

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

S

1

SENATE BILL 736

Short Title: Foundation Act: Building NC's Housing Future. (Public)

Sponsors: Senators Garrett, Grafstein, and Bradley (Primary Sponsors).

Referred to: Rules and Operations of the Senate

March 26, 2025

A BILL TO BE ENTITLED
AN ACT TO COMPREHENSIVELY ADDRESS HOUSING AFFORDABILITY AND
ACCESSIBILITY ISSUES AND NEEDS IN THE STATE.
The General Assembly of North Carolina enacts:

PART I. HOUSING FINANCE AGENCY ENHANCEMENT

SECTION 1.1.(a) G.S. 122A-8 reads as rewritten:

"§ 122A-8. Bonds and notes.

The Agency is hereby authorized to provide for the issuance, at one time or from time to time, of bonds and notes of the Agency to carry out and effectuate its corporate purposes. The Agency also is hereby authorized to provide for the issuance, at one time or from time to time of (i) bond anticipation notes in anticipation of the issuance of such bonds and (ii) construction loan notes to finance the making or purchase of mortgage loans to sponsors of residential housing for the construction, rehabilitation or improvement of residential housing. The total amount of bonds, bond anticipation notes, and construction loan notes outstanding at any one time shall not exceed ~~twelve billion dollars (\$12,000,000,000)~~ eighteen billion dollars (\$18,000,000,000) excluding therefrom any bond anticipation notes for the payment of which bonds have been issued. The principal of and the interest on such bonds or notes shall be payable solely from the funds herein provided for such payment. Any such notes may be made payable from the proceeds of bonds or renewal notes or, in the event bond or renewal note proceeds are not available, such notes may be paid from any available revenues or assets of the Agency. The bonds or notes of each issue shall be dated and may be made redeemable before maturity at the option of the Agency at such price or prices and under such terms and conditions as may be determined by the Agency. Any such bonds or notes shall bear interest at such rate or rates as may be determined by the Local Government Commission of North Carolina with the approval of the Agency. Notes shall mature at such time or times not exceeding 10 years from their date or dates and bonds shall mature at such time or times not exceeding 43 years from their date or dates, as may be determined by the Agency. The Agency shall determine the form and manner of execution of the bonds or notes, including any interest coupons to be attached thereto, and shall fix the denomination or denominations and the place or places of payment of principal and interest, which may be any bank or trust company within or without the State. In case any officer whose signature or a facsimile of whose signature shall appear on any bonds or notes or coupons attached thereto shall cease to be such officer before the delivery thereof, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. The Agency may also provide for the authentication of the bonds or notes by a trustee or fiscal agent. The bonds or notes may be issued in coupon or in registered form, or both,



as the Agency may determine, and provision may be made for the registration of any coupon bonds or notes as to principal alone and also as to both principal and interest, and for the reconversion into coupon bonds or notes of any bonds or notes registered as to both principal and interest, and for the interchange of registered and coupon bonds or notes. Upon the filing with the Local Government Commission of North Carolina of a resolution of the Agency requesting that its bonds and notes be sold, such bonds or notes may be sold in such manner, either at public or private sale, and for such price as the Commission shall determine to be for the best interest of the Agency and best effectuate the purposes of this Chapter, as long as the sale is approved by the Agency.

The proceeds of any bonds or notes shall be used solely for the purposes for which issued and shall be disbursed in such manner and under such restrictions, if any, as the Agency may provide in the resolution authorizing the issuance of such bonds or notes or in the trust agreement hereinafter mentioned securing the same.

Prior to the preparation of definitive bonds, the Agency may, under like restrictions, issue interim receipts or temporary bonds, with or without coupons, exchangeable for definitive bonds when such bonds shall have been executed and are available for delivery. The Agency may also provide for the replacement of any bonds or notes which shall become mutilated or shall be destroyed or lost.

Bonds or notes may be issued under the provisions of this Chapter without obtaining, except as otherwise expressly provided in this Chapter, the consent of any department, division, commission, board, body, bureau or agency of the State, and without any other proceedings or the happening of any conditions or things other than those proceedings, conditions or things which are specifically required by this Chapter and the provisions of the resolution authorizing the issuance of such bonds or notes or the trust agreement securing the same."

SECTION 1.1.(b) G.S. 105-228.30 reads as rewritten:

"§ 105-228.30. Imposition of excise tax; distribution of proceeds.

(a) An excise tax is levied on each instrument by which any interest in real property is conveyed to another person. The tax rate is (i) one dollar (\$1.00) on each five hundred dollars (\$500.00) or fractional part thereof of the consideration or value of the interest conveyed up to five hundred thousand dollars (\$500,000) and (ii) one dollar (\$1.00) on each four hundred dollars (\$400.00) or fractional part thereof of any remaining consideration or value of the interest conveyed. The transferor must pay the tax to the register of deeds of the county in which the real estate is located before recording the instrument of conveyance. If the instrument transfers a parcel of real estate lying in two or more counties, however, the tax must be paid to the register of deeds of the county in which the greater part of the real estate with respect to value lies.

The excise tax on instruments imposed by this Article applies to timber deeds and contracts for the sale of standing timber to the same extent as if these deeds and contracts conveyed an interest in real property.

(b) The register of deeds of each county must remit the proceeds of the tax levied by this section to the county finance officer. The finance officer of each county must credit one-half of the proceeds of the tax levied at a rate of two-tenths of one percent (0.2%) to the county's general fund and remit the remaining ~~one-half of the~~ proceeds, less taxes refunded and the county's allowance for administrative expenses, to the Department of Revenue on a monthly basis. A county may retain two percent (2%) of the amount of tax proceeds of the tax levied at a rate of two-tenths of one percent (0.2%) allocated for remittance to the Department of Revenue as compensation for the county's cost in collecting and remitting the State's share of the tax. The Department of Revenue shall credit the funds remitted to the Department of Revenue under this subsection to the General Fund."

SECTION 1.1.(c) Offset by the increase of the excise tax, as provided in subsection (b) of this section, there is appropriated from the General Fund to the Housing Finance Agency the recurring sum of five million dollars (\$5,000,000) for each fiscal year of the 2025-2027 fiscal

1 biennium to be allocated to a Housing Innovation Office established by the Housing Finance
2 Agency. The Housing Innovation Office shall use funds appropriated in this section for (i)
3 administrative and operational costs and (ii) research and implementation of housing solutions,
4 including technical assistance, grants, loans, and other measures designed to address the housing
5 crisis by supporting the construction and maintenance of affordable, supportive, and sustainable
6 homes and developing innovative funding models and building techniques.

7 **SECTION 1.1.(d)** Subsection (b) of this section becomes effective July 1, 2025, and
8 applies to conveyances made on or after that date. Subsection (c) of this section becomes
9 effective July 1, 2025. The remainder of this section is effective when it becomes law.

10 **SECTION 1.2.(a)** There is appropriated from the General Fund to the Housing Trust
11 Fund established under G.S. 122E-3 the recurring sum of fifty million dollars (\$50,000,000) for
12 each fiscal year of the 2025-2027 fiscal biennium to be used (i) for the purposes set forth in that
13 statute and (ii) in the discretion of the Housing Finance Authority, for a program, using a
14 competitive application process, to provide funds to local housing authorities, local housing trust
15 funds, or other entities that have the primary purpose, and agree to use the funds for, loans, grants,
16 or both for construction and maintenance of affordable housing units in the State. The Office
17 shall develop an application process and detailed guidelines applicable to assistance derived from
18 the funding provided in, and to accomplish the purposes of the program. Funding for the program
19 is reserved for properties meeting all of the following requirements:

- 20 (1) Financial assistance to an area served by a local housing trust fund does not
21 exceed two million dollars (\$2,000,000).
- 22 (2) The local housing trust fund contributes one dollar (\$1.00) of private funds
23 for every dollar of assistance received from the Office.

24 **SECTION 1.2.(b)** Part 2 of Article 4 of Chapter 105 of the General Statutes is
25 amended by adding a new section to read:

26 **"§ 105-153.12. Credit for housing trust fund donations.**

27 (a) Credit. – A taxpayer who makes a qualified contribution is allowed a credit against
28 the tax imposed by this Part in an amount equal to thirty percent (30%) of the donation. For
29 purposes of this section, a qualified contribution is a monetary donation (i) to the Housing Trust
30 Fund established pursuant to G.S. 122E-3 in the Housing Finance Agency and (ii) for the
31 construction, maintenance, or both of affordable housing.

32 (b) Reserved.

33 (c) Application. – To claim the credit provided in this section, an individual must file an
34 application with the Secretary for the credit. The application must be filed on or before April 15
35 of the year following the calendar year in which the qualified contribution was made. An
36 application is effective for the year in which it is timely filed. The Secretary may not accept late
37 applications under this subsection. The application must be on a form prescribed by the Secretary
38 and include any information required by the Secretary demonstrating that the qualified
39 contribution has met the conditions for the credit

40 (d) Substantiation. – An individual claiming a credit under this section must maintain and
41 make available for inspection by the Secretary any records the Secretary considers necessary to
42 determine and verify the amount of the credit to which the individual is entitled. The burden of
43 proving eligibility for the credit and the amount of the credit rests upon the individual, and no
44 credit may be allowed to an individual that fails to maintain adequate records or to make them
45 available for inspection.

46 (e) Ceiling; Use Allocation. – The total aggregate amount of all credits allowed to
47 taxpayers under this section for qualified contributions made in a taxable year may not exceed
48 twenty million dollars (\$20,000,000). The Secretary shall, first, fully fund any prorated credits
49 in accordance with subsection (f) of this section and, second, if funds remain after fully funding
50 prorated credits, reopen the application period for credits under this section for which funds have
51 become available. If the Secretary reopens the application period and notwithstanding the

1 application deadline in subsection (c) of this section, the additional applications must be filed
2 with the Secretary on or before October 15 of the year following the calendar year in which the
3 qualified contribution was made. The Secretary may not accept late additional applications
4 permitted under this subsection. The Secretary's determinations based on additional applications
5 timely filed in accordance with this subsection are final.

6 (f) Reduction. – The Secretary shall calculate the total amount of credits claimed from
7 applications timely filed under subsection (c) of this section. If the total amount of credits claimed
8 for qualified contributions made in a calendar year exceeds this maximum amount, the Secretary
9 shall allow a portion of the credits claimed by allocating the maximum amount in credits in
10 proportion to the size of the credit claimed by each taxpayer. If a credit claimed under this section
11 is reduced as provided in this subsection, the Secretary shall notify the taxpayer of the amount of
12 the reduction of the credit on or before December 31 of the year following the calendar year in
13 which the qualified contribution was made. The Secretary's allocations based on applications
14 filed under subsection (c) of this section are final and shall not be adjusted to account for credits
15 applied for but not claimed.

16 (g) Limitation. – The credit allowed under this section may not exceed the amount of tax
17 imposed by this Part for the taxable year reduced by the sum of all credits allowable, except tax
18 payments made by or on behalf of the taxpayer.

19 (h) No double benefit. – A taxpayer who claims a credit under this section must add back
20 to taxable income any amount deducted under the Code for the qualified contribution. A taxpayer
21 who claims the credit allowed in this section may not, for the same qualified contribution, claim
22 another credit allowed in this Part."

23 **SECTION 1.2.(c)** Subsection (a) of this section is effective July 1, 2025. Subsection
24 (b) of this section is effective for taxable years beginning on or after January 1, 2025, and applies
25 to qualified contributions made on or after that date. The remainder of this section is effective
26 when it becomes law.

27 **PART II. HOUSING PRODUCTION AND AFFORDABILITY**

28 **SECTION 2.1.(a)** Article 9 of Chapter 160D of the General Statutes is amended by
29 adding a new Part to read:

30 "Part 1A. Housing Production and Affordability.

31 **"§ 160D-917. By right development for affordable housing.**

32 A local government shall allow by right, and without requiring a conditional use or special
33 use permit, the following:

34 (1) The development of at least one attached and one detached accessory dwelling
35 unit which conforms to the North Carolina Residential Code for One- and
36 Two-Family Dwellings, including applicable provisions from fire prevention
37 codes, for each single-family detached dwelling in areas zoned for residential
38 use that allow for development of single-family detached dwellings. An
39 accessory dwelling unit may be built or sited concurrently or after the primary
40 single-family detached dwelling has been constructed or sited. Nothing in this
41 subdivision shall prohibit a local government from permitting accessory
42 dwelling units in any area not otherwise required under this subdivision.

43 (2) A development in an area zoned for residential use with at least 20 units per
44 acre that is located with one-half (1/2) mile of a transit stop or that is within a
45 transit-oriented development district or similar designation.

46 **"§ 160D-917.1. Administrative review of applications for development approvals for** 47 **affordable housing developments.**

48 (a) Notwithstanding any provision of this Chapter to the contrary, (i) within 30 days of a
49 local government's receipt of an application for development approval for a qualifying affordable
50 development or within 60 days of a local government's receipt of an application for development
51

1 approval of a residential project with less than 100 units, the local government shall complete an
2 administrative review of the application and any supporting documents and make an
3 administrative decision that does one of the following:

- 4 (1) Notifies the developer in writing that the application is complete and no
5 further information is required for the local government to make a
6 development approval determination.
- 7 (2) Notifies the developer in writing that the application is deficient and provides
8 the developer with a deficiency list, in writing, that identifies all of the
9 following:
 - 10 a. Each deficiency.
 - 11 b. The specific law, ordinance, policy, or procedure used as the basis for
12 each deficiency.
 - 13 c. A description of the action the local government would deem
14 corrective for each deficiency identified.

15 For purposes of this section, a "qualifying affordable development" is a residential or
16 mixed-use development that (i) reserves at least twenty percent (20%) of total units for
17 households earning eighty percent (80%) or less of the area median income (AMI), or reserves
18 at least ten percent (10%) of total units for households earning sixty percent (60%) or less of
19 AMI; (ii) maintains affordability restrictions through deed covenants for a minimum period of
20 30 years; (iii) contains at least eight residential units; (iv) includes a binding commitment to
21 accept housing choice vouchers; and (v) meets the minimum standards of habitability, safety,
22 and quality of life for all established housing.

23 (b) The notice under subdivision (2) of subsection (a) of this section may include local
24 government recommendations pertaining to the development project but any recommendations
25 must be clearly designated as recommended or advisory only and shall not be required as a
26 condition for a development approval determination.

27 (c) Upon a developer's receipt of a notice of a deficient application and a deficiency list
28 under subdivision (2) of subsection (a) of this section, the developer may do any of the following:

- 29 (1) Correct the deficient application and resubmit a corrected application to the
30 local government.
- 31 (2) Submit a written explanation for each deficiency and request another
32 administrative review under this section that shall be completed by the local
33 government within 10 business days and takes into consideration the written
34 explanation.
- 35 (3) Appeal the administrative decision as provided in G.S. 160D-405.

36 (d) Within 10 business days of a local government's receipt of a corrected application
37 under subdivision (1) of subsection (c) of this section, the local government shall notify the
38 developer in writing whether the application (i) is complete and no further information is required
39 for the local government to make a development approval determination or (ii) does not correct
40 all the deficiencies identified in accordance with subdivision (2) of subsection (a) of this section.
41 If the developer amended or altered the application with respect to matters that are unrelated to
42 the deficiencies identified in accordance with subdivision (2) of subsection (a) of this section, the
43 local government shall consider the corrected application a new application to be processed in
44 accordance with subsection (a) of this section.

45 (e) This section does not apply to permits submitted pursuant to G.S. 160D-1110.1.

46 **"§ 160D-917.2. Lot size and density for affordable housing.**

47 (a) Notwithstanding any provision of this Chapter to the contrary, a local government
48 with a population greater than 10,000 may not establish a minimum lot size that is less than
49 one-quarter (1/4) acre and may not establish a density requirement of less than eight units per
50 acre for development approvals in areas zoned for residential use.

(b) A local government shall allow at least a thirty-five percent (35%) increase in density for projects where at least fifteen percent (15%) of the units are reserved for low-income residents. For the purposes of this subsection, "low-income residents" are those residents with a family income that is sixty percent (60%) or less of the area median family income.

SECTION 2.1.(b) This Part becomes effective July 1, 2025.

PART III. HOME OWNERSHIP AND ACCESSIBILITY

SECTION 3.1.(a) G.S. 105-153.5(b) and (c) reads as rewritten:

"(b) Other Deductions. – In calculating North Carolina taxable income, a taxpayer may deduct from the taxpayer's adjusted gross income any of the following items that are included in the taxpayer's adjusted gross income:

...

(12a) The amount deposited during the taxable year, not to exceed fifteen thousand dollars (\$15,000), to a first-time home buyer savings account to be used for eligible expenses by a qualified beneficiary. For purposes of this subdivision, the following definitions apply:

a. Eligible expenses. – A downpayment and any closing costs included on a real estate settlement statement, including appraisal fees, mortgage origination fees, and inspection fees.

b. First-time home buyer savings account. – An account with a qualified financial institution that has less than one hundred fifty thousand dollars (\$150,000).

c. Qualified beneficiary. – A first-time home buyer designated by an account holder for whom the money in a first-time home buyer savings account is or will be used for eligible expenses for the purchase of the qualified beneficiary's first primary residence, which is located in this State.

d. Qualified financial institution. – A commercial bank in North Carolina with a charter, either from the Commissioner of Banks, for a State Charter, or from the Office of the Comptroller of the Currency, for a National Charter.

...

(c) Additions. – In calculating North Carolina taxable income, a taxpayer must add to the taxpayer's adjusted gross income any of the following items that are not included in the taxpayer's adjusted gross income:

...

(7a) The amount deducted in a prior taxable year to the extent this amount was withdrawn from a first-time home buyer savings account and not used to pay for eligible expenses of a qualified beneficiary in conformity with this section, unless the withdrawal was rolled over to another newly created first-time home buyer savings account.

...."

SECTION 3.1.(b) This section is effective for taxable years beginning on or after January 1, 2025.

SECTION 3.2.(a) There is appropriated from the General Fund to the Housing Finance Agency the recurring sum of three million dollars (\$3,000,000) for each fiscal year of the 2025-2027 fiscal biennium to be allocated to the NC 1st Home Advantage Down Payment Program administered by the Agency for uses consistent with that program.

SECTION 3.2.(b) This section becomes effective July 1, 2025.

SECTION 3.3.(a) There is appropriated from the General Fund to the Housing Finance Agency the recurring sum of ten million dollars (\$10,000,000) for each fiscal year of the

2025-2027 fiscal biennium to be used for a program to establish new, and expand existing, community land trusts with the primary purpose of facilitating affordable homeownership by retaining ownership of the land and leasing it to homeowners who purchase the house on that land at below-market pricing. The Agency shall develop an application process and detailed guidelines applicable to the program to accomplish the purposes of, this section. Required guidelines for the program include, but are not limited to, the following:

- (1) Interest on the financing of the purchase of the house is provided at a low, fixed rate.
- (2) No private mortgage insurance is required.
- (3) Recipients are first-time home buyers.
- (4) Recipients provide at least three percent (3%) of the purchase price as a downpayment.
- (5) Recipients meet income and credit score limits, as established by the Agency.
- (6) Recipients have less than one hundred thousand dollars (\$100,000) in total household assets, including checking accounts, savings accounts, stocks, and bonds, but not including retirement and college savings accounts.
- (7) Recipients agree to live in the property as the primary residence.

SECTION 3.3.(b) This section becomes effective July 1, 2025.

SECTION 3.4.(a) There is appropriated from the General Fund to the Department of Commerce the recurring sum of fifteen million dollars (\$15,000,000) for each fiscal year of the 2025-2027 fiscal biennium to be used for the Rural Water Extension Program. The Department shall develop an application process and detailed guidelines applicable to the program. The program shall be open to rural communities with populations of 10,000 or less that apply to obtain technical assistance and necessary financing necessary for the purpose of developing drinking water and waste disposal systems to ensure safe drinking water and sanitary waste disposal systems for public health and economic vitality of rural communities of the State.

SECTION 3.4.(b) This section becomes effective July 1, 2025.

SECTION 3.5.(a) Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-153.13. Credit for rural affordable rental housing.

(a) Credit. – A taxpayer that is allowed for the taxable year a federal income tax credit for low-income housing under section 42 of the Code with respect to a qualified North Carolina low-income building located in a qualifying rural area, is allowed a credit under this section for each affordable rental unit for the taxable year within which the construction of the affordable rental unit is completed. The amount of the credit is equal to the lesser of twenty-five thousand dollars (\$25,000) or thirty percent (30%) of the construction costs incurred.

(b) Definitions. – The following definitions apply in this section:

- (1) Affordable rental unit. – A rental unit used as a permanent residence by an eligible renter and subject to permanent affordability restrictions.
- (2) Eligible renter. – An individual who occupies the affordable rental unit as a primary residence and is a person of lower income, as defined by G.S. 157-3
- (3) Permanent affordability restrictions. – Restrictions that have been permanently imposed by the Housing Finance Agency on an affordable rental units owned, operated, or managed by an appropriate nonprofit organization
Permanent affordability restrictions imposed or required by the Agency pursuant to this subdivision may require a regulatory agreement with the Agency or other affordability restrictions in recorded documents, provided the Agency determines that such restrictions are enforceable and likely to be enforced.
- (4) Qualified North Carolina low-income building. – A building with between five and 18 affordable rental units.

(5) Qualifying rural area. – An area of the State with a population density of 50 or fewer people per square mile in the taxable year in which the credit is claimed.

(c) Limitation. – The credit allowed by this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except payments of tax by or on behalf of the taxpayer.

(d) No double benefit. – The credit allowed by this section does not apply to costs paid with funds provided to the taxpayer by a State or federal agency or program. A taxpayer who claims the credit allowed in this section may not, for the same activity, claim another credit allowed in this Part."

SECTION 3.5.(b) This section is effective for taxable years beginning on or after January 1, 2025.

SECTION 3.6.(a) There is appropriated from the General Fund to the Housing Finance Authority the recurring sum of ten million dollars (\$10,000,000) for each fiscal year of the 2025-2027 fiscal biennium to be used for a manufactured home supply program. The program, using a competitive application process for units of local government, shall provide funding for loans, grants, or both for replacement and repair of manufactured homes. The Office shall develop an application process and detailed guidelines applicable to the program to maximize the beneficial impact of, and number of homes and families assisted with, funding provided. The process shall reserve funding for manufactured home assistance used as a primary residence by persons of lower income, as defined by G.S. 157-3 and shall prioritize funding for projects that maximize the number of families served. Financial assistance to a single manufactured home shall not exceed twenty-five thousand dollars (\$25,000).

SECTION 3.6.(b) This section becomes effective July 1, 2025.

PART IV. HURRICANE RECOVERY AND RESILIENCE

SECTION 4.1.(a) There is appropriated from the General Fund to the Department of Public Safety, Office of Recovery and Resiliency (NCORR) the nonrecurring sum of one hundred fifty million dollars (\$150,000,000) for the 2025-2026 fiscal year to be allocated and used as follows:

(1) One hundred million dollars (\$100,000,000) to establish an emergency housing response fund available to NCORR to respond to housing needs after, and due to the event on which is based, a major disaster declaration by the President of the United States under the Stafford Act (P.L. 93-288). The State Building Code Council shall adopt rules establishing an expedited permitting process and code flexibility for like-for-like disaster rebuilding.

(2) Fifty million dollars (\$50,000,000) to establish a voluntary buyout fund. Moneys in the fund shall be used to purchase homes undergoing, and located in areas subjected to, repeated flooding due to natural disasters. NCORR may purchase a qualifying home for up to one hundred ten percent (110%) of the pre-disaster fair market value of the home.

SECTION 4.1.(b) This section becomes effective July 1, 2025.

SECTION 4.2.(a) The Department of Insurance shall study the feasibility, and the best method of implementing, a low-interest loan program to provide loans to homeowners for costs associated with strengthening residential structures to withstand hurricanes. As part of its study, the Department shall investigate and recommend optimal loan terms, the administrative structure for the program, and limitations on loan amounts and on uses of loaned funds necessary to maximize safety and economic benefits and target funding support where need is greatest. The Department, as a further part of the study, shall include whether, and to what extent, to use loans to do one or more of the following: (i) supplement a quality wind-mitigation inspection by a licensed home inspector, (ii) create a report for the homeowner resulting from the inspection that

provides information to contractors and insurance companies of recommended improvements that will best improve and contribute to storm readiness and resilience, and (iii) offset the costs to homeowners of best practices for home improvements for storm resilience by licensed contractors, including, but not limited to, strengthening roof-to-deck attachments, reinforcing roof-to-wall connections, installation of secondary water resistance for roofs, window upgrades, and exterior door upgrades. In addition, the Department shall determine and make recommendations on appropriate levels of discounting insurance rates to further effectively incentivize homeowners to undertake implementation of identified enhanced resilience improvements for homes. The Department shall submit its report, including funding needs and any legislative proposals, to the General Assembly and the Fiscal Research Division no later than January 1, 2026.

SECTION 4.2.(b) This section is effective when it becomes law.

PART V. HOUSING AFFORDABILITY AND FINANCING MECHANISMS

SECTION 5.1. The Housing Innovation Office established by the Housing Finance Agency pursuant to Section 1.1 of this act shall study methods of incentivizing the construction of, and increasing the affordability of, housing options for rent or sale. As part of its study, the Office shall examine tax incentives to developers of, and renters and purchasers of, low-income housing; tax increment financing options; local and State bonding initiatives; public private partnerships to engage and maximize State or local dollars with private philanthropy; and any other financial, regulatory, or compliance measures the Office determines can reasonably be expected to increase the availability and affordability of low-income housing. The Office shall submit its report, including funding needs and any legislative proposals, to the General Assembly and the Fiscal Research Division no later than January 1, 2026.

SECTION 5.2. Beginning January 1, 2025, and at least once every biennium thereafter, the State Auditor shall audit all housing programs administered a State agency having an annual budget of ten million dollars (\$10,000,000) or more.

SECTION 5.3. This Part is effective when it becomes law.

PART VI. ADAPTIVE REUSE AND CONVERSION

SECTION 6.1.(a) Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-153.14. Credit for short-term rental conversion to affordable housing.

(a) Credit. – An owner of a hotel or motel providing lodging accommodations for pay located in this State with at least 30 rooms for short-term rental is allowed a credit against the tax imposed by this Part for each affordable rental unit created from the conversion of one or more rooms. The amount of the credit is equal to the lesser of (i) thirty percent (30%) of the cost of conversion or (ii) forty thousand dollars (\$40,000). The credit is allowed for the taxable year within which the conversion is completed.

(b) Definitions. – The following definitions apply in this section:

- (1) Affordable rental unit.** – A rental unit used as a permanent residence by an eligible renter and subject to permanent affordability restrictions.
- (2) Eligible renter.** – An individual who occupies the affordable rental unit as a primary residence and is a person of lower income, as defined by G.S. 157-3
- (3) Permanent affordability restrictions.** – Restrictions that have been permanently imposed by the Housing Finance Agency on an affordable rental units owned, operated, or managed by an appropriate nonprofit organization
Permanent affordability restrictions imposed or required by the Agency pursuant to this subdivision may require a regulatory agreement with the Agency or other affordability restrictions in recorded documents, provided the

Agency determines that such restrictions are enforceable and likely to be enforced.

(c) Limitation. – The credit allowed by this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except payments of tax by or on behalf of the taxpayer.

(d) No double benefit. – The credit allowed by this section does not apply to costs paid with funds provided to the taxpayer by a State or federal agency or program. A taxpayer who claims the credit allowed in this section may not, for the same activity, claim another credit allowed in this Part."

SECTION 6.1.(b) The State Building Code Council shall adopt rules establishing an expedited permitting process of no more than 45 days and code flexibility for the conversion of hotel and motel rooms into affordable rental units (i) for which a tax credit is allowed under G.S. 105-153.14, as enacted by subsection (a) of this section, and (ii) where the existing building footprint is maintained. The flexibility allowed in this section shall not amend any provisions required to maintain safety measures necessary but shall make allowances for any existing structural or other constraints applicable to motels and hotels but not applicable to residential structures.

SECTION 6.1.(c) Subsection (a) of this section is effective for taxable years beginning on or after January 1, 2025. Subsection (b) of this section is effective when it becomes law.

SECTION 6.2.(a) There is appropriated from the General Fund to the Housing Finance Agency the nonrecurring sum of two million dollars (\$2,000,000) for the 2025-2026 fiscal year to be used for an accommodation conversion program. The program, using competitive application process for developers, shall provide funding to offset certain costs involved in converting hotels and motels into affordable rental units for permanent housing. Costs which may be offset with funding appropriated in this subsection includes architectural and financial feasibility assessment assistance. The Agency shall develop an application process and detailed guidelines applicable to the program to maximize the number of affordable rental units resulting from the funding provided in this section.

SECTION 6.2.(b) This section becomes effective July 1, 2025.

PART VII. TENANT PROTECTIONS AND RENTAL AFFORDABILITY

SECTION 7.1(a) There is appropriated from the General Fund to the Housing Finance Agency the recurring sum of thirty million dollars (\$30,000,000) for each fiscal year of the 2025-2027 fiscal biennium to be allocated to an Emergency Rental Assistance Fund established by the Housing Finance Agency. Funds in the Emergency Rental Assistance Fund shall be used to provide temporary rental and housing assistance to persons of low income, as defined in G.S. 157-3, and to persons experiencing homelessness. The temporary rental and housing assistance provided in this section shall be limited in duration and shall not exceed six consecutive months of provided assistance for any one person or family.

SECTION 7.1.(b) This section becomes effective July 1, 2025.

SECTION 7.2.(a) G.S. 7A-451 reads as rewritten:

"§ 7A-451. Scope of entitlement.

(a) An indigent person is entitled to services of counsel in the following actions and proceedings:

...

(20) Proceedings for summary ejectment actions brought under Articles 3 and 7 of Chapter 42 of the General Statutes."

SECTION 7.2.(b) This section becomes effective October 1, 2025, and applies to actions for summary ejectment brought on or after that date.

1 **SECTION 7.3.(a)** Article 6 of Chapter 42 of the General Statutes is amended by
2 adding a new section to read:

3 **"§ 42-57. Alternative Security Deposit Payment Options.**

4 (a) Definitions. – For the purposes of this section the following definitions apply:

5 (1) Security deposit insurance. – A policy or bond issued by an insurer licensed
6 to do business in this State, which guarantees payment to the landlord for
7 damages or unpaid rent up to an amount equivalent to the security deposit
8 otherwise required under G.S. 42-50 and this Article.

9 (2) Installment payment plan. – An agreement between the landlord and tenant
10 allowing the tenant to pay the security deposit in periodic payments over a
11 specified term.

12 (b) Tenant Options. – Instead of paying the full amount for a security deposit authorized
13 by G.S. 42-50 at the commencement of the lease, a tenant may elect one of the following
14 alternatives:

15 (1) Installment payment plan. – The tenant may pay the security deposit in
16 installments pursuant to a written installment payment plan agreed upon by
17 the landlord and tenant. The plan shall include all of the following:

18 a. The total amount of the security deposit, not to exceed the amount
19 established by G.S. 42-51(b).

20 b. A payment schedule not to exceed the lease term or six months from
21 the commencement of the lease term, whichever is lesser.

22 c. Signatures of both the landlord and the tenant.

23 (2) Security deposit insurance. – The tenant may provide security deposit
24 insurance as a substitute for a cash security deposit. The insurance policy or
25 bond shall do all of the following:

26 a. Name the landlord as the beneficiary or insured party.

27 b. Remain in effect for the duration of the lease term, including any
28 renewals or extensions, unless otherwise agreed by the landlord."

29 **SECTION 7.3.(b)** This section is effective when it becomes law.

30
31 **PART VIII. HOMELESSNESS PREVENTION AND SOLUTIONS**

32 **SECTION 8.1(a)** There is appropriated from the General Fund to the Housing
33 Finance Agency the recurring sum of thirty-five million dollars (\$35,000,000) for each fiscal
34 year of the 2025-2027 fiscal biennium. The Housing Finance Agency shall work with local
35 housing authorities to use the funds appropriated in this section to provide combined housing and
36 wraparound services to persons and families experiencing homelessness. For purposes of this
37 subsection, wraparound services means the collective components of comprehensive and
38 individualized support for persons with serious mental health or behavioral challenges.

39 **SECTION 8.1.(b)** There is appropriated from the General Fund to the Housing
40 Finance Agency the sum of twenty million dollars (\$20,000,000) in nonrecurring fund to be
41 allocated to a Rapid Rehousing Program established by the Housing Finance Agency. The Rapid
42 Rehousing Program shall work with the local housing authorities to use the funds appropriated
43 in this section to provide temporary, short-term rental and housing assistance and case
44 management services to persons experiencing homelessness.

45 **SECTION 8.1.(c)** Notwithstanding any other provision in this section, funds
46 appropriated in this Part may also be allocated by the Housing Finance Agency to any local
47 housing authorities established under Chapter 157 of the General Statutes that request funds to
48 establish coordinated entry systems designed to ensure that all people experiencing a housing
49 crisis have fair and equal access to the rental and housing assistance provided for in this Part.
50 The coordinated entry systems shall be designed to evaluate whether a person or family is
51 qualified for the rental or housing assistance funded by this Part and shall ensure that individuals

and families are offered the most appropriate rental or housing assistance based on their needs. The Housing Finance Agency shall establish guidelines and a process for applying for the funds appropriated in this Part and may allocate the funds according to its discretion.

SECTION 8.1.(d) This section becomes effective July 1, 2025.

PART IX. CONSTRUCTION WORKFORCE DEVELOPMENT

SECTION 9.1.(a) Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 21A. Housing Advancement.

"§ 143B-472.124. Housing innovation and affordability advancement.

(a) Title. – This Part shall be known and may be cited as "The Housing Innovation and Affordability Advancement Act".

(b) Definitions. – The following definitions apply in this Part.

(1) Department. – The Department of Commerce.

(2) Construction skilled trade. – Specialized careers requiring hands-on skills and training to build and maintain structures but not requiring a four-year degree. The term includes electricians, plumbers, carpenters, roofers, HVAC technicians, and other similar skills applicable to and used in the construction of residential structures.

(3) Institution of higher education. – Any public university, community college, or technical training school in North Carolina offering programs in construction skilled trades.

(c) Housing Construction Development Program. – There is established in the Department of Commerce the Housing Construction Development Program (Program). The Program shall be comprised of the following elements:

(1) Workforce development. – In conjunction with The University of North Carolina and the Community Colleges System Office, the Department shall develop a grant program for institutions of higher education in this State to expedite and facilitate the expansion of home construction skilled trade training programs. The Department shall (i) develop guidelines for an application process for institutions of higher education for the allocation of funds granted pursuant to this section and (ii) prioritize awarding funds based on the degree to which the institution has shown in the application the following:

a. A viable plan to partner and create learning synergies with industry leaders and employers to align training and real-world home construction needs.

b. The funding will be used for home construction workforce needs, including construction skilled trades.

(2) Apprenticeship development. – In conjunction with The University of North Carolina and the Community Colleges System Office, the Department shall develop a grant program for subsidizing the costs of qualifying employers for paid apprenticeship positions for students in institutions of higher education in the State in order to promote direct-to-hire pathways for participating students to be prepared for and immediately fill home construction industry workforce needs. A qualifying employer is an employer currently licensed as a contractor or subcontractor to construct or perform construction skilled trades in residential homes in the State. The Department shall (i) develop guidelines for an application process for qualifying employers for the allocation of funds granted pursuant to this section and (ii) prioritize awarding

funds based on the degree to which the employer has shown, in the application or otherwise, the following:

- a. A viable plan to partner and create learning synergies and pre- and post-graduation employment opportunities for students attending institutions of higher education in the State.
- b. The funding will be used to subsidize the total cost of the paid apprenticeship program created by the qualifying employer.
- c. The funding will not exceed two thousand five hundred dollars (\$2,500) per participating apprentice.
- d. A history of hiring participating apprentices and students graduating in relevant fields from institutions of higher education.

(3) Innovation assistance. – In conjunction with The University of North Carolina and the Community Colleges System Office, the Department shall develop a grant program for institutions of higher education in this State to offset costs of researching and developing (i) building methods that show potential to reduce construction time and costs, (ii) more affordable or sustainable materials, or (iii) pioneering construction techniques that save resources while maintaining or improving quality. The Department shall develop guidelines for an application process for institutions of higher education for the allocation of funds granted pursuant to this section."

SECTION 9.1.(b) There is appropriated from the General Fund to the Department of Commerce the recurring sum of fifty million dollars (\$50,000,000) for each fiscal year of the 2025-2027 fiscal biennium for the Housing Construction Development Program established in G.S. 143B-472.124, as enacted by subsection (a) of this section, to be allocated as follows:

- (1) Fifteen million dollars (\$15,000,000) to be used for workforce development purposes, as set forth in G.S. 143B-472.124(c)(1).
- (2) Ten million dollars (\$10,000,000) to be used for innovation assistance purposes, as set forth in G.S. 143B-472.124(c)(3).
- (3) The remainder to be used for apprenticeship development purposes, as set forth in G.S. 143B-472.124(c)(2).

SECTION 9.1.(c) This section becomes effective July 1, 2025.

PART X. FAIR HOUSING AND EQUITY

SECTION 10.1.(a) There is appropriated from the General Fund to the North Carolina Human Relations Commission the recurring sum of three million dollars (\$3,000,000) for each fiscal year of the 2025-2027 fiscal biennium. The funds appropriated in this section shall be used by the Human Relations Commission to actively investigate, identify, and report to the Attorney General discriminatory practices in the housing market that violate the State Fair Housing Act.

SECTION 10.1.(b) There is appropriated from the General Fund to the Department of Commerce the recurring sum of twenty-five million dollars (\$25,000,000) for each fiscal year of the 2025-2027 fiscal biennium to be allocated to a special account established by the Department to be known as the Equitable Development Account. Funds appropriated to the account shall be used to identify historically underinvested neighborhoods and provide funds to the local government units in which identified neighborhoods are located to construct, improve, and repair water, sewer, electrical, transportation, and other infrastructure. For purposes of this subsection, a historically underinvested neighborhood is one that faces persistent challenges due to discriminatory policies and practices resulting in limited access to resources and opportunities.

SECTION 10.1.(c) This section becomes effective July 1, 2025.

SECTION 10.2.(a) G.S. 160D-501 reads as rewritten:

"§ 160D-501. Plans.

...

(b) Comprehensive Plan Contents. – A comprehensive plan shall analyze, evaluate, and require the implementation of equitable distribution of affordable housing and may, among other topics, address any of the following as determined by the local government:

- (1) Issues and opportunities facing the local government, including consideration of trends, values expressed by citizens, community vision, and guiding principles for growth and development.
- (2) The pattern of desired growth and development and civic design, including the location, distribution, and characteristics of future land uses, urban form, utilities, and transportation networks.
- (3) Employment opportunities, economic development, and community development.
- (4) Acceptable levels of public services and infrastructure to support development, including water, waste disposal, utilities, emergency services, transportation, education, recreation, community facilities, and other public services, including plans and policies for provision of and financing for public infrastructure.
- (5) Housing with a range of types and affordability to accommodate persons and households of all types and income levels.
- (6) Recreation and open spaces.
- (7) Mitigation of natural hazards such as flooding, winds, wildfires, and unstable lands.
- (8) Protection of the environment and natural resources, including agricultural resources, mineral resources, and water and air quality.
- (9) Protection of significant architectural, scenic, cultural, historical, or archaeological resources.
- (10) Analysis and evaluation of implementation measures, including regulations, public investments, and educational programs.

...."

SECTION 10.2.(b) This section is effective when it becomes law.

PART XI. EFFECTIVE DATE

SECTION 11. Except as otherwise provided, this act is effective when it becomes law.