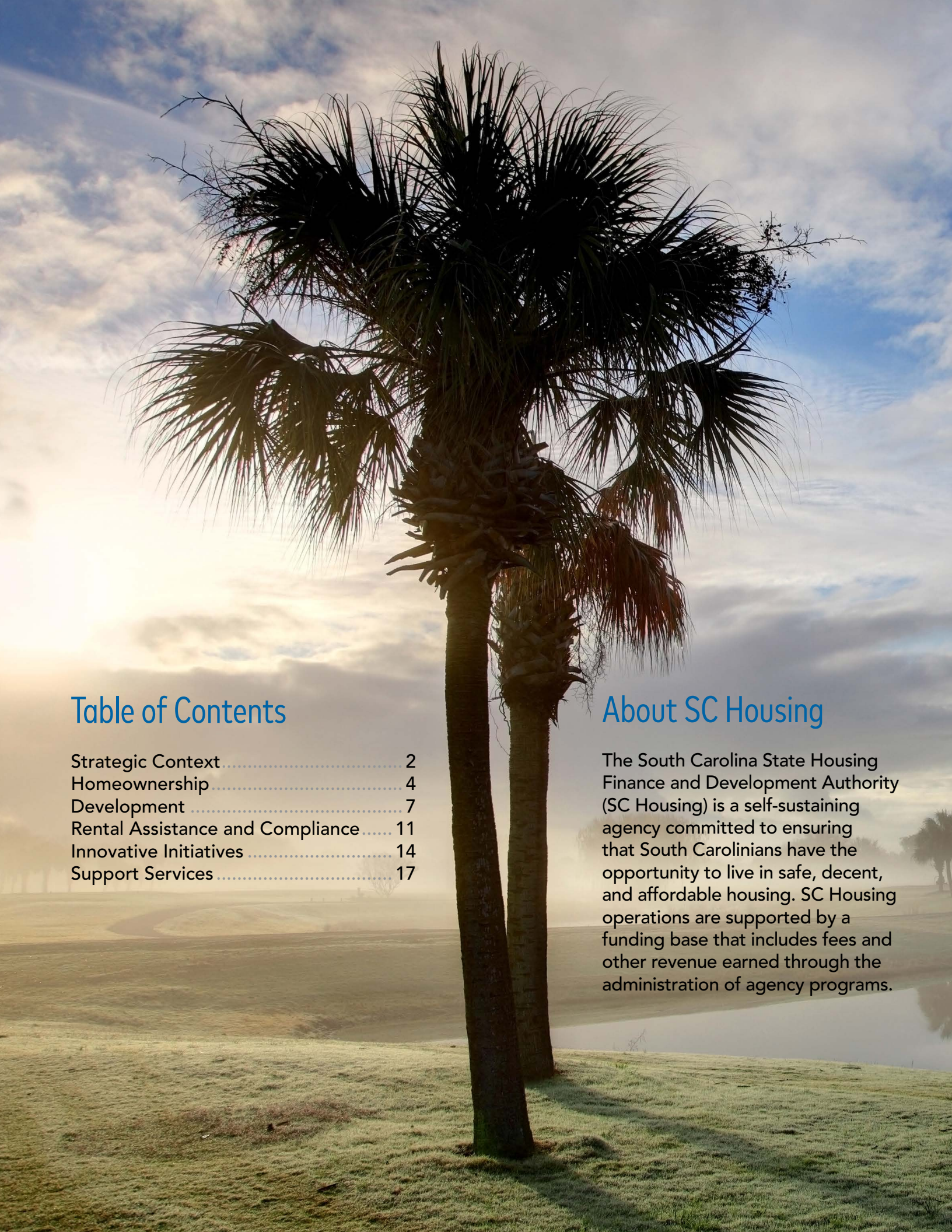
Fiscal Years 2021 and 2022

STRATEGIC PLAN

(July 1, 2020 - June 30, 2022)

SC HOUSING

Financing Housing. Building SC.



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About SC Housing

The South Carolina State Housing Finance and Development Authority (SC Housing) is a self-sustaining agency committed to ensuring that South Carolinians have the opportunity to live in safe, decent, and affordable housing. SC Housing operations are supported by a funding base that includes fees and other revenue earned through the administration of agency programs.

Mission

Create quality affordable housing opportunities for the citizens of South Carolina.

Vision

That all South Carolinians have the opportunity to live in safe, decent, and affordable housing.

Values

Every day, SC Housing serves the people of South Carolina with these values in mind:

COMMUNITY: We help make big cities and small towns across the Palmetto State better places to live.

INTEGRITY: We act ethically in everything that we do and treat our partners and customers with respect.

INNOVATION: We are deeply motivated to pursue new and better ways to serve the people of our state.

PROFESSIONALISM: We perform our tasks effectively and efficiently and steward resources responsibly.

EXPERTISE: We are capable, resourceful, and deeply informed about housing issues in South Carolina.

About this Plan

This document outlines goals, strategies, and initiatives to be undertaken by SC Housing in Fiscal Years 2021 and 2022 in order to accomplish its mission and vision. The agency's programs fall under three divisions: Homeownership, Development, and Rental Assistance and Compliance. This plan identifies the work that each division will do over the next two years to serve the people of South Carolina, including the new initiatives that will be undertaken. It also specifies how this work will be measured and the lead person accountable for results. Perhaps most importantly, it also explains why we do what we do, connecting each element with the agency's core principles and ensuring we have clarity of purpose.

Strategic Context

As a state agency, SC Housing must always be responsive to a variety of events affecting the people and economy of South Carolina, and unprecedented challenges stemming from the COVID-19 pandemic are no exception. Governor McMaster first declared a state of emergency on March 13, 2020 in response to the emergence of the novel disease. Business closures and other restrictions put in place to limit its spread generated substantial economic disruption. The initial impact was most concentrated in restaurants, hotels, and other businesses that were forced to close or saw dramatically reduced demand; these firms often employ numerous low-wage workers, many of whom were furloughed or saw their hours reduced. The unemployment rate for April, reported by the Department of Employment and Workforce, was 12.1 percent, the highest rate ever recorded and likely the worst labor market since the Great Depression.

Even if the public health response exceeds all expectations and economic growth is extremely strong in the year ahead, this level of disruption will mean that many South Carolinians will struggle to find or keep housing that they can afford. Our state already faced serious challenges to the affordability and availability of housing prior to the pandemic, as evidenced by Volume 1 of the South Carolina Housing Needs Assessment (HNA), published in August 2019. The key findings from that report are summarized below:

- One quarter of South Carolina renters experience severe cost burden, meaning that they spend more than half their gross income on rent and utilities or have no income at all.
- In 41 of 46 counties statewide, the average South Carolina renter cannot afford a basic two-bedroom apartment without overextending their budget.
- South Carolina has, by far, the highest rate of evictions in the United States. This leads to severe housing instability for impoverished tenants.
- There are about 72,000 subsidized housing units in South Carolina, which only serves one out of every five low-income renters statewide.
- Over 4,000 South Carolinians were counted as experiencing homelessness in January 2019, but this is only a small fraction of the affected population.
- Excessively high housing costs cause 32 percent of South Carolina households, including more than half of renters, to come up short in meeting basic needs, such as food, clothing, and transportation.
- This shortfall, known as shelter poverty, imposes a cost on the state of South Carolina of $8.4 billion that is borne by public assistance, private charity, or personal deprivation.

Since the publication of the HNA, SC Housing has worked to leverage data from this report and elsewhere to ensure its programs dedicate resources to the populations and geographies experiencing the most need, maximizing efficiency. This plan represents an effort to do so comprehensively throughout the agency. SC Housing programs serve two populations: low- and moderate-income homebuyers who receive down payment assistance for their mortgage and low-income renters who access rent-restricted housing that receives some government subsidy, either directly through rental assistance or indirectly through development financing.

Therefore, much of this plan will focus on how SC Housing can improve the quantity and quality of affordable housing for these populations, particularly for the underserved segments of these markets, while maintaining superb customer service and serving as an exceptional steward of public finances. For each of the three program areas, following a brief review of each division, this plan will identify a goal statement for the division, strategies supporting the goal, and initiatives that serve that strategy. The plan also entails elements of the agency that will need to be involved to ensure success and accountability.

Homeownership

BACKGROUND

The Homeownership Division works with private sector lenders to finance home mortgages, primarily for first-time homebuyers who receive down payment assistance, through its Homebuyer and Palmetto Home Advantage programs. The former program is financed using mortgage revenue bonds, while the latter is self-financed via securitization. The division also acts as the servicer for many of these loans and offers Mortgage Credit Certificates (MCCs), which convert up to $2,000 of a home mortgage interest deduction into a tax credit.

In Fiscal Year 2019, SC Housing funds were used to originate 1,278 home purchases with a loan volume of $180 million, far more than any year since the Great Recession. Additionally, 137 MCCs were issued and less than one percent of loans ever originated have resulted in foreclosure. While there was some disruption in the housing market during the first wave of the pandemic, it is unclear what impacts will be seen in the intermediate term.

Volume 1 of the South Carolina Housing Needs Assessment highlighted the twin challenges facing the state's single-family housing market. In the state's fastest growing communities, housing demand has outstripped supply and driven the cost of the typical home out of reach for working-class and even many middle-class families, particularly for those seeking to avoid a lengthy daily commute. Meanwhile, in many of the state's rural communities, the distressed condition of the local housing stock, combined with declining populations and limited job opportunities, have created a climate of disinvestment and limited opportunities to buy safe, decent housing. Finally, due to historic racial segregation, ongoing disparities in homeownership rates, and a legal mandate to affirmatively further fair housing, there is a need to ensure African-Americans and other persons of color are equally able to purchase a home in the community of their choice. To fully serve the people of South Carolina, we are committed to developing and refining programs that work to address these issues.

GOAL STATEMENT: Expand homeownership opportunities for South Carolinians by partnering with a variety of lenders, providing superior customer service, and offering competitive and innovative products that build resilient communities and support the finances of the agency.

STRATEGIES

1: Expand homeownership opportunities for low- and moderate-income households.

Initiative 1.1: Finance the origination of 1,200 first mortgages with down payment assistance annually by supplying capital at competitive interest rates.
Lead: *Director of Homeownership*

Initiative 1.2: Reevaluate the cost-benefit proposition of the Mortgage Credit Certificate program and determine next steps as appropriate.
Lead: *Director of Homeownership*

Initiative 1.3: Foster and cultivate program participation among financial institutions through relationship building and client responsiveness.
Lead: *Director of Homeownership*

Initiative 1.4: Provide targeted incentives for households with unique needs, both by expanding upon existing programs like Palmetto Heroes and innovating new approaches to increase homeownership.
Lead: *Director of Homeownership*

Support: *Communications and Outreach, Finance, Legal, Procurement and Facilities*

2: Expand investment in economically distressed, or "targeted," counties and rural communities.

Initiative 2.1: Inaugurate the County First program to incentivize mortgage origination in rural areas, increasing production in these areas by 50 percent through this initiative.
Lead: *Director of Homeownership*

Initiative 2.2: Implement non-traditional outreach strategies including social media, new audiovisual platforms, and marketing materials in additional languages.
Lead: *Director of Communications and Outreach*

Support: *Communications and Outreach, Finance, Information Technology, Procurement and Facilities*

3: Increase energy resource efficiency, and reduce environmental impacts by promoting green residential building and rehabilitation strategies.

Initiative 3.1: Create a combined rehabilitation-home purchase loan program, such as FHA 203(k) and/or the Fannie Mae Homestyle rehabilitation mortgage, to address aging housing stock.
Lead: *Director of Homeownership*

Initiative 3.2: Establish a resource on the SC Housing website in collaboration with the Office of Regulatory Staff that provides information to homebuyers, homeowners, and other stakeholders encouraging cost-reducing energy and resource efficiency strategies.
Lead: *Director of Homeownership*

Support: *Communications and Outreach, Compliance and Quality Control, Finance, Information Technology, Legal, Procurement and Facilities, Research*

Development

BACKGROUND

The Development Division oversees financing of housing construction, preservation, and rehabilitation activities for low-income households. The largest program is the Low-Income Housing Tax Credit (LIHTC), which comes in two varieties: Competitive "9 percent" credits, which are more valuable and attract intense interest from property developers, and the "4 percent" credits that are paired with the issuance of tax-exempt bonds. With the recent passage of H.3998, the Workforce and Senior Affordable Housing Act, there will now be a state-level companion to the federal credit. The division also awards funds from a variety of sources, including the South Carolina Housing Trust Fund (HTF) through the Small Rental Development Program, and uses HTF dollars to finance owner-occupied home repair activities and other specialized housing products.

In Fiscal Year 2019, 16 projects were financed with 9 percent LIHTCs and four others were financed with 4 percent LIHTCs and tax-exempt bonds, awarding $240 million in capital, far exceeding previous years. HTF expended $12.2 million, assisting 590 households, primarily with grants for home repair needs. Other federal funds, such as those from the National Housing Trust Fund and HOME Investments Partnership Program, also supported these activities. The creation of a state tax credit will dramatically increase the number of affordable rental units that are able to be produced with existing resources.

GOAL STATEMENT: Leverage data, strengthen partnerships, and steward finances to fully allocate affordable housing resources to their best and most effective use, thereby constructing and preserving rental units available to the people of South Carolina.

STRATEGIES

1: Utilize data from Housing Needs Assessments and other relevant sources to design programs and direct resources to develop affordable housing where it is most needed and efficiently utilized.

Initiative 1.1: Employ quantitative resources to ensure that program funds are allocated to communities throughout the state in most need of affordable housing.
Lead: *Development Director*

Initiative 1.2: Conduct at least one LIHTC tenant survey to inform development of future funding guidelines by evaluating needs and preferences for amenities among current residents.
Lead: *LIHTC Program Manager*

Initiative 1.3: Continually reevaluate data-driven strategies for cost containment while maintaining the financial stability and physical condition of low-income housing.
Lead: *Multifamily Finance & Bond Manager*

Support: *Communications and Outreach, Compliance and Quality Control, Information Technology, Legal, Rental Assistance and Compliance, Research*

2: Strengthen partnerships with internal stakeholders, affordable housing developers, other state agencies, advocacy groups, local governments, etc. to ensure programmatic effectiveness.

Initiative 2.1: Implement a request for qualifications process by September 2020 to identify high-capacity nonprofits and contractors to participate in programs administered by the division.
Lead: *SC Housing Trust Fund Manager*

Initiative 2.2: Increase awareness of programs and their requirements by utilizing technology to develop easily accessible technical assistance opportunities through the use of online platforms, conducting three such events in Fiscal Year 2021.
Lead: *Development Director*

Initiative 2.3: Incentivize leveraging of non-SC Housing funding sources to increase the supply of affordable housing units, reaching 20 percent of total development cost in the 2021 and 2022 rounds of multifamily rental development activities.
Lead: *Multifamily Finance & Bond Manager*

Veranda on Main, Columbia, SC - Housing Tax Credit

Initiative 2.4: Maintain ongoing collaboration with the Compliance Monitoring unit to ensure incorporation of appropriate program design criteria, asset management, and external training opportunities are utilized to improve project compliance during affordability periods.
Lead: *Development Director*

Initiative 2.5: Evaluate existing program timetables and implement a tiered application system where appropriate to reduce stakeholder risk and pre-application expenses when possible.
Lead: *LIHTC Program Manager*

Support: *Communications and Outreach, Information Technology, Legal, Procurement and Facilities, Rental Assistance and Compliance, Research*

3: Expand the opportunities for the development of affordable housing to low-income households.

Initiative 3.1: Implement the State Tax Credit Program to leverage LIHTC and tax-exempt bonds to maximize allocation of available bond cap proceeds.
Lead: *LIHTC Program Manager*

Initiative 3.2: Further expand development funding set-asides for supportive housing projects that target the state's most vulnerable populations through flexible program design.
Lead: *Development Director*

Initiative 3.3: Leverage existing technology resources to implement an efficient online application submission process for the 2021 round of multifamily rental development activities.
Lead: *Development Director*

Support: *Finance, Information Technology, Legal, Rental Assistance and Compliance, Research*

Rental Assistance and Compliance

BACKGROUND

The Rental Assistance and Compliance Division oversees a number of activities that ensure renters are stably and affordably housed. First, through a contract with the U.S. Department of Housing and Urban Development (HUD), the division oversees privately owned rental properties receiving project-based rental assistance funds. Further, SC Housing administers the Housing Choice Voucher program, which helps low-income households cover the cost of private rental housing, for Clarendon, Colleton, Dorchester, Fairfield, Kershaw, Lee and Lexington counties. Combined, these activities serve over 20,000 families and individuals and provide about $150 million in rental assistance annually. Further, the division inspects and monitors properties that received funds from programs administered by the Authority to ensure they are in compliance with Authority policy and federal and state regulations. Supplemental appropriations in the federal CARES Act have provided funds to cover obligations in administering HUD programs.

GOAL STATEMENT: Proactively support affordable housing initiatives throughout South Carolina while ensuring compliance with state and federal regulations for the benefit of both our housing partners and their residents.

STRATEGIES

1: Continue to surpass federal regulatory requirements for the administration of rental assistance programs through the ongoing application and improvement of internal quality control procedures, thereby meeting and exceeding the agency's contractual obligations.

Initiative 1.1: Ensure all Performance-Based Contract Administration regulatory and contractual requirements meet the Acceptable Quality Level (AQL) for each Incentive-Based Performance Standards (IBPS) task and facilitate the maximization of fees earned.
Lead: *Contract Administration management team*

Initiative 1.2: Achieve an overall Section 8 Management Assessment Program score of 90% or better, thereby being recognized by HUD as a "high performer."
Lead: *Housing Choice Voucher management team*

Initiative 1.3: Conduct quality control audits on all areas of operation focusing on the effectiveness, efficiency and timeliness of all activities, establishing an appropriate minimum sample size for each area and develop a random selection methodology ensuring that quality control audits represent a cross section of employees and functions within each respective area.
Lead: *Director of Rental Assistance and Compliance*

Support: *Compliance and Quality Control*

2: Maximize tenant safety, affordability, and quality of life by rigorously enforcing federal and state requirements of rental development programs by leveraging all vested authority to remedy chronic or severe noncompliance.

Initiative 2.1: Perform file and inspection reviews for 34 percent of LIHTC and HOME properties and 100 percent of properties financed using tax-exempt bonds as required by federal program requirements.
Lead: *Compliance Monitoring Manager*

Initiative 2.2: Maintain ongoing collaboration with the Development Division to ensure realistic, reasonable, and sustainable program design for the full compliance period across all multifamily financing programs.
Lead: *Compliance Monitoring Manager*

Initiative 2.3: Develop and implement a more rigorous system for reporting and escalating unresolved chronic or severe noncompliance to Development and Legal staff for additional enforcement actions.
Lead: *Compliance Monitoring Manager*

Initiative 2.4: Rigorously evaluate compliance fees to ensure monitoring costs are being adequately recouped from program participants without discouraging development of affordable housing.
Lead: *Compliance Monitoring Manager*

Support: *Development, Finance, Legal*

3: Advocate for further funding for tenant rental assistance programs, additional administrative fee revenue, federal alignment of rules across disparate affordable housing programs, and continued state-level Project-Based Contract Administration procurement to facilitate optimal program governance and preservation of SC Housing's fiscal position.

Initiative 3.1: Aggressively pursue new targeted and untargeted voucher funding, when made available by HUD, in order to assist additional families within SC Housing's jurisdiction, thus expanding program opportunities to low-income, very low-income, extremely low-income, and special needs populations.
Lead: *Housing Choice Voucher management team*

Initiative 3.2: In conjunction with internal stakeholders and external partners, develop and implement a cohesive informational campaign to highlight the need for increased rental assistance funding targeting executive, legislative, and regulatory officials at all levels of government, as well as the general public.
Lead: *Housing Choice Voucher management team*

Initiative 3.3: Partner with the National Council of State Housing Agencies and other interested parties to identify and highlight challenges to program operations caused by misalignment of federal housing programs and assist in the development of legislative and regulatory solutions to these issues.
Lead: *Director of Rental Assistance and Compliance*

Support: *Communications and Outreach, Research*

Innovation

BACKGROUND

In 2018, SC Housing created a Director of Housing Initiatives and Innovation position. This role acknowledges that a housing finance agency (HFA) must do more and think differently. Since the agency does not receive general appropriations through the State, it must finance its own activities. SC Housing functions much like a financial institution, in that it must respond to economic fluctuations ranging from interest rates on bonds to the costs of construction materials as well as a complex and changing federal regulatory environment. A wide array of activities has been undertaken by other HFAs nationally, and there is an inherent need to evaluate what such efforts, if any, would effectively and efficiently serve the housing needs of South Carolina. Ultimately, this position is designed to facilitate a culture of innovation throughout the agency and expand the field of vision beyond the day-to-day to identify new opportunities with a wide variety of potential partners.

GOAL STATEMENT: Bring an innovative and entrepreneurial spirit to the development and financing of affordable housing across South Carolina by leveraging the agency's capacities and partnerships to empower local governments, nonprofits, and the private sector to better meet the state's housing needs.

STRATEGIES

1: Work within SC Housing to foster innovation in existing programs, collaborating with the teams responsible for those programs by promoting, reviewing and analyzing data to support evidence-based housing policy.

Initiative 1.1: Conduct a comprehensive analysis of current programming within the agency and identify salient strengths and weaknesses, financial positions and resources, and statutory authorities and limitations that can inform decision-making about innovative initiatives.
Lead: *Director of Housing Initiatives and Innovation*

Initiative 1.2: Establish a cross-division action team of managerial staff that identifies and articulates challenges within their respective roles and offers recommendations or referrals as appropriate.
Lead: *Chief Research Officer*

Initiative 1.3: Serve as a clearinghouse of new and existing suggestions for programmatic improvements generated by staff for future follow-up regarding agency policies and procedures.
Lead: *Director of Housing Initiatives and Innovation*

Initiative 1.4: Identify and pursue partnerships that would allow for the agency to evaluate the policy impact of existing programs on individuals served by them.
Lead: *Chief Research Officer*

Support: *All*

2: Identify and evaluate potential new initiatives and/or partnerships to finance, construct, rehabilitate, repair, and assess housing statewide in ways that increase flexibility and innovation while raising revenue for agency activities.

Initiative 2.1: Develop and implement a process for evaluating ideas for new programs that would comprehensively assess their financial and programmatic viability and relevance to the agency's mission, making recommendations to the Executive Director on potential implementation.
Lead: *Director of Housing Initiatives and Innovation*

Initiative 2.2: Implement a system for collecting, organizing, and disseminating information to staff including news articles, relevant research, activities of other Housing Finance Agencies (HFAs), lessons learned from conferences and other events, and the like to foster a culture of information sharing within the agency.
Lead: *Director of Communications and Outreach*

Initiative 2.3: Develop a comprehensive strategy for how SC Housing can work to mitigate foreclosures and the eviction crisis statewide.
Lead: *Chief Research Officer*

Support: *All*

3: Work within state government and partner with local officials and other stakeholders to address existing and emerging issues in affordable housing and raise awareness of the role housing can play in addressing challenges in intersecting policy fields in South Carolina.

Initiative 3.1: Actively cultivate relationships with cities, counties, and other state agencies and evaluate SC Housing's needs for a formal mechanism for intergovernmental engagement.
Lead: *Director of Housing Initiatives and Innovation*

Initiative 3.2: Facilitate creation of a statewide network of academics, public officials, and others with an interest in housing policy that empowers SC Housing to be a nexus of information for stakeholders.
Lead: *Chief Research Officer*

Support: *All*

Support Services

Beyond the three program divisions, the remainder of the agency's employees will work to support the activities outlined in this plan. These include personnel within Communications and Outreach, Compliance and Quality Control, Finance, Human Resources, Information Technology, Legal, Procurement and Facilities, and Research. Goal statements for each unit are provided below.

COMMUNICATIONS AND OUTREACH

Educate, inform, and engage the community about affordable housing issues, needs, and resources using multimedia platforms for messaging and brand marketing; implement innovative industry strategies and approaches for outreach using social media platforms, audiovisual tools, and multilingual materials and resources; implement culturally and linguistically competent marketing practices to increase inclusion and engagement with diverse communities and populations; cultivate partnerships that support shared

affordable housing interests and offer collaborative opportunities for mapping resources to housing and support needs; and provide pathways for constituents to share their voices and perspectives on affordable housing, to include viewpoints on equity, access, and fair housing.

COMPLIANCE AND QUALITY CONTROL

Ensure agency programs are aware of regulatory and statutory provisions and perform required quality control function for every division.

FINANCE

While incorporating all relevant Governmental Accounting Standards Board pronouncements and industry best practices, accurately report SC Housing's financial position and activities to the Board of Commissioners and stakeholders and efficiently process financial transactions that support operations of the Authority, and ensure compliance with generally accepted accounting principles.

HUMAN RESOURCES

Provide support to divisions so they may recruit and retain adequate staff with the professional certifications needed to do the work of the agency in a fiscally responsible manner and demonstrate credibility to external stakeholders while enabling an environment of employee commitment, trust, and dedication.

INFORMATION TECHNOLOGY

Plan, implement and support technology to improve efficiency and efficacy of program divisions to meet their goals; improve business processes; and enhance and improve our consumers' experience while researching emerging technology that would improve performance, integrity and security of all services.

LEGAL

Support agency operations by providing legal advice as needed.

PROCUREMENT

Plan and coordinate the procurement of all services, supplies and facility needs for SC Housing and ensure that all procurements are within the guidelines of the State Consolidated Procurement Code.

RESEARCH

Collect and disseminate data, engage with external stakeholders, and assess internal programs and resources to ensure SC Housing is able to implement evidence-based policy and facilitate an informed ecosystem for discussion of affordable housing issues in the state.

EQUAL HOUSING OPPORTUNITY

SOUTH CAROLINA STATE HOUSING FINANCE & DEVELOPMENT AUTHORITY
300-C OUTLET POINTE BLVD., COLUMBIA SC 803.896.9001