

**AFFORDABLE HOUSING TASK FORCE
EXECUTIVE SUMMARY UPDATE**

Columbia’s Mayor Bob Coble and members of its City Council created a task force to study issues related to affordable housing in June 2006. As a result, the Affordable Housing Task Force presented an Executive Summary of its recommendations on February 21st 2007. This is an update to those specific recommendations.

The Definition of Affordable Housing

The Task Force remains committed to using HUD’s definition of affordable housing as shown below:

In HUD’s terms, a family that can afford the housing they live in is one that pays no more than 30% of its annual income for that housing. Families who pay more than 30% of their annual income for housing are considered cost burdened by HUD and may have difficulty affording necessities such as food, clothing, transportation and medical care. The guidelines established by HUD provide that communities are meeting the need of low to moderate income families if they serve the population that is equal to or less than 80% of the median income for their area.¹

As of this date, the HUD guidelines for determining median income in Columbia have not changed. They are as follows:

| % of median income | One person | Two People | Three People | Four People |
|---------------------------|-------------------|-------------------|---------------------|--------------------|
| 30% | \$12,750 | \$14,550 | \$16,400 | \$18,200 |
| 50% | \$21,200 | \$24,250 | \$27,250 | \$30,300 |
| 80% | \$33,950 | \$38,800 | \$43,650 | \$48,500 |
| 100% | \$42,400 | \$48,500 | \$54,500 | \$60,670 |

The Determination of Need in Our Community

Although determining the need in our community for affordable housing has proven more challenging than expected and remains a subject of discussion at Task Force meetings, many members of the Task Force contend that rental housing serving the 50% and below median income households is a need with a crisis existing for those in the 30% and below median income category.

Columbia still enjoys a respectable amount of affordable housing for homeownership. The National Association of Homebuilders (NAHB) Housing Opportunity Index released on November 27, 2007 still ranks Columbia 34th in the nation in the availability of affordable housing and 10th in our region. By comparison, Greenville ranks 88th

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nationally and 38th regionally while the Charleston – North Charleston area ranks 122nd nationally and 53rd regionally.

Recommendation: Continue to Fully Fund the CityLiving Loan Program

The CityLiving Program was renewed by City Council in 2006 with 8 partner banks. The Task Force's first recommendation was that the City treat the CityLiving Program as a priority and continue to fully fund the Program over the next 5 years.

We are pleased to report that as of December 31, 2007), the staff in the Community Development Department had made 256 loans with our partner banks totaling \$27,454,779.00. Of that total, \$5,240,853.00 represents City dollars that have been reinvested in the program. The City's ratio of bank dollars to City dollars is about 11 to 1. If the staff maintains the same pace as they have experienced, the Community Development Department is on track to make 668 loans over a five-year period, exceeding our goal of 550 by 118 loans. The total dollars lent would be \$71,639,660.00. The CityLiving Loan Program goal was set at \$60,000,000.

However, to be able to meet commitments to the City's 8 partner banks, the Community Development staff has had to be thoughtful and deliberate about seeking additional funding sources. Funds in the CityLiving Program are divided into two funds – federal funds and non-federal funds. Federal funds consist in large part of CDBG funds, but include other funds like HOME and ADDI funds. Non-federal funds have in years past been allocated by City Council from year-end sources. Despite the Task Force's recommendation, no funds were allocated from the City's budget in FY 2007-2008 to the CityLiving Program. However, staff was grateful for the addition of funds from two sources:

1. The pool of CDBG funds received the allocation of "program income" from the sale of Canalside as required by HUD in the amount of \$1,188,909.00. Through thoughtful and careful budgeting, these funds will be used to support an eligible water and sewer project at Rosewood Hills, allowing the water and sewer funds that would have been spent for the project to be used in the non-federal loan pool where they are desperately needed.
2. The non-federal loan pool also received funds from the water and sewer fund in the amount of \$468,468. This amount represents the balance of the CDBG entitlement funds from FY 2006-2007. These funds were finally transferred to pay for an eligible project at Martin Luther King Park allowing the water and sewer funds that would have been used for that project to be used to support the non-federal loan fund.

Without the influx of funds provided by these two transfers, the non-federal loan fund would have been without sufficient funds to allow it to operate.

Because we are able to keep the loan fund operating, the list of banks interested in participating in the program has grown to 11. When the current commitments end, staff plans to offer participation in the program by Request for Proposals.

During this time period, the Community Development staff created a new program called Housing Emergency Loan Program (HELP). Staff recognized that the Emergency Repair Loan Program was not flexible enough because of HUD definitions to meet some of the needs of our elderly and disabled citizens. Using funds that were earned performing credit counseling services, staff created and funded the new HELP program. To date, we have made 12 HELP loans for crucial items such as HVAC systems and roof repairs.

Recommendation: Continue to Support the Activities of the City's Affiliated Development Corporations

The Task Force affirmed that the City has done an excellent job with its resources to provide affordable housing in Columbia. The programs have provided the City with a diverse mix of residents in neighborhoods without causing a change in the character of neighborhoods. Recognition was given to the City for elevating neighborhoods one house at a time without wholesale demolition, resulting in less of a gentrifying effect on the City's neighborhoods. In large part, these efforts were undertaken by the City's development corporations, especially the Columbia Development Corporation, the Columbia Housing Development Corporation, the Eau Claire Development Corporation and the TN Development Corporation. Because of these efforts, the Task Force recommended that the City continue to support the activities of the City's affiliated development corporations.

Since the initial report by the Task Force, the development corporations have continued to pursue the development of affordable housing. The Columbia Development Corporation has been acquiring vacant property in the S. Edisto Court neighborhood for the purpose of construction of new, affordable housing.

The Eau Claire Development Corporation has continued to build and sell affordable housing to low and moderate income homeowners in the Belmont Initiative. 3houses have been sold and 2 are under construction. The corporation has also continued to pursue the development of housing in the new Burton Heights neighborhood. 2 houses have been sold and 1 is under construction. In addition to these houses, the Community Development Department will be building 5 new houses in this neighborhood. These houses will be sold to low to moderate income homeowners in our community.

The Columbia Housing Development Corporation continues to offer affordable homes for sale in City Council District 2. Since the last report of the Task Force, 4 homes have been sold and 2 are under construction. The Community Development Department is working with the Columbia Housing Development Corporation to move 4 brick homes from the Devine Street area to the Lyon Street community to enhance housing opportunities in that neighborhood. These four houses will enhance the Corporation's efforts to revitalize the housing market in that neighborhood.

Finally, the TN Development Corporation continues to provide quality rental housing to the lower income residents of Columbia. Since the Task Force's last report, the Corporation has taken over management of the Bethel Bishop Chappelle Apartments. With 188 apartments leased under a contract for housing assistance through HUD, this property meets a need recognized by the Task Force as missing from our community – rental units for those in our community who fall into the 50% and below median income category. The management of this complex by the staff at TN Development Corporation has greatly improved the appearance and quality of life for the residents of that community.

Recommendation: The City of Columbia should provide quality multifamily rental units that are affordable for households with incomes that are 80% of the Area Median Income or less. These rental units should cost no more than thirty percent (30%) of the family's monthly income to be considered affordable.

While many of Columbia's neighborhoods include rental housing, the Task Force recognized a need for the construction of new, quality multifamily rental units. Due to the loss of housing developments like Hendley Homes and Saxon Homes, rental units in the City of Columbia limits serving the population that earns 50% and below the median income are in short supply.

The Task Force recommended that the City formulate specific programs to assist multifamily rental households with incomes at 80% AMI and below to afford multifamily units and still spend 30% of their net income or less. These programs would assist renter households where the sole source of income is a disability payment or another fixed-income source. The recommendations from the Task Force in this area were as follows:

1. Dedicate a set amount of funds toward the development of new multifamily rental units;
2. Create a subsidy program tied to a local housing trust fund to allow low-income families to access private-market multifamily units;
3. Steadfastly preserve and rehabilitate existing multifamily units; and
4. Impose conditions on the sale of property owned by the City or its affiliated development corporations to insure the development of affordable housing.

The key recommendation for the provision of affordable rental units is the creation and funding of a housing trust fund. Affordable Housing Trust Funds are distinct accounts with dedicated revenue sources created to support decent housing for those most in need. Housing Trust funds provide local, flexible funding to increase the availability of affordable housing for low income and special needs populations.

Language in legislation creating trust funds typically specifies targeted populations (e.g. by income) and/or activities. The vast majority of trust funds target the funding to serve

people in a particular range of area median income (a.m.i.) with most of them targeting people at 80% or below a.m.i. Targeting should be specific enough to meet an identified gap in the housing market (e.g. rental housing for low income people) but broad enough to allow the trust fund to address changing needs over time.

In 2007, the General Assembly passed the William C. Mescher Local Housing Trust Fund Enabling Act. The Mescher Act promotes the development of local housing trust funds. To be eligible for any future state funding (when provided) a preference must be given to a projects that create or protect affordable housing for households at 50% or below AMI, special needs housing, housing for people who are homeless. National affordable housing trust fund legislation is also being considered by the US Congress. The potential availability of these funds offers an additional incentive for the creation of local funds.

While funding sources have not been identified by either the General Assembly or Congress, communities across the country have funded housing trust funds in all sorts of ways. Some of those ways are:

- Transit occupancy tax (hotel/motel tax)
- Business license tax
- Property tax
- Sales tax
- Real estate transfer tax
- Use tax
- Housing excise tax
- Redevelopment tax increment
- Sale of city land
- Parking revenues
- Impact fees

The Task Force has advised that a dedicated source of funding is critical to the success of a trust fund. Its recommendation is the allocation of funds from the City's budget annually such that a housing trust fund could be created and sustained. Without a dedicated source of funds, this recommendation cannot come to fruition.

Recommendation: The City of Columbia should draft and adopt an ordinance allowing for voluntary Inclusionary Zoning based on the following terms and conditions.

“Inclusionary zoning, also know as inclusionary housing, refers to local zoning ordinances that typically require developers to include a certain percentage of affordable housing in new residential construction projects. The term inclusionary zoning is derived from the fact that these ordinances seek to counter exclusionary zoning practices which – intentionally or unintentionally -- exclude affordable housing from a municipality through the zoning code. Many ordinances across the country allow for alternative

compliance measures or concessions to developers to allow them to meet the requirements of inclusionary zoning ordinances.

The Task Force recommended that the City adopt a policy of voluntary inclusionary zoning based on incentives and targeted areas. Under the structure discussed by the Task Force, the most incentives would be offered in the targeted area of first priority. Incentives would include increased density, reduction of parking requirements, a rebate of a portion of water and sewer tap fees and plant expansion fees, a rebate of a portion of building permit fees, and expedited review of plans, necessary hearings and other requirements. A key component of the Task Force's recommendation was the creation of a department or division within the City to implement this recommendation along with other recommendations called for by the Task Force.

Since the Task Force's initial recommendations, real estate market conditions have changed considerably. In the intended first priority area of the proposed voluntary inclusionary zoning ordinance structure, the City Center and the immediate surrounding area, the focus of development has changed to reflect the market conditions. While the condominium market was very active when the Task Force considered this recommendation, the current condominium market is not active and the focus has shifted to the development of apartments. Developers of condominiums would have benefited the most from the proposed voluntary inclusionary zoning ordinance due to the incentives offered through the program. The developers serving on the Task Force have indicated to us that even if the ordinance was proposed and adopted, use would not be made of program as intended.

In addition, a key component of the development and implementation of this ordinance is the creation of a department or division within the City structure to monitor this program and other recommendations posed by the Task Force. Many of the recommendations made by the Task Force will require a significant amount of time by City staff to insure that the recommendations are meeting their intended purpose and are coming to fruition. Current staff members are unable to accept these additional responsibilities without sacrificing current duties, functions and responsibilities. Given the limitations on the City's budget at this time, the Task Force recommends that development and implementation of this recommendation be delayed until some point in the future when market conditions make this recommendation more feasible.

Recommendation: The City of Columbia should implement specific requirements for the sale of City of Columbia owned property to help meet the need for affordable housing.

When property owned by the City of Columbia or one of its affiliated development corporations is offered for sale or development, the Task Force recommends that the City give due consideration to the need for affordable housing at the time of the sale and impose such conditions and requirements on the purchaser/developer of the property such that the recommendations of the Task Force will be advanced. In doing so, the City of Columbia should be mindful of the need for both affordable housing for homeownership

and for rental housing, especially multi-family rental housing serving the 50% and below median income population of Columbia. Should the City or an affiliated development corporation decide to forego imposing conditions on the sale of the property to a purchaser or developer, the City should adopt a policy pursuant to which a consistent percentage of the sales price of the property is contributed to a housing trust fund.

The Task Force will be presenting to City Council a proposed policy that will put in place the above recommendation. The Task Force asks that City Council give the proposed policy careful consideration upon its presentation.

The Task Force made the following initial recommendations at the time of its initial report. Those recommendations were:

The City of Columbia should investigate the feasibility of Community Land Trusts and implement them, if feasible.

The City of Columbia should develop a policy allowing for the re-establishment of accessory dwelling units that have lost their grandfather status where these units will be used for affordable housing.

The City of Columbia should encourage and actively participate in the development of the State of South Carolina's Qualified Action Plan for the issuance of tax credits to insure that the requirements of the plan meet the needs of Columbia.

The City of Columbia should take a consistent, unwavering position against NIMBYism and ensure that its actions relating to residential land use and development comply with this position so that there will be an impartial distribution of affordable multifamily rental housing throughout the City.

The City of Columbia should be the leader in this area and should bring regional partners to the table to develop a comprehensive strategy for developing affordable housing in the region, not just in the City of Columbia.

The Task Force remains committed to these recommendations in addition to those discussed in more detail above.