

Priced out of the American Dream

By Katy Stech
The Post and Courier
Monday, July 21, 2008



Grace Beahm
The Post and Courier

The recently completed Phillips Manor subdivision in Mount Pleasant has put home ownership within reach of 23 families, but the lengthy process of getting these houses financed and built illustrates the challenges of providing affordable housing in the Charleston area.

By the numbers

\$114,900 - Charleston-area median home price in 1998.

\$209,000 - Median home price in 2008*.

82 % - Increase in median home price over past 10 years.

\$32,387 - Yearly per capita income for the Charleston area**.

\$36,307 - Yearly per capita income for the United States**.

57.8 % - Homes sold in Charleston during the first quarter 2008 that were affordable to families earning the area's median household income.

*Sales between Jan. 1 and June 30.

**2006 data.

Sources: Charleston Trident Association of Realtors, U.S. Bureau of Economic Analysis, National Association of Home Builders

Tiffani Walker grew up in Mount Pleasant. It's where her mother lives, where her 6-year-old twins can get a good public education and where she works for the town's park and recreation department.

So when she and her fiance, a truck driver, set out to buy their first home, Mount Pleasant was unquestionably where they wanted to live, even if the average home there costs about \$320,000.

After a four-year search, the couple found Phillips Manor, a 23-home subdivision off S.C. Highway 41 that was built for families that qualify for housing assistance. They moved into a two-story, three-bedroom house priced just above \$140,000 and share the community with police officers, restaurant managers and other town administrative workers.

"These houses made it possible for us to live in the town that we love to work for," she said.

But few families are as lucky as the Walkers. Most Charleston-area residents are unable to afford a home that's close to where they work, according to a new study released by the Charleston Metro Chamber of Commerce and the Lowcountry Housing Trust.

Price surge

Local wage increases haven't kept pace with housing prices that surged several years ago during the national and local housing boom, study data show. Retirees and cash-flush new residents from others parts of the country are able to pay top dollar for homes, while regulations push costs higher.

Local leaders say the issue is starting to threaten the region's quality of life as commuters clog major roadways during rush hour. The area's economic viability is also at stake, as some business owners say they are struggling to recruit and retain good employees.

While housing affordability is a hard problem to solve, the study is meant as a call to action for government officials and business leaders.

"All of us want our region to be a place where our children can grow up and move back to," said Mary Graham, senior vice president of public policy for the Charleston Metro Chamber of Commerce.

The 40-page study pulls together information from the U.S. Census Bureau, the U.S. Bureau of Labor Statistics, the National Association of Home Builders and the local real estate professional group to show that:

--The Charleston area's most populated regions have home prices that are out of reach for people who work in those areas, leading many employees to live elsewhere and commute.

--Most new jobs created since 2000 have been in the hospitality, service, education and health care sectors, which traditionally pay relatively modest wages for most jobs.

--Less than half of Charleston residents can afford to buy a home at the median price — now about \$210,000 — making it far less affordable than other Southeastern cities such as Atlanta, Charlotte, Columbia and Greenville.

Growth factor

Homes weren't always this expensive. Ten years ago, the average house sold for about \$115,000.

But Charleston became a sought-after housing destination, luring residents from across the country and attracting speculators who bought investment property. Prices steadily grew until the nationwide housing boom caused them to skyrocket.

Another cost factor is logistical. The Lowcountry's central hub and major employment area, downtown Charleston, is geographically small and confined by waterways. And the city's location along the coast limits the spread of growth, cutting its development space nearly in half.

"We're in a region where you can't move out development on half of what we have because it's in the ocean," Graham said.

Higher prices also were encouraged by newer Charleston residents who moved from more expensive housing markets in the Northeast and on the West Coast. Some new residents are retirees who have been making monthly mortgage payments for decades and building top-notch credit records, allowing them to buy more expensive properties.

Some housing experts say the disparity between what homes cost and what workers can afford has reached a critical point. Record gas prices have stretched the budgets of many workers who commute long distances from their suburban homes, said Tammie Hoy, executive director of the Lowcountry Housing Trust, an affordable housing advocacy group. And the Lowcountry's major roadways often are choked with traffic during rush hour, chipping away at the area's quality of life.

"People are going to have to start making hard choices about where they live and where they work," she said.

Development barrier

Housing affordability also is becoming a barrier to economic development. Local business leaders have told chamber officials that job candidates have passed up offers to work in Charleston for other Southeastern cities, partly because housing costs were too steep.

The issue disproportionately affects Charleston's largest employer: tourism and hospitality. Not only are wages in that industry traditionally lower than other sectors, but most of the activity is focused on the peninsula, where the limited and historically significant housing stock makes it the most expensive in the region.

Industry workers have had to balance their transportation and housing costs with their desire to work for some of the finest restaurants and hospitality outfits in the Southeast, said restaurateur Dick Elliott of Maverick Southern Kitchens, which employs about 280 people.

"Salaries are higher," Elliott said. "They're going up all the time, but they don't keep pace with the housing costs."

The local real estate market's current slump has given buyers an advantage at finding a reasonably priced home. So far, the average price has fallen several thousand dollars, though national housing experts say the market slump hasn't pushed down prices to a level that's considered widely affordable.

More importantly, though, the housing slowdown gives local leaders an opportunity to concentrate on the issue, Graham said. Developers and builders can learn more about affordable housing developments, especially since some companies now recognize the growing demand for affordable homes.

Work force housing

Nehemiah Corp., a Greenville-based nonprofit housing provider, saw the need for work force housing in Mount Pleasant several years ago when it began developing Phillips Manor, where Tiffani Walker and her family live. First Federal Savings and Loan Association of Charleston financed the construction loans and some of the home loans for buyers.

Edward McKelvey, the bank's vice president of community development, said providing funding for the project wasn't more risky, just more time-consuming. The project relied on several grants, and many residents were first-time buyers who needed help scraping together a down payment.

Land costs also can be a barrier to that type of development, he added.

"If only we could duplicate this throughout the area," McKelvey said of Phillips Manor.

To fix the affordability problem on a widespread level, Elliott of Maverick Southern Kitchens offered two ambitious suggestions: "Plan better and spend money."

While many municipalities are reviewing their long-range planning strategies, it takes extra effort to coordinate expected growth with bordering cities and towns. And doing what's best for the region may require elected officials and planners to put aside their particular interests by, for example, forgoing property tax dollars from new developments.

Local governments can also start tackling the affordability issue by easing the overregulation that Walt Martin of Associated Developers Inc. says has built up over time.

Shoddy construction during the Lowcountry's rebuilding from Hurricane Hugo prompted tighter building regulations, and environmental restrictions, especially along the coast, have complicated the development process.

Martin said he's not against this type of progress, but he added, "Every time you make something better, you make it more expensive."

Allowing developers to build denser communities that offer a range of housing types, he said, would rein in suburban sprawl and possibly allow workers to live closer to their jobs. That's echoed in the affordability study's recommendations, which also calls for zoning changes.

"In almost every instance, it is going to take some kind of public-sector effort of incentivizing building and offering some carrot," Graham said.

Reach **Katy Stech** at 937-5549 or kstech@postandcourier.com.

Copyright © 1997 - 2007 the Evening Post Publishing Co.