

# PROVIDING THE KEYS TO ADDRESS AFFORDABLE HOUSING ON HILTON HEAD ISLAND

November 2017  
Community Development Department



One of Town Council's Key Priorities for 2017 is [Workforce Availability](#). There are two main subcomponents of workforce availability: housing and transportation. Initial meetings between the Public Planning Committee (PPC) and various stakeholders have provided a backdrop for moving forward on these issues. Through those meetings it has become evident that both affordable housing and transportation are critical elements of the Town's infrastructure and should be considered in tandem.

According to the Urban Land Institute, "workforce housing" is generally defined as housing that is affordable to working households that do not qualify for publicly subsidized housing, yet cannot afford appropriate market-rate housing in their community. It is housing that is affordable to working households with incomes between 60 and 120% of the area median income (AMI). The HUD definition of "affordable housing" is housing for which the occupant is paying no more than 30 percent of his or her income for gross housing costs, including utilities. Under this definition, affordable housing is affordable to a person or family earning 80% or less of the current AMI. As evidenced from the definitions, the target demographics for each housing type are different, which means different approaches should be considered where there is no overlap between the two areas. Table 1 indicates Beaufort County's AMI for both workforce and affordable housing.

**TABLE 1 Beaufort County Area Median Income (AMI) Limits**

Housing Category	Income Limit	Persons in Family					
		1	2	3	4	5	6
<b>Affordable Housing</b> <i>(Less than or equal to 80% of AMI)</i>	30% Extremely Low	\$14,800	\$16,900	\$20,420	\$24,600	\$28,780	\$32,960
	50% Very Low	\$24,650	\$28,150	\$31,650	\$35,150	\$38,000	\$40,800
	80% Low	\$39,400	\$45,000	\$50,650	\$56,250	\$60,750	\$65,250
<b>Workforce Housing</b> <i>(60% - 120% AMI)</i>	60%	\$29,580	\$33,780	\$37,980	\$42,180	\$45,600	\$48,960
	100% (AMI)	\$49,300	\$56,300	\$63,300	\$70,300	\$76,000	\$81,600
	120%	\$59,160	\$67,650	\$75,960	\$84,360	\$91,200	\$97,920

The Town needs to be able to gain an understanding of the size and magnitude of the affordable housing issue. What is the existing inventory, what are projected demands, and what is the capacity to expand this inventory (both locally and regionally)? Answers to these questions will be addressed through the County's [Housing Needs Assessment](#) that is currently underway. Results may need to be supplemented by a local consultant. Information gathered from the Needs Assessment will provide the foundation for building community support for affordable housing projects and increase the appetite for making necessary changes on Hilton Head Island. The Needs Assessment will also help to identify the housing need which spikes during the summer

season but tends to be low the remainder of the year. Due to several factors including a preference to live on the mainland as well as land costs and availability, a significant portion of the Town's workforce travels from off-island. It will be important to consider the regional aspects of workforce availability.

Staff has prepared an approach for each of the approved Town Council recommendations. Additionally per Council's request, staff has prepared an outline of the planning steps to form the basis of the Town's [Affordable Housing Strategy](#). Staff recommends developing the "strategic planning" recommendations as the first step and recommends implementing the "immediate action" items where appropriate throughout the process. This approach provides the greatest possibility to achieve a sustainable solution while still accomplishing immediate action items that support the overall initiative. To that end, staff proposes the following sequencing:

## **STRATEGIC PLANNING**

1. **TC RECOMMENDATION:** Staff will define scope of work for research, analysis, and options for Town's [Affordable Housing Strategy](#).

**STAFF APPROACH:** Staff recommends integrating the "immediate action" items into the long term [Affordable Housing Strategy](#). This would afford flexibility to achieve short term goals while not losing the importance of looking at this initiative in a comprehensive manner. Additional details are listed below in the [Immediate Action](#) section. The Town has participated in housing programs in the past. These programs have not produced desired outcomes for a variety of reasons. Staff recommends that any solutions to the affordable housing issue be sustainable in order to provide greater opportunities for success. The Town's [Affordable Housing Strategy](#) should be comprised of three components: research, analysis, and options.

- A. Research – Staff has begun and will continue to identify best practices for affordable housing by researching what other successful communities have done. Some best practices identified include:

- |                            |                    |
|----------------------------|--------------------|
| ▪ Bonus Density            | ▪ Adaptive Re-use  |
| ▪ Inclusionary Zoning      | ▪ Reduced Fees     |
| ▪ Expedited Permitting     | ▪ Needs Assessment |
| ▪ Home Purchase Assistance |                    |

Communities have been identified for study based on their similarity as a destination resort or the longevity of their affordable housing program. Some communities include:

- |                                 |                       |
|---------------------------------|-----------------------|
| ▪ Aspen/Pitkin County, Colorado | ▪ Big Sky, Montana,   |
| ▪ Jackson, Wyoming              | ▪ Truckee, California |

## Providing the Keys to Address Affordable Housing on Hilton Head Island

- Telluride, Colorado
- Montgomery County, Maryland
- Davidson, North Carolina
- Delray Beach, Florida
- Jupiter, Florida
- Virginia Beach, Virginia
- New Castle County, Delaware

Bluffton, SC should be studied as well because of its proximity to Hilton Head Island. Staff will continue to research and identify best practices in conjunction with the ongoing County [Housing Needs Assessment](#). Additionally staff will research potential revenue sources and funding options.

- B. Analysis – The foundation of analysis will be the County’s [Housing Needs Assessment](#). This assessment will identify the study area; evaluate demographics, economics, community services, and housing; perform housing gap analysis; and provide conclusions and recommendations. Staff will analyze the specific recommendations for Hilton Head Island and may identify additional recommendations.
- C. Options – Staff has identified a toolkit to address affordable housing needs. Some components of the toolkit include:
1. Changes to the LMO including floating zone, conversion factor, bonus density, and inclusionary zoning;
  2. Housing tax credit for developers;
  3. Financial contributions/incentives such as bonus if tear down and rebuild, bonus for conversion of property;
  4. Private sector development of affordable housing projects;
  5. Replication or expansion of existing affordable housing projects, i.e. Habitat for Humanity Phase 2;
  6. Use of underutilized or vacant properties;
  7. Alternate housing types; and
  8. Other options based on recommendations from the County [Housing Needs Assessment](#).

2. **TC RECOMMENDATION:** Council with staff will identify working groups to oversee the planning process.

**STAFF APPROACH:** Staff recommends project oversight be provided by the PPC with regular updates to the full Town Council. Appropriate stakeholders will be engaged as needed to help address specific issue areas. Anticipated issue areas may include Strategic Planning, Finance, Legal, Real Estate, Construction, etc. Staff recommends the transportation component, which is critically important to workforce availability, be considered in tandem with affordable housing solutions.

3. **TC RECOMMENDATION:** Council will establish an appropriate budget to prepare a Strategic Plan.

**STAFF APPROACH:** The approved FY18 budget includes funds for [Workforce Availability](#). Town Council's budget includes \$25,000 for a workforce housing study. The Community Development Department's Comprehensive Planning Division's budget includes \$50,000 for a consultant to assist on workforce availability. Staff believes these funds are sufficient to start the process and can accommodate consultant and communications functions. Additional funding recommended to support this initiative would be incorporated into the FY19 budget to be directed towards recommended programs supported by existing staff.

## **IMMEDIATE ACTION**

1. **TC RECOMMENDATION:** Given the importance of an urgent need for affordable housing, Council supports a dedicated staff position to direct and implement affordable housing strategies.

**STAFF APPROACH:** Staff believes immediate needs can be addressed by existing Community Development staff and that a dedicated position may not be warranted. Staff is currently conducting research and developing recommendations related to the immediate action items. One recommendation may include contracting with a consultant to develop a local [Affordable Housing Strategic Plan](#). Following the completion of the County's [Housing Needs Assessment](#), staff will make a recommendation to Town Council on whether or not a consultant or dedicated housing staff person is necessary. If additional staff is needed, Staff is prepared to work with the County on a joint, regional staffing approach. Staff is prepared to generate a RFP for a consultant if needed. There is funding in the current budget to address the consultant portion but there is not funding for a new staff person at this time.

2. **TC RECOMMENDATION:** Staff with PPC and outside assistance will implement a Communication/Education Messaging Plan for residents, businesses, and other stakeholders.

**STAFF APPROACH:** Staff is prepared to implement a Communication/Education Messaging Plan in conjunction with the PPC. Staff, working with the PPC, will craft initial messaging and determine best methods for delivery to build support for this initiative. Following the completion of the County's [Housing Needs Assessment](#) the messaging plan will be enhanced to include the key findings and recommendations of the assessment. This step will be critical to demonstrate the importance of the affordable housing issue and provide citizens with an understanding of its size and magnitude.

3. **TC RECOMMENDATION:** Staff and Planning Commission will establish location criteria for overlay or floating zones and propose amendments to Ordinances to stimulate affordable housing investment.

**STAFF APPROACH:** Staff is currently researching overlay districts and floating zones along with identifying candidate areas for implementation. Staff will work with the LMO Committee of the Planning Commission to determine criteria for overlay or floating zones. Joint meetings between the Planning Commission and Town Council should be considered.

4. **TC RECOMMENDATION:** Council with the assistance of State Delegation will seek to have State Legislature amend criteria for housing tax credits.

**STAFF APPROACH:** Staff will support Town Council's efforts with the State Delegation as needed. Staff recommends Town Council work with the State Legislature on other funding options to be identified.

5. **TC RECOMMENDATION:** Town and community partners will commit to creating a plan for a 25-unit housing development and ground breaking within 18 months.

**STAFF APPROACH:** Based on the findings and housing types recommended for implementation on Hilton Head Island in the County's [Housing Needs Assessment](#), Staff will work with community partners to identify the best approach for development of an appropriately sized affordable housing project.

6. **TC RECOMMENDATION:** The Private Sector is encouraged to identify steps it can take independently, whether led by the Chamber or some other business group.

**STAFF APPROACH:** Town Council should continue to encourage the private sector to identify steps it can take to address the affordable housing issue. Staff recommends this effort be done in conjunction with other local and regional efforts such as the [Lowcountry Affordable Housing Coalition](#).