



**Town of Hilton Head Island
Public Planning Committee
Thursday, February 22, 2018 – 3:00p.m.
Benjamin M. Racusin Council Chambers
AGENDA**

As a Courtesy to Others Please Turn Off All Cell Phones and Pagers during the Meeting.

- 1. Call to Order**
- 2. Freedom of Information Act Compliance**
Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 3. Approval of Agenda**
- 4. Approval of Minutes – January 25, 2018 Meeting**
- 5. Unfinished Business**
- 6. New Business**
 - a. Recommendations from the Gullah Geechee Task Force
 - b. Update on Trolley Service
 - c. Update on SoLoCo
 - d. Discussion on affordable housing tax credit allocation process
- 7. Committee Business**
- 8. Appearance by Citizens**
- 9. Adjournment**

Please note that a quorum of Town Council may result if four or more of their members attend this meeting.

Please note that meetings are now held on the fourth Thursday of each month at 3:00p.m.

TOWN OF HILTON HEAD ISLAND
Public Planning Committee
Minutes of the January 25, 2018 – 3:00 p.m. Regular Meeting
Benjamin M. Racusin Council Chambers

Committee Members Present: Chairman David Ames, Kim Likins, Bill Harkins

Committee Members Absent: None

Town Council Present: Mayor David Bennett, John McCann

Town Staff Present: Marcy Benson, Senior Grants Administrator; Shawn Colin, Deputy Director of Community Development; Teri Lewis, LMO Official; Jennifer Ray, Planning & Special Projects Manager; Teresa Haley, Senior Administrative Assistant

1. Call to Order

Chairman Ames called the meeting to order at 3:00 p.m.

2. Freedom of Information Act Compliance

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Agenda

The Public Planning Committee approved the agenda by general consent.

4. Approval of the Minutes – October 26, 2017 Regular Meeting, November 30, 2017 Special Meeting, December 20, 2017 Special Meeting

The Public Planning Committee approved the minutes of the October 26, 2017, November 30, 2017, and December 20, 2017 meetings by general consent.

5. Unfinished Business – None

6. New Business

a. Review of Policy Questions and Responses Matrix

Mr. Colin presented a brief review of the policy questions and responses matrix. Chairman Ames requested this be referred to as “preliminary” policy questions and responses matrix. There was general agreement among the Committee members.

b. Review of Best Practices

Ms. Benson and Ms. Lewis presented the best practices case studies of the following communities:

Aspen/Pitkin County, CO

Charleston, SC

Charlotte, NC

Davidson, NC

Delray Beach, FL

Greenville, SC

Jackson/Teton County, WY

Jupiter, FL

Key West, FL

Montgomery County, MD

New Castle County, MD

Savannah, GA

Steamboat Springs, CO

Telluride, CO

Truckee, CA

Virginia Beach, VA

The case studies comprised information on the various communities related to: the types of housing developed, who administers the program, the target area median income, deed restricted and for how long, bonus density offerings, employment verification, exactions, fee in lieu, inclusionary zoning, infill, regional efforts, resort community, and net worth/net income requirements.

The Committee discussed and made inquiries about the communities regarding:

- Types of housing developed
- Whether the housing is for sale or rent or other options
- Whether the term “affordable housing” is used
- How various aspects of the programs are managed, such as when a certain number of homes is required to be affordable
- If bond issues were explored
- Aspects of deed restricted properties
- Calculations for payments in lieu of units allowed
- The majority of the communities have a net worth or income requirement
- Funding sources
- Revenue sources (tax revenue, developer fees, exactions) used to supply workforce housing
- How much in terms of dollars do the communities contribute to the programs
- A program part of land development regulations which contain an inclusionary workforce housing requirement
- Public and private partners involved
- Offering bonus density and site development incentives, expedited reviews, and application fee waivers to workforce development project developers
- Requirements to participate in incentives
- Contributing to a trust fund for housing
- Regulatory mechanisms and restrictions

Staff presented potential candidate communities from the UNITE Summit that were invited to the Committee workshop:

Aspen/Pitkin County, CO
Delray Beach, FL
Jackson/Teton County, WY
Steamboat Springs/Yampa Valley, CO
Virginia Beach, VA

Jackson/Teton County and Steamboat Springs/Yampa Valley have confirmed. Staff recommends bringing in a representative from Charleston for the workshop. The Committee expressed wanting to hear from the communities: both the positive and the negative aspects they have experienced, as well as what they are contributing financially. The workshop will be the opportunity to gain this insight. The Committee expressed a consultant would be the ideal person to sort and analyze the information.

- c. Discussion of draft Request for Proposals (RFP) for an Affordable Workforce Housing Strategic Plan

Ms. Ray presented the current draft of the RFP. The Committee complimented Staff's work. The Committee expressed the desire to have a consultant that will:

- Explain "who is Hilton Head?"
- Use the Brown case study as a resource and apply it
- Demonstrate quality of analysis and how they approach problem solving
- Explain how they design safeguards against failure and potential pitfalls
- How they intend to engage the community (businesses, restaurants, constituents)
- Work out whether the solution is regional or local, or a combination of both
- Know the responsibility and who the type of people are that would be moving this forward
- Be familiar with or work closely with a firm familiar with applicable South Carolina laws
- Communicate effectively

The Committee emphasized the importance of the consultant's communication. The Committee and Staff agreed a consultant is needed. The output of Beaufort County's needs assessment study is unknown and not anticipated to include Jasper County. The expected future growth in Jasper County may warrant regional efforts. There was discussion on understanding affordable housing and further the dynamics of the broader housing market and trends. The consultant will need to be able to identify key information gaps and corrective action, using options in the toolkit, building a foundation of information, and doing a comprehensive diagnostic work up.

Chairman Ames shared remarks that the goal of affordable housing might be said to be strengthening community through housing. There may be unique opportunities in Hilton Head and should those be addressed in the RFP? For example, (1) the interest in redeveloping underperforming and vacant commercial buildings, (2) is there a connection to the condos here and affordable housing, and (3) there is a resistance here to gentrification and second-home demand. Affordable housing stock needs to be maintained over time because of the resort community.

The consultant has to provide information and articulate the Town's core principles in order to test these policies and strategies. It is important for the consultant to understand the uniqueness of Hilton Head Island and craft a package that is uniquely Hilton Head.

The Committee shared comments on the itemized list contained in the draft RFP as follows:

- *Summary of best practices.* The consultant needs to provide more than a summary. The discernment of the consultant for pros and cons of what they've experienced in those areas. A level of detail is needed.
- *Detailed toolkit for addressing affordable housing.* What has succeeded and failed in the past? Demonstrate experience and expertise with the tools they list.
- *Outline of strategies including financial impacts.* This is believed to be a "Phase 2" component. The options of strategies that would get narrowed down to two or three recommended strategies.
- *Expected absorption rate.* This should be done by segment.

Mayor Bennett complimented Staff on their work. Mayor Bennett presented supporting remarks regarding this effort as well as some concerns for consideration moving forward.

The process of approving the RFP was discussed. There is no requirement the RFP go through Town Council. The Committee consensus can direct Staff to move forward with putting out the RFP. The Committee was asked to submit any comments on the RFP to Staff. Then there was discussion on the processes and timeline for selection, scoring, and interviews. Once the RFP is authorized, it will take about sixty days to get to the interview portion. The solicitation is typically thirty days, but has been twenty one days. The Beaufort County assessment is currently on track for an early March delivery. The Committee expressed concerns that research may need to expand to include Jasper County, and whether Beaufort County would roll the existing contract and take this on. Staff indicated they will review the assessment first and report back.

7. Committee Business – None

8. Appearance by Citizens

Michelle Wicoff indicated the Chamber can provide information and documentation of case studies in additional communities discussed today.

Glenn Stanford complimented Staff and the Town on their work. Mr. Stanford noted the 9% tax credit available for affordable housing projects and urged it be included in the evaluation. Mr. Stanford indicated he would like to see more information on communities that have done repurposing projects for affordable housing.

9. Adjournment

The meeting was adjourned at 4:31 p.m.

Submitted by: Teresa Haley, Senior Administrative Assistant

Approved:

David Ames, Chairman



TOWN OF HILTON HEAD ISLAND

Community Development Department

TO: Stephen G. Riley, ICMA~CM, *Town Manager*
VIA: Charles Cousins, AICP, *Director of Community Development*
VIA: Jennifer Ray, ASLA, *Planning and Special Projects Manager*
FROM: Jayme Lopko, AICP, *Senior Planner*
CC: Shawn Colin, AICP, *Deputy Director of Community Development*
DATE: February 12, 2018
SUBJECT: Gullah-Geechee Land & Cultural Preservation Task Force
Recommendations

Recommendation: The Gullah-Geechee Land & Cultural Preservation Task Force (Task Force) recommends the Public Planning Committee forward the attached recommendations (Exhibit A) to Town Council with a recommendation for approval.

Summary: Exhibit A details four recommendations from the Task Force including a Town staff position to serve as a liaison to the Gullah community, a partnership with the Native Island Business & Community Affairs Association (NIBCAA) for education, investigation of possible Land Management Ordinance (LMO) changes to address concerns of the Gullah community, and investigation of options to resolve fairness in taxation.

Background: On June 20, 2017, Town Council approved a Resolution creating the Gullah-Geechee Land & Cultural Preservation Task Force with their goal being:

- To identify and assist in the preservation of Gullah/Geechee culture for the purpose of detecting and resolving issues specific to this community, including, without limitation, heirs property and land use, economic and sustainability issues, and education of the community.

The Task Force began meeting in July of 2017 to draft their mission and scope of work, which was adopted on September 6, 2017.

The Task Force met on October 24, 2017, and approved the attached set of four recommendations. These recommendations were approved by the Planning Commission at their November 1, 2017. The Chairman of the Task Force then made a presentation to Town Council on November 7, 2017 which included a brief on these recommendations.

Exhibit A

Gullah-Geechee Land and Cultural Preservation Task Force Recommendations

1. The Town create a position within the Community Development Department to manage the Gullah-Geechee program and act as a Town liaison to represent the Gullah-Geechee Native Island community. This position would work toward the resolution of the following objectives:
 - a. Continue to make infrastructure a priority for areas that are not currently served by water, sewer, paved roads, drainage, and fire hydrants.
 - b. Take advantage of existing resources which have experience dealing with heirs property and similar issues (i.e. Center for Heirs Property, Pan-African Family Empowerment & Land Preservation Network, Inc., and Penn Center).
 - c. Establish on-going regularly scheduled workshops throughout the community to apprise residents of available resources and to provide a forum for property and cultural issues.
 - d. Establish the Town as a resource center for Gullah-Geechee Land & Cultural Preservation (i.e. R/UDAT, Response to the R/UDAT, and the Ward One Master Plan).
 - e. Establish resources from local organizations to assist Gullah-Geechee Native Islanders with legal, property, or financial issues related to their property or culture (i.e. NIBCAA, Hilton Head Realtors Association, and Financial Institutions).
 - f. Identify and support existing cultural preservation organizations including their programs and resources (i.e. Mitchelville Preservation Project, Gullah Museum, NIBCAA & the Gullah Celebration, and Gullah-Geechee Consortium of Beaufort County).
2. The Town create a partnership with the Native Island Business and Community Affairs Association (NIBCAA) to participate in the annual Gullah Celebration each year in February to provide an educational workshop on Gullah-Geechee Native Island issues.
3. Investigate possible Land Management Ordinance (LMO) changes to resolve issues dealing with heirs property and other issues raised by the Gullah-Geechee Native Island community. This would include the possibility of creating a Gullah Preservation Overlay District. To accomplish this a consultant or attorney may need to be hired.
4. Investigate options to resolve fairness in taxation.



TOWN OF HILTON HEAD ISLAND

Community Development Department

TO: Public Planning Committee
VIA: Charles Cousins, *AICP, Director of Community Development*
VIA: Jennifer Ray, *ASLA, Planning and Special Projects Manager*
FROM: Anne Cyran, *Senior Planner*
CC: Shawn Colin, *AICP, Deputy Director of Community Development*
DATE: February 15, 2018
SUBJECT: Update on Trolley Service

Palmetto Breeze, with assistance from Town staff, is planning the route, the trolley design, and a marketing plan in anticipation of trolley service beginning July 2018. A Critical Path outlining the related tasks and deadlines is attached.

Palmetto Breeze signed a contract with Hometown Trolley on January 16, 2018. The contract states the three trolleys must be delivered by July 16, 2018. Hometown Trolley plans to start construction of the trolleys on June 1st and to complete construction by June 20th. Palmetto Breeze will spend two weeks preparing the trolleys and training the drivers before service begins.

The draft route for the first season of service is attached. The route proposes to connect Coligny Beach Park to Shelter Cove Community Park, Shelter Cove Harbour, and Park Plaza.

Palmetto Breeze will present the proposed trolley design and service name to the Public Planning Committee for review and a recommendation to Town Council this spring.

2018 Route	Agency Responsible	Next Steps	Deadline	
	Palmetto Breeze	PB will continue to contact property owners	March	
Trolleys	Agency Responsible	Next Steps	Manufacturer's Estimated Deadline	Contractually Obligated Deadline
	Palmetto Breeze	Ordered Trolleys on 01/16/2018		
	Palmetto Breeze	Trolleys Delivered	Late June	07/16/2018
	Palmetto Breeze	First Day of Service	Early July	07/30/2018
Trolley Design	Agency Responsible	Next Steps	Deadlines	
	Palmetto Breeze	PB presents proposed design to PPC	April	
		PPC makes recommendation to TC	April	
	Palmetto Breeze	Send design to Hometown Trolley	May	
Name Service	Agency Responsible	Next Steps	Deadlines	
	Palmetto Breeze	PB presents proposed name to PPC	April	
		PPC makes recommendation to TC	April	
	Palmetto Breeze	Send name to Hometown Trolley	May	
Stops	Agency Responsible	Next Steps	Deadlines	
	Palmetto Breeze	Contact private property owners, SCDOT to determine locations	March	
	Palmetto Breeze	Obtain approvals/permits from private property owners	May	
Stop Signs	Agency Responsible	Next Steps	Deadlines	
	Town	Town staff is designing signs	March DRB Meeting	
	Palmetto Breeze	Put signs out to bid	April	
	Town	Signs to be inspected by Town staff	June	
Develop Apps	Agency Responsible	Next Steps	Deadline	
	Palmetto Breeze	Contract with consultant to develop apps	June	
Marketing	Agency Responsible	Next Steps	Deadlines	
	Palmetto Breeze	PB creates draft marketing plan	April	
	Town	Town staff supports PB with normal communication channels	May	
	Palmetto Breeze	PB markets trolley service	June	

Draft 2018 Route

Park Plaza

King Neptune Statue
at Shelter Cove Harbour

Fountain at
Shelter Cove
Community Park



Office Park Rd

New Orleans Rd

William Hilton Parkway



Shelter Cove Ln

Deallyn at Cordillo

Cordillo Parkway

Pope Avenue

Queens Folly Rd

Deallyn Ave



S. Forest Beach Dr.

Deallyn at
South Forest Beach

Drop Off Loop at
Coligny Beach Park



Trolley Stop

Hilton Head Island and The Low Income Housing Tax Credit (LIHTC)

Since the inception of the LIHTC in 1986, Hilton Head Island has received less than four-tenths of 1% of the \$1.88 Billion of the LIHTC's awarded in the State of South Carolina. With a critical shortage of workforce and affordable housing threatening the economy of this world-renowned destination, the time for change is long overdue.

The attached analysis identifies changes necessary for Hilton Head Island to successfully access the LIHTC through the State of South Carolina's Qualified Allocation Plan that is administered by the South Carolina State Housing Finance and Development Authority.

A summary of the recommended changes are as follows:

- Prioritize Demand in scoring applications for the LIHTC
- Measure Accessibility and Availability in scoring Positive Site Characteristics
- Create a Workforce Housing Set-Aside
- Analyze Development Costs by prevailing Construction Cost Conditions
- Redefine Underserved Areas

The recommendations outlined above and discussed in this analysis should be vetted and incorporated into the Qualified Allocation Plan for the State of South Carolina expeditiously for implementation into the 2019 LIHTC application round.

Thank you for your consideration. We are available at any time for further discussion.

David Bennett, Mayor
Hilton Head Island, SC

Hilton Head Island
and
The Low Income Housing Tax Credit (LIHTC)

BACKGROUND INFORMATION:

- The **Low Income Housing Tax Credit (LIHTC)** is a Federal Program initiated by the **Tax Reform Act of 1986** and outlined in **Section 42 of the Internal Revenue Code**. It has been the most productive and successful housing program in the nation during the past three decades. (See National Association of Home Builders White Paper: http://services.housingonline.com/nhra_images/LIHTCWhitePaper_Oct%202011_FINAL.pdf)
- The **LIHTC** is administered by a specified entity in each state of the United States. In South Carolina, the **LIHTC** is administered by the **South Carolina State Housing Finance and Development Authority**. (**SCHousing**: <https://www.schousing.com/>)
- Since the inception of the **LIHTC** program, South Carolina has allocated total annual tax credits in the amount of \$187,691,787 for a **consolidated total of \$1.88 Billion in LIHTC**. (The tax credits allocated are an annual amount. The actual amount of credit taken is ten times that, as the allocation is available annually for a 10-year period.)
- Since the inception of the **LIHTC** program, South Carolina has allocated total annual tax credits to **Hilton Head Island, South Carolina** in the amount of \$720,767, for a **consolidated total of \$7.2 Million in LIHTC**.
- Since the inception of the **LIHTC** program, South Carolina has funded the new construction or rehabilitation of **26,838 LIHTC units**.
- Since the inception of the **LIHTC** program, South Carolina has funded the new construction of **48 LIHTC units on Hilton Head Island** and the subsequent rehabilitation of the same **48 LIHTC units**.
- **Hilton Head Island, SC** has received less than four-tenths of 1% of the **LIHTC** allocated in South Carolina. Only one **LIHTC** development has been financed, the original new construction (1992 allocation) and the subsequent rehabilitation of **48 units of LIHTC**.
- **Southern Beaufort County** is a fast-growing region of the State of South Carolina. In 2014, Southern Beaufort County had **585 LIHTC units**. Since then it has lost 341

units and gained 40 units, for a **current inventory of 284 LIHTC units**, a 52% decline.

- **Hilton Head Island is an important and integral municipality in South Carolina!**
 - Hilton Head Island has **WORLD-WIDE name recognition**
 - Hilton Head Island is **Conde Nast Traveler's 2017 Top Island in the United States and Travel + Leisure Magazine's 2017 #1 Island in the Continental U.S. and #2 Island in the World** (<https://www.hiltonheadisland.org/conde-nast-traveler-readers-choice2017/>)
 - Hilton Head Island's economy is **Tourism-based**. Leisure and Hospitality is one of South Carolina's **top five non-farm industries** based on number of employees (<https://www.sccommerce.com/research-and-data> and <https://www.bls.gov/eag/eag.sc.htm>)
 - Hilton Head Island's year-round population includes a stable and **significant number of retirees** creating demand for healthcare and other services
 - Hilton Head Island has **thousands of jobs openings** in a variety of sectors of its economy

POSITION STATEMENT:

Hilton Head Island has an acute lack of affordable housing and qualified workforce. The results are a dampened ability to achieve the economic growth potential inherent in our uniqueness and the depressed and slowed recovery of our real estate assets. Second-home owners pay premiums in property taxes to fund the state of South Carolina and our visitors generate significant revenues and recognition for the State.

The acute demand for affordable housing and workforce availability is in large part attributable to Hilton Head Island being effectively excluded from the **LIHTC** through the **SCHousing**. The **LIHTC** is often the largest component of financing for the production of affordable workforce housing and is the gateway to securing a large assortment of sources of additional support. This accessibility barrier is clearly evidenced in the data presented in the Background Information above.

Although South Carolina is in double-digit low rankings in most every other category, it is near the top of **U.S. News and World Report's Best States category of ECONOMY** (<https://www.usnews.com/news/best-states/south-carolina>). Beaufort County is in the top 22% of all U.S. counties in terms of innovation (<http://www.statsamerica.org/ii2/overview.aspx>). Sustaining this positive momentum in the economy will surely work to move South Carolina's standings in the other categories of life quality. However, this depends in large part on South Carolina's ability to attract and maintain a qualified work force.

The Leisure and Hospitality industry, while thriving, pays wages well below most other industries in South Carolina, clearly fitting in the lowest ranges of those for whom the **LIHTC** program was established. (https://www.bls.gov/oes/current/oes_sc.htm)

RECOMMENDED ACTION:

The **SCHousing LIHTC Allocation Plan (the QAP)** should be modified to adequately, accurately, fairly and dynamically allocate this precious resource to where it is both most needed and best invested, all while maintaining both the spirit and the letter of the **LIHTC**.

There are critical evaluation criteria either absent or inequitably considered in the **SCHousing LIHTC QAP**. If modified, the **SCHousing LIHTC QAP** would allow Hilton Head Island, and other communities, equal access to the **LIHTC**.

Modifications in five primary areas of consideration would open the currently sealed gateway to accessing the **LIHTC**, allowing Hilton Head Island to almost immediately access the **LIHTC** to address its critical need for affordable workforce housing.

1. DEMAND - Demand is the most important indication of the need for this valuable resource and should be the fundamental driver for **LIHTC** allocations. the **LIHTC** was created because there is a need for affordable housing. **SCHousing** affirmatively states in its Introduction and Purpose section of the **QAP** that **SCHousing** “is responsible for developing the guidelines and priorities that *best address the need for affordable housing throughout the state...*” (*emphasis of this author*).

Vacancy rates below 5% and low capture rates indicate a critical shortage of housing units. Hilton Head Island has a 0% vacancy rate. Under the current **QAP**, **LIHTC** applicants receive only 1/2 point if the vacancy rate is between 6% and 9% and 1 point for vacancies between 0% and 5% (the same amount of points received for fully completing the form). Compare this to an applicant within 1/2 mile of a convenience store that receives 4 points or the 3 points that are awarded to an applicant whose project is within 1/2 mile of a bowling alley and you will see that demand is insignificant under the current **QAP**. (See fuller discussion of Site Characteristics and corresponding points below.) Allocations of **LIHTC** are predominantly awarded to applications scoring on average within 1/2 to 1&1/4 points of the maximum optional points available. That is effectively 86.5 points for new construction and 90.5 points for rehabilitation when the mandatory 110 points are removed from the overall total. In the current **QAP**, the importance of allocating **LIHTC** to communities experiencing acute crises of approximately 5% or less vacancy is eliminated.

RECOMMEND:

- A logarithm should be identified or written based upon occupancy levels and capture rates taken from a reliable and comprehensive source of data from South Carolina rental properties. Critical intervals should be identified, even as precise as 1/2 to 1 percent of each other.
- In the body of the application, points sufficient to prioritize critical demand areas should be awarded in amounts necessary to eliminate the currently existing imbalance evidenced above.
- In the tie-breaker section of the **QAP**, which is regularly triggered, demand should become a primary tie-breaker item.

ADDITIONAL DISCUSSION:

- The Market Study Criteria of the **SCHousing LIHTC Qualified Allocation Plan** does not address demand as anything more than a threshold requirement. In total, a maximum of only 1 point may be awarded based upon demand.
- Although Capture Rate, Market Advantage, Overall Vacancy Rate and Absorption/Lease-Up Periods are individually addressed, they are given no weight in awarding the **LIHTC** beyond 1 point.
- If demand were prioritized, **SCHousing** would still meet the requirements of Section 42 of the Internal Revenue Code and its own State preferences.
- As a side note, Market Advantage is arbitrary, easily manipulated and potentially harmful to the very residents **SCHousing** seeks to house — very low income households. This criterion could cause huge rent increases to at-risk residents during their first few years of occupancy.

2. **POSITIVE SITE CHARACTERISTICS** - The static list of Site Characteristics identified as desirable or necessary by the **SCHousing QAP**, combined with the incremental 1/2 to 3 mile distances preferred and the disparately high point values associated with them guarantees traditional urban settings will receive allocations while unique areas with acute demand, like Hilton Head Island, are effectively disqualified. Hilton Head Island does not have a site available on the Island that would allow an applicant to receive an allocation of **LIHTC** regardless of the acute demand, and the current, historically-high need for workers. However, Hilton Head Island has award-winning schools, beautiful parks, miles of bike and leisure trails, recreational and cultural opportunities, excellent emergency and other services and all the necessary infrastructure for a great place to live.

Currently, 34.5 out of a maximum competitive 86.5 points for new construction (or 40%) are based upon these Site Characteristics (or 34.5 points out of 90.5 for rehabilitation projects). In comparison, 1 point out of 86.5 competitive points (1%) is the maximum achievable for demand. No other of the application's criteria carries such weight except the Development Characteristics, which are NOT OPTIONAL. The required minimum and maximum points for Development Characteristics are

both 110. An applicant must score at least 110 and cannot count any more than 110 points in this category.

RECOMMEND:

- The list of Site Characteristics should be augmented and edited to reflect actual delivery mechanisms and future trends of vital services such as education, emergency response services, health and wellness, and access to food.
- In the body of the application, points for Site Characteristics should be greatly reduced so as to eliminate an award based on something like the proximity of a cinema over a demonstrable critical demand.
- In the body of the application, points for Site Characteristics should be awarded because of **ACCESS AND AVAILABILITY**, not physical location. For instance, the availability of transportation for students traveling to and from school, not the driving distance, or the availability and usability of online healthcare and banking services. (The Town of Hilton Head Island employees have access to real-time physicians online and Gen X and Millennials often don't use brick and mortar banks.)
- Site Characteristics should be removed from its preeminent position as the #1 tie-breaker. It's current position doubles its importance and impact above all other criteria.

ADDITIONAL DISCUSSION: Urban areas certainly do have a need for affordable housing. However, the preferences they receive in this section of the **QAP** eliminate the creation of affordable housing opportunities in areas where greater demand exists. There already is a designated **SCHousing** set-aside for "Large Population Urban." (This section also awards additional points for items that should be available to other developments. For example, free services on-site are always beneficial and should be encouraged in every category of the **QAP**.) Large Population Urban areas receive preference in their own set-aside and then again if they don't score high enough in the set-aside and are returned to the general pool of applications. Finally, real estate professionals will agree that for purposes of development, **JOBS** lead. First jobs are created, housing follows and services arrive.

3. **WORKFORCE HOUSING** - The critical workforce demands in areas such as Hilton Head Island are unaddressed in the **SCHousing QAP**. Jobs that drive the need for housing are a good sign of economic growth and opportunity.

RECOMMEND:

- Components of Workforce Housing demands should be analyzed and included in the **SCHousing QAP**.
- Create a Workforce Housing Set-Aside in the **QAP**. Consider parameters and indexes such as those in the Indiana **QAP** for consideration in the new set-

aside (<http://www.in.gov/myihcda/files/FINAL%202018-2019%20QAP.pdf> and <http://www.statsamerica.org/ii2/overview.aspx>)

- In the body of the application, add criteria to score points for growing workforce demand.
- Use some component of workforce demand in the tie-breaker section of the application.

4. DEVELOPMENT COSTS - The development cost calculations used twice in the tie-breaker section of the **SCHousing QAP** arbitrarily excludes Hilton Head Island developments from consideration in the event of a tie-breaker.

Logically, an area that experiences high development costs per unit (assuming similar quality of construction) would most need resources to bridge the gap in financing that exists between the amount low income renters may pay and the costs to develop. Using cost standards by type of building without incorporating location considerations penalizes areas like Hilton Head Island and other coastal areas. Hilton Head Island is an island. It's unique conditions and needs should be addressed, not dismissed. It is connected to the mainland by a bridge. It is surrounded by water. The environment is sensitive. Severe weather factors add to the need for more costly construction, including hurricane force winds and storm surges. To build a high quality development here will cost more than most other places in South Carolina. But the need is great.

RECOMMEND:

- Assemble a variety of sound resources that are available to assess the reasonableness of construction costs. More precise measurements using more data would produce better results that may address the demand for affordable housing in higher cost areas.
- Modify one construction cost tie-breaker to compare developments by type and area in order to incorporate location specific costs.
- Remove the second construction cost tie-breaker to limit its ability to eliminate developments in coastal construction areas.

ADDITIONAL DISCUSSION: The **SCHousing** should use the **LIHTC** to support the development or rehabilitation of the most affordable units with the least amount of **LIHTC – ALL OTHER THINGS BEING EQUAL**. Some equitable cost comparisons are necessary and reasonable. However, the **SCHousing** should consider the exacerbation of demand for affordable housing in high cost areas as potentially multiplying if not addressed. Shrinking economies could produce more instability in resources available to secure housing. Workers in high development cost areas are more likely to need help initiating independent residency, but if the residency is initiated, the result may be a positive multiplier for available workers.

5. **UNDERSERVED AREAS** - Although Hilton Head Island has only received 48 units of **LIHTC** housing in three decades, it is not considered “Underserved” by the **SCHousing QAP** and does not receive the points and preference associated with that designation. Hilton Head Island is part of a county, but it is also an island, separated from the mainland by a single bridge and itself an incorporated municipality. How should the effects of decades of lock-out from the **LIHTC** be addressed?

RECOMMEND:

- Analyze other municipalities with significant economic impact to the State of South Carolina to determine pockets of areas underserved by the **SCHousing LIHTC**.
- Identify additional municipalities/requirements for consideration in the Underserved Areas set-aside.
- Award points in the body of the application to municipalities which have not benefitted from the **LIHTC** program for some period of time for no reasons other than the preferences of the **QAP** that are not required by Section 42 of the Internal Revenue Code or the State of South Carolina’s documented preferences.
- Award points in the body of the application, or preference in the tie-breaker, to municipalities or areas that have experienced stagnation or reduction in the number of **LIHTC units**.

Final Note:

This analysis is not an exhaustive review of the SCHousing Qualified Allocation Plan. The focus areas above represent the criteria that, if modified, would have the most impact upon areas such as Hilton Head Island that have been effectively excluded from the LIHTC Program in South Carolina for years. Other testing of the QAP should occur to determine if the LIHTC awarded by South Carolina is consistent with the three preferences prescribed in Section 42(m)(1)(B)(ii)(I through III) and the stated Mission and Purpose of the SCHousing and its QAP.

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Services Scored in QAP	Max Points	Availability on Hilton Head Island
Full Service Grocery Stores	4	We have 11 Full Service Grocery Stores on the Island, or .27 per square mile. Additionally, we have 3 year round or seasonal farmer's markets and many specialty grocers.
Pharmacy or Drug Store	4	We have 12 qualifying locations.
Convenience Store <u>and</u> Gas Station	4	We have 12 Convenience Store/Gas Station combinations. Additionally, we have a Full Service Grocer with a Gas Station.
Restaurants with tables and chairs	3	As a resort destination, we have hundreds of restaurants where food can be consumed on site.
Entertainment Venues	3	We have more entertainment venues than this definition allows with daily live music shows and outdoor entertainment.
Retail Shopping Areas	3	We have 24 retail shopping areas.
Doctor's Office/Medical Office including a hospital and minute clinics staffed with full time General or Nurse Practitioner	3	We have 9 qualifying locations.
Public Schools - elementary, middle or high school	3	All Hilton Head Public Schools are located on a single, multi-school site with no new development opportunities within the required distance. All Public Schools have bus service.
Fire Station	1.5	We have 7 fire stations.

Services Scored in QAP	Max Points	Availability on Hilton Head Island
Full Service Banks	3	We have 24 full service banking centers.
Public Park or Playground with commercial playground equipment and/or walking trails/bike paths.	3	Depending upon whether or not the beach is considered a walking trail/bike path, we have as many as 20 qualifying recreational sites/facilities.