




Affordable Housing

SC Association of Counties

November 13, 2023




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Robinson Villa – Development Director


- Headquartered in Greenville, SC
- Develop Affordable Housing in South Carolina and North Carolina
- Majority of projects developed using Low Income Housing Tax Credit (LIHTC)
- 18 Projects – 1,000+ units in NC and SC since 2010



Renaissance Place – Greenville, SC




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Overview

- Introduction to Affordable Housing
 - Definitions
 - Funding Programs
 - Regulatory Agencies
- Mechanics of a project
 - Funding Sources
 - Regulations and Restrictions
- Obstacles and Opportunities
- Next Steps // How can you help?



500 Northside Station – Spartanburg, SC



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Affordable Housing 101

Definition – Affordable Housing
 Affordable Housing is any housing that is offered to an individual or family at an affordable rate based on the individual or family's household income.

Rule of Thumb: Housing costs should not be more than 30% of an individual or family's gross income

LESS NUANCED VERSION
 Housing affordable to individuals and families earning less than **80% of Area Median Income (AMI)**

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Affordable Housing 101 (continued)

Definition – Workforce Housing
 Housing affordable to individuals and families earning less than **120% AMI and more than 80% AMI**

Definition – Area Median Income (AMI)
 Midpoint of a region's income distribution, meaning that half of the households in a region earn more than the median and half earn less than the median.

- Charleston County AMI: \$101,300
- Richland County AMI: \$83,900
- Greenville County AMI: \$89,000
- Beaufort County AMI: \$111,300

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Affordable Housing 101 (continued)

Funding Programs

- Low Income Housing Tax Credits (LIHTC)
 - Most popular affordable housing production tool in the United States
 - Over 3 million units have been produced since 1986
 - IRS Program, administered at the State level
 - Rental Housing
- HOME Investment Partnerships Program (HOME)
 - HUD Program – dollars allocated to States as well as local municipalities
 - Funds are used to build affordable homes for homeownership and rental
 - Funds can also be used to supplement or fill budget gaps in LIHTC projects
- American Rescue Plan (ARPA)
 - COVID Relief funds
 - Eligible to be used in affordable housing projects; mostly LIHTC projects

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Affordable Housing 101 (continued)

Funding Programs

- Small Rental Development Program (SRDP)
 - Administered by State of South Carolina
 - Utilizes Housing Trust Fund and HOME dollars to build small projects (40 units and less)
- National Housing Trust Fund
 - Funds intended to serve the lowest on the income spectrum, including homeless
 - Funds are distributed to State Agencies
 - Funds are used as supplemental funds in LIHTC projects and SRDP projects
- South Carolina Housing Trust Fund
 - Funds are intended to provide financial assistance for the development affordable housing
 - Funds are distributed by State of South Carolina
 - Funds are used as supplemental funds in LIHTC and SRDP projects

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Affordable Housing 101 (continued)

Regulatory Agencies

- Department of Housing and Urban Development (HUD)
 - Involved in all things affordable housing
 - Allocates HOME funds to State and Local Municipalities
 - Administers rental assistance to local housing authorities
- State Agencies
 - South Carolina – SC State Housing Finance and Development Authority
 - Administers LIHTC and "State" HOME funds along with National Housing Trust Fund and State Housing Trust Fund
- Internal Revenue Service (IRS)
 - Distributed LIHTC to States
 - Ultimately responsible for the compliance of tax credit projects – delegates power to States

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Affordable Housing 101 (continued)

Common Misconceptions

- All Affordable Housing = Subsidized Housing
 - Fact: Most new affordable housing projects are Tax Credit projects
 - Fact: Tax Credit projects restrict tenancy and rental rates based on income levels instead of providing rental subsidy to tenant
- Developers are not long-term holders of projects
 - Fact: Developers are required to hold ownership in projects for 15 years after completion
- Projects are built with less quality materials or design than market rate projects
 - Fact: State standards for Tax Credit projects require projects to be built at levels comparable to or exceeding market rate projects (in some instances)
 - Fact: State and investors perform annual inspections and require deferred maintenance items to be repaired

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Program Spotlight

Low Income Housing Tax Credit (LIHTC)

- Administered by SC State Housing Finance and Development Authority (SC Housing)
- Receives tax credits from IRS – annual allocation based on population (\$2.60 per capita)

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graph TD
    IRS[United States - IRS] --> SC[State of South Carolina]
    SC -- Application --> Dev[Developer/Project]
    Dev -- Equity --> Inv[Investor - Large Banks/Corporations]
    Inv -- Tax Credits --> SC
  
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Program Spotlight

Program Overview

- Qualified Allocation Plan ("QAP")
 - Administrative Plan that dictates the rules and regulations for the Tax Credit program
 - Updated yearly by SC Housing staff
 - Signed by Governor
- Competitive Program
 - 30-60 applications each year; 10-15 awards
 - Geographic Distribution: Group A – Urban; Group B – Rural
 - New Construction and Rehabilitation

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Program Spotlight

Program Schedule

- November/December: QAP signed by Governor
- January: Preliminary Applications due
- February – May: Due Diligence gathering (zoning, utility availability, market research)
- May: Full Applications due
- August: Final Point Scores released
- September: Award Letters mailed

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Project Example

Parkside at Butler – Mauldin, SC

72 Units

- 18 – 1 BR
- 36 – 2 BR
- 18 – 3 BR

Completed in February 2023



Parkside at Butler

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Parkside at Butler - Sources and Uses

	72 Units	per unit	% of total
Acquisition	1,500,000	20,833	10%
Rapid Construction Costs	11,039,497	153,226	70%
Architect and Engineering	223,983	3,112	1%
Soft Costs	869,736	12,080	6%
Financing/Interest	742,242	10,310	5%
Reserves	330,335	4,588	2%
Developer Fee	1,044,000	14,500	7%
Total	15,749,893	218,749	100%
Federal LIHTC	6,958,000	77,312	44%
First Mortgage Loan	3,736,703	42,519	24%
State LIHTC	4,065,000	45,389	26%
Second Mortgage	500,000	5,556	3%
Third Mortgage	0	0	0%
Fourth Mortgage	0	0	0%
Fifth Mortgage	0	0	0%
Deferred Development Fee	470,190	5,224	3%
Total Sources	15,749,893	174,959	100%
Paid Fee	573,810		55.0%

Financing Partners

- Federal Tax Credit Equity: Stratford Capital
- State Tax Credit Equity: Monarch Private Capital
- Permanent Mortgage: Centrant Capital
- Subordinate Financing: Greenville County Redevelopment Authority

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Typical Interior



Clubhouse

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Obstacles // Opportunities

- **Planning and Zoning Processes**
 - Time is the enemy of a project – Construction Cost increases, site control issues, interest rate increases
 - Opportunities: Streamline/Prioritize Affordable Housing Projects
 - Opportunities: Determine what (if any) reviews can be done at staff level vs. boards/commissions
- **Local Support – Politically and Financially**
 - Most projects need support at some point during the development project. Support can be politically (approval from local board/commission) or financially
 - Opportunities: Local Housing Trust Fund // ARPA Funds // A-Tax Funds // Tax Abatements
 - Opportunities: Establishing priorities for affordable housing and sticking to those priorities in face of opposition
- **Increases in costs and interest rates**
 - Land and construction costs have continued to rise throughout all markets in South Carolina; interest rates are at 10/15 year highs
 - Opportunities: Increased density can make affordable housing projects more affordable and efficient. Affordable housing density bonuses have been successfully implemented with success in certain markets




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Questions?

Thank you!

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