Evidence-Based Policymaking in South Carolina's Housing Credit Program

South Carolina State Housing Finance and Development Authority

Special Achievement: SA

HFA Staff Contact

Bryan Grady

bryan.grady@schousing.com

Evidence-Based Policymaking in South Carolina's Housing Credit Program

SC Housing is in an era of innovation. Since Executive Director Bonita Shropshire was elevated to her position in 2018, a dynamic team has materialized to move the agency forward. This team consists of veteran employees and new hires alike. In the past twelve months, the agency has had three major accomplishments: Publication of a statewide Housing Needs Assessment, implementation of an evidence-based 2020 Qualified Allocation Plan (QAP), and the enactment of a state-level companion to the federal Housing Credit. Taken together, these activities have demonstrated a commitment to reinvent affordable housing in South Carolina that has the support of the state's elected officials and a wide array of stakeholders as well as the HFA itself.

In her first months at the helm, Shropshire created two new staff positions that were instrumental in this effort. The first was a Director of Housing Initiatives and Innovation, who is tasked with bringing a fresh perspective to the agency's programs, often by convening new and existing stakeholders in ways that elicit different ideas for senior agency leadership to review and act upon. The second was a Chief Research Officer, who serves to facilitate evidence-based policy by leveraging data and emerging best practices to support program development and evaluation. The agency convened a cross-divisional team to develop recommendations for the 2020 QAP. The team began meeting early in the year to develop strategic priorities. Team members scoured existing best practices documents and other jurisdictions' QAPs to identify potential initiatives that could meet these priorities. The final document has components addressing all seven strategies identified at the outset.

Simultaneously, to better inform the first priority, the Chief Research Officer was drafting and revising a comprehensive overview of the state's housing needs, the first such statewide analysis in South Carolina since 2002. This effort culminated in the publication of Volume 1 of the South Carolina Housing Needs Assessment (HNA) on August 26, 2019. The HNA received extensive media attention; it was the top story in the state's most widely circulated newspaper that morning, covered by multiple television stations, noted in national trade publications like *Next City*, and mentioned in a tweet from then-presidential candidate Sen. Kamala Harris.

Far more important than the buzz, however, were its conclusions and how they informed the QAP. While the report included a number of compelling findings, including that "shelter poverty" costs the state's economy over $8 billion annually, two were instrumental to policy development. One was the county-level comparison of the supply of subsidized units (properties financed with Housing Credits or other federal assistance) to the demand, i.e., the number of low-income renters. Statewide, there was only one unit for every five such households, but this ratio varied substantially from county to county. Clearly, some communities were not receiving their fair share of subsidized rental development. Hence, the QAP assigned 40 points in its new construction rubric—most of any scoring criterion—to how the site shook out on this measure.

Also instrumental was the market analysis included in the report. This work used publicly available data to evaluate real estate conditions by county and sorted the state into three categories using six metrics: current rent levels, growth or decline in rents, rental vacancy rate, number of individuals identified as homeless, projected population change, and age of the housing stock. The first group of 11 counties, clustered along the Atlantic coast and in the state's major metropolitan areas, were growing rapidly and experiencing upward pressure on rents; these were areas of the state considered to be most in need of new construction, both affordable and market-rate. The second group of 11, mostly rural in character, had the opposite set of challenges; while rents were relatively low, the twin challenges of economic decline and distressed housing stock meant that these counties were most in need of housing preservation activity. The QAP used these market designations to sort projects into categories, with the majority of Housing Credits targeted to meet these geographic and programmatic needs. Eventually, after substantial revisions based on external feedback and internal analysis, a final version was sent to the Governor for his signature in mid-November and signed shortly after the New Year with only technical changes.

Beyond those directly informed by the Housing Needs Assessment, the 2020 QAP introduced a number of inventive features. As many other states have done, South Carolina had an interest in incentivizing areas of opportunity. Rather than develop a single, index-based measure of opportunity, however, several indicators were included in the new construction scoring criteria that allowed for a menu-based or deconstructed approach. Opportunity can consist of countervailing components; areas with higher incomes may have lower transit accessibility, for example. Applicants had different ways to achieve points in this section, by selecting sites with positive economic, education, and/or health characteristics. Additional consideration was given to applications that avoided further racial or ethnic concentration of poverty and were situated in Opportunity Zones.

Much concern was focused on stretching limited Housing Credit resources further. Previous attempts at constraining expenses, like a hard cap on total development costs per unit, largely had the unintended effect of diverting investment to markets with lower land and labor costs. South Carolina implemented two new approaches for new construction projects in the 2020 QAP. First, projects would compete against one another on cost, with points awarded on the basis of performance relative to the average of all applications received. As with areas of opportunity, there would be multiple pathways to achieving cost containment points. Projects would be evaluated on four separate measures: vertical construction cost per unit, site work cost per unit, total development cost per unit, and Housing Credits requested per bedroom. This would allow a project with high costs on a particular component of the project to still meaningfully compete for an award.

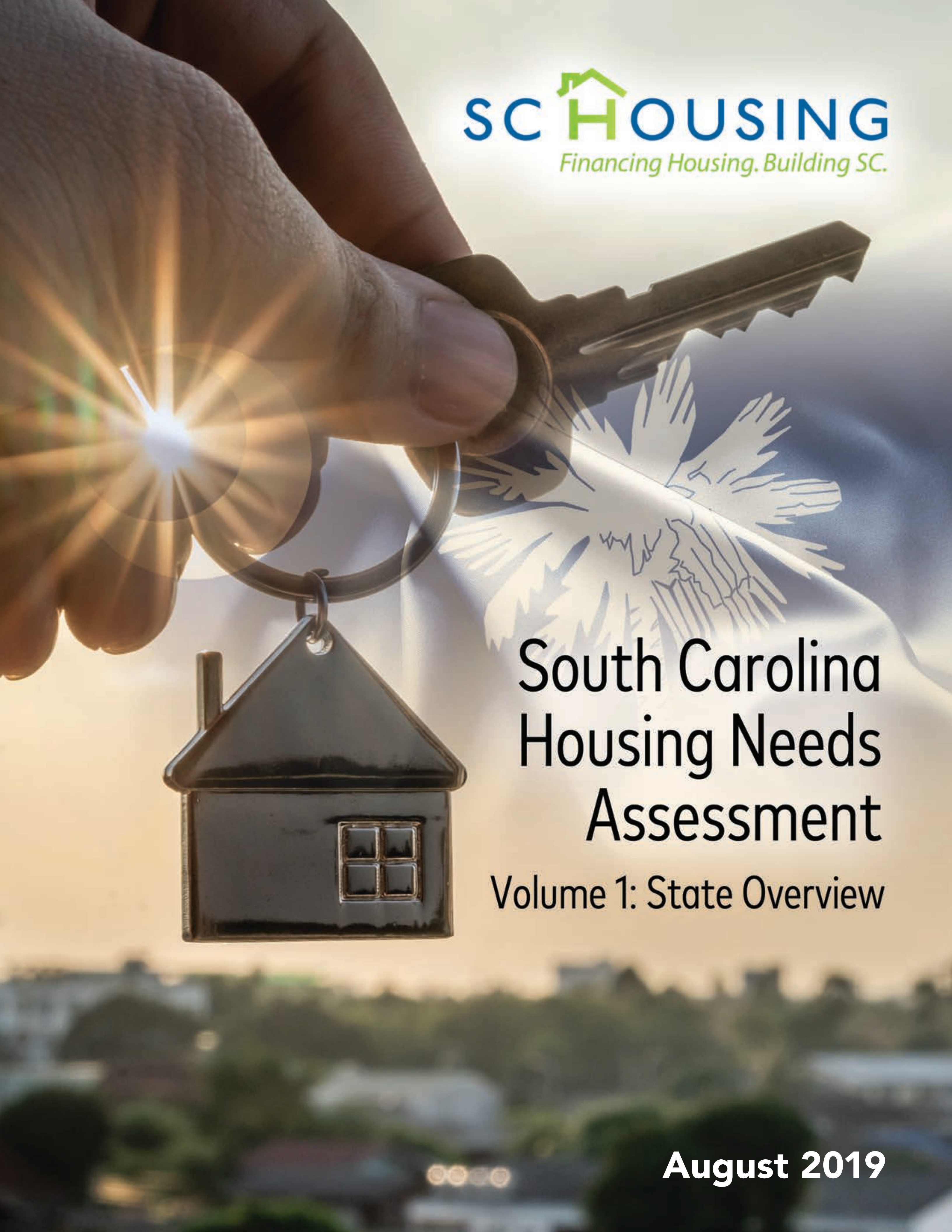
Second, projects were incentivized to leverage SC Housing resources with outside funds, as many deals in previous years relied almost exclusively on Housing Credits to pencil out. Points would be awarded based on the percentage of total development cost covered by other sources, with a particular incentive placed on contributions from local governments, either monetary or in-kind. This is part of a broader effort to more constructively engage cities, towns, and counties in local affordable housing challenges; as the Housing Needs Assessment makes clear, the shortage of rental units that can be accessed by low-income South Carolinians is at a scale far beyond what SC Housing alone can meaningfully address with its current resources. This approach incentivizes development of policies that further production of affordable housing and, more broadly, raises awareness of the issue and its connection to other areas of policy interest.

The results are clear. Applications for the 2020 9% Housing Credit round were due on June 12. While the agency received only 25 submissions, these projects under consideration are overwhelmingly located in areas of opportunity as well as communities with the most need. Of 19 new construction applications, 15 are situated in census tracts where median household income is at least 125 percent of the county as a whole, and all are in counties where there is a more severe shortage of subsidized rental units than in the state at large. Further, applicants requested substantially less in Housing Credits than in prior years.

It is worth noting that the State of South Carolina has recently taken a significant step to address the need for affordable housing, and SC Housing is helping lead the discussion to affect change. While the HNA was being drafted and the QAP team was strategically planning, a state tax credit bill—H.3998, the Workforce and Senior Affordable Housing Act—was stalled in the state legislature. This bill would create a state-level companion to the federal Housing Credit, awarding eligible projects $1 in credits toward state taxes for every $1 in federal credits, and mirrored similar legislation in neighboring Georgia.

Here, again, the HNA helped frame policy. The report highlighted South Carolina's worst-in-the-nation eviction rate and high rates of severe renter cost burden and explicitly argued that H.3998 would help address these challenges. A physical copy of the HNA was sent to every member of the legislature, some of whom spoke about the report in official hearings, and it was highlighted in testimony provided by SC Housing in support of the bill. Though the COVID-19 pandemic would threaten to delay its passage, the legislation cleared both chambers in a bipartisan effort to address the housing needs of South Carolina. It was immediately signed by the Governor of South Carolina upon passage and SC Housing will include the state credit in its 2020 allocations.

In articulating South Carolina's need for affordable housing, SC Housing has made significant changes to the QAP and has helped establish a state tax credit. The result for South Carolina will ultimately be more affordable housing that better serves the needs of the state.



SC HOUSING

Financing Housing. Building SC.

South Carolina Housing Needs Assessment

Volume 1: State Overview

August 2019

Table of Contents

About SC Housing

SC Housing is a self-sustaining housing finance agency committed to ensuring that South Carolinians have the opportunity to live in safe, decent, and affordable housing. Agency operations are supported by a funding base that includes fees and other revenue earned through the administration of agency programs.

Vision

All South Carolinians have the opportunity to live in safe, decent and affordable housing.

Mission

Create quality affordable housing opportunities for the citizens of South Carolina.

Prepared by Bryan P. Grady, Ph.D., Chief Research Officer

Assisted by Isabella Gormanson and Ethan Magnuson
SC Housing interns, University of South Carolina

The Beginning of a Conversation

This initial volume of our 2019 South Carolina Housing Needs Assessment presents some hard truths regarding the challenges that citizens, and our state as a whole, face in the housing market. The reality is that the cost of housing is increasing in our State and the amount of money that people earn to pay for housing is not. Even at a time where the economy as a whole is performing well, there are an increasing number of individuals and families who are struggling to meet their basic need for shelter. According to the most recent federal data, over a quarter of a million households in South Carolina spent more than half their income on housing.

In recent years, South Carolina's coastal and metropolitan counties have seen rapid population and economic growth that has pushed much of the existing housing stock out of reach of the average income earner. Meanwhile, rural areas have suffered from disinvestment resulting in affordable, yet often substandard, housing far from employment opportunities. These market conditions are the result of decades of social and economic changes and will likely intensify as a result of population growth. In fact, according to the Office of Revenue and Fiscal Affairs, the population of South Carolina is projected to grow by over 600,000 people by the year 2030. Going forward, this population growth will drive up housing costs in major cities, seasonal housing development will strain markets in coastal communities, and vacancy and disinvestment will challenge our rural communities and urban neighborhoods.

The need for affordable housing in South Carolina is substantial. SC Housing is constantly seeking new and better ways to address our state's need for affordable housing by working with our housing advocates and partners to ensure that all South Carolinians have access to safe, quality, and affordable housing. In working to achieve this vision, SC Housing was able to help finance 853 affordable housing units across the state through the Low-Income Housing Tax Credit (LIHTC) program in Fiscal Year 2018. We also assisted another 692 households with funds for needed health and safety repairs to their homes. Additionally, SC Housing funded 797 mortgages for low and moderate-income homebuyers in homebuyers, largely through the issuance of tax-exempt mortgage revenue bonds. We have also kept thousands of families out of foreclosure through the SC HELP program. Further, we continue to strengthen demand and stabilize housing prices by offering an unprecedented $15,000 in down payment assistance in select areas. SC Housing also administers U.S. Department of Housing and Urban Development (HUD) programs benefitting tens of thousands of low-income renters annually.

While we are working on innovations that stimulate development and support leveraging of state, federal, and community resources to meet the needs described in this report, partnerships are the key to maximizing our collective impact. Therefore, SC Housing is actively pursuing public-private partnership opportunities with a broad range of organizations, inclusive of local governments, community groups, faith-based institutions, developers, financial institutions, researchers, and other stakeholders who share our vision for safe, quality, and affordable housing for every South Carolinian. We are confident that these partnerships will give way to new approaches for accelerating affordable housing development while holistically addressing the other related conditions that come in to play when individuals and families find themselves in "shelter poverty."

SC Housing hopes to increase our state's affordable housing stock by encouraging the development of new and rehabilitation of existing affordable housing units for each and every community. There must be a comprehensive effort by all parties to make real change happen and help low-income South Carolinians who have not experienced the full fruits of a growing economy achieve self-sufficiency. SC Housing is looking to lead that effort by convening a broad range of partners to learn from one another and develop innovative approaches tailored to the unique conditions of local communities. We encourage an ongoing conversation about how best to meet the housing needs of a growing and changing state and hope that you find this report useful.

Respectfully submitted,

Bonita Shropshire

Bonita Shropshire
Executive Director

About This Volume

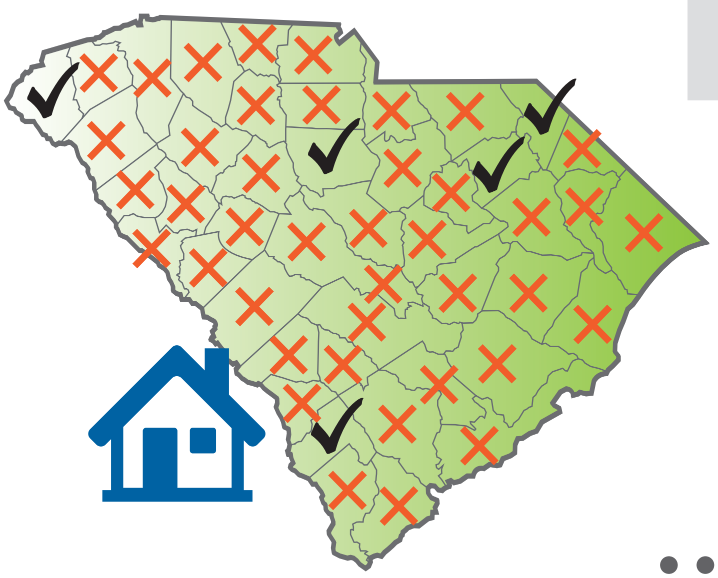
The last statewide assessment of South Carolina's housing needs was commissioned by SC Housing and published in 2002. Since that time, our population has increased from 4.1 million to 5.1 million as the state has weathered economic and natural disasters alike. The market for, as well as financing and production of, housing has undergone dramatic changes in South Carolina and beyond. As part of its mission to create quality affordable housing opportunities for the citizens of the state, SC Housing seeks to ensure its policies are evidence-based to serve the people of the state as effectively and efficiently as possible, as well as to provide data and insights to residents of South Carolina regarding housing issues.

This report serves as an overview of patterns and trends in, and related to, the affordability and availability of housing, both for the state as a whole and its constituent counties. A single document cannot include all possible information, particularly at the neighborhood level, but throughout, relevant data sources are identified to facilitate further analysis.

Data Summary

Cost Burden

One quarter of South Carolina renters experience **severe cost burden**, meaning that they spend more than half their gross income on rent or have no income at all.



Rental Affordability

In 41 of 46 counties statewide, **the average South Carolina renter cannot afford a basic two-bedroom apartment without overextending their budget**. Only five counties (Darlington, Fairfield, Hampton, Marlboro and Oconee) are considered to be affordable.

Eviction Crisis

South Carolina has, by far, the **highest rate of evictions** in the United States. This leads to severe housing instability for impoverished tenants.

Housing Shortage

There are about 72,000 subsidized housing units in South Carolina, **which only serves one out of every five low-income renters statewide.**

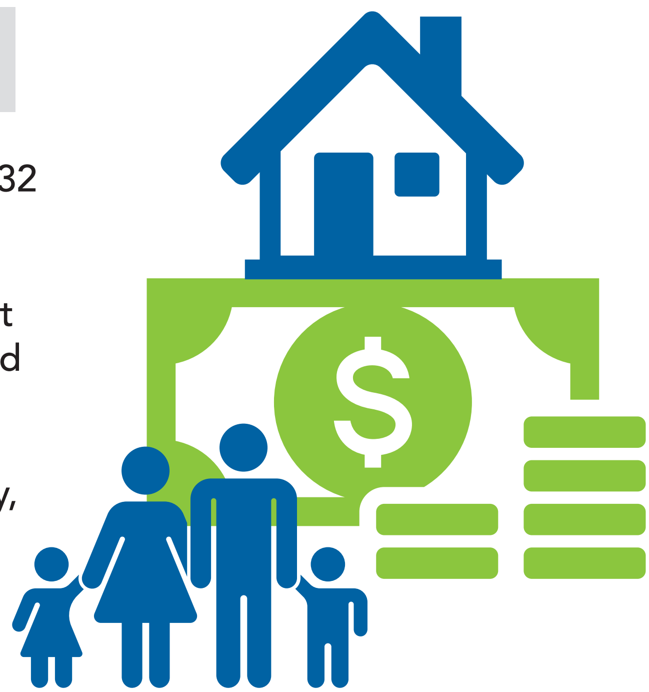
Homelessness

Over 4,000 South Carolinians were counted as experiencing homelessness last January, but this is only a small fraction of the affected population.

Shelter Poverty

Excessively high housing costs cause 32 percent of South Carolina households, including more than half of all renters, to come up short in meeting their most basic needs, such as food, clothing, and transportation.

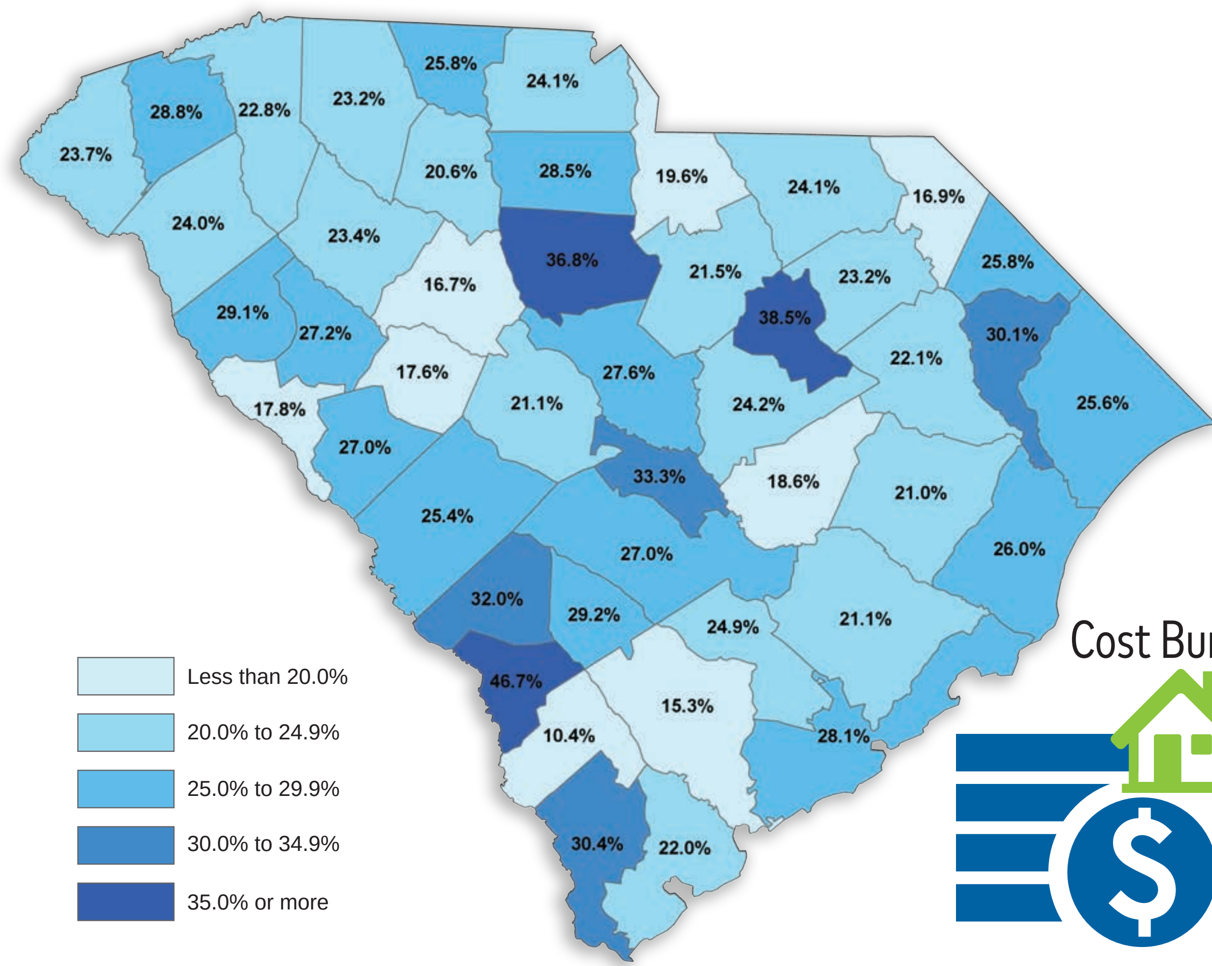
This shortfall, known as shelter poverty, imposes a cost on the state of South Carolina of **$8.4 billion** that is borne by public assistance, private charity, or personal deprivation.



Statewide Trends - Cost Burden

One quarter of South Carolina renters experience severe cost burden, meaning that they spend more than half their gross income on rent or have no income at all.

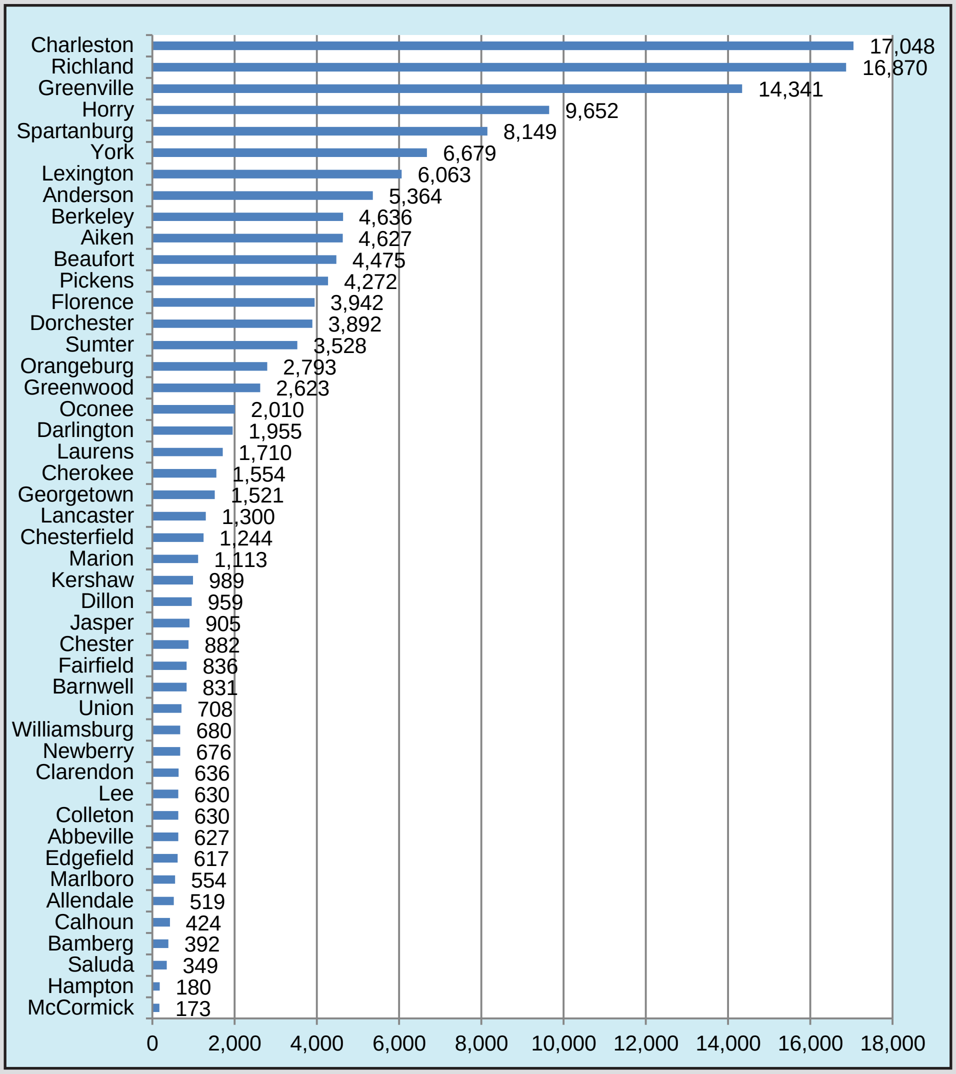
Exhibit 1: Rate of Severe Renter Cost Burden by County



Source: U.S. Census Bureau American Community Survey (2013-2017 Five-Year Estimates)

Severe renter cost burden, defined as a household spending at least half of income on rent and utilities or not having any income at all, was experienced by 144,558 households statewide, according to the 2013-2017 American Community Survey (ACS). This represents one quarter of all renters in South Carolina. That rate varies widely across the state, however; while this figure is only 10 percent in Hampton County, it is a staggering 47 percent in Allendale County. Six other counties reported a rate of at least 30 percent (Lee, Fairfield, Calhoun, Barnwell, Jasper, and Marion). HUD Comprehensive Housing Affordability Strategy (CHAS) data show that at least 73 percent of extremely low-income (ELI) renters experienced severe cost burden, as did 33 percent of very low-income (VLI) renters (see Exhibit 3).

Exhibit 2: Number of Severely Cost Burdened Renter Households by County



Source: U.S. Census Bureau American Community Survey (2013-2017 Five-Year Estimates)

Exhibit 3: Level of Renter Cost Burden by Percent of Area Median Income (AMI)

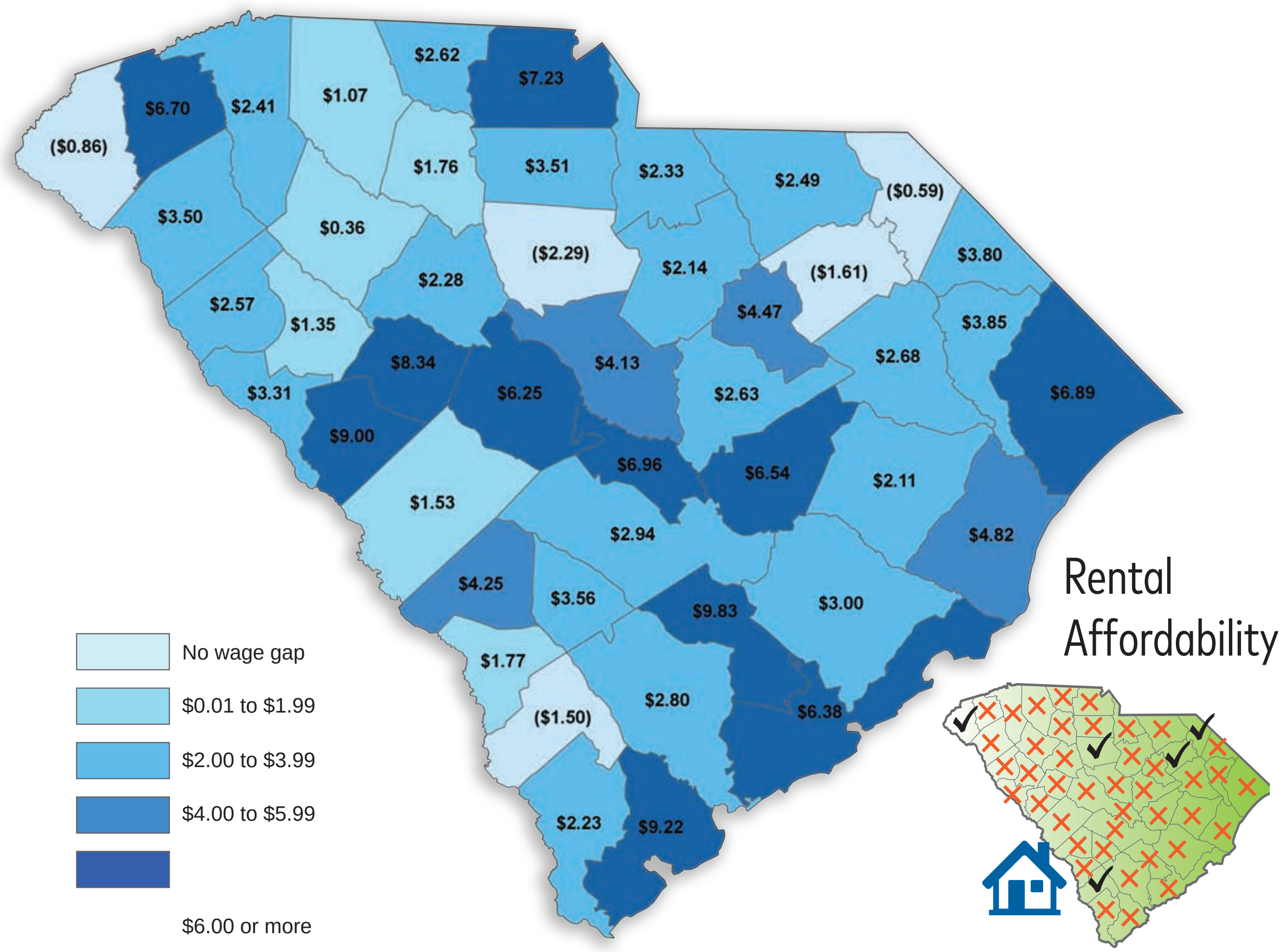
Household income	Severe Burden (>50% of income)	Moderate Burden (30-49% of income)	No Burden (<30% of income)	Total
Extremely low income (0-30% AMI)	102,105 (73.0%)	14,735 (10.5%)	23,110 (16.5%)	139,950
Very low income (31-50% AMI)	34,480 (32.6%)	44,080 (41.7%)	27,120 (25.7%)	105,680
Low income (51-80% AMI)	8,240 (6.9%)	48,810 (40.7%)	62,865 (52.4%)	119,915
Moderate income (81-100% AMI)	1,185 (2.1%)	9,315 (16.5%)	45,905 (81.4%)	56,405
Above area median income	740 (0.5%)	5,465 (3.7%)	141,940 (95.8%)	148,145
Total	**146,750 (25.7%)**	**122,405 (21.5%)**	**300,940 (52.8%)**	**570,095**

Source: HUD CHAS data (2011-2015)

Statewide Trends - Rental Affordability

In 41 of 46 counties statewide, the average South Carolina renter cannot afford a basic two-bedroom apartment without overextending their budget.

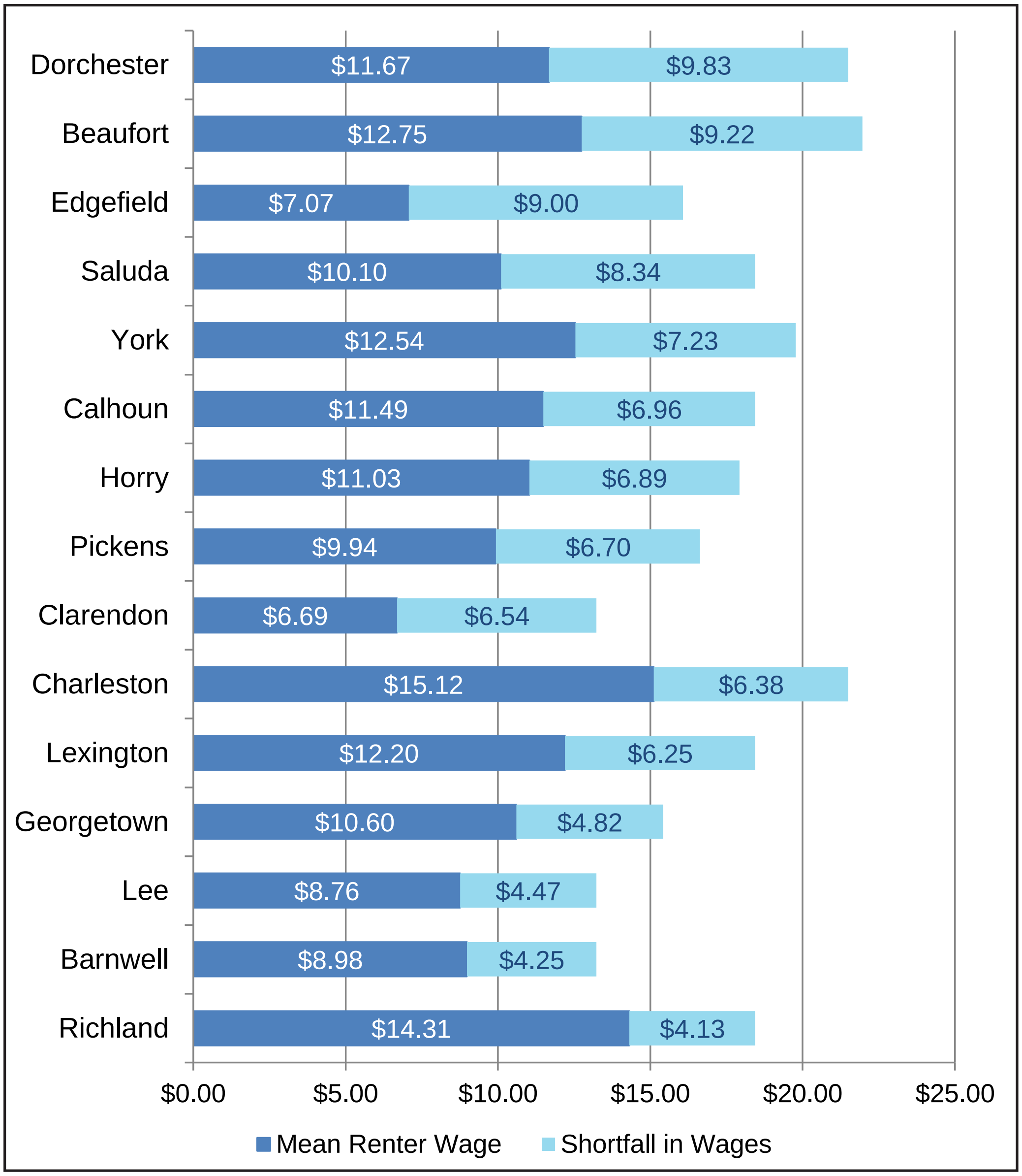
Exhibit 4: Gap between Average Hourly Renter Wage and Two-Bedroom Housing Wage by County



Source: National Low Income Housing Coalition (NLIHC) Out of Reach Report, 2019
Note: 2019 data for McCormick County are not available; 2018 data are shown.

The average South Carolinian seeking to rent a two-bedroom apartment at HUD fair market rent without spending more than 30 percent of their income must make $17.27 per hour, which NLIHC calls the "housing wage," but the average hourly wage of a South Carolina renter is only $13.25. Both figures vary by county; housing wages range from $13.23 in many rural counties to $21.96 in Beaufort, while average renter wages range from $6.69 in Clarendon to $20.73 in Fairfield. This means only five counties are considered to be affordable for the average renter, while such wages can only barely cover half the rent in some areas. Another NLIHC report notes that there are only 45 affordable and available housing units for every 100 extremely low-income households statewide.

Exhibit 5: Chart of Average Wages and Housing Wages, Selected Counties



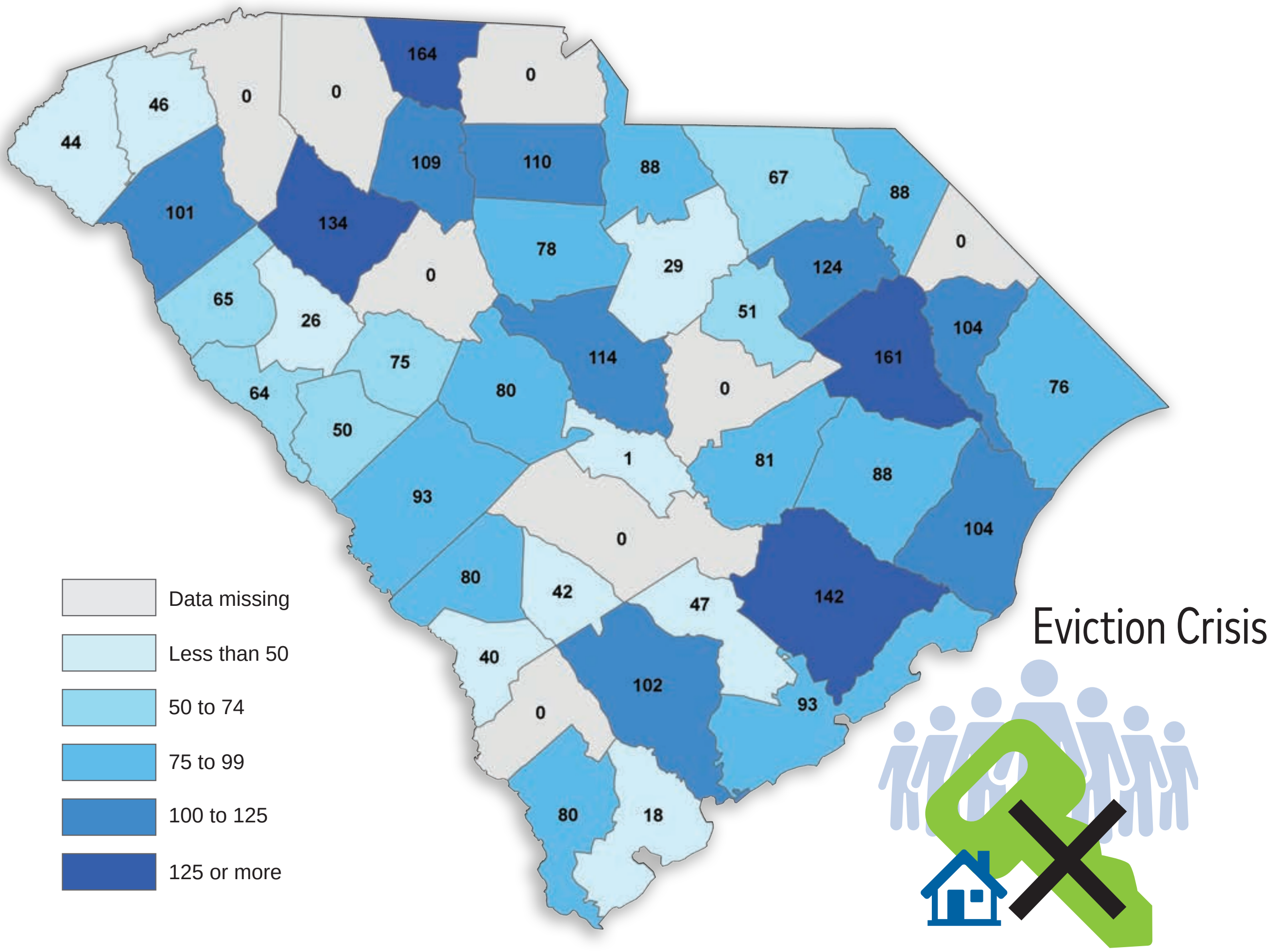
Source: National Low Income Housing Coalition (NLIHC) Out of Reach Report, 2019

This chart shows the 15 counties with shortfalls in housing wages above the statewide average of $4.02 per hour. The counties experiencing severe affordability challenges are situated in fast-growing metropolitan areas where rents are growing quickly and distressed rural communities where limited opportunities for middle-class jobs make available housing unaffordable.

Statewide Trends - Eviction Crisis

South Carolina has, by far, the highest rate of evictions in the United States. This leads to severe housing instability for impoverished tenants.

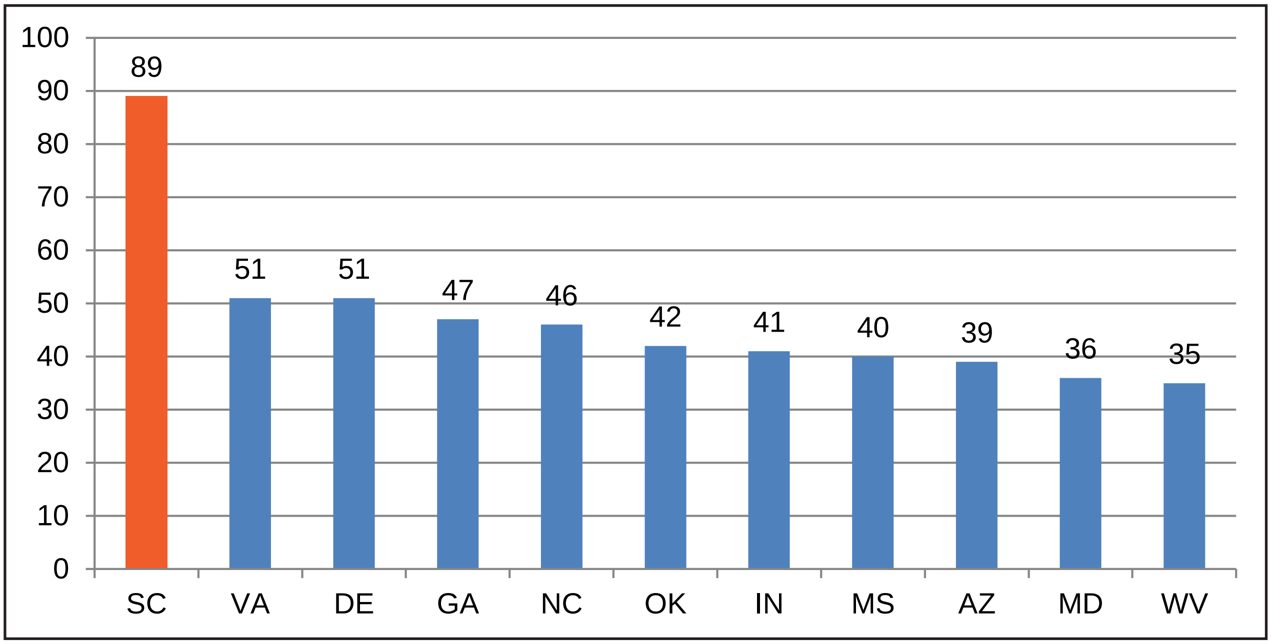
Exhibit 6: Evictions per 1,000 Rental Households by County



Source: Eviction Lab, Princeton University (2016 data)
Note: Data are incomplete or missing in many jurisdictions.

The Palmetto State faces nothing short of an eviction crisis. Overall, there were 86,682 eviction filings statewide in 2016; 41,099 evictions were completed. In other words, for every 1,000 renter households statewide, 187 received a notice and 89 were forcibly removed. These figures are dramatically higher than any other state in the country; Delaware and Virginia, the states with the next highest rate, had 51 evictions per 1,000 renters. Among the state's counties, Florence had the most eviction filings (391), while Cherokee had the most removals (164). Among the nation's large cities, North Charleston had the highest eviction rate; among medium-sized places, St. Andrews in unincorporated Richland County, topped the list. While data are not available for all cities or counties, as such analysis requires extensive collection of public records from many local authorities, they suggest that tenants are being removed at an exceptionally high rate.

Exhibit 7: Evictions per 1,000 Renter Households by State (Top 10)



Source: Eviction Lab, Princeton University (2016 data)
Note: Data are incomplete or missing in many jurisdictions.

Exhibit 8: Evictions per 1,000 Renter Households by City or Place (Top 10)

Large (>100K people)		Medium (20-99K people)		Small (<20K people)	
Name	Rate	Name	Rate	Name	Rate
North Charleston, SC	**165**	**St. Andrews, SC**	**207**	Robin Glen-Indiantown, MI	407
Richmond, VA	114	Petersburg, VA	176	West Monroe, MI	372
Hampton, VA	105	**Florence, SC**	**167**	Homestead Base, FL	292
Newport News, VA	102	Hopewell, VA	157	**East Gaffney, SC**	**286**
Jackson, MS	88	Portsmouth, VA	151	Wolf Lake, MI	272
Norfolk, VA	87	Redan, GA	140	**Promised Land, SC**	**263**
Greensboro, NC	84	Horn Lake, MS	119	Aetna Estates, CO	260
Columbia, SC	**82**	Union City, GA	117	Falkland, NC	257
Warren, MI	81	East Point, GA	113	Waterloo, IN	244
Chesapeake, VA	79	**Anderson, SC**	**112**	**Ladson, SC**	**240**

In total, 29 of the 50 highest small place eviction rates are found in South Carolina.

Source: Eviction Lab, Princeton University (2016 data)
Note: Data are incomplete or missing in many jurisdictions.

Why does eviction matter?

- Decreased academic performance in children
- Decreased job performance and productivity
- Increased physical and mental health challenges
- Increased risk of homelessness and severe poverty

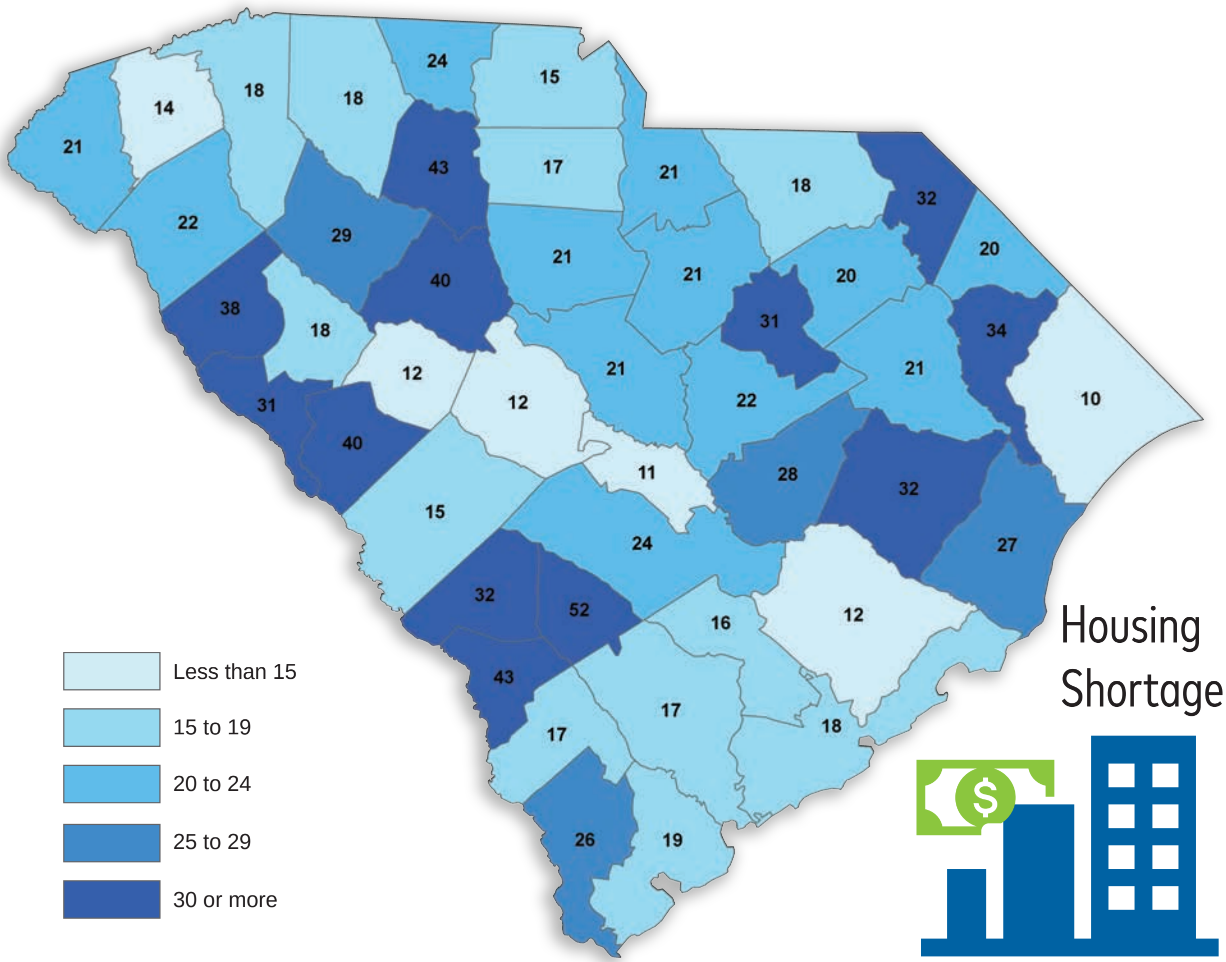
Source: Eviction Lab, Princeton University

Note: This research uses data from Eviction Lab at Princeton University, a project directed by Matthew Desmond and designed by Ashley Gromis, Lavar Edmonds, James Hendrickson, Katie Krywokulski, Lillian Leung, and Adam Porton. The Eviction Lab is funded by the JPB, Gates, and Ford Foundations as well as the Chan Zuckerberg Initiative. More information can be found at evictionlab.org.

Statewide Trends - Housing Shortage

There are about 72,000 subsidized housing units in South Carolina, only enough for about one in five low-income renters statewide.

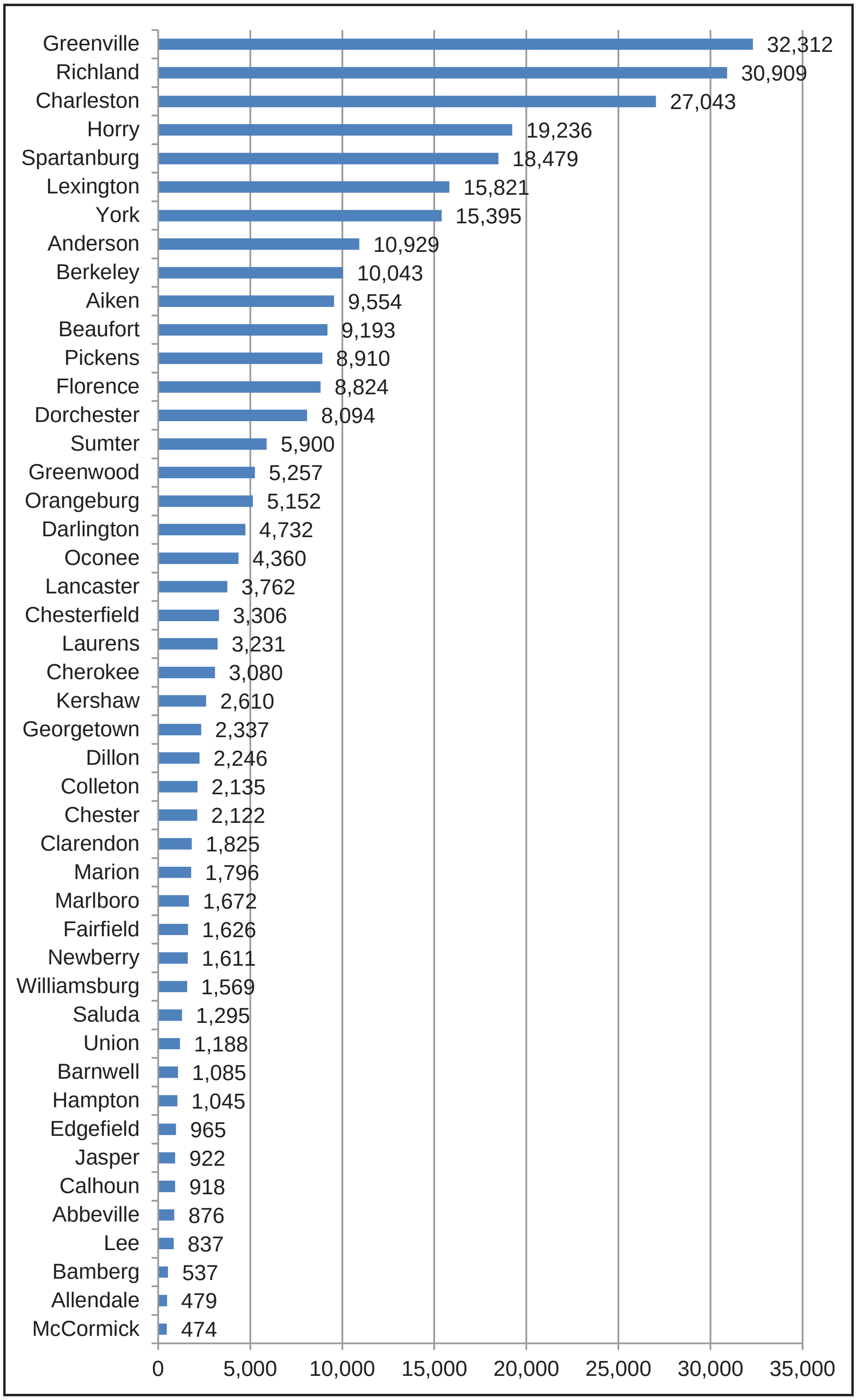
Exhibit 9: Subsidized Rental Housing Units per 100 Low-Income Renters by County



Sources: National Housing Preservation Database, HUD CHAS data (2011-2015)

There are 72,022 rental housing units at 1,549 projects or sites with federal affordability restrictions statewide. This includes recipients of funding from HUD or U.S. Department of Agriculture (USDA) Rural Development programs plus projects receiving LIHTC financing but excludes Housing Choice Vouchers or other tenant-based assistance. This is only enough affordable housing to serve one in five low-income South Carolina renters, and only one county (Bamberg) can serve even half of this population. On the other end of the spectrum, Horry County can only serve a tenth of low-income renters with its stock of subsidized units. In aggregate, Greenville (32,312), Richland (30,909), and Charleston (27,043) are the counties with the highest number of unsubsidized low-income renter households; all but three counties statewide have a shortage of at least 800 units.

Exhibit 10: Low-Income Renter Households Living in Unsubsidized Housing by County



These figures indicate the number of renter households in each county that are eligible for housing assistance but do not live in an assisted unit.

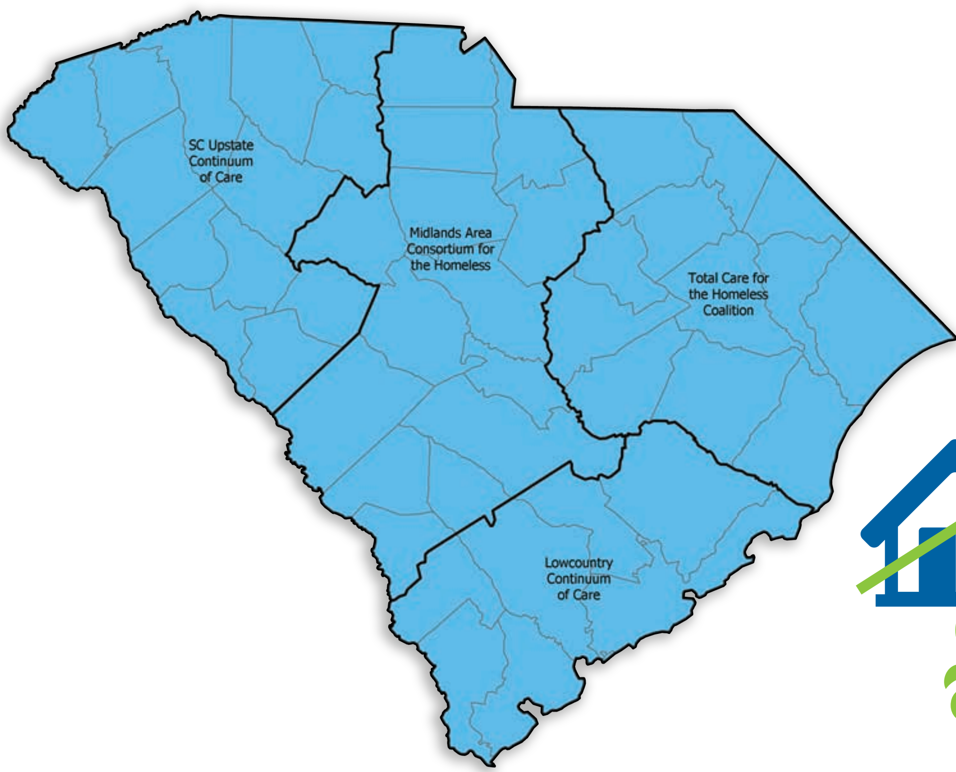
Sources: National Housing Preservation Database, HUD CHAS data (2011-2015)

Statewide Trends - Homelessness

Over 4,000 South Carolinians were counted as experiencing homelessness last January, but this is only a small fraction of the affected population.

Exhibit 11: Point-in-Time (PIT) Count of Homeless Persons by Continuum of Care, 2013-2019

Continuum of Care	2013	2014	2015	2016	2017	2018	2019
SC Upstate Continuum of Care	2,308	1,636	1,961	1,829	1,317	1,185	1,401
Midlands Area Consortium for the Homeless	2,007	1,588	1,468	1,350	1,200	1,205	1,215
Total Care for the Homeless Coalition	1,496	1,317	1,319	1,322	974	1,092	1,153
Lowcountry Continuum of Care	733	516	606	550	425	451	403
State Total	**6,544**	**5,057**	**5,354**	**5,051**	**3,916**	**3,933**	**4,172**

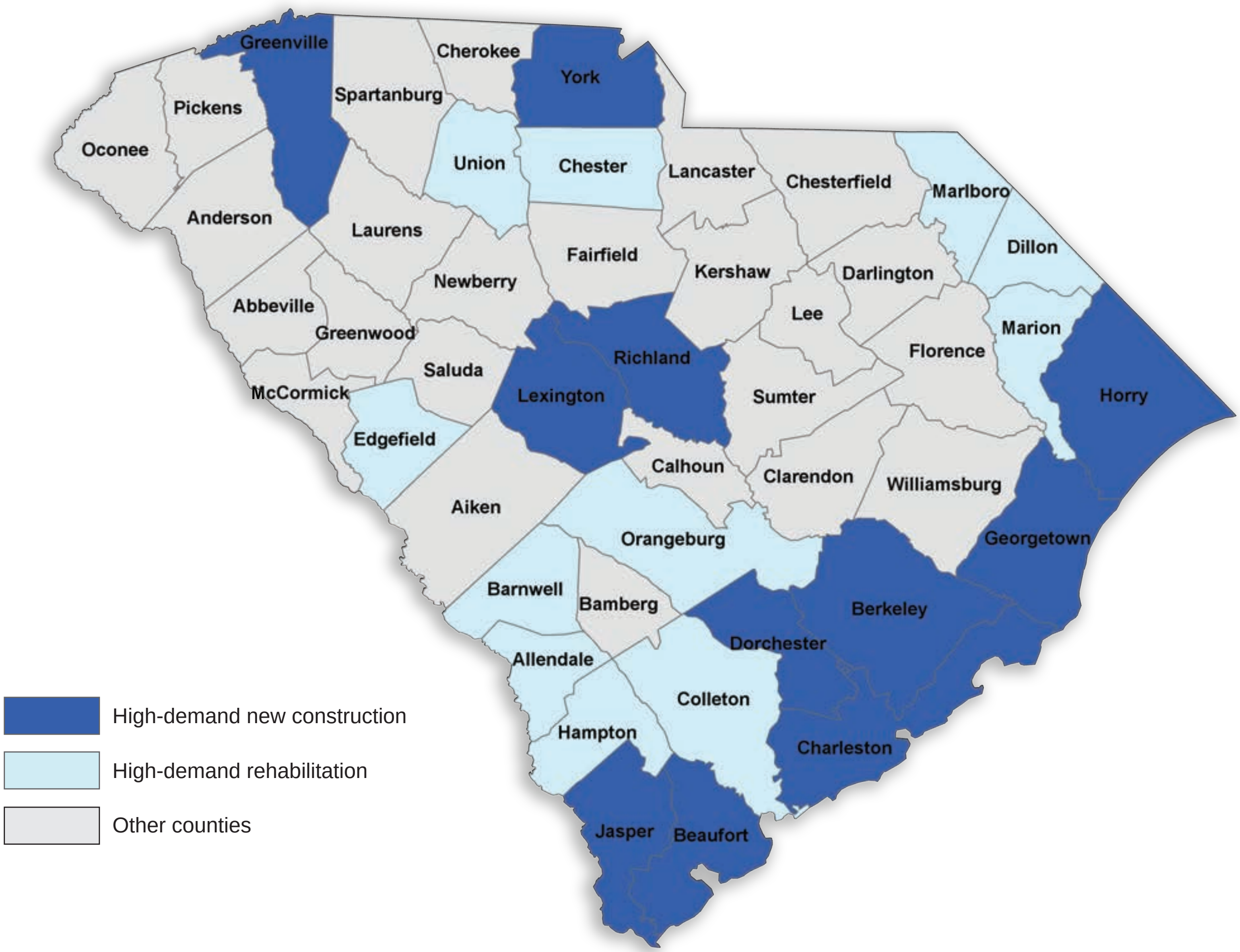


Sources: HUD Annual Homeless Assessment Report, South Carolina Interagency Council on Homelessness

A total of 4,172 individuals statewide were counted as living in shelters or on the streets on a single night last January. This is up somewhat from 3,933 in 2018, but down dramatically from a recent high of 6,544 in 2013. This Point-in-Time Count represents only a fraction of South Carolinians experiencing homelessness, however. According to the 2019 South Carolina State of Homelessness Report from the South Carolina Interagency Council on Homelessness, 11,338 individuals were identified as having accessed temporary housing services from federally funded providers between October 1, 2016, and September 30, 2017. Notably, 23 percent of adults experiencing homelessness were veterans. This is still not a complete count, though, as it does not include individuals not receiving aid or those served solely by organizations not receiving federal funds.

The data in this report indicate there are two types of counties in particular need of assistance: high-growth areas with a shortage of new development and distressed housing markets that require rehabilitation investment.

Exhibit 12: Map of South Carolina Market Conditions



Source: Author's calculations and analysis

A statistical analysis considered six factors relevant to local housing conditions: current rent levels, growth or decline in rents, rental vacancy rate, number of individuals identified as homeless, projected population change, and age of the housing stock. Eleven counties were identified as having real estate markets where affordability was likely to be a particularly serious challenge going forward; these are counties along the coast and in major metropolitan areas. Likewise, eleven counties were shown to be most in need of concerted stabilizing reinvestment. These counties are more rural in character and largely located in the southern and northeastern portions of the state.

Shelter Poverty - The Numbers

Shelter poverty is the condition where one's exceedingly high housing costs make it impossible to cover other essential household expenditures.

When referencing housing affordability, the standard metric of housing costs as a percentage of income was used to show how distorted a household's budget can become. While this is a quick calculation to make, it is imperfect and incomplete. A full consideration of a household's essential expenditures, based on its composition and location, and the degree to which housing costs interfere with its ability to make ends meet, would be preferable. While the idea of shelter poverty has been written about in academic literature, the data necessary to compute it effectively have been elusive. Now, using de-identified responses to the 2013-2017 American Community Survey (ACS) and a 2016 report commissioned by the United Way Association of South Carolina, it is possible to generate estimates of how many households statewide are burdened by their housing costs and to what extent.

Exhibit 13: State Overview of Shelter Poverty

Tenure	Count of Households	Shelter Poor Households		Depth of Shelter Poverty	
		Number	Rate	Total	Average
Renters	588,828	297,619	50.5%	$4,738,603,150	$15,922
Mortgagors	744,271	143,980	19.3%	$2,146,854,288	$14,911
Other Owners	525,228	143,701	27.4%	$1,501,790,059	$10,451
Total	**1,858,327**	**585,300**	**31.5%**	**$8,387,247,497**	**$14,330**

Source: Author's calculations and analysis

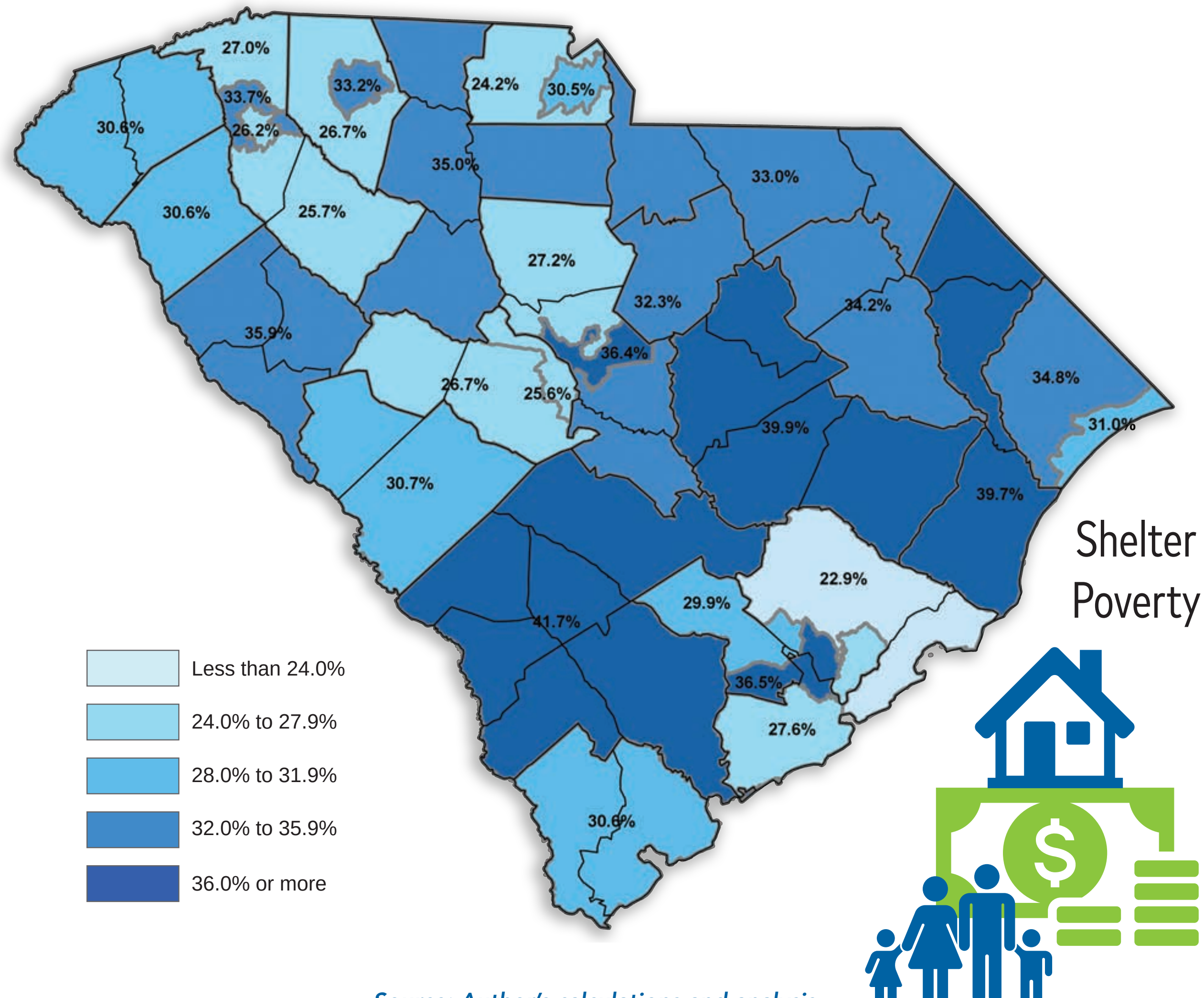
In total, there are 585,300 South Carolina households experiencing shelter poverty, or 31.5 percent of those for whom an estimate could be computed, based on 2013-2017 ACS data. Excessively high housing costs lead those in shelter poverty to be $8.4 billion short in meeting their most basic needs, ranging from food and clothing to child care.

A lack of affordable housing costs the State of South Carolina $8.4 billion every year.

To put this figure in perspective, this means that the average household in shelter poverty experiences a shortfall of $14,330 per year, or $275 per week, due to their housing costs. This averages out to $1,714 for every South Carolinian. This gap is filled with public assistance, help from friends and family, or charity; sometimes, it is not filled at all, compromising the current and future health and security of families statewide. Either way, **the cost is largely borne by the taxpayer**. State government expended more than $2.2 billion from its general fund last fiscal year for health and social service provision according to the Department of Administration; this largely goes toward Medicaid and other programs that provide care for those who cannot afford it themselves.

Conditions vary substantially based on the nature of one's housing. Just over half (51 percent) of renters experience shelter poverty; meanwhile, 19 percent of homeowners with a mortgage and 27 percent of homeowners without a mortgage experience shelter poverty. Even without a monthly payment, related expenses including insurance, taxes, and utilities are enough to cause distress for many in the last group, who are disproportionately likely to be older adults on fixed incomes.

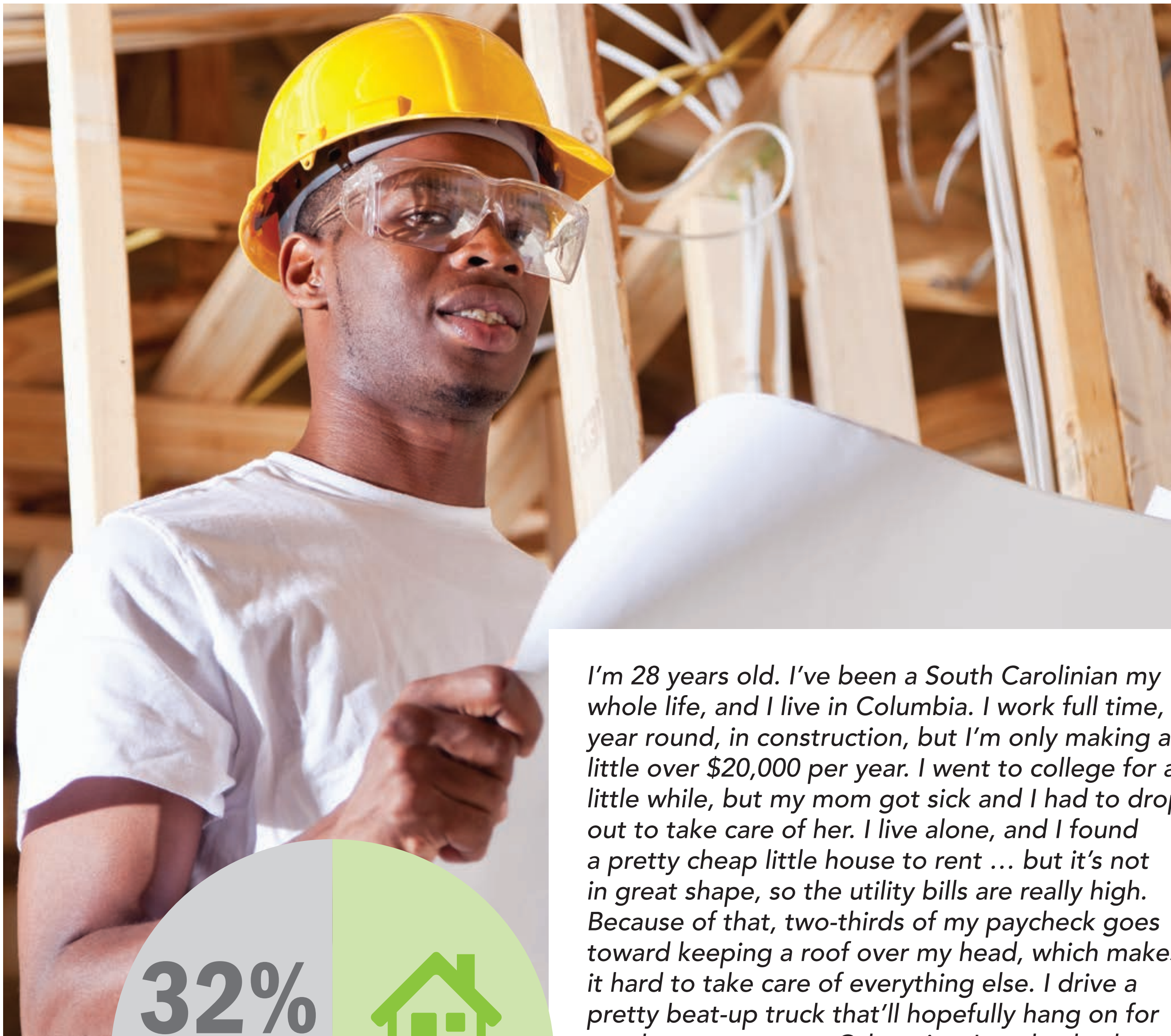
Exhibit 14: Percent of Households Experiencing Shelter Poverty by Public Use Microdata Area (PUMA), 2013-2017

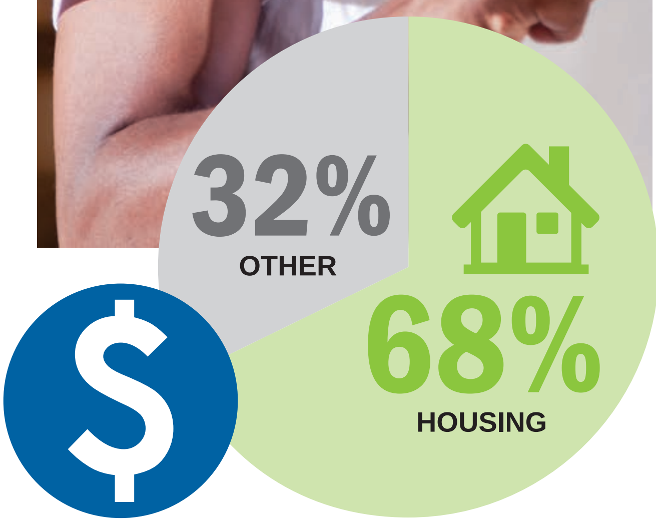


Source: Author's calculations and analysis

These data can be broken down geographically into 30 regions designated by the U.S. Census Bureau. At least 23 percent of households in each region cannot make ends meet. This degree of economic distress is a reality everywhere in South Carolina. The three regions with the highest prevalence of shelter poverty were largely rural in character and are situated along the Interstate 95 corridor, while suburban areas tended to fall below the state average. Meanwhile, the depth of shelter poverty is generally highest in urban areas, particularly in and around Charleston.

Shelter Poverty - The People: Working Young Adult





I'm 28 years old. I've been a South Carolinian my whole life, and I live in Columbia. I work full time, year round, in construction, but I'm only making a little over $20,000 per year. I went to college for a little while, but my mom got sick and I had to drop out to take care of her. I live alone, and I found a pretty cheap little house to rent … but it's not in great shape, so the utility bills are really high. Because of that, two-thirds of my paycheck goes toward keeping a roof over my head, which makes it hard to take care of everything else. I drive a pretty beat-up truck that'll hopefully hang on for another year or two. Otherwise, I cut back where I can or ask my cousin for help when I need it.

Because so much is spent on housing, remaining income for basic expenses like food, clothes, and transportation is **$6,679** short of what is needed. This must rely on public assistance, private charities, or friends and family to make ends meet, or he might do without. This is money that would absolutely be spent on helping him become more self-sufficient and propel the state's economy, but a lack of safe, decent, and affordable housing keeps hard workers like this young man trapped in a bad situation.

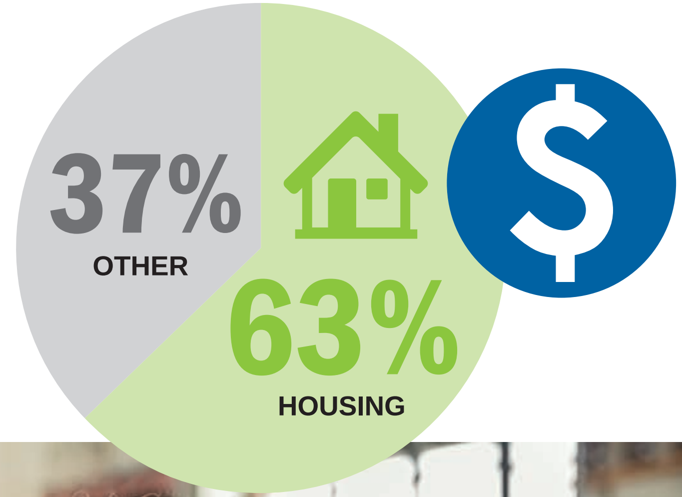
The stories in this report are fictitious accounts based upon actual deidentified responses by South Carolina residents to the American Community Survey, a product of the U.S. Census Bureau. However, information such as age, race, income, occupation, and veteran status reflect information volunteered by the respondents.

Shelter Poverty - The People: Fixed-Income Elderly

My wife and I live in Spartanburg County. I'm 84 years old. I fought in Korea and served my country for many years, but after all that, I came back home. I don't get around as well as I used to, but I manage. We live on Social Security, which comes out to about $23,000 a year for the two of us. We own our home, but we're still making payments on it, and it needs a lot of work. We keep warm in the winter with heat from propane tanks. All in all, pretty much everything goes toward keeping a roof over our head. We get a lot of help from our kids and our church and our friends in town, but it's rough. I wish my wife and I could take care of ourselves.

Every dollar that comes in for this couple—and more—goes toward housing. Based on their income and housing costs, the two of them come up **$24,010** short of covering their needs—over $2,000 per month. While it's great that so many people care about them, they're not able to have the dignity in retirement that we all hope for at their age. Seniors on fixed incomes, including many veterans, often struggle financially for this very reason.

Shelter Poverty - The People: Small Business Manager

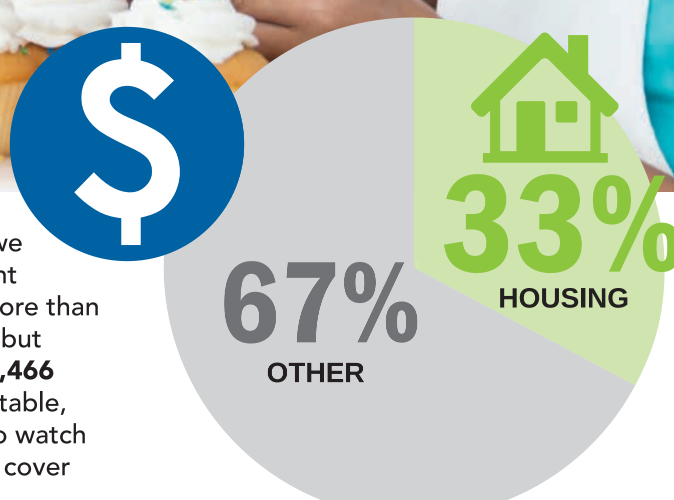


I'm 43 years old, and I manage a diner in a small town here in South Carolina. Anyone who's ever run a small business knows that it is hard work. Between my girlfriend and me, we make about $34,000 per year. I own my home, but even though we don't live in the city, it's still expensive; the mortgage and all the bills add up to about $1,800 a month. I'm not looking for a handout, but it's difficult to make things work sometimes.

Even for those who do everything the right way, it can be hard to make ends meet. Because of how much he spends on housing, this business manager earns **$10,696** less than what is necessary to cover all the basics, even though he works an astounding 75 hours a week. Even though increasing housing costs in urban centers gets more attention from the national media, rural areas have substantial challenges as well, and they often do not have the same level of resources to devote to them.

Shelter Poverty - The People: Single-Parent Family

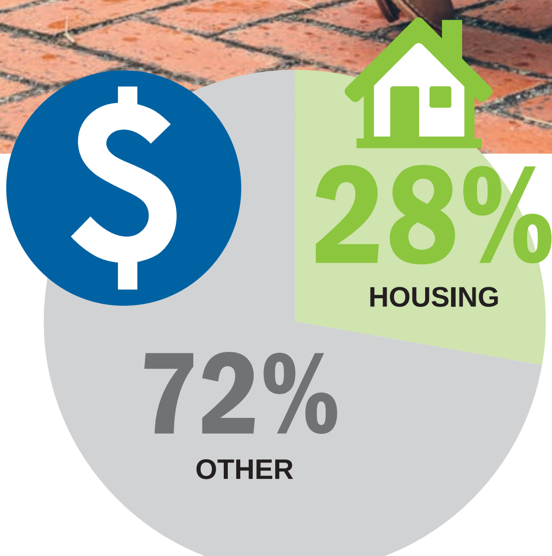
I'm 26, and I live in North Charleston with my two little girls. It can be hard to find good work in this economy, but I managed to find a spot working the night shift at the hospital. I love my job, but it's exhausting, and some days I barely see my kids. The pay is alright, about $32,000 a year, but it's a tight squeeze. I don't have a car; I kick in a few bucks a week so my co-workers get me home and back, but otherwise I'm riding the bus to get around. I rent half a duplex for $675 a month, and electric is another $200 or so. Things are alright now, but if anything goes wrong, I don't know what I'll do.



This family's situation illustrates how the way we typically think about housing affordability might not tell the full story. She's not paying much more than 30 percent of her income on rent and utilities, but according to the United Way report, she's **$12,466** short of what she and her girls need to live a stable, self-sufficient life. If she has family or friends to watch the kids, that helps, but it's still not enough to cover the essentials, let alone anything else.

Shelter Poverty - The People: Multigenerational Family

I'm 64 years old and I live in Horry County—inland, away from all the hustle and bustle of the beach. It's been a really hard few years. First my husband passed away, then my daughter got hooked on pain pills. She and my grandkids live with me while she gets clean. I'm not able to work anymore, so all five of us live on what I get from disability and money she makes from odd jobs. Altogether, it's only about $20,000 per year. I own the place myself, no mortgage on it, but covering the utilities and the taxes and everything else costs a bunch, and I can't take care of it as well as I used to.



This woman's family has a lot of challenges before even thinking about housing conditions. Her household would need **$26,554** more to cover all of their needs, and that doesn't even include her daughter's treatment. The struggling young mother needs a supportive housing environment that helps her defeat addiction and prepares her to make a living again. The disabled grandmother needs to be able to spend her golden years in a decent, affordable home.

The Path Forward

The current programs administered by SC Housing and other federal, state, and local authorities are integral to promoting and maintaining South Carolinians' access to affordable housing options, but they are a limited resource. SC Housing's competitive ("9 percent") LIHTC program that attracts so much interest from communities and housing developers is only able to produce several hundred rent-restricted housing units per year. The South Carolina Housing Trust Fund, which seeks to address a wide array of housing needs ranging from structural repairs to owner-occupied homes to development of group homes to support individuals experiencing addiction and mental illness, receives less than $20 million annually to spend statewide. SC HELP has exhausted its allotment of federal funds and can no longer accept applications from distressed homeowners facing foreclosure.

While SC Housing is continually committed to doing the most good with the resources it has—by working with communities and stakeholders to improve existing programs and develop new ones—the current policies and resources in place to address the lack of affordable housing are insufficient; **in South Carolina, there are only enough rent-restricted housing units to serve one out of every five low-income tenant households**. Meanwhile, middle-class households able to buy are finding themselves priced out of many markets, even with the support of federal programs like the USDA Single Family Housing Guaranteed Loan Program and down payment assistance from SC Housing.

To ensure that all South Carolinians have the opportunity to live in safe, decent, and affordable housing —the central vision of the Authority—we all must be willing to innovate at the state and local level. It is worth noting that we are not alone in facing these issues. Across the nation, communities are crafting policies that respond to these challenges in a way that accommodates their local context. There is much we can learn from others in figuring out how our state will cope. **Government cannot do this alone, but neither can the private sector.**

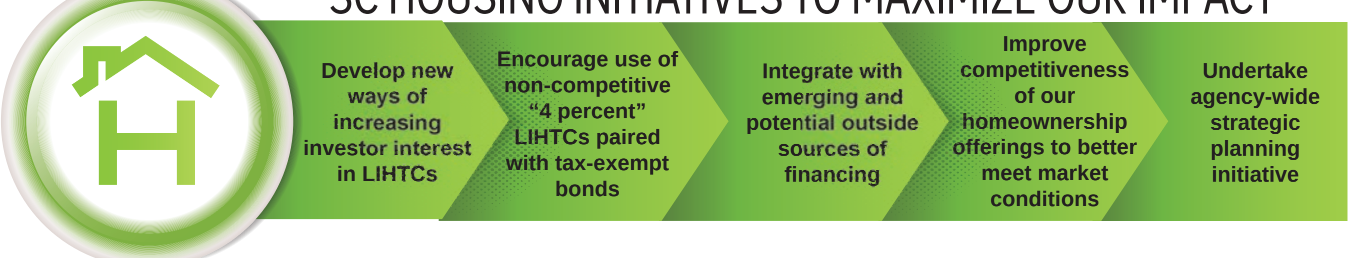
That said, SC Housing is endeavoring to stretch the tools we already have and leverage our funds with other resources to maximize our impact. Alongside this report, we are releasing a discussion draft of our 2020 Qualified Allocation Plan, which is designed to better target competitively awarded tax credits to high-need populations and geographies. Beyond this, we are working on other initiatives, including:

- Developing new ways of increasing investor interest in LIHTCs, increasing SC Housing's impact
- Encouraging greater use of non-competitive "4 percent" LIHTCs paired with tax-exempt bonds
- Integrating our programs better with emerging and potential outside sources of financing
- Improving competitiveness of our mortgage offerings to meet dynamic market conditions
- Undertaking an agency-wide strategic planning initiative to ensure evidence-based policymaking
- Supporting passage of H. 3998, the Workforce and Senior Affordable Housing Act

These are, however, piecemeal solutions. We are continually considering innovative strategies for serving the housing needs of South Carolina while being a proper steward of our limited resources and encourage suggestions on how we can do so.

More broadly, there is much that can be done to address these issues outside the Authority's confines. Some possibilities, such as permitting localities to implement inclusionary zoning ordinances, have been debated in the state legislature. While controversial, programs of this sort can ensure that redeveloping neighborhoods maintain the existence of affordable housing.

SC HOUSING INITIATIVES TO MAXIMIZE OUR IMPACT



Another option for reducing housing costs might be to allow the production of more housing units in areas of high demand and/or near employment centers. This is typically accomplished by eliminating land use regulations that prohibit developers from building certain types of housing. It is worth noting that fewer than 30 percent of South Carolina households include a child; young adults and empty nesters have housing preferences that may not be served by current development patterns.

Approaches for improving access to homeownership include the creation and support of "third way" tenancy options, such as community land trusts, that would maintain housing affordability or rent-to-own options that would enable renters to build equity until they can buy a home.

Additionally, recent research supports the deployment of "Housing First" approaches to homelessness that stabilize their housing situation before attempting to address other issues that may have contributed to their predicament. Cities where this has been implemented have not only seen dramatic reductions in homelessness, but also budget savings from reduced hospitalizations and incarcerations. There are also many options for reducing evictions, such as implementation of rent escrow programs.

Finally, cities and counties can simply integrate housing more deeply into their comprehensive planning processes and consider how they can ensure that their workforce can afford to live in their community. **None of these policies are a panacea.** That being said, it is possible to make progress toward ensuring that South Carolinians can afford a safe, stable home.

Message from the Chief Research Officer

This publication is, as the cover states, simply the first volume of an ongoing assessment of the state's housing needs. There will be additional reports that broaden and deepen understanding of the themes discussed in this document. This is part of an overall effort by SC Housing to implement evidence-based policy and inform relevant stakeholders of the challenges facing the state.

Additional volumes may include, but are not necessarily limited to, the following:

- Evaluation of similar data sources at a smaller geographic scale, particularly with respect to the state's larger urban areas, to identify relevant neighborhood-level correlations
- Evaluation of similar data sources with a focus on subpopulations of interest to SC Housing and the state at large, such as older adults, veterans, persons with disabilities, etc.
- Quantification of "spatial mismatch," the phenomenon of low-income households being unable to live near employment centers due to housing and transportation challenges

I encourage you to reach out to us as a resource for the collection and curation of data relevant to the housing challenges faced by the State of South Carolina and its local communities. These reports are designed not to be the final authoritative word on the subject, but to be the beginning of a conversation on the state's housing challenges.
We are eager to hear what you have to say.

Until next time,

Bryan P. Grady

Bryan P. Grady, Ph.D.
Chief Research Officer
Bryan.Grady@SCHousing.com

SCHousing.com

CONNECT WITH US

Find us on Facebook: **/SCStateHousing**

Follow us on Twitter: **@SCStateHousing**

South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Boulevard
Columbia, S.C. 29210