



HOUSE BILL 537: Workforce Housing Act.

2023-2024 General Assembly

Committee:	House Local Government. If favorable, re- refer to Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	May 16, 2023
Introduced by:	Reps. Zenger, Biggs, Lowery, Fontenot	Prepared by:	Billy R. Godwin Alejandro Ramirez Staff Attorneys
Analysis of:	First Edition		

OVERVIEW: *House Bill 537 would do all of the following:*

- *Require local government zoning regulations to allow multifamily housing in certain commercial zoning districts.*
- *Authorize the State, cities, and counties to sell or lease real property for less than its fair market value if it is a qualified development.*
- *Create the Reaching the American Dream Loan Pool under the North Carolina Housing Finance Agency (NCHFA) and appropriate \$100 million from the General Fund to that agency for the 2023-2024 fiscal year.*
- *Appropriate \$35 million in recurring funds from the General Fund to the NCHFA to be used in the Workforce Housing Loan Program.*

CURRENT LAW: Chapter 160D of the General Statutes contains procedures local governments utilize for development approvals under their planning and development regulations. Zoning is a type of development regulation and local governments are authorized to establish districts specifying a use for property in accordance with a comprehensive plan designed to promote the public health, safety, and general welfare. Zoning may generally regulate and restrict the height, number of stories, and size of buildings and other structures; the percentage of lots that may be occupied; the size of yards, courts, and other open spaces; the density of population; and the location and use of buildings, structures, and land. Except in limited circumstances, building design elements may not be applied to any structures regulated under the North Carolina Residential Code for One and Two Family Dwellings.

Article 7 of Chapter 146 of the General Statutes governs the sale and lease of State property and requires that sales and leases of land owned by the State must be made by the Department of Administration and approved by the Governor and Council of State. The Joint Legislative Commission on Government Operations must also be consulted on the sale of State land with an appraised value of at least \$25,000. Leases are limited to 99 years and leases in excess of 30 years must be approved by the General Assembly. The sale or lease of State lands to a for profit private entity must be at fair market value. The sale or lease to a non-profit private entity may be for less than market value if the transaction is in consideration of public service or the property will be used in conjunction with the non-profit's tax-exempt purpose. Any sale or lease of State property valued at more than \$1 million cannot be sold or leased below fair market value without General Assembly approval.

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578

House Bill 537

Page 2

Article 12 of Chapter 160A of the General Statutes governs the sale and lease of city and county property and generally requires that real property must generally be sold through a competitive sale procedure. A city may use a non-competitive private negotiation and sale process to dispose of real property only in limited circumstances. G.S. 160A-272 requires that leases of more than 10 years be treated as a sale of real property.

The NCHFA is public agency established under Chapter 122A of the General Statutes. The agency is governed by a 13 member board that makes (i) residential mortgage loans for qualified homebuyers, (ii) finances affordable homes and apartments developed by local governments, nonprofit organizations and private owners, and (iii) finances repair and rehabilitation of substandard homes. The agency administers the Workforce Housing Loan Program to encourage the construction or rehabilitation of qualified North Carolina low-income housing.

BILL ANALYSIS:

Part I of House Bill 537 would be effective when law and do all of the following:

- Require local government zoning regulations to allow multifamily housing in zoning districts classified as highway business, business office, general business, or similar zoning classifications. Development regulations relating to building design elements or other design standards would be prohibited.
- Authorize the State, cities, and counties to sell or lease real property for less than its fair market value if the property is a qualified development.
- Define qualifying development as a development where no fewer than 50% of the lots contain affordable housing units for families or individuals with income below 80% of the area median income as designated by the U.S. Department of Housing and Urban Development (HUD).
- Limit the sale price of real property sold for a qualifying development to no more than \$100.
- Limit a ground lease rental entered into to \$1.00 and authorize the term to be up to 99 years.

Part II of House Bill 537 would be effective July 1, 2023, and would create the Reaching the American Dream Loan Pool under the NCHFA and appropriate \$100 million from the General Fund to that agency for the 2023-2024 fiscal year. The pool funds would be used to capitalize subordinate mortgage loans for qualifying first-time and veteran homebuyers. The loan qualification criteria and terms are set out in the bill.

Part III of House Bill 537 would be effective July 1, 2023, and would appropriate \$35 million in recurring funds from the General Fund to the NCHFA to be used in the Workforce Housing Loan Program established under G.S. 122A-5.15.

EFFECTIVE DATE: Except as otherwise provided, the remainder of the act would be effective when law.