

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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HOUSE BILL 537

Short Title: Workforce Housing Act. (Public)

Sponsors: Representatives Zenger, Biggs, Lowery, and Fontenot (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Appropriations, if favorable, Finance, if favorable, Rules, Calendar, and
Operations of the House

April 3, 2023

A BILL TO BE ENTITLED
AN ACT TO ADDRESS CRITICAL HOUSING NEEDS BY DECREASING REGULATORY
BURDENS ON CERTAIN DEVELOPMENT, ENHANCING FINANCING OPTIONS
FOR FIRST-TIME HOMEBUYERS AND VETERANS, AND PROVIDING
ADDITIONAL ONGOING FUNDING TO SUPPORT WORKFORCE HOUSING IN THIS
STATE.

The General Assembly of North Carolina enacts:

**PART I. INCREASING HOUSING SUPPLY BY DECREASING REGULATORY
BURDENS**

SECTION 1.1. Part 1 of Article 9 of Chapter 160D of the General Statutes is
amended by adding a new section to read:

"§ 160D-917. Multifamily use in certain areas zoned for business use.

A local government zoning regulation shall permit by right multifamily housing use in areas
with zoning classifications of highway business, business office, and general business, or similar
classifications. A local government may not impose any regulation relating to building design
elements or other design standards on property described in this section; however, owners are
encouraged to adopt design elements and standards applicable to the area, as feasible."

SECTION 1.2. G.S. 146-29.1 reads as rewritten:

"§ 146-29.1. Lease or sale of real property for less than fair market value.

(a) ~~Real~~Except as otherwise provided in this section, real property owned by the State
or any State agency may not be sold, leased, or rented at less than fair market value to any private
entity that operates, or is established to operate for profit.

(b) Real property owned by the State or by any State agency may be sold, leased, or
rented at less than fair market value to a public entity. "Public entity" means a county, municipal
corporation, local board of education, community college, special district or other political
subdivision of the State and the United States or any of its agencies. Any such sale, lease, or
rental shall be reported at least 30 days prior to the sale, lease, or rental to the Joint Legislative
Commission on Governmental Operations and the Fiscal Research Division of the Legislative
Services Office, with the details of such transaction.

(c) Real property owned by the State or by any State agency may be sold, leased, or
rented at less than market value to a private, nonprofit corporation, association, organization or
society if the Department of Administration determines both of the following:



- (1) The transaction is in consideration of public service rendered or to be rendered by the nonprofit.
- (2) The property will be used in connection with the nonprofit's tax-exempt purpose and not in connection with its unrelated trade or business, as defined in section 513 of the Code. For the purposes of this subdivision, the term "Code" has the same meaning as in G.S. 105-228.90.
- The transaction shall be reported in detail at least 30 days prior to the sale, lease, or rental to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division of the Legislative Services Office. The fact that any sale of property under this subsection shall not be subject to a reversionary interest in the State shall be expressly made known to the Joint Legislative Commission on Government Operations, and the Governor and Council of State, prior to the transaction being authorized.
- (c1) Real property owned by the State or by any State agency may be sold or leased as a ground lease at less than market value to any entity if the Department of Administration determines that the buyer is a qualifying development. For the purposes of this subsection, a "qualifying development" is a development where no fewer than fifty percent (50%) of the lots in the proposed development contain affordable housing units for families or individuals with incomes below eighty percent (80%) of area median income, as designated by the United States Department of Housing and Urban Development. A property described under this subsection may not be sold for an amount greater than one hundred dollars (\$100.00). A ground lease entered into under this section may not exceed one dollar (\$1.00) and may be for a term of 99 years. The provisions of G.S. 146-27(b), G.S. 146-29, or subsection (f) of this section shall not apply to a transaction under this subsection.
- (d) Any sale, lease, or rental of real property made in conformity with the provisions of this section is not a violation of G.S. 66-58(a).
- (e) All sales, leases, or rentals, prior to July 15, 1986, of real property owned by the State or any State agency are not invalid because of a conflict with G.S. 66-58(a) or with a prior version of this section, but any renewal of any such lease or rental agreement on or after July 15, 1986, shall conform to the requirements of this section.
- (f) If the fair market value of State-owned real property exceeds one million dollars (\$1,000,000), a gift of any interest in the property or a sale, lease, or rental of any interest in the property for below fair market value shall not be effective until the later of the following:
- (1) If a bill that specifically disapproves the transaction is introduced in either house of the General Assembly before the 31st legislative day of the next regular session of the General Assembly that begins at least 25 days after the date that the agreement making the transfer is entered into, the earlier of (i) the day that an unfavorable final action is taken on the bill or (ii) the day that the General Assembly adjourns without ratifying the bill.
- (2) The 31st legislative day of the session of the General Assembly described in subdivision (1) of this section, if a bill disapproving the transaction is not introduced before that day.
- (f1) For the purpose of subsection (f) of this section:
- (1) "Next regular session" means:
- a. For odd-numbered years its initial convening.
- b. For even-numbered years the first reconvening of the regular session as provided in the joint resolution setting the date for reconvening.
- (2) "Adjourns" means:
- a. For odd-numbered years the date the General Assembly adjourns by joint resolution for a period of more than 30 days.
- b. For even-numbered years the date of sine die adjournment.

(f2) If the transaction is approved under subsection (f) of this section, but the agreement provides a later effective date, then it takes effect on the date specified in the agreement.

(f3) Nothing in subsection (f) of this section restricts the General Assembly from enacting a law specifically approving the transaction.

(g) If the General Assembly ratifies a disapproving bill, the disapproved transaction shall not be effective unless it is vetoed by the Governor and the veto is not overridden, and in such case the transaction is effective upon sine die adjournment of that regular session.

The terms of any agreement to transfer an interest in real property under this section are deemed to incorporate the provisions of subsections (f) through (f2) of this section, and any transaction that does not comply with these subsections is void.

(h) Any lease or rental entered into pursuant to this section shall be subject to the requirements and limitations of G.S. 146-29."

SECTION 1.3. Article 12 of Chapter 160A of the General Statutes is amended by adding a new section to read:

"§ 160A-280.1. Disposition of real property for qualified developments.

Notwithstanding any provision of this Article to the contrary, a city or county may sell or lease as a ground lease real property at less than market value to any entity if the city determines that the buyer is a qualifying development, as that term is defined in G.S. 146-29.1(c1). A property described under this section may not be sold for an amount greater than one hundred dollars (\$100.00). A ground lease entered into under this section may not exceed one dollar (\$1.00) and shall be for a term of 99 years."

SECTION 1.4. This Part is effective when it becomes law.

PART II. REACHING THE AMERICAN DREAM LOAN POOL

SECTION 2.1.(a) There is created the Reaching the American Dream Loan Pool as a revolving loan fund in the North Carolina Housing Finance Agency. The Reaching the American Dream Loan Pool shall be used to capitalize subordinate mortgage loans for qualifying first-time and veteran homebuyers. Funds in the Reaching the American Dream Loan Pool shall not revert. The following shall apply to all loans made by the Housing Finance Agency pursuant to this Part:

- (1) The loan shall be interest free and non-amortizing.
- (2) The term of the loan shall not exceed 10 years and shall be secured by an instrument that is subordinate to a first mortgage product provided by the Housing Finance Agency.
- (3) The loan shall be for no more than twenty-five percent (25%) of the purchase price and cannot exceed fifty thousand dollars (\$50,000).
- (4) The loan may be combined with other funds and subsidies.
- (5) The loan may be used to purchase any type of home, including, but not limited to, detached single-family homes, townhouses, condominiums, and modular homes on a permanent foundation.
- (6) Terms of underwriting, servicing, and sales price limits established by the Housing Finance Agency shall apply.
- (7) The balance of the loan shall be forgiven at the rate of twenty percent (20%) per year, beginning in the sixth year, resulting in complete forgiveness of the loan at the conclusion of the tenth year.
- (8) The loan shall have a provision requiring owner-occupancy for the term of the loan.
- (9) The loan shall have a provision requiring repayment of the unpaid principal balance, in full, in the event that the property is sold in the first five years.
- (10) A homebuyer shall not receive any cash back at closing for the loan.

SECTION 2.1.(b) Loans issued under the Reaching the American Dream Loan Pool established under this section shall only be made to homebuyers that meet the following criteria:

- (1) The individual is a first-time homebuyer, as defined by the Federal National Mortgage Association, or a veteran, as defined in G.S. 122C-465(3).
- (2) The individual must have a household income at or below eighty percent (80%) of the area median income for the location of the home, as published by the Federal National Mortgage Association.
- (3) The individual must complete a homebuyer education course and pre-purchase counseling, from a federal Department of Housing and Urban Development-approved counseling agency. The Housing Finance Agency may set a fee to cover the reasonable costs associated with the counseling agency.
- (4) The individual shall make a reasonable deposit of funds for the purchase of the home of not less than five hundred dollars (\$500.00), to be established by the Housing Finance Agency.

SECTION 2.1.(c) Loans issued under the Reaching the American Dream Loan Pool shall not be subordinate to any subsequent loan or financing, except under cases of qualifying hardship, as determined by the Housing Finance Agency. In the event a subsequent sale of a home secured by a loan issued under this section is insufficient to satisfy the loan, any funds available after satisfaction of the existing senior lien and payment of closing costs shall be credited to the Reaching the American Dream Loan Pool. The Housing Finance Agency shall credit all payments, fund recaptures, partial payoffs, and any other loan proceeds from loans issued from the Reaching the American Dream Loan Pool to the Pool to be used for future loans described under this section.

SECTION 2.2. With respect to the adoption of procedures for the Reaching the American Dream Loan Pool program established in this Part, the Agency is exempt from the requirements of Article 2A of Chapter 150B of the General Statutes.

SECTION 2.3. There is appropriated from the General Fund to the Reaching the American Dream Loan Pool, established in this Part, the sum of one hundred million dollars (\$100,000,000) for the 2023-2024 fiscal year to be used by the Housing Finance Agency for the purposes outlined in this Part.

SECTION 2.4. This Part becomes effective July 1, 2023.

PART III. FULLY CAPITALIZE THE WORKFORCE HOUSING PROGRAM

SECTION 3.1. There is appropriated from the General Fund to the Housing Finance Agency the sum of thirty-five million dollars (\$35,000,000) in recurring funds for the 2023-2024 fiscal year to be used in the Workforce Housing Loan Program established in G.S. 122A-5.15.

SECTION 3.2. This Part becomes effective July 1, 2023.

PART IV. EFFECTIVE DATE

SECTION 4.1. Except as otherwise provided, this act is effective when it becomes law.