



AUGUST 2023 **ADVOCACY UPDATE**

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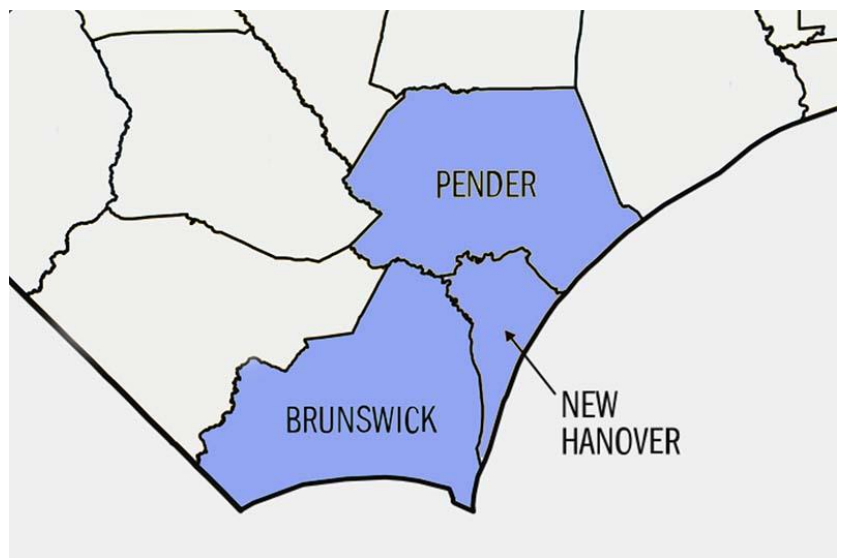
BRUNSWICK RETURNS TO WILMINGTON MSA

After a decade-long endeavor, Brunswick County has been successfully returned to the Wilmington Metropolitan Statistical Area (MSA). This regulatory triumph is not only a significant win for our region but also for the entire state of North Carolina.

The exclusion of Brunswick County from the Wilmington MSA has been a longstanding concern for local officials, who rightly argued that the 2013 realignment resulted in missed opportunities for our area. The reintegration will undoubtedly bring positive implications, including increased federal opportunity in education, transportation, and healthcare funding as well as fostering new economic development and job growth in our region.

Federally defined economic areas, such as the MSA, serve a crucial role in aiding researchers and businesses in comprehending patterns in urban centers. With Brunswick County now part of the Wilmington MSA, our standing has risen from 168th nationally to 122nd, significantly enhancing the scope and size of the true Wilmington MSA.

The collaborative efforts of stakeholders, including our partners in government, education, and economic development, have been pivotal in gathering data that showcases the strong ties between Brunswick County and Wilmington, New Hanover, and Pender. We extend our gratitude to Senators Budd, Burr, and Tillis, and Congressman Rouzer, along with their dedicated staff, for consistently championing this critical issue.



Moving forward, we anticipate a positive trajectory, fueled by increased federal funding allocation, eligibility for various programs and services, and opportunities for market analysis, economic research, and labor market conditions within our region.

Our appreciation also goes to the team that diligently led the charge on this issue over the past decade: Wilmington Chamber Past Chairman Hal Kitchin, former Congressman Mike McIntyre, Mark Lanier (UNCW), Natalie English (Wilmington Chamber), and Chance Lambeth (Rouzer District Director).

[For further details, you can read more from the Wilmington Business Journal here.](#)

We are immensely proud of this achievement and thank you for the congratulatory words, calls, texts and emails over the past week.

GENERAL ASSEMBLY – FINAL BUDGET IN AUGUST?

Things have been quiet in Raleigh as the North Carolina General Assembly irons out the state budget. In late July, house and senate leaders indicated that they had “made significant progress on the state budget” and come to agreement on a tax package and “resolved other key differences.” They indicated that they would continue the process of negotiating other aspects of the budget in the coming days.

We will continue to monitor the state budget to see what sort of impact it may have for our region...and [other issues](#) which might be included in it.

2023 MUNICIPAL ELECTION FILING CLOSES

Candidate filing for 2023 municipal elections closed on Friday July 21. Click on the individual links below for the list of candidates in our respective counties.

- Brunswick - [link](#)
- New Hanover – [link](#)
- Pender – [link](#)
- Onslow - [link](#)

Of particular note are some of the Mayoral races. For example, while Wilmington Mayor Bill Saffo is unopposed, longtime Brunswick County beach town mayors Debbie Smith (Ocean Isle Beach) and Alan Holden (Holden Beach) drew opponents for the election in the fall. We also anticipate the Wilmington City Council race to be one to watch, with three seats up for election.

We will be working with our association partners as they process the candidates and races. More info to come.

TILLIS LEADS SENATE REPUBLICANS IN DEMANDING FED TRANSPARENCY ON CAPITAL REQUIREMENT CHANGES

Senator Thom Tillis recently led all Republican members of the Senate Banking Committee in [sending a letter](#) to Federal Reserve Chair Jerome Powell calling for transparency regarding the upcoming consideration of capital requirement changes borne out of Vice Chair Michael Barr’s “holistic review.”

While portions of Barr’s plan for new capital requirements are expected on July 27, the Senators noted that “it is highly concerning that the Board may soon initiate this process and vote on a set of policy changes stemming from the ‘holistic review’ while neither have been made available for evaluation.”

The Senators also flagged a number of claims recently made by Vice Chair Barr that remain unsubstantiated by any publicly-released analysis and called on Chair Powell to commit to a number of good governance measures “to ensure any alteration to our current capital standards framework is conducted in a manner that emphasizes the transparency and proper deliberation it is due.”

“As a proposal is expected soon, failure to afford Board members and nominees the necessary time to undertake a requisite review and make an informed decision would be quite troublesome and undercut the credibility of the regulatory process,” the Senators wrote. “Likewise, it is especially important for Congress to understand the rationale and see the underlying analysis which should naturally accompany any regulatory changes, especially ones as significant as those proposed by Vice Chair Barr.”

In addition to Senator Tillis, the letter was signed by Senators Bill Hagerty (R-TN), Ranking Member Tim Scott (R-SC), Mike Crapo (R-ID), Mike Rounds (R-SD), John Kennedy (R-LA), Cynthia Lummis (R-WY), J.D. Vance (R-OH), Katie Britt (R-AL), Kevin Cramer (R-ND), and Steve Daines (R-MT).

Read the full letter to Chair Powell [here](#).

WMPO OPENS COMMENT PERIOD FOR PROJECT SUBMITTALS FOR NCDOT PRIORITIZATION

The Wilmington Urban Area Metropolitan Planning Organization's (WMPO) Board opened a 14-day public comment period at its July 26th meeting for the organization's draft project submittals for the North Carolina Department of Transportation's (NCDOT) Strategic Prioritization 7.0 process for the 2026-2035 State/Metropolitan Transportation Improvement Program. The WMPO's draft project submittals were selected through coordination with the organization's planning partners from the adopted Metropolitan Transportation Plan, Cape Fear Moving Forward 2045.

The NCDOT's Strategic Prioritization Process is based on the 2013 Strategic Transportation Investments Law that requires the distribution of transportation revenues to be based on a data-driven and local input process. The WMPO is eligible to submit up to 20 projects per mode of transportation (Aviation, Bicycle and Pedestrian, Ferry, Highway, Public Transportation, and Rail). A data-driven scoring process will be used to rank project submittals which are then used to develop the State/MPO Transportation Improvement Programs.

The public may review the draft project submittals on the WMPO's website at <https://www.wmpo.org/ncdot-prioritization/> or at the WMPO offices located at 305 Chestnut Street, 4th floor, Wilmington. Comments can be submitted through Thursday, August 9, 2023, by email to wmpo@wilmingtonnc.gov

ONSLow MANAGER ANNOUNCES RESIGNATION

Onslow County Manager Sharon Griffin has announced her resignation effective October 6, 2023. Mrs. Griffin has served Onslow County for six years, first as the Deputy County Manager and then as the County Manager for the past four years.

During her time as Deputy County Manager Mrs. Griffin helped guide the county through Hurricane Florence response and recovery. As the County Manager she provided valuable leadership during the public health emergency of the COVID-19 pandemic and spearheaded the upcoming expansion of the Emergency Operations Center.

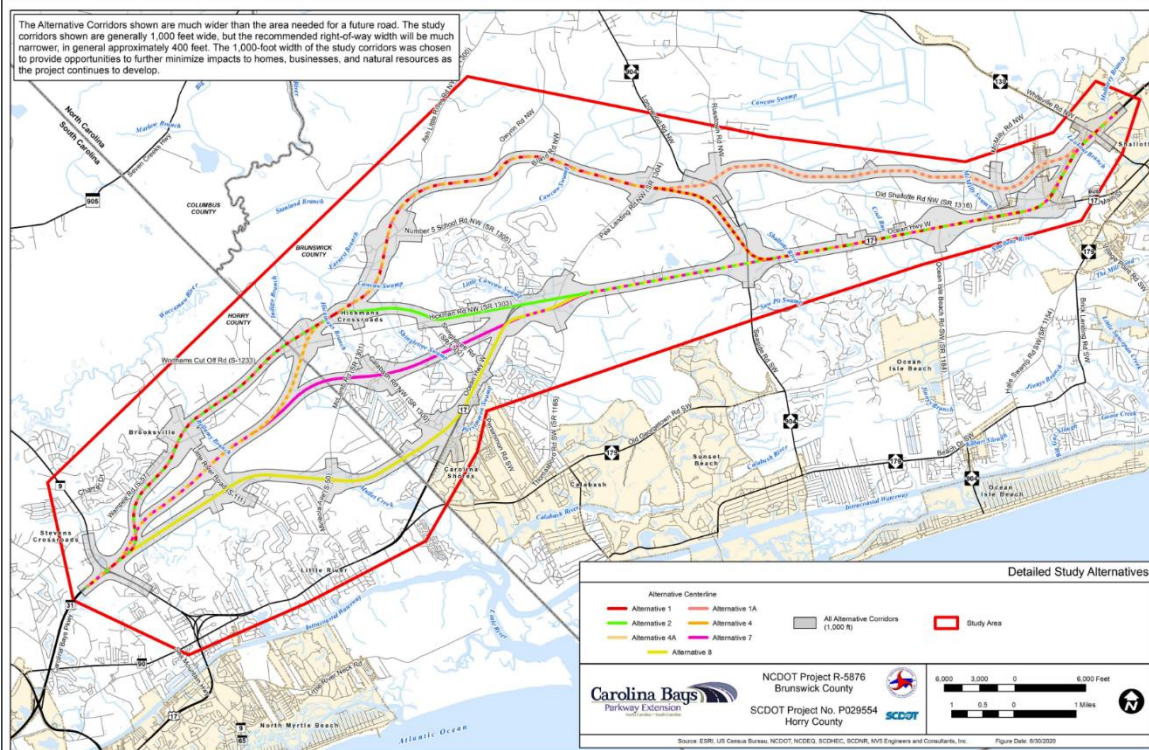
She continued to develop Onslow County's internal culture of a high-performance organization and encouraged leadership training for staff at all levels. Over the past four years Mrs. Griffin has helped Onslow County develop closer relationships with the Onslow County School System, Marine Corps Installations East, area municipalities, and other community partners.

In a release from Onslow County, Griffin says it was a privilege to serve the citizens and employees of Onslow: "I have truly enjoyed the opportunity to serve as Onslow County Manager for the last four years. I thank the Board of Commissioners and all of our hard working staff members for the support they have given me. This is an amazing community, and I am honored to have been given this opportunity to serve."

CENSUS SURVEY SHOWS LABOR AND SUPPLY CHAIN IMPACTS ON 2022 BUILD TIMES

The 2022 Survey of Construction (SOC) from the Census Bureau shows that the average completion time of a single-family house is around 9.6 months — almost six weeks longer than what the average completion time was in 2021 — reflecting supply-side challenges and skilled-labor shortages that persisted throughout the year. Houses built for sale required the shortest amount of time — 8.9 months from obtaining building permits to completion — while custom builds required the longest time (13.4 months).

The average time from authorization to completion also varies across divisions. The division with the longest duration was New England (12.6 months), followed by the Middle Atlantic (11.8 months), the Pacific (10.8 months), the East South Central (10.1 months) and East North Central (9.7 months) in 2022, all of which were higher than average. The average waiting period from permit to construction start varies between 24 days in the East North Central to 47 days in South Atlantic. NAHB Principal Economist Na Zhao provides more permitting and sales data in [this Eye on Housing post](#).



UPDATE: CAROLINA BAYS PARKWAY

We continue to await information on the [proposed route](#) of the Carolina Bays Parkway (SC31) which will extend from the Shallotte area to link North and South Carolina.

This connection is unique in that it requires coordination and funding from both NCDOT and SCDOT, and those entities are on different timelines and funding schedules.

As you can see by the project timeline on the right, we anticipate more information on potential route and environmental impacts this fall. Stay tuned for more information on public hearings.

Project Timeline

| Milestone | Date* |
|---|------------|
| Environmental document submitted | Late 2023 |
| Public hearing | Early 2024 |
| Environmental decision document | Late 2024 |
| Right of way acquisition begins in N.C. | TBD |
| Right of way acquisition begins in S.C. | 2024 |
| Construction begins | TBD |

NAR GOVERNMENT AFFAIRS DIRECTORS INSTITUTE IN DETROIT

In July BASE staff attended the annual NAR GAD Institute, which was held this year in downtown Detroit. This year’s event drew attendees from around the US and had to close registration early, due to max capacity.

In addition to an update on NAR advocacy initiatives and federal priorities, the group got to hear from Detroit Mayor Mike Duggan about housing, revitalization and economic development. Most interesting was the process by which Detroit is dealing with its blight—a [DAILY auction of an available house](#). Additionally, the mayor discussed how intentional the city has been with economic development; not just maintaining their industrial base but intentionally drawing in suppliers and related industries to the region.



WHITE HOUSE ANNOUNCES HOUSING SUPPLY ACTION PLAN

On Friday July 28, the White House announced a [Housing Supply Action Plan](#) that it said would ease restrictive and costly land use and zoning rules, expand financing for energy efficient housing, and promote commercial-to-residential conversion opportunities.

As part of this plan, HUD is unveiling an \$85 million federal program called the Pathways to Removing Obstacles to Housing whereby the agency will award grants of up to \$10 million to jurisdictions that are working to remove barriers to housing production.

Funding can be used to allow for higher-density zoning and rezoning for multifamily and mixed-use housing, streamlining affordable housing development, and reducing requirements related to parking and other land use restrictions. The administration will also be allocating funds to increase housing supply through zoning reform.

The White House plan will provide new financing for affordable, energy efficient, climate resilient housing and clean energy investments.

Of note to multifamily builders and developers, the administration has made it easier to build and rehabilitate apartments with FHA-insured mortgages by increasing the threshold at which a multifamily loan is considered a large loan (and therefore, subject to additional underwriting requirements) from \$75 million to \$120 million. This change will simplify underwriting and reduce development costs for large multifamily properties financed with FHA-insured mortgages without presenting undue risk to FHA.

HUD also [announced](#) that it will allow larger loans to participate in the agency's Low-Income Housing Tax Credit (LIHTC) Pilot Program, which increases the number of apartment sites eligible for a program that streamlines financing. HUD also [updated guidelines](#) to allow public housing authorities (PHAs) to more easily use housing vouchers and mixed-finance transactions to create or preserve housing.

Separately, the [White House announced a series of new actions to protect renters](#). Of particular interest to NAHB multifamily members, the administration is proposing new actions to ensure fair tenant screening practices.

Specifically, five agencies – HUD, the U.S. Department of Agriculture, the Consumer Financial Protection Bureau, the Federal Trade Commission and the Federal Housing Finance Agency – will each be releasing guidance or best practices to landlords, operators, and stakeholders who rely on tenant screening reports when evaluating applications from renters.

The White House says this guidance communicates the administration's expectations on informing renters of what information in their screening report is responsible for their application being denied. This information will help renters by giving them an opportunity to correct errors in their reports and address issues that impact their applications.



Administration Priorities The Re

- Work with the private sector to address supply chain challenges and improve building techniques to **finish construction in 2022 on the most new homes in any year since 2006**.

Today's rising housing costs are years in the making. Fewer new homes were built in the decade following the Great Recession than in any decade since the 1960s – constraining housing supply and failing to keep pace with demand and household formation. This mismatch between housing supply and housing demand grew during the pandemic. While estimates vary, [Moody's Analytics estimates](#) that the shortfall in the housing supply is more than 1.5 million homes nationwide. This shortfall burdens family budgets, drives up inflation, limits economic growth, maintains residential segregation, and exacerbates climate change. Rising housing costs have burdened families of all incomes, with a particular impact on low- and moderate-income families, and people and communities of color.

As his Action Plan reflects, President Biden believes the best thing we can do to ease the burden of housing costs is to boost the supply of quality housing. This means building more new homes and preserving existing federally-supported and market-rate affordable housing, ensuring that total new units do not merely replace converted or dilapidated units that get demolished.

NAHB TESTIFIES ON ISSUES IMPACTING HOUSING PRODUCTION

The National Association of Home Builders (NAHB) told Congress that burdensome government regulations and mandates which support environmental, social and governance (ESG) policies impede the housing industry's ability to increase the production of quality, affordable housing. Testifying on this topic at a House Financial Services subcommittee hearing, NAHB Chairman Alicia Huey, a custom home builder and developer from Birmingham, Ala., said a growing number of ESG policies at the local, state and federal level are having a direct impact on housing production and affordability.

With the nation experiencing a housing affordability crisis, Huey said that "now is not the time to create or support additional regulations that add more uncertainty, delays and costs to the home building process." She then noted how several regulatory and codes issues are exacerbating the housing affordability crisis:

- **Transformer standards.** Soaring costs and shortages of electrical distribution transformers are delaying housing projects across the nation at a time when the Department of Energy (DOE) is seeking to minimally increase the energy efficiency standards for these products. The DOE proposal would force manufacturers to retool production lines to produce new transformers and worsen the historic 18-to-24-month backlog that is hampering development across the country.
- **Building energy codes.** The Inflation Reduction Act included \$1 billion in grants to state and local governments to adopt updated energy codes that are more costly and restrictive, such as the 2021 International Energy Conservation Code (IECC). Adoption of the 2021 IECC can add as much as \$31,000 to the price of a new home, yet can take as long as 90 years for the home owners to see a payback from this investment. Implementation of these grants will result in fewer families being able to achieve the American dream of homeownership.
- **Electrification and gas stoves.** ESG policies that seek to effectively ban the use of natural gas and propane within new construction and existing homes are extremely concerning. A study conducted by the Home Innovation Research Labs in 2021 found that the additional up-front cost to build an all-electric house (as compared to a house with natural gas equipment and appliances) ranged from \$3,832-\$15,100 depending on climate zone. Natural gas is a clean fuel that contributes to lower carbon emissions and NAHB remains committed to promoting energy choices for consumers.
- **Waters of the U.S.** The Supreme Court recently struck down key parts of the Biden administration's waters of the U.S. rule, but administration officials have indicated that they will not issue any new federal jurisdictional determinations until a new rule is instituted. Federal agencies need to issue interim guidance and move the process forward. Land acquisition, permit processing and home building cannot be paused until a new rule is implemented.
- **Intersection of the National Flood Insurance Program and Endangered Species Act.** The Federal Emergency Management Agency (FEMA) is suspending processing of certain floodplain map change requests in parts of California. FEMA's decision is the result of a confidential legal settlement between FEMA and environmental advocates who claimed that the simple act of revising floodplain maps negatively impacts federally protected species or their designated critical habitat under the Endangered Species Act (ESA). The practical effect of this regulatory action is that it increases the ownership costs for tens of thousands of new housing units because the properties will be required to obtain flood insurance under the National Flood Insurance Program.
- **Property and Casualty Insurance.** Due to increasing perceived risks and pressure to address ESG, among other reasons, many private insurance companies are denying the sale of new property and casualty insurance policies, declining to renew existing coverages, and/or drastically raising policy rates in certain states. To make matters worse, reinsurance companies are rapidly increasing the costs of insurance for insurance companies on all lines of coverage due to recent national and global disasters, burgeoning bureaucratic expenses and to make up for reduced participation. Taken together, it is becoming increasingly more difficult for both existing and potential new home owners to secure available and affordable insurance, which is harming housing affordability.

NAHB ECONOMIST: THE HOUSING MARKET IS DIVERGING

In his biweekly newsletter Eye on the Economy, NAHB Chief Economist Robert Dietz provided the following overview of the housing industry:

As the Federal Reserve digests the latest inflation and labor market data, the housing market is diverging. [Single-family construction](#) is moving off cycle lows, while multifamily development is slowing after an unexpectedly strong run.

Interest rates moved sharply higher at the start of July and then pulled back as the bond market attempted to predict the final actions by the Federal Reserve for this tightening cycle. From the end of June until the first week of July, the 10-year Treasury rate increased from 3.7% to almost 4.1%. This lifted the average 30-year fixed-rate mortgage to almost 7%, per the Freddie Mac weekly survey. These higher rates were because of hawkish commentary from Fed officials indicating multiple, additional federal funds rate hikes were set for the coming months.

But it's the inflation data that matter: The June Consumer Price Index data brought good news, with [consumer inflation moving down](#) to a 3% year-over-year growth rate. Moreover, the internals indicate additional declines lay ahead, as the Fed attempts to bring inflation closer to 2%. Shelter inflation (rent and home owners' imputed rent) accounted for a striking 70% of the inflation gain in June. However, shelter inflation growth will decline in the months ahead as an above-trend level of apartments under construction are completed. Moreover, the Producer Price Index business inflation measure for May indicate only a 1.1% year-over-year gain, with [residential construction material pricing up only 0.5%](#) on a year-to-date basis in 2023.

Taken together, the recent inflation data show slowing price growth, with more ahead. Consequently, the bond market repriced interest rates in mid-July, with the 10-year Treasury rate returning to below 3.8%. NAHB's outlook is that this is consistent with a Fed rate increase in July and a 50-50 chance of a final increase in September. According to this forecast, mortgage rates reached their peak last fall.

The [NAHB/Wells Fargo Housing Market Index \(HMI\)](#) continued to reflect growing but cautious optimism among builders. Low existing inventory, which is [bolstering demand for new homes](#), helped push builder confidence up in July to a level of 56. Sentiment has continued to improve even as the industry grapples with rising mortgage rates, elevated construction costs and limited lot availability. This was the HMI's highest reading since June 2022.

Mirroring this improvement, single-family permits increased 2.2% to an annual rate of 922,000. Although down 2.7% compared to a year ago, this was the best reading in a year. Meanwhile, single-family starts are down more than 7% compared to a year ago.

In contrast, multifamily permits decreased 12.8% to an annualized 518,000 pace, down 31.2% compared to June 2022. The June pace for multifamily permits is at its lowest level since late 2020. It appears the widely expected slowdown for multifamily construction has begun.

But in the meantime, multifamily completions will remain elevated. There are 994,000 apartments under construction, the highest number since 1973. And multifamily completions are up more than 25% compared to a year ago — a good sign for the shelter inflation reading that will help determine monetary policy in the months ahead.

THANKS TO OUR MEMBERS & PARTNERS FOR THE CONTINUED SUPPORT

