



Palmetto State Housing Study 2023

POLICY RECOMMENDATIONS



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Commissioned by
The South Carolina State Legislature

Key Findings

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Palmetto State Housing Study Final Report

Submitted By:
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To:
The Honorable Harvey S. Peeler, Jr., Chairman
Senate Finance Committee
The South Carolina State Legislature

The Honorable Bruce W. Bannister, Chairman
House Ways and Means Committee
The South Carolina State Legislature



PHASE III - FINDINGS AND RECOMMENDATIONS

The mission of the South Carolina State Housing Finance and Development Authority (SC Housing) is to ensure that all South Carolinians have an opportunity to live in safe, decent, and affordable housing. One of the fundamental components of carrying out such a mission is the regular evaluation of the housing market landscape in order to identify both current and future statewide housing needs.

Although such evaluations have always been important, they are now perhaps even more critical in a post-pandemic economy that is rapidly evolving and in which the housing needs of South Carolinians are also changing. Since 2020, housing needs have become even more pronounced due to increased inflation, rising rents, rapid house price appreciation, and higher mortgage interest rates. The purpose of the 2023 Palmetto State Housing Study is to examine the primary drivers of housing supply and demand and the impacts these drivers have on affordability across various geographies, family structures, and income levels.

**Palmetto State Housing Study 2023
Supply and Demand Analysis
Joseph Von Nessen, Ph.D, Darla Moore School of Business**



FINDING



According to the **2023 Palmetto Housing Study**, the number of homes sold in South Carolina for less than \$100,000 has decreased by 14.8 percent each year since 2014.

Furthermore, the percentage of homes sold in South Carolina for under \$100,000 fell below 5 percent for the first time.



RECOMMENDATION

As a result of higher housing prices, market-oriented tools such as *down-payment assistance* will play an increasingly important role in making housing more accessible to first-time home buyers, as well as low-to-middle income households that require expanded workforce housing solutions. Efforts to expand it would prove beneficial to this cohort of potential homeowners.

Currently, SC Housing, under its Palmetto Home Advantage program, offers down payment assistance with an upper limit of \$8,500. Additionally, via the SC Housing Palmetto Heroes Program, \$10,000 in down-payment assistance is provided. This needed program targets educators, first responders and community service personnel in the fields of law enforcement, corrections, firefighting, emergency medical services and health care, as well as active duty military, members of the SC Army National Guard, SC Air National Guard and Veterans of the U.S. Armed Forces.

As housing prices continue to rise and fewer homes priced at \$100,000-200,000 come to the market, tools such as down-payment assistance become a critical stepping stone in providing housing for South Carolina's expanding workforce.

FINDING



While the vast majority of households earning less than \$35,000 are cost burdened, *middle-income households earning between \$45,000 to \$75,000 and possessing a mortgage are also significantly cost burdened.*

As defined by the U.S. Department of Housing and Urban Development (HUD), a cost burdened household is one that pays more than 30 percent of its income for housing. This status is especially pronounced for single parents with children. In this income category, 43 percent of households with 1 adult and 3 children is cost burdened. For households with 1 adult and 2 children, 26 percent of them are cost burdened. Additionally, approximately 50 percent of households that rent and 25 percent of households with a mortgage are “cost burdened.”

RECOMMENDATION

To alleviate this constraint and to meet the increasing needs for workforce housing in South Carolina’s urban centers, SC Housing recommends that the authority further evaluate the feasibility of making *SC Housing’s Bond Mortgage Program* accessible to a wider variety of borrowers and lenders to include community banks, credit unions, and mortgage brokers. Currently all lenders participating in the Bond Mortgage Program are Federal Housing Administration approved and most carry additional agency approvals from the Veteran’s Administration, United States Department of Agriculture, Fannie Mae, Freddie Mac and/or Ginnie Mae. Opening the program to more nontraditional lenders (i.e., third party originators) would allow SC Housing to offer mortgage programs to small and medium sized community banks, credit unions, brokers, Community Development Financial Institutions (CDFI’s) and Minority Depository Institutions (MDI’s).

This type of expansion makes homeownership available to more households, especially in rural areas not served by traditional brick and mortar banks and/or lenders. Done correctly, using third party business channels could also generate additional loan volume and improve outreach to minority borrowers.

FINDING



More than half of all survey respondents who participated in the qualitative study (214 in total) reported needing some type of major home repair. The most commonly reported issue was

the need for a new roof followed by new windows, plumbing/electrical issues, and foundation concerns. Approximately 21 percent of respondents with incomes greater than \$90,000 reported needing significant home repairs compared to nearly 87 percent of respondents with incomes of less than \$15,000.

More generally, the need for housing repair was more pronounced than the need for financial monthly payment assistance across all regions. This implies that *housing repair assistance may be a higher priority for existing renters and homeowners across South Carolina than housing-related financial assistance.*

RECOMMENDATION

These findings reaffirm the approach and need for *SC Housing's Trust Fund Home Repair and Supportive Housing Program*, which leverages federal, state, and other housing assistance to deliver funds through established partnerships with governmental entities, qualified non-profit sponsors, and for-profit developers. The Home Repair Program provides critical funding to help low- and very low-income homeowners make essential interior and exterior repairs to correct life, health and safety issues; provide accessibility for persons who are disabled; and repair or replace major housing systems (including roofs, water heaters and HVAC equipment). Additional funding is available to help with any lead-based paint, asbestos, mold, and radon removal and cleanup as required by federal and state. SC Housing will continue to provide support to our community partners in administering this essential program.



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