

Executive Summary

Rocky Mount Revitalization Initiative

Market Segmentation Study



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Executive Summary

The North Carolina Community Development Initiative and the North Carolina Housing Coalition have instituted the Rocky Mount Revitalization Initiative (RMRI herein) as a time-limited project to improve the quality of housing for Rocky Mount residents by acquiring vacant and dilapidated housing and preparing the housing for resale on the affordable housing market. Likewise, the RMRI is providing neighborhood beautification funds and homeowner education programs. This study was commissioned to provide a baseline as the RMRI begins its process of revitalization. The study includes a review of recent housing and development reports, interviews and surveys of residents to seek community input, analysis of data to provide an understanding of the various sub-market conditions across Rocky Mount, and an in-depth analysis at the parcel level for the target area of the RMRI. Parcel-level data has been used to identify potential sites for housing improvement. Moreover, baseline data will help in the next stage as an evaluation plan will be created to track short, mid, and long-term outcomes of the Initiative.

Rocky Mount, NC is an area with unique needs, strengths, and weaknesses. Recently, as it has begun to recover from several decades of de-industrialization, dis-investment, and population flight, it has started to look at addressing dilapidated surplus housing, blighted neighborhoods, and cost-burdened households. The mechanisms of displacement (foreclosure, gentrification, eviction, and prisoner reentry to the general population) and exclusion (limited access to credit, lack of affordability, zero tolerance policies) reduce viability of housing sub-markets and constrains housing choice. Each factor impacts housing markets independently and collectively. Nearly 50% of all renters in the NC are cost-burdened, spending more than 30% of income on housing-related costs. A shortage of affordable housing has significant repercussions throughout the local economy. Access to credit presents a barrier to home seekers wishing to move to better neighborhoods.

Vacancy is a recognized issue in Rocky Mount as 11.6% of housing units are estimated to have been vacant in Rocky Mount in Q1 2019 (as compared to 3.3% in North Carolina). While the existence of vacant and abandoned properties is often indicative of economic distress and disinvestment in a neighborhood, these properties must also be approached as more than just a symptom of these forces.

Property vacancy is also a cause of disinvestment. Once there are a few vacant and abandoned properties in a neighborhood, a cycle of disinvestment and decline sets in (Accordino and Johnson 2000: 301-302). This makes it vitally important to target investment and redevelopment efforts in areas with high concentrations of such properties.

Affordable housing has been shown to: improve educational outcomes for children, free income for residents for healthcare, food, and other costs, create new employment and generate revenues in the form of property and income taxes, reduce social service costs for homeless and other at-risk populations, reduce commuting and increase use of mass transit, and improve the relative competitiveness of an area. Clearly the cost of housing, declining population, and lack of well-paying jobs are central issues to the future of economic development in Rocky Mount. Affordable housing choice is imperative. Disinvestment in weak and extremely weak markets will further exacerbate the “concentration effect” of poverty and, as demonstrated in the literature, cost the city and its residents more in indirect costs. Rocky Mount’s economic recovery requires more healthy, affordable, and accessible housing choices in vibrant and enjoyable neighborhoods. Several recent studies have indicated the need for targeted investments in infrastructure, a focus on improving neighborhood amenities, projects aimed at reclaiming and rehabilitating aging properties, and identifying opportunities for strategic infill and new development.

Methods

Our comprehensive housing market segmentation analysis of the City of Rocky Mount involved the collection and analysis of economic, social, geographic, and structural variables related to housing market stability. A variety of approaches have been used in the development of this report. First, an analysis of secondary socio-demographic data has been conducted. The latest information on community economic, demographic, and social conditions available from national sources (American Housing Survey, American Community Survey, Home Mortgage Disclosure Act (HMDA), US Postal

Service, Zillow, ESRI datasets, etc.) have been combined with local jurisdictional sources (Nash and Edgecombe tax records, foreclosures, sales, crime data, code enforcement data, etc.). All data was assembled into a Geographic Information System in ArcGIS Desktop and ArcGIS Online. Univariate and bivariate descriptive statistics were also generated using SPSS.

Population Dynamics

According to the latest estimates from the US Census Bureau, Rocky Mount has a population of 55,373 in the city and 148,157 in the Rocky Mount Metro Area. The population has declined slightly since 2010, while the rest of the state has increased. Rocky Mount is about a third non-Hispanic white (30.5%) and just under two-thirds African-American residents (63.0%). The population has become more diverse in the last two decades as the white population decreased (-26.0% since 2000) and the African American population increased (+10.3%). Immigration and resettlement have led to a small, but increasing Asian population (increased by 91.5% since 2000) and a growing Hispanic population (+104.64% since 2000). Still, there is a high degree of residential segregation by race.

Income

The population is also economically depressed with a median household income of \$37,607, about 25.3% less than the median income of North Carolina. About half of all census tracts in Rocky Mount meet the requirements for the CDFI Fund's New Markets Tax Credit (NMTC) eligibility and have 25% or higher poverty, 70% or lower Median Family Income, or 1.25 times or higher unemployment rate compared to the national average.

Life Expectancy

The average life expectancy at birth for Rocky Mount, NC is 74.6 years. This is the average number of years a person born in this City would be expected to live if born today. Life expectancy ranges from

68.5 years to 81.4 years. The neighborhoods in the central city and southern part of the city have the lowest life expectancy while the neighborhoods to the north and west have the best outcomes

Housing

There are 26,393 parcels and 26,511 housing units in Rocky Mount. Two-thirds of the housing stock is single-family detached followed by units in small apartment buildings (16.8%) and two-unit homes or duplexes, and 7.2% are mobile or manufactured homes. The housing stock is aging with a median year of housing construction is 1979. As of the 1st quarter of 2019, 11.6 % of residential addresses were vacant according to Valassis Lists. The bulk of the vacancies, residential demolition permits, and housing code violations are in neighborhoods in the center of town (Central City, Happy Hill, Villa Place, Chester, Southeast Rocky Mount, Around the Wye, Cokey Swamp, Little Raleigh, Germantown, Central City, Down East) where there is substantial housing stock that has fallen into severe disrepair.

Housing demand overall is low due to population decrease. Median sales price was \$112,500 in 2006 and dropped to a median of \$51,295 by 2016. This decline in the value of homes is reflected both in decreased tax values as well as tax delinquencies. About 15% (3,860) parcels are tax delinquent in any given year. While overall

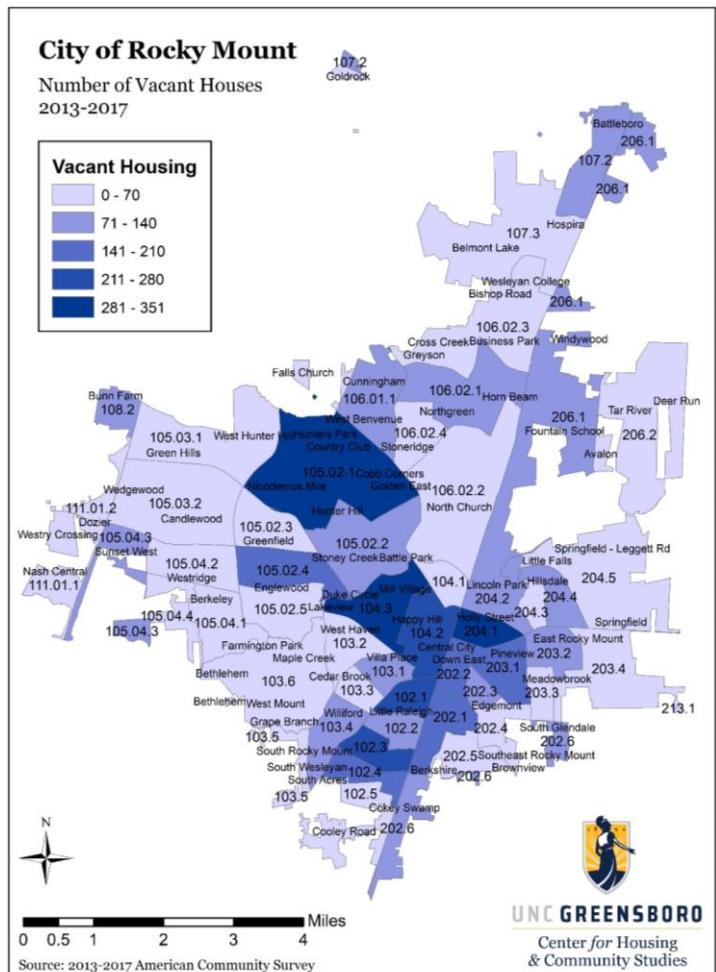


FIGURE 1 - NUMBER OF VACANT HOMES AT BLOCK GROUP LEVEL (ACS 2013-2017)

home values are low, a little over a quarter of homeowners are yet cost-burdened, paying more than 30% of gross income on housing and housing-related expenses. An estimated 43.3% of households rent their homes. According to the ACS, the median gross rent was \$748. More than half of renters (56.3%) were cost burdened. The CDC rates social vulnerability level as high for Rocky Mount (2016). Of the 23,741 properties in our dataset that had flood hazard information, we found 7.4% (1,754) to be within the 100-year flood plain and .7% (156 properties total) to be in the 500-year flood plain.

About half (51.4%) of homes are households (occupied housing units) that are owner occupied between 2013-2017. A little over a quarter (27.5%) of homeowners were cost-burdened, paying more than 30% of gross income on housing and housing-related expenses and 10% were extremely cost-burdened, paying more than 50% toward housing costs. An estimated 43.3% or 11,888 households rented their home between 2013-2017. According to the ACS, the median gross rent for rental units with cash rent in this area was \$748. Many renters (56.27% or 6,030 renters) in this area were cost burdened, paying more than 30% of their income towards rent

Community Input & Housing Conditions

Community input was sought on housing conditions and neighborhood issues, as well as thoughts about what residents would like to see in their area. An online survey was constructed using Qualtrics and paper-based surveys were distributed in community groups and through a convenience sample of patrons at a local public library. Community survey respondents were asked a series of questions about their homes. Most (72.2%) of respondents were cost burdened, 38.9% spending 30% or more of income on housing, and 33.3% spending more than 50% on housing. Some issues found in homes:

- 32.4% did not have a bathroom vent fan;
- One home was not heated;
- 12.8% of respondents use portable electric heaters, 5.1% use propane or kerosene heater;
- 22.6% had operable fire extinguishers;
- Two-fifths (44.4%) have seen roaches, a quarter (25.0%) of respondents have seen rodent droppings in the home, and 11.1% wildlife or birds and bats in the attic or eaves;

- water was leaking from pipes in 17.6% of homes;
- water leaking from roof or ceiling in 19.4% of homes; and
- soft spots and holes in the floors of 36.1% of homes.

Survey respondents indicated that they liked their neighborhood finding it a “great community to raise kids and family.” They would like to see a few new amenities including:

- laundromat,
- restaurants,
- shopping center,
- community center,
- a café,
- bike lanes and sidewalks,
- a new park and playgrounds,
- more affordable housing,
- better code enforcement on rental properties,
- facilities for the elderly,
- affordable day care.

In addition to a survey, a snowball sample of residents was used for telephone interviews with long-time residents in the Happy Hill neighborhood. These residents had lived in the neighborhood on average 47 years. About half were renters and half long-time homeowners. All respondents talked about how nice it was years ago when they moved here. Consistently interviewees all talked about how today the crime and vacancies in the neighborhood made it feel less safe. Some attributed the change to few homeowners, others to prison reentry, and younger people. Residents were asked what they would like to change about the neighborhood; improved housing conditions, more homeownership, less crime, and in particular a community center or park for children were mentioned. In order to build a stronger sense of community, respondents suggested increasing homeownership rates: “Fix up the community. Make it more neighbor friendly. Better housing. More homeownership could help a lot. If people could buy homes, people would care more about it, there would be more upkeep.”

Rocky Mount Segmentation Analysis

The socio-demographic, housing market, and target area variables were compiled at the individual level for every parcel in the Edgecombe and Nash County records that fell within the City of Rocky Mount. In all, there were 307 variables and 26,393 records for analysis; a dataset of over 8.1 million cells. Individual parcel data was aggregated to the 53 block groups within or intersecting with the city limits. A model was created that observes market value and stability from statistically significant correlated variables. The final model included neighborhood housing characteristics, occupancy, demolition and code enforcement activity, mortgage activity, sociodemographic, income and poverty, educational attainment, labor market participation, crime, and health outcomes. The final analysis and maps demonstrate that neighborhoods in the central part of the city (in particular Springfield, Hillsdale, Lincoln Park, Holly Street, Weeks-Armstrong, Southeast Rocky Mount, Around The Wye, Cokey Swamp, Edgemont, Central City, Happy Hill, Villa Place, Chester, South Rocky Mount, Little Raleigh, Germantown, and Down East) were designated as extremely weak markets with aging, poor condition, low value homes, many vacant lots, and issues with economic conditions, crime, and social and health outcomes. Wrapped around these neighborhoods and moving outward from the

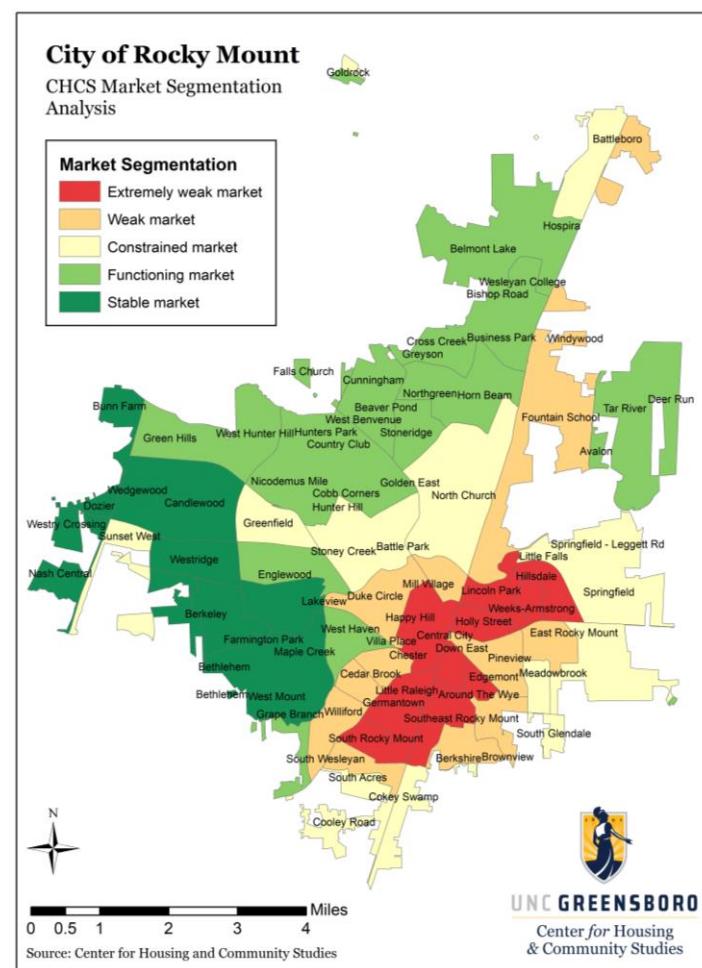


FIGURE 2 - ROCKY MOUNT MARKET SEGMENTATION

core of the city were weak and constrained markets where home ownership becomes stronger, but some of the social and economic conditions of the core remain. Finally, in the outlying areas to the north, north west, and due west, we see functioning and stable housing markets (especially in Dozier, Wedgewood, Westridge, Nash Central, Westry Crossing, Berkeley, Farmington Park, Bunn Farm, Candlewood, Englewood, West Mount, Maple Creek, and Bethlehem).

Market segments have been aligned with appropriate intervention strategies. While stable markets have few issues that impact long-term tax valuations, they do have isolated instances wherein tactical code enforcement might be used to maintain vacant lots and structures and preserve overall value of a neighborhood. For functioning areas, community-led neighborhood action planning could help to ensure movement toward stability and away from rental market speculation. In constrained markets, the recommendation is for a small area (a city block or two) of targeted planning, building on assets in the community like parks and schools. In weak areas, strategic property acquisition and the reclaiming of vacant/abandoned/underutilized properties is required. Strategic infill opportunities may also exist. Finally, in extremely weak markets, substantial investment must be made for demolition, aggregation of vacant lots for infill, purchase of historic properties for preservation, and long-range planning and investment especially leveraging public funding mechanisms wherever possible.

Parcel Assessments

A remote visual inspection of 2,135 parcels in Census Block Group 104 was completed between July 27, 2018 and December 3, 2018 using Loveland Technologies Site Control Software and a team of student assistants at UNCG. Images for this assessment were from Google Street View and cross referenced with images from Bing Maps. The questionnaire included items on lot features, structures, use, occupancy, roof materials, roof condition, walls, windows, porches, foundations, etc. and general conditions of the building and lot. A total of 570 lots without structures were noted.

More than half of them (309) were coded as “vacant lots.” Street view observations undercount total vacancy;

- 78.1% (1,222) appeared to be occupied, 8.2% (128) were possibly occupied and 11.8% (185) were clearly vacant while 1.9% (29) were indeterminant;
- 58.4% (914) of structures were found to be in “Good” condition while 27.6% (431) were in “Fair” shape and 11.4% (178) were in “Poor” condition;
- Only 29 structures were marked as “Suggest Demolition”;
- Half (49.4%) of roofs were designated as being in “Good” condition, 34.2% in “Fair” condition, 12.0% in “Poor” condition, and 3.6% in “Very Poor” condition;
- Siding was in generally “Good” (62.7%) or “Fair” (28.3%) condition. Yet, 111 properties (7.1%) were found to have siding in “Poor” condition and 25 (7.1%) had “Very Poor” siding;
- The overall condition of foundations was “Good” in 59.7% and “Very Good” in 9.0% of foundations; however, 25.4% were rated “Fair” and 5.7% “Poor.”

Opportunity Areas

Data on the conditions of properties in Census Block Group 104 was analyzed using a series of search filters or algorithms to help select the best potential properties based on the visual assessment of Street View images of the area. A target area within the Block Group was created based on hot spot analysis of vacant, abandoned, unoccupied, unmaintained, or good condition properties that were not owner occupied. Properties outside of flood plains were targeted, though a few fall within the edges of flood plain zones.

Analysis of properties within our target area produced 113 parcels designated as single-family homes, outside of or on the edge of the flood plain, and potentially unoccupied (no visible signs of residents from exterior). Moreover, in matching owner address of record versus the property address it appeared the owner did not reside at the address. Most were in fair or poor condition. Many are tax delinquent. Among the list of 113 parcels were 19 properties found to be tax delinquent for each the last of the last 5 years. These property owners may be more easily convinced to sell. Among the list of 113 parcels were 13 properties found to be unoccupied and in “good” condition. These properties may be more

Conclusions

easily rehabbed and in a shorter period of time offering an opportunity to quickly replenish resources for more challenging properties.

Fifty-five properties were found to be possibly occupied, tax delinquent more than 5 of the last 5 years, and where the owner address does not match the physical address (most likely rental). These properties may be more easily acquired, keeping the current tenants, and in a shorter period of time offering cash flow and improved quality of housing in the community.

There were 378 Vacant lots with no structure observed and not in a flood plain. The total tax value of these 112.4 acres is \$7,340,650. Tax values on the lots ranged from \$370 to \$521,900 with a mean value of \$19,420. There were 31 vacant lots that have been delinquent on their taxes each of the last 10 years. Clusters of contiguous lots are found in Happy Hill and Central City, especially between Beal St. and US-64 between N. Howell and N. Grace Streets.

Conclusions and Recommendations

Housing is a central issue to the future of development in the City of Rocky Mount. More affordable housing choice is imperative for economic development, work force housing, and tax revenue for the City, but also as a way to counter expected housing cost inflation and gentrification resulting from the expansion of the Raleigh market east into Rocky Mount. Continued dis-investment in weak and extremely weak markets has exacerbate the “concentration effect” of poverty and cost the City and its residents in indirect costs associated with substandard housing such as negative health outcomes, displacement, homelessness, crime, lack of social mobility, etc. Strategic investment in safe, healthy, fair, and affordable housing, when guided by good data and proven best practices, has been shown to stabilize property values, improve tax revenue, reduce transportation and health costs, improve life chances, and improve quality of life. As indicated in the various Rocky Mount housing reports that have been recently commissioned, efforts to build a healthier, more robust and sustainable Rocky Mount should include incentives to attract young renters and homebuyers back into the city core area, coupled

with investments in mixed commercial land uses, environmental and neighborhood amenities, green spaces, improved walkability and integrated, multi-modal systems of public transit. Yet, the needs of long-time residents must be considered and balanced with the needs of new residents in order to maintain a healthy mix of affordable and market rate units.

Reclaiming Tax Delinquent, Vacant, and Underutilized Parcels

Unoccupied homes and vacant lots pose potential risks for health, crime, and safety as well as being unproductive for the local economy. The City of Rocky Mount should aggressively pursue delinquent accounts, especially among landlords with substandard properties, and among owners of vacant parcels/unoccupied homes. Tax liens could be placed on vacant delinquent properties and those with severe code enforcement issues and used to force landlords to improve or forfeit the property. First order liens (especially when mortgage holders are notified) have been effective in encouraging owners to address property issues in other NC jurisdictions. Adequate funding for new code enforcement agents should be provided. Funding from federal, state, and local government should be combined with social impact investing, tax credit, opportunity zone, and market-rate developers to create multiple channels of investment.

The Rocky Mount Revitalization Initiative should work to acquire the “low-hanging fruit” of vacant lots and pursuing vacant and abandoned housing. This may prove to have the greatest return on investments. Pursuit of philanthropic ‘investment’ in health, education, arts, recreation, and quality of life should simultaneously be sought. Following should be strategic demolition of vacant building, acquisition of vacant parcels, and consolidation of multi-parcel packages for redevelopment (including land-banking and other mechanisms to leverage long-term affordability). These strategies of prepping an area for reinvestment may help in attracting other investors and make their participation easier to secure. It will also have the effect of stabilizing an area over time and preserving some affordability.

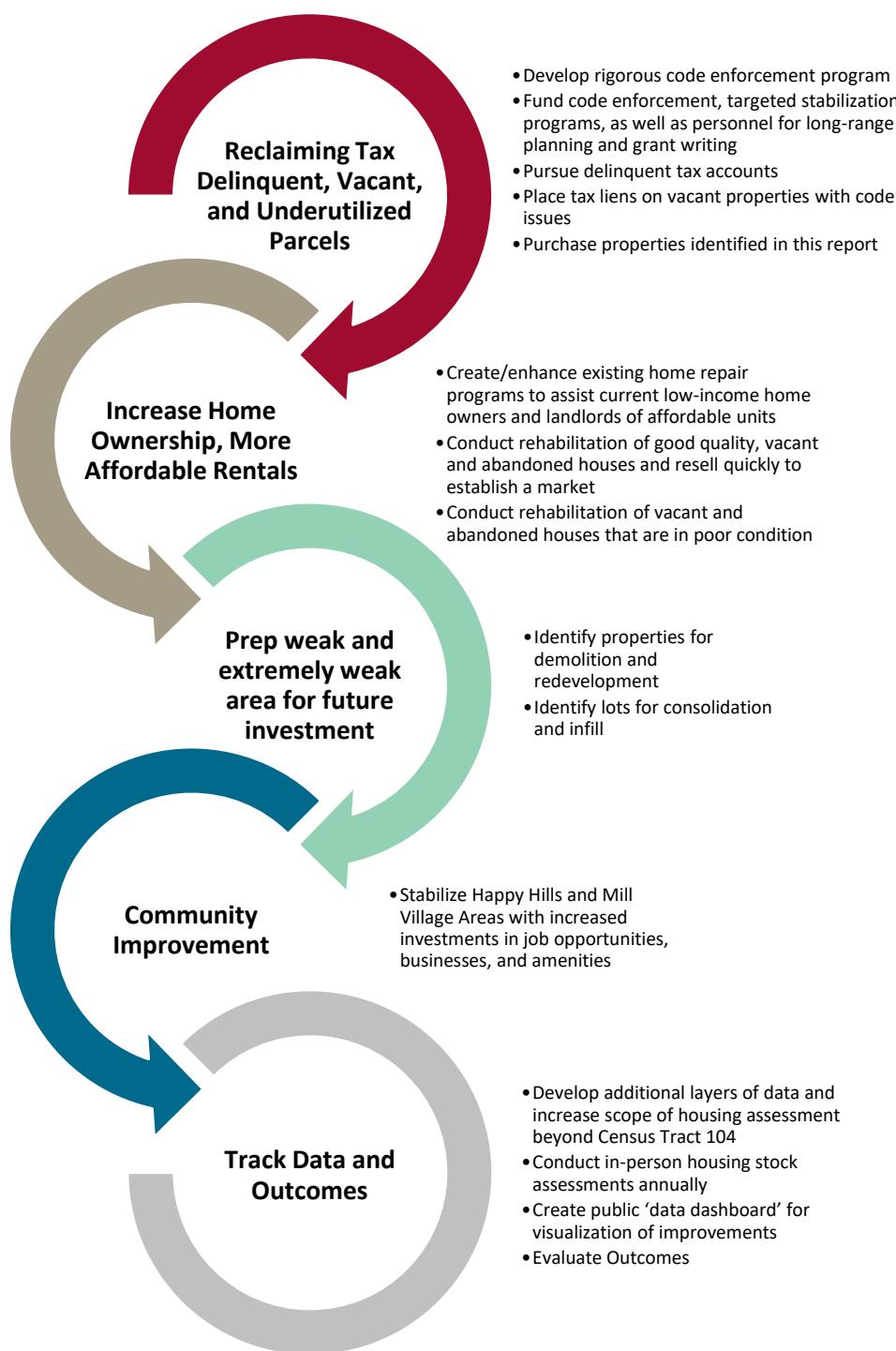


FIGURE 3 - SUMMARY OF RECOMMENDATIONS

Increase Home Ownership, More Affordable Rentals

Increased home ownership should be encouraged while simultaneously increasing rental opportunities at or below current median rent. Increasing housing stock (both homeowner and rental) may help in lowering percentage who are cost-burdened. Purchase and rehab of vacant housing units should be prioritized followed by infill of vacant lots. Increasing housing stock that is affordable and good quality will stabilize housing values and attract new residents. A recommended approach for long-term improvement of housing is the prioritization of investment of limited resources into strategic stabilization of target neighborhoods, investing block-by-block in stabilization and revitalization by first purchasing and rehabilitating homes needing modest repairs and updating, reselling these properties with economic incentives such as down payment assistance and low-interest loans. Improvements to the condition of these properties could stabilize neighborhoods, turn them from rental speculation markets to owner-occupied markets, and increase taxable value of the parcels directly, but also indirectly increase the values of all neighboring parcels.

Home Improvement for Existing Homeowners and Landlords

Community input from our survey indicates a need for a housing repair program, energy assistance/weatherization program, and assistance with purchasing appliances and heating systems. While a small percentage of residents reported lacking an oven or hot water, nearly half indicated a lack of central heating. Minor issues like a lack of stove or vent fan in the kitchen and lack of bathroom vent fan can lead to poor air quality, grease build up on surfaces, and potential mold and contributing to poor health outcomes. Structural issues (water leaking from pipes of homes, water leaking from roof or ceiling, cracks in the walls, and soft spots and holes in the floors) indicate long-standing repair issues. A quarter of respondents needed help with roof repairs; a third needed help with exterior painting; two-fifths need assistance with plumbing; and nearly half wanted better energy efficiency. We recommend a combination of low/no-interest loan programs for low-income homeowners and landlords of affordable units; pre-selected contractors who work on sliding scale or low-cost models; a

work-force development program that would train and employ local residents in building trades; increased use of Down East Home Consortium (DEHC) Home Investment Partnership Program funds targeted to Happy Hills area; and leveraging assistance such as the NC Weatherization Assistance Program and Rocky Mount Public Utility Energy Share weatherization rebate program. Often, residents are unaware that they may qualify for these programs and may need assistance in applying.

Community Improvement

Economic opportunity such as business/tech incubators, new educational opportunity, work-force development programs, and incentives for new amenities should be matched with work-force housing initiatives. Residents of the Happy Hills want new community assets that increase the quality of life including: a laundromat, restaurants, a shopping center, a community center, a café, bike lanes, sidewalks, a new park, and playgrounds. All of these assets would help to increase stability, value of homes, and provide places for employment, recreation, and services for residents. In addition, residents indicated the need for residential facilities for the elderly and affordable day care. Both of these recommendations would help in attracting new forms of capital investment to the neighborhood, a day care would attract younger families and the retirement facility could provide both jobs and affordable housing options to many of the aging residents in the neighborhood.

Opportunity Areas

A Geographic Information System (GIS) has been created for the Rocky Mount Revitalization Initiative Target Area. Data on the conditions of properties in Census Block Group 104 has been compiled and target areas within the tract indicated based on vacant, abandoned, unoccupied, unmaintained, tax delinquent, or good condition properties that were not owner occupied. Properties outside of flood plains were targeted, though a few fall within the edges of flood plain zones. All data from this analysis has also been uploaded to a website application for more targeted inspection of parcel data.

Track Data and Outcomes

Data-driven planning requires constant updating of information. We recommend building further on the GIS developed and including additional layers of data such as new business starts, economic and market analysis of retail sector, work-force econometrics, and increasing the scope of the parcel assessment beyond Census Tract 104. We also recommend conducting in-person housing stock assessments annually as the housing situation is volatile and changing too quickly to rely on remote-assessment alone. A public facing ‘data dashboard’ for visualization of improvements in the target area may be useful for community groups, non-profits, as well as businesses and entrepreneurs looking to invest in the area. Finally, we recommend tracking each of the following evaluate outcome metrics in order to assess impact of the Initiative’s projects:

- Decrease % who are cost-burdened
- Improved index of affordability
- Increase % owner occupied
- Decrease % vacant lots and buildings
- Decrease % substandard properties
- Increased number of businesses
- \$ amount of investments
- Number of new residents
- Number of housing sales
- Decreased rate of crime
- Decreased environmental triggered illness (asthma, lead poisoning, etc.)
- Increased quality of life and satisfaction