“When I plant my garden in the spring, I do it with the thought that one single bean can create many new beans – half a pound or more. How many plants will come from one bean if you chop it, feed it, and water it?”

Mildred Edna Cotton Council, 1999
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Message to Northside Residents</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Pressure</td>
<td>8</td>
</tr>
<tr>
<td>Causes</td>
<td>15</td>
</tr>
<tr>
<td>Context</td>
<td>20</td>
</tr>
<tr>
<td>Conclusions</td>
<td>23</td>
</tr>
<tr>
<td>Method and Comment</td>
<td>26</td>
</tr>
</tbody>
</table>
Message to Northside Residents
A neighborhood is a place where there are houses, parks, apartment buildings, churches, ball fields, and sometimes stores, sometimes even places to eat. It’s where we live, play, pray, and shop. What these places are like, and how we look after them is something that everybody pays attention to, whether they live in the neighborhood or not. Are our homes neat and tidy? Are the parks clean and safe? What about the apartment buildings? Is the dumpster where it belongs? Are cars parked in the right places? How about Sundays? How full is the church parking lot? All of this folds into a story that everyone reads. And as people read a neighborhood story – residents and visitors alike – eventually they draw conclusions and fit their conclusions to their own lives and circumstances. In their own way, people ask, “do I want to live here (or there)”?

If the answer is yes, they tend to ask two additional questions. “Can I afford to live there?” and “does it make sense for me to live there?” The bottom line is that people draw conclusions about neighborhoods in relationship to their own situation. A husband and wife might really want to live in the Northside, having fallen in love with the “feel of life” on Graham. But they have four kids and an elderly aunt and they need more space, and the house that is available in Northside that is big enough is also too expensive. In this case, the family may choose to buy a home they can afford in Durham, even though it may mean commuting to UNC or other employers. When this happens frequently, prices fall and it makes less and less sense for families to buy and own homes in the neighborhood. Eventually the homes sell not to families but to investors. Over time, the neighborhood can become – one house at a time – less the stable place it used to be.

Whereas the neighborhood is the physical place where we live, the communities we belong to say something about who we are. Neighborhood and community are often confused as one and the same; though they are related, in actuality they are quite different. We belong to communities, and we live in a neighborhood. Houses in a neighborhood are built and bought and sold. Our community is what we value and how we treat each other and what our mothers taught us. It’s when a house becomes a home.

At stake today is more than the real estate in Northside. While many of the houses are older and smaller and less valuable in dollars and cents than other residences in Chapel Hill and Carrboro, the homes are priceless. One of the very difficult challenges that the Northside community faces is the preservation of the community against a tide of rapidly escalating real estate values and the displacement that can and often does occur when families of limited means are caught in the middle. The residents of the Northside have some very difficult questions to think about. Can community be preserved if the people who comprise it are no longer living in the neighborhood? Why have Northside residents been leaving and what might need to occur for that trend to change? Can tomorrow’s Northside – the one residents actively shape – be a place where it makes sense for families to put down roots?
Introduction
Northside is a historically African American residential neighborhood located mostly in Chapel Hill and partly Carrboro, NC. It is a neighborhood predominantly but not entirely comprised of modest single-family homes on modestly sized lots. It is also a neighborhood that is presently under significant pressure as the combination of excellent location and comparative affordability has made this area an ideal investment opportunity for the establishment of student rentals. As such, Northside is a neighborhood in transition from a traditionally owner-occupied place where low and moderate-income minority families have lived to an increasingly transient student renter occupied place. A combination of factors has shaped this status quo.

1. First, homes in Northside are smaller and older than what’s generally available elsewhere in Chapel Hill and to a lesser extent in Carrboro, so demand to buy and live in Northside has been comparatively softer.¹

2. Second, racial preference shapes settlement patterns everywhere in America, and is a major factor in establishing price in Chapel Hill, Carrboro and throughout the Triangle. The bottom line is that the wider Chapel Hill market is overwhelmingly white, and white households in the Triangle overwhelmingly choose to buy in very white neighborhoods; race and income shape housing values significantly.

3. Third, the quantity and quality of housing options for upwardly mobile black households in the region is substantial; Northside families - like everyone else - have opted for larger and newer homes whenever affordable, and have been leaving Northside for Durham and other locations on a slow but continual basis since the 1970s.

4. Fourth, as the student population at the University of North Carolina (UNC) has grown beyond the capacity of the University to provide housing, so too has demand for off-campus student rentals.

In sum, the most succinct way to describe Northside today is as a place where a perfect storm of factors has converged to push and pull upwardly mobile minority families out from Northside (over the last forty years) to Durham and other areas, while pushing and pulling students into Northside as homes have become available.

Still, these four influencing factors – stocks, racial preference, competition, and UNC generated pressure in the context of locational advantage – do not entirely explain either the status quo or the dimensions of the challenge Chapel Hill and Carrboro now face. Two additional elements must be considered.

One is the concentration of subsidized, low-income housing in Northside and not anywhere else in the area; this ensured both that Northside would become increasingly isolated economically (weakening demand) and would set the table for eventual student in-migration. The other is the absence of a coherent housing policy fabric in Chapel Hill and Carrboro aimed at distributing

¹ On a block by block basis there is variation, of course, exemplified by higher rates of owner occupancy on the west end of the neighborhood. In such cases, specific owner histories explain block resilience. Higher homeownership rates don’t always correspond with stronger markets; market values suggest the “hottest” market in Northside is on the east side of the neighborhood and is driven by investor owners rather than homeowners.
affordable rental stocks evenly throughout the towns, which would have created a more complete town-wide housing ladder while concurrently easing commuting pressures. The presence of the former combined with the absence of the latter made it a near certainty that for economically mobile Northside families to move up during the period 1970 to the present, they had little choice but to move out.

The slow but steady “trickling out” of stable black families left in their wake a vacuum into which a somewhat inevitable “trickling in” of transient student renters has resulted. Both longtime residents, as well as student renters have voted with their feet: it has simply been the case that it has made increasingly good economic sense for upwardly mobile black families to leave Northside, just as it has made increasingly good economic sense for the developers of student rental housing to buy relatively affordable homes and lots in Northside and create cash cows.

The transition from a majority owner-occupied African American neighborhood 50 years ago to a student renter dominated neighborhood today has occurred in four overlapping 25 year phases as illustrated above. This “swap” – of families for students, of blacks for whites, of owners for renters, of investors for owner occupants, and of single family homes for multi-unit structures – has been going on since the 1970s, though it has accelerated the last ten years. Moreover, these ‘trades’ are neither an unalloyed good, nor all bad.

Such “trades” are good in that the income potential of Northside properties is significant, and represents genuine current and potential future value the Towns of Chapel Hill and Carrboro would be wise to try to capitalize on. The long-term market value of Northside is nearly 200 acres of close-in, topographically distinct real estate where as many as 300 units of high-end housing can be plausibly envisioned within a mere 12-minute walk from the intersection of Columbia and Franklin. As such, fully built out, the area represents as much as $130M in potential residential development value (at 150-275% AMI), and $1.2M in annual retail leases.²

Furthermore, many of the properties that students willingly live in – often older, smaller, and borderline obsolete from the wider market’s perspective – are otherwise difficult-to-market. Low- and moderate-income families often have the ability to afford such structures but are not

² At suburban densities, the area could wind up being aggressively redeveloped (as a master planned effort in stages or through natural market activity). It is conceivably the area could support a range of condominiums (priced between $140,000 - $225,000), townhouses ($175,000 - $300,000), and detached homes w/ yards ($300,000 - $600,000). An estimated 300 new households at the incomes needed to support these price points would theoretically be capable of supporting at additional 70,000 SF of retail space.
necessarily as willing to rent them as student often are, and without students these structures would be in less demand and be more prone to decline. Without students, there simply is no de facto transitional policy for Northside; that is, students add additional years of income generating potential to properties that otherwise have little market value.

In effect, student renters become ATMs for property owners during the interim period before the market ‘discovers’ the value of the land on which modest but otherwise disposable structures sit. Put still another way, the small houses that were where black families of modest means could both afford and were permitted to live from 1930-1970 were by the 1980s of nominal value except as student housing. Landlords’ or speculators’ buying these structures and renting them out has extended their useful life, and allowed theses owners to effectively bank the land while capturing the overflow of demand from students at a growing University with limited on campus housing. Indeed, the recent trend of investors building new, large homes highlights the leading edge of the speculative optimism among a new generation of owners that the west end is an excellent location.

From an equity point of view however, or from a community perspective, these ‘trades’ hardly sit well. As Northside property has grown in value, the real upsides are being captured not by Northside residents but by recent generations of absentee owners (who have historically invested little in maintenance, and who enjoy high profit margins) and speculators (who are banking on the long term value of the location). And, as yesterday’s culturally significant Northside gives way to today’s investors and student renters, and tomorrow’s higher end residents, an invaluable piece of North Carolina tradition and history is increasingly at risk (and unrecoverable once lost).

At issue is the question of who benefits from the inevitable ebb and flow of neighborhood real estate values. What is the degree to which turnover in Chapel Hill and Carrboro – owing to housing stock characteristics, race as a factor in shaping settlement preference, superior competition, student overflow, and local policies – results in value gained at the expense of culture and history lost? What are the opportunities for intervening in this market to obtain an alternative outcome?

In wrestling with these difficult questions, others arise that require attention.

- When any property owner sells any property anywhere, they forfeit their claim on the future value of what they formerly held. If they want a share of the possible upside, they have to have a share in the possible downside. For decades, Northside families have increasingly concluded that the path to their best future was elsewhere, sometimes nearby in less expensive parts of Orange County, and more recently further away in Durham. In the wake of these departures, cultural history has been under pressure as much as real estate. At some point, the Northside community will have to prioritize among a number of competing aspirations.³

- The limited set of housing options available to upwardly mobile Northside families these past decades is not without cause and is not unexplainable. Chapel Hill and Carrboro do

³ For example: property values and the wealth rising value provides, the opportunity to secure a piece of the American dream elsewhere in the Triangle, the preservation of cultural history, the importance of economic diversity, the imperative to restore Northside to a more family-oriented norm.
not have a set of housing policies that distribute owner and renter options in ways that
sensibly attempt to balance demand and supply. By not being explicitly inclusive, Chapel
Hill and Carrboro have been effectively exclusive. At some point, the broader community
in these towns will have to come to terms with the issue of the “fair share” distribution
of affordable housing units, and the incompleteness of their current housing ladder.

- As the University has grown, its impacts on neighborhoods – positive and negative – have
grown as well. As Chapel Hill and Carrboro’s housing markets are almost singularly tied
to UNC-based demand, the University is the 800-pound gorilla. UNC shapes every part of
the housing market, from low-end rentals to student rentals to first time buyer demand
to family and even senior housing. Any failure of vision on the part of the Towns and the
University as a partnership becomes manifest as affordability pressures, cross-cultural
tension, lost history, traffic and subsequent environmental degradation. At some point,
the dog and tail have to wag together.
Pressure
Northside has been under intense pressure in the last decade in two very different, but related, ways. Both high demand for rental housing by UNC students and low demand for homeownership housing by potential buyers have reduced and are reducing the neighborhood’s homeownership rate. Increasingly, households who might choose to remain in or buy into the Northside are instead choosing other areas (such as on the east side of Durham).

According to czb’s review of Census data from 2000 and 2010, homeownership rates have fallen significantly in the neighborhood over the last decade, from 28% to just 20.6%. Central Northside (the area bounded by Mitchell, Caldwell, Brooks, Church, and McDade), for example - a high-homeownership area in 2000 - saw its overall homeownership rate fall from 80% in 2000 to just 36% in 2010.

Sources: 2000 Census, 2010 Census, czbLLC.
As the number of owner-occupants has fallen, the number of Census tract 113 residents enrolled in college or graduate school has grown: from 829 in 2000 to 1,051 in 2010, a 26% increase (or an increase of 222 individuals). (Census tract 113 includes the Northside as well as the area to the east of the neighborhood.)

Sources: 2000 Census, 2010 American Community Survey 5-Year Estimates, czbLLC.
Strong demand from student renters is not surprising, given the neighborhood’s proximity to the University of North Carolina (it is less than one mile from St Joseph’s CME Church to the Old Well).

According to data from UNC, the University’s on-campus residence halls, affiliated apartment complexes, and fraternities and sororities, can house 11,387 students. This is well short of the University’s total enrollment of 29,137 undergraduate and graduate students, meaning that almost 18,000 students cannot be accommodated in University-owned or -affiliated housing. The nearly two-thirds (63%) of students who live off campus create intense demand for rental units that the Town of Chapel Hill and surrounding markets have to absorb. Precisely how many of these off-campus units are within Chapel Hill is unknown, but we estimate the number to be between 5,000 and 6,000.

It is important to note, though, that while UNC’s student population has increased substantially since 1999, construction of on-campus or campus-affiliated housing during the same time period has meant that a larger share of students now live in UNC housing than did in the 1990s. (For example, according to UNC data, the percentage of undergraduates living on campus or in campus-affiliated housing increased from 40% in 1999 to 46% in 2011, an impressive accomplishment.) As a result, the university has accommodated a good portion (all but roughly 1,500) of its increased enrollment.

Nevertheless, students likely account for roughly 55% of Chapel Hill renters (47% of the town’s renters are non-family households with a householder between 15 and 34 years of age; another 14% of the town’s renters are family households with a household between 15 and 34 years of age). Additionally, 90% of workers in UNC’s zip code live outside the zip code, and 85% of workers in Chapel Hill live outside Town; translation: UNC is the generator of student rental housing demand (11,000 – 12,000 students) met mainly in Chapel Hill, and the generator of moderate income family housing demand (8,000 employees likely renting and buying outside of Chapel Hill). The combination of these forces is a Chapel Hill rental housing market with virtually infinite demand, and traffic congestion resulting from affordability challenges presently being satisfied outside the Town.
Student renters though are not inherently bad for a neighborhood. Census Tract 113, which includes Northside, has a population of college and graduate students similar to those in one Carrboro Census tract and four other Chapel Hill Census tracts. These 6 tracts all have at least one-fourth (25%) of their overall populations enrolled in college or graduate school, and roughly one-fourth to one-third of their residents are college or graduate students living off campus.

<table>
<thead>
<tr>
<th>Census Tract (CT)</th>
<th>Population</th>
<th>Individuals Enrolled in College</th>
<th>% of Population Enrolled in College</th>
<th>Dormitory Population</th>
<th>Off Campus Student Population</th>
<th>Off Campus Student % of Population</th>
<th>Off Campus % of Student Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>113</td>
<td>2,926</td>
<td>1,051</td>
<td>35.92%</td>
<td>0</td>
<td>1,051</td>
<td>100.00%</td>
<td>35.92%</td>
</tr>
<tr>
<td>107.04</td>
<td>5,134</td>
<td>1,301</td>
<td>25.34%</td>
<td>0</td>
<td>1,301</td>
<td>100.00%</td>
<td>25.34%</td>
</tr>
<tr>
<td>114</td>
<td>3,834</td>
<td>1,612</td>
<td>42.04%</td>
<td>434</td>
<td>1,178</td>
<td>73.08%</td>
<td>30.73%</td>
</tr>
<tr>
<td>115</td>
<td>1,812</td>
<td>603</td>
<td>33.28%</td>
<td>0</td>
<td>603</td>
<td>100.00%</td>
<td>33.28%</td>
</tr>
<tr>
<td>117</td>
<td>4,190</td>
<td>2,459</td>
<td>58.69%</td>
<td>1,210</td>
<td>1,249</td>
<td>50.79%</td>
<td>29.81%</td>
</tr>
<tr>
<td>118</td>
<td>3,186</td>
<td>908</td>
<td>28.50%</td>
<td>0</td>
<td>908</td>
<td>100.00%</td>
<td>28.50%</td>
</tr>
<tr>
<td>Total</td>
<td>21,082</td>
<td>7,934</td>
<td>37.63%</td>
<td>1,644</td>
<td>6,290</td>
<td>79.28%</td>
<td>29.84%</td>
</tr>
</tbody>
</table>

**Sources:** 2010 Census, 2010 American Community Survey 5-Year Estimates, czbLLC.

These tracts either include or surround most of the University’s “campuses” (excluding the Friday Center and surrounding UNC property southeast of the main campus). The Census tract primarily comprised of UNC’s main campus is not included in this analysis. The point here is that student renters and market strength do co-exist; students, in other words, are not an indicator of market weakness.

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4 In this case, “UNC Campuses” are defined as University owned land, including the main historic campus plus south campus/hospital area, University Lake and surrounding area (to the west) and the area around Horace Williams Airport that will be Carolina North (to the north).
While Census tract 113’s median gross rent is nearly identical to the median rent in these comparison tracts, the tract’s median value and homeownership rate significantly trail those in other comparison tracts. Similarly, while renters’ median incomes are similar in Census tract 113 and the other comparison tracts, the median incomes for owners, all households, and all families are significantly lower in Census tract 113 than in the surrounding tracts.

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>Median Gross Rent</th>
<th>Median Value</th>
<th>Homeownership Rate</th>
<th>Median Owner Income</th>
<th>Median Renter Income</th>
<th>Median Household Income</th>
<th>Median Family Income</th>
<th>Average Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Census Tract 113</td>
<td>$805</td>
<td>$225,900</td>
<td>13.6%</td>
<td>$76,513</td>
<td>$22,797</td>
<td>$24,219</td>
<td>$23,424</td>
<td>$27,702</td>
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<tr>
<td>Census Tract 107.04</td>
<td>$840</td>
<td>$326,000</td>
<td>34.5%</td>
<td>$103,580</td>
<td>$30,000</td>
<td>$42,889</td>
<td>$84,107</td>
<td>$70,045</td>
</tr>
<tr>
<td>Census Tract 114</td>
<td>$869</td>
<td>$518,100</td>
<td>32.1%</td>
<td>$155,192</td>
<td>$20,045</td>
<td>$39,875</td>
<td>$102,188</td>
<td>$64,382</td>
</tr>
<tr>
<td>Census Tract 115</td>
<td>$768</td>
<td>$403,000</td>
<td>57.9%</td>
<td>$102,321</td>
<td>$38,273</td>
<td>$61,304</td>
<td>$120,688</td>
<td>$73,958</td>
</tr>
<tr>
<td>Census Tract 117</td>
<td>$942</td>
<td>$439,300</td>
<td>30.5%</td>
<td>$70,795</td>
<td>$21,382</td>
<td>$32,542</td>
<td>$72,045</td>
<td>$46,462</td>
</tr>
<tr>
<td>Census Tract 118</td>
<td>$826</td>
<td>$312,100</td>
<td>44.9%</td>
<td>$115,521</td>
<td>$21,366</td>
<td>$40,350</td>
<td>$94,432</td>
<td>$65,550</td>
</tr>
<tr>
<td>Average (Comparison Tracts)</td>
<td>$849</td>
<td>$399,700</td>
<td>40.0%</td>
<td>$109,482</td>
<td>$26,213</td>
<td>$43,392</td>
<td>$94,692</td>
<td>$64,079</td>
</tr>
<tr>
<td>Difference (CT 113 vs. Comparison Average)</td>
<td>-$44</td>
<td>-$173,800</td>
<td>-26.3%</td>
<td>-$32,969</td>
<td>-$3,416</td>
<td>-$19,173</td>
<td>-$71,268</td>
<td>-$36,377</td>
</tr>
</tbody>
</table>

Sources: 2010 American Community Survey 5-Year Estimates, Orange County, czbLLC.
This is a crucial finding, strongly suggesting that Northside’s weaker housing market is not a result of student rentals, but rather caused by different factors. That is, the arrival of students is a reaction to a weaker housing market, not the reason for it.

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Data from the Multiple Listing Service confirms that the neighborhood’s single-family housing stock is consistently valued lower than single-family stock found elsewhere in Chapel Hill. According to this data, single-family home sale prices in the Northside typically trailed those citywide by anywhere from $50,000 to nearly $140,000 between 2000 and 2010. Northside values did not peak (as they did citywide) during the housing boom (2005-2007) but stayed steady, at roughly $200,000 on average, instead. And while the average sale price for Chapel Hill is down from its peak, the average sale price in Northside has fallen far more precipitously, particularly since 2010.
Aggregating sales data shows how the eastern side of the neighborhood typically outperforms the western and northern sections.
Causes

So why the weaker market?

czb’s analysis suggests that reduced values are a function of both the neighborhood’s housing supply as well as the nature of demand for the neighborhood among current and potential residents.

Some of the difference in prices in Northside stem from the age and size of the neighborhood’s single-family housing stock. According to the county, more than one-third (36%) of Northside’s single-family homes were built prior to 1950 (compared to just 9% of Chapel Hill’s single-family homes). While a slightly larger share of Northside homes were built in the 1950s and a slightly smaller share in the 1960s than in the town as a whole, these percentages are similar. The other important distinction was for housing built in the 1990s: just 6% of Northside single-family homes were built between 1990 and 1999, compared to 23% citywide.
Even more importantly, Northside’s single-family homes and lots average less than half the size of Chapel Hill’s and roughly two thirds the size of Carrboro’s).

Sources: Orange County, czbLLC.
Single-family homes of all ages are smaller (on average) in Northside; this is particularly true for units built since 2000.

Northside’s smallest homes are largely clustered on the western side of the neighborhood: Nearly all single-family homes in this area are less than 1,500 square feet (with most less than 1,250). The same is true in the central core of the neighborhood as well.

Takeaway? Northside is comprised of older homes of nominal historic architectural value, and in a market that places a premium on newness, values have suffered. Northside is likewise comprised of smaller homes, and in a market that prizes size, values have suffered. Together, these twin factors account for much of the reason that upwardly mobile Northside families have moved out and that absentee owners and student renters have moved in.

As upwardly mobile Northside families have chosen to move out to move up, their departure has been accompanied by the arrival of subsidized housing in disproportionate ratios as compared to the rest of Chapel Hill and Carrboro, thereby decreasing economic diversity.
In general, higher quality property maintenance is on blocks with larger housing units while lower levels of maintenance are on those blocks with smaller units. According to property-by-property surveys by Self-Help staff, the typical building in southeastern Northside was a “standard setter” while the typical building in the west and north received more “needs significant investment” scores. (Note: these are generalized to the block level). The fact some parts of Northside are healthier than others should factor into any strategy aimed at strengthening Northside overall.

Sources: Orange County, czbLLC.

Sources: Self Help, czbLLC.
With its smaller housing stocks and lower upkeep standards (reflected in the field survey scores), the Northside is “losing out” to neighborhoods on the eastern side of Durham and in other parts of Carrboro plus Orange County: these are places where households that the Northside hopes to capture are moving instead.

Sources: 2010 American Community Survey 5-Year Estimates, czbLLC.
Context
Based on the nature of the area’s economy and workforce, households with incomes in the 80% to 120% AMI range are plentiful; there is substantial unmet demand for affordable rental and homeownership opportunities for these households as well as those with incomes in the 50% to 80% of AMI range. This has two immediate implications. First, the wider Chapel Hill market is short units in this range. Second, there is no existing policy framework to ensure that either that the market helps meet this demand, or that regardless of how demand may be met, that it is met in an appropriately distributed manner.

In any event, fully 85% of Chapel Hill’s in-town workers live outside the city. This is not the fault of the University’s growth. It is rather the consequence of the absence of a coherent housing policy framework in Chapel Hill designed to result in the presence of a full and sustainable housing ladder. These percentages hold for service sector workers, who account for 37% of the county’s workforce. The average wage for these workers (those in “retail trade,” “accommodation and food services,” and “other services” jobs) is $20,450. At this income level, these workers can afford an apartment renting for no more than $562 each month. This puts about 7% of Chapel Hill’s rentals (or just 727 units) and 6% of Carrboro’s (332) within reach of these local workers. (To put these 1,059 units in perspective, there are more than 35,000 service jobs in Orange County.) Similarly this puts just 2% of Chapel Hill’s owner-occupied units (or just 194 units) and 2% of Carrboro’s (63) within reach (generously assuming these households could afford to purchase properties valued up to $100,000). (Only 8% of the city’s owner-occupied units (760 units) are valued below $150,000, or affordable to households below 80% of AMI; 30% of both Chapel Hill and Carrboro’s owner-occupied units (2,897 units in Chapel Hill and 928 in Carrboro) is valued below $250,000, or affordable to households below 120% of AMI.)
A focus on subsidized housing, however, is not a sure bet nor necessarily the appropriate strategy for the Northside. According to feedback from local experts, several subsidized homeownership units are proving hard to sell. A review of these properties shows that they are significantly smaller (on average) than other Chapel Hill properties. Community Home Trust and Empowerment, Inc., single-family homes, for example, averaged 1,517 square feet, compared to 3,423 for all Chapel Hill single-family homes; subsidized townhomes averaged 1,203 square feet, compared to 1,722 for all Chapel Hill townhomes; and subsidized condominiums averaged 922 square feet, compared to 1,157 for all Chapel Hill condominiums.

<table>
<thead>
<tr>
<th>CHT Property Type</th>
<th># of Properties</th>
<th>Average Year Built</th>
<th>Average Sq.Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential - SF</td>
<td>42</td>
<td>1990</td>
<td>1,517</td>
</tr>
<tr>
<td>Residential - TH</td>
<td>46</td>
<td>1990</td>
<td>1,203</td>
</tr>
<tr>
<td>Condominium</td>
<td>95</td>
<td>2003</td>
<td>922</td>
</tr>
</tbody>
</table>

Sources: Orange County, czbLLC.
<table>
<thead>
<tr>
<th>Property Type (All Chapel Hill)</th>
<th>Average Sq. Ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential - SF</td>
<td>3,423</td>
</tr>
<tr>
<td>Residential - TH</td>
<td>1,722</td>
</tr>
<tr>
<td>Condominium</td>
<td>1,157</td>
</tr>
</tbody>
</table>

Sources: Orange County, czbLLC.

Most critical of all, Northside is already the go-to location for the town’s subsidized housing supply: while the Northside is home to 4% of Chapel Hill’s residential properties, it houses 16% of the town’s subsidized rental units, 25% of its public housing units, and 39% of Empowerment Inc.’s properties.

Sources: Orange County, Self Help, czbLLC.

Adding Section 8 vouchers to this total, czb estimates that roughly 1-in-5 units in Northside are subsidized in some way (compared to just 5% citywide). czb further estimates that about half of
all non-subsidized units are occupied by students, leaving just 21% owner-occupied and only 8% non-subsidized, non-student rentals.\(^6\)

### Breakdown of Households by Tenure and Type

<table>
<thead>
<tr>
<th></th>
<th>Northside</th>
<th>Chapel Hill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsidized Units</strong></td>
<td>21%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Non-Student Renters</strong></td>
<td>8%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Student Renters</strong></td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Owners</strong></td>
<td>21%</td>
<td>48%</td>
</tr>
</tbody>
</table>

**Sources:** 2010 Census, czbLLC, Self Help.

Note: “Student Renters” are those non-family renter households where the householder is aged 15 to 34.

### Conclusions

The challenges now facing longtime residents of the Northside neighborhood are substantial.

**Market:** The wider Chapel Hill (and to a somewhat lesser extent, Carrboro) market is very expensive, with housing costs so far outpacing local wages that an astounding 85% of Chapel Hill’s in-town workers live outside the town. This places extra weight and pressure on the Northside in several material ways.

- First, with relatively low cost land and less expensive homes, the task of citywide affordability preservation is more cost effectively addressed in the Northside than elsewhere. There will be considerable political pressure on both affordable housing preservation (keep up?) and affordable housing development (catch up?) fronts. Whether through 1960s urban renewal or the addition of public housing in the 1970s, or the absence of town-wide inclusionary rental policies since, Northside has been and continues to be the go to location for low-income renters; it helps Chapel Hill and Carrboro balance their imbalanced books. Any gains catching up and keeping up not created in the Northside would have to be developed elsewhere and there is no indication that the towns are ready to embrace a fair share approach any time soon. Without such a tool, the pressures on Northside to continue disproportionately “solving”

\(^6\) 174 of the subsidized units in Northside represent 21% of the neighborhood’s units. The 21% owners are those owner households identified by the census; “student renters” are the non-family renters with a household head aged 15 to 34; the “non-student renters” are all other renters. This is not an exact figure since data is combined from multiple sources, but it provides a general idea of how the local market breaks down.
Chapel Hill and Carrboro’s affordability problems are considerable.

- Second, because the incomes of long time Northside residents are very low, it is both easy and would be inaccurate to define the Northside challenge as primarily an affordability task. The market challenge for Northside is not a problem of too little affordable supply. It is instead the problem of too much subsidized product in the same vicinity of blocks with too little demand, and both in the local context of a shortage of affordable product (for working families who rent and first time buyers), and Durham’s superior alternatives for African American families.

- In sum, there are three strategic market challenges in Northside: to retain strong households first, to leverage the community’s considerable strengths to trigger future demand second, and to structure development activity in ways that capture and reinvest the new value in equitable ways.

- What’s especially critical is that all parties understand that with infinite demand for rental housing, any new rental product aimed capturing some portion of either the 85 percent of workers who commute, or the 11,500 UNC students not housed on campus will find a market. The question is not whether one can develop apartments in Northside and use subsidies to rent them for $625/month and reach service sector workers who are now commuting. The question instead is whether that product at that price point makes sense for Northside. The community and its partners must determine what is the higher shared priority: making Northside as a neighborhood function from a market point of view and capturing newly created value, or taking advantage of the comparatively low development costs to address citywide affordability shortages. In czb’s opinion, the former trumps the latter.

Neighborhood: Northside is not a single neighborhood. czb determined that Northside is actually five neighborhoods plus the Rosemary Street corridor plus the area north of McMasters, each with houses of differing sizes, differing tenure, and differing market strength. That Northside is really a neighborhood of distinct and smaller subareas requires a precise response in each, with each aimed at specific balances of supply and demand as outcomes.

- For weaker sections like those along Sykes and Broad, the necessary work that is seeding redevelopment of the market through careful editing and infill combined with community organizing.
- For more stable but modest parts like McDade, Brooks, and Lindsey, the necessary work is to combine upgrade incentives with assistance and community organizing to retain existing owners, and over time expand on their considerable strengths.
- For more market-oriented areas like Graham, Sunset, Pritchard, Caldwell, and Church, the necessary work involves creatively infilling above the market when possible.
- And along Rosemary the necessary work includes the development of high-density, mixed-income products.
- In sum what is needed is a two-tiered tightly-connected strategy
  - A decision to intervene in the Northside as a whole with the aim of addressing the weak market realities that are pervasive (i.e. soft demand)
Doing so with submarket precision on a block-by-block basis with some blocks being targeted for demand-based work, others for retention, others for careful editing, but all connected the goal of repositioning Northside into a community of choice in Chapel Hill and Carrboro.

Community: Northside is a proud community whose most important traditions include a rich family life. The advent of transitory students and the conversion of single-family homes into multi-unit student rentals have radically disrupted community life. Yet the reality is that the market of owners and renters and houses and parks began to change long ago. By the 1970s Durham and Carrboro were places where successful African American families could buy a larger home than existed in Northside, and many families steadily moved away. Rebuilding yesterday’s community at yesterday’s prices with today’s demographics and market realities is not possible. What is possible though is to strategically create a contemporary version of what used to exist: a strong family-first homeowner community of households at many income levels. Such a diverse community cannot be easily created, much less maintained.

But it is possible, as success in Seattle (Capitol Hill neighborhood - LISC), Battle Creek, MI (Kellogg Foundation and Neighborhoods Inc) Alexandria, VA (Del Ray neighborhood – market forces), Oak Park (Chicago) (covenants), North Boulder (CO) (inclusionary policies and housing authority programming), and elsewhere illustrate. At the core of the work is a commitment to economic diversity, which means reduced concentrations of poverty and increased levels of home ownership by moderate and middle and professional income households. This is a decades-long process, but it is achievable if four key steps are followed:

1. Identify and develop a strategy to retain Northside families who have the capacity to leave (this means building on strengths, creating a link to the past, and being intentional about honoring the community).

2. Begin to develop a housing product and a marketing campaign to appeal to upwardly mobile families seeking a diverse community just a 12 minutes walk from Franklin and Columbia, and right around the corner from downtown Carrboro (this means working to build more stability and creating a discrete strategy to achieve a more family and less student oriented market, with a specific focus on marketing to African American professionals).

3. Work on a town-wide basis to pass and implement a meaningful inclusionary rental housing development policy that makes no allowance for transferring development of below market units off site (this is meant to blunt the Towns’ default habit of concentrating low income families in one area)

4. Develop a mixed income product line at higher densities along Rosemary (this is meant to a) capture the value now being siphoned off by absentee owners, and b) use gains to subsidize a modest handful of affordable rentals as a commitment to preservation.)
Method and Comment

czb uses a mixed-method approach to evaluating neighborhoods. This is a distinctly different way of evaluating a market than is conventionally done. A traditional approach to a market analysis determines whether there is an imbalance of supply and demand – whether of houses or apartments or office space or retail. Then, based on any imbalances, calculates how much excess demand there might be, and how long it might take for a new product designed to meet that demand to be absorbed by the market.

There are two reasons why czb does not take this approach. First, this approach is inherently imprecise, based as it must be on a range of variables subject to change, from interest rates to other projects no one foresaw. Second, the scale of analysis is the project.

When the task is to reposition a whole neighborhood, analyzing the market for the probability that it will embrace a new project is to miss the forest for the trees. It’s the wrong question at the wrong time. The right question is not how many units can be bought and paid for, but what kinds of units developed in what manner make sense for a neighborhood, and whether those new products (houses, apartments, offices, stores) contribute in a positive way to the organic life of a community. There is a time and place to do that kind of market analysis: the appropriate moment for that is after the neighborhood is truly understood. After the community wrestles with the hard questions about where it wants to go in relation to what is realistic.

This report is an attempt to describe Northside as a place and as a home, as a neighborhood and as a community. It is an attempt to describe it in the context of history, present day market and demographic reality, future potential, and within the larger Chapel Hill/Carrboro and Triangle setting. To do this, czb used what we call a mixed method approach. We collect and analyze a range of quantitative as well as qualitative data. For this report, qualitative data consisted of walking through Northside and personally seeing each structure at least three times, taking into consideration size, age, architecture, marketability and curb appeal, and resident pride of occupancy or ownership. Quantitative data came from Town and County records, real estate sales transactions, and the US Census. By considering several types of data from several sources, we are able to build more than a one-dimensional portrait of a “market”; we are able to paint a picture that gives us a sense of where the neighborhood was, is today, and is going.

In the early 1980s when we were in Chapel Hill as young students who needed income to pay for tuition and books and housing, we worked in a variety of places. First at La Res for Bill Neal, later at Fearrington, and after that at Magnolia. Between classes and work, we prowled the Carrboro market in its early days looking for the perfect tomato; we walked the aisles of Fowlers, smoked hogs in Saxapahaw, peeled shrimp at Crooks, and picked over large plates of fried okra at the old Breadmans. Most special of all, we learned how to make celery salt at Dip’s Country Kitchen, because the chef was welcoming and encouraging no matter how little we knew.

The redevelopment of Northside is inevitable. How it redevelops, and which traditions and values guide it remains an open question for Northside and Chapel Hill/Carrboro to sort through together.

czb | August 2012