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# SOUTH CAROLINA CD TAX CREDIT PROGRAM

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# Executive Summary

## Project Goal and Scope

- Analyze the economic, fiscal, and human impact of the South Carolina **Community Development (CD) Tax Credit Program** in 2019.
- Tell the story of the **impact to South Carolinians** of this funding for community and economic development.
- **Develop a living analytical tool** that SCACED can update over the next 5 years to measure the **evolving outcomes of future programs**.

## Analysis and Methodology

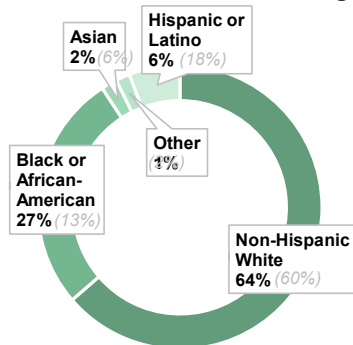
- Interview SCACED, many of their partner organizations (CDCs and CDFIs), donors, academics, and government officials and legislators to **understand the program's perception** within the state.
- **Review academic literature and best practices** of similar programs from individuals at MIT, the University of Tennessee, the College of Charleston, and the Massachusetts Association of Community Development Corporations (MACDC).
- **Develop a conservative economic and fiscal analysis**, and recommendations and messaging ideas for buy-in.

## Results and Conclusion

- The CD Tax Credit Program is a **public-private partnership**; \$1M in state investment in 2019 **fundraised \$2.6M** in community development in South Carolina.
- The program had a one-year state and local **fiscal impact of \$310K in savings and increased tax revenue**.
- \$1M in funds was directly responsible for **41 jobs created, 5 new small businesses, 180 job trainings, 47 housing units**.

# South Carolina Key Demographics

South Carolina Race and Origin (2019)



National composition shown in grey

**11.3%**

10-year population growth rate  
79.4% higher than national rate  
(6.3%)

**75.3%**

Households with broadband Internet  
6.3% below national rate  
(80.4%)

**\$154,800 /  
\$868**

Median value of owner-occupied housing and median gross rent

24.4% and 15.2% below

national medians, respectively

**\$51,015**

Median household income  
15.4% below national median  
(\$60,293)

**27.4%**

Percent of persons 25+ with a bachelor's degree or higher  
13.0% below national rate  
(31.5%)

# South Carolina Association for Community Economic Development (SCACED)

## Mission Statement

- SCACED is a coalition of individuals and organizations who support the development of **healthy and economically sustainable communities** throughout South Carolina.
- Their members work collaboratively to **build wealth and create economic opportunity** for all SC residents; many of their efforts are focused on minority communities and other groups who have been left out of the economic mainstream.

## Main Figures (2020)

Years of Activity	26	Total CD Tax Credits Used	\$6M
Number of Employees	6	# Partner Organizations	20
Counties Served	46	# CDCs	14
Year of Start CD Tax Credit Program	2000	# CDFIs	6

## Key Milestones

1994	South Carolina Association of CDCs is formed
1997	SCACDC launches its community economic development institute
2000	The CED Act is passed, establishing CDC/CDFI certification, and creating \$5 million Community Development Tax Credits
2006	First \$1 million of the CED Fund is appropriated in the state budget
2007	Second CED Fund appropriation for \$1 million
2013	Third CED Fund appropriation for \$400 thousand
2014	SCACDC celebrates its 20th Anniversary and changes its name to SCACED
2017	All \$5 million of CD Tax Credits are reserved
2018	SCACED surpasses 100 nonprofit and government members
2019	An additional \$1 million in CD Tax Credits is authorized

# SCACED Main Activities



## Action

- SCACED is actively working within distressed South Carolina communities.
- These programs promote sustainable community development and improve quality of living for low wealth families through access to savings, food and capital.

### Main Areas of Action

Affordable Housing

Professional Training

Small Businesses

Basic Needs



## Advocacy

- SCACED provides its members a platform for collaborative advocacy.
- They support institutional and system changes that will positively impact low wealth communities and the non-profits that serve them.

### 2020 Public Policy Agenda

Senate Bill on Additional Allocation of Community Development Tax Credits

Expand Access of Nonprofit Affordable Housing Developers to SC Housing Products

Opportunity Zones

2020 Census



## Organizational Development

- SCACED helps non-profits, local branches of government and other organizations to achieve sustainable results in their communities.
- Members receive technical assistance, training and access to capital through funding alerts and relationship-building with local, state and national stakeholders.

### Highlighted Initiatives

Education Programs: Community Development Institute (CDI)

Funding Programs: Community Impact Fund (CIF) amounting to \$75,000 in 2019.

# Partner Organizations

## Community Development Corporations (CDCs)

### Description

Non-profit community-based development organizations that are established to promote economic opportunities in low-wealth communities.

### Main Activities

- Housing development, both for sale and rental
- Training services and career development
- Financial literacy
- Promoting entrepreneurship

#### Affordable Housing Development

#### Other Activities



## Community Development Financial Institutions (CDFIs)

### Description

Non-profit community-based financial institutions that are established to provide responsible and affordable financial products and services that will promote economic growth in under-served neighborhoods and communities.

### Main Activities

- Provide financing to individuals and organizations that face limitations in the mainstream financial system:
- Small and local businesses, start-ups
  - Affordable housing
  - Consumer financial services
  - Community facilities

#### Key CDFIs



# Stakeholder Interviews

The MIT Team conducted interviews with the following program stakeholders:

## Partner Organizations

- Anderson Interfaith Ministries
- Greenwood Area Habitat for Humanity
- Habitat for Humanity of Greenville County
- Homes of Hope
- LDC
- Metanoia
- Northside Development Group
- South Carolina Community Loan Fund

## Governmental and Other Stakeholders

- Burnet Maybank, Tax attorney and former Director of the SC Department of Revenue
- Representative J. David Weeks, Member of the SC House of Representatives (D-Sumter County)
- Massachusetts Association of Community Development Corporations (MACDC)
- South Carolina Department of Commerce

## Academia

- Massachusetts Institute of Technology – Sloan School of Management
- College of Charleston, Office of Economic Analysis
- University of Tennessee, Department of Agricultural & Resource Economics

# CD Tax Credit Program: History and 2020 Proposal

## History of the Program

- In 2000, the South Carolina Community Economic Development Act was passed, authorizing **\$5 million** in South Carolina CD Tax Credits for eligible investments and contributions to certified organizations.
- By 2017, all \$5 million of credits authorized in 2000 were exhausted.
- An additional \$1 million in CD Tax Credits was allocated in 2019.
- A taxpayer may claim as a credit against their state income tax, bank tax, or premium tax liability **33% of all equity investments** and **50% all cash donations** to certified Community Development Corporations (CDCs) and Community Development Financial Institutions (CDFIs).

## 2020 Proposal

- On December 12, 2019, Senator Cromer prefiled **Senate Bill S. 879**. This bill allocates **additional CD Tax Credits for a 4-year period (2020-2023)**.
- SCACED is currently advocating to the SC General Assembly for passage of the additional CD Tax Credit allocation (S.879).
- Due to the **COVID-19 emergency**, the non-essential state legislative activity is on hold. This situation presents **challenges for the approval of the program this year**.

## Tax Credits Used by Year

2014	\$704 k	2017	\$756 k
2015	\$991 k	2018	-
2016	\$989 k	2019	\$1,000 k

## Proposed Tax Credits Allocation

2020	\$2 million	2022	\$3 million
2021	\$3 million	2023	\$3 million



# 2019 CD Tax Credit Program: How It Works

South Carolina  
allocated \$1  
million in CD tax  
credits

*25% of the total credit is reserved for  
small, rural-based CDCs*

Partner CDCs  
and CDFIs  
fundraise from  
donors and  
investors  
(individuals and  
companies)

Donors and  
investors make  
financial pledges  
to the partner  
organizations

Partner CDCs  
and CDFIs  
submit tax credit  
reservations once  
they are available

*A single CDC or CDFI may not claim  
more than 25% of the total credit*

Cash donations  
and equity  
investments are  
made

*A taxpayer may claim credit against  
state income, bank tax or premium tax  
liabilities of 33% for equity investments  
and 50% of cash donations*

Partner CDCs  
and CDFIs use  
the donations for  
operations and  
programming

# Efficacy of Tax Credit Programs

The Brookings Institute found that a federal CDC tax credit pilot program is a “very good vehicle for promoting community development and that it should be reauthorized and expanded.”

Specifically, Brookings believes that tax credits work well in today’s CD environment because it shifts the focus from public sector grants to a tool that promotes economic activity that engages significant private financial support and that is sensitive to the needs of the local community. This shift has in part been made possible by the strengthening of CDC organizational infrastructure which now have the capacity to undertake CD in partnership with the private sector.

The most important advantage is that tax credits engage the private sector in community building, and they allow the CDCs to forge lasting relationships with banks, corporations and other entities whose participation is vital to effective community development. As Brookings concludes, “the timing is right. The ground level network of strong organizations that can make effective use of a tax credit exists. The private sector has demonstrated a willingness to participate. And the neighborhoods themselves are ready, with many now able to sustain economic development over the long term.”

Importantly, one recommendation to make tax credits more effective is to undertake a centralized marketing campaign to attract more dollars, particularly to organizations without a deep donor base. To be successful, the effort would have to inform and excite the donor audience about the positive track record of CDCs and ensure that regulators publicize clear formal guidance about the treatment of tax credits.

Steinbach, Carol. “The CDC Tax Credit: An Effective Tool for Attracting Private Resources to Community Economic Development.” The Brookings Institute, 1 August 1998.

# Massachusetts Success: Program Overview



The **Massachusetts Community Investment Tax Credit (CITC)** is administered by the Massachusetts Association of Community Development Corporations (**MACDC**) on behalf of the Department of Housing Community Development and provides a 50% donation tax credit for qualified contributions to selected CDCs. 30% of the CITC are allocated to Gateway Cities, and 20% to rural areas. Unlike the CD Tax Credit in South Carolina, **Massachusetts' program is funded on a five-year basis**. The enabling legislation limits the CITC to \$8 million in 2019, growing to \$12 million by 2023.

Donors invest in a CDC's Community Investment Plan i.e. a business plan, providing flexible working capital that can be used to seed new programs, fill funding gaps and leverage other resources. If the donor does not have sufficient tax liability, the credit is refundable, whereby the Commonwealth will issue a check for the balance of the credit to the donor. The maximum donation each year of the program is \$2 million per tax paying entity. The minimum donation each year is \$1,000.

MACDC provides a **robust online investment dashboard** tool which reports out annual impacts from the CITC. The organization found that between 2016 and 2018, 52 CDCs participated in the CITC program, and that \$16.3 million in consumed credit leveraged an additional \$32.6 million from the private sector.

The **CITC enjoys bipartisan support** from the Republican gubernatorial office and Democrat-controlled statehouse due to the program's messaging focused on leveraging modest public investment to amplify private sector participation in small businesses and jobs.

# Massachusetts Success: Five Best Practices

During the MIT team's interview and subsequent review of MACDC's processes, five best practices emerged:

1. The United Way of Massachusetts Bay and Merrimack Valley is a **community partner fund administrator**, which provides CITC fundraising services for partner organizations who lack the capacity to do so themselves (for a small administrative fee);
2. The MACDC website features an **online tool** which is easy to navigate and **summarizes key impacts of the CITC**;
3. MACDC releases an **annual GOALS Report** ("Growing, Opportunities, Assets, and Leaders"), a brief document which summarizes the CITC impact for the year and highlights the geographic and mission diversity of partner organizations;
4. MACDC publishes a **monthly digital newsletter** to its members, donors, engaged politicians, and other stakeholders which compiles the "major wins" from their partner organizations, as well as personal impact stories. Staff request stories from partner organizations and have set up Google alerts whenever the organizations are in the news; and
5. **Robust outreach and communication about the success** of the partner organizations raises awareness and helps elected officials advocate for CDCs throughout the Commonwealth.

# Massachusetts Success: MACDC's Online Tool



## Community Investment Tax Credit: Introduction

- Introduction
- Analysis by:
  - Donor Type
  - Date
  - Location
  - Community Partner, One
  - Community Partner, Two

The Massachusetts Community Investment Tax Credit (CITC) program, which provides a 50% refundable state tax credit, is a highly successful and impactful fundraising instrument for participating Community Development Corporations (CDCs). As of May 2019, there are 54 state-certified CDCs involved in the program, with the newest organization receiving an inaugural allocation of credits this year. Amazingly, thanks to the CITC program, over \$45.4 million has been raised since the program's launch in January 2014.

This presentation of fundraising data is for the past three years (2016, 2017, and 2018). A few key findings of note include the continued success of the program to attract individual donors (fully 1/3 of all donations collected over the past three years); broad geographical diversity of donors with fundraising success not just in the greater Boston communities, but also throughout the Cape and Islands and in the Pioneer Valley; and, finally, the application of these new resources for significant impact in communities and towns across the Commonwealth. (To learn more about how funds are used, [CLICK HERE to go to "MACDC's CITC Program Impact Report"](#))

The left-hand column allows for navigation between fundraising analysis by donor type, time, location, and community partner. Please send questions to John Fitterer at [johnf@macdc.org](mailto:johnf@macdc.org).

Year	Instances	Funds Raised	Credits Consumed
2016	1820	\$10,428,218.00	\$5,214,109
2017	2120	\$11,465,094.00	\$5,732,547
2018	1892	\$10,676,330.00	\$5,338,165

Over the past 3 years, the CITC program raised \$32,569,642 for community development in Massachusetts.

Funds Raised by Donor Type



Year	Instances
2016	1820
2017	2120
2018	1892

Note: United Way distributions to Community Partners are not reflected in funds attributed to the CDC. United Way fundraising is reported in the United Way website.

MACDC's online tool summarizes funds raised, credits consumed, and allows longitudinal analysis across multiple years in a user-friendly format



## Community Investment Tax Credit:

- Year
  - 2016
  - 2017
  - 2018
- Original CDC
  - CSO
  - No
  - UWMB
  - Yes
- Gateway
  - No
  - Yes
- Rural
  - No
  - Yes
- Partner Name
  - ACT Lawrence
  - Allston Brighton CDC
  - Asian CDC
  - CDC of South Berkshire
- Business Type
  - 001-Construction
  - 002-Accounting Ser...
  - 003-Transportation/...
  - 004-Wholesale/Reta...

Donor Type	Funds Raised	2016 Funds Raised	2017 Funds Raised	2018 Funds Raised	2017 2016 YoY	2018 2017 YoY
001-Construction	\$1,515,064.00	\$463,126	\$655,796	\$396,182	141.55%	60.42%
008-Business Services	\$223,700.00	\$75,300	\$91,700	\$56,700	121.78%	61.83%
011-Education Services	\$59,824.00	\$16,250	\$24,024	\$19,550	147.84%	81.38%
006-Insurance/Real Estate	\$1,768,422.00	\$604,796	\$639,142	\$524,484	105.66%	82.06%
012-Individual	\$11,271,216.00	\$3,474,808	\$4,171,032	\$3,625,376	120.04%	86.92%
003-Transportation/Communication/Utilities	\$151,000.00	\$50,000	\$33,500	\$47,500	107.00%	88.79%
010-Legal Services	\$484,404.00	\$150,912	\$171,436	\$162,056	113.60%	94.53%
009-Health Services	\$1,550,102.00	\$561,020	\$503,520	\$485,562	89.75%	96.43%
002-Accounting Services	\$358,020.00	\$119,820	\$121,128	\$117,072	101.09%	96.65%
013-Other	\$2,996,502.00	\$1,089,526	\$965,824	\$941,152	88.65%	97.45%
005-Finance Institution	\$5,596,586.00	\$1,496,852	\$2,066,634	\$2,033,100	138.07%	98.38%
004-Wholesale/Retail Trade	\$121,606.00	\$32,626	\$42,980	\$46,000	131.74%	107.03%
007-Foundation	\$6,473,196.00	\$2,293,182	\$1,958,418	\$2,221,596	85.40%	113.44%
<b>Total</b>	<b>\$32,569,642.00</b>	<b>\$10,428,218</b>	<b>\$11,465,094</b>	<b>\$10,676,330</b>	<b>109.94%</b>	<b>93.12%</b>

A similar low-cost tool could be created in Microsoft BI or SharePoint and linked to an Excel sheet for easy management and update

Note: Screenshots taken 1 May 2020

# Massachusetts Success: Political Support

“Massachusetts’ thriving ecosystem of community development corporations provides meaningful services to residents and invaluable support to government...these organizations provide critical on-the-ground leadership for improving the lives of their neighbors, and we are proud to support the CITC program that has substantially boosted these organizations’ ability to attract investment and enhance programming for residents.”

**Charlie Baker, Governor of Massachusetts (R)**

“Rural communities in Massachusetts face unique challenges when it comes to economic development. Community Investment Tax Credits allow local Community Development Corporations...to be creative in developing and delivering programs that will have a positive local impact...I am grateful for the Commonwealth’s efforts to work with community partners to identify solutions that will truly make a difference.”

**Representative Natalie M. Blais (D – 1 Franklin District)**

“CDCs provide immense support to the communities they serve. From promoting financial literacy to building affordable housing, these organizations are our eyes and ears on the ground...this tax credit program empowers these organizations to increase capacity, and we are committed to continuing partnerships across the Commonwealth to solve critical issues and ensure that residents have the resources they need to thrive.”

**Massachusetts Housing and Economic Development Secretary Mike Kennealy**

“Our administration is committed to supporting CDCs and their vital work to lift up residents and strengthen communities.”

**Karyn Polito, Lieutenant Governor of Massachusetts (R)**

“It’s hard to imagine a tax credit program that is generating a more significant impact today on economic and community development in Massachusetts than the CITC...It deserves re-authorization from state lawmakers so that it can continue its profound community impact in the years ahead.”

**Michael K. Durkin, President and CEO of United Way of Massachusetts Bay and Merrimack Valley**

“The CITC is a game-changer for the Commonwealth by spurring millions of dollars of private philanthropy aimed at high impact, resident-led community development.”

**Joe Kriesberg, President of MACDC**

# CD Tax Credit Program 2019: Data Overview

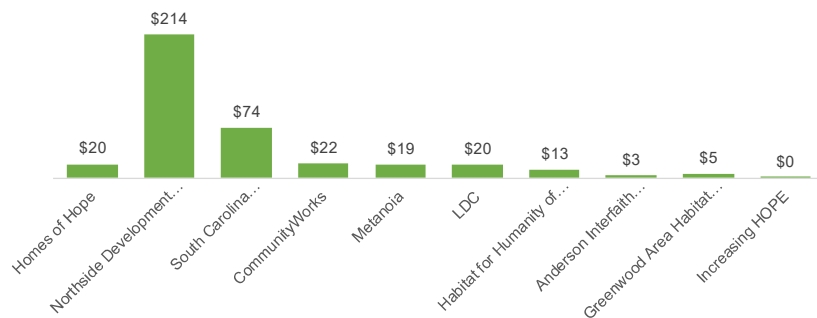
## Overview by Organization (k USD)

k USD	Total Tax Credits	TC Cash Donations	TC Equity Investments	TC used by Individuals	TC used by Companies
Homes of Hope	\$221	\$78	\$142	\$174	\$47
Northside Development Group	\$214	\$214	\$0	\$214	\$0
South Carolina Community Loan Fund	\$149	\$0	\$149	\$149	\$0
CommunityWorks	\$130	\$3	\$127	\$130	\$0
Metanoia	\$116	\$116	\$0	\$116	\$0
LDC	\$59	\$0	\$59	\$59	\$0
Habitat for Humanity of Greenville County	\$50	\$50	\$0	\$4	\$46
Anderson Interfaith Ministries	\$45	\$45	\$0	\$17	\$29
Greenwood Area Habitat for Humanity	\$16	\$16	\$0	\$16	\$0
Increasing HOPE	\$1	\$1	\$0	\$1	\$0
<b>TOTAL</b>	<b>\$1,000</b>	<b>\$523</b>	<b>\$477</b>	<b>\$878</b>	<b>\$122</b>

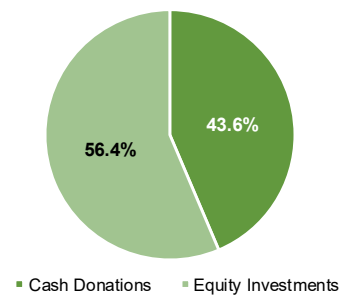
## Tax Credits Used by Organization (k USD)



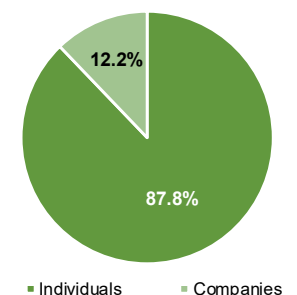
## Average Tax Credit Claimed by Donor (k USD)



## Cash Don. vs Equity Inv.



## Individuals vs Companies



## CD Tax Credit Program 2019: Highlights

- The CD Tax Credit program's \$1 million was fully extinguished within **4 minutes of fund availability**.
- 10 partner organizations participated in the program, including **7 CDCs and 3 CDFIs**; the organizations were spread throughout the state and had a variety of organizational missions.
- **52 individuals and companies** provided cash donations and equity investments to the partner organizations.
- In total, the \$1 million investment from the state resulted in **\$2.6 million in private sector funds**.
- The **average cash donation was \$27,953**, with a range of \$500 to \$500,000.
- Equity **investments averaged \$120,556**, with a range of \$25,000 to \$400,000.



# CD Tax Credit Program 2018 vs 2019: Natural Experiment

The CD Tax Credit program was funded in 2019 but was not active during 2018. This difference provides for a natural experiment by analyzing the donor behavior with and without the program.

With the program, the same donors who gave in 2018 gave an **additional \$2.2 million in 2019**, equating to nearly an **11x increase** in private sector donations to the partner organizations.

Importantly, because the economic landscape during these two years was relatively stable, the MIT team was able to glean high-level insights into the importance of the CD Tax Credit in attracting and amplifying the private sector's participation in CDC and CDFI funding.

	2018 (w/o CD Tax Credit)	2019 (w/ CD Tax Credit)	2018 to 2019 Absolute Change	2018 to 2019 % Change
Anderson Interfaith Ministries (CDC)	\$40	\$91	\$51	126%
CommunityWorks (CDFI)	-	\$391	\$391	N/A
Greenwood Area Habitat for Humanity (CDC)	\$21	\$31	\$10	49%
Habitat for Humanity of Greenville County (CDC)	-	\$100	\$100	N/A
Homes of Hope (CDC)	\$73	\$588	\$515	706%
Increasing HOPE (CDC)	\$1	\$2	\$1	100%
LDC (CDFI)	-	\$180	\$180	N/A
Metanoia (CDC)	\$68	\$233	\$165	242%
Northside Development Group (CDC)	-	\$500	\$500	N/A
South Carolina Community Loan Fund (CDFI)	\$1	\$450	\$449	44900%
CDC Subtotal	\$203	\$1,544	\$1,342	662%
CDFI Subtotal	\$1	\$841	\$840	83950%
<b>TOTAL (K USD)</b>	<b>\$204</b>	<b>\$2,385</b>	<b>\$2,181</b>	<b>1070%</b>

# Development of a Living Analytical Tool by MIT Team

## Inputs

Detailed descriptive data on tax credit usage by partner organization, donor, etc. provided by SCACED

Publicly available financial statements from participating partner organizations

Survey results administered by SCACED and interviews conducted by the MIT team with partner organizations

## Assumptions & Calculations

Economic, financial and fiscal figures from independent sources

Modeling assumptions based on academic research and industry best practices

## Output & Impacts

A one-year analysis of the tax credit program and the ability to compare the program longitudinally from a previous year

An estimated economic impact of the partner organizations and the results directly attributable to the CD Tax Credit (jobs created, houses developed, businesses created, etc.)

The one-year state and local fiscal impact in South Carolina of the program

# Analytical Tool Methodology

- **Inputs:**
  - Participation data: organizations, contribution amounts, tax credits claimed, type of contribution (investment/donation), individual / company
  - SCACED survey results from a given year: total impacts from selected KPIs of each donation for the year
  - Selected financial indicators of partner organizations from audited financial statements (total assets, net assets, and total revenue and support)
- **Approach 1 if Cash Donations > Equity Investments (mainly CDCs):** the total impact on selected KPIs by each organization is multiplied by the ratio of: (New funds from the CD Tax Credit) / Total Revenue and Support; for a given year, to account for the effect of the program funds on the total budget.
- **Approach 2 if Equity Investments > Cash Donations (mainly CDFIs):** the total impact on selected KPIs by each organization is multiplied by the ratio of: (New funds from the CD Tax Credit) / Required Assets Refinancing; for any given year, to account for the effect of the program funds on the total budget. “Required Assets Refinancing” is defined as the total assets divided by the average funding useful life (e.g. 7 years). To account for the greater effect that cash donations have relative to equity investments, the MIT team modeled the leverage of a donation using the current debt : net assets ratio.
- **Operational vs Programmatic Impacts:** Additionally, a **multiplier** was applied based on the percentage of donation/investment used by operational vs programmatic activities for each organization. The MIT team assumed that (on average) 15% of total revenue / assets were dedicated to operational expenses, resulting in a 1.18x multiplier for 100% operational donations [ $=1/(1-15\%)$ ] and adjusted accordingly per organization in order to account for the higher marginal effect of increases in budget to assets.

# Analysis Results for Program in 2019

Using a conservative analysis tool, the MIT team estimated the one-year following results from the 2019 CD Tax Credit program:

## The tax credit program raised \$2.6 million for Community Development in South Carolina

### 2019 Partner Organization Programming

- **488 jobs** created or retained
- **61 businesses** created or expanded
- **1,261 individuals** received workforce training and development
- **315 units** of rental housing developed
- **6 units** of for-sale housing
- **22 homes** were weatherized or rehabbed

### 2019 State and Local Fiscal Impact

*A one-year fiscal impact of \$310K to the state and local governments:*

- **\$150K saved** from reduced social programs (unemployment and SNAP)
- **\$57K increase** in employment-related taxes from job creation and training
- **\$12K+ increase** in corporate tax revenue from new and growing small businesses
- **\$91K increase** in real estate taxes from new for-sale and rental housing

### 2019 Direct Contribution from the CD Tax Credit

*\$1 million can be directly attributed to paying for:*

- **41 jobs** created or retained
- **5 businesses** created
- **180 individuals** received workforce training and development
- **47 units** of housing

## Human Impact: Vitality of CD Tax Credits

Community and economic development is about more than just the fiscal impact. Throughout the MIT team's engagement, we heard from a diverse group of stakeholders which included elected officials, partner organizations, private donors, State representatives, and academics. In speaking with these individuals, a clear narrative emerged: **the CD Tax Credit provides a vital service to the State of South Carolina.**

It is directly attributed to the development of workforce housing, creating new jobs for South Carolinians, providing job training, creating and expanding small- and minority-owned businesses, feeding those in need, and educating the children of the State. Most impressive perhaps is its ability catalyze such much as a public-private partnership with a \$1 million investment from the public sector.

The partner organizations that use the tax credit spoke to its ability to attract private sector donations and equity. Multiple organizations emphasized their ability to place the entire program of tax credits themselves if given the opportunity; this claim is empirically supported by the fact that the tax credit reservations were exhausted within four minutes of their availability in 2019.

What follows are a collection of impact anecdotes in the areas of housing affordability, workforce development, and small business development that were communicated to the MIT team.



*Metanoia opening the Lowcountry's first Youth Entrepreneurship Center*

## Human Impact: Housing Affordability

- Despite a strong economy and a record low unemployment rate in South Carolina pre-COVID, nearly one-third of South Carolina families face housing affordability issues, due to low real wages and soaring home prices. The provision of quality and affordable housing for working South Carolinians has become increasingly difficult, pricing families out of neighborhoods close to employment hubs.
- For CDFIs that use the tax credit, the program provides a source of much-needed, low-cost and flexible capital. They have proven track records of attracting, managing, and deploying capital; equity from the CD Tax Credit program is no exception.
- The CDFIs and CDCs that participate in housing development require the completion of educational programs on household budgeting and home maintenance. Homeownership programs require buyers to invest sweat equity and are actively investing in their future.
- These organizations change the lives of their residents; children's academic performance improves; adults retain employment, and overall health improve. ***They break the cycle of generational poverty.***



*Habitat for Humanity of Greenville County*

# Human Impact: Workforce Development

- Many CDCs and CDFIs provide workforce development training in addition to other services, like affordable housing.
- Workforce development is often two-fold; in addition to teaching technical skills, the programs emphasize financial literacy, sobriety, and they offer re-entry for individuals with a history of addiction and/or incarceration.
- These organizations have tremendous success; a SCACED partner reported that of the 312 individuals who graduated from their construction training program, 91% have remained gainfully employed, and have accelerated their careers.



Homes of Hope's Men's Workforce Development Program

# Human Impact: Small Business Development, Growth and Retention

- South Carolina small businesses employ 46.9% of the private workforce in the State, with minority-, women-, and veteran-owned businesses growing faster than the national average, yet many small businesses cannot qualify for loans from conventional banks because of a lack of established history.
- SCACED partner organizations which provide small business loans face lower default rates than the national average.
- The partner organizations provide training in business planning, technical assistance, generalist business advisory services, and accounting.
- The CD Tax Credit provides partner organizations with the ability to stimulate economic development in South Carolina by catalyzing entrepreneurship and education for small businessowners.



*Orange Spot Coffee, a small women-owned business in North Charleston received a microloan from LDC*



## Human Impact: Quotes from Partner Organizations

*"Moving capital is one of the most transformative ways to impact poverty...we could easily place 5x the amount we received this year."*

**- South Carolina Community Loan Fund**

*"Plenty of middle-income South Carolinians are charitable and want to contribute to their communities...but politicians think this program only benefits the rich."*

**- Homes of Hope Donor**

*"What happens at school for our children is the result of what happens at home. We track aggregate indicators of success, and focus on asset-based community development."*

**- Metanoia**

*"The CD Tax Credit program allows us to marry data with impact...this is a public-private partnership that leverages private dollars in a way we have not experienced before."*

**- Anderson Interfaith Ministries**

*"If society is serious about solving local problems, the CD Tax Credit is essential...it takes a collective to do this work."*

**- Northside Development Group**

*"We are witnessing a generational change. We are not housing the same people every year. We are seeing our residents move out and move up."*

**- Homes of Hope**

*"We are not offering hand-outs, we are offering opportunity. Our families are on site holding hammers. We market the CD Tax Credit as a way for local folks to invest locally."*

**- Greenwood Area Habitat for Humanity**

*"Certainty around the funding is key, otherwise it is difficult to market the tax credit...housing is a root cause of other societal needs. If we can help people to see what families with housing instability feel and see, we will make an impact. One of our homebuyers told me that we built her house and we also built her character."*

**- Habitat for Humanity of Greenville County**

# Communication and Messaging

To help SCACED and their partner organizations in messaging the successes of the program, the MIT team recommends the following high-level talking points. They should be adapted to specific audiences and stories should be local and personal:

- **Middle-income South Carolinians participate:** while high-net worth individuals used the tax credit, it is not just for the wealthy. Many middle-income South Carolinians do as well because they prefer to donate in their local communities. Participating donations were as small as \$500 (approximately \$40 per month), and one partner organization in Anderson County had local households give an average of \$1,820.
- **Locals know what their communities need:** the program allows South Carolinians to invest locally in their rural and urban communities. The program allows individuals to prioritize the things that they know improve their communities. These programs build wealth and provide resiliency against economic and societal shocks like COVID-19.
- **This is a hand-up, not a hand-out:** many of the partner organizations require sweat equity from their beneficiaries, and they provide technical assistance, training on business planning and budgeting, home maintenance, and business support, ensuring that recipients have higher success rates through compared to the convention system. In short, CDCs and CDFIs “teach a man to fish.”
- **The program is a public-private partnership that makes sense:** A \$1 million investment from the state raised \$2.6 million from the private sector. The program is central to the partnership by spurring private sector participation: the same donors who gave in 2018 without the CD Tax Credit gave an additional \$2.2 million in 2019 with the program, a nearly 11x increase in funding.
- **Demand vastly outpaces supply:** In 2019, the tax credit was fully exhausted within four minutes. Multiple partner organizations stated they could have easily placed the entire \$1 million investment from the state on their own.

# CD Tax Credit Program Recommendations

The MIT team's evaluation resulted in the following recommendations for SCACED and the tax credit program:

- **Buy-in from key legislators and a bipartisan message** is required to ensure the long-term success of the program. SCACED and its stakeholders should engage a messaging consultant, ideally pro bono, to help them navigate the process. Academic institutions in the state, such as the University of South Carolina's College of Information and Communication may be good partners.
- One of the program's greatest strengths is the **flexibility regarding use of funds**, and its dual capability to attract donations and equity investment. Multiple partners valued their ability to use CD Tax Credit contributions for operations in addition to programming, which is often overlooked by foundation-based grants and other wealthy donors.
- **The program's funding uncertainty is a significant barrier** organizations face to attract recurring large donations, and it inhibits their ability to develop donor relationships. While current legislative sessions cannot bind future ones, the MIT team recommends that legislative language is included in future appropriations to signal lawmakers' intent to fund the program in future years.
- The nature of community and economic development is one that **requires sustained investment and a long-term perspective** in order to have exponential benefits. While SCACED and their partner organizations take this perspective, lawmakers and private sector advocates need to adopt a similar mentality.
- **SCACED is an invaluable resource** for community and economic development advocacy throughout the state. As the organization scales, it can look to CED organizations in other states, like MACDC, for **best practices**.

## Conclusion

- The CD Tax Credit is a critical **private-public partnership** that attracts significant investment in CDCs and CDFIs throughout the State of South Carolina.
- SCACED's partner organizations provide **vital services to low- and middle-income South Carolinians**, and do so leveraging the private sector.
- As the program scales, there are multiple **best practices and recommendations** that SCACED can follow to ensure the program's **long-term success**.

## Next Steps

- **Review the phrasing of SCACED survey questions** to participating partner organizations to **ensure consistency** in responses; data collected should be on the organization's accomplishments, not the CD Tax Credit program's.
- **Continue to message the importance of the program** within the state, using the MIT team's findings to quantify its annual results.
- Consider **implementing best practices** from CED organizations in other states, related to the CD Tax Credit and other development work accomplished by partner organizations.



# Appendix



# Appendix: Certified Organizations

## **Anderson Interfaith Ministries (CDC)**

### Description

AIM connects people with support, resources, and education so they can empower themselves to be self-sufficient.

### Service Area

Anderson, Oconee, and Pickens Counties

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$45,342.50

Equity Contributions: N/A

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 100% / 0%

Jobs created or retained: 41

Businesses created or expanded: N/A

Total loan capital deployed: N/A

Individuals receiving workforce training: 33

Units of housing developed: N/A (note: 22 homes weatherized/rehabbed)



## Appendix: Certified Organizations

### **Allendale County ALIVE (CDC)**

#### Description

Allendale County ALIVE is a non-profit community development organization with a focus on affordable housing development.

#### Service Area

Allendale, Bamberg, Barnwell, and Hampton Counties

#### 2019 CD Tax Credit Usage and Survey Results

Allendale County ALIVE did not participate in the 2019 CD Tax Credit program





## Appendix: Certified Organizations

### **Business Development Corporation (CDFI)**

#### Description

Since 1958, Business Development Corporation (BDC) has provided financing for small businesses in South Carolina, helping to create new jobs for the citizens of the Palmetto State.

#### Service Area

Statewide

#### 2019 CD Tax Credit Usage and Survey Results

BDC did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## **Carolina Foothills Federal Credit Union (CDFI)**

### Description

A Community Development Financial Institution that is chartered as a federal credit union serving the deposit and loan needs of the underserved of the Upstate of South Carolina.

### Service Area

Greenville, Spartanburg, Cherokee, Pickens, Abbeville, Anderson, Oconee, Greenwood, Laurens and Union Counties

### 2019 CD Tax Credit Usage and Survey Results

Carolina Foothills Federal Credit Union did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## **Community Assistance Provider (CDC)**

### Description

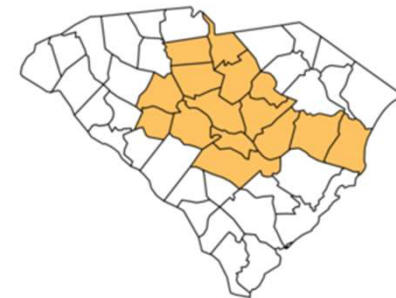
CAP provides safe, decent and affordable housing for low to moderate income families throughout the Midland Region of South Carolina.

### Service Area

Calhoun, Chester, Clarendon, Fairfield, Georgetown, Kershaw, Lancaster, Lee, Lexington, Newberry, Orangeburg, Saluda, Sumter, Richland, and Williamsburg Counties

### 2019 CD Tax Credit Usage and Survey Results

Community Assistance Provider did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## CommunityWorks (CDFI)

### Description

CommunityWorks is committed to empowering people to become financially stable through financial education, lending and investing. The organization has created a safe place for people and entrepreneurs in the Upstate community and throughout South Carolina to access financial coaching, connect with one-on-one business coaching, access loans to build their small business or develop affordable housing, and build their credit and assets.

### Service Area

Statewide

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$2,750

Equity Donations: \$127,050

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 2% / 98%

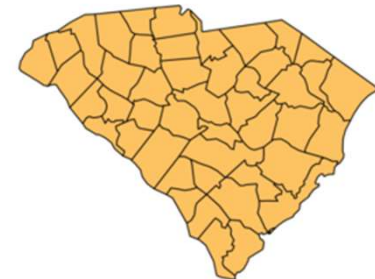
Jobs created or retained: 6

Businesses created or expanded: 5

Total loan capital deployed: \$385,000

Individuals receiving workforce training: 397

Units of housing developed: 81



# Appendix: Certified Organizations

## **Genesis Homes (CDC)**

### Description

Genesis Homes strives to revitalize low- to moderate-income neighborhoods in the Upstate of South Carolina through: Expansion of affordable housing rental properties; Development of public/private partnerships; and Support of robust community engagement.

### Service Area

Greenville and Laurens Counties

### 2019 CD Tax Credit Usage and Survey Results

Genesis Homes did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## **Greenwood Area Habitat for Humanity (CDC)**

### Description

Greenwood Area Habitat for Humanity helps those in need of shelter build their own homes, alongside volunteers, and then pay an affordable mortgage.

### Service Area

Greenwood County

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$15,500

Equity Donations: N/A

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 0% / 100%

Jobs created or retained: N/A

Businesses created or expanded: N/A

Total loan capital deployed: N/A

Individuals receiving workforce training: N/A

Units of housing developed: 1



# Appendix: Certified Organizations

## Habitat for Humanity of Greenville County (CDC)

### Description

Seeking to put God's love into action, Habitat for Humanity of Greenville County brings people together to build homes, communities, and hope. Habitat Greenville works to ensure affordable, sustainable homeownership opportunities for Greenville County residents with income below 60% of the area median income.

### Service Area

Greenville County

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$50,071.25

Equity Donations: N/A

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 15% / 85%

Jobs created or retained: N/A

Businesses created or expanded: N/A

Total loan capital deployed: N/A

Individuals receiving workforce training: 40

Units of housing developed: 3



# Appendix: Certified Organizations

## Homes of Hope, Inc. (CDC)

### Description

We rebuild communities and individual lives through housing, economic, and workforce development.

### Service Area

Statewide

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$78,250

Equity Donations: \$142,449.78

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 30% / 70%

Jobs created or retained: 69

Businesses created or expanded: N/A

Total loan capital deployed: \$9,200,000

Individuals receiving workforce training: 9

Units of housing developed: 42





## Appendix: Certified Organizations

### **Increasing H.O.P.E Financial Training Center (CDC)**

#### Description

Increasing H.O.P.E (Helping Others Prosper Economically) operates as a one-stop financial educational resource center, providing integrated services to help low- to moderate-income families and individuals achieve financial stability and build assets.

#### Service Area

Charleston, Berkeley and Dorchester Counties

#### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$750

Equity Donations: N/A

Survey results not available



# Appendix: Certified Organizations

## **LDC (CDFI)**

### Description

LDC is a non-profit small business lending organization whose mission is to offer opportunity by assisting the growth and development of microenterprise and small business concerns, thereby creating and retaining employment opportunities in its service market.

### Service Area

Berkeley, Charleston, Colleton, Dorchester and Williamsburg Counties

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: N/A

Equity Donations: \$59,400

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 0% / 100%

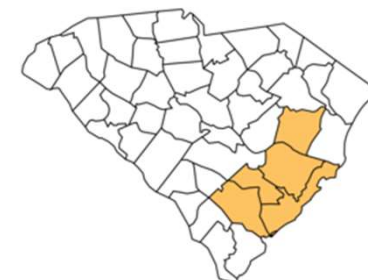
Jobs created or retained: 289

Businesses created or expanded: 31

Total loan capital deployed: \$275,000

Individuals receiving workforce training: 4

Units of housing developed: N/A



# Appendix: Certified Organizations

## **Lowcountry Community Action Agency, Inc. (CDC)**

### Description

Services include financial assistance; advocacy; training and employment; Youth Development; Emergency Shelter; Homeless Prevention; Emergency Services; Health and Nutrition; Education; Energy Assistance; Housing Services; Counseling and Weatherization.

### Service Area

Colleton and Hampton Counties

### 2019 CD Tax Credit Usage and Survey Results

Lowcountry Community Action Agency did not participate in the 2019 CD Tax Credit program



## Appendix: Certified Organizations

### **Metanoia (CDC)**

#### Description

Metanoia works with the residents of communities that have experienced decline due to lack of investment and capital flight. Our mission is to attract investment to the quiet assets that already exist within these neighborhoods.

#### Service Area

Southern part of North Charleston

#### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: \$116,361.50

Equity Donations: N/A

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 0% / 100%

Jobs created or retained: 52

Businesses created or expanded: 3

Total loan capital deployed: \$20,000,000

Individuals receiving workforce training: N/A

Units of housing developed: 10



# Appendix: Certified Organizations

## **Midlands Housing Trust Fund (CDFI)**

### Description

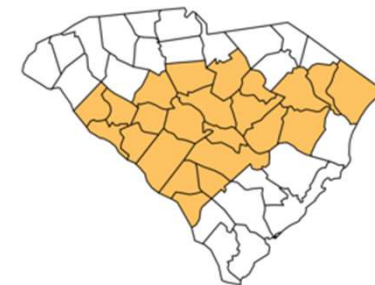
The Midlands Housing Trust Fund lends to housing developers and contractors for creation, rehabilitation, and preservation of affordable housing for households earning less than 80% of Area Median Income in a 23-county area.

### Service Area

Abbeville, Aiken, Allendale, Bamberg, Barnwell, Calhoun, Clarendon, Edgefield, Fairfield, Florence, Greenwood, Horry, Kershaw, Lexington, Lee, McCormick, Marion, Newberry, Orangeburg, Richland, Saluda, Sumter, and Williamsburg Counties

### 2019 CD Tax Credit Usage and Survey Results

Midlands Housing Trust Fund did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## Northside Development Corporation (CDC)

### Description

Also known as the Northside Development Group (NDG), NDG is a diverse group of people investing time, skills, and dollars for a safe and strong Northside Community. NDG serves to encourage and manage the redevelopment of the City of Spartanburg's Northside community, honoring its past and expanding mixed income housing and economic, educational, and recreational, health, and social opportunities for its residents.

### Service Area

Northside Community in Spartanburg, SC

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: N/A

Equity Donations: \$213,574.97

Did the CD Tax Credit attract new donors in 2019? No

Operational / programmatic usage: 25% / 75%

Jobs created or retained: 10

Businesses created or expanded: 15

Total loan capital deployed: \$31,500,000

Individuals receiving workforce training: N/A

Units of housing developed: 20



# APPENDIX: Certified Organizations

## **Santee-Lynches CDC (CDC)**

### Description

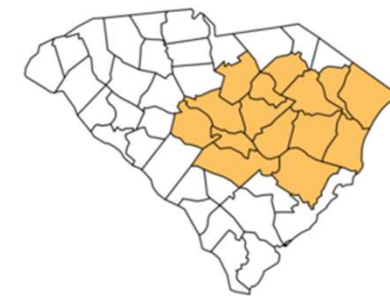
Santee-Lynches CDC owns and manages approximately 500 safe, decent and affordable rental units, 145 single family houses and 350 multifamily apartment complex rentals. Santee-Lynches has a great deal of experience in building and managing new construction projects, purchase, rehab, rental projects and its Property Management and Compliance teams are second to none.

### Service Area

Berkeley, Calhoun, Clarendon, Darlington, Florence, Georgetown, Horry, Kershaw, Lee, Lexington, Marion, Orangeburg, Richland, Sumter and Williamsburg Counties

### 2019 CD Tax Credit Usage and Survey Results

Santee-Lynches CDC did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## South Carolina Community Loan Fund (CDFI)

### Description

We are a nonprofit organization that transforms and revitalizes communities throughout South Carolina by financing projects that provide housing, access to food and essential services, attract businesses, employ community members and stimulate economic activity. By providing loans and technical assistance to entrepreneurs, businesses and organizations that seek to strengthen the social and economic fabric of local communities, we empower communities to effect their own transformation.

### Service Area

Statewide

### 2019 CD Tax Credit Usage and Survey Results

Cash Donations: N/A

Equity Donations: \$148,500

Did the CD Tax Credit attract new donors in 2019? Yes

Operational / programmatic usage: 0% / 100%

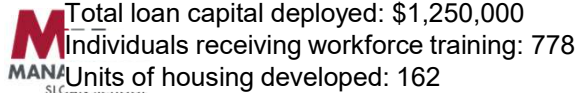
Jobs created or retained: 21

Businesses created or expanded: 7

Total loan capital deployed: \$1,250,000

Individuals receiving workforce training: 778

Units of housing developed: 162





# Appendix: Certified Organizations

## **Southeastern Housing and Community Development (CDC)**

### Description

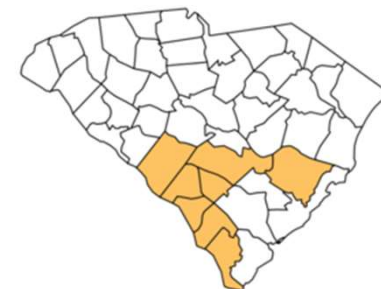
Our focus is providing affordable rental and homeownership opportunities; educating and empowering residents through our housing counseling program; creating economic and job opportunities through our Sustainable Warehouse and financial management programs; and increasing the stock of affordable housing through rehabilitation and renovation of existing housing stock in rural South Carolina.

### Service Area

Barnwell, Bamberg, Aiken, Allendale, Hampton, Orangeburg, Jasper, and Berkeley Counties

### 2019 CD Tax Credit Usage and Survey Results

Southeastern Housing and Community Development did not participate in the 2019 CD Tax Credit program



# Appendix: Certified Organizations

## **TN Development Corporation (CDC)**

### Description

TNDC believes that neighborhoods and families can flourish and prosper when they have decent places to live. TNDC bridges the perceived gap between "inexpensive" and "quality" by creating first-rate rental housing structures with long-term viability.

### Service Area

City of Columbia

### 2019 CD Tax Credit Usage and Survey Results

TNDC did not participate in the 2019 CD Tax Credit program

