

The Hamlet

Housing affordability is a pressing issue facing communities across the country. Rising housing costs can have serious ramifications for residents' financial stability, access to employment centers, and quality of life. In the Charleston metro area, rapid population growth and a tightening housing market have fueled concerns about the region's affordability. A recent City of Charleston housing plan notes that the city's growth has led to "a housing crisis that has made the area an increasingly difficult place to live and afford for long standing residents."

As industry professionals, the Charleston Trident Association of Realtors® (CTAR) agree that our housing market is at crisis levels. However, we do not believe the issue cannot be properly addressed. We need collaboration if we are going to solve the housing dilemma that we find ourselves in. Collaboration with our community stakeholders, but most importantly, we need collaboration with our public and private sectors to address our housing needs.

The Charleston Trident Association of Realtors® (CTAR) has been involved in our region for over 100 years as the resource for real estate information. As part of our responsibility to the community, we continually study our local market. In order to identify the problem areas and provide policy solutions to address our housing shortfall, we conducting an in-depth examination of our market and market conditions. These finding were published at our Residential Market Update in January of 2022. There is not a single idea or silver bullet that will solve all our needs but a collective effort will provide for a stable housing environment.

An area for improvement is enhancing public-private partnership opportunities. With land costs rising and being a driver to unaffordable housing options, we sought creative ways to counter this trend. Local governments are some of the largest land owners in the community, with large tracts for potential uses, but not yet assigned a use. We believe that public assets, partnered with the development community, can yield more housing options than either can provide utilizing their own resources.

Charleston County School District (CCSD) is a government entity with properties for prospective school sites and parcels that do not meet the size standards of today's campuses. With teacher shortages being a real problem for CCSD and housing an issue for CTAR, we began discussing building a public-private partnership to address our housing needs and provide an incentive for teachers who are in their early career.

Through our analysis, we will show the need for more housing options in our region, identify policy solutions, land management strategies, examine various school districts and their attempts to address teacher housing, and options for the Charleston County School District to consider. The proposal considers two sites:

1. Mary Ford Elementary in North Charleston
2. C.E. Williams in West Ashley

However, this modeling can be used for additional sites in the CCSD portfolio.

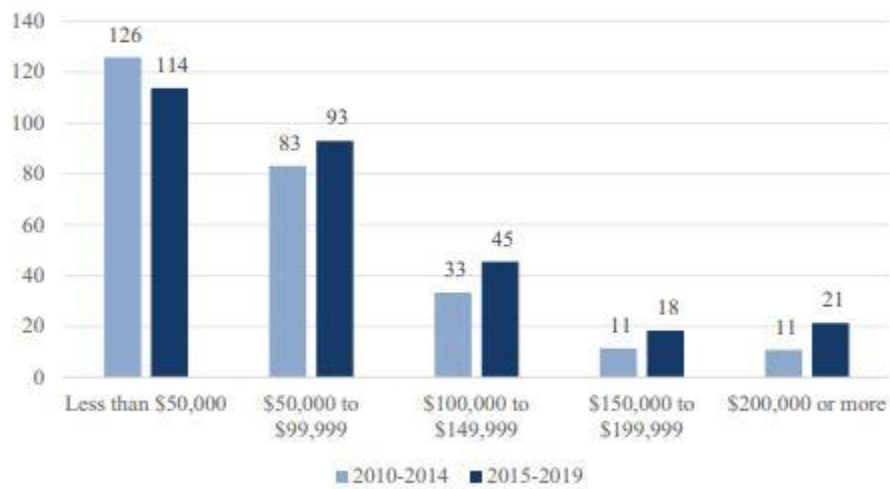
In researching for this proposal, we examined projects in Baltimore, Fairfield County, SC, Miami, and San Francisco to understand what they are doing with regards to teacher housing. We also used local resources to understand the dynamics in the project such as this. We feel this is something that can be

achieved by CCSD and will benefit the community as a whole. Having an added tool for teacher retention is important and through our conversations we found this would be appreciated by those teachers.

Population Growth

The Charleston metro area has experienced rapid growth in the past two decades. Since 2000, the region has gained 270,000 residents—a nearly 50% increase during a time when the total U.S. population grew by just 17%. The region has also seen changes to its income profile, which shifted markedly between 2010 and 2019, as shown in Figure 3. From the first half of the decade to the second, the Charleston region gained 27,000 households, an increase of 10%. At the same time, the number of households with annual income below \$50,000 decreased by 10%, while those with annual income over \$200,000 nearly doubled. South Carolina experienced a similar (although less pronounced) shift—the total number of households increased by 7% while the number of households with annual income over \$200,000 increased by 82%.

FIGURE 3. Number of Households by Income Bracket in the Charleston Metro Area, 2010-2019 (thousands)

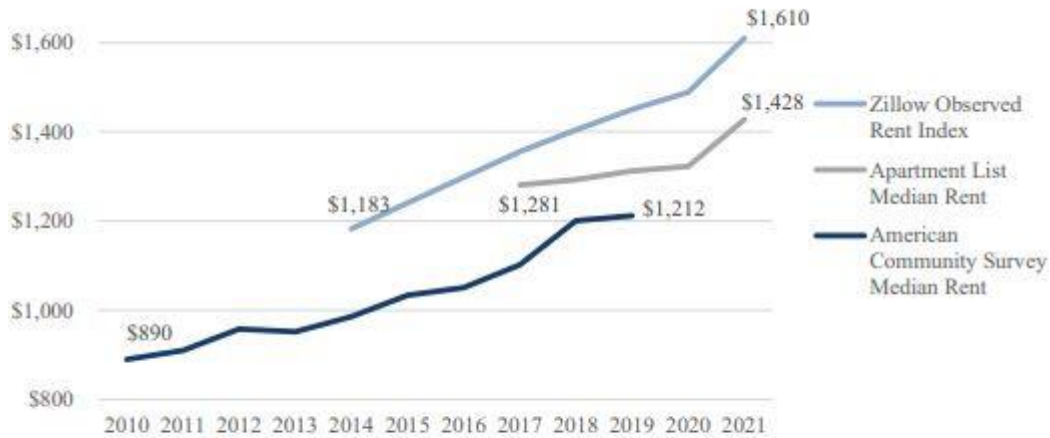


Source: AEG analysis of base data from the U.S. Census Bureau.

Rising Housing Costs Rent Prices

Accurately estimating rents is a challenging task, as rents are not systemically recorded in any single database. Rent data captured through online listing platforms provide current data, but may not reflect rents in units that have not been on the market recently, or whose owners do not choose to list online. Quality survey data can provide a more comprehensive view of the rental market, but is usually not very current due to the lag time between administering the survey and publishing the results. We therefore show rent estimates from a number of different sources in Figure 5. All three sources suggest a steady rise in typical rents in the Charleston area over the past several years. The median rent reported by the American Community Survey increased by 36% between 2010 and 2019. More recent rent estimates provided by Zillow and Apartment List indicate substantial rent increases of approximately 9% and 19%, respectively, during the first three quarters of 2021.

FIGURE 5. Rents in the Charleston Metro Area, 2010-2021



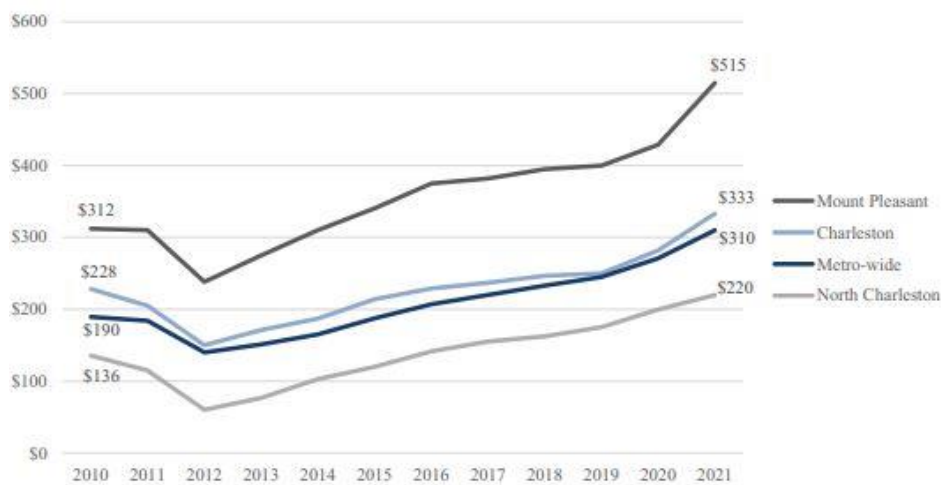
Source: AEG analysis of base data from the U.S. Census Bureau, Zillow, and Apartment List.

Note: Zillow and Apartment List annual rent figures represent average monthly rents in that year. The 2021 data cover January through September.

Home Sale Prices

Home sale prices in the Charleston metro area have also increased over the past decade, as shown in Figure 6. The metro area's median sale price during the first half of 2021 was \$310,000, 43% higher than the median sale price of \$190,000 in 2010. Among the region's three most populous municipalities, Mount Pleasant experienced the largest price gain on a dollar value basis, with its median sale price increasing by more than \$200,000 over the past decade. On a percentage basis, however, North Charleston's median sale price grew the most, at 47%.

FIGURE 6. Median Home Sale Prices in the Charleston Metro Area, 2010-2021



Source: AEG analysis of Multiple Listing Service data provided by CTAR.

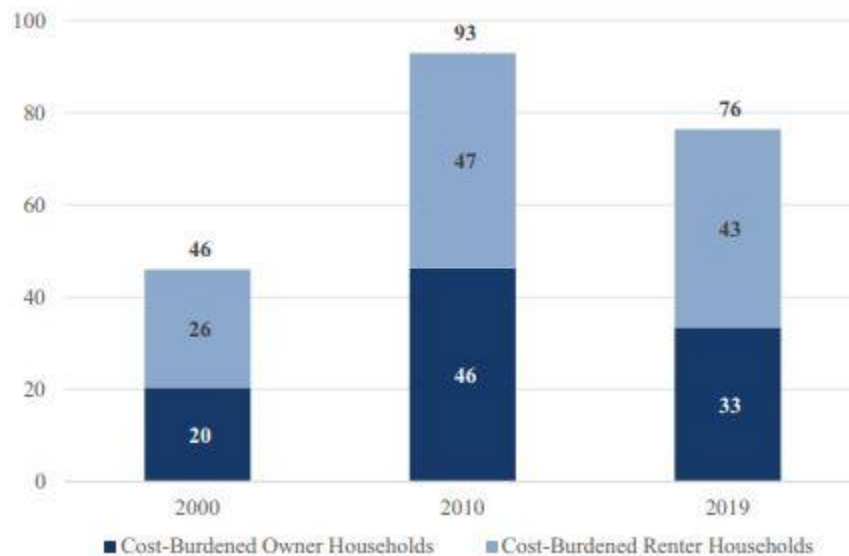
Note: The 2021 data cover January through June.

Measuring Housing Affordability

Measuring housing affordability accurately is more complex than simply comparing an area's typical income to its typical housing cost. A home's value to prospective occupants is determined not just by the quality of the housing unit itself, but also by the availability of nearby amenities, access to employment opportunities, public safety, the performance of local schools, and a host of other considerations. These factors can quickly complicate questions of housing affordability. For example, if a home with a relatively low rent price is located far from employment centers, its occupants are likely to commute farther to work and pay more for transportation. Because of the multifaceted nature of housing costs, there are a number of different ways to define housing affordability. One of the most common approaches is to classify housing costs below 30% of household income as 'affordable' and housing costs above that threshold as 'cost-burdened.'

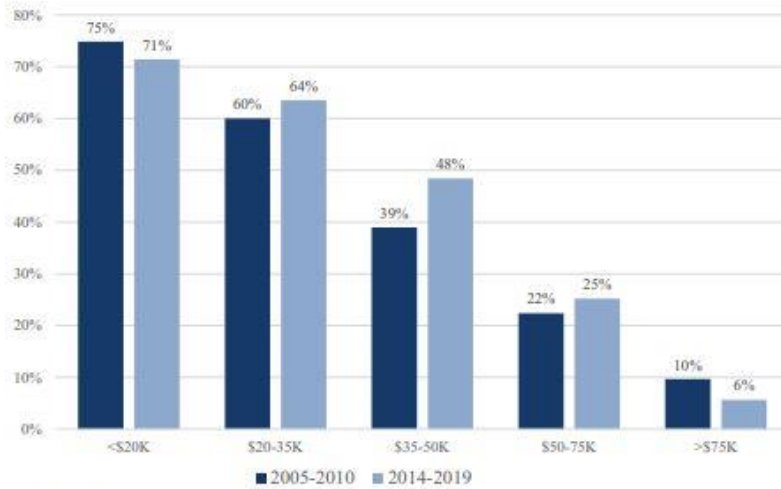
In 2019 (the most recent year for which data is available), 34% of households in the Charleston metro area were considered housing cost-burdened, compared to 25% statewide. That year, there were approximately 76,000 cost-burdened households in the Charleston region, as shown in Figure 7. The number of cost-burdened households today is lower than it was in 2010 during the aftermath of the Great Recession. However, the number of cost-burdened renter households has barely changed since 2010, and the number of cost-burdened households overall remains 65% higher than it was in 2000.

FIGURE 7. Number of Cost-Burdened Households by Tenure in the Charleston Region, 2000-2019 (thousands)



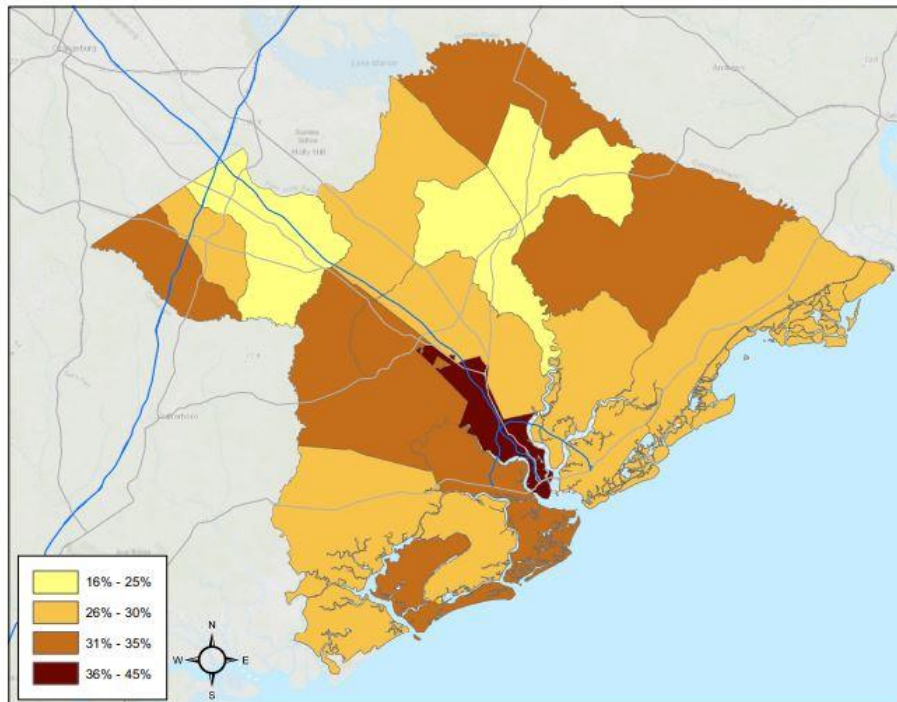
It is also important to note that housing cost burden trends vary among income groups. While housing cost burdens have decreased for households in the lowest and highest income brackets, the percentage of cost-burdened households with income between \$20,000 and \$75,000 has increased, as shown in Figure 8.

FIGURE 8. Number of Cost-Burdened Households by Income Bracket in the Charleston Region, 2005-2019 (thousands)



Source: AEG analysis of base data from the U.S. Census Bureau.

Housing cost burdens also vary geographically across the Charleston metro area. We show the proportion of cost-burdened households in each of metro Charleston’s County subdivisions in the map below. Rates of housing cost burden are highest in North Charleston and the Charleston Peninsula, where 45% and 44% of households, respectively, spent more than 30% of their income on housing costs in 2019. It is important to note that areas with fewer cost-burdened households do not necessarily have lower housing costs. Housing cost burden is a function of income as well as housing costs. As a result, areas with relatively steep housing costs may not have high rates of housing cost burden if household incomes there are also relatively high.



Source: AEG analysis of base data from the U.S. Census Bureau.

Role of the Local Government

The federal government plays a significant role in affordable housing, particularly through programs like Low-Income Housing Tax Credits (LIHTC) and the Housing Choice Voucher program (also known as Section 8). However, because land use decisions typically fall within the purview of local government authority, local policymakers play a critical role in housing market regulation. Their policy decisions have meaningful consequences for local housing affordability. As housing costs have risen in recent years, local governments have changed land use policies to allow more housing to be built. Local governments exercise control over land use through zoning ordinances, which determine where different types of structures may be built. Residential zoning rules determine the number of housing units allowed on a site, the number of parking spaces required, the minimum size of the lot, and so on. These rules may encourage or restrict residential density, thereby increasing or decreasing the number of available housing units in a given area. Some local governments have also set aside additional tax revenue or expanded their role in land asset management to support rent- or income-restricted affordable housing development. Below, we describe how local governments have leveraged their land use and taxing authority to improve housing affordability.

Local governments across the U.S. have experimented with a number of policies to increase regional housing affordability. These policy tools typically fall into one of three broad categories:

1. Improving the capacity of local housing authorities to respond to housing issues through staffing, data use, or procedural changes;
2. Changing housing market regulations to increase the number of market-rate housing units or to incentivize developers to create new affordable housing; or
3. Creating land asset management strategies and funding sources to develop new affordable housing units.

Some of these policy tools aim to reduce pressure on housing costs by increasing the supply of market-rate housing, while others support the creation of income- or rent-restricted housing for those who cannot afford market-rate units. Policies aimed at increasing housing supply can help reduce the costs of market-rate housing, but may not be sufficient to improve housing affordability for lower-income households. Income- or rent-restricted units—typically subsidized with government funding—are needed to ensure that affordable housing is available to all households regardless of income level. In this report, we refer to income- or rent-restricted units as affordable housing units (AHUs).

Capacity Building

To build capacity, housing authorities can increase their efficiency and impact by enhancing collaboration, streamlining administrative processes, and improving data collection and analysis. In this section, we highlight recommended strategies for the Charleston County School District.

Strengthening Partnerships to Expand Impact

To maximize the impact of available housing resources, some cities have built new inter-jurisdictional or public-private partnerships focused on housing affordability. In Snohomish County, Washington, 13 cities have partnered with the county government and the local housing authority to accomplish a number of shared goals by:

- managing a housing fund;
- establishing an affordable housing data clearinghouse;
- providing technical assistance to local officials; and
- collaborating on affordable housing strategy and advocacy efforts.

In 2016, New York City sought to improve government staffing capacity by creating the Fund for Public Housing. By coordinating public-private partnerships, the City worked with nonprofits and other organizations to connect NYC Housing Authority residents to opportunities they might not have been able to access otherwise.

The Housing Partnership Network offers another example of capacity building. This national collective brings together developers, owners, and financial institutions to collaborate on housing projects. The group spearheaded the “Develop Detroit” initiative, tasked with creating a nonprofit to develop new housing. They are also working to rehabilitate at least 70 housing units, earmarking a portion of them for AHUs.

Transit-Oriented Development

Transit-oriented development (TOD) zoning reform allows denser development in residential areas near transit stops. Typically, housing within walking distance of a stop will also have more relaxed parking requirements. Equitable transit-oriented development (eTOD) policy includes a focus on affordable housing. It can be an important tool for alleviating poverty by improving access to transportation.

Denver’s TOD policies include providing loans to housing developers in exchange for building more AHUs near transit. Incentives like this one have helped build not just AHUs in the city, but also neighborhood amenities including a public library and an affordable community space to host nonprofit organizations.

Funding and Land Asset Management

Local governments can also use resource management to increase housing affordability, either by generating funding for AHU construction or by utilizing land assets to encourage housing development. Because finances can be an impediment even when there is motivation to build affordable housing, local governments can help to alleviate constraints through funding for public or nonprofit housing development. Local governments can also leverage land assets to promote housing development by returning vacant land to productive use.

Land Banks: Land banking involves investment in underutilized properties that may be blighted or vacant to turn them into affordable housing options. In cities where lack of available land is a more pressing issue, setting up a land donation incentive can encourage developers and other land owners to donate parcels to a land bank. The land bank can then build affordable housing on the property. Philadelphia’s land bank is one successful example, using federal and local funding to create or preserve 853 AHUs between 2018 and 2020.

Workforce Housing Density Bonus: The City of Charleston’s zoning code allows unlimited residential density in zoning districts for mixed-use and workforce housing, as long as developers set aside at least 20% of units as workforce housing (affordable to households earning up to 80% of AMI), make an in-lieu land contribution, or pay an in-lieu fee. So far, 13 of 14 participating developers have chosen to pay the

in-lieu fee rather than build the required workforce units. The City dedicates revenues from the in-lieu fee to funding affordable housing.

Funding and Land Management

City of Charleston Affordable Housing Bond Issue: Charleston voters approved a \$20 million affordable housing bond in 2017. The funding was allocated to eight affordable housing projects in the city and is expected to create 630 affordable rental units. The city expects to repay the bond after 20 years.

Palmetto Community Land Trust: In 2018, the Charleston Redevelopment Corporation—a nonprofit that partners with the City of Charleston, the Historic Charleston Foundation, and the Charleston Housing Authority to create and preserve affordable housing—formed the Palmetto Community Land Trust. The land trust utilizes 99-year inheritable ground leases, resale price caps, and public-private partnerships to offer long-term affordable homeownership opportunities to Charleston residents.

Charleston County Affordable Housing Fund: In November of 2020, Charleston County voters weighed in on a ballot initiative that would have levied a property tax to generate revenue for an affordable housing trust fund. The referendum proposed a two-mill tax increase on property taxes that was expected to generate \$8 million a year for up to 20 years. The measure was narrowly rejected, with 51% voting no and many voters abstaining. Although the ballot initiative did not pass, the close margin suggests that there are a significant number of Charleston County voters who support raising public funds to address housing affordability.

In 2022, Charleston County established a housing fund using American Rescue Plan (ARPA) funds. \$20,000,000 were set aside for projects in the county to help preserve and create naturally occurring affordable housing in the county. While some of these funds have been allocated, with a well-crafted plan, CCSD should be able to receive an award from the county. The County's Neighborhood and Revitalization Department oversees these funds. CCSD should engage with the county to explore what resources remain and how CCSD can take advantage of this program.

Establish Inter-Jurisdictional Partnerships: Local government authorities in the Charleston metro area include three county governments and over two dozen municipal governments. There are also several housing-specific entities, such as the City of Charleston Housing Authority, the City of North Charleston Housing Authority, and the Charleston Redevelopment Corporation. Although housing affordability is a region-wide issue, there is currently no single regional inter-governmental partnership focused exclusively on coordinating housing affordability efforts in the Charleston metro area. Establishing a housing affordability inter-jurisdictional partnership would increase opportunities for local policymakers to align housing policy initiatives, benefit from technical assistance, and advocate for housing affordability

Public-Private Partnerships: Public-Private Partnerships are an area that CTAR believes can take advantage of public assets and private market solutions. This project with CCSD is a perfect example of this type of partnership. Using the land asset from CCSD and partnering with a private developer can produce a more cost-effective solution to the issue of housing.

The City of Charleston is currently exploring public-private partnerships with the Sumar Street property in West Ashley. The former Piggly Wiggly site will be an asset for West Ashley and the City of Charleston. By utilizing the land that is owned by the city, the private market partner can provide an amenity to the community and add, much needed, office and meeting space in West Ashley.

Transit-Oriented Development: The Charleston metro area's Lowcountry Rapid Transit (LCRT) bus system is expected to begin construction in 2023, with operations set to begin in 2026. The LCRT will bring new opportunities for transit-oriented development to increase the housing supply along the new transit corridor. Cleveland's experience in this area indicates promise. With one of the best rapid transit systems in the country, Cleveland helped generate \$9.5 billion in economic development and 8,800 new housing units along its route as of 2018.

Empirical research indicates that BRT systems can increase demand for housing and improve traffic congestion. In a study analyzing the 2016 impact of BRT lines on housing prices in Eugene, Oregon, researchers found that for every 100 meters closer a house was to a station, house prices increased by over \$1,100. BRT impacts on travel congestion depend in part on the system components, but Boston's BRT system generated a 45% improvement in traffic times along its corridor. Our analysis suggests that zoning changes may be necessary to increase housing supply near the future LCRT route.

Given that much of the non-residentially zoned land near the future LCRT route was zoned for business use only, in 2021, the City of North Charleston rezoned the corridor along Rivers Avenue to mixed-use zoning. Expanding the use of mixed-use zoning can increase opportunities for new housing development while also supporting commercial corridors. The future LCRT corridor may also present opportunities to expand the use of density bonuses, which allow developers to build more housing units on a given site than would otherwise be allowed in return for designated affordable units in the development. At present, there do not appear to be any well-publicized density bonus policies in the Charleston metro area beyond the City of Charleston's workforce housing districts, although Charleston County's comprehensive land use plan recommends them as an affordable housing strategy.

We estimate that utilizing TOD policy along the proposed LCRT route could result in approximately 250 to 500 new housing units over the next five years that would not otherwise be built.

Public Support

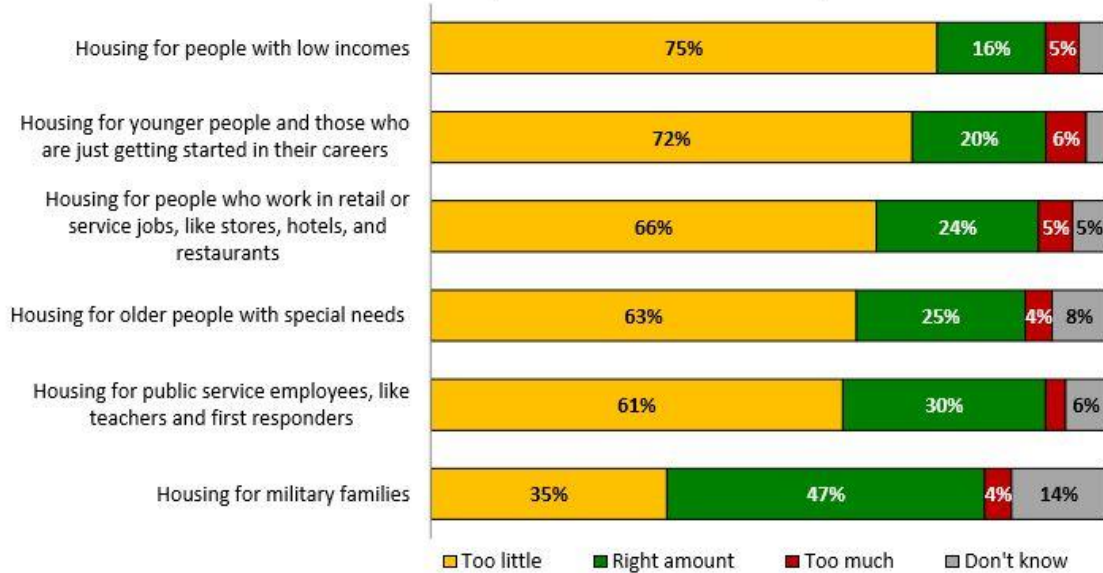
CTAR conducted polling in April, 12-29 of 2022 to gauge public support on key issues in our market. Housing related issues are top of mind for Charleston County voters. We reached 783 registered voters and our poll had a margin of error of +/- 3.6%. 70% of those polled feel housing affordability is a very big problem. 51% are concerned with housing availability. 61% feel there is too little housing for service employees such as teachers and first responders.

The public understands the limiting forces on housing and are willing to entertain public-private partnerships to address our housing concerns. Given the track record of past referendums with CCSD, a transparent effort, with identified outcomes, should garner public support for the creation of teacher housing in our market.

In our industry, one of the first questions many of our agents get asked are about the local schools. Providing an incentive to keep quality teachers will make our schools better equipped to handle the growth in our area. The public tends to be supportive of measures that will keep the classroom size lower and provide for more one-on-one attention with the students. The teacher retention possibility for CCSD will strengthen our schools and provide a great community benefit.

Housing Shortage Seen as Most Acute for Those With Lower Incomes and Younger People

Amount of Housing Available in Charleston County



Q.10 Still thinking about housing, please tell me if you think there is (ROTATE TOO MUCH/TOO LITTLE) too much, too little, or the right amount of each of the following in Charleston County.

AMERICAN STRATEGIES

Mary Ford Elementary-North Charleston

The Mary Ford site is exceptionally positioned to take advantage of the conditions provided. It is conveniently located both in proximity to serving the entire county and convenience to the Lowcountry Rapid Transit Line. Proximity to the upcoming LCRT, I-26, I-526, and nearby communities make this an ideal location for teacher housing.

CCSD has roughly 5.5 acres of developable land on this site, with the opportunity to create 50+ townhome style units of one and two-bedrooms, or a denser development of walkup style apartments. The wetlands provide a natural buffer between the neighboring community. This is a smart use of the CCSD land to maximize the asset, yet respect the environment and surrounding community.

This site can take advantage of programs like the Federal New Market Tax Credit, Federal Opportunity Zones, SC Housing Trust Fund Program, ARPA Funds from Charleston County, and other potential local matching funds.

Mary Ford does present some obstacles in public support with the neighboring community. CCSD will need to work with community leaders in the area to address their concerns and develop support for the teacher village. However, North Charleston City Council is a municipality that is willing to work with developers to address housing needs. While there may need to be some public education, there will be political support for a project such as this.

The main objection we heard from community leaders was the potential unintended consequence of higher taxes. There is also some concern over the potential of a large-scale apartment complex nearby a residential community. For these reasons, and the environmental concerns of the site, we used a

traditional townhome style development. This provides an opportunity to have some density, while also respecting the neighborhood and making the feel of the community somewhat consistent.

Mary Ford has tremendous upside. From location and access, to the opportunity to take advantage of various funding programs. Mary Ford should be explored and CCSD can make a decision on the best use of that site. There are also several not-for-profit developers who work in the space around Mary Ford and would be extremely knowledgeable on the moving parts that are involved in developing in North Charleston.

Below you will find the site, site layout, and renderings of potential developments on that site.


Please note, although Newkirk Environmental, Inc. is confident in its assessments, the USACE is the only agency that can make final decisions regarding wetland delineations; therefore, all preliminary determinations are subject to change. Until verification is received from the USACE, no reliance may be made in this preliminary determination. Newkirk Environmental, Inc. strongly recommends that written verification be obtained prior to closing on the property, beginning any site work or making any legal reliance on this determination.




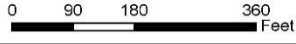
Legend

- ▬ Tributary
- Project Boundary
- Approximated Wetland (5.3 acres)

Approximation Map
 Project #: 01-5108a Date: May 12 2022
 Created by: CAB



Mary Ford Elementary School
 Charleston County, South Carolina



LS3P Site Configuration
~5.5 acres



Mary Ford Site Design-Layout 1
44 Townhouse Units @ 1,400 sq/ft
66 Flats Apartments @ 900 sq/ft
88 Apartments @ 700 sq/ft



Mary Ford Site Design-Layout 2
 54 Townhouse Units @ 1,600 sq/ft
 108 Flats Apartments @ 800 sq/ft

C.E. Williams-West Ashley

C.E. Williams is another site impacted by wetlands but this site allows CCSD to take advantage of the wetlands. In an effort to minimize the development pressure on the environment and by recommendation of the Dutch Dialogues, the City of Charleston passed a Conservation Cluster Ordinance with the intent for balance.

The Conservation Cluster Ordinance seeks to incentivize development out of wetland areas, while respecting the property owner’s right to develop. On parcels of 10 acres or more, developers can concentrate their project on the highlands, receive the same density as the entire site, and protect sensitive areas.

This site can also take advantage of the City’s MUH Zoning that allows for unlimited density for projects that address workforce housing. A housing development for teachers meets that need by occupation and pay. Workforce housing is needed across the region and the City of Charleston has this enticement to encourage more development at these price points.

C.E. Williams is also in an area that is absorbing a tremendous amount of growth. With West Ashley and Johns Island experiencing the majority of the growth in the City of Charleston, housing opportunities for

teachers in that area are important. As the schools grow, having programs to support teachers may prove an important recruitment and retention tool.

Unfortunately, C.E. Williams does not qualify for as many assistance programs as Mary Ford but this is a unique opportunity that should attract other funding sources. This site does present more upside in the fact that it can take advantage of zoning benefits within the City of Charleston.

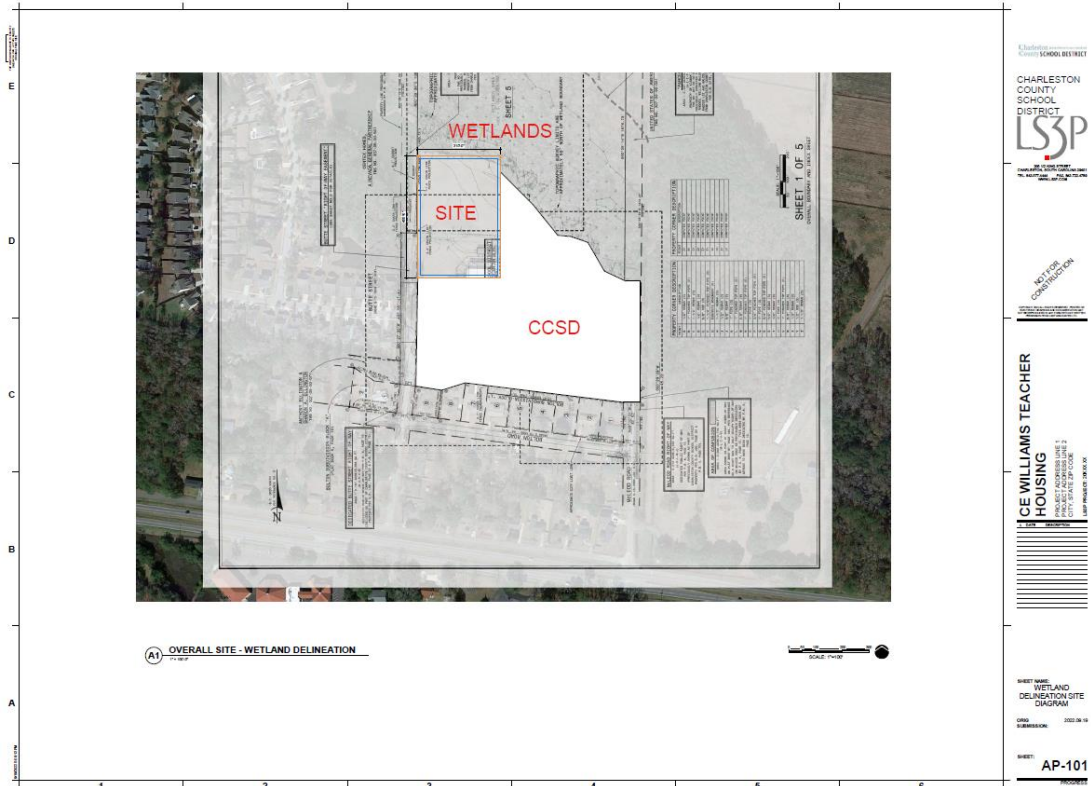
Below you will find the site, site layout, and renderings of potential developments on that site.



C.E. Williams Site



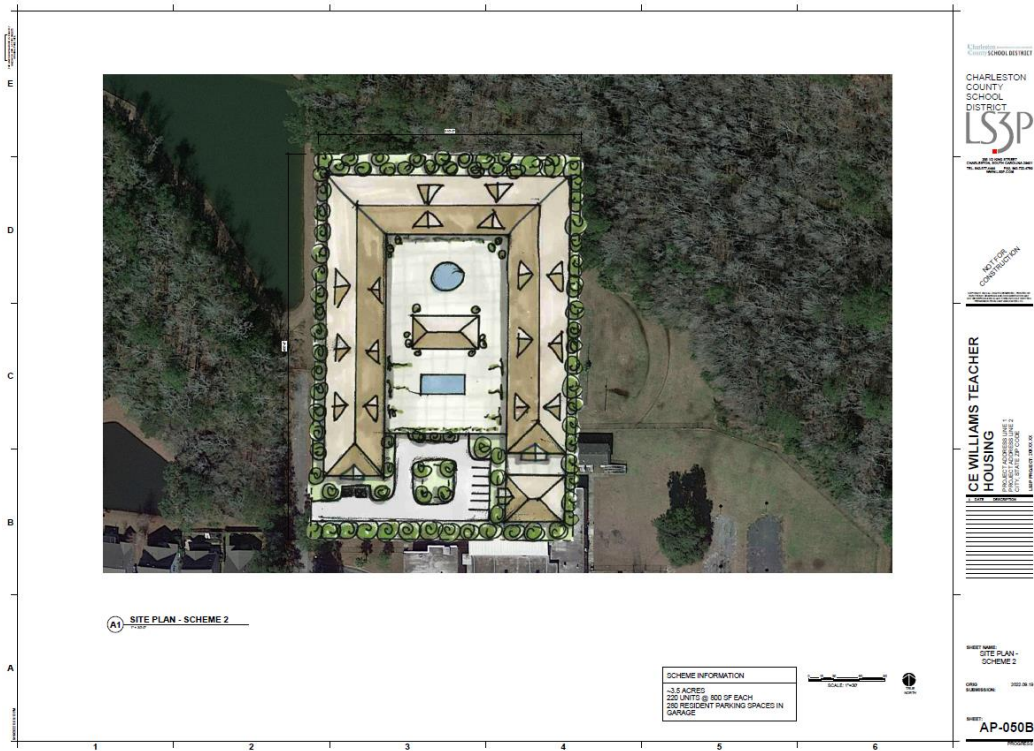
C.E. Williams Teacher Housing Site Layout



Future C.E. Williams School Site Layout with Teacher Housing



~4 Acres
 96 Units @ 750 sq/ft
 120 Residential Parking Spaces



~3.5 Acres
 220 Units @ 800 sq/ft
 280 Parking Spaces/Garage Underneath

Project Costs:

Construction costs are at an all-time high, which is why eliminating land costs is such an important piece to this being realistically feasible. In a best-case scenario, land costs are roughly 20% of your project costs. Today, land costs are over 50% of the project costs. This is leading to the high cost of new construction in our market. Eliminating land costs is an important piece to providing an affordable product.

Material costs are difficult to project in today's fluctuating market. Material goods have been escalating prior to the inflation pressures we are seeing today. It is important to note that these projections could be outdated and CCSD should plan on higher estimates than what we are providing.

We wanted to incorporate "Missing Middle" housing for these sites but the costs for single-family construction are too high at the moment to make any project affordable with the limited density that comes with single-family homes. Today, the average cost per square foot for single-family construction is nearly \$400 sq/ft. This makes an average 1,350 sq/ft home, with 3 bedrooms and 2 baths, \$540,000 per unit. For this reason, we did not recommend single-family housing on the CCSD properties.

Multi-family and townhome models are a more affordable product for what CCSD is wanting to achieve. Multi-family construction is roughly \$175 sq/ft and townhome construction are roughly \$190 sq/ft. At an average of 800 sq/ft per unit, multi-family will cost roughly \$140,000 per key and a townhome will cost roughly \$152,000 per key.

At these relatively close price points, the design, aesthetics, amenities, and function should be the deciding factors between multi-family and townhomes. It is important to ensure the product is appealing to the potential teachers who will be living here and the neighborhood concerns that may arise during the approval process. CCSD will need to be proactive with the neighboring community, council members, and mayors, but these projects will have support by a majority of the decision makers involved.

Financing:

When examining the programs in Baltimore, Fairfield County, Miami, and San Francisco, they were all packaged differently. Each presented unique conditions and were able to take advantage of a variety of programs to fund their developments. A key to making this successful, is the ability of CCSD and the developer to stack money. Taking advantage of federal, state, and local incentive programs make these developments work.

When communicating with developers on their plan to address the financing, CCSD should encourage a strategy that incorporates a variety of funding streams. Being able to claw back the investments through these incentive programs will help to keep costs down and create an affordable product for the teachers.

While the below list does not include every funding program available, these were the commonly used systems we discovered in our research. It is important to note that these programs are competitive and do not represent the full list of potential funding streams. However, these programs do provide larger purses and make a project pencil faster than trying to attract smaller investments.

Low-Income Housing Tax Credit

The Housing Tax Credit Program (LIHTC) is designed to provide for-profit and nonprofit developers with an incentive to create and maintain affordable housing. This is the country's most extensive affordable housing program. Developments that may qualify for credits include new construction,

acquisition with rehabilitation, rehabilitation and adaptive reuse. Owners of and investors in qualifying developments can use the credit as a dollar-for-dollar reduction of federal income tax liability. Allocations of credits are used to leverage public, private and other funds in order to keep rents to tenants affordable. (schousing.com)

Our region does not take advantage of LIHTC projects as much as other parts of South Carolina. A project like the CCSD opportunity would be a strong example to draw LIHTC dollars to Charleston. CTAR has supported the LIHTC program in the past and will advocate to help bring these monies to our area.

Small Rental Development Program (SRDP)

The intention of the Small Rental Development Program (SRDP) is to create a small number of affordable housing units in neighborhoods and communities. The SRDP has three funding sources: HOME Investment Properties Program, National Housing Trust Fund, and South Carolina Housing Trust Fund. For the year of 2022, South Carolina plans on reserving \$10,000,000 from the HOME Investment Properties Program. Up to \$1,079,550 in HOME funds will be set aside for use by Community Housing development organizations. South Carolina plans on reserving \$8,000,000 from the National Housing Trust Fund and fifteen million dollars from the South Carolina Housing Trust Fund. There will be approximately \$33,000,000 in funding available and applications will be placed in four set asides.

The First set aside is General Construction. There will be 40% of available funds or \$13,200,000 available for applications that contain 8-39 units. For Micro New Construction, there will be \$6,600,000 which is 20% of the available funds will be allocated. This will include new construction that contains 4 units submitted by non-profit applicants.

The next set-aside is Rehabilitation and it will have \$6,600,000 of available funds allocated to it, this will include rehabilitation applications that contain 8-24 units. The last set aside is supportive housing which will have \$6,600,000 of available funds allocated to it. "This set-aside will include permanent support housing developments of which 25% of SRDP funded units are designated for persons in need of supportive services."

All eligible projects must be site specific and sites cannot be changed or substituted from the initial site application. Applications that proposed scattered site projects may have proposed sites removed at the discretion of SC Housing from their application if it is determined that the site is not suitable as long as the remaining sites in the application can accommodate the minimum number of units described for each set-aside (i.e., General New Construction, Micro New Construction, Rehabilitation, and Supportive Housing). All scattered site projects must be within one mile radius of each other. Mixed income projects must have a development with 4 affordable units at least 2 of the units must be market rate. Eight to thirty-nine affordable units or at least 20% of the total number of units must be market rate. All affordable housing units must be comparable in

size and design features, comply with all development design criteria unless a waiver has been submitted with the Tier I application. Application must be submitted and approved in writing by SC Housing. No additional waiver request will be approved after Tier I application submission unless the request is due to a change in circumstances and includes evidence satisfactory to SC Housing that the waiver is necessary and could not have been presented with the Tier I application submission.

Eligible activities under the SRDP include the acquisition of vacant land on which construction must begin within twelve months of the execution of the written agreement. Those that don't meet the requirements stated will have all funds rescinded. Demolition of vacant blighted buildings are also eligible and must be completed and construction underway within twelve months of the execution of the written agreement. New construction of any type must begin within twelve months of the execution of commitments for all SC housing funding sources are eligible. Acquisition with rehabilitation of residential building requiring a minimum expenditure of \$25,000 per unit in hard construction is eligible and must begin within twelve months of the execution of commitments for all SC Housing funding sources. Also, eligible activity under SRDP are site improvements including on-site utility costs and Operating reserves for NHTF specifically for assisted units only. Operating reserve funds are available for projects using project-based rental assistance. All rental projects available for funding include permanent rental housing, permanent supportive housing and transitional housing.

Final determination on funding sources and whether an applicant will receive repayable, forgivable, or a combination of both loans will be determined during the underwriting analysis. SC Housing reserves the right to reduce or increase funding sources during the underwriting process in order to allocate program funds to their best use. All terms apply to non-profit, for-profit and Public Housing Authorities. Repayable loans will have a 0% to 3% interest rate and the loan term will depend on the funding program affordability period. HOME Investment properties program funds are awarded as either 20 or 30 years repayable, forgivable or a combination of both loans. The amount of funds available to an individual rental unit will be based on the per unit subsidy limits allowed by HUD and determined during the underwriting analysis. Repayable loans will be amortized between zero to three percent. The interest rate will be determined during underwriting. The minimum term and amortization period of twenty or a period not exceeding thirty years. If proposing market rate units as part of the project, an executed preliminary commitment letter for funding from a financial institution or other acceptable lender must be provided with the Tier II application submission. The Final commitment letter must be received before an award agreement may be issued by SC Housing. All loans will be underwritten to ensure there will be cash flow sufficient to cover debt service. The HOME loan will be in a mortgage position relative to funding amount as compared to other funding sources committed to the development. HOME loans will be deferred for ninety day's following project completion. While the project is under construction interest will not be charged on the HOME loan.

NHTF funds are awarded as twenty or thirty years repayable, forgivable or a combination of both loans. The funds available will be based on the per unit subsidy limits allowed by HUD and determined during writing analysis. Repayable loans will be amortizing with an interest rate of 0% up to 3% for a minimum amortization period of twenty or a period not exceeding thirty years. A recorded agreement will enforce the required thirty-year affordability period. If proposing market rate units as part of the project, a preliminary Financial Commitment for funding from a financial institution or lender must be provided for the market rate units with the submission of the Tier II application. The final commitment letter must be received before an award agreement may be issued by SC Housing. Funds will be secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage. In the event the property is sold, all loans, both repayable and forgivable, become due and payable (as per the mortgage and

security agreement clause). All application will be underwritten such that they will be able to reach \$900 per unit in annual cash flow and to ensure there is enough to cover debt service. The loan will be in a mortgage position relative to the amount funded as compared to other funding sources. The loan will be deferred for 90-days following the project completion and interest will not be charged during the construction phase. Projects with six or more units that are eligible for the award will be required to have at least 25% of the project's units designated as NHTF units. Rehabilitation projects that propose extending any portion of a building beyond the original footprint of the building may not be assisted with NHTF dollars. Unique sites or significant agricultural property cannot be with NHTFs.

Lastly, South Carolina Housing Trust Fund will be awarded as either twenty years forgivable, repayable or a combination of both loans. Repayable loans have a 0% to 3% interest rate during the amortization period of twenty years or a period not exceeding thirty years.

If proposing market rate units as part of the project, a preliminary Financial Commitment for funding from a financial institution or other acceptable lender must be provided for the market rate units with the Tier II application submission. The final commitment letter must be received before an award agreement may be issued by SC Housing. The required twenty-year affordability period will be enforced through a recorded agreement as to Restrictive Covenant and/or amendments, as needed. SC HTF Funds will be secured through an Applicant's execution of a Promissory Note and the recordation of a Mortgage. Both repayable and forgivable loans become due and payable (as per the mortgage and security agreement clause) in the event that the property is sold. All applications will be underwritten such that they produce a Debt Coverage Ratio (DCR) of 1.30. If a 1.30 per unit debt coverage ratio produces cash flow per unit less than \$900, the underwriting will be adjusted such that the proposal will be able to reach \$900 per unit in annual cash flow. All applications will be underwritten to ensure there will be cash flow sufficient to cover debt service. The SC HTF loan will be subordinate to permanent conventional financing and the HOME and/or NHTF mortgages. HTF loans will be deferred for ninety days following project completion. Interest will not be charged on the SC HTF loan during the construction phase of the project.

New Market Tax Credit

The new market tax credit (NMTC) is used to finance and invest in underserved communities through lenders, investors, and firms. NMTC uses Community Development Entities (CDE) which are domestic corporations that demonstrate a commitment to serving and or providing capital to low-income communities.

The CDE maintains accountability through representation on an advisory or governing board. Community Development Entities can be for-profit entities, community development corporations, government entities, or banks. They create business plans and apply to the CDFI Fund for NMTC allocation. When the CDFI fund awards NMTC allocation to the CDEs it tracks compliance. Investors can then make equity investments into the CDE and the CDE will provide loans or equity to businesses in the community.

Applications for the CDFI Fund are scored in four areas: community impact, business strategy, capitalization strategy, and management capacity. When the CDE gets the allocation, it raises private investments and uses those investments for projects and businesses in low-income communities. Private investors (i.e., private financial institutions) in return for their equity investment in the Community Development Entity receive a 39 percent credit against federal taxes for seven years. The CDE uses that to make loans or equity investments in businesses in low-income communities. The loans provide borrowers with financing at below-market interest rates and typically include non-traditional features unavailable through conventional financing.

Purpose:

- To address the capital gap in underserved or distressed communities
- Provides financing, allowing investment to flow to areas underserved by conventional lenders, investors and firms

General Information:

- NMTC program must have a Community Development Entity or CDE which is a domestic corporation that demonstrates a commitment to serving or providing Capital to low-income communities and maintain accountability to those residents through representation on a governing or advisory board
- CDEs are at the center of the NMTC program
- CDE are affiliates of mission-driven organizations like CDFIs, for profit entities, community development corporations, government entities, or banks.

How it works:

1. CDEs create a “high-impact” business plan and apply to the CDFI Fund for NMTC allocation.
2. CDFI Fund awards NMTC allocation to CDEs and tracks compliance
3. Investors make equity investments into the CDE and the CDE provides loan or equity to businesses/entities in the community
4. Application are scored by the CDFI in four areas:
 - a. community impact
 - b. business strategy
 - c. capitalization strategy
 - d. management capacity
5. “When a CDE wins an allocation, it raises private investments and then deploys those investments to projects and businesses in low-income communities. In return for an equity investment in a CDE, a private investor – typically a private financial institution – receives a 39 percent credit against federal taxes, spread out over seven years. The CDE uses that capital to make loans or equity investments in businesses in low-income communities. NMTC-financed loans provide borrowers with financing at below market interest rates and often include non-traditional features unavailable through conventional financing.”
6. “The CDE uses that capital to make loans or equity investments in businesses in low-income communities. NMTC-financed loans provide borrowers with financing at below market interest rates and often include non-traditional features unavailable through conventional financing”

SC Facts:

- 93 Projects financed in South Carolina
- 15.7K jobs statewide
- \$2.1 Billion in Capitol

Opportunity Zones

Opportunity Zones are a federal government program created by Congress in the Tax Cuts and Jobs Act of 2017 to spur economic development and job creation in rural and urban low-income communities. This program provides federal tax reductions for taxpayers who invest in unrealized capital gains into specialized Opportunity Funds, then make an investment in the designated Opportunity Zone. There are 135 eligible opportunity zones in South Carolina. First, an investor can defer tax on any prior eligible gain to the extent that a corresponding amount is promptly invested in a Qualified Opportunity Fund (QOF). The deferral lasts until the earlier date on which the investment of the QOF is sold or exchanged, which is December 31, 2026.

If the investment is held for at least ten years, there will be a 10% exclusion deferred gain. If the investment is held for at least seven years, there is a 15% exclusion of the deferred gain. If the investor holds the investment for at least 10 years, the investor will be eligible for an adjustment in the basis of the QOF investment to its fair market value on the date that the QOF investment is sold or exchanged. Due to this basis adjustment, the appreciation in the QOF investment is never taxed, and a similar rule applies to exclude the QOF investor's share of gain and loss from sales of QOF assets.

Opportunity zones are designed to spur economic development by providing tax incentives for investors who invest new capital in businesses operating in one or more opportunity zone.

- “First, an investor can defer tax on any prior eligible gain to the extent that a corresponding amount is timely invested in a Qualified Opportunity Fund (QOF). The deferral lasts until the earlier of the date on which the investment in the QOF is sold or exchanged, or December 31, 2026. If the QOF investment is held for at least 5 years, there is a 10% exclusion of the deferred gain. If held for at least 7 years, the 10% exclusion becomes 15%.”
- “Second, if the investor holds the investment in the QOF for at least 10 years, the investor is eligible for an adjustment in the basis of the QOF investment to its fair market value on the date that the QOF investment is sold or exchanged. As a result of this basis adjustment, the appreciation in the QOF investment is never taxed. A similar rule applies to exclude the QOF investor's share of gain and loss from sales of QOF assets.”
- Opportunity Zones are a federal program created by Congress in the Tax Cuts and Jobs Act of 2017 to encourage economic development and job creation in low-income urban and rural communities. The program provides federal tax reductions for taxpayers who invest unrealized capital gains into specialized “Opportunity Funds” which then make an investment in designated “Opportunity Zones.” The zones themselves are comprised of low-income community census tracts designated by governors in every state.
- There are 135 eligible “Opportunity Zones” in South Carolina.

Private Investment

Private investment is a way to leverage dollars and help with the revenues. We found examples of companies and citizens partnering with local governments to provide housing. Philanthropic giving is an avenue CCSD and the development team should explore.

Our market is attractive for investors. Private money may not fully fund a project such as this but it can help close the gaps. Miller's Court in Baltimore is a great example of a family, using their private capital, creating a teacher village. This is an asset to the Baltimore system and that success has led to an expansion of the program into Philadelphia, PA. With a sound plan, CCSD should be able to attract some level of private investment for your teacher village.

Traditional Financial Institutions

Financial institutions are providing more avenues to the public for projects that provide community benefit. These programs are often referred to as Community Benefit Plans and they help provide the resources to reinvest in low-to-moderate (LMI) communities. These institutions can receive favorable rates and issuing money to these projects helps with the banks overall rating. A smaller, local bank would benefit by providing these types of services.

The Community Reinvestment Act (CRA) is another program that benefits the community and the banking institution. The CRA helps meet the community needs by investing and helping to create financial opportunities for low-income areas. This program helps to incentivize investment in the communities these institutions serve. It also works to encourage philanthropic giving in these same communities.

Teacher Focus Group & Interviews

As mentioned to us during our research of other community models, we wanted to hear from teachers on their experience early in their careers, but also future teachers. We performed several interviews with current and former teachers to discover what challenges they were presented as new teachers, and would they consider an option like this if it was presented to them at that point in their career. We also conducted a focus group with aspiring teachers who are in the Teachers Fellows Program at Charleston Southern University.

What we heard from current, former, and future teachers was a resounding "YES!" when asked about their interest in an incentive like teacher housing. The opportunity to learn and collaborate with their peers, knowing the school district supports them in their career pursuits and lives, the option to live closer to where they teach, the prospect of an affordable choice, and the ability to save money for their first home purchase were all reasons they gave backing this concept.

While we work to provide a model that supports less than \$1,000 per month for housing related costs, a consistent note of worry lies in this figure still not being low enough to comfortably live. What did bring some relief was creating more two-bedroom units and allowing for teachers to have a roommate. Sharing in the responsibilities with regards to rent and utilities eased their concerns. Therefore, we recommend any proposal entertain a blend of one and two-bedroom units that will alleviate any fears a prospective teacher may have pertaining to finances.

Safety is a universal want and need among the candidates we spoke with. For many, this is their first time living outside of their parents and college. Feeling safe and secure was mentioned in every conversation. Having the school district as a partner is an advantage from private sector options. CCSD can build into their models, from existing plans, how to protect these sites just as the district works to protect the current assets.

The other most discussed item was the request for shared space to work and collaborate. In an environment where creativity is tantamount to success, a work space is important. We recommend identifying ways to incorporate this into your site designs.

Many of the other thoughts and suggestions were consistent with other market options. They included amenities such as a washer and dryer in each unit and not a shared laundry, access to high-speed reliable internet, a fitness center, sustainable options like solar energy, and outdoor space were all mentioned as attributes they consider when identifying housing options.

Property Management

Property management will be a key component to the long-term stability of this project. CCSD should consider proposals that include a property management plan. CCSD is not equipped to absorb this responsibility and can best be managed through an outside party who specializes in this work.

The rent prices should provide the operating costs for these properties. The costs incurred by the developments should be reimbursed by a series of local, state, and federal funding opportunities. In order for this project to be affordable for teachers, developers need to stack public dollars and grant programs. CCSD should strongly consider developers with this portfolio background.

Management companies and developers will want a long-term lease opportunity. The standard for this type of project is a 99-year land lease at \$1 per year or \$1 for the 99-year lease. Eliminating the land costs and property costs will help contribute to the affordable rents CCSD is looking to provide.

The operating budget for this piece of the project should be provided in potential proposals. Identifying the amenities for these communities, operating costs, management fees, scheduled maintenance plan, security, utilities if included, are among the categories to consider. Ideally, a tenant is investing less than 30% of their take home income into housing related costs.

For instance, a first-year teacher makes \$41,000 in Charleston County. The model would need to provide for an acceptable rent for one- and two-bedroom units, factoring in utilities not provided for in the rent. In our focus groups, the opportunity to share costs with a roommate was an important factor in choosing this housing over other market rate housing. Proposals should reflect this desire with a mix of one- and two-bedroom units.

Considering the pay scale for new teachers, depending on floorplans, rent should fall into the \$600-\$800 per month range per tenant. CCSD should consider whether providing utilities with the rent is something the district can provide. A utility benefit can help keep the overall housing costs down and create more financial independence for the teachers.

Other factors to consider when engaging with a property management company include but are not limited to: how to address vacancies if they occur, how to compensate the management company for vacancies, the creation of a vacancy backstop plan, does the school district consider tenants in other public service industries if 100% occupancy is not met?

Conclusion

This is a great opportunity to capitalize on property the school district is unable to fully utilize. This is being done in other markets and a strategy can be implemented for the Charleston market. This does take a unique developer, who has the patience and financial backing to take advantage of the government programs available.

We did not entertain the school district providing any monetary support for this program, outside of the land itself. Bonding and general financing are options for the school district to pursue. We simply wanted to provide a roadmap on how to best use property in the school district's portfolio.

This strategy can help with teacher retention, provide stability in our schools, makes commutes shorter, and is an overall benefit to the community. Our community needs to be creative in how we address our housing needs and this is a solution that will benefit our teachers, schools, and the market. We appreciate the school district examining ways to best use land that is currently owned but does not meet today's campus needs.

Repurposing land is smart land use that will have many benefits to our community. While our report does not provide all the detail necessary, it does provide a path for CCSD to pursue. Once an RFQ has been determined as the next course, CCSD should request detailed information from potential developers on some of the issues highlighted. During the phase of receiving proposals, CCSD can then determine the best course of action for strategy and financing.

Using land that is no longer suitable for today's sprawling campuses will be an asset for CCSD. This type of land use is being implemented in other markets of our country. A Charleston specific model can be implemented and CCSD can lead on this smart land use for the State of South Carolina.

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