



# Affordable Housing Strategy Working Group

## Summary Recommendations for a Housing Trust Fund

September 2017

Following a 2016 study of the affordable housing challenges in Greenville and a January 2017 decision by the Greenville City Council to invest \$2M towards affordable housing, an advisory working group was impaneled by the City of Greenville in partnership with the Graham Foundation and Hollingsworth Funds to develop recommendations for the creation of a housing trust fund<sup>1</sup>.

Among the many factors evaluated by the working group, particular attention was given to the following:

- Greenville today bears little resemblance to the city it was in the early 1970s. During the last 40 years, downtown has become an economic engine in its own right, helping to reposition the new Greenville as one of the great small cities in America.
- As the city's economy has transitioned to one increasingly organized around technology, medicine, financial services, and tourism, it has also become dependent on lower wage labor (hotels, restaurants). Indeed, any Greenville household with a total annual income of less than about \$35,000 - with a capacity to afford a monthly housing cost of not more than \$1,000 - will struggle. For the households earning less, housing costs are an even more acute challenge. Households with one minimum wage worker, and thus able to afford no more than \$450/month in rent, are extremely vulnerable; there either are not units available for that amount, and/or those in that price range are in substandard condition.
- The Massachusetts Institute of Technology (MIT) has calculated that for a single parent with one child in Greenville County, a living wage in 2017 is \$20.86/hr, the amount needed to rent housing at \$729/mo, afford transportation, and have enough for child care, food, medical, and taxes. However, a large portion of the County economy is built around workers earning less than \$10/hr<sup>2</sup>.
- Housing costs generally exceed the capacity of some 40% of area households' ability to affordably pay them. This is a paradox in a city and county where, compared to so many other markets competing for the same talent pool, housing is reasonably priced.
- Demand has grown to the point where, in addition to tourist and other service jobs, teachers and first responders increasingly struggle to secure housing they can afford. Their best options are to buy outside of the city and commute.
- Despite how affordable the County is overall to households earning at least \$35,000, and especially for those earning at least \$50,000 annually, the affordable housing challenge facing the county overall is substantial and growing. The city's and county's estimated current affordable housing deficits (2,500 units in the city and 10,000 units in the county), *plus the projected annual new need for additional affordable units deriving from anticipated growth* (deficits of 100 units in the city and 250 units in the county), are such big numbers with such high costs to cure, that a new trust fund of any size can by definition have only limited reach. Invariably, it will have to pick and choose where and how to best deploy its resources - sometimes towards preservation, other times towards production; sometimes in the city, other times outside, sometimes on behalf of renters, other times in support of

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<sup>1</sup> <http://www.greenvillesc.gov/DocumentCenter/View/7343>

<sup>2</sup> <http://livingwage.mit.edu/metros/24860>

affordable home ownership. Therefore, **both the volume of resources and the capacity (size and capabilities) of the current “housing system” in Greenville - in the city and outside Greenville in the county - need an overhaul.** It's not just more dollars that are needed - whether as equity, debt, or land - but the capacity to optimize those resources and the systemic commitment to the issue at hand.

- For six months the working group met regularly, evaluating housing and related data. The group studied housing trust funds in operation in other jurisdictions, worked through case studies, and with the facilitation of consultants, considered the realities of housing costs in Greenville in the context of development expense, demand, and need. This work occurred through four 4-hour work sessions involving the whole group (1st - Target Market vis a vis Magnitude of Challenge; 2nd - Finance and Development and Pro Forma Analysis; 3rd - Trust Fund Structures Nationally; 4th Funding and Operationalization), and three sets of multiple small group meetings. Overall, the group's work was focused in six discrete areas. Consensus was achieved in each.
  1. Preconditions for a trust fund to succeed (key organizational elements).
  2. How else the trust should be involved in the housing arena (policy advocacy and other roles).
  3. What kind of work a trust fund should do (lines of business/activities).
  4. Where a trust fund should work (geography).
  5. Who a trust fund should serve (target market).
  6. How to launch the new trust fund (organizational structure).

Based on discussion and consensus of the working group, the following recommendations are made to the Greenville City Council.

#### **The City of Greenville**

1. Move forward with the formal establishment of a housing trust fund, completing the organizational initialization process by the end of January 2018.
2. Make a significant annual line item commitment to affordable housing in the amount of 1.5% of the city's annual revenue exclusive of state and federal grant resources. Thereafter, each year for ten years contribute this amount to the housing trust fund for the purpose of sufficiently capitalizing the trust fund to be able to increase the quantity and quality of the city's supply of affordable housing.
3. Contributions to the trust fund should be conditional.
  - ✓ An appropriate level of city council representation on the trust fund board of directors,
  - ✓ Annual independent financial and organizational audit,
  - ✓ Annual analysis by council of trust fund outcomes,
  - ✓ Trust fund secures 1:1 match funding from non-city sources, and
  - ✓ Projects are located in the City of Greenville until additional partnerships with the county are established

#### **Corporate, Philanthropic and Community Partners**

1. Offer a conditional 1:1 match of annual city contributions.
2. Contributions to the trust fund should be conditional.
  - ✓ An appropriate level of partner representation on the trust fund board of directors,
  - ✓ Annual independent financial and organizational audit,
  - ✓ Trust fund secures an annual contribution from the City of Greenville of not less than 1.5% of the city's annual revenue exclusive of state and federal grant resources

In addition, the following specific recommendations are made.

### **Preconditions for Trust Fund Success**

1. The trust fund will need to have decision-making autonomy.
  - ✓ Board composition and staff expertise are ingredients essential to inspiring investor confidence
  - ✓ The board should be a governing body more so than a managerial one
2. The trust fund will need to have underwriting capacity.
  - ✓ Staff expertise in the areas of housing finance and lending will be critical

### **Broader Role in the Community**

1. In addition to the transactional work of directly increasing the supply of affordable housing in Greenville, the trust fund should become a leading voice on housing and community developer matters across the city and county, inspiring confidence from all quarters owing to a combination of expertise, independence, and neutrality.
  - ✓ The new trust should become a policy and research clearing house for the city's housing issues
  - ✓ The new trust should be designed to expand existing preservation and production capacity in the community - among nonprofits and for profit developers alike
2. Convening authority is important. The new trust fund will be uniquely positioned to bring the region's many interests together on the subject of housing affordability as it relates to the regional economy and long term vibrancy.
  - ✓ The new trust should be able to mobilize employers, planners, property owners, advocates, and others to come together to address the city's and eventually the county's many housing challenges

### **Lines of Business/Activities**

1. The trust fund should use investing and underwriting practices and standards conducive to organizational self-sufficiency.
2. While the nature of real estate finance and development can be slow, the trust fund should be able to act and show results quickly.
3. The trust fund should apply a portfolio approach to the work it does, over time participating directly in and indirectly helping others to develop a range of enhancements.
  - ✓ A balance of projects across the city initially, and eventually, across the county
  - ✓ A balance of projects spanning both home ownership and rental
  - ✓ A balance of projects responsive to minimum wage workers, low income elderly, first responders, and teachers

### **Geography**

1. Projects should initially be inside city limits.
  - ✓ Given the community's concerns about gentrification, the trust fund should give priority to anti-displacement opportunities in the city's special emphasis neighborhoods
2. As county partners come on board - which should be encouraged - trust fund work outside city limits makes sense.
  - ✓ It should be anticipated that the county and cities in the county other than Greenville may be better poised to make non-cash/financial contributions to the trust fund, such as development rights or land

### **Target Market**

1. The trust fund should assume a strong policy/advocacy role related to the housing challenges faced by low and working income households in the region, with special attention to those confronted by the lowest income households (5th quintile - below \$15,000/year).
2. The new trust fund's transactional involvement in projects should be generally confined to those that serve households with annual incomes between \$15,000 - \$55,000 (4th and 3rd quintiles). The trust should have the capacity to move beyond these limits as project and market conditions from time to time require.

## Organization

1. The new housing trust fund should be a nonprofit organization.
  - ✓ Annually audited (A-133 et. al.) and confirmed to be in good standing
2. GHF Land Bank LLC, a presently-dormant, wholly owned subsidiary of CommunityWorks, and a Greenville-based nonprofit CDFI (Community Development Financial Institution) in good standing, should be repurposed as the initial corporate home of the new housing trust fund.<sup>3</sup>
  - ✓ A initial board of directors should be appointed with the authority to hire professional staff
  - ✓ The initial and subsequent boards should be broadly representative of the greater Greenville community and include specific and substantial expertise in the areas of real estate development and finance, affordable and market rate housing finance, development, and policy, lending/underwriting, nonprofit organizational development, legal matters, and accounting
3. Re-chartered to enable it to undertake a range of direct and indirect affordable housing activities.
  - ✓ Activities should include but not be limited to buying/owning/holding/selling land and built projects, and lending to, investing in, developing, and owning real estate
  - ✓ With few exceptions, trust funds should revolve - that is be returned to the trust for re-use upon repayment
4. Re-chartered to operate county-wide if and when it becomes appropriate to do so, and provisions should be made for the new organization to have the capacity to operate on a state-wide basis if appropriate at a future time.
5. Re-chartered to enable it to spin out from under CommunityWorks should greater independence at some point be jointly determined by the new organization's board and by CommunityWorks to be necessary.

## Next Steps

### 1. September - December 2017

- ✓ To mobilize the Greenville community on the subject of affordable housing and the role of the proposed trust fund and the relationship of the City to the fund and of other donors to the fund, the following steps should be taken.
  - A. The advisory group should meet with the Greenville City Council to convey recommendations.
    - ✓ City Council and staff should determine its response to the recommendations of the advisory group
    - ✓ Once the City Council has made a conditional determination if/whether to and how to proceed, the advisory group should meet with philanthropic entities, community developers, churches, nonprofits, housing advocates, and other stakeholders to communicate the work and recommendations of the advisory group
  - ✓ As directed by the Greenville City Council, the advisory group should amend recommendations into a final determination formally giving a go-ahead to proceed further.
  - ✓ To initialize the new trust fund by the end of January 2018, a number of steps must be taken.
    - A. A formal overture to the board of directors of CommunityWorks must be made by an authorized representative of the Greenville City Council to determine if CommunityWorks is amendable to its wholly-owned subsidiary - GHF Land Bank LLC (GHA) - becoming rechartered as the Greenville Housing Trust Fund. Assuming/provided this is the case,
    - B. Legal counsel should be retained by the city to work with czb (trust fund consultant to the City) and the board and staff of CommunityWorks (CW) and with appointed members of the advisory group
      - ✓ To modify GHF's Articles of Incorporation and by-laws as needed and as permissible

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<sup>3</sup> <https://www.cdfifund.gov/Pages/default.aspx>

- by law, so that the new organization can begin receiving funds from donors on January 1, 2018 and begin engaging in work on February 1, 2018
  - ✓ To design the organizational relationship between CW and GHF
  - ✓ To develop initial operations policies and procedures and the organization of administrative relationships needed
- C. Legal counsel, czb, board and staff of CommunityWorks, and appointed members of the advisory group should develop a short list of initial GHF board members ready begin their terms on January 1,2018.
- ✓ To be able to hit the ground running, czb should be tasked to provide the initial board of directors with
    - A. Job description for an executive director to be hired immediately
    - B. List of potential properties to acquire for possible affordable housing development
    - C. Review of the city and county's planning documents (comprehensive plans and zoning and development codes) showing where changes could be made that would have the effect of expanding the supply of affordable housing
- 2. January -May 2018**
- ✓ **January**
    - ✓ The initial board of directors should be seated
    - ✓ Office space/equipment secured
    - ✓ Consistent with new by-laws, a search for an executive director should begin
    - ✓ Corporate accounts should be established
    - ✓ Initial contributions from the city (\$2M) and other partners should be received
    - ✓ Board review of potential sites to obtain and projects to evaluate should be considered
      - ✓ In the absence of staff, czb or city staff should be retained to provide guidance until a director is hired
  - ✓ **March**
    - ✓ Executive director is hired
    - ✓ Policies and procedures/manual of organizational operations is developed and approved by board
    - ✓ Initial slate of candidate projects is reviewed
  - ✓ **April - May**
    - ✓ Support staff hired
    - ✓ Projects initiated