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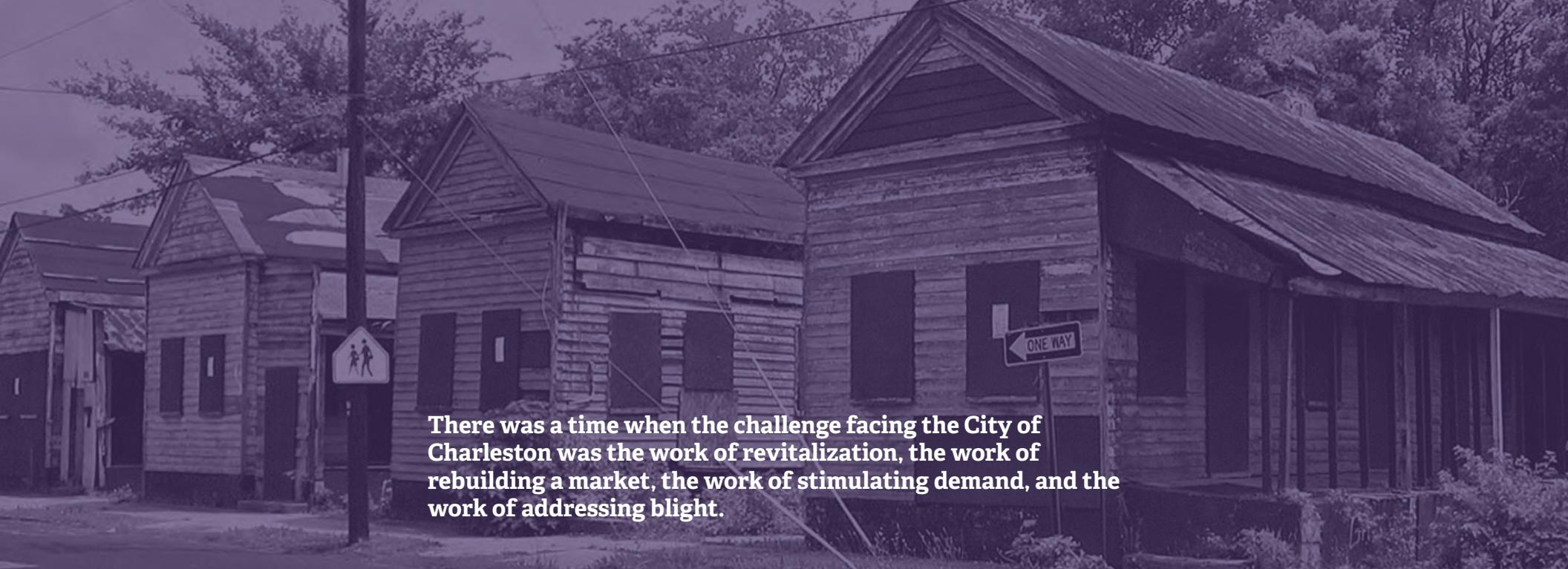
Historic Preservation, Affordability, and Livability in Charleston's North Central Neighborhood

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There was a time when the challenge facing the City of Charleston was the work of revitalization, the work of rebuilding a market, the work of stimulating demand, and the work of addressing blight.

Three ingredients are especially critical for a city facing such challenges:

1. Either **limited land** or proximity to a hot market.
2. **Good bones**, however much obscured.
3. The expensive and challenging work of **historic preservation**.

None of these ingredients do their magic without a fourth: the capacity to leverage these assets and characteristics by sheer will, grit, determination, focus, and commitment. These are the elements for creating potential value. The market has to want to come and choose to invest.

The market has to want what you have.

DENSITY, DESIRABILITY, COST, AND QUALITY

Some places are so desirable that demand for their limited real estate has pushed values ever higher. Manhattan is only 33.7 square miles. This has translated into costs of about \$600 for a square foot of buildable land, or about \$25M per acre.

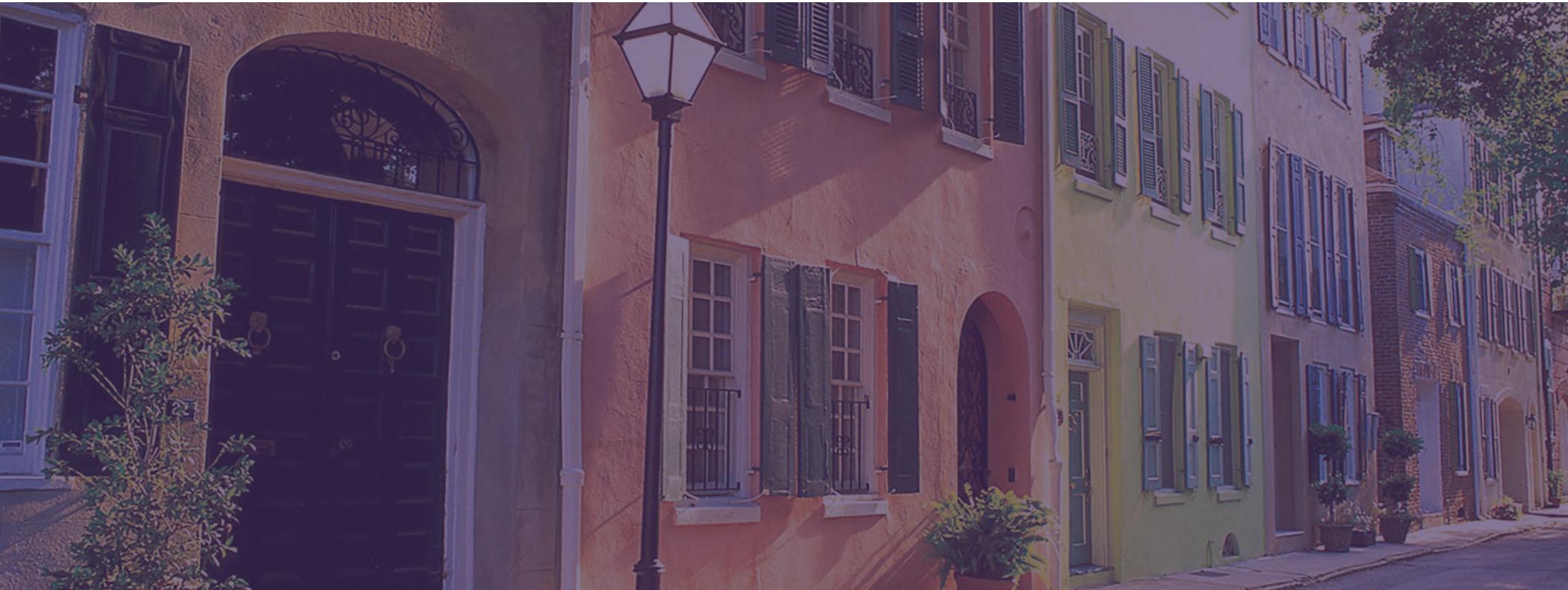
To reclaim the expense of acquisition, development costs now exceed \$1,900 per square foot for housing. Were one to acquire the rare piece of land in Manhattan and construct a 1,800 square-foot single family detached home at average Charleston densities, it would need to sell for almost \$6M to justify the trouble.

That requires an annual household income of about \$1.5M on the part of the home buyer, or a bi-weekly paycheck of about \$60,000. Increases in density can reduce unit costs; the average rent in Manhattan is about \$4,000 per month owing to height and density.

Though to a lesser degree, this is what is happening in San Francisco, Honolulu, elsewhere in New York City, San Jose, parts of Connecticut, and Washington, DC. Limited land. High quality of life. Continual investments in quality of life using the extra revenue strong markets have on hand.

The resulting virtuous cycle of reinvestment and quality means the cost of getting in today will always be less than it will be tomorrow.





The time when the challenge facing the City of Charleston was the work of revitalization and stimulating demand is long gone.

The combination of limited developable land, limited appetite for height and density, and a national demographically powered appetite for urban living has resulted in Charleston's peninsula joining the elite company of Aspen (CO), Santa Fe (NM), Park City (UT), Hermosa Beach (CA) and a few others among the most desirable places to live in the US.

To the degree that economics is the study of scarcity, Charleston today is an ATM machine. Value has been created. The question is no longer how to make the Charleston market strong, but how to spend dividends of hard work?

Put another way, Charleston has figured out how to create value — now it must figure out how to extract and deploy it in ways that create value more evenly throughout the city while ensuring the presence of affordable housing options.

Charleston's Challenge: Balancing Desirability and Affordability

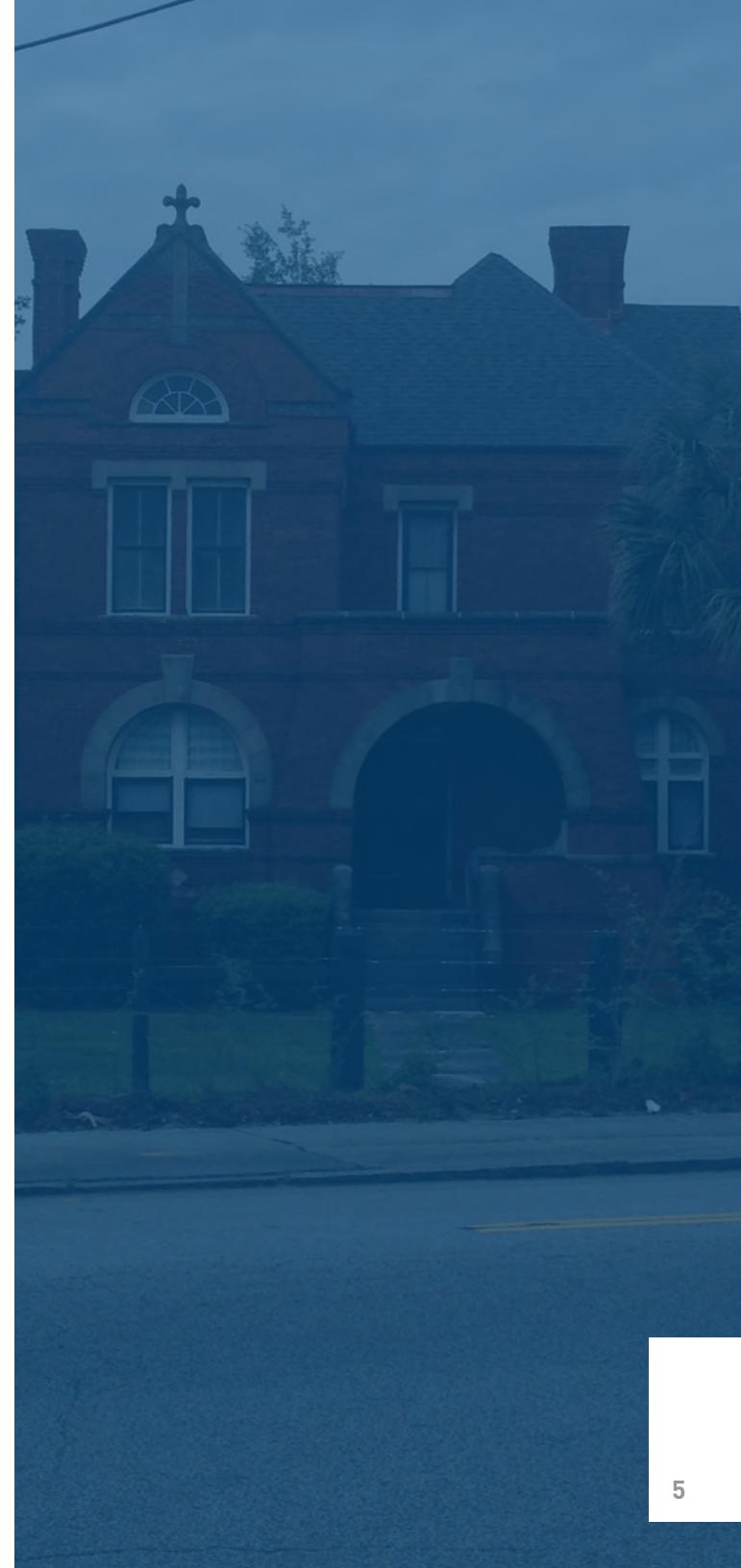
Historic Charleston Foundation is a national leader in the historic preservation movement, helping to ensure that the historic architecture and character of Charleston is not lost.

It also has taken on a leadership role in recognizing that the very efforts that are preserving and beautifying Charleston's neighborhoods are making those neighborhoods more livable and more desirable. Greater demand for housing in these areas is pushing prices up, to the point now where they far exceed the buying power of all but the highest-income households.

On the positive side, greater demand and the prospect of higher returns are making investing in properties in these areas — including historically appropriate rehabilitation and restoration projects — attractive to more owners. But owners (whether investor owners or homeowners looking to sell) expect to be repaid for these upgrades, which only further drives up prices.

Over time, the rising quality of life aided by preservation work and improved neighborhood maintenance leads to an escalation in the costs of home-ownership and renting. Unchecked, this causes families who have lived in a neighborhood for multiple generations to be displaced as the costs of staying rise faster than they can afford.

Higher property taxes caused by the increased value of a home are one type of cost that can lead to displacement. Increased pressures to upgrade (via a city responding to demands for code enforcement to protect property values) and better maintain homes is another.





The potential for rental property owners to trade current, marginal income tenants for new higher income renters is a third. All can have the effect of pushing families out of a neighborhood they have lived in for all of their lives.

Charleston is well familiar with these forces and realities, having watched prices escalate as neighborhoods throughout the southern peninsula capitalized on their historic assets. The question before the city and local stakeholders now is how to respond to and leverage these forces as they spread through the northern peninsula and, particularly, in the North Central neighborhood. Here, the replacement of long-time residents with new residents as prices rise runs the risk of jeopardizing the community's character and identity.

To answer this question, Historic Charleston Foundation is working with the North Central neighborhood and the City of Charleston on an unprecedented project to not just preserve important historic properties in North Central, but also preserve both the neighborhood fabric and human character that makes the North Central neighborhood so special. This is work that few others have embarked on so explicitly and thoughtfully.

Historic Charleston Foundation made North Central its top priority because of its high number of historic vernacular homes, its socioeconomic diversity, the infill pressures in the neighborhood, and the limited Board of Architectural Review controls currently in place.

Historic Charleston Foundation has established the following goals for its Neighborhood Revitalization Initiative:

1

Advocate for the rehabilitation and full occupation of historic structures in the North Central neighborhood.

2

Partner with the community to revitalize the neighborhood through the advent of:

1. Historic Preservation & Revitalization Programs
2. Affordable Housing Projects
3. Home Ownership Development Programs
4. Livability & Quality of Life Endeavors

3

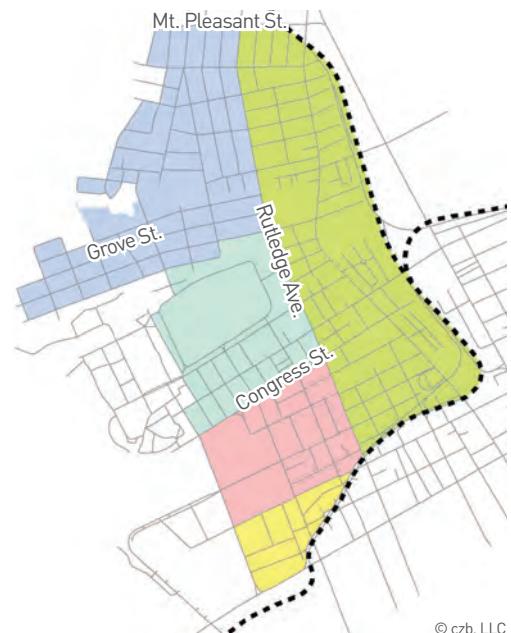
Conduct neighborhood outreach in order to better grasp the needs of the community and empower the residents to have a meaningful stake in its future.

For the last few years, HCF has focused on the area bordered by Romney Street to the south, Maple Street to the north, I-26 to the east, and South Enston Avenue to the West. The work in this area to date has primarily focused on neighborhood beautification activities and historic rehabilitations.

UNDERSTANDING NORTH CENTRAL

Investment opportunities and development pressures in Area A are considerable because it contains a relatively high concentration of troubled and blighted properties and low rates of homeownership.

Rapid turnover, though, would threaten one of the few predominantly African-American neighborhoods remaining on the peninsula.



NORTH CENTRAL AREAS

- ■ ■ ■ I26 & US17
- ■ ■ ■ ■ Area A
- ■ ■ ■ ■ Area B
- ■ ■ ■ ■ Area C
- ■ ■ ■ ■ Area D
- ■ ■ ■ ■ Area E



HOMEOWNERSHIP RATES

- ■ ■ ■ ■ I26 & US17
- ■ ■ ■ ■ Area A
- ■ ■ ■ ■ Area B
- ■ ■ ■ ■ Area C
- ■ ■ ■ ■ Areas D & E
- ■ ■ ■ ■ 0.0% - 34.9%
- ■ ■ ■ ■ 35.0% - 49.9%
- ■ ■ ■ ■ 50.0% - 64.9%
- ■ ■ ■ ■ 65.0% - 79.9%
- ■ ■ ■ ■ 80.0% - 100%



% OF HOUSEHOLDS AFRICAN-AMERICAN

- ■ ■ ■ ■ I26 & US17
- ■ ■ ■ ■ 0.0% - 24.9%
- ■ ■ ■ ■ 25.0% - 49.9%
- ■ ■ ■ ■ 50.0% - 64.9%
- ■ ■ ■ ■ 65.0% - 79.9%
- ■ ■ ■ ■ 80.0% - 100%



FIELD SURVEY OF EXTERIOR CONDITIONS

- ■ ■ ■ ■ I26 & US17
- ■ ■ ■ ■ Excellent
- ■ ■ ■ ■ Good
- ■ ■ ■ ■ Needs Upgrades
- ■ ■ ■ ■ Troubled
- ■ ■ ■ ■ Blighted

Based on our quantitative and qualitative work, czb has concluded that the market is working in the North Central neighborhood.

That does not mean it is producing perfect outcomes in every respect, or even in many. It does not mean, for example, that the market is generating “fairness” by some definitions. It does not mean that the market would, by itself, be preserving historic architecture.

It does mean that the current combination of public policies, regulations, land scarcity, and desirability of the city in today's regional market is generating more demand than there is supply in certain sections of the city, and North Central is one of the last, if not the last, remaining neighborhoods that can absorb this demand at a level of pricing the market is presently willing to spend. In this sense — rising prices and on-going preservation — the market is working.

Home prices are rising and this trend will continue. However, without any intervention by the broader community, infill development will be less than ideal. Some infill will hew to desirable urban design principles, some will not.

Therefore, even though the market is working, some type of intervention in the North Central market will be necessary to both encourage and make it easy for existing owners and infill developers to maintain and enhance the historic character of the neighborhood. As discussed later in this report, revolving loan funds for rehabilitation and repair projects, loan funds to encourage appropriate infill, new historic preservation and infill policies, and community efforts to encourage and support quality preservation, all have a part.

Precisely because the market is working, continued affordability is at risk. Long time home owners are going to face increasing pressure to sell. The homes their families have lived in for years are desired by the wider market, if not in their current condition then in a future upgraded form.

Owners face a conundrum: sell and be compensated handsomely but leave with the benefits. Neighborhoods face a similar quandary: intervene to prevent such sales or witness the sales and see values rise but the block turn over.

This pressure and the resulting choices will come from developers wishing to fix and flip houses. This pressure will also come from rising taxes and the costs that come with increasing property values and standards. Any intervention strategy in North Central has to contend with the rising costs of home ownership that come with quality of life improvements in a community.

Therefore, even though the market is working, some type of intervention in the North Central market will be necessary to contend with the rising costs of home ownership that come with quality of life improvements in a community. As discussed later in this report, land trusts, land banks, and policies to ensure that new development properly addresses affordability are all important tools in this regard.

The residents of North Central love their community. They treasure its diversity, history, architectural character, and family friendliness.

North Central residents are aware that these qualities are at risk and they are appropriately concerned that the diversity and human history of the neighborhood requires attention. As such, affordability is a high priority for them. It cannot be stressed enough that efforts to improve and beautify North Central also serve to reduce its affordability.

This is always a frustrating reality, but it is true. This reality is why it is so important that the City of Charleston use its land use and other policy tools, in conjunction with the efforts of North Central residents, Historic Charleston Foundation, and others to ensure improvements to the neighborhood do not end up forcing out the people who have lived in and maintained the neighborhood for so many generations.

With limited land, there are only so many ways to cope with excess demand. The market handles excess demand in one neighborhood by absorbing it somewhere else. If there is excess demand south of Broad, it fills in between Broad and Calhoun. If demand exceeds supply west of King, then it moves to Meeting. And then further still. The lower peninsula has now become so desirable and available housing and land so scarce, that the excess demand is migrating up to North Central.

Since 2004, the rate at which prices have risen has greatly exceeded the rate of appreciation of local wages. Consequently, the capacity of low and moderate — and increasingly middle — income households to live on the Charleston's peninsula has fallen. In 2004, North Central and its surrounding areas were all relatively affordable; in 2014 North Central remains one of the last intact neighborhoods affordable to moderate and middle income workers on the peninsula.

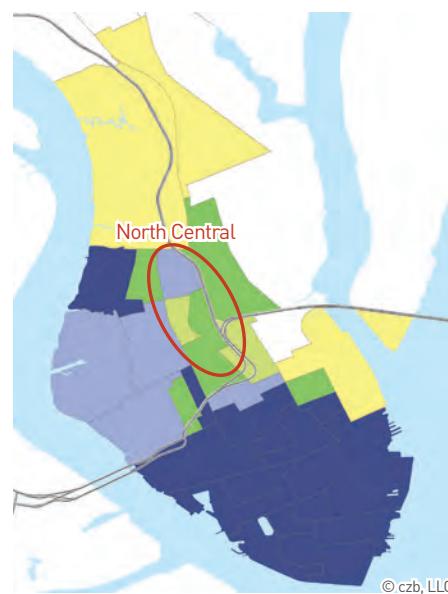
Today, Charleston's residential market is increasingly comprised of local owners (who are able to own, having gotten in earlier), or transplants (possessing cash obtained from more expensive markets like New York, or income tied to non-local employers).

ON THE PENINSULA

AFFORDABILITY IN FOCUS

Although it remains relatively affordable, prices in the North Central neighborhood have risen more rapidly since 2009/10 than prices in most peninsula neighborhoods.

Today, much of North Central is still within reach of families making the area median income (\$63,000), but that affordability is fleeting.



AFFORDABILITY OF MEDIAN HOME VALUES, 2014

- \$66,900 – \$137,925
75% AMI
- \$137,925 – \$183,900
75% – 99% AMI
- \$183,900 – \$275,850
100% – 149% AMI
- \$275,850 – \$367,800
150% – 199% AMI
- \$367,800 – \$1,000,000
200%+ AMI

AMI = Area Median Income



APPRECIATION OF SINGLE-FAMILY HOME VALUES, 2009/10 TO 2013/14

- 67.8% – 0%
- 0.1% – 9.9%
- 10% – 19.9%
- 20% – 29.9%
- 30% – 75.6%



AREAS OF AFFORDABILITY FOR HOUSEHOLD INCOME OF \$63,000 (AMI)

- Within Reach
- Just Beyond Reach

AREAS WITH STEEPEST PRICE ESCALATION

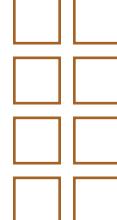
- >30%
- 28.9% – 29.9%

AFFORDABILITY IN FOCUS

Throughout the peninsula, housing options for working class households have become increasingly limited. While a household headed by a full-time hotel worker could afford a home on parts of the peninsula in 2000, they are virtually excluded by today's market. Even a household headed by a teacher will find only 21% of the peninsula within reach.

PERCENTAGE OF AFFORDABLE LAND ON THE PENINSULA BY INCOME

0%



Hotel Worker
\$25,000 per year

21%

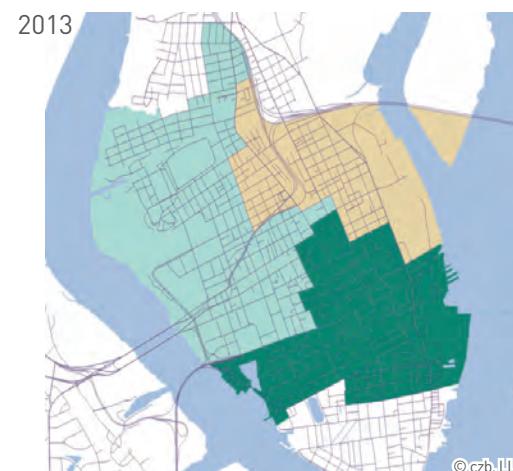
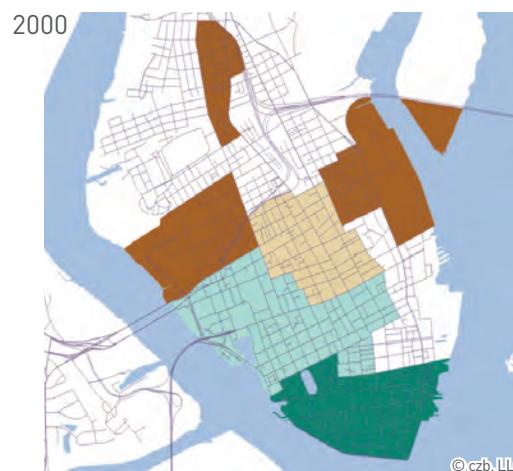
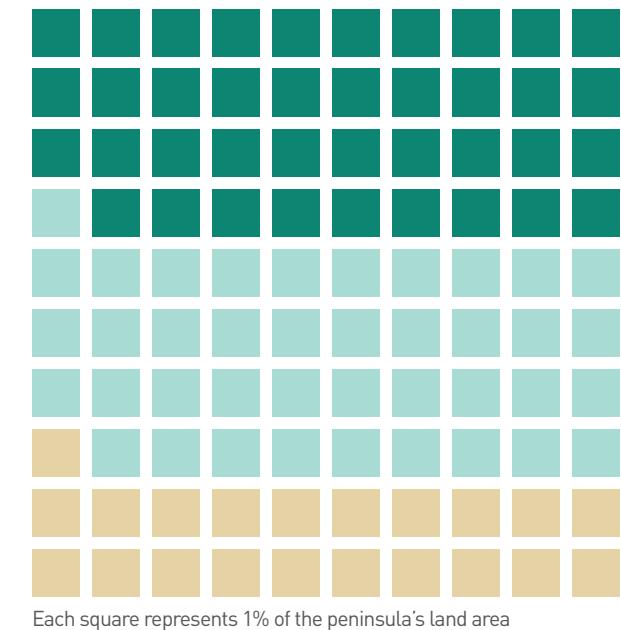


Teacher
\$44,000 per year

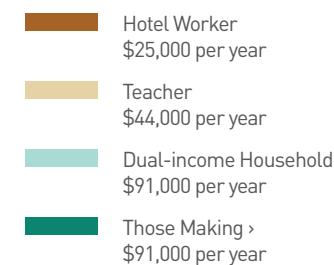
61%



Dual-income Household
\$91,000 per year

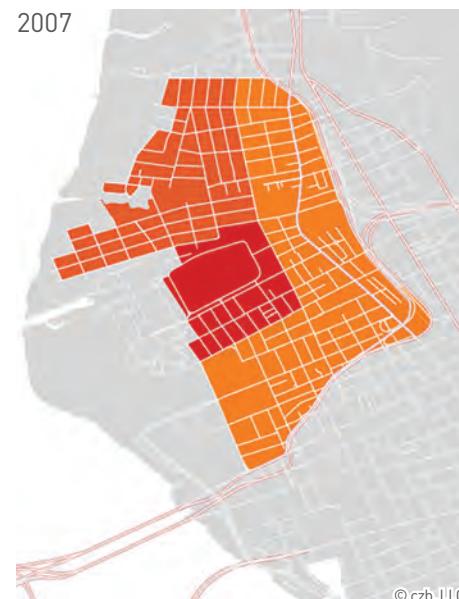
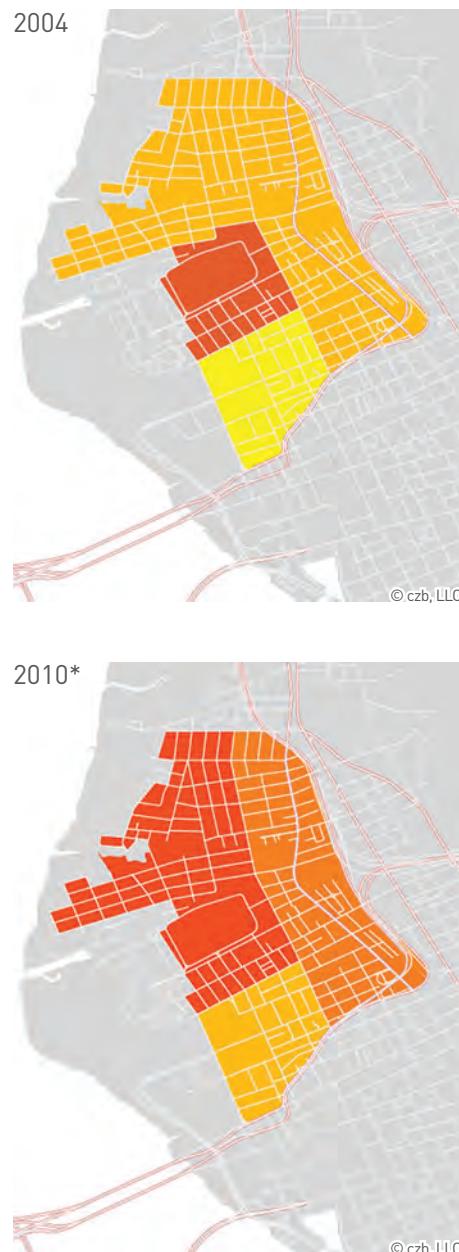


MEDIAN VALUE AFFORDABILITY BY INCOME AMOUNT



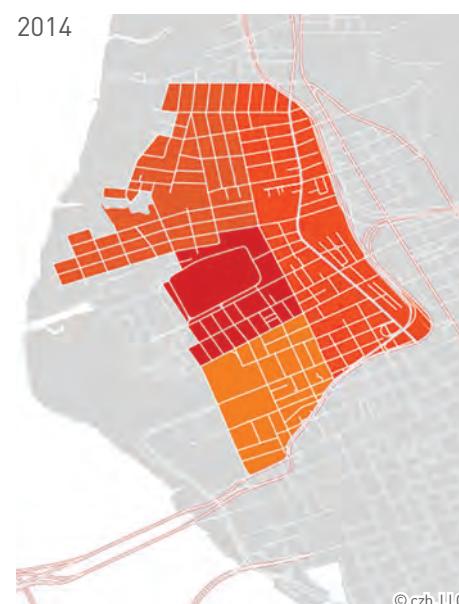
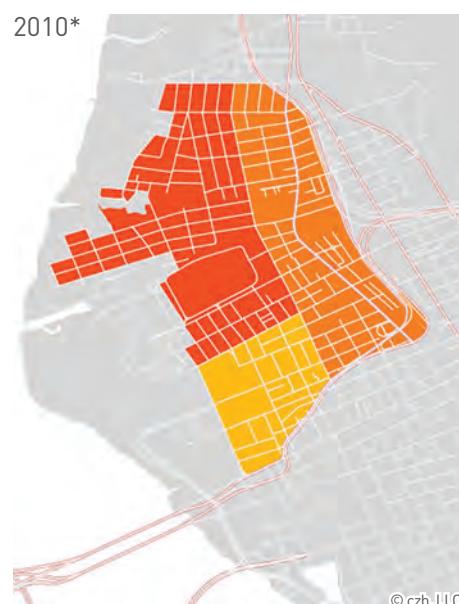
AFFORDABILITY IN FOCUS

While the Great Recession cooled North Central's price escalation for a brief period, prices rose sharply in every part of the neighborhood between 2004 and 2014 — including areas where homeownership rates are relatively low and property conditions are more modest than other parts of the peninsula.



IN NORTH CENTRAL

AVERAGE PRICE DETACHED SINGLE- FAMILY HOMES



* Decreased home values following an economic recession

There are two principal consequences of these affordability challenges in Charleston.

1

The first consequence is economic.

What makes the task of balancing historic preservation and neighborhood affordability so difficult is that the economic ramifications are a mixture of good news and bad news.

When demand out-paces supply, values first stabilize. Then, if confidence in the future holds, values continue to rise. This creates the capacity to obtain wealth, whether in the case of real estate through capitalized cash flow, tax benefits, or sale.

This is good.

2

The second consequence is culturally geographic.

But, at a certain point, because no city operates without teachers and janitors and clerks and technicians and gardeners and coaches — all of whom earn less than the lawyers and doctors and software writers whose incomes enable them to keep pace with real estate value appreciation — commuting eventually becomes an issue that imposes costs.

These so-called negative externalities, either in the form of time lost through congestion, environmental impacts (air and water quality), or infrastructure expense, are costly.

This is bad.

The “good” economic ramifications of historic preservation are clear and tangible, because preserving historic architecture usually means improving a place. When a place crosses a certain threshold and demand becomes self-fulfilling (in terms of prompting and maintaining market confidence in the future) the “stocks” of a place – the buildings, the amenities, the people – all become ever more appealing in the competitive context.

Each new buyer further contributes in some way to building upon existing qualities. The result is more demand, and in a market like Charleston with finite land and building supply, that means prices increase. These price increases both respond to and shape supply constraints (much like preservation regulations and supply attributes such as the imputed value of living in a culturally distinct place).

Long story short: preservation begets demand which creates value which becomes an expectation which triggers more demand.

The more distinct a place is, the more valuable it can potentially become, if its distinctive qualities are desirable. The flywheel in Charleston — now 50 years in the making — is such that market forces plus regulatory requirements can now be counted on to demand and pay for historic preservation.

This is the good news: that living in Charleston is so desirable that invaluable historic properties will be preserved almost entirely by market forces.

The bad news is that to have reached the point and level of demand where the market is able to support preservation to this extent means that land costs have reached levels so high as to render neighborhoods virtually inaccessible to any household making less than 175% of AMI (area median income). Over time, neighborhoods filled with households earning 2 to 10 times the city median become neighborhoods with retail establishments whose goods and services are tailored accordingly.

Because the households with the ability to buy into the Charleston housing market increasingly possess incomes much higher than the median, the result is that nearly every ‘in-mover’ will be a two-income white, professional couple. Many of these households will have the chops to buy a dilapidated but historically significant structure in Charleston, but not south of the Crosstown. Instead, they will buy in North Central. When they do, they will pay at least \$250,000 at the front end and borrow \$200,000 to upgrade the structure, and when done they will have a single family home worth \$600,000 in three years if not sooner.

This is good. Income is coming to the city. Historic structures are being preserved. Areas north of the Crosstown, including North Central, are growing in value and vitality. This couple alone will spend \$50,000 a year in local stores, employing workers and contributing to the retail strength in the city. Tax revenues will go up, and the city will have a higher fund balance to tend to civic matters than ever before.

What's not so good is that at \$600,000 in near future value, none but a two-income couple can afford market entry, and increasingly that means not only non-Black but non-local; the lament from parents will increasingly be "my kids can't afford to come back to the city they grew up in."

Entry will exclude police officers, school teachers, cafeteria workers, plumbers — in short, anyone not earning at least \$100,000 annually, within a very short number of years.

Restaurants will have a harder and harder time finding workers. Service industries will struggle for staff. Those earning less than 100% AMI will commute from farther and farther away, and congestion will worsen. When congestion becomes worse a city's competitive advantage can eventually erode; in Charleston that could mean port traffic gets diverted to Savannah, threatening jobs. In becoming a carrying capacity issue, limited affordability can become a limiting factor to the regional economy.

Of course, the reasons to be concerned about waning affordability go well beyond the economic consequences. The city's cultural character — a key component of what makes the city authentic and desirable — is at stake. Today, 70% of Charleston's population is white; in North Central — ground zero for today's affordability/preservation challenge — 70% of today's residents are African-American.

If having a diverse Charleston matters, then North Central is the key area where preserving cultural diversity — not just architectural heritage — is still possible.

With an exit bonus in the tens and hundreds of thousands of dollars, individuals selling houses stand to benefit greatly. With an entry threshold for annual household income nearing \$200,000, exiting African-American families will likely be replaced by whites, absent the presence of counterweights aimed at preserving not just the architecture but the cultural heritage of the North Central community and the ethnic and racial diversity of the city as a whole.

THE TIME IS NOW

It is up to the greater Charleston community to decide how important the preservation of economic and racial diversity is in the context of preserving the built environment.

The two aims, each individually important — preserving the built environment on one hand, and preserving economic and racial and cultural diversity on the other — ought to be achievable.

But in point of fact they are oppositional when the former generates value through excess demand and the latter doesn't generate enough income to pay for resulting supply.

The only way to achieve both is to pay for both.

RECOMMENDATIONS

Hindsight is always clear in telling us what ought to have been done. The City of Charleston ought to have implemented a comprehensive plan that made economic diversity of the city a priority; it ought to have banked land and redeveloped it at higher densities as demand rose.

Here now is a challenge more acute in nature. Because these steps were not taken, the costs and complexity of “catching up” today is quite substantial. The time to act is now. However high acquisition costs are today, they will be higher in the future.

Of this the data is incontrovertible: strong market conditions are going to push prices further up in North Central and if displacement is to be minimized, there is a need for action.

This is a problem larger than Historic Charleston Foundation alone has the capacity to address. It will require the public policy and financial resources of the city and cooperation with other community stakeholders.

Even though the scale of the problem is large and beyond the capacity of the Foundation to tackle, the Foundation nevertheless does have a number of opportunities to act and to exercise leadership.

- There are approaches to preservation and rehabilitation that the Foundation can employ that will direct help to the residents most at risk of displacement, such as small grants and loans to the elderly who own their homes.
- The Foundation can first lead a dialogue and then lead an effort to create a community land trust which can help preserve important properties as well as provide a hedge on affordability.

- There are opportunities to work with and encourage community action on a range of quality of life, sense of community, and beautification issues — those actions that bring the community together
- And there is a role for the Foundation to advocate for new city policies that can help preserve important properties in North Central as well as to address the complexities of heirs' properties, and also policies at the city that can incentivize both the preservation and development of existing and new affordable rental housing.

Without question, doing nothing will result in gentrification.

Business as usual will result in some good and bad preservation projects and some good and bad infill projects. For the most part, doing nothing will retain most of what's in North Central except the people who have lived there for generations. Business as usual absolutely ensures displacement.

For the Foundation to be the fulcrum entity that pulls the city together on finding a balance between preservation (price escalating) and affordability (price holding), the following recommendations will require attention.

HISTORIC CHARLESTON FOUNDATION INITIATIVES IN COOPERATION WITH THE NEIGHBORHOOD AND CITY

SUCCESS MEASUREMENT

- Number of improved exterior envelopes via loans per year,
- Number of historic properties removed from the City's Vacant Buildings List,
- Number of outside partners that contribute to the effort,
- Increase in reinvestment activity of adjoining properties.

1

Implement a Preservation & Rehabilitation Loan Fund.
Currently HCF has approximately \$1.5 M in its Revolving Fund. This is a good starting point. To better utilize and leverage HCF resources, seek out additional donor resources, and partner with another entity with underwriting and housing expertise.

Use these funds to:

- Make loans to homeowners to help them repair and preserve their homes at an affordable cost that would be repaid when the home is sold and/or in affordable installments. Considerations for these loans should include the historic value of the project, the beautification benefit to the community, and income qualification of the homeowners such that they or renters of the property in question must be under 80% of the area median income. HCF would implement a restrictive covenant for the period of the loan. When the loan is repaid, the property owner would have an opportunity to apply to borrow again.
- Use a portion of the fund for modest monthly Neighborhood Revitalization matching grants that are geographically targeted to have the greatest positive impact. These would be for smaller projects that address the exterior envelope of residences. Projects could include wood rot repair, painting, porch repair, window repair, and so on.
- Use a portion of the fund for more significant Property Preservation projects in the \$250,000 range with a target of one to two per year, again at optimal locations in North Central. This has already been accomplished at 159 Romney and 218 Romney in partnership with the City.
- If additional funding is obtained, consider an assistance program that provides loans to new homeowners that meet income and historic property guidelines.

NEXT STEPS

Increase staffing capacity to oversee the loan program.

Define the amount of funding HCF is willing to provide.

Identify partners to help sell, manage and promote this program.

Work with the SC Community Loan Fund, Charleston Housing Authority, and the City's Dept. of Housing and Community Development to help refine the loan program model.

Establish criteria for eligibility for the program.

HISTORIC CHARLESTON FOUNDATION INITIATIVES IN COOPERATION WITH THE NEIGHBORHOOD AND CITY

SUCCESS MEASUREMENT

- Number of properties preserved/acquired,
- Amount of affordable housing opportunities in the targeted neighborhood.

2

Promote and, with the City, co-facilitate the creation of a Charleston Area Community Land Trust, a nonprofit organization that leases land for long-term housing affordability. HCF should dedicate seed funding of up to \$500,000 dollars to start the process, conditioned on leveraged matches from partners.

The objective is to address long-term affordability by taking control of land costs through the acquisition of either land or entire properties, and then leasing back the land (at a nominal fee rather than at market value) to the lessees.

There are over 250 Community Land Trusts in the U.S. Land trusts are legal in the state of SC as of 2011. Sterling, SC (a community in Greenville) has the most mature trust in SC (originating in 2009).

Seventy percent of Land Trust activities must be activities for low and moderate income homeowners. Land Trusts can engage in other activities, such as commercial development, so long as such development supports their mission.

Discounting land appreciation from overall housing costs is important as land is the key measure of demand and scarcity and thus especially valuable in a land-finite situation such as Charleston's. Focus the expenditure of these funds on the residents most at risk of displacement and with homes most in need of preservation.

The Land Trust can encompass land in and outside of North Central but should focus mostly on historic properties within North Central.

NEXT STEPS

Meeting with key stakeholders, land trust organizations, neighborhood leaders, and city leaders to develop plans, establish support, and create a plan of action.

Increase staff capacity to help coordinate the Land Trust work. This position may be an employee of the Land Trust itself, or a staff person at HCF or another entity closely linked to the work of the Land Trust.

Begin to identify partners and funding sources (government entities, private foundations/partners, individuals who contribute/donate land, grants and leases).

Set up a governing structure.

File for non-profit status.

Educate community on CLT options.

Acquire land (on the market or through donation).

2 CONTINUED

PURPOSE AND MECHANICS OF LAND TRUSTS

Market forces manifest themselves as pressures and hardships felt by low-to-moderate income families in North Central Charleston.

Pressure to make upgrades, including historic preservation efforts, create a major cost for homeowners. Rising property taxes, as a result of increased housing values, also increase the cost of both homeownership and rent.



Community Land Trusts provide a mechanism by which affordability can be maintained while simultaneously continuing historic preservation efforts and without negatively impacting market conditions.



Once a home is purchased, the land trust may use funds from grants or philanthropic funds to perform renovations and maintenance, including upgrades that adhere to historic preservation guidelines.



The land trust sells the rehabbed home to an income-qualified individual at an affordable rate. The home is owned by the purchaser while the land remains under the ownership of the land trust.



When the homeowner decides to sell their community land trust home, it is sold at an affordable rate determined by the land trust.

2 CONTINUED

Community land trusts purchase homes within a specified geographic area with the intent of preserving affordable access to entire neighborhoods. In this way, neighborhoods maintain not only affordability, but also cultural fabric and identity.

Over time, the presence of a community land trust can help to accommodate both historic preservation as well as maintenance of affordability.



A Land Trust would acquire properties on a parcel-by-parcel basis in targeted areas.

It would maintain ownership of the land and sell houses at affordable prices by removing land appreciation as a pricing factor.

HISTORIC CHARLESTON FOUNDATION INITIATIVES IN COOPERATION WITH THE NEIGHBORHOOD AND CITY

SUCCESS MEASUREMENT

Number and proportion of infill projects that are affordable and architecturally appropriate.

3

Develop an Affordable Infill Assistance Program. HCF should seek out community partners to assemble an infill assistance program that encourages affordable and architecturally appropriate infill projects.

HCF does not currently have the resources for such a program, but the Foundation can be a catalyst for the creation of such a program. It can also offer its support for appropriate infill projects that preserve affordability in the neighborhoods.

NEXT STEPS

Define levels of assistance (design, financing, etc.) needed to realize sensitively designed, affordably priced infill.

Identify partners and funding sources to fill the gap between the program's goals and what the market can realistically tackle.

Identify good development partners and funding sources.

Assist with site selection and design process.

4

Consider establishing a Foundation policy to publicly support the strategic acquisition of key vacant parcels targeted for infill as well as demolition of certain historic properties.

Set criteria to determine when the demolition will result in both the development of long term affordable housing in the neighborhood and increased value throughout the neighborhood such that concurrent development by the market will produce preservation outcomes of ever higher fidelity.

HCF should establish criteria that projects resulting from such demolition must provide housing for over 30 years or longer for people at 80% of AMI or lower.

NEXT STEPS

Discuss with the city and other stakeholders (internal HCF and external) what requirements would need to be met to allow for demolition.

SUCCESS MEASUREMENT

Number of affordable housing projects created due to strategic demolition.

HISTORIC CHARLESTON FOUNDATION INITIATIVES IN COOPERATION WITH THE NEIGHBORHOOD AND CITY

SUCCESS MEASUREMENT

Number of well-designed and compatible affordable housing projects.

5

Establish quality standards for developers trying to buy and transfer properties. Work with other neighborhood partners to establish expectations and, perhaps, a registry of developers so that quality, trustworthiness and general support for neighborhood goals can be determined in advance.

This could also include partnering with housing developers on affordable infill projects with historic vernacular designs. This effort could assist with concerns about community knowledge, trust and education about selling their properties.

NEXT STEPS

Convene a meeting of neighborhood and other stakeholders to discuss appropriate criteria to be met.

Sponsor a design competition for specific sites.

6

Establish a list of all heirs' properties in North Central so that the Foundation can help seek out partners to address and clear up the ownership of these properties.

NEXT STEPS

Evaluate a partner organization or hire a firm to develop this list.

SUCCESS MEASUREMENT

Number of heirs' property situations successfully resolved.

HISTORIC CHARLESTON FOUNDATION INITIATIVES IN COOPERATION WITH THE NEIGHBORHOOD AND CITY

SUCCESS MEASUREMENT

Number of homes repaired or renovated using the guidebook

7

Help develop voluntary Architectural Guidelines for the neighborhood and provide advice and counsel to the neighborhood residents about ways to renovate homes that are architecturally appropriate and affordable.

HCF would help fund a project to create a guidebook for the community to aid in affordable restoration projects.

NEXT STEPS

Work with neighborhood leaders and developers to discuss the scope of this effort.

Identify architecture firm to help develop the guidebook.

8

Establish a significant awards program (with plaques and promotion) for homes that renovate according to guidelines.

NEXT STEPS

Work with the community to develop this program and establish cash or other awards to go with it.

SUCCESS MEASUREMENT

Number of renovation projects in the neighborhood applying for recognition.

Encourage the city to re-evaluate its inclusionary zoning and density policies, and to consider strengthening or enacting new policies that tie the approval of infill housing to affordability.

Currently, affordable housing is a conditional use on most of the peninsula, allowing affordable housing to be developed as-of-right at generally higher densities than the base zoning allows. The city also has Mixed-Use/Workforce Housing districts (an incentive-based designation that must be applied for) which allow greater density in return for the provision of affordable housing units (at least 15% of developed units) or ground floor commercial space.

The city should examine the performance of these existing policies to determine how many affordable housing units have been generated and whether those numbers and overall trends are sufficient to meet demand and the community's goals. If they are not, revisions should be considered to boost affordable housing development, such as allowing greater density for affordable and mixed-use/workforce developments and requiring that a greater share of incentivized units be made permanently affordable.

In addition to re-evaluating and potentially strengthening existing policies, the city should also look to best practices in peer communities that tie the approval of infill housing to affordability.

The inclusionary housing ordinance in Boulder, CO, for example, ensures that almost all new housing developments in the city contribute in some way to the creation of affordable housing units.

1 CONTINUED

Developers are required to set aside 20% of the total number of units developed as permanently affordable housing, with provisions for providing units on-site, off-site, or to comply through a “cash-in-lieu” option that funds an affordable housing trust fund. In force since 2000, the ordinance has aided in the creation of over 3,000 permanently affordable units.

Portland, ME, passed an inclusionary housing law in 2015 that requires all new housing developments with at least 10 units to set aside 10% of their units as permanently affordable. Developers can avoid this requirement by paying the city \$100,000 for each undeveloped affordable unit. Height and density bonuses are available to help offset developer costs.

2

Create a development impact fee for projects over a certain size (no matter the use or zoning classification) to generate revenue for a dedicated Affordable Housing Fund.

3

Charge an impact fee when rental housing is converted to condominiums and direct all or a portion of the fee to incentives or subsidies for affordable housing.

Berkeley, CA, has long had an Affordable Housing Mitigation Fee tied to rental/condo conversion, based on the finding that such conversions generally have the effect of reducing unit affordability. The fee is determined by a formula that takes into account the difference between the cost of renting and the cost of owning the unit in question — with substantial discounts provided when owners provide strong protections for existing tenants. All fees are fed into the Berkeley Housing Trust Fund to support the development of affordable housing.

Boston, MA, has condominium conversion regulations that give tenants the right of first refusal (over a 90-day period) to purchase their unit. If a tenant does not purchase the unit or cannot be relocated within the same property, the owner must pay the tenant household a \$3,000 relocation fee (rising to \$5,000 if the householder is handicapped, elderly, or low or moderate income).

4

Deploy a development rights trading/banking program, designating some parts of Charleston as “sending” districts and others as “receiving” where incentives can be marshaled to transfer demand and increase the amount of subsidy for affordable housing goals.

Most transfer of development rights (TDR) programs in the United States, including those in King County, WA, and Summit County, UT, are specifically intended to preserve open space by shifting development potential from open land to areas targeted for development.

4 CONTINUED

Only a few existing programs are not focused on open space preservation, including Seattle's, where the full development potential of parcels containing landmark buildings or affordable housing can be shifted to other sites to allow added density on the "receiving" parcels while preserving the buildings and existing uses on the "sending" parcels.

Charleston has an opportunity to pioneer a TDR model with the explicit purpose of preserving and creating affordable housing. Such a model, which could operate across the region, might involve the following components, among others:

- **Density Bonuses**

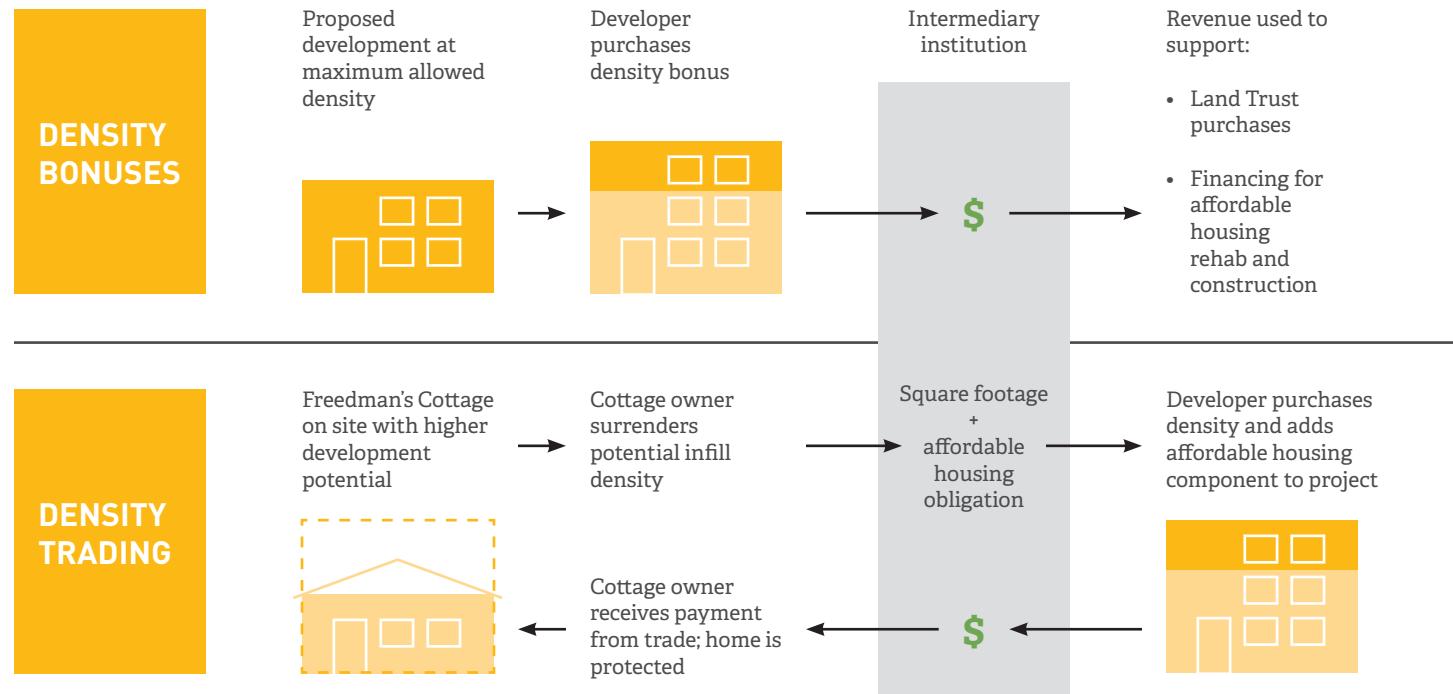
Provide density bonuses in certain commercial districts in return for impact fees that would support land trust purchases on the peninsula. For example, the city could allow up to 50,000 bonus square feet for a \$50 per square foot impact fee. If a developer wanted an additional 20,000 square feet, they would pay a \$1 million fee to support land trust purchases.

- **Density Trading**

In targeted areas, allow owners of potential infill sites (where density of the current structure is less than the parcel's full potential) to commit their "density difference" to a tradable pool. Rental housing developers could draw from that pool for \$50 per square foot if they agreed to make at least one-third of their additional units affordable at or below 100% AMI. A developer would pay, for example, \$600,000 for the right to add ten additional 1,200 square-foot units — at least three of which would have to be affordable. The revenue would be distributed proportionately among the "sending" property owners, who would be paid when a project officially claims their commitment.

4 CONTINUED

How might the trading & banking of development rights work to support affordable housing in Charleston?



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GEOGRAPHIC DESIGNATIONS

Such tools would require that parts of the city be identified as 'sending' and 'receiving' districts for each activity

1. Areas where density bonuses could be used (receiving)
2. Areas where potential infill density could be shifted **from** (sending)
3. Areas where potential infill density could be shifted **to** (receiving)

5

Adopt policies that tie any approved demolition to affordability (demolition fees go to affordability programs and/or projects that contribute to affordability in some way). The basis for calculating demolition fees would be determined by the City.

6

Push for the creation of a “mini-BAR” or BAR-lite model for the North Central neighborhood that puts a base-line of design review in place for the neighborhood.

Cities like Alexandria, VA, have employed a less intensive BAR for some neighborhoods in order to provide less expensive and less difficult rehabilitation standards for emerging neighborhoods where affordability is also a goal.

A less restrictive regulatory process helps attract more modest income home buyers and renovators and also helps preserve affordability in the neighborhood. A less regulatory intensive BAR also helps encourage rehabilitations by minimizing the complexity or cost of going through the review process.

Under this model, the city would help develop guidelines for the types of repairs and renovations that would be possible without Board of Architectural Review oversight.

The guidelines would also help ensure new construction in the neighborhood is compatible with the architectural character of other homes (e.g. porches, set-backs, materials, et al).

6 CONTINUED

There is another value to the modified BAR approach that may produce profound results. Efforts toward the preservation of the built environment — whether in Charleston, Boston, Santa Fe, Savannah, or elsewhere — have become synonymous with results good for anyone but those living in the community before preservation took hold. Good for those who appreciate architecture and history. Good for investors. Good for newcomers. Good for those who had the financial ability to get in early.

A preserved built environment is simply not seen by lower income and working families as anything but a vehicle for dispossession. Even if not intended, this is how it has unfolded and how it is felt.

By reducing some preservation criteria, a balance between preservation and community is potentially achievable. It also creates a negotiation framework that has greater equity whereby the less empowered of negotiating partners can participate in the upside and indeed come to see in preservation an upside that includes them.

Likewise such a framework provides an opportunity for the more empowered to let go of perfect preservation ideals as a means of achieving other aims like social equity and fairness.

7

The community should push for measures to allow a land bank to put a hold on an heirs' property, which, after a set time, would revert to an ownership of that property assuming no heirs come forward.

8

Review and consider changes to property tax abatement programs for seniors and long-time residents of the neighborhood to maximize the opportunity for them to stay in the community.

9

Push for the creation of a North Central Community Development Corporation modeled on the original Neighborhood Housing Services (NHS) structure of resident-led home ownership oriented mission aimed at healthy neighborhood establishment.

This would be a resident-as-first-among-equals approach in partnership with local lenders and the city. The model would be the NHS of Savannah.

10

Issue bonds to finance the acquisition of land and its development for permanent affordable housing.

1

Establish an array of communication tools to help people know what is happening in their neighborhood. An important part of capacity building is to partner with residents so they are more in control of their community's future.

Step one is generating information and energy aimed at genuine involvement. This simple act of valuing the people in the community will be very important. Content wise, helping the community stay informed about transactions and intentions will eat into the pernicious rumor mill.

This was one of the top issues identified by people in the neighborhood. An important part of capacity building is to partner with residents so they are more in control of their community's future.

2

Provide homeowner education opportunities and assist others with grant applications geared toward neighborhood revitalization. HCF staff or other organizations could provide technical outreach, education, and help to demystify historic preservation.

HCF has already worked with New Israel Reformed Episcopal Church to form a church grant committee, teaching members how to identify grant opportunities and leading them through the grant application process.

This assistance can be extended to others in the community, such as Gethsemane Baptist Church or the North Central Neighborhood Association.

3

Work with partners to create North Central Preservation Alliance (with Historic Charleston Foundation, North Central Neighborhood Association, Trident Urban League, housing developers, Center for Heirs Property, PASTORS, and SC Community Loan Fund all on board as partners to “advance policies and programs in the neighborhood” and beyond).

A North Central Community Preservation Alliance could provide guidance on land trust and other neighborhood activities (public realm improvements, clean up days, and home-buyer's assistance), and serve as an educational forum to talk about displacement and predatory buying practices in the neighborhood.

4

Work with the Sustainability Institute and other partners (like HCF) to reduce homeowner energy expenses. The Sustainability Institute (SI) has expressed genuine interest in working in North Central.

The Institute could conduct energy assessments and energy efficiency retrofits in coordination with HCF as it uses its Loan Fund to perform exterior repairs. The Sustainability Institute's work is grant funded therefore reducing the financial burden on the property owner.

5

Organize monthly or quarterly community clean up and neighborhood beautification days. Work with the community on street scape and public realm improvements. Coordinate outreach to the various City Departments and SCE&G to guide the repair of sidewalks, streets, lighting, and the addition of street trees.

Consider outreach to the City and Clemson's architectural program (its fabrication studio is located at the dead-end of Simons Street) to create pocket parks, playgrounds, or other gathering spaces at or near the dead end streets created by I-26, using the Romney Urban Garden as an example. Romney Urban Garden participants can help lead in the beautification work regarding proper plantings. HCF could coordinate with the City's Livability Division and the North Central Neighborhood Association to determine priorities or "problem properties".

Seek funding from a variety of community stakeholders (HCF, developers, et al.). Possible volunteer activities include front yard work, fence repair, vacant properties cleanup (yards), and flower plantings.

6

Use community meetings, newsletters and other settings to provide homeowners' education opportunities about city tax abatement programs, home rehabilitation opportunities, financial counseling services, etc.

7

Develop a Historic Plaque Program with HCF that allows neighbors to buy plaques signifying the historic significance of their properties that they can place on their homes. Funds from the sale of plaques could go to neighborhood beautification efforts.

8

Seek out grant funding and other support to create an Oral History project for the North Central neighborhood to record histories of the residents.

9

Consider creating a neighborhood parking, biking and pedestrian safety committee within NCNA to work on pedestrian (sidewalks, crosswalks, et al.), parking, and biking issues in the neighborhood.

10

Consider creating a neighborhood Children, Youth and Schools Program Committee within NCNA to work on youth programs, child care and after school care issues in the neighborhood.

11

Consider creating a neighborhood quality of life committee within NCNA to work on the issue of too many billboards, the desire for more grocery stores, and more.

The City has an established program to incentivize new businesses to move into vacant buildings. The neighborhood could work with HCF and the City to help identify vacant buildings that need tenants and guide tenants on appropriate repairs to the historic structures.

Neighborhood Voices

Through numerous interviews, discussions, and a well-attended community meeting in July 2015, the following comments from the North Central community and its community leaders were collected.

PUBLIC SENTIMENTS

There is a really strong sense of community in North Central. People love their neighborhood and the access it gives them to friends and services. This came up over and over. The location of North Central and the people that live there have created a cherished place for its residents.

Communications networks in the community need to be strengthened. There are new and old residents who all want to be informed about what is happening in North Central. Right now, due to busy lives and different ways of communicating, folks don't feel as informed as they'd like to be about the happenings in their neighborhood.

Community trust is fragile. Developers are knocking on doors to buy properties. People are concerned about displacement of themselves as well as their neighbors. There is a lot of change underway. All of these things contribute to fragile trust.



MATTERS FOR CONSIDERATION

What or who specifically is meant by "its residents"?

Does the extent to which current residents cherish North Central, or the broader area, extend to a willingness to pay for the expense of straddling the line between value appreciation owing to scarcity and historic preservation on one hand and aspirations of cultural and economic diversity on the other?

What is the best forum and format for engagement in North Central?

Parallel to a trust deficit in one community may be an empathy deficit in another; what is the extent to which the concerns of older residents are truly understood by newcomers?

How can an on-going forum make it possible for trust and empathy in the community to grow?

What is really at the root of resident anxiety? Is it the potential displacement of specific residents or of a place in Charleston that is the city's last diverse and affordable place to live? Both?

PUBLIC SENTIMENTS

Concern about the rental market is growing as the community becomes more desirable. Rents are rising and without a stronger affordable housing effort, these residents will be the first to be pushed out of the community.

Concern about losing affordability and the displacement of neighbors came up time and again in our discussions. The community likes its historic architectural character as well as the history and vibrancy provided by its residents. They say they want to keep both. Residents are seeing first hand how financial constraints are squeezing residents (e.g. taxes and not finding or utilizing existing tax programs). The community loves its diversity and wants to make sure people of all races and ages are a part of the community. There are significant concerns about gentrification and a lack of effort to protect the current residents from displacement.

There are a number of homes with significant repair issues. The community would like to see more efforts to address the many blighted properties in the community.



MATTERS FOR CONSIDERATION

Rising land values provide potential financing for preserving and creating affordable rental housing; is there collective will to leverage these values in this way (towards unit preservation and production)?

Again, the question is whether what the community "says" is backed up by what the community is willing to do.

HCF is not in a position to finance the gap between market conditions and community aspirations; it is in a position to leverage and facilitate a constructive dialogue at the municipal level on these issues.

Deferred maintenance and general neglect are signs that it hasn't "yet" made sense to the market to bet that both the acquisition and rehabilitation costs can be recovered profitably at sale.

Spurring this along has been the effect of successful preservation combined with scarcity, increased citywide livability, and a Charleston-wide economy shifting toward knowledge/service jobs with higher wages.

Allowing these forces to continue in this way will mean gentrification unless there are braking mechanisms built in. These mechanisms have considerable expense. Who will pay?

PUBLIC SENTIMENTS

There are concerns about the potential to lose historic and neighborhood character in an area not protected by the Board of Architectural Review as infill and renovation projects increase. Neighbors appreciate the historic charm of the community and want to make sure it remains a neighborhood of porches and historic homes.

Education and the success of neighborhood children is an often stated concern. People want to increase the level of participation in neighborhood schools. Neighbors want to make sure that changes in the neighborhood also take into consideration the success of the schools.

People cherish the fact that North Central is a family friendly place and they want to keep it that way.



MATTERS FOR CONSIDERATION

Again, this is an outgrowth of concerns arising from the tension between two aims. One is preservation. The other is affordability. Preservation is a proxy for the built environment as a component of history and present day livability and desirability. Affordability is a proxy for economic, social, and racial diversity.

How can these two aims be accommodated when economic and racial diversity is difficult to achieve without significant subsidy on both the technical and financial end of the spectrum?

If a shift is desired school-wise without incurring a parallel shift in the neighborhood, then a strong relationship between the school and current residents will be needed. Are the pieces in place for such a partnership to occur and flourish?

What specifically is meant by "family friendly"?

What are current residents willing to do to keep it that way?

PUBLIC SENTIMENTS

Neighbors would like to see more parks and nicer public spaces. This includes a strong and repeated desire to get rid of billboards and similar “blights.”

Many residents brought up the significant developer pressure being put on neighbors as developers go door to door to find willing sellers.



MATTERS FOR CONSIDERATION

Parks cost money. Where will that money come from? Parks also consume land, which will increase the scarcity problem. Increased scarcity means increased housing prices. Is this really what the community wants?

Parks also increase livability and desirability, which in turn boosts housing prices. Is this what the community wants?

The community wants “nicer public spaces.” What specifically does this mean? Who will pay to make them nicer either in terms of dollars and cents or sweat equity? If the former, why is that not happening now or happened yet? Nice also means more desirable which means more expensive. Again, is that what the community really wants?

In the mind of the seller who may reap a windfall, this is not necessarily bad. In the minds of neighbors whose values will go up as appraisals grow in value, this is good. For whom is this bad? If it is bad because flipping begets turnover, then an intervention strategy is needed. Who is going to intervene with what capital and with what expectations? If it is bad because developers might build sub-standard product, who is going to intervene to ensure quality? If the quality bar is set high, the impact will be increased demand. Is this what the community wants?

Historic preservationists may want to insist on intervening to ensure quality. This begets price escalation, which is at odds with the concerns of some residents and advocates. Affordability preservationists may insist on intervening to ensure inclusion. This begets softer values, which is at odds with the goals of owners to get a competitive return and with historic preservation goals of having a market robust enough to buy (price in) preservation. How will this get sorted out?

PUBLIC SENTIMENTS

There is a sense from some that the community is not aware of or utilizing all of the city resources that may be available to them.

Parking, biking and pedestrian issues came up frequently. There is a desire for the walkability and bikeability of the neighborhood to improve and for parking issues to be addressed. People want to see fixed sidewalks, crosswalks and more.



MATTERS FOR CONSIDERATION

The City's Department of Housing and Community Development is a high capacity organization. City Hall under the current administration is a high performing entity.

How can these two organizations and their partners (lenders and developers) meet in the middle to tackle the preservation-affordability gap?

Some of these desires reflect the aspirations of different segments of the community in terms of age or income or household type. Who wants what is an important question.

These are forms of public infrastructure. They are very expensive. Their prioritization is found in the city's capital improvement budget and comprehensive plan. To what degree are these aspirations expressed in those two documents and in the city's general planning processes?

These are also specific forms of public infrastructure that add to livability and thus demand. Is this really what the community wants?

APPENDIX A

Community Land Trusts Overview

Community land trusts are nonprofit, community-based organizations designed to ensure community stewardship of land.

Community land trusts can be used for commercial and retail development but are primarily used to preserve long-term housing affordability. To do so, trusts acquire land and permanently maintain land ownership. Income qualified prospective home-buyers can enter into long-term, renewable ground leases with the Community Land Trust — typically for 99 years — to purchase a home on CLT land, instead of undergoing a traditional sale process.

A Community Land Trust acquires land through purchase or donation. Embedded in the lease are restrictions on the use and resale of the buildings, granting the CLT a durable right to regulate how properties are occupied, operated, and conveyed. When a CLT land lessee sells his/her home on CLT land, the homeowner earns a portion of the increased property value based on a predetermined resale formula. The remainder is kept by the trust in order to preserve the home's affordability into the future.

Today, there are nearly 250 community land trusts across the United States.

In June 2012 South Carolina passed the Community Land Trust Act of 2011 (House Bill 3676). Today in South Carolina, there are a few Community Land Trusts in early stages of development.

APPENDIX B

Land Banks Overview

One notable strategy being used nationwide to contest property abandonment is land banking. Land banks are public authorities created to acquire, hold, manage and develop vacant properties. Land banks aim to convert vacant properties that have been neglected by the open market into productive use, thereby transforming neighborhood liabilities into assets.

A land bank:

1. Acquires title to vacant and abandoned properties;
2. Eliminates barriers to redevelopment; and
3. Transfers property to a new owner in a way that supports community needs and priorities

As such, land banks often provide marketable title to properties previously impossible to develop.

In order to accomplish these tasks, land banks are granted special powers and legal authority pursuant to state-enabling statutes. Though these statutes differ widely from state to state, the more recent examples of comprehensive land bank legislation generally grant to land banks the powers to obtain property at low or no cost through the tax foreclosure process, hold land tax-free clear title and/or extinguish back taxes, lease properties for temporary uses, negotiate sales based not only on the highest bid but also on the outcome that most closely aligns with community needs, such as workforce housing, a grocery store, or expanded recreational space.

The South Carolina Community Land Bank Act of 2013 has not been passed. The purpose of this act is to “allow nonprofit corporations to be formed to acquire, manage, and provide a new purpose and use for vacant, foreclosed or abandoned properties.” It was referred to the State’s Committee on Labor, Commerce and Industry, where it still sits as of August 2015.