

Hardeeville Attainable Housing Task Force
Report and Recommendations to Hardeeville Mayor and City Council
December 5, 2019

Introduction

In late 2018 the Mayor and City Council of Hardeeville established several short and long-term goals and priorities. Among many topics discussed by the Council housing was a concern; particularly housing that is attainable for the workforce. Specifically, the goal was stated:

Develop and implement a workforce housing policy and commission which will actively recruit and incentivize new developments which offer workforce housing options for the City's growing population.

This is wide-ranging issue with many causes and multiple possible solutions. The City Council ultimately determined that the term "Attainable Housing" is what would apply to the type of residential development that was sought. The Deputy City Manager was tasked with addressing the goal and creating a formal City response to the issue.

An ad-hoc taskforce made up of housing professionals was created. This group included representatives of the housing industry including real estate agents and brokers, lenders, housing non-profits and builders and developers. The group was made up of the following:

- Addison Altizer – Gateway Mortgage
- Missy Axe – Weichert Realtors
- Pat Griffith – Weichert Realtors
- Tedd Moyd – Jasper County Neighbors United
- John Smith – Forino Homes
- Brana Snowden – Hardeeville Planning Director
- Noel Turner – Weichert Realtors
- Bryan Wardlaw – Landmark 24
- Pat Wirth – Habitat for Humanity
- Missy Yost – Century 21 Diamond Realty

The group met multiple times beginning in August 2019. The first order of business was to establish what exactly "attainable housing" means for Hardeeville. "Workforce housing" is another term that could be nearly synonymous with attainable housing. However, housing for anyone who works is also logically workforce housing no matter one's income. The direction of the City Council was for the group to focus on the types of housing that would appeal to and be affordable to those seeking entry level type housing. Many examples include professionals such as police officers, firefighters and teachers. But there are other workers such as those in healthcare, the service industries like restaurants and retail and office workers that also fall into this category. The Department of Housing and Urban Development (HUD) does not define either workforce or attainable housing. HUD does define an "affordable dwelling" as one that a household can obtain for 30 percent or less of its income. That can vary by location because it is very dependent on the market. The Urban Land Institute (ULI) defines workforce housing as

that which is available to people making 60 to 120 percent of the Area Mean Income (AMI). Historically a “solution” to housing affordability has been for people to simply move further away from job centers in order to find acceptable pricing. While on the surface this may seem reasonable that too comes at a cost. Distance means increased transportation costs and increased commutes mean less time for family and other activities and can lead to a general lack of participation in a community. Thus, it seems prudent to seek to provide housing alternatives as relatively close as possible to job centers.

The median household income in Hardeeville is \$52,705 and the average home price at \$301,600. The average home price is not representative in comparison to the median income. The reason being the 55+ communities that make up a significant portion of the Hardeeville population often do not attain their homes through a traditional bank loan. These homes are paid for by cash or reinvestment of equity from another property.

To better represent the median household income and create a definition for attainable housing in Hardeeville, we must look at our target demographic and their income. This group would include vocations such as teachers, first responders, healthcare workers, and general laborers. The starting salary of this population averages around \$26,000 per year.

Because the starting salary of our target group is a closer match to the income levels for affordable housing, we cannot use this number for "attainable housing". The task force committee felt attainable housing is better represented by a two-person income or higher single wages.

To define attainable housing in Hardeeville the task force found the following is a more accurate definition:

Attainable housing in Hardeeville targets a demographic with a dual-income household and an average salary between \$36,400 and \$52,000 per year. This amount is representative of income between 70% and 100% of the median household income currently reported for Hardeeville (\$52,705) and the average household income of our target group (\$52,000).

At the present time, a family in this income range with a credit score of around 620 and minimal debt may qualify for homes sold between \$150,000 and \$200,000.

The good news is that there are housing developments currently under construction and in the planning process that fall into this price range. Millstone Landing, Wade Journey, Harvey Place, Hearthstone Lakes and University Park represent several hundred homes for this market. Additionally, there are several multi-family projects also planned or permitted that will also serve this segment of the population. It is important to remember that not all residents seek, or desire homeownership and their needs must be accounted for as well.

It should be noted that currently less than 200 people currently reside and work in Hardeeville. Hardeeville is not yet a major employment center but that will not remain the case. The industrial activity already occurring in the Riverport development will create more jobs as will

other projects; particularly once the new Exit 3 on Interstate 95 is completed. The City continues to see residential growth at a rapid pace at Latitude Margaritaville and Sun City. Proposed new residential development in other areas including East Argent and the Morgan Tract will also drive the creation of new businesses to serve those residents. The Beaufort/Jasper region has already been identified as an area that will need an additional 15,000+ new residential units (all housing types) by extrapolating the projections found in the Beaufort County Housing Needs Assessment prepared by Bowen. Land is relatively less expensive and there is a larger supply in Hardeeville than areas to the east so Hardeeville will certainly play a role in serving the entire region's attainable housing market.

The question then becomes: "What actions can Hardeeville take to encourage the development of attainable housing?"

Obstacles to More Attainable Housing

In order to make informed policy recommendations that will be meaningful in the efforts to encourage attainable housing development it is first necessary to understand the various barriers that exist. Through several discussions with the task force and additional research several key issues were raised.

- Land – simply put, while land is plentiful in Hardeeville it must be able to be purchased for a price that will allow a profitable return on investment.
- Beaufort/Jasper Water Sewer Authority – the connection fees for new development are significant. This is a large system and these fees pay for the continual improvement of the entire system. These costs are passed along to the consumer, adding to the home price.
- Permits and other fees – Like most jurisdictions Hardeeville charges for plan reviews and negotiates other development fees. These fees are used to pay for the cost of providing the review and inspection services and funds are also collected to offset the increased cost of providing other services such as fire, police, library and parks. Again, these costs are passed along to the consumer. One example provided compared two projects; one in Hardeeville and one in Ridgeland. The difference in fees marks a difference of approximately eight dollars per square foot.
- Property taxes – the Jasper County millage rate is higher than that of neighboring Beaufort County. When coupled with the millage rate imposed by Hardeeville this creates a situation where a buyer in Beaufort County has more purchasing power. While not a significant difference it is a factor and overall those properties in Beaufort County are located closer to major employment centers.

- Education – many potential homebuyers are simply not educated about how to go about buying a home, how to properly save and budget for a home purchase and how to avail themselves to programs that can help with the homeownership process.
- Community Standards – Many new communities in this area are rather homogeneous. They are “higher-end” and dictate certain size homes and command high sale prices and often are private. Lacking a mixture of housing types helps contribute to the shortage of attainable housing.

Recommendations

The task force decided to forward several recommendations to the City Council for their consideration. Some will require additional research in order to determine their actual feasibility.

It was gratifying to learn that the development community finds Hardeeville an easy place to do business. “Easy” in this instance does not mean ignoring standards or codes but rather by being responsive and informative throughout the development review and permitting and inspection processes. The City should continue to make development review and priority and periodically examine processes to ensure that they are as efficient as possible.

- Inclusionary zoning – this means requiring developments that exceed a certain threshold of new units to provide a ratio of attainable housing units within the development. Because developers often will lose money on the attainable units many jurisdictions will provide density bonuses that will allow them to recoup their investment. Hardeeville is already quite flexible with density requests. Besides providing the units, inclusionary zoning also has the benefit of promoting economic and racial integration. There is also an argument against inclusionary zoning that by limiting the amount of market rate homes it will cause prices to rise which would reduce affordability for all. Another argument is that developers should not bear the entire cost of providing attainable units if the entire community believes attainable housing is a priority then the entire community should help pay for it. Another issue to consider is that there is a substantial administrative component to such a program and the City would have to consider the cost of such an endeavor.
- Accessory dwelling units – often called in-law suites, these are units that an existing homeowner can create in their house or garage by constructing separate living quarters. This is a common method of providing additional units which also has the advantage of helping the homeowner offset their housing costs, particularly in higher priced areas.

Opposition to these types of units is predictable as many communities, especially the private and gated communities that are so prevalent in this region will almost certainly create covenants and restrictions to prohibit such units. However, the zoning code should allow for their possibility.

- City purchase/sale/acquisition of land – Hardeeville should examine its land holdings and determine if any of those properties are suitable for housing development. The City could then ensure potential developers are properly vetted for their ability to produce attainable housing. The non-profit housing sector could also play a part here. For example, Habitat for Humanity has constructed small neighborhoods on donated land. Hardeeville could also negotiate a portion of a large tract as part of a development agreement to be donated to the City for the provision of attainable housing and then the City could determine how best to create attainable housing on that site.
- Reduction of fees – as told to the task force by builders, other than acquiring land this is the largest cost driver in attainable housing pricing. A reduction in fees may be prudent but it is also necessary to realize that the impacts are the same from a new housing unit whether it is an attainable unit or not. Therefore, those impacts still need to be accounted for and passing along the costs to other units simply raises the costs for the remaining housing stock. The City would have to dedicate funding to offset the fee reductions for everyone to remain whole.
- Utility credits – much like the other development fees, these can add significant costs to the price of a new home. The users of the entire system should not be expected to subsidize these costs however it may be worthwhile to explore the concept of BJWSA offering a reduction for providers of attainable housing. Alternatively, the City could also provide funding to help pay for these costs.
- Tax credits – unfortunately there is little that Hardeeville can do with respect to property taxes. State law is very limiting as to what kind of development can receive local tax credits. The Opportunity Zone tax credit program does provide some good news by allowing developers to avoid capital gains taxes on investments in certain areas. The City should continue to learn more and assist developers as best they can when they pursue these credits.
- Affordable Housing Trust Fund – as discussed with the City Council previously, the Affordable Housing Trust Fund (AHTF) that is being studied and proposed by the

Southern Lowcountry Regional Board (SoLoCo) has great promise for helping to address attainable housing needs in the region. Soon a consultant will be preparing a report that will detail how such an organization should be structured, proposed programming and suggested funding. Many of the above-referenced incentives could possibly be administered and funded through the AHTF. Hardeeville needs to be a strong voice during the consultant's research and advocate for these and the following approaches to attainable housing:

- First-time homebuyer program – often people can afford a monthly housing payment but the down payment and closing costs keep homeownership out of reach. A program that could provide a low or no interest loan to qualified and credit-worthy buyers could bridge this gap. Typically, in a program like this the assistance that is provided is recouped when the property is sold or refinanced. The funds then return to the program, often as part of a revolving loan fund. Homebuyer education is required for participation and studies have shown that program like this that demand the buyer be educated have a lower default rate than the national average.
- Rehabilitation – often the most attainable housing is that which already exists. A program that would allow those already living within a certain income level access to funds to pay for needed home repairs will help keep people in their homes. Like the homebuyer program, it could be structured as a loan to be recaptured at time of sale.
- Property purchase – just like the recommendation for the City to acquire land, the AHTF could do so or provide funding to the City to make a purchase.
- Utility credits – similar to the property purchase, the AHTF could provide funding to offset utility connection charges for attainable housing projects.

Summary

Hardeeville is in a good place with respect to attainable housing. Several hundred new units are planned or underway with more to come. The City is viewed as easy to work with and more inquiries are made weekly. There are some impediments which can hinder the development of even more units. There are a combination of methods to approach these issues and some will require the City to commit funding. The creation of the AHTF appears to offer excellent potential to properly administer the various housing incentives and programs with a dedicated staff. This will require commitment from all the neighboring jurisdictions as well and the understanding from all involved that location of various projects may not be reflective of where the funding amounts originated. Conversely other housing organizations could possibly perform this service as well or even partner with the AHTF.

Staff seeks guidance from the Mayor and City Council regarding potential code and policy changes and input to be conveyed to the consultant preparing the report on the AHTF.

Finally, while not a part of the charge of this group, very low-income residents also inhabit Hardeeville and more efforts need to be made to ensure that this group also has access to decent housing. Currently South Carolina Public Housing Agency No. 3 serves Jasper County. More participation with this organization or even the establishment of a Jasper County Housing Authority would better serve Hardeeville residents.