Dare Housing Task Force

Dare County Administration Building, Manteo, NC
September 17, 2024

Approved 10.15.24

Present:	*Chair Donna Creef, Vice-Chair Malcolm Fearing, Robert Outten, Bob Woodard, Craig Garriss, Monica Thibodeau, Elizabeth Morey (virtual,) Michael Siers, Drew Havens, Melissa Dickerson, Melody Clopton, Ryan Lang, Jeff Schwartzenberg, Bob Peele, Duke Geraghty, Noah Gillam, Briggs McEwan, Mitchell Bateman, Ron Payne, Caroline Basnight,*
Absent:	*Sherry Wickstrom, John Windley, Matt Neal, Anthony Fletcher, Andy Garmin, Tess Judge, Carol Warneki, Ronnie Sloan,*
Also Attending:	*Skyler Foley-Clerk, Mary Helen Goodloe-Murphy, Susan Bothwell, Mary Ellon Balance, Betty Selby, Aida Havel*

Madam Chair called the meeting to order at 9:02 a.m. The Vice-Chair led the Pledge of Allegiance to the flag and then led the meeting in a prayer.

APPROVAL OF MINUTES
The Task Force reviewed the minutes from the 08.20.24 meeting.
MOTION
Garris made a motion to approve the 08.20.24 Minutes.
Geraghty seconded the motion.
VOTE: AYES unanimous

VIRTUAL PRESENTATION – SCOTT FARMER – NC HOUSING FINANCE AGENCY
Scott Farmer, the Executive Director of the North Carolina Housing Finance Agency, shared a presentation with the Task Force. He explained that the agency is a self-sustaining public agency that was established by the General Assembly in 1974. It is overseen by a Board of Directors consisting of thirteen members: four are appointed by the Governor, four by the Senate Pro Tem, four by the Speaker of the House, and the final member is selected by the board itself. Since its inception, the agency has successfully financed over 310,700 affordable housing units, amounting to a total of $31.9 billion.

He provided an overview of affordable housing, describing it as encompassing a range of options, from apartments designed for seniors on fixed incomes to larger five-bedroom single-family homes. From a policy perspective, "housing affordability" means that a family should spend no more than 30% of their income on housing costs. In this context, the term "affordable housing" typically refers to homes accessible to households earning between 30% and 80% of the AMI. He mentioned that most of their programs target this income bracket, although some homeownership programs allow them to assist families with incomes reaching up to 120% to 140% of the AMI. He clarified that the AMIs he refers to are those published by federal agencies, most commonly by the Department of Housing and Urban Development. This is important because many of their funding sources depend on these published AMIs and the associated federal guidelines.

He addressed the housing needs and market conditions in North Carolina, highlighting that three out of five low-income families in the state live in unaffordable housing, which means they spend more than

30% of their income on housing costs. He emphasized that every county in the state has households experiencing some level of housing unaffordability. He also explained the five core functions of the North Carolina Housing Finance Agency, which include promoting home ownership, preventing foreclosures, home repairs, supporting housing, and rental production.

Farmer provided an overview of the homeownership programs offered, which include 1.) NC Home Advantage Mortgage, 2.) 1st Home Advantage Down Payment, 3.) NC Home Advantage Tax Credit, 4.) Community Partner Loan Pool, and 5.) Self-Help Loan Pool. Furthermore, he discussed the State Home Foreclosure Prevention Project, which is the agency's newest initiative. This program was established in response to the financial crisis that occurred between 2007 and 2010. Since its launch, the agency has successfully prevented over 90,000 foreclosures throughout the state.

He proceeded to review the three Single Family Home Repair Programs, which are: 1) the Essential Single-Family Rehabilitation Program, 2) the Urgent Repair Program, and 3) the Displacement Prevention Partnership. He also discussed the Special Needs Housing initiatives, which consist of two key programs: 1) the Supportive Housing Development Program, which offers financing through an interest-free, non-amortizing loan of up to $1.3 million for the acquisition, rehabilitation, or construction of housing aimed at homeless or non-homeless individuals with special needs, and 2) the Community Living Programs, which facilitate access to affordable housing and rental assistance for people with disabilities. Next, he focused on the Rental Production Programs, highlighting their widespread recognition. He covered: 1) the Housing Credit (LIHTC), a federal incentive that provides tax credits to developers for the construction or rehabilitation of affordable rental housing in accordance with the state's Qualified Allocation Plan, 2) the Workforce Housing Loan Program, which, when combined with federal Housing Credits, offers supplemental financing through an interest-free balloon loan, thereby supporting the development of Housing Credit properties in low-wealth areas, and 3) the Rental Production Program, which also works in conjunction with federal housing credits to offer long-term supplemental financing for rental housing through amortizing or deferred loans. This program can be funded by resources such as HOME, the National Housing Trust Fund, the NC Housing Trust Fund, or other available funds.

He elaborated on the LIHTC program, emphasizing its crucial role in producing affordable housing in the nation. Since 1987, the Housing Credit has financed an average of approximately 2,600 affordable rental units each year, totaling over 110,000 units financed in North Carolina alone. There are two types of Housing Credit programs: 1) the 9% credits, which are competitively allocated to developers annually and provide significant equity, thus playing a major role in affordable rental development, and 2) the 4% credits, which are less competitive and must be paired with bond financing from private activity bonds, a more expensive capital option.

He then provided an overview of the Housing Credit Rental Development Process, emphasizing that, like any real estate project, affordable housing developments require considerable capital. However, it's essential that the rents remain within reach for families with lower incomes. He elaborated on the special financing tools necessary to make these developments viable, highlighting the role of equity and soft debt in ensuring affordability. On the equity side, he explained that the Housing Credit leverages private market resources to attract investments by offering tax benefits to investors. Meanwhile, on the debt side, the North Carolina Housing Finance Agency offers below-market-rate loans, which allow developers to set rents that are affordable for low-income families. He noted that the development process can take several years, beginning with the identification of sites for either homeownership or rental projects. In the first year, developers transition from conceptual ideas to detailed planning, working diligently to align their funding sources before reaching the approval stage in the second year. Only in the third fiscal year do they initiate the construction phase and enter the disbursement stage, where funds are allocated. It's important to note that our investments are made late in the construction process or upon completion, ensuring that we invest only as value is being created. This approach makes for a secure investment strategy, ultimately leading to the development of long-term assets that will benefit the community for decades. He concluded by discussing the "Greenfield Place" project in Chapel Hill, reviewing the entire funding process associated with it.

Thibodeau asked about the number of staff members at the agency. Farmer replied that there are 145 employees, and the agency is headquartered in Raleigh, operating in a hybrid work environment. Geraghty expressed that he had heard it was a close-knit group of developers and questioned how difficult it is to gain approval. Farmer confirmed that while they welcome new developers each year, it's indeed true that prior experience with the housing credit program—either in North Carolina or another state—is required, due to the complex and competitive nature of the process. McEwan asked whether there had been any applications from the Outer Banks, to which the answer was no, as sourcing affordable land in coastal areas poses significant challenges. Madam Chair inquired about programs for first-time home buyers and how individuals usually learn about them. Farmer explained that most people become aware of these programs through their realtors or lenders, and the agency also engages in a fair amount of marketing to reach a wider audience. The Chair then asked if these programs lead to any paperwork complications or hurdles in financing. Farmer stated that it is similar to many processes; while there is additional paperwork due to an extra step in the approval process, it does not incur any extra costs. The lender first approves the loan, which is then forwarded to the agency staff for compliance with program guidelines. The Vice-Chair raised a question about whether there are concerns regarding loan amount pricing. Farmer clarified that the agency has established maximum price limits based on county data. The Vice-Chair then asked for clarification on what a Private Activity Bond is. Farmer explained that these are bonds allocated to each state based on population. They can be utilized for housing, industrial development, and certain commercial projects, and they are regulated by the State Department of Commerce. Currently, North Carolina receives $230 per capita, totaling approximately $1.3 billion annually.

The Vice-Chair proceeded to clarify that much of the community's pushback appears to be focused on large development projects. They inquired about the smallest project that could potentially be undertaken. Farmer responded that, according to current regulations, the minimum project size allowed is 24 units. However, such small projects are rarely pursued because Tax Credit Investors prefer to concentrate their investments in fewer, larger projects rather than spreading their resources thinly across several smaller ones. Nowadays, the average project size tends to be between 50 and 60 units. For Housing Credits, the smallest projects typically feature 40 units, although rehabilitation projects can be smaller if necessary. The difficulty with smaller developments primarily lies in securing financing. The Vice-Chair then asked if a 44-unit development could be split across two sites, to which Farmer confirmed it is possible under certain circumstances. He noted that this approach has been successful in the 9% tax credit projects but is more frequently seen in bond financing, where multiple properties can be consolidated under a single tax-exempt bond issuance. The conversation concluded with another question from the Vice-Chair regarding a completed project in Chapel Hill. Specifically, they wanted to understand how an 80-unit project could cost $12 million and whether land costs were included. Farmer clarified that land costs were not accounted for in that figure because the Town of Chapel Hill had donated the land. He also mentioned that this deal was established before the pandemic, meaning costs have risen by roughly 35% since then.

OUR STATE OUR HOMES, PARTNERING TO ADDRESS HOUSING NEEDS IN NC

Madam Chair reviewed the “Our State, Our Homes Application,” which aims to engage communities interested in collaborating across various sectors to improve access to and availability of affordable housing options within the state. She noted that this is an 18-month program and reminded everyone that the application deadline is October 18, 2024. Madam Chair also outlined the requirements for the application and inquired whether the Task Force wished to move forward with the process. Peele remarked that Dare County's needs are as significant as those of any other community, while McEwan expressed that the application aligns well with the objectives of the Task Force. Thibodeau pointed out that even if Dare County is not selected to participate, valuable insights could still be gained from the information shared during the process. Madam Chair underscored the time commitment involved and asked the municipalities present if they are willing to participate, concluding that they will have a more thorough discussion at the next meeting. Woodard shared his experiences in a similar group and highlighted that the information obtained from such initiatives could be highly advantageous for Dare County.

UPDATE ON ECU STUDY & DISCUSSION OF FOCUS GROUPS/COMMUNITY INTERVIEWS

Madam Chair mentioned that she has spoken with the professors, who are currently examining three established sites: one in Bombay Harbor and two others on Roanoke Island. They are in the process of developing a virtual simulation of all three of them. Additionally, they are gathering demographic information and are beginning to work on conducting focus groups, along with community interviews.

CHAIRMAN & MEMBER COMMENTS

Madam Chair reported that she and the Vice-Chair had recently attended the Board of Education Meeting, where they provided an update on the topic of teacher housing. They also met with two local real estate agents who specialize in long-term rentals and gathered insights about current market trends, including a noted decline in short-term Airbnb rentals. The Vice-Chair highlighted the significant costs associated with purchasing a home in Dare County, pointing out the challenges this presents for younger generations. He mentioned that creating opportunities for youth is essential, as rising home prices have made homeownership increasingly difficult for them. The discussion also touched upon teacher housing, revealing that there are currently 30 teachers on the waiting list.

There being no further business, the meeting ended at 10:26 a.m.