



Affordable Housing Assessment & Strategies

April 5, 2021

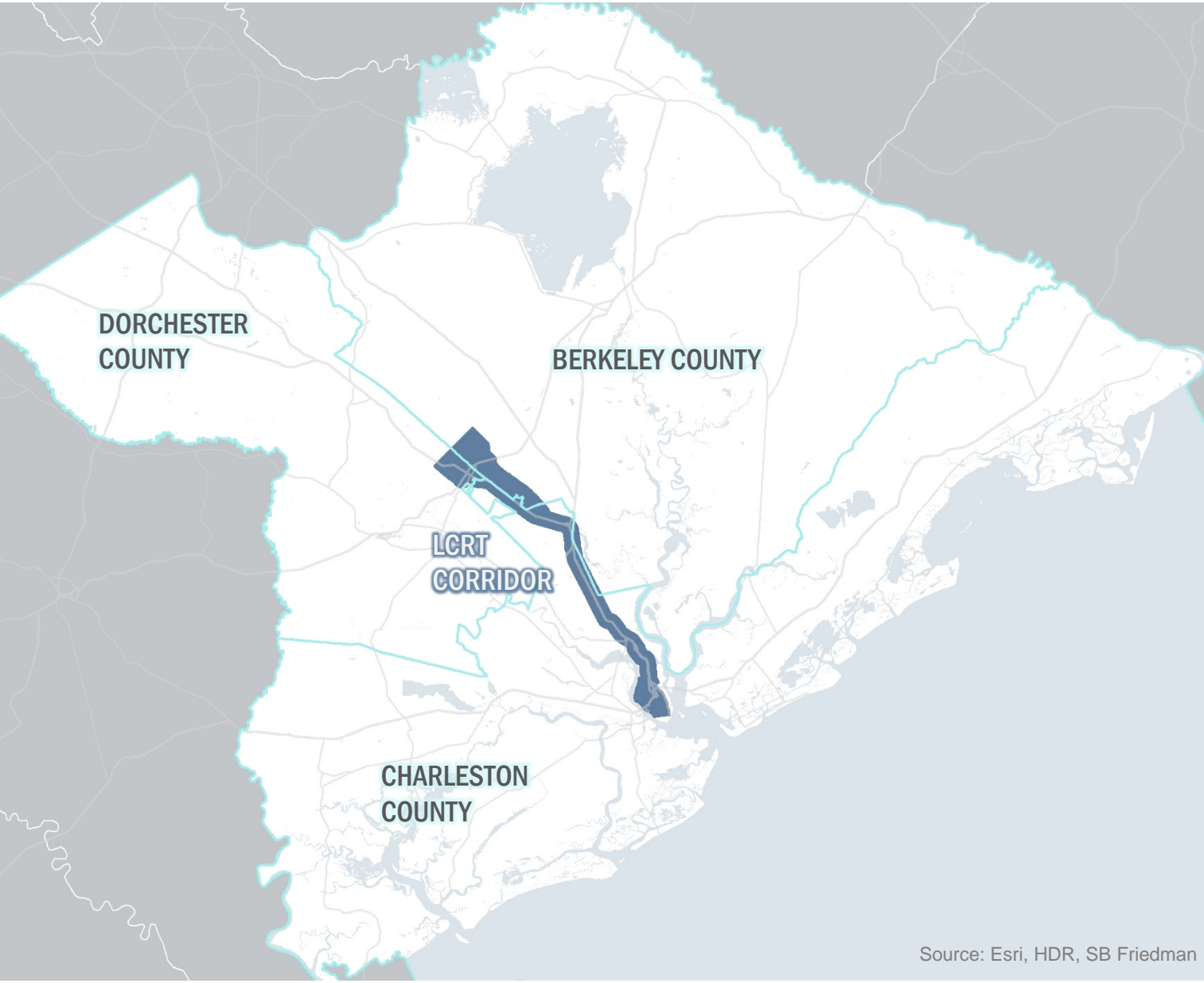
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Executive Summary

Lowcountry Rapid Transit and affordability in the BCD Region



The Berkeley-Charleston-Dorchester (BCD) Council of Governments (“BCDCOG”) is planning for the development of the Lowcountry Rapid Transit (“LCRT”). LCRT will be a best-in-class bus rapid transit system connecting the communities of Charleston, North Charleston and Summerville. The BCD region is one of the most rapidly growing communities in the country. An attractive business climate, relatively low cost of living, and unique character have contributed to this growth. However, population growth has led to growing pains including an uptick in congestion and declining affordability.

The LCRT is the BCD region’s first step toward a more connected region – the first high-quality transit line that will ultimately be a part of a larger BRT network. The line will reduce transportation costs and commute times for many who live or work along the route. In turn, it will also make the areas surrounding the line (the Corridor) an even more attractive opportunity for development.

In order to effectively plan for the transformation driven by the LCRT, the BCDCOG has led the development of a Transit-Oriented Development (“TOD”) Plan. This Affordable Housing Study (the “Study”) is one component of the TOD planning initiative. The Study details the current housing affordability crisis in the BCD region, the implications of LCRT on affordability in the Corridor, and recommended strategies to preserve or create more affordable units within each overlapping community.

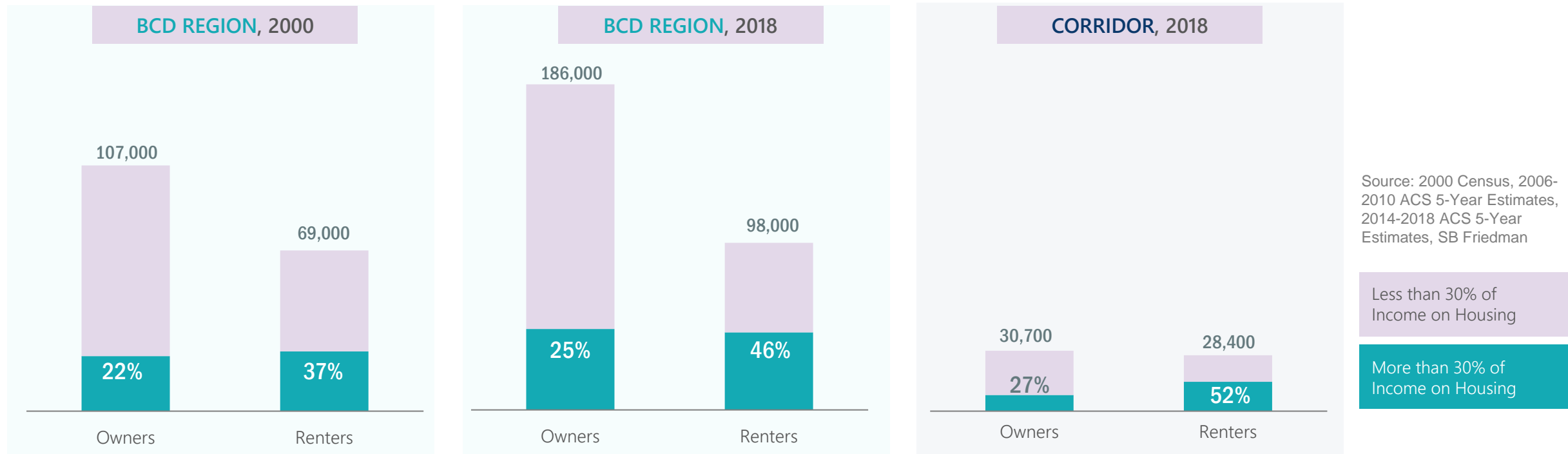
Executive Summary

Housing cost burden in the Corridor exceeds that of the region overall

There is a growing housing affordability challenge in the region. The number of cost burdened households - those paying more than 30% of their income towards housing costs - has increased by 42,000 since 2000 in the region, growing at a faster rate than population. Today, the Corridor has a higher share of housing cost burdened households than the BCD region. While 25% of owner households are housing cost burdened in the region, 27% of owner households are housing cost burdened in the Corridor. The renter household difference is more drastic – with 46% of renter households in the region housing cost burdened compared to 52% in the Corridor.

Without appropriate planning, the introduction of a BRT could exacerbate the affordability challenges in the Corridor by increasing market demand along the line. However, the introduction of the BRT line can also help lower household transportation costs by giving residents more transportation choices, reducing commute times and connecting people to more jobs. With a strategic policy framework in place, the BRT line can and should be a part of the solution to the affordability crisis in the Corridor.

HOUSING COST BURDEN BY TENURE



Executive Summary

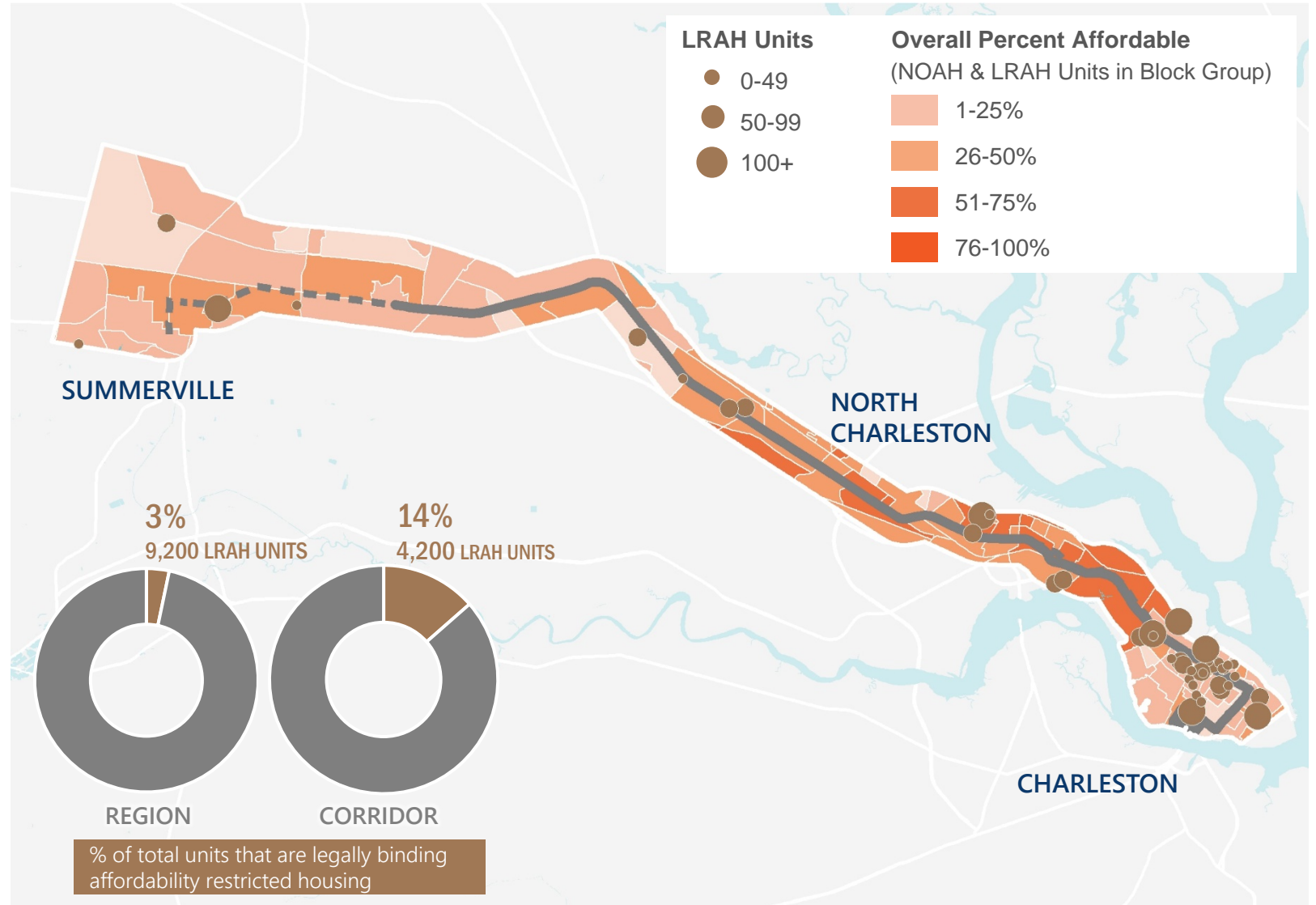
Legally restricted affordable housing (LRAH) is spatially concentrated in southern end of the Corridor

The Federal Transit Administration (FTA) defines affordable housing as units for which monthly housing costs are legally restricted to be affordable to renters earning less than 60% of the Area Median Income (AMI) or homeowners with incomes at or below the AMI (100% AMI).

Across the BCD region, only 3% of all units are legally restricted affordable housing (LRAH). The Corridor has a greater concentration LRAH with 14% of all units. In addition to legally restricted units, approximately 17,000 units within the Corridor are considered naturally occurring affordable housing or 'NOAH.' These NOAH units do not include rent protections but would be affordable to renter-households earning 60% of AMI or owner-households earning 100% AMI.

Affordable housing is not evenly distributed across the extent of the Corridor. The majority of LRAH units within the Corridor are located on the Peninsula in Charleston. North Charleston and Summerville both have much higher shares of NOAH units than LRAH units. However, they differ, in that North Charleston has a higher percentage of renter NOAH units while Summerville has more owner-occupied NOAH units.

Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman



Executive Summary

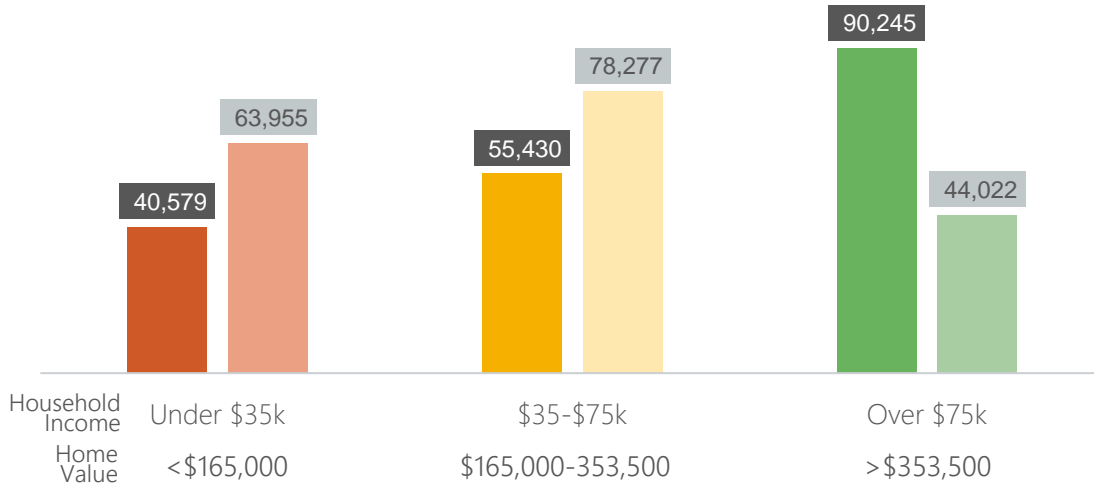
There is a 10,000 unit shortfall of rental units for households earning less than \$35,000 in the BCD region

To identify affordable housing shortfalls, this Study examined the number of households at multiple income levels against the number of occupied units affordable to those households. A shortfall in the number of units affordable to a specific income band directly results in housing cost burden at the lowest income levels. Additionally, when higher income households spend less than 30% of their income on housing, they can create a more competitive housing environment for moderate and low income households. This can create a ripple effect of imbalances, forcing lower and moderate income households to seek higher cost housing.

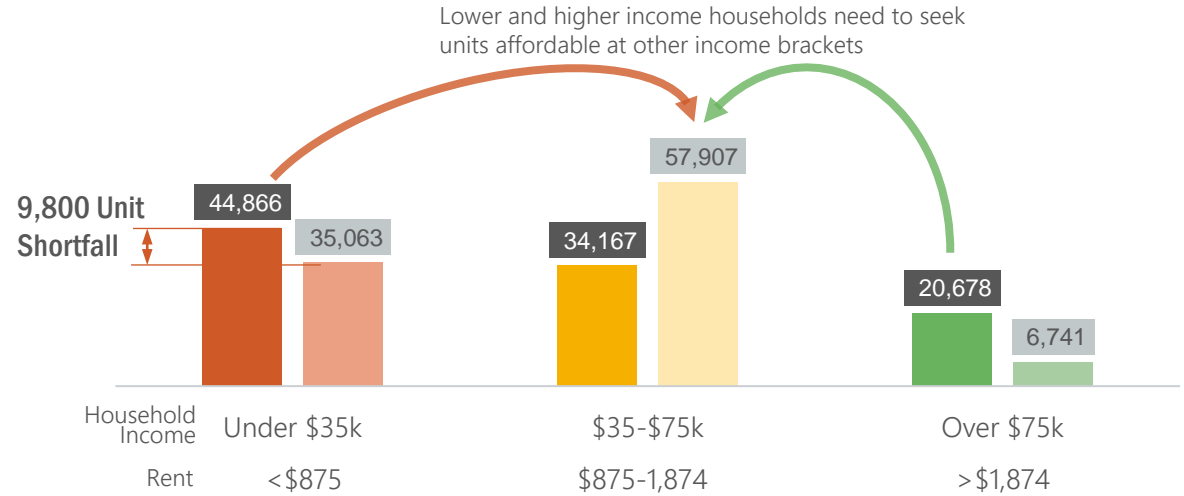
In 2018, in the BCD region, there were sufficient owner-occupied housing units affordable to low (<\$35k) and moderate (\$35k-\$75k) income households. However, some of these units were occupied by higher income households who are paying less than 30% of their income on housing, effectively reducing the supply of units affordable to lower income households. While there are imbalances in the owner-occupied housing market (as evidenced by 25% cost burdened homeowners), the overall affordability challenge is less significant compared to the rental housing market. Increasing the supply of owner-occupied housing that includes a mix of housing types and price-points would improve affordability.

In 2018, there was a nearly 10,000-unit shortfall for low income renter-households (<\$35k). This challenge is further exacerbated by higher income households renting lower cost units because of the limited supply of higher priced rental units. Our focus in this Study is to provide strategies to address the affordable housing shortfall and to increase overall housing supply.

ESTIMATED OWNER-OCCUPIED HOUSING AFFORDABILITY, 2018



ESTIMATED RENTER-OCCUPIED HOUSING AFFORDABILITY, 2018



HOUSEHOLDS BY INCOME BRACKET

HOUSING STOCK AFFORDABLE TO EACH INCOME BRACKET

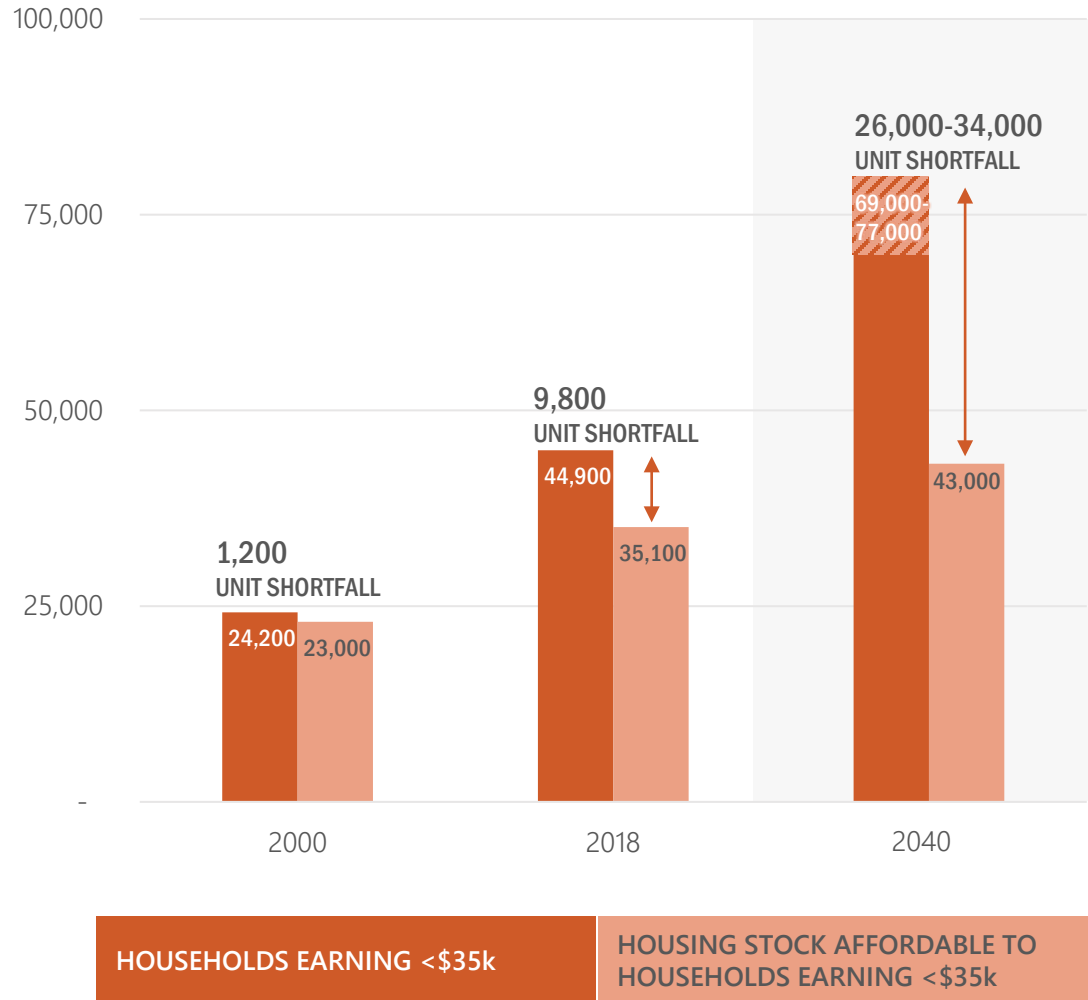
[1] The value of owner-occupied housing similarly assumes 30% of a household's monthly income is the maximum available for mortgage payments and other related housing costs. Mortgage payments are calculated assuming they account for 81% of monthly owner costs, a 30-year mortgage with a 4% interest rate.

Source: 2014-2018 ACS 5-Year Estimates, HUD, SB Friedman, SC Housing

Executive Summary

Without intervention there is a projected 26,000-34,000 affordable rental unit shortfall by 2040

RENTAL HOUSEHOLDS & UNITS IN THE BCD REGION



The BCD region has seen an increase in the gap between renter households earning less than \$35k and units affordable to those households since 2000. Where there was a 10,000 unit shortfall of units affordable to low income households in 2018 - in 2000, the shortfall was approximately 1,200 units. If these long-term historic trends continue, which indicate housing costs are increasing faster than real income growth, by 2040 the region is forecasted to have a 26,000-34,000 unit shortfall of rental housing affordable to households earning less than \$35k.

In order to reduce the unit shortfall in 2040, there needs to be an intensive regionwide effort to:






- Create a development-friendly environment that supports production of diverse market rate housing typologies affordable to households at different life stages and income levels; and
- Expand existing and create new programs to develop legally restricted affordable housing units and preserve naturally occurring affordable housing units.

Executive Summary

There are a variety of programs nationwide, and locally, to look to as affordable housing best practices

Initiatives to preserve affordability in the near term will be the most cost effective to help meet affordable housing targets and improve job access and economic opportunity for low and moderate income residents in the Corridor. There are a variety of best practices used nationwide to preserve, develop and support affordable housing. Information and case study examples for each best practice are included within this Study.

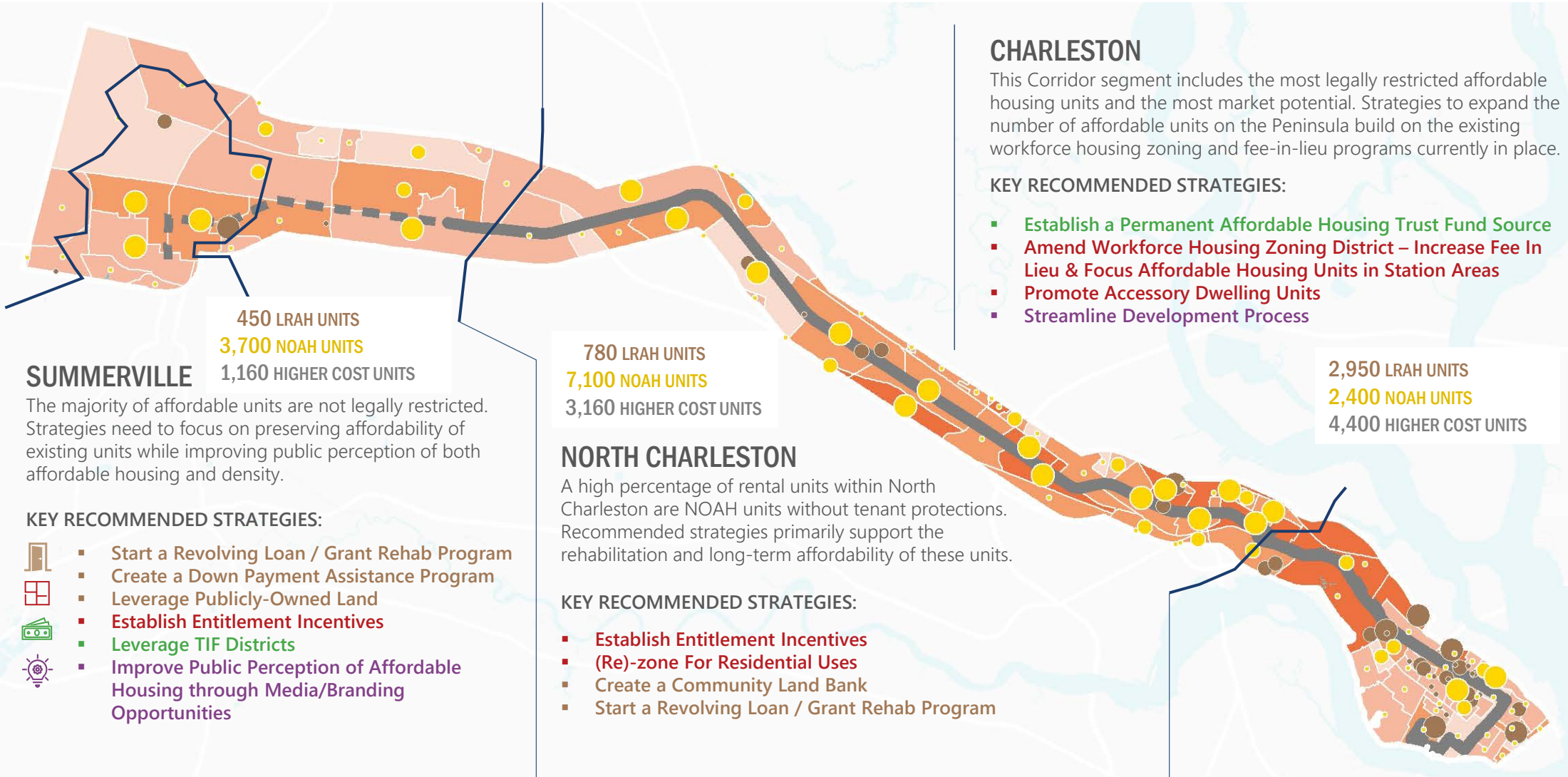
KEY STRATEGIES UTILIZED BY JURISDICTION

| | | | | | PRESENT | NOT PRESENT | |
|--|---------------------------|------------------------------------|------------------|-------------|---------------|---------------|------------|
| | | | | | CHARLOTTE, NC | AUSTIN, TX | |
| | | CHARLESTON | NORTH CHARLESTON | SUMMERVILLE | RALEIGH, NC | CHARLOTTE, NC | AUSTIN, TX |
|  | HOUSING PROGRAMS | Community Land Trust and Land Bank | | | | | |
| | | Revolving Loan / Grant | | | | | |
| | | Down Payment Assistance Program | | | | | |
| | | Public Land Disposition | | | | | |
|  | REGULATORY OPTIONS | Deed-Restricted Housing | | | | | |
| | | Tenant Right of First Refusal | | | | | |
|  | ZONING OPTIONS | Accessory Dwelling Units | | | | | |
| | | Equitable TOD Zoning | | | | | |
| | | Entitlement Incentives | | | | | |
| | | (Re)-Zone for Residential Uses | | | | | |
|  | FUNDING MECHANISMS | Housing Trust Fund | | | | | |
| | | Tax Increment Financing | | | | | |
| | | Affordable Housing Bonds | | | | | |
|  | CAPACITY BUILDING | Local Housing Coalition | | | | | |
| | | Streamline Development Process | | | | | |
| | | Media / Branding | | | | | |

Executive Summary

Recommended solutions reflect existing conditions and unique challenges by municipality

While affordability is a regional issue, each municipality within the Corridor faces unique challenges, such as the presence/absence of existing supply or local opposition to affordable housing. Therefore, different solutions will be more effective or more feasible for different parts of the BCD region. It is critical that jurisdictions and nonprofit partners take an active role in affordable housing in order to address housing affordability in the BCD region. Recommended strategies for each primary jurisdiction are included below and detailed in the report.



SUMMERVILLE

The majority of affordable units are not legally restricted. Strategies need to focus on preserving affordability of existing units while improving public perception of both affordable housing and density.

KEY RECOMMENDED STRATEGIES:

- Start a Revolving Loan / Grant Rehab Program
- Create a Down Payment Assistance Program
- Leverage Publicly-Owned Land
- Establish Entitlement Incentives
- Leverage TIF Districts
- Improve Public Perception of Affordable Housing through Media/Branding Opportunities

CHARLESTON

This Corridor segment includes the most legally restricted affordable housing units and the most market potential. Strategies to expand the number of affordable units on the Peninsula build on the existing workforce housing zoning and fee-in-lieu programs currently in place.

KEY RECOMMENDED STRATEGIES:

- Establish a Permanent Affordable Housing Trust Fund Source
- Amend Workforce Housing Zoning District – Increase Fee In Lieu & Focus Affordable Housing Units in Station Areas
- Promote Accessory Dwelling Units
- Streamline Development Process

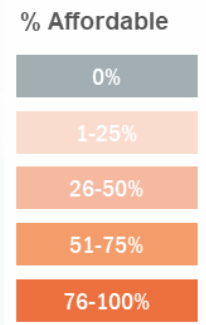
NORTH CHARLESTON

A high percentage of rental units within North Charleston are NOAH units without tenant protections. Recommended strategies primarily support the rehabilitation and long-term affordability of these units.

KEY RECOMMENDED STRATEGIES:

- Establish Entitlement Incentives
- (Re)-zone For Residential Uses
- Create a Community Land Bank
- Start a Revolving Loan / Grant Rehab Program

Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman



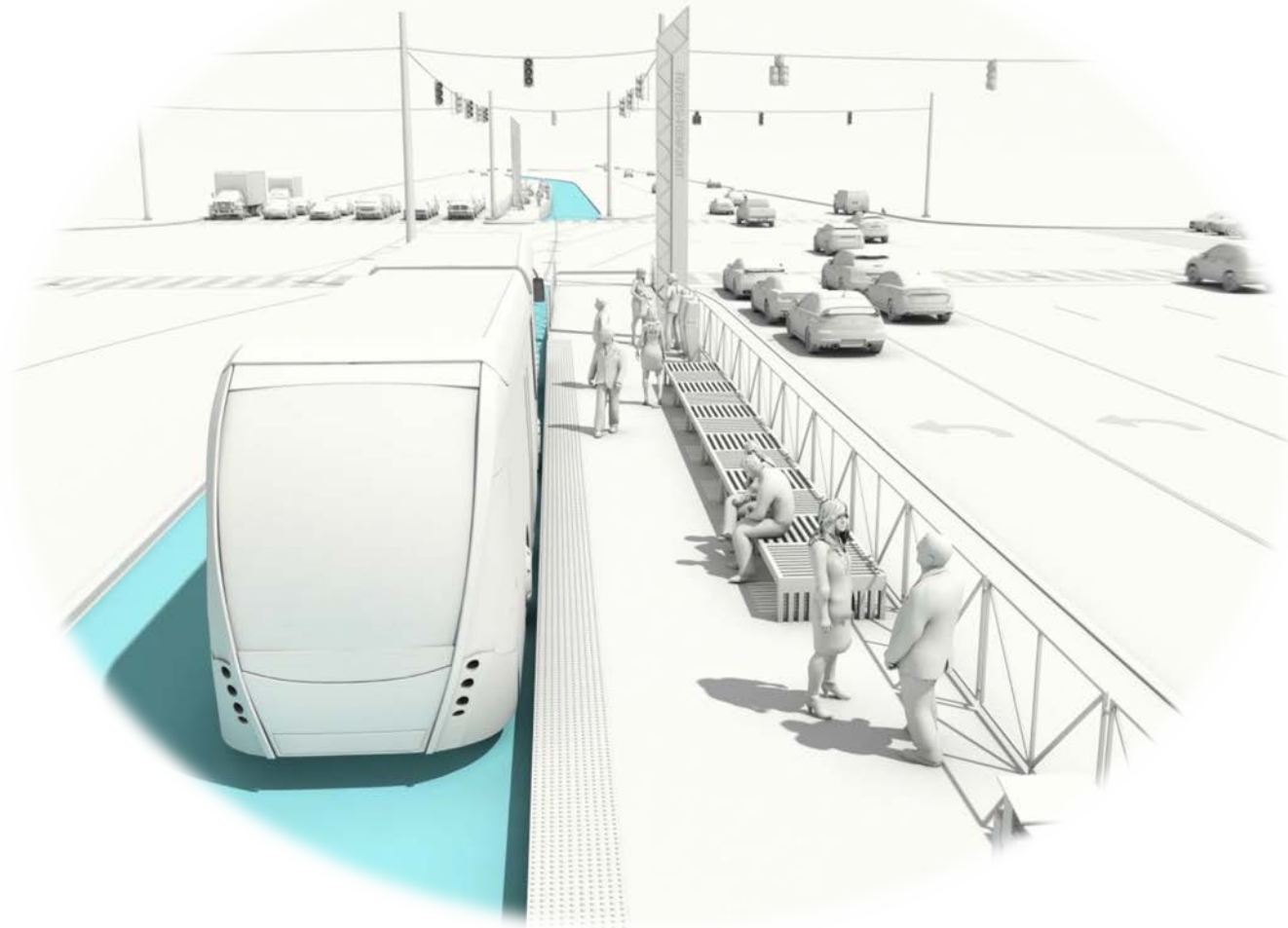
Regional Context and the Housing Affordability Challenge

Report Background

SB Friedman Development Advisors (“SB Friedman”), as part of a consulting team led by HDR was engaged by the Berkeley-Charleston-Dorchester (“BCD”) Council of Governments (“BCDCOG”) to support transit-oriented development (“TOD”) planning work around the proposed Lowcountry Rapid Transit Project (“LCRT”). LCRT is an approximately 21-mile proposed bus rapid transit (“BRT”) corridor connecting Charleston, North Charleston, and Summerville.

As part of the LCRT TOD planning initiative, SB Friedman completed a market assessment. The market assessment, as well as many stakeholder meetings, has been used to inform the planning process by identifying (1) where development opportunities exist near the LCRT and (2) where there may be need for public intervention to achieve desired TOD goals. The market assessment and other LCRT planning work have been focused on an approximately half-mile buffer around the proposed alignment, the “Corridor Study Area,” or “Corridor” that will also be used within this report.

While conducting stakeholder outreach for the market assessment, the LCRT TOD project team received feedback from the majority of key informants and the community that affordable housing needs to be a priority within the Study Area. While LCRT is expected to have a transformational impact on the real estate market, development pressures can also have a negative impact on existing renters who are at risk of displacement without early action to retain affordability within the Corridor.



Transit & Affordable Housing

High-quality bus-rapid transit can lead to changes in nearby areas and attract new development of all types. This growth often makes the neighborhood more desirable, contributing to gentrification. This analysis assesses housing affordability near the planned Lowcountry BRT line and outlines strategies to promote affordability for today and tomorrow's residents.

Proximity to transit often increases property values and rents, making housing affordability scarce in places where residents could benefit most from affordable transportation and easier access to jobs [1]. Locating affordable housing near transit reduces the two largest expenditures for most households – housing and transportation costs. The new BRT can reduce transportation costs and commute times for many residents. The Department of Housing and Urban Development (“HUD”) research (in the Guidebook for Creating Connected Communities) highlights that transportation costs of households in auto-dependent neighborhoods decline from 25% of their income to 9% when a variety of mobility options are provided. Families along the BRT route could use these savings to buy or rent market-rate housing and spend more money in the local economy and/or on essential services such as healthcare, leading to wider societal benefits.

To fulfil the demand for affordable housing, the region needs additional funding sources and a policy priority for the creation and preservation of affordable housing near transit.

This report frames the affordable housing problem in the BCD region today, details cost burdened households, explores the existing available housing, defines the gap in affordable housing, projects the demand for affordable housing in 2040 for the region and Corridor, and ultimately provides a toolkit to address today's and the future's affordable housing shortfall.



Williams Terrace, by David Baker Architects
Source: The American Institute of Architects

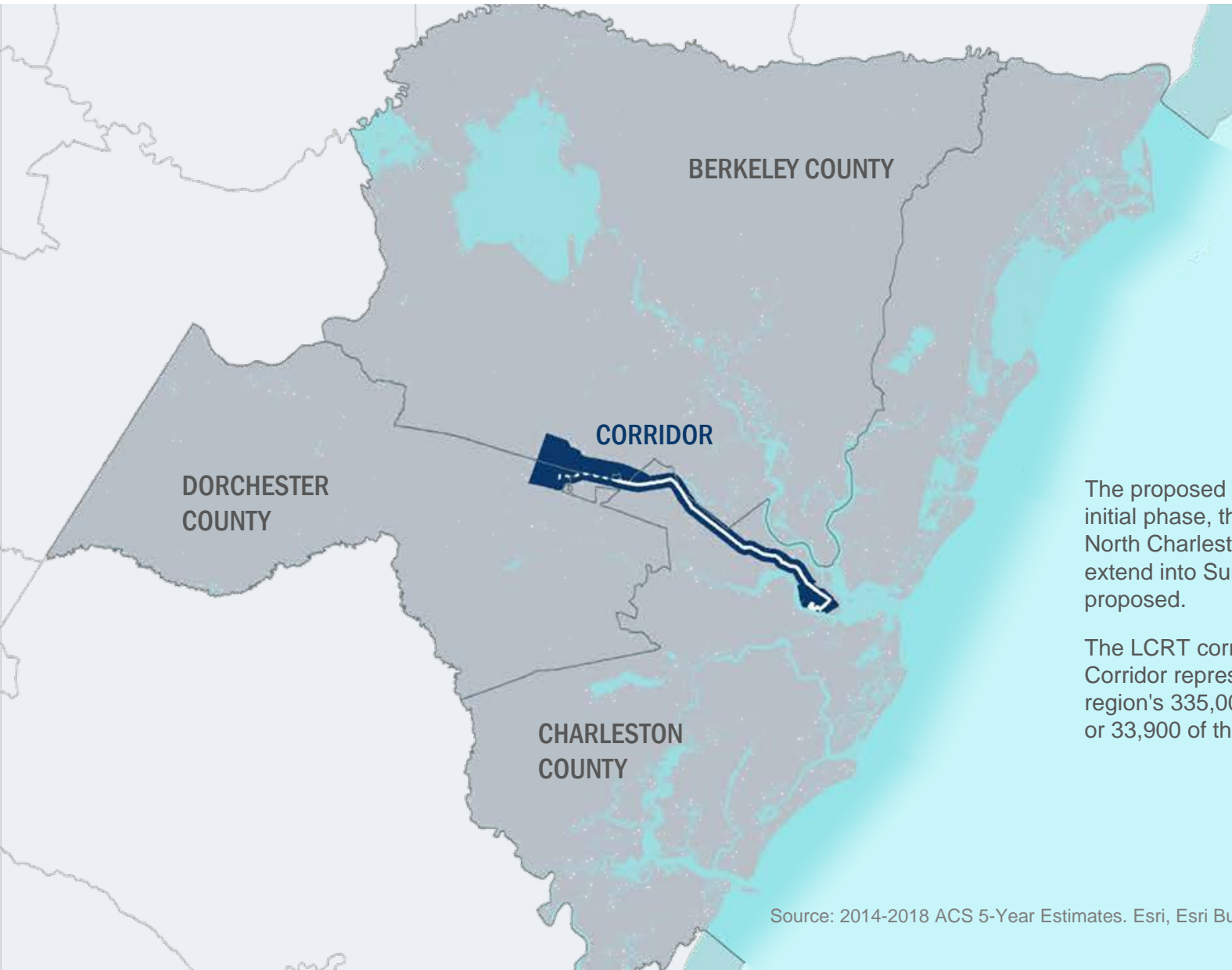
[1] The Real Estate Mantra – Locate Near Public Transit (October 2019) by American Public Transportation Association and the National Association of Realtors.

REGIONAL & STUDY AREA CONTEXT

The Study Area Corridor is located in the rapidly growing Berkeley-Charleston-Dorchester (BCD) region

Study Area within the BCD Region

The Corridor is the economic center of the BCD region



| | BCD REGION | CORRIDOR | CORRIDOR % |
|-----------------------|------------|------------|------------|
| HOUSEHOLDS | 286,000 | 33,900 [1] | 12% |
| JOBS | 334,700 | 106,400 | 32% |
| LAND AREA (sq. miles) | 2,962 | 38 | 1.3% |

The proposed LCRT in the BCD region will connect multiple jurisdictions. In the initial phase, the LCRT would travel from the Charleston Peninsula and across North Charleston along Rivers Avenue. In a future phase, the LCRT is planned to extend into Summerville. Both phases combined have a total of 20 stations proposed.

The LCRT corridor is the economic heart of a dynamic BCD region. While the Corridor represents less than 2% of the land area in the region, nearly a third of the region's 335,000 jobs are concentrated within the Corridor. In addition, about 12% or 33,900 of the 286,000 households in the Region are located in the Corridor.

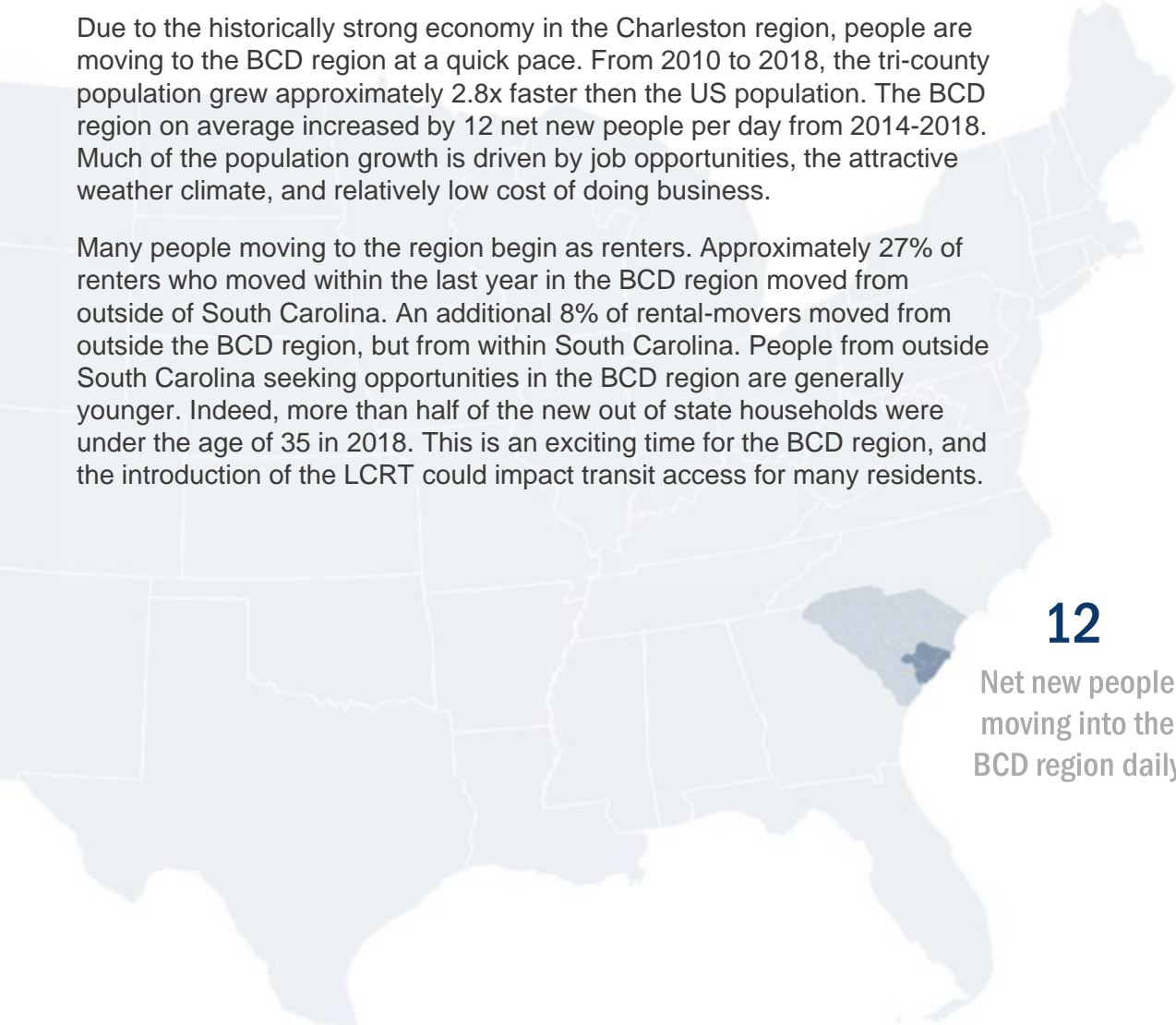
[1] The number of households in census tracts have been allocated by land area.

A Growing Region

The BCD region is experiencing tremendous growth, increasing by 12 net new people per day

Due to the historically strong economy in the Charleston region, people are moving to the BCD region at a quick pace. From 2010 to 2018, the tri-county population grew approximately 2.8x faster than the US population. The BCD region on average increased by 12 net new people per day from 2014-2018. Much of the population growth is driven by job opportunities, the attractive weather climate, and relatively low cost of doing business.

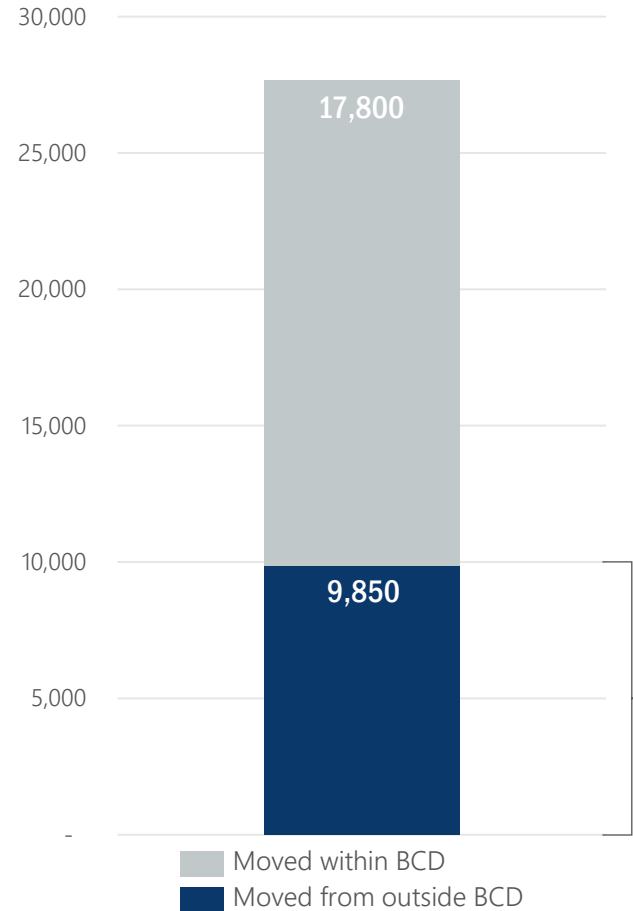
Many people moving to the region begin as renters. Approximately 27% of renters who moved within the last year in the BCD region moved from outside of South Carolina. An additional 8% of rental-movers moved from outside the BCD region, but from within South Carolina. People from outside South Carolina seeking opportunities in the BCD region are generally younger. Indeed, more than half of the new out of state households were under the age of 35 in 2018. This is an exciting time for the BCD region, and the introduction of the LCRT could impact transit access for many residents.



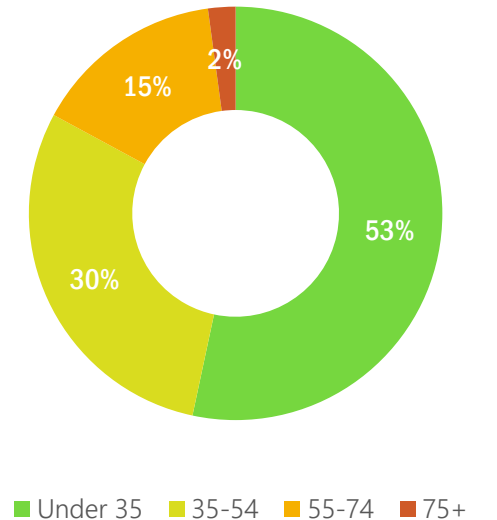
12
Net new people
moving into the
BCD region daily

RENTER MOVER PROFILE (2018)

WHERE MOVERS MOVE FROM



AGE DISTRIBUTION OF MOVERS FROM OUTSIDE THE BCD



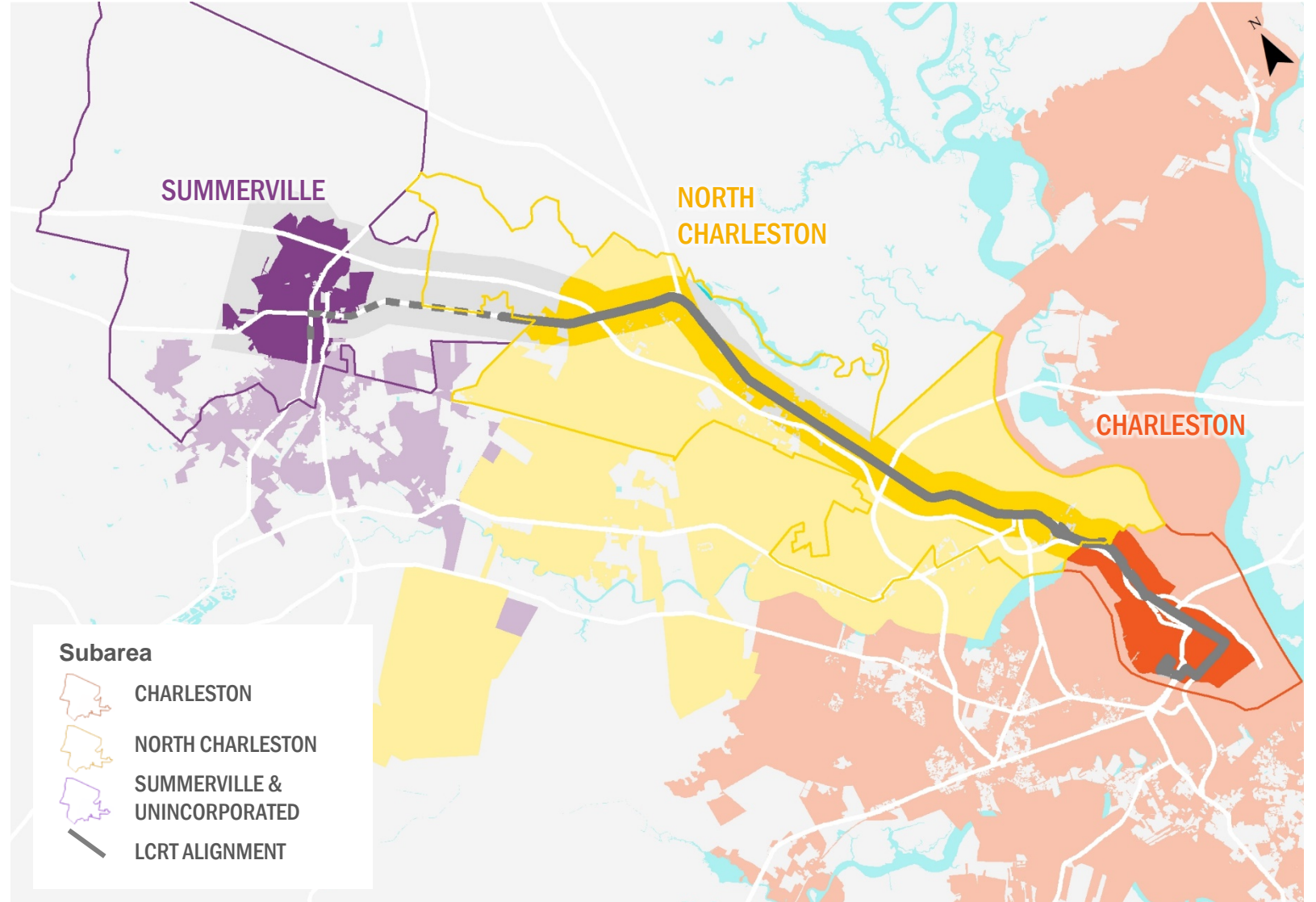
Study Area Introduction

The LCRT Study Area overlaps 3 municipalities at the heart of the region

The LCRT Phase 1 Corridor is a 21.5-mile corridor extending from Charleston to North Charleston. Phase 2 includes a 5-mile extension to the Town of Summerville. The LCRT project team has engaged with local governments and key stakeholders to inform this affordable housing briefing book. The Study Area contains three subareas that are comparable to the jurisdictional boundaries, but align with Census tracts [1]:

- **Charleston** – tracts overlapping the Peninsula
- **North Charleston** – tracts overlapping portions of North Charleston, Hanahan and unincorporated Berkeley County
- **Summerville** – tracts overlapping portions of Summerville, Ladson, Lincolnville and unincorporated Berkeley/Dorchester counties.

This report will conclude with strategies specific to the three municipalities with significant overlap of the Corridor, as well as Corridor-wide recommendations, designed to guide municipalities in the development of affordable housing policy the region.



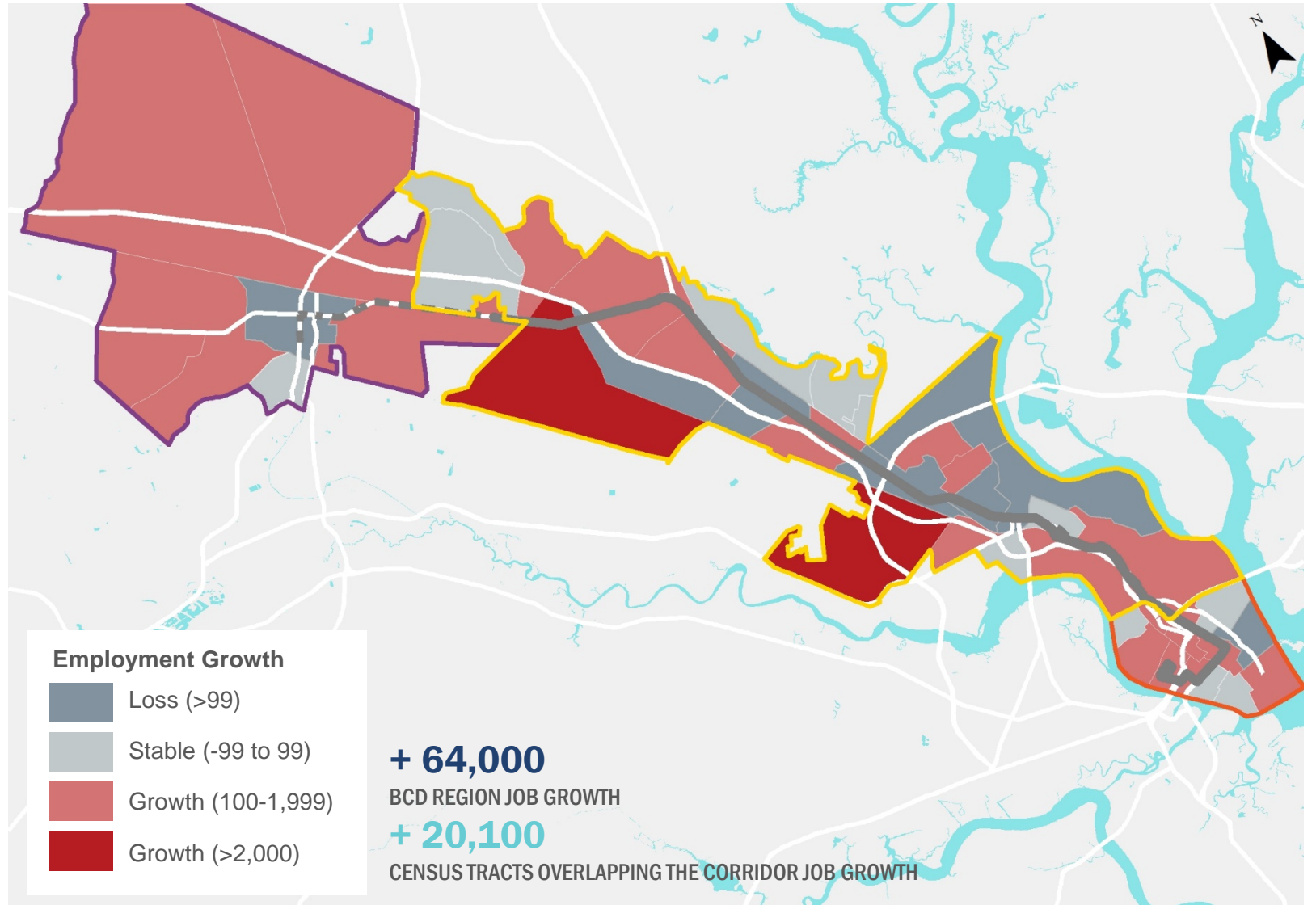
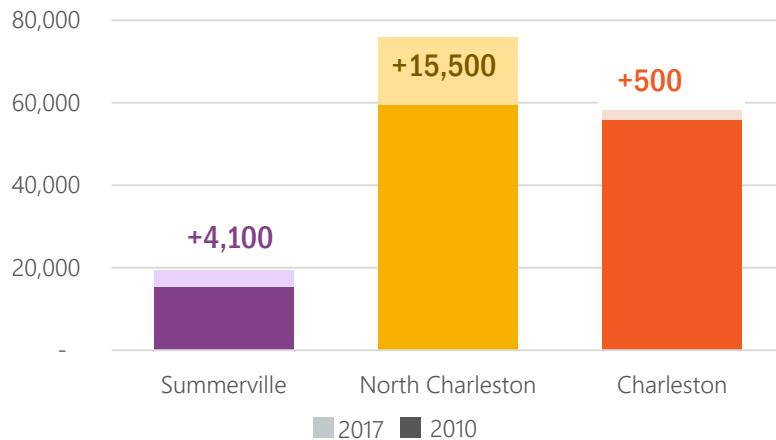
[1] A census tract was split to create the boundary between Charleston and North Charleston. Data was prorated by land area.

Historic Employment Growth

The Corridor accounts for 31% of regional employment growth from 2010-2018

Jobs continue to gravitate to the LCRT corridor. In 2017, there were nearly 153,000 jobs within tracts overlapping the Corridor. Since 2010, there was an increase in 29,000 jobs, averaging about 2,850 new jobs annually within the Corridor. The Corridor is a key job center for the region.

EMPLOYMENT GROWTH OF CENSUS TRACTS OVERLAPPING THE CORRIDOR, 2010-2017



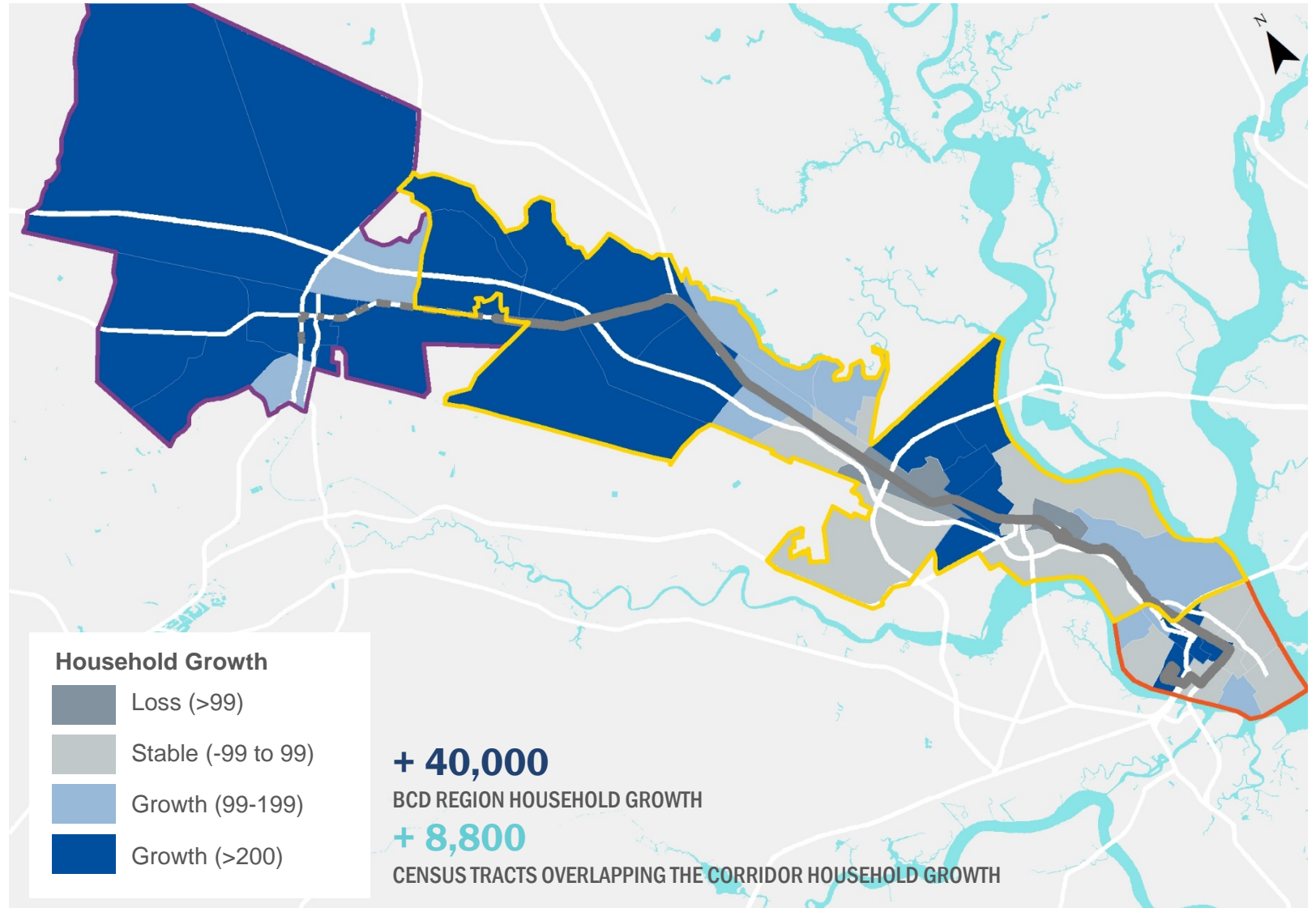
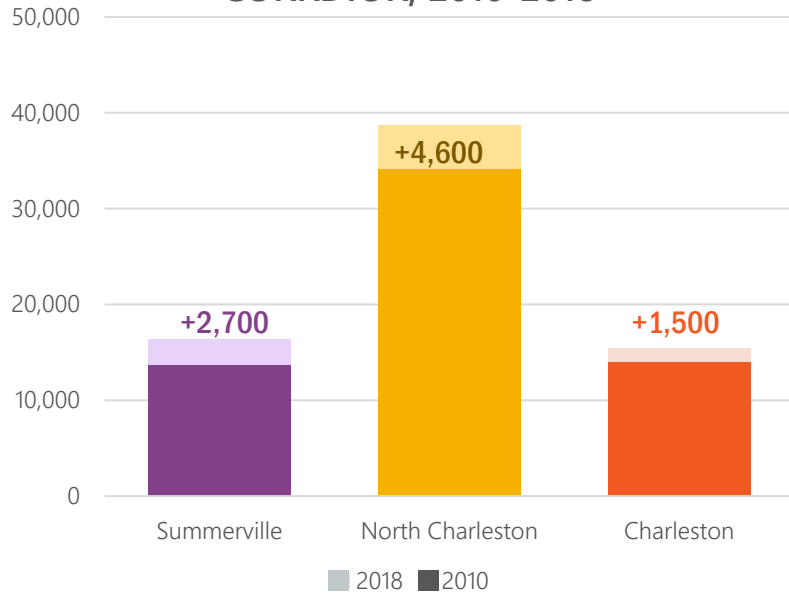
Source: Esri, HDR, Longitudinal Employment Household Dynamics, SB Friedman, US Census Bureau

Historic Household Growth

The Corridor accounts for 22% of regional household growth from 2010-2018

The LCRT Corridor, as well as the broader BCD region, is experiencing rapid growth. The BCD region added approximately 40,000 households from 2010 to 2018. Tracts that overlap the Corridor added approximately 8,800 households (22% of the region's growth), averaging approximately 1,100 new households annually between 2010 and 2018. Most of the growth occurred in North Charleston and Summerville.

HOUSEHOLD CHANGE OF CENSUS TRACTS OVERLAPPING THE CORRIDOR, 2010-2018

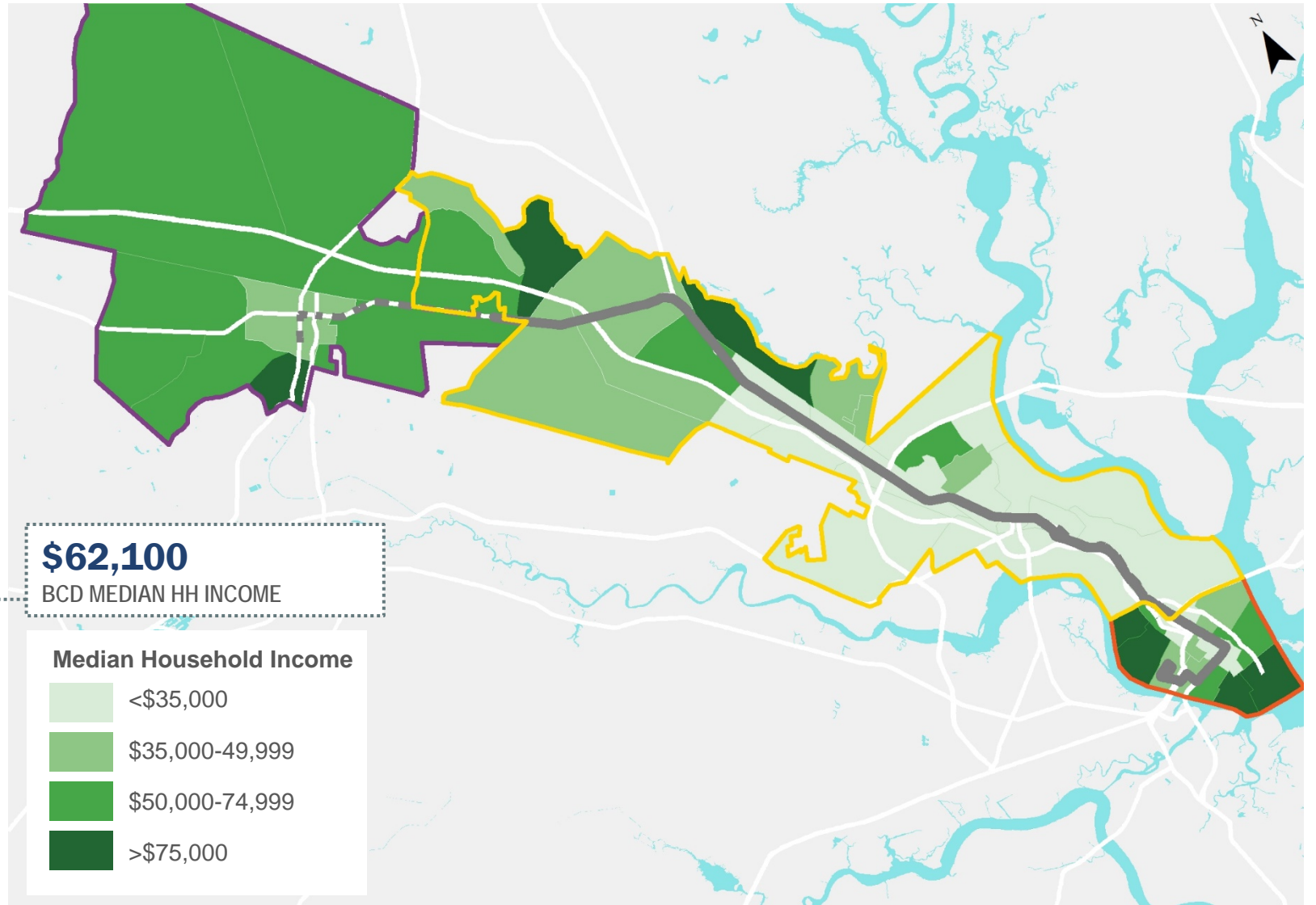
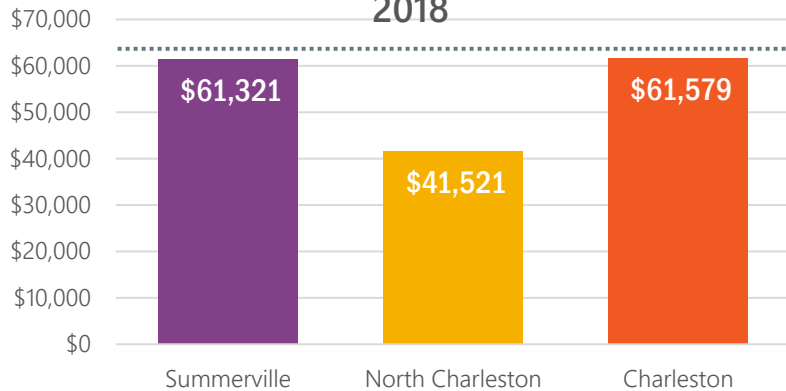


Median Household Income

Charleston and Summerville have comparable median household incomes to the BCD average

Segments within the Corridor report a much lower median household income than the region overall. In 2018, tracts within the Corridor had an average median household income (HHI) of about \$51,000, more than \$10,000 less than the regional median. Charleston and Summerville tracts have comparable average median household incomes, around \$61,000. While there are a few tracts in North Charleston with median HHIs greater than \$50,000, the section of North Charleston that overlaps the Corridor on average has a median HHI of approximately \$41,500.

MEDIAN HOUSEHOLD INCOME [1], 2018



[1] Reflects the average of median household incomes by tract.
Source: 2014-2018 ACS 5-Year Estimates, Esri, HDR, SB Friedman, US Census Bureau

HOUSING AFFORDABILITY CHALLENGE

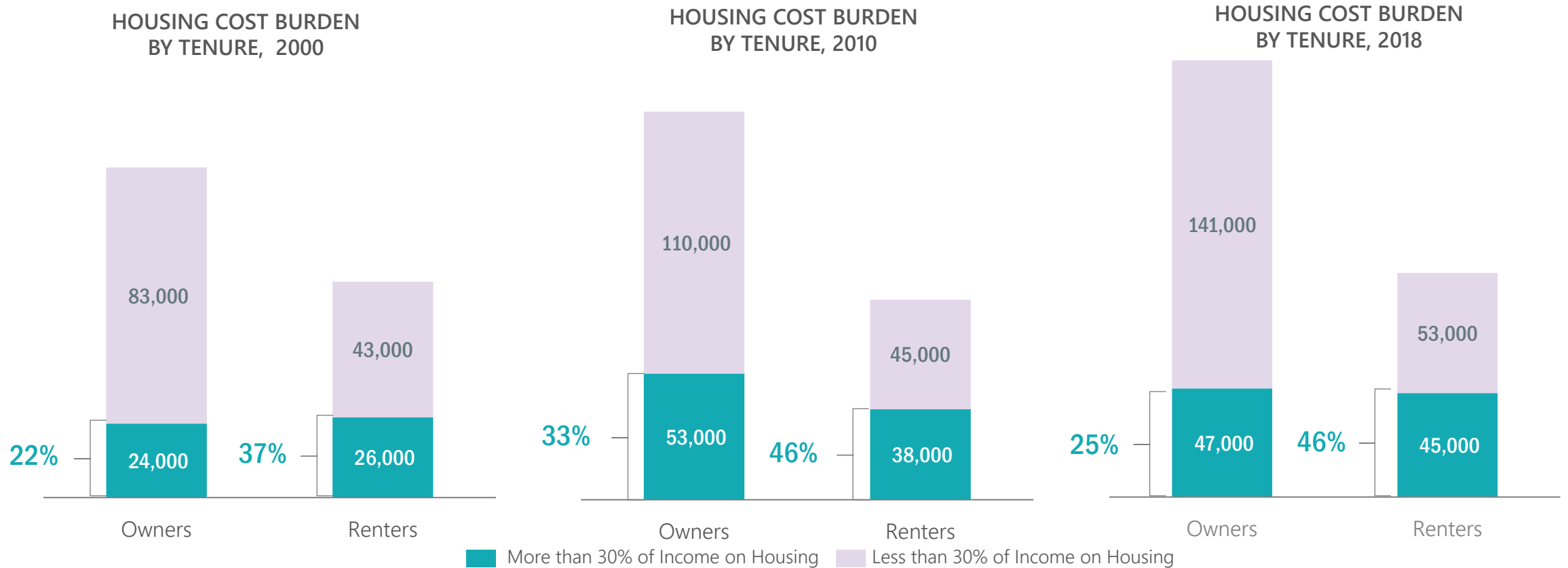
The number of cost burdened households in the BCD region — those who spend more than 30% of their income on housing — has increased by 42,000 since 2000

Housing Cost Burden in the BCD Region

Nearly half (46%) of renter households are housing cost burdened

There has been an increase of 42,000 households who are housing cost burdened since 2000, a 96% increase in owners and 73% in renters

There is a growing housing affordability problem in the region. The number of cost burdened households - those paying more than 30% of their income towards housing costs - has increased by 42,000 since 2000, growing at a faster rate than population. In 2000, approximately 22% of the 107,000 owner-occupied households were housing cost burdened. By 2018, 25% of the approximately 186,000 owner-occupied households were cost burdened. The number and share of cost burdened renter households similarly increased by nearly 20,000 households between 2000 and 2018. In 2018, approximately 46% of the nearly 100,000 renter households are cost burdened in the BCD region.



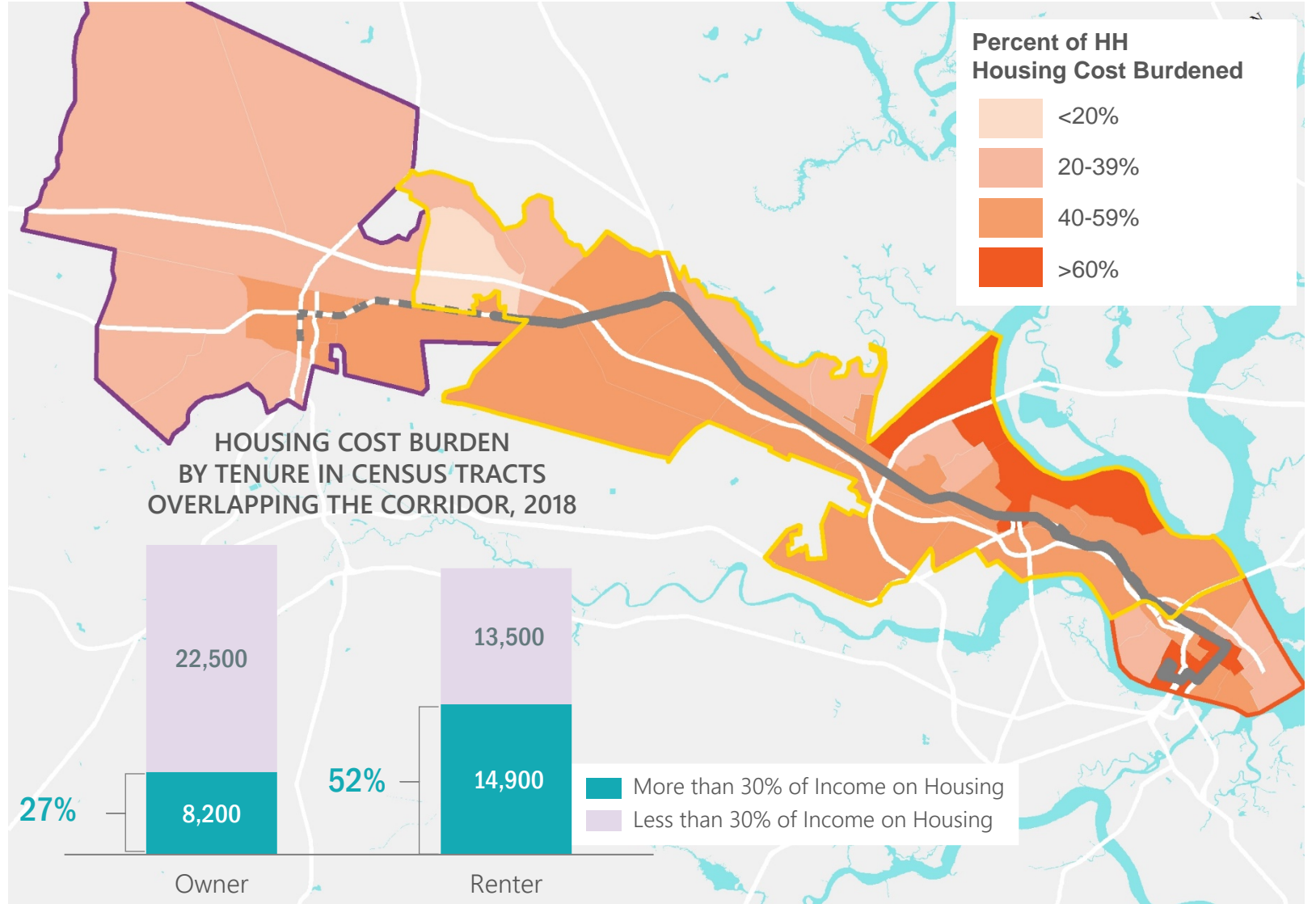
Source: 2000 Census, 2006-2010 ACS 5-Year Estimates, 2014-2018 ACS 5-Year Estimates, SB Friedman

Housing Cost Burden in the Corridor

52% of renter households are housing cost burdened in the Corridor

The Corridor has a higher share of households spending more than 30% of their income on housing in comparison to the BCD region. While 25% of owner households are housing cost burdened in the region, 27% of owner households are housing cost burdened in the Corridor. The renter household difference is much more drastic – with 52% of renter households in the Corridor housing cost burdened compared to 46% in the region.

Without appropriate planning, the introduction of a BRT could exacerbate the affordability challenges in the Corridor by increasing market demand along the line. However, the introduction of the BRT line can also help lower household transportation costs by giving them more transportation choices, reducing commute times and connecting people to more jobs. In concert with affordable housing strategies, the BRT can keep housing and transportation costs at an affordable level. With a strategic policy framework in place, the BRT line can be a part of the solution to the affordability crisis in the Corridor.



Housing Insecurity Due to COVID-19

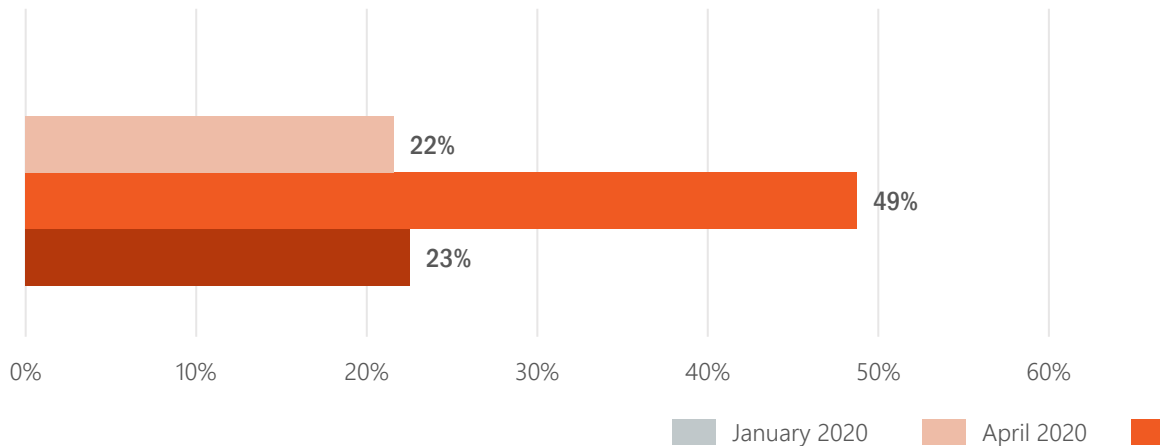
Nearly one in two renters earning less than \$50,000 did not pay rent in September 2020

Data for South Carolina shows an increase in the share of renters who did not pay rent from April 2020 to October 2020. Nearly one in two renters earning less than \$50,000 annually reported not paying the prior month's rent in October of 2020. In April 2020 at the start of the pandemic, only one in five renters in South Carolina reported not paying the prior months rent. As of December 2020, the share of renters earning less than \$50,000 who did not pay last month's rent had mostly recovered from COVID-19, showing a resilient region.

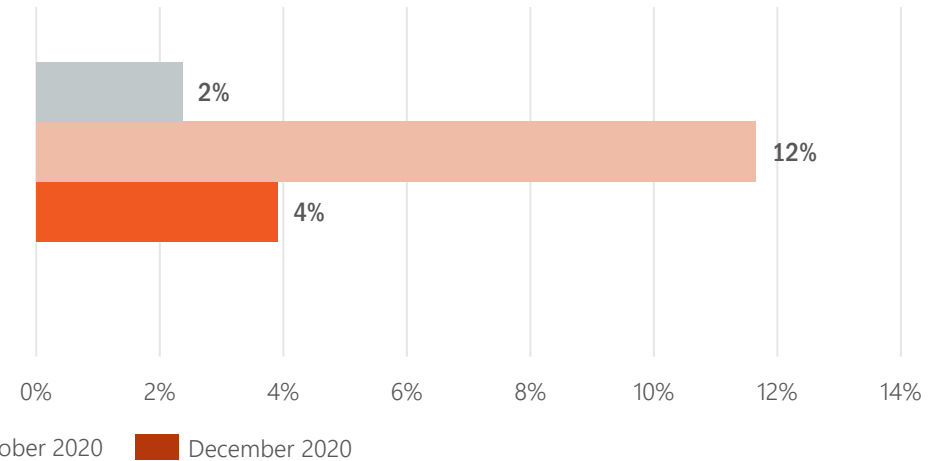
The unemployment rate in the Charleston region in January 2020 was only 2%. In April and May, during the height of the pandemic, the unemployment rate rose to approximately 12% for the region. The region's unemployment rate has since declined to approximately 4%.



SC RENTERS EARNING LESS THAN \$50K WHO DID NOT PAY LAST MONTH'S RENT



UNEMPLOYMENT RATE IN THE CHARLESTON REGION



The Affordability Challenge in the Region

This analysis shows a clear affordability challenge in the BCD region, which was exacerbated at the height of the COVID-19 pandemic in the spring and summer of 2020. The BCD region and the Corridor study area are both growing, which presents both opportunities and challenges for providing affordable housing.

While growth creates economic opportunities, it also has been accompanied by increases in the number of cost burdened households. In the Region and Corridor, nearly one in four owner-occupied households are housing cost burdened. Nearly one in two renter households in the BCD and Corridor are housing cost burdened.

The BRT line and TOD work along the Corridor is an opportunity to address the affordability issue in the region. This study explores household composition changes in the region, specifically the characteristics of the increasing number of cost burdened households. By understanding who needs affordable housing, more pointed solutions can be identified. This work identifies the existing affordable housing supply available in the BCD region, gaps in the existing housing stock and a future estimation of affordable housing demand. The final section of this study provides an overview of a best practice toolkit for increasing affordable housing and specific strategies that regional and local leaders can implement to meet the affordability challenge in the region.

22%

Corridor share of regional household growth, 2010-2018

31%

Corridor share of regional employment growth, 2010-2017

↑22,000

Increase in cost burdened owners in the BCD region since 2000

↑22,000

Increase in cost burdened renters in the BCD region since 2000

25% / 46%

Cost burdened owners / renters in the BCD region

27% / 52%

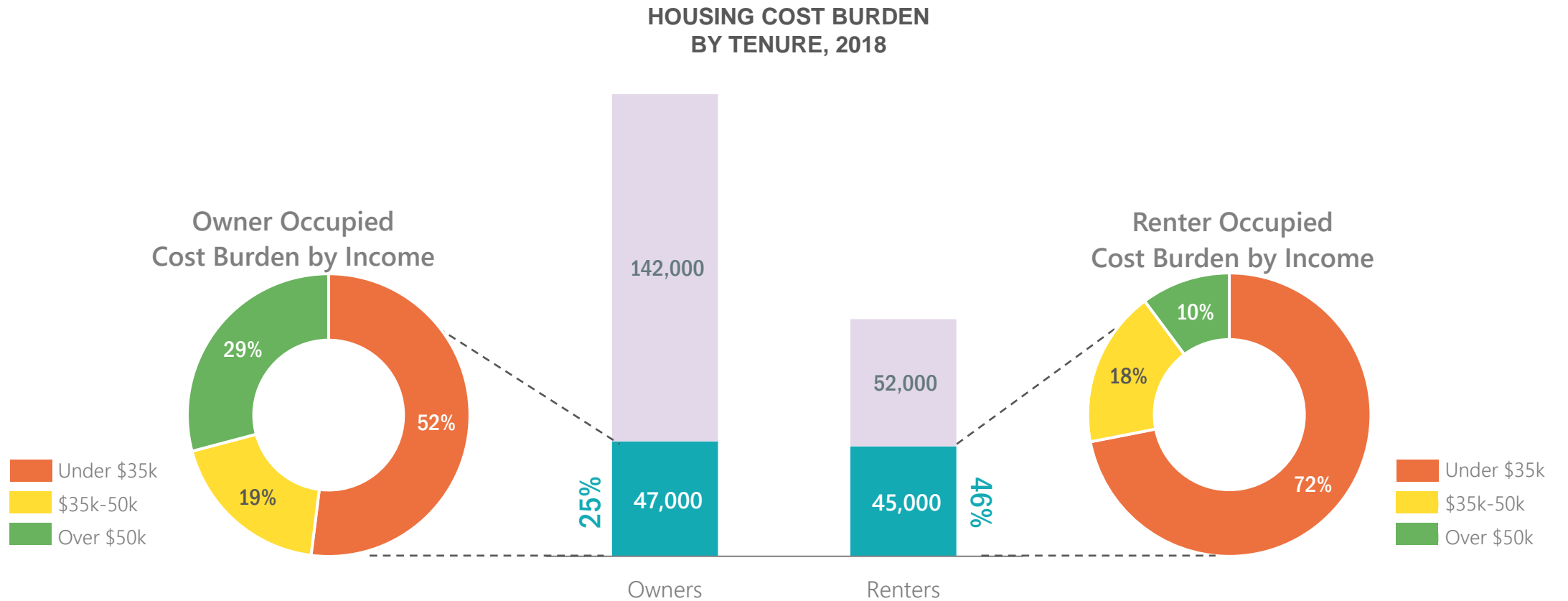
Cost burdened owners / renters in the Corridor

Cost Burdened Households in the BCD Region

Housing Cost Burden in the BCD Region

Nearly 75% of cost burdened renters earn less than \$35,000

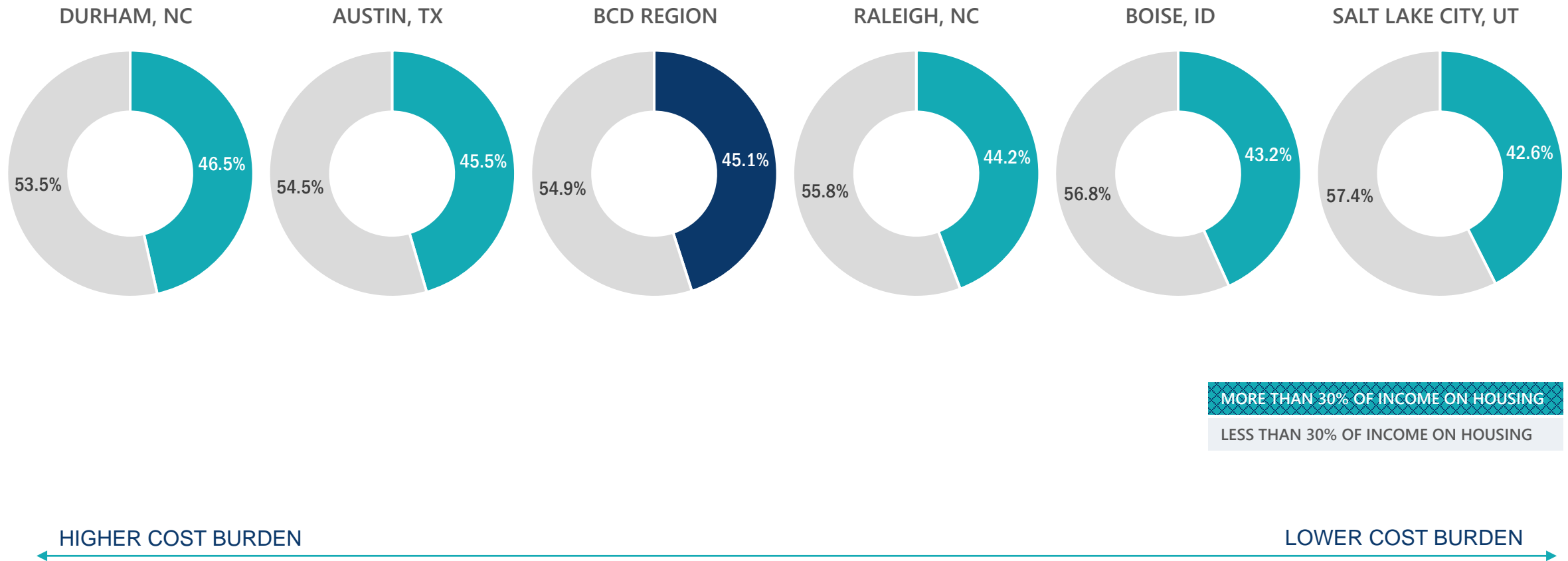
Nearly one in three households in the region are cost burdened, spending more than 30% of their income on housing. Approximately, 46% of renter households are housing cost burdened, 72% of which earn less than \$35,000 annually. In comparison, approximately 25% of owners are housing cost burdened, 52% of which earn less than \$35,000 annually. The greatest number of cost burdened households are those which earn the least.



Renter Cost Burden Nationally

The BCD region has a comparable share of cost burdened renters to peer communities

The BCD region is not alone in the uphill battle to reduce the share of cost burdened renters. Among a sample of peer communities, the share of cost burdened renters ranges from approximately 43% to 47%; showing little variation despite other significant differences from community-to-community.

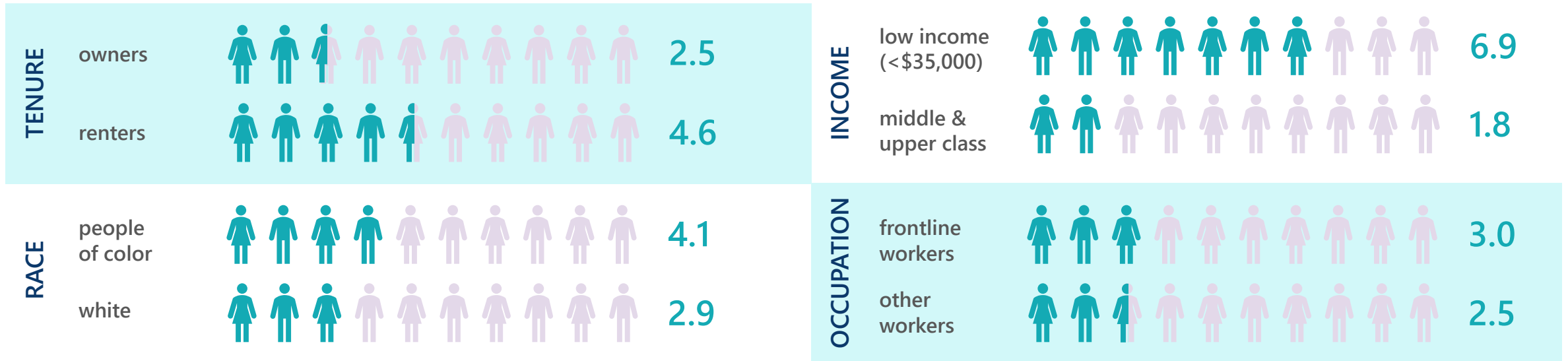


Housing Cost Burdened Households

Renters, low income households, BIPOC, and frontline workers are disproportionately cost burdened

Households in the BCD region experience housing affordability differently. Indeed, when unpacking which households are spending more than 30% of their income on housing, some of America's historic inequalities come to light. Housing cost burdened households in the region are disproportionately renters, low income, people of color, and frontline workers.

COST BURDENED HOUSEHOLDS FOR EVERY 10 HOUSEHOLDS IN THE BCD REGION...



Housing Cost Burden by Race & Tenure

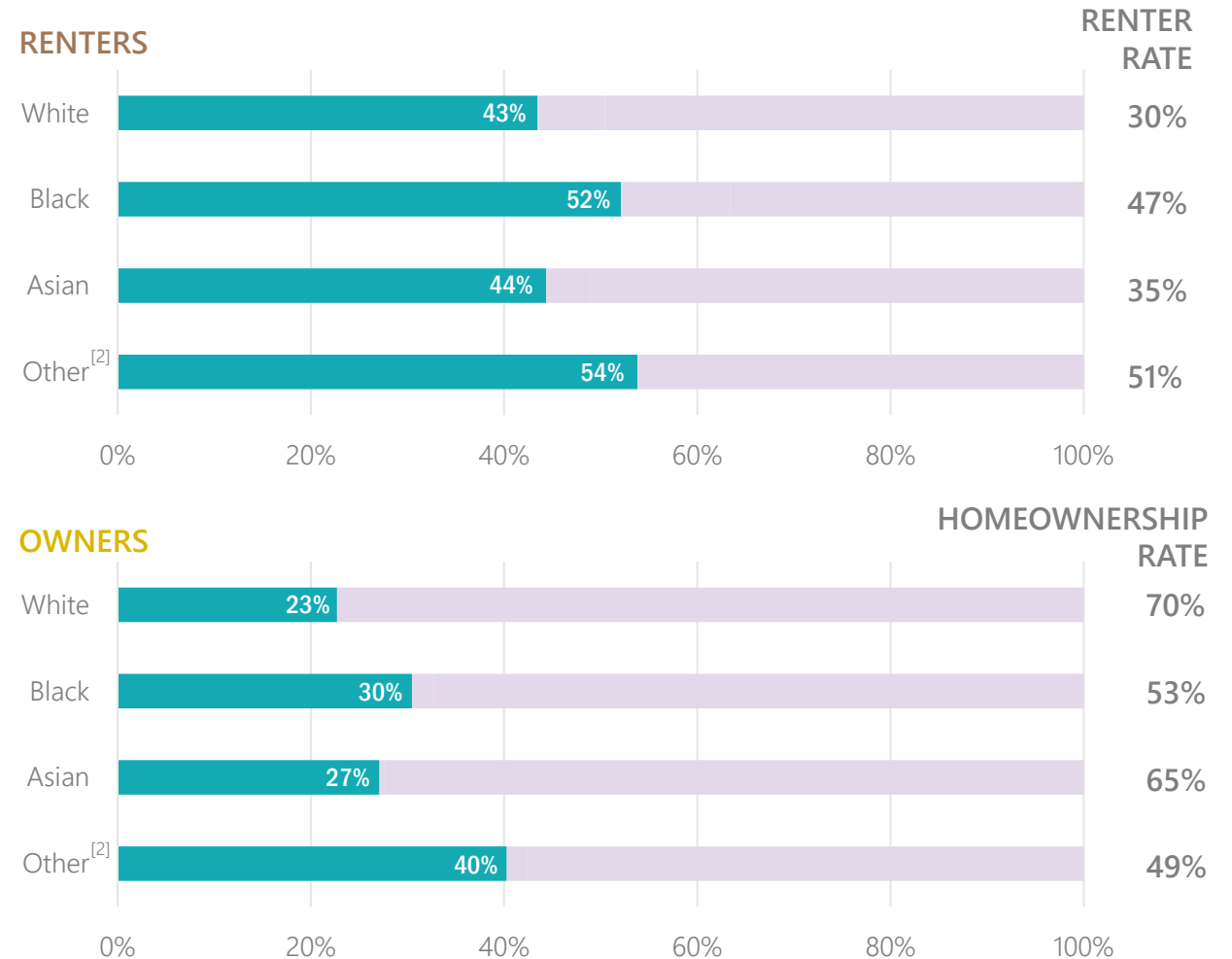
Minority households are more likely to rent and be cost burdened than white households

Nearly two thirds of households within the BCD region live in owner-occupied housing. White households [1] have the highest homeownership rate, at 70%, versus Black households (53%) and other races [2] (49%).

Renters are more likely to be housing cost burdened than owners. More than 50% of Black renters in the BCD region spend more than 30% of their household income on rent. In comparison, approximately 44% of white and 44% of Asian renter households spend more than 30% of their household income on housing.

The Corridor has a significant share of the BCD region's minority populations, which makes the differences in housing affordability by race particularly critical to understand.

PERCENTAGE COST BURDENED BY RACE & TENURE [1], 2018



[1] Only considers 'Reference' individual's race.

[2] Other include American Indian, Alaska Native, Native Hawaiian, some other race alone, two or more races.

Source: 2014-2018 ACS 5-Year Estimates, SB Friedman

More than 30% of Income on Housing Less than 30% of Income on Housing

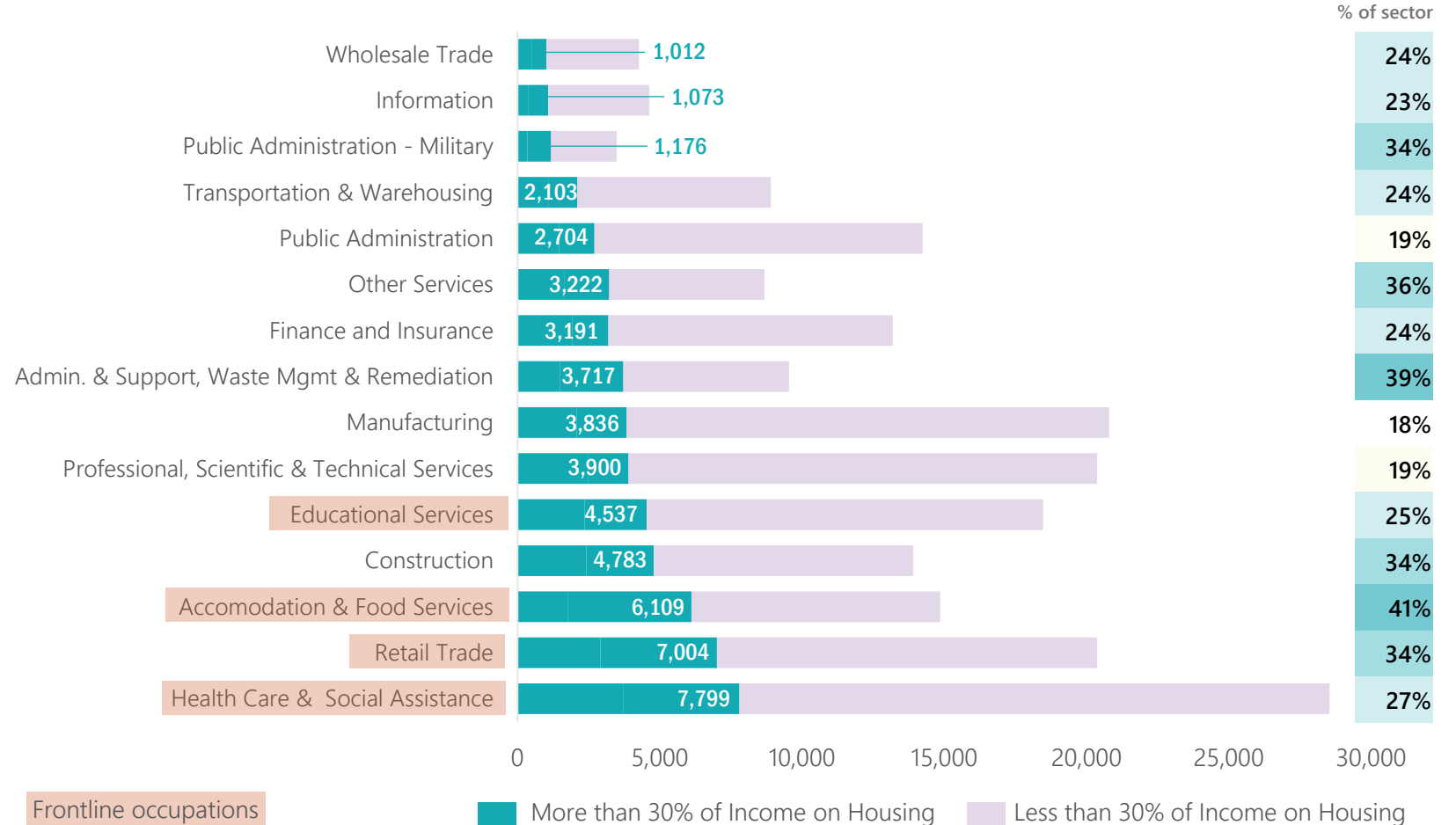
Cost Burdened Households by Sector

Front line workers are disproportionately housing cost burdened

Health care and social assistance is the sector with the most cost burdened employees. Approximately 25% of households in which the head of the household is employed in the health care and social assistance sector are housing cost burdened, spending more than 30% of their income on housing.

The people we interact with daily, such as retail salespersons or waiters, have among the highest rate of housing cost burden. Industries that serve the retail and tourism sectors also have relatively large numbers of employees that live in cost burdened households. As the health care and tourism sectors continue to grow in the BCD region, it will be critical to ensure that employees within these sectors are able to afford housing in the region.

HOUSING COST BURDEN BY SECTOR



[1] Only considers 'Reference' individual employment, excludes dual income household's secondary earner
Source: 2014-2018 ACS 5-Year Estimates, SB Friedman

Job Growth and Income by Selected Industries

Some of the fastest growing sectors have occupations with wages below the Living Wage

The BCD region is a rapidly growing employment center, adding more than 100,000 jobs since 2000. The table below shows the top 15 sectors with the most job growth from 2001 to 2020. Service-oriented sectors, such as accommodation & food services, health care & social assistance, and retail trade (collectively 24% of jobs in the BCD region), are rapidly growing, and have relatively low wages for the BCD region. Accommodation & food services, the industry that experienced the most job growth, retail trade, and administration & support, have median hourly earnings below the Charleston living wage for a 4-person household as reported by MIT.

JOB GROWTH AND WAGES IN THE BCD REGION BY INDUSTRY

| Industry | 2001-2020 Job Growth | 2020 Median Hourly Earnings [1] | |
|--|----------------------|---------------------------------|---|
| Accommodation & Food Services | 14,508 | \$9.08-13.15 | <p>\$7.25 Minimum Hourly Wage in BCD Region</p> <p>\$15.52 Living Hourly Wage in BCD Region, according to MIT Living Wage Calculator [2]</p> <p>Below 'Living Wage'</p> <p>Above 'Living Wage'</p> <p>Spans 'Living Wage'</p> |
| Professional, Scientific, & Technical Services | 14,406 | \$28.36-36.52 | |
| Government | 13,854 | N/A | |
| Health Care & Social Assistance | 13,634 | \$10.97-48.11 | |
| Retail Trade | 9,718 | \$10.39-12.49 | |
| Manufacturing | 7,192 | \$15.79-20.62 | |
| Admin. & Support & Waste Mgmt & Remediation | 5,894 | \$10.39-14.16 | |
| Transportation & Warehousing | 3,310 | \$18.62-61.01 | |
| Wholesale Trade | 2,850 | \$14.14-29.11 | |
| Real Estate & Rental & Leasing | 2,723 | \$12.30-41.52 | |
| Construction | 2,677 | \$14.94-22.90 | |
| Other Services (except Public Administration) | 2,576 | \$10.79-21.57 | |
| Management of Companies & Enterprises | 2,260 | \$17.22-46.92 | |
| Educational Services | 1,932 | \$9.62-\$24.90 | |
| Arts, Entertainment, & Recreation | 1,916 | \$9.52-20.46 | |
| Frontline Occupations | | | |

[1] 2020 median hourly earnings are the range of the top three occupations within each sector based on local earnings data.

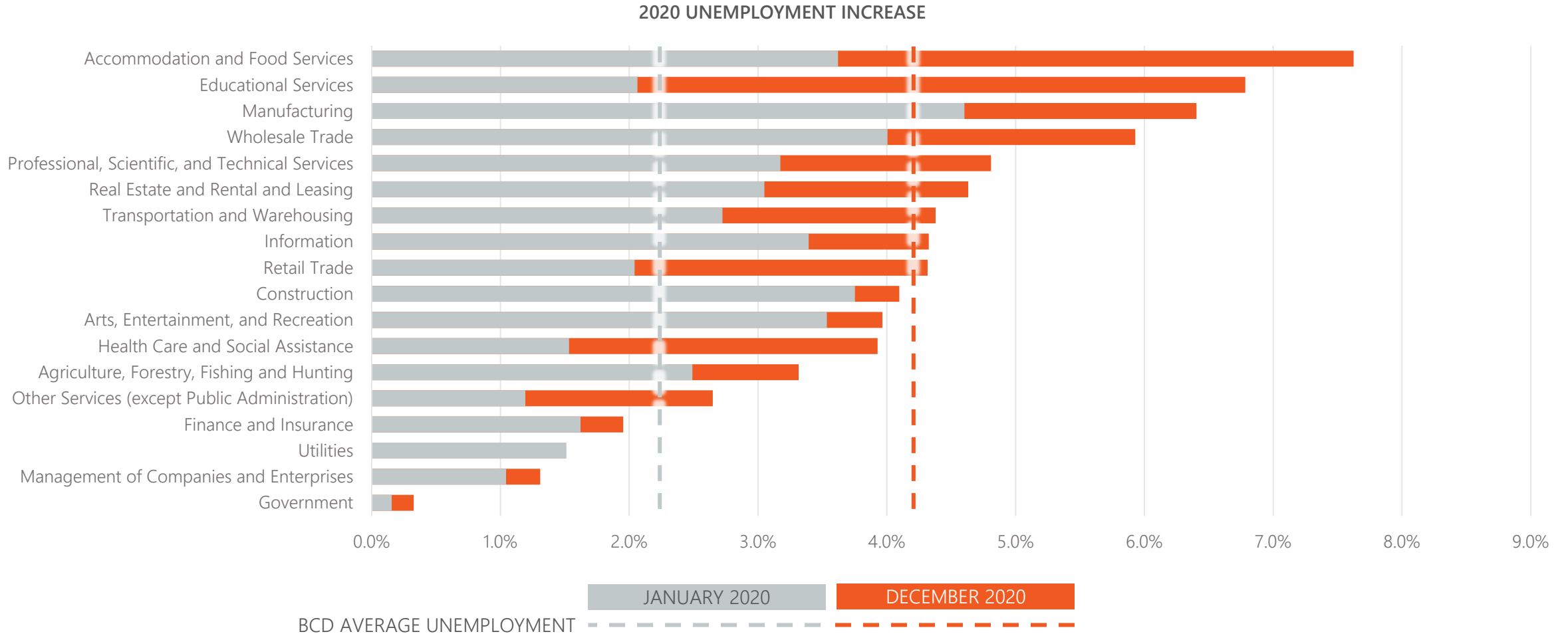
[2] Data from 2018 and assumes two working adults supporting two children. Subsequent to completing the study, the living wage has increased to approximately \$20.

Source: EMSI, MIT, SB Friedman

COVID-19 Impact – 2020 Unemployment Change

Unemployment increased dramatically between January 2020 and December 2020

COVID-19 increased unemployment rates across nearly all industry sectors in the Charleston region between January 2020 and December 2020. Due to the rapid decline in tourism, the accommodation and food service industry’s unemployment rate continues to experience the highest unemployment rate of all sectors. Other significantly impacted sectors include industrial users (e.g., manufacturing, wholesale trade) who have likely found it difficult for workers to maintain social distance within existing spaces and retailers.



Household Takeaways

A household's income alone does not paint the entire picture. Nearly one in three households are cost burdened in the BCD region. By knowing more about what types of households are more likely to be housing cost burdened, strategies can be targeted to those populations.

Cost burdened households in the BCD region are disproportionately renters, low income, people of color, and households who work in front line occupations. Approximately, 46% of renter households are housing cost burdened. In comparison, approximately 25% of owners are housing cost burdened. The greatest number of cost burdened households are those which earn the least. Approximately 69% of people earning less than \$35,000 are housing cost burdened. Furthermore, minority households are more likely to be cost burdened than white households.

The Charleston area has a rapidly growing economy driven by tourism, healthcare, military and manufacturing. The people we interact with daily, such as retail salespersons and waiters, have among the highest rate of housing cost burden. Furthermore, due to the pandemic, these sectors have seen an increase in unemployment rates. As the health care and tourism sectors continue to grow in the BCD region, it will be critical to ensure that employees within these sectors are able to afford housing in the region.

32%

Cost burdened households
in the BCD region

69%

Cost burdened low income
(<\$35,000) households

70% / 53%

Homeownership rate for
white / minority households

Affordable Housing Supply

UNDERSTANDING AVAILABLE HOUSING

The Study Area includes both Legally Restricted and Naturally Occurring Affordable Housing

Defining ‘Affordable’ Housing

‘Affordable’ housing is intended for renters earning less than 60% AMI and owners less than 100% AMI

Most affordable housing discussions center around the concept of household earnings as a percent of the area median income (AMI), which is \$60,900 for all household sizes in the BCD region. For example, households earning less than \$50,000 annually earn less than 60% of AMI.

Affordable housing income limits are normally a function of AMI. The Federal Transit Administration (FTA) defines affordable housing as legally restricted units affordable to renters earning less than 60% AMI or homeowners with incomes at or below the AMI (100% AMI).

Affordable housing costs should not exceed 30% of a household's income on a monthly basis.

Maximum affordable rent values are provided by HUD. Maximum affordable home values were estimated by SB Friedman. The value of owner-occupied housing similarly assumes 30% of a household's monthly income is the maximum available for mortgage payments and other related housing costs. Mortgage payments are calculated assuming they account for 81% of monthly owner costs, a 30-year mortgage with a 4% interest rate.

| | Income Range (2-4 Person HH) | FTA (Renters) | FTA (owners) | Maximum Affordable Rent | Maximum Affordable Home Costs |
|---------------|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| Up to 30% AMI | \$18,700-23,350 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | \$470-580 | \$89,000- \$111,000 |
| 60% AMI | \$37,440-46,740 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | \$820-\$1,300 | \$178,000- \$222,000 |
| 80% AMI | \$49,850-62,300 | | <input checked="" type="checkbox"/> | | \$233,000- \$294,000 |
| 100% AMI | \$62,313-93,480 | | | | |

\$60,900

BCD Median HH Income
(100% AMI)

Available Housing

Housing units can be classified into three categories: LRAH, NOAH, and Higher Cost Units

There are two types of affordable housing units: legally restricted affordable housing (LRAH), and market-rate naturally occurring affordable housing (NOAH). LRAH units are publicly subsidized or owned units reserved for low income households, typically households earning less than 60% AMI. NOAH units are defined as market rate privately owned rental units that offer affordable rents for households at or below 60% AMI, or for-sale units with prices affordable to households at or below 100% AMI. Units are considered 'affordable' if a household spends 30% or less of their annual income on housing.



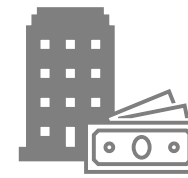
Legally Restricted Affordable Housing (LRAH)

- Housing that is contractually bound to serve lower-income households (Typically under 60% AMI)
- Units are typically funded, owned and operated by a variety of groups including local governments, nonprofits and more.



Naturally Occurring Affordable Housing (NOAH)

- Privately owned units that offer affordable rents for households at 60% AMI or prices for households at 100% AMI, as defined by the FTA
- Affordable is defined as less than 30% of the occupant's household income



Higher Cost Housing

- Privately owned units requiring rents that are only supportable for households earning over 60% AMI or prices for households that are only supportable for households earning over 100% AMI.

AFFORDABLE = LRAH + NOAH

Affordable Housing – Regional Inventory

Approximately 65% of owner-occupied and 53% of renter-occupied units are affordable in the BCD region

Approximately 65% of owner-occupied units in the BCD region are affordable to households earning up to 100% AMI (\$60,900) and 53% of renter-occupied units in the BCD region are affordable to households earning up to 60% of AMI. Of the approximately 52,000 affordable renter-occupied units in the BCD region, more than 9,000 of the units are LRAH. The remaining approximately 82% of affordable renter-occupied units in the BCD are NOAH. These NOAH units have market-rate rents that are affordable to households earning less than 60% of AMI, the equivalent of rent less than \$875 for a 1-bedroom unit.

OWNER-OCCUPIED

\$294,000 (low) - \$367,000 (high) - Affordable home value estimate based on Census home value, affordable to households earning up to 100% AMI



AFFORDABLE

HIGHER COST

RENTER-OCCUPIED

\$819 (0-BR) - \$1,356 (4+BR) - Census reported monthly rent, affordable to households earning up to 60% AMI



AFFORDABLE

HIGHER COST

[1] Based on estimated home value, not monthly owner costs.

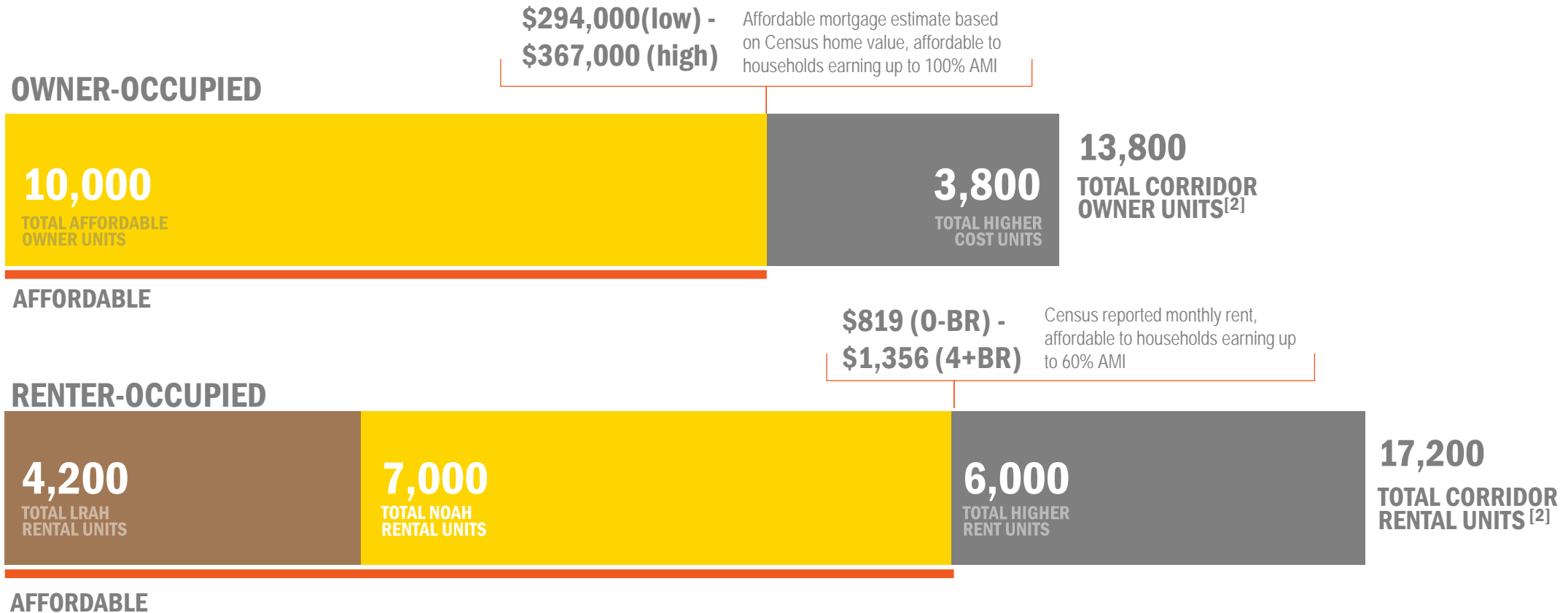
[2] Unit estimates vary slightly by Census data source.

Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman

Affordable Housing – Corridor Inventory^[1]

Approximately 72% of owner-occupied and 65% of renter-occupied units are affordable in the Corridor

A larger share of units in the Corridor are affordable to renter households. Approximately 72% of owner-occupied units in the Corridor are affordable to households earning 100% AMI and 65% of renter-occupied units in the Corridor are affordable to households earning 60% of AMI. Approximately 38% of renter-occupied affordable units in the Corridor are LRAH; which will continue to have rent protections in place moving forward. Nearly 7,000 units within the Corridor are NOAH without rent protections. If the market improves and rent increases, these units are at risk of becoming higher rent units.



[1] Based on Census Block Group Data; splitting Block Groups which overlap the Study Area boundary on pro rata basis based on land area.

[2] Unit estimates vary slightly by Census data source.

Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman

Legally Restricted Affordable Housing

Legally Restricted Affordable Housing is rent-restricted housing reserved for low income households

Legally Restricted Affordable Housing (LRAH)

The BCD region has a number of programs and players supporting LRAH

Legally restricted affordable housing is generally either public housing or rent-restricted private/non-profit owned housing. Within the Corridor, the Housing Authority of the City of Charleston, Charleston County Housing & Redevelopment Authority, South Carolina Regional Housing Authority and North Charleston Housing each oversee, construct and/or manage affordable housing developments. Each of the three primary municipalities, Charleston, North Charleston, and Summerville, also play a role in funding and supporting local affordable housing initiatives. Most funds available to support LRAH are administered by the US Department of Housing and Urban Development (HUD). The two largest public housing programs administered by HUD include the Housing Choice Voucher Program and the Rental Assistance Demonstration (RAD) Program. Private/non-profit owned housing is also typically funded through HUD, albeit through a wider array of sources such as Low-Income Housing Tax Credits, HOME, or the National Trust Fund.

Key Players



+ Local governments, implementers, and developers

Key Programs

| | Public Housing | Other |
|---|----------------|-------|
| Section 8 – Housing Choice Voucher Program | ■ | |
| Rental Assistance Demonstration (RAD) | ■ | |
| Section 42 - Low Income Housing Tax Credits (LIHTC) | | ■ |
| Section 202 – Supportive Housing for the Elderly | | ■ |
| Section 515 – Rural Rental Housing | | ■ |
| HOME Investment Partnership Programs | | ■ |
| South Carolina Trust Fund | | ■ |
| National Housing Trust Fund | | ■ |
| Small Rental Development Program | | ■ |

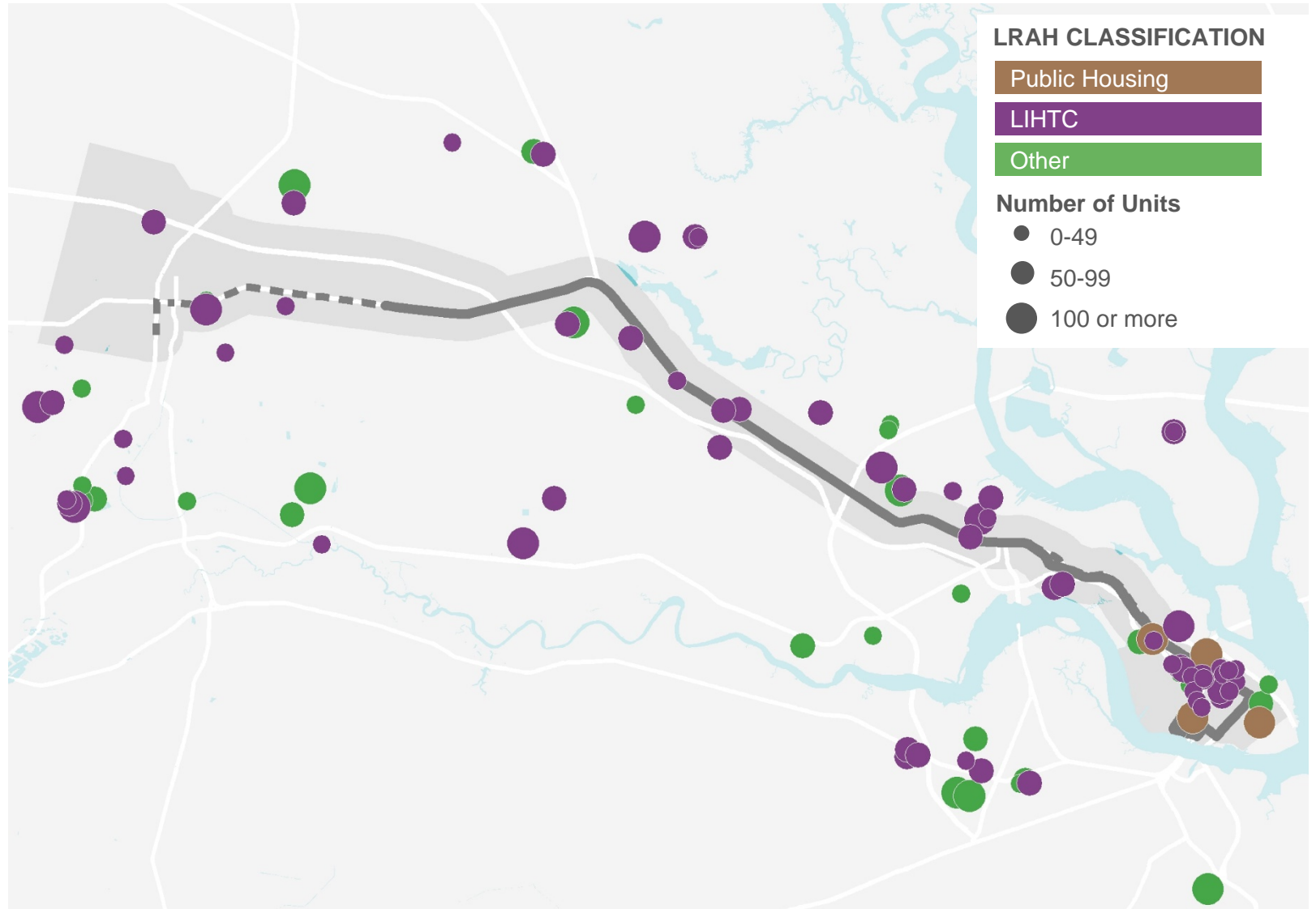
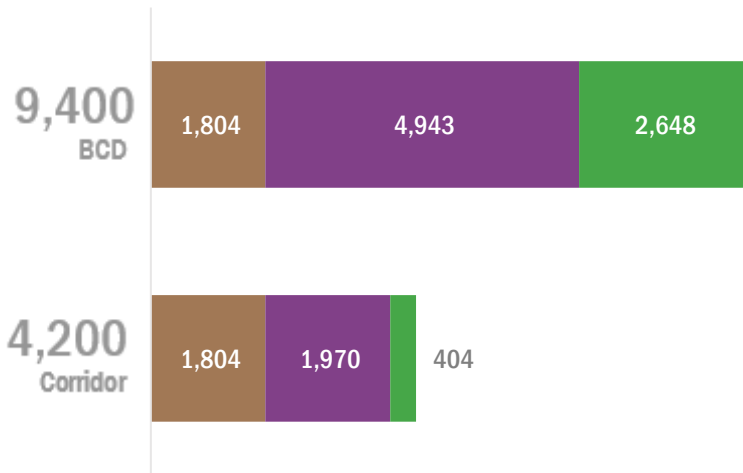
LRAH Inventory

44% of LRAH units in the BCD region are in the Corridor

There are approximately 9,400 legally restricted affordable housing units in the BCD region. Legally restricted units account for approximately 10% of the overall regional rental units.

The Corridor is home to approximately 44% of the regional LRAH inventory, or 4,200 units. LRAH in the Corridor is evenly split between public housing and LIHTC or other non-traditional affordable housing. Public housing accounts for most of affordable housing on the Peninsula, while LIHTC has historically played a greater role in North Charleston and Summerville. LRAH accounts for approximately 24% of all rental housing in the Corridor, nearly double that of the regional share.

LEGALLY RESTRICTED AFFORDABLE HOUSING



Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman

Public Housing

Approximately 19% of LRAH units in the BCD region are located within public housing developments

There are approximately 1,800 public housing units in the BCD region operated by the Housing Authority of the City of Charleston (CHA) and the Charleston County Housing & Redevelopment Authority [1], all of which are located within the Corridor.

Public housing is a critical asset as it is permanent housing available to households at the lowest AMI levels. Public housing along the Corridor will continue to be highly beneficial, providing affordable housing along a major transit route.

Public housing within the Corridor is not new, the most recently built being Joseph Floyd Manner which was built in the 1980s. However, public housing nationwide is in a period of transition, as existing complexes are renovated or redeveloped through the HUD Rental Assistance Demonstration (RAD) program.

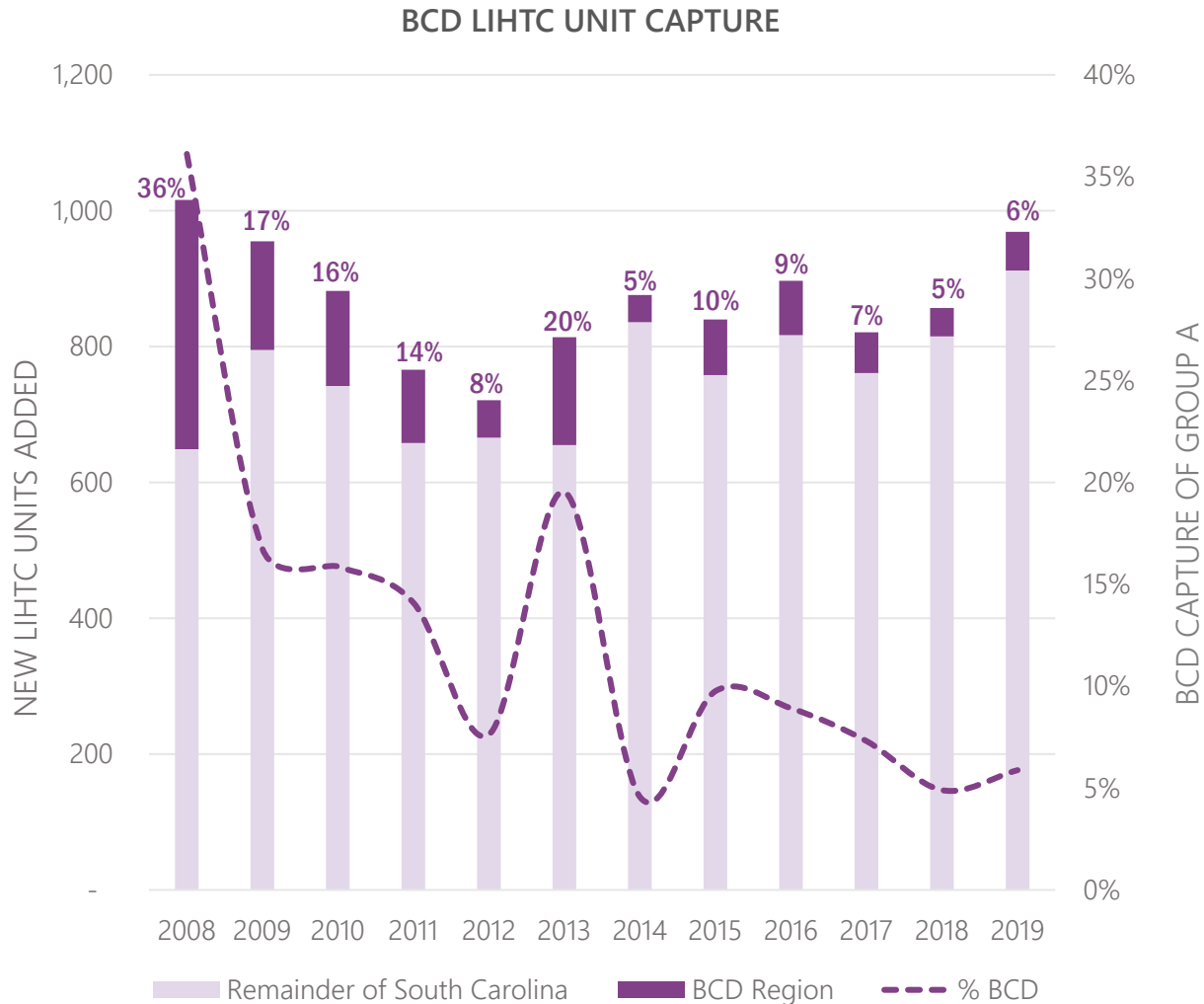


[1] Includes Joseph Floyd Manor, Meeting Street Manor, Gadsden Green Homes, and Robert Mills Manor per the City of Charleston 2020 Consolidated Plan.

Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman

LIHTC Production

State scoring criteria have reduced BCD Region proportion of Statewide LIHTC unit production



While the BCD region accounts for approximately 18% of state households, the share of units financed with LIHTC is much less. The BCD region has captured 5-10% of the statewide LIHTC allocation annually over the last five years. SC Housing, which manages the distribution of LIHTC units, divides counties into three groups; each with a unit set aside. The BCD counties are part of Group A which typically receive approximately 50% of the statewide allocation. The BCD region has captured approximately 28% of the Group A allocation over the last 10 years.

Key informant interviews identified the South Carolina Qualified Allocation Plan (QAP) as one reason for the low capture of new LIHTC units in the BCD region relative to the share of population. The QAP includes scoring criteria that tend to negatively impact urban areas such as proximity to rail, industry or other uses common in urban environments. Other challenges to LIHTC feasibility mentioned by interviewees was the 95-unit cap, as projects in the BCD region tend to be much larger, and the high price of land and construction.

In 2019, 26% of the units that received LIHTC funding from SC Housing were in Group A, a lower capture than the previous ten-year average. The BCD regional only captured approximately 23% of the Group A units. In 2020, 25 projects are on the short list, 14 of which are in Group A, two of which are in Berkeley County (in the City of Charleston and Hanahan).

The BCD region has the twofold challenge of needing to increase the number of annual LIHTC project awards and the need to draw those projects closer to transit-accessible areas such as the Study Area. These areas tend to be more expensive to develop.

[1] Group A Counties: Beaufort, Berkeley, Charleston, Dorchester, Georgetown, Greenville, Horry, Jasper, Lexington, Richland, York
Source: Department of Housing and Urban Development, SB Friedman

Recent Changes to Support LRAH

Local, State, and Federal policies are changing to support the production of LRAH

Relatively recent changes at the federal, state and local levels have impacted affordable housing project feasibility in the BCD region:



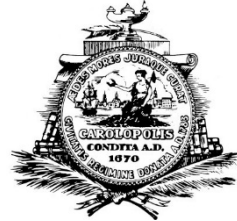
In response to decades of deferred maintenance at public housing developments:

HUD Rental Assistance Demonstration Program

The Department of Housing and Urban Development piloted the Rental Assistance Demonstration (RAD) program in 2012. Through the RAD program, public housing properties “convert” to Section 8 rental assistance contracts and legacy HUD programs with tenant-based vouchers “convert” to project-based assistance.

The RAD program is intended to improve building quality and maintain affordability of affordable housing units. Units remain affordable to low income households in perpetuity, while funding from the program can be used to renovate or reconstruct affordable housing.

The CHA is in the process of transitioning its entire portfolio from traditional public housing into the RAD program which will support the renovation or redevelopment of strategically located older, low-density public housing developments. The CHA is expecting to balance the need to preserve some affordable housing structures with historic character while also increasing density where appropriate. The CHA has committed to a one-to-one replacement of units – upgrading and preserving existing units and in some cases creating mixed income communities by adding new market rate units. Preliminary plans indicate Kiawah Homes, Meeting Street Manor and Robert Mills Manor, will be fully renovated through the program. The plan for converting the remaining CHA properties is still under development.



In response to the ongoing financial barriers to building LIHTC:

2017 City of Charleston Bond Referendum

In 2017, residents of the City of Charleston overwhelmingly passed a referendum which allowed the City to obtain a \$20M bond to support affordable housing. The \$20M is being used to support eight affordable housing developments, creating more than 500 new affordable housing units for moderate and low income households. Most of these affordable housing developments are new construction. Charleston used the funds as gap financing, typically pairing the funds with HOME or LIHTC.

State LIHTC Credits

In May 2020, the State passed Bill 3998 authorizing projects that receive Federal LIHTCs to also apply for State LIHTCs. Developers can apply for a non-competitive one-for-one match of State funding to the federal LIHTC amount they have received, assuming sources do not exceed eligible costs. More and more states are establishing State LIHTC credits to support affordable housing development, although there are challenges to implementation.

Federal LIHTC Twinning

A relatively recent LIHTC change allows developers to ‘twin’ their project, allowing one project to receive both 9% and 4% credits. Twinning allows developers to maximize credits in certain circumstances where credits would otherwise have been left on the table due to per-project maximums.

Naturally Occurring Affordable Housing

Market rate housing affordable to households earning less than the AMI is a key existing asset in the BCD region

NOAH Owner-Occupied Home Value Maximum

Owner-occupied affordability limits are applicable to households earning less than 100% AMI

Naturally occurring affordable housing owner-occupied units are defined as those units affordable to households earning up to 100% of AMI. Units are assumed to be affordable if their reported home value, per census data, would equate to a monthly mortgage payment less than 30% of a 100% AMI households' income. Households living in owner occupied NOAH units are at a much lower-risk of displacement than their renter counterparts. Owners living in NOAH benefit from property value appreciation that occurs over time. Typically, the highest priority concern for owner households is a rapid increase in property taxes due to property value appreciation. However, South Carolina has additional protections for homeowners. South Carolina has a 15% property reassessment cap which acts as a safety net to property tax increases. Under this law even if the market value of property increases by over 15% in a five year period, the taxable value increase is limited to 15%. This allows the benefits of increases in value and market potential to occur while limiting the tax increases for existing residents. This is a strong protection particularly for homeowners.

| | HOUSEHOLD (HH) SIZE | |
|--|---------------------|------------------|
| | 2-Person HH | 4-Person HH |
| BCD Region 100% Area Median Income | \$62,000 | \$78,000 |
| Monthly payments supportable at 30% of monthly income | \$1,550 | \$1,950 |
| Non-mortgage costs (monthly insurance, property taxes, etc.) | -\$300 | -\$350 |
| Supportable monthly mortgage payments | \$1,250 | \$1,600 |
| Down payment assumption | 10% | 10% |
| Interest rate assumption | 4% | 4% |
| NOAH Home Value Maximum | \$294,000 | \$367,000 |

Owner-Occupied NOAH in the Corridor

There are approximately 10,000-11,000 owner-occupied NOAH units throughout the LCRT Corridor

The largest number of NOAH owner-occupied units are near the Summerville extent of the LCRT Study Area; however, units exist throughout the Corridor.

SAMPLE NOAH FOR-SALE UNITS



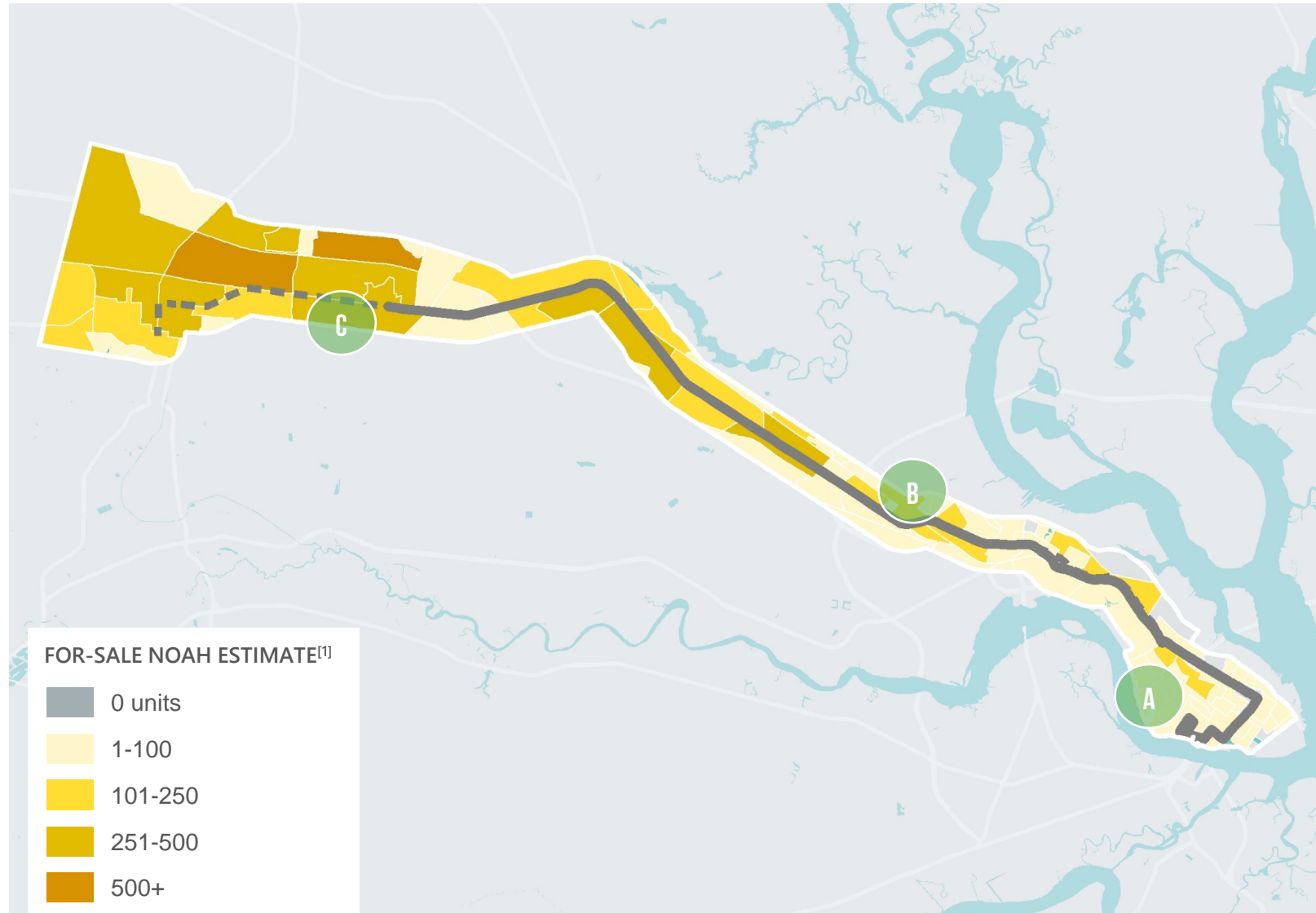
4 Hampton Place
Sold Oct. 2020 - \$261,000



1349 S Lakeland Drive
Sold Sept. 2020 - \$91,000
Relisted (Jan. 2021) - \$198,000



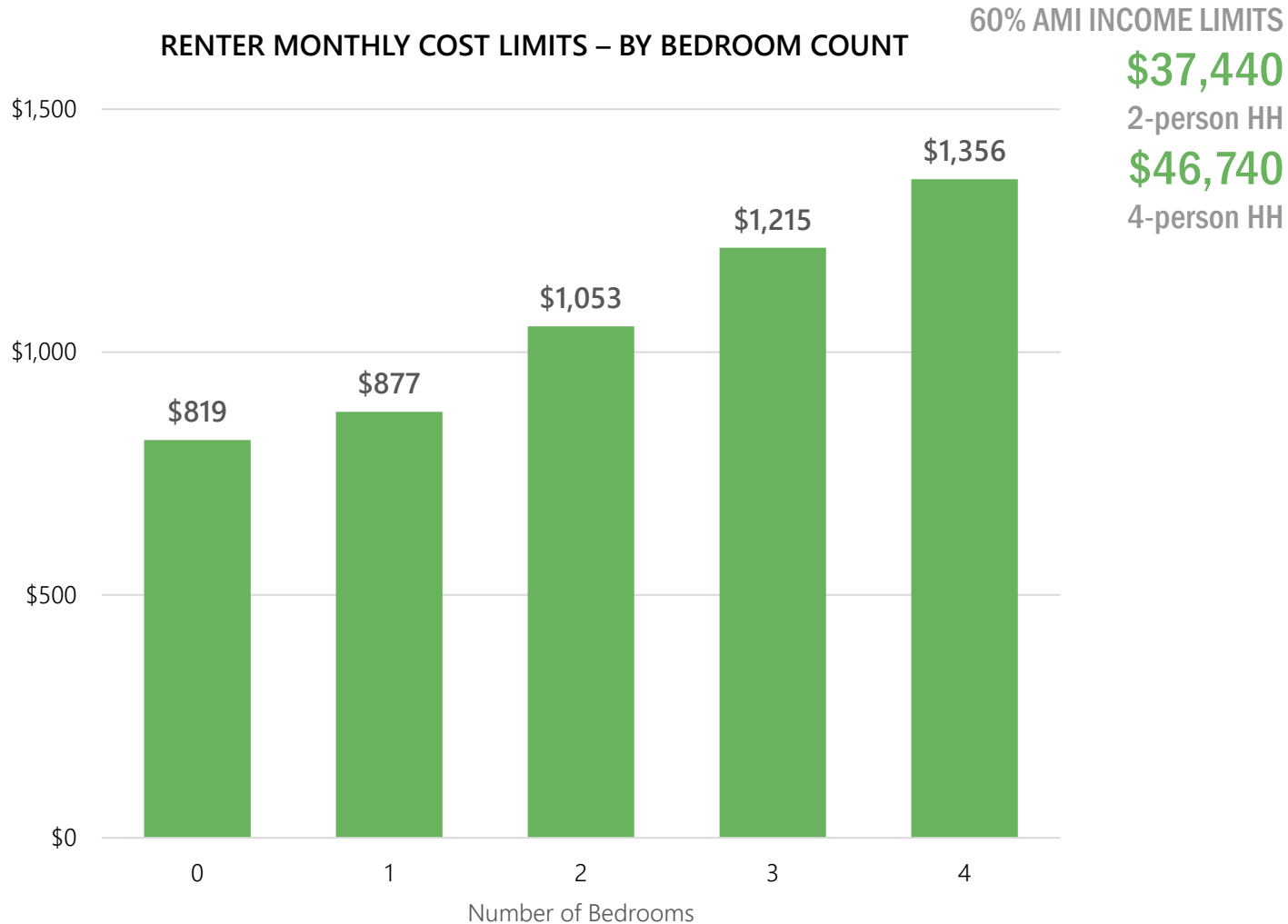
9878 Tremont Avenue
Listed (Jan. 2021) - \$195,000



Source: 2014-2018 ACS 5-Year Estimates, SB Friedman, Redfin
[1] Map illustrates Lower Estimate scenario (based on 2-person HH income limit)

NOAH Rental Unit Monthly Rent Limits

Affordable rent limits were established consistent with HUD rent limits by household size



METHODOLOGY TO IDENTIFY RENTAL NOAH UNITS

- Rent maximums were based on 2018 HUD 60% AMI rent limits by bedroom for the MSA
- Using Census data by block group, rental households reporting rent at or below the 60% AMI rent maximums established by bedroom were identified
- The number of legally restricted affordable housing units were then subtracted from the resulting number of 'affordable' units within each block group
- The remaining affordable units are assumed to be rental NOAH

Renter-Occupied NOAH in the Corridor

Over 50% of the estimated 7,000 rental NOAH units in the Corridor are in North Charleston

The majority of rental NOAH units are in North Charleston. NOAH rental unit estimates include both single-family rental housing and larger apartment complexes with rents affordable to households earning less than 60% AMI.

SAMPLE NOAH RENTAL UNITS



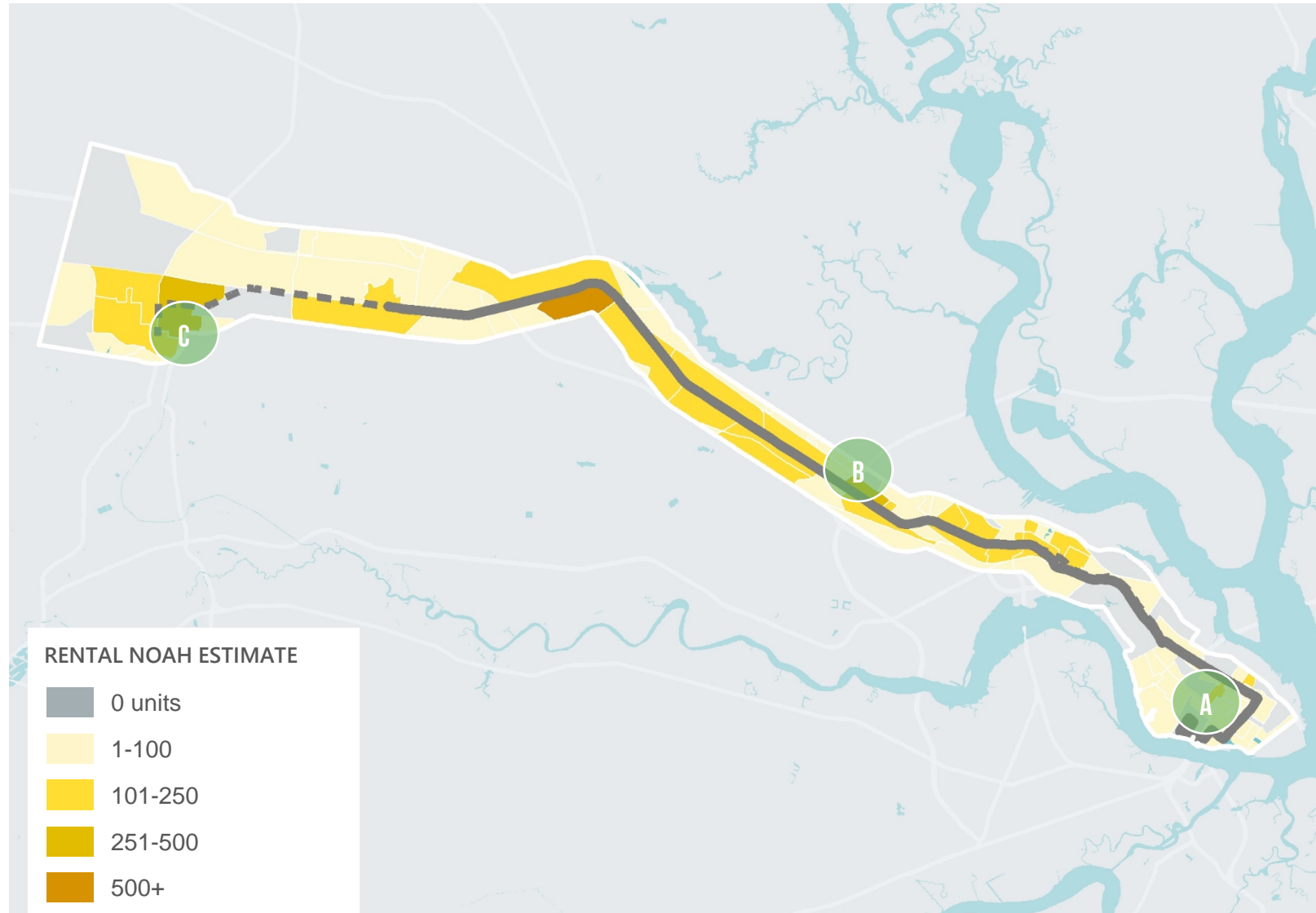
20 Ashton Street
 2BR Apartments
 Asking Rent: \$820 / unit



6600 Rivers Avenue
 160 Units, 1-3 BRs
 Asking Rent: \$900-\$1,100 / unit



Abby Lane Townhouse Apts
 160 Units, 1-2 BRs
 Asking Rent: \$700-800 / unit



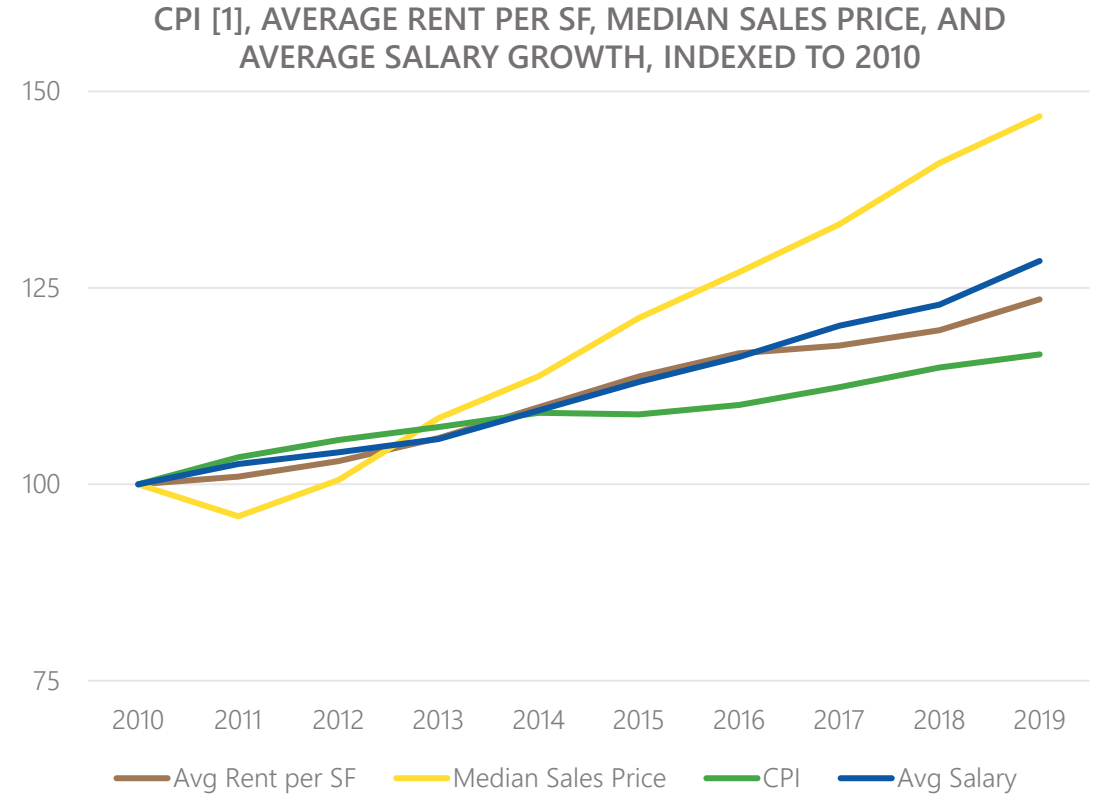
Source: CoStar, 2014-2018 ACS 5-Year Estimates, SB Friedman

Rent and Median Home Sales Price Growth

Home prices have spiked within the BCD region over the last 10 years, reducing the NOAH inventory

From 2010 to 2019, the average rent per square foot in the BCD increased from \$1.02 to \$1.26. Rents increased at a compound annual growth rate (CAGR) of approximately 2.4% during this time period. Median home sales prices have recovered and grown significantly since the Recession, at a CAGR of approximately 4.4% from 2010-2019. Meanwhile, wages have grown at a CAGR of approximately 2.8%, just slightly faster than the pace of rent growth.

Overall, the growth in rent and median home sales prices indicate the BCD region's attractiveness. However, as the cost of owner-occupied housing continues to outpace wage growth within the region, the number of NOAH units is likely to decline, and the number of cost burdened households will rise. Without intervention it's likely these housing (un)affordability trends will continue, ultimately impacting the region's economic competitiveness and ability to attract workers.



| COMPOUND ANNUAL GROWTH RATE (2011-2019) | 1.7% CPI | 2.4% RENT | 4.4% MEDIAN SALES PRICE | 2.8% SALARY |
|---|-------------|--------------|----------------------------|----------------|
|---|-------------|--------------|----------------------------|----------------|

[1] CPI is for the South area of the United States.

Source: Bureau of Labor Statistics, Charleston Regional Data, Charleston Trident Association of Realtors, Costar

Affordability of Existing Inventory by Year Built

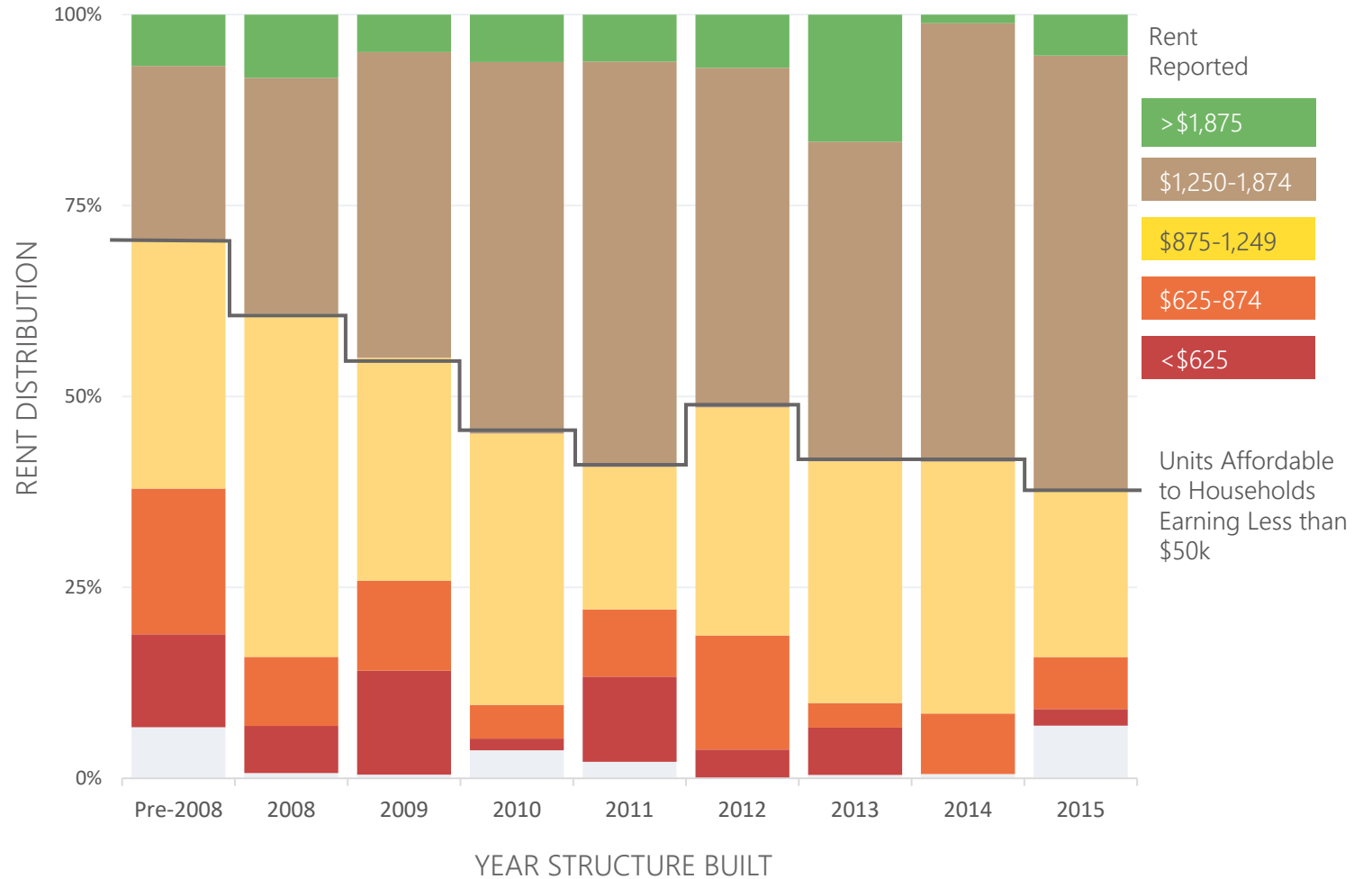
Affordability of new product in the BCD region is declining

Based on 2018 renter data, only approximately 43% of the units built from 2010-2015 are affordable to households earning less than \$50,000 per year.

In contrast, the percent of units which are only affordable to renters earning more than \$50,000 per year has increased, from around 30% of the units built before 2010 to 60% of the units built since 2010.

Market rate new construction, unless specifically subsidized to add affordable housing, tends to be geared towards higher income households. Nevertheless, creation of new market rate supply is critical to meet the demand from household growth and limit price increases from supply constraints. If housing supply growth is adequate, over time existing older units typically tend to become more affordable and could also add to the naturally occurring housing stock. Conversely, supply constraints in the housing market could result in higher price increases of existing housing stock relative to inflation and household income.

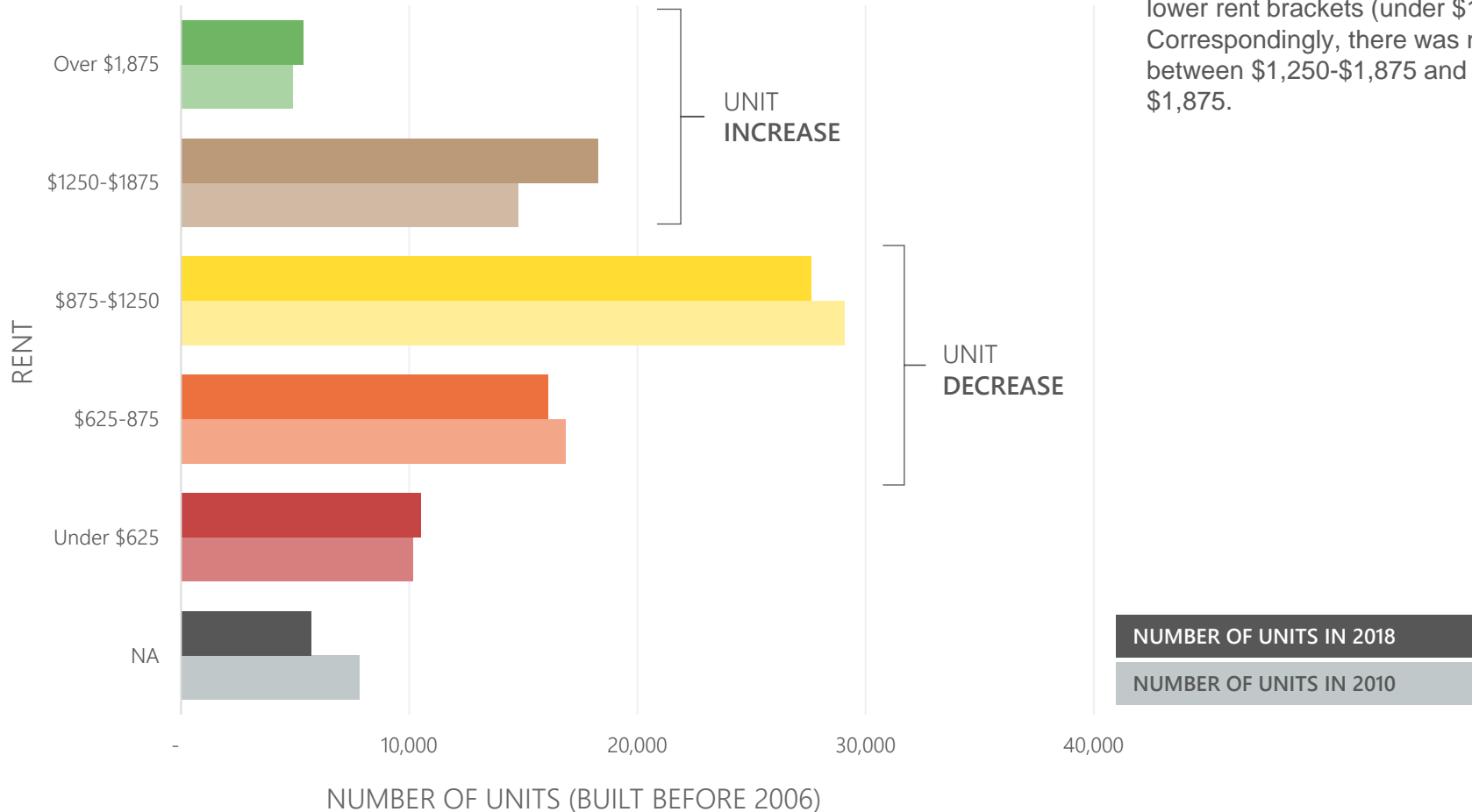
AFFORDABILITY OF NEW CONSTRUCTION MULTIFAMILY IN THE BCD REGION



Rent Change in Existing Product

Rent growth of older product in the BCD region is outpacing inflation

UNIT CHANGE BY RENT IN PRODUCT BUILT BEFORE 2006
(INFLATION ADJUSTED)

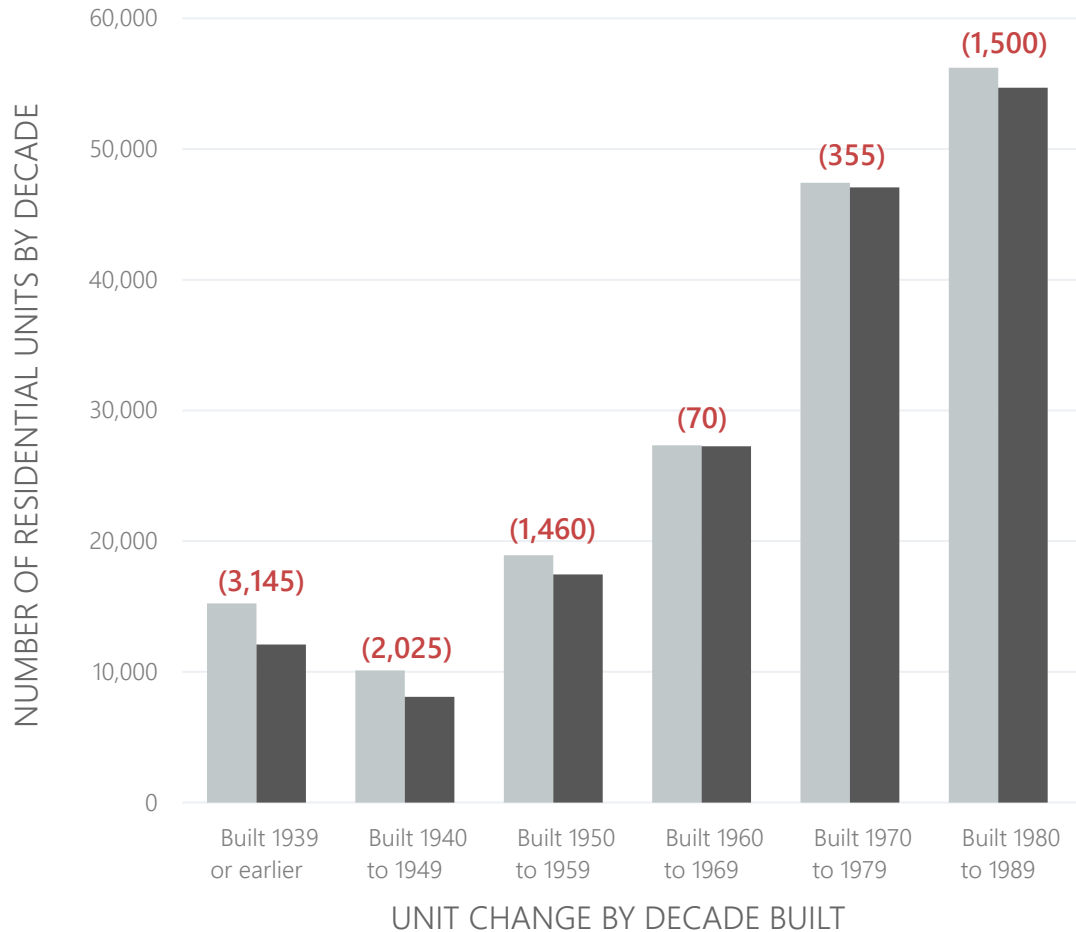


Most of the existing affordable rental product in the BCD region was built before 2006. One cautionary signal for affordability in the BCD region is the increasing price of this older rental product. From 2010 to 2018, the number of rental units in lower rent brackets (under \$1,250 / month) decreased by nearly 4,000 units. Correspondingly, there was nearly a 3,500-unit increase in pre-2006 units with rent between \$1,250-\$1,875 and a 500-unit increase in older units with rent over \$1,875.

Demolition of Existing Product

Over 8,500 existing residential units were demolished in the region between 2010 and 2019

DEMOLITIONS OF EXISTING PRODUCT FROM 2010-2019
(FOR-SALE & RENTAL PRODUCT)



In addition to the challenge of maintaining affordability of existing units, is the challenge of maintaining the supply of existing units. On average from 2010 to 2019, the region demolished approximately 0.6% of the total residential inventory built before 1990 on an annual basis. Over the 10-year period, the demolished units built before 1990 totaled to over 8,500 units. Units demolished over the analysis period were predominately older, with over half of the demolished units built before 1950.

There are approximately 20,000 remaining residential properties built before 1950 within the BCD region. These units have the highest composite vacancy rates of all existing product, at approximately 20%. Occupancy data for these aging units indicates approximately half are renter-occupied units.

In a region with as much historic character as Charleston, it is not surprising to see a significant inventory of aging residential units. These units tend to be more affordable than newer units and, when well maintained, are a great source of NOAH housing.

NUMBER OF UNITS IN 2019
NUMBER OF UNITS IN 2010

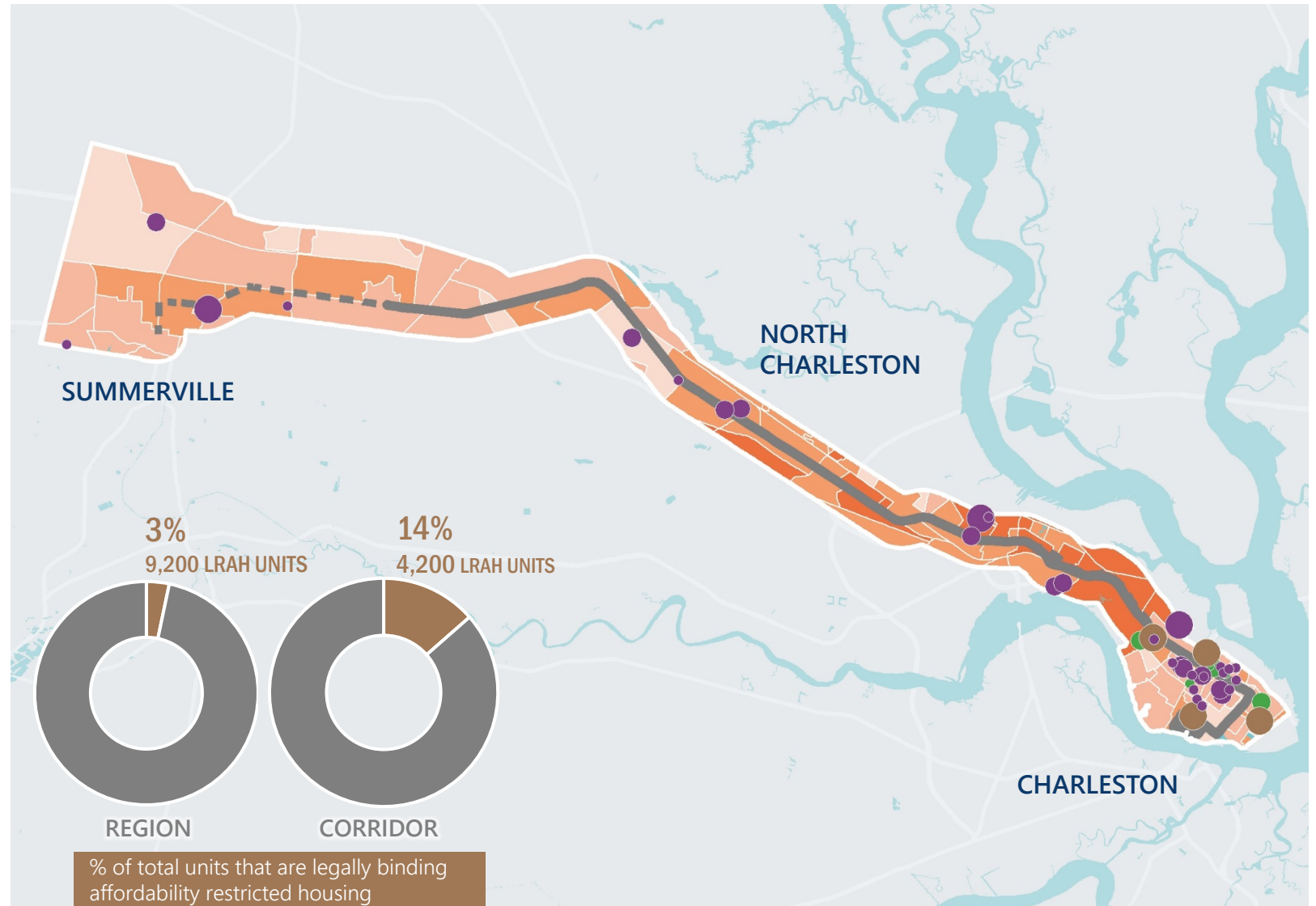
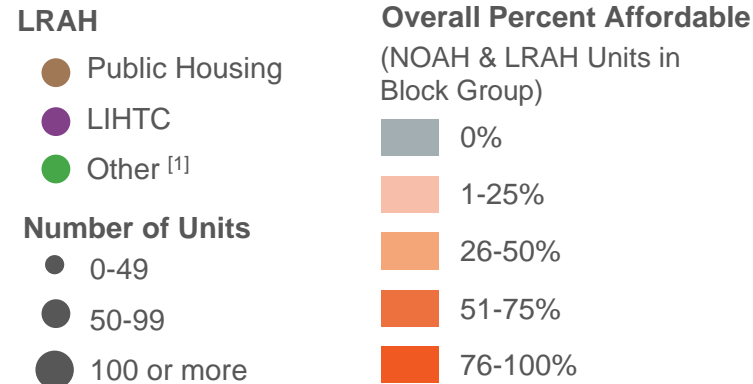
Housing Profile by Jurisdiction

The affordable housing composition varies by jurisdiction

Affordable Housing Inventory

Charleston has the most LRAH units while North Charleston has a high concentration of NOAH units

Affordable housing looks different across the extent of the Corridor. The majority of LRAH units within the Corridor are located on the Peninsula in Charleston. North Charleston and Summerville both have much higher shares of NOAH units than LRAH units. However, they differ, in that North Charleston has a higher percentage of renter NOAH units while Summerville has more owner-occupied NOAH units.



[1] Other defined as units from a variety of sources including HOME, CDBG funds, Section 202 and 515, and housing trust funds. Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman

City of Charleston

Most of affordable rental housing on the Peninsula is legally restricted (LRAH)

CHARLESTON



RENTAL HOUSING

2,950 (49%)

LRAH UNITS

1,100 (19%)

NOAH UNITS

1,900 (32%)

HIGHER RENT UNITS



FOR-SALE HOUSING

1,300 (35%)

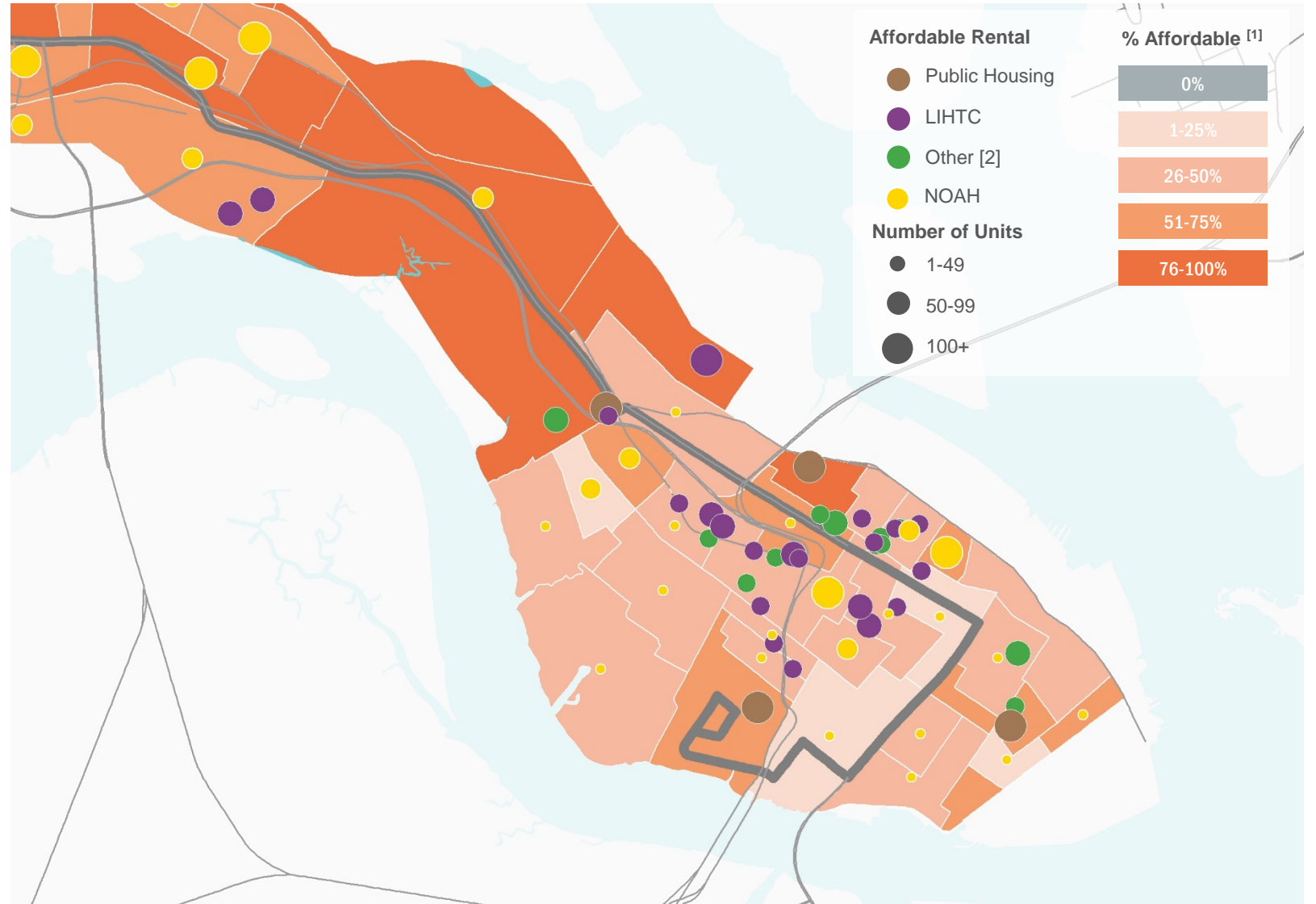
NOAH UNITS

2,500 (65%)

HIGHER PRICE UNITS

[1] % Affordable is symbolized at the Census Block Group geography and combines both LRAH and NOAH affordable housing units. 'Affordable' units are those affordable to households earning less than 60% AMI for rental and 100% AMI for owner-occupied units.
[2] Other defined as units from a variety of sources including HOME, CDBG funds, Section 202 and 515, and housing trust funds.

Source: 2014-2018 ACS 5-Year Estimates, Charleston Housing Authority, The City of Charleston, Department of Housing and Urban Development, ESRI, National Housing Preservation Database, North Charleston Housing, SB Friedman



City of North Charleston

North Charleston has more NOAH than LRAH, emphasizing the need to preserve affordability

NORTH CHARLESTON



RENTAL HOUSING

780 (10%)

LRAH UNITS

4,000 (51%)

NOAH UNITS

3,000 (39%)

HIGHER RENT UNITS



FOR-SALE HOUSING

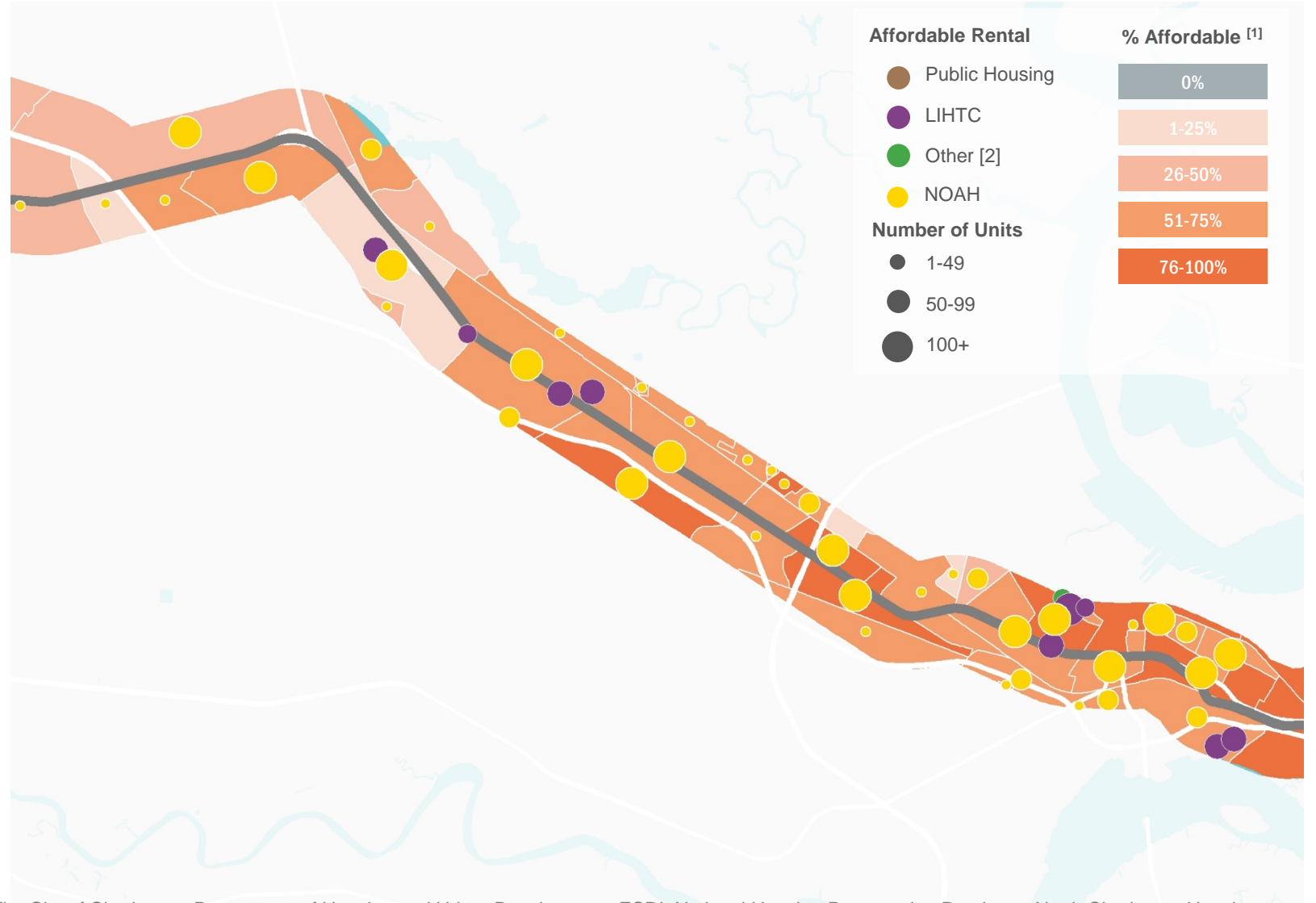
3,100 (95%)

NOAH UNITS

160 (5%)

HIGHER PRICE UNITS

[1] % Affordable is symbolized at the Census Block Group geography and combines both LRAH and NOAH affordable housing units. 'Affordable' units are those affordable to households earning less than 60% AMI for rental and 100% AMI for owner-occupied units.
[2] Other defined as units from a variety of sources including HOME, CDBG funds, Section 202 and 515, and housing trust funds.



Town of Summerville

Over 60% of the existing housing stock in Summerville is classified as NOAH

SUMMERVILLE [1]



RENTAL HOUSING

450 (22%)

LRAH UNITS

1,100 (51%)

NOAH UNITS

500 (27%)

HIGHER RENT UNITS



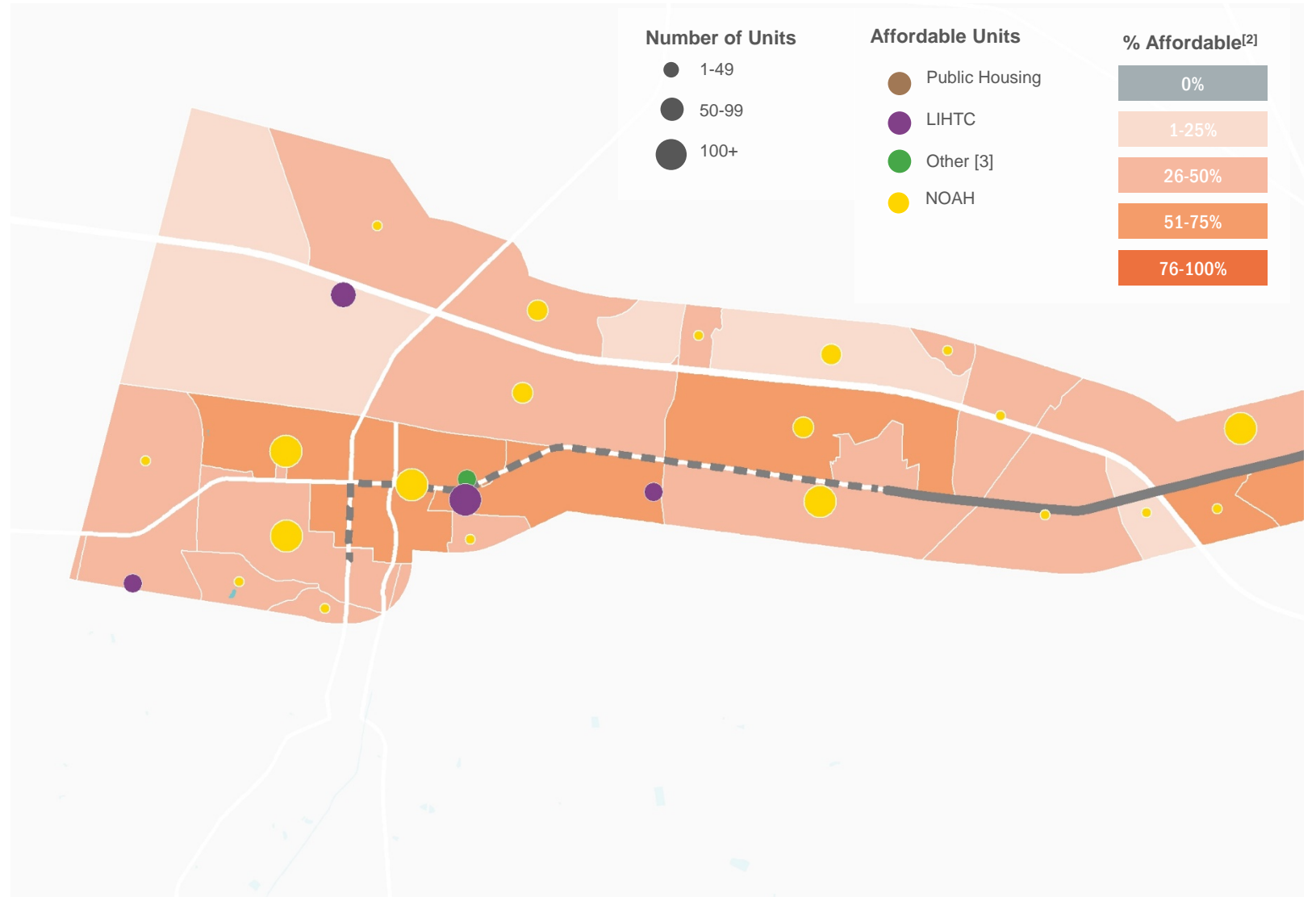
FOR-SALE HOUSING

2,600 (80%)

NOAH UNITS

660 (20%)

HIGHER PRICE UNITS



[1] Figure only includes Block Groups overlapping Summerville, map includes broader geography.
 [2] % Affordable is symbolized at the Census Block Group geography and combines both LRAH and NOAH affordable housing units. 'Affordable' units are those affordable to households earning less than 60% AMI for rental and 100% AMI for owner-occupied units.
 [3] Other defined as units from a variety of sources including HOME, CDBG funds, Section 202 and 515, and housing trust funds.

Housing Supply Takeaways

The Corridor has a significant amount of existing affordable housing: both legally restricted housing and naturally occurring affordable housing. Across the Corridor but especially in Charleston, there is a significant number of LRAH units that will be critical to maintaining long-term affordable housing options. LRAH units are contractually bound and therefore a key part of the solution to the affordable housing crisis. However, increasing the supply of LRAH units is a slow process, and therefore it is essential to leverage the opportunity that naturally occurring affordable housing provides as well.

There are over four times as many NOAH units within the Corridor as LRAH units. These 17,000 units are currently a relatively affordable housing solution for households who either choose not to or cannot live in LRAH due to the unit shortfall. While Charleston is home to a large share of LRAH units on the Peninsula, North Charleston and Summerville's affordable housing supply is predominately NOAH. While both municipalities have higher shares of NOAH units than LRAH units, North Charleston has a higher percentage of renter NOAH units while Summerville has more owner-occupied NOAH units

Owner-occupied NOAH households in the Corridor are not at-risk of displacement. However, the nearly 7,000 renter households that currently report rents affordable to a household earning 60% AMI, more than half of which are in North Charleston, are at a higher-risk of displacement if rent growth outpaces income growth.

Given the significant presence of NOAH units within the Corridor and the already high percent of cost burdened households in the region and Corridor, these units are important to preserve moving forward. Preserving NOAH units will maintain affordability in what is already a rapidly changing area.

72%
Owner occupied units in the Corridor are affordable to households earning 100% AMI

4,200
LRAH units in the Corridor

17,000
NOAH units in the Corridor

65%
Renter occupied units in the Corridor are affordable to households earning 60% AMI

44%
Regional LRAH units located in the Corridor

43%
New construction rental units built from 2010-2015 affordable to households earning less than \$50,000

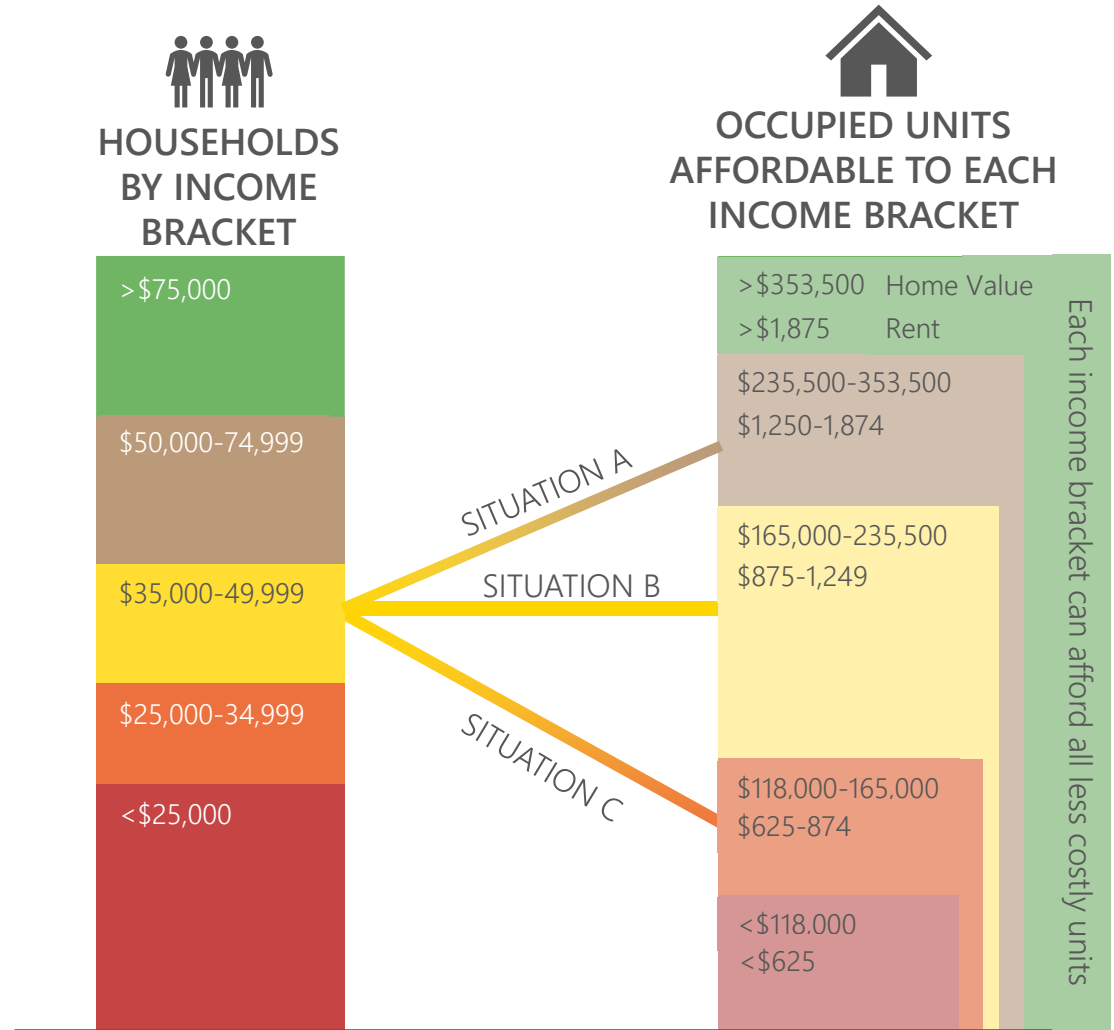
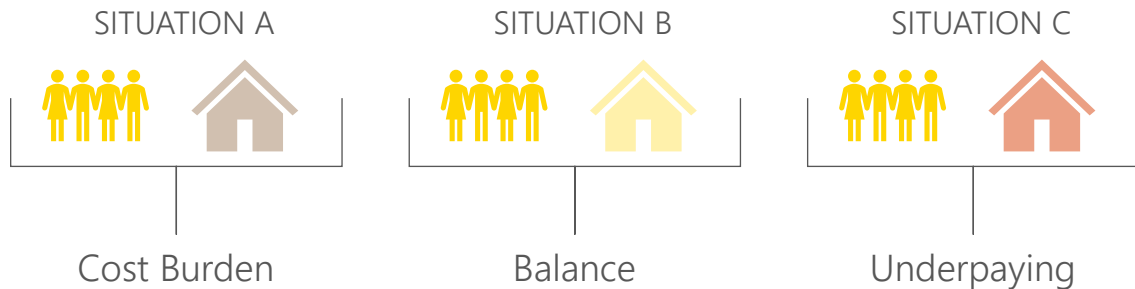
Affordable Housing Gap

Defining the Affordable Housing Gap

Ideally, the number of households at each income level would have housing available at that income level

In order to evaluate the presence of specific affordable housing gaps in the region, the number of households by tenure at different income brackets is compared against the number of occupied units by tenure available in the market with reported values that would translate to an affordable mortgage payment or rent for that respective income band. Presented to the right are household incomes and their corresponding affordability home value or rent limits. For example, owner households earning up to \$25,000 per year could live in housing with reported home values up to \$118,000 without experience housing cost burden, according to federal housing cost burden assumptions.

There are three different situations that can occur when considering the relationship between a household's income and the cost of housing that the household is living in. In Situation A, shown below and to the right, a household is cost burdened. In Situation B, a household occupies a unit affordable to them. In Situation C, a household occupies a unit that is costs less than 30% of their income, indicating they are occupying a unit affordable to households in a lower income tier. Ideally, the number of households at each income level would have housing available to them at that income level. However, that is not always the case. The following slides discuss gaps between households and available units by tenure and income.



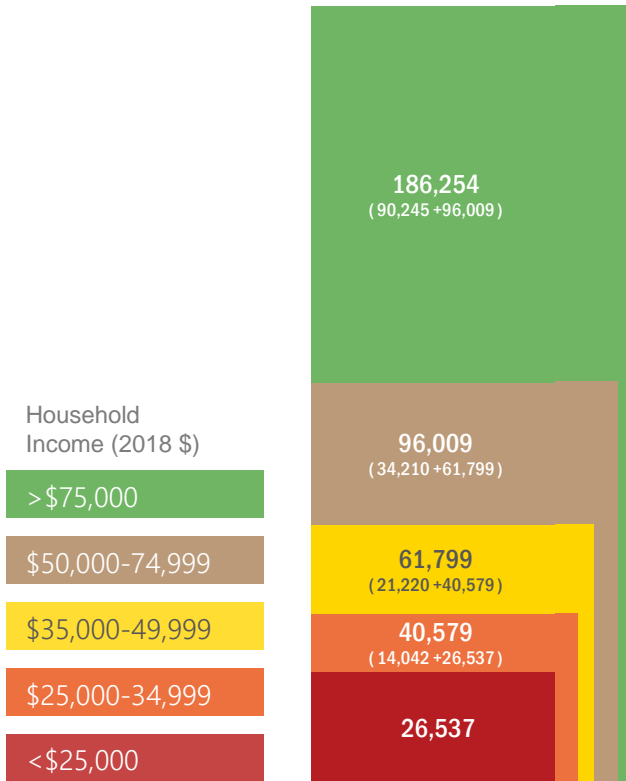
Defining the Gap in Affordable Housing - Owners

There is a mismatch between households and the number of units affordable at different income tiers

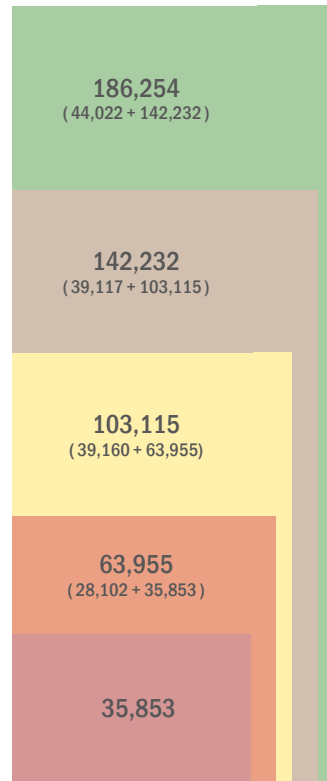
2018 OWNER HOUSEHOLDS & UNITS IN THE BCD REGION



HOUSEHOLDS BY INCOME BRACKET



OCCUPIED UNITS AFFORDABLE TO EACH INCOME BRACKET



For owner-occupied households in the BCD region, the supply of affordable units exceeds the number of households earning the corresponding income within each bracket with the exception of households earning greater than \$75,000 annually. There are 96,000 households which reported a household income over \$75,000 per year, but only 44,000 housing units that report home values considered to be affordable to that income band.

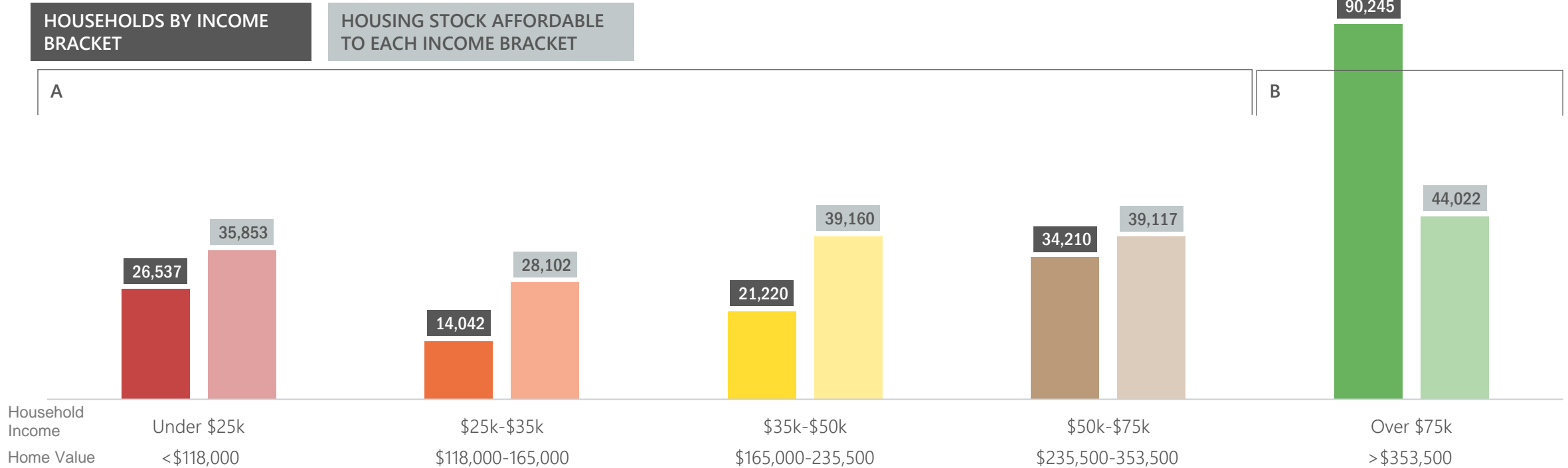
The surplus of units affordable to each income bracket indicates the existence of enough existing affordable owner-occupied housing within the region. However, the presence of cost burdened owner-occupied households suggests that upper-income bracket households are paying lower than 30% of their income and occupying lower cost housing and vice versa, lower-income bracket households are occupying higher-price units which results in housing cost burden.

Defining the Gap in Affordable Housing - Owners

There is a greater supply of affordable units than households for households earning <\$75,000

Presented below is the number of owner-occupied households at each income cohort relative to the supply of owner units affordable to that cohort. There is a greater supply of units than households for group A, income cohorts earning less than \$75,000. While there is a shortage of units affordable to households earning more than \$75,000, group B, those households can occupy surplus housing at lower affordability levels. Therefore, there is no gap for owner-occupied units as there is a surplus of affordable units to households for households earning less than \$75,000.

ESTIMATED OWNER-OCCUPIED HOUSING AFFORDABILITY, 2018



Defining the Gap in Affordable Housing - Renters

There is a shortfall of approx. 14,000 affordable units over households at the lowest income level

2018 RENTAL HOUSEHOLDS & UNITS IN THE BCD REGION

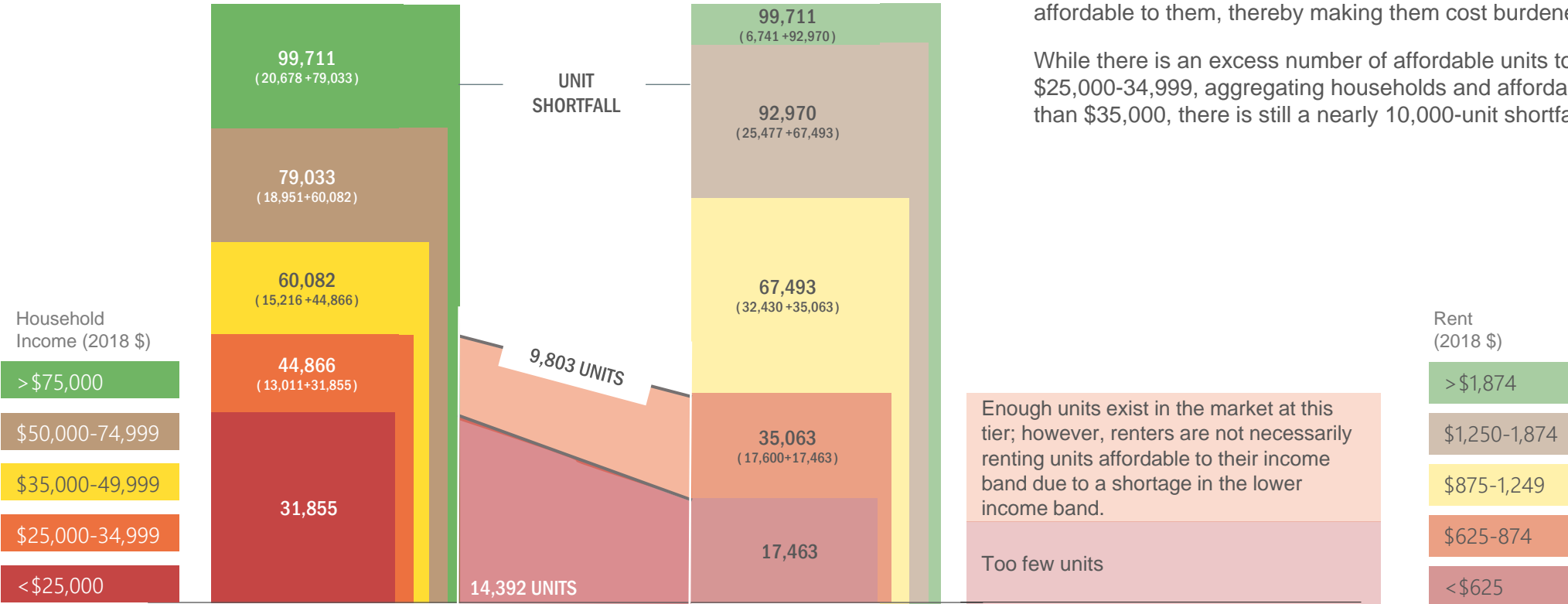


HOUSEHOLDS BY INCOME BRACKET



OCCUPIED UNITS AFFORDABLE TO EACH INCOME BRACKET

UNIT SHORTFALL



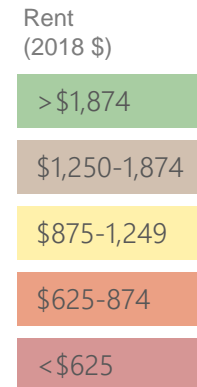
Like owner-occupied households and affordable units, the supply of affordable rental units, defined as up to 30% of the household income, does not match the number of renter households at each income band.

There is a shortfall of more than 14,000 affordable rental units to renter households earning less than \$25,000. Due to the limited supply of affordable units, some renters earning less than \$25,000 must occupy units that are not affordable to them, thereby making them cost burdened.

While there is an excess number of affordable units to households earning \$25,000-34,999, aggregating households and affordable units earning less than \$35,000, there is still a nearly 10,000-unit shortfall.

Enough units exist in the market at this tier; however, renters are not necessarily renting units affordable to their income band due to a shortage in the lower income band.

Too few units

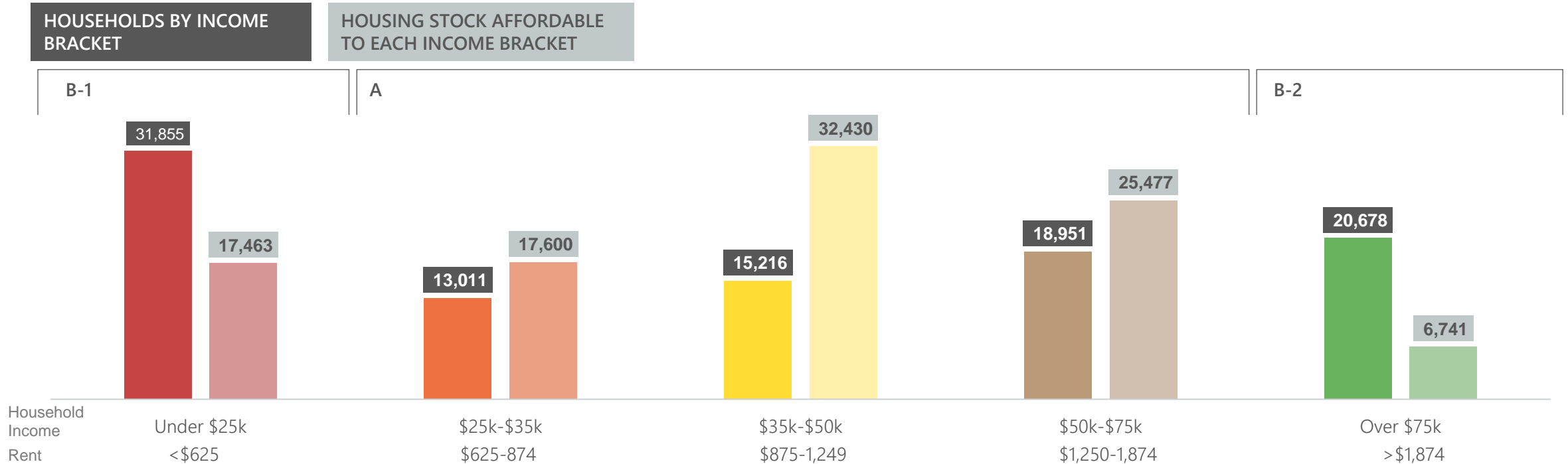


Defining the Gap in Affordable Housing - Renters

There is approximately a 10,000 unit shortfall of units for households earning less than \$35,000

Presented below is the number of renter-occupied households at each income cohort relative to the supply of rental units affordable to that cohort. Income groups labeled B are those where the number of households exceed the number of affordable units. While group B-2 can occupy housing at lower affordability levels, group B-1 is challenged by a lack of affordable housing units available at their corresponding income level. Some of these households are likely spending more than 30% of their total income on housing and are therefore considered housing cost burdened. More than 14,000 rental units would be needed in the BCD region to achieve balance for BCD households with incomes below \$25,000. A portion of the existing gap is likely offset by Housing Choice Vouchers [1] which reduce the cost of housing paid out of pocket for low income families. Income groups labeled A are those where the amount of affordable housing units at that level exceeds the number of households at that income level. Aggregating households earning less than \$35,000, there is a nearly 10,000 unit shortfall.

ESTIMATED RENTER-OCCUPIED HOUSING AFFORDABILITY, 2018



[1] There are approximately 1,600 Housing Choice Vouchers provided through the Charleston Housing Authority.

Source: 2014-2018 ACS 5-Year Estimates, HUD, SB Friedman, SC Housing

Defining the Gap in Affordable Housing - Renters

The shortfall in affordable rental units to the lowest income tiers will likely require public assistance

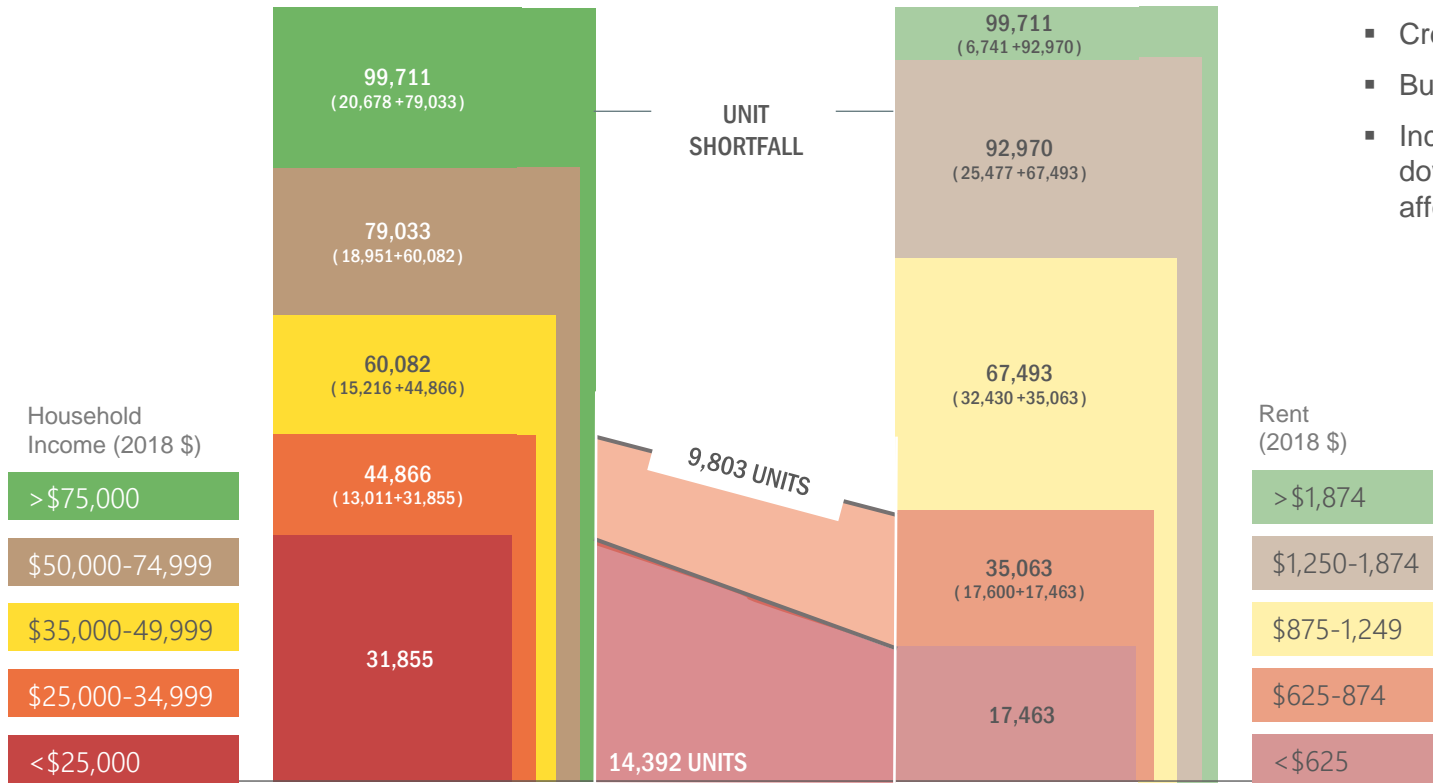
2018 RENTAL HOUSEHOLDS & UNITS IN THE BCD REGION



HOUSEHOLDS BY INCOME BRACKET



OCCUPIED UNITS AFFORDABLE TO EACH INCOME BRACKET



When aggregating households earning less than \$35,000, there is an approximate 10,000 affordable unit shortage.

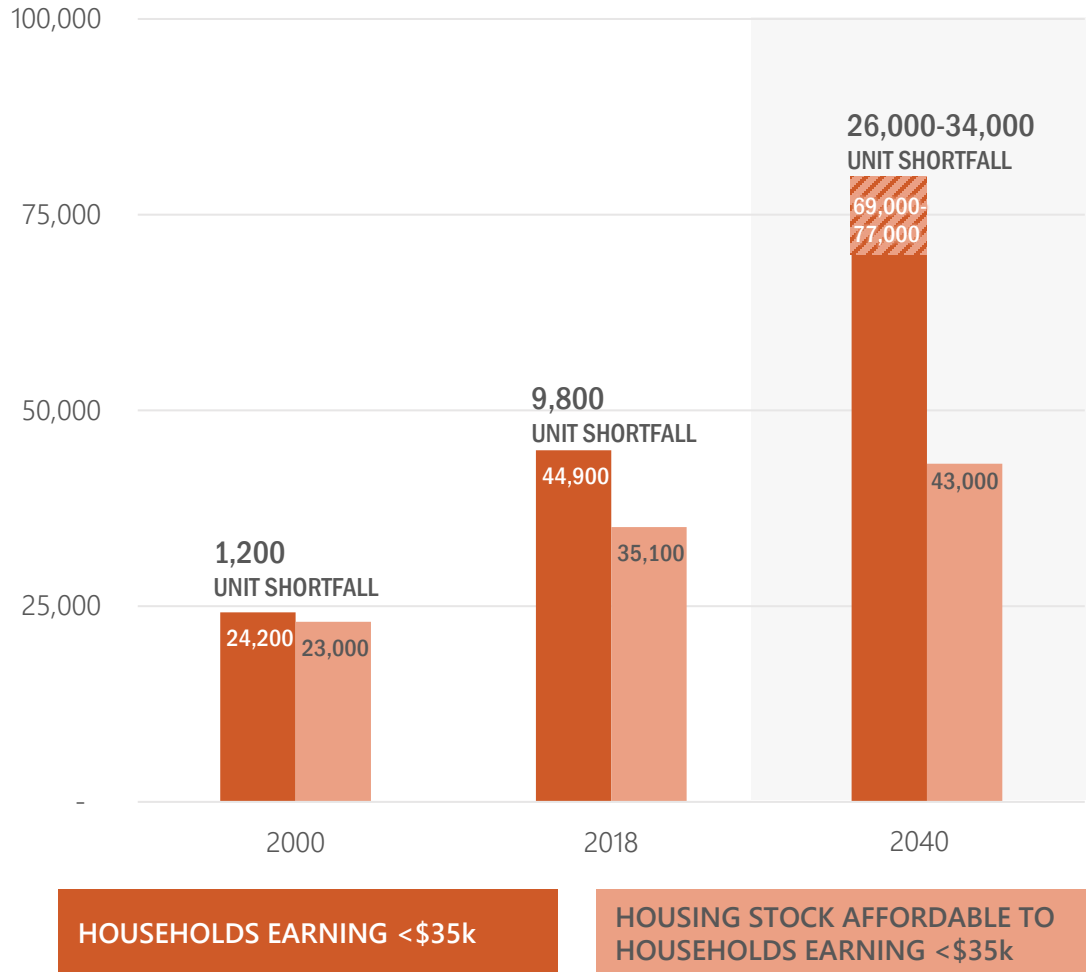
It is difficult to produce units at the lowest income levels because developers would likely require public assistance in order to make a profit. To better balance the number of renter households and units in the BCD region, the following is recommended:

- Create more public housing units for households earning less than \$25,000.
- Build more LIHTC or RAD units for households earning less than \$35,000.
- Increase the supply of units at all income levels. This will cause a trickle-down impact, allowing households underpaying to move to balanced unit affordability.

A Growing Gap in Rental Affordable Housing

Without intervention there could be a 26,000-34,000 affordable housing unit shortfall by 2040

RENTAL HOUSEHOLDS & UNITS IN THE BCD REGION



PROJECTING THE GAP

The BCD region has seen an increase in the gap between renter households earning less than \$35,000 and units affordable to those households since 2000. As already presented, there was a nearly 10,000 unit shortfall of units affordable to households earning \$35,000 in 2018. In 2000, the shortfall was approximately 1,200 units. While recent years have shown declines in low income households due to real income growth, the BCD region has also seen an increase in the unit shortfall by more than 8,500 units. If long-term historic (between 2000 and 2018) trends continue, in which housing costs increase faster than real income growth, by 2040 the region is forecasted to have a 26,000-34,000 unit shortfall of housing affordable to households earning \$35,000 or less.

CLOSING THE GAP

In order to address the affordable housing unit shortfall the BCD region:

- Needs to meet the rapid increase in rental household growth. Any constraints in supply at any income level will increase rents due to a high demand for housing.
- Must add more affordable housing by building new and preserving LRAH and NOAH units.

Setting achievable legally restricted affordable housing goals, alongside creating a development-friendly environment that supports market-rate production is essential to reducing the gap in affordable housing. The following section presents policies and recommendations to lessen the affordable housing unit shortfall.

Policy Perspectives & Recommendations

Policy Perspectives & Recommendations

This document has presented the existing affordability challenge in the BCD region. The demand for affordable housing is projected to increase over the next twenty years. While the introduction of the BRT line will increase property values, it also presents a unique opportunity to prioritize affordable housing in a transit supported environment. Initiatives to preserve affordability in the near term will be the most cost effective, help meet affordable housing targets, and improve job access and economic opportunity for low and moderate income residents.

The following pages outline a toolkit of best practices used nationwide to preserve, develop and support affordable housing. Each tool includes a brief overview as well as high level implementation steps. Accompanying each tool is a national best practice which exemplifies the tool. When available, a local spotlight in the region is also showcased. Each tool includes a dashboard which notes the type of tool, outcome, regulatory consideration and implementation lead.

While the affordability challenge is a regional issue, each municipality within the Corridor faces unique challenges, such as the presence/absence of existing supply and local barriers to affordable housing. Therefore, different solutions will be more effective and feasible for different parts of the BCD region. The end of the document provides affordable housing recommendations for the TOD Corridor overall, Charleston, North Charleston, and Summerville.



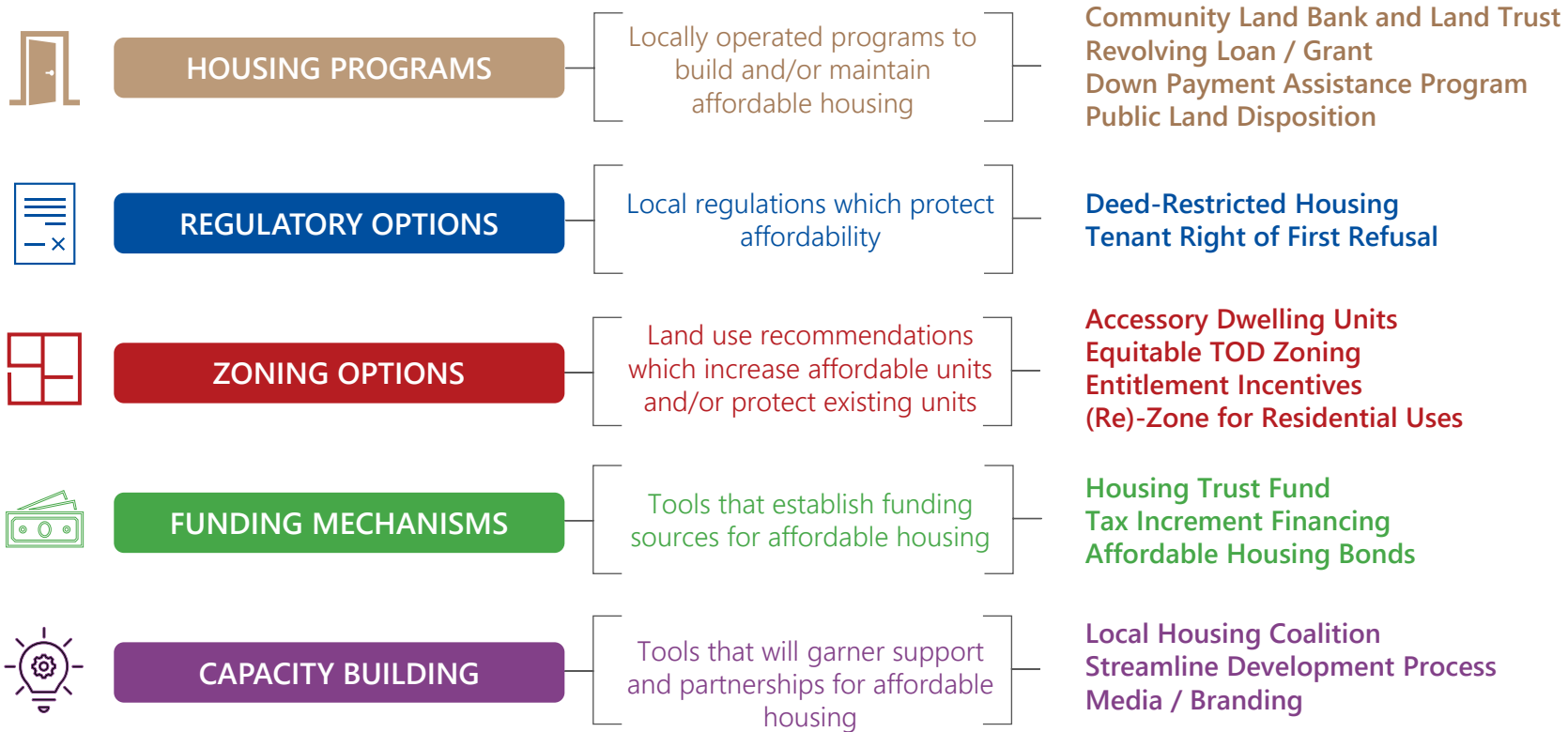
AFFORDABLE HOUSING TOOLKIT

There are many different strategies used nationwide to protect, increase and fund affordable housing

Affordable Housing Toolkit

There are a myriad of programs to protect, increase, and fund the supply of affordable housing

There are a number of programs, policies and strategies jurisdictions and nonprofits can implement to protect, increase and fund the supply of affordable housing in the region. The tools can be grouped into the following categories: **housing programs**, **regulatory options**, **zoning options**, **funding mechanisms** and **capacity building**.








Affordable Housing Best Practices

There are a variety of programs nationwide, and locally, to look to as affordable housing best practices

There are a number of housing programs, regulatory options, zoning options, funding mechanism, and capacity building tools utilized within the BCD region and in peer cities such as Raleigh, NC; Charlotte, NC; and Austin, TX. Charleston is nearly on pace with some of its comparable cities in terms of the existing and use of some of our nation's affordable housing best practices.

KEY STRATEGIES UTILIZED LOCALLY AND BY PEER COMMUNITIES

| | | | | | PRESENT | NOT PRESENT | |
|--|---------------------------|------------------------------------|------------------|-------------|-------------|---------------|------------|
| | | CHARLESTON | NORTH CHARLESTON | SUMMERVILLE | RALEIGH, NC | CHARLOTTE, NC | AUSTIN, TX |
|  | HOUSING PROGRAMS | Community Land Trust and Land Bank | | | | | |
| | | Revolving Loan / Grant | | | | | |
| | | Down Payment Assistance Program | | | | | |
| | | Public Land Disposition | | | | | |
|  | REGULATORY OPTIONS | Deed-Restricted Housing | | | | | |
| | | Tenant Right of First Refusal | | | | | |
|  | ZONING OPTIONS | Accessory Dwelling Units | | | | | |
| | | Equitable TOD Zoning | | | | | |
| | | Entitlement Incentives | | | | | |
| | | (Re)-Zone for Residential Uses | | | | | |
|  | FUNDING MECHANISMS | Housing Trust Fund | | | | | |
| | | Tax Increment Financing | | | | | |
| | | Affordable Housing Bonds | | | | | |
|  | CAPACITY BUILDING | Local Housing Coalition | | | | | |
| | | Streamline Development Process | | | | | |
| | | Media / Branding | | | | | |

Toolkit Dashboard

Each tool includes a dashboard with three primary considerations

This toolkit details 16 national affordable housing best practices. Each tool includes a dashboard with a few primary metrics for comparison. Each potential affordable housing solution also includes a peer community best practice along with a comparable local initiative, when available, that could be further expanded upon.

| | | | |
|--|---|---|--|
| <p>Outcome for Affordable Housing</p> |  <p>NEW DEVELOPMENT</p> |  <p>PRESERVATION</p> | |
| <p>Regulatory Consideration</p> |  <p>NO CHANGE REQUIRED</p> |  <p>ZONING CHANGE REQUIRED</p> |  <p>LEGISLATIVE UPDATE REQUIRED</p> |
| <p>Implementation Lead</p> |  <p>COUNTY/MUNICIPALITY</p> |  <p>NONPROFIT</p> | |

HOUSING PROGRAM

Outcome



NEW DEVELOPMENT /
PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



NONPROFIT

OVERVIEW

A community land trust (CLT) acquires and maintains permanent ownership of land. Residents can purchase a home or multifamily property on the land and enter a long-term (±99-year) lease. When a homeowner is ready to sell, owners will receive a formula-based moderate return on investment. The legally constrained sale-price maintains affordability for the subsequent owner. By separating the ownership of land and housing, CLTs provide low and moderate income households with an opportunity to build equity through homeownership. CLTs can also lease multifamily properties, in which leaseholders are subject to the same resale restrictions. A community land bank (CLB) is typically managed by a public entity. CLBs purchase and convert vacant and abandoned land into productive uses. The CLBs do not necessarily maintain ownership of the land, instead selling or donating the land to a private entity (e.g., affordable housing developer, CLT) at a low cost.

IMPLEMENTATION PATHWAY

- Identify the location and quantity of vacant properties that would benefit from a CLT or CLB
- Establish target corridors
- Identify seed capital source that can be used to acquire initial properties
- Leverage existing expertise in the region, identifying new non-profit governance structure & mission if needed

NATIONAL BEST PRACTICE:

Cuyahoga Lank Bank – Cleveland, OH



The Cuyahoga Lank Bank was established in 2009 to respond to the foreclosure crisis in Cleveland. Over the last 10 years, the land bank acquired over 8,000 vacant and abandoned properties. The nonprofit leveraged \$50M in funds from the County to demolish or rehabilitate properties. According to an economic impact study prepared in 2019, every \$1 spent on demolition resulted in a \$5 property value benefit to neighboring homes. The land bank has been credited with returning over \$320M in property value to the tax rolls over the last 10 years.

LOCAL INITIATIVE:

The Palmetto Community Land Trust (PCLT) is a program of the Charleston Redevelopment Corporation which launched in 2018. The PCLT has two primary priorities: (1) acquire and rehabilitate affordable homeownership housing and (2) develop large-scale joint venture affordable rental housing.

PALMETTO COMMUNITY LAND TRUST

Revolving Loan/Grant

HOUSING PROGRAM

Outcome



PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



MUNICIPALITY /
NONPROFIT

OVERVIEW

A revolving loan, forgivable loan or grant fund can be used to provide funds to homeowners to rehabilitate homes and/or make accessibility modifications. Funds are often available to homeowners for property that meets certain criteria such as home age, type of improvement, cost of improvement, etc. The loans can either be direct loans to non-profit organizations or to existing low income homeowners that might not otherwise make the improvement. Loan funds are either forgivable or offer lower-than-market interest rates. Revolving loan funds are a powerful tool, as well-designed programs only require seed capital. Programs then become self-sustaining over time: initial borrowers repay the loans, freeing up the funds for a subsequent recipient. Revolving loan funds are frequently funded with Community Development Block Grants.

IMPLEMENTATION PATHWAY

- Identify organization or local unit of government to administer program
- Identify funding source(s)
- Identify target corridors for the program; which may be constrained by the funding sources
- Determine eligibility criteria & requirements

NATIONAL BEST PRACTICE:

Home Repair and Accessibility Modifications Program – Austin, TX



The City of Austin offers multiple home repair grants or forgivable loans to households earning up to 80% AMI. Eligible repairs include foundational work, plumbing, HVAC, and accessibility modifications for persons with disabilities. Additionally, the City offers relocation assistance from federal grant programs if households need it while renovations are underway in their home.

LOCAL INITIATIVE:

The City of Charleston’s Substantial Rehabilitation Program is a combination of a revolving loan and forgivable loan program. The program is predominately funded by HOME and CDBG funds. The program provides low-interest loans. Eligible borrowers are required to pay interest on the loan for 5-years, at which point the remaining principal balance on the loan is forgiven.

**CITY OF CHARLESTON
SUBSTANTIAL REHABILITATION PROGRAM**

Down Payment Assistance Program

HOUSING PROGRAM

Outcome



NEW DEVELOPMENT /
PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



MUNICIPALITY /
NONPROFIT

OVERVIEW

Down payment assistance programs typically offer either a grant or second mortgage to reduce homeowner barriers to purchasing a home. Second mortgages can be structured as an installment loan for moderate income households or a deferred loan due at a future date (i.e. upon sale or transfer of the home) for lower-income households. If the program offers a second mortgage, interest rates are generally lower than traditional sources. Down payment assistance programs allow households who typically may not be able to purchase a home due to the upfront costs at closing the opportunity to be homeowners.

IMPLEMENTATION PATHWAY

- Identify an initial funding source
- Determine targeted populations eligible for down-payment assistance
- Identify program administrator
- Determine financing terms (grants vs. loan, interest rates, repayment options, etc.)
- Outline application requirements

NATIONAL BEST PRACTICE:

Atlanta Affordable Homeownership Program – Atlanta, GA



Invest Atlanta, Atlanta's economic development agency, has multiple programs and incentives to support homeownership. One such program is the Atlanta Affordable Homeownership Program, which provides up to \$14,000 toward a down payment and/or closing costs for eligible households. The loan is fully forgiven after five years.

LOCAL INITIATIVE:

SC Housing provides forgivable down payment assistance to eligible households in the form of a second mortgage, which is forgivable after 10-years for households earning less than 80% AMI and after 20-years for households earning more than 80% AMI. Loans are available to first-time homebuyers who expect to use the property as their primary residence.

SC HOUSING HOMEBUYER PROGRAM

HOUSING PROGRAM

Outcome



NEW DEVELOPMENT

Regulatory



NO CHANGE

Implementation Lead



MUNICIPALITY/
COUNTY

OVERVIEW

Publicly-owned land can be provided to developers or nonprofits at a discount to incentivize the development of affordable housing in strategic locations. This strategy activates underutilized publicly-owned land and supports the creation of affordable housing. In some cases, local entities have purchased land to then sell at a discount or donate to developers or nonprofit groups to develop affordable housing.

IMPLEMENTATION PATHWAY

- Identify underutilized publicly-owned land that would be better served as affordable or mixed-income housing
- Identify target populations, project types, length of affordability restrictions, etc.
- Conduct outreach to potential housing developers
- Design a request for proposal process on a parcel-by-parcel basis

NATIONAL BEST PRACTICE:

City Properties for Sale & Donation – Charlotte, NC



The City of Charlotte maintains an online inventory of publicly owned properties available for disposition. The City can donate the land or sell it through a bid process, subject to City Council approval. The City recently donated nine City-owned acres to Habitat for Humanity for the construction of 47 low income homes.

LOCAL INITIATIVE:

Charleston has historically transferred land to the Charleston Housing Authority on a project-by-project basis to develop affordable housing. Grace Homes is a recent Charleston Housing Authority development with 62-units affordable to households earning between 30% and 150% AMI. The land for the development was provided by the City, along with \$2M.

CHARLESTON LAND DISPOSITION

Deed Restricted Housing

REGULATORY

Outcome



NEW DEVELOPMENT/
PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



MUNICIPALITY /
NONPROFIT

OVERVIEW

Deed restrictions are often included for affordable housing units receiving public subsidies to enhance affordability for homebuyers. New homeowners execute a deed covenant stipulating that the home will be sold to a low income household in the future under an established formula or evaluation. In some cases, use and resale restrictions are instead appended to a homeowner’s mortgage. Deed restricted housing (DRH) is often the result of inclusionary mandates and affordable housing incentives.

IMPLEMENTATION PATHWAY

- Determine criteria & length of time for covenants
- Identify potential parcels/units for restrictions
- Engage potential non-profit partners who could initially build or acquire units for the program
- Monitor deed restricted housing units over time

NATIONAL BEST PRACTICE:

Long-Term Affordability Restrictions – Boise, ID



NeighborWorks Boise, a local nonprofit, is developing 39 homes on the site of a former elementary school. A portion of the homes will be for households making at or below 80% AMI. NeighborWorks Boise will provide financial assistance to low income homeowners purchasing the homes. If a homeowner sells the home within twenty years, NeighborWorks gets the right of first refusal on the home and the home will remain affordable for a new buyer. After 20 years, the homeowner can sell the home regularly on the market.

LOCAL INITIATIVE:

The City of Charleston places 90-year deed restrictions on affordable units that they financially support so that those units remain affordable. Property owners agree to future selling prices and any future buyers must meet the City’s guidelines on income eligibility.

CITY OF CHARLESTON

Tenant Right of First Refusal

REGULATORY

Outcome



PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



MUNICIPALITY /
NONPROFIT

OVERVIEW

Tenant right of first refusal (TROFR) laws provide tenants or tenant associations with the right to purchase rental units or buildings before an owner sells the building on the open market. Owners are required to give residents advanced notification of their intent to sell, and residents enter a process to identify partners, secure capital and assemble a purchase offer. Some laws allow residents to assign their right of first refusal to other entities, such as nonprofits or affordable housing providers, that assist residents in forming a limited equity housing cooperative or maintain the property as affordable rental housing.

IMPLEMENTATION PATHWAY

- Evaluate feasibility of adopting TROFR laws
- Develop technical assistance services and/or a loan program to help tenants or tenant groups realize their right to purchase

NATIONAL BEST PRACTICE:

Woodlawn Housing Preservation Ordinance – Chicago, IL



The Chicago City Council adopted the Woodlawn Housing Preservation Ordinance in September 2020. One of the provisions within the ordinance set up a pilot tenant right of first refusal program. The provision gives renters the right of first refusal if a landlord seeks to sell his/her property. The ordinance is designed to protect existing residents from displacement, a need that arose as the neighborhood began to attract more investment following the announcement of the Obama Presidential Center.

Accessory Dwelling Units

ZONING

Outcome



NEW DEVELOPMENT

Regulatory



ZONING CHANGE

Implementation Lead



MUNICIPALITY

OVERVIEW

Accessory dwelling units (ADUs) tend to be relatively small dwelling units on existing residential parcels that are either contained within the principal dwelling unit or within a separate structure entirely; e.g., a basement unit within a single-family home or coach house. ADUs are frequently naturally-occurring affordable housing. However, municipalities may also require that ADUs meet specific affordability requirements. ADUs provide an opportunity to add a modest amount of density within existing residential neighborhoods without displacing existing residents. ADUs can be partnered with rent-subsidy programs to provide housing at even lower affordability levels.

IMPLEMENTATION PATHWAY

- Identify potential locations that would be well-suited for ADUs and quantify the impact
- Conduct public education regarding ADUs
- Develop funding mechanism; ADUs are difficult to finance with conventional sources but could be supported with municipal sources in exchange for proportionate affordability commitments.
- Draft ordinance

NATIONAL BEST PRACTICE:

Supporting the construction and rehab of ADUs – Austin, TX



Austin, Texas approved their existing ADU regulations in November 2015. The program allows for units up to 1,100 SF that are separated from the primary structure by at least 10 feet. ADUs do not require driveways or parking spaces if within a quarter mile of a transit activity corridor. In April 2020, the Austin City Council passed a resolution to help ADU-eligible property owners finance the construction or rehabilitation of ADUs.

LOCAL INITIATIVE:

The Summerville Unified Development Ordinance approved in 2019 allows for permitted or conditional use ADUs in most mixed-use zoning districts, the districts which predominately overlap the Corridor. ADUs in Summerville are required to be renter-occupied, with less than 2 people and with a building size more than 50% of the primary building.

SUMMERVILLE UNIFIED DEVELOPMENT ORDINANCE

Entitlement Incentives

ZONING

Outcome



NEW DEVELOPMENT

Regulatory



ZONING CHANGE

Implementation Lead



MUNICIPALITY

OVERVIEW

Entitlement incentives typically offer an increase in the allowable density for a given site in exchange for the provision of affordable housing. Entitlement incentives are most often available through zoning overlays which target specific high-growth zones where a developer would be most interested in providing affordable housing in exchange for the additional density. Programs frequently provide developers who choose to take advantage of entitlement incentives the option to either (1) build a set percentage of affordable units on-site or (2) pay a fee-in-lieu of providing affordable housing. In-lieu fees should be equivalent to the cost of providing a unit of housing on-site.

IMPLEMENTATION PATHWAY

- Conduct outreach with potential housing developers to gauge potential interest and fee-appetite
- Assess the strengths, weaknesses and opportunities illustrated within the existing density bonus program in the City of Charleston
- Identify any additional target corridors where a density overlay would be appropriate
- Calibrate the fee-in-lieu to properly equal the cost of new construction

NATIONAL BEST PRACTICE:

Density Bonus Pilot Program – Boston, MA



Boston launched a density bonus program in January 2017. The program allowed developers to increase a development's height in exchange for on-site affordable units. Within one of the two pilot zones, developers can receive a density bonus in exchange for reserving 30% of the private units for affordable housing. Affordability is defined as units affordable to households earning less than 50% AMI for the program.

LOCAL INITIATIVE:

Charleston has an existing workforce housing district that allows for a density increase if 20% of units offer below-market rents for 20-years. The original district requirements were modified in 2017 to allow developers to pay an in-lieu fee rather than provide on-site affordable units. The workforce housing district overlaps the West Edge and Mount Pleasant segments of the Corridor.

CITY OF CHARLESTON

Equitable Transit Oriented Development Zoning

ZONING

Outcome



NEW DEVELOPMENT /
PRESERVATION

Regulatory



ZONING CHANGE

Implementation Lead



MUNICIPALITY

OVERVIEW

Transit-oriented development (TOD) zoning ordinances typically include provisions allowing for density increases, expanded land use options, parking reductions or affordability requirements. Many components of TOD zoning can be directly tied to the provision of affordable housing, offering the zoning benefit to developers who agree to offer affordable rents in a subset of a project’s overall units. The strongest TOD overlays do not provide an option to pay an in-lieu fee for off-site affordable housing units in exchange for the zoning benefits, as affordable housing near transit cannot easily be replicated elsewhere.

IMPLEMENTATION PATHWAY

- Engage with potential affected communities to identify major concerns that should be address
- Conduct market interviews to identify the existing regulations a developer would want adjusted in exchange for providing units at affordable rents
- Identify geographic extent of TOD overlay

NATIONAL BEST PRACTICE:

Equitable Development Around Transit – Raleigh, NC



Raleigh first established transit overlay districts in 2003. The City reexamined the transit overlay districts in 2020 to expand the emphasis on equity, focusing on the opportunity for equitable development around transit. The 2020 plan includes a guidebook with six guiding principles: encourage a mix of uses, concentrate density around transit, support repurposing and infill development, complete streets for better transit, manage parking effectivity, and create engaging spaces. The plan outlines how each of these design criteria can influence equitable development: e.g., support density near station areas but also reinforce ‘graceful’ transitions to existing lower density residential corridors. Raleigh is in the process of adopting the eTOD principles into their Comprehensive Plan.

(Re)-Zone for Residential Uses

ZONING

Outcome



NEW DEVELOPMENT

Regulatory



ZONING CHANGE

Implementation Lead



MUNICIPALITY

OVERVIEW

Zoning for residential use can support the production of affordable housing by allowing residential uses in areas that previously were restricted to other uses. Historic zoning practices encouraged the separation of land uses, rarely providing opportunities for integration between commercial and residential spaces. In today's overbuilt retail environment, rezoning historically commercial corridors provides the opportunity to add residential inventory in walkable, transit-adjacent areas. Rezoning properties could be conditioned upon inclusion of affordable housing. However even without stipulating affordability, increasing the inventory of any housing within station areas is likely to have a positive impact on retaining affordability of existing units.

IMPLEMENTATION PATHWAY

- Identify underutilized retail corridors that would be appropriate for residential use
- Update zoning ordinance to reflect new mix of uses

NATIONAL BEST PRACTICE: Comprehensive Plan – Austin, TX



Austin has prioritized rezoning properties to residential in its *Imagine Austin Comprehensive Plan* as well as the *Austin Strategic Mobility Plan*. Specifically, the comprehensive plan outlines transition areas, which are generally within a few blocks or a transit corridor, to be rezoned for more missing-middle and multifamily housing uses.

LOCAL INITIATIVE:

The Summerville 2019 Unified Development Ordinance (UDO) redefined the use and form of development in the downtown. The new zoning ordinance allows for the majority of residential uses within the proposed LCRT station areas. The UDO was intended to simplify the entitlement process and allow for flexibility of uses while maintaining Summerville's unique building form.

SUMMERVILLE UNIFIED DEVELOPMENT ORDINANCE

Housing Trust Fund

FUNDING

Outcome



**NEW DEVELOPMENT
/ PRESERVATION**

Regulatory



NO CHANGE

Implementation Lead



**COUNTY/
MUNICIPALITY**

OVERVIEW

Housing trust funds (HTF) are frequently a 501c-3 associated with a City that are responsible for meeting the permanent housing needs of very low income residents. HTFs are typically funded through federal sources and discretionary local dollars including bond levies or fees in lieu of entitlement incentives. Housing trust funds are necessary to support the construction of housing at very low income levels, often below 30% AMI. Trust funds can own and/or manage affordable housing units. HTFs also frequently provide rental subsidies to non-profit or private housing partners who directly manage properties.

IMPLEMENTATION PATHWAY

- Determine funding source and size of fund
- Identify eligibility criteria
- Consider administrative structure and mechanism to distribute funds

NATIONAL BEST PRACTICE:

Barnes Housing Trust Fund– Nashville, TN



The Nashville Barnes Housing Trust Fund was established in 2013. The fund provides competitive grants to nonprofits to support the preservation and creation of affordable rental and owner-occupied units in Nashville. Since 2013, the HTF has invested nearly \$50M in affordable housing and has leveraged more than \$260M in federal and private funding to build more than 2,400 housing units.

LOCAL INITIATIVE:

South Carolina State Housing Finance and Development Authority (“SC Housing”) administers the South Carolina Housing Trust Fund. The fund is used to support the creation and rehabilitation of support or group home housing. SC Housing also allocates trust fund sources to support eligible project which serve households below 80% AMI.

SOUTH CAROLINA HOUSING TRUST FUND

Tax Increment Financing

FUNDING

Outcome



**NEW DEVELOPMENT
/ PRESERVATION**

Regulatory



LEGISLATIVE UPDATE

Implementation Lead



MUNICIPALITY

OVERVIEW

Tax Increment Financing (TIF) districts allow for incremental property taxes to be captured locally for a set period of time and then reinvested within the same district. TIF is a value capture mechanism that works by capturing the increase in property value driven by the catalytic impact of public investment, such as transit. A TIF district defines a base value upon adoption. Any increase in taxable value within the defined geography over the following 30-years will be directed to a TIF fund, rather than the general fund. The value capture mechanism allows municipalities to fund public projects, including affordable housing, that would not otherwise be viable but for the TIF.

IMPLEMENTATION PATHWAY

- Identify target projects and corridors where a TIF could be most beneficial
- Conduct TIF eligibility analysis for target corridors
- Analyze the fiscal impact of implementing a TIF district on the overall health of the jurisdiction
- Determine TIF priorities and adopt redevelopment plans, as appropriate

NATIONAL BEST PRACTICE:

25% of TIF funds for Affordable Housing - Cincinnati, OH



In June of 2020, the Cincinnati City Council unanimously voted to direct 25% of all current and future TIF revenues to affordable housing. There is currently about \$26M in the City's TIF funds across 35 existing TIF districts, resulting in \$6.6M earmarked for affordable housing. The new Cincinnati measure was a significant pivot from the historic use of TIF funds predominately to build public parking garages.

LOCAL INITIATIVE:

In the fall of 2020, Governor McMaster expanded the eligible use of TIF funds in South Carolina to include the cost of private affordable housing construction. TIFs have been used in the BCD region historically to support public infrastructure investments rather than housing. TIF districts may be implemented by either local jurisdictions or counties.

SC TIF AFFORDABLE HOUSING EXPANSION

Affordable Housing Bonds

FUNDING

Outcome



**NEW DEVELOPMENT
/ PRESERVATION**

Regulatory



LEGISLATIVE UPDATE

Implementation Lead



**COUNTY/
MUNICIPALITY**

OVERVIEW

General obligation bonds allow for municipalities to issue government-backed bonds ultimately repaid through local taxes or a specific revenue source. General obligation bonds for affordable housing are particularly valuable because they are a significant flexible source of funding available to fill project capital stack shortfalls. These general obligation bonds are often only viable when backed by an additional tax approved via referendum. Most municipalities do not have the financial capacity to issue a substantial bond for affordable housing without a new source of funds for repayment. Bonds are typically backed by either a penny sales tax increase or property tax increase.

IMPLEMENTATION PATHWAY

- Evaluate revenue source alternatives
- Determine political plausibility of approving a referendum to support affordable housing
- Work with nonprofit and community group partners
- Identify priorities for leveraging the funding source

NATIONAL BEST PRACTICE:

\$80M Affordable Housing Bond – Raleigh, NC



In 2020, residents of Raleigh voted in favor of an \$80M affordable housing bond. The bond is estimated to be a \$20 per person increase in taxes per year. One priority of the bond is to “seek projects and acquisition opportunities near planned transit routes like BRT.” The City, nonprofits and grassroots organizations were all involved in a public campaign to support the bond prior to the referendum.

LOCAL INITIATIVE:

Charleston residents overwhelmingly passed a referendum allowing the City to obtain a \$20M bond for affordable housing in 2017. The \$20M has supported 8 affordable housing developments, creating more than 500 new units for moderate and low income households. The funds have been paired with other funding sources to maximize the bond impact.

CITY OF CHARLESTON BOND TAX

CAPACITY BUILDING

Outcome



NEW DEVELOPMENT /
PRESERVATION

Regulatory



NO CHANGE
REQUIRED

Implementation Lead



REGIONAL NONPROFIT

OVERVIEW

Attracting and building relationships with affordable housing developers is critical to expanding the production and preservation of affordable housing. Interviews with local stakeholders (municipalities and nonprofits) pointed to the absence of high-capacity affordable housing developers in the region as a critical challenge. There are a variety of national affordable housing developers, funders and service providers the BCD region could engage with to stimulate interest in the market. A local housing coalition can help build awareness and increase capacity by providing a forum for interested developers to network and learn from one another.

IMPLEMENTATION PATHWAY

- Identify and meet with affordable housing organizations active in the region and nation
- Produce a document to inform organizations of housing needs & available resources

NATIONAL BEST PRACTICE:

Training Program to Build Capacity – Florida Housing Coalition, FL



Florida Housing Coalition, a nonprofit serving the state of Florida has many different training programs to support affordable housing. The Technical Assistance program works to build capacity for nonprofits to maintain and build affordable housing. Additionally, the Coalition recognizes that it is critical for local jurisdictions to build relationships with private developers. Working toward this goal, Florida Housing Coalition engages with local governments to explore ways to attract affordable housing developers and remove barriers. The non-profit is sponsored by most major lending institutions along with national affordable housing players; both of which are critical to the success of affordable housing deals.

CAPACITY BUILDING

Outcome



NEW DEVELOPMENT /
PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



MUNICIPALITY

OVERVIEW

Jurisdictions can streamline their entitlement process to make it easier for affordable housing developers and advocates to produce affordable housing. There are a number of ways to create a more efficient system, such as maintaining a consistent schedule for funding programs to add predictability to the process, providing educational materials to help developers understand the application processes, being more transparent about a jurisdictions' priorities, updating applicants throughout selection processes, lessening application requirements at early stages of an application, establishing key staff to assist in the affordable housing development entitlement process, and more.

IMPLEMENTATION PATHWAY

- Review current processes and identify critical bottlenecks and/or barriers
- Prioritize potential improvements to streamlining the entitlement process
- Amend requirements as appropriate

NATIONAL BEST PRACTICE:

Affordable Housing Streamlined Approvals – San Francisco, CA



California approved Senate Bill 35 in 2017 which required cities streamline the approval of proposed developments that include low income housing units. San Francisco was affected, as the city was behind the statewide targets for building housing affordable to households at or below 80% AMI. As a result, any projects seeking approvals with at least 50% of units set aside for households earning less than 80% AMI are eligible for a streamlined approval. Projects approved for streamlining must go through the design review and public oversight within 90 days if less than 150 units; 180 days if more than 150 units. Projects are only eligible for the program if the current zoning is consistent with the proposed development, the site is in an urban area, and the units will be legally-restricted affordable housing.

CAPACITY BUILDING

Outcome



NEW DEVELOPMENT /
PRESERVATION

Regulatory



NO CHANGE

Implementation Lead



ALL

OVERVIEW

Affordable housing remains deeply unpopular in many communities across the nation. Local opposition to affordable housing (often termed “not in my backyard” or “NIMBYism”) is one of the biggest barriers to affordable housing. Media and branding initiatives spearheaded by non-profits or municipalities can be critical to the success of increasing the affordable housing inventory. Media initiatives are often led by non-profit housing activists who can engage with local journalists or community groups to build support for single-site projects or affordable housing more broadly. Identifying local champions is a great technique to combat NIMBYism.

IMPLEMENTATION PATHWAY

- Outline media/branding strategy
- Determine what resources are available to conduct media/branding for affordable housing

NATIONAL BEST PRACTICE:

Campaign for \$80M Bond – Raleigh, NC



Voters in Raleigh overwhelmingly supported a referendum for an \$80M affordable housing bond in November 2020. This effort garnered media attention. Vote Yes, which was paid for by Citizens Supporting Raleigh, educated the public to “vote yes” for affordable housing in Raleigh by sharing existing conditions and potential tools to support the affordable housing shortfall in Raleigh.

LOCAL INITIATIVE:

Metanoia partnered with the Charleston Realtors Association in 2020, along with a coalition of others, to build public awareness around the proposed Charleston County bond referendum to support affordable housing. Both organizations worked to engage voters, providing details on how the funds would be used, how taxes would be impacted, and why they were critical.

PROPOSED CHARLESTON COUNTY LOWCOUNTRY FUND

AFFORDABLE HOUSING RECOMMENDATIONS

Recommendations for the BCD region, LCRT Corridor and key municipalities

Engagement with Affordable Housing Stakeholders

Each affordable housing champion must play a role in the affordable housing strategy


The LCRT TOD project team has had many different touchpoints with affordable housing stakeholders in the BCD region. These focus groups, workshops, and discussions have informed this report and the recommendations presented. Overall, affordable housing actors in the region are open to a range of approaches toward solving the affordable housing problem. To have a successful affordable housing strategy, different organizations must play different roles. There are large scale regional initiatives that can be spearheaded by regional entities like the BCDCOG or economic development organizations. There are also specific changes local jurisdictions can implement to support the production and preservation of LRAH and NOAH units.

LCRT TOD PLANNING AFFORDABLE HOUSING ENGAGEMENT




Affordable Housing Focus Groups
Understand existing needs, challenges, initiatives, and potential opportunities

Local jurisdictions, economic development organizations, affordable housing authorities, advocates, and developers


6 meetings


25 participants


19 organizations



Opportunity Sites Workshops
Identify sites for redevelopment and understand the community's redevelopment focus areas and goals

Charleston, North Charleston, Summerville



Affordable Housing Discussions
Discuss existing portfolio, initiatives, and future plans for affordable housing

Charleston, Charleston Housing Authority, North Charleston, SC Housing, Charleston County

Critical Factors for Recommendations

Recommendations considered feedback from stakeholders

Throughout the TOD planning effort, the LCRT project team has met with multiple stakeholders. The affordable housing recommendations presented on the following slides take into account feedback from stakeholders in order to recommend strategies that are most likely to be successful, effective, and feasible. Five key factors to determining appropriate recommendations for the BCD region, LCRT Corridor, and different municipalities were: unique existing conditions, political feasibility, limited available funding, avoid reinventing the wheel, and the impact of the Pandemic.



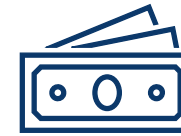
Unique Existing Conditions

The recommendations consider the existing inventory of housing, in terms of its make-up of owner and renter-occupied units and its affordable housing stock. Furthermore, the recommendations were informed by what initiatives already exist in the area.



Political Feasibility

To implement any of the strategies will require effort on the part of nonprofit organizations and/or municipalities or the county. Therefore, it is critical to consider the likelihood that the recommendation can be implemented by an affordable housing champion. Furthermore, many of the strategies require actions to be taken by elected officials.



Limited Available Funding

Stakeholders informed the project team that in many instances, limited funding is available to support affordable housing initiatives. With this in mind, recommendations were made.



Avoid Reinventing the Wheel

Stakeholders commented that recommended strategies should not start from scratch. It is critical to build from existing affordable housing momentum in the area.



Impact of the Pandemic

As presented earlier, the Pandemic has led to an increase in unemployment, leading to households losing income and likely causing more households to struggle to pay their housing costs. While the pandemic has disrupted many lives, it is assumed that the BCD region will recover.

Recommended Strategies by Jurisdiction

Recommended strategies vary by place due to unique factors impacting each jurisdiction

While recognizing there are many programs and strategies already at play, as noted previously in “Affordable Housing Best Practices,” the chart below presents SB Friedman’s recommended strategies to prioritize for increasing affordable housing in the BCD region, LCRT Corridor, Charleston, North Charleston, and Summerville. Some recommended strategies are adjustments to existing programs, while others are entirely new programs to the region.

KEY RECOMMENDED STRATEGIES BY JURISDICTION

RECOMMENDED PRIORITY STRATEGY

+ : create
↑ : expand



HOUSING PROGRAMS

| | BCD REGION | LCRT CORRIDOR | CHARLESTON | NORTH CHARLESTON | SUMMERVILLE |
|------------------------------------|------------|---------------|------------|------------------|-------------|
| Community Land Trust and Land Bank | | ↑ | | + | + |
| Revolving Loan / Grant | | | | + | + |
| Down Payment Assistance Program | | | | | + |
| Public Land Disposition | | + | | | |
| Deed-Restricted Housing | | ↑ | | | |
| Tenant Right of First Refusal | | ↑ | | | |
| Accessory Dwelling Units | | | ↑ | | |
| Equitable TOD Zoning | | + | | | |
| Entitlement Incentives | + | | ↑ | + | + |
| (Re)-Zone for Residential Uses | | | | ↑ | |
| Housing Trust Fund | | | ↑ | | |
| Tax Increment Financing | | ↑ | | | ↑ |
| Affordable Housing Bonds | + | | | | |
| Local Housing Coalition | + | | | | |
| Streamline Development Process | | | ↑ | | |
| Media / Branding | | | | | + |



REGULATORY OPTIONS



ZONING OPTIONS



FUNDING MECHANISMS



CAPACITY BUILDING

Regional Initiatives To Continue to Pursue

The BCD region should continue to advocate for broad-scale initiatives with significant impact



CHARLESTON COUNTY PROPERTY TAX FOR AFFORDABLE HOUSING

In November 2020, Charleston County voted on a referendum proposing a two-millage rate increase on property taxes to support an affordable housing trust fund. The referendum included a second question which would determine if the County could borrow money to fund affordable housing, debt that would have been secured by the property tax increase. The referendum did not pass.

The bond referendum certainly presents a setback, locking the County out of a comparable referendum for two years. However, the County should continue to work toward a regional affordable housing bond referendum that would have the potential to make a significant impact. In advance of a future bond referendum, the County could continue to build out plans for developing a trust fund and deploying funds. Like transportation sales tax initiatives, the County could work to develop a priority list of affordable housing projects that would be supported by a future referendum vote to add clarity around the next ballot initiative.



STATEWIDE ACCEPTANCE OF INCLUSIONARY ZONING

Representatives from the BCD region have advocated for the ability to create inclusionary zoning districts at the South Carolina State House of Representatives, which is currently forbidden by State law. A bill was first introduced in the House in 2017 and was most recently introduced to the Senate in February of 2019. An inclusionary zoning policy would require new construction residential development include affordable units within defined zones. The City of Charleston already has workforce zoning districts, which work similarly, however it provides density as an incentive for affordable housing rather than mandating affordable housing.



CONTINUE TO PUSH QUALIFIED ACTION PLAN CRITERIA TO SUPPORT BCD REGION

In recent years, there have been changes to the criteria of the Qualified Action Plan (QAP), a State level document which articulates how LIHTC are allocated. Affordable housing champions in the BCD region have advocated at the State level to modify the scoring system to make projects within the BCD region more competitive. The BCD region has been successful in advocating for QAP changes over the last 3-years; influencing scoring criteria that previously negatively impacts BCD projects. The BCD region should continue to advocate for better QAP positioning and partner that effort with building affordable housing developer partnerships.



BUILD AFFORDABLE HOUSING/NONPROFIT DEVELOPER CAPACITY

The BCD region should reach out to national affordable housing developers to build market awareness. This effort could be led by the BCDCOG or affordable housing advocates in the region.

TOD Corridor Recommendations

All jurisdictions overlapping the Corridor would benefit from standalone affordable housing protections



ESTABLISH A COMMUNITY LAND TRUST/BANK

A land bank and/or trust could be established to support affordable housing. A nonprofit, including the Palmetto Land Bank, would well serve the community by building out an effective land bank within the Corridor. A nonprofit would begin by developing an inventory of the vacant property within the Corridor while securing funding to acquire and clean parcels. A land bank would work particularly well within the Corridor because of the high vacancy alongside the rapidly changing market. Land banking property before the market improves dramatically will provide low-cost opportunities for affordability in station areas.



LEVERAGE PUBLICLY-OWNED LAND

Each municipality should evaluate the benefit of leveraging publicly owned land within station areas for affordable housing. Local municipalities and counties have surplus land that could be provided at a low cost to affordable housing developers. Given the limited amount and high cost of land in the Corridor, activating publicly-owned land would ease some of the challenges to affordable housing development.



USE DEED RESTRICTIONS / TENANT RIGHT OF FIRST REFUSAL

Both deed restrictions and tenant right of first refusal laws are tools designed to ensure long-term affordability within existing housing in the Corridor. Jurisdictions should require long-term affordability deed restrictions for any housing that receives public assistance. Tenant right of first refusal should be further evaluated as a potential tool to prevent displacement of existing renters within the Corridor. If tenant right of first refusal is a viable option, municipalities should work to connect renters facing displacement with nonprofit organizations who can help renters organize or secure funding.



CREATE A TOD ZONING OVERLAY TO INCENTIVIZE AFFORDABLE HOUSING

As is currently underway, the entire Corridor should consider adopting TOD zoning ordinances that support equitable development patterns. Equitable TOD provisions may look different by jurisdiction but should generally reduce parking requirements in exchange for affordable housing and provide land-use flexibility, particularly for residential development.



CONSIDER OTHER FUNDING SOURCES

There are a variety of tools, such as TIF districts, that could provide a source of funding for affordable housing. In the Fall of 2020, revenues generated from TIF districts in South Carolina became eligible to support private affordable housing developers. TIFs have been used in the BCD region historically, but funds generated were limited in their use to support public improvements. In the BCD region, counties or jurisdictions could develop TIF district(s) along LCRT and prioritize affordable housing construction or rehabilitation from the revenues generated.

CHARLESTON

The City of Charleston has more LRAH units than NOAH units. Given the Peninsula's market, it may be difficult to increase NOAH unit counts, so it will be critical to preserve and add LRAH units.

Challenges

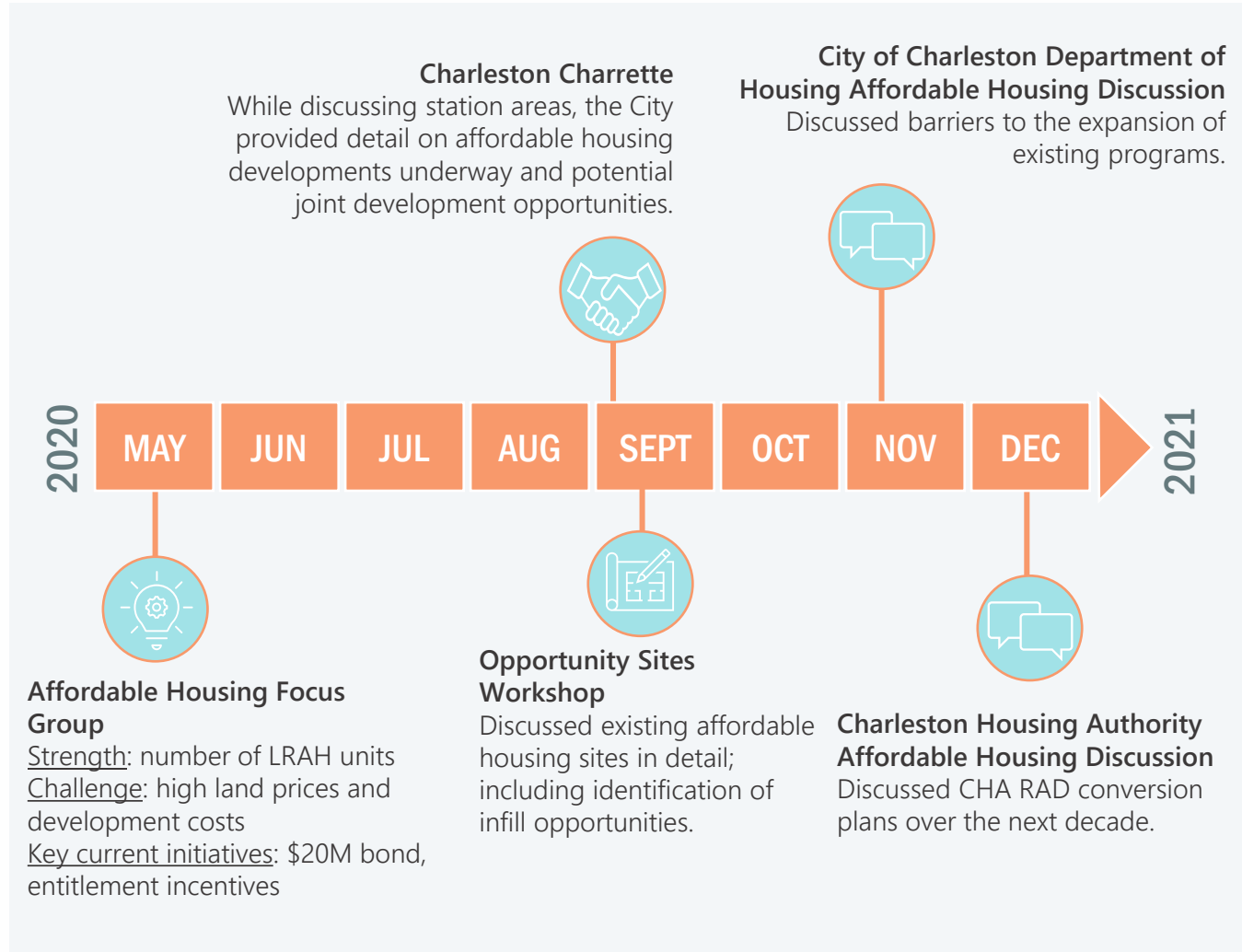
- High land prices and development costs on the Peninsula

Existing Initiatives

- Workforce housing district
 - Developers required to provide on site affordable housing or pay a fee in lieu
 - To date, most developers have opted to pay the fee in lieu raising millions of dollars to support City affordable housing initiatives
- Bond referendum - used to fund projects identified through a public RFP process

Source: City of Charleston, Charleston Housing Authority, SB Friedman

CHARLESTON STAFF ENGAGEMENT



Charleston Recommendations

Charleston should expand affordable housing initiatives leveraging knowledge gained from pilot programs

The City of Charleston already has a relatively robust affordable housing program which leverages entitlement and funding options. The following recommendations are predominately modifications to existing programs:



ESTABLISH A PERMANENT FUNDING SOURCE FOR AN AFFORDABLE HOUSING TRUST FUND

In 2017, City of Charleston residents overwhelmingly passed a referendum allowing the City to obtain a \$20M bond to support affordable housing. The City could consider ways to renew the property tax increase or find a different permanent funding source to sustain an affordable housing trust fund.



AMEND WORKFORCE HOUSING ZONING DISTRICT

INCREASE FEE IN LIEU

Charleston’s workforce housing district zoning provides entitlement incentives in exchange for building workforce (<120% AMI for owner-occupied and <80% AMI for renter-occupied) units. The zoning allows developers to pay a fee in lieu which goes into a fund to support affordable housing.

The City of Charleston could increase the fee-in-lieu of the workforce housing district so that it better correlates to the cost of constructing a new affordable housing unit. Currently, developers are opting to pay the fee-in-lieu because it is more cost-effective than building a new affordable housing unit. A proposed increase was submitted to Council and is being deliberated as of March 2021.

FOCUS AFFORDABLE HOUSING UNITS IN STATION AREA

Furthermore, the workforce housing district zoning ordinance could be amended to eliminate the fee in-lieu alternative in specific station areas. There are unique benefits to being adjacent to the station areas that cannot be replicated even with a perfect fee equivalent to the cost of a unit. The zoning could be amended to require affordable units be built on-site within high-opportunity station areas, assuming a developer desires the additional density.



PRIORITIZE ACCESSORY DWELLING UNITS

Charleston should prioritize development of ADUs on lower-density properties within the Peninsula station areas. These units can provide lower-cost housing in amenity-rich, transit-adjacent neighborhoods. These ADUs could be encouraged through a public marketing campaign, tax incentives or loan support.



STREAMLINE DEVELOPMENT PROCESS

Charleston should continue to streamline the development process for projects with at least 50% affordable units. Given the high land price and development costs on the peninsula, creating a more efficient system could support the development of affordable housing.

City of North Charleston

North Charleston has more NOAH than LRAH units, emphasizing the need to preserve affordability

NORTH CHARLESTON

The City of North Charleston has more NOAH than LRAH units. The City will need to find ways to preserve the existing NOAH units as the market likely improves as the LCRT is implemented.

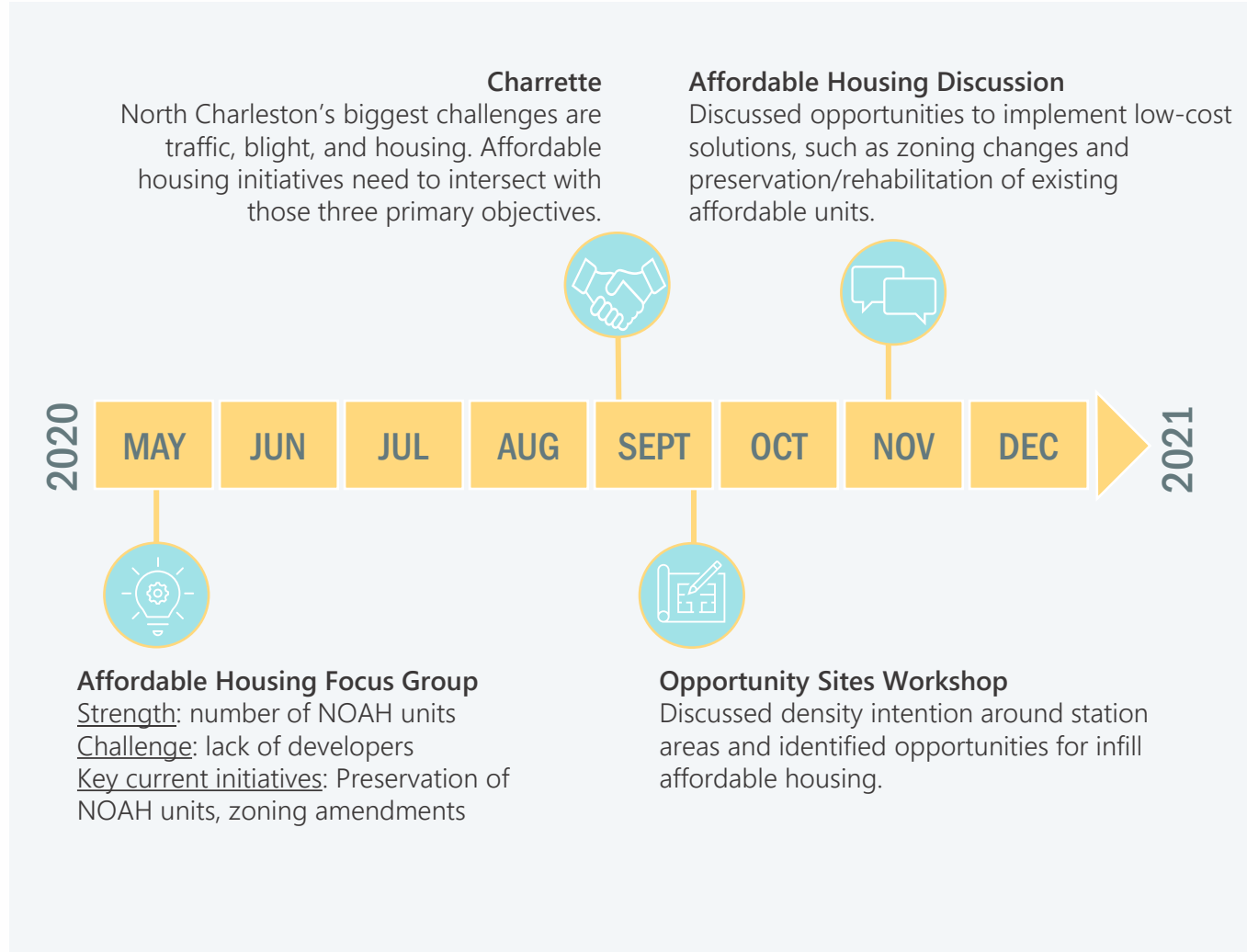
Challenges

- Historic market rate rents did not exceed legally restricted affordable housing rent maximums
- Limited funding

Existing Initiatives

- Recent regulatory changes to reduce the number of nonconforming vacant properties
- Several nonprofit organizations active in the City

NORTH CHARLESTON STAFF ENGAGEMENT



Source: City of North Charleston, SB Friedman

North Charleston Recommendations

There is an immediate need to improve and preserve NOAH units in North Charleston

Historically, affordable housing efforts in North Charleston have been championed by partners like Metanoia and Habitat for Humanity. North Charleston faces the challenge of both (1) needing to provide more affordable housing and (2) needing to improve the condition of the existing naturally occurring affordable housing. The following recommendations are focused on low-cost solutions to reduce the number of cost burdened households:



ESTABLISH ENTITLEMENT INCENTIVES

Entitlement incentives, such as minimizing the parking requirements, in exchange for building affordable housing units could incentivize developers to build in North Charleston and support the production of affordable housing.



(RE)-ZONE FOR RESIDENTIAL USES

North Charleston has a significant amount of underutilized retail property within the Corridor. These properties could be rezoned to allow for residential infill development, allowing for more product. Depending upon market conditions, these rezoned properties could be partnered with entitlement incentives to ensure affordability of new units.



CREATE A COMMUNITY LAND BANK

There are a significant number of vacant properties in North Charleston that would benefit from a land bank. A land bank would require an upfront funding source. However, there is a tremendous opportunity to purchase properties that are vacant or blighted, rehabilitate/redevelop as appropriate, and then sell the properties to a low- or middle-income household with deed restrictions. Case studies have shown the upfront cost of land banks is often offset by the eventual return of taxable property value.



START A REVOLVING LOAN / GRANT REHAB PROGRAM

A revolving loan fund would be well suited to help existing residents living in owner-occupied properties make low-cost quality of life improvements. These small loans can be managed by either the City of North Charleston or a non-profit organization. Again, small loans could be tied to long-term affordability provisions ensuring that units which receive public subsidy have a long-term benefit.

Town of Summerville

Approximately 50% of existing housing in downtown Summerville is NOAH, which should be preserved

SUMMERVILLE

Summerville, and surrounding municipalities and unincorporated areas have historically been relatively affordable for the region. Approximately 50% of existing housing in Downtown Summerville is NOAH units.

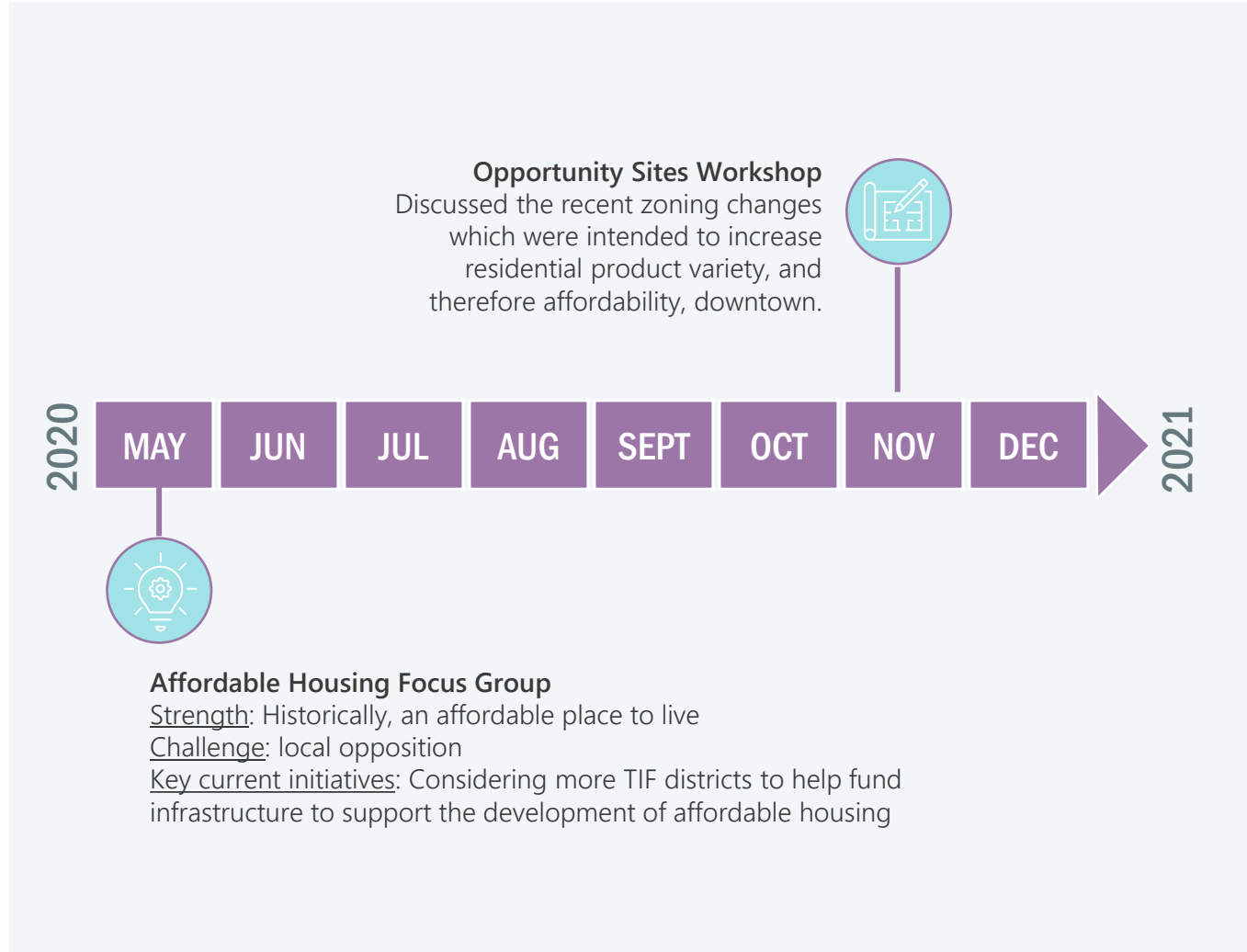
Challenges

- Local opposition
- Limited land availability within Corridor

Existing Initiatives

- Most new rental housing is NOAH
- Recent LRAH development (private)

SUMMERVILLE STAFF ENGAGEMENT



Source: SB Friedman, Town of Summerville

Summerville Recommendations

Summerville has the opportunity to balance both NOAH preservation and LRAH development

Summerville has historically been relatively affordable within the BCD region. Strategies to support affordable housing in Summerville should be aimed at preserving NOAH units while also developing more affordable housing. As the LCRT is brought to Summerville and Nexton is developed, developers may be more attracted to Summerville, which could threaten its relative affordability in the region.



START A REVOLVING LOAN / GRANT REHAB PROGRAM

A revolving grant or forgivable loan program to assist eligible homeowners in renovating their houses could help preserve NOAH housing in Summerville. The town would need to consider the criteria for the program and find a funding source, at least initially, to start the revolving loan fund.



CREATE A DOWN PAYMENT ASSISTANCE PROGRAM

Summerville could create a down payment assistance program in which the town offers low-interest loans to help households pay for a down payment on a house. The town would need to consider eligibility requirements as well as determine an initial funding source for the program.



LEVERAGE PUBLICLY-OWNED LAND

Summerville could make public land available for affordable housing by selling or donating the land to affordable housing developers or nonprofits at a low cost.



ESTABLISH ENTITLEMENT INCENTIVES

Entitlement incentives, such as density bonuses or decreased parking requirements, in exchange for developing affordable units could incentivize developers to build affordable housing in Summerville.



LEVERAGE TIF DISTRICTS

Summerville has expressed an interest in developing a TIF district within the Corridor to support affordable housing. TIF can be used strategically to fill any remaining funding gap after state and federal LIHTC.



STRENGTHEN MEDIA/BRANDING AROUND AFFORDABLE HOUSING

One of Summerville's main challenges against affordable housing is local opposition. Summerville, or a local nonprofit partner could spearhead a media initiative to share existing conditions and potential tools to support affordable housing in order to garner public support.

Conclusions

It is critical that jurisdictions and nonprofit partners take an active role in affordable housing in order to address housing affordability in the BCD region

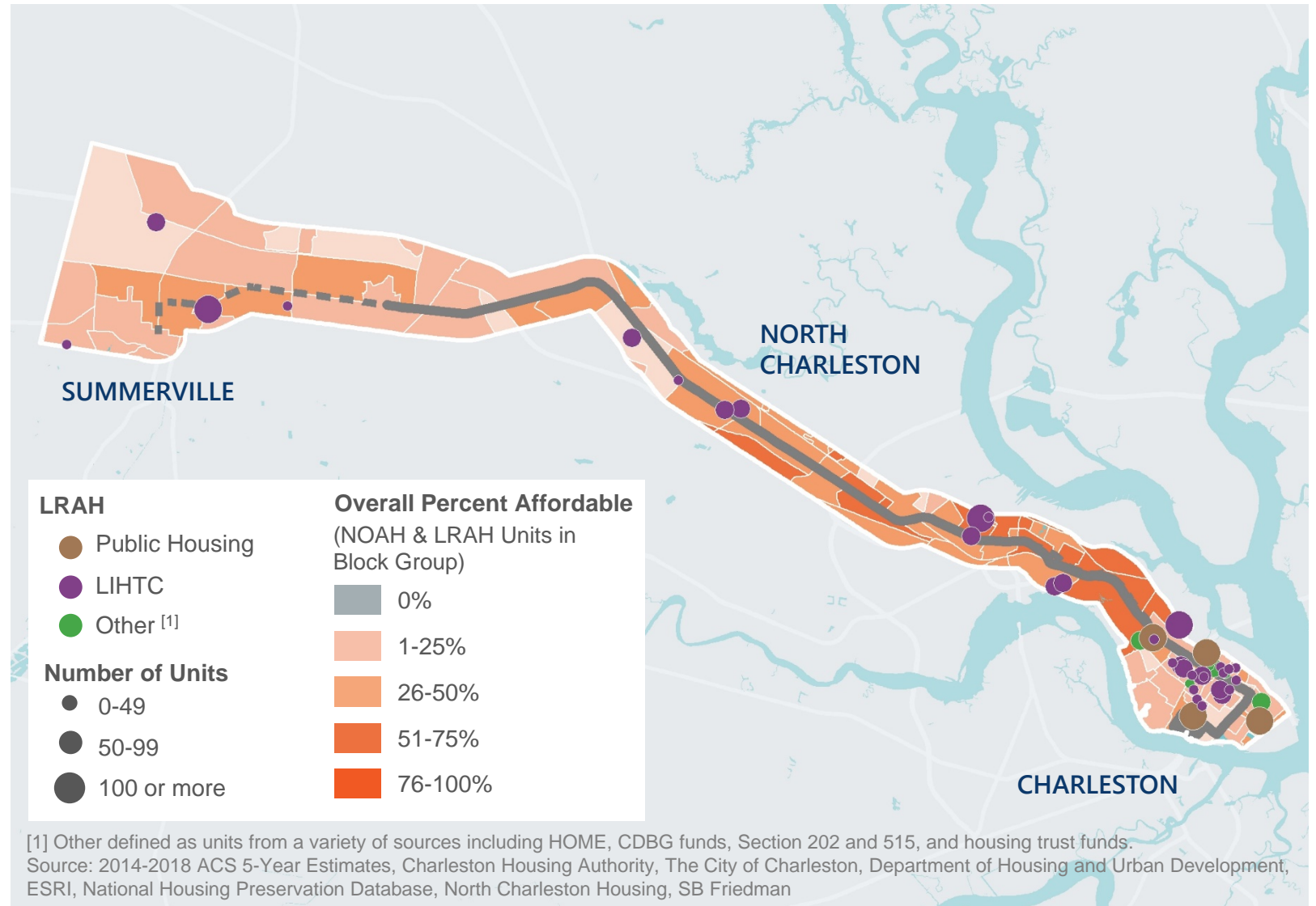
Conclusion

In the BCD region today, there is a nearly 10,000 unit shortfall of housing units affordable to households earning less than \$35,000. Without a significant public intervention, SB Friedman projects there could be a 26,000-34,000 affordable housing unit shortfall for households earning less than \$35,000 by 2040.

In efforts to reduce the demand for affordable housing that exists today and the likely increase in demand for the future, the region should prioritize the creation and preservation of affordable housing near transit.

The region has a significant need for affordable housing throughout, however especially within the Corridor. While LCRT is expected to have a transformational impact on the real estate market, development pressures can also have a negative impact on existing renters who are at risk of displacement. Affordable housing protections and development near transit will both provide a safety-net for existing renters and provide greater-access to long-term affordability near transit.

There are best practices nationally to look to for solutions, as well as successful programs in the BCD region. Affordable housing programs and policies should be continuously pursued and expanded upon, working with leaders regionally and locally to find ways to protect and produce affordable housing along the LCRT.



Limitations of Our Engagement

Our report is based on estimates, assumptions and other information developed from research of the market, knowledge of the industry and meetings during which we obtained certain information. The sources of information and bases of the estimates and assumptions are stated in the report. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will necessarily vary from those described in our report and the variations may be material.

The terms of this engagement are such that we have no obligation to revise the report or to reflect events or conditions which occur subsequent to the date of the report. These events or conditions include without limitation economic growth trends, governmental actions, additional competitive developments, interest rates and other market factors. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project.

Our deliverables are intended solely for your information, for purposes of understanding current and possible future housing conditions and considering new municipal policies to address unmet housing needs. The report should not be relied upon by any other person, firm or corporation, or for any other purposes. Neither the report nor its contents, nor any reference to our Firm, may be included or quoted in any offering circular or registration statement, appraisal, sales brochure, prospectus, loan, or other agreement or document without our prior written consent.

We acknowledge that upon submission to the BCDCOG, the report may become a public document within the meaning of the Freedom of Information Act. Nothing in these limitations is intended to block the disclosure of the documents under such Act.