POLICY ALTERNATIVES FOR AFFORDABLE HOUSING
IN DARE COUNTY

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Executive Summary

According to Dare County 2007 tax data, of the 85-mile Dare County Coastline, only twelve oceanfront homes are owned by local residents. The remainder of Dare beachfront properties are owned by non-residents. Nearly all housing is priced for the tourism market. As a consequence, there is a shortage of affordable housing for local residents.

Dare County continues to grow in population while housing choices stagnate. Consequently, policy makers must identify a long-range strategy for dealing with this problem.

The affordable housing policy evaluations provided herein are framed within the constructs of Eugene Bardach’s *Eightfold Path (A Practical Guide for Policy Analysis)*. Goals and objectives are identified and recommend the provision of ten new affordable housing units each year over the next five years. Key Stakeholder groups are assessed, and evaluation measures are presented. An examination of policy alternatives follows. It should be noted that scores of policy options have been successfully implemented by local governments across the nation and not all of them can be evaluated herein. For purposes of this analysis, four alternative policy approaches were chosen based on the alternative’s potential for acculturation within the county’s current economic, political and social structure. These alternatives are 1) Development Bonus/Fee Waiver, the current policy; 2) Land Transfer Tax Housing Trust Fund; 3) Adequate Public Facility Ordinance; and 4) Federal Low-Income Housing Tax Credit. Each alternative is evaluated based on technical feasibility, economic feasibility, administrative feasibility, and political/social feasibility.

More than fifty new affordable housing units have been constructed under the current program in Dare County. Based on evaluation and scoring outcomes, the Development
Bonus/Fee Waiver, or the status quo alternative, is recommended as the best policy option for achieving the policy goals and objectives suggested herein.

**Foreword**

Humans derive a satisfying, sensory connection to the coast and its natural environment, panoramas, textures and fragrances. The Romantic poet, Lord Byron, encapsulated these salutary effects in poetry, “There is a rapture on the lonely shore … By the deep sea, and music in its roar, I love not man the less, but nature more.”

Summering on the coast has long been an American pastime. Until the mid-20th Century, the seacoast remained a haven primarily for locals and to those who had the means to get there. As early as 1729, South Carolina planters summered in Newport. The robber barons of the 19th Century built grand castle-like structures on the Atlantic’s premier coastlines. It was not until after World War II, when incomes rose and diffused across a wide range of social levels and automobile ownership became commonplace, that Americans began to flock en masse to the oceanside, fundamentally changing the dynamics of coastal living. “The extending of the area of development not only changed where coastal tourists stayed, it enabled an enormous number of Americans to own a piece of the coast – however humble it might be – for the first time” (Thompson 2006). As transportation improved, Americans increasingly visited coastal areas as tourist destinations. Still others migrated as permanent residents.

Dare County remained a relatively quiet coastal environment well into the 20th Century until growth and development accelerated in the early 1970s.

Many Dare beach communities have an associated history of limited affordable housing. The town of Nags Head, which boasts the first tourism destination on the Outer Banks, was a popular summer retreat for Bankers (Outer Banks locals) and visitors as early as the mid-1800s. By
2008, median home prices in Nags Head climbed to more than $600,000. Across the coastal landscape, rural fishing villages have given way to coastal resort communities where potential home owners are willing to pay top dollar.

Waterfront development reached a saturation point in the United States by the 1970s. Smart growth strategies have gained broad public and private support. Today, a mobile home in Malibu, California with a view of the Pacific Ocean can sell for more than one million dollars. In Dare County, the seasonal workforce outnumbers the permanent population. A third of existing housing sits idle in the off season, while year round residents and workers compete for housing. The Dare County tourism industry emerged relatively unscathed at the close of the 2008 tourist season, boasting a 13.7 percent increase in tourism revenues by the close of August 2008. As the impacts of the national economic downturn reach the Outer Banks, it remains to be seen how this will influence real estate values.

Coastal communities face a juggling act of balancing housing affordability with economic development and environmental protection. Richard Farr, a planning official in South Carolina’s low country encapsulates this quandary in a 2000 housing report, “If uncontrolled growth continues, you will have plucked the flower and it will wilt in your hand” (Faulkenberry 2000).

**Introduction**

Dare County is a region of barrier and non-barrier islands along the Outer Banks of North Carolina. The region is known primarily for nationally-ranked beach resorts that include natural and historic tourism destinations such as Cape Hatteras National Seashore, Jockey’s Ridge State Park, and the “first flight” memorial to Orville and Wilbur Wright. Tourism is the primary source of revenue. A temperate climate paves the way for an extended tourist season that
reaches well into autumn. With more than five million visitors in 2008, the region’s popularity is evident.

Developable land is quite limited. About half the county’s 800 square miles is land, and this includes extensive national and state parks. Population has swelled over 500 percent since 1970, and seasonal population shifts are significant, from 34,000 in the winter months to 300,000 in peak season. More than half the residential property belongs to second-home owners, while fully one-third of all housing sits idle in the off-season. The extended tourist season further stretches accommodations due to high demand from visitors and service sector workers. It is evident that these factors, viewed in concert, have led to a hot housing market which saw average home sales reach $355,000 for a single-family home in 2005. With median household income less than $50,000, equity considerations have emerged as a significant concern among residents as middle-income residents face limited housing choices (see Appendix, Focus Group Analysis).

In recent years, a growing number of voices from all ranges of interests have raised concern over the lack of affordable housing in Dare County. Still others say the situation is dire. One such group has been the Dare County Education Foundation (DCEF). In 2005, DCEF brought to light the growing difficulty in attracting qualified school teachers to the area because of the high cost of housing, citing incidents where teachers were forced to share cramped motels, commute from outside the county, and other difficult circumstances. DCEF brought together key stakeholders, including the N.C. State Employees’ Credit Union Foundation, the Dare County Commission, the N.C. Department of Education, and builder-developers in an effort to come to grips with the issue. These stakeholders were able to take a first step toward addressing a pervasive affordable housing shortage in the county by effectively tapping stakeholder
resources and expertise. Their efforts paid off and construction of the first teacher housing complex was completed in Kill Devil Hills in the summer of 2008.

**Problem Statement**

Coastal communities today face a juggling act of balancing housing affordability with growth and development. In recent years, economic development has achieved mantra-like status with growth advocates and county commissions across North Carolina’s coastal resort communities. Dare County bears witness to this trend with population growth of more than 500 percent since 1970 and more than $50 million in annual retail sales. Baby boomers, retirees and amenity migrants are snapping up coastal residences, a significant factor in the sharp rise in real estate prices in recent years. The state ranks fourth in the number of new housing units built between 1990 and 2000, and it continues to experience significant affordable housing problems.

Despite the state’s overall economic growth of the past two decades, many North Carolinians are unable to secure decent, safe, affordable housing. As a result of the housing squeeze, families are being forced to commute long distances from home to work, live in substandard or overcrowded housing, or pay burdensome percentages of their household income for the cost of housing (Brown-Graham, 55).

Recent focus group studies conducted by East Carolina University found that locals perceive this problem as a significant impediment to family well-being and to community vitality as a whole. They cite gentrification, high prices and skyrocketing real estate costs as the most significant problems they face, all issues which typically follow second home buyers wherever they settle. Long-time residents are also concerned that their children and future generations will not be able to afford home ownership in Dare’s coastal communities. Moreover, as retail establishments flourish in the wake of growing local economies, sometimes the very nature of what makes these coastal resorts desirable is lost.
In the summer months, the residential population in Dare County swells from 34,000 to between 250,000 and 300,000. A third of existing housing sits idle in the off-season, while year-round residents and workers compete for scarce affordable housing. As the impacts of the national economic downturn have reached the Outer Banks, new construction has nearly halted altogether. It remains to be seen how this development will ultimately affect real estate market behavior, although prices have been dropping over the last eight quarters. The Dare County tourism economy emerged relatively unscathed at the close of the 2008 tourist season, actually boasting a 13.7 percent increase in tourism revenues by September. Industry leaders are not so encouraged by forecasts of the pre-2009 season with early vacation reservations already 25 percent below the previous year’s levels with unemployment at 17.1 percent. Even in this current economic situation, though, the basic problem remains. Dare County lacks sufficient affordable housing for its low to moderate-income residents. This analysis evaluates several alternatives by which the county may address this problem.

This analysis will examine alternative solutions to the lack of affordable housing and recommend policy changes to meet the needs of Dare County given current economic, environmental and political constraints.

**Background**

What is affordable housing? How does one define it? Harvard’s Joint Center on Housing Studies evaluates these questions from varying perspectives. “Standard measures fail to take into account tradeoffs that people make to lower housing costs” (Belsky, 207) For example, is the problem of affordable housing defined by having to live far from work because housing is too expensive nearby? What about paying less for a house but living in an unsafe neighborhood? Does one count those families who spend so much on housing that there is nothing left for
savings or extras? The conventional practice has been to count those households that spend more than 30 percent of pre-taxed income for housing as spending too much for housing. Under this rule of thumb, a family earning $30,000 a year should pay no more than $750 per month for housing. This problem is exacerbated in coastal resort communities. Generally, area median incomes (AMI) are lower in coastal resort communities than in urban areas or other rural areas, while housing and land costs are higher. Low AMI in resort areas is due in large part because of the low service industry wages typical of tourism economies.

North Carolina statutes G.S. 157-1 through 157-70 define moderate-income individuals, for purposes of defining affordable housing need, as those persons who require assistance because of insufficient personal or family income. Low-income individuals are defined as those persons whose incomes are 60 percent or less than area median family income (Brown-Graham, 2).

The U.S. tax code provides deductions to homeowners and this has helped to create a historically strong real estate market in the United States. Housing prices in Dare County, however, have escalated in recent years while affordable homes have been in shorter supply. The county experienced a 41 percent increase in housing costs from 2000 to 2004, according to the Dare County Affordable Housing Committee. The U.S. Department of Housing and Urban Development defines affordability as households paying no more than 30 percent of income for housing. At the median income rate of $48,036, the average affordable house price for this income would be in the range of $100,000, a far cry from the average 2005 single-family home price of $355,000.
The county encompasses much of the Outer Banks region on the Eastern edge of North Carolina. More than 80 percent of the land in Dare County is publicly-owned. Of the 800 square miles encompassing Dare County, only 391 square miles are land and that has more than 75 miles of ocean shoreline. Dare County reaches from Duck in the North to Hatteras Village in the South and Westward to the Alligator River. Existing housing stock is split about evenly among seasonal and year-round residences (13,355/13,150), according to 2000 census data. Median household income in Dare County in 2005 was $48,036. Population fluctuates from about 34,000 year-round residents to about 300,000 seasonal residents. Total Dare County population in 2007 was 33,776, a 48.5 percent increase rate since 1990, according to U.S. Census data. County population grew 328.4 percent from 1970 to 2000. Total housing units in 2006 were 32,000.
Figure 2

**Ratio of House Prices to Income**

<table>
<thead>
<tr>
<th>Year End</th>
<th>U.S.</th>
<th>N.C.</th>
<th>Carteret Co.</th>
<th>Dare Co.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year End 1989</td>
<td>2.6</td>
<td>2.5</td>
<td>2.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Year End 1999</td>
<td>2.8</td>
<td>2.8</td>
<td>3.2</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: Living and Working in Paradise
Dare County and its communities are frequently ranked among America’s best places to live by *Biz Journal*, the Anholt State Brands Index and numerous other organizations. A housing study commissioned by the Outer Banks Community Development Corporation in 2006 found that affordable housing has not kept pace with the significant increase in the number of workers who have migrated to meet the growing needs of the tourism economy. Increasing demand for resort homes in Dare County has led to a shortage of affordable housing for year-round residents. Housing costs rose nearly fifty percent from 2000 to 2004, with the average home price in 2005 reached $355,000.

Local officials have attempted to respond to this problem. The Dare County Board of Commissioners established an affordable housing committee under the jurisdiction of the County Planning Department in 2005. This ad-hoc committee was appointed to identify zoning incentives that would encourage private sector development of workforce housing. That same year zoning amendments were approved by the County Commission to encourage private sector development of workforce housing. The Dare County Board of Education had previously sought and obtained legislative approval in 2004 to enter into various public and private partnerships to develop affordable housing with preference for teachers. Session Law 2004-16 authorized construction projects north of Oregon Inlet, on Hatteras Island and on Roanoke Island – the mainland area of Dare County. The Commission also has endorsed affordable housing development on county-owned land, and has contracted with the Outer Banks Community Development Corporation to identify sources for financing, construction management, and long-term property management. To date, one affordable housing development has been constructed in Dare County with three additional projects under way. This includes a completed 15 town
home complex in Kill Devil Hills (which maintains a covenant giving preference to school teachers), 21 town homes in Waves, 10 single family homes in Manteo, and an additional 32 town homes in Manteo, ranging in price from $170,000 to $220,000.

Dare County real estate costs have risen much more quickly than have other regions of the state. According to census data, average resale prices in the county rose 120 percent from 2000 to 2005. The average resale home price in Dare County in 2006 was $483,244. Median home prices were $397,500. Nearby Currituck County, which has substantial second home ownership, has even higher averages with 2006 average resale prices of $581,878 and median sale prices of $380,000. Statewide, the average resale home price in 2006 was $214,948; the Triangle average was $233,763; and the Charlotte average was $228,665.

Local Government Entrepreneurs: Effective Affordable Housing Programs in Other Locales

As second home buyers flood American resort communities, policymakers have been forced to re-examine these hot markets and seek innovative solutions that retain the integrity of each unique community while providing for the housing needs of middle-income workers and their families. A broad range of approaches are finding success in cities and counties across the nation, each with a common goal of finding solutions to difficult challenges.

Inclusionary Zoning — In Breckenridge, Colorado, a 19th Century gold rush town, median household income averages $44,000 while median single-family housing prices top $850,000. To address this problem, the city adopted an inclusionary zoning policy in 2005 with a five-year plan for 59 new housing units. The ordinance mandated an eighty percent reserve of new project units for affordable housing. To qualify, residents are required to work locally a minimum of
thirty hours per week. Several North Carolina communities have adopted their own inclusionary zoning ordinances.

**Mortgage Subsidy** — A number of cities offer mortgage subsidies to qualifying homebuyers as a means of dealing with housing affordability. Recognizing that making an initial down payment on a house purchase may be out of reach for many low to medium income families, the mortgage subsidy bridges that gap by offering loans to first time home buyers to go toward the down payment on a home.

**Cooperatives** — In Staten Island, NY, where average home prices in 1998 were about $350,000, the City of Staten Island organized an affordable housing project to aid lower income families. The city built a townhouse community of 74 units to be sold as part of a cooperative. They offered the units for sale to individuals with incomes as low as $30,000 and as high as $70,000 per year. This was achieved through use of city subsidies, a low-interest project-wide mortgage and through suspension of property taxes. Shares in the co-ops residences ranged from $5,700 to $6,850, with monthly mortgage payments ranging from $885 to $1,054. The site builder was offered a 25-year tax abatement and the New York City Housing Development Corporation provided taxable bonds in order to offer below market rate construction loans. The HDC offered unit subsidies with second mortgages at one to three percent interest over a 30-year period.

Middle-income buyers must meet a qualifying income range. The county can examine the feasibility of generating such a project through provision of county/city subsidies, a low-interest mortgage, and through reduction of property taxes. Builder incentives would be offered through tax abatements, while the county would underwrite low-rate construction loans.
**Housing Authority Fund** — The Town of Snowmass Village, Colorado, offers housing to qualifying town employees via a lottery system. This system is based on length of employment with priority given to those employees with greatest longevity of employment with the town.

**Workforce Housing** — The town board of Southampton, an exclusive resort community on Long Island, New York, approved a plan in December 2008 to rezone a parcel of land to construct workforce housing fully funded by private sources. A lottery system is used, and units are offered for sale in line with area median income levels.

**Dare County Economy**

The county is positioned to provide an affordable housing fund to assist permanent residents with housing purchases. The County maintains large reserves primarily in order to meet expenditures associated with hurricane-prone areas. According to Fitch Ratings, 2007 was at least the fifth consecutive year it met its undesignated general fund balance goal, between 25 and 28 percent of total year expenditures. The County realized a deficit in fiscal year 2008, but still maintained a 21.9 percent unreserved, undesignated fund balance. The County has indicated that declining fiscal year 2009 expenditures will compensate for the decline the county experienced in construction revenues and should ultimately show a year-end fund balance increase. For 2010, the county anticipates reducing the fund balance. Its taxable Assessed Value (AV) has averaged 4.6 percent for fiscal years 2000 to 2005. Standard and Poors credit report analyzes county wealth and income levels, as measured on a median household effective buying income basis, are above state and national levels at 112.7% and 104.7%, respectively. A property reassessment in fiscal 2006 increased the property tax base to $16.5 billion from $6.0 billion in fiscal 2005. Fiscal 2007 assessed value is $16.8 billion, representing a high $483,041 per capita value. AV has remained relatively flat since that time at one to two percent. Tax collections in the first six
months of FY 2009 have declined 71 percent from the 2005 high. The county has held these funds for capital financing.

According to the Outer Banks Chamber of Commerce, Dare County population has grown about 2.5 percent since July 2000 and is the 16th fastest growing county in the state and exceeds the state’s average annual growth rate of 1.5 percent. The county’s population fluctuates to over 220,000 in peak season. “In effect, Dare County supports services for a population that is nearly seven times the size of its resident population,” according to James Kleckley, Director, Bureau of Business Research at East Carolina University.

The U.S. Census Bureau reports Dare County employment levels in 2006 at 15,330. Higher interest rates and higher gas prices have influenced declining home sales in 2008. Moreover, the County projects a $3 million shortfall for the current year budget. The County projects $5.3 million more in expenditures than revenue in 2010 due to capital outlays, debt service, retiree health benefits costs, insurance costs and pupil education costs. Sales tax revenues are projected to be $885,000 under budget through the end of June 2009.

“One of the upsides of a crashing-and-burning housing market is that buying a home becomes more affordable,” says Harvard economist Edward L. Glaeser. [The Housing Affordability Index (HAI) is at the highest level it has been since data collection began in 1971. The HAI is an indicator of income levels needed to qualify for a mortgage. The December 2008 HAI was 158.8, so a family earning the median income would have 158.8 percent of the income necessary to qualify for a mortgage on a median-priced home.

**Making Housing More Affordable**

According to the North Carolina Rural Housing Center, 29.9 percent of Dare County Households were deemed cost-burdened. Policy makers and financial institutions can adopt
housing policies to stabilize prices and build greater confidence in the housing market. The current federal government efforts to alleviate the so-called housing bubble earmarks monies toward lowering some mortgage rates.

The 2004-2005 comparative real estate sales numbers for the Outer Banks show that while the number of new home sales did drop by 4 percent in 2005, the average cost of a home increased by 8 percent.

Another surprise was found in the land transfer tax revenue, which had stopped falling and leveled out from January 2008 through September. But it plummeted between October and January. It was $202,000 in January - the lowest Clawson has ever seen it, he said. By contrast, the land transfer tax brought about $1 million a month in 2005. A popular ocean resort tourist location and the home of several national historic attractions, Dare County living costs are extremely high compared to many neighboring counties. Having been faced with the difficult task of recruiting and retaining teachers, the Dare County Board of Education partnered with the State Employees Credit Union Foundation and Dare Education Foundation to replicate Hertford Pointe, a teacher housing complex in nearby Currituck County.

**Figure 4**

FHA Mortgage Limits

Kill Devil Hills Micro Area

- One-Unit: $391,000
- Two-Unit: $500,550
- Three-Unit: $605,050
- Four-Unit: $751,900
Builders in resort areas tend to build larger and more expensive homes, and without specific incentives they do not choose to build affordable housing. (cite living working in paradise]. While incomes are about ten percent higher than the statewide average, a median income family can ill-afford to purchase many Dare County Properties.

Figure 5: Dare County Teacher Housing – Run Hill Ridge
Goals and Objectives

Dare County experienced explosive growth in the real estate market in recent years, but families living on median-family incomes are unable to afford a median-priced house. This is exacerbated by limited availability of land, environmental restrictions and growth management regulations. Supply has not kept up with demand. As the countywide population continues to grow, demand for housing is increasing, particularly for teachers and workers who perform critical services. Consequently, local government intervention has become necessary to ensure that the county’s children have sufficient teachers, and residents have a good supply of police and fire protection.

Goal - The goal of this paper is to identify policy alternatives that best support Dare County’s goal of ensuring quality of life for all its citizens through the provision of an effective affordable housing program. Table 1 outlines goals and objectives for increasing affordable housing stock in Dare County.
Objective One – Assess selected county and municipal governmental policy approaches through the lens of specific evaluation criteria, and recommend a policy alternative that will encourage the growth of affordable housing in Dare County.

Objective Two - Recommend a policy alternative that will facilitate an increase in the supply of affordable housing units in Dare County by ten units per year for a period of five years, beginning with fiscal year 2010.

In order to meet the annual program requirement of ten units per year, the county must assess overall affordable housing needs, particularly within key constituent groups such as for workers that provide critical state and county services, evaluate land use planning and determine whether zoning and regulatory amendments are necessary for construction and development, and assess public and stakeholder commitment for the policy. The county can be positioned to effectively evaluate supply and demand needs through the organization of an ad hoc stakeholder group with responsibility for monitoring ongoing affordable housing needs and developing responsive strategies that address the affordable housing challenges in Dare County.
**Goal:** Identify policy alternatives that facilitate Dare County’s goal of ensuring quality of life for all its citizens through provision of an effective affordable housing program.

**Objective One:** Assess selected county and municipal governmental policy approaches through the lens of specific evaluation criteria, and recommend a policy alternative that will encourage the growth of affordable housing in Dare County.

**Objective Two:** Recommend a policy alternative that will facilitate an increase in the supply of affordable housing units in Dare County by ten units per year for a period of five years, beginning with fiscal year 2010.

**Stakeholder Groups**

The challenges associated with the success of a public policy can be found in the level of support it may receive from interest groups. These organizations have both varied and opposing interests. Consequently, it may prove challenging for localities to garner sufficient support for a specific policy change. In fact, these competing interests may not agree until such time as an issue reaches a level of significance or importance that each group becomes willing to work to find common ground that will allow development of an effective solution. Such has been the case in Dare County where the competing interests of residents, government, development and nonprofits have recognized the need for affordable housing where each has played a significant role in developing a unified response to the affordable housing needs in the county.

1) **Local Residents** — Affordable housing continues to be a top concern of local residents and ranks higher than the Bonner Bridge replacement as an issue of concern. Dare County officials polled resident and non-resident property owners in September 2008 on the county’s land use plan:

- 80 percent support family homes as the preferred land use;
• 73 percent support revaluation of occupancy and land transfer taxes to allow for non-tourist and infrastructure improvements;
• 72.9 percent support limitation of multi-family units to a density of three to five units per acre;
• 50 percent support county evaluation of allowing use of single-family homes as boarding houses.

3) Dare County Commission — DCC has been generally supportive of ensuring affordable housing that is targeted for public service employees such as schoolteachers, police and firefighters. The county has historically relied on a laissez-faire, market reliance posture. However, as the population grew, by 2004, the county faced a shortage of affordable housing for key public service workers. Consequently, it developed public-private funding partnerships in order to provide affordable for teachers. On the other hand, it has not expressed support for mandating affordable housing set-asides in new developments, as a number of other states have done.

4) North Carolina Association of Realtors — NCAR generally favors little governmental intervention with minimal taxation. It cites retirees living on fixed incomes as being particularly cost-burdened by increasing property taxes and recommends as a rule of thumb that local governments streamline, cut costs and privatize services. Nevertheless, the real estate community recognizes, to the extent that critical services are necessary to the safety and well being of any community, designated affordable housing may become necessary. The NCAR has gone on record opposing resort community ordinances that require registration of rental properties and charging registration fees.

NCAR asserts that land transfer taxes single out one population segment and that the tax is unfair to the seller and an unpredictable source of revenue. NCAR issues statements pointing out that, in a depressed housing market, land transfer taxes fall, creating greater incentives to raise property taxes.
This issue has evolved into a pitched battle between the NCACC and NCAR. NCACC has recommended that all North Carolina counties adopt the land transfer tax as practiced in six counties. Dare County is one of the six counties that have adopted a land transfer tax. As an example of the negative effects of the land transfer tax, the N.C. Association of Realtors cite Dare County where the County Commission cut capital fund expenditures in order to adjust for a steep decline in land transfer tax revenue. The county collected $15.13 million in land transfer taxes in 2005. By 2006, land transfer taxes had dropped $5 million. The County’s land transfer tax reads, “An excise tax on instruments conveying certain interests in real property. The tax imposed is $1 per each $100 or fraction thereof of the total consideration or value of the interest conveyed [http://www.darenc.net/depts/Taxes/collections/LandTrans.htm].

5) Outer Banks Association of Realtors – OBAR opposes the imposition of impact fees and characterizes them as hidden taxes, or fees that make housing less affordable. Indeed, impact fees brought Dare County $36.33 million in tourism-related tax receipts in 2007. Dare County home sales fell four percent from 2004 to 2005 while the average cost of a home rose eight percent. In 2004, 2,258 homes were sold in Dare County. In 2005, 2,164 homes were sold. The Outer Banks Association of Realtors, concerned over the stalled home mortgage loan market, is encouraging additional federal stimulus dollars to reduce housing inventory and enable refinancing and loan modifications to make homes more affordable and stable. In an effort to improve liquidity, the Association currently is encouraging a $15,000 homebuyer tax credit for all homebuyers, and reinstating the FHA, Freddie Mac and Fannie Mae loan limits that expired in December 2008 [www.obsentinel.womacknewspapers.com/articles/2009/02-18letters-editorials/letters317]
NCAR opposes the imposition of impact fees on new development in Dare County claiming that local governments all too often rely on impact fees to pay for the costs of providing new services in areas that are experiencing high growth. Consequently, when developers are assessed impact fees, these costs are passed down to the homebuyer, which restricts affordability.

6) Affordable Housing Coalitions – The nonprofit community has woven a significant connection with North Carolina communities via groups such as Habitat for Humanity, which focuses primarily on rehabilitation of housing, the North Carolina Fair Housing Coalition, and the North Carolina Community Development Initiative which advocate fair housing policy and provide counseling and training for low and moderate-income individuals for housing opportunities. Member partners typically include a broad range of business representatives, including banking institutions and builder-developers.

Dare County home sales dropped 31 percent from the second quarter to the third quarter of 2008. By January 2009, land transfer tax revenues were lowest on record at $202,000, a stark reduction from the monthly average of $1 million in 2005. Prospective homebuyers today have the added burden of dealing with the fallout resulting from the national housing crisis, which has resulted in record numbers of home foreclosures. A significant effect of the housing crisis has been the ability of individuals to qualify for a home loan mortgage. Individuals must have much higher credit scores today in order to qualify for a mortgage loan. Nationally, for example, in May 2006 borrowers needed a credit score of at least 620. By summer 2008, a minimum score of 760 was needed to qualify. Banks are not willing to risk subprime lending, and borrowers who are a credit risk will be virtually unable to find a mortgage loan.

Middle to low-income workers in Dare County are thus faced with the challenges of maintaining good credit in addition to qualifying for affordable housing in the county.
According to 2004 N.C. Rural Housing home loan data, there were 7,677 loan applications in Dare County. Of those, 10.9 percent were denied. Given the increased difficulty in obtaining a home mortgage loan associated with the current housing market foreclosure crisis, it is likely that the threshold for approval is greater.

**Evaluation Criteria**

Four criteria have been established to identify the most practical alternative for affordable housing policy in Dare County. Each alternative is evaluated for technical feasibility, economic feasibility, administrative feasibility, and political acceptability. By evaluating each alternative by these prescriptive criteria, the most feasible alternative can be pinpointed. Each criterion is defined, measured for ability to meet goals and objectives for solving the problem, and assessed according to a decision standard that provides for identifying the alternative that best fits operational requirements.

**Technical Feasibility** – Each alternative is measured for its capacity for seamless operability and whether the inherent knowledge, skills and abilities are in place and sufficient to deliver program requirements. This is characterized in three different ways: 1) the alternative’s capacity for expanding supply of affordable housing is defined by the number of affordable housing units created per year. This is defined by an objective measure of number of units created, one to ten housing units per year. The decision standard is based on the highest number of units provided annually; 2) the alternative’s operational capacity and whether county staff have appropriate levels of expertise and resources to deliver program requirements. This is measured by whether or not new training elements will be required. The decision standard for this criterion is no additional outlay for staff training; and 3) whether the program would require change in existing laws or regulations. This is measured by whether or not the county must seek
local or state regulatory or statutory change in order to implement the alternative policy. The decision standard is selection of the alternative that requires no change in laws or regulations.

**Economic Feasibility** – Alternatives also will be measured for its cost to Dare County in terms of staff and program resources. An optimum program would require minimize use of these resources. Two criteria have been set forth. 1) What level of county resources will be required to manage the alternative program. This is measured by assessing employee use at one to five hours per week. The decision standard selected is the lowest number of staff hours required.

**Administrative Feasibility** – The chosen alternative should be designed so that it can be operationalized efficiently and without significant additional cost to the county. The question, then, should be posed, “Does the county have all the pieces in place to manage this alternative, if chosen?” Obviously, if new staff and were needed in order to properly administer the alternative, then it would not be deemed an efficient, cost-effective policy option. This is assessed by a single criterion, human resources capacity which is defined by the level of staff required. The objective measure is one to ten staff members. The decision standard is the lowest number of staff required for program operation.

**Political Feasibility** – The alternative must be acceptable to stakeholder groups. An alternative that reflects a broad range of support would be the most acceptable alternative. This is assessed via a separate “Prince Analysis,” a matrix approach to identifying stakeholder support which is discussed later in this report. The alternative with the highest score in the Prince Analysis is the decision standard.
<table>
<thead>
<tr>
<th>Criterion</th>
<th>Definition</th>
<th>Objective Measure</th>
<th>Decision Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative’s capacity for expanding affordable housing supply</td>
<td>Number of new affordable housing units created per year</td>
<td>1-10 units</td>
<td>Highest number</td>
</tr>
<tr>
<td>Operational Capacity</td>
<td>Does staff have expertise to manage alternative policy?</td>
<td>Will policy require new training? Yes/No</td>
<td>No</td>
</tr>
<tr>
<td>Regulatory Impacts</td>
<td>Authority of County to implement alternative policy</td>
<td>Will policy require regulatory/statutory change?</td>
<td>Authorization currently in place</td>
</tr>
<tr>
<td>County resource requirements imposed by the alternative policy</td>
<td>Does the alternative policy require significant county management and involvement?</td>
<td>1-5 staff hours per week</td>
<td>Lowest Number</td>
</tr>
<tr>
<td>Operational Cost</td>
<td>Level of expense to county</td>
<td>$1,000 to 50,000 per year;</td>
<td>Lowest number</td>
</tr>
<tr>
<td>Human resources capacity</td>
<td>Staffing levels required</td>
<td>One to ten</td>
<td>Lowest number</td>
</tr>
<tr>
<td>Support for policy across stakeholder groups</td>
<td>Level of support for policy alternative assessed by PRINCE Analysis</td>
<td>Prince Analysis score</td>
<td>Highest score</td>
</tr>
</tbody>
</table>
Housing Alternatives

A successful housing program will encourage cohesive coexistence among citizens, business and government while recognizing the differing needs and priorities of each group. The following is an analysis of selected affordable housing policies that have been adopted in other resort communities facing a shortage of middle-income housing. These policies are evaluated in terms of their potential applicability and adaptability to Dare County. The alternatives considered herein include 1) maintaining the current program with use of a development bonus/fee waiver plan, the status quo alternative; 2) a land transfer tax; 3) an adequate public facility ordinance; and 4) the federal low-income tax credit.

Each alternative is evaluated by the four criteria listed above – technical feasibility, economic feasibility, administrative feasibility, and political/social feasibility.

Status Quo – Development Bonus/Fee Waiver

The first alternative would be to continue with the development bonus and fee waiver program that has been used for affordable housing construction. Nature’s Walk is the first affordable housing project for critical workers in Dare County, built in Kill Devil Hills in 2008. The City devised a teacher workforce housing plan for a 20-unit apartment complex by granting the developer a density bonus and waiver of town fees. A public-private consortium, including the Dare County Board of Supervisors and the Dare Education Foundation brokered a 2.25 percent low-interest loan under a ten-year repayment plan with the N.C. State Employees’ Credit Union in order to construct the Kill Devil Hills project. The town which has three schools with approximately 2,000 students partnered with the group and waived $150,000 in permitting fees.
Additional developments are under construction in Manteo and Waves. Maximum household income of $46,400 qualifies a family of four for Dare County affordable housing. The Dare Education Foundation has established a fundraising program in order to meet the requirements of the loan, which calls for repayment over a ten-year period.

**Land Transfer Tax Housing Trust Fund**

One alternative would be to establish a housing trust fund with revenues from land transfer tax receipts. The N.C. General Assembly approved a one percent land tax for seven NC counties in 1986. Under North Carolina law, the legislature must approve a county’s land transfer tax plan. Six adjoining counties in Northeast North Carolina, including Dare, have a land transfer tax ordinance currently in effect. Washington County has the authority but has yet to impose the tax. The current rate sits at 0.2 percent, meaning if a $100,000 house were sold, the land transfer tax due would be $200. A proposal to double the land transfer tax to 0.4 was introduced in the N.C. General Assembly in 2007 due mostly to prodding from the Association of County Commissioners. The North Carolina Association of Realtors (NCAR) strongly opposed the plan. The legislature subsequently approved legislation allowing all 100 counties to place the land transfer tax on the ballot in the general election; however, the tax increase was put on the ballot in only 16 counties, none of which approved it. The measure is politically unpopular with a number of interest groups including the North Carolina Civitas Institute, a nonprofit advocacy group that promotes conservative public policy. Civitas literature decries the significant fluctuations in county transfer tax revenues over the last twenty years as an unreliable revenue source, and it unfairly taps homeowner equity.
NCAR argues the tax has both negatively impacted house prices and economic development in the six counties that have adopted a land transfer tax ordinance. NCAR also points out that the tax is not a reliable source of revenue in a depressed housing market. This has been borne out to a certain extent in Dare County, which experienced a steep drop in revenues in the recession of the early 1990s when revenues fell 63 percent over a period of two years. Revenues dropped again by five million dollars from 2005 to 2006.

The N.C. Association of County Commissioners (NCCC supports the land transfer tax as a means of paying for important local infrastructure projects, including school and jail construction. NCACC emphasizes the state trend in property taxes has been upward since 1991,
while the trend has been slightly downward in the six counties which they believe suggests that the land transfer tax is a benefit to all residents. The NCACC counters a N.C. Association of Realtors 2008 report on the impact of the land transfer tax claiming that the report relies almost exclusively on 2006 data from only two counties, Dare and Currituck, both of which have experienced phenomenal growth virtually unrelated to the land transfer tax imposed over twenty years ago. Pasquotank County Manager Randy Keaton suggests the tax has not harmed home sales in the county, where residential growth has been on the rise for many years. The tax has generated on average $500,000 per year in revenue in the years following implementation in 1989. By 2000, when growth soared in Elizabeth City, the land tax revenue grew exponentially to about $2.8 million in 2006. Keaton says the county has gone from having one of the highest property tax rates in the state to one of the lowest. Moreover, the county board believes that the tax has served to help development because necessary infrastructure improvements were already in place as development grew.

Realtors and developers in Mecklenburg were successful in preventing the state legislature’s consideration of a measure to impose the land transfer tax in Charlotte-Mecklenburg in 2007.

Adequate Public Facility Ordinances — Another alternative would be enactment of an adequate public facility ordinance, or APFO. The nearby counties of Currituck and Camden have adopted Adequate Public Facility Ordinances (APFOs) that seek voluntary mitigation fees from homebuilders for school construction and infrastructure development. These fees range from $12,171 per lot in Currituck to $10,249 in Camden. Still other N.C. counties have gone further in adopting APFO ordinances by requiring developers to pay mitigation fees of up to $14,953 per new home. One disadvantage to counties that have adopted APFOs is the inherent
reliance on a robust real estate market for bringing in revenues. This has become a concern now
that the nation is experiencing declining real estate sales. Nevertheless, APFO revenues have
been a significant source of revenues for infrastructure improvements, including highway
development, school construction, and other local government projects. This has potential use as
a resource for development of local affordable housing.

**Federal Low-Income Housing Tax Credits** — The final policy alternative considered is
the Federal Low-Income Housing Tax Credit, which has inherent equity considerations
stemming from the Fair Housing Act, 42 U.S.C., § 3601. A low-income housing tax credit is
available through the Federal government, and is one of the primary means of funding affordable
housing projects. A tax incentive is offered to owners of affordable rental housing properties.
The tax credits are allocated to states, which in turn offer the tax credits to affordable housing
developers. The N.C. Housing Finance Agency received an allocation of $18 million in 2008.
Because developers seek cash for building projects, the tax credits typically are sold to a tax
credit investment fund, which has membership from industries such as Bank of America and
Ford Motor Company. Tax credits are awarded competitively. The investment fund member then
gets an income tax credit. Owners of housing credit properties must agree to the upkeep of the
property for a period of 15 to 30 years. These tax credits finance nearly all the privately owned
affordable rental housing in the United States.

The Housing and Economic Recovery Act of 2008 includes a tax credit provision
allowing up to $7,500 for first-time homebuyers. First-time homebuyer is defined by law as a
homebuyer who has not purchased a home in the previous three-year period prior to purchase.
The credit expires July 1, 2009, unless Congress revisits the issue. The credit can only be used
for a principal place of residence. Modified adjusted gross income is limited to $75,000 or less
for individuals. Approved homebuyers would receive the tax credit even if they have no tax liability.

**Analysis**

*Impacts of Alternatives in Dare County*

**Feasibility of Development Bonus/Fee Waiver** — The development bonus-fee waiver has been successful as a means of establishing affordable housing for teachers in Dare County. Continuing the current policy has an advantage over other alternatives because it has been tested in Dare County, and the program has successfully facilitated condominium purchases for school teachers. The county effectively met the economic, technical, and administrative criteria in providing key components of the county-wide program through 1) provision of county land for housing projects, and reducing permitting fees by fifty percent which facilitated low per unit sale prices; 2) contracting out technical services with the Outer Banks Community Development Corporation for management of the housing complexes. The county has surpassed the goal for annual construction of five new affordable housing units. The Kill Devil Hills project consists of 24 townhomes. The Roanoke Island projects will offer both rental and sale units with priority for Dare County employees. The projects will retain some rental units that will be made available to low-income individuals. In all projects, at least one family member must be employed by the county. According to county housing officials, some sixty percent of county residents qualify for affordable housing under its median income threshold of $57,800. A pervasive concern over affordability exists throughout Dare County. As a result, the county has been successful in developing strategic cross-sector partnerships so as to benefit from the utility of builder-developers, the real estate community, and nonprofit education and housing interest
groups in order to meet the challenges of ensuring there is sufficient affordable housing in Dare County.

This alternative is the only proposal that has produced affordable housing in the county - 15 new townhomes in Kill Devil Hills, a 21-unit apartment complex in Waves, and 10 single-family homes and 32 townhomes in Manteo. The Development Bonus/Fee Waiver program meets technical criteria and exceeds program administrative, economic and time-line requirements, and has support across all stakeholder groups.

**Feasibility of Land Transfer Tax Housing Trust Fund** — The land transfer tax has been a successful revenue-generating measure in Dare County over the last two decades. This has been an important funding mechanism for infrastructure upkeep and development, and has been critical to keeping pace with population and development growth. County Manager Terry Wheeler says the tax is the most important revenue source to the county, outside property taxes. The land transfer tax generated $12.5 million in 2004. The county has strong administrative and technical experience with the land transfer tax. The tax has been a strategic revenue source for twenty years. While the establishment of a housing trust fund would be a new technical and administrative burden to the county, it has accounting and management capabilities to administer the program. This alternative, however, falls short in terms of political support. The builder-developers would likely resist siphoning off revenues to fund affordable housing at the expense of road, sewer and other infrastructure development. The County Commission would also be likely to raise concerns given the political clout that developer and realty interests typically have.

The land transfer tax has not been developed for use as a revenue source for affordable housing. However, the county has technical and administrative experience with the current land transfer tax program and has successfully used the tax as a funding source for numerous projects,
including infrastructure development. The land transfer tax does not have uniform support from stakeholder groups, and the real estate community would like to see repeal altogether. The only known public support for channeling the land transfer tax toward development of an affordable housing program is the affordable housing coalition. This option does not have strong stakeholder support

**Feasibility of Adequate Public Facility Ordinance** — For example, statewide home sales declined seven percent in 2007, while Outer Banks home sales fell seventeen percent. Moreover, existing home sales in the Outer Banks declined 44 percent during the previous year. The real estate industry objects to APFOs on the grounds that such fees unfairly increase house prices because developers pass that fee onto the homebuyer.

Dare County has staff resources available to administer such a program. However, there is cost associated with enactment of an APFO ordinance. APFOs may be significant as a revenue source but cannot be relied upon as a source source for maintaining a long-term, viable affordable housing program. Stakeholder support is limited with likely support from affordable housing coalitions and to a lesser degree from local residents. Builder-developers and the real estate community generally oppose enactment of APFO ordinances.

**Feasibility of Federal Low-Income Housing Tax Credit** — This alternative is an effective means of encouraging investment-development firms to offer low-cost rental housing for low-income individuals and families. The program would have the least impact on Dare County administrative and technical services. At the same time, it generates housing aimed primarily at low-income individuals, and not middle-income critical workers, the groups that all affordable housing programs aim thus far to assist. There has been far less discussion and, by perception, support for low-income rental housing. In short, the political feasibility for this alternative is
low, while administrative and technical feasibility scoring would be quite high because the only technical expertise required by the county would be an understanding of federal program guidelines. Another drawback is the program’s economic feasibility insofar as it applies to the county’s affordable housing program. This is a plan that provides incentives to the developer, does not afford monetary gain to the county for the potential development of housing. The goal of the county’s affordable housing program is two-fold, to provide convenient, affordable housing for Dare County workers and residents, and to provide housing purchase opportunity.

**Prince Analysis**

The Prince Analysis is intended to provide insight into stakeholder views on a given issue. In this instance, the analysis will flesh out support for or opposition to the four affordable housing policy alternatives proposed herein. Five stakeholder groups were identified for purposes of the Prince Analysis as those groups which have expressed in or have de facto interest in and/or authority in influencing and making affordable housing policy. They are 1) the residents of Dare County; 2) affordable housing interest groups; 3) builder-developers; 4) the Dare County Commission; and 5) the N.C. Association of Realtors. The four policy alternatives are rated against each stakeholder group’s position on the issue, the political power and influence of each group, and the priority of the issue to each stakeholder group.

1. **Issue Position** – Stakeholders are ranked on a scale of minus two to two in the following manner:

   -2 = Strongly Against  -1 = Somewhat Against  
   0 = Neutral  1 = Prefer  2 = Strongly Prefer

2. **Power** – Stakeholders also are ranked according to their ability to influence a decision or outcome. The rationale for this is to shake out which interest group might hold
more influence on a given issue over another interest group. Stakeholder power is ranked in the following manner:

<table>
<thead>
<tr>
<th>0 = Not Powerful</th>
<th>1 = Somewhat Powerful</th>
<th>2 = Very Powerful</th>
</tr>
</thead>
</table>

The most influential groups, those ranked “very powerful”, were Dare County developers, the County Commission, and NCAR. Developers and the NCAR have significant connections in the political realm, at the national, state and local levels. They have organized structure, financial backing and effective lobbies. Consequently, they receive a “very powerful” ranking. The Commission also receives this ranking because it sets the agenda and has final say in policy implementation. Residents are ranked to a lesser extent, even though they exist in far greater number. Nevertheless, residents are much more loosely organized, and tend to voice concern individually such as through the county public hearing process, While residents have the final say at the ballot box, they do not have direct individual influence on a day-to-day basis. For this reason, residents received a ranking of “somewhat powerful.” Affordable housing coalitions also received a ranking of “somewhat powerful” because their numbers are not significant, nor do they have the deep political and financial roots to the extent that is found in the realtor-developer community. They nevertheless maintain effective and respected lobbying efforts and are favorably viewed in the community. Consequently, they maintain a “somewhat powerful” ranking.

3. Finally, stakeholders are ranked according to the priority they hold for a specific alternative. In this manner, it can be gauged how important an alternative might be to
a particular interest group. In this case, stakeholder views on the priority they hold
for an alternative is ranked in the following manner:

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Not Important</td>
</tr>
<tr>
<td>1</td>
<td>Somewhat Important</td>
</tr>
<tr>
<td>2</td>
<td>Very Important</td>
</tr>
</tbody>
</table>

In ranking each stakeholder group’s priority for this issue, residents, affordable
housing coalitions and the Dare County Commission received a “very important” rating. Residents have expressed great concern over high real estate costs and the lack of affordable housing. The issue is a top concern, particularly as Dare County has become one of the most expensive places to live in the state. Given that it is their primary focus, the issue of affordable housing is of paramount importance to affordable housing coalitions, perhaps more than any other interest group. Because affordable housing has become a hot button issue for core constituencies from business, residents, and interest groups, the Commission has adopted a somewhat forced focus on the issue. At the same time, the Commission has been an integral, critical component in the success of the Kill Devil Hills project having donated the land for the teaching housing complex. In short, the Commission has been motivated to identify affordable housing as a priority issue both because of public support and assessed need. The issue is a priority to a lesser extent for Dare County developers and NCAR. These two groups are concerned about the issue of affordable housing primarily from a business standpoint and concomitant profit margin. This is not intended to frame realtors and developers in a pejorative way, it is pointed out only to the extent that these groups must maintain priorities that enable them to stay in business. And often times, the real estate development community do not reap optimum profits in affordable housing projects which may be constructed in lieu of higher dollar
projects. An issue of greater concern at the moment is falling real estate prices.

Consequently, realtors and developers were ranked as viewing the issue of affordable housing as “somewhat important.”

With a score of 24, the Status Quo alternative outranks each of the other policy alternatives, followed by the Low-Income Housing Tax Credit (scoring 17), the Land Transfer Tax Housing Trust Fund (scoring -11), and the APFO Ordinance (scoring -5).

1. Maintaining the status quo alternative/development bonus/fee waiver ranks highest (“strongly prefer”) at 24 among the four policy alternatives. Residents, affordable housing groups, and the Dare County Commission favor the status quo alternative over other alternatives because each group, for its own differing objectives have seen positive results with the current policy approach in Dare County via the success of implementing teacher housing in Kill Devil Hills, and the ongoing multi-site projects in Manteo. Some residents already have received direct benefit from this alternative, and moved into new housing. This was a primary goal of the affordable housing coalitions. Dare County Commissioners have expressed praise for the initial outcome of the county’s affordable housing program, and by association, have won support for their efforts across multiple stakeholder groups. The builder-development community prefers the status quo alternative because not only have they received direct monetary benefit from construction of these homes, but also have garnered favor with the other interest groups for keeping costs down, providing homes that are aesthetically pleasing, and perhaps most importantly, by becoming an integral part of a politically important issue with regard to improving the availability of affordable housing for teachers and critical workers.

Affordable Housing coalitions also favor this policy because tangible results are evident
in the multiple affordable housing projects that have been constructed or are under way. The County Commission favors this policy over the others because a) the county has had experience and success with the policy; b) the program cost is diffused across multiple stakeholder groups; c) the county has incurred minimal direct outlay for implementation of this policy with expenditures associated primarily with staff and administration cost, and revenue foregone as a result of development bonuses and fee waivers. The N.C. Association of Realtors is resistant to government intervention in the real estate market and generally supports a laissez-faire approach. The status quo/development bonus/fee waiver alternative likely would be viewed as the least objectionable alternative, primarily because it does not impose additional fees or red tape on developers, sellers or buyers. NCAR views are somewhat in line with the builder-developer community. Consequently, NCAR favors this policy because it is deemed the most acceptable in terms of financial and political feasibility.

2. The Land Transfer Tax Housing Trust Fund, with the lowest score of -11, has very limited support, primarily within affordable housing coalitions, for its overall potential for leveraging funds over time for workers and residents to purchase housing. Homeowner residents, developers and NCAR are not likely to support this alternative because of the fee requirement on real estate transfers. The County Commission would support this alternative for its ability to fund affordable housing projects, but only to the extent that the county could manage such a policy within political constraints, i.e., voter, builder-developer resistance and interest group opposition.

3. The APFO Ordinance also scores low at -5 because of the unified resistance among builder-developers and NCAR. Affordable Housing coalitions historically have
supported APFO ordinances in other counties. The policy would garner support to a lesser extent from residents, if only because fees are extracted from other sources.

4. The Low-Income Housing Tax Credit scores well, at 17, among the majority of stakeholder groups. Residents are the least likely to favor this policy alternative because residents in North Carolina historically have not supported such tax credits because such programs have been aimed traditionally at lower income individuals, rather than middle income workers and families. Builder-developers support these credits because of their tax credit value. However, this group prefers the status quo alternative because it offers stronger revenue potential while at the same time enhances their status as an integral part of the community effort to tackle a significant social problem. This also holds true for NCAR. The County Commission is less likely to favor this policy approach because the tax credit does not fully address the needs of critical workers, many of whom would exceed the threshold for assistance.
Table 7: Prince Analysis

**Issue Position**
-2=Strongly Against  -1=Somewhat Against  0=Neutral  1=Prefer  2=Strongly Prefer

**Power**
Ability to influence decision-making
0=Not Powerful  1=Somewhat Powerful  2=Very Powerful

**Priority**
Issue importance to stakeholder
0=Not Important 1=Somewhat Important  2=Very Important

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>A Issue Position</th>
<th>B Power</th>
<th>C Priority</th>
<th>A<em>B</em>C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status Quo</strong></td>
<td>Residents</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>AH Coalitions</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Dare Developers</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Dare Co. Commissioners</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>NCAR</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Land Transfer Tax Housing Trust Fund | Residents | -1 | 1 | 1 | -1 |
|                                      | AH Coalitions | 1 | 1 | 2 | 2 |
|                                      | Dare Developers | -1 | 2 | 1 | -2 |
|                                      | Dare Co. Commissioners | -1 | 2 | 2 | -4 |
|                                      | NCAR             | -2 | 2 | 2 | -8 |
| **TOTAL**                            |                  |     |   |   | -11 |

| Adequate Public Facility Ordinance | Residents | 1 | 1 | 1 | 1 |
|                                     | AH Coalitions | 1 | 1 | 2 | 2 |
|                                     | Dare Developers | -2 | 2 | 1 | -4 |
|                                     | Dare Co. Commissioners | 1 | 2 | 2 | 4 |
|                                     | NCAR             | -2 | 2 | 2 | -8 |
| **TOTAL**                            |                  |     |   |   | -5   |

| Low-Income Housing Tax Credit | Residents | -1 | 1 | 1 | -1 |
|                               | AH Coalitions | 1 | 1 | 2 | 2 |
|                               | Dare Realtors/Developers | 2 | 2 | 1 | 4 |
|                               | Dare Co. Commissioners | 1 | 2 | 2 | 4 |
|                               | NCAR             | 2   | 2 | 2 | 8    |
| **TOTAL**                      |                  |     |   |   | 17   |
Outcomes of Alternatives

Status Quo/Development Bonus-Fee Waiver — This alternative emerges as the best choice when weighed against each of the four evaluation criteria. For Technical Feasibility, this alternative has the highest number of new housing units created, has no training requirement, and requires no regulatory change. For Economic Feasibility, the status quo alternative has the lowest number of required staff hours to administer the program, and has the lowest level of operational cost. For Administrative Feasibility, the alternative has the lowest number of staff required. For Political/Social Feasibility, the alternative has the highest level of stakeholder support, according to Prince Analysis results. Table 3 provides a matrix view of Status Quo outcomes.

Table 3: Evaluation Outcomes: Status Quo/Development Bonus-Fee Waiver

<table>
<thead>
<tr>
<th>Status Quo Alternative</th>
<th>Technical Feasibility</th>
<th>Economic Feasibility</th>
<th>Administrative Feasibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highest no. units (50+)</td>
<td>Lowest staff hours (under 5 hrs/wk)</td>
<td>Lowest no. staff (1 to 2)</td>
<td>Highest stakeholder support</td>
</tr>
<tr>
<td>No training</td>
<td>Lowest cost</td>
<td></td>
<td></td>
<td>Prince Score-24</td>
</tr>
<tr>
<td>No new regs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Land Transfer Tax — The Land Transfer Tax alternative does not meet the requirements laid out by the four measurement criteria. For Technical Feasibility, it is unclear how many housing units would be established per year. It is, however, virtually certain that no new housing units would come available during the first year. It would likely provide sufficient revenues to meet the requirement of ten units per year in subsequent years two through five. It also would require staff training, and a county ordinance would be necessary in order to proceed. Under Economic Feasibility, the alternative would likely require more than the objective measure of
one to five staff hours per week, and the operational cost would most likely exceed the $50,000 threshold given salary expense, staff travel and associated cost for ordinance approval. For Administrative Feasibility, a high number of staff would be required to administer the program. Political Feasibility is not acceptability given that critical stakeholders oppose this alternative, as outlined in the Prince Analysis. Table 4 provides a matrix view of the Land Transfer Tax.

Table 4: Evaluation Outcomes: Land Transfer Tax Alternative

<table>
<thead>
<tr>
<th>Land Transfer Tax Alternative</th>
<th>Technical Feasibility</th>
<th>Economic Feasibility</th>
<th>Administrative Feasibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low no. units (0 in year one)</td>
<td>Exceeds staff hours req. (over 5/wk)</td>
<td>High no. staff (5 min.)</td>
<td>Low stakeholder support</td>
</tr>
<tr>
<td>Training required</td>
<td>High cost</td>
<td></td>
<td></td>
<td>Prince Score (-11)</td>
</tr>
<tr>
<td>New regs. required</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Adequate Public Facility Ordinance (APFO)* — This alternative also fails to meet the decision standards of the four measurement criteria. For Technical Feasibility, the APFO alternative would not meet the standard for new housing units in year one. It also requires staff training and would require a county ordinance. Under economic feasibility, the alternative would likely exceed staff hours per week, at least in year one, given that it is a new program. Costs would most likely exceed the objective measure for cost of $1,000 to $50,000. The administrative requirements would also be high in terms of staff use. It is estimated that a minimum of five staff would be required to administer the program. Finally, under Political Feasibility, the alternative also falls short in terms of stakeholder support with a Prince Score of minus 5.
Table 5: Evaluation Outcomes: APFO Alternative

<table>
<thead>
<tr>
<th>Technical Feasibility</th>
<th>Economic Feasibility</th>
<th>Administrative Feasibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>APFO Alternative</td>
<td>Low no. units (0 in year one)</td>
<td>Exceeds staff hours req. (over 5/wk)</td>
<td>High no. staff (5 min.)</td>
</tr>
<tr>
<td>Training required</td>
<td>High cost</td>
<td></td>
<td>Prince Score</td>
</tr>
<tr>
<td>New regs. required</td>
<td></td>
<td></td>
<td>(-11)</td>
</tr>
</tbody>
</table>

**Land Transfer Tax** — This alternative does not meet the requirements laid out by the four measurement criteria. For Technical Feasibility, it is unclear how many housing units would be established per year. It is, however, virtually certain that no new housing units would come available during the first year. It would likely provide sufficient revenues to meet the requirement of ten units per year in subsequent years two through five. It also would require staff training, and a county ordinance would be necessary in order to proceed. Under Economic Feasibility, the alternative would likely require more than the objective measure of one to five staff hours per week, and the operational cost would most likely exceed the $50,000 threshold given salary expense, staff travel and associated cost for ordinance approval. For Administrative Feasibility, a high number of staff would be required to administer the program. Political Feasibility is not acceptability given that critical stakeholders oppose this alternative, as outlined in the Prince Analysis. Table 5 provides a matrix view of APFO outcomes.

Table 5: Evaluation Outcomes: Land Transfer Tax Alternative

<table>
<thead>
<tr>
<th>Technical Feasibility</th>
<th>Economic Feasibility</th>
<th>Administrative Feasibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>APFO Alternative</td>
<td>High no. units (0 in year one)</td>
<td>Exceeds staff hours req. (over 5/wk)</td>
<td>High no. staff (5 min.)</td>
</tr>
<tr>
<td>Training required</td>
<td>High cost-year one</td>
<td></td>
<td>Prince Score</td>
</tr>
<tr>
<td>New regs. required</td>
<td></td>
<td></td>
<td>(-8)</td>
</tr>
</tbody>
</table>
**Low-Income Housing Tax Credit** — The Low-Income Housing Tax Credit is a viable alternative for the county on a number of the evaluation criteria. It falls short, however, under the criterion for political feasibility. Under Technical Feasibility, it is highly likely that the number of housing units would exceed the objective of ten per year, given that Federal funding already is made available for this program, and the county has some knowledge of the program. However, staff training would be required. No regulatory change would be required. For Economic Feasibility, county outlays would be minimal because this is a federally-funded program. Consequently, county management cost should be minimal and at the low end of the cost range of 41,000 to $50,000. The county would be required to assign staff for management of the program. This would likely be in the range of one to two staff members. Finally, under Political Feasibility, this alternative would likely have strong stakeholder support with one significant exception. Such a program will not likely have full resident support, as explained in the Prince Analysis. However, the alternative scored well at 17 in the Prince Analysis.

*Table 6: Evaluation Outcomes: Low-Income Housing Tax Credit*

<table>
<thead>
<tr>
<th></th>
<th>Technical Feasibility</th>
<th>Economic Feasibility</th>
<th>Administrative Feasibility</th>
<th>Political Feasibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Low-Income Housing</strong></td>
<td>High no. units (10+/yr. 1)</td>
<td>Exceeds max. staff hours (5 hrs/wk)</td>
<td>Lowest no. staff (1 to 2)</td>
<td>Significant stakeholder support</td>
</tr>
<tr>
<td><strong>Tax Credit</strong></td>
<td>Requires training</td>
<td>Minimal cost to administer fed. program</td>
<td></td>
<td>Prince Score-17</td>
</tr>
<tr>
<td><strong>Alternative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No new regs.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Goeller Scorecard and Analysis

The Goeller scorecard and analysis (see Table 4) ranks the policy alternatives against the evaluation criteria enumerated earlier.

The county is best-equipped to adapt to and find more timely success with the status quo alternative, not only because it has experience and success with the implementation of this policy, but also because project responsibility is diffused across many stakeholder groups, including the State of North Carolina Board of Education, several Dare County municipalities, builder-developers, the State Employee’s Credit Union, and others. The status quo alternative exceeds the goals and objectives of this proposal. More than 50 housing units have been constructed under this program, exceeding the project objectives of this analysis.

The county is equipped to manage a land transfer tax fund to the extent that it has had closely-related experience with taxation and revenue collection. It is anticipated that this alternative approach would meet the goals and objectives of providing at least ten new units per year. It is not likely, however, that this alternative would achieve the annual goal in year one given the time frame involved and the fact that the alternative requires a change in current regulations, in addition to the fact that it would likely take several months for completion of construction. Management and operation of this policy alternative would require additional operational costs for necessary regulatory changes and amendments, staff training and program assignment. Additionally, the proposed alternative does not have support across key stakeholder groups, including residents and builder-developer and real estate interest groups. This policy alternative would not likely meet the objectives of establishing a minimum of 10 units per year, at least for the first year of the program.
The APFO ordinance policy alternative can likely be implemented with existing staff support, and the county has sufficient existing expertise to construct and implement the proposed alternative policy. It is not likely that sufficient revenues could be collected at least for the first year of the program given the time frame involved with the regulatory and implementation requirements that must be developed. Consequently, additional housing units produced via this policy requirement would not occur at least in the initial phase of the program.

Finally, while the low-income tax credit policy alternative would not place significant additional burden on the county in terms of management and implementation, it does not offer quantitative assurances for meeting annual objectives for the number of proposed new housing units. In addition, it is difficult to ascertain the number of middle-income workers and families would be helped by this alternative.
Table 8: Goeller Scorecard

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Status Quo/Development Bonus-Fee Waiver</th>
<th>APFO Ordinance</th>
<th>Low-Income Tax Credit</th>
<th>Land Transfer Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Feasibility</td>
<td>Capacity for housing expansion, operational capacity, training requirement, regulatory impacts</td>
<td>4 (highest no. housing units; no training requirement; no new regs regs needed)</td>
<td>2 (low no. housing units; new training required; new regs. needed)</td>
<td>3 (high no. housing units; minimal training required; no new regs.)</td>
</tr>
<tr>
<td>Economic Feasibility</td>
<td>County resource requirements, operational costs</td>
<td>4 (low staff hours; lowest cost)</td>
<td>1 (exceeds staff hrs; highest cost)</td>
<td>3 (exceeds max. staff hrs; minimal cost)</td>
</tr>
<tr>
<td>Administrative Feasibility</td>
<td>Human resources requirement,</td>
<td>4 (low no. of staff)</td>
<td>2 (high no. of staff)</td>
<td>4 (low no. of staff)</td>
</tr>
<tr>
<td>Political/Social Feasibility</td>
<td>Prince Analysis score</td>
<td>24 (highest stakeholder support)</td>
<td>-5 (low stakeholder support)</td>
<td>17 (very high stakeholder support)</td>
</tr>
</tbody>
</table>

Scale:
1 = Poor (lowest no. new housing units; requires staff training; new regulations needed; high cost to county. Exceeds max. no. of staff; exceeds max. weekly staff hours; lowest stakeholder support)
2 = Fair (low no. new housing units; requires staff training; new regulations needed; high cost to county; exceeds max. staff allowed and exceeds max. allowable staff hours per week).
3 = Good (high no. new housing units; requires minimal staff training; no new regulations needed; minimal cost to county; exceeds max. staff allowed and exceeds max. allowable staff hours per week).
4 = Excellent (highest no. new housing units; no new staff training; no new regulations required; lowest cost to county; lowest no. staff; lowest no. staff hours per week).
In order to recommend an appropriate affordable housing policy for Dare County, a decision matrix has been developed based on the Prince Analysis and Goeller Scorecard presented previously. The decision matrix is a means of presenting and prioritizing a list of evaluation criteria against which each alternative can be measured. A weighting system can also be used as a means of showing the importance of certain criteria. In this case, a weighting system was not used because the status quo option has an inherently high score. In other words, equally measured, the status quo/fee waiver-development bonus alternative outranks each of the other alternatives in each of the evaluation criteria. With a score of 35, the status quo alternative emerges as the best choice, followed by the low-income housing tax credit alternative at 28, the APFO alternative at 12, and the land-transfer tax at 9. See Table 9: Decision Matrix.
### Table 9: Decision Matrix

*Scale 1-5: 1=lowest  5=highest*

<table>
<thead>
<tr>
<th>Criterion</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technical</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of new</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>housing units</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Feasibility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>capacity; training</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>requirement;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>regulatory impacts</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County resources</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>requirements;</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Feasibility</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operational cost</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Administrative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>requirement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Political/Social</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support from</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>stakeholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>35</td>
<td>9</td>
<td>12</td>
<td>28</td>
</tr>
</tbody>
</table>
Policy Recommendations

Dare County, like most resort communities today, experienced a housing market failure due in large part to the aggregate effects of zoning, land use and development regulation and the influx of second-home buyers, in addition to other externalities. Consequently, county officials are faced with dealing with a shortage in affordable housing as the population continues to grow along with higher real estate prices and dwindling resources. In evaluating and choosing the best alternative for Dare County, it is important that the County look at total resident and workforce needs, not just workers in critical service jobs. With annual retail sales of more than $50 million and a tourism industry that employs more than 10,000 workers in season, it is vitally important that middle-income workers and residents have access to affordable housing.

Advancing the current policy of providing development bonuses and fee waivers will continue to be an effective means of constructing additional affordable housing. The county must now evaluate other areas of the county where need is greatest and proceed with developing new affordable housing along the lines of projects in Kill Devil Hills and Manteo. It should be noted that other less populated areas of the county may be more difficult to develop as stakeholder interests and revenue streams change. It will be incumbent upon the county to carefully monitor these issues and maintain an ongoing effort to evaluate stakeholder needs and interests and to find effective ways of funding new affordable housing projects.
Recognizing the architectural achievements of the federal government in the expansion of homeownership in America, it is local governments that have the transformative ability to tailor innovative programs to the needs within their own communities. Dare County has begun this process by tailoring a housing strategy for key constituencies, primarily the public employee sector, to local cultural and market realities. A holistic approach, however, must be devised if Dare County is to effectively meet the needs of all its residents. For example, employer-assisted housing is available in a number of resort communities across the United States today. In Colorado, many ski resorts are required to provide up to fifty percent of housing for their seasonal workers. Employers also are paying closing costs, offering down payment assistance, cash payments, mortgage guarantees and mortgage buy downs. These options should be explored in Dare County through stakeholder meetings in light of 1) the exponential growth that has occurred and 2) the fact that the burgeoning seasonal residential population is due to the influx of service workers.

**Implementation Strategy**

In accordance with the policy goals and objectives established herein, ten affordable housing units are to be established each year for the next five years, beginning in 2010. Under the status quo alternative, or development bonus/fee waiver alternative, the goals and objectives of this analysis can best be met by this alternative. The County has successfully completed the teacher housing project, and others already are under way. County staff has been identified to manage the operational requirements of the program, and assess the evolving needs of the county residents within the constraints of available resources. A particularly helpful, and somewhat unique, aspect of this alternative is the diffused management responsibility that is inherent in the operational requirements of the program. Since the program components already are in place,
this alternative should achieve the highest level of outcomes set forth in the goals and objectives of this analysis. It is important that an ad-hoc stakeholder group be maintained in order to properly evaluate differing needs and competing interests. This action group can be most effective in addressing specific affordability needs and assess policy options along the lines of the evaluation criteria presented in this paper.

Policy makers must also evaluate current market conditions and regulatory structures, on an ongoing basis, that may restrict development of future affordable housing, and develop additional policy incentives that promote further development of affordable housing. The county must also work with community leaders and residents to continue to identify potential needs for affordable housing. An Affordable Housing Schema, Figure 6 provides a visual presentation of this.
The continued success of the Dare County affordable housing program will depend upon a vigilant approach that continues to monitor its approach along the lines of the evaluation criteria presented herein. This will enable a sound vision of current and future need.
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Appendix

Focus Group Analysis – Impacts of Tourism on Quality of Life in Dare County

Center for Sustainable Tourism

Impact of Tourism Project

Summary of Focus Group Findings

Background
An objective for the Center for Sustainable Tourism is to increase understanding of the interests, concerns for tourism across the state. As part of this objective, the current study is intended to enhance understanding with tourism in the Dare County area. Focus group sessions were conducted during summer 2008 as part of a multi-phase research project. The first phase is qualitative in nature and includes four focus group sessions. Results from the first phase are used to develop research design elements for the second quantitative phase. The second phase involves a statistically valid questionnaire conducted among individuals within the community. Results from both phases are intended to provide resident and business perceptions to community planners and other government decision and policy makers.

Phase 1 Purpose
Phase 1 is intended to increase the understanding of community perceptions regarding the impact of tourism toward sense of community and other community issues. Perceptions were gathered from several groups involved in the community to gain a more comprehensive view of community perceptions. These community members include the following:
1. Full time residents including home owners and renters (Manteo)
2. Local business owners or those involved in or related to the business community (Dare County)
3. City planners and governmental constituents (Kitty Hawk)
4. Part time or investment only owners (Dare County)

The remainder of this report outlines the details and findings by focus group. Conclusions based on all focus groups are offered as well.

Findings – Full time residents
Perceptions from full time residents were relatively emotional in nature. Focus group participants tended to draw from their personal experiences and discuss areas of concern from an intense perspective. Many concerns were portrayed as dire and critical for this group and there were few areas of discussion that were not emotionally driven in some way for participants. The most relevant concerns for this group include the following:
1) Affordable housing
2) Building development
3) Cultural changes

Participants openly and sometimes tearfully shared their thoughts regarding housing issues. There was a sense that if a person is raised in the area, they should not be forced to leave once they reach adulthood. Participants felt that governmental groups have a responsibility to locate or afford housing for individuals from the area should they choose to stay in the area. Residents appear to feel as if the area is their home and there is a sense of rejection for those not able to afford to maintain housing in the area. The concept that the area is a high-end tourist community did not appear to enter into long-term residents’ judgment during their discussion of their ability to maintain a home in the area. Residents felt that they should be allowed to stay in the area even if they are not financially able. Selected comments that emphasize these thoughts are outlined as follows:

- “I went away to college and I wanted to come back here. I graduate quite a few years ago, but I couldn’t really come back because I am not married and don’t have dual income, you know. I didn’t want to live with my parents. It was really hard. And I had been working here since I was 12. My dad owned an ice cream store by the beach. Here I am and I am 30 years old and I don’t feel like I can afford to come back and live here.”
- “I live in a tin can built in 1974 with my mother and my sister and my daughter. That is the only way we can get by.”

Building Practices
Commercial issues were also somewhat emotional in nature; however, the feelings were somewhat mixed. While some participants seemed to feel that the extent of commercial development is excessive, others felt that it was just right or too limited. There were comparisons made to suggest that the community is transitioning from a quiet, beautiful beach community to an extremely commercial location full of restaurants, venues and activities such as an early version of Myrtle Beach. Regarding commercial building practices, comments were varied due to the varying practices across the outer banks area. There seemed to be more consistent opinions with regard to residential construction, which is that the construction is overdone. The presence of large but unoccupied residential homes frustrates the local community.

Selected comments that emphasize these thoughts are outlined below:

- “My biggest problems is, I think, the way we’re building things around here. There are a lot of shops and neat stuff for tourist to do but there aren’t cheap things for families to do year-round. I mean, there are 10 Wings – that’s kind of ridiculous. I’d like to see something affordable for locals to do, too.”
- “We have really overbuilt on the beach and they are driving to the beach and getting disappointed when they get there.”

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Well, we have height restrictions and I think people are excited when they come here and see that we don’t have the high-rises.”

Cultural Diversity

The increase of tourism during the peak season impacts employment and the cultural diversity of the area. While the opinions of the presence of various cultures is seen as both positive and negative, the employment situation is more uniformly viewed as a negative and irritating concerns for local residents. The cultural mixture of the area is seen as a great and interesting element of the community by some. Others perceive the influx of international students and visitors during the summer months as an interruption of the existing human and cultural landscape of the area. Employment issues appear to have more uniformly negative comments, with a few isolated comments that these groups may work harder than local residents who have more of a “surfer attitude”. Selected comments are as follows:

“I had to look for a job this summer. I went to at least seven places to fill out applications and returned them and didn’t hear anything for a couple of weeks. Then I went to a coffee shop and found a job and have been working my butt off. Even today, I went in at 6:15 and didn’t get off until 5. Yet the internationals can just get jobs.”

“Even my own kids coming home trying to get a job, like in a restaurant, and there are x number of jobs blocked off for foreign students so my own kids can’t even get a job for the summer.”

Findings – Local business owners

The business group seemed to respond in a much more factual mannerism compared to the local residential group. The largest issue appears to involve the economic impact of tourism, particular from the perspective of operating on a daily basis in a single-industry economy. There is a sense of volatility from a business perspective with comments that the entire single industry could be shut down due to environmental changes. A positive side is offered as well emphasizing that if a community must be confined to a single industry, tourism is a great industry for several reasons.

A second topic of particular interest involves the experience the community provides to the tourism consumer. The group discusses the importance of providing a positive, high quality experience for visitors. There appears to be a focus toward customer service and a financial appreciation for tourists. Selected comments are as follows:

Single Industry

“When I look at tourism, the big picture, it may be all our eggs in one basket but at least it’s a basket and it is actually quite a nice basket. Just about every community out there has a basket that they have to worry about the bottom falling out.”

“We can diversify. We can diversify particularly with information technology. If you can bring big information pipelines, we could bring a tech side. There’s a serious opportunity – a very real opportunity. We’re never going to get rid of tourism; people are
always going to want to look at the ocean. But we can look at diversifying and we can get there.”

- “So there is this sort of underlying conflict that lays beneath all these discussions. Do we want a bigger share? There’s a conflict in there. As a businessman, I would say ‘yes’. As a Midgett or some other local family group, I would say, ‘burn the bridges’. And without consensus, these are just discussions.”
- “The business cycle is seasonal; everything, employment centers around it, even cultural aspects are centered around the tourism season.”

Providing Tourism Experience

- “We can’t control the weather but we can certainly put on a smile.”
- “There’s always been the core group of namesake families. We have a strong sense of community and it is still like a small town type of thing where everybody knows what everybody else is doing. And gossip spreads very quickly and that’s sort of fun, as opposed to a big city where nobody knows what anybody is doing.”
- “People who try to bring a big city cultural lifestyle to coastal North Carolina – that just doesn’t work.”
- “The quality, I mean, you know, as far as sustainability is concerned, the quality of experiences for the people that come here is really, really critical as far as sustainability. That’s due in part because, tourism is not a static industry. We find ourselves with a unique product but also having to compete with other resort communities. The quality of the experience of the person who comes here.”

Findings – City planners

Due to scheduling conflicts, we were only able to capture thoughts from two individuals from one area within Dare County. As such, these individuals were interviewed to confirm the list of the categories where tourism impacts the communities. These results are included in the final chart of impact categories.

Findings – Part time or investment only owners

The tone of the group of part time and investment owners was one of frustration and cynicism with community planning groups. Primary issues of concern include 1) transportation / access related issues, 2) beach access concerns and 3) building development. Participants expressed frustration with the pace of the Bonner Bridge development and the quality of the existing bridge. There was intense discussion regarding the lack of focus by planners regarding bridges. Selected comments are as follows:

- “For people who live in North Hatteras, the Bonner Bridge situation is huge. I’m sure I’m not telling Dare County people what they don’t know. But it is a huge, huge issue for, especially for people who own houses. A lot of people, including me, are starting to wonder, is that bridge ever going to be built. It is a huge issue. The planning’s been
going on for years and it’s not even close. Will it be ten more years, or what? The safety rating has dropped to a 2 out of 100. I think the bridge will be a fight until someone falls through it.”

The issue of beach access is of strong concern. Two major sub-issues seem to exist with regard to beach access. First, beach closings are perceived as too frequent in nature. The environmental issues such as turtle hatchings, concerns with birds, etc seem to drive the closing the beaches too frequently. Furthermore, participants had passionate objections toward the removal of the ability to drive on the beach. Selected comments are as follows:

- “The Hatteras experience, and I’m with you 100%, the place has changed. But everyplace changes. A lot of locals, though, still exist. It has hung on to more than most communities, like even Greenville. But, the whole Hatteras experience has always been driving on the beaches. And we’re right in the middle of a situation where that’s just been cut off in a big way. Well, and you can use statistics to say that you still have 20 miles of open beaches but those are not the beaches that people go to.”
- “People are expecting a drop off of almost 50%. The stores are already at a 30% decrease. The ones that know that the beaches are closing all the time are not coming here anymore.”
- “I think the presence of tourism is going to be what drives the decision or some kind of negotiation or compromise as far as being able to drive on the beach.”

Regarding building development, second home and investment owners characterized the changes as going more toward a faceless community and installing chain businesses and larger mini-hotel style homes that push the maximum height limits. There was a sense of decreased personality of the island due to these building practices. Selected comments follow:

**Conclusions – All Groups**

Our primary objective was to develop a list of issues and concerns to assist in the development of a questionnaire for the second phase. The following chart outlines these categories:
<table>
<thead>
<tr>
<th>Concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial development</td>
</tr>
<tr>
<td>Residential development</td>
</tr>
<tr>
<td>Affordable housing</td>
</tr>
<tr>
<td>Educational system</td>
</tr>
<tr>
<td>Environmental – erosion, etc</td>
</tr>
<tr>
<td>Retail prices</td>
</tr>
<tr>
<td>Taxes</td>
</tr>
<tr>
<td>Public services (police, fire, etc)</td>
</tr>
<tr>
<td>Employment / workforce</td>
</tr>
<tr>
<td>Cultural mix</td>
</tr>
<tr>
<td>Crime</td>
</tr>
<tr>
<td>Healthcare</td>
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<td>Economy</td>
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<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Technology</td>
</tr>
<tr>
<td>Administrative decisions / policy</td>
</tr>
<tr>
<td>Entertainment – options available</td>
</tr>
<tr>
<td>Activities / entertainment behaviors, patterns</td>
</tr>
<tr>
<td>Long term plan of second home owners or residents / retirement</td>
</tr>
<tr>
<td>Personality / cultural experience</td>
</tr>
<tr>
<td>Infrastructure – planning, utilities, adequacy</td>
</tr>
<tr>
<td>Build-out; land locked</td>
</tr>
<tr>
<td>Natural disasters – planning and preparation (as applies to tourism); fit with visitations; awareness, etc.</td>
</tr>
</tbody>
</table>