HILTON HEAD ISLAND WORKFORCE HOUSING

Review of Best Practices: Workforce Housing Strategies

Prepared by Lisa Sturtevant & Associates, LLC

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Introduction

The Town of Hilton Head Island is looking for ways to facilitate the production of and access to workforce housing options on the Island to help ensure that the local economy remains competitive and that Hilton Head Island continues to be a world-class place to live and visit.

According to the Hilton Head Island *Assessment of Workforce Housing Needs*, the Town is increasingly competing with Bluffton and other communities for workers, particularly those in the key industries that support the tourism economy and the quality of life of residents. The majority of these workers have wages that, while competitive for the industry, are at levels that make it very challenging to find housing they can afford on Hilton Head Island.

There is significant demand from Hilton Head Island workers for housing that rents for less than $875 per month, but there are relatively few units in that rent range. There also is a substantial gap in for-sale homes affordable to moderate-income households who can afford to pay up to $200,000 for a home. The market is not producing housing at these rent and price levels.

The most effective workforce housing policy for the Town of Hilton Head Island will be comprised by a set of incentives, regulations, and programs that work together to meet workforce housing needs. No one tool or policy alone can be the "silver bullet" for producing needed workforce housing. A set of strategies that have proven successful in other communities—and are consistent with the regulatory environment of Hilton Head Island and South Carolina—can effectively promote new workforce housing options.

This report provides a summary of tools and policies the Town of Hilton Head Island could consider as part of an overall workforce housing strategy, along with examples of successful policy implementation in other communities. Where possible, examples are included from other communities that share characteristics with Hilton Head Island (e.g. coastal area, resort community, South Carolina town or city, etc.) This report also highlights local initiatives undeway in the Town of Bluffton and Beaufort County. This review of best practices builds on the work done by Town staff in December 2017 and January 2018 (*Affordable Housing Community Research*), supplemented by research by Lisa Sturtevant & Associates (LSA).

This document does not include specific recommendations for the Town of Hilton Head Island, but rather provides a high-level framework to help guide the development of a final set of policy recommendations and implementation steps.

What do we mean by "workforce housing"?

"Workforce housing" can be defined as housing that is affordable to any individual with a job or any household with a working member. Most communities define workforce housing as housing that is affordable to working households at specific income levels based on median income data published by the U.S. Department of Housing and Urban Development (HUD). For the purpose of this workforce housing study, workforce housing is defined as housing affordable to working households with incomes between 30 and 100% of the area median income (AMI). In the Town of Hilton Head Island, that income range would be between $15,200 and $50,600 for a single person, and between $25,100 and $72,200 for a family of four.

In this report, the term "affordable housing" also is sometimes used. Affordable housing is meant to refer to below-market-rate housing that is delivered with some type of public-private partnership or incentive.

A relatively large share of key workers on Hilton Head Island have incomes below 60 percent of AMI. For example, the median annual income of a worker in the Accommodation and Food Services industry is $22,622. A typical Retail Trade worker earns $25,993 annually. Therefore, this review of workforce housing strategies is not limited to policies and programs that have explicitly targeted an income range defined as "workforce." Instead, this review includes strategies that may be appropriate for addressing housing needs of Hilton Head Island workers all along the income spectrum.

This review is organized around I) Production Strategies, II) Tools for Expanding Housing Access, and III) Financial Resources.

I. 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 have usually 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 wide range of places, from big 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. The new session began on January 8, 2019 and it is unlikely that another inclusionary zoning bill will be introduced. 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.

Local Initiatives

In the **Town of Bluffton**, all Planned Unit Developments (PUDs) should include a minimum of 10 percent affordable/workforce housing. Currently, the Town has not established a formal definition for “affordable/workforce” housing and has left it to the builder/developer to determine what price and rent levels would be deemed “affordable.”

For PUDs that include more than 10 percent affordable/ workforce housing, the Town offers a density bonus of two additional market-priced units for each additional affordable/workforce housing unit, up to a 20 percent bonus density increase.

In addition to these baseline affordable/workforce housing guidelines, the Town of Bluffton has enacted a Density Bonus Ordinance to further Town goals, including the provision of affordable housing. The Town is looking to encourage a wide diversity of residential land use types in and around Historic Bluffton (i.e., lot size, house size, cost, affordability, etc.). To that end, the Town accepts proposals that exhibit “uniqueness in planning and design” toward achieving housing type diversity. The Planning Commission and Town Council review proposed projects and determine on a case-by-case basis whether bonus density will be given. Approval is more likely to be granted if the proposal is convincing that increased density is “an integral ingredient in the blending of the proposed project into or extending the fabric of the Historic District.” Bonus density is permitted (by Town discretion) within the Town’s General Residential (GR), Mixed Use (MU), Village Commercial (VC), and Office Commercial (OCD) zoning districts.

According to Town staff, there has been very little interest on the part of builders/developers in pursuing the bonus density option in the Town. The bonus density offering as part of the Town’s public land RFP seems ripe for more traction.

Beaufort County also offers incentives for the voluntary provision of affordable housing. In the County’s Regional Center Mixed Use District, the County’s code waives maximum density and minimum lot size requirements and offers reduced impact fees in exchange for the provision of 30 percent affordable units deed-restricted for 20 years, or 20 percent affordable units deed-restricted for 25 years. Rental units must be affordable to households at or below 80 percent of AMI; for-sale units must be affordable to households at or below 100 percent of AMI. County standards require affordable units to be comparable to and integrated with market rate units within the development.

Other Communities

City of Virginia Beach, Virginia Workforce Housing Program: Thirteen communities in the Commonwealth of Virginia have some type of inclusionary housing policy; however, mandatory policies have only been authorized by the Commonwealth of Virginia in six localities. The remaining seven jurisdictions have adopted voluntary, incentive-based inclusionary housing programs consistent with the restrictions placed on them by the state. Virginia Beach is one of the communities with a voluntary program.

The City of Virginia Beach, Virginia (population 450,000) offers a bonus density to developers who voluntarily build workforce housing units in combination with the development of market-rate units. The City offers bonus density of up to 30 percent over what is allowed in the underlying zoning district. In exchange for the increased density, developers must designate at least 17 percent of the total housing units as affordable to households earning up to 120 percent of AMI (ownership) or 100 percent of AMI (rental). The affordability requirements adjust depending on the additional density granted (e.g., a 20 percent bonus density would require that 11.3 percent of units be provided as affordable workforce units). Workforce housing units must meet the City's required design guidelines, be essentially indistinguishable from the market-rate units and be fully integrated throughout the development.

The City's program established a Workforce Housing Advisory Board to advise and make recommendations to City Council on policies, procedures, sales and rental prices of workforce housing units.

A *buyer* of a workforce housing unit must meet all of the following criteria at the time of application and through the time of settlement:

- Must live or work full-time in Virginia Beach, or have a bona fide offer of full-time employment in Virginia Beach within three months of the time of application;
- Cannot own, or have a controlling interest in, other real estate property;
- Household's annual gross income must be between 80 and 120 percent of AMI, adjusted for household size;
- Net worth cannot exceed 50 percent of the sales price of the workforce housing unit; and
- Must be able to secure their own first mortgage from a mortgage lender acceptable to the City.

At the closing, the developer sells the new Workforce Housing Unit to an eligible buyer, and the eligible buyer pays the developer the discounted sales price. The eligible buyer will have secured a first mortgage, and the City provides a second mortgage in the amount of the workforce housing discount:

Fair Market Value of the Workforce Housing Unit $240,000
25 Percent WFH Discount - 60,000
Discounted Sales Price (Amount due to Developer) $180,000

The City's second deed of trust carries a zero percent interest rate, requires no monthly payments, is subordinate only to the purchase money first deed of trust, and is due and payable from the proceeds of the resale or transfer of the Workforce Housing Unit. An owner of a Workforce Housing Unit may not repay the second deed of trust until the unit is resold.

In order to preserve the future affordability of a Workforce Housing Unit, the owner must offer the City first right of refusal when he or she wants to sell the unit. The City may decide to purchase and hold the unit, or the City may opt to assign its right to purchase to a new eligible buyer. In either event, the City will receive the amount of the WFH Discount secured by its second deed of trust plus the shared net appreciation.

Eligibility requirements for *renters* include gross annual income limits of up to 90 percent of AMI (100 percent of AMI for elevator buildings). Renters must live, work or have a bona fide offer of employment in the City of Virginia Beach within three months of application, meet income and asset requirements, and be able to pay all of their own rent. Rents are not subsidized under this program.

The City of Virginia Beach does not own or operate rental housing units. Property owners of rental Workforce Housing Units enter into a regulatory agreement with the City which sets forth the terms and conditions of compliance with the Workforce Housing Program.

The City of Virginia Beach's Workforce Housing Program incentive-based inclusionary housing program documentation is available online:
http://services.dlas.virginia.gov/User_db/frmView.aspx?ViewId=1650&s=

Additional resources on incentive-based inclusionary housing in Virginia is available from Housing Virginia:

Housing Virginia's Welcome to the Neighborhood: A Practitioner's Guide to Inclusionary Housing
http://www.housingvirginia.org/wp-content/uploads/2018/07/HV_Inclusionary_Guidebook.pdf

Charleston, South Carolina Mixed-Use Workforce Housing District Zoning Ordinance. The Mixed-Use Workforce Housing Zoning Districts in Charleston are intended to promote a mix of housing options within a single development, along with appropriate non-residential uses, by providing density incentives in exchange for below-market-rate housing in urban areas of the City where on-street parking or other public parking is "customary and can be reasonably accommodated."

The City's original workforce housing zoning ordinance was created several years ago and required developers to offer 15 percent affordable units for 10 years within the MU-1/WH and MU-2/WH zoning designations. Workforce housing was to be affordable to households with incomes at or below 80 percent of AMI. In exchange, developers were offered unlimited density and reduced parking requirements. There was no fee-in-lieu option and participation in the bonus density program was completely voluntary.

In July 2017, the City of Charleston revised its program to offer a fee-in-lieu alternative to the requirement to build workforce housing units on-site. It also extended the number of years the affordable units must remain affordable. Currently, in exchange for increased density and reduced parking requirements, developers must offer rents in 20 percent of their units at levels affordable to households at 80 percent of AMI and maintain those units as affordable for 25 years, OR pay the City $5.10 per square foot of the development project to opt out of the affordable housing requirement.

The workforce housing program has other provisions, including rules that affordable units be comparable and not smaller than market-rate units, be intermixed and not isolated, and must be built concurrently with market rate units.

Of the roughly 2,000 units planned in the City's Mixed-Use/Workforce Housing zone, about 300 — or 15 percent — will be workforce units affordable at 80 percent of AMI.

Recently, there has been concern that the fee-in lieu has been set too high and will stall development. For example, the founder of the large commercial construction company formerly known as BE&K said most commercial developers' calculations supported a rate of about $2.75. The City Council is monitoring the program and will reevaluate the fee, if necessary.

The City's Mixed-Use/Workforce Housing District Regulations are available online: https://library.municode.com/sc/charleston/codes/zoning?nodeId=ART2LAUSRE_PT15MIUSORHODIMIUSORHODI

Telluride, Colorado Housing Mitigation Program: The Town of Telluride, Colorado requires the provision of workforce housing along with the development of any new residential *or* commercial projects, under the assumption that all new development creates new workforce housing demand in the high-cost community. Its Housing Mitigation Program is a type of incentive-based inclusionary housing program in that there is an exchange of density for below-market rate housing. A key difference in Telluride's approach is the explicit link to workforce housing needs. In its code, the Town of Telluride states:

> "It is essential and necessary for the preservation and maintenance of the Telluride Community to ensure the provision of affordable housing within the Town and the Telluride Region, as delineated on the Telluride Region Map in the San Miguel County Comprehensive Plan ("Telluride Region"), which serves both year-round and seasonal employees. Recognizing that new development generates additional employment needs, and consistent with the desire to have new development mitigate impacts attributable to such development, the Town finds it necessary to require new development to provide affordable housing. Maintaining permanent and long-term housing in proximity to the source of employment generation serves to maintain the community, reduce regional traffic congestion, and minimize impacts on adjacent communities. Housing must be affordable to the local labor force in order for the local economy to remain stable."

The objective of the Town's Housing Mitigation Program is to create housing for at least 40 percent of the new employees generated by new development in the Town. In exchange for complying with workforce housing requirements (see below), developers receive a density bonus, generally up to an increase of five thousand (5,000) cubic feet of above-grade density for each designated employee housing unit. Therefore, while the program is technical a mandatory program, there is a density exchange built into the policy.

The process for determining the amount of employee housing required for new projects is as follows:

Step 1. Calculate the number of employees generated by the proposed development (as determined by using the applicable generation factor in Table #1).

TABLE #1

Land Use	Generation Rate
Commercial/Public Facility Uses	4.5 employees per 1,000 s.f. of Net Floor Area
Hotels and Accommodations Uses	0.33 employees per unit
Multi-family Dwelling and Mixed Use Residential	0.33 employees per dwelling unit
One and Two-family Dwellings	Generation Rate = $0.070174(e)^{(0.000322 \text{ X Proposed, New Gross Floor Area})}$

Step 2. Calculate the amount of required mitigation (or, in other words, the amount of required workforce housing). The amount of required mitigation is calculated using the following formula, based on the (A) number of Employees generated by the development as determined under Step 1 above multiplied by (B) the provision of 350 square feet of Gross Floor Area per employee generated by the development multiplied by (C) the Required Percentage Mitigation that is (i) 40 percent for commercial uses; (ii) 60 percent for multi-family, accommodations uses (except hotels); and single family and duplex (two-family dwelling) uses; and (iii) 40 percent for a hotel equals the minimum number of employees required to be provided with affordable housing.

The workforce housing requirements apply to all single-family, duplex, multifamily, commercial, accommodations and other non-residential new development within the incorporated limits of the Town of Telluride.

There are several ways developers can fulfill the workforce housing requirements:

- Construction of units on-site,
- Construction of units elsewhere within the Town (or Region as defined by the Telluride Master Plan),
- Deed restricting existing market units within the Town,
- Fee in lieu, or
- Conveyance of land to the Town.
  (Typically the land conveyance happens as part of an annexation. The Town makes the land available through an RFP process to a developer to build workforce housing.)

Occupancy of homes created through the Town’s Housing Mitigation Policy is tied to employment within the Town, as follows:

> Ownership housing: At least one member of the Household who is an Owner shall be a Qualified Employee and must demonstrate and verify 1,400 hours of employment for which presence is required within the boundaries of the Telluride R-1 School District for a minimum of forty (40) hours per month for at least twelve (12) of the sixteen (16) months immediately prior to submission of an application.

> Rental housing: Each person renting or occupying a room in a Housing Unit must be a Qualified Employee and demonstrate and verify 1,000 hours of employment for which presence is required within the boundaries of the Telluride R-1 School District for a minimum of forty (40) hours per month for at least twelve (12) of the sixteen (16) months immediately prior to submission of an application or provide verifiable intent to work 1000 hours within twelve (12) months of application.

See Telluride's entire workforce housing policy here:

https://www.telluride-co.gov/DocumentCenter/View/7028/Telluride-Affordable-Housing-Guidelines---Adopted-2018-04-03?bidId=

Adaptive Reuse

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

Common buildings used for adaptive reuse include but are not limited to 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 enviornmental remediation measures, and modifications to bring the structures up to resiential building code standards. While these saftey-related requirements can sometimes add complexity to the scope of an adaptive reuse project, architects and engineers have become increasingly creative in this space and familiar with solutions, and there are ways local governments can offset these costs through the regulatory and plan review process to make adaptive reuse an attractive option.

Adaptive reuse can require site plan committee review, special use permits, incentive programs, conversion factors and/or adoption of a new ordinance. Therefore, there is no one standard way to implement an adaptive reuse program. The approach depends on the goals and planning processes of the community, as well as the stock of potential buildings 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 living, or shared housing, is generally where residents have private bedrooms and bathrooms but share kitchen and dining areas. Microunits generally have 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 people. 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 trying to repurpose an existing commercial structure as a residential building.

Williamsburg, VA Adaptive Reuse Ordinance: The City of Williamsburg, Virginia (pop. 15,000) is a small community in eastern Virginia that attracts hundreds of thousands of tourists to a myriad of historical, recreational and cultural attractions. Williamsburg is also a popular retirement community.

Facing a lack of housing affordable to its workforce, particularly workers in the tourism-related sectors, the City of Williamsburg worked with an owner of older motels and created a special use permit that incentivizes the repurposing of outdated motels into affordable rental housing. The adaptive reuse special use permit was introduced in 2014. Since then, the city set a cap of 150 adaptive reuse housing units that can be created from the special use permit. The new ordinance is included in the City's zoning code under the section Planned Development Housing District (PDH):

> "The PDH district is established to encourage adaptive housing by allowing conversion of a limited number of existing hotel/motel rooms located in the B-2 zoning district into affordable housing for individuals and families, and thereby fulfilling a housing need not addressed by the city's existing housing inventory."

The City has defined "adaptive housing" as primarily efficiency and one-bedroom units with adequate cooking facilities created from all or part of an existing hotel/motel, and used for the purpose of providing *non-permanent, affordable and flexible-term housing* for individuals and families who may not have access to traditional housing alternatives existing in the City of Williamsburg but who are not visitors.

As of the end of 2018 (i.e., four years after adoption of the ordinance), only one developer has taken advantage of the special use permit. A total of 60 motel rooms were converted into 47 housing units (studios, one bedroom and two bedroom), with the conversion completed in March 2016. Currently, at the same site, 68 motel rooms are being converted to 51 similar housing units; these units are expected to be delivered soon.

Rent for these units range from $695 to $1,125. There was no restriction placed on rents by the City; rather, these rents were offered to reflect the small sizes and locations of the repurposed units. (A family of four earning 50 percent of AMI in Williamsburg can afford a rent of $937.50 per month.)

The City sees the adaptive reuse ordinance as an important step towards filling the need for affordable housing in their community.

The special use permit includes limitations which can pose challenges to creating diverse types of affordable housing. First, the ordinance sets a limit that no more than five persons can live in a two or more-bedroom unit. While this prevents overcrowding in the units, it can result in difficulties creating affordable housing options for large families. Because the City does not have a proactive code enforcement program, it is unclear how enforcement of occupancy rules occurs except by City response to a complaint.

Second, the ordinance dictates that "[t]he total number of adaptive housing facilities allowed shall be limited to no more than two in the Planned Development Housing District." With one facility already up and running, this leaves little room for other developers to take advantage of adaptive reuse. These limitations were set in order to contain and observe the outcomes of the new special use permit. The restriction also limits the amount of housing that can be delivered through an adaptive reuse process and favors the developer who was able to get in early in the process.

The City of Williamsburg's adaptive reuse ordinance is available online:

https://library.municode.com/va/williamsburg/codes/code_of_ordinances?nodeId=PTIITHCO_CH21ZO_ARTIIIDIRE_DIV15PLDEDIPDPDPD_S21-483.1PLDEHODIPD

Yarmouth, MA Motel Bylaw: Yarmouth is a small community (pop. 23,500) located on Cape Cod, Massachusetts. Yarmouth is a popular summer tourist destination and also has substantial post-World War II suburban-style residential development. The Town's southern shore is known for its beaches. The Town has no state forests or wildlife management areas, although there are many natural, unprotected areas throughout Yarmouth. The Town also has four golf courses, a rod and gun club, and a Boy Scout camp.

In 2006, Yarmouth created the Growth Incentive Zone to implement the Motel Bylaw. The Motel Bylaw allows the redevelopment of motel/hotel properties with a housing component, which can include 100-percent multifamily housing or mixed-use development. The law sets a maximum of 45 feet in height or three stories (or 35 feet in height if the structure is within 50 feet of adjoining residential zoning districts or on a parcel having less than 100,000 square feet of contiguous upland area.) In exchange for the affordability requirements, Yarmouth provides a financial incentive to developers pursuing these adaptive reuse projects.

> "The cornerstone of the program is Yarmouth's Motel Bylaw, which in concert with the Cape Cod Commission Growth Incentive Zone (GIZ), provides incentives for the redevelopment of under-performing motels along Route 28 into mixed-income developments. The Town is also providing predevelopment and redevelopment funding of up to $40,000 per project for predevelopment costs and up to $30,000 per affordable unit for acquisition and construction costs to further encourage this type of development with the dual goals of improving the Route 28 corridor and creating affordable housing."

There have been several motel conversions in Yarmouth that have resulted in the production of affordable rental housing. The owner of the Neptune Lane motel successfully converted his motel property into 24 affordable rental units. A former 11-unit motel called Appleby Court converted into an 8-unit rental development as well. Other noteworthy motel developments that integrate affordable units include the Cap't Gladcliff Vacation Condominiums, the Windrift Motel, and the Seaview Motel. The maximum rent paid in affordable units shall be equal to no more than 30 percent of the income of a household in the Barnstable-Yarmouth Metropolitan Statistical Area (MSA) earning 70 percent of AMI.

The Town created a number of provisions related to the motel conversion bylaw. Units must be no smaller than 250 square feet. The motel bylaw allows up to 16 units per acre, depending on the size and location of the site. In a 16-unit project, four units must be affordable. The table below breaks down the affordable unit requirements for projects of difference sizes.

Affordability Requirement – Yarmouth Motel Conversion Bylaw	
Total Units per Acre	Affordable Units per Acre
1-4	0
5-7	1
8-11	2
12-15	3
16	4

Initially, property owners ran into funding issues when they began to explore motel conversion projects. The Town allocated $2.74 million to its established Affordable Housing Trust Fund to create the Motel Redevelopment fund to help with predevelopment and acquisition costs. This funding was critical to making these adaptive reuse projects financially feasible.

The Town of Yarmouth's Motel Bylaw is available online:

https://www.mass.gov/files/documents/2016/07/qs/yarmouth.pdf

Dennis, MA Affordable Housing Bylaw: The Town of Dennis (pop. 14,000) is also located on Cape Cod. Dennis is comprised by five distinct villages. All of the public beaches are owned by the Town. In addition to the beaches, there are several key recreation amenities in the Town, including hiking/jogging trails, a Braille trail and playgrounds and ball fields. The Nobscussett Conservation Area (sometimes referred to as "Indian Lands") offers hiking trails and views along the protected shores of Bass River.

In 2001, the Town of Dennis established section 4.9 of its zoning code titled "Provision to Encourage the Development of Affordable Housing in Dennis." This section of the ordinance promotes affordable housing through new residential development and accessory apartments, as well as motel/hotel conversion and infill development on nonconforming lots. Developers using this bylaw must obtain a special permit from the Planning Board and meet several requirements, including the following: units need to be year-round housing, 25 percent of the units must be affordable to households earning 80 percent of AMI or less, the development must be at least 2.5 acres, and no more than 16 units may be constructed in any single building.

Since Dennis established its law, 86 total housing units have been built through the affordable housing bylaw, with 36 set aside as affordable for persons earning 80 percent or less of AMI. The primary way in which new housing has been developed has been through the conversion of seasonal motels or cottage communities to year-round housing.

Motel and hotel owners in Dennis are advocating for expanding the provisions of the conversion law to allow for a second story to be added to an existing single-story motel. The Town is continuing to evaluate the ordinance and consider revisions to the rules.

To find the summary of this bylaw follow the link below:

https://www.mayorsinnovation.org/images/uploads/pdf/AHBestPracToolkit061008.pdf

Public Land

Public land policies make government-owned land available at reduced or no cost for affordable, workforce or mixed-income housing. Public land could include land owned by the local government, school district, parks authority or even a public utility agency, and can include both vacant and underutilized parcels. In high-cost jurisdictions, using public land has become an essential tool for subsidizing—without spending public money directly—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. In addition, public ownership of land is often also important for achieving other community goals, including open space preservation, heritage/cultural site protection, and environmental stewardship.

In a public land program, land can be sold below market value to developers (either nonprofit or for-profit) in exchange for affordable units. Alternatively, a local municipality may set up a 99-year ground lease making the land virtually free to the developer. It is common for localities to issue a Request for Proposals (RFP) to identify a builder/developer who will use the publicly-owned land to achieve the community's goals.

On Hilton Head Island, the Town's recent partnership with Habitat for Habitat on The Glen development, is an example of a successful public-private partnership making use of publicly-owned land. The project will ultimately include 32 homes on the Island that are affordable to lower-income families.

Co-locating community facilities with affordable housing also can be an effective way to create new housing options without the need for public financial subsidy. In addition to potential capital cost savings, co-locating complimentary uses can also produce operating efficiencies.

Local Initiatives

The **Town of Bluffton** has purchased land to be used for the development of affordable/workforce housing. As part of its 2019-2020 Strategic Action Agenda, the Town established a Land Acquisition Plan that "provides guidance for Town Council consideration of public land acquisition." Priorities for public land include workforce housing, as well as economic development, public facilities and open space.

The Town has appropriated local money to acquire land specifically for economic development and workforce housing purposes.

The Town spent more than a year conducting outreach with local builders/developers to understand the incentives the Town could provide to promote workforce housing on Town-owned land. Density was the key incentive builders/developers were looking for.

The Town purchase a 1.78-acre site (1095 May River Road) for $263,000, specifically for the purpose of developing affordable workforce housing. The site is zoned to allow for the development of seven units. However, a Town ordinance allows for twice the housing units if a development delivers all of the homes as affordable housing. As a result, the project could allow for up to 14 homes, all of which would be allotted for affordable and workforce housing.

In January 2019, the Town of Bluffton issued an RFP seeking proposals from developers with "past, proven, positive experiences in developing high-quality affordable housing solutions." The goal is to have construction begin on the 14 affordable/workforce housing units in March 2019.

The Town will work with the builder/developer who is awarded the project to set the terms of the affordability requirements, including income requirements and mechanisms for ensuring affordability.

The Town owns two other sites that could potentially also be made available for the development of affordable/workforce housing.

Other Communities

Charlotte, North Carolina: In 2017, the City of Charlotte's Housing and Neighborhood Services and Engineering and Property Management Departments developed a process and a set of criteria for using City-owned property for the development of affordable housing. City-owned parcels were inventoried and evaluated for their appropriateness for the development of housing, generally, and affordable housing, specifically. The City makes City-owned land available through an RFP process at below market value to developers.

In exchange for the ability to purchase City-owned land at below market value for residential development, developers are required to set aside at least 10 percent of new units affordable to households with incomes at or below 80 percent of area median income. All approved public land projects have deed restrictions that keep prices affordable for 15 years.

The City of Charlotte's public land program is relatively new. However, there has been significant activity recently. The Charlotte City Council approved three projects in October 2018 that take advantage of the City's public land program.

Projects approved in October 2018:

- 1.4 acres for the development of 59 townhomes, 10 percent of which must be affordable.
- One-quarter acre where one of five new townhomes will be affordable. (The land was sold to the developer for $140,000 while the market value of the land was $209,300.)
- One-third of an acre, where one of three new single-family homes would be affordable.

In addition to these land sales, the City of Charlotte has also donated nine acres of City-owned land to Habitat for Humanity for 47 affordable single-family homes.

Transfer of Development Rights

Transfer of Development Rights (TDR) is a zoning mechanism generally used to preserve or protect natural land and 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 specifially 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. This tool can be a way to incorporate affordable housing in new development projects.

A 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.

Local Initiatives

The **Town of Bluffton** has established a TDR procedure where the Town may allow a transfer of development or density from one place (i.e., the "sending zone") to another (i.e., the "receiving zone"). This allows areas that have sensitive natural features, are more rural or lack utilities, to be preserved by redirecting development to places where infrastructure supports more density. The Town's Growth Framework Map identifies some potential places where additional density could be concentrated into more compact walkable places. According to Town staff, there have been no density transfers in the Town under this program.

Other Communities

Palm Beach County, FL TDR Program: Palm Beach County (pop. 1.3 million) is a fast-growing tourism and retirement community. There are 39 total municipalities within Palm Beach County.

Palm Beach County, along with the incorporated cities within it, established a TDR incentive to promote historic preservation, workforce housing development, and urban open space protection. In 2006, the County and municipal governments mapped out sending and receiving sites eligible for the TDR program. Sending sites are areas where land preservation is the goal, and receiving sites are those areas appropriate for increased density. In addition, a requirement for the provision of workforce housing was included as part of the TDR policy when the County adopted its Workforce Housing Program. Thirty-five percent of all housing units produced under a TDR in Palm Beach County must be affordable to households earning between 60 and 140 percent of AMI.

The TDR program provides increased development capacity through additional height and density for development projects. Article 5 Section 3 of the Unified Land Development Code of Palm Beach County provides the following purpose and intent for their Special Density Program:

> "The purpose of this Chapter is to provide for a TDR Program, including the establishment of a TDR Bank, to facilitate both the protection of environmentally sensitive lands, the preservation of agriculture on lands designated as AGR on the FLUA, and to promote orderly growth in PBC. This is accomplished by allowing development rights to be severed from environmentally sensitive lands and lands designated as AGR and transferred to sites where additional development can be accommodated. The TDR program is designed to redistribute population densities, or development potential, to encourage the most appropriate and efficient use of resources, services and facilities."

To find the complete ordinance, follow the link below:

https://library.municode.com/fl/west_palm_beach/codes/code_of_ordinances?nodeId=PTIICOOR_CH94ZOLADERE_ARTIVDOMAPLURRE_S94-132TRDERIPR

Seattle and King County, Washington: The City of Seattle and King County have each established TDR programs and marketplaces to allow developers to increase project density in certain areas. In King County, the goal of the TDR program is to preserve land and steer development growth away from rural and resource lands into King County's Urban Area. Under the City's program, development rights can be transferred from landmarked structures, affordable housing units and open space areas to receiving sites *within the same zoning classification*. Developers may also exceed the applicable base floor area ratio (FAR) limits for a project by purchasing the unused FAR from other properties within the same block. In most TDR transactions, developers acquire the development rights through the TDR "banks" managed by the City and County.

In 2013, King County and the City of Seattle entered into an interlocal agreement, requiring developers to purchase development credits from agricultural and forest lands in rural King County in exchange for obtaining greater density in the South Lake Union and Denny Triangle areas in the City of Seattle. As part of this agreement, developers for projects in these receiving sites must purchase regional development credits from the County to achieve 40 percent of their extra residential floor area and 25 percent of extra commercial floor area above the base FAR.

The TDR programs do not have an explicit affordability requirement. However, the TDR program works in tandem with the City's incentive-based inclusionary housing program which ties increased density—including density achieved through a TDR—to the provision of housing affordable to households with incomes at or below 80 percent of AMI.

Although these TDR programs appear to offer significant public and private benefits, there are very few TDR transactions each year. The setting of the value of development credits has been noted as a barrier to developers to purchasing credits. King County currently prices TDR between $22,000 and $24,000 a credit, corresponding to approximately $22 per square foot of additional density.

Restrictions on the use and transferability of TDR credits outside of the sending area's zoning classification has also created limitations on the use of TDR in the region.

For more information about the TDR programs in Seattle and King County, see the following:

https://www.kingcounty.gov/services/environment/stewardship/sustainable-building/transfer-development-rights/receiving/Seattle-tdr.aspx

https://www.kingcounty.gov/services/environment/stewardship/sustainable-building/transfer-development-rights.aspx

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 hoousing 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. In addition, deeper levels of affordability can be provided if inclusionary housing elements are included in the policy.

Form-based code is an authorized zoning technique as specified in S.C. Code § 6-29-720(C), which has defined form-based code as follows:

> "Form-based zoning allows planners to place more focus on characteristics such as building setbacks, building heights, sidewalk space, parking, and landscaping. An example of form-based zoning is classification of zones such as commercial streets, urban avenues, residential streets, and rear alleys. The form-based standards for building in a commercial street zone could include, for example, greater allowed heights, decreased setbacks, and certain types of window frontage. Traditional zoning would typically prohibit residences in such an area altogether, but with form-based zoning, retail businesses could be located on street level while residences could be located above street level."

Local Initiatives

Beaufort County, the City of Beaufort, and the **Town of Port Royal** launched a regional planning effort in 2007, and a multijurisdictional Form-Based Coding effort in 2010. A Community Development Code (CDC), backed by a shared growth framework in the communities' Comprehensive Plans, was developed as a key tool to guide sustainable development in the County.

While all three jurisdictions had done significant planning work prior to the 2007 Regional Plan to preserve the County's small-town character, their respective zoning ordinances were outdated and ineffective at controlling sprawl and slowing the degradation of the fragile estuarine environment. A shared, "Transect-based Form-Based Code" was seen as a primary strategy to channel growth into existing urbanized areas, while at the same time preserve rural character and natural resources.

The Urban-to-Rural Transect was used as the organizing principle for the code. Extensive photo documentation and mapping analysis was done to design the Transect to ensure that it would reinforce the unique characteristics of the County's distinct rural communities, as well as the historic urban cores of Port Royal and the City of Beaufort. Port Royal was the first to adopt their code in 2013. The City of Beaufort adopted its code in 2017. Beaufort County adopted its version in 2018.

The primary goal of these local codes is to preserve community character and not to facilitate the development of workforce housing. There is not evidence that workforce housing has been produced as a result of this form of zoning code in the County.

For more information about the Beaufort County code, see the following presentation:
http://opticosdesign.com/wp-content/uploads/2015/05/BC_CodeIntro_041612-web.pdf

See http://www.cityofbeaufort.org/DocumentCenter/View/976/The-Beaufort-Code?bidId= for the City of Beaufort's code, with key summaries of the typologies defined in the code on pages 9 through 17.

Other Communities

Charleston County, South Carolina's Form-Based Zoning District: The County's Form-Based Zoning District (FBZD) allows development of lands containing mixed residential, civic, institutional, commercial, and/or industrial uses in development patterns similar to those present in Charleston County and the Lowcountry. Use of the FBZD requires the applicant to submit form-based zoning regulations in the form of a Form District Master Plan that is structured on a Rural to Urban Transect.

One of the goals of the code within new communities is to promote "neighborhoods with quality housing that encourage a diversity of housing choices and accommodate diverse ages and incomes." However, incentivizing workforce housing is not a primary goal for Charleston's code.

Read the City's code online at:

http://online.encodeplus.com/regs/charlestoncounty-sc/doc-viewer.aspx?secid=1359&keywords=form-based#secid-1359

Arlington County, Virginia's Columbia Pike Neighborhoods Form-Based Code: Arlington, Virginia (pop. 200,000) is an urban suburb outside of Washington DC . Columbia Pike is a key commercial corridor in the County, connecting Fairfax County to the west to the District of Columbia in the east.

The County adopted a form-based code for commercial centers along Columbia Pike in 2003 and then expanded the code to neighborhood centers in 2013. Arlington's Columbia Pike Form-Based code applies to multifamily residential areas along Columbia Pike that surround its commercial centers. This zoning district provides incentives for revitalization and guides redevelopment along the corridor. The Neighborhoods Form Based Code was designed to help facilitate the preservation of affordable housing units along the rapidly growing corridor, encourage higher density development and connect housing to plazas, open space and transportation.

The County established a Form Based Code Advisory Working Group comprised of community members, architects and representatives of the Planning Commission and Columbia Pike Revitalization Organization (CPRO) to meet regularly with county staff to review development proposals and proposed amendments to the form-based code.

Arlington County has approved several projects through its Form-Based Code special use permit process that include on-site affordable housing units. (Other projects have been approved that allowed for off-site affordable units or a fee in lieu contribution.)

- Arlington Presbyterian Church project – Approved in 2015 and currently under construction. Six-story, mixed-use building with approximately 8,000 SF of ground floor retail and 173 residential, affordable units
- Columbia Hills – Approved in 2015 and currently under construction. Eight-story residential building with 229 affordable units.
- Carver Homes – Approved in 2015 and complete in 2018. Three-story townhouse development, totaling 67 market rate and 6 affordable units (all for sale).

These projects were all 100-percent below-market rate housing with rents affordable to households with incomes up to 60 percent of AMI.

See more information about Arlington's Form Based Code here: https://projects.arlingtonva.us/neighborhoods/columbia-pike-form-based-codes/form-based-code-review-projects/

Expedited Permitting

New residential (and commercial) construction typically goes through a process that involves review and approval by multiple local government departments (e.g., planning, zoning, transportation) and often must be reviewed by other agencies and organizations (e.g., utility companies, state environmental agencies). The review process can sometimes lead to the necessity of re-doing project plans or conducting additional studies to gain local support for the development.

Delays and unpredictability associated with project review, zoning, permitting, entitlement, and other approvals processes add to the final costs of new housing. These costs typically are passed on to the final occupant of the new building and make it more difficult to build housing affordable to lower-income households.

Expedited development review and permitting can be one way of reducing costs and to help promote the development of housing affordable to low- and moderate-income households. While fast-tracking review and permitting of workforce housing projects reduces developer costs at no cost to local jurisdictions, it also may mean fewer opportunities for community input on proposed projects. Therefore, it is important to balance the goals of an expedited process with other goals in the community.

Alongside an expedited process, more education and coordinated outreach around the development review and approval process is often essential for helping developers and other stakeholders be more aware of the requirements and process.

In 2011, the Town's Community Development Department worked with some local experts to improve the existing building and planning permitting process. A major outcome of that effort was a streamlining of the permitting process on the Island and a process of assigning a single point of contact within Town staff for projects seeking development approval. This intensive community-driven effort resulted in major changes to the development review and approval process and puts the Town among the examples of best practices.

Montgomery County, Maryland: The County implemented its "Green Tape Program" to provide a streamlined and expedited permit process for new commercial construction in state-designated enterprise zones and for residential or mixed-use developments that designate at least 20 percent of the total number of housing units for residents with income levels in line with the County's Moderately Priced Dwelling Unit (MPDU) program (i.e. its inclusionary zoning program).

Qualifying developments receive expedited application review and permit processing. The County has assigned staff to help facilitate the expedited process. The "Green Tape Team" is headed by a staff facilitator who assists applicants with the filing requirements, regulatory reviews, and inspections, including pre-design consultations and assessment inspections. The County facilitator also works with other County staff across departments to ensure, to the greatest extent possible, a seamless permitting and inspection process. The Washington Suburban Sanitary Commission and the Maryland National Capital Park and Planning Commission have signed onto the "Green Tape Program" to help with the faster review of eligible projects.

City of Austin, Texas: Through its S.M.A.R.T. Housing Policy, the City of Austin provides an expedited permitting process, in addition to building permit fee waivers, for transit-oriented, affordable housing.

City staff work with developers of single-family and multifamily housing, as well as mixed-use developments, to promote the production of housing that is affordable to households with incomes up to 80 percent of AMI. In exchange for providing housing affordable at this level, projects can be fast-tracked through the approval and permitting processes. The amount of fee waivers depends on the amount of affordable housing provided. Projects must meet a number of other requirements, including green building requirements, to qualify for fast-track review and fee reductions. Austin's comprehensive S.M.A.R.T. Housing Policy has resulted in the production of more than 15,000 units affordable at 80 percent of AMI since its adoption in 2000. (The City has added more than 69,000 total housing units over that time period.)

Fee Waivers

Fees are charged as part of the development review and approval process. Some fees—such as subdivision review fees or board of zoning appeals fees—are associated with specific steps in the review and approval process.

Impact fees are one-time charges assessed on new residential developments to help pay for new or expanded infrastructure to serve them. Revenue collected through impact fees can help fund the expansion of water and sewer lines if they do not exist, the building of new or improvement of existing roads or sidewalks in the area, and the creation of public amenities, such as parks or new schools.

Like other development costs, fees add to the final cost of housing. To make it easier to develop workforce housing, local jurisdictions sometimes offer to waive the impact and/or other fees associated with developments which include below-market-rate units. Alternatively, a "proportional" fee reduction program may be developed in which impact fees are adjusted according to the size of the housing unit or the location of the new housing. Larger homes and those located in outlying areas where infrastructure does not currently exist usually command a higher fee than smaller, in-town units.

If fee waivers are not allowed in a community, an option has been to provide projects a rebate on impact fees from another local revenue source.

There are two types of impact fees on Hilton Head Island. One set is imposed by the County while the other constitutes a Town fee. The Beaufort County fee, which is applicable in the Town of Hilton Head Island, is composed of three charges: parks, roads and libraries. All three fees are applied to building permits for residential units including single-family, manufactured homes, multi-family and duplex construction. Park and library fees are standard amounts; however, road fees vary based on calculations of potential road use associated with the new project.

The Town of Hilton Head Island assesses a Transportation Impact Fee on all new development. Transportation impact fees are used to finance transportation improvements. Transportation impact fees for development are based on land use category and estimates of the number of trips generated by that particular use.

Local Initiatives

In the **Town of Bluffton**, any workforce/affordable housing development that receives approval is eligible for incentives from the Town, including a 25 percent fee reduction for all applicable applications. The Building Permit Application and Development Agreement Fee rebates are limited to those housing units that qualify as workforce/affordable.

In 2017, **Beaufort County** reviewed impact fees; however, as of January 2019, the County has not made formal changes to the impact fee structure so that workforce housing projects are subject to lower fees.

II. Tools for Expanding Housing Access

First-Time Homebuyer Programs

Local first-time homebuyer program assist low- and moderate-income households with purchasing a home by providing financial assistance with down payment, principal reduction and/or closing costs associated with a home purchase. Potential homebuyers generally apply for assistance and sometimes have to meet certain requirements, such as currently living or working in the community. In order to receive assistance, homebuyers must meet the definition of a first-time buyer, which typically means having not owned a home in the prior three years. Homebuyers often must qualify for a mortgage from an approved lender and undergo homeownership counseling. Funding for first-time homebuyer programs comes from CDBG and HOME funding, as well as from local funding sources.

Wilmington, North Carolina: Wilmington's Homeowners Opportunity Program is a mortgage program with local banks, where the bank holds the first mortgage and the city holds the second, and the second mortgage is interest-free. This makes the full mortgage loan more affordable for low-income homebuyers who have a targeted income below 80 percent AMI. The program has a maximum loan size of $225,000. The City provides loan guarantees that enable local banks to make loans to low-income residents who would not be able to get a mortgage loan or rehabilitation loan otherwise. This has been an effective way to increase low-income residents' access to the housing market in Wilmington.

The City-led Homeowners Opportunity Program for first-time homebuyers, and the Homeowners Rehabilitation Program are successful ways to increase loan accessibility to low-income residents. Funding for the program has come from CDBG and HOME grants.

For more information, see https://www.wilmingtonnc.gov/departments/community-services/housing

Local Housing Voucher

Like the Federal Housing Choice Voucher program, a local housing voucher program provides assistance to households to enable them to rent housing in the private market. A local housing voucher program using local resources could offer priority to individuals who hold jobs in the community. Administration of local vouchers is often through a local housing authority but can also be managed by the local municipality or a local nonprofit organization. Voucher programs are most beneficial when there are sufficient apartments available, landlords willing to take local vouchers and/or source of income discrimination laws (i.e., landlords cannot turn down a tenant because he or she is using a voucher).

Arlington, Virginia: Arlington County's local Housing Grants Program provides rental assistance to low-income Arlington residents. These grants cover a portion of monthly rent, depending on household income, household size and rent amount.

Applicants must meet income requirements (up to $34,892 for an individual and $49,810 for a family of four in 2018) and personal assets may not exceed $35,000. The head of a single-parent household must be working at least 20 or 30 hours per week depending on the age of the children. Two-parent households must be working at least 40 or 60 hours per week depending on the age of the children.

The Housing Grant benefit is a two-party check issued in the beneficiary's name and the landlord's name. The check is mailed directly to the beneficiary at the beginning of each month and is submitted to the landlord along with the beneficiary's share of the rent.

The County allocated $8 million to the Housing Grants program in FY 2014. The average monthly grant was $575.

For more information about Arlington's program, visit their website: https://housing.arlingtonva.us/get-help/rental-services/local-housing-grants/

Employer-Assisted Housing

Employer assisted housing (EAH) is an employer-provided benefit, usually designed to assist employees in becoming home owners. 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, 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.

On Hilton Head Island, some resort employers have been trying to create housing options for their seasonal workers. For example, the Sonesta Resort has contracted with landlords to provide local housing for its 60 or so of its employees.

Fairfax County, Virginia: George Mason University, located in Fairfax County, developed housing on its campus to help faculty, staff and graduate students access affordable housing. Masonvale is a 157-unit rental community consisting of townhouses and flats with rents between about $1,500 and $2,500 per month. GMU gives priority to new faculty and staff for whom housing is an obstacle to accepting a position at the university, as well as to faculty and staff with highly-specialized skills or in high-turnover positions. Other priority groups include existing faculty and staff, full-time graduate and professional students, and employees of organizations affiliated with the university.

The GMU Masonvale development is really designed to provide relatively short term or transitional housing to new faculty, staff and students. Residents can remain in their Masonvale unit for a maximum of three years before they are required to find housing on their own.

More information on Masonvale is available here: https://www.masonvale.com/masonvale-fairfax-virginia/

Aspen, Colorado: The Aspen Skiing Company repurposed a 40-year old RV campground located on a major transit corridor into a 120-bed workforce housing community of small, high-quality, factory-built trailer coaches. The project is a response to an acute housing shortage that threatens the viability of the small, rural resort community. The workforce housing deficiency creates, and magnifies, negative externalities—inciting regional imbalances, traffic congestion, cumbersome commutes, dark neighborhoods, and challenges to hire and retain employees. This project came about from the inspiration of employee surveys that identified a distinct need for low-cost, safe, and comfortable housing.

See the following case study for more details about the project: https://americas.uli.org/awards/jack-kemp-excellence-in-affordable-and-workforce-housing-awards-2018-aspenskiing/

Los Angeles, California: Sage Park in Los Angeles was developed through a partnership between BRIDGE Housing (a nonprofit developer), the Los Angeles Unified School District (LAUSD) and the Los Angeles Housing and Community Investment Department. Sage Park consists of 90 affordable rental apartments for families on a 3.5-acre site south of the Gardena High School campus. The property consisting of one-, two- and three-bedroom apartments. Adjacent to Sage Park, the partnership developed additional community amenities. Through the Ground Lease agreement between BRIDGE and LAUSD, a first preference was given to LAUSD employees working within a three-mile radius of the property and a second preference was given to LAUSD employees who worked outside of a three-mile radius of the property. The public-private partnership solution used underutilized school land owned by LAUSD.

III. Financial Tools

Local Housing Trust Fund

Housing trust funds are distinct funds established by a City, County or State government that generally receive ongoing dedicated sources of public funding to support the preservation and production of housing affordable to lower-income households. Revenue for local housing trust funds is generated from a 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 variation in the amounts local jurisdictions commit to housing trust funds, and the amounts can 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 trust fund dollars imposed by the state, generally there is a lot of flexibility in how these resources may be used.

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. 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.

In South Carolina, the William C. Mescher Local Housing Trust Fund Enabling Act of 2007 granted local governments the authority to establish trust funds to address their communities' housing needs. Funds must be used to support housing affordable to households earning no more than 80 percent of AMI with a "preference" for households at or below 50 percent of AMI. The state legislation allows municipalities to use a range of funding sources for a local housing trust fund, including general appropriations, donations, bond proceeds, and grants and loans from a state, federal or private source.

Greenville, South Carolina: In 2017, the City Council of Greenville authorized the establishment of an independent Housing Trust Fund, creating a financial mechanism to support affordable housing development within the City. The Greenville Housing Trust Fund receives and disburses money to support the production and preservation of affordable and workforce housing units, investing in projects that can provide affordable housing for households with annual incomes between $15,000 and $55,000. The fund also has the ability to move beyond these limits as project and market conditions may allow.

The Housing Trust Fund in Greenville has three main goals:

- Serve as an advocate and champion for affordable housing in Greenville,
- Invest in affordable housing development, and
- Purchase land for affordable housing development.

The Housing Trust Fund is administered by CommunityWorks, which is a nonprofit financial organization that had already been active in affordable housing issues in Greenville. CommunityWorks administers an application process for developers seeking funding for projects. The Trust Fund will provide acquisition, gap predevelopment, and/or construction financing for affordable and workforce housing. New construction and preservation projects are both eligible to apply for funding.

Funds are provided in the form of a low-interest loan. The maximum loan is $500,000 per project. A use restriction is placed on all units built with trust fund dollars ensuring that homes will remain affordable to the specified income groups for 20 years.

In 2018, 11 projects submitted requests for funding that included 828 affordable housing units. The Greenville Housing Fund has awarded a total of $863,000 to three developers (Habitat for Humanity, Homes of Hope and Bywater Development) to build new affordable housing and preserve existing affordable housing in the city of Greenville. Habitat for Humanity will build six homes and develop seven rental homes in the Sterling community, Homes of Hope will develop nine rental homes on scattered sites throughout the city and Bywater Development will renovate Stratham Place Apartments, upgrading and preserving 88 affordable rental homes.

The Greenville Housing Trust Fund has been funded from allocations from the City's general fund (in the amount of $2 million for 2018).

For more information about the Greenville Housing Trust Fund, see the following information sheet:

https://files.acrobat.com/a/preview/b1eb2597-e319-473b-8569-b5f10fc55854

Savannah, Georgia: The Savannah Affordable Housing Fund (SAHF) was created in 2012 by the City of Savannah at the urging of StepUp Savannah and with support from the Savannah Economic Development Authority, the Savannah Area Chamber of Commerce, and other business and community leaders. The SAHF is an innovative fund that has brought together public, private and philanthropic resources to help support the production and rehabilitation of homes for lower-income households in the community.

Between 2012 and 2016 the City of Savannah invested $800,000 in the SAHF for revolving loans. While the City has taken the lead as the major SAHF investor, local banks, businesses, and nonprofits have invested $138,060 in the SAHF since 2014. SAHF investors to date include, alphabetically, Ameris Bank, BB&T Bank, Bank South, CHSA, Group Cares, St. Joseph's/Candler Health Systems, South State Bank, United Community Bank, and Wells Fargo Bank. Annual investments in the SAHF by these partners have typically ranged from $5,000 to $15,000 with $40,000 being the largest single deposit. None of these investments have been used for program administration. Administration of the SAHF is presently absorbed by the City and its nonprofit housing partner Community Housing Services Agency, Inc. (CHSA).

Over the 2012-2016 period, the SAHF supported 140 projects including 105 home repair projects, 24 new homes constructed and 11 homes purchased. In addition, the SAHF helped support the St. Joseph's/Chandler Health Systems down payment assistance program.

Beginning in 2017, the SAHF Advisory Committee began seeking annual SAHF contributions of at least $100,000 collectively from banks, businesses, and nonprofits. It is also seeking continued annual SAHF deposits of at least $200,000 from the City. In November 2018, Memorial Health donated $30,000 to the fund, with the money directed to affordable housing activities in the neighborhood close to the hospital's campus.

For more information about the Savannah Affordable Housing Fund, see the following: https://www.savannahga.gov/DocumentCenter/View/3302/About-the-Savannah-Affordable-Housing-Fund?bidId=

Asheville, North Carolina: The City of Asheville's Housing Trust Fund was created in 2000 to provide a source of local funding to assist in the development of affordable housing in Asheville. Asheville has set priorities for funding based on where the community's greatest needs are. These priorities include:

- Equal priority to rental and homeownership,
- Highest priority to projects with "permanent affordability",
- Higher priority to projects serving lower-income households,
- Higher priority to projects developed along transportation/transit corridors,
- Higher priority to projects with more affordable units included, and
- Higher priority to projects that incorporate green-building elements.

Nonprofit and for-profit developers are eligible to apply for funds. All funds are provided in the form of low-interest loans; no grants are made from the Housing Trust Fund. Funds may be used for a range of projects, including new construction, conversion or adaptive reuse, preservation and rehabilitation, manufactured housing and modular construction, tiny homes/container homes, and down payment assistance. Projects that receive a density bonus through Asheville's incentive-based inclusionary zoning program are *not* eligible to receive funds from the Housing Trust Fund.

A minimum of 20 percent of the total project units using trust fund dollars must be affordable to households at or below 100 percent of AMI (ownership) or 80 percent of AMI (rental). The affordability period depends on the type of loan provided by the Trust Fund but is generally at least 15 years.

The City of Asheville has allocated $10 million to the Housing Trust Fund this year. The primary source of funding has been from several successful bond referenda over the past several years. The City has managed to build broad community support for housing affordability bonds in Asheville.

The Housing Trust Fund has assisted in the development of several affordable housing developments over the past several years, including large multi-family developments of 60 and 120 units and smaller six-unit developments.

Details about the Asheville Housing Trust Fund are available here: https://drive.google.com/file/d/1wl-3tDxhlp46mjS58GGkjWS7tDiUjzAt/view

Santa Clara County, California: The Santa Clara Housing Trust (SCHT) is a partnership between local businesses and the cities and County, and leverages millions of dollars of private and public money for homeownership programs, new rental housing, and homeless housing. The SCHT is probably the best example of an employer-led local housing trust fund. The Silicon Valley Leadership Group (SVLG), a membership organization of nearly 300 companies in the Silicon Valley area, has played a crucial leadership role in establishing and raising funds for the Housing Trust.

The fund was started in 2000. Supported by voluntary contributions, the Housing Trust devoted itself to addressing the full range of affordable housing needs from increasing homeownership and preventing homelessness, to increasing the supply of rental and permanent supportive housing. The call went out to raise $20 million and leverage $200 million in two years to assist 2,000 families. The Santa Clara County Board of Supervisors was the first to invest in the Housing Trust with an initial $2 million grant, which was coupled with a $1 million grant from Intel and a combined $1 million investment from high-tech companies Adobe, Cisco Systems, Applied Materials, and Solectron, and homebuilder KB Homes. Within 18 months of launching the campaign, all cities and towns in Santa Clara County had contributed to the Housing Trust. Within two years the $20 million goal was exceeded.

The Housing Trust has operated two core programs—homeownership assistance for first-time buyers, and loans and grants for affordable rental housing. For first-time homebuyers in Santa Clara County earning between 60 percent and 120 percent of AMI, the Housing Trust provides down payment or mortgage assistance. For developers of multi-family or homeless rental housing, the Housing Trust can provide acquisition financing, gap financing, construction loans, or permanent financing, up to a maximum of $15,000 per affordable unit. All multi-family rental units must be affordable to households at 80 percent of AMI, with a portion reserved for families earning below 30 percent of AMI.

In late 2018, the SCHT was repositioned as the Housing Trust Silicon Valley, establishing the TECH Fund, which is an investment vehicle to allow philanthropic organizations and private sector entities to more easily invest in the housing fund. Since the inception of the SCHT, the fund has invested over $171 million to create more than 16,100 homes for Silicon Valley’s workforce, families, seniors and special needs individuals.

National Housing Trust Fund

The 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.

For more information on South Carolina's process for allocating NHTF resources, see http://www.schousing.com/library/HOME/2019/Draft%202019%20SC%20Action%20Plan.pdf

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 FY2017-2018, an estimated $9.9 million was allocated to nonprofit organizations from the SC HTF:

$6.4 million for owner-occupied rehabilitation activities

$2.0 million for supportive housing activities

$459,000 for rental housing activities

$1.0 million for flood recovery housing activities

No awards from the SC HTF were made to projects on Hilton Head Island in FY2017-2018. Three projects in Beaufort County received funding. All funds are administered through a state-approved nonprofit. The Hilton Head Regional Habitat for Humanity is the only Hilton Head-based organization currently on the approved nonprofit list.

See http://www.schousing.com/Home/SCHousingTrustFund for more information.

Opportunity Zone

Created in 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. 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).

A portion of the Ward 1 area of the Town of Hilton Head Island (Census tract 10800) has been designated as the one Opportunity Zone on the Island. Proposed Federal regulations around Opportunity Zones have recently been released and will need to go through a public process before they are final.

On January 25, 2019, South Carolina Commerce partnered with the Council of Development Finance Agencies and the Office of U.S. Senator Tim Scott to host the Governor's Opportunity Zones Summit. Taking place at the Columbia Metropolitan Convention Center, the event allowed attendees to learn how to maximize the positive impacts of Opportunity Zones.

See more information on South Carolina Opportunity Zones: http://www.scopportunityzone.com/

Norfolk, Virginia: There are very few examples of investments in Opportunity Zones that have resulted in new workforce or affordable housing. In part, the lack of examples is because the program is still so new and the specific Federal regulations have not been finalized.

One community that has been positioning itself to take advantage of the Opportunity Zone Program is the City of Norfolk, Virginia. The City of Norfolk includes 16 Opportunity Zone tracts which is indicative of the number of distressed neighborhoods in the City and the significant need for investment.

The City has proactively planned areas defined by Opportunity Zones and dedicated public investment in infrastructure to make those locations attractive to investors. In July 2018, the City convened an "Opportunity Zones Day" which brought together City staff, elected officials, financial institutions, developers and advocates to begin building the partnerships that will be necessary to take best advantage of the Opportunity Zone program.