

South Carolina Economic Equity Agenda

Recommendations to the SC General Assembly
for Community Economic Development Funding Priorities for
The American Rescue Plan Act Funding to South Carolina

Thank you for your leadership as you and your colleagues gather to respond to the negative health and economic impacts of the COVID-19 pandemic. We, the South Carolina community development and nonprofit sector, who are dedicated to providing sustainable economic opportunities to all South Carolinians, request that you prioritize American Rescue Plan Act funding to support affordable housing development, small business recovery, and individual asset development, to ensure that those who were impacted the most not only recover but strengthen and grow South Carolina's economy. We recommend the following be prioritized with your funding decisions during the 2022 Legislative Session.

1. Funding for the Micro and Small Business Recovery and Resiliency Funding

Designated Agency: SC Department of Commerce

Recommended Funding Level: \$125 Million

2. Funds for a Comprehensive Affordable Housing Strategy

Designated Agency: SC Housing (SC Housing Finance Development Agency)

Recommended Funding Level: \$197 million

3. Fund a Statewide Individual Development Account (IDA) Program

Designated Agency: SC Department of Social Services or SC Department of Commerce

Recommended Funding Level: \$10 million

The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan Act, delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.

US Department of the Treasury Funding Objectives:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts
- Maintain vital public services, even amid declines in revenue resulting from the crisis
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity
- Respond to the far-reaching public health and negative economic impacts of the pandemic, by supporting the health of communities, and helping households, small businesses, impacted industries, nonprofits, and the public sector recover from economic impacts

The proposed recommendations support immediate economic stabilization for households and businesses, while also addressing the systemic public health and economic challenges that have contributed to the inequal impact of the pandemic.

Micro and Small Business Recovery and Resiliency

Funding for the Micro and Small Business Recovery and Resiliency Funding

Designated Agency: SC Department of Commerce

Recommended Funding Level: \$125 Million

US Department of the Treasury Use of Funds:

Assistance to small businesses that experienced negative economic impacts includes loans or grants to mitigate financial hardship and technical assistance. Disproportionately impacted small business can receive assistance for rehabilitation of commercial properties, storefront improvement & face improvement; technical assistance, business incubators and grant for start-up or expansion costs for small businesses; and support for microbusinesses, including financial, childcare, and transportation.

AccelerateSC Final Recommendations:

AccelerateSC recommends that \$250 million be set aside to fund a small business grant program as employment statistics show employment levels nearly four percent below pre-pandemic levels.

Proposed Funding Overview:

Recommend \$125 million be made available to eligible intermediaries and service providers through an application process defined by SC Department of Commerce. Eligible uses of funding would include loan capital for recovery loan products for micro/small businesses, loan loss reserve to support recovery and resiliency, lending for micro/small businesses, small support grants to micro/small businesses, coupled with technical assistance and coaching support for service providers.

Rationale:

Prior to the pandemic, South Carolina had a robust small and microbusiness sector, accounting for 46.9% of the state's workforce. Of the 384,000 small businesses in South Carolina, 17.5% employ less than 19 people (SBA Office of Advocacy, 2016). Once the pandemic hit, the small and microbusiness industries most deeply affected by COVID-19 included the food service industry, retail, and accommodation services – all of which employ women and minorities at disproportionate rates. Microbusinesses tend to only have access to small amounts of short- and long-term savings, if any at all, which hinders their ability to maintain a measure of financial stability, especially during a disrupting crisis like COVID-19. Furthermore, the national Paycheck Protection Program, a nearly \$700 billion initiative enacted to provide support to businesses distressed by COVID-19, did not help most businesses owned by people of color according to the National Bureau of Economic Research. Intermediaries and service providers are a critical avenue for reaching marginalized entrepreneurs and communities throughout South Carolina. With the recommended funding, intermediaries will be able to effectively assist low-wealth communities hard hit by the concurrent health, economic, and racial justice crises facing our state; ensuing South Carolina's small business sector to reclaim the success it had prior to the pandemic and set the stage for business resiliency and growth.

Comprehensive Affordable Housing Strategy

Funds for a Comprehensive Affordable Housing Strategy

Designated Agency: SC Housing (SC Housing Finance Development Agency)

Recommended Funding Level: \$197 million

A collaborative approach to affordable housing is being led by Habitat for Humanity South Carolina, South Carolina Association for Community Economic Development (“SCACED”), South Carolina Public Housing Authorities, and Local Housing Trust Funds. This ad hoc coalition represents a collective voice for the prioritization of housing from state fiscal recovery funds. *South Carolina State Housing Finance and Development Authority (“SC Housing”) supports the recommendations of the ad hoc coalition, as well as the administration of the programs outlined below.*

US Department of the Treasury Use of Funds:

Section II. Eligible Uses of the U.S. Department of the Treasury’s Interim Final Rule identified “Building Stronger Communities through Investments in Housing and Neighborhoods” an eligible use. Economic impacts have been most pronounced in lower-income neighborhoods, including concentrated areas of high unemployment, limited economic opportunity, and housing insecurity. Services in this category alleviate the immediate economic impacts of the COVID-19 pandemic on housing insecurity, while addressing conditions that contributed to poor public health and economic outcomes during the pandemic. The Final Rule clarifies that “populations presumed eligible” include households or populations experiencing housing insecurity and/or are low or moderate income (defined as at or below 65% of the area median income).

Proposed Funding Overview:

- \$7 million for housing stabilization and assistance relocating to neighborhoods with increased economic opportunity; and supportive housing and other services for individuals experiencing homelessness (*via Local Housing Trust Funds*)
- \$75 million for construction of new affordable rental housing units (*via Public Housing Authorities*)
- \$25 million for preservation of existing affordable rental housing units (*via Public Housing Authorities*)
- \$30 million for affordable rental housing development via housing equity equivalent fund (*via SCACED*)
- \$50 million for affordable homeownership via new construction, preservation of vacant stock, and owner-occupied home repairs (*via Habitat for Humanity South Carolina*)
- \$10 million for affordable homeownership development via housing equity equivalent fund (*via SCACED*)

Rationale:

In 2019, SC Housing conducted a housing needs assessment which reported that a quarter of all renters experienced severe cost burden, meaning that they spend more than half their gross income on rent or have no income at all. In 40 of 46 counties, renters cannot afford a basic two-bedroom apartment without overextending their budget. Furthermore, before the pandemic, South Carolina had the highest eviction rate in the United States. Increasing the inventory of affordable housing (rental and ownership) through production, preservation, and rehabilitation is critical to South Carolina’s short- and long-term recovery from the impacts of COVID-19.

Statewide Individual Development Account (IDA) Program

Fund a Statewide Individual Development Account (IDA) Program

Designated Agency: SC Department of Social Services or SC Department of Commerce

Recommended Funding Level: \$10 million

US Department of the Treasury Use of Funds:

Section 35.6 Eligible uses. (i) A program, service, or capital expenditure is eligible under this subparagraph (1) if a recipient identifies a harm or impact to a beneficiary or class of beneficiaries caused or exacerbated by the public health emergency or its negative economic impacts and the program, service, or capital expenditure responds to such harm. (ii) Responding to the negative economic impacts of the public health emergency for purposes including: (A) Assistance to households and individuals, including: (5) Development, repair, and operation of affordable housing and services or programs to increase long-term housing security; (6) Financial services that facilitate the delivery of Federal, State, or local benefits for unbanked and underbanked individuals.

Proposed Funding Overview:

Recommend \$10 million be allocated to reestablish the statewide Individual Development Account (IDA), a 20+ year program that was offered until funding was exhausted. The IDA program is a 3:1 matched savings account program that allows individuals to use their savings and match money toward any of three productive assets: a home, a small business, or post-secondary education. Participants are required to save their funds, participate in financial literacy education and asset-based training, before having access to their match funds.

Rationale:

Prior to the pandemic, the income poverty rate, percent of households with income below federal poverty rate, in South Carolina was 14.9% compared with 12.7% nationwide. Furthermore, 42% are without sufficient liquid assets to live for three months in the absence of income, compared with 36.9% nationwide. The South Carolina IDA program is a proven success with \$1.5 million in IDA funds leveraging a total of \$19 million. Resulting in 129 homes purchased, 140 students going back to school and 214 business started. Re-establishing the IDA program will help families to be more financially secure in the short and long term.

As outlined, we the undersigned, request the South Carolina General Assembly to prioritize funding for the development and preservation of affordable housing, small businesses recovery loans or grants, and the creation of individual development accounts, to further community economic development throughout the state.

AIM
AARP South Carolina
Affordable Upstate
Allendale County ALIVE
Beyond Housing
Black Contractors Association for the Carolinas
Blackville CDC
Bowman Branch NAACP
BRIDGENorthCharleston
Caldwell Management Solutions
Carolina Foothills Federal Credit Union
City of Beaufort
CLIMB Fund
Community First Land Trust
CommunityWorks
conNECKtedTOO-->TINYisPOWERFUL
Dillon County Boys and Girls Youth Center
Dominion Realty Advisors LLC
Eastside Community Development Corporation
Florence Crittenton Programs of SC
Genesis Homes
Grace Impact Development Center, Inc.
Greenville County Human Relations
Greenville Homeless Alliance
Greenville Housing Fund
Greenville Partnership for Philanthropy
Habitat for Humanity of Greenville County
Habitat for Humanity of Horry County
Habitat for Humanity South Carolina
Hard4LifeNPO
Homeless No More
Homes of Hope, Inc
Increasing H.O.P.E Financial Training Center
Jordon Development
Kershaw County Housing Authority
Lee H. Moultrie & Associates, LLC
Life Means Goforth

Lowcountry Alliance for Model Communities
Lowcountry Equitable Land and Resource Trust
Metanoia
Midlands Housing Trust Fund
Mill Community Ministries
National Development Council
Nehemiah Community Revitalization Corporation
NHE
NonProfit Alliance
Osprey Village Inc.
Pacolet Milliken, LLC
PDHS
Pickens County Habitat for Humanity
Pee Dee Healthy Start Inc
Public Education Partners Greenville County
Rembert Area Community Coalition
RICH Community Resources
Richland County Council
Santee-Lynches Affordable Housing & CDC
South Carolina Association for Community Economic Development (SCACED)
South Carolina Community Loan Fund
South Carolina Office of Rural Health
South Carolina Rural Community and Workforce Development
South Carolina UpLift Community Outreach
Southeastern Housing and Community Development
Spartina Capital, LLC
Step by Step Ministry Hope Project
Tara Village Neighborhood Association
TN Development Corporation
Town of Eastover
United Ministries
Upstate Warrior Solution