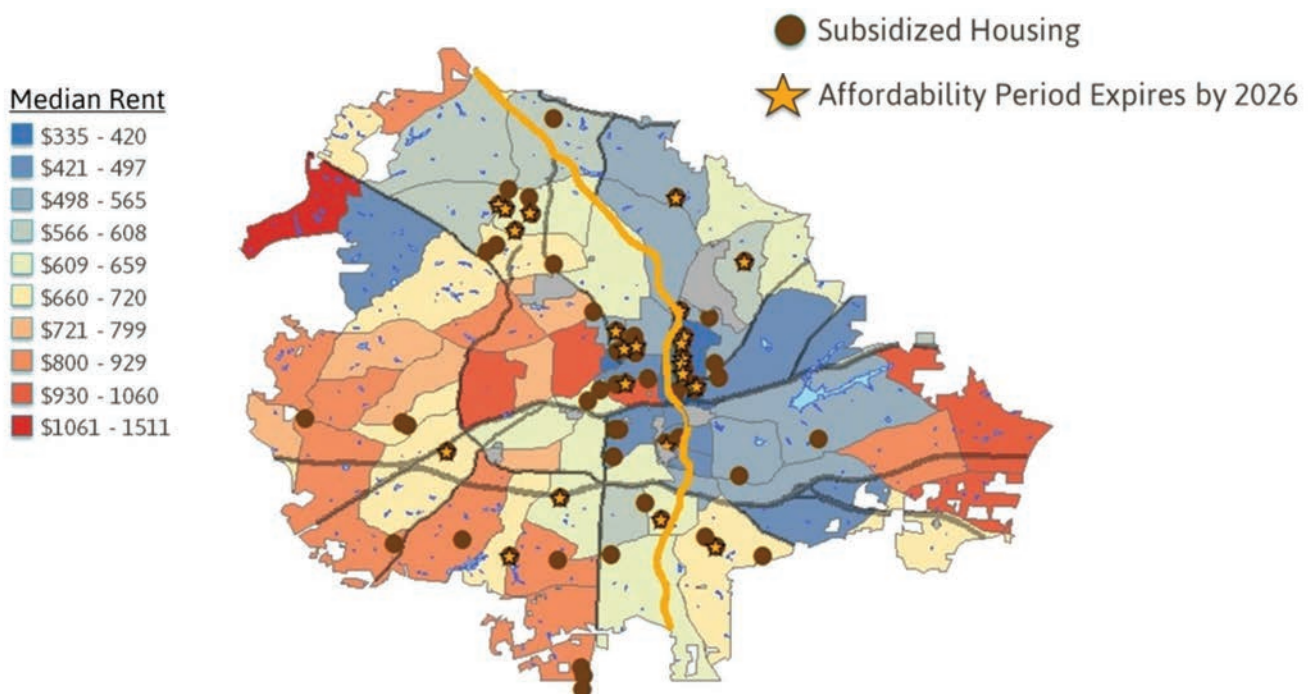
Current Policies/Practices

Winston-Salem spent about \$9.5 million in local, state and federal funding on housing and community development in 2018. From that budget, it spent roughly

equal amounts on residential rehabilitation programs (\$3.49 million) and on homelessness prevention and transitional housing (\$3.44 million). It spent approximately \$950,000 on housing production and homeownership. Most of the city’s funding for housing came from its allocations of HOME and Community Development Block Grant dollars.

In its allocation of funding, Winston-Salem does not expressly prioritize the preservation of subsidized housing units with expiring affordability periods. Rather, proposals seeking funding for preservation must compete on equal footing with other proposals for rehabilitation or production of multifamily housing. This practice allows the city to balance competing priorities and allocate its limited resources in a way that best advances the city’s goals given the investment opportunities in a particular year. Successful proposals receive low-interest loans that fill the gap between the funding that the developer is able to assemble for a project (including its own capital and loans from banks) and the amount needed to make the project feasible. In exchange, the City requires that a certain number of units in the project remain affordable for a specified period – usually between 5 and 20 years.

Subsidized Housing Locations and 2018 Median Rents by Census Tract



Aside from City-administered programs, the Low Income Housing Tax Credit (LIHTC) program is often a major source of funding for preservation projects. This is a federal program with awards determined at the state level by the North Carolina Housing Finance Agency (NCHFA) through a statewide, competitive process. LIHTC allocations have been declining in recent years, with competition growing more fierce. This makes it a less-than-reliable source of funding for local affordable housing preservation efforts. Just one project in Winston-Salem received an award of tax credits in 2020. The award went to a developer to allow it to acquire and rehabilitate Skyline Village, an affordable housing complex built in the 1950s that was in dire need of repairs.

NCHFA recently took steps to encourage the long term affordability of projects funded with Low Income Housing Tax Credits. Under federal regulations, projects funded by the LIHTC program must remain affordable for 30 years. However, after 15 years, developers can ask to be released from the program's affordability restrictions by following the "Qualified Contract" process. Since 2018, NCHFA has made developers who have previously requested a Qualified Contract for any project in North Carolina ineligible for additional LIHTC allocations. This is a strong disincentive for developers who might otherwise seek early release from the program's affordability requirements.

Winston-Salem arguably has a stronger preservation program for housing that is not subsidized, but is nonetheless affordable. Much of the housing that falls into this category is in poor condition. The City provides low cost or forgivable loans of up to \$65,000 to rehabilitate both owner-occupied and investor-owned housing. In doing so, it extends the life of this low-cost housing while improving the quality. Income eligibility requirements and affordability terms of 10-20 years ensure that the housing remains affordable to low- to moderate-income households even after the housing conditions are improved. Between 2014 and 2018, the City provided rehab or repair funding for 468 units.

Policy Proposals

► **Focus on Preservation.** Preserving existing affordable housing can cost about one-half to two-thirds as much as new construction.¹⁸ It is generally more cost effective, therefore, to preserve the affordable housing we have than to allow it to be lost to market-rate conversion or disinvestment, only to replace it with new construction. Winston-Salem can do more to anticipate and be ready to act on preservation opportunities when they arise. To that end, we recommend that the City establish a working group to increase the development community's focus on and preparation for preservation of the city's subsidized and unsubsidized affordable rental housing. Tasks the group could pursue include:

- Establishing and maintaining a database of subsidized properties, their owners, affordability periods, terms of affordability and other relevant details.
- Establishing a similar database for unsubsidized but affordable properties in the city.
- Determining which properties (whether subsidized or unsubsidized) are most at risk of loss and developing strategies to preserve them.
- Conducting a collaborative effort to engage tenants, owners, community organizations, government officials and financial institutions in affordable housing preservation efforts.
- For an example of a similar effort, see the Detroit Housing for the Future Fund, which was established to provide affordable housing developers and owners with streamlined access to financial tools in order to encourage preservation of regulated and naturally occurring affordable housing throughout the City of Detroit: <https://www.detroithousingforthefuturefund.org/>
- Increasing support and resources for weatherization programs that can extend the life of affordable properties while keeping the costs of operation low.
- Providing training and access to technical assistance to build local capacity for affordable housing preservation efforts.

The work of this group could be modeled on housing preservation networks established in other places, including Washington, DC, Colorado, Massachusetts, Portland, OR, and Chicago/Cook County, IL.

- ▶ **Require Lasting Affordability.** In the affordable housing world, it often feels as though we are on a housing “hamster wheel” – running in place and never gaining ground because we lose affordable units as fast as we produce new ones. One way to get off that wheel and start making progress is to require lasting terms of affordability for regulated properties. Rather than allowing affordability terms to expire after as little as 5 years, Winston-Salem could adopt a policy requiring affordability periods of 50 years or more. These requirements could apply not only when the city provides significant grants or low-cost loans for development projects, but also when the city sells city-owned property for development or provides other development incentives. Research has shown that extended terms of affordability adds little to the overall cost of a project, and that proper stewardship practices can ensure that properties remain in good condition throughout the extended affordability period.¹⁹

- ▶ **Increase Resources for Affordable Housing Preservation.** Jurisdictions that have had the most success in preserving regulated and unregulated affordable housing have achieved that success in part by committing significant local resources to the effort. In the Minneapolis area, for example, the Naturally Occurring Affordable Housing (NOAH) Impact Fund provides funding specifically for the preservation of unregulated affordable housing. The fund is a public-private partnership funded through investments by Hennepin County, the Minnesota Housing Finance Agency, the McKnight Foundation, the Otto Bremer Trust, and several banks. Freddie Mac committed to making up to \$100 million in debt available in first mortgage financing as a complement to the equity financing to be provided by the NOAH Impact Fund. The Fund aims to preserve up to 2,000 units of unregulated affordable housing in the Minneapolis area. A similar commitment in the Winston-Salem area, perhaps in conjunction with the establishment of an Affordable Housing Trust Fund, could significantly advance local affordable housing preservation efforts.



Many housing units in Winston-Salem are in poor condition and in need of repair. These include both owner-occupied and renter-occupied units. There are also a number of vacant and abandoned properties that are in disrepair and may become uninhabitable if not maintained. As a consequence of these conditions, some residents may be displaced, and some affordable units may be lost due to abandonment and demolition. We recommend that the city:

- ▶ Conduct a citywide housing condition assessment to document the level of need across the city.
- ▶ Seek a change in state law to allow a performance-based landlord licensing system.

Current Policies and Practices

With regard to unsafe conditions in occupied housing, Winston-Salem largely operates a complaint-driven code enforcement system.²⁰ That is, it relies on tenants and other members of the public to raise concerns about the condition of housing, and then pursues remedies based on those complaints. A more pro-active system would require periodic inspection of all rental units to ensure compliance with minimum code requirements. However, the state legislature has largely pre-empted local governments from adopting such a system.²¹

To help property owners address condition issues, Winston-Salem provides forgivable or low-cost loans for home repairs and rehabilitation. Available sums and eligibility requirements differ by program:

- ▶ **Emergency Repairs.** This program addresses housing conditions that pose an imminent threat to the integrity of the structure or to the occupant's health or safety. Loans of up to \$15,000 are available to owner-occupied households earning up to 80% of area median income (80% AMI = \$53,400 for a family of four). Depending on household income, loans may require repayment, or may be forgiven over a period of time (three to ten years, depending on the amount of the loan).
- ▶ **Home Rehabilitation.** This program focuses on bringing substandard properties up to the minimum housing code (as funding allows) to address unsafe conditions and code violations. Loans of up to \$65,000 are available for both owner-occupied and investor-owned properties where the occupants earn up to 80% of area median income. Interest rates may be lower for owner-occupied households (0-2%) than for investor-owned properties (0-6%). Loans may be structured as direct loans, which require repayment, or as forgivable loans, a portion of which is forgiven each year over a period of ten years.
- ▶ **Transforming Urban Residential Neighborhoods (TURN).** This program concentrates City investments in particular neighborhoods with the goal of addressing deteriorating structures to improve the entire housing stock. The maximum amount of a loan in the TURN program is \$65,000 – the same maximum as in the Home Rehabilitation program. However, the program establishes a higher income-eligibility cap – up to 200% of area median income (200% AMI = \$102,900 for a family of four). This higher income cap makes the funding much more widely available in a TURN neighborhood. As in the Home Rehabilitation program, the goal is to bring substandard properties up to the minimum housing code. Loans may be structured as forgivable or direct loans, depending on income level and other factors.

Policy Recommendations

- ▶ **Conduct a citywide housing condition assessment.** It is difficult to know the full scope of the housing condition issues facing Winston-Salem. Gathering systematic and detailed information about housing conditions can help the city craft a more strategic response and gauge the amount of resources needed to address the challenge.

Cities such as Detroit and Cleveland have conducted similar surveys with great success. Efforts such as these typically involve a small team of trained staff who walk through neighborhoods collecting information about what they observe on each residential parcel. Data include whether there is a structure on the property, whether it appears to be occupied, and the condition of features such as the roof, windows, porch, gutters, sidewalks, etc. Such an assessment can be conducted in conjunction with a resident survey in order to gather information about the interior condition of structures. This collected data may then be uploaded to a central depository and can help the city determine its substantive and geographic spending priorities.

With support from the City and Grounded Solutions Network, Neighbors for Better Neighborhoods is currently conducting a pilot project on the East side of Winston-Salem to test the feasibility for conducting a citywide housing condition assessment in the future.

- ▶ **Seek a change in state law to allow the city to establish a performance-based landlord licensing program.** As discussed above, state law currently limits the city to a complaint-based system of code enforcement for occupied housing. A more robust system would empower the city to conduct periodic inspections of rental properties to ensure their ongoing compliance with minimum health and safety requirements. The cost of inspections would be born by landlords. Landlords with few complaints and strong records of compliance would receive less frequent inspections than landlords with a more troubled record. This would ensure that

the handful of “bad actors” amongst Winston-Salem’s landlords would bear the brunt of the cost of the system, while rewarding responsible landlords for their strong compliance. The Center for Community Progress describes this type of “performance-based licensing system” as follows:

“A performance-based licensing system tracks the performance of rental properties and landlords, in terms of such matters as code violations, nuisance complaints and police calls, and adjusts the licensing requirements based on the property’s performance. The majority of responsible landlords who maintain their properties well and carefully screen their tenants benefit with fewer inspections and lower fees, while the municipality can target its limited resources to the smaller number of problem landlords who are creating a disproportionate share of the problems.”²²

The City should seek a change in state law to allow the adoption of this kind of licensing system. Its implementation could significantly improve the condition of housing in the city, without overburdening the city budget. Because it rewards “good actors” and punishes “bad actors,” it may also win support from the apartment lobby, most of whose members are responsible property owners.

- ▶ Recommendations above related to **increased support for affordable housing preservation** would also help improve the condition of housing in Winston-Salem.

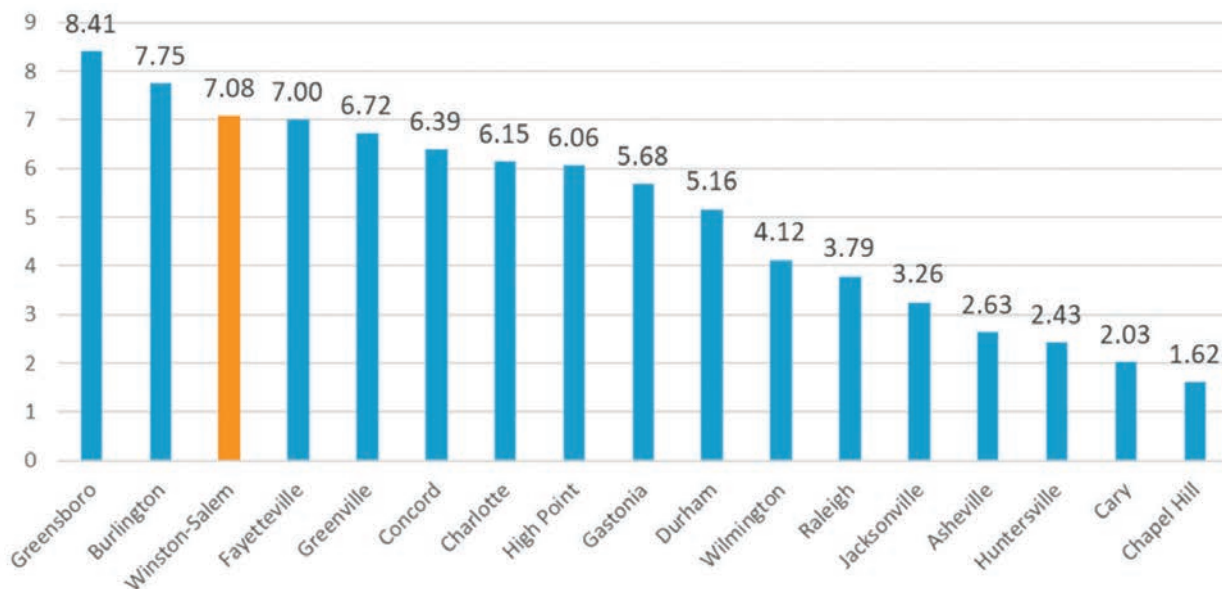
Winston-Salem's eviction rate is very high. It has the third-highest eviction rate in the state among cities with a population over 50,000, and the sixth-highest eviction rate in the country among cities with a population between 200,000 and 300,000 people. Our analysis also found that eviction rates in Winston-Salem's neighborhoods of color are even higher than they are for the city as a whole. We can bring the eviction rate down and lessen the impacts of eviction by:

- ▶ Increasing resources for rental assistance to prevent eviction and to help renters find new housing when eviction occurs;
- ▶ Developing a model Eviction Prevention Plan for Winston-Salem landlords;
- ▶ Developing a "Landlord Academy" to train landlords in best practices;
- ▶ Providing support for tenant organizing;
- ▶ Establishing a specialized "Housing Court"

Eviction is a destabilizing event in people's lives. It causes kids to miss school and adults to miss work. Families lose their possessions, their homes, and their neighborhoods. With an eviction on their record, households find it even harder to secure a decent home in a decent neighborhood. Eviction negatively impacts people's mental and physical health, and leads many into periods of homelessness. As researcher Matthew Desmond observes, "Eviction isn't just a condition of poverty; it's a cause of poverty."

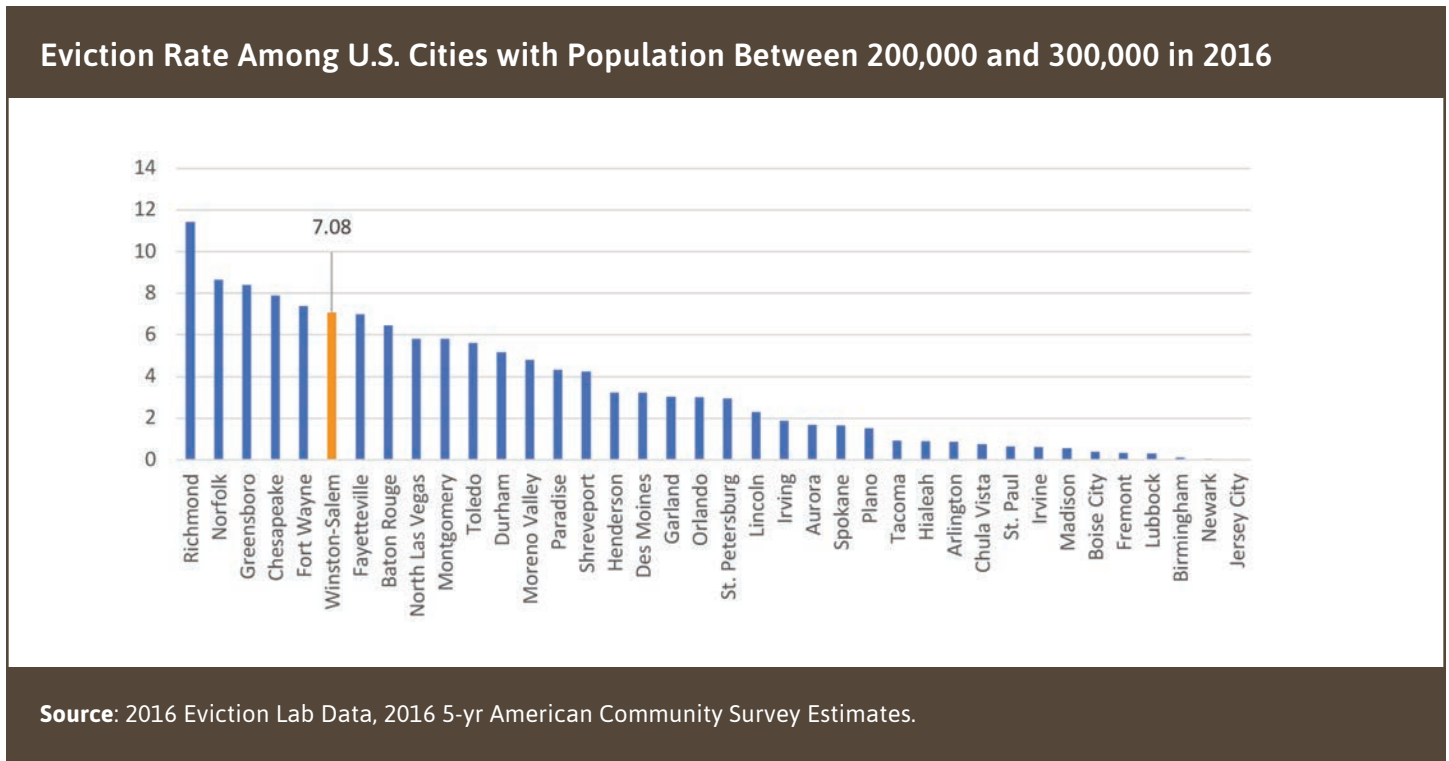
According to Eviction Lab, Winston-Salem had an eviction rate of 7.08 in 2016 — the most recent year for which data is available. That means that more than seven out of every 100 renting households were evicted in 2016. This was the third-highest eviction rate in North Carolina in 2016 among cities with a population over 50,000.

Eviction Rate Among North Carolina Cities with Population over 50,000



Source: 2016 Eviction Lab Data, 2016 5-yr American Community Survey Estimates.

Similarly, among cities across the country with a population between 200,000 and 300,000, Winston-Salem had the sixth-highest eviction rate in 2016.



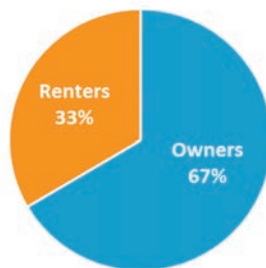
Unpacking the reasons for this high eviction rate is challenging. Undoubtedly, high housing cost burdens play a significant role. By far, the leading cause of eviction is missed rental payments. When housing costs stretch people’s budgets thin, any economic disruption — a health emergency, a car repair, a missed shift at work — can leave households unable to make ends meet. If they miss a rental payment, eviction can soon follow.

Even before the COVID-19 pandemic, **nearly half of all renters in Winston-Salem were paying too much of their income in rent.** Households are termed “housing cost-burdened” when they pay 30% or more of their income in rent. In 2018, 48.9% of Winston-Salem renters were housing cost-burdened. Indeed, more than one in every four renting households (26.3%) were severely housing cost-burdened, paying more than half of their household income in rent.

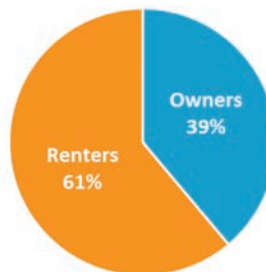
Households of color are particularly impacted by the gap created by depressed incomes and higher rents. Overall, 46% of households in Winston-Salem are renters. This overall number, however, masks significant differences in housing tenure by race and ethnicity. Just 33% of white households in Winston-Salem are renters, while 61% of households of color rent their homes.



All Winston-Salem Households

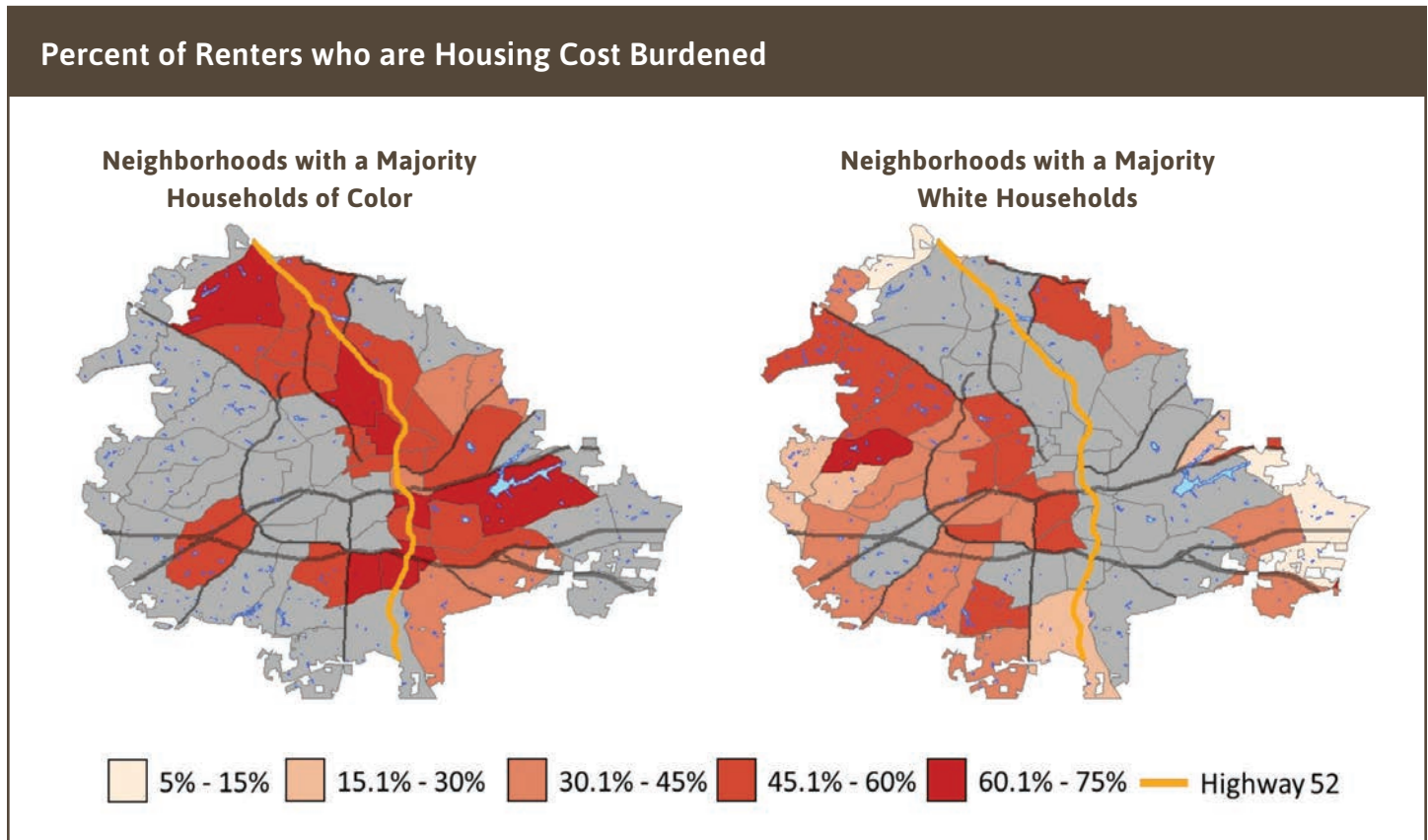


White Households



Households of Color

In neighborhoods predominantly made up of Black and brown residents, incomes tend to be lower and housing cost-burdens tend to be higher, as compared to predominantly white neighborhoods. Not surprisingly, eviction rates also tend to be higher in those neighborhoods.



A significant factor in households' strained budgets is the fact that rents have remained high while white renter income has fallen in recent years. As the graph below shows, rents peaked in 2005 and have remained fairly stable since then. As of 2018, median gross rent in the city was \$782, which is still below the 2005 peak of \$798 (adjusted for inflation).

Renter income, meanwhile, has fallen significantly since 2005, and has yet to recover. As discussed above, under "Displacement Pressures" (page 13), Winston-Salem saw a precipitous decline in renter income between 2005 and 2009. Income levels remained depressed for several years thereafter, and only began to recover in 2016. They still remain well below where they were in 2005 when rent reached its peak. With rents high and incomes down, housing has become less affordable for many Winston-Salem residents. This no doubt is a significant driver of the City's high eviction rate.

Current Policies and Practices.

Winston-Salem's high eviction rate occurs in the context of a restrictive state legal framework that strongly favors landlords:

- ▶ **Strict and speedy eviction process.** Landlords in North Carolina can evict tenants for any violation of the lease, including a failure to pay rent on time. If the rent is not paid by the due date, the landlord may provide a 10-day notice to pay in full, and then proceed with the eviction if payment is not received. In most cases, the process and timeline for such an eviction is as follows:
 - Service of summons and complaint on the tenant (within 5 days)
 - Court hearing and ruling on the eviction (as soon as 7 days from service of summons and complaint)

- Issuance of writ of possession (10 days after a ruling in favor of the landlord)
- Return of possession to landlord (up to 5 days after issuance of writ of possession)

Accordingly, a tenant may be evicted within about a month after missing a rental payment.

- ▶ **Substantial security deposits, slowly returned.** Landlords in North Carolina can charge up to two months' rent as a security deposit, which can leave already cash-strapped renters with even fewer resources to weather economic crises. When a tenant vacates, the landlord has 30 days to return the security deposit less the cost of repairs charged against the tenant. In cases where the landlord needs more time to assess the full cost of repair, the landlord can provide a notice and an interim accounting of any deductions, followed by a final accounting within 60 days from the end of the tenancy. These lengthy periods make it difficult for tenants to find the resources to pay a security deposit on their next rental unit.
- ▶ **Limited tenant self-help protections.** In other states, tenants living in housing that needs repair have the right to withhold rent until the repairs are made or make the repairs themselves and deduct the costs from the next month's rent. North Carolina provides only limited self-help protections to tenants. Specifically, tenants may deduct the cost of self-help repairs from rent only if the landlord agrees to this arrangement in writing. Absent a written agreement, tenants are liable for the full amount of rent due, and can be evicted for failing to pay it. Tenants in North Carolina generally cannot protest a landlord's failure to make repairs by withholding rent. Doing so risks eviction.

Against this background, a variety of actors in Winston-Salem are working to address the city's high eviction rate, including the City of Winston-Salem itself. Many of the city's partners are doing this work through funding provided by the City or other funders such as the Forsyth County government, the United Way of Forsyth County, and the Winston-Salem Foundation. We can group the work of these entities into four areas:

- ① **Outreach and education.** A variety of groups provide outreach and education to tenants and landlords in Winston-Salem. This work generally falls into three areas:
 - ▶ Education about tenants' and landlords' rights and responsibilities – this work can ensure that both parties to a lease agreement understand their duties, and avoid misunderstandings that might lead to eviction. Examples of this work include:
 - The City's Human Relations Department distributes a brochure on the rights and responsibilities of both tenants and landlords.²³ It also maintains a web site answering a variety of frequently asked questions in this area.²⁴
 - Legal Aid of North Carolina also conducts tenants rights outreach and education. It runs tenants rights' clinics²⁵ and provides a variety of information about landlord-tenant issues on its website.²⁶
 - ▶ Debt counseling and financial coaching. Efforts in this area can help tenants better prepare for financial crises and opportunities. Entities working in this area include:
 - Experiment in Self-Reliance – ESR provides a variety of programs intended to help Forsyth County residents attain and maintain self-sufficiency. Its financial counseling program emphasizes savings, asset building, debt reduction, budgeting, and wealth accumulation.
 - Financial Pathways of the Piedmont similarly provides a variety of financial education classes, tools and resources.
 - ▶ Tenant Organizing. Bringing tenants together to identify shared concerns and speak with a united voice can help them address issues with substandard housing, steep rent increases, unlawful evictions and more. Perhaps the best-known tenant organizing group in Winston-Salem currently is Housing Justice Now, which has been fighting to prevent unlawful evictions and to ensure that tenant concerns are heard amidst the proposed sale of Crystal Towers, a high-rise apartment building downtown owned by the Housing Authority of Winston-Salem (HAWS), and that provides affordable housing principally to the elderly and the differently abled.



② **Eviction prevention and de-escalation.** When eviction is looming, but before an order for eviction has been issued, a variety of organizations provide assistance through housing counseling and emergency financial assistance. Typically, the financial assistance available is limited and requires a showing that the household will have the means to meet its rent and utility obligations in the future. Absent that showing, households are offered assistance in finding other housing that they can afford. Entities working in this area include Crisis Control Ministry, Experiment in Self-Reliance, the Salvation Army, and Center Point Human Services, among others.

③ **Enforcement Stage/Legal Assistance.** When a landlord files an eviction action, tenants may seek help from a variety of sources.

- ▶ Legal Aid provides self-help resources to allow tenants to represent themselves in court. It also provides free legal representation to a limited number of clients. Lawyers in these cases are often able to negotiate alternative payment plans to keep their clients in housing, or secure more time for their clients to find other housing. They frequently settle the matter with the landlord without the entry of an eviction judgment against their client. Such a judgment can make it difficult for a tenant to find housing elsewhere.
- ▶ The City of Winston-Salem Human Relations' Department has also established an Alternative Residential Mediation program. Under this program, the District Court refers landlord/tenant cases to the ARM program that it believes are ripe for settlement outside the courtroom. Participation is voluntary, and the parties in the case retain the ability to go to court if mediation does not resolve the dispute.

④ **Post-Eviction / Relocation Assistance.** Winston-Salem and the many nonprofit organizations that make up the Forsyth Rapid Rehousing Collaborative have committed to quickly connecting people to new housing when they lose their home. Their goal is to help individuals and families re-enter permanent housing within 30 days of becoming homeless. They also provide a range of support services to help households maintain permanent housing for the long term. To those ends, they facilitate housing placement by providing necessary funds

for expenses such as utility deposits, moving cost assistance, rental application fees, security deposits, rental arrears, utility payments and utility arrears. They also provide case management and support services to help resolve housing issues affecting the ongoing tenure of participants in permanent housing. Some of the lead actors in this area include the City of Winston-Salem, United Way of Forsyth County, Housing Authority of Winston-Salem (HAWS), Goodwill Industries of NWNC, Experiment in Self-Reliance (ESR), Samaritan Ministries, Bethesda Center for the Homeless, The Salvation Army of Winston-Salem, Family Services and Next Step Ministries and other members of the Winston-Salem Forsyth County Continuum of Care (COC).\

COVID-19 Response.

In the wake of the COVID-19 pandemic, a variety of measures have been implemented to protect tenants from eviction.

- ▶ **Eviction Moratoria.** Most evictions in North Carolina were halted by orders of the Chief Justice of the North Carolina Supreme Court between March 13, 2020 and June 21, 2020. The federal Centers for Disease Control ("CDC") issued a separate eviction moratorium effective September 4, 2020, through June 30, 2021. The CDC order applies to evictions due to nonpayment of rent. To qualify, tenants must deliver a notice to their landlord stating that they do not make more than \$99,000 a year — or twice that if filing a joint tax return — and that they have no other option if evicted other than homelessness or living with more people in close proximity. The CDC order provides no financial support for either tenants or landlords, however. Accordingly, if tenants are unable to meet their rent obligations by the end of December, they will face eviction again.

Notably, there was a three-month period between the state-imposed eviction moratorium (which ended in June) and the CDC-imposed eviction moratorium (which started in September) when evictions were allowed. Landlords filed 850 eviction actions in Forsyth County courts during this time.²⁷



► The Coronavirus Aid, Relief and Economic Security (CARES) Act also established an eviction moratorium for a subset of renters between March 27 and July 24, 2020. It prohibited evictions for nonpayment of rent for tenants in federally subsidized or federally-backed housing, including:

- Tenants receiving rental assistance from a federal voucher or grant program
- Tenants whose landlords received assistance from federally-subsidized housing programs
- Tenants in a house or apartment building with a federally-backed mortgage

In some situations (generally single-family homes), the eviction protections have been extended until June 2021 for loans backed by the FHA, VA, USDA, and Fannie Mae or Freddie Mac. The eviction moratorium may continue to apply to landlords that received relief from mortgage payments under the CARES Act.

- The City of Winston-Salem, United Way of Forsyth County, and the Winston-Salem Foundation established the COVID-19 Response Fund for Forsyth County. This fund distributed over \$3.5 million to assist with the immediate needs of economically vulnerable populations impacted by COVID-19.
- The City of Winston-Salem, in partnership with the Forsyth County District Court, Legal Aid of North Carolina's Winston-Salem office, Wake Forest School of Law, and The City of Winston-Salem City Attorney's Office established an eviction diversion mediation program. This program is specifically set up to address evictions based on nonpayment of rent due to effects of COVID-19. The program ensures that landlords abide by eviction moratoria, and helps tenants find resources to pay rent and reach payment plans with landlords to avoid eviction.

Proposed Policy Responses

To help lower Winston-Salem's high eviction rate, we recommend the following policy responses:

- **Increase the resources available for eviction prevention and rapid rehousing.** As summarized above, the City of Winston-Salem and its partner organizations are making a strong effort to reduce evictions and help people find

housing when evictions do occur. However, the City's high eviction rate also makes it clear that more needs to be done. Lagging wages have left too many renters living too close to the edge economically, making them vulnerable to eviction whenever unexpected expenses or income disruptions leave them with too little money for rent at the end of the month. The city is working to increase the supply of affordable housing, which should ease the housing cost burden for some in the long term. In the near term, however, the city also needs to find more resources for existing services aimed at reducing eviction and mitigating its effects when it does occur, including tenant outreach and education, legal services, and rehousing support. These services will be particularly critical when the CDC's eviction moratorium ends at the end of June 2021, as Congress has yet to provide relief for tenants who have been unable to pay rent during this period or for their landlords who have been unable to collect it.

- **Develop a model "Eviction Prevention Plan" for Winston-Salem landlords.** An eviction prevention plan defines the steps a landlord will take to make eviction an option of last resort. It might identify and address:
 - Options for conflict resolution and mediation services.
 - Standard repayment plans and agreements for tenants behind on rent.
 - Available case management and support services.
 - Tenant education steps to remind tenants of lease obligations related to noise, visitors, property maintenance, etc.
 - Steps for referrals for tenants who wish to move from their unit.
 - Available resources for tenant financial assistance.

A model plan could be developed in a cooperative effort between the city, local landlords, property managers, tenants and tenant advocates. Having such a plan readily available could make its adoption more likely among private landlords. The City could also make such plans required for all properties receiving city subsidy dollars. Attached as an appendix to this report are sample eviction prevention plans from Deborah's Place in Chicago and HDC MidAtlantic in Lancaster, PA.²⁸



► **Establish a “Landlord Academy” to train landlords in best practices.** There appears to be a gap in support for and education of landlords in Winston-Salem. Owners and managers of larger multifamily housing projects are well-served by the Piedmont Triad Apartment Association. However, owners of small and midsized rental properties are less likely to join the PTAA, and generally do not benefit from the training and support it provides. The City’s Human Relations Department provides some training and outreach for landlords, particularly around issues of fair housing. However, there are many other topics that the Human Relations Department does not address, or touches only lightly. A Landlord Academy could be specifically targeted to the owners and operators of small- and mid-sized properties to accomplish several goals:

- Train landlords on best practices regarding maintenance, dispute resolution, financial management, non-discrimination requirements, weatherization techniques, ways to deal with criminal behavior, etc.
- Help landlords develop eviction prevention plans.
- Introduce landlords to funding opportunities for property rehabilitation.
- Increase landlords’ comfort level with the Housing Choice Voucher program, and with certain hard-to-house populations, such as formerly incarcerated individuals.

If necessary, the city could improve participation in the Landlord Academy by making participation a pre-requisite for applying for city rehabilitation loans or similar funds, and an ongoing requirement for landlords that receive city subsidy dollars. Landlords that do participate could receive a “good neighbor” designation that they could include in their rental listings. The City of Milwaukee operates an award-winning landlord training program that could serve as a model for Winston-Salem.²⁹

► **Provide support for tenant organizing.** It is difficult to ensure that tenants’ concerns and voices are heard on a consistent basis without an active effort to organize and engage tenants across the city. Concerns over the fate of Crystal Tower, as well as the challenges of the COVID-19 crisis, have spurred some community action

in this area. Nonetheless, more needs to be done, both on a larger scale and for a more sustained period, in order to institutionalize processes and systems that effectively reach and engage tenants. The city and its funding partners should find the resources to support a widespread tenant organizing effort that can help surface both systemic problems and acute issues that require immediate action.

► **Establish a Specialized Housing Court.** A housing court would bring all housing-related matters within the jurisdiction of a single court. This includes eviction, foreclosure and code enforcement actions. The benefits of a housing court include:

- **Expertise, fairness and efficiency.** Housing court judges develop expertise in the many federal, state and local laws that touch on housing, allowing them to reach resolution of matters more quickly and fairly.
- **Mediation specialists.** Housing courts typically support specialized staff who mediate cases, saving the time and expense of litigation.
- **Emergency responsiveness.** Housing courts can respond quickly to emergencies and building, fire and sanitary code violations.
- **Broad reach.** Judges in housing court are less siloed, giving them jurisdiction over issues that often intersect (e.g., code enforcement and eviction), allowing for fairer, more comprehensive resolutions.
- **User friendliness.** As a court that regularly hears cases involving self-represented parties, it can develop processes and self-help forms that make it more friendly and accessible.

There is precedent for specialized courts in North Carolina, and a housing court could be modeled on past efforts such as drug courts or mental health courts. Housing courts have been established with great success in other cities and states, including Cleveland, Ohio; Minneapolis, Minnesota; New York City and across much of Massachusetts. It appears that establishing a housing court locally would require authorization from the state legislature.



Case Study: Cleveland Housing Court

Cleveland operates one of the oldest housing courts in the country. It was established in 1980 in response to a grassroots push to improve the judicial handling of housing-related cases.³⁰ It is an example of a “problem-solving” court, in which the goal is not to punish people for failure, but rather to find a resolution that benefits the property owner, the tenant and the community as a whole, to the extent the circumstances allow.

What the housing court does. The Cleveland Housing Court has jurisdiction over all housing-related matters in Cleveland. These include landlord-tenant actions, code violation prosecutions, nuisance abatement actions and mortgage foreclosure actions. The court hears thousands of criminal and civil matters every year. All of these matters are handled by a single judge and the judge’s staff, including several magistrates.



The court also maintains a staff of housing specialists. These are not attorneys, and therefore cannot give legal advice, but they can be invaluable guides to the housing support system. These specialists staff a housing clinic where landlords and tenants can obtain information about their housing rights and responsibilities and receive referrals to court-run mediation services. The clinic also provides standardized forms for many common motions and case-related matters, making it easier for self-represented parties to navigate the system. Staff also help residents resolve landlord-tenant disputes involving illegal lockouts, utility shutoffs and other housing conditions requiring immediate attention. In code-enforcement and criminal matters, the housing specialists help defendants access community-based financial assistance or home-repair services.

How the housing court is organized. As of 2012, the Cleveland Housing Court had one judge, nine housing specialists, six magistrates, two staff attorneys, two judicial clerks and 12 bailiffs.

What the housing court has accomplished. The housing court has proved to be very adaptable to the many housing challenges that Cleveland has faced. For example, a housing court judge noticed a high number of indigent and elderly defendants in code violation cases. He developed a special docket for these cases aimed at helping the owners make the necessary repairs. Defendants in these cases prepare a plan that specifies what repairs need to be made, what financing will be used to complete them, and a schedule for making the repairs. When the defendants complete the plan, the cases are dismissed. If defendants fail to make the repairs, the cases return to the court for further action.

The housing court has also developed a practice of applying the “unclean hands” judicial doctrine to obtain greater compliance from landlords with health and safety citations. Applying this doctrine, the court refuses to allow landlords to pursue eviction actions if they have unresolved citations for poor housing conditions in any of their properties. This helps to bring more properties into compliance, even where the cited properties are different from the properties for which the landlord seeks an eviction.

The housing court is also credited with helping Cleveland navigate the foreclosure crisis of 2008 more successfully. Its broad jurisdictional reach allowed

the court to address the crisis more holistically, and to respond to challenges as they arose. For example, a wave of speculative investment and poor filing practices by financial institutions made it difficult to determine who owned particular properties in the city, many of which sat vacant and abandoned. Even when owners could be identified, they often ignored code enforcement citations. The housing court created a corporation docket to address this issue. As Cleveland's housing court judge explains:

“When an entity, having been properly served, fails to appear in a criminal matter, the case is referred to this special docket, and a series of notices are issued to its official address, as well as to corporate officers. If the entity again fails to appear, further notices are sent. The case then proceeds to hearings at which the entity must show cause why it should not be held in contempt of court for ignoring the order to appear. If the entity still fails to appear and is found in contempt, the court can impose substantial daily sanctions, typically \$1,000 per day.”

The court reports that as of March 2012, it had levied more than \$108 million in sanctions for contempt of court. While collecting those fines remains a challenge, the threat of those sanctions has increased the proportion of corporate defendants who appear in court and respond to code citations.

Keys to the housing court's success:

- ▶ The housing court's broad jurisdictional reach is the most important factor in its success. Its ability to bring together and oversee the resolution of the many intersecting issues in housing cases allows it to deal with the issues more holistically. It also allows the court to identify patterns that emerge across cases and devise strategies to respond to them.
- ▶ Another key to the court's success is its problem-solving focus. This is a characteristic of many specialized courts, such as drug courts and mental-health courts.³¹ Typically in these courts, there is a close collaboration between a judge and a community service team to develop a case plan and closely monitor a defendant's compliance, imposing proper sanctions when necessary. Thus, it is not just the court alone, but its team of housing specialists and other support staff that make the housing court a success.



Like many cities, Winston-Salem continues to deal with the repercussions of decades of racial discrimination and segregation that have left the city divided. Unfortunately, municipal policies and practices contributed to this divide. The City has been working to remedy the legacies of past practices. We hope to build on that work by recommending a set of policies and practices designed to deal with some of the housing challenges that the city currently faces. Those challenges include increasing displacement pressures in some neighborhoods, a pattern of economic and racial exclusion in other neighborhoods, the potential loss of existing affordable housing as the city continues

to grow, a need to address the poor condition of housing, particularly for lower-income households, and an eviction rate that is one of the highest in North Carolina. With sound policy and effective action, Winston-Salem's past does not have to define its future. We can close the racial equity gaps that divide the community, and realize dividends in terms of wealth, income and opportunity that benefit the entire community. We urge the community to review this report, to discuss the ideas and recommendations it contains, and to work together to build a more inclusive community. Together, we rise.



References

- ¹ For a useful discussion of the scope of local government authority and the restrictions placed on it in North Carolina, please see Fraya S. Bluestein, Do North Carolina Local Governments Need Home Rule?, North Carolina Association of County Commissioners (2017), available at <http://www.ncacc.org/DocumentCenter/View/3579/Balance-of-Power-Handout?bidId=>
- ² See NC Gen Stat § 160A-424 (2020), available at https://www.ncleg.net/EnactedLegislation/Statutes/PDF/BySection/Chapter_160A/GS_160A-424.pdf. This statute will be repealed and replaced effective January 1, 2021 by 2019 Session Law 111 (formerly SB 355). See <https://www.ncleg.gov/Sessions/2019/Bills/Senate/PDF/S355v6.pdf>. The ban on local landlord registries is retained in the new law.
- ³ See NC Gen Stat § 160A-424 (2020), available at https://www.ncleg.net/EnactedLegislation/Statutes/PDF/BySection/Chapter_160A/GS_160A-424.pdf. This statute will be repealed and replaced effective January 1, 2021 by 2019 Session Law 111 (formerly SB 355). See <https://www.ncleg.gov/Sessions/2019/Bills/Senate/PDF/S355v6.pdf>. The ban on periodic/proactive inspection programs is retained in the new law.
- ⁴ The analysis in this section is modeled on the analysis conducted by the Greater Buffalo Racial Equity Roundtable in its 2018 Racial Equity Dividend Report, available at: <https://racialequitybuffalo.org/files/documents/report/theequitydividendfinaljune2018.pdf>
- ⁵ See http://clevelandavetransformation.com/?page_id=362
- ⁶ For a fuller discussion of municipal support for Community Land Trusts, see John Emmeus Davis and Rick Jacobus. (2008). The City-CLT Partnership: Municipal Support for Community Land Trusts. Lincoln Institute of Land Policy. Available at: <https://www.lincolninst.edu/publications/policy-focus-reports/city-clt-partnership>
- ⁷ See Grounded Solutions Network’s website <https://inclusionaryhousing.org/> for a wealth of information on inclusionary housing policy design.
- ⁸ See North Carolina General Statutes § 42-14.1.
- ⁹ See <https://www.townofchapelhill.org/government/departments-services/housing-and-community/affordable-housing/inclusionary-housing-program>.
- ¹⁰ Fair Housing Project of Legal Aid of North Carolina. 2019. “The State of Fair Housing in North Carolina 2019,” available at: <https://www.fairhousingnc.org/wp-content/uploads/2019/12/2019-State-of-Fair-Housing-in-North-Carolina-Final-12-18-19.pdf>
- ¹¹ The City’s Fair Housing Ordinance is located at Section 38-101, et seq., of the Winston-Salem Code of Ordinances.
- ¹² See Martha Galvez and Sarah Oppenheimer. 2020. “Taking Neighborhood Mobility to Scale through the Housing Choice Voucher Program.” Urban Institute. Available at: <https://www.urban.org/sites/default/files/publication/103026/taking-neighborhood-mobility-to-scale.pdf>
- ¹³ Raj Chetty, Nathaniel Hendren, and Lawrence F. Katz. 2016. “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment,” American Economic Review 106, vol. 4: 855–902.
- ¹⁴ See Tarik Abdelazim and C. Tyler Mulligan. 2019. “Exploring Equitable, Effective, and Efficient Solutions to Vacancy and Abandonment in Winston-Salem, North Carolina,” Center for Community Progress, at p. 46, available at: <https://www.cityofws.org/DocumentCenter/View/16549/CCP-Report>
- ¹⁵ Peter Bergman, Raj Chetty, Stefanie DeLuca, Nathaniel Hendren, Lawrence F. Katz, Christopher Palmer, 2020, “Creating Moves to Opportunity: Experimental Evidence on Barriers to Neighborhood Choice,” available at https://opportunityinsights.org/wp-content/uploads/2019/08/cmtto_paper.pdf
- ¹⁶ See FR-6191-N-01, Section 8 Housing Choice Vouchers: Implementation of the Housing Choice Voucher Mobility Demonstration (July 15, 2020), available at: <https://www.federalregister.gov/documents/2020/07/15/2020-15037/section-8-housing-choice-vouchers-implementation-of-the-housing-choice-voucher-mobility>



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- ²³ See <https://www.cityofws.org/DocumentCenter/View/13953/Landlord-Tenant-Brochure>.
- ²⁴ See <https://www.cityofws.org/647/FAQs>.
- ²⁵ See <https://www.legalaidnc.org/get-help/self-help-clinics/tenant-rights-clinic>.
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- ²⁷ See “One eviction moratorium ended in June. A second began in September. And in between...” in The News & Observer, published September 25, 2020. Available at: <https://www.newsobserver.com/news/coronavirus/article245972515.html>
- ²⁸ Deborah's Place is a nonprofit organization that provides supportive housing and services for women experiencing homelessness. HDC MidAtlantic is a nonprofit affordable housing developer, owner and manager serving over 5,000 residents in 58 communities located in Pennsylvania, Delaware and Maryland. For a detailed guide to developing an eviction prevention program, please see NeighborWorks America's report, "Eviction Prevention Programming (EPP): Best Practices Review," available at https://www.neighborworks.org/Documents/TrainingandServices_Docs/Training_ProfDev_Docs/In-Person-Training/Eviction-Prevention-Programming-Best-Practices-Review.aspx
- ²⁹ For more information on the Milwaukee program, see <https://city.milwaukee.gov/DNSPrograms/lltp>
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Inclusionary Housing Program



**GROUNDED
SOLUTIONS
NETWORK**

strong communities
from the ground up

Design Worksheet

Part 1 Defining the Need

Pick one or two of the following primary policy reasons for adopting an inclusionary housing policy in your community.

- Affordable Housing Needs and Obligations
- Socioeconomic Integration
- Workforce Retention and Attraction
- Support Transit Oriented Development
- Anti-Displacement

Most communities that adopt Inclusionary Housing policies do so to address a lack of housing for low- and moderate-income households. Many also adopt Inclusionary Housing to meet community-specific needs such as socioeconomic integration.

Part 2 Program Structure

Type of Program

- Mandatory
- Voluntary

Mandatory policies require developers to provide some percentage of affordable housing in all new developments covered by the policy. Some States prohibit mandatory ordinances. Voluntary ordinances provide incentives to developers to include affordable units in their projects.

Geographic Coverage

- Whole Jurisdiction
- Geographically Targeted Areas

Most ordinances apply to the entire jurisdiction. Some places with specific market conditions and needs target parts of the jurisdiction using planning area designations or economic and market metrics.

Type/Tenure of Development

- Ownership
- Rental
- Both

Depending on the legal and market conditions of a given community, Inclusionary Housing policies sometimes only apply to rental or homeownership types of projects. In most communities, both types of tenure are included in the ordinance.

Project Threshold Size

- All Projects
- 5-10 Units
- 10+ Units
- Other _____

Also known as the “trigger,” this is the minimum size of project that is covered by the policy. 10 units is the most common trigger size, but it can vary widely and is sometimes different for rental and ownership types of projects.



Part ③ Detailed Policy Choices

Percentage of Units Which Must be Affordable (Pick One)

- 5%
- 10%
- 15%
- 20%
- 25%
- 30%
- Other

This is the overall percentage of units within an otherwise market-rate development that must be affordable to households earning below some defined income level. Most policies require between 10 and 20 percent of all units to be affordable.

Affordability Level Rental Units (Pick One)

- 0-30% AMI
- 31-50% AMI
- 51-80% AMI

Ownership Units (Pick One)

- 51-80% AMI
- 81-100% AMI
- 101-120% AMI

This is the income level that households must earn in order to be eligible to live in inclusionary units. Affordability is most commonly defined as a percentage of Area Median Income (AMI) as defined by HUD. For rental units, affordability levels below 60% AMI are typical and for ownership units affordability levels between 80% to 100% of AMI are typical.

Duration of Affordability Requirements (Pick One)

- Less than 30 years
- 50 Years
- 99 Years or In-Perpetuity
- Different Standards for Rental and Ownership?

This is the period during which inclusionary units must be maintained as affordable through deed restrictions or affordability covenants. In order to stretch scarce public resources, many jurisdictions are opting for longer affordability periods. These also sometimes vary by housing tenure.

Design Standards (Pick One)

- Exact Comparability
- Flexibility
- Different Standards for Rental and Ownership?

Many places require exact comparability between market-rate units and inclusionary units to ensure equity for lower-income renters and homeowners. Other places have found it practical to allow some flexibility, particularly in case where luxury unit finishes would result in extraordinary spending on inclusionary units that could be better leveraged in other ways.

Part ④ Incentives

Select and Describe Up to Three Incentives

- Density Bonus Increase (DU/ACRE) (%):

- Parking Ratio Reduction (%):

- Other Zoning Variance (Describe):

- Expedited Processing (In Months):

- Fee Reduction/Waiver (Total \$/Unit):

- Subsidy (Total \$/Unit):

- Tax Abatement (Value and Term of Abatement):

The most common incentive is a density bonus to allow developers to build additional market-rate units to offset the reduced revenues from inclusionary units. Density bonuses are typically given as an increase in allowed dwelling units per acre (DU/A) or floor area ratio (FAR). In some places, density is not a meaningful incentive in of itself and other types of cost offsets are needed.

Part ⑤ Compliance Alternatives (Yes or No)

In- Lieu Fees: Yes No

Off-Site Performance:

Partnerships with Nonprofits: Yes No

Land Dedication: Yes No

For practical and legal reasons, many places allow developers to pay fees in-lieu of building inclusionary units on-site. These in-lieu fees can be leveraged by local jurisdictions and nonprofit developers to build affordable housing. Off-site performance is another alternative where developers arrange for the units to be built off-site, typically by either partnering with another developer or by dedicating or donating land.



HDC MIDATLANTIC EVICTION PREVENTION PROGRAM

HDC MidAtlantic is committed to supporting individuals and families in remaining in their homes for as long as they choose. Due to complex circumstances and limited resources, residents may find themselves facing a possible eviction. Late or non-payment of rent, failed housekeeping inspections, or other lease violations can put a residents' housing at risk.

The Eviction Prevention Program is available to residents who have received a notice to quit due to late/non-payment of rent or a lease violation due to an inspection failure or some other reason. Residents who have received a lease violation or notice to quit due to acts of violence or drug use/sales will not be eligible for the Eviction Prevention Program.

The Eviction Prevention Program is voluntary and resident-driven. The role of the Resident Services Coordinator and/or Community Manager is to offer support in problem-solving, exploring options, and connecting to resources. In coordination with HDC staff, the resident will develop an Action Plan which must be approved by the Community Manager. Approval of the Action Plan acknowledges that successful accomplishment of the Action Plan will result in preventing eviction.

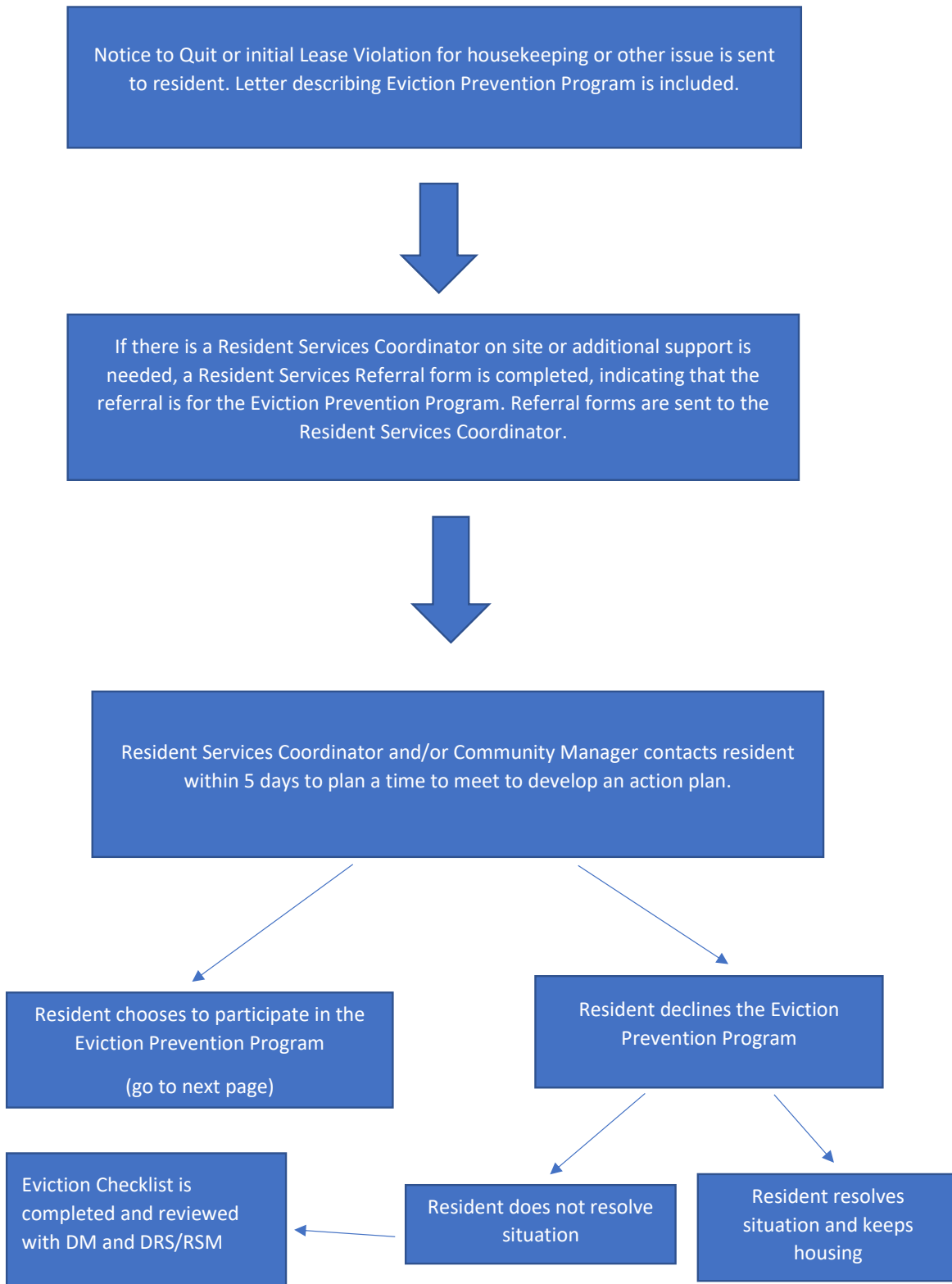
The Resident Services Coordinator and/or Community Manager will check in regularly to offer information and encouragement to support the resident in reaching their goals. In cases where the initial problem is resolved quickly (for example, the resident pays their rent and late fees in full), staff will use follow up contacts to offer support in planning ahead and taking steps to prevent future problems.

Community Managers and Resident Services Coordinators will work closely together to explore options such as payment plans, or in the case of housekeeping violations to plan an inspection schedule. Communication with the resident will be made by the staff person that makes the most sense based on schedules, topic, and relationship with resident. District Managers and the Director/Manager of Resident Services will be consulted as needed for ideas and approvals.

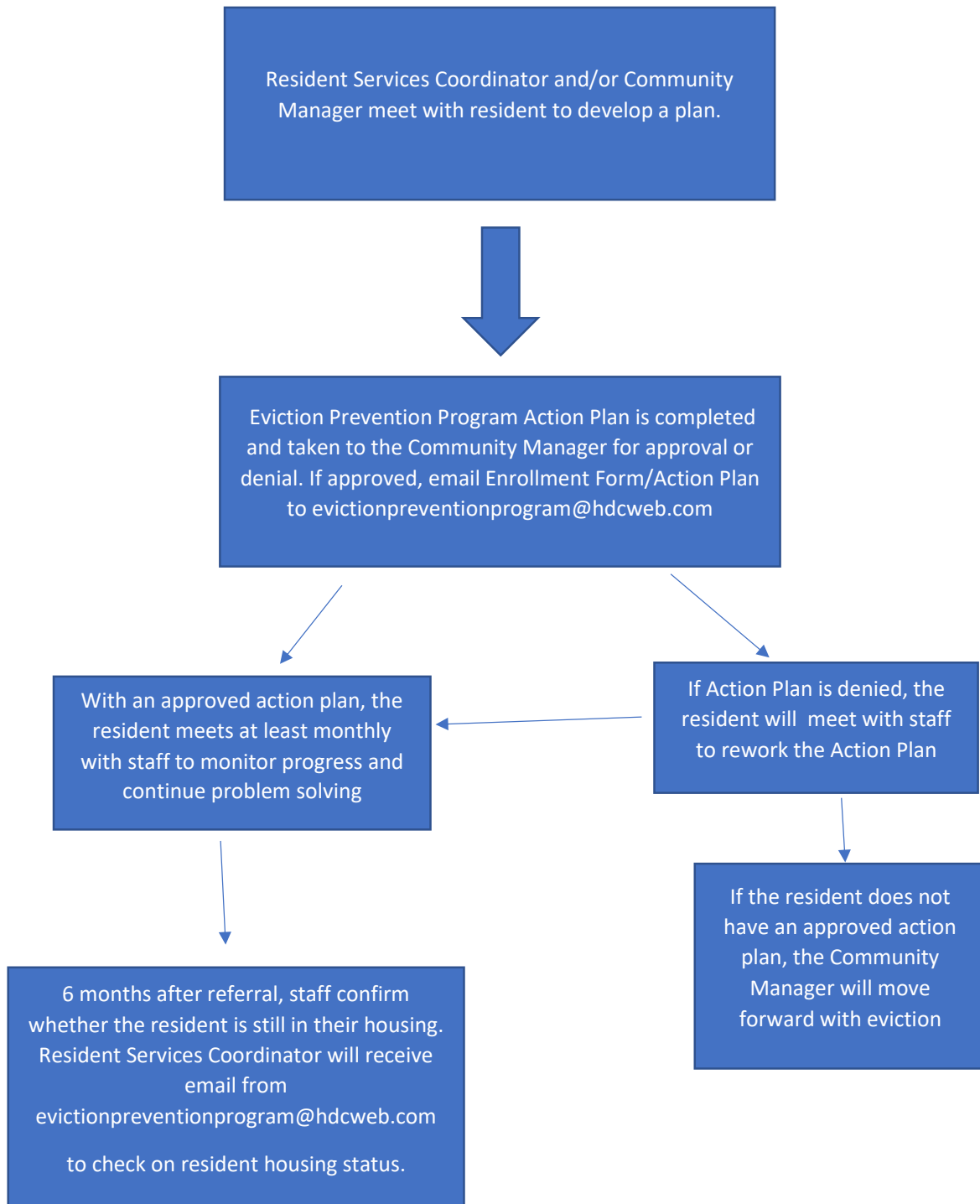
For those communities that do not have resident services on site, the Community Manager will work with the resident and with the support of the assigned Resident Services Coordinator on strategies such as payment plans, referrals to community service organizations, and inspection plans.

Appendix B (continued)

EVICTON PREVENTION PROGRAM PROCEDURE



Appendix B (continued)



Appendix C (Sample Eviction Prevention Plan 2)

Eviction Prevention at Deborah's Place: A Short-Term Solution Focused Intervention designed to work with tenants in serious danger of eviction. The intervention is intended for tenants whose non-payment of rent, housekeeping, or behaviors have placed them at imminent risk of losing their housing through eviction.

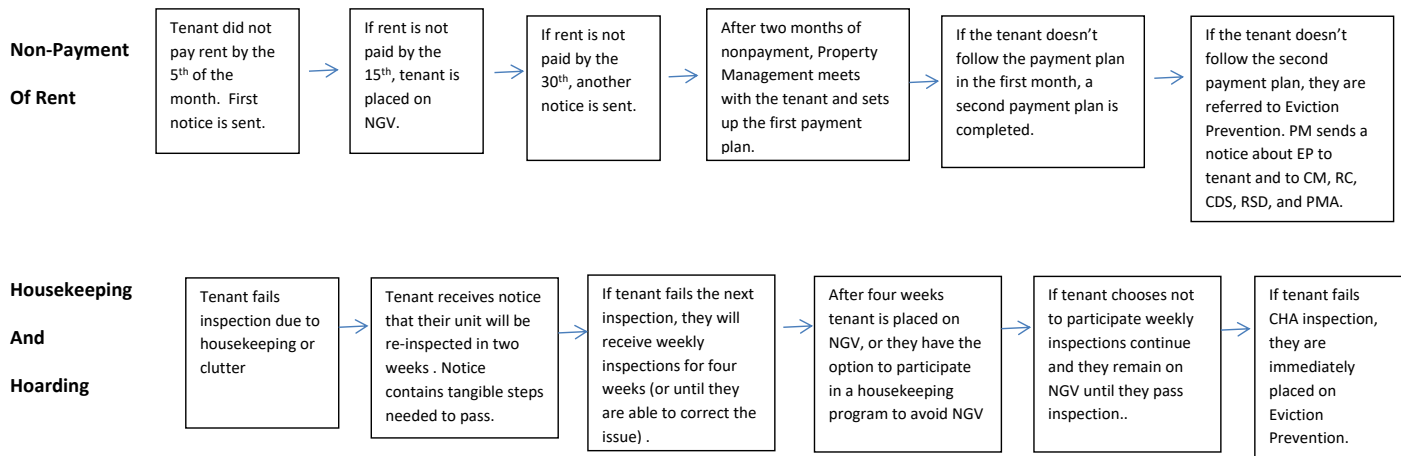
Reasons for the Redesign:

- Unclear eligibility criteria
- Pressure from external stakeholders
- Homelessness Prevention Specialist Role (who facilitated the EP process) has been eliminated
- Six months seemed too long for a short-term intervention
- Eviction Prevention became a "catchall" for anyone facing challenges with maintaining their housing
- The process began to lose its credibility with participants/tenants/staff

Essential Components of Eviction Prevention:

- Application of Motivational Interviewing techniques
- Knowledge of the Stages of Change
- Consistent follow-up
- Collaboration of case management, residential, and property management staff
- Following the model of Short-Term Solution Focused Interventions
- Creativity
- Hope
- Goal of zero evictions
- Utilizing internal and external transfers when appropriate to ensure that tenants are receiving the appropriate level of care

Pre-Eviction Prevention Processes



Criteria for enrollment in Eviction Prevention:

1. Non-payment of rent/Failure to recertify
 - a. Non-payment of rent for two consecutive months will result in creating an initial payment plan with Property Management
 - b. Failure to comply with the first payment plan will result in a second payment plan being developed within the first month of a missed payment
 - c. Failure to comply with the second payment plan will result in the tenant being placed in Eviction Prevention
2. Housekeeping
 - a. Failure to pass a CHA Inspection due to housekeeping will result in the tenant being placed in Eviction Prevention
3. Violent Behavior
 - a. Tenants who engage in violent acts that endanger the safety of the entire community will be placed in Eviction Prevention

Modified Eviction Prevention Procedures

