



# Housing Affordability Analysis in Support of a Development Impact Fee Study

Town of Fort Mill, South Carolina

The South Carolina Development Impact Fee Act (Code of Laws of South Carolina, Title 6, Article 9, Chapter 1) requires preparation of a report that estimates the effect of imposing development impact fees on the affordability of housing in the jurisdiction. This analysis must be presented to Town Council prior to the adoption of a development impact fee ordinance that includes fees for residential development. The housing affordability analysis that follows considers the effect of proposed impact fees for parks and recreation, fire protection, municipal facilities and equipment, and transportation on affordable housing in the Town of Fort Mill.

The discussion is organized under eight general headings: maximum allowable impact fee, definition of affordable housing, personal income profile, housing supply, cost of homeownership, cost of renting, cost burden analysis, and conclusion.

### **Maximum Allowable Impact Fee**

Maximum allowable impact fees are presented in the *Development Impact Fee Study Report for Fort Mill*. Typically, Town Council will apply a discount rate to the maximum allowable impact fees presented in the report to provide a reasonable fee for continued residential and non-residential investment, or to ensure impact fees collected do not exceed the cost of providing capital facilities identified to accommodate new development. The amount of the discount rate is solely a policy decision for Town Council.

The *Development Impact Fee Study Report for Fort Mill* recommends a discount rate be applied to the maximum allowable impact fees presented in the report. Specific discount rates have not been established for the four categories at this time. Therefore, this analysis assumes the most conservative condition (i.e., maximum allowable impact fee amounts) for assessing the effect of proposed impact fees on affordable housing in Fort Mill. It is expected that the cost burden analysis presented in this report would improve with the adoption of a discount rate by Town Council.

### **Definition of Affordable Housing**

The South Carolina Development Impact Fee Act defines affordable housing as “housing affordable to families whose incomes do not exceed 80 percent of the median income for the service area or areas within the jurisdiction of the government entity”. The Act is silent on a preferred methodology for examining housing affordability for families whose income does not exceed 80 percent of the median income. This analysis assumes a cost burden ratio of 30 percent to calculate housing affordability for these families, which is consistent with criteria used by the US Housing and Urban Development Department (HUD).

### **Personal Income Profile**

Personal income and wealth represent the ‘purchasing power’ of residents in the Town of Fort Mill to secure housing. Real estate developers study income levels and income patterns to make development decisions, such as whether to build for-sale or rental housing. Residents’ income and personal wealth also have a significant impact on the transition to homeownership.

Compensation in the Town of Fort Mill is represented by household income, which includes all wages, tips, and bonuses earned from employment, as well as retirement income earned from a pension plan or retirement account.

Households include all residents living in the home, related or unrelated. Average household income is reported by place of residence, which represents the purchasing power for employees that reside in the Town of Fort Mill.

The median annual household income reported for the Town of Fort Mill is \$66,915 (US Census Bureau, 2008-2012 American Community Survey, Table B19013). Annual household income assumed for a family making 80 percent of the reported median is \$53,532. Monthly household income for these families is \$4,461 (i.e., \$53,532 / 12 months = \$4,461).

## Housing Supply

Housing unit estimates for the Town of Fort Mill are published by the US Census Bureau. Current data estimates there are 4,665 total housing units in town (US Census Bureau, 2008-2012 American Community Survey, Table DP04). The preference for housing types and neighborhood styles varies across the jurisdiction. This section focuses on two general housing categories: owner-occupied homes and renter-occupied homes.

### *Owner-Occupied Homes*

Owner-occupied homes are occupied by the owner of the unit. They are site-built homes, typically purchased using a mortgage. Owner-occupied homes represent the dominant housing type in Fort Mill. Current data estimates there are 2,860 owner-occupied homes in town (US Census Bureau, 2008-2012 American Community Survey, Table DP04). This represents 61.3 percent of all housing units reported.

Housing unit estimates for the Town of Fort Mill report 121 for-sale homes are available for new residents (US Census Bureau, 2008-2012 American Community Survey, Table B25004)\*. This includes unoccupied or vacant homes for sale, sold units not yet occupied, or units used for seasonal, recreational, or occasional uses. These homes represent 2.6 percent of all housing units reported in town. None of these homes would be subject to the proposed development impact fees.

*Note:*

*\* = There were 125 housing units listed as "other vacant" in the American Community Survey that were not identified as either owner-occupied homes or rental homes. These homes would also be available to new residents. These homes represent 2.7% of all housing units reported in the town.*

### *Renter-Occupied Homes*

A rental home is occupied by a tenant through lease agreement, which gives the tenant the right to use the rental property for a period of time, usually one calendar year. Current data estimates there are 1,407 occupied rental homes in Fort Mill (US Census Bureau, 2008-2012 American Community Survey, Table B25003). This represents 30.2 percent of all housing units in the town.

Housing unit estimates for Fort Mill report 152 rental homes are available for new residents (US Census Bureau, 2008-2012 American Community Survey, Table B25004)\*. This includes unoccupied site built homes, mobile homes, apartments, townhomes, etc. for rent or rented units not yet occupied. These homes represent 3.2 percent of all housing units in the town. None of these homes would be subject to the proposed development impact fee.

*Note:*

*\* = There were 125 housing units listed as "other vacant" in the American Community Survey that were not identified as either owner-occupied homes or rental homes. These homes would also be available to new residents. These homes represent 2.7% of all housing units reported in the town.*

## **Cost of Homeownership**

The cost of owning a home is represented by nine general categories: purchase price; school development impact fee; mortgage payment; property tax; storm water management fee; solid waste collection fee; water, sewer and electric utilities; telephone, cable and internet utilities; and homeowners insurance. Costs within the nine general categories may vary depending on the size, condition, and location of a home in town. Data and assumptions used for the analysis are summarized below.

### *Purchase Price*

The median home value was used to estimate the purchase price of a home. The American Community Survey estimates the median value of a home in the Town of Fort Mill is \$180,300. (US Census Bureau, 2008-2012 American Community Survey, Table B25077).

### *School Development Impact Fee*

York County School District 4 collects a development impact fee for all new residential dwelling units built in Fort Mill. The influence of this fee (i.e., \$2,500 per home) was not assumed in the current estimate for the purchase price of a home. Therefore, this analysis assumes the most conservative condition (i.e., 100% of the fee is passed on to the home buyer) for increasing the purchase price of a home to reflect influence of the school's development impact fee (i.e.,  $\$180,300 + \$2,500 = \$182,800$ ).

### *Mortgage Payment*

A conventional, fixed-rate 30-year mortgage was assumed to estimate typical monthly costs of principle and interest on a home loan. The down payment for a loan was assumed to be 20 percent of the purchase price (i.e.,  $\$182,800 \times 20\% = \$36,560$ ). The loan amount for the mortgage was determined by subtracting the down payment from the purchase price (i.e.,  $\$182,800 - \$36,560 = \$146,240$ ). An interest rate of 4.13 percent was assumed for the home purchase based on a survey of competitive interest rates in the region ([www.bankrate.com](http://www.bankrate.com)).

### *Property Tax*

The Town of Fort Mill collects property tax using a millage rate of 0.2402 (quoted from the York County Assessor's Office website) per \$1,000 of value for residential properties that have been domiciled. For this analysis, property taxes for a home valued at \$182,800 were assumed to be \$1,756.34. ( $\$182,800 \times 4\% \times 0.2402 = \$1,756.34$ ).

### *Storm Water Management Fee*

The Town of Fort Mill collects an annual storm water management fee for the operation and maintenance of the Town's storm water management system. The analysis assumes a fee of \$72 per year for a residential dwelling unit in accordance with the Town's recently adopted Storm Water Management Ordinance (adopted June 23, 2014).

### *Solid Waste Collection Fee*

The Town of Fort Mill collects an annual solid waste collection fee for curbside trash pickup and recycling services. The analysis assumes a fee of \$168 per year in accordance with the Town's Annual Budget, Appendix A – Fee Schedule for Fiscal Year 2013/14.

### *Water, Sewer & Electric Utilities*

The Town of Fort Mill collects water and sewer utility fees to offset costs for the draw and distribution of water and the collection and treatment of sanitary sewer waste in town. This analysis assumes a fee of \$28.72 per month for residential water service and \$39.94 per month for residential sewer service in accordance with the Town's Annual Budget, Appendix A – Fee Schedule for Fiscal Year 2013/14. Electricity costs were estimated at \$50.00 per month based on a limited, local survey of property owners.

### *Telephone, Cable & Internet Utilities*

Comporium is a company that provides telephone, cable, and internet service. Their website estimates the following fees for service in town: Telephone - \$15.62 per month, Cable (Basic) - \$15.95 per month, and Internet - \$29.95 per month ([www.comporium.com](http://www.comporium.com)).

### *Homeowners Insurance*

Homeowners insurance provides financial protection against natural disasters. It generally insures the home and the things in it. The price of homeowners insurance varies, influenced by the location of the home, deductible levels, and the insurance company providing the policy. The average cost of homeowners insurance in Fort Mill was estimated to be \$817 per year (<http://homeinsurance.com/South-Carolina>).

### *Monthly Payment*

Based on the forgoing, the monthly payment for a home of median value in the Town of Fort Mill was estimated to be \$1,062 for the baseline condition. A worksheet for estimating the monthly homeowner payment is included in an appendix of the report.

### **Cost of Renting**

The cost of renting a home was estimated using information published by the US Census Bureau. The median gross rent (including all utilities and rental insurance) in the Town of Fort Mill was estimated as \$863 (US Census Bureau, 2008-2012 American Community Survey, Table B25064).

The influence of the school development impact fee (i.e., \$2,500 per home) was not assumed in the current estimate for median gross rent. Therefore, the analysis assumes the most conservative condition (i.e., 100% of the fee is passed on to the renter) for increasing the gross rent to reflect the school's development impact fee. The monthly increase assumes a 36-month payback period for the property owner to recoup his or her school impact fee (i.e.,  $\$863 + \$70 = \$933$ ).

**Cost Burden Analysis**

Cost burden for affordable housing is measured as the ratio between payments for housing (including property taxes, fees, utilities, and insurance) and reported gross household income (US Housing and Urban Development Department, 2009). A cost burden analysis for the Town of Fort Mill was prepared for residents that purchase homes and residents that rent homes.

Average monthly pay was used to compute maximum allowable monthly payments for buying or renting a home in town. A cost burden ratio of 30 percent was used to calculate housing affordability for the town (US Housing and Urban Development Department, 2009).

*Scenario 1: Baseline Condition*

Table 1 summarizes the cost burden analysis for residents purchasing or renting a home in Fort Mill without the Town’s proposed development impact fees included. More information on average monthly household income and the cost of homeownership or renting a home is provided earlier in the report.

**Table 1: Cost Burden Analysis with No Town Impact Fees**

Condition	Monthly Income	Monthly Cost ^	Cost Burden
Owner-Occupied	\$4,461	\$1,062	23.80%
Renter-Occupied	\$4,461	\$933	20.90%

Note:

^ = calculations for the monthly cost of an owner-occupied housing unit are summarized in the appendix of the report.

Based on Table 1, owner-occupied housing in the Town of Fort Mill is affordable to families whose income does not exceed 80 percent of the median income. Renter-occupied housing remains affordable to town residents using the same cost burden threshold.

*Scenario 2: Baseline Condition + Town’s Development Impact Fees*

Maximum allowable impact fees are presented in the *Development Impact Fee Study Report for Fort Mill*. It is assumed a discount rate will be applied to these fees in the future (see discussion on page 1 of the report). However, the analysis assumes the most conservative condition (i.e., maximum allowable impact fee amounts) for assessing the effect of proposed impact fees on affordable housing in Fort Mill. It is expected that the cost burden analysis presented in the report would improve with the adoption of a discount rate by Town Council. Table 2 summaries maximum allowable impact fee information from the *Development Impact Fee Study Report for Fort Mill* (Chapter 6).

**Table 2: Maximum Allowable Impact Fees**

Ownership Category	Max. Allowable Impact Fee
<b>Parks &amp; Recreation</b>	
Owner-Occupied	\$1,422
Renter-Occupied	\$661
<b>Fire Protection</b>	
Owner-Occupied	\$303
Renter-Occupied	\$141
<b>Municipal Facilities &amp; Equipment</b>	
Owner-Occupied	\$780
Renter-Occupied	\$362
<b>Transportation</b>	
Owner-Occupied	\$947
Renter-Occupied	\$661
<b>All Impact Fees Combined</b>	
Owner-Occupied	\$3,452
Renter-Occupied	\$1,825

Table 3 summarizes the cost burden analysis for residents purchasing or renting a home with the potential increase caused by the Town’s proposed development impact fees.

**Table 3: Cost Burden Analysis with Town Impact Fees**

Condition	Monthly Income	Monthly Cost ^	Cost Burden
Owner-Occupied	\$4,461	\$1,076	24.10%
Renter-Occupied %	\$4,461	\$984	22.10%

Notes:

^ = calculations for the monthly cost of a owner-occupied housing unit are summarized in the appendix of the report.

% = the monthly cost for rental housing assumes a 36-month payback period for the property owner to recoup his or her impact fees.

Based on Table 3, owner-occupied housing in the Town of Fort Mill continues to be affordable to families whose income does not exceed 80 percent of the median income with the proposed development impact fees added to the purchase price. Renter-occupied housing remains affordable to town residents with the proposed development impact fees added using the same cost burden threshold.

**Conclusion**

The South Carolina Development Impact Fee Act requires preparation of a report that estimates the effect of imposing development impact fees on the affordability of housing in the jurisdiction. **Based on this analysis, the additional cost to homeowners or renters in Fort Mill caused by the proposed development impact fees are not large enough to exceed cost burden criteria published by the US Housing and Urban Development Department.** Further, it is expected that the cost burden analysis presented in this report (i.e., assuming maximum allowable impact fee amounts) would improve with the adoption of a discount rate by Town Council.

APPENDIX

Monthly Cost of Homeownership Worksheet

# Housing Affordability Analysis in Support of Development Impact Fees in Fort Mill

## Cost of Homeownership Worksheet

	Monthly Payment Calculation	
	Scenario 1 (Baseline Condition)	Scenario 2 (Baseline Condition + Impact Fees)
Purchase Price <sup>A, B</sup>	\$182,800.00	\$186,252.00
Down Payment <sup>C</sup>	\$36,560.00	\$37,250.00
Loan Amount <sup>D</sup>	\$146,240.00	\$149,002.00
Loan Length (Years)	30	30
Loan Length (Months)	360	360
Yearly Interest Rate <sup>E</sup>	4.13%	4.13%
Monthly Interest <sup>F</sup>	0.3%	0.3%
Monthly Payment <sup>G</sup>	\$709.18	\$722.57
Property Tax (per month) <sup>H</sup>	\$146.36	\$146.36
Storm Water Management Fee <sup>I</sup>	\$6.00	\$6.00
Solid Waste Collection Fee <sup>J</sup>	\$14.00	\$14.00
Water, Sewer & Electric Utilities <sup>K</sup>	\$118.66	\$118.66
Telephone, Cable & Internet Utilities <sup>L</sup>	\$61.52	\$61.52
Homeowners Insurance <sup>M</sup>	\$68.08	\$68.08
<b>Monthly Cost</b>	<b>\$1,062.28</b>	<b>\$1,075.67</b>

**Notes:**

A = Purchase price begins with the median value for a home in Fort Mill published by the US Census Bureau (\$180,300). Maximum allowable impact fees for all four categories (combined) were added to the assumed purchase price of a home for Scenario 2.

B = A development impact fee for York County School District 4 (\$2,500) was added to the median price of a home.

C = Down payment assumed to be 20% of the purchase price.

D = Loan amount equals purchase price minus down payment.

E = Interest rate based on survey of competitive rates in the region ([www.bankrate.com](http://www.bankrate.com)).

F = Yearly interest rate divided by 12 months.

G = Monthly payment assumed for 30-year mortgage at 4.13% interest rate.

H = Property tax estimated using information from the York County Assessors Office website. Assumed residence was domiciled as the head of household's primary residence.

I = Annual Storm Water Management Fee for Fort Mill (\$72) divided by 12 months.

J = Annual Solid Waste Collection Fee for Fort Mill (\$168) divided by 12 months.

K = Average individual monthly utility rates for a residential dwelling unit assumed as follows: Water - \$28.72 per month, Sewer - \$39.94 per month, and Electric - \$50.00 per month.

L = Average individual monthly rates for a residential dwelling unit assumed as follows: Telephone - \$15.62 per month, Cable (Basic) - \$15.95 per month, and Internet - \$29.95 per month.

M = Homeowner insurance based on survey of competitive rates in the region (<http://homeinsurance.com/South-Carolina/>).