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MAYOR'S ROUNDTABLE on HOUSING AFFORDABILITY

HOUSING MAYOR'S ROUNDTABLE AFFORDABILITY

PANELISTS JENNIFER H. ADAMS, Corning • JONATHAN BARFIELD, JR., New Hanover County Commissioners • MARY ELLEN BONCZEK, New Hanover Regional Medical Center • JUDGE JAMES FAISON, III, District Court Judge • DR. AMANDA LEE, Cape Fear Community College • DR. TIM MARKLEY, New Hanover County Schools • BRETT MARTIN, CastleBranch • CHARLIE MATTOX, Branch Banking and Trust Company • KATRINA H. REDMON, Wilmington Housing Authority • BILL SAFFO, City of Wilmington • ZITO SARTARELLI, UNCW • LINDA SMITH, AMEZ Housing Community Development Corporation • W. CHRIS STEPHENS, Landmark Companies

CFHC Cape Fear Housing Coalition · City of Wilmington North Carolina · New Hanover County North Carolina Established 1729 · Wilmington-Cape Fear Home Builders Association 1965 - 2015 · Wilmington Regional Association of Realtors®

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A panel of business, government, education, non-profit and other community leaders devoted a recent morning to talk about the challenges and potential solutions to creating enough affordable housing in the Wilmington region. The Mayor's Roundtable on Housing Affordability, which was held on Nov. 10 at The Terraces on Sir Tyler, was moderated by UNCW professor Tom Barth. Below are edited comments from each participant. To watch the entire discussion, visit MayorsRoundtable.com.

BILL SAFFO
Mayor, City of Wilmington

"It's been a perplexing and tough problem not only for the City of Wilmington, but for the entire country. The availability of land is dwindling, and the land that is available is extremely expensive. The environmental impacts of that property may be even more expensive.

If we're really serious about this and we want to bring in some affordable housing, you're going to have to somehow try to play a partnership role between government and the development community.

It's going to take a significant amount of public investment to make it. Not only on the investment side with water and sewer, and maybe even road work, but also public transportation, which is also going to play a very important role because some people can't have an affordable house and a car in many cases.

I want to remind the folks that our biggest developers of housing in '08, '09 and 2010 were the Wilmington Housing Authority and Habitat for Humanity. It was not the private sector. They play a significant role in the affordable housing component. I think to marry the different partnerships that are out there from the non-profits to the for-profits, you're going to need incentives of some sort. Low interest financing tools, possibly cash subsidies or even grants. Density bonuses, tax abatement programs. I think that's something that our state legislature can probably embrace as opposed to inclusive zoning issues.

Rehabilitation assistance — it's a crime when you are sitting there at council meetings and you see week after week houses that are coming to the city of Wilmington, and we are having to tear them down. To not be able to restore these homes or help the homeowner restore these homes is a tragedy.

If you are going to put some affordable housing into your development, you should have a reduction in your fees.

The population of this region is going to double in size in the next 20 years. How we keep affordable housing in our market is going to be one of the top issues going forward.

But I think it's doable. I think that we can put a certain percentage of affordable housing in our community, and do it tastefully and do it right. I think that we've got some great strategies."

JONATHAN BARFIELD, JR.
Chairman, New Hanover County Commissioners

"The county's going to play a major role in this. Right now we're updating our comprehensive land use plan. That's something we haven't done in quite a few years to determine how we're going to use land in the unincorporated parts of the county.

Many in the inner city live in what we call "food deserts." You may have affordable housing there, but at the same time you have no access to affordable, quality foods. They'll go to the local convenience store at the corner and spend double what things would cost at a Walmart or a grocery store, and nowhere near as healthy as well. It makes those homes even less affordable, especially when you're trying to depend on public transportation.

We have to educate people on what affordable housing really means and turn it away from a racial stereotype when you say "affordable housing," to the fact that it really goes toward your teacher, toward your police officer, toward your sheriff's deputies. These folks work for the county and the city, and it's very hard for them to afford housing in our community. A couple years ago we changed the term to workforce housing.

New Hanover County several years ago came up with a new zoning mechanism. We haven't used it much, but it's called the Exceptional Design Zoning District. If a developer does certain things, builds a home that's close to public transportation and certain types of stores, they can get increased density base. We've not seen it done much, but it's something we put out there several years ago trying to encourage greater density."

W. CHRIS STEPHENS
President, Landmark Organization

"What we already know in affordable housing is that the best values of single family housing just simply always sell in this area.

Our secret has always been finding property that was at rural land prices and being able somehow to

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figure out how to get utilities to those to get the density. We always felt that a single family, affordable home gave a different quality of life to growing families.

It used to be a pretty good bridge between the apartment rental market to the single family home. Now we're seeing that the difference between apartment rents to single family housing, there's a great diversity. There's nothing that's filling that gap, certainly in single family. I don't know what's going to replace it without going way out to other counties to do that. Certainly, that's a big challenge.

Recently I was looking at about five very large subdivisions that we did in this area that were all affordable. The problem is, they're no longer affordable. They're affordable to the first buyers, and then you get price increases.

Affordable housing customers are paying the price of what happened with some gambling with real estate back in the mid-2005 era. It has changed how banks lend money.

For developers/builders to serve the affordable housing market, they need 30 to 50 units a year to make it work with the margins they have to work with. That takes sizeable land pieces. You can't do that on five acres, it takes 20, 30 acres minimum to do.

There's about three to four families, prominent families in this area that own the rest of the land. What they do with their land for development and housing is going to be key. Those land owners plus our vibrant utility authority need to be at the table. I think they are key in what's going to happen in affordable housing unless we are going to do a redevelopment, and a lot of redevelopment is expensive."

DR. TIM MARKLEY
Superintendent , New Hanover County Schools

"If you look at New Hanover as a whole, we outperformed just about every large city except for probably Wake and Raleigh. When you dig down into the numbers, we run two separate school systems. We run a suburban county school system that the performance are tops in the state, and we run an inner city school system that comes with the challenges of an inner city school. I don't think the teachers at my downtown schools work any less hard than those in my suburban schools. When you add poverty into the mix, it becomes another obstacle to overcome.

We have 700 students in our schools who are classified as homeless. That's over two elementary school's worth of students who don't have a stable place to put their head at night. They are in all of our schools. They are downtown, and they are in some of our beach schools. It's a huge issue.

If I want to predict the success of a child, the education level of the mother is the number one predictor of student success. In a stable home where the mom is educated, she's reading to that child and there are the magnetic letters on the refrigerator.

If I'm a single mom, my first priority is not reading to my child, but making sure that there's a meal on the table for that child. I'm working two jobs to try to put that meal there. Her criteria is taking care of that child, roof over the head, food on the table, and then if I'm not worn out maybe I can read you a book before you go to bed, if there's one in the house.

It's critical that we invest in early education. Kids are amazing learning machines from zero to about 10. If you look at fifth grade in any one of my high-poverty schools, probably less than 20 percent of those kids were there in kindergarten. Some of them have been to, not just a different school every year, but three or four schools every year. There are four downtown schools and one across the river in Brunswick County, but we're swapping students probably twice a year. They're moving from one place or the other because of housing costs. Their rent's due here, I can't afford it, so I'm going to skip the rent and move over here and that enrolls my student in another place.

There's some great partnership opportunities out there. Some districts are building housing for teachers in cooperation between the school board and developers. Those are some options that can be there, but I would caution some. Denser development puts more of a pressure on infrastructure such as schools."

KATRINA H. REDMON
Chief Executive Officer, Wilmington Housing Authority

"I really believe that the concentration of poverty is more of a community issue than it is a housing issue. It really does expand to every facet of our community as a whole — from retail to transportation to housing.

Most of our folks that work make between $8,000 and $12,000 a year. They have choices to make. Do I get a job when the daycare cost for my child will exceed my take-home pay? There's a lot of choices. There's a lot of juggling of finances. There's a lot of how do I spread my dollar to make it work?

Right now we have 1,300 people on our public housing waiting list. When we opened the housing choice voucher waiting list last year, we had 5,500 sent in the mail to us.

Most of our folks, when they move along that economic continuum they reach a certain point where they would like to move out, but they have nowhere to go. Particularly if someone reaches that 80 percent of area median income for their family size. Between there and about 120 percent

to 140 percent there is a limited supply of homes in this area whether it be rental single family homes, apartments or condominiums. There's nowhere for them to go.

There is a big gap where federal funding is not allowed to be spent, but the private market has a hard time making that financially feasible in the marketplace.

We need to look at the definition of an affordable home and change it up just a little bit, because sometimes affordable homes have been synonymous with public housing and housing choice vouchers. It truly is a home that's affordable to you whatever your income might be."

Families rising out of poverty need a stable place so they can continue to grow. About 30 percent of my population is senior and disabled. They need the peace of mind to know I have a roof over my head. I can survive. I can deal with my medical issues because I have a stable place to be. After all, isn't home the platform from which we all can meet our full potential."

JOSE V. "ZITO" SARTARELLI
Chancellor, UNCW

"There's no solution to this issue unless we accelerate economic development.

In America, we're used to very comfortable surroundings in general. We kind of like big stuff, like McMansions. We have a structural desire to have larger places to live. I can tell you from the developer's standpoint, it's like, do we want to sell a Mercedes 550 or do we want to sell a small car where your margin's much smaller? The developers probably don't want to develop very small homes because they won't make a lot of money, and I understand it.

This is very complex. We cannot solve it unless we start addressing how do we become more attractive to investment coming in? Obviously preferably, clean sources. We don't want people to come in and pollute our water and our land and everything else. We have to be a lot more aggressive on the supply side.

What can we do as a community, as a region to make this the most attractive place so they don't go to Raleigh or Charlotte? I just came up from Charlotte. Charlotte's booming. They've got a lot of problems, but I can tell you, they've got problems that I'd like to have.

DR. AMANDA K. LEE
President, CFCC

"We are very fortunate that the community college system is a relatively affordable way to get your education. We are training this skilled workforce, whether they are going to go to the hospital, Corning, GE, Vertex, ACME Smoked Fish or some place in the technology world.

Two thirds of our students qualified for financial aid. We offer loans to students to get a community college education here in Wilmington. That sometimes is the only way that it's going to happen. You don't have enough money to go to school so you don't have enough to get a car so you live close to our campus downtown or North Campus. A one-bedroom apartment is going to cost around $700 to $900 a month. That's a lot of money if you don't have it to begin with.

We want to be sure that we are advising our students carefully. We talk to these students before they take their financial aid out, before they take their loans. What does that mean? How do you pay that back? What kind of commitment is that? It's hard. These are very abstract conversations.

We try to be flexible, we try to make sure that we are educating them in all aspects of their life and we try to make it as easy as possible to get an education. There are some barriers that as a community I think we need to work hard to overcome."

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BRETT MARTIN
CEO, CastleBranch

"I can't make housing less expensive, but we have been focused and we are focused at Castle Branch on making incomes higher. As I did my research, I was glad to see that Castle Branch comes in with an average salary of $38,000, which is good for call centers. The national average is $28,900 so we are $10,000 over that.

When you hear about our economic development and the strategies and the companies that we are trying to bring to Wilmington, we often hear, "We need all kind of jobs, we need every kind of job." That's great, but if you need people to be able to afford a house and that amount can't be less than or more than 30 percent of their income. What you really need are jobs in excess of $35,000.

You could do everything else. You can do the other 48 things on one size of this coin, but if you don't have income that supports it, this doesn't work.

If we want this change, we have to start fishing. We have to choose an industry. We have to get really specific. We have to get on board with our universities to say, "These are the jobs we need. They are probably in technology."

The average developer salary starts at $70,000 and goes in excess of six figures. Those are tremendous jobs. Now I know it doesn't fix the whole problem, but it fixes those small pieces of the economic puzzle that I see.

In summary, it really is time that as a community we get focused on one species of fish, on one industry and we go after those."

CHARLIE MATTOX
Market President,
Branch Banking and Trust Company

"The biggest barrier to home ownership that we see today is the ability to qualify for a mortgage. I really believe that barriers are eliminated with education targeted at responsible financial choices. That's begun at the middle school level, reinforced at the high school level and the college level.

We need to address the supply side of housing, but the demand side is challenging too.

The statistics I saw last week on the average savings rate of American households is 5 percent of gross monthly income. That's the average. Previously that statistic was actually negative. We were spending more than we were making. Today that's 5 percent. By comparison, the Chinese are at 41 percent. Now there's a difference in standards of living, but that's a big difference.

How many folks in this room truly have a budget that they sit down with every month? I see heads nodding, and I know you are saying, "I know it's not funny. You busted me there." That is the real key because if you have a firm understanding of how to make responsible financial choices, then you can make decisions that are right for you.

Take a look at the numbers as bankers do. Let me give you a good example. A young teacher and a young police officer get married. They are madly in love. They have hopes and dreams for where they are and what they want to accomplish as a family. In New Hanover County, based on the average salaries and the average home price of $227,000, if they are able to save 5 percent, how long would it take for them to save for a down payment of 20 percent on the average price home? Thirteen years."

THE NEXT STEP

As a result of the roundtable, the Mayor's Roundtable Steering Committee has discussed the establishment of an Affordable Housing Task Force (AHTF).

Members of the Task Force were discussed to include representatives from the banking, real estate, residential housing development, multi-family development and management, homebuilders, business and corporate sector, education, Cape Fear Housing Coalition, and others advocates for affordable housing and community and economic development.

An Affordable Housing Task Force may consider:

· Create a public education campaign to continue ongoing efforts to explain housing affordability as a community-wide issue impacting everyone regardless of income. The PR effort would work to dispel negative myths about affordable housing by addressing common misconceptions about affordable housing.

· Examine recent planning efforts, such as the City of Wilmington Comprehensive Plan, New Hanover County Comprehensive Plan, and FOCUS Regional Plan, to identify housing needs, barriers and community input. Additional data and input would be sought to augment these and other existing plans.

· Identify and research best practices from around the state and nation for application in Wilmington, New Hanover County and the surrounding region.

· Seek consensus among various stakeholders for solutions that meet the needs of working households and the community at large.

· Create a plan with strategies and recommendations for public policy action and community and business initiatives to foster an increase in affordable housing opportunities for working households.

For more information, go to www.MayorsRoundtable.com.

MAYOR'S ROUNDTABLE ON HOUSING AFFORDABILITY - STEERING COMMITTEE MEMBERS

DR. EARL SHERIDAN, Wilmington City Council

STEVEN L. HARRELL, City of Wilmington

PAUL E. D'ANGELO, Cape Fear Housing Coalition

SHANE T. JOHNSON, Wilmington Regional Association of REALTORS®

CAMERON MOORE, Wilmington Cape Fear Home Builders Association

JENNIFER RIGBY, New Hanover County

JODY WAINO Buyers Choice Realty; 2014 WRAR President

BOBBY JEAN HARVEY RE/MAX Essential, Scott Gregory Group; Chairperson WRAR Community Affairs

CATHI ANDERSON RE/MAX Essential, Scott Gregory Group; WRAR Community Affairs

WANDA COSTON, New Hanover County

STEVE SPAIN, Cape Fear Habitat for Humanity

GLEN HARBECK, City of Wilmington

SUZANNE ROGERS, City of Wilmington

RACHEL LACOE, City of Wilmington

DAWN COLEMAN, City of Wilmington

ROB KAISER, Greater Wilmington Business Journal

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JUDGE JAMES FAISON, III
District Court Judge

"As a pastor and a judge, I hope they listen to me very carefully on Sunday so I don't have to see them on Monday. From the segment of the population that I encounter on a daily basis, having affordable housing or having a place where the individual can call their home is critical to formulating their perception of who they are in the community. Having affordable housing empowers this individual to become one who is able to thrive in the community and not just survive in the community.

Often when a person is placed on probation, one of the first considerations that we have to determine is whether they have a place to live or an identifiable address. If they don't have an identifiable address, then it will be difficult for the probation officer to keep track of their movements. That's critical to effective community-based sentencing, or community-based punishment.

Having stable housing empowers them in so many ways in terms of self-esteem and being able to become productive members of the community and also follow through with what's required of them by the courts. Just meeting the conditions, and then again just developing a sense of value and contribution to the community."

MARY ELLEN BONCZEK
Senior VP Chief Nurse Executive, New Hanover Regional Medical Center

"We are challenged with our middle class positions. They are looking in Pender County and Brunswick County. They want the biggest value they can to their dollar. Is that a bad thing? Not necessarily, but as an employer when we have floods, or the bridge is closed, or ice storms or we need someone to be on call. Those distances play a burden.

Eighty percent of my workforce is female and a very large percentage of them are single moms. Trying to manage affordable homes means different things to different people.

It's not about building homes, it's about building communities that are affordable to the people that we need in our community.

It's not just about our employees but our patients. I need to send a patient home to an environment where they can be cared for. At times, what was the affordable home before the illness is no longer the affordable home after the illness.

To be able to remain home and to be cared for by a community or family, is significant in the overall picture of high readmission rates."

LINDA SMITH
Retired Executive Director, AMEZ Housing Community Development Corporation

"The first challenge that we as developers are facing is to recognize that there is the need. In order to meet that need, the first thing that we need to realize is that we have to have it in our heart, that we have to address that need. If we don't see the need, then we can't do anything about it.

The rising cost of development is not just limited to the materials, labor and equipment. That's just a small segment of it. It's also the challenge of the tightening of the standards and the market. Green building has come along and it has caused some headaches for most of us developers. It's a good thing to know that we are taking care of our environment, but it's also adding a lot of limitations to as developers.

Investor purchasing has also caused a challenge to us as have cuts from all levels of government and private funders and a loss of qualified laborers in this area because the recession caused a lot of our builders and contractors to seek employment elsewhere.

It's hard to plan for senior developments, and all of a sudden you can't build a senior housing project because my neighbor said, "I don't want those people in my backyard." What's wrong with having me sit next door to you? Because I make $20,000 and you make $80,000?

We need to look at the word affordable and redefine it, change the name and make it more appeasing to everybody. What's affordable for you may not be affordable to me."

JENNIFER H. ADAMS
Facilities & Maintenance Department Head, Corning

"This is a fabulous area for manufacturing. I have been here 25 years, and as I was telling somebody earlier, I will never leave. You don't want to go to New Jersey, you don't want to go to Texas. This is a fabulous location for manufacturing. Luckily we can recruit nationally and internationally, and that is a great factor here compared to the other areas where there's significant manufacturing. This is a reasonable cost of living, housing. It is very attractive.

Conversely, however, when we talk about demographics locally, it is getting harder and harder when you talk about that brain drain to hire technically trained, very qualified individuals. We're finding that our local employees are now not just in New Hanover County, but we're drawing from the five counties around the area so it's difficult to find very technically qualified employees."