

# 8

## *Beaufort County Comprehensive Plan*

### *Affordable Housing*

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## Introduction

The beauty, coastal amenities, and temperate climate of the Lowcountry have attracted large numbers of new residents to Beaufort County, which has consistently been one of the fastest growing counties in South Carolina. More recently, commercial development has followed population growth, thereby creating high demand for service and retail employees and competition for existing workforce housing.

Middle-to-low income wage earners attracted to the County by job growth are therefore confronted with a constrained housing market. While many developers have concentrated on the profitable retirement and high-end resort housing markets, fewer are producing workforce housing. While home prices have leveled off with the recent economic slowdown, tightened credit resulting from the national mortgage-lending crisis has the potential to further exacerbate the challenge of homeownership in Beaufort County. When the economic cycle begins an upswing, home prices may resume a rate of escalation resembling that before the downturn. Mortgage credit, however, may not come as easily, making the role of the public and non-profit sectors more important than ever.

The County's continued prosperity, diversity, and desirability has necessitated an active role by the public sector in encouraging affordable housing. By continuing to shoulder that responsibility, Beaufort County is building a sustainable future for tourism and other major industries, protecting its military bases, and continuing to be a desirable place to live for people of all income levels.

## Vision

The vision of the Affordable Housing Element is to maintain and enhance the diversity of Beaufort County by providing the opportunity for people of all income levels to live and work in the County by doing the following:

- Build and maintain a consensus on policies and strategies to meet the needs for workforce and other forms of affordable housing in

Beaufort County through the leadership of the Beaufort County Affordable Housing Consortium.

- Ensure private sector development of workforce housing through effective incentives, and if necessary inclusionary zoning.
- Enhance the capacity of the non-profit sector to assist in the provision of affordable housing, especially where there are gaps in private sector production.
- Ensure a variety of housing types to accommodate the full range of income, age, cultural groups, disabilities, and special needs in the community.
- In concert with the Future Land Use Plan, ensure that most affordable housing is located within a short commuting distance of major concentrations of employment and commercial uses.
- Pursue regional cooperation of public and non-profit agencies in meeting area housing needs.

### Definitions

The term “affordable housing” is used in many contexts and has various connotations. For that reason, it is important to define basic terms at the beginning of a discussion of the subject. For a more detailed lexicon on housing terms used by the housing industry, non-profit housing service providers, and housing policy makers, see Appendix 8-A

**Federal (HUD) Definitions:** Many housing definitions have been established by the U.S. Department of Housing and Urban Development (HUD), and are applied consistently at all levels of government. HUD’s categories apply to housing whose monthly costs (mortgage, taxes, insurance, and/or rent) do not exceed 30% of household income. For household income, HUD determines a jurisdiction’s median income for various family sizes.

**Table 8-1: HUD-Based Definitions of Affordable Housing**

Housing Category	Definition
<i>Moderate Income Housing</i>	Affordable for a household earning a gross income of no greater than 120% of the county median income (\$49,200 to \$73,800).
<i>Low Income Housing</i>	Affordable for a household earning a gross income of no greater than 80% of the county median income (\$30,750 to 49,200).
<i>Very Low Income Housing</i>	Affordable for a household earning a gross income of no greater than 50% of the county median income (\$18,450 to \$30,750).
<i>Extremely Low Income Housing</i>	Affordable for a household earning a gross income of no greater than 30% of the county median income (under \$18,450).

Source: US Department of Housing and Urban Development. Income ranges are based on 2008 HUD defined median income (\$61,500) for a Beaufort County family of four.



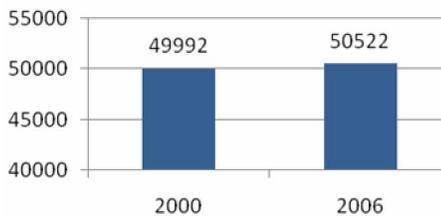
**Beaufort County Definitions:** While HUD definitions are precise in order to administer nationwide programs, Beaufort County’s definitions reflect the uniqueness or complexity of local conditions. As illustrated in the diagram, there are three major areas of housing needs with unique local definitions. Each of the three areas overlaps to some degree.

- **Affordable Housing:** Beaufort County defines affordable housing as housing that is affordable to a person or family earning 80% or less of the County’s current area median income and spends no more than 35% of their gross income for housing costs. Housing costs includes principal, interest, taxes, and insurance. This definition is consistent with HUD guidelines, except that Beaufort County has adopted a 35% housing-to-income ratio rather than 30%.
- **Workforce Housing:** Local housing practitioners refer to “workforce housing” as housing that is affordable up to 120% area median income. In 2008, the Beaufort County Affordable Housing Consortium agreed to refer to workforce housing as housing that is affordable to private and public sector workers with incomes at or below that of teachers and public safety workers. More specifically, the guideline encompassed an income range of 65% to 120% of the area median income.
- **Special Needs Housing:** Segments of the population that require attention from the County to meet their needs include persons with developmental disabilities, persons with handicaps and injuries, homeless people, the frail elderly, victims of abuse, and persons in various forms of rehabilitation.

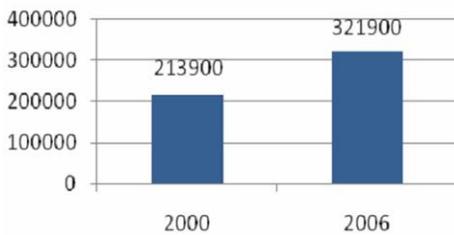


## Technical Analysis

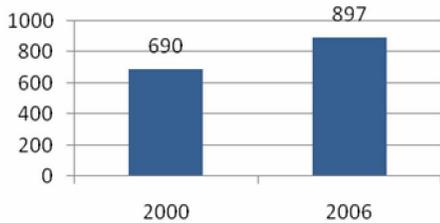
Median Income Trend,  
Beaufort County



Median Value Owner Occupied  
Housing Trend, Beaufort County



Median Gross Rent Trend,  
Beaufort County



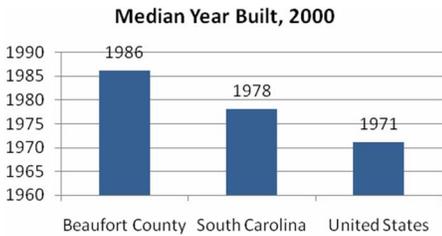
The following sub-section provides a summary and analysis of housing data and trends from the 1990 and 2000 U.S. Census and from the 2006 American Household Survey conducted by the Bureau of the Census. More detailed information on population and housing growth rates can be found in the Appendix 8-A along with detailed housing data by political subdivision and census tract.

### Housing Affordability Gap

Housing costs in Beaufort County, which are relatively high for the region, are growing at a greater pace than income. The tables in the sidebar reveal that in 2000, median housing costs were 125% higher in Beaufort County than the average for South Carolina, while median household income was only 39% higher. Between 2000 and 2006 (the most recent data from the American Community Survey), the County's median income remained relatively flat, growing by only 1%, while median rent increased by 30%. The median value of owner-occupied housing, however, increased during the same period by 50%. This disparity varies within Beaufort County. Median income in northern Beaufort County is only 78% of the County average. This disparity further deepens when comparing median income in the rural areas of St. Helena Island and Sheldon Township which is only 62% that of the county as a whole. The latter has the lowest median household income in the county (by census tract geography) at \$25,688.

### Age of Housing Stock

When compared to state and national averages, Beaufort County has a relatively small supply of older housing, which in many other markets, is a significant source of low cost housing. The median year in which housing was built in Beaufort County according to the 2000 census was 1986. By contrast, the median year was 1978 statewide and 1971 nationwide. The relatively low supply of older housing potentially drives first time buyers to seek newer, more expensive housing.



**Substandard Housing**

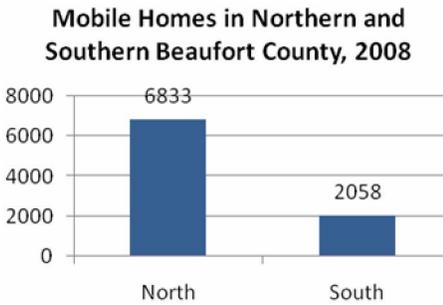
The Workforce Housing Needs Assessment<sup>1</sup> estimated that 4,430 housing units in Beaufort County were substandard. This number includes 3,584 conventional “stick-built” homes and 846 mobile homes. The largest number of substandard units was on Port Royal Island. Other concentrations of substandard units were in Sheldon Township and St. Helena Island.

**Mobile Homes**

According to the 2000 U.S. Census, 14.9% (9,001 units) of Beaufort County’s housing stock consisted of mobile homes. While this countywide figure is lower than the state average (20.3%), 78% of the County’s mobile homes are located in northern Beaufort County and are concentrated in Sheldon Township, Burton, Grays Hill, and St. Helena Island. While mobile homes fill an important niche in the affordable housing market, they are financed at higher interest rates than site-built housing and depreciate over time, preventing owners from building wealth from their housing investment.

**Housing Tenure**

Beaufort County has a slightly higher rate of homeownership (73%) than the state (70%) and national (66%) averages. Rates of homeownership vary within the County. In northern Beaufort County, owner occupancy falls within the state and national range at 68% compared to 79% in southern Beaufort County. The highest rate of owner-occupancy was in the Town of Bluffton, which according to the 2005 Special Census, 83% of the housing units were owner-occupied. While the high owner-occupancy rate in Bluffton and southern Beaufort County is generally acknowledged as desirable, the recent housing crisis has demonstrated that an over-emphasis on homeownership can potentially lure families to purchase housing that is beyond their means and increase the risk of future foreclosures. Moreover, if rental units and high-density residential development are not available near areas of high employment, low-to-moderate income workers may be priced out of the market. Another consequence may take the form of extended-family or even multi-family occupancy of single-family units.



**Vacancy Rates**

Vacancy rates in Beaufort County (23.8%), which are higher than national (9%) and state (12.5%) averages, are largely a result of the County’s tourism and second home market. On Hilton Head Island, 42% of the housing units serve the second home and occasional

<sup>1</sup> Workforce Housing Needs Assessment, Beaufort County, SC, GVA Marquette Advisors, March 2004

occupancy markets. The seasonal fluctuation of tourism, especially in Southern Beaufort County, creates a higher demand for workforce housing in the summer months.

### **Housing Foreclosures**

In recent years, in response to high housing costs, many Beaufort County homebuyers took advantage of subprime loans, adjustable rate mortgages, and lax mortgage application standards. The recent downturn of both the economy and the housing market has led to an increase in the rate of foreclosures. In the fall of 2008, the SC State Housing Finance and Development Authority estimated that 1,226 Beaufort County properties (ranked 12<sup>th</sup> statewide) were in foreclosure. An additional 4,286 properties were identified as being vulnerable due to high cost loans being obtained between 2004 and 2007<sup>2</sup>. In Beaufort County, the highest numbers of foreclosures are found in newer subdivisions in the rapidly growing Greater Bluffton area. At the same time, older, existing neighborhoods throughout the County have also been adversely affected by the housing crisis.

### **Conclusions**

An analysis of housing data reveals some of the affordable housing challenges that Beaufort County faces. Growth in housing prices has far exceeded income growth, making it more difficult for working families to find affordable housing in proximity to employment. This is especially a concern in southern Beaufort County where housing costs are higher and there is a concentration of retail and service employment. Beaufort County has a relatively small supply of older housing and rental housing, which in many other markets provides a significant source of affordable housing. In northern Beaufort County where housing is generally less expensive, rural areas are threatened with a deteriorating and depreciating housing stock. While current market conditions are bringing about a needed decline in housing costs, the potential blighting of the many neighborhoods hit hardest by foreclosures overshadows the benefit of that trend.

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<sup>2</sup> SC Neighborhood Stabilization Program (NSP) Substantial Amendment to the Consolidated Plan 2008 Annual Action Plan, 2008, SC State Housing Finance and Development Authority



## Land Use Policies Affecting Housing

The 1997 Beaufort County Comprehensive Plan, municipal comprehensive plans and the Northern and Southern Beaufort County Regional Plans have influenced the location and supply of affordable housing. They also serve as a framework for future affordable housing strategies. The following section provides a brief summary of prevailing land use policies in southern and northern Beaufort County.

### **Southern Beaufort County**

Hilton Head Island and Bluffton are major employment destinations for the region. Yet prevailing residential development patterns in southern Beaufort County are largely low density. For example, the residential density of Sea Pines, on Hilton Head Island, nets at 1.21 dwelling units per acre. Old Bluffton, the only traditional town center that predates the automobile era has a residential density of 1.28 dwelling units per acre. While there are localized instances of moderate and high-density development, the overall trend of developing at a low density will likely continue into the future if existing approved developments build out accordingly.

Several factors have led to low-density development in southern Beaufort County. Beginning with Sea Pines on Hilton Head Island, master-planned, amenity-based resort and retirement developments have proven to be both popular and profitable. In addition, due to the unique natural qualities of the Lowcountry, Beaufort County, Bluffton and Hilton Head Island have emphasized environmentally sensitive development, to limit its adverse impacts on water quality and to work around natural features. More recently, increased traffic congestion and the inability to maintain existing levels of services for parks, schools and libraries have alerted local governments to control and limit overall buildout numbers in southern Beaufort County.

### **Northern Beaufort County**

Land Use policies in northern Beaufort County delineate a future growth boundary that focuses new growth in well-defined areas, preserving over 60% of the land area of northern Beaufort County for rural density and uses. Within the growth boundaries, which include the City of Beaufort and the Town of Port Royal, higher density development has been more successful in providing a diversity of housing types at a range of costs in proximity to places of employment.

Beyond the growth boundaries, north of the Whale Branch River and on St. Helena Island, residential density is largely restricted to one dwelling unit per three acres. Family compounds, which are a traditional settlement pattern in rural Beaufort County, are a primary source of affordable housing in these areas. Most of the family compounds are located on heirs' property, property with no clear title, which has been inhabited by a family for decades. This settlement pattern not only provides affordable housing, it provides an extended family support, which stabilizes and preserves the county's rural communities. Community Preservation Areas in rural Northern Beaufort County allow for higher density residential and mixed-use development and, therefore, have potential to provide additional affordable housing opportunities. These areas include Dale, north of the Whale Branch River, and the Corner's Community on St. Helena Island (other CP areas in the north may also have affordable housing potential).

### **Conclusions**

Southern Beaufort County is a major employment center for the region with a concentration of service and retail jobs. However, prevailing low-density development patterns have contributed to higher housing costs, hindered the effectiveness of public transportation, and therefore, pushed affordable housing further from places of employment. Affordable housing strategies in southern Beaufort County will need to be sensitive to other issues of concern in the region, such as traffic congestion and water quality. Therefore, housing policies for the region will need to emphasize higher-density, mixed-use, transit-friendly development that promotes internal trip capture and reduced vehicle miles traveled in order to make affordable housing accessible to employment.

While land use policies in northern Beaufort County are more conducive to siting affordable housing near employment, there are unique housing issues in rural areas that warrant special attention, such as clearing titles for heirs' property, housing rehabilitation, and appropriate affordable housing options in light of low-density land use regulations.



## Housing Needs Assessment

Affordable housing is a complex issue that affects a large cross-section of Beaufort County's population. At one end of the affordable housing equation, there is a concern that the region will be unable to recruit an adequate workforce of teachers, fire fighters, nurses and other professionals due to limited housing choices. At the other end of the equation, many Beaufort County residents live in unsafe or overcrowded housing and are in need of housing rehabilitation or other housing options within their means.

The question of quantifying Beaufort County's affordable housing needs was first posed in the 2002 Assessment of the 1997 Comprehensive Plan, which recommended the County conduct a detailed housing needs assessment from which affordable housing goals can be derived. The Workforce Housing Needs Assessment, drafted in 2004, provided recommendations for the number of workforce housing units that would be necessary to construct in order to address the projected population growth between 2004 and 2009. The study also broke down housing needs according to planning areas within the County.

In addition to the Needs Assessment, during the summer of 2008, the Beaufort County staff commissioned an informed respondent survey to obtain essential information for this chapter from experienced local housing professionals and policy makers. The survey was designed to assess the needs of the range of population segments in the County, to determine the appropriate strategies, policies and programs that deliver affordable housing. The results of this survey, summarized in Appendix 8-B, have helped to inform the needs documented in this section.



### Workforce Housing

Those who hold workforce jobs - construction workers, hotel front desk clerks, police officers, teachers, government employees, nurses, and other service employees are vital to Beaufort County's economy. Those earning workforce wages fill the majority of jobs in nearly every sector of the economy, especially tourism, services, retail trade, and construction jobs, the primary employment sectors in Beaufort County. An inadequate supply of affordable workforce housing not only affects the quality of life for those working in Beaufort County, it can cause labor shortages and eventually decrease the competitiveness of the region's economy.

In 2008, the Beaufort County Affordable Housing Consortium agreed to refer to workforce housing as housing that is affordable to private and public sector workers with an income ranging from 65% to 120% of the County's median income. For a family of four, this income range translates to approximately \$39,975 to \$73,800 annually<sup>3</sup>. According to the 2000 U.S. Census, roughly 28% of Beaufort County households had

<sup>3</sup> Based on 2008 HUD defined median income for Beaufort County - \$61,500.

incomes in this range. Beaufort County is projected to gain 48,517 households between 2006 and 2025. Based on these projections, 13,585 (715 units per year) will need to be affordable to this income range.

Needs vary widely within this large segment of the population. While, rental housing is particularly important to recent arrivals and singles who may not be prepared to commit to home ownership, starter housing is vital to young singles and families who require a small down payment and low monthly payments to enter the housing market. The informed respondent survey revealed a particularly strong need for housing for single mothers and older single workers. The survey also revealed that older working individuals and couples, an expanding demographic are in need of downsized housing including small lot single family houses, townhouses, and condominiums.

In a positive trend for workforce housing, much of the residential development in the Bluffton area built since 2000 has been affordable to the moderate to middle income range. The number of residential units in Bluffton increased from 501 in 2000 to 2,222 in 2006. Developments such as Pine Ridge, Pinecrest, Bluffton Park and the Farm have added to the supply of workforce housing in southern Beaufort County. In northern Beaufort County, new developments in Port Royal and Burton such as Azalea Square, Shadow Moss and Mint Farms have also added to the supply of workforce housing.

### **Senior Housing**

This category includes working, disabled, and retired people generally 65 years of age and older. The first Baby Boomers will reach age 65 in 2011, which is anticipated to spark a wave of demand for small lot single family housing and multi-family housing. Empty-nester couples and other Baby Boomers approaching their senior years are also increasingly interested in housing options for low-maintenance living. A greater range of housing types will be essential to meet this anticipated demographic phenomenon.

While many affluent retirees move into planned communities with a range of support services, most seniors are dependent on conventional forms of housing at convenient locations, preferably with ready access to retail and services. More infill development for elderly residents, whether working or retired, is needed in urban locations near the facilities they frequent. Special high-density provisions may be required to accommodate this need.

### **Disabilities and Special Needs Housing**

A number of populations within Beaufort County have special housing needs. These groups include developmentally and physically disabled

persons, the mentally ill, the frail elderly, homeless persons, victims of domestic violence, persons recovering from substance abuse, and persons transitioning from incarceration. Their needs often fall into three categories: temporary, transitional, and permanent. Increasing the range of housing types available in the county, including residential units within mixed-use districts, is necessary to provide special needs housing.

Developmentally disabled persons are among those specifically protected from discrimination by federal law. They are permitted to reside in residential group homes of six or fewer residents in any residential district. Challenges facing this population are primarily funding, coordination, and social services. The Beaufort County Department of Disabilities and Special Needs (DSN) provides most of these support services, which include community residential care facilities for up to 15 people with high medical or behavioral needs, community training home II facilities for four higher functioning individuals, community training home I facilities (foster home settings for adults), and supported living facilities for four individuals who have their own home or apartment with 24-hour staff available. Housing for mentally ill is provided through Coastal Empire Mental Health.

Beaufort County's homeless population has largely been assisted by DSN and other local agencies through *ad hoc* measures. Only 33 homeless persons (four chronically so) were served by DSN and other agencies in 2007 (Appendix 8-A, Table H-14). However, as the county grows it will reach thresholds of population size that will require dedicated facilities such as homeless transitional shelters. The County Housing Coordinator will need to act as a liaison between DSN and the Planning Department to ensure that the Zoning and Development Standards Ordinance (ZDSO) is responsive to the needs of such populations.

### **Rural Housing**

While many of the housing needs in rural Beaufort County parallel those of the more urbanized areas, there are several unique challenges that warrant addressing rural housing needs as a separate topic. The rural areas of Beaufort County tend to have a larger proportion of low and moderate income households and substandard housing. Much of the existing affordable rural housing is supplied in the form of family compounds on heirs' property. Under state law, land that is handed down without a will is legally owned by all the descendants in common. Heirs' property rights are vulnerable due to the potential for conflict among multiple heirs and the likelihood that such a conflict would result in a loss of the land. Also, without clear title to the land, residents of heirs' property have difficulty obtaining mortgages. The influx of people into the County has increased development pressures in the rural areas threatening traditional settlement patterns and raising the prospect of higher taxes due to increasing property values. At the same time,

existing zoning and land use policies favor the preservation of rural areas placing constraints on traditional affordable housing options for rural residents. Therefore, the principal housing needs in the rural areas are to protect and preserve the settlement patterns that provide rural residents with affordable housing options (i.e. family compounds and small subdivisions), and to rehabilitate substandard housing to allow low and moderate income residents to remain in their own homes.

### **Very Low and Extremely Low Income Housing**

County households with very low and extremely low incomes, defined by HUD as earning less than 50% and 30% of County median income, respectively, are severely constrained in their housing options. Many are rural residents living in older mobile homes or substandard housing. Others live throughout the county in dilapidated structures and in overcrowded conditions.

Beaufort Housing Authority (BHA) is a major institutional provider of housing for very low and extremely low income households. BHA owns and operates 295 public housing units and administers 574 Section 8 vouchers. While BHA is able to meet a substantial part of the need of very low and extremely low income households, it does not have the resources to accommodate all needy households. In August 2008, there were 120 households on the waiting list for public housing and 500 on the waiting list for Section 8 vouchers. Non-profit sector initiatives may be required to complement BHA housing and increase the level of effort in housing rehabilitation critical for very low and extremely low income households.

### **Military Housing**

The military installations in northern Beaufort County employ over 12% of the County's labor force. The military provides 1,718 single family units at Laurel Bay, Parris Island, and on the Naval Hospital site for active military. Over 200 units have been built since 2003, and the renovation of the Bachelor Officer Quarters at the Air Station began in 2008. New single-family units offer contemporary conveniences and square footage comparable to private housing (officers' units are 2,300 square feet and larger).

The housing needs of the military workforce tend to mirror those of the workforce in general. Civilian employees and military households who live off base primarily reside in the City of Beaufort, the Town of Port Royal, Lady's Island, and unincorporated Port Royal Island, and have benefited from several new moderately priced developments in the Shell Point and Burton areas. While currently the housing needs of the military are largely served by base housing and the existing civilian housing stock, an increase in forces in the area could, at least temporarily, increase demand for civilian housing.



## Barriers to the Creation of Affordable Housing

In order to discuss affordable housing strategies, it is necessary to analyze some additional factors that have led to a limited supply of affordable housing in Beaufort County. The Workforce Housing Needs Assessment provided a summary of primary barriers to the development of affordable housing in Beaufort County, which are provided below.

### Land Cost

Because of strong market demand for high-end housing in Beaufort County, the county has seen a dramatic increase in the construction of housing for affluent buyers during the past decade. This has driven up the cost of land throughout the county, particularly along the water and along key transportation corridors.

### Land Supply

The Workforce Housing Needs Assessment concluded that there is an adequate supply of land in the county to accommodate residential development. However, while large tracts of undeveloped land remain within the county, most of these areas are far removed from key workforce job centers in Hilton Head, Bluffton, Beaufort and Port Royal. Further, the cost of extending water and sewer infrastructure to these areas adversely impacts the affordability of housing.

### Construction Cost

Construction cost increases have outpaced income growth in the region. The cost of materials is rising dramatically. Construction labor cost is also more expensive in Beaufort County compared to other parts of the state. Hurricane standards in the Beaufort County area also contribute to higher construction costs, as do tap fees and impact fees.

### **Market Dynamics**

There has been a strong demand for high-end housing throughout the county, which provides a higher return to a developer versus lower priced housing.

### **Insufficient Development Incentives**

Current density bonuses are apparently insufficient to generate increased affordable housing development activity. With land costs on the rise and demand still strong for upscale housing, the available density bonuses simply do not create the economics of scale needed to generate comparable economic returns from affordable housing construction.

### **The Section 42 Housing Tax Credit Allocation Process**

The South Carolina Housing Finance Agency currently administers the allocation of tax credits, the primary source for gap financing in support of workforce housing development throughout the state. The tax credit application process is very competitive, and the state's allocation system is based upon a competitive application process that favors projects in counties with lower median incomes.

### **Zoning Regulations**

There is a short supply of land zoned for high-density housing development within the unincorporated county. Based on market need, there appears to be a shortage of areas that would allow for cluster development on small lots and higher density apartment development, particularly along key transportation corridors. The county's goal of maintaining rural character and preserving open space and the natural environment in the county's outlying areas through zoning restrictions needs to be balanced with the need to construct affordable housing.

### **Anti-growth Sentiment**

An anti-growth sentiment still prevails with a portion of the citizenry and there has been a general desire for lower, not greater, density. In addition, there is a strong public sentiment to preserve open space. NIMBYism (Not In My Back Yard) has been a deterrent and has created controversy surrounding most affordable housing communities, including Section 42 housing projects and even market rate apartments.



## Existing and Proposed Housing Strategies

New strategies must take into account that affordable housing is not a single form of housing for a single targeted income range. There are many population segments in the county with a wide range of housing needs. A variety of strategies is therefore required to address the needs of various market segments. Each area is discussed subsequently. In order to address the complexity of the problem, housing strategies must take several forms. Among these are *regulatory*, *institutional*, and *educational* strategies.

### Regulatory Strategies

Regulatory strategies available to the County fall primarily in the area of planning policies, zoning regulations, and incentives.

**Existing Regulatory Strategies:** The 1997 Comprehensive Plan called for the County to explore regulatory incentives to leverage private investment in affordable housing. Since then, the following provisions have been adopted as part of the County's Zoning and Development Standards Ordinance (ZDSO):

- **Density Bonuses:** The ZDSO establishes two types of density bonuses for affordable housing.
  - Below market density bonuses of 50% to 100% (depending on the zoning district) are available for housing developments where at least 50% of the units are built with a local, state or federal subsidy or a private non-profit sponsor for persons or families earning less than 80% of countywide median income. The density bonus provisions for below market affordable housing require dispersal of individual developments and limit the size of developments. To date, only one Low Income Tax Credit project has utilized the density bonus for multifamily developments.
  - Market density bonuses of 10% for single-family cluster developments and 20% for planned community and multi-family

developments are available where up to half of the units are affordable. There have been very few units developed utilizing the market bonus provision. This confirms earlier findings that these bonuses are insufficient to generate increased affordable housing and need to be re-evaluated.

- Family Compounds: The principal mechanism to preserve and create affordable housing in the rural areas is the Family Compound. This option allows property owners a density bonus for established family dwelling units arranged in a historic cluster pattern. Applicants must provide the county with information showing that the property has been in one's family for no less than 50 years. The additional dwelling units must also be built for persons related to the owner by blood, marriage or adoption.
- Accessory Dwelling Units: The ZDSO allows for one accessory dwelling unit (ADU) to be permitted by right in the Urban district and as part of new clustered, planned or community subdivisions in all other zoning districts, and in Rural and Rural Residential districts. ADU's are limited to no more than 800 square feet and, in the rural district, have to be located no more than 50 feet from the principal dwelling unit. This size limitation is a potential obstacle to the creation of ADU's and has raised equity issues with respect to guest cottages, which have less stringent size limitations.
- Flexible Development: The ZDSO has some flexible provisions for the clustering of small single-family housing for infill development. While, to date, these options have not been utilized in the County, there have been several small, high-density clusters of infill housing in Port Royal and the City of Beaufort. This may suggest that either the County places too many restrictions for these options, or that the development type is better suited for more urban environments.
- Rural Community Preservation Districts: The Community Preservation (CP) districts located in rural communities allow for higher density than the surrounding rural areas. At the same time they still have many undeveloped tracts and, therefore, represent an opportunity for workforce and affordable housing.
- Lady's Island Redevelopment District: In 2004, County Council created the Lady's Island Redevelopment District as part of the Lady's Island Community Preservation area. The district is located mainly south of Sea Island Parkway and east of Meridian Road. The purpose of the district is to encourage the development and redevelopment of vacant and underutilized land in this area. The Redevelopment District provides a wide range of permitted housing types including single-family, townhouses, duplexes, small apartment buildings, and accessory dwellings; no density requirement as long as minimum lot sizes are met; and open space reductions in exchange for amenities such as sidewalks, trails, community facilities and affordable housing. To date, only a few projects have been approved within the Redevelopment District, most notably,

Tradewinds Subdivision, comprised of 82 lots located south of Sea Island Parkway.

**Proposed Regulatory Strategies:** Inclusionary Zoning has been advocated by the Affordable Housing Consortium as vital regulatory tool to create affordable housing. An inclusionary zoning ordinance would require all new residential development to address the provision of affordable housing by requiring a certain percentage of the housing units to be affordable. Making this policy mandatory and applying it consistently throughout the region would help to increase the supply of workforce housing, whose need was documented in the 2004 Workforce Housing Needs Assessment. The inclusionary zoning policy should include provisions for, on a case-by-case basis, a housing fee in lieu of, off-site inclusionary units, land donation, and incentives such as density bonuses that are greater than the Inclusionary Zoning set aside so that the builder can reap the benefit of some bonus market-rate units.

### **Institutional Strategies**

Institutional strategies generally involve public and non-profit entities expending funds to provide affordable housing construction, rehabilitation, down-payment assistance, and other housing services. Institutional strategies also include interagency cooperation and public/non-profit cooperation to optimize the provision of housing and services. Overseeing institutional strategies, the Affordable Housing Consortium provides broad-based community input into planning, policy development, and program management. As such, it provides the County's Housing Coordinator and various departments with advice and advocacy in addressing the spectrum of housing needs. It also serves to keep staff and policy-makers continuously in touch with the development interests of the private sector, non-profit housing service providers, and other governmental agencies.

**Existing Institutional Strategies:** The following is a summary of some of the institutional strategies in use in Beaufort County.

- **Affordable Housing Program:** In 2001, Beaufort County demonstrated a commitment to assist in resolving the affordable housing shortage by designating \$500,000 for an Affordable Housing Program (AHP). Down payment assistance, project subsidies, housing development incentives, and technical development services are offered through this program. The AHP has also secured HOME Investment Partnership Program (HOME) funds for Beaufort County as part of a regional request. To date, this funding source has helped produce four new units, six rehab units, and 36 elderly apartment units. The funding level for fiscal year 2007-08 was \$248,722.

- **Low Income Tax Credits:** In terms of sheer number of affordable housing units, the Low Income Tax Credit program has been highly successful in Beaufort County. Most tax credits are provided through the federal Low Income housing Tax Credit (LIHTC) program, which provides funding for the development costs of low-income housing by allowing a taxpayer to take a federal tax credit equal to a large percentage of the cost of development of the low-income rental units. Development capital is raised by "syndicating" the credit to an investor. The developer proposes the project to the state in a competitive process and lines up an investor to contribute capital to the development company that owns the project in exchange for tax credits. Tax credit projects developed in Beaufort County include Laurel Hills in Port Royal (72 units for age 62 and over), Shell Point Apartments in Port Royal (72 units), Hallmark Homes in Bluffton (72 units), and Pond Place in the City of Beaufort (36 units for age 62 and over).
- **Habitat for Humanity:** Habitat for Humanity is an international, non-profit, Christian housing ministry with two local non-profit affiliates. The Lowcountry Habitat for Humanity serves northern Beaufort County and has constructed 26 homes since 1990. The Hilton Head Regional Habitat for Humanity has constructed 75 homes, 61 of which are in the Brendan Woods subdivision in Bluffton. Both agencies have indicated that access to affordable land is their greatest obstacle to constructing new housing.

**Proposed Institutional Strategies:** The Affordable Housing Consortium has discussed the feasibility of exploring several new institutional strategies.

- **Affordable Housing Trust Fund:** Housing Trust Funds are distinct funds established by local governments that dedicate revenue to support affordable housing. The key to establishing a Housing Trust Fund is to identify a dedicated revenue source to allow the County or region to better plan for housing programs.
- **Community Land Trust:** A land trust for affordable housing would be an agreement whereby the County or non-profit established to administer the land trust agrees to hold ownership of a piece of real property to be developed as affordable housing by another party. An example would be if the County purchased land for Habitat for Humanity or another non-profit entity to develop affordable housing.
- **Home-to-Work Program:** The Consortium is exploring the feasibility of a home-to-work program in which employers participated in workforce housing development.
- **HUD Good Neighbor Next Door Program:** The Consortium is investigating the potential to designate a HUD-approved revitalization area for participation in the Good Neighbor Next Door Program, which allows law enforcement personnel,

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firefighters, EMS personnel, and teachers to purchase homes acquired by HUD through an FHA foreclosure at half price. Newer HUD programs authorized in 2008 in response to the collapse of the housing market are also being investigated by the AHP.

### **Educational Strategies**

Educational strategies, primarily in the form of homebuyer counseling, have been an essential part of the County's affordable housing effort. This effort is crucial and needs to be improved in two areas. First, a consistent source of funding must be identified. Agencies currently providing this service have long waiting lists and very little funding. Second, more effort needs to go into financial literacy education to prepare inexperienced, low-to-moderate income households with the financial discipline required for homeownership. Financial literacy education should take the form of intensive classes for first-time homebuyers that lead to a certificate of completion. While general homebuyer counseling covers financial literacy, it is not sufficient to prepare many households for the demands of homeownership.



## Recommendations

The following recommendations are provided to maintain forward momentum to the County's workforce and affordable housing programs. Recommendations 8-1 through 8-5 address the overarching policy framework that should govern affordable housing initiatives. Recommendations 8-6 through 8-8 address regulatory revisions and new provisions to facilitate the creation of affordable housing. The remaining recommendations address affordable housing programs both initiated by the County and through cooperation with non-profits and other organizations.

### **Recommendation 8-1: Relationship to Other Policies**

Beaufort County recognizes the relationship between its affordable housing goals and other chapters of this plan. Therefore, the following policies are recommended:

- Affordable housing should be located in areas that are accessible to employment, services and public transportation.
- Different affordable housing approaches should be established in urban and rural areas.
  - In urban areas affordable housing strategies should be focused on constructing new workforce housing and low/moderate income housing and on the rehabilitation of existing housing structures.
  - In rural areas affordable housing strategies should be focused on the rehabilitation of existing houses for low/moderate income homeowners, eliminating barriers to expanding existing family compounds, and assisting families in clearing titles to heirs' property.
- LEED, EarthCraft and other green building programs should be encouraged for affordable housing developments to reduce the utility costs for low and moderate-income households.

### **Recommendation 8-2: Full Spectrum of Affordable Housing**

Beaufort County should ensure that affordable housing production meets the needs of the full range of demographic segments in Beaufort County, with respect to income levels, age, cultural traditions, disabilities, and special needs.

- Develop targets for housing needs for each segment of the population, and monitor affordable housing production annually by segment to ensure that all needs are being addressed.
- Maintain an inventory of all affordable and workforce housing units in the County. The inventory should include the location, structure type, and target income range for each housing unit.
- Increase assistance to area non-profits in order to boost production of affordable housing for segments of the population with incomes or needs not addressed by the private sector .
- Require homes for people with disabilities and special needs to be included in affordable housing developments. Such homes should be designed with special considerations in the interior and externally indistinguishable from other single-family housing.
- Mix housing types within developments wherever possible to accommodate various incomes, ages, and special needs.

### **Recommendation 8-3: Regional Approach to Affordable Housing**

Beaufort County should adopt a regional, inter-governmental approach to affordable housing

- Identify “common denominators” in approaches to affordable housing with Jasper, Hampton, Colleton, and Chatham Counties.
- Determine on a regional basis where emerging urban centers will be located, and what their role will be in providing affordable housing.
- Develop a tiered plan for regional transportation that serves the needs of the wider, multi-county region while also increasing service to emerging higher density areas.

### **Recommendation 8-4: Monitor Demographic Trends**

Beaufort County should monitor demographic trends to determine future housing needs.

- Beaufort County should plan for the housing needs of older single persons and couples by encouraging gradual increases in production of small lot subdivisions, townhouses, and multi-family development.
- Beaufort County should plan for the housing needs of a young labor force that will be increasingly needed to replace the Baby Boom population while meeting the retail and service needs of an aging population. Vibrant, mixed use developments may be increasingly

important to attract and retain younger employees in a regionally competitive labor market.

### **Recommendation 8-5: Address Barriers to Affordable Housing**

Beaufort County, in cooperation with local municipalities and the Beaufort County Affordable Housing Consortium, will continue to work to eliminate barriers to developing affordable and workforce housing.

- Beaufort County shall work with local municipalities to identify land zoned to accommodate affordable and workforce housing at higher densities, particularly multifamily housing.
- Beaufort County will review the application of hook-up and impact fees to affordable housing development and seek a method of waiving all or part of those fees or paying the fees with funds reserved for that purpose in the proposed Affordable Housing Trust Fund (see Recommendation 8-10).
- Beaufort County should revisit and refine existing affordable housing incentives (see Recommendation 8-6).

### **Recommendation 8-6: Revisit and Refine Existing Affordable Housing Incentives**

Beaufort County shall conduct a comprehensive assessment of its regulatory incentives for affordable and workforce housing to determine their effectiveness in providing new units.

- Density Bonus: Beaufort County shall continue to explore the use of density bonuses as a way to leverage private investment in affordable and workforce housing and recommend changes to the ZDSO to ensure they are sufficient to generate additional units. These changes include:
  - Assessing whether the size and density limitations for affordable housing density bonuses conflict with optimum size and density requirements for Low Income Tax Credit projects.
  - Considering the elimination of market based incentives if inclusionary zoning is enacted.
- Accessory Dwelling Units (ADU's): Reevaluate existing ADU provisions to determine whether ADU's should be permitted in more zoning districts, whether the size limitations for ADU's should be changed, and whether more than 1 ADU per principle dwelling should be considered for larger lots (e.g. greater than 3 acres).
- Flexible Development: Amend the Flexible Development provisions (planned communities) located in Article XI of the ZDSO to allow greater flexibility in density, lot sizes and housing types when specified outcomes are achieved. Outcomes should include:

- At least 25% of units would be affordable to moderate income households;
- At least 25% of units would be affordable to low income households;
- Architectural and site design would be context sensitive;
- Sites would be centrally located near jobs;
- There would be a high internal (or local area) capture of trips thus minimizing traffic impacts; and
- Utility cost would be minimized through LEED-recommended energy and water-saving design features.

### **Recommendation 8-7: Mixed-Use Affordable Communities**

Beaufort County should encourage mixed-use development at higher intensity nodes along the County's major travel corridors to allow for the creation of affordable housing that is accessible to employment, services and public transportation.

- The location of mixed-use communities should be near employment centers, located on potential transit lines, and contextually suitable for multi-story development at higher densities than typically found in Beaufort County.
- Mixed-use communities should be encouraged to be LEED certified to lower utility costs for low and moderate income residents.
- Transit should be planned into such development to minimize traffic impact.
- Employer-based rental housing could be part of such developments with employers participating by leasing units and subletting them to employees.
- Development of mixed-use affordable communities would likely require both public/private and intergovernmental coordination.

### **Recommendation 8-8: Inclusionary Zoning**

Beaufort County should enact inclusionary zoning, which places a requirement to provide a specified percentage of affordable housing for new residential development. The inclusionary zoning policy should include provisions for, on a case by case basis, a housing fee in lieu of, off-site inclusionary units, land donation, and incentives such as density bonuses that are greater than the Inclusionary Zoning set aside so that the builder can reap the benefit of some bonus market-rate units. The County should adopt a program that includes participation by the municipalities.

### **Recommendation 8-9: Affordable Housing Consortium**

Beaufort County should provide continued support to the Beaufort County Affordable Housing Consortium as the principal forum for

consensus on affordable housing issues. Support includes continuing to provide a Housing Coordinator position and by committing staff support from other related departments when needed.

#### **Recommendation 8-10: Housing Trust Fund**

Beaufort County should support the establishment of a housing trust fund in order to pool limited resources, manage dedicated funding, and to prioritize and manage affordable housing initiatives. At least one dedicated source of revenue should be identified before creating the trust fund.

#### **Recommendation 8-11: Land Acquisition**

Elevate land acquisition for affordable housing to a high priority utilizing Housing Trust Fund.

- Identify a permanent funding stream for land acquisition
- Establish a Community Land Trust to acquire land for affordable housing.
- Ensure that the Community Land Trust operates within the framework of the Comprehensive Plan by targeting infill sites in areas where there is existing infrastructure and close proximity to employment, services, and public transportation.
- Partner with Habitat for Humanity and other organizations that build affordable housing.

#### **Recommendation 8-12: Coordinate and Integrate Efforts of Non-profits**

Beaufort County should work with non-profit organizations to ensure that a wide range of housing needs are being addressed countywide and that there is no duplication of services.

- Beaufort County should support applications from non-profits (and for profit) organizations that apply for state and federal funding for the purpose of constructing and/or rehabilitating affordable housing.
- Beaufort County should consider supporting the creation of a “vertically-integrated” non-profit community development corporation (CDC) that would address all aspects of the development and provision of affordable housing including:
  - Identifying eligible homeowners (or renters);
  - Offering homebuyer counseling and financial education;
  - Planning new developments; and
  - Constructing new houses.

Beaufort County should consider an existing entity such as the Beaufort Housing Authority to play this role since they have countywide jurisdiction.

### **Recommendation 8-13: Housing Rehabilitation**

Beaufort County should make home repair and replacement of substandard housing a housing priority to further the recommendations outlined in the 2004 Workforce Needs Assessment.

- The County should ensure that the maximum amount of CDBG, HOME and other applicable grants are sought annually by the County, its municipalities and non-profits to fund housing rehabilitation.
- Beaufort County should partner with the Lowcountry Council of Governments and the municipalities to conduct a comprehensive housing survey for the purpose of identifying substandard dwelling units.
- Beaufort County should partner with agencies and non-profits that are best equipped to administer housing rehabilitation programs.
- Beaufort County should target the preservation of historic rural vernacular architecture.

### **Recommendation 8-14: Housing Foreclosures and Neighborhood Stabilization**

Beaufort County should monitor and pursue state and federal grants aimed at reducing housing foreclosures and stabilizing neighborhoods.

### **Recommendation 8-15: Rural Affordable Housing Approaches**

The following actions are recommended to promote affordable housing in rural areas.

- Target the rehabilitation of rural housing in order to allow low and moderate income families to remain in housing.
- Increase the level of effort to clear titles for heirs' property through capacity-building grants to the non-profit sector. The effort may be directed through the United Way, Penn Center, and similar organizations. Lack of clear title prevents owners from obtaining mortgages, home equity loans, and grants for property rehab and weatherization. It also prevents equity formation and perpetuates poverty.
- Promote Rural Community Preservation areas as a location for small-scale affordable housing developments.

**Recommendation 8-16: Military**

Ensure that affordable housing leveraged by the County north of the Broad River addresses the needs of military personnel and civil employees.

- Ensure that the military is represented on the Affordable Housing Consortium Governing Council.
- Include rental housing in the mix of affordable developments, and include the military in the employer-based initiative where rental units are leased in blocks (see Recommendation 8-7).