MINUTES

CITY COUNCIL HOUSING COMMITTEE

Tuesday, June 11, 2024 – 3:45 PM
City Hall Council Chambers

Members Present:	Pamela Holder, Chair, City Council Member Aaron Baker, City Council Member Victor Foster, Citizen Member Mayor Maureen Copelof, Ex-Officio
Staff Present:	Dean Luebbe, Assistant City Manager/Finance Director Paul Ray, Planning Director Alex Shepherd, Assistant to the City Manager Emily Brewer, Planner Becky McCann, Communications Coordinator Stephanie Holland, Planning Staff

A. Welcome and Call to Order

Aaron Baker welcomed everyone and called the meeting to order at 3:45 PM.

B. Certification of Quorum

Quorum was certified by Assistant to the City Manager Alex Shepherd.

C. Approval of Agenda

Motion by Mr. Foster, seconded by Mr. Baker to approve the agenda as presented. The motion carried unanimously.

D. Approval of Minutes

Motion by Mr. Baker, seconded by Mr. Foster to approve the minutes of the April 9, 2024 meeting as presented. The motion carried unanimously.

E. Update on BDRPC Negotiation

Mr. Ray said we heard that the vote went well; the vote was 76-27 in favor of the agreement. He said we will be signing the lease any day now, then moving on to the geo-technical phase. Ms. Brewer added that an estimated high-level timeline would be to conduct the geo-technical and architectural review over the summer. Then, in the fall, we will review the findings and proceed with community engagement. We hope to have all of

that information completed by the end of the year so we can move to developer solicitation by early next year.

Mayor Copelof said there was a lot of interest at "Meet the Mayor" today from people who live nearby, asking when we would have the community engagement and if there would be engagement specifically for adjacent property owners. They are already raising that issue.

Ms. Brewer said it's certainly still in the works, but we will have engagement sessions. Per our ordinances, we will have to send out notices to adjacent and nearby property owners for re-zoning. The property is currently split zoned; the front of the property is residential mixed-use, and the back is GR-8. Re-zoning will go to the Planning Board first, and then to City Council for public hearing.

F. Model Deed Restrictions Options

Ms. Brewer shared a presentation that discussed the shared-equity homeownership model. Shared-equity homeownership is a deed-restricted homeownership program that is self-sustaining for low-income families. A one-time investment is made to make the home affordable, whether it be a City investment or from a non-profit. This could be in the form of down payment assistance or a repair program, making the home affordable to purchase by a working family with modest means. The home would then remain affordable after the family purchases it. The deed restriction states that they agree to limit the proceeds when they sell to another family, allowing them to purchase an affordable home. Some benefits of this model include affordable homeownership opportunities for multiple generations, a greater likelihood of attaining and sustaining homeownership, and around 6 out of 10 families use the equity from a shared-equity model to then buy a traditional market-rate home. Building wealth among lower-income families becomes a critical piece of this, ensuring that public investments go further and do more good in the long run. However, the biggest question is how to balance different priorities regarding ongoing affordability versus wealth building.

Ms. Holder asked who sets the limits or caps on affordability. Ms. Brewer said it would be up to this committee and City Council. If you all set the thresholds, in exchange for us giving down payment assistance, you agree to put this covenant on your deed that restricts your resale potential. She said there are a lot of formulas that could be used to determine the cap. One of the most common is an index-based formula, where the purchase price is set at a rate of appreciation that's tied to an increase in the consumer price index or the area median income. So as incomes rise, we will be able to raise the home price with that. This way it would ensure that the home is always available to someone within 80% of the area median income. Ms. Brewer said the fixed percentage formula includes a pre-determined rate of between 2-5%, and this formula is easier to explain and allows the homeowner to understand what they would receive during the resale of the home. However, it does not account for income changes and improvements to the home. She said an appraisal-based formula is the most complicated because it sets the affordable purchase price as the appraisal minus a certain percentage to determine the allowable resale price.

The biggest con is that it is directly tied to the housing market. Another covenant often included in deed restrictions is that the City has the first right of refusal. There is a requirement to notify the City before you put the house up for sale, and the City has the option to purchase at the stated resale price. Often this right can be transferred to a non-profit organization or to an income-eligible buyer.

Ms. Brewer presented three different case studies to show how the formulas operate.

Mr. Ray said these are all options for the committee to consider, but the deed restrictions must be for affordable housing in North Carolina.

Ms. Holder asked which option gives people the largest increase in equity and wealth building while maintaining affordability. Ms. Brewer provided a financial model that calculated each option and projected financial outcomes in year 7.

Ms. Holder said when Ms. Brewer first explained the formulas, she was leaning towards the fixed rate model. She asked why we should not choose that option. Ms. Brewer said it's more predictable for the homeowner, but it doesn't account for anything in the market, and they are not gaining much wealth.

Mr. Luebbe said with a fixed percentage, we're never really getting people out of the wealth level they are at because the way you get out of that level is by accruing a large gain in your home value.

Mr. Baker mentioned the home market is not in a vacuum. He said, for example, I could sell my house for more than I bought it for, but I cannot buy another house because the market has increased so much too. He said it will take time to get to a model that finds a solution because, in the end, we have to build new homes.

Mayor Copelof asked Ms. Brewer if she could find models that are legal in North Carolina because some of them seem that they cannot be done here. Ms. Brewer said the only example that cannot be done is related to the Colorado example that would require someone to work in a certain geographic area.

Mr. Baker said we need to make this process easy for everyone to understand because with these formulas, it can become complicated. He asked what kind of reimbursements are eligible. Ms. Brewer said last spring, we expanded the authority of the Housing Trust Fund so that it can be spent on more items like repair programs, accessibility improvements, and weatherability improvements. However, we are waiting to see the results with the Brevard Davidson River Presbyterian Church Agreement and the PRO Housing Grant.

G. Set Date for Next Meeting

The next meeting was scheduled for Tuesday, August 13, 2024 at 3:45 pm.

H. Adjourn

There being no further business, the meeting adjourned at 4:49 P.M.

Minutes Approved: August 13, 2024

X

Pamela Holder
City Council Member

X Denise Hodsdon

Denise Hodsdon
City Clerk