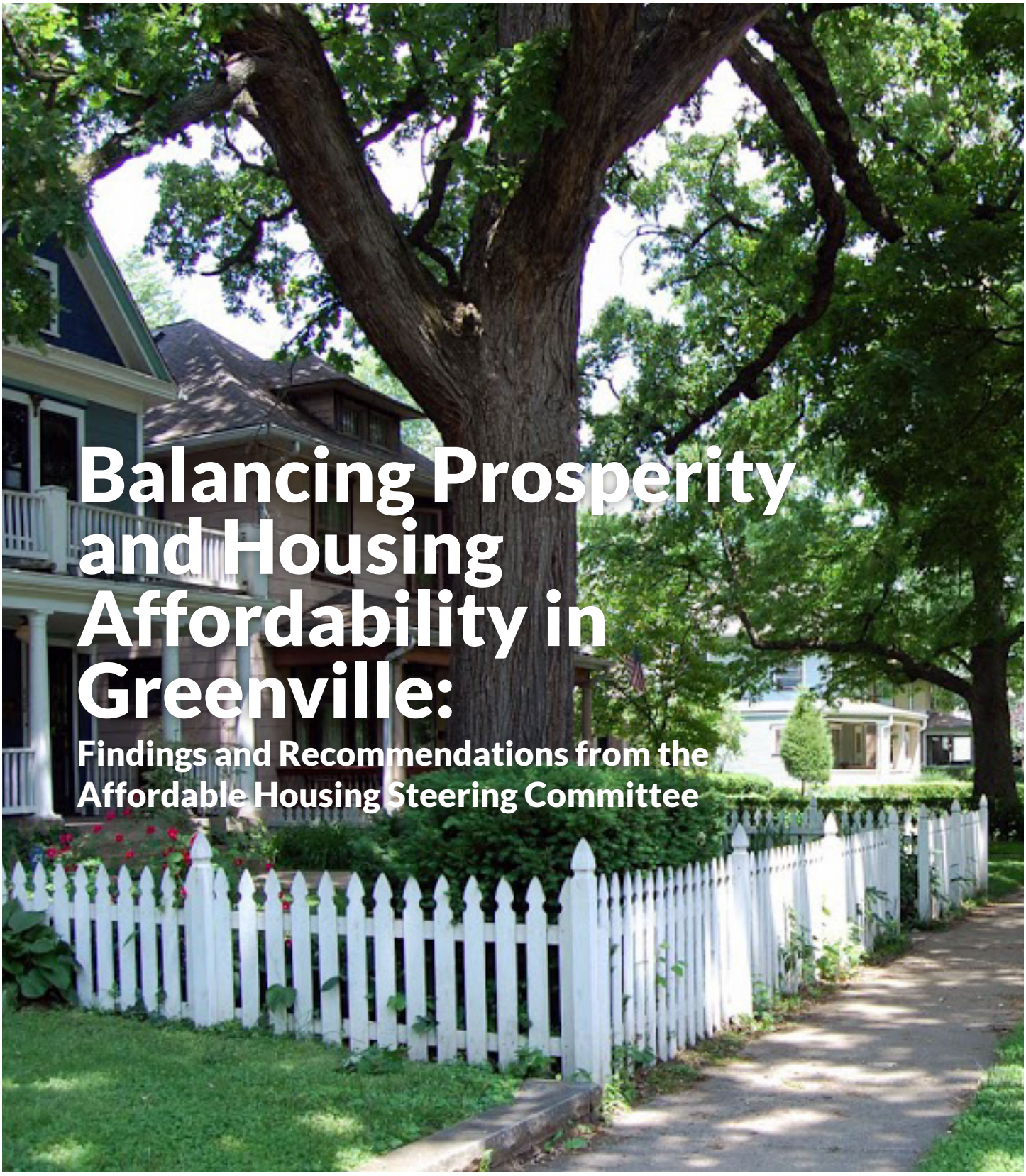

Balancing Prosperity and Housing Affordability in Greenville:

Findings and Recommendations from the Affordable Housing Steering Committee

czb for the City of Greenville, SC

SEPTEMBER 2016

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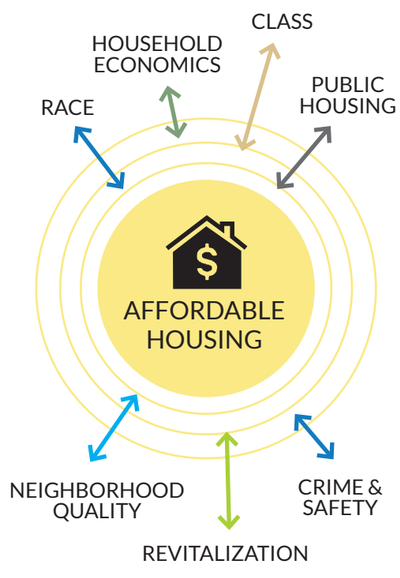
FOREWORD

Affordable housing is one of the most vexing issues communities in America face today.

For a variety of reasons that shape how communities think about housing for families without the incomes to compete for it on the open market, the subject defies an easy, one-size-fits-all understanding.

Affordable Housing is filtered through, and influenced by, many factors



Sometimes, affordable housing functions as a mistaken synonym for public housing, which is generally viewed quite negatively. Sometimes it means housing for the poor, who are generally presumed to be not very good neighbors. Some view affordable housing as housing for the unemployable, whose lack of a job and resulting challenges cement their status as undesirable. The bottom line is that the bricks and mortar of affordable housing, as well as the residents, are frequently viewed negatively, making the politics of housing very dicey. Often, it is the case that support for the idea of affordable housing by those who don't need it far outpaces the degree to which its advocates actually embrace it — and that is because sooner or later, building housing that is affordable means actually paying for it and actually locating it. Who pays and where it goes become hinge factors in any affordable housing discussion in any city.

Making affordable housing even more complex is the issue of race. However dynamic, or even sometimes inaccurate, race is frequently a proxy for income and wealth, and vice versa. The lower the income, the greater the expectation in every American community's mind that subsidized housing for low-income households is — ipso facto — housing for minorities.

It is also the case that government-subsidized housing has, at best, a very checkered history. Intentions aside, regrettable architecture and poor planning left many cities with hard to forget notions of public housing. Coupled with urban renewal's aims and outcomes — good and bad — the stigma of housing as a policy subject is powerful everywhere. Few really want to touch it.

Furthermore, because public housing is affordable, and because other subsidized housing is affordable, and because the tenants of public and other subsidized housing are often but not always poor, it can be hard to crisply define what is meant by affordable housing — especially at a time when many young adults with middle class backgrounds find it difficult to access housing in places they want to live.

Everything is prone to being blended because housing economics are inextricably household economics.

Conversations about affordable housing — whether in the way the media cover the issue, or at city council and planning commission meetings — can be, and often are, unwieldy. Related conversations about race, class, architecture, private property, market economics, fairness, competitiveness, blight, land use, neighborhood safety, and property values are commonly sparked. It can be quite difficult to tease out housing issues from poverty issues, housing issues from neighborhood quality issues, and affordability from revitalization challenges. Making this even harder is that the overwhelming majority of federal and state housing policies and funds are too inflexible to be wisely deployed in ways that are sensitive to local market context.

In addition, as the rise of the two-income professional household has increasingly become a, if not the, major factor in ratcheting up housing costs, single wage earner families, and especially those not holding white collar jobs, have become significantly more vulnerable to housing cost appreciation in today's economy. As urbanized markets have increasingly attracted ever more concentrated numbers of very highly educated and well paid two-income households, hourly service sector workers have just as quickly been either priced out of the ability to access the market, displaced, forced to pay high amounts for housing that leave them cost burdened, or are left with no choice but to live in substandard conditions.

Where people choose to live, and why, is also relevant.

Settlement patterns in Greenville, as elsewhere, have resulted in resurgent downtown housing markets and high levels of demand to live near downtown, even as other parts of the city languish. Financially strong households want to be near downtown, and as they "find" hidden gems of undervalued streets like North Leach or Rhett — which they will — their superior buying power will enable them to upgrade their new neighborhood beyond the point where existing residents can afford to stay. Lower capacity households, historically concentrated, will remain concentrated, but elsewhere.

With such concentrations of lower capacity households will emerge outcomes that — in the wider market's mind — ratify the wisdom of class separation. When too many low-income households become geographically concentrated and isolated, there are costs. These come in the form of crime and other social problems, regardless of the quality of the design or construction of the housing units themselves. While inattention to home maintenance can and does occur by all regardless of income, comparative standards of care are lower in poor communities. For want of financial resources, time, knowledge, and other factors, a community mainly of struggling households will have more than its fair share of neglected property, and more than its fair share of disorder as defined by the majority who live elsewhere.

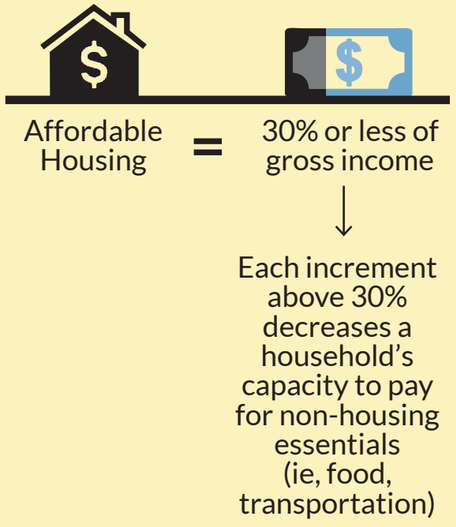
These and other influences – many of which act as both cause and effect – mean that affordable housing and neighborhood quality concerns in Greenville are braided together. Land and real estate become less desirable when there are concentrations of low-income households, and as demand falls, so does price. Moreover, when rents are low, capitalized values are low. Without an opposite intention for heterogeneous settlement throughout a city, neighborhoods become and remain segregated by income, by race, or both.

Consequently, Greenville's intentions matter deeply. Does the community at large believe the city is better off by ensuring a minimal standard is achieved throughout its housing market and that the lowest income workers in the city are able to affordably obtain a decent home in a safe and decent neighborhood? Does the community at large believe the city must evolve equitably? Do the community's beliefs run deep enough to put intentions into action?

And finally, while affordable housing means one thing for a two-income millennial couple with college degrees, and something else for a single parent working at a good job at Bon Secours Health System, affordable housing is a problem of a much higher magnitude for the truly disadvantaged. Those working for minimum wages really constitute a group for whom housing policy must be developed in the context of long-range workforce development and transportation planning. Connecting meaningful economic development to land use planning that co-locates jobs and housing opportunities will need to be a city priority in both word and deed.

DEFINITIONS AND CONCEPTS

For the purpose of clarity, two prevailing notions are present in this document. The **first** is that affordable housing is housing that is affordable, no matter who we are talking about.



Housing — rental or owner-occupied — that does not cost the resident more than 30% of their gross monthly income is considered affordable. For example, a $900 per month apartment is affordable to a renter who has an income of no less than $36,000 per year. Similarly, a $900 per month mortgage payment (PITI) is affordable to a buyer who has an income of no less than $36,000 per year.

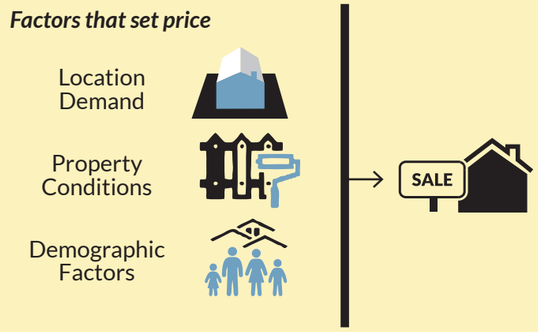
Where does the 30% ceiling for affordability come from? From the early 20th century to the advent of FHA and afterwards, lenders found that when buyers had monthly housing costs in excess of 30% of their monthly income, default tendencies rose, regardless of amortization schedules. In addition to the loan-to-value ratio as a skin-in-the-game determinant of default or performance, the 30% threshold proved to have enduring predictive value. Each increment above 30% decreases a household's capacity to pay for non-housing essentials; faced with a choice of food or clothing or transportation on one hand versus rent, households begin to juggle, rent payments become late, and a buyer's default probability rises.

So, when a household has rent to a landlord or housing payments to a bank that exceed 30% of its gross monthly income, that household is considered housing cost burdened. While households at any income range can be housing cost burdened, public policies that assist households with securing affordable housing typically focus on those with incomes at or below the median income for a given region.

**Median income describes the level of earnings in a region at which half of households earn more and half of households earn less. This measure is often used in determining housing affordability or program eligibility.*

The **second** is that the housing that is affordable is affordable for **specific reasons** that have to do with the local market and the local economy and how the two fit together.

Factors that set price



A major factor that shapes affordability

Location demand, property conditions, and demographic factors — who and what is where — sets price. Sometimes, a property may be in good condition but the land on which the housing sits is not very desirable, so demand to own it and possibly redevelop it is low, as is the resulting price. Low demand generally equates with low cost or high affordability. Other times, a property was built inexpensively and the debt load is nominal, enabling low rents. Sometimes the property is in substandard condition, and as such, demand is very low, so prices are low.

The local economy is also a major factor that shapes affordability. For example, it is not hard to find an affordable home in a struggling place like Saginaw, Michigan, where a single wage earner making $9 an hour can afford to buy a home at median value. And it is easier for employees to participate in any housing market without government subsidy when employers pay a "housing wage" – the hourly wage a family must earn to afford a modest two-bedroom apartment in the private market.

HOUSING IN GREENVILLE TODAY:

Pressures from Success, Pressures from the Past

Greenville is a city that has changed dramatically in recent decades, shifting from the remains of a pre-Depression textile-centered economy to one based on knowledge, advanced manufacturing, and services. It has done so in ways that have positioned the city as a regional and national leader in the arenas of economic development, quality of life, and cultural stewardship.

But Greenville's evolution has also surfaced a set of issues — some new, and some deeply rooted — that threaten broad access to housing in the city, that challenge the sustainability of its high-powered economy, and that are remarkably interwoven with the city's key accomplishments. For example:

A powerful economy that relies on both high-wage and low-wage workers. Greenville is a city that has changed its economy, been out in front of national trends, and invested heavily in upgrading its urban experience. This has resulted in the city becoming younger while the competition has aged, more educated than anywhere else in the state, more regionally-connected than before, and – ultimately – a city that attracts and retains a highly educated workforce. But these same qualities have also made it more desirable to retirees and tourists whose discretionary dollars, together with those of the high-wage workforce, support a burgeoning service economy. The Greenville "experience" for those who have discretionary dollars and options – and the businesses and institutions that rely on that experience directly or indirectly – requires large numbers of low-wage workers without whom the economy cannot function optimally.

A world-class downtown and riverfront that both connect and disconnect city residents. Greenville is a city that has prioritized downtown – as an economic engine, as a civic space, and as an integrative centerpiece of the region's natural beauty and superb built environment. This has resulted in a quality of life feedback loop that attracts ever higher levels of investment and reinvestment. But while downtown embodies the civic realm and is increasingly coveted as a place to live, the essential nature of Greenville's residential development remains quite dated, overly predicated on large-lot suburban site plans and settlement patterns that are economically segregated. Inclusionary development has not been embraced, so parts of the city – and especially the West Side – remain poor and disconnected from the city's new vibrancy even as – and especially because – they are vulnerable to development pressures.

Success that has yielded surpluses as well as deficits. Greenville is a city that has done so much so well – good planning, good design, good budget management, good outreach – that it actually has a fund balance. This means the city has formed and stuck to the good habits of prioritizing, of evaluating the opportunity costs of spending on one thing but not another, and of making the notion of reinvestment routine. At the same time, local budgeting has not prioritized the housing affordability challenges faced by low-income households – and increasingly by moderate and even some middle-income households. As recently as 2000, Greenville had an excess of low-cost rentals ($500/month in today's dollars); today the city is short by 2,500 such units. The gap between what is affordable for a worker at minimum wage and median rents in Greenville is about $250 per month or $3,000 per year, the equivalent of about $1.50 an hour in wages.

Collectively, these dynamics – the transition to a high-wage economy simultaneously dependent on a low-wage service sector, a vibrant and urbanized downtown in the center of a still suburbanizing and segregated community, and a surplus of financial capacity alongside a shortage of low-cost housing – have created a formidable housing and community development challenge (and opportunity) for the City of Greenville and its various sectors.

Private investors in the Greenville housing market will not find it profitable to deliver new housing affordable to households earning much less than $60,000 a year, not without government assistance. When neither the private nor public sector closes the affordability gap — alone or in partnership — the costs fall to the community in lost efficiency, lost potential, and reduced competitiveness. And with so much interest in living in and near downtown, and so many young well-educated workers, along with so many retiring transplants importing home equity from more costly markets, affordability challenges have begun to extend well above the bottom of the income ladder. It now reaches the middle of the income ladder, including teachers, Aloft Hotel desk clerks, Publix store managers, BMW line workers, and Panera employees.

Greenville's long-term capacity to grow more desirable and prosperous depends on its workers being able to find good quality affordable housing in the city; not just low-wage hourly workers, but those closer to the local median (with incomes between $30,000 and $60,000) who either struggle to buy homes or increasingly compete with lower income households in the rental market. When the market fails to ensure a steady supply of affordable housing up and down the housing ladder, from first-time buyer opportunities and move-up options for owners, to a range of rental products from the most modest to the highest end, inefficiencies will jeopardize the most vulnerable households while also eventually curtailing business expansion.

GREENVILLE MARKET SNAPSHOT

Median Household Income: $41,147

Median Monthly Rent: $739

Renting an apartment at this amount requires a household to have an annual income of at least $29,560 to not be considered cost burdened (in other words, not paying more than 30% of income on housing). Households making less than that are more likely than not to be cost burdened in the City of Greenville without some form of assistance in finding and affordably renting an apartment in good condition.

Households with less than $29,560 a year in earnings will be those with one full-time worker making about $12 per hour, or some combination of one or more part-time workers.

8,500 households in Greenville today (32.5% of all households) make less than $25,000 per year and would be considered cost burdened at median rent.

Median Value of Owner-Occupied Home: $205,000

Purchasing a house at this amount requires an annual income of approximately $68,000. If the buyer receives a 100% mortgage, they may need closing costs of around $3,000 and the capacity to carry mortgage insurance. Without a subsidized mortgage, a down payment would be $41,000.

14,800 households in Greenville today (56.6% of all households) make less than $50,000 per year and are limited to homeownership opportunities that fall well below the median home value — which means either subsidized purchase opportunities or homes that are not in-demand for any number of reasons.

HOUSING IN GREENVILLE TODAY:
Major Findings

An examination of recent housing market trends and current conditions in Greenville reveals **four storylines** that best describe how the Greenville housing market functions today, how it is been influenced by investment in the city's core, and how it affects basic affordability for households at a wide range of income levels.

GENTRIFICATION PRESSURES NEAR DOWNTOWN

The **first** is that near-downtown neighborhoods are gentrifying, displacing low-income households from these areas. Without a hedge against further displacement, long time African American neighborhoods will be lost.

SHORTAGE OF LOW-COST UNITS

Second, there is a sizable shortage of quality housing options in Greenville available for no more than $500 a month. These constitute affordable housing for households earning no more than $20,000 annually (full-time at $10 per hour). Without such housing, these households will either live in substandard conditions or be severely cost-burdened.

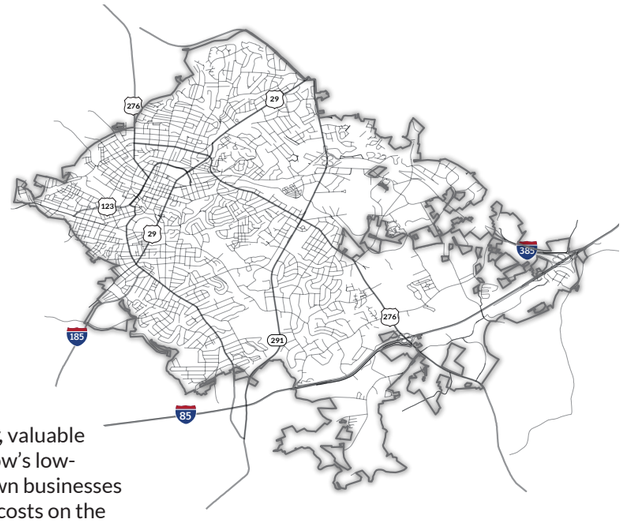
DISTRIBUTION CHALLENGES

Third, the affordable housing that Greenville does have is not well distributed throughout the city. The city's lowest cost rentals are almost all located in the city's weakest markets.

DOWN LADDER PRESSURES

And **fourth**, the good news of high wages is coupled with demand for housing that does not exist. Demand for apartments by households earning at least $50,000 far exceeds supply, so demand is being met down ladder, reducing the supply — as well as raising the price — of what would otherwise be available for those earning less.

Together, these four storylines form an overarching housing narrative for Greenville. As the city has become increasingly prosperous, and regularly made good investments in quality of life amenities and durable infrastructure, it has become popular for business, retirees, tourists, students, high tech manufacturing, and health care. These gains have had a profound impact on the tax base, and on the city, and figure nowhere more prominently than in the emergence of downtown as one of the most desirable destinations in the region. For those earning above 150% of the area's median income, housing costs remain quite affordable. As a general rule though, for households earning less than $60,000 a year, this is not true. It is especially not true for non-college educated workers earning less than $25,000 annually — and it is an acute problem for households with a single, low-income wage earner.



There are imperatives to remedy the four problems embedded in these storylines.

If the near downtown neighborhoods continue to gentrify, valuable repositories of affordable housing will be lost. Tomorrow's low-wage workers – especially those employed by downtown businesses (hotels, restaurants) – will have to commute, imposing costs on the city in the form of congestion and on their employers in the form of lower productivity.

If the shortage of low-cost units that are in good condition is not addressed, property values in some locations – and the city's tax base – will be undermined. This also increases the likelihood that the most vulnerable workers in the city will have to locate more expensive housing further from their employers, which in turn will make sustained employment for them a more elusive ambition.

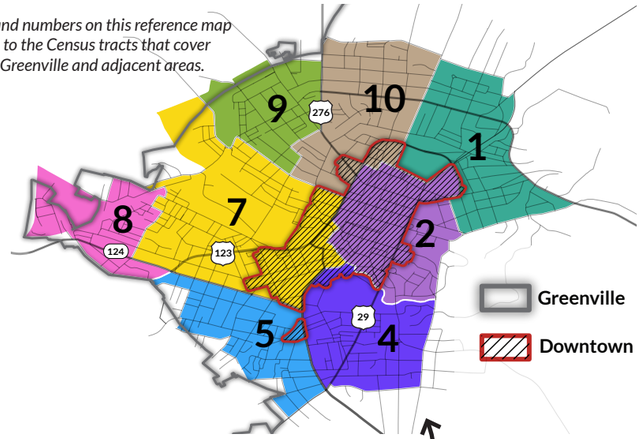
If the city's low cost units are disproportionately concentrated in some areas, and altogether missing in others – as is now the case – some parts of the city, in having more than a fair share, will suffer economically. A well-distributed supply of low-cost units adds to overall economic health as the spatial distribution of jobs and housing is efficient. If the city were to no longer have employers that needed low-wage employees, this would not be an issue, but downtown – and other parts of Greenville as well – absolutely hinge on a strong service sector and thus on a viably housed low-wage labor pool.

If good quality rental and ownership options are not readily available to the more upwardly and geographically mobile members of Greenville's well-educated workforce, resulting in any combination of high housing cost burdens for the middle class, commuting and congestion, or having to secure housing beneath their expectations, the private sector will eventually struggle to retain and attract their most desirable employees. Failing to address so-called down ladder pressures will worsen all of the other challenges.

These imperatives all tie together. Fail to prompt the private market to keep pace with the housing demands of the labor force's most valuable and mobile workers, and they will consume housing otherwise affordable to those of lesser means — if they remain. Ensuring a robust private market response in the middle third (for middle income households) lessens the pressure in the bottom third (for lower income households). Ensuring that the quality of housing stocks in the bottom third remain high makes it more profitable to the service sector to place a premium on being in Greenville. Fail to ensure that jobs are near housing and quality of life will begin to fall, thus eroding the city's basis for prosperity.

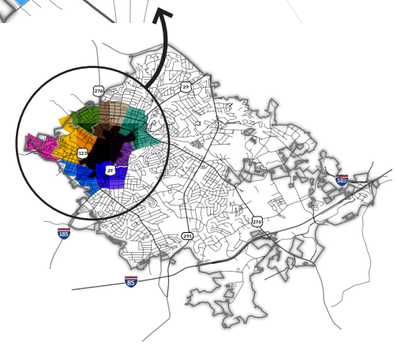
Gentrification Pressures Near Downtown

The areas and numbers on this reference map correspond to the Census tracts that cover downtown Greenville and adjacent areas.

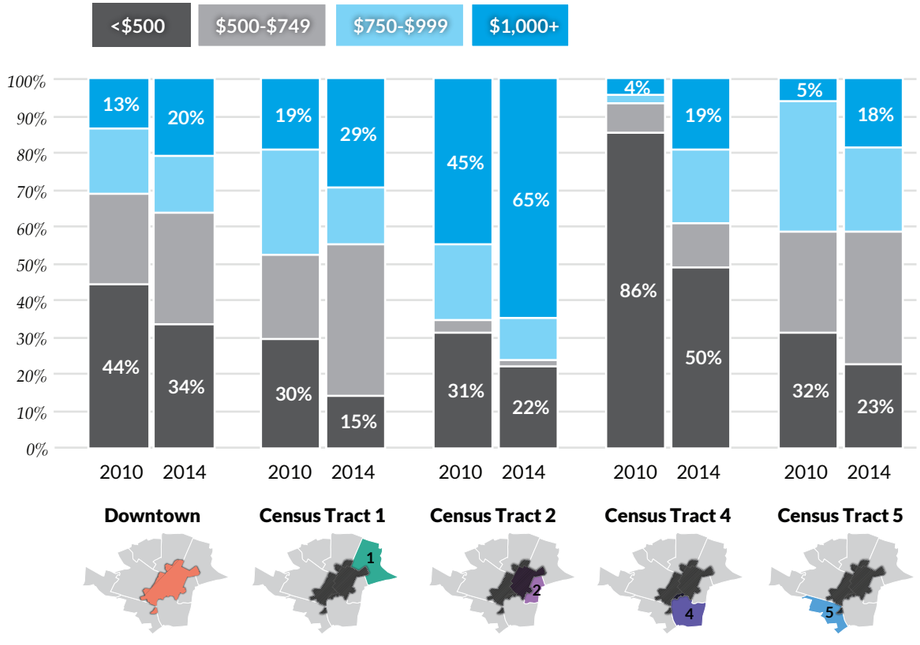


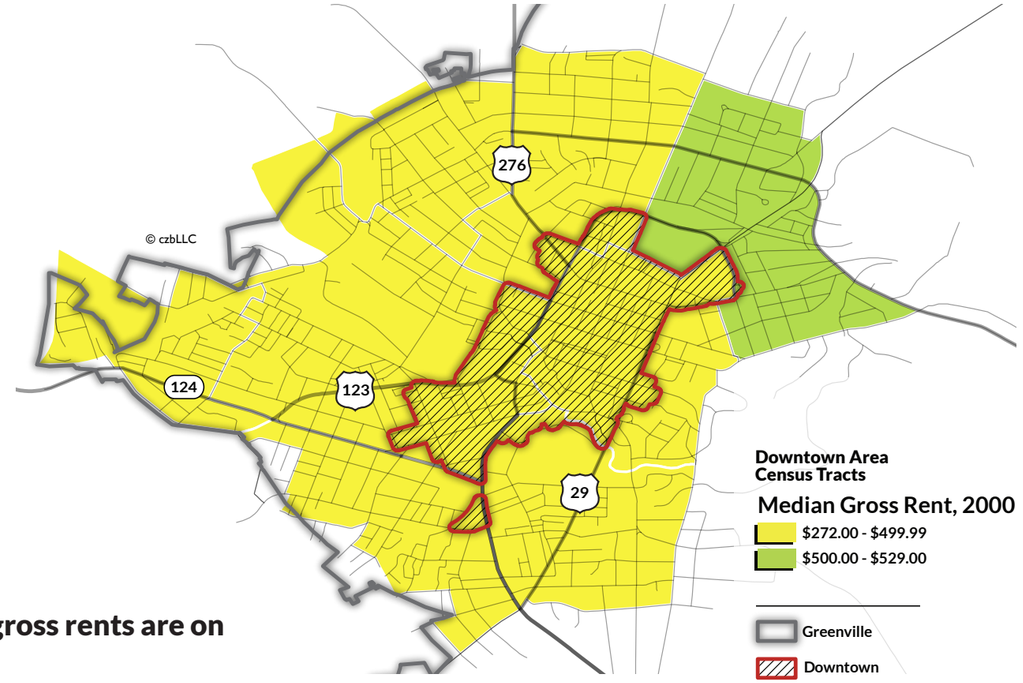
Areas to the west of downtown (which include Census tracts 5, 7, 8, 9 and the southern portion of 10) have been and in some cases remain among the city's weakest markets. Yet these areas, as well as the somewhat stronger tracts to the east of downtown (tracts, 2, 4, and the southern portion of 1) have undergone significant changes in recent years.

The percentage of low-cost rentals (under $500 per month) in this entire downtown and near-downtown area declined between 2010 and 2014 from 44% of all rentals to 34% while the percentage of high-cost rentals ($1,000+ per month) increased from 13% to 20%. Census tracts 1 and 5 experienced slightly amplified versions of this shift, with low-cost units disappearing to an even greater degree and the percentage of high-cost units jumping up by even more percentage points. And Census tracts 2 and 4 experienced extreme versions: by 2014, fully two-thirds (65%) of all rentals in Census tract 2 rented for at least $1,000 while only 22% rented for less than $500; and while nearly all (86%) of rental units in Census tract 4 rented for less than $500 in 2010, this was true of just half by 2014, while the percentage of high-cost units rose from 4% to 19% of all units.



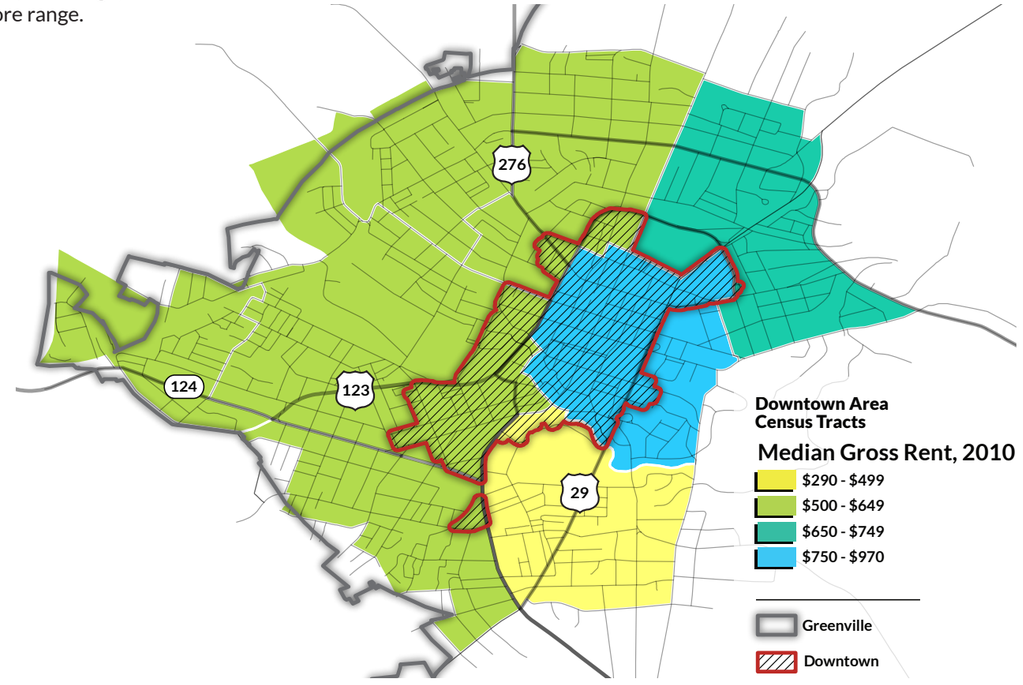
Breakdown of Gross Rents in Downtown Census Tracts, 2010 and 2014





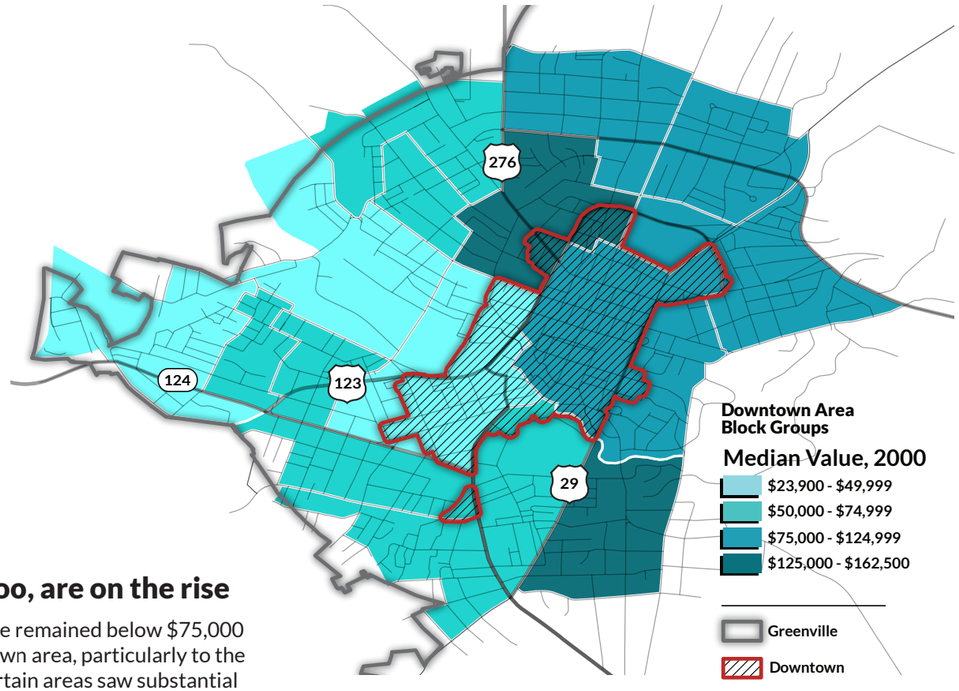
Median gross rents are on the rise

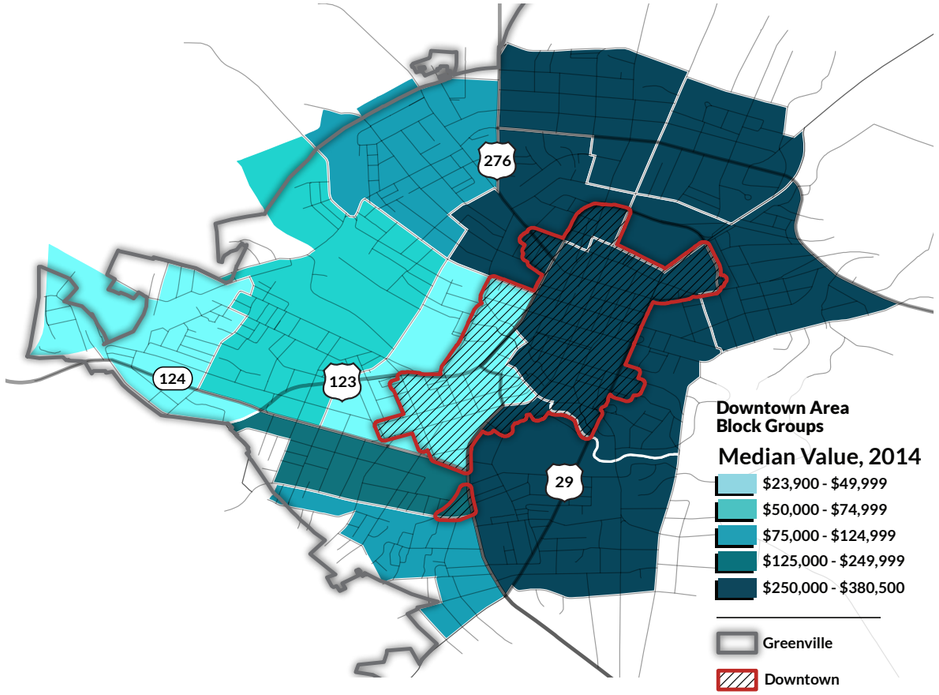
Median gross rents are also up – from being nearly uniformly below $500 per month to uniformly greater than $500, with pockets in the $650 to $749 range, and one in the $1,000 or more range.



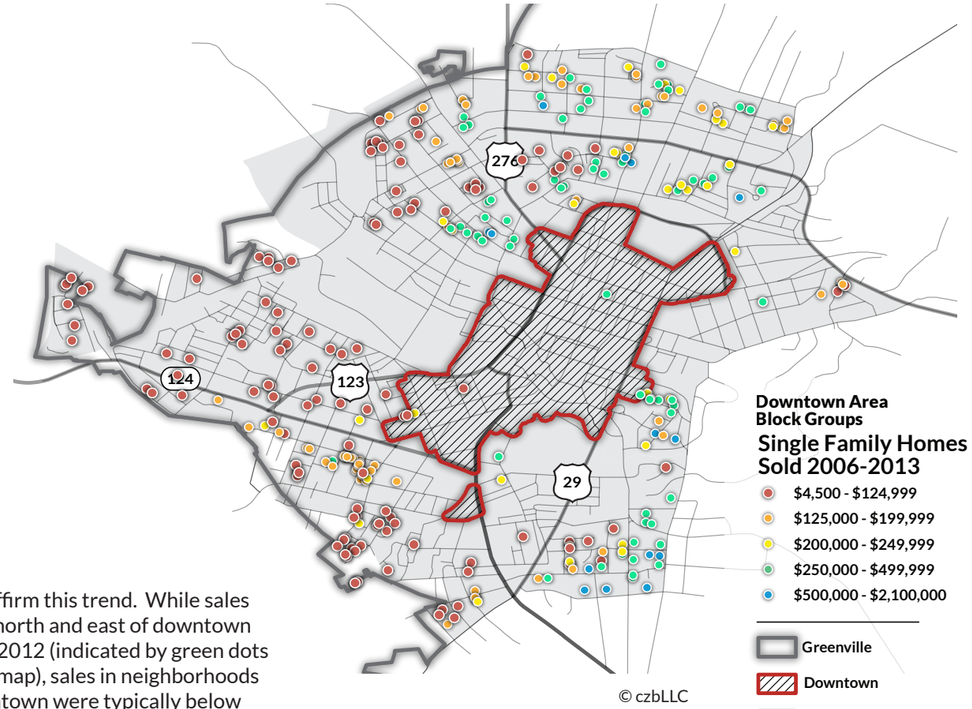
Home values, too, are on the rise

While the median value remained below $75,000 in much of the downtown area, particularly to the west of downtown, certain areas saw substantial increases – to over $250,000 in tracts 1, 2, 4, and 10, and to between $125,000 and $249,999 in portions of Census tract 5.

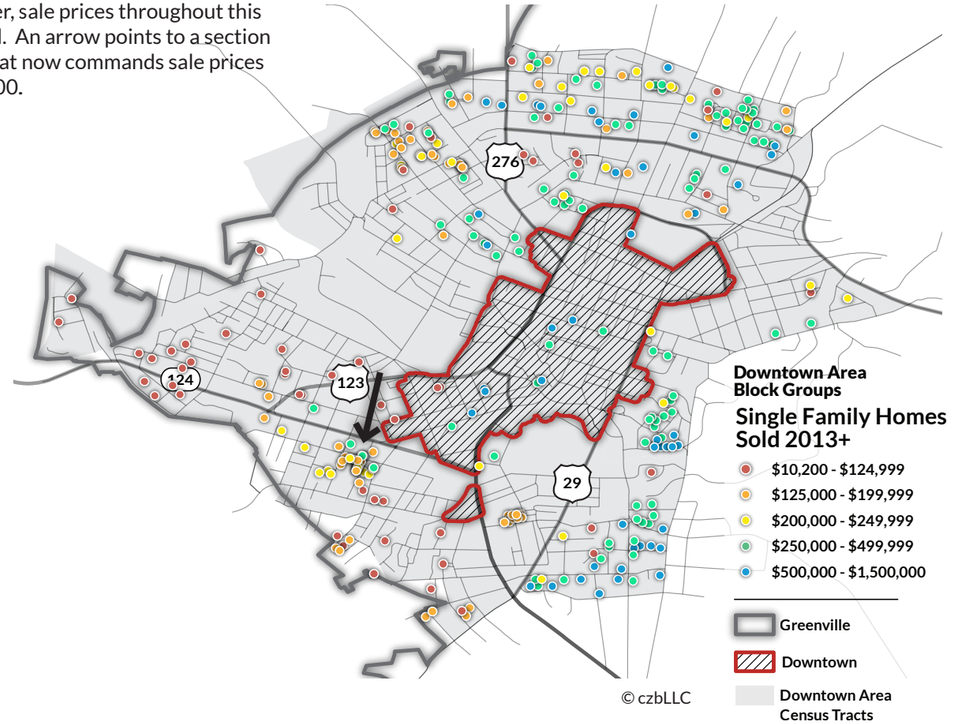




Recent sales data affirm this trend. While sales were strong to the north and east of downtown between 2006 and 2012 (indicated by green dots on the recent sales map), sales in neighborhoods to the west of downtown were typically below $125,000 and certainly below $200,000.



Since 2013, however, sale prices throughout this area have increased. An arrow points to a section of Census tract 5 that now commands sale prices in excess of $250,000.

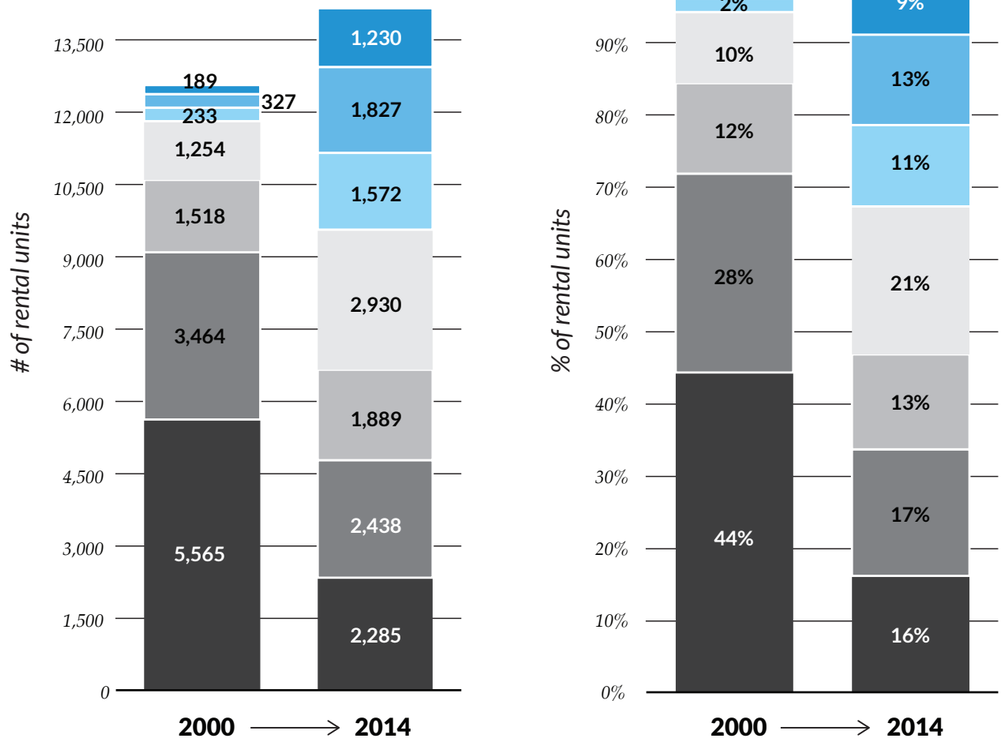


A Shortage of Low-Cost Units

Since 2000, the city's rental market has shifted. Yet as the number of rentals available for less than $500 and less than $650 has declined, the number and percentage of Greenville renters with incomes below $20,000 (able to afford rents up to $500) or incomes between $20,000 and $24,999 (able to afford rents closer to $625) have all held steady. Now, roughly 40% of renters have incomes below $20,000 and another 10% have incomes between $20,000 and $25,000.

These trends are creating gaps – between the number of rentals available and affordable to the lowest-income households. In fact, in 2000, the number of rentals available in Greenville for either no cash rent or for rents of less than $500 exceeded the number of renter households with incomes below $20,000. The reverse was true by 2009 (at which point low-income households outnumbered low-cost units by more than 1,000) and the size of the gap has fully doubled in the five years since. In 2014, there were over 2,500 more low-income households than available low-cost rentals in Greenville.

Citywide Gross Rents, by Quantity



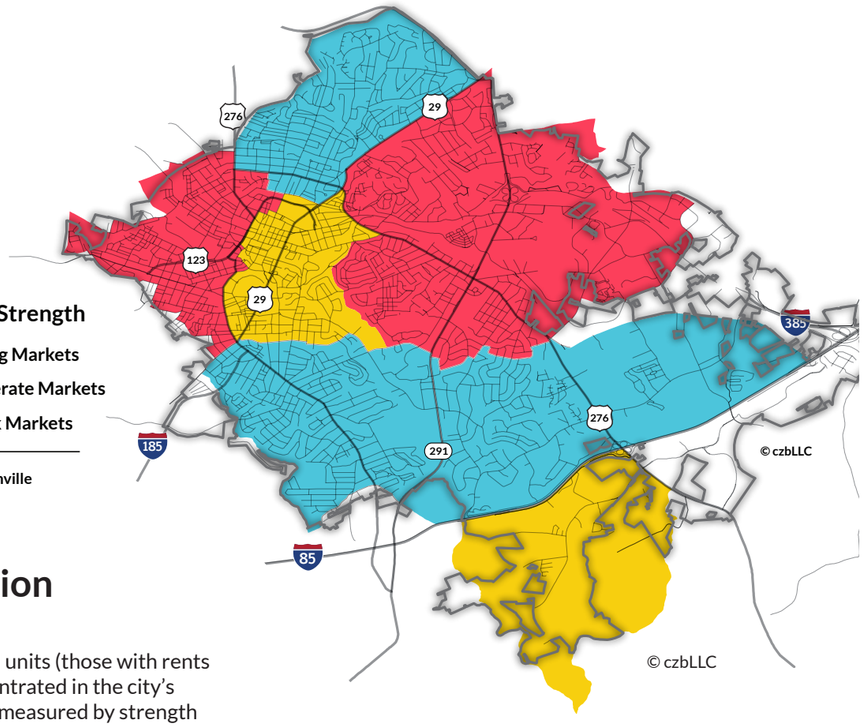
Citywide Gross Rents, by Percentage

Incomes of Greenville Renters, 2000-2014

	2000	2009	2010	2011	2012	2013	2014
All Renter Households	12,960	13,013	13,037	13,601	13,641	14,086	14,749
<$20,000	5,127	5,241	5,090	4,962	4,972	5,100	5,385
$20,000 - $24,999	1,329	1,423	1,223	1,371	1,406	1,383	1,198
$25,000 - $34,999	2,260	1,946	1,934	2,165	1,940	2,001	2,132
$35,000 - $49,999	2,032	1,766	1,763	1,694	1,837	1,835	1,942
$50,000 - $74,999	1,391	1,469	1,413	1,565	1,608	1,709	1,979
$75,000+	821	1,168	1,614	1,844	1,878	2,058	2,113
<$20,000	40%	40%	39%	36%	36%	36%	37%
$20,000 - $24,999	10%	11%	9%	10%	10%	10%	8%
$25,000 - $34,999	17%	15%	15%	16%	14%	14%	14%
$35,000 - $49,999	16%	14%	14%	12%	13%	13%	13%
$50,000 - $74,999	11%	11%	11%	12%	12%	12%	13%
$75,000+	6%	9%	12%	14%	14%	15%	14%

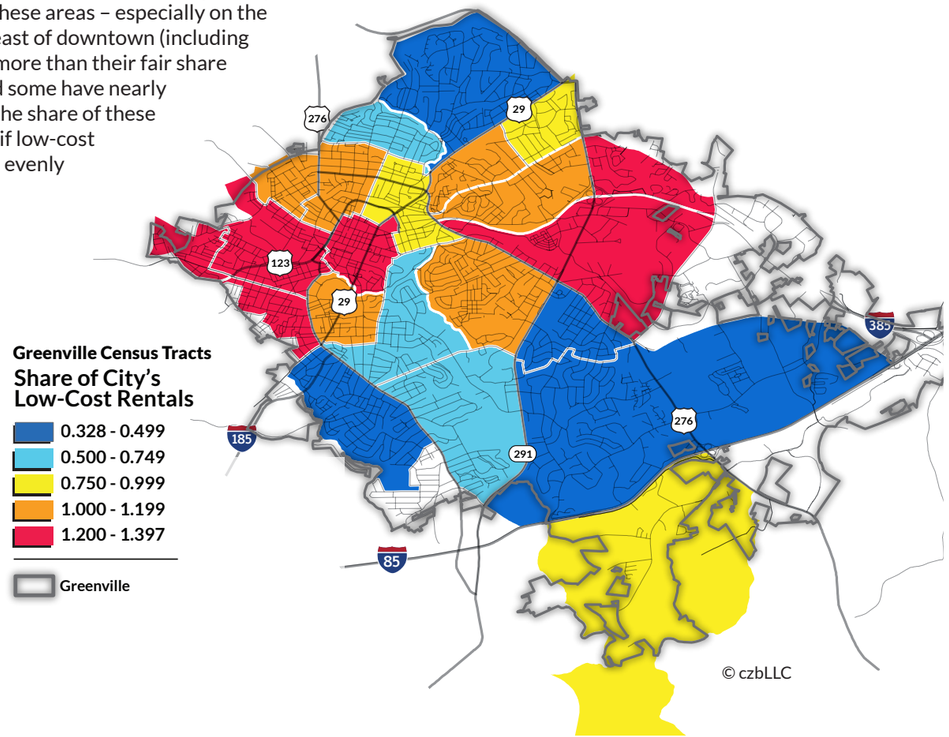
Gap in Number of Low-cost Rental Units and Number of Low-income Households, 2000-2014

	2000	2009	2010	2011	2012	2013	2014
Renter households with incomes <$20,000	5,127	5,241	5,090	4,962	4,972	5,100	5,385
Rentals with no cash rent	374	752	626	556	554	540	578
Rentals with cash rent <$500	5,565	3,264	2,837	2,444	2,321	2,349	2,285
Rentals with no cash rent or rent <$500	5,939	4,016	3,463	3,000	2,875	2,889	2,863
Gap: Low-cost rentals MINUS Low-income households	812	-1,225	-1,627	-1,962	-2,097	-2,211	-2,522



Spatial Distribution Challenges

Greenville's lowest-cost rental units (those with rents under $500) are heavily concentrated in the city's weakest housing markets – as measured by strength of demand, housing conditions, and levels of poverty and income. Many of these areas – especially on the West Side and to the east of downtown (including Nicholtown) have far more than their fair share of these units – indeed some have nearly one-and-a-half times the share of these units than they would if low-cost units were distributed evenly across the city.



Down Ladder Pressures

In recent years, particularly in the midst of the Great Recession and its immediate aftermath, the number of higher-income renter households in Greenville increased substantially. The number of renter households with incomes over $50,000 nearly doubled (from 2,212 in 2000 to 4,092 in 2014) and the number of renter households with incomes over $75,000 almost tripled (from 821 in 2000 to 2,113 in 2014). The number of high-cost apartments – those with rents over $1,250 and especially those with rents over $2,000 – have not kept pace.

By 2014, there were nearly 2,000 more high-income renter households (with incomes over $75,000) than there were apartments with rents of around $2,000 or more – indicating a shortage of units in their ideal price range. When the scope of the analysis is widened to include all renter households with incomes over $50,000, there were nearly 3,000 more households than there were apartments at a price they could afford, with rents of around $1,250 or more. Instead of renting within their price range, these households end up renting lower-priced units, thus increasing competition for those units, which raises rents further and which further crowds out lower-income households.

	2000	2009	2010	2011	2012	2013	2014
Renter households with incomes >$75,000	821	1,168	1,614	1,844	1,878	2,058	2,113
Rentals with cash rent >$2,000	30	74	57	104	143	163	171
Gap: High-cost rentals MINUS High-income households	-791	-1,094	-1,557	-1,740	-1,735	-1,895	-1,942
Renter households with incomes >$50,000	2,212	2,637	3,027	3,409	3,486	3,767	4,092
Rentals with cash rent >$1,250	189	349	483	628	749	1,004	1,230
Gap: Higher-cost rentals MINUS Higher-income households	-2,023	-2,288	-2,544	-2,781	-2,737	-2,763	-2,862

Taking Action

To meet this interconnected set of challenges, a combination of policies, programs, and resources are needed, and will be needed over a sustained period of time. There is a lot of catching up to do, in terms of raising the quality of low cost housing, increasing the volume of affordable stocks, and ensuring that affordable housing is available throughout Greenville.

Critically, each initiative must be designed to address the city's affordable housing challenges ***while contributing to the long-term fiscal health and competitiveness of Greenville.***

Such an explicit double bottom line is essential and virtually unobtainable if the city relies on federal and state dollars, which invariably come with constraints that put fiscal health and competitiveness at risk. Local dollars must be added to the pool of funding for affordable housing because they are locally directed and responsive to local market conditions. Only local dollars can equalize the twin ambitions of ensuring a steady supply of affordable housing for working households and doing so in ways that strengthen the local economy and enrich community and neighborhood life.

Two key strategies need to be locally resourced:

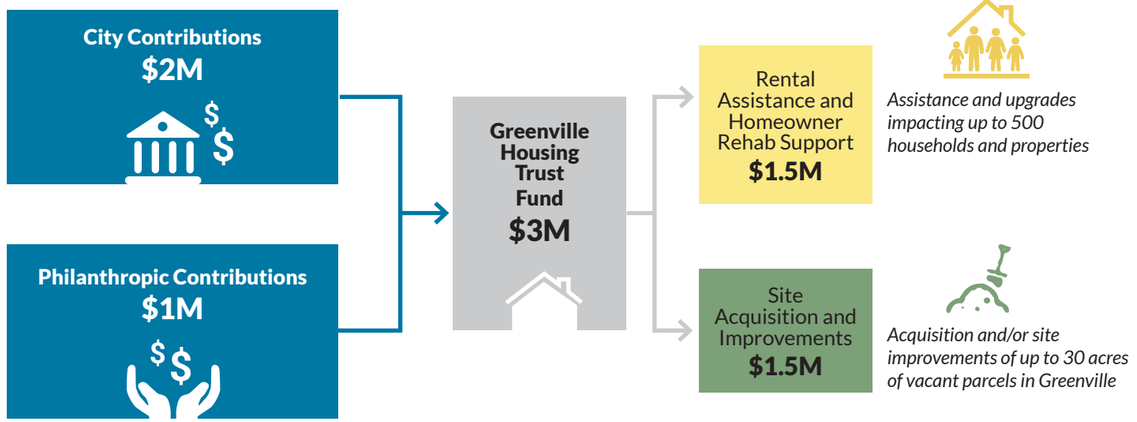
1 **Actively preserve and improve the quality of units that are already affordable.**

2 **Reduce land costs per unit to facilitate production of new affordable housing.**

These must be creatively combined so that the result over time is economically integrated residential development that is consistent with Greenville's diverse, mobile, knowledge-worker driven economy and the cumulative work of the City of Greenville, the Greenville Housing Authority, and the city's non-profit sector in meeting the needs of low-income households. **These must be near-term objectives of a short- and long-term plan, establishing a basis for on-going work that will be needed to address spatial challenges.**

1 **To initiate action on the first strategy, it is recommended that the city use local resources to (a) provide rental assistance to low-income workers in a way that is explicitly linked to rental property upgrades and (b) boost the pace of owner-occupied rehabs.**

At the proper scale, this will result in a significant improvement to both the affordable housing problem and the persistence of substandard housing. Aiding working households whose incomes are too high to qualify for public housing and too low to make them profitable to private sector landlords will result in a stabilized housing situation for what is now a key part of the city's economy: the hotel, restaurant, and other service-sector workers on whom downtown depends. An initial infusion of $1.5M of combined public and private resources in the form of highly flexible rehabilitation dollars would be a solid start capable of assisting between 300 and 500 households in renting upgraded units or improving homes that they currently own.



2 **To initiate action on the second strategy, which will boost production of new units, it is recommended that the city use local resources to (1) acquire land for future development of mixed-income housing and (2) leverage existing city-owned parcels for mixed-income housing production through a combination of site improvements and zoning modifications.**

These actions are aimed at reducing land costs per unit in the future as land becomes scarcer. Land is an essential piece of the housing equation in Greenville. Today there are more than 2,500 vacant and developable residential parcels in Greenville comprising more than 1,400 acres. This is a large storehouse of potential Community Land Trust property. With an average zoned density of six units per acre, existing vacant parcels translate to almost 8,500 potential housing units. If just 15 percent of those were affordable to households with incomes averaging $40,000, almost 1,300 units of workforce housing could be sited on these parcels.

As it stands, the City of Greenville already owns 617 vacant parcels (some of them residentially zoned, many of them benefitting the public as parks, playgrounds, and rights-of-way). Either buying down site development costs of city-owned land or buying vacant land and placing it into a Community Land Trust – or both – would result in a strong hedge against the growing differential between wages and housing values. An initial infusion of $1.5M in the form of highly flexible site acquisition and site preparation dollars - both public and private - are needed to begin the process of building a suitable portfolio of sites for direct or indirect development of new affordable housing. This would translate into about 30 valuable acres of developable land. If rezoned at the city maximum of 20 units per acre, where appropriate, this would result in as many as 600 new residential units. And if 15 percent of these future units were affordable to households with incomes averaging $40,000, 90 of them would be affordable within economically integrated developments.

City Council, working with the philanthropic and corporate sectors, is in a position to harness the current — and possibly one-time — fund balance, along with other city sources, and to build substantial momentum on this critical issue.

Just as Greenville has succeeded in systemically shifting its economy in recent decades, so too must the community's response on housing reflect a systemic shift – a new way of thinking and acting that addresses today's challenges and puts the community in a position to achieve its goals by shaping decisions big and small. In addition to the initial investments recommended by this report, several follow-up actions are needed to begin this systemic shift on housing policy.

One important step involves the community embracing and practicing the following four principles as guides for consistent and sound decision-making.

Principles for Housing Policy in Greenville

LOCAL RESOURCES

Good dollars are any dollars that assist low and moderate income households secure decent housing in the local market, reducing housing cost burdens, commute times, or both. **Better** resources are those that leverage such investments in ways that shrink the distance between good jobs and good housing. The **best** resources are those that are completely local - in origination and design - for these dollars are the only ones with the potential to marry affordable housing needs with highly specialized demands of local market conditions.

SPEND YOUR OWN MONEY

MARKET APPROPRIATE

Whenever possible, aim housing subsidies towards both addressing cost burdens and doing so in ways that are market appropriate. This means using subsidy in weak submarkets to strengthen and raise local property values and in strong submarkets to ensure a measure of affordability amid market rents and values too high for low and moderate income workers to access.

REINFORCE PROPERTY VALUES

PARTNERSHIP

The X-factor in durable systems change is not the volume of the money, but the existence of a partnership in mobilizing resources. Fewer dollars from genuine multi-institutional contributors are always preferable to more dollars from less robust partnerships. The work of mobilizing partnerships has an intrinsic value all its own.

ENCOURAGE COLLABORATION

BALANCED AND FAIR

Truly durable economies have two important qualities. The first is a high degree of diversity across interdependent sectors; the result is a powerful multiplier effect. The second is a low degree of cost shifting from the private sector onto the public. Concentrated poverty that injures some for private gain has costly public treasury implications. Likewise, low wages on the front end that increase private sector margins, but which require the cure of public subsidy on the back end, reduces the efficient use of public dollars while increasing tax dependency. Every effort should be made over the long haul to continue increasing the diversity of the Greenville economy while decreasing private gain at public expense.

DISTRIBUTE HOUSING EQUITABLY

Additional steps will involve the translation of Greenville's initial investments in affordable housing preservation and production into more permanent and formalized commitments. These steps should include:

Ongoing Work

Evaluating impact:

To help activate the four principles, the city should pass a "Housing Affordability Impact Policy." This would require that development of any kind that needs public approval or resources be evaluated against its predicted impact on housing affordability and distributional equity – and, thus, the city's long-term economic sustainability.

A comprehensive plan priority:

Greenville's comprehensive plan will require updating and revision over the next few years, as will the city's development codes. As these processes occur, there will be an opportunity to identify affordable housing as a priority – and to assert the principles that reflect good affordable housing policy in Greenville's context.

An emphasis on infrastructure:

Much in the way that Austin, Texas, has begun thinking about affordable housing as a form of infrastructure – and using public spending on infrastructure as a way to partner with the private sector on affordable housing – Greenville, too, can use its capital budget in ways that aid the production pipeline and influence where affordable housing is produced.

Additional public and private resources:

Eventually, larger more long-lasting financial measures will be needed, of a sort and scale that will require a larger commitment from the city's general fund. But it will also require that the city's large employers and other institutions come together around the notion that, in Greenville, affordable housing is economic development.

An open community dialogue:

Affordable housing can and should be a lead-in to difficult and long-deferred conversations about racial and class segregation in Greenville. "Who's Greenville is this?" is a big question that needs to be addressed as honestly and openly as possible for sustainable progress to be made on a number of fronts.

For a full and healthy housing ladder to be a priority in Greenville, the community must mobilize to make it a priority. This will be evident when it becomes a key part of the comprehensive plan and development code, when it is supported by capital improvement plans, when affordable units are developed through local resources, and when all of this is happening with community support.

Metrics for Evaluating Fidelity to Principles

LOCAL RESOURCES

- Percentage of housing and community development dollars that are from local rather than state or federal resources
- Presence of affordable housing as a line item in the city's annual budget
- Affordable housing's status as a first among equals in claiming future fund balances

MARKET APPROPRIATE

- A subsidized project's loan-to-value liquidity shrinks year after year as value builds

PARTNERSHIP

- Affordable housing is consistently developed with some combination of public, private, faith-based, and philanthropic funds

BALANCED AND FAIR

- Residential projects contribute to reductions in spatial distribution inequities

Metrics for Evaluating Progress

GENTRIFICATION PRESSURES NEAR DOWNTOWN

- Increases in rent in neighborhoods near downtown match – rather than outpace – increases in rent citywide

SHORTAGE OF LOW-COST UNITS

- The deficit of 2,500 low-cost housing units shrinks towards zero

DISTRIBUTION CHALLENGES

- The share of low-cost units in each neighborhood either increases or decreases towards the goal of equitable distribution

DOWN LADDER PRESSURES

- The deficit of units for higher-income households is reduced, thus relieving competitive pressures at lower income ranges

Acknowledgements

Affordable Housing Steering Committee

Princella Lee Bridges
Catriona Carlisle
Taylor Davis
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Erika DeRoberts
Michael Dey
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Lillian Brock Flemming
Matt Good
Hank Hyatt
Rick Ingram
Jil Littlejohn
Jennifer Keir
Deb Long - Co-Chair
Ivory Mathews
John Concklin
Deborah McKetty
Susan McLarty
Don Oglesby
Ansel Sanders
Minor Shaw
Andrea Smith
Diane Smock - Co-Chair
Gaye Sprague
Jeremy Strickler
Bogue Wallin
Gage Weekes

City Staff

Christa Jordan
Ginny Stroud
Michael Williamson

czb

czbLLC
Charles Buki
Karen Beck Pooley, Ph.D
Thomas Eddington
Peter Lombardi
Andrea Weinberg
Jeff Winston, Emeritus
with graphic design by Brenda Stynes

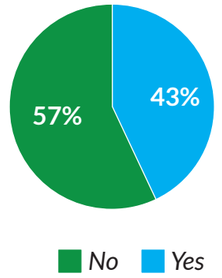
Appendix

Public Survey Findings

Survey Period: 8/2016 - 10/2016

Number of Survey Respondents: 1130

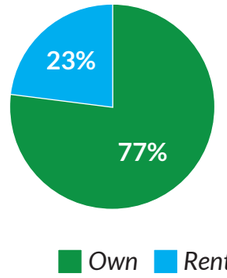
1. Do you live in the City of Greenville?



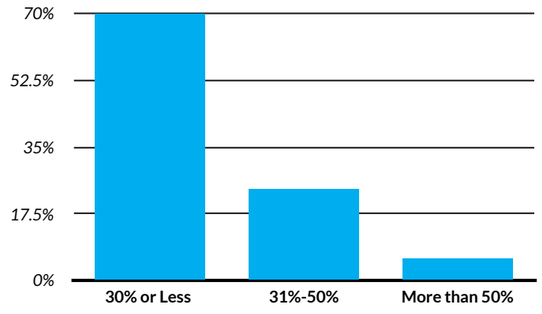
2. If you live in the City of Greenville, what area do you live in?

Downtown	10%
North of downtown	15%
North of downtown - Other	8%
East of downtown - Nicholtown, Arcadia Hills	3%
East of downtown - Other	11%
South of downtown - Sterling, Green Avenue, Greater Sullivan, or Haynie-Sirrine	4%
South of downtown - Other	10%
West of downtown - Hampton-Pinckney, Southernside	3%
West of downtown - Other	5%
N/A	32%

3. Do you currently rent or own your home?



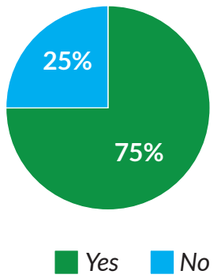
4. What percentage of your monthly income (before taxes) do you spend on rent or mortgage?



5. Have you had to make any of the following changes in the past 3 years because you were struggling to pay your rent or mortgage?

Took a second job	18%
Stopped saving for retirement	29%
Accumulated credit card debt	25%
Cut back on healthcare	16%
Moved to a neighborhood where I feel less safe	11%

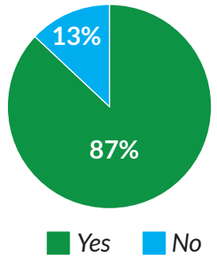
6. Are you currently employed?



7. Would you welcome any of the following in your neighborhood? (Select all that apply)

Housing for seniors	32%
Housing for the disabled	24%
A housing development with 2 units	19%
A housing development with 4 units	16%
A housing development with 10+ units	9%

8. Do you think Greenville has an affordable housing problem?



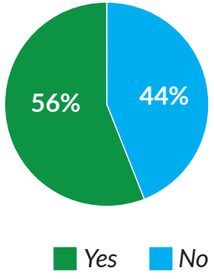
9. If you think Greenville has an affordable housing problem, do you think it is a…

New problem?	19%
A long term problem that is getting worse?	81%

10. If Greenville has an affordable housing problem, do you think it is…

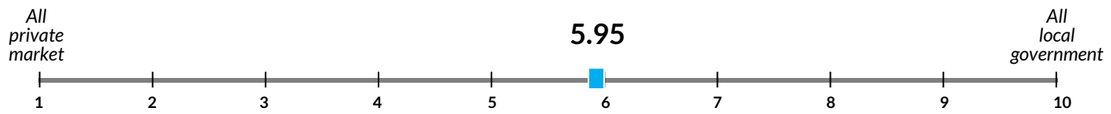
A problem that the private market will solve	6%
A problem that will require some help from local governments or local non-profits to solve	26%
A problem that will require significant amounts of help from local governments or non-profits to solve	68%

11. In your opinion, does the majority of the community believe that the City of Greenville has an affordable housing problem?



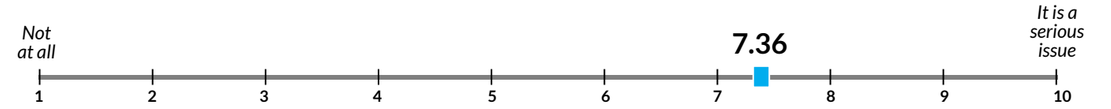
12. When faced with housing affordability challenges, cities respond in a wide variety of ways. Some cities let the private market sort things out. In other cities, local government takes an active role in providing affordable housing.

How should Greenville tackle its affordability challenges?



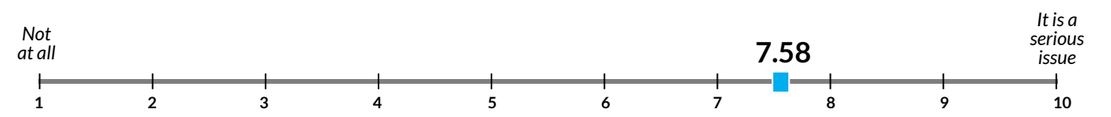
13. Housing affordability is closely related to household income and poverty.

Do you think poverty in Greenville is a problem?



14. Concentrated poverty describes areas where a high percentage of residents are living in poverty (2016 poverty level income for a family of 4 is $24,300).

Do you think concentrated poverty is a problem in Greenville?



15. Of the statements below, please select the one that best represents your thoughts on housing affordability and concentrated poverty in Greenville:

A: I believe it is critical to not let poverty concentrate in Greenville AND I believe that Greenville needs more affordable housing unit. The implication is that Greenville should add more affordable housing units and it should spread them more evenly across the city.	68%
B: I believe that Greenville needs more affordable housing unites but I do not believe that Greenville needs to try to deconcentrate poverty. The implication is that Greenville should add more affordable housing units in areas of the city that are experiencing high levels of poverty.	23%
C: I believe that de-concentrating poverty is very important, but I do not believe that there is a serious need for more affordable housing in Greenville at this time.	5%
D: I don't believe that there is a need to de-concentrate poverty in Greenville AND I don't believe there is a need to add to the supply of affordable housing in Greenville at this time.	5%

Balancing Prosperity and Housing Affordability in Greenville:

Findings and Recommendations from the Affordable Housing Steering Committee

czb

czb for the City of Greenville, SC

SEPTEMBER 2016