

City Explained^{Inc.}

Housing Affordability Analysis

Camden, SC



Draft Document

April 24, 2023

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 City 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 imposing new impact fees for parks and recreation, fire protection, and municipal facilities and equipment on affordable housing in the City of Camden.

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 the City of Camden*. Typically, City 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 City Council.

The *Development Impact Fee Study Report for the City of Camden* 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 three 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 Camden. It is expected that the cost burden analysis presented in this report would improve with the adoption of a discount rate by City 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 City of Camden 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 City of Camden 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.

HOUSING AFFORDABILITY ANALYSIS

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 City of Camden.

The median annual household income reported for the City of Camden is \$44,573 (US Census Bureau, 2016-2021 American Community Survey, Table B19013). Annual household income assumed for a family making 80 percent of the reported median is \$35,658 (i.e., $\$44,573 \times 0.80 = \$35,658$). Monthly household income for these families is \$2,972 (i.e., $\$35,658 / 12 \text{ months} = \$2,972$).

Note that the median annual income calculated here for the housing affordability analysis was modified for the cost burden analysis to reflect the purchasing power of a homeowner that could qualify for a traditional 30-year mortgage to buy a new home at the median home value of \$287,000 (reported on page 3). A household income of 80% percent of the median is still used to evaluate the cost burden of renter-occupied housing. Readers of this report should also be reminded that only recently constructed home are subject to a development impact fee; impact fees are not levied on the sale of existing homes which typically sell at a lower price point.

Housing Supply

Housing unit estimates for the City of Camden are published by the US Census Bureau. Current data estimates there are 3,837 total housing units in the City (US Census Bureau, 2016-2021 American Community Survey, Table DP04). 3,388 of these units are reported occupied, and 449 of these units are reported vacant. 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 Camden. Current data estimates there are 2,420 owner-occupied homes in the City (US Census Bureau, 2016-2021 American Community Survey, Table B25003). This represents approximately 71 percent of all occupied housing units reported (i.e., $3,388 / 2,420 = 71\%$).

The real estate website Redfin — www.redfin.com — was used to approximate the number for-sale homes available to new residents in the City of Camden. 78 homes were listed on the website on April 20, 2023 (search area limited to current City Limits). Homes for sale represent two percent (2.03%) of the total homes reported for the City. None of the homes for sale at this time would be subject to the City's proposed development impact fees.

Note:

Table B25004 in the US Census Bureau, 2016-2021 American Community Survey, identifies zero homes "for sale only" or "sold, not occupied" in the City of Camden. However, the margin of error indicates some homes could be for sale inside City Limits, which was confirmed using the Redfin website. This analysis assumes the number of homes listed on the Redfin website (78) as a more reasonable estimate of existing conditions versus assuming zero homes for sale in the US Census Bureau data set.

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 968 occupied rental homes in (US Census Bureau, 2016-2021 American Community Survey, Table B25003). This represents approximately 29 percent of all occupied housing units in the City (i.e., $968 / 3,388 = 29\%$).

The real estate website Redfin — www.redfin.com — was used to approximate the number for-rent homes available to new residents in the City of Camden. Five homes were listed on the website on April 20, 2023 (search area limited to current City Limits). Homes for rent represent less than one percent (0.15%) of the total homes reported for the City. None of the homes for rent at this time would be subject to the City's proposed development impact fees.

Note:

Table B25004 in the US Census Bureau, 2016-2021 American Community Survey, identifies zero homes "for rent" in the City of Camden. However, the margin of error (+19) indicates some homes could be for sale inside City Limits, which was confirmed using the Redfin website. This analysis assumes the number of homes listed on the Redfin website (5) as a more reasonable estimate of existing conditions versus assuming zero homes for sale in the US Census Bureau data set.

Cost of Homeownership

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

Purchase Price

The median home value reported by the American Community Survey for the City of Camden is \$211,100. (US Census Bureau, 2016-2021 American Community Survey, Table B25077). However, 96% of the total housing units reported by the US Census Bureau (3,697 of 3,387) for the City were built before 2016 and may not broadly reflect new home size, sales activity, or selling price characteristics in Camden and Kershaw County. Home listing websites — Redfin and Realtor — approximate the typical home value in the City of Camden as \$287,000 (Redfin) and \$313,000 (Realtor.com) (search completed on April 21, 2023).

This analysis assumes a purchase price of \$287,000 for a home in Camden to be more conservative in the sensitivity analysis for home affordability with and without development impact fees included.

Mortgage Payment

A conventional, fixed-rate 30-year mortgage was assumed to estimate typical monthly costs of principal and interest on a home loan. The down payment for a loan was assumed to be 20 percent of the purchase price (i.e., $\$287,000 \times 20\% = \$57,400$). The loan amount for the mortgage was determined by subtracting the down payment from the purchase price (i.e., $\$287,000 - \$57,400 = \$229,600$). An interest rate of 6.54% (APR) was assumed for the home purchase based on a survey of competitive interest rates in the region on Bank Rate website (www.bankrate.com) (search completed on April 21, 2023). Based on a loan amount of \$229,600, the monthly payment on a 30-year fixed mortgage is \$1,457.

Property Tax

In 2022, the City of Camden collects property tax using a millage rate of 0.1111 per \$1,000 of value for residential properties classified as “owner-occupied” properties. For an owner-occupied property, there is an additional 0.08750 millage rate assessed by Kershaw County, an additional 0.22910 millage rate assessed by Kershaw County School District and a local option sales tax (LOST) that provides a credit of 0.0035. The total millage rate (city plus county plus school district) assumed for the analysis is 0.4242 per \$1,000 of value for owner-occupied, residential properties (millage levy information provided by the South Carolina Association of Counties, 2022. South Carolina Property Tax Rates by County and confirmed by City staff.

An assessment ratio of 4-percent was applied to the full property value (per State Law) for calculating tax payments on properties that have been domiciled (i.e., declaring the property as the owner’s primary legal residence). For this analysis, annual property taxes for a home valued at \$287,000 were assumed to be \$4,870 (i.e., $\$287,000 \times 0.04 \times 0.4242 = \$4,870$). A monthly estimate for property taxes is \$405.82 (i.e., $\$4,870 / 12 = \405.82).

Gas Utility

Dominion Energy provides natural gas services and collects fees for this service in the City of Camden. A sample bill from Dominion Energy from September, 2021 was available for the analysis (accessed via Dominion Energy website on April 21, 2023). Based on this information, a household was assumed to spend \$282 per year for natural gas service. A monthly estimate for electric and gas utilities is \$23 (i.e., $\$282 / 12 = \23).

Electricity, Water, Sewer & Solid Waste Utilities

Camden Public Works and Utilities collects electricity, water, sewer, and solid waste utility fees to offset the costs for providing these services. A sample bill from July 2022 was available for the analysis (accessed via the City’s website on April 21, 2023). Based on this information, a household was assumed to spend \$2,478.00 per year for electricity, water, sewer, and solid waste combined. A monthly estimate for water, sewer, and solid waste utilities is \$206.50 (i.e., $\$2,478.00 / 12 = \206.50).

Telephone, Cable & Internet Utilities

Comporium provides telephone, cable, and internet service in Camden. Customer bills for April, 2023 were made available for the analysis. Based on this information, a household was assumed to spend \$2,112 per year for telephone, cable, and internet combined. A monthly estimate for telephone, cable, and internet is \$176.00 (i.e., $\$2,112 / 12 = \176.00).

Homeowners Insurance

Homeowners insurance provides financial protection against natural disasters. It generally insures the home and the items within 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 Camden was

estimated to be \$3,274 per year from a web search on April 21, 2023 (www.insurance.com/south-carolina-homeowners-insurance).

Monthly Payment

Based on the forgoing information and assumptions, the monthly payment for a home of typical value in the City of Camden was estimated to be \$1,457 for the baseline condition. A worksheet for estimating the monthly homeowner payment is included at the end of this report.

Cost of Renting

The cost of renting a home in Camden was estimated using information published by the US Census Bureau. The median gross rent (including all utilities and rental insurance) in the City was estimated at \$690 (US Census Bureau, 2016-2021 American Community Survey, Table B25064). The median gross rent represents an estimate based on five year rolling averages, 2016 to 2021, for a variety of housing types considered “for rent” in the City of Camden (i.e., subsidized and unsubsidized homes or apartments with a variety of bedroom configurations).

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 City of Camden was prepared for residents that purchase homes and residents that rent homes.

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”. Annual household income assumed for a family making 80 percent of the reported median in Camden is \$35,658. Monthly household income for these families is \$2,972 (i.e., \$35,658 / 12 months = \$2,972). A cost burden ratio of 30 percent was used to calculate housing affordability for the City (US Housing and Urban Development Department, 2009).

Adjusted Median Income

The personal income profile described on page 2 was modified for the cost burden analysis to reflect the minimum yearly household income required to purchase a home at the median value of \$287,000. Given a median home cost of \$287,000 in Camden, it would be difficult for a household making 80% of the median income (\$35,658) to qualify for a traditional 30-year fixed mortgage. For this reason, the minimum household income was estimated that would more likely qualify for a mortgage of a house valued at \$287,000. Using an online mortgage calculator and assuming a 20% down payment, 30-year term, 6.54% interest rate, \$1,000 in monthly household reoccurring debts (e.g., car payments, student loans, etc.), a household would need to make \$80,000 annually to qualify for the mortgage of \$229,700 (again, assuming the household makes a down payment of 20% (\$57,400). An income of \$80,000 is used here to better understand the impact of the cost burden of development impact fees for owner-occupied housing. The annual

household income of a family making 80 percent of the reported median is still used for the evaluation of rental-occupied housing.

Scenario 1: Baseline Condition (No Impact Fees Collected)

Table 1 summarizes the cost burden analysis for residents purchasing or renting a home in Camden without the influence of development impact fees. 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 City Impact Fees

Condition	Monthly Income*	Monthly Cost ^	Cost Burden
Owner-Occupied	\$6,667	\$2,542	38.13%
Renter-Occupied	\$2,972	\$690	23.20%

Note:

* = Owner-occupied uses the adjusted median income described above; renter-occupied uses 80% of the City median income

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

Based on Table 1, new owner-occupied housing in the Camden is just slightly above the cost burden threshold (30% of household income). For families whose income is 80 percent of the City’s median income, renter-occupied housing is well below the cost burden threshold.

Scenario 2: Anticipated Condition (New City Development Fees Collected)

Scenario 2 considers the cost burden for residents purchasing or renting a home in Camden with development impact fees included. Maximum allowable impact fees are presented in Chapter 5 of the *Development Impact Fee Study Report for the City of Camden*. It is assumed a discount rate will be applied to these fees in the future (see discussion on page 1 of this report). However, the analysis assumes the most conservative condition — maximum allowable impact fee amounts — for assessing the effect of new development impact fee amounts on affordable housing in Camden. The cost burden analysis presented in this report is expected to improve with the adoption of a discount rate by City Council.

Table 2 summarizes maximum allowable impact fee information from the *Development Impact Fee Study Report for the City of Camden* (Chapter 5).

Table 2: Maximum Allowable Impact Fees

Ownership Category	Max. Allowable Impact Fee
Parks & Recreation	
Owner-Occupied	\$4,308
Renter-Occupied	\$2,717
Fire Protection	
Owner-Occupied	\$1,537
Renter-Occupied	\$969

Municipal Facilities & Equipment	
Owner-Occupied	\$497
Renter-Occupied	\$313
All Impact Fees Combined	
Owner-Occupied	\$6,342
Renter-Occupied	\$3,999

Table 3 summarizes the cost burden analysis for residents purchasing or renting a home with the proposed development impact fees implemented.

Table 3: Cost Burden Analysis with City Impact Fees

Condition	Monthly Income	Monthly Cost ^	Cost Burden
Owner-Occupied @	\$6,667	\$2,583	38.74%
Renter-Occupied #. %	\$2,972	\$801	27.00%

Notes:

* = Owner-occupied uses the adjusted median income described above; renter-occupied uses 80% of the City median income

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

@ = development impact fees for owner-occupied units increase from \$0 per unit in the existing condition (scenario one) to \$6,342 per unit in the proposed condition (scenario two).

= renter-occupied development impact fees increase from \$0 per unit in the existing condition (scenario one) to \$3,997 per unit in the proposed condition (scenario two).

% = the monthly cost for rental housing assumes a 36-month payback period for the property owner to recoup his or her impact fees (i.e., \$3,999 / 36 = \$111.08 per month (rounded to \$111 for the calculation)).

Based on Table 3, new owner-occupied housing in the City of Camden continues to be slightly above the threshold for affordability for households using the adjusted median income assuming the proposed development impact fees added to the purchase price (methodology described in the notes for Table 3). For households whose income does not exceed 80 percent of the City’s median income, renter-occupied housing remains affordable 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 cost burden to purchase a home in Camden slightly exceeds the 30-percent threshold established by the US Housing and Urban Development Department for both scenarios: the current condition (no impact fees) and implementation of a new development impact fee program. The increase in cost burden attributed to a new development impact fee program — assuming the worst-case condition, maximum allowable fees applied — is approximately 0.61% (absolute change) for purchasing a home.

The increase in cost burden associated with implementation of a new development impact fee program — assuming worst-case condition, maximum allowable fees applied — is approximately 3.80% (absolute change) for renting a home (assuming a 36-month payback period for the property owner). However, renter-occupied housing remains affordable to “families whose incomes do not exceed 80 percent of the median income” under both scenarios.

Housing Affordability Analysis in Support of a Development Impact Fee Program for the City of Camden

Cost of Homeownership Worksheet

	Monthly Payment Calculation	
	Assuming No Development Impact Fees In Place	Assuming New Development Impact Fees In Place
Purchase Price ^A	\$287,000.00	\$293,340.00
Down Payment ^B	\$57,400.00	\$58,668.00
Loan Amount ^C	\$229,600.00	\$234,672.00
Loan Length (Years)	30	30
Loan Length (Months)	360	360
Yearly Interest Rate ^D	6.54%	6.54%
Monthly Interest ^E	0.54%	0.54%
Monthly Payment ^F	\$1,457.00	\$1,489.00
Property Tax (per month) ^G	\$405.82	\$414.78
Electric, Water, Sewer & Solid Waste Utilities ^H	\$206.50	\$206.50
Gas Utility ^I	\$23.49	\$23.49
Telephone, Cable & Internet Utilities ^J	\$176.00	\$176.00
Homeowners Insurance ^K	\$272.83	\$272.83
Monthly Cost	\$2,541.64	\$2,582.61

Notes:

A = Purchase price begins with the typical value of a home for sale reported by Redfin (www.redfin.com) in the City of Camden (search completed on April 21, 2023). Conditions for evaluating impacts of a proposed development impact fee program on housing affordability in York assumed the maximum allowable development impact fees for all three categories combined (parks and recreation, fire protection, and municipal facilities and services) are added 100% to the purchase price of a single-family detached home.

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

C = Loan amount equals purchase price minus down payment.

D = An interest rate of 6.54 percent was assumed for the home purchase based on a survey of competitive interest rates in the Camden zip code (29020) with an average credit score (698) on April 19, 2023 (www.bankrate.com).

E = Yearly interest rate divided by 12 months.

F = Monthly payment amount for a traditional 30-year mortgage (principal and interest only) was calculated using a webtool (www.google.com, mortgage calculator).

G = In 2022, a homeowner in Camden pays property tax using a total millage rate of 0.4242 (includes city, county, school district millages, and a local option sales tax (LOST) that provides a credit of 0.0035 according to the South Carolina Association of Counties, 2022. South Carolina Property Tax Rates by County and confirmed by City staff) per \$1,000 of value for residential properties. An assessment ratio of 4-percent was applied to the full property value (per State Law) for calculating tax payments on properties that have been domiciled (i.e., declaring the property as the owner's primary legal residence). For this analysis, annual property taxes for a home valued at \$287,000 were assumed to be \$4,910 (i.e., $\$287,000 \times 0.04 \times 0.4277 = \$4,910$). A monthly estimate for property taxes is \$409 (i.e., $\$4,910 / 12 = \409.17).

H = Average electric, water, sewer and solid waste bill for the month (combined for the calculation) based on sample bill provided by the City Utility (08/15/2022).

I = Average gas bill for the month based on sample bill provided by Dominion Energy (09/21/2021).

J = Average telephone, cable, and internet bill for the month (combined for the calculation) assumed from customer bills provided for the analysis.

K = The average cost of homeowners insurance in Camden was estimated to be \$3,274 per year for a dwelling valued \$300,000 with a \$1,000 deductible and \$100,000 in liability protection (<https://www.insurance.com/south-carolina-homeowners-insurance> accessed April, 2023).

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