

Minutes of the Tuesday, October 18, 2022, joint worksession on long-term housing with the Kill Devil Hills Board of Commissioners and Planning Board, held at 6:00 p.m. in the Meeting Room at the Kill Devil Hills Town Hall, 102 Town Hall Drive, Kill Devil Hills.

- Members Participating:** Mayor Ben Sproul; Commissioners Terry Gray, Ivy Ingram, Bernard “B.J.” McAvoy, and John Windley
- Planning Board Members:** Chairperson Howard Buchanan; Becky Breiholz, T. Dillon Heikens, Mike Lowack, Ron Seidman, II, and Mary Simpson
- Members Not Participating:** Planning Board member Natalie Painter
- Others Participating:** Debora P. Díaz, Town Manager; Cameron Ray, Assistant Planning Director; Ryan Lang, Senior Planner; Morgan Deane, Planning Intern; and James Michael O’Dell, Town Clerk.

Call to Order

At 6:01 p.m., Mayor Ben Sproul opened this joint worksession on long-term housing by the Kill Devil Hills Board of Commissioners (BOC) and Planning Board (PB), and welcomed all present.

Pledge of Allegiance and Moment of Silence

Public Comment

One public comment was submitted by email by Ralph Buxton in support of decreased regulatory requirements for street development or development incentives for non-paved streets. The comment was provided to members and has been included with the record of the meeting.

Response to Public Comment

Joint worksession

- 1. Long-term housing in Kill Devil Hills**
 - A. Planning Department recommendations**

Mayor Sproul shared that long-term housing was a vital issue, and that it was not so much a specific housing price range, but the ratio of long-term vs short term housing stock in the community. He noted that this worksession would be less formal, and that the group would

review the suggestions from the Planning Department Staff, which were included in the meeting materials.

Assistant Planning Director Cameron Ray introduced Senior Planner Ryan Lang and Planning Intern Morgan Deane. Mr. Ray noted that the BOC has already taken strides in helping to provide long term housing through amendments to the Town Code including: changing setback for mixed-use development in the Commercial Zone, allowing accessory dwelling units (ADUs) in the Commercial and Light Industrial Zones, allowing Cluster homes in the Residential Zone (with restrictions), and increasing the Floor Area Ratio (FAR) for multi-family development in the Light Industrial Zone.

Mr. Ray presented the following list that Staff has developed for consideration. The alternatives are listed in categories and range from lessening current regulations to restrictive regulatory options as well as incentive options.

Regulatory Changes for consideration:

- Revise existing Workforce housing ordinance to remove income requirements to allow for flexibility for year round housing. Mr. Ray provided an overview of the Nature's Walk development, which is the only project constructed under the Town's workforce housing ordinance. Through the process, development fees were waived for qualified buyers that met specific income guidelines. However, nearly every unit in the development has been transitioned to a market-rate unit. He stated that each unit's purchase or sale involved a large amount of Staff review in the process. The Town's goals have shifted from income levels to the quantity of available long-term housing stock.
- Lessen regulations for duplex dwellings in residential zones. Duplex dwellings currently have greater lot size requirements than single-family dwellings. Mr. Ray noted that septic requirements will be a challenge, but could be explored. Duplexes can be an economical alternative to construct housing for the workforce.
- Lessen setbacks for mixed-use development in the Light Industrial Zone (to match amendments made to the commercial zone). If a business in that zone would want to develop an apartment for the property, it would have greater setback requirements. Current Town Code prohibits existing properties in the Light Industrial Zone from developing potential housing for its workforce.
- Allow ADUs in all zoning districts, including Residential Low and Residential High Zones. Mr. Ray indicated that there is the potential for ADU development in Town; he noted that septic requirements may be a challenge, but ADU development was worth consideration. Long-term occupancy requirements could be established for ADU development, similar to cluster homes.

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- Incentivize mixed-use development with zoning concession for long-term development – including requiring no additional parking for residential uses.
- Prohibit short term rentals in specific zoning districts therefore mandating long-term housing by zoning district. Mr. Ray briefly shared a summary of short-term housing, which are an integral part of the local economy. He said that short-term rental regulations are an issue across North Carolina. However, there are ways short-term rentals can be regulated. Zoning does allow the Town to allow or not allow this use. He highlighted some N.C. municipalities that have developed a permitting program for short-term rentals. Mr. Ray reported that, with excluding the property management companies, there are about 1,500 short-term rentals posted in Kill Devil Hills (i.e. Airbnb, VRBO, etc.). Of those short-term rentals, approximately 60% are located west of US 158. Commissioner Ingram noted that zoning of short-term rentals can be implemented, but not registration. Mr. Ray concurred, and highlighted the City of Wilmington, which originally established registration requirements as part of its zoning; those registration requirements were legally overturned. He stated that short-term rentals can be prohibited in specific zoning categories.

Incentives-based recommendations for consideration:

- Create grant funding for voluntary conversion from short to long term housing with restricted convenience for a limited time period (three years). There are initiatives in place across the country, including Sedona, Arizona, with its “Rent to Locals” program, where the community allocates grants to property owners who develop long-term housing. Development of a similar program would require budgetary planning.
- File a local bill in NC House and Senate to allow for tax reductions for long-term housing to monetarily incentivize those properties that convert to long-term housing. Mr. Ray said this program could be similar to the Town’s Historic Landmarks Commission, which provides tax credit for historic deferment for designated properties that are going to be preserved.

Mr. Ray stated that when considering long-term housing, it is also important to remember that short-term housing is a necessary option in our Town and provides for our primary tourism industry. Creating a too-restrictive stance on short-term housing could be detrimental to our economy. Therefore, Staff recommended moving forward with lessening regulations to encourage long-term housing vs mandating. He stated that Staff’s goal for the joint work session is for the BOC and Planning Board to discuss these alternatives and any others brought forward by the group, prioritizing the next steps for Staff to work with the Planning Board to develop. Mr. Ray stated that it is not the intent to attempt to develop specific language or regulations at this meeting, but rather to create a priority list for further development and consideration over the next several months.

Mike Lowack inquired about the income range for workforce housing. Mr. Ray responded 80% of median income level. Mr. Lowack responded that the level could be altered to 120% of income level. Mr. Ray said it could be a consideration to update but he encouraged an overhaul of the whole workforce housing program, noting that the Planning Department has not received any inquiries about potential workforce housing from developers for years.

Mr. Ray noted that although ADUs are not permitted in residential areas of town, they are permitted in the Commercial and Light Industrial Zones. Mr. Buchanan inquired whether Town Staff had contacted other local governments regarding ADUs. Mr. Ray said other local municipalities are reviewing ADU options, but environmental health department septic requirements are the challenge because of how ADU septic usage is calculated; the addition of an ADU to a structure could be considered a second dwelling for septic considerations. Mr. Ray stated that ADUs may not be a separate structure. Mayor Sproul concurred that ADUs can be a great alternative, but that many communities are on centralized sewer, rather than septic, which is a limiting term. He noted that workforce housing, along with other alternatives, must be economically feasible for developers and property owners. The difference in a property owner's income between short versus long-term housing is large. Mayor Sproul stated we cannot subsidize our way out of the problem; Dare County says 1,200 housing units are needed, and the goal is to move the balance towards long-term housing. The group needs to consider the best option to have biggest impact for the community.

The group then discussed ADUs and septic requirements, focusing on whether full-service kitchens were needed for long-term housing. Mayor Sproul highlighted the Wisconsin Dells community, a tourism hub that developed innovative incentives for worker housing, including dorm-style housing with limited parking areas for international J1 Visa students. The town had not funded construction, but had provided parking incentives to promote such housing options.

Commissioner McAvoy noted this was also a fundamental discussion of whether worker housing needs were the responsibility of the Town rather than the business community. Mr. Buchanan cited the example of businesses constructing housing for its workers. Mr. Ray stated that the Town had already established workforce housing with decreased development fees, etc. Across the US, long-term housing is being promoted through grant incentives and decreased regulations. Mr. Ray highlighted the Sedona, Arizona, grant program, which allocates graduated funding for property owners, depending upon the size of the structure. He noted that the City of Wilmington has implemented a similar program, but more along the lines of loans, including deed restrictions with longer term repayment. Mr. Lowack noted the Town could cap incentives, scaling up or down, as necessary. Mr. Ray also highlighted Buncombe County, which has a program that incentivizes large scale development by assessing the estimated personal property tax, and offset costs for the first five years.

The group discussed occupancy tax, and also the potential for grant funding to promote long-term housing opportunities. It was noted that the Tourism Impact Grant program could be an option; however, the program provides shared funding for all of the localities.

Mayor Sproul stated that for a community to be economically healthy, 94% of housing should be rented. In the Outer Banks, the current rate is 99.5% occupancy all of the time. Mr. Ray said the Town's adopted Land Use Plan has indicated a preference for a lower density area,

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and that KDH already allows a higher density than its neighboring municipalities. KDH has the housing stock, but it is occupied. Mr. Ray suggested considering the housing development potential in the Light Industrial Zone. Short-term rentals have changed the Outer Banks forever. The State has made it easy to be a short-term rental host, but difficult to be a long-term rental owner. Mr. Buchanan inquired how many of the short-term rentals that Mr. Ray cited earlier are single room spaces. Mr. Ray replied about 11% of the rentals; two to three bedroom spaces are the highest percentage. Senior Planner Ryan Lang stated that almost every new home construction has an Airbnb already in the plan. Commissioner McAvoy stated that it is important to determine what type of long-term housing is being promoted. Long-term rentals will be taken up by families and not by hourly employees, who are struggling the most.

The group then discussed duplex development, with its potential flexibility for the varying workforce. T. Dillon Heikens inquired whether the Town could possibly incentivize the direct employer, rather than incentivizing a developer to create long-term housing. Mr. Ray cited the potential for incentivizing apartment areas over the services area in a building. He noted that parking requirements could be adjusted since a resident would not likely be there during the day when the business is operating. He also suggested the option of a long-term housing ordinance, which Commissioner McAvoy referenced. Commissioner McAvoy stated that if it is not going to solve the housing program or greatly reduce the problem, and also not be enforceable, it could just increase density. The group then discussed density and its impact on the community, including deed restrictions, the costs of a centralized sewer system, and a unified approach to the long-term housing issue by all of the Outer Banks communities.

Mayor Sproul stated that we are proud to live in a fiscally well-run town, and that the Town's infrastructure is paid for when upgrades and expansions are undertaken. Planning Intern Morgan Deane shared her perspective on the long-term housing issue, noting that most young people cannot afford to live in Dare County. It is a countywide problem, and cited the additional need for teacher housing.

Commissioner Ingram supported contacting General Assembly lawmakers to address changes in long-term rental regulations. She stated that although she was not for restrictions by zoning, other communities across the state are moving towards that model. BOC members supported lessening setbacks for mixed-use developments. Commissioner Gray stated that he believes the Town over-regulates parking.

Through consensus, the group requested Staff pursue the following topics:

- Revise existing Workforce housing ordinance to remove income requirements to allow for flexibility for year round housing in the Light Industrial Two Use;
- Lessen regulations for duplex dwellings in residential zones, with restrictions for long-term occupancy.
- Lessen setbacks for mixed-use development in the Light Industrial Zone (to match amendments made to the commercial zone).

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- Allow ADUs in all zoning districts, including Residential Low and Residential High Zones, with restrictions for long-term occupancy.
- Incentivize mixed-use development with zoning concession for long-term development – including requiring no additional parking for residential uses.
- Research grant funding using occupancy taxes for voluntary conversion from short to long-term housing with restricted covenants for a limited time period (three years).

Mr. Ray stated that while undertaking all of these categories, Staff would be referencing the Town's Land Use Plan (LUP), so all options will be in compliance with the LUP.

Buffering Requirements In light of concerns by residences abutting a commercial property development, Mayor Sproul suggested that the Town consider different buffering options. After discussion, Staff was given direction to research this topic. Mr. Ray stated that this would be reviewed during the Zoning Code update.

B. Program for Public Information Committee (PPI) annual meeting and update

Mr. Ray shared that in 2015, the Board of Commissioners adopted a Program for Public Information (PPI) as part of the Town's participation in the Community Rating System (CRS). The plan is reviewed and updated annually. In September 2022, the PPI Committee discussed the following topics: review and revise priority audience, topics and associated messages, review completed project(s) and incomplete project(s), create new outreach efforts, and discuss outreach efforts. The committee in attendance included Brandi Bohanan, Doug Styons, Michael O'Steen, Stephanie Walker and Jan Presgraves, absent Willo Kelly.

Mr. Ray noted that after discussion of the topics on the agenda, the committee decided to continue with the following: all current audiences with the addition of the audiences that could be affected by an AO zone as a result of the maps adopted in 2020. The Town of Kill Devil Hills has not had AO Special Flood Hazard Areas in the past and informing residents is a priority. Mr. Ray noted that the committee decided that it was important to complete any incomplete projects, including annual outreach to older adults and other community groups that was halted during COVID. Additionally, the committee desired to provide information about Flood Insurance 2.0, as it will affect all properties in Dare County. There is not a lot of clear concise information available at this time, but Staff will continue to follow this issue.

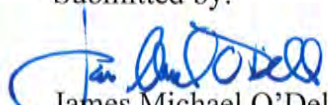
The PPI Annual Evaluation Report was included in the meeting materials, and noted that the summary of the PPI committee report is submitted as part of the CRS's annual recertification requirements. Mr. Lang noted that Staff will keep everyone informed when the new system would be introduced.

Adjournment

There being no further business, the Mayor thanked everyone for attending, and adjourned the worksession at 8:15 p.m.



Submitted by:


James Michael O'Dell
Town Clerk

These minutes were approved by the Board of Commissioners on November 14, 2022.


Peter A. Sproul
Mayor