

**BOONE TOWN COUNCIL
DEVELOPMENT FINANCE INITIATIVE WORKSHOP
MONDAY, FEBRUARY 20, 2023, 1:00 PM
1500 BLOWING ROCK ROAD**

COUNCIL MEMBERS PRESENT: Mayor Tim Futrelle, Mayor Pro Tem Edie Tugman, Todd Carter, Dalton George, Becca Nenow, and Virginia Roseman (arrived at 1:36 p.m.)

PLANNING & INSPECTIONS STAFF PRESENT: Jane Shook-Director of Planning and Inspections, Jessica Mitchell-Long Range/Special Projects Planner, Stacey Miller-Deputy Director/Chief Building Inspector, and Brenda Henson-Administrative Support/Permit Tech

OTHER TOWN STAFF AND REPRESENTATIVES PRESENT: Amy Davis-Town Manager and Allison Meade-Town Attorney

OTHERS PRESENT: Sarah Odio-Assistant Director for Housing and Revitalization, Frank Muraca-Real Estate Development Analyst, and Sara VanLear-Project Manager, all with the UNC School of Government Development Finance Initiative

Call to Order

Mayor Futrelle called the meeting to order at 1:00 p.m. A moment of silence was observed. Mayor Futrelle welcomed everyone, and introductions were made.

Affordable Housing Presentation

Attached is the PowerPoint presentation given by the DFI at today's workshop.

Ms. Sarah Odio stated that DFI was a specialized program of the UNC-Chapel Hill School of Government that focused on real estate development and finance. She noted that they worked with communities across the state to attract private investment for transformative projects. Ms. Odio explained that DFI focused on various projects including downtown redevelopment, abandoned factories, neighborhood revitalization, master plan developments, and affordable housing.

Ms. Odio stated that their attorney, Tyler Mulligan, would be writing a digest between this workshop and the second workshop to answer some of the legal questions that might arise.

Ms. Odio asked those present to identify the community members who most needed affordable housing and what they thought were good examples. Answers ranged from a need for moderately priced housing to service workers and minority populations needing housing. Watauga Green and Meadow Hill were mentioned as good examples of affordable housing projects in the area.

Ms. Odio stated that the federal definition of affordable housing was families that were cost-burdened when over 30% of their annual income was spent on housing-related expenses such as rent, utilities, mortgage, insurance, and property taxes. She noted that solutions to affordable housing should focus on availability, adequacy, and accessibility. Ms. Odio stated that affordable housing was either unsubsidized or subsidized. The challenge with unsubsidized affordable housing was keeping it affordable and of good quality. Ms. Odio said that subsidized housing was critical to a community. She explained that subsidized housing had a subsidy attached to it and was restricted by household income. She added that the State of North Carolina required subsidized housing units to be reserved for low-income households but did not legally require those units to be affordable.

Council Member Roseman arrived at the meeting at 1:36 p.m.

Ms. Odio stated that public housing had deteriorated, but public housing offered people without housing the opportunity to avoid homelessness. She felt that publicly owned and managed housing was an important part of the housing stock. However, no new exclusively public housing units were being built. Ms. Odio stated that public housing was switching to a public-private model. She noted that the Town of Boone could help low-income or poor households, but they did not have the authority to aid households earning more than 80% of the area median income. Ms. Odio stated that the area median income (AMI) for a family of four in Watauga County was \$82,200.

Ms. Odio explained that extremely low-income households earned 30% or below of the area median income; very low-income households earned 50% or below; low-income households earned 60% or below of the area median income; low to moderate-income households earned 80% or below of the area median income.

Mayor Pro Tem Tugman asked about using a land trust to hold a property title and selling the property's structure. Ms. Odio replied that the Town could convey the property to a trust or use a local government hold on the property and ground. She stated that the Town could provide a direct subsidy for private development or a subsidized conveyance, meaning selling property below market.

Mr. Frank Muraca discussed the housing needs assessment. He stated that a household needed an annual income of \$145,000 to enter the housing market. Mr. Muraca noted that this was double the income needed two years ago. He stated that housing quality was better than in more rural counties, but growing enrollment and limited supply had increased rent by 15% since 2021. Mr. Muraca felt the most significant need in the area was among renters making less than 30% AMI. He noted that there were twice as many extremely low-income renters than there were affordable units in Boone.

Mayor Futrelle expressed that the reality was that the Town needed to join forces with the County to acquire property in order to have price controls. Ms. Odio stated the Town could partner with the County, private property owners, or nonprofits to bring the resources to the table.

Mr. Muraca stated that data from HUD indicated a decline in the number of vouchers being accepted by landlords since 2013.

Mayor Futrelle called for a break in the meeting from 3:07 p.m. until 3:24 p.m.

Strategic Focus of Affordable Housing

Ms. Odio presented information regarding the strategic focus of affordable housing. She stated preserving existing affordable housing and producing more units was important. Ms. Odio suggested Council members focus on building wealth through homeownership and creating ongoing affordability in the market.

Ms. Odio stated that code enforcement was an important tool in preserving quality in the community.

Ms. Odio noted that the largest number of units built by the private sector using public programs was through the Low Income Housing Tax Credit (LIHTC) Program.

Mayor Futrelle stated he had heard that the Town would have to build up to achieve higher density rather than having a big footprint. Further, he stated this type of development would mean they would need to be thoughtful about where that could happen. Ms. Shook replied that Council could look at the multi-family and single-family development standards.

Ms. Odio stated that more than just changing zoning regulations would be needed because of the funding gap to revitalize existing units or build new ones for low-income households. She noted that it would cost the same to build an affordable unit as it did to build a market-rate unit right. However, you would get

half the rent on a low-income unit, creating a funding gap. Ms. Odio felt that zoning was a critical tool to enable housing production of all types.

Ms. Odio stated that Council members needed to think about what was most important to them. She asked if they wanted to serve the most vulnerable, the extremely low-income, senior housing, single-family housing, multi-family housing, or a mix. Ms. Odio asked Council members to consider how many units they wanted to get, if there was a specific neighborhood where they wanted to intervene when it came to preservation, and what Council members felt had been done that they liked.

In conclusion, Ms. Odio stated the next workshop would be held in approximately 30-45 days. She asked that Council members go to the link contained in the presentation and complete the short survey.

Adjournment

With nothing further, the meeting ended at 4:30 p.m.

Tim Futrelle, Mayor

Brenda Henson, Admin. Support/Permit Tech

Town of Boone

February 20, 2023

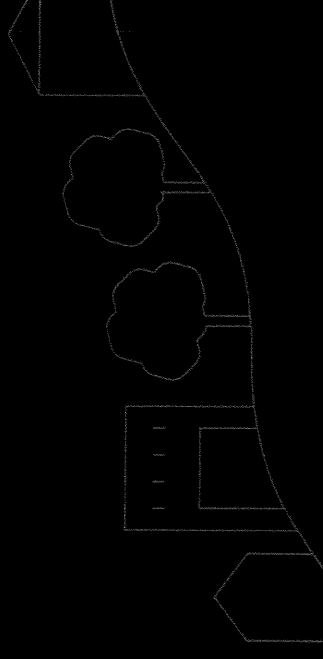
Affordable Housing 101 Workshop

Day 1



SCHOOL OF GOVERNMENT

Development Finance Initiative



UNC School of Government

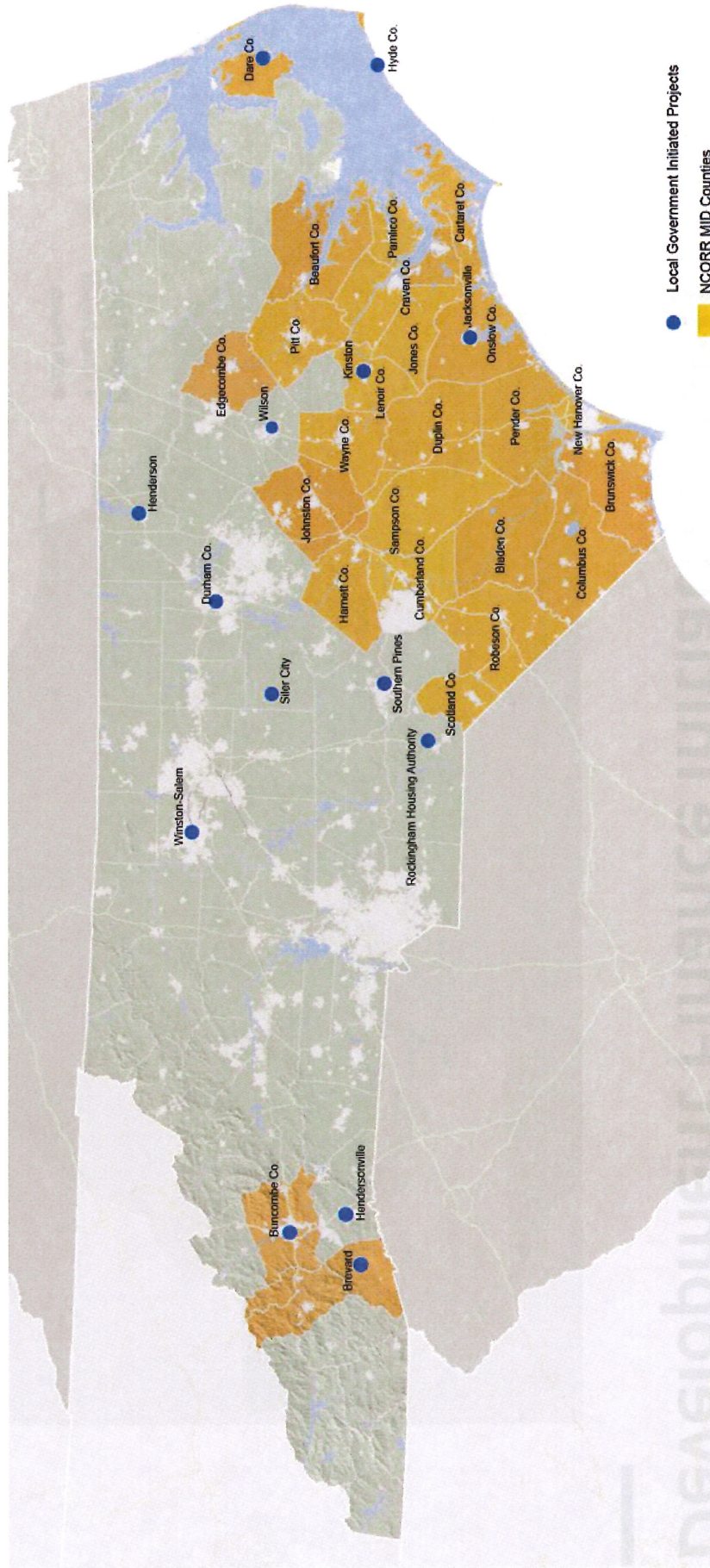


The University of North Carolina-Chapel Hill's School of Government is the largest university-based local government training, advisory, and research organization in the United States, and serves more than 12,000 public officials each year.

100



DFI Projects with Affordable Housing Component



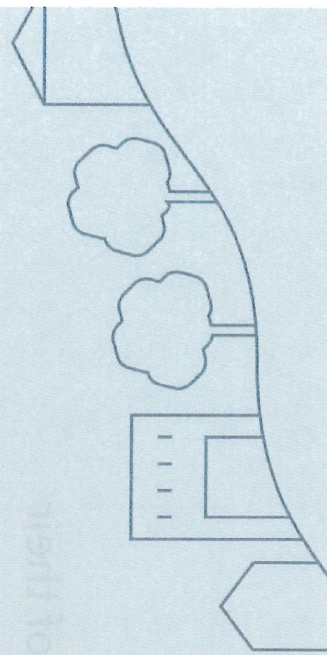
Agenda

- What is “affordable” housing?
- Boone affordable housing needs
- Review of local government strategic approaches
- Preliminary discussion of interests

Let's talk about housing..

- What have you heard from your constituents that brings us here today?
- Who are the people in your community most in need of assistance?
- What do they think is a good example of affordable housing in your community?

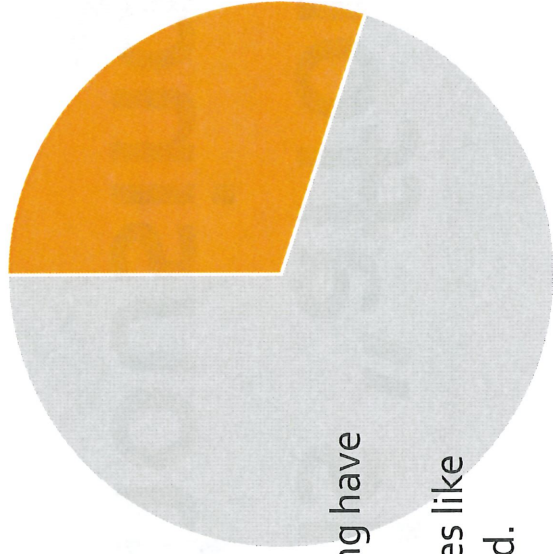
What is "affordable" housing?



What is affordable housing?

Families are cost burdened when over 30% of their annual income is spent on **housing-related expenses**

Housing expenses include rent plus utilities or mortgage, insurance and property taxes plus utilities.



Families living in affordable housing have more income than cost burdened households to cover other expenses like health care, transportation, or food.

Affordable housing solutions focus on...



Availability

Are there sufficient options for households of each size and income level?

Are landlords accepting Housing Choice Vouchers?



Adequacy

Are affordable options in a reasonable state of repair and provide a reasonable degree of thermal comfort?

Do they provide enough space for the household size?



Accessibility

Are there sufficient options to accommodate elderly households, individuals with disabilities, veterans, etc.?

Do households experiencing homelessness have a path to stable housing?

Affordable housing is either...

Unsubsidized

- Known as Naturally Occurring Affordable Housing (NOAH) or UAH

- Affordable due to quality or location



- Tenants v
- in the mar

Subsidized

- Restricted by household income
- Reserved for eligible households
- Rents "affordable" to households served

- Publicly owned and managed (HUD Northwestern Regional Housing Authority)

- or Privately owned and managed (with or without public participation)

Who can the Town of Boone aid?

- Housing for “low income” or “poor”
- No authority to aid persons over 80% AMI (matches federal housing aid programs)
- No authority to aid unrestricted (market) units

Source: <https://ced.sog.unc.edu/2022/05/local-government-support-for-private-ly-owned-affordable-housing/>

Area Median Income (Family of 4): \$82,200

Household Size	1 Person	2 Person	3 Person	4 Person
Extremely Low-Income (30% AMI)	\$16,770	\$19,170	\$21,570	\$23,940
Very Low Income (50% AMI)	\$27,950	\$31,950	\$35,950	\$39,900
Low Income (60% AMI)	\$33,540	\$38,340	\$43,140	\$47,880
Low-Mod Income (80% AMI)	\$44,720	\$51,120	\$57,520	\$63,840

Who can the Town of Boone aid?



Single Childcare Provider:

\$23,500



Single Healthcare Aid:

\$28,200



Police Officer w/spouse

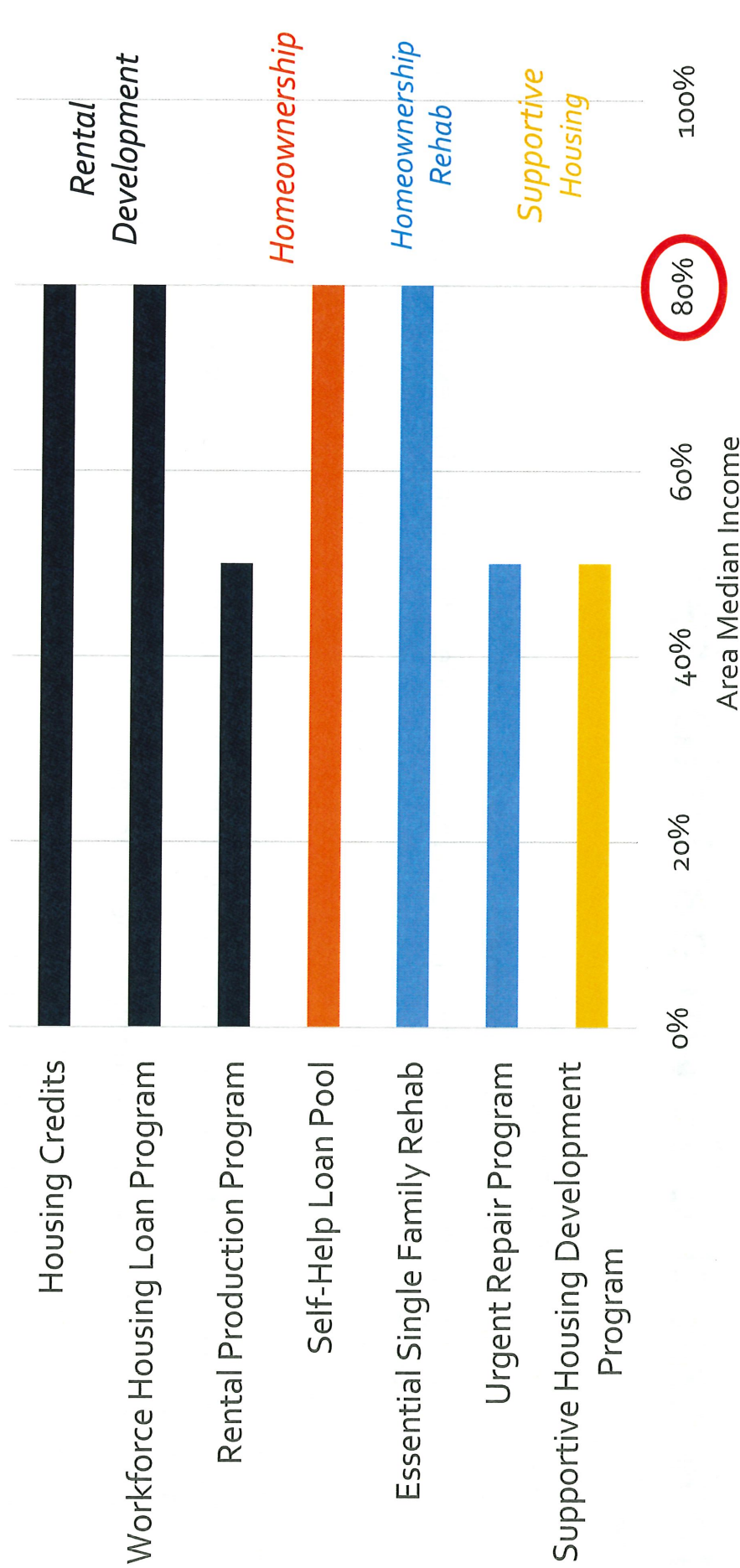
and child : \$40,190

Source: Bureau of Labor Statistics, Average Annual Salaries in Watauga County

What is eligibility for subsidy at federal level?

<u>Federal Program</u>	<u>AMI Served</u>	<u>Affordability Period</u>
National Housing Trust Fund (HTF)	primarily 30% max 50%	30 years (less for ownership)
Home Investment Partnerships Program (HOME)	primarily 60% max 80%	5-20 years (depending on per unit cost)
USDA 504 Home Repair Grant	max 30%	3 years

What is eligibility for subsidy at State level?



Source: NCHFA

How can the Town participate?

- Focus on “low and moderate income” (LMI)
 - 20% set aside for “persons of low income”
 - “Housing project” that includes other than LMI must set aside 20% of units for “exclusive use of persons of low-income”
 - If subsidize multi-family rental, must set aside 20% of units for “exclusive use” of low-income persons for 15 years
- Serves a public purpose:
 - “only when the planning, construction, and financing of decent residential housing is not otherwise available”
 - Because “private enterprise is unable to meet the need”
- No donations to developers
 - Regardless of for-profit or not-for-profit

Source: <https://ced.sog.unc.edu/2022/05/local-government-support-for-private-ownership-affordable-housing/>

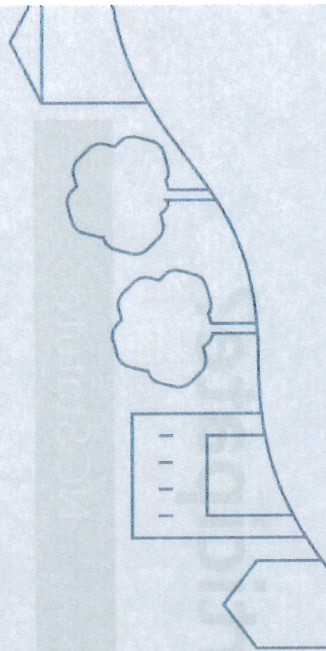
How can the Town of Boone participate?

Activity	NC Statute
Without subsidy: • Acquire property; • Construct affordable housing; • Convey property by private sale directly to LMI persons; • Convey property by private sale to be “developed” into LMI housing.	G.S. 160D-1316
• Lease for affordable housing	G.S. 160A-278
Subsidies for private development*	G.S. 157-3, -9, -9.4
Subsidized conveyances*	G.S. 157-3, 160A-279

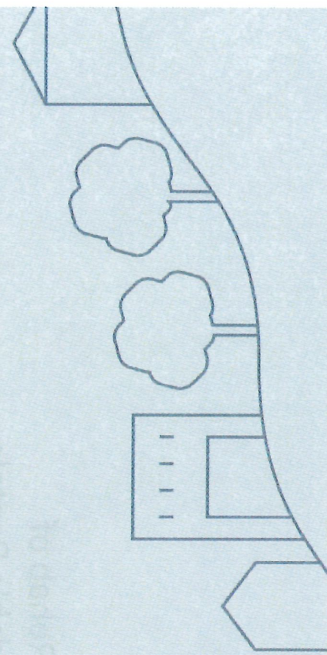
* Offering subsidies typically requires local government to designate itself as a housing authority

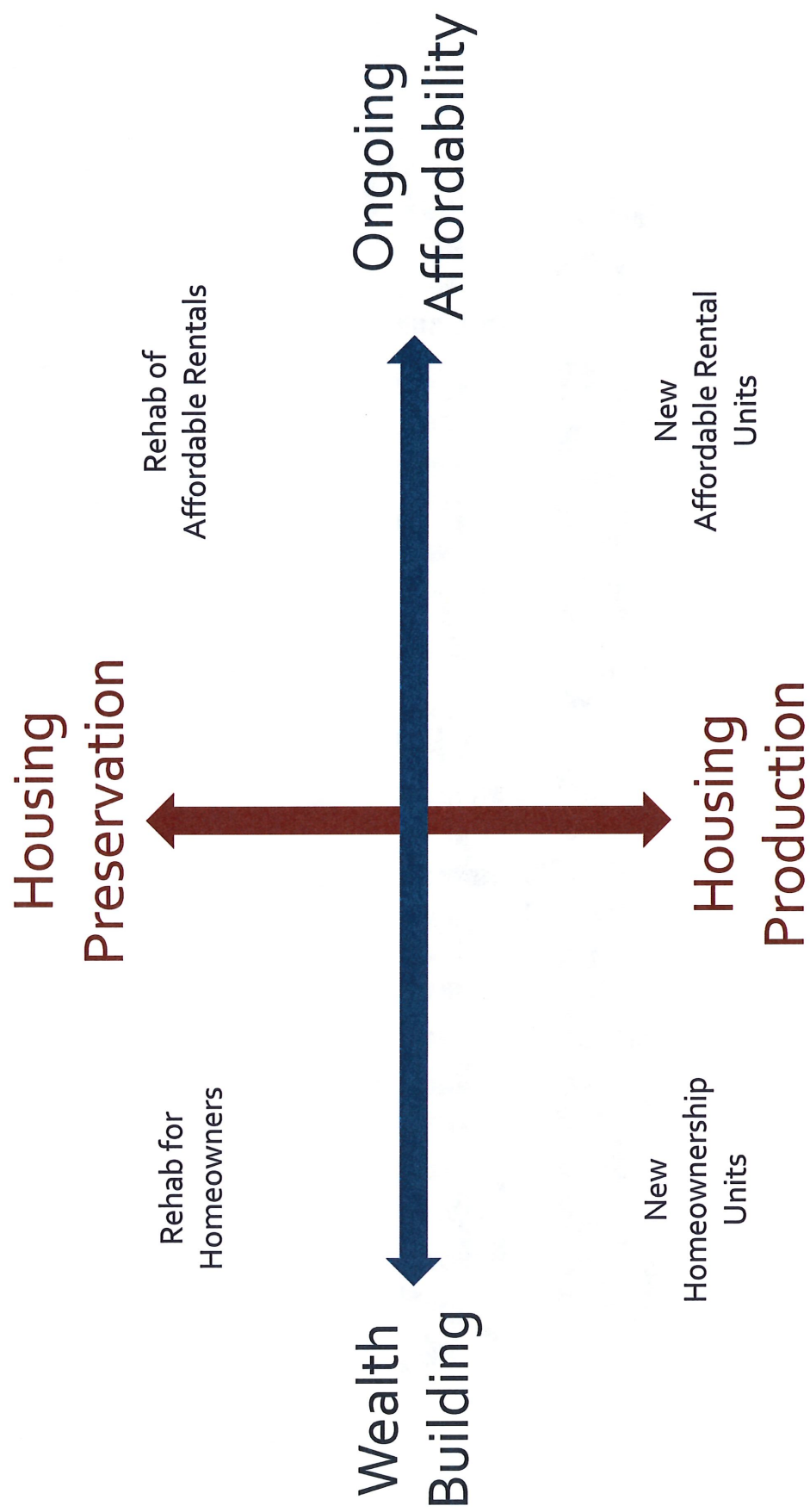
Source: <https://ced.sog.unc.edu/2022/05/local-government-support-for-private-owned-affordable-housing/>

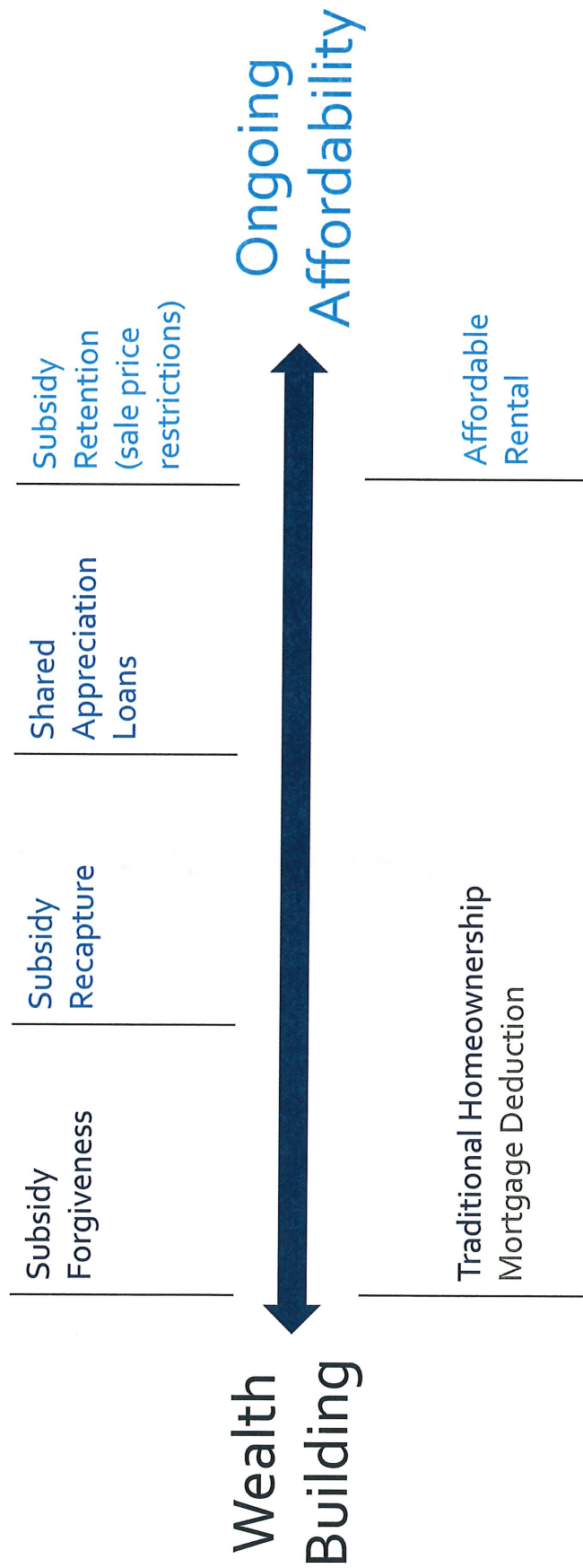
Housing Needs



Strategic Focus of Affordable Housing







Housing
Preservation



Housing
Production

Supporting Preservation

- 
- Older neighborhoods & historic districts
 - Code enforcement
 - Weatherization and energy efficiency
 - Rehabilitation grants and loan programs
 - Acquire expiring LIHTC apartment buildings

Preservation Tools: Carrot and ...

- Carrots for low-income units
 - Weatherization and energy efficiency
 - Rehab and repair programs
 - Foreclosure prevention programs
 - Multifamily acquisition
 - *See NCHFA, NCORR for resources*
- Code enforcement
 - Follow through with repair actions (to preserve unsubsidized stock)
 - Foreclose and bid in priority areas
 - Convey with affordability restrictions (to preserve affordability)



Preservation Tools: Low Demand

- Code enforcement
 - Foreclose and bid in priority areas
 - Convey with restrictions (land bank)
- Low-income owners
 - Weatherization and energy efficiency
 - Rehab and repair programs
 - Foreclosure prevention



Source: Raleigh News & Observer, Photo by Travis Long

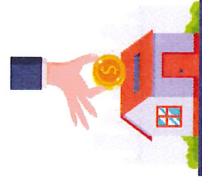
Preservation Tools: High Demand

- Acquire and reconvey
 - Acquire aging multifamily
 - Convey with restrictions (land trust)
- Low-income owners
 - Weatherization and energy efficiency
 - Rehab and repair programs
 - Foreclosure prevention
 - Owner education, wills



Source: Community Home Trust

Supporting Production



Demand

Supply

Public

- Project-Based Vouchers
- Public housing

Public-Private

- Rental subsidy vouchers
- Credit repair
- Down payment assistance

- Low Income Housing Tax Credit (LIHTC)

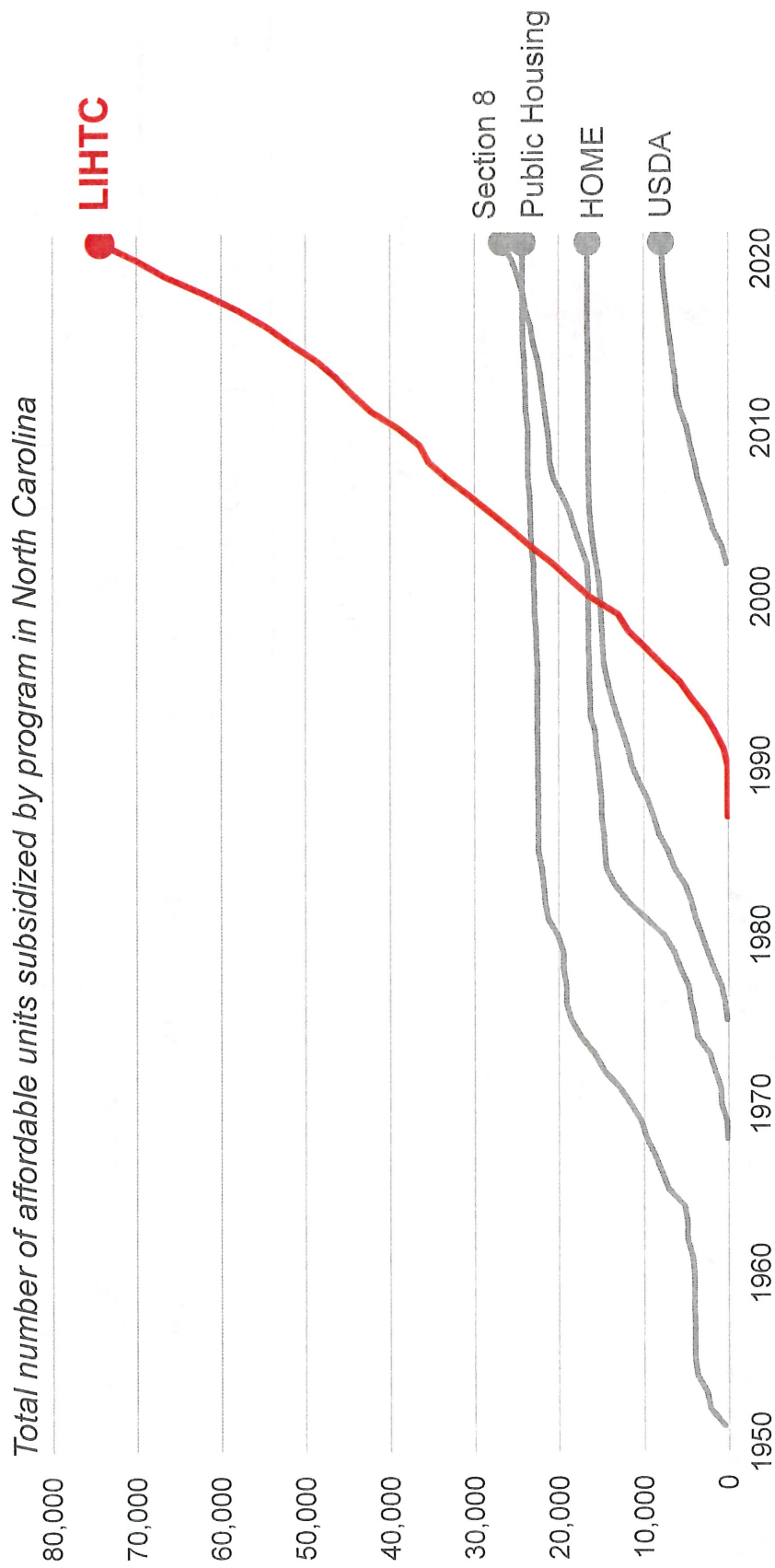
- "Necessary" subsidy for private development of LI Housing
- Removal of barriers to production

Private

- Employer-sponsored homeownership programs

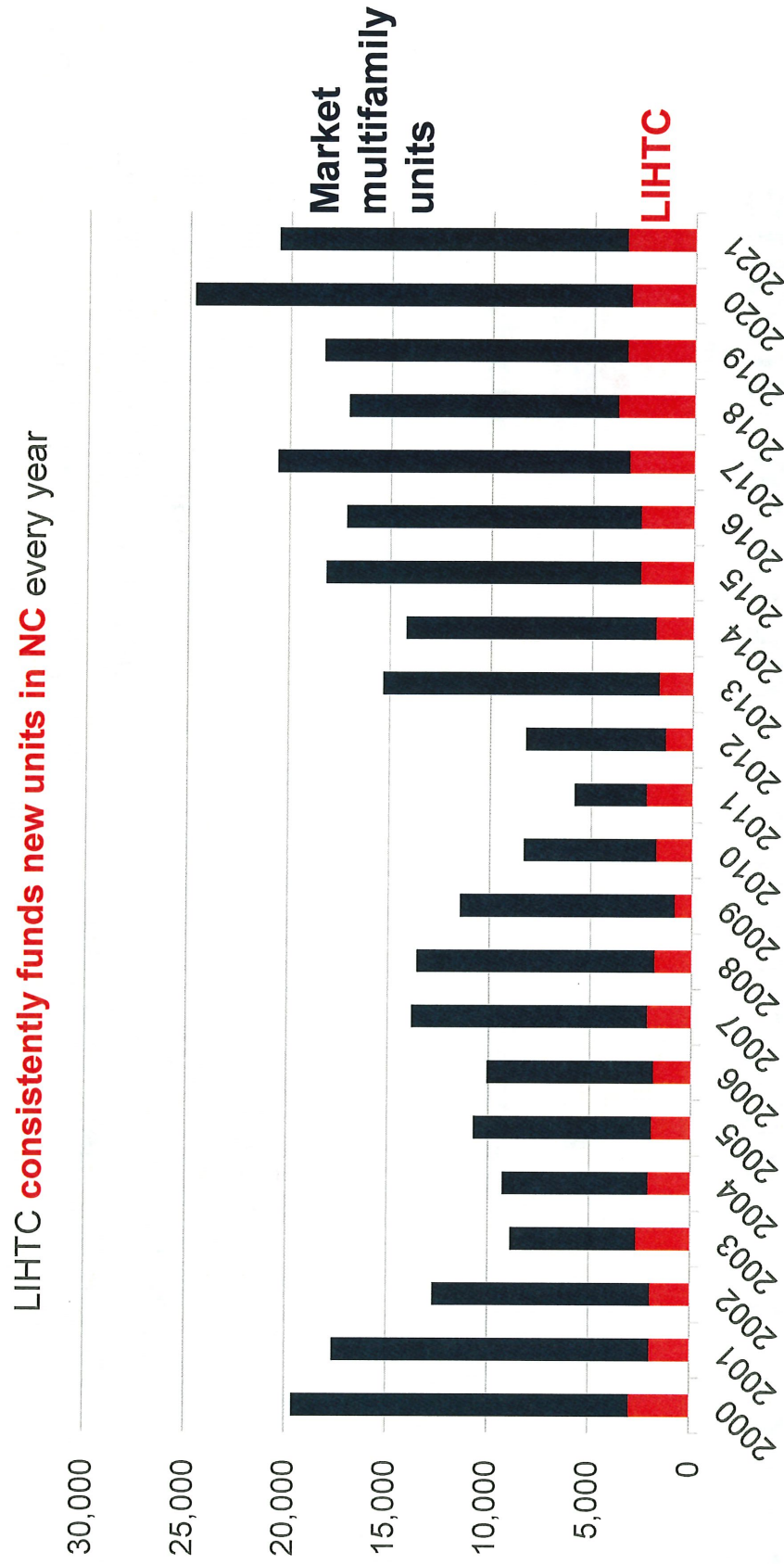
- Non-traditional loans
- "Mill" housing

Why the focus on LIHTC for housing production?



Source: National Housing Preservation Database

Why the focus on LIHTC for housing production?

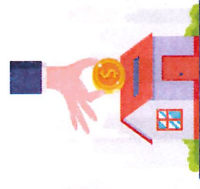


Source: National Housing Preservation Database, CoStar Analytics

Supporting Production as Town of Boone



Demand



Supply

Public

Public-
Private

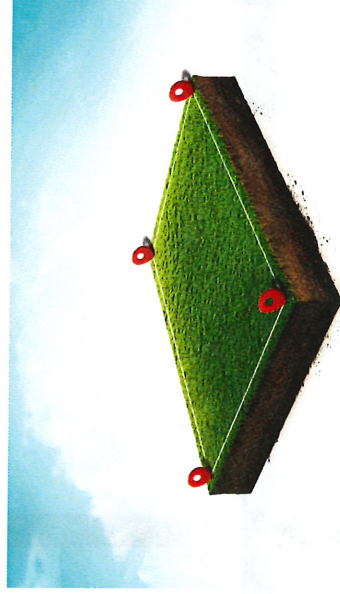
Private

Exclusively Wealth Building Tools

- Credit repair
- Down payment assistance

- "Necessary" subsidy for private development of LI Housing
- Removal of barriers to production

Preview of Workshop Part II



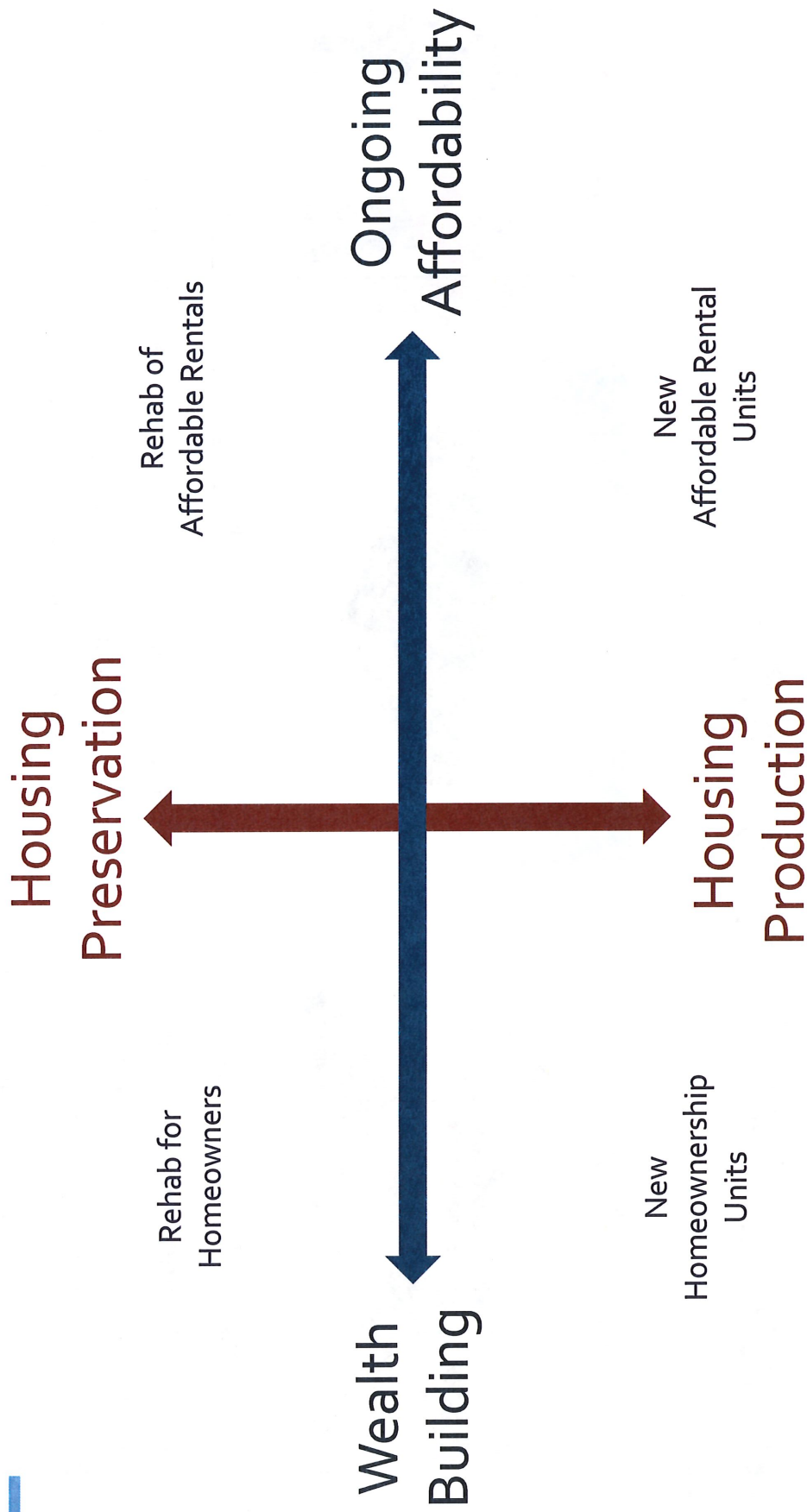
Remove Costly Barriers to Production

- Address Zoning and Regulations
→ Multifamily location, density, height, parking requirements, etc.
- Expedite permitting and approval

"Necessary" Subsidy

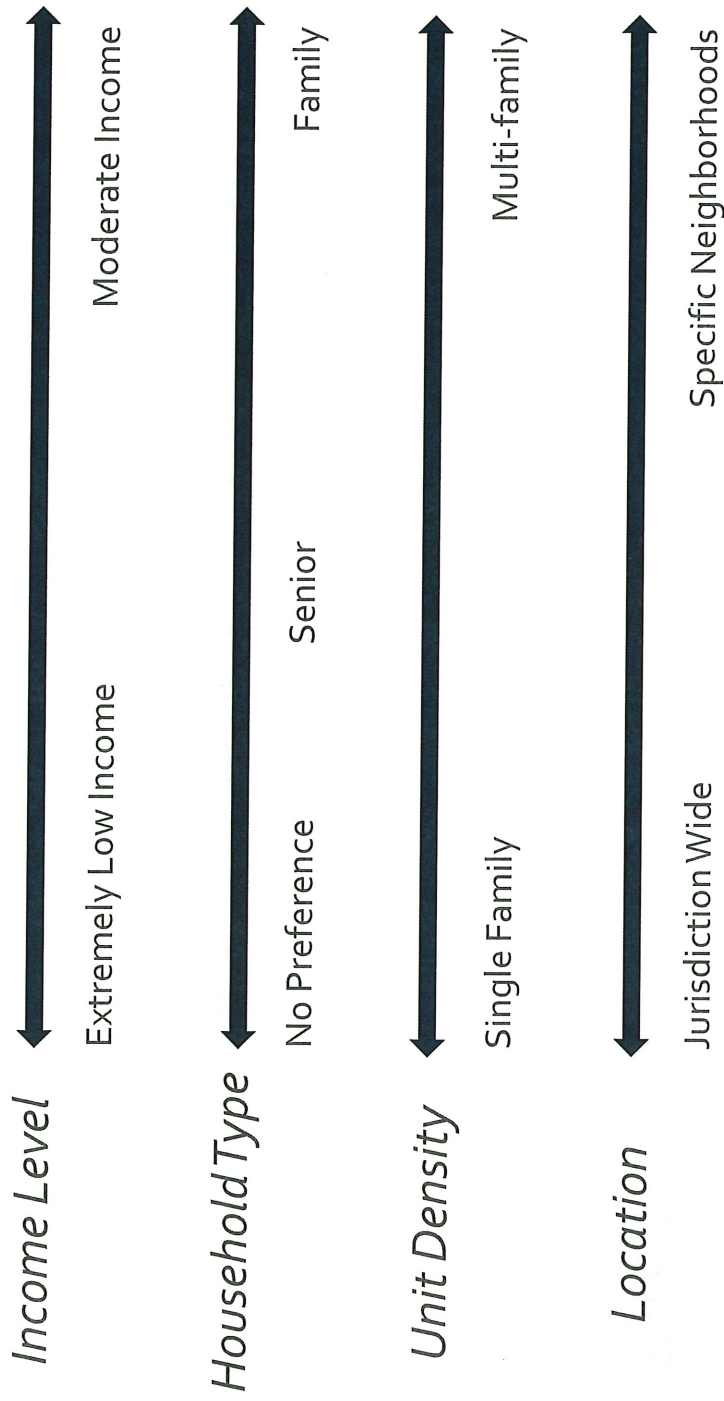
- Reduce Costs
 - Land at below market rate (ground lease or sale)
 - Shared public infrastructure (i.e. parking, roads, etc.)
- Financing
 - Below market loans
 - Grants

Strategic approaches...



require prioritizing needs, locations, scale.

Funding, site suitability, government role, development partners depend on:



Discussion

- What approaches has the Town previously taken?
- What approaches have community groups and private actors taken?
- How would you want the Town to participate this year?
- How would you want the Town in participate in the next five to ten years?

- Please take a moment to complete this anonymous survey: <http://bit.ly/3irABSa>

Next Up

- Tyler Mulligan and Adam Lovelady of the School of Government will be providing additional legal guidance in a digest.
- Day 2 Workshop:
 - Review of publicly-owned land
 - Financing the private production of affordable housing
 - Discussion



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Development Finance Initiative

THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

Town of Boone

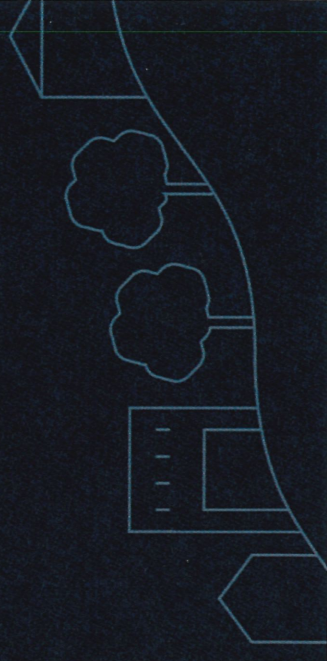
February 20, 2023

Housing Needs Assessment



SCHOOL OF GOVERNMENT

Development Finance Initiative



Summary

- Watauga County and Town of Boone rental markets are uniquely challenging (tourism- and university-related pressures) for LMI households.
- At least **900 LMI renters** and **60 LMI owners** need housing assistance.
 - Not including approx. 8,000 employees making less than \$40,000 and commuting from out of town.
- To afford the average home in Boone, a household needs an annual income of **\$145,000, about double from two years ago.**
- While housing quality is not as poor as more rural counties, growing enrollment and limited new supply **drove up rents by 15% since 2021.**
- There are nearly twice as many extremely low-income renters than there are affordable units in Boone and **rental vacancy rates are below 1%.**
- Competition for affordable units is largely driven by students rather than higher income non-student renters. **At least half of units** affordable to LMI renters are likely **occupied by students.**

Boone's demographics are heavily influenced by App State students



Only 1 in 20 Boone residents are over 65 years old compared to over 1 in 5 Watauga County residents (outside of Boone)

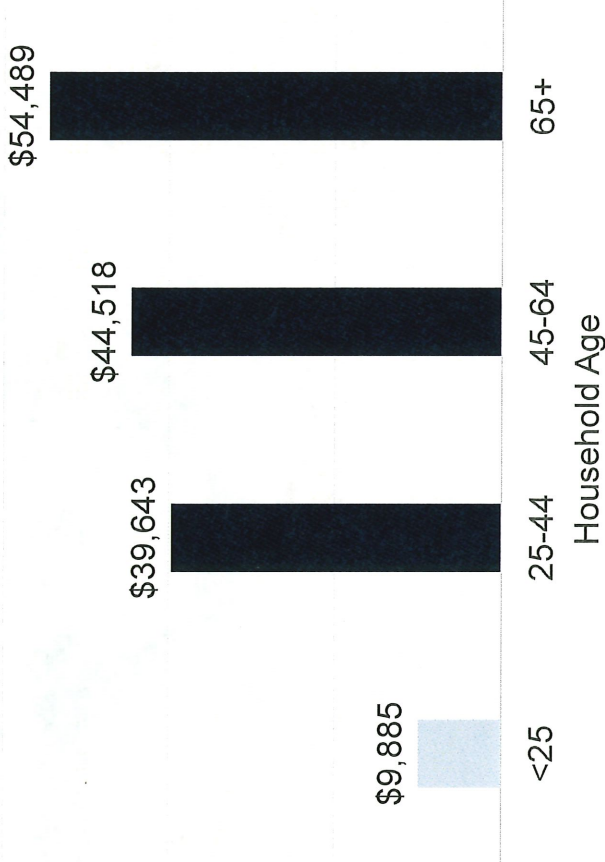


The homeownership in Boone is 23%, compared to 75% in Watauga County (excluding Boone)



Boone's median household income is \$25,000, roughly half of the county. But **older households** have comparable incomes to the county.

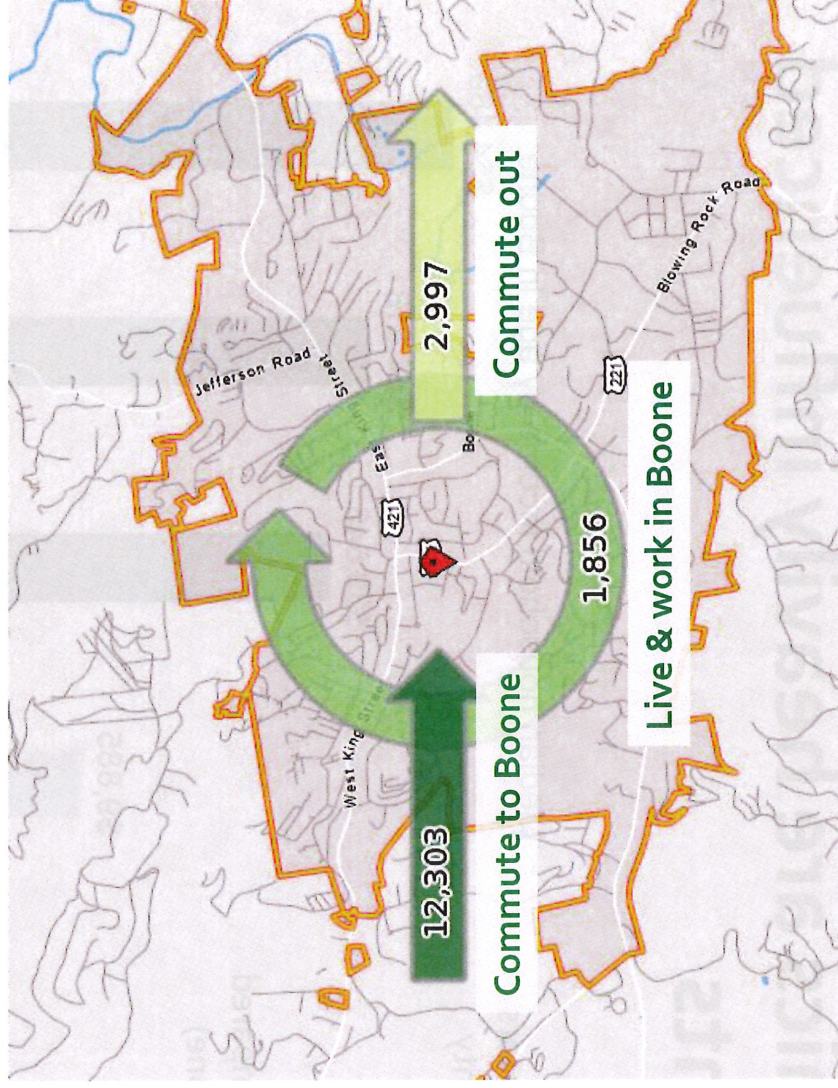
Median household income by age in Boone



Source: ACS 2021 (5-year estimates)

Boone is the biggest employment center in the county

- 65% of all employees in Watauga County work in Boone
- 86% of people employed in Boone (~12,000) commute from out of town
- 87% of local employees making less than \$40,000 a year commute from out of town
- 1 in 4 workers travel more than 50 miles to work in town
 - About 7 percentage points higher than the state average



Source: Census LEHD 2019

App State supports a wide range of industries besides educational services

Top 10 Industries in Boone	Employees	% of local employment
Educational Services	3,730	26%
Accommodation and Food Services	2,533	18%
Health Care and Social Assistance	2,437	17%
Retail Trade	2,172	15%
Public Administration	588	4%

Occupations sustained by App State rarely have enough income to cover living expenses and housing costs

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Cooks employed by **Appalachian State dining services** make around \$35,000 a year.

If you’re a single household, you need about **\$31,000 a year to cover non-housing related expenses** such as food, transportation, and healthcare.

Leaving about \$300 a month to spend on housing.

Source: EPI Family Budget Calculator & Census LEHD (2019)

Occupations sustained by App State rarely have enough income to cover living expenses and housing costs

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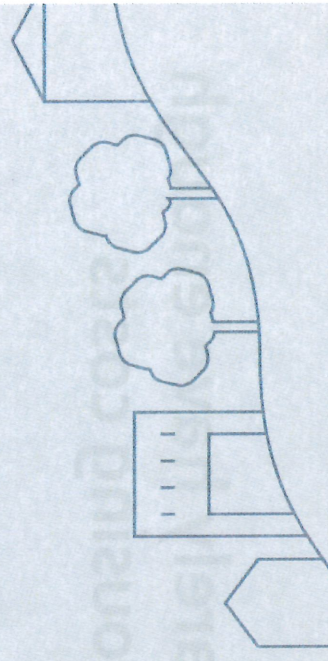
Nurses at Appalachian Medical Center make around \$50,000 a year.

If you're a single-parent household, you need about **\$45,000 a year to cover non-housing related expenses** such as childcare, food, transportation, and healthcare.

Leaving about \$415 a month to spend on housing.

Source: EPI Family Budget Calculator & Census LEHD (2019)

Low-Income Households in Boone



Area Median Income

The average rent for a One Bedroom unit is \$900, and \$1,300 for a two bedroom.

Income limits (annual)

AMI	One Person	Two Person	Three Person	Four Person
30%	\$16,770	\$19,170	\$21,570	\$23,940
50%	\$27,950	\$31,950	\$35,950	\$39,900
60%	\$33,540	\$38,340	\$43,140	\$47,880
80%	\$44,720	\$51,120	\$57,520	\$63,840

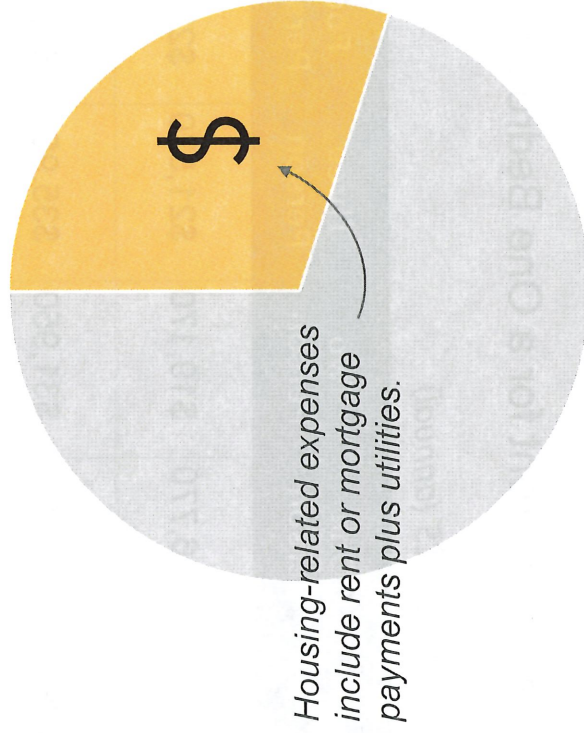
Max housing costs (per month)

AMI	Efficiency	One bedroom	Two bedroom	Three bedroom
30%	\$419	\$449	\$539	\$622
50%	\$698	\$748	\$898	\$1,037
60%	\$838	\$898	\$1,078	\$1,245
80%	\$1,118	\$1,198	\$1,438	\$1,660

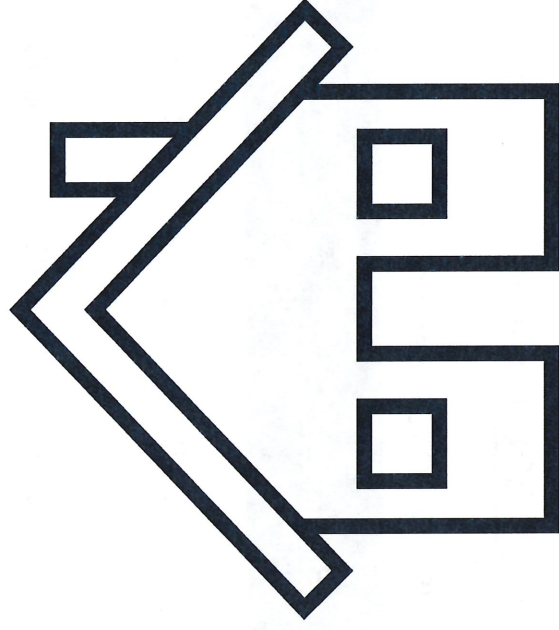
Source: HUD 2022

Housing need is both **cost** and **quality**

Housing-related expenses are **more than 30% of a household's income.**

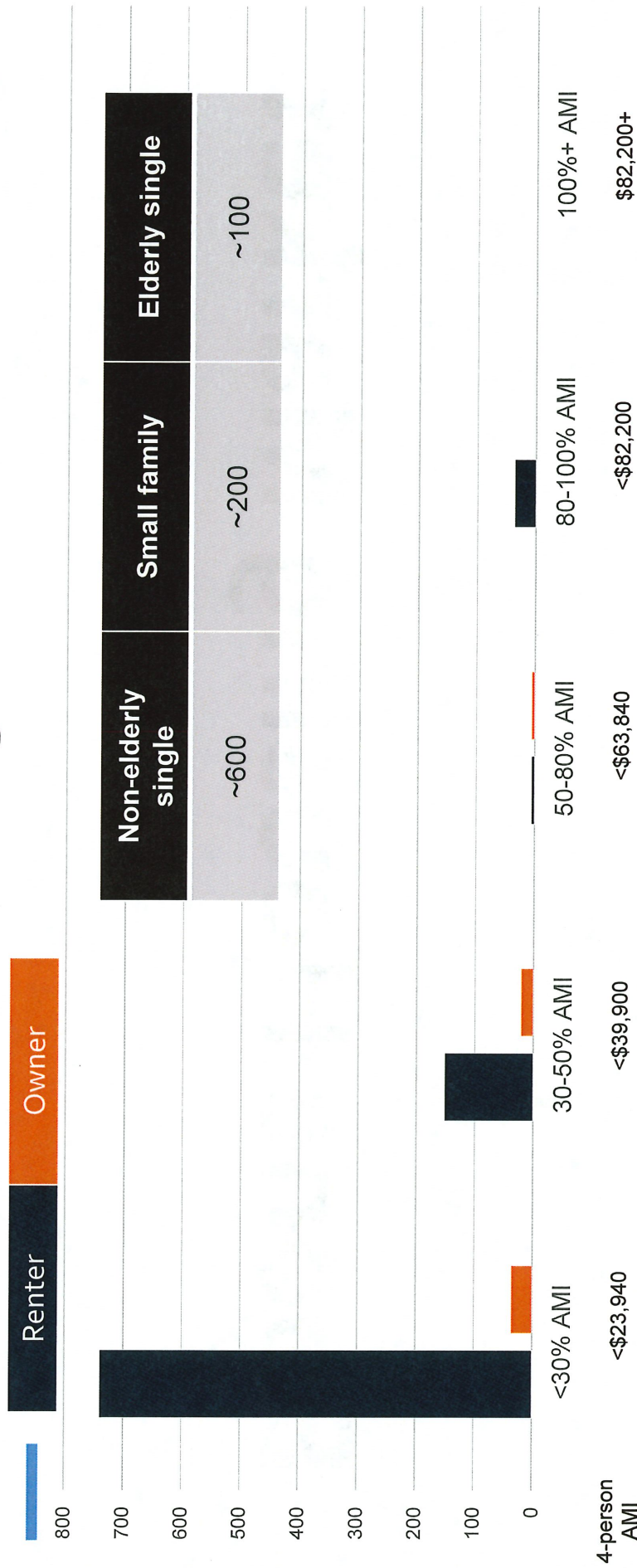


Households may have housing-needs if they live in **poor quality** or **overcrowded** housing.



Housing need could be addressed by building new units or by providing other housing resources.

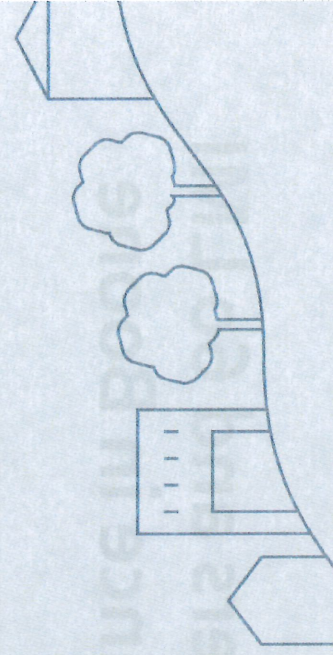
At least 900 non-student LMI renters and 60 LMI homeowners need housing assistance in Boone



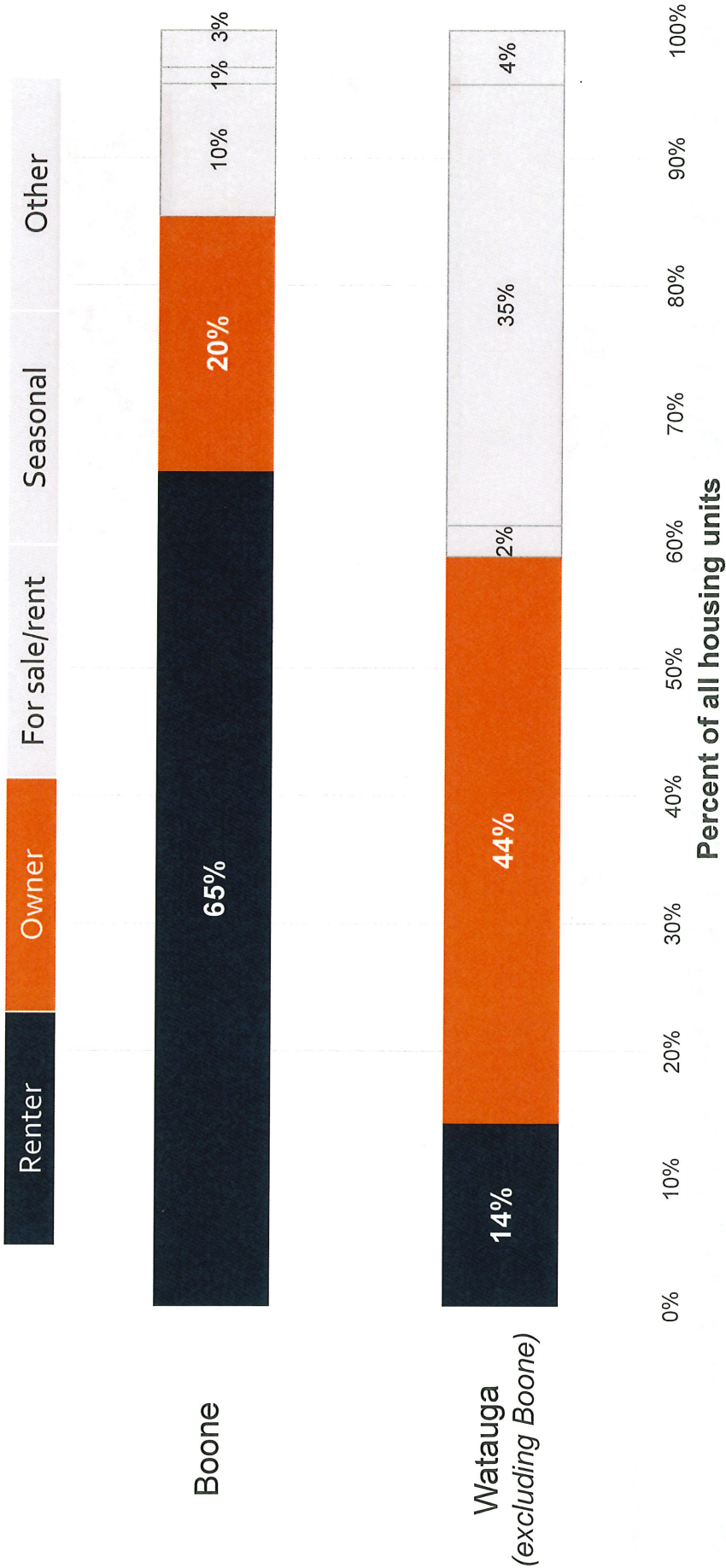
Households with need are defined as households with 1 of 4 severe housing problems as defined by HUD: Spending over half of household income on housing-related costs, living in units without complete kitchen or bath facilities, or living with more than 1.5 people per bedroom.

Source: HUD CHAS & ACS Microdata (2019)

Boone Housing Market

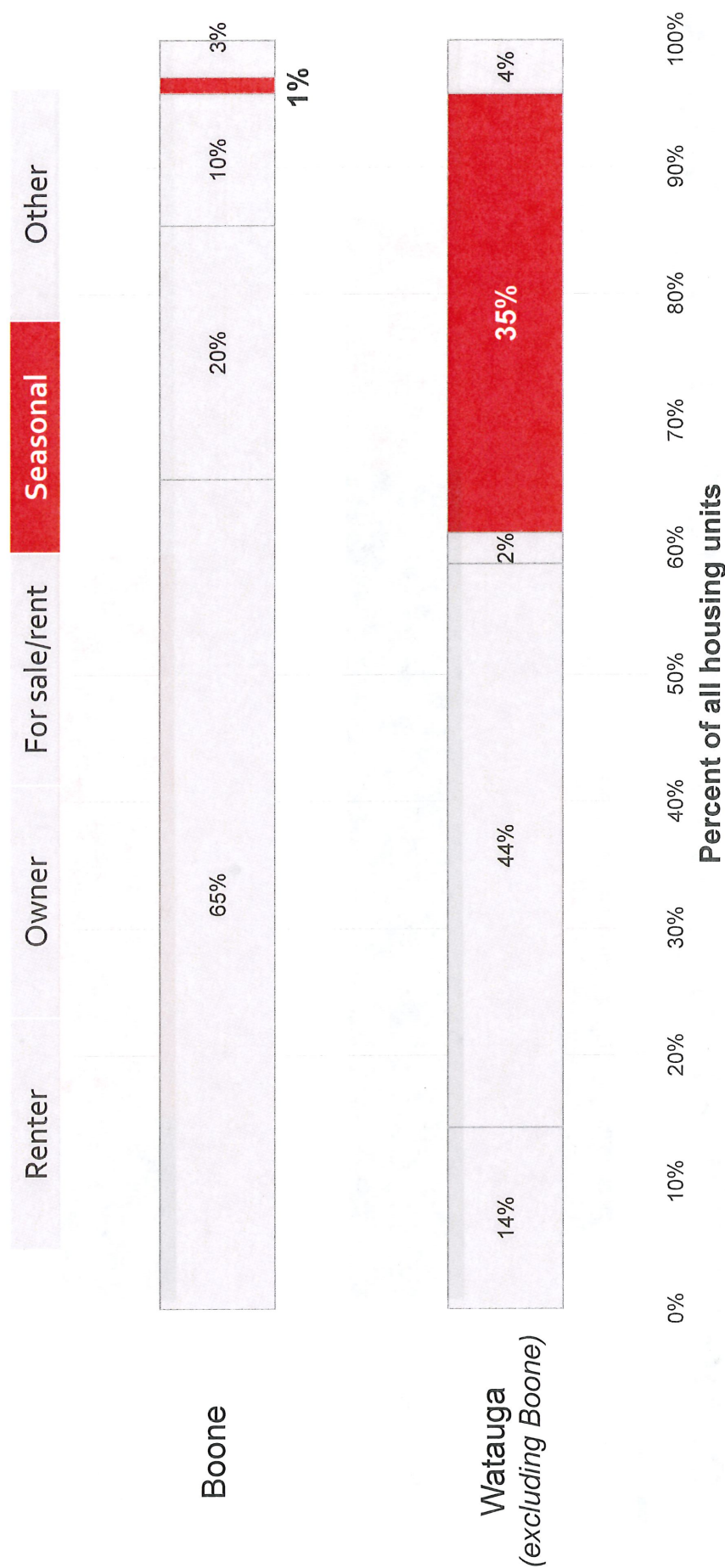


Boone and Watauga have unique housing supplies



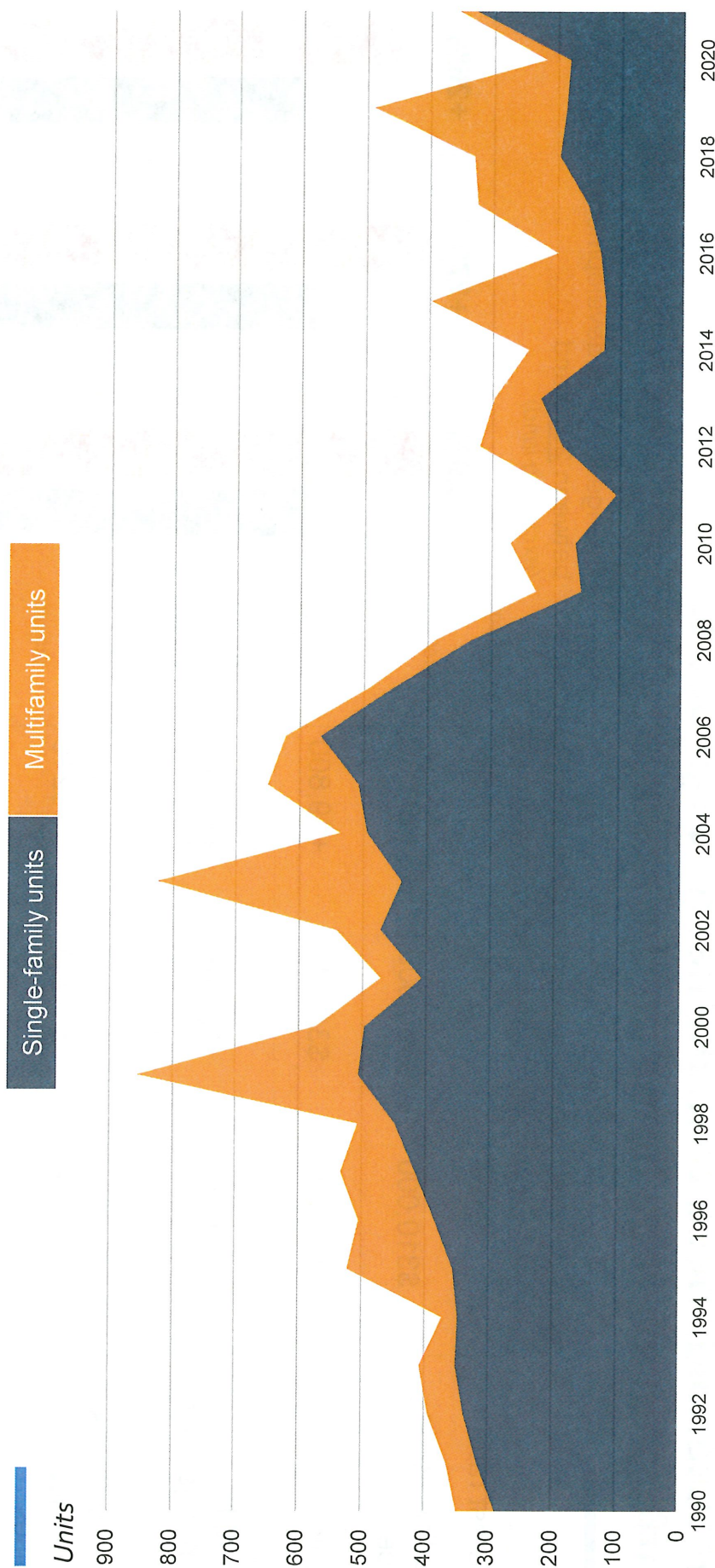
Source: ACS 2021 (5-year estimates)

Boone and Watauga have unique housing supplies



Source: ACS 2021 (5-year estimates)

New residential development countywide has not returned to levels prior to the great recession

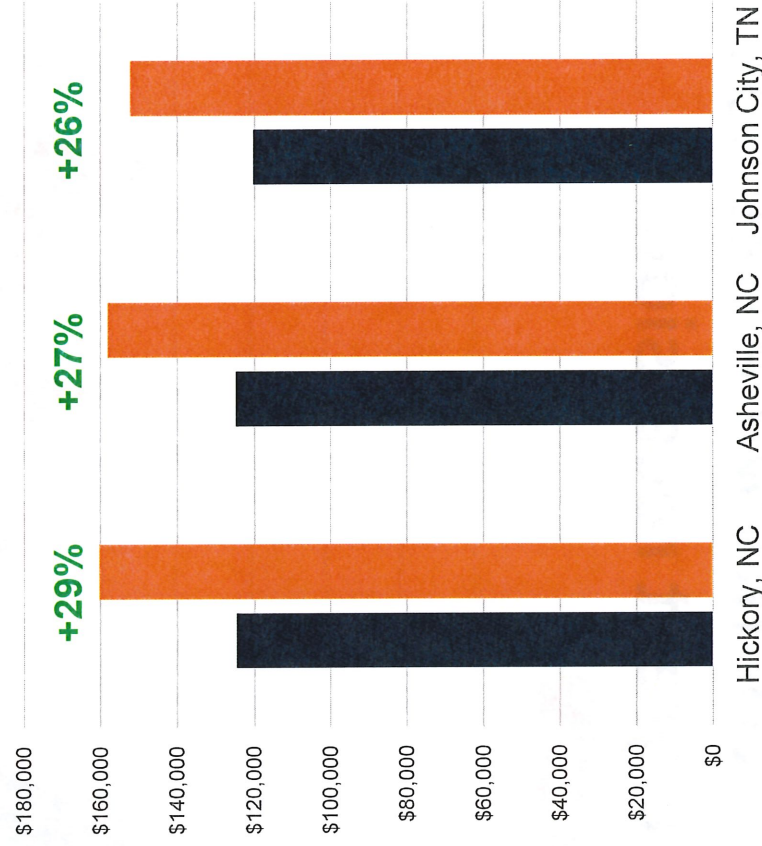


Source: Census Building Permit Survey

Households need to make nearly \$150,000 to afford an average home on the market

	Jan 2021	Jan 2023	Change
Interest rate	2.6%	6.5%	+3.9%
Median home price	\$310,000	\$450,000	+\$140,000
Down payment	\$21,700	\$31,500	+\$9,800
Monthly mortgage costs	\$1,185	\$2,645	+\$1,460
Monthly taxes, insurance, utilities	\$784	\$1,000	+\$216
Annual income needed	\$77,500	\$147,000	+\$69,500

Change in home development costs between **2019** and **2023** (excluding land)



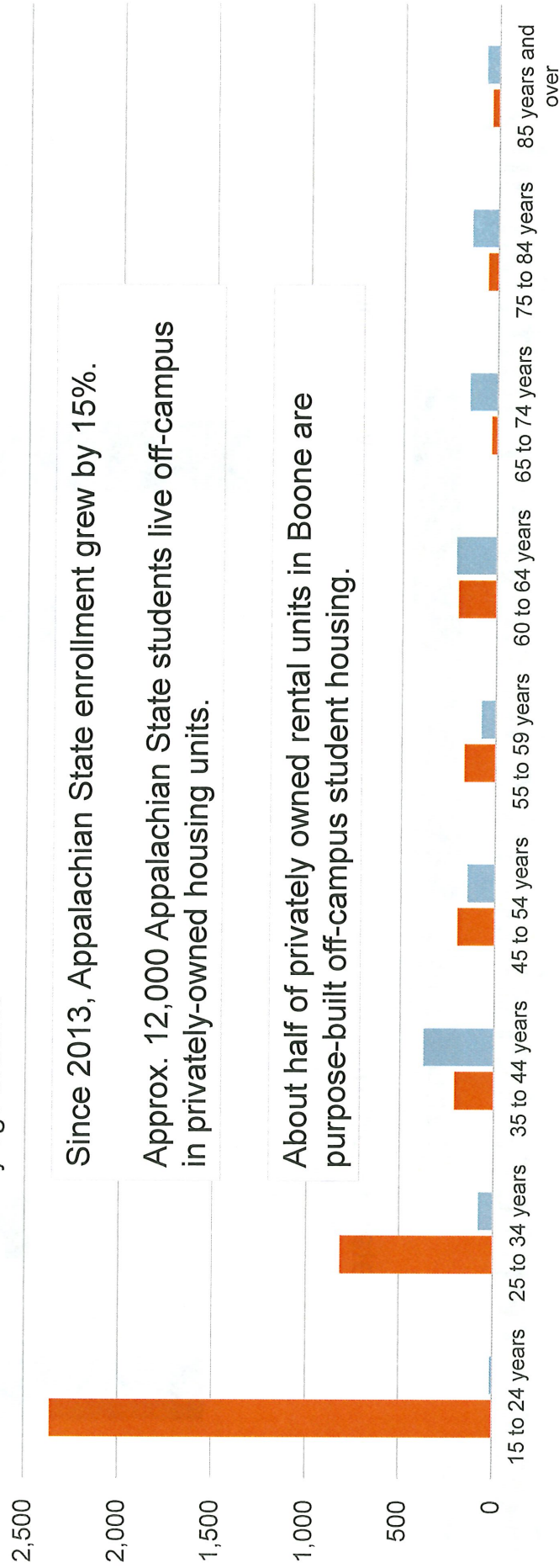
* Assumes 30-year fixed rate, 7% down payment with no PMI, credit score >710, maximum 31% housing costs to income

Source: Zillow, St. Louis FRED, RS Means, and DFI analysis of JCHS methodology

Housing market in Boone is dominated by younger renters

Owner households Renter households

Households in Boone by age bracket



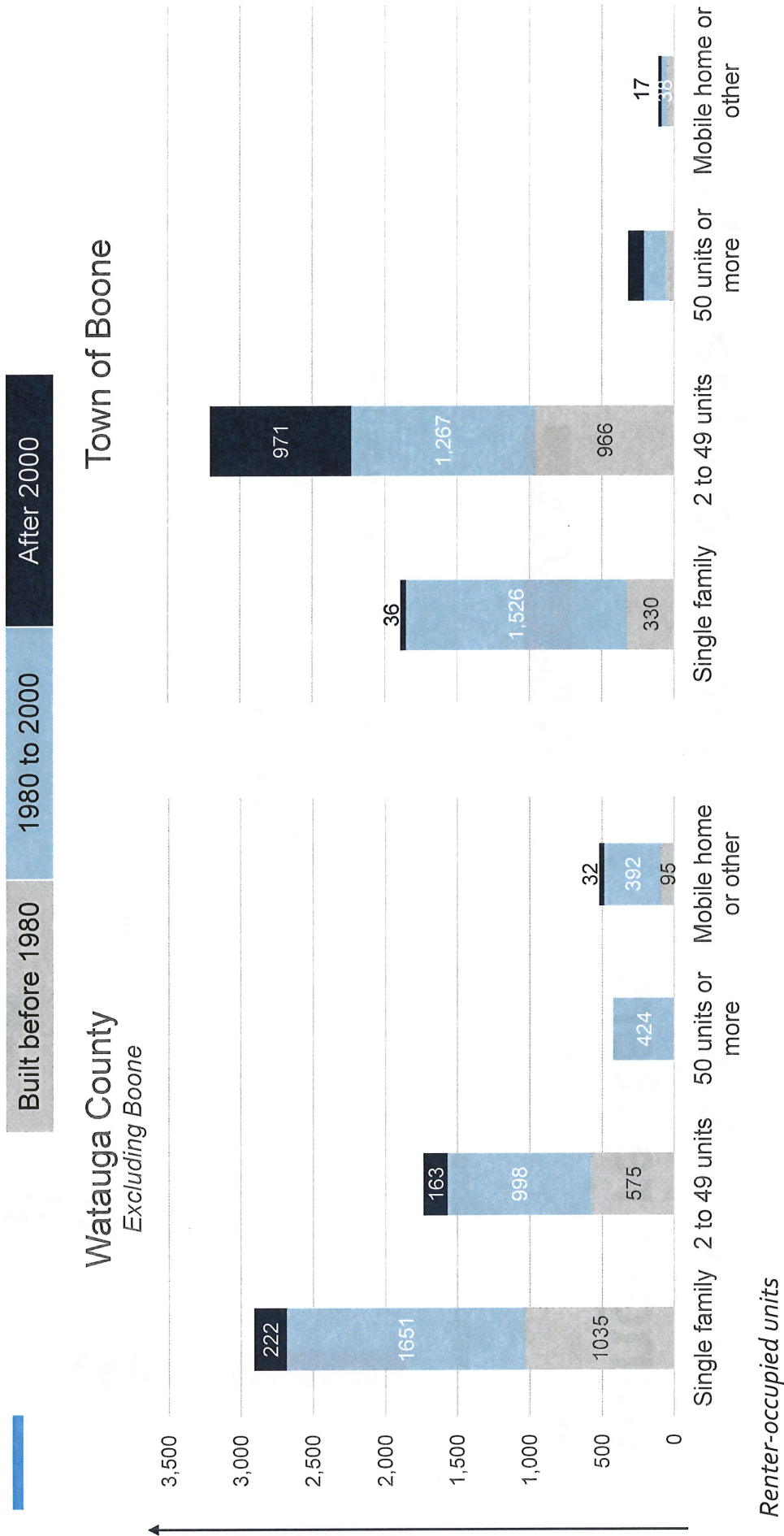
Since 2013, Appalachian State enrollment grew by 15%.

Approx. 12,000 Appalachian State students live off-campus in privately-owned housing units.

About half of privately owned rental units in Boone are purpose-built off-campus student housing.

Source: ACS 2021 (5-year estimates), Appalachian State University, the University of North Carolina System, and Bowen National Research

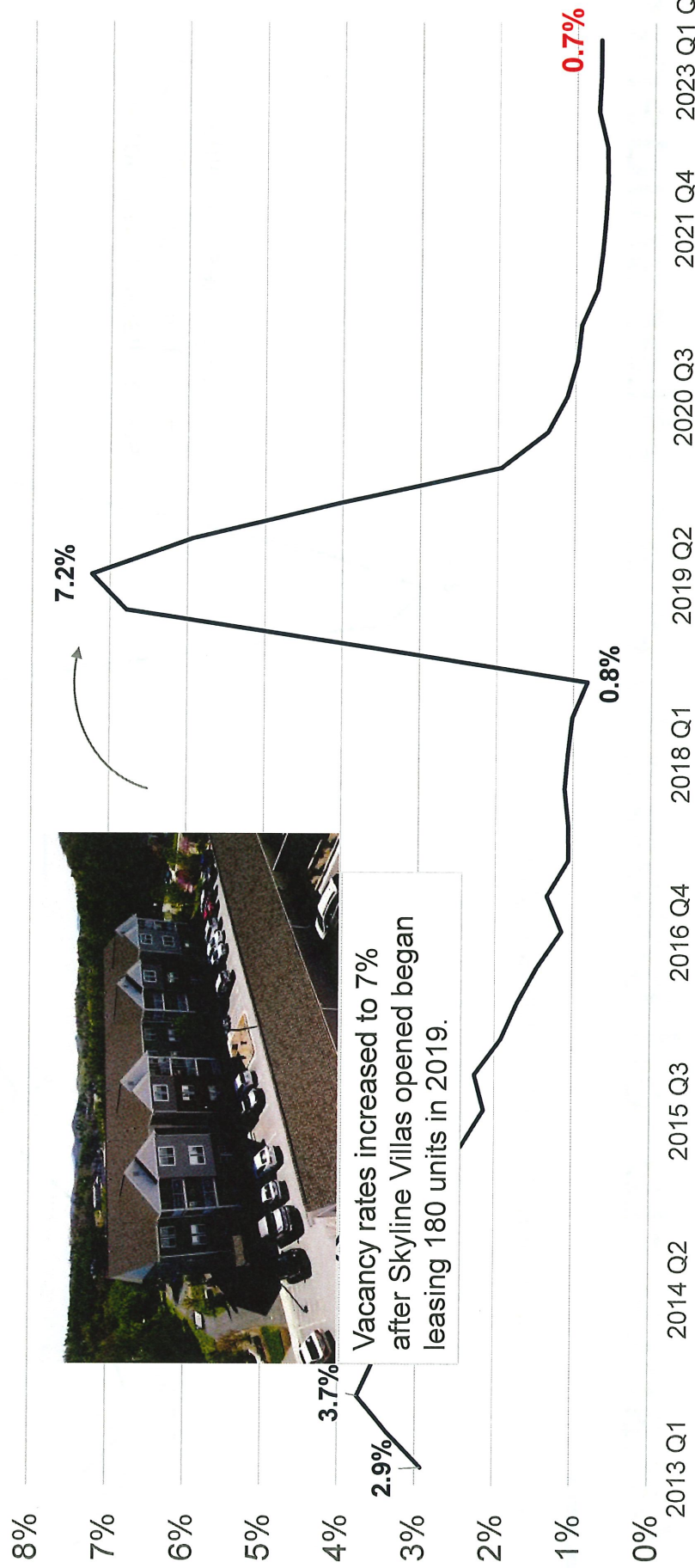
Boone renters tend to live in newer multifamily



Renter-occupied units

Vacancy rates remain below 1%

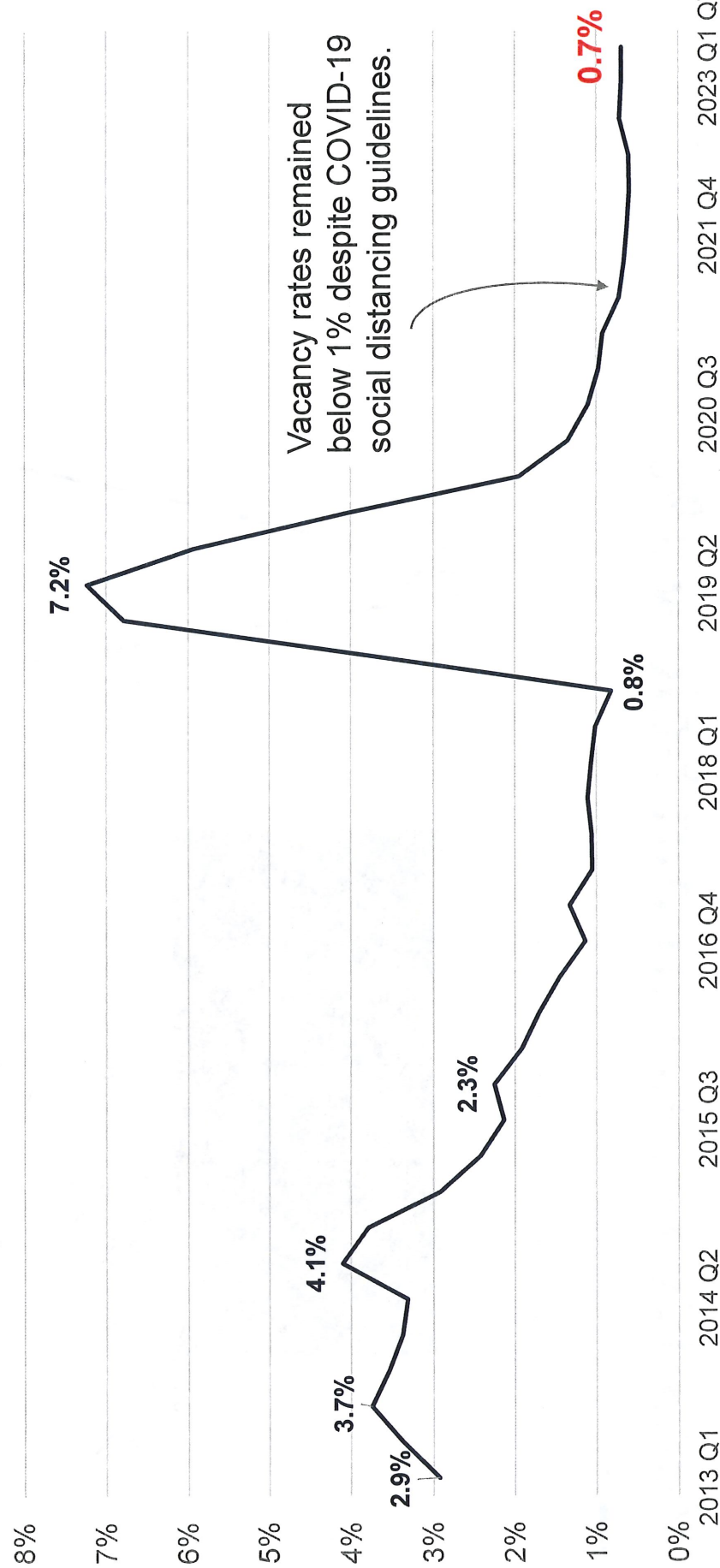
Estimated vacancy rate among multifamily units



Source: CoStar. Photo source: Skyline Villas.

Vacancy stayed below 1% even after students

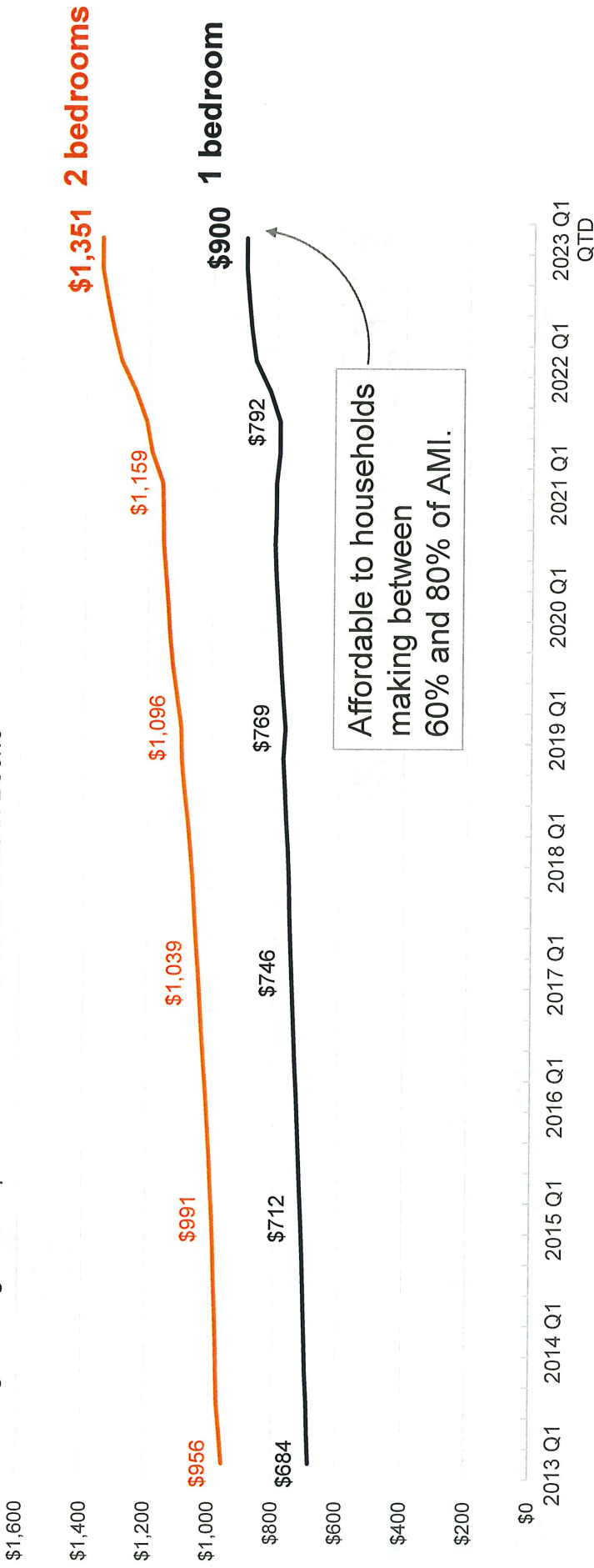
Estimated vacancy rate among multifamily units



Source: CoStar

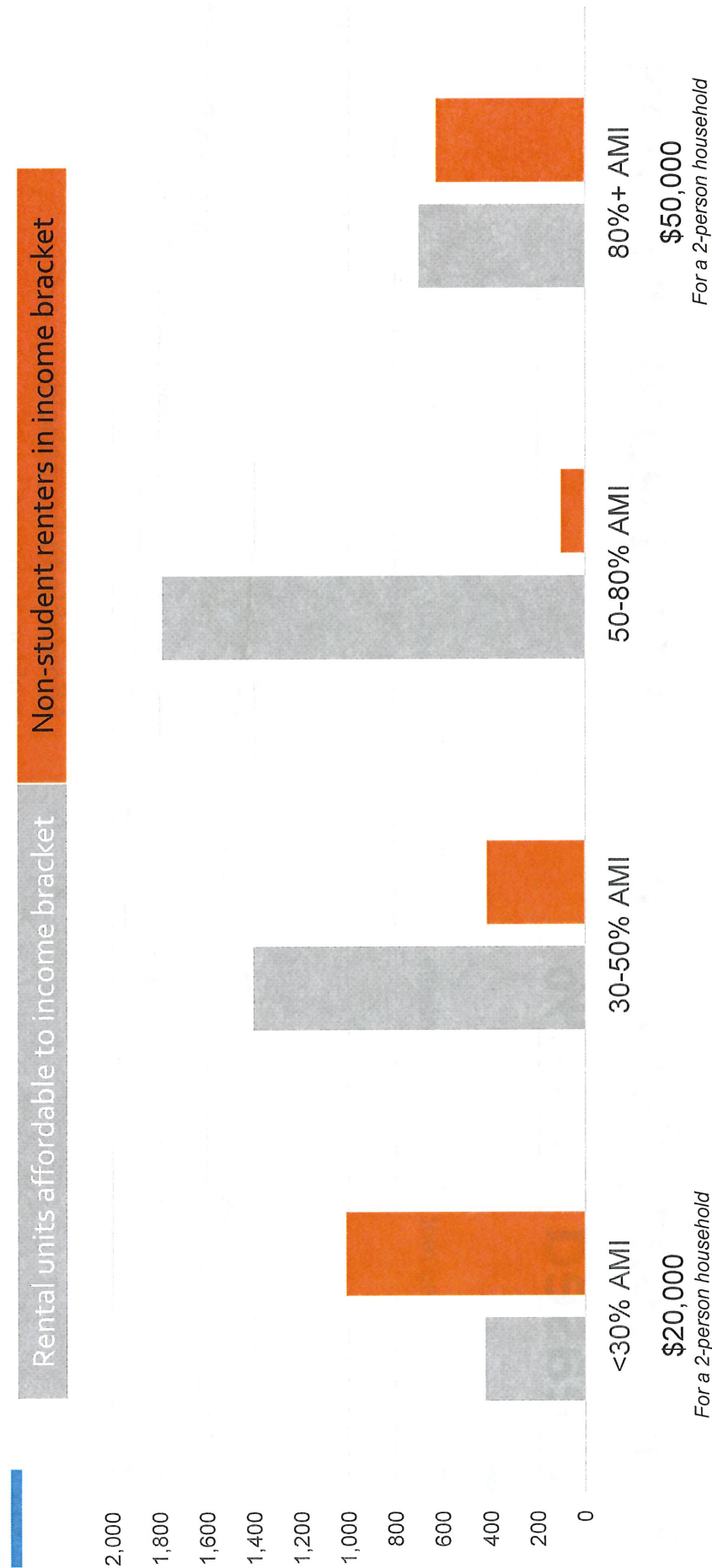
Since 2021, rents for 1- and 2-bedroom units increased by 15%

Average asking rent for private market-rate rental units in Boone

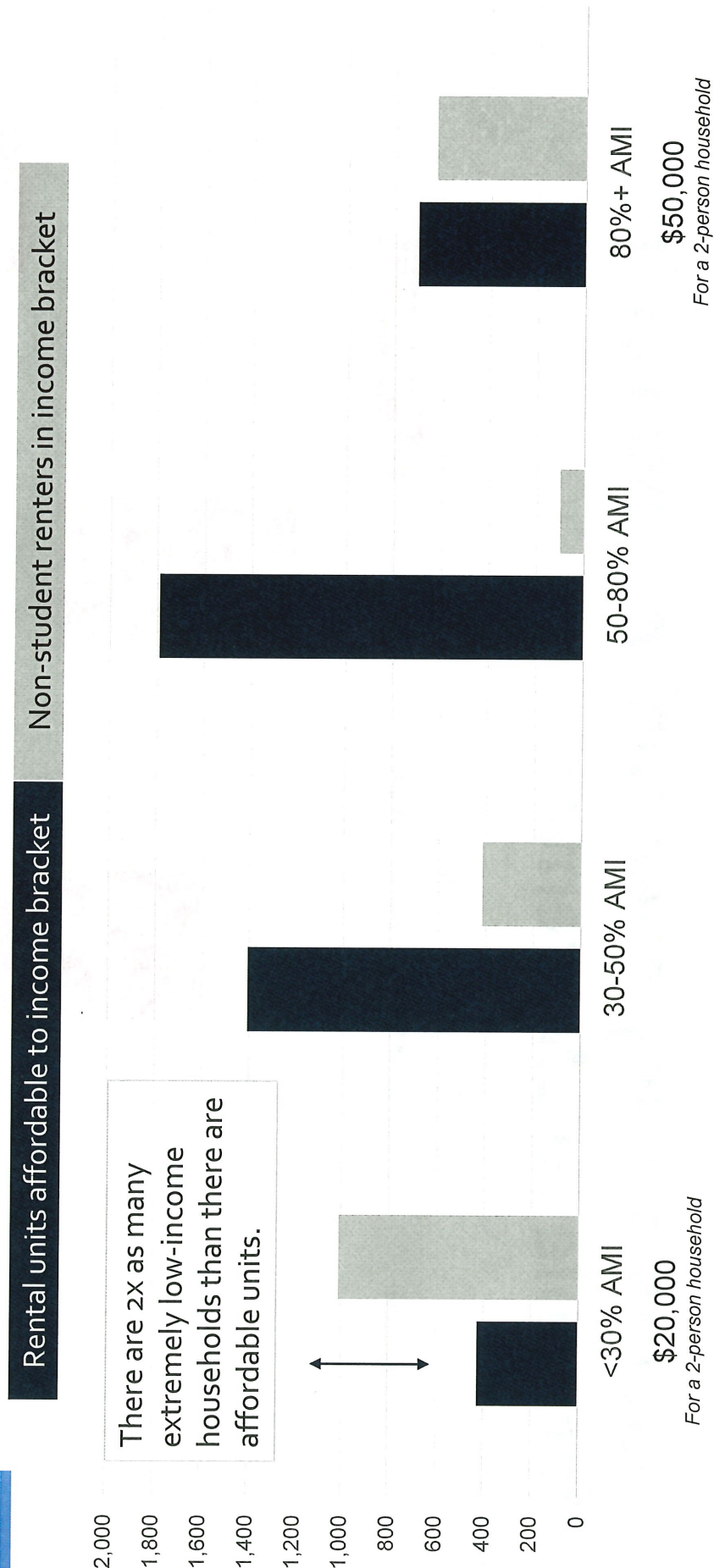


Source: CoStar & DFI survey of rental properties

Renters are concentrated in the highest and lowest income brackets



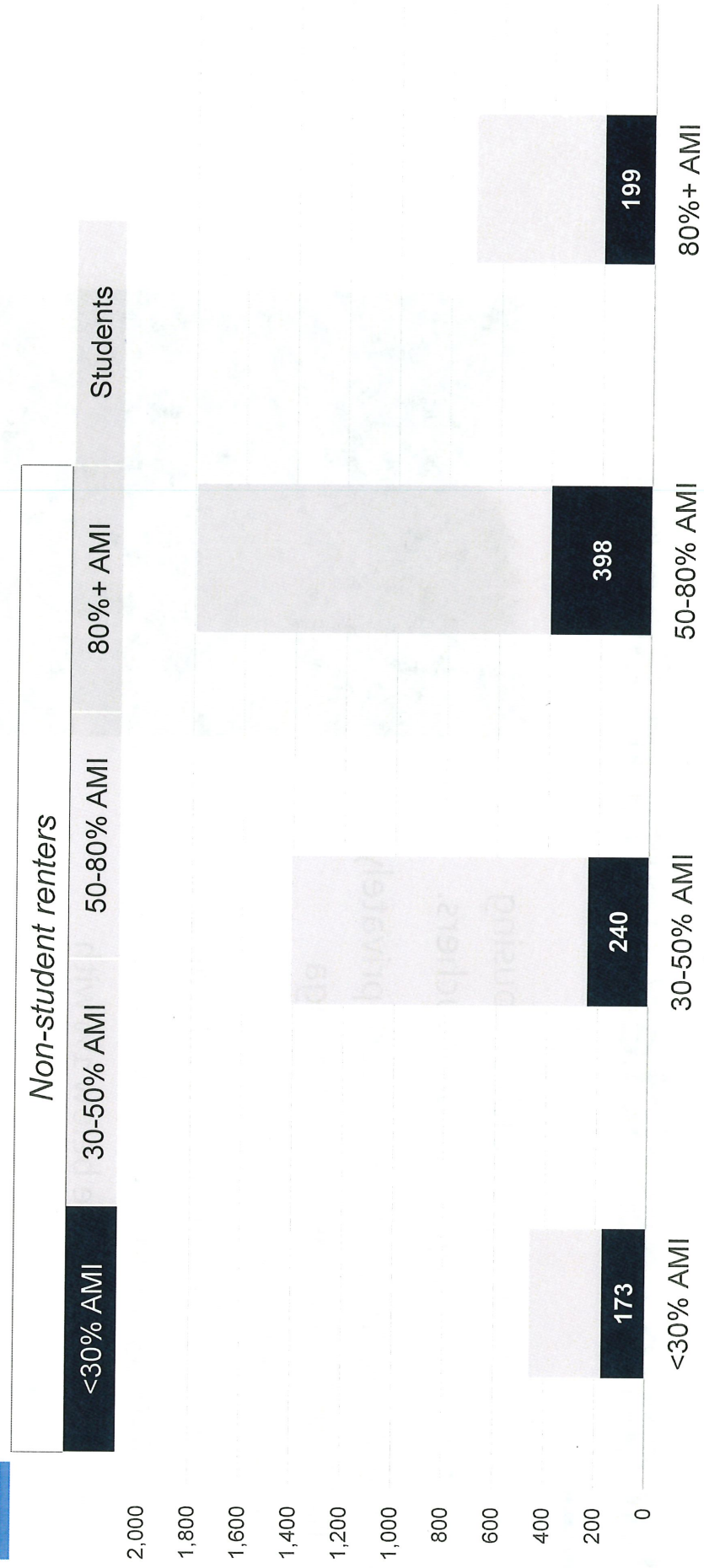
The market is largely affordable to renters making between 50% and 80% AMI



Students occupy over half of rental units affordable to LMI renters



83% of extremely low-income renters live in unaffordable units



Income restricted units in Boone

- No public housing. Regional housing authority manages ~2,000 vouchers.
- Of the 260 income-restricted, privately held affordable units in Watauga County, 95% are in Boone
 - 65% were built between 1980 and 2000, 35% percent built since 2000
 - Vacancy rates are below 1% with waiting lists.
- None of these units have subsidies expiring in the next 5 years



White Laurel development in Boone. 42 units of income-restricted rental housing developed in late 1990s by Northwestern Regional Housing Authority and other partners.

Summary

- Watauga County and Town of Boone rental markets are uniquely challenging (tourism- and university-related pressures) for LMI households.
- At least **900 LMI renters** and **60 LMI owners** need housing assistance.
 - Not including approx. 8,000 employees making less than \$40,000 and commuting from out of town.
- To afford the average home in Boone, a household needs an annual income of \$145,000, **about double from two years ago**.
- While housing quality is not as poor as more rural counties, growing enrollment and limited new supply **drove up rents by 15% since 2021**.
- There are nearly twice as many extremely low-income renters than there are affordable units in Boone and **rental vacancy rates are below 1%**.
- Competition for affordable units is largely driven by students rather than higher income non-student renters. **At least half of units** affordable to LMI renters are likely **occupied by students**.

Talking to community members about housing

- Data and maps are an important first look but have limits:
 - They often don't reflect the most current conditions (COVID)
 - They show location and ownership but not *who* occupies rental units
- Why hold conversations as part of a housing needs assessment?
 - Root the data in community history and experience
 - Better understand how community members experience the housing market
 - Identify capacity and opportunities for future work
 - Community oriented developers, non-profits/CDCs, land, etc

Talking to community members about housing

- How does the data support what you already know?
- What's missing?
- How might a resident in one neighborhood or area talk about their experiences differently from another?



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