Workforce Housing Strategic Plan

Prepared by
Chad Charles, Director of Workforce Housing
Habitat for Humanity of Horry County

In Partnership
City of Myrtle Beach
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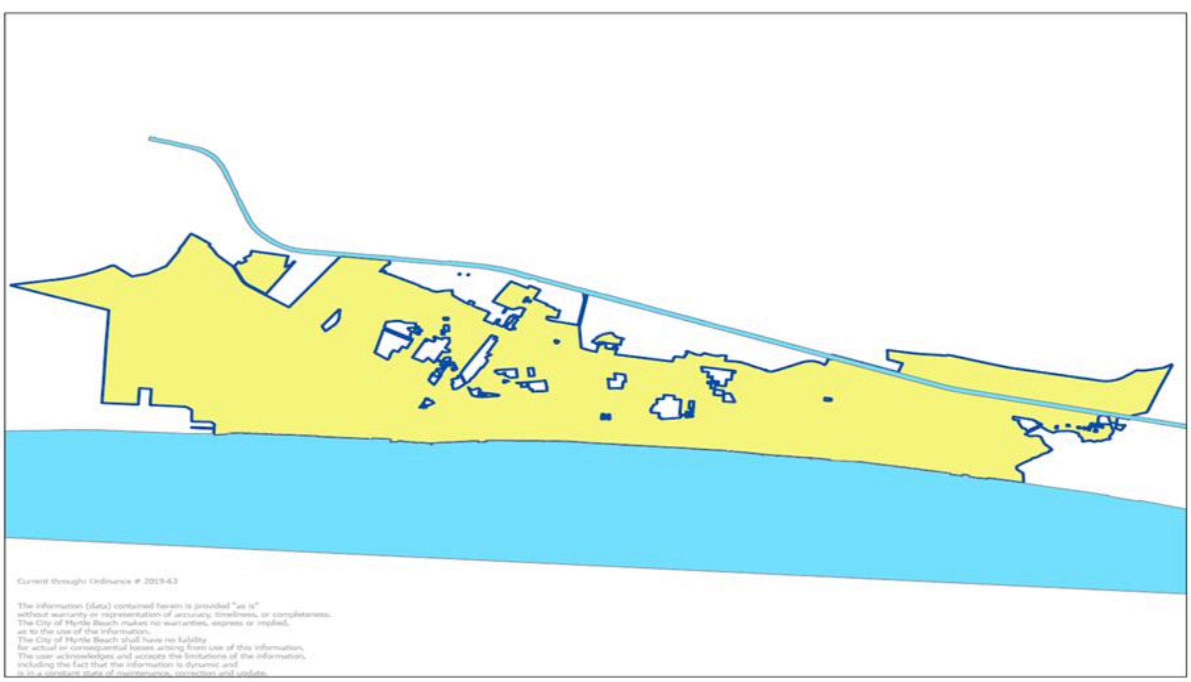

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City of Myrtle Beach

WORKFORCE HOUSING STRATEGIC PLAN

Contents

Executive Summary

The *Workforce Housing Framework/Strategic Plan* lays out the strategies the City of Myrtle Beach should implement, in partnership with private and nonprofit partners, to increase housing options for workers who serve the City of Myrtle Beach economy and community. This document is the result of a 12-month study process that included input from employers, residents, workers, advocates, City staff and City Council members. This plan includes recommendations to be adopted by the City of Myrtle Beach City Council and implemented as a comprehensive plan to address housing needs and support local growth.

Workforce Housing Definitions

Workforce Housing must be defined before developing workforce housing policies. The City of Myrtle Beach should include a definition of "workforce housing" in the City's Ordinances and be consistent across development proposals. Workforce housing should be defined as rental housing affordable to households with incomes up to 80 percent of the area median income (AMI) or for-sale housing affordable to households with incomes up to 120 percent of AMI.

Workforce Housing Targets

The construction of workforce housing in the City of Myrtle Beach will have to come alongside market-rate development (mixed income development). The City of Myrtle Beach should set a goal to facilitate the construction of 567 total net new housing units each year for the next 10 years, including at least 70 workforce rental units and 51 workforce homeownership units, in addition to 250 seasonal workforce beds. This level of production will reach only a portion of the workforce housing demand, but the targets are set to mirror market conditions, development constraints and the expected impacts of the recommended workforce housing strategies. However, these targets also represent a purposeful shift in development activity in the City to accommodate much-needed housing not currently being produced by the private market.

Workforce Housing Strategies

This Plan includes seven recommended strategies that have been prioritized to have the biggest impact on the production and preservation of workforce housing in the City of Myrtle Beach, while being consistent with the principles developed as part of the workforce housing study process. Many of the recommended strategies must work in unison to be most effective. Therefore, this *Workforce Housing Strategic Plan* is designed to be adopted and implemented in its entirety to help ensure that the City's efforts to expand workforce housing options are successful and sustainable.

1. **Expand/Establish a public-private local Workforce Housing Trust Fund.**
   Local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing rates. In addition, local funding can leverage non-local funds and be used to prioritize housing for workers in the City. Without a local source of funding, other workforce housing initiatives (e.g., commercial conversion, density bonus, land bank and land trust) will not be as successful as they could be.

2. **Create an adaptive reuse policy.**
   The City should adopt a complete policy that provides the right structure and incentives to encourage correct repurposing of commercial buildings as workforce housing or mixed use. The focus of an adaptive reuse policy should be both on utilizing existing buildings, as well as incentivizing redevelopment.

3. **Establish a density bonus program.**
   The City should amend the ordinances to offer a density bonus in specific zoning districts for properties that meet certain criteria (i.e., proximity to jobs, services and transportation) in exchange for the provision of workforce housing.

4. **Establish a Community Land Trust/Land Bank.**
   The City should set up a Community Land Trust and/or Land Bank. Land Trust and Land Banks are great tools for creating and maintaining housing stock that is attainable for the workforce.

   Community land trust property is held in a non-profit and leased to developers. These projects are primarily used for rental development and have a 99-year lease with the developer. Land trusts can also be used for commercial and homeownership developments.

   Land banks are normally controlled by a non-profit and property is purchased and held for development of attainable housing. Property held by a land bank is normally sold to a developer for the construction of needed developments that align with a comprehensive plan. When the property is sold, it carries a deed restriction based on the purpose of the development.

5. **Implement and expand employer-assisted housing programs.**
   The City has taken a leadership role by setting up a funding mechanism to provide housing assistance to public sector employees. The city should encourage private-sector employers to match the City's initiatives. These efforts should include both down payment assistance, as well as local rental assistance to workers.

6. **Make rental projects more competitive for Low-Income Housing Tax Credits.**
   The City should continue to advocate for changes to the state's Qualified Allocation Plan (QAP) criteria and should promote local policies that encourage the competitiveness of local projects for tax credits.

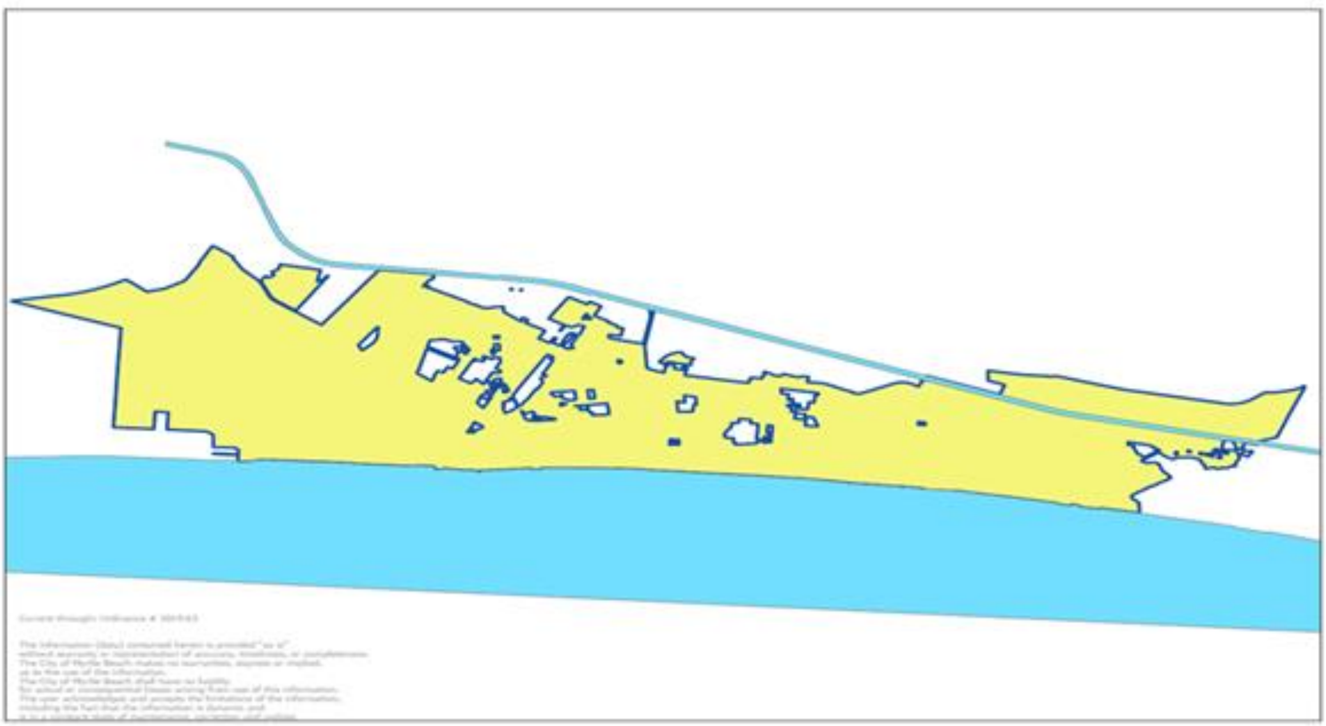
7. **Partner on a home linking/home sharing program.**
   The City should consider establishing a home linking/home sharing program to provide and promote affordable living for workers. Through this program, the City could connect workers who need housing with units that are either unoccupied or underoccupied. By partnering in a resource such as an online portal, employers would also have the ability to connect their employees with different housing options.

Workforce Housing Plan Implementation Steps

This Strategic Plan includes the groundwork for implementing the recommended workforce housing strategies in the City of Myrtle Beach. Short-term (one year or less), Mid-term (two to three years) and Long-term (four or more years) strategies are recommended along with the necessary public, private, and non-profit partners that need to be part of the workforce housing development.

PART 1

History, Workforce Housing Needs, Workforce Housing Definitions



Introduction

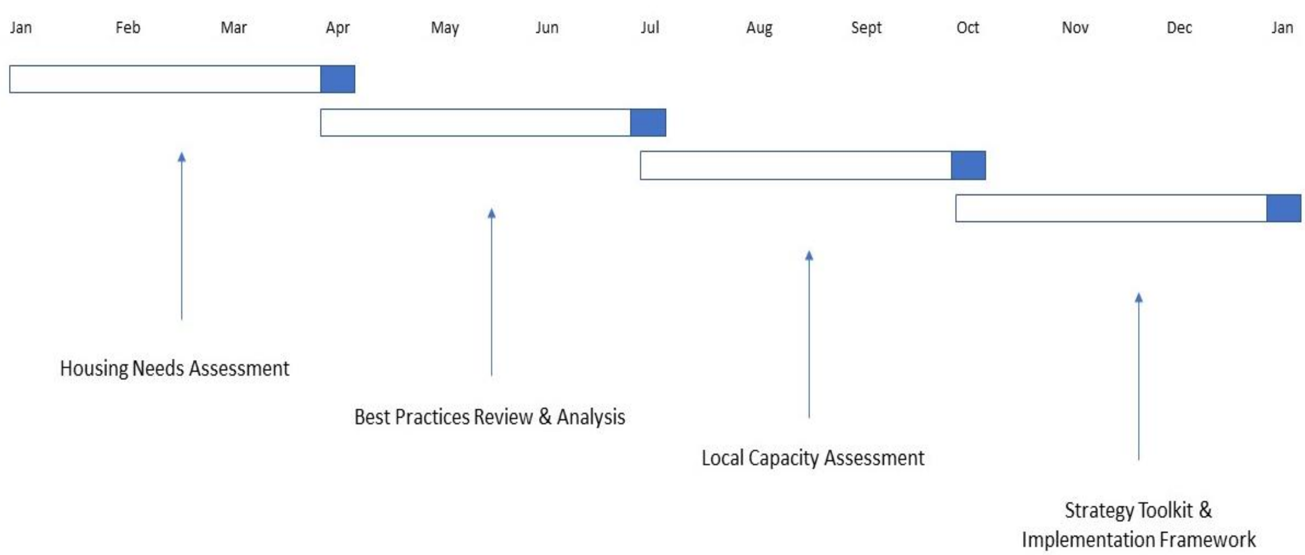
The City of Myrtle Beach is facing challenges around ensuring there is an adequate supply of attainable and respectful housing to support its workforce. Employers are having a harder time recruiting and keeping workers in the City. Working individuals and families are increasingly being priced out of the community. Everyone in the City of Myrtle Beach—from year-round residents to seasonal visitors and all those in between—are already feeling the impact of a workforce shortage.

The ability to attract needed public and private sector workforce relies in part on the ability of workers to attain housing close to their place of employment. The need for employees in other parts of Horry County means that Myrtle Beach employers will have a harder and harder time finding workers who have more employment opportunities outside of the City, closer to areas where housing is more attainable with shorter commutes. Without a determined effort to expand workforce housing options in the City of Myrtle Beach, both the economic sustainability and quality of life in the City is at risk.

This Workforce Housing Strategic Plan includes a group of recommendations that are created to address current and future workforce housing needs in the City of Myrtle Beach. There is not one initiative or policy that can solve the workforce housing challenges alone. The Workforce Housing Strategic Plan includes policy recommendations that would need to be executed together as a complete workforce housing plan. By doing this, it will increase workforce housing options and help meet the City's changing housing needs.

This strategic plan was developed over a 12-month period. Habitat for Humanity of Horry County worked with Workforce Housing Advisory Board and City staff to gather data and information, assess current and future housing needs, collect broad stakeholder input, and prepare an actionable strategic plan. Contributions from members of the community, including employers, residents, housing developers and members of the City's staff were critical to the development of this plan.

Figure 1. City of Myrtle Beach Workforce Housing Strategic Planning Process



Housing Initiative History in the City of Myrtle Beach

This *Workforce Housing Initiative* is the first time the City of Myrtle Beach has explored attainable workforce housing strategies. The city has talked about attainable workforce housing since 1988. Over the past 40 years the City of Myrtle Beach has depended on the private development community to produce attainable housing.

In 2018, the Mayor and City Council realized the workforce housing crisis was impacting the quality of life in the City of Myrtle Beach. In 2019, council established the Affordable Housing Advisory Committee, which looked at neighboring areas and to see if there was a true ability to create attainable housing for the workforce in Myrtle Beach. The Advisory Committee looked at several places across South Carolina, as well as other states, and recommended that the city move forward with the workforce housing initiative. They reported there are several successful plans across the country. The recommendation came in early 2020 from the advisory committee and included doing a full review of the needs of Myrtle Beach as it pertained to Workforce Housing, as well as best practices used around the country and determining what would work best for the City of Myrtle Beach.

In November 2020, City Council entered into an agreement with Habitat for Humanity of Horry County to develop the Workforce Housing Strategy. The strategy included four phases and was to begin in January 2021, with the final recommendations and framework to be delivered in January 2022.

Figure 2. Picture of affordable homes built on Carver Street.

Workforce Housing Needs in the City of Myrtle Beach

The City of Myrtle Beach is a key economic engine within Horry County and the broader region. However, Myrtle Beach is increasingly competing with neighboring cities like Surfside Beach, North Myrtle Beach, Conway, Georgetown and other communities for workers. A lack of workforce housing in the City is a necessity to recruiting and retaining both private-sector and public-sector employees. The City of Myrtle Beach is already seeing that a lack of a qualified, stable workforce has led to a decline in services and the quality of life in the City.

Some of the evidence of that impact is many local restaurant owners are closing down one day a week because they cannot find sufficient staff. Grand Strand Hospital has been having difficulty retaining key employees, like nurse technicians. Landscaping companies in the City struggle to find enough people to mow lawns, trim trees, install and maintain landscaping. The public school system faces challenges with teacher recruitment and turnover. **Employers consider housing availability and affordability in the City of Myrtle Beach as essential for attracting and keeping qualified workers.**

Many people working in the City of Myrtle Beach commute from elsewhere in Horry County and beyond. More than 35,000 workers commute into the City each day for work, with the number of in-commuters rising steadily each year. People who work in the City of Myrtle Beach commute longer distances than those commuting to either the Town of Conway, Surfside, or North Myrtle Beach. About 17 percent of workers in the City of Myrtle Beach—or nearly 4,400 workers—commute 50 miles or more each way to get to work. On their way to and from Myrtle Beach, those commuters will pass by growing areas like Conway, Socastee, Aynor and other communities where employment opportunities are expanding. More job options in other parts of the county will make it less attractive for workers to continue to commute into Myrtle Beach for work.

There will always be workers who choose to live outside of the City. However, having options for workers to live close to where they work is important for ensuring the ongoing strength and vitality of the local economy as well as the health of the community.

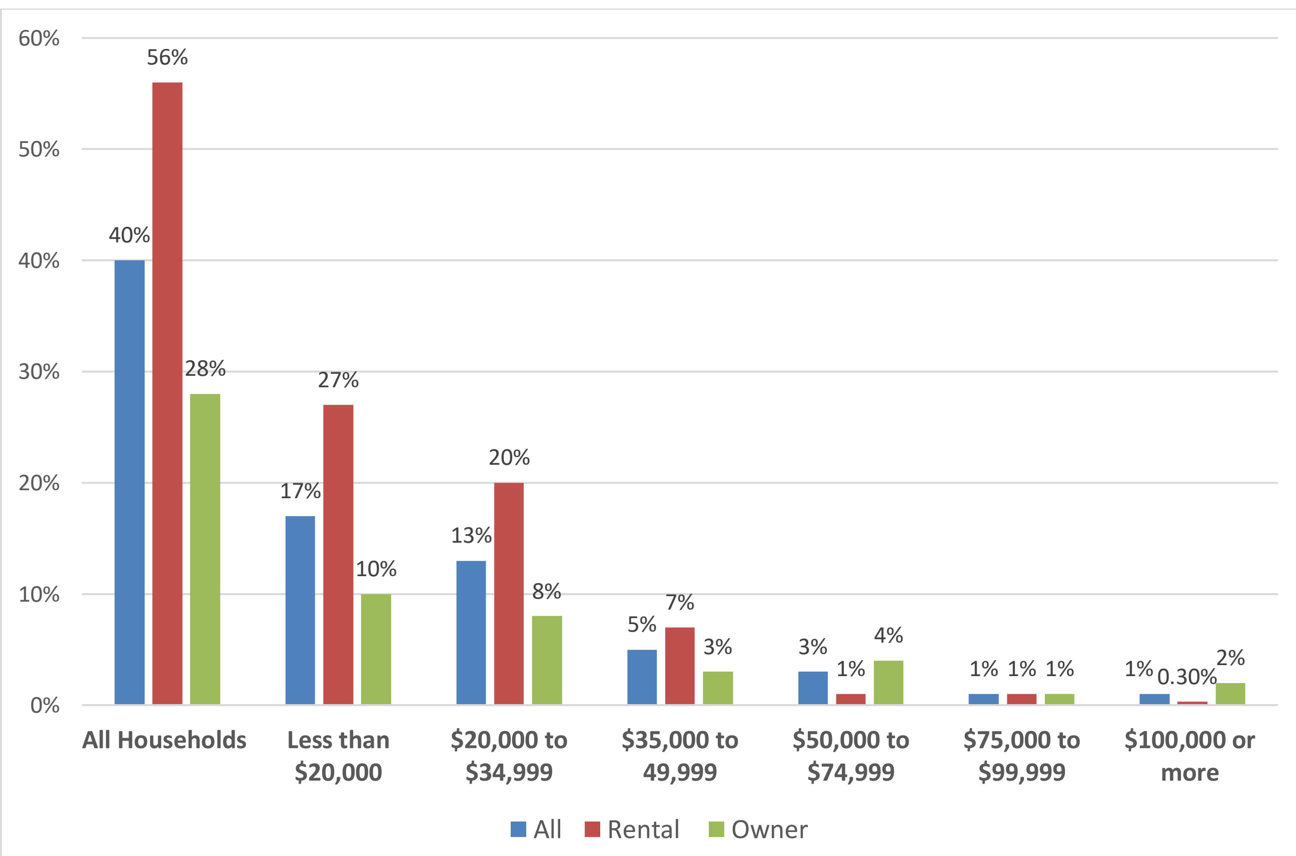
There is already a significant housing affordability challenge among current Myrtle Beach residents. About 40 percent of all Myrtle Beach households—including 30 percent of homeowners and 60 percent of renters—are housing cost burdened, spending 30 percent or more of their income each month on housing costs. When individuals and families spend a large percentage of their income on housing, there can be too little left over for other necessities, including food, health care, transportation and clothing. There is also less left over to spend on goods and services in the local economy.

The traditional measure of affordability recommends that housing cost no more than 30 percent of household income. However, that benchmark fails to consider transportation costs, which are typically a household’s second-largest expenditure. The Center for Neighborhood Technology’s Housing and Transportation (H+T®) Affordability Index offers an expanded view of affordability, one that combines housing and transportation costs and sets the benchmark at no more than 45 percent of household income. At the time of the production of this document, the H+T Index in the City of Myrtle Beach was 55 percent.

The biggest housing challenges are found among lower-income households, but there are working individuals and families across the income spectrum that have a hard time affording housing.

- More than 1 out of 4 Myrtle Beach rental households with incomes below $20,000 are housing cost burdened. These households include a single, full-time minimum wage worker or a senior or person with a disability living on Social Security.
- 1 out of 5 Myrtle Beach rental households with incomes between $20,000 and $35,000 are housing cost burdened. Households in this income range include those with two full-time, minimum wage workers or workers in the Accommodation & Food Services, Retail Trade or Arts, Entertainment & Recreation sectors, and some Public Administration jobs.
- 1 out of 16 Myrtle Beach rental households with incomes between $35,000 and $49,999 are cost burdened. Households with two workers in the Accommodation & Food Services, Retail Trade or Arts, Entertainment & Recreation sectors fall into this income range. Many other local employees, including teachers, first responders and City government employees also have wages that put them in this income category.

Figure 13. Cost Burdened Households by Household Income, Myrtle Beach, 2019



Source: U.S. Census Bureau, 5-Year American Community Survey Tables B25074 and B25095

Working households, including those who currently live in the City of Myrtle Beach, and those who work in the City but live elsewhere, are having a harder time finding housing they can afford. For example, there are an estimated 13,600 workers (35.3% of all workers) in the City of Myrtle Beach in the Accommodation & Food Services industry. The median wage for workers in this sector is $20,667 annually. A single person earning this wage could afford rent of no more than $517 per month. A couple (e.g., married couple or two roommates) could afford rent of no more than $1,034 per month; they could afford to purchase a home priced at no more than about $144,000.

Public sector workers, including police officers, teachers, fire fighters and other local government staff, also have a hard time finding housing they can afford in the community they serve. A typical worker in the public sector in the City of Myrtle Beach earns $44,405 annually and can afford housing costs of no more than $1,110 per month. Two public sector workers, earning the median wage for the sector, earn enough to buy a home priced at no more than about $310,000.

Figure 8. Median Wages of Jobs in Key Sectors, Myrtle Beach, 2019

Industry	Median Wage	Affordable Rent*	Affordable Homeownership**
Accommodation & Food Services	20,667	517	144,669
Retail Trade	23,590	590	165,130
Arts, Entertainment & Recreation	10,340	259	72,380
Health Care & Social Assistance	40,708	1,018	284,956
Administrative & Support & Waste Management Services	19,167	479	134,169
Construction	25,230	631	176,610
Transportation & Warehousing	27,303	683	191,121
Finance & Insurance	62,917	1,572	440,419
Real Estate & Rental & Leasing	40,076	1,002	280,532
Professional, Scientific & Technical Services	53,304	1,333	373,128
Public Administration* **	44,405	1,110	310,835

Source: U.S. Census Bureau, 5-Year American Community Survey Table S2413
*Rent affordable to one worker at median wage.
**Home price affordable to two workers at median wage, assuming a home price that is 3.5 times annual household income.
***Includes teachers, first responders, and state and local government staff.

The existing housing stock in the City of Myrtle Beach does not include enough housing at the right prices and rents in the right condition to meet the needs of the workers in the City. About 1 out of 6 homes listed for sale in the City of Myrtle Beach are priced at $600,000 or more. Two typical full-time workers with jobs in the City earn incomes that could allow them to purchase a home priced at no more than $250,000.

Data on workers in the City of Myrtle Beach are from the U.S. Census Bureau and generally include only permanent jobs. As a result, some seasonal workers are not included in these numbers.

While these workers in this income range comprise nearly half of the City's employment base, the number of homes in this price range account for just 30 percent of all homes listed for sale.

On the rental side, data from the U.S. Census Bureau suggests that the estimated median rent in the City of Myrtle Beach was $966 in 2019; however, according to current available listings, more than 80 percent of rental apartments and homes in the City rent for more than $1,500 a month. There is significant demand from Myrtle Beach workers for housing that rents for less than $875 per month, but there are relatively few units in that rent range.

The City of Myrtle Beach needs to facilitate the construction of more housing and specifically more housing that is attainable at the income limits as outlined in this plan. Between 2014 and 2020, the City of Myrtle Beach issued permits for an average of 567 new units per year. This workforce housing plan recommends that the City set a target of 567 net new housing units each year for the next 10 years with a shift toward smaller, more attainable units. This applies to multi-family, single family, owner and tenant occupied units to meet the workforce housing demand.

The housing production needs a change for Myrtle Beach. It will be changes in the number of new homes built and the price point. Only a percentage of the need for workforce housing units will be met at the target outlined. The targets are laid out based on the realistic ability of the City.

Workforce Housing Targets

The City should have a goal to facilitate the construction of 567 total net new housing units every year to include:

200 Net new rental units with 35 percent of the units renting for $875-$1,285.

300 Net new homeownership units with 17 percent of units priced at $200,000 and below.

The housing production target does not reflect a change in the number of new units being built each year. The target reflects a change in the type of units and the price point in terms of purchase price and rents. At these targets only a small part of the workforce housing demand will be met. The capacity of the City and market conditions were considered when these targets were set.

Rental stock data obtained from Zillow.com, as of March 25, 2019.
Median rent data are from the U.S. Census Bureau American Community Survey.
Permit data are from the City of Myrtle Beach.

Workforce Housing Principles

The principles are the basis which guide the development of the City of Myrtle Beach Workforce Housing Strategy. These were derived to echo input from a large number of community stakeholders in the City:

1. Myrtle Beach's solutions for workforce housing should be designed to respect the City's cultural resources.

2. Myrtle Beach's Workforce Housing Strategy should include policies that not only provide housing for workers but also build community within the City.

3. Creating a range of workforce housing options in the City of Myrtle Beach requires partnerships among the public, private and nonprofit sectors.

4. Incentives for the development of workforce housing should be applied in an equitable manner so that all property owners in the City of Myrtle Beach can realize the economic value of their property.

5. The City's workforce housing strategies should be adopted alongside sensible transportation investments.

Workforce Housing Definitions

All workforce housing policies and tools adopted by the City should be consistent with the types of housing that they seek to promote. Workforce housing definitions should be codified in the City's planning and zoning code and be applied consistently across development proposals. Formally defining the workforce housing framework and eligibility requirements will create a transparent and predictable process for the development community to work with the City to build and preserve that is appropriate and attainable to workers in the City.

Income limits: Workforce housing in the City of Myrtle Beach should target households with incomes between 30 and 80 percent of area median income (AMI) for rental housing and up to 120 percent of AMI for, for-sale housing. Income levels should be updated annually when HUD updates its income limits.

Figure 5. FY2021 HUD Income Limits – Horry County, SC HUD Metro FMR Area

	Household Size			
Income Group	***1 Person***	***2 Person***	***3 Person***	***4 Person***
30 % AMI	***12,850***	***14,700***	***16,550***	***18,350***
50% AMI	***21,400***	***24,450***	***27,500***	***30,550***
80% AMI	***34,200***	***39,100***	***44,000***	***48,850***
120% AMI	***51,360***	***58,680***	***66,000***	***73,320***

Prices and Rents: Workforce housing units need to be made available at rents and prices affordable to the households in the income ranges above. Specifically:

Workforce housing rents should be set at the following levels:

Efficiency or studio (i.e., no separate bedroom): 30 percent of monthly income for an individual earningbetween 30 and 80 percent of AMI

One-bedroom: 30 percent of monthly income for a two-person household earning between 30 and 80 percent of AMI

Two+ bedroom: 30 percent of monthly income for a three-person household earning between 30 and 80 percent of AMI

Figure 6. Workforce Housing Rent Levels

Unit Type	***Workforce Housing Rents***
Efficiency/Studio (No separate Bedroom)	***$301-$804***
1 Bedroom	***$344-$918***
2 Bedroom	***$387-$918***

**As of Friday, January 7, 2022 there were zero units listed on Zillow at the price points outlined on the previous page.*

Workforce housing owner-occupied units need to include two options for setting affordable price levels. The initial sales price of a new workforce housing unit should be set at the following levels, with assumptions updated as needed but no less than every year.

Figure 7. Workforce Housing Initial Sale Prices

CONDO: Targeting 1- person household 120% AMI

Income	Monthly Debt	Debt To Income	Down Payment	Down Payment Assistance	Interest Rate	Homeowners Insurance	Property Taxes	HOA	Max Price
40,180	**500**	**37%**	**5,000**	**5,000**	**4.25%**	**552**	**1.2%**	**65**	**149,400**

SINGLE FAMILY HOME: Targeting 4-person household 120% AMI

Income	Monthly Debt	Debt To Income	Down Payment	Down Payment Assistance	Interest Rate	Homeowners Insurance	Property Tax	HOA	Max Price
73,320	**500**	**37%**	**5,000**	**5,000**	**4.25%**	**944**	**570**	**65**	**238,200**

**As of Friday, January 7, 2022 there were only two units listed on Zillow at the price points outlined above. The two units were priced above $149,900 but less than $238,200. This search included all home types west to the west of HWY 17 BUS.*

Workforce housing re-sale sales prices should be set to allow homeowners to accrue equity but also preserve the home's attainability for other working households. There are several models for determining re-sale price. The most popular approach to setting a re-sale price is an index-based formula. Normally, re-sale prices will be set equal to the original affordable purchase price plus a set rate of appreciation tied to changes in AMI or the consumer price index (CPI).

It is recommended that the City of Myrtle Beach calculate workforce housing re-sale prices based on a change in AMI on a 10-year rolling average, which helps prevent a situation in which a homeowner would have to sell at a loss due to a short-term dip in AMI or sell at a price that is unlikely to allow the subsequent homeowner any price appreciation because of a short-term spike in AMI (see below). Affordability terms re-set to 15 years upon re-sale.

See https://www.zillow.com/mortgage-calculator/house-affordability/

Figure 8. Workforce Housing Re-Sale Price Example

Year Bought	**2022**
Original Sales Price	**196,629**
Change In AMI, 10 year rolling average	**22%**
Year Sold	**2027 (5 years owner occupied)**
Re-Sale Price	**218,258 (Original sales price plus 11%. Still attainable to workforce with 120 AMI income in 2026)**

The City of Myrtle Beach should maintain a waitlist for income-eligible households interested in purchasing either a new or re-sale workforce housing unit. If the homeowner cannot find an eligible buyer within six months of listing the home, the deed restrictions can be written to allow the homeowner to sell at market value to any homebuyer. This provision would remove the unit from the workforce housing stock. An option could be the City, or other organization chosen by the City to oversee the WFH program, purchase the unit and make it available as a rental unit to an income-eligible household. The deed restrictions can also allow for exemptions for homeowners who are relocated by their employer more than 50 miles from Myrtle Beach or for military deployment.

Affordability Terms: Any housing that is developed under any policy, regulation or incentive adopted as part of the City's Workforce Housing Strategy should put into place a requirement that housing units remain affordable to households at specific income targets for a specified period of time, as follows:

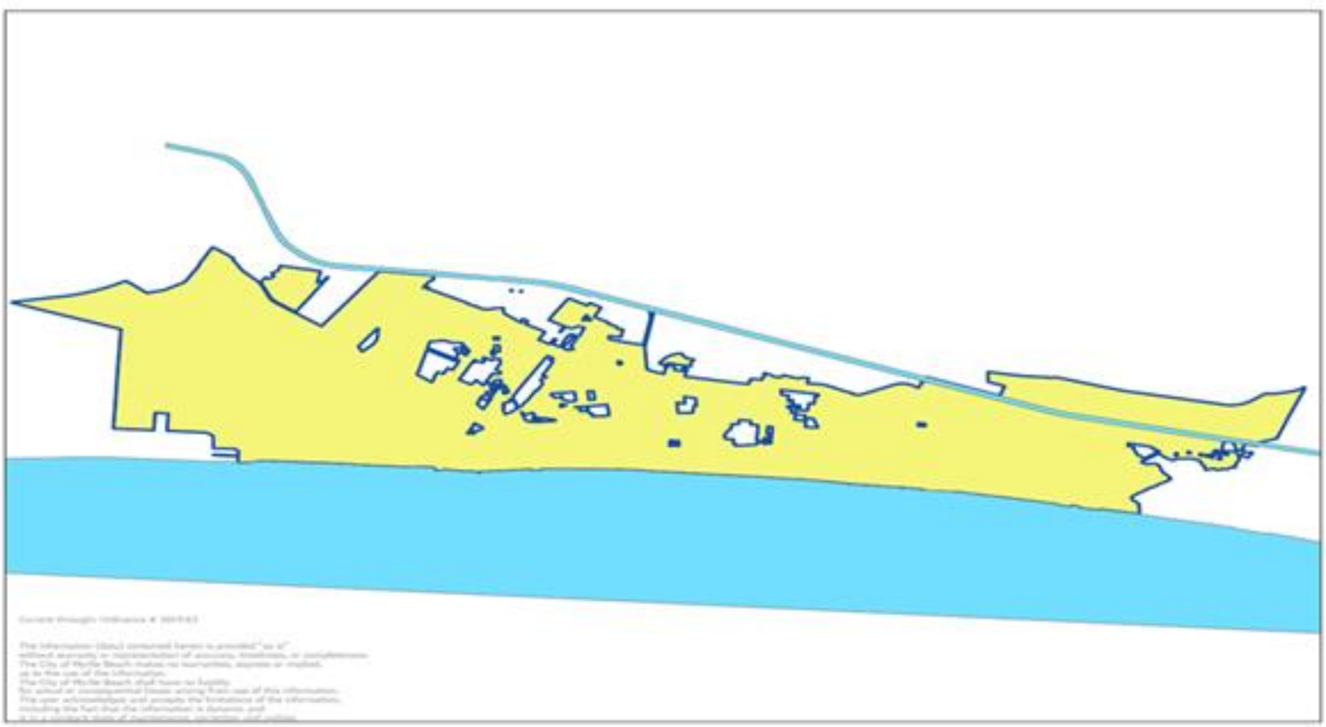
Ownership units: 15-year affordability term, with the term reset upon re-sale

Rental units: 99-year affordability term

The affordability terms are required to be included as deed restrictions on the for-sale units and as part of development agreements/conditions of approvals for rental homes.

Priority Groups: Priority for any homes created through any policy, regulation or incentive adopted as part of the City's workforce housing strategy will be given to current Myrtle Beach workers and new workers with documentation of acceptance of a position with an employer in the City of Myrtle Beach.

PART 2
Recommendation Overview & Implementation Steps



Strategy Recommendations: Overview

This Workforce Housing Strategic Plan includes recommendations that are designed to address current and future workforce housing needs in the City. There is no one single initiative that can solve the workforce housing challenge. Rather, the City will need to adopt an array of tools—and make available the necessary resources—to have an exhaustive workforce housing strategy.

This Plan includes seven recommended strategies that have been prioritized to have the biggest impact on the production and preservation of workforce housing in the City of Myrtle Beach, while being consistent with the principles developed as part of the workforce housing study process. Other workforce housing policies and tools were assessed but are not included in this Plan because they were deemed to be least beneficial for Myrtle Beach compared to those included.

Overview of Workforce Housing Strategies

1. **Expand/establish a public-private local workforce housing trust fund.**
   Local funds are an important element of a comprehensive workforce housing strategy for many reasons. First, local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing limits. Local funds are also essential for leveraging other funding, including funding from the federal and state government. Finally, when local funds are used to support workforce housing, the City can give priority for housing to workers in the City. Without a local source of funding, other workforce housing initiatives (e.g., commercial reuse, density bonus) will not be as successful as they could be. The City of Myrtle Beach has already set aside public money, though the framework needs to include private funding as well. Parameters need to be set for the local housing trust fund.

2. **Create an adaptive reuse policy.**
   Adaptive reuse is an important workforce housing strategy because it makes use of existing structures and places in the City where there is existing development, often well-connected to jobs, services and transportation. The City should adopt a comprehensive policy that provides the right framework and incentives to encourage appropriate repurposing of existing buildings as workforce housing. The focus of an adaptive reuse policy should be utilizing the existing buildings, as well as incentivizing demolition and redevelopment.

3. **Establish a density bonus program.**
   Additional density is an important mechanism for closing the gap between the cost of delivering market-rate and workforce housing, and for promoting mixed-income residential development. Increased density is not appropriate everywhere in the City, so the density bonus policy should only be implemented in particular areas of the City. As such, the City should amend the planning/zoning ordinances to offer a density bonus for properties in certain zoning districts that meet additional criteria (i.e., proximity to jobs, services and/or transportation) in exchange for the provision of workforce housing.

4. **Community Land Trust & Land Bank**.
   A community land trust (CLT) is a nonprofit organization designed primarily to ensure community stewardship of land. CLTs can be used for many types of development but are primarily used to provide permanently affordable housing options to lower-income households. The CLT purchases land and maintains ownership of it permanently. To promote homeownership, a prospective homeowner enters into a lease agreement with the CLT for the land and can therefore purchase a home at a lower cost since he or she does not have to purchase the land. As part of the agreement, when the homeowner sells the home, he or she receives a portion of the increased value, with the other portion remaining with the CLT to help ensure affordability of the home for future homeowners. The length of the lease is generally 99 years and the percentage earned by the homeowner varies across CLTs. By separating the ownership of land and housing, the CLT is designed to mitigate market factors that would cause home prices to rise significantly and can guarantee that housing to remain affordable for multiple homeowners over the long-term. While CLTs are often thought of as a mechanism primarily for homeownership, CLTs have been used to help make rental housing affordable to lower-income households. In fact, according to the National CLT Network, about two-thirds of residential properties stewarded by CLTs are rental properties. Because the land is owned by the trust, constructing and maintaining the overall property is lower, therefore allowing rents to be lower. Many rental CLTs also work to actively engage residents and provide services, such as financial literacy classes.

   Land banks can play a number of different roles depending on a community's development goals, including: (a) providing a mechanism for assembling parcels of tax-delinquent or abandoned properties for redevelopment; (b) acquiring and holding strategically valuable properties until the community can develop them as affordable housing, and; (c) acquiring properties to convert to other uses such as retail, parks, or open space for flood mitigation. In addition to acquiring and holding land, land banks can maintain, rehabilitate, demolish, and lease or sell property.

   Land banks are most commonly established in localities with relatively low or declining housing costs and a sizeable inventory of tax-delinquent properties that the community wants to repurpose to support community goals. In high-cost localities, however, where there are few tax-delinquent properties, land banks can serve as a vehicle for holding land purchased strategically for future affordable housing development.

5. **Expand employer-assisted housing programs.**
   Providing assistance directly to working individuals and families is an important part of this workforce housing plan for the City of Myrtle Beach. This assistance helps working households to better afford housing offered in the private market. The City should take a leadership role by providing housing assistance to public-sector employees and encourage private-sector employers to match the City's initiatives and follow the City's example.

6. **Make rental projects more competitive for Low-Income Housing Tax Credits.** The Low-Income Housing Tax Credit (LIHTC) program is a critical source of federal funding for the production and preservation of rental housing affordable to lower-income households. Projects proposed in the City of Myrtle Beach are having a very difficult time competing for nine-percent credits, largely because of the specific criteria in the current Qualified Action Plan (QAP), the plan that guides the state's tax credit allocation process. However, changes to the QAP, along with changes at the local level, could make projects more competitive. The City should continue its advocacy efforts around changes of the state's QAP criteria and should promote local policies that encourage the competitiveness of local projects.
7. **Partner on a home linking/home sharing program.** A creative mechanism for creating more workforce housing options is to connect workers who need housing to available housing units that are unoccupied or underoccupied. The City should be a partner in a resource (e.g., an online portal) that helps employers connect their employees either to housing that might be vacant and available for transitional or temporary rental and to existing homeowners who are looking to share their home.

A comprehensive list of workforce housing strategies, including those not recommended or prioritized for Myrtle Beach, is included in the Appendix.

Capacity Building to Implement Workforce Housing Strategies

The recommendations included in this *Workforce Housing Strategic Plan* includes new incentives and programs to promote workforce housing in the City, along with significant shifts in the way some development proposals will be processed by the City. Given the broad set of recommendations proposed to address workforce housing needs, it is important to ensure that theCity and its partners have the necessary capacity to be able to implement the recommendationssuccessfully and to measure progress.

This *Workforce Housing Strategic Plan* advises that the City launch a number of capacity building activities to help position staff, elected officials, and partners for successful implementation.

Develop relationships with local and regional residential developers. The ability to attract high-quality workforce and mixed-income housing development in the City depends not only on the policies in place but on the capacity of local and regional developers and a working relationship between the development community and City staff. Relationships already exist and these recommendations include expanding on those efforts. Suggested activities include:

Convening a developer roundtable to include both locally active residential developers, as well as nonprofit and for-profit residential developers working in other parts of Horry County, South Carolina and the south/mid-Atlantic region. The purpose of the roundtable would be to describe the City's workforce housing policy and incentives, to discuss specific opportunities in the City, to better understand development and market constraints and to create a ready pool of potential developer partners.

Continue engagement with the South Carolina chapter of the Urban Land Institute (ULI). ULISC is based in Charleston. The organization hosts a number of meetings and training events. Some are limited to ULI members, but others are open to the public. The goal of attending these meetings/events would be for the City to be part of the regional discussion of affordable/workforce housing efforts, to promote workforce housing opportunities in the City and to make connections with workforce housing developers.

Establish procedures for monitoring workforce housing units. As part of the Workforce Housing Strategy, new residential projects will be incentivized to deliver housing that meets the definition of workforce housing. The City will need to establish a mechanism for initial reporting of rents/sales prices, on-going monitoring of rent and price levels and certification of the eligibility of households for workforce housing. There will be a need to stay up to date with current financing options that are available to homebuyers and developers, which programs best suit the needs of available properties and developers that are involved. This function could be the responsibility of a nonprofit organization, City staff, the Horry County Housing Authority, or some combination of to create a third party group, board, or committee.

Capacity Building to Implement Workforce Housing Strategies (continued)

Continued education and outreach activities. In order to build and retain support for the Workforce Housing Strategic Plan, it is important for the City and its partners to continue public engagement and outreach work. Recommended activities include:

Continuing the workforce housing advisory group. This group should meet quarterly to hear updates from the City on workforce housing initiatives, to provide guidance on implementing the plan and to serve as advocates in the broader community on workforce housing issues. The six to 12-person advisory group should be comprised of representatives that include residents (representing both inside and outside of the PUDs), employers (public and private sector), employees (public and private sector), advocates, developers, and financial institutions.

Hold bi-annual public meetings to provide updates on workforce housing initiatives,including updates on new projects under construction. Plan these meetings as a public City Council/Public Planning Commission meeting or as a separate public meeting.

Release information on the City's website when new workforce housing projects are proposed and completed, and when new workforce housing programs are implemented. Provide press releases to local media who have covered workforce housing issues in the City.

Identify individuals and families in the City who have benefited from new workforce housing and/or new workforce housing programs. Provide a venue for them to tell their stories (e.g., blog on the City's website, podcast/video).

Consider submitting the City's workforce housing strategy for recognition by ULI through its award program. ULI's Larson Award recognizes local policies that have been innovative and successful in addressing workforce housing issues.

Create a dedicated position to serve as the workforce housing coordinator/planner for the City. Based on an assessment of the level of effort that will be required to implement the set of workforce housing recommendations included in this plan, and the review of current staff responsibilities, it is recommended that the City have new resources dedicated specifically to workforce housing. A workforce housing position could either be a new City position, a dedicated portion of an existing staff position within the City, a new position shared and funded jointly by the City and the County, or a position partially funded by private employers. This could also be a partnership with a non-profit organization that is already working in this capacity. Given the nature of the workforce housing recommendations, the staff person on point for workforce housing in the City should have a background not only in planning and community development, but also development finance.

Strategy Recommendations: Implementation Steps

Each recommended strategy includes a series of specific steps the City and its partners will need to take to implement the strategy. These implementation steps include those that should be undertaken in the short-term (within one year), in the mid-term (within two to three years) and in the long- term (in four or more years). Many of the recommended strategies must work in concert in order to be most effective. Therefore, this *Workforce Housing Strategic Plan* is designed to be adopted and implemented in its entirety to help ensure that the City's efforts to expand workforce housing options are successful and sustainable. These actions are intended to be taken alongside the capacity building activities recommended above.

WORKFORCE HOUSING PARTNERS

CC	City Council
CoC	Myrtle Beach Chamber of Commerce
FD	Finance Department
FI	Local Finance Institutions
FPD	For-profit Developers
HDO	Housing Development Office (Coming Soon)
HCC	Horry County Council
MBHA	Myrtle Beach Housing Authority
NPD	Non-profit Developers

Detailed Workforce Housing Strategies and Implementation Steps

1. Implement a public-private local workforce housing trust fund.

Local funds are critical for filling the gap between the cost of delivering market-rate housing and the cost of delivering housing at workforce housing prices and rents. Local funds are essential for leveraging other resources, including funding from the federal and state government. In addition, when local funds are used to support workforce housing, the City can give priority for housing to workers in the City.

Without a local source of funding, other workforce housing initiatives will not be as successful as they could be. Local funding can be combined with a density bonus to facilitate the development of more workforce housing units or units affordable to lower-income working households. A source of local funding can also help make projects more competitive for Low-Income Housing Tax credits.

In the most effective local housing trust funds, public dollars are used to leverage a range of additional funding sources, which expands the impact the fund can have. In the City of Myrtle Beach, a local housing trust fund should combine resources from the public sector and the private-sector employer community.

The funds should be used to provide loans which are funneled back into the trust fund to be re-used for subsequent projects. Therefore, the Myrtle Beach housing trust fund should be set up as a revolving fund.

Finally, effective local housing trust funds typically have a dedicated source of funding, outside of the annual municipal budget process. Myrtle Beach should ultimately establish a dedicated stream of funding for the local housing trust fund.

Estimated costs: **$200,000 annually (short-term)**

Partners: HDO, **CC, MBHA, CoC, FI**

SHORT-TERM (WITHIN 1 YEAR):

Identify the appropriate organization to administer the housing trust fund. The local trust fund can be administered by the City or by an independent organization. The decision on the administering agency should be made by the City Council and staff and will depend on the capacity of City staff and local nonprofit organizations that might be in a position to administer the fund.

A City-administered fund should be incorporated to allow for private contributions to come into the fund. Specific legal guidance should be sought before establishment of the fund.

A City-administered fund should also establish a community advisory board to oversee the funding decisions.

If a nonprofit organization is identified to administer the fund, the fund can be set up as a 501(c)3 to allow for contributions from the private sector.

Establish goals and funding mechanisms for the trust fund. The housing trust fund should be set up to support projects and programs that explicitly lead to increased production of, preservation of or access to workforce housing in the City of Myrtle Beach. The trust fund should give priority to projects that leverage other funding (e.g., LIHTC, employer funds) and/or projects that are deemed to meet an urgent need (e.g., acquisition of an existing affordable building at risk of redevelopment).

All funding from the trust fund should be made in the form of no- or low-interest loans repaid to the fund. Specific funding mechanisms can be made jointly by the City and the housing trust fund advisory board. However, the funding approach should be set up so that the fund acts as a revolving loan fund.

Establish the process for receiving applications for trust fund resources. Funding can be made available in one of two ways: 1) through a formal RFP process which has specific dates for application or 2) on an on-going basis. A preference would be for an on-going application which allows projects to more easily compete for other funding while applying for local funding at the same time. However, it might be administratively easier to establish a specific timeline for the first allocations from the trust fund.

Allocate local public resources in FY2023 in the amount of $200,000. The City should commit a first-year funding amount to seed the trust fund, to allow an example project or projects to be funded and to demonstrate commitment to workforce housing in the City. Initial funding support from the local housing trust fund could support workforce housing projects that take advantage of other policies and tools established as part of this workforce housing strategic plan.

The public funding should also serve to leverage private-sector contributions to the trust fund (see below).

Establish employer commitments of resources to the fund in the amount of at least $200,000 in FY2023. It is important to partner with private-sector employers in the City to fund the housing trust fund. The City should work with the Chamber of Commerce to encourage private-sector employers to contribute to the fund. In the first year, resources from the private sector will be made as a voluntary contribution until a more formal process can be established.

There is a stated commitment from some segments of the employer community to financially contribute to workforce housing solutions and this initial contribution will allow them an opportunity to fulfill that commitment.

It must be made clear to employers that contributions to the local housing trust fund do not result in a *quid pro quo* for workforce housing options set aside specifically for their workers. The objective of the local housing trust fund is to establish a broad-based source of funding to support comprehensive workforce housing initiatives that will benefit the overall Myrtle Beach community.

MID-TERM (2 TO 3 YEARS):

Allocate trust fund resources to at least one project or program. In the second year, the trust fund should have completed an allocation to at least one workforce housing project or program.

Identify a dedicated source of local public funding to the local housing trust fund that would come outside of the annual budget allocation process. Potential sources of a dedicated public funding source could include:

- percentage of business licenses and franchise fees
- vacant housing tax**
- short-term rental (i.e., Air BnB) fee/tax**

*Need for county/state authorization
**City would need to implement new fee/tax

Monitor and report out on projects and programs supported with trust fund resources. The City should publicize the projects and programs supported with trust fund resources.

LONG-TERM (4+ YEARS):
Explore creating an in-lieu fee/contribution option to the trust fund as part of the bonus density program. Part of the overall workforce housing strategic plan is the establishment of a bonus density program that allows developers to receive an increase in density in exchange for the provision of workforce housing (see below). In most cases, the City's goal should be to incentivize the creation of workforce units on-site. However, for some sites, it may be more favorable to allow developers to receive the bonus density and to contribute a fee in lieu of building on-site workforce housing units. This fee could be leveraged with other trust fund resources to promote the production or preservation of workforce housing on other sites.

Continue to monitor and report out on projects and programs supported with trust fund resources. Modify the structure and/or processes of the trust fund, as needed.

2. Establish an adaptive reuse policy.

Adaptive reuse projects create new housing in existing buildings once used for commercial, industrial or public purposes. Adaptive reuse provides an option for expanding housing options in an environmentally sustainable way, while also preserving existing community structures. Alternatively, an adaptive reuse policy can be extended to encourage the demolition and redevelopment of existing structures at similar or higher densities to accommodate residential or mixed-use development.

While there are opportunities to repurpose buildings in the City of Myrtle Beach for workforce housing, not all properties provide the same types of efficient options. Adaptive reuse is not always viable. Sometimes, it is financially more efficient to tear down and rebuild, rather than trying to repurpose an existing structure as a residential building.

The City should adopt an in-depth adaptive reuse policy that provides the right framework and incentives to encourage appropriate repurposing of buildings as workforce housing. The policy should be designed to cover potential re-use of 1) buildings that can be repurposed into residential space and 2) buildings that can be torn down and redeveloped as residential or mixed-use development.

Expected Costs: **Administrative**

Partners: HDO, NPD, FPD, FI

SHORT-TERM (WITHIN 1 YEAR):

Allow developers to request a zoning change to accommodate workforce housing on a site that currently houses a commercial building. As part of the rezoning, establish residential density based on floor area ratio (FAR) rather than units. Under this strategy, development proposals could request a rezoning either to maintain and reuse an existing structure as residential space or to tear down and redevelop existing commercial space.

Additional provisions:

- Adaptive reuse projects must allocate 50 percent of the total FAR as workforce housing to qualify for the rezoning.
- Projects designed as communal living arrangements (see description below) must go further and include 100 percent of the FAR as workforce housing affordable at 80 percent of AMI.
- On-site parking requirements are set at one spot per 700 square feet.

<u>Examples under base density assumptions:</u>

Assume commercial allowable density is 10,000 sf per acre. Under "base" scenario, allow residential density in the amount of 10,000 residential square feet per acre.

<u>Potential development scenarios:</u>

13 units per acre at 750 sf / unit (i.e., mostly one-bedroom units). At this level of development, the impact on trip generation and parking needs would not exceed what would have been generated by the commercial use. Total of 13 residents, 14 parking spots. Half of all units must be affordable to individuals at 80 percent of AMI.

10 units per acre at 1,000 sf / unit (i.e., one and two bedrooms.) Again, at this level of development, the impact on trip generation and parking needs would not exceed what would have been generated by the commercial use. Total of between 10 and 20 residents, 14 parking spots. Half of all units must be affordable to one or two persons at 80 percent of AMI.

32 "beds" per acre / 8 quad shared living "units" per acre, assuming a communal living/shared kitchen set up (250 sf) with four individual bedrooms (250 sf each). Total of 32 residents, 14 parking spots. To qualify for the rezoning, all communal living "bedrooms" must be at rents affordable at 60 percent of AMI for an individual. Project must include a transportation management plan.

Density bonus provision:

- For projects that involve redevelopment (i.e., the tear down of existing buildings), provide a bonus density of 2.0 times the base density if the project meets the following criteria:
  - includes 50 percent workforce housing units
  - includes street level commercial space and
  - is located within a half mile of a transit stop or includes a comprehensive transportation plan designed to mitigate traffic impacts.

MID-TERM (2 TO 3 YEARS):

Develop a motel conversion ordinance. Allow the conversion of motel rooms to residential units on a one-for-one basis through a Special Use Permit if units are made available as workforce housing. Allow the Special Use Permit for motels up to three stories.

Change land use designations on big box sites and strip commercial sites where mixed-use redevelopment is appropriate. This designation can provide an incentive for developers to look for opportunities to tear down and rebuild big box and other large commercial centers as mixed-use, walkable areas that include both market-rate and workforce housing, along with commercial uses. Through the rezoning process, developers may achieve additional density under the density bonus policy (see above) in exchange for the delivery of workforce housing units as part of the project.

Adopt a vacant structure fee. The City should implement a fee on vacant and/or dilapidated commercial structures to provide an inducement to property owners to sell, improve or redevelop their property. City staff and City Council should determine the appropriate fee level.

LONG-TERM (4+ YEARS):

Offer financial incentives to developers interested in repurposing commercial space as workforce housing. As the City gains better understanding of how well the market supports the repurposing of commercial space as workforce housing (with appropriate zoning and land use incentives), there may be later opportunities to target financial incentives so that less immediately viable commercial sites can be converted into workforce housing.

Evaluate the effectiveness of the policy and revise, as necessary. Review projects built under the policy and solicit feedback from developers on the program's parameters.

3. Establish a density bonus for workforce housing.

The City should offer a density bonus in certain zoning districts in exchange for the provision of workforce housing.

Additional density is an important tool for closing the gap between the cost of delivering market-rate and below-market-rate housing. Increased density is not appropriate everywhere in the City so the density bonus policy should only be implemented in particular parts of the City, as described below. Most projects in the City currently are not utilizing the max density limit. However, the City can create workforce housing overlay that could be applied to MU zoning districts to encourage Workforce Housing development. An example of this would be to create a Workforce Housing PUD. It is important that the density bonus be applied in a transparent process so that developers have predictability in the approval process and so that the City can be assured that workforce housing goals are met.

Expected Costs: **Administrative**

Partners: HDO, **CC, NPD, FPD**

SHORT-TERM (WITHIN 1 YEAR):

Modify some zones to encourage workforce housing options by implementing a Workforce Housing Overlay. Properties eligible for a density bonus must be located in one of the zoning districts listed below *and* must meet additional criteria described below.

Workforce Housing overlay should include:
Applicable residential development: 6+ units
Fee in lieu option: in the short-term (once Workforce Housing is set up)

Zoning District	Name	Classification
R5 R7 R8 R10 R15	Single-family Detached Residential Districts	Residential
RMM	Multi-family Residential District—Medium Density	Residential
RMH	Multi-family Residential District—High Density	Residential
RMH-MH	Multi-family Residential District—High Density with Manufactured Homes	Residential
RMV	Multi-family Residential District—High Density with Visitor Accommodations	Residential
MU-M	Mixed Use, Medium Density	Mixed-Use
MU-H	Mixed Use, High Density	Mixed-Use
PUD	Planned Unit Development	Other

Additional criteria: The property must be located within a half mile of a transit stop or a "major commercial center" (to be defined by City staff) *or* must include a comprehensive transportation plan designed to mitigate traffic impacts.

Offer financial incentives to support workforce housing developed through the City's density bonus program. Despite the fact that density can be an important tool for incentivizing housing, it is often not sufficient to close the gap between delivering housing at market-rate rents/prices and workforce housing. As a result, the City may need to make available other financial incentives (e.g., no- or low-cost loans, down payment assistance, rent subsidies) to make workforce housing projects financially feasible.

MID-TERM (2 TO 3 YEARS):

Re-examine areas associated with zoning districts where density bonus is allowed for moderate to high density residential and/or mixed-use development as part of the Workforce Housing Plan Update. The Workforce Housing Plan sets the policy for development in the City while the planning/zoning office sets the rules for development.

The re-zoning request as part of the density program allows the City to require workforce housing in exchange for the additional density. Re-zoning to take advantage of the bonus density should reflect the vision for the parts of the City where the density bonus is in place. As a result, changes to the Workforce Housing Plan as part of the next update are necessary to facilitate workforce housing in these areas to promote moderate- and higher-density development that includes workforce housing.

Monitor and report out on the bonus density program and seek out feedback from the development community. This reporting will maintain transparency with the community and will help the City modify the bonus density program, as necessary, with input from nonprofit and for-profit developers working in the City and the region.

Explore changes to the bonus density program based on feedback from developers and other stakeholders. After a year of implementation, it may be wise to modify the program including (potentially) a fee-in-lieu option, changes to density/workforce housing requirements and/or other incentives.

LONG-TERM (4+ YEARS):

Continue monitoring and modifying the density bonus program, as necessary.

4. Create a Community Land Trust and a Land Bank.

The city should identify an entity to handle a Community Land Trust and/or a Land Bank. Community land trusts are nonprofit, community-based organizations designed to ensure community stewardship of land. Community land trusts can be used for many types of development (including commercial and retail) but are primarily used to ensure long-term housing affordability. To do so, the trust acquires land and maintains ownership of it permanently. With prospective homeowners, it enters into a long-term, renewable lease instead of a traditional sale. When the homeowner sells, the family earns only a portion of the increased property value. The remaining is kept by the trust, preserving the affordability for future low- to moderate-income families.

The length of the lease (most frequently, 99 years) and the percentage earned by the homeowner vary. Ultimately, by separating the ownership of land and housing, this innovative approach prevents market factors from causing prices to rise significantly, and hence guarantees that housing will remain affordable for future generations. Today, there are around 277 community land trusts across the United States.

Land banks are a mechanism for acquiring, holding, and distributing property in service of community goals. Land banks, which can be government supported, quasi-governmental or independent nonprofit organizations, obtain land through a number of different mechanisms: tax foreclosures, municipal government transfers, donations, or open-market purchases.

Expected Costs: **Administrative $200,000**

Partners: HDO, CC, CoC, FD

SHORT-TERM (WITHIN 1 YEAR):

Identify the appropriate organization to administer Community Land Trust and Land Bank. The Community Land Trust and Land Bank can be set up under the arm of one organization or handled by two separate organizations. The City needs to look at the pros and cons of each of these tools.

Establish goals for the CLT and LB. The city and the administering organization need to determine and outline the purpose of the Community Land Trust and the Land Bank.

Establish funding mechanisms for the CLT and LB. A mechanism should be incorporated to allow for private donations of money and land. How and if so, how much public money should be for initial donation.

Establish a process for receiving property into each. How public and private donations of land should and could be used. Determine if either tool should purchase property.

MID-TERM (2 TO 3 YEARS):

Allocate local public funding or resources for each. The advisory board along with City Council should review funding each year to determine what the allocation of public funds should be.

Allocate resources for one project from both the CLT and LB. In the 2nd year, the Land Bank or Community Land Trust should partner with a developer on one workforce housing project. Set a plan for the use of Land in the other tool to be used in another workforce housing project.

LONG-TERM (4+ YEARS):

Report out projects supported by the CLT and LB. The administering organization should continue to monitor and report out on the projects supported by both the Community Land Trust and Land Bank. This report should be made to City Council and public alike. As each is monitored, the structure and process need to be adjusted as needed.

5. Expand employer-assisted housing (EAH) programs. Providing assistance directly to working individuals and families is an important way to expand housing access. This assistance helps working households afford housing in the private market.

Funding can be provided directly to working households to allow them to afford to rent or buy a home in the City. Assistance can come from several different sources, including the City, county, state and employers. This assistance targets those workers in the City of Myrtle Beach that specifically want to live in the City.

***Estimated Costs:* $75,000 (near term)**

***Partners: HDO,* CC, MBHA, CoC, FI,**

SHORT-TERM (WITHIN 1 YEAR):

Offer down payment assistance to targeted public sector staff. The City should allocate funding (either through the housing trust fund or separately) to a program that can provide down payment assistance to public-sector workers. Initially, the amount of the down payment assistance should be set to $7,500 (i.e., 3% down on a workforce housing homeownership unit priced at $250,000). Lower levels of down payment assistance could be considered but may not afford sufficient benefits to employees looking to purchase a home in the City. Aim to provide assistance to 10 public sector employees in the first two years.

Promote county and state first-time homebuyer programs. There are several first-time homebuyer programs offered by the county and the state, as well as through the federal government. The City should increase education and awareness of county and state homebuying assistance, including Horry County's First-Time Homebuyer classes and the SC Housing Homebuyer Program.

Encourage local private-sector employers offer assistance to its employees. After setting itself as a model, the City should work with the Chamber of Commerce and other local business organizations to convene local private employers and encourage them to provide similar assistance to their employees.

MID-TERM (2 TO 3 YEARS):

Explore options for a local public-private rental grant program. A local housing grant program would provide assistance to households to enable them to rent housing in the private market in the City of Myrtle Beach. A program funded jointly by the City and private employers (e.g., through the local housing trust fund) should give priority to public and private sector workers in the City of Myrtle Beach.

LONG-TERM (4+ YEARS):

Monitor and report on public and private-sector housing assistance programs. HDO should maintain records on use of down payment and other assistance by public sector employees and should coordinate with the Chamber of Commerce to collect regular information from private employers.

6. Make rental housing projects more competitive for Low-Income Housing Tax Credits. The Low-Income Housing Tax Credit (LIHTC) program is a critical source of federal funding for the production and preservation of housing affordable to lower-income households, typically those earning between 50 and 60 percent of the area median income. The LIHTC program reduces the cost of development by providing tax credits to developers (who sell them to investors) and then requires that the developments remain affordable to low-income residents for a period of years.

Two types of tax credits are available depending on the type of affordable rental units. The nine- percent credit is generally available for construction of new housing, while the four-percent credit is generally claimed by developers who are rehabilitating existing affordable housing or are doing new construction that is primarily financed with tax-exempt bonds. The nine-percent credits are awarded to developers through a highly competitive process administered by a state allocating agency. In South Carolina, SC Housing administers the LIHTC program.

There are far more applications for nine-percent credits than there are credits available, so most projects do not receive funding. (Four-percent credits are awarded on a non-competitive basis.) The state sets criteria for allocating nine-percent credits and those criteria are spelled out in the Qualified Allocation Plan (QAP).

Some projects proposed in the City of Myrtle Beach have been successful, however some have a difficult time because of the specific criteria in the current QAP. However, changes to the QAP, along with changes at the local level, could make projects more competitive.

Estimated Costs: **Administrative**

Partners: **CC, CoC, FD, NPD, MBHA**

SHORT-TERM (WITHIN 1 YEAR):
None.

MID-TERM (2 TO 3 YEARS):
Continue to advocate for changes to the state's QAP to make projects in the City of Myrtle Beach more competitive. The City should continue to pursue the following changes to the state's QAP criteria and priorities:

- remove or substantially increase of the cost cap as a percentage of Total Development Costs to account for high land costs in the City.
- remove points for proximity to a public school.
- provide additional points for tight housing markets as defined by low vacancy rates (i.e., less than three, five, and seven percent)
- incentivize mixed-use and mixed-income projects
- allow for scattered site development

LONG-TERM (4+ YEARS):

Explore local options for private activity bond financing to leverage the four-percent Low-Income Housing Tax Credit. These bonds are used to fund private activities that have a public benefit, such as upgrades to airports, hospitals and water treatment facilities. However, these bonds can also be used for below-market-rate multifamily rental developments. When bond financing is used to support below-market-rate housing development, these developments are eligible to receive the non-competitive four-percent housing tax credits.

Nine-percent credits are worth more than the four-percent credits, but the four-percent credits are available as-of-right (i.e., are not competitive) when projects are bond financed. The four-percent credits are most often used for projects with relatively low development costs, such as preservation projects requiring only light rehabilitation, or when there is significant additional subsidy available.

The City should work with local developer partners to explore options for using bond financing to take advantage of four-percent housing credits in the City of Myrtle Beach. Collaboration with the Horry County Housing Authority would also be beneficial.

7. Partner on a home linking/home sharing program. An important mechanism for creating more workforce housing options is to connect workers who need housing to available housing units. There are often vacant units in the City that could be a source of workforce housing, if property owners and workers were able to be connected.

The City should support the creation of a resource (e.g., an online portal) that helps employers connect their employees to housing that is vacant and available for temporary housing and/or to existing homeowners who are looking to share their home.

Estimated Costs: **Administrative, $15,000 - $20,000 for website and administration**

Partners: **HDO, CoC, MBHA**

SHORT-TERM (WITHIN 1 YEAR):

Coordinate with the Chamber of Commerce to determine interest in a home linking/home sharing service. As a first step, the City should determine whether there is interest on the part of the private employer community to partner on this type of service. The Chamber of Commerce and HDO could serve as partners through which to gather local businesses on this proposal.

Assign responsibility for elements of the program (e.g., website upkeep, coordination with existing homeowners, coordination with employees). In a very short term, it is important to identify the steps necessary for implementing this type of program. Steps will include identifying homeowners interested in participating, employees who need housing, a mechanism for connecting homeowners and employees, a procedure for ensuring the program is meeting workforce housing goals and is consistent with the City's other policies and ordinances (e.g., related to overcrowding, parking, etc.). In addition, it is important to understand potential liability of the City's participation in such a service.

MID-TERM (2 TO 3 YEARS):

Expand home linking/home sharing portal in partnership with communities throughout the city and/or county. The home linking/home sharing program provides another opportunity for the City to work regionally with the county and other municipalities to expand access to workforce housing.

LONG-TERM (4+ YEARS):

Monitor and make modifications to the home linking/home sharing resource, as necessary.

Figure 9. City of Myrtle Beach Workforce Housing Strategies

1	**Establish a public-private local workforce housing trust fund.**	**Short-Term**	**Mid-Term**	**Long-Term**
	Identify the appropriate organization to administer the housing trust fund.			
	Establish goals and funding mechanisms for the fund.			
	Establish the process for receiving applications for trust fund resources.			
	Allocate local public recourses in FY2020 in the amount of $200,000.			
	Establish employer commitments of resources to the fund in the amount of at least $200,000 in FY2023.			
	Allocate trust fund resources to at least one project program.			
	Identify a dedicated source of local public funding to the local housing trust fund that would come outside of the annual budget allocation process.			
	Monitor and report out projects and programs supported with trust fund resources.			
	Explore creating an in-lieu fee/contribution option to the trust fund as part of the bonus density program.			

2	**Create an adaptive reuse policy.**	**Short-Term**	**Mid-Term**	**Long-Term**
	Allow developers to request a zoning change to accommodate workforce housing.			
	Develop a motel conversion ordinance where mixed-use redevelopment is appropriate.			
	Adopt a vacant structure fee.			
	Offer financial incentives to developers interested in repurposing commercial space as workforce housing.			
	Evaluate the effectiveness of the policy and revise as necessary.			

3	**Establish a density bonus program.**	**Short-Term**	**Mid-Term**	**Long-Term**
	Modify the planning/zoning ordinance to include a bonus density as an option in the certain zoning districts as part of a Workforce Housing Overlay.			
	Offer financial incentives to support workforce housing developed through the City's density bonus program.			
	Evaluate areas associated with zoning districts where density bonus is allowed for moderate to high density residential and/or mixed-use development as part of the Workforce Housing Plan Update.			
	Monitor and report out on the bonus density program and seek out feedback from the development community.			
	Explore modifications to the bonus density program based on feedback from developers and other stakeholders. Possibly a fee-in-lieu option, changes to density/workforce housing requirements and/or other incentives.			

4	Establish a community land trust/land bank.	Short-Term	Mid-Term	Long-Term
	Identify the appropriate organization to administer Community Land Trust and Land Bank.			
	Establish goals for CLT and LB.			
	Establish funding mechanisms for CLT and LB.			
	Establish process for receiving property into each.			
	Allocate local public funding or resources for each.			
	Allocate resources for one project from each CLT and LB.			
	Report out projects supported by CLT and LB.			

5	Expand employer-assisted housing programs and rental voucher programs.	Short-Term	Mid-Term	Long-Term
	Offer down payment assistance to targeted public sector staff.			
	Promote County and State first-time homebuyer programs.			
	Encourage local private-sector employers offer assistance to its employees.			
	Explore options for a local public-private rental voucher program.			
	Monitor and report on public and private-sector housing assistance programs.			

6	Make rental projects more competitive for Low Income Housing Tax Credits.	Short-Term	Mid-Term	Long-Term
	Continue to advocate for changes to the state's QAP to make projects in the City of Myrtle Beach more competitive.			
	Explore local options for private activity bond financing to leverage the four percent Low Income Housing Tax Credit.			

7	Partner on a home linking/home sharing program.	Short-Term	Mid-Term	Long-Term
	Coordinate with the Chamber of Commerce and Housing Development Office to determine interest in a home linking/home sharing service.			
	Assign responsibility for elements of the program (HDO).			
	Expand home linking/home sharing portal in partnership with communities throughout the City/County.			
	Monitor and make modifications to the home linking/home sharing resource, as necessary.			

Appendix

Workforce Housing Toolbox

There are a lot of different approaches used in communities across the country to expand workforce housing options. In most cases, local jurisdictions adopt an array of tools and policies, many that work together. Some tools will be more effective than others in a particular community. The strength ofthe market, the capacity of the development community, the regulatory environment and the characteristics of the existing housing stock will all impact the effectiveness of a particular approach.

The *Workforce Housing Strategic Plan* outlines recommendations that were considered to be most appropriate and effective for the City of Myrtle Beach to address the community's workforce housing needs. The following section describes a range of additional tools that also could be considered as the City moves forward with a workforce housing strategy. More details and specific examples of these programs and policies in other communities around the country are available in the report *Review of Best Practices.*

This Workforce Housing Toolbox is coordinated around Housing Access, Financial Tools, Preservation Strategies, and Production Strategies.

Production Strategies

Incentive-Based Inclusionary Zoning

Inclusionary zoning policies—sometimes referred to as inclusionary housing policies—use the zoning code to require or incentivize the production of housing affordable to low- and moderate-income households, often in exchange for increased density and/or other incentives. Nationally, inclusionary housing policies usually have been implemented as mandatory requirements, whereby developers must include affordable housing as part of a market-rate development. Even in these mandatory programs, however, local jurisdictions generally offer some type of regulatory relief to the residential developer to help offset the costs of providing below-market-rate housing units.

Inclusionary housing policies have been adopted in more than 500 jurisdictions in 28 states across the country. No municipality in South Carolina has adopted a mandatory inclusionary zoning ordinance because of limitations imposed by the state. However, there are examples of voluntary programs that exchange additional density for the provision of below-market-rate housing.

Inclusionary housing programs can be found in a lot of places, from large cities to suburban communities to rural areas. However, inclusionary zoning policies work best in places with high or rising housing costs. In most cases, these policies are adopted as part of a larger local strategy to expand housing options that are affordable to low- and moderate-income households.

The ability for a local jurisdiction to enact a mandatory inclusionary zoning policy depends on the state's statutory provisions and the relationship between the state and local government authority. Legislation to allow municipalities and counties within South Carolina to adopt inclusionary zoning policies was not passed during the state's 2018 legislative session. As a result, local municipalities in South Carolina cannot adopt formal, mandatory inclusionary zoning ordinances.

Even without state statutory authority, however, local communities in many parts of the country, including in South Carolina, have adopted incentive-based inclusionary zoning programs which tie local incentives—usually increased density—to the voluntary provision of below-market-rate units.

Adaptive Reuse

Adaptive reuse projects create new housing in existing buildings once used for commercial, industrial or public purposes. Adaptive reuse acts as an alternative solution to demolition or deterioration and provides an option for increasing housing options in an environmentally sustainable way, while also maintaining historic buildings and/or preserving existing community structures.

Adaptive reuse normally includes buildings that are historic buildings, schools, industrial factories and hotels. Increasingly, communities are looking at ways to convert vacant or underutilized commercial or retail buildings into housing, including commercial strip shopping centers, "big box" stores, malls and small standalone former office or retail spaces.

Changing the use of a commercial or industrial building to residential can often involve environmental remediation measures and modifications to bring the structures up to residential building code standards. Often times these safety-related requirements can add complexity to the scope of an adaptive reuse project, architects and engineers have become more creative in this arena and familiar with solutions. In addition, there are ways local governments can offset these costs through the regulatory and plan review process to make adaptive reuse an attractive option.

There is no one standard way to implement an adaptive reuse program. Adaptive reuse can require site plan committee review, special use permits, incentive programs, conversion factors and/or adoption of a new ordinance. The approach depends on the goals and planning processes of the community, as well as the building stock appropriate for repurposing as housing.

Adaptive reuse has been used to create affordable workforce housing units, both for individuals at higher and lower wages. Multifamily units are a common end result when converting nonresidential to residential uses, and units can either be rental or owner (e.g., condominium). In some cases, housing units that result from adaptive reuse are more affordable because they are smaller units and/or take advantage of existing infrastructure which can, in some cases, reduce the cost of building the housing. However, adaptive reuse does not automatically mean "affordable" or "workforce" housing. Often, a public subsidy is needed to make units affordable to lower-wage workers.

A handful of adaptive reuse projects have created "non-traditional" homes, such as microunits and spaces with communal living areas, as one way to keep housing affordable. Communal, or shared housing, is generally where residents have private bedrooms and bathrooms but share kitchen and dining areas. Microunits have generally been considered a type of small studio apartment, typically between 150 and

400 square feet, with a fully functioning kitchen and bathroom. Microunits tend to appeal to young, single individuals. Both microunits and communal living tend not to be targeted at families.

Adaptive reuse is not always viable. Sometimes, it is financially more efficient to tear down and rebuild, rather than try to repurpose an existing commercial structure as a residential building.

Public Land

Public land policies make government-owned land available at reduced or no cost for affordable or mixed-income housing. This could include land owned by the local government, school district, parks and recreation or transit agency. It can include both vacant and underused property. Because localities often own land in various locations throughout a jurisdiction, public land redevelopment can be a useful strategy for placing workforce housing in areas connected to jobs, transit, and other amenities throughout the community. In high-cost areas, using public land has become a great tool for subsidizing—without spending public money directly for the production of new, below-market-rate housing.

A successful public land policy involves a transparent process that balances competing interests in the publicly held properties. The provision of free or reduced-price land can have a major impact on the costs of development—and therefore on the ability to produce below-market-rate homes—in some types of neighborhoods, and less of an impact in others.

Co-locating community facilities with workforce housing can be an effective way to create new housing options without the need for public financial subsidy. Reducing or eliminating the cost of land can reduce the amount of capital necessary to build housing that serves individuals and families with lower incomes. In addition to potential capital cost savings, co-locating complimentary uses also can produce operating efficiencies.

Faith-Based Development

There has been growing interest on the part of the faith community to become more directly involved in the production of housing affordable to lower-income individuals and families. Faith-based organizations often partner with local jurisdictions to provide services to vulnerable populations in the community, including food assistance, job and life skills training, personal and family counseling and other services. However, faith-based organizations are increasingly looking for ways to partner with local governments and the development community to develop underutilized real estate resources into affordable housing.

A house of worship may have surplus land or underutilized density, which could be used for the construction of below-market-rate housing. In addition to working with partners on the finance and development side, the faith-based group will often have to work with the local jurisdictions to get zoning changes and other development approvals.

Community Land Trust & Land Bank

A community land trust (CLT) is a nonprofit organization designed primarily to ensure community stewardship of land. CLTs can be used for many types of development but are primarily used to provide permanently affordable housing options to lower-income households. The CLT purchases land and maintains ownership of it permanently. To promote homeownership, a prospective homeowner enters into a lease agreement with the CLT for the land and can therefore purchase a home at a lower cost since he or she does not have to purchase the land. As part of the agreement, when the homeowner sells the home, he or she receives a portion of the increased value, with the other portion remaining with the CLT to help ensure affordability of the home for future homeowners. The length of the lease is generally 99 years and the percentage earned by the homeowner varies across CLTs. By separating the ownership of land and housing, the CLT is designed to mitigate market factors that would cause home prices to rise significantly and can guarantee that housing can remain affordable for multiple homeowners over the long-term.

While CLTs are often thought of as a mechanism primarily for homeownership, CLTs have been used to help make rental housing affordable to lower-income households. In fact, according to the National CLT Network, about two-thirds of residential properties stewarded by CLTs are rental properties. Because the land is owned by the trust, constructing and maintaining the overall property is lower, therefore allowing rents to be lower. Many rental CLTs also work to actively engage residents and provide services, such as financial counseling and other supports.

Transfer of Development Rights

Transfer of Development Rights (TDR) is a zoning mechanism generally used to preserve or protect natural resources, open space and/or cultural resources and redirect development that would occur on that land elsewhere, targeting community growth and development. TDR, also known as a density transfer credit program, is an innovative approach to development and can promote economic opportunities for land parcels in areas not specifically targeted for development. A TDR is similar to a Purchase of Development Rights (PDR) program, though a PDR policy typically results in land preservation without new development elsewhere in the community.

TDR programs allows landowners to sell their right to develop their property to developers or municipalities so they may develop in another area at higher-than-allowed densities. Conservation easements and development restrictions are typically critical elements of a TDR program. Another key element of a TDR program is the establishment of the appropriate value for development rights (i.e., the value of a square foot of development or of a residential unit).

A local municipality can take on several roles in setting up and administering a TDR program. A local government can help fund the purchase of TDRs within their municipalities, “bank” purchased TDRs until needed by local developers, sell TDRs to developers through a public bid process and/or reinvest funds obtained through TDR sales for new TDR purchase transactions.

TDRs have been used to create and preserve affordable and workforce housing by linking increased density to the provision of below-market-rate housing. A TDR policy can serve not only lower wage working households needing affordable housing but can benefit individuals and families who own land in environmentally or culturally sensitive areas by providing an economic benefit in lieu of the ability to develop their land themselves.

Manufactured home sites, particularly those that are offering affordable single-family housing, could also be an important piece of a TDR program. By allowing manufactured home sites to qualify as a sending area, their development rights can be purchased, and existing uses preserved.

Form-Based Code

A form-based code is a land development tool that is designed to regulate physical form rather than specific use (e.g., commercial, residential). A form-based code is a regulation, not a mere guideline, adopted into local law. Communities often pursue form-based codes to attempt to create denser, more walkable, mixed-use neighborhoods. Often under a form-based code, developers are able to take advantage of higher allowable densities and more limited community review processes. However, local jurisdictions should invest considerable time upfront to get community input on the parameters that will shape the requirements under the code.

Form-based code is not typically used primarily to create workforce housing options. However, a form-based code can facilitate the production or preservation of below-market-rate housing by writing affordability requirements into the code. Higher densities also sometimes make it more feasible to produce below-market-rate housing units. Finally, a more predictable, streamlined review process under form-based code can help reduce the overall cost of development, making it easier to produce lower-cost units.

Well-designed form-based codes can potentially have a positive impact on affordability across the income spectrum if it encourages adequate supply and the development of “missing middle” housing typologies. Deeper levels of affordability can be provided if inclusionary housing elements are included in the policy.

Mixed-Use, Mixed-Income Housing

“Mixed-use” and “mixed-income” can mean different things to different people. In general, these types of projects are defined based on the inclusion of households at different income levels and a variety of commercial and retail uses incorporated alongside the residential space. Mixed-use, mixed-income projects can be built both in low-income, emerging communities, as well as in higher-income, market-rate communities. There are different challenges associated with building in each type of submarket.

Mixed-use, mixed-income projects can only be developed if that mix of uses is allowed under the locality’s zoning. In addition to land use and zoning issues, financing is a big issue for developing mixed-use and mixed-income communities. The ability to assemble the necessary financing for these types of projects depends a lot on the structure of the project. It is often the case that 100-percent affordable deals are much easier to find financing for than mixed-income, mixed-use projects. For example, on a typical new construction of a 100-percent attainable project, there may be equity from the Low-Income Housing Tax Credit (LIHTC) program along with land equity and gap financing from a local jurisdiction. A mixed-income project marries conventional financing with affordable financing, but the requirements and risk tolerances for the two different investment sources often do not align. As a result, developers of mixed-income, mixed-use projects end up having to “condominimum-ize” the property, establishing different owners for the affordable and market rate units on the property.

Accessory Dwelling Units

Accessory dwelling units (ADUs) are smaller housing units that are either attached units as part of a primary dwelling unit or structure (e.g., as a lower-level apartment, over-garage apartment) or are a detached structure (e.g., tiny home). Sometimes called “granny flats” or “in law” apartments, these units can also be a source of lower-cost workforce housing. With attention to design, ADUs can be constructed to preserve neighborhood character and to have minimal impacts.

In addition to serving as a source of workforce housing, accessory units can be a source of income for homeowners, allowing them to remain in their homes over time. ADUs can also be a source of housing for caregivers and family members.

Housing Access

Local Housing Voucher/Grant

Like the Federal Housing Choice Voucher program, a local housing voucher/grant program provides assistance to households to enable them to rent housing in the private market. A local housing grant program using local resources could offer priority to individuals who hold jobs in the community. Administration of local grants is often through a local housing authority but can also be managed by the local municipality or a local nonprofit organization. Local housing voucher programs are most beneficial when there are sufficient apartments available, landlords are willing to take local vouchers, and in areas that have some form of income discrimination laws (these laws prevent landlords from turning down a tenant because he or she is using a voucher).

Employer-Assisted Housing

Employer-assisted housing (EAH) is an employer-provided benefit, usually designed to assist employees in becoming homeowners. EAH programs often include grants for down payment assistance, low-interest loans, matched dollar savings plans, credit counseling and/or homebuyer education.

While there have been efforts to create EAH programs that extend to private-sector employers broadly, local EAH programs have traditionally focused on public employees (e.g., local government and school employees) and employees of large nonprofit or anchor institutions (e.g., universities and hospitals).

In addition to down payment and other homebuying assistance, there are examples of major employers investing directly in housing for their employees. This approach of directly building housing or supporting the construction of housing for employees has been most common in resort communities and in very high-cost markets.

Financial Tools

Local Housing Trust Fund

Housing trust funds are specific funds established by a city, county or state government that normally receive ongoing dedicated sources of public funding to support housing affordable to lower-income households. Revenue for local housing trust funds is generated froma variety of sources, including real estate transfer taxes or recordation fees, litigation settlements, inclusionary in-lieu fees and appropriations from a municipality's general revenue. Less common is for donations or dedicated contributions from local employers.

There is wide range in the amounts local jurisdictions commit to housing trust funds, and the amountscan vary from year to year. Trust fund dollars can be combined with other local funding to support affordable and workforce housing programs and services. While there may be limits on uses of local trustfund dollars imposed by the state, generally there is a lot of flexibility in how these resources may be used.

In the most successful local housing trust funds, public dollars are used to leverage a range of additional funding sources, which expands the impact the fund can have. Trust fund dollars can be used to fund a wide variety of housing production and preservation activities, depending on the goals of the community. Funds can be allocated as grants or as loans for predevelopment activities, construction, rehabilitation, or resident services. Loan repayments can ideally account for a share of the trust funds revenue.

National Housing Trust Fund

The National Housing Trust Fund (HTF) is an affordable housing production program that complements existing federal, state and local efforts to increase and preserve the supply of housing for extremely low- and very low-income households, including homeless families.

States and state-designated entities are eligible grantees for the HTF. The U.S. Department of Housing and Urban Development allocates HTF funds to states by formula annually. A state must use at least 80 percent of each annual grant for rental housing, up to 10 percent for homeownership and up to 10 percent for the grantee's reasonable administrative and planning costs. In FY2018, South Carolina was allocated just over $3 million from the HTF. Funding is allocated by the state to local projects on a competitive basis.

HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction and/or rehabilitation of "non-luxury" housing with suitable amenities. All HTF-assisted units are required to have a minimum affordability period of 30 years.

In South Carolina, HTF funding is made available through a competitive process by which the highest scoring applications submitted during an annual funding cycle are awarded funding. The award criteria emphasize proximity to walkable amenities. In addition, "underserved" communities are given priority.

South Carolina Trust Fund

The South Carolina Housing Trust Fund (SC HTF) is a state-funded program designed to provide financial assistance for the development, rehabilitation and acquisition of affordable housing for low-income households throughout the state. Applications for the SC HTF are accepted for the following activities: Emergency Repair, Owner-Occupied Rehabilitation, Group Homes, Supportive Housing and Rental Housing. Flood Recovery was added as a category for the 2017 to 2018 cycle.

For FY21, an estimated $20.8 million was allocated to nonprofit organizations from the SC HTF:

$15.9 million for small rental development programs

$2.3 million for home repair programs

$2 million for disaster recovery support

$582,115 for special needs housing

Opportunity Zone

Created as part of the 2017 Tax Cuts and Jobs Act, Opportunity Zones are designed to drive long-term capital into low-income communities across the nation, using tax incentives to encourage private investment into designated census tracts through privately or publicly managed investment funds. These investments can include supporting the development of affordable or workforce housing.

The Opportunity Zones program provides opportunities for investors with long-term capital gains to defer paying tax on those gains for a period of time while also investing in underserved communities that need capital. The funding would be administered through an Opportunity Fund. There is still uncertainty around how these funds would be managed. Most analysts believed the certification of Opportunity Funds would be performed through a structured process, perhaps administered by the Treasury Department's Community Development Financial Institutions (CDFI) Fund. However, in a series of Frequently Asked Questions published by the IRS on April 24, 2018, the IRS said a Qualified Opportunity Fund can self-certify and "no approval or action by the IRS is required." If this holds true, individuals with smaller gains may be able to reinvest them without having to worry about potential costs associated with investing in a larger, institutionally managed fund. This process could make Opportunity Zone investing more efficient than similar incentives directed at low-income communities, such as the New Markets Tax Credit program or the Low-Income Housing Tax Credit (LIHTC) program.

Social Impact Bonds/Impact Investing

Social impact bonds (SIBs) are innovative financing tools that can allow local jurisdictions to use funds from private investors to develop or rehabilitate housing attainable to lower-income individuals and families. SIBs most commonly have been used to finance the development of supportive housing targeting homeless individuals who are frequent users of public services, including emergency rooms and police services. Savings associated with reduced costs in the health care and criminal justice systems resulting from individuals having access to stable housing is captured by the local jurisdiction and used to repay investors. SIBs are sometimes called “pay-for-success” programs, and investors are repaid if and when programs meet specified targets. Repayments are lower if goals are not met.

AirBnB Taxes

Another potential source of local funding for affordable housing in high-cost markets is a tax on short-term rentals, sometimes known as the Airbnb tax. The rise of Airbnb and VRBO—the online resources that connect people with short-term rentals—has led to discussions about whether this new approach to lodging could actually be making housing affordability worse in some high-cost places. In response, communities have begun taxing owners of Airbnb properties and sometimes directing that revenue to affordable housing.

Tax Increment Financing

Tax increment financing (TIF) has become a popular source of revenue for economic development projects in many communities but can also be leveraged for the development of below-market-rate housing. The local jurisdiction defines a TIF district and allocations of real estate property tax revenue is frozen at baseline levels. The additional tax revenue generated as the value of properties in the district increase is allocated to projects in the TIF district.

The use of TIF revenue to finance workforce and affordable housing programs can help ensure that new economic development and growth that brings prosperity to the community does not have a negative impact on housing affordability among lower wage working households.

General Obligation Bonds

General Obligation (GO) Bonds are issued by a jurisdiction generally to pay for community improvement projects such as infrastructure, schools and other capital projects, though communities have used GO bonds to finance affordable housing. Unlike revenue bonds, projects funded by GO Bonds do not have to have a revenue source that repays the debt. Rather, the GO bonds are paid off as part of the jurisdiction’s general expenditures on interest and debt. Typically, GO bonds have been used for school construction, infrastructure improvements and land acquisition.

Property Tax Abatements, Exemptions and Rebates

Local jurisdictions can adopt various types of tax incentives to encourage the development of new affordable housing or to incentivize owners to preserve the affordability of existing subsidized and unsubsidized affordable rental homes. Tax incentive programs often work by freezing or lowering the real estate tax assessments or tax rate or rebating back all or a portion of the property tax amount, for properties that preserve affordability over a designated period of time.

Preservation Strategies

Single-Family Rehabilitation

Upkeep of older housing can be costly for homeowners, especially lower-income families, seniors and others living on fixed incomes. Homeowner rehabilitation programs are available to low- and moderate-income households to assist them to fix health and safety issues, increase energy conservation and undertake preventive home maintenance. Assistance is usually provided as low-interest loans, though some local jurisdictions have grant programs that provide direct assistance to homeowners without a repayment requirement. Funding for single-family rehabilitation programs can come from federal sources, including the CDBG and HOME programs, but many local jurisdictions supplement with local resources and/or partner with local nonprofits to provide assistance.