

# **HB854 Statewide Housing Study**

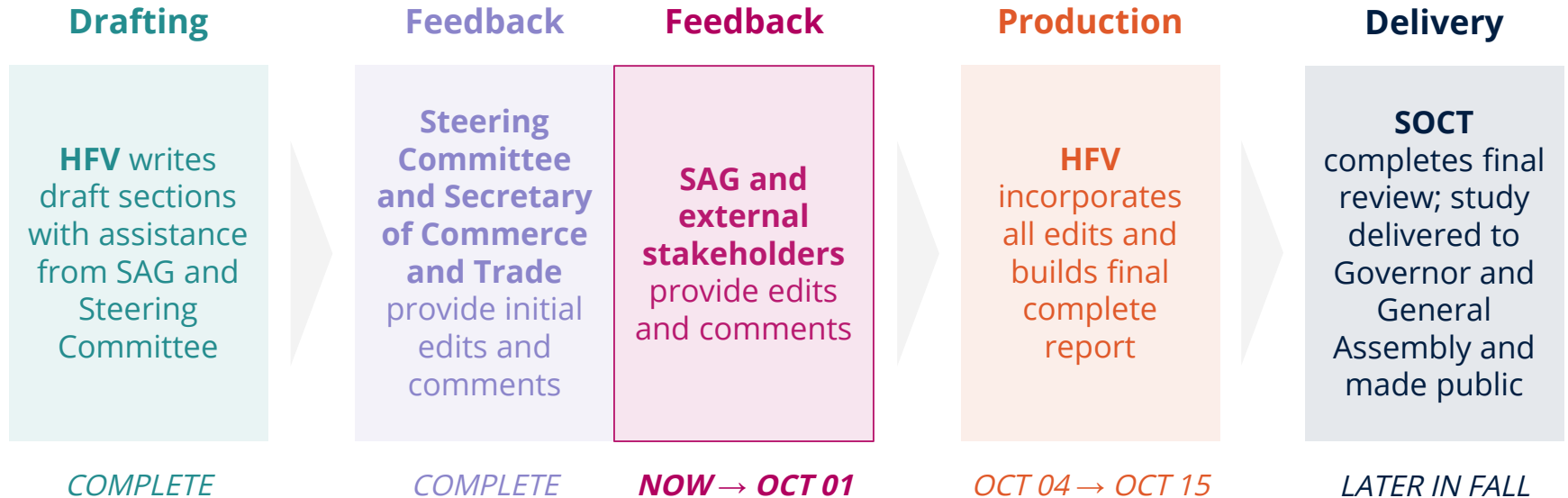
## Current Efforts, Future Needs, New Strategies

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**High-Level Summary of Draft Report**  
September 20, 2021



# Report Review and Delivery Process



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Preface and Part 1: Introduction



# Preface

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## 1. Background

Short description of the HB854 bill in context of state housing efforts in 2020/2021 (including COVID-19)

## 2. Outline

Brief descriptions of study's five parts and how they fulfill bill's requirements

## 3. Report process

Brief description of HousingForward Virginia (and role of Virginia Housing, DHCD, administration, and SAG)

## 4. What this report does and does not cover

Explains report's focus (state programs) and why other topics are not addressed in depth (e.g. local land use, federal programs, etc.)

# Introduction

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## 1. Why affordability matters

- Explains the basics of housing affordability
- Makes the case for addressing high housing costs to make our communities more successful
- Demonstrates the basic mechanisms available for making housing more affordable across Virginia

## 2. Public opinion of housing

- Describes results from numerous public opinion polls on housing in recent years
- These findings help make the case for increased and sustained actions to solve housing challenges in the Commonwealth

## 3. Analysis of prior housing studies

- Collects the major community engagement themes from over a dozen regional and local housing studies completed across Virginia in the past several years
- This information will help policymakers understand the types of housing challenges Virginians from all over the Commonwealth are telling us they are experiencing

# Introduction

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## 4. Virginia's housing markets

- Describes the three levels of geographic regions across Virginia which help describe housing needs and trends in different parts of the Commonwealth
- These markets are used throughout the Research and Findings section of the report

## 5. How we use data

- Introduces the most common data sources used for this study, along with definitions for demographic categories used throughout, such as race and ethnicity identifiers

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 2: Engagement



# Engagement

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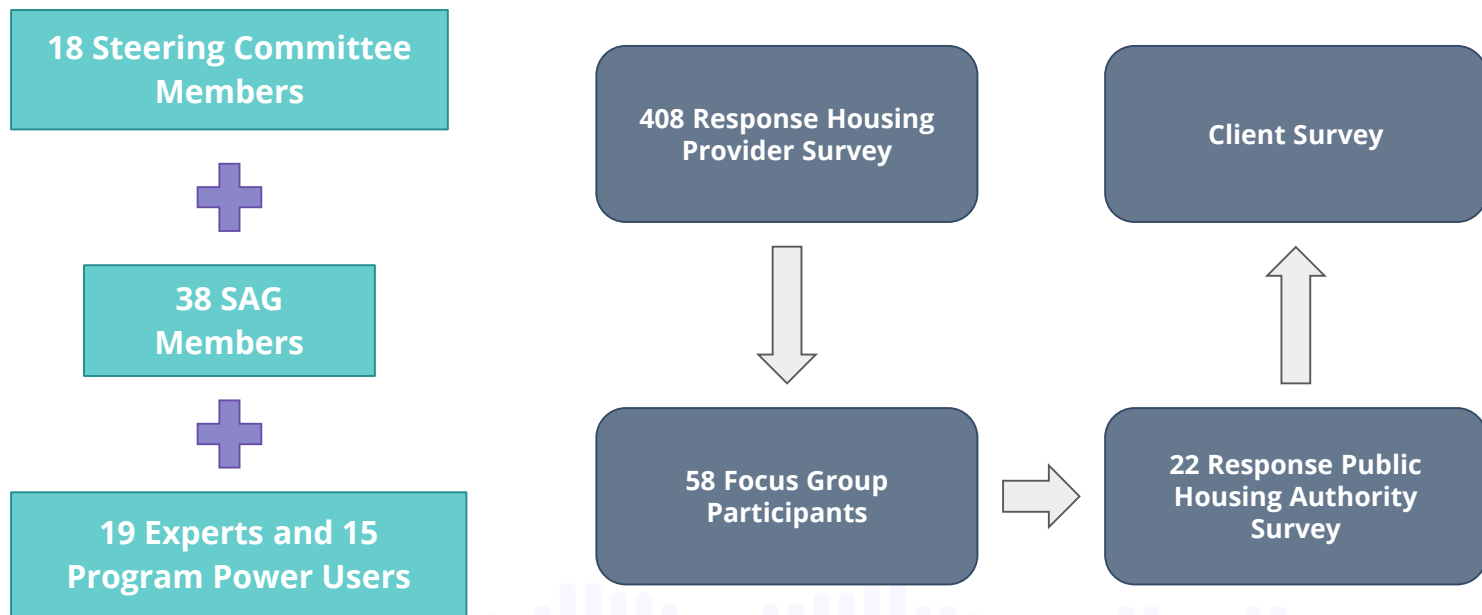
Six sections:

1. **Stakeholder Advisory Group / Steering Committee involvement**
2. **Provider survey**
3. **Focus groups**
4. **Public housing authority survey**
5. **Client survey**
6. **Experts and power users**



# Engagement

*Providing guidance, feedback, and information critical to understanding housing needs and program effectiveness.*



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings



# Research and Findings

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Eight sections:

1. **Demographic Trends**
2. **Economic Trends**
3. **Housing Inventory and Production**
4. **Homeownership Market**
5. **Rental Market**
6. **Housing Instability and Homelessness**
7. **Projections**
8. **Neighbor State Comparisons**

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings

### **Demographic Trends**



# Demographic Trends

## Population and migration

Population growth: statewide and by markets

Components of change: births, deaths, domestic / international migration

## Racial and ethnic diversity

Non-white population change

Hispanic population growth

Naturalization and foreign-born population

## Age and generations

Age groups; average ages by market

Living arrangements of seniors

Seniors with disabilities

Youth diversity

## Household trends

Household sizes by market and tenure

Adult children living with parents

Household formation

Household growth by race/ethnicity and tenure

# Example Finding

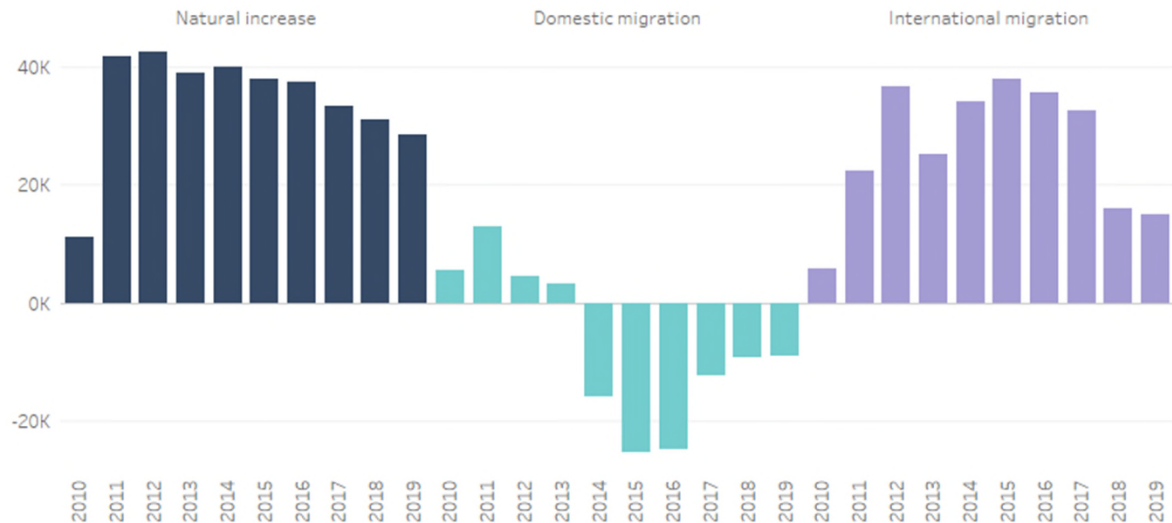
Virginia is growing from natural increases and international immigration, not people moving from other states.

However, births are declining and net domestic migration is trending positive.

## Components of population change

Virginia has grown primarily from natural increases and immigration from other countries.

*Annual estimates of population change components*



Source: US Census Bureau, Population Estimates Program

# HB854 Statewide Housing Study

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### Part 3: Research and Findings

### **Economic Trends**



# Economic Trends

## Labor force

Total employment by market

Pandemic job recovery by market

Unemployment rate by market and race/ethnicity

## Jobs and wages

Ten most common jobs

Wages for top five fastest growing job sectors

Job sectors with highest projected growth

Average wage growth by market

Average annual wage by industry and market

## Household incomes

Median household income by race/ethnicity

Household income distribution by tenure

## Poverty

Poverty rate by race/ethnicity

Poverty rate by age

Asset Limited, Income Constrained, Employed (ALICE) households



# Example Finding

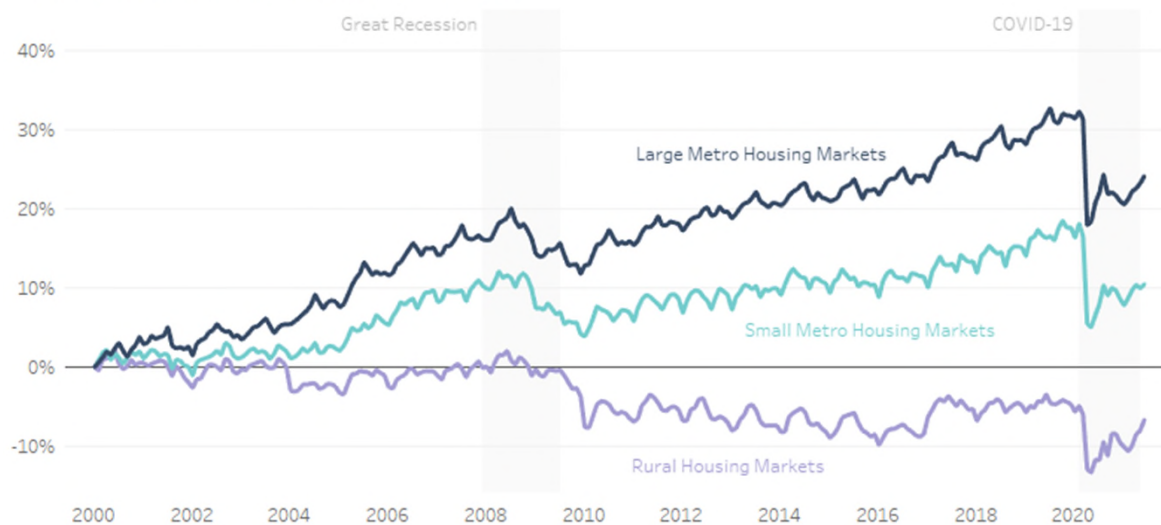
Virginia's metro areas have led all job growth over the past two decades.

Rural markets never recovered from the Great Recession.

## Change in total employment by Market Group

Jobs have been growing everywhere but rural Virginia.

*Percent change in total employment from January 2000*



Source: US Bureau of Labor Statistics, Local Area Unemployment Statistics

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### Part 3: Research and Findings

### **Inventory and Production**



# Inventory and Production

## Housing production

Building permits by  
structure type and market

Population and housing  
gap by market

Jobs and housing growth  
gap

## Structure type

Housing type by tenure

Building permits by  
structure type and market

Multifamily share of building  
permits by market

Manufactured/modular  
home deliveries

## Age and quality

Age of housing stock by  
tenure and market

Households without  
plumbing or kitchen  
facilities by tenure and  
market

Overcrowding by tenure  
and market

# Example Finding

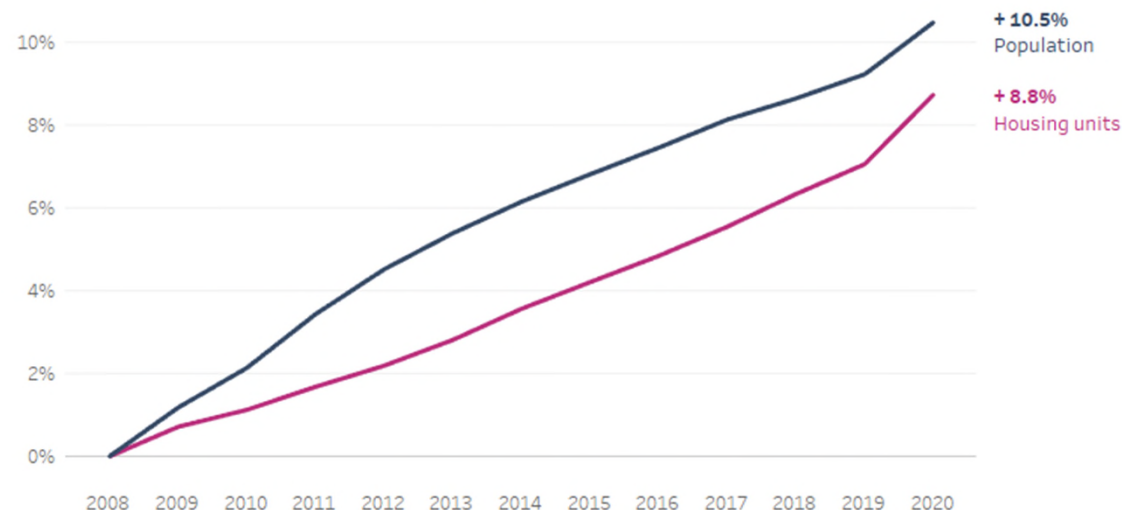
Virginia is adding more people faster than more homes.

Since 2008, housing production continues to lag behind population growth.

## Population and housing growth in Virginia

Housing production continues to lag behind population growth following the Great Recession.

*Percent change in population and housing units since 2008*



Source: US Census Bureau, Population Estimates Program and Decennial Census P.L. 94-171 Redistricting Data

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings

### Homeownership Market



# Homeownership Market

## Virginia's homeowners

Household type

Household size

Householder age

Household race and ethnicity

Household income

Household educational attainment

## Homeownership

Homeownership rate in Virginia

Homeownership rate by race/ethnicity, age, and market

## Home prices and supply

Median sales price and months supply

Starter homes sold by market

Number of bedrooms by market

Structure type

## Affordability

Cost burden by income, household type, race/ethnicity

Median renter household income versus income needed to afford median home price

## Mortgage trends

Denial rates for mortgage applications

Principal denial reason

Loan origination by age

# Example Finding

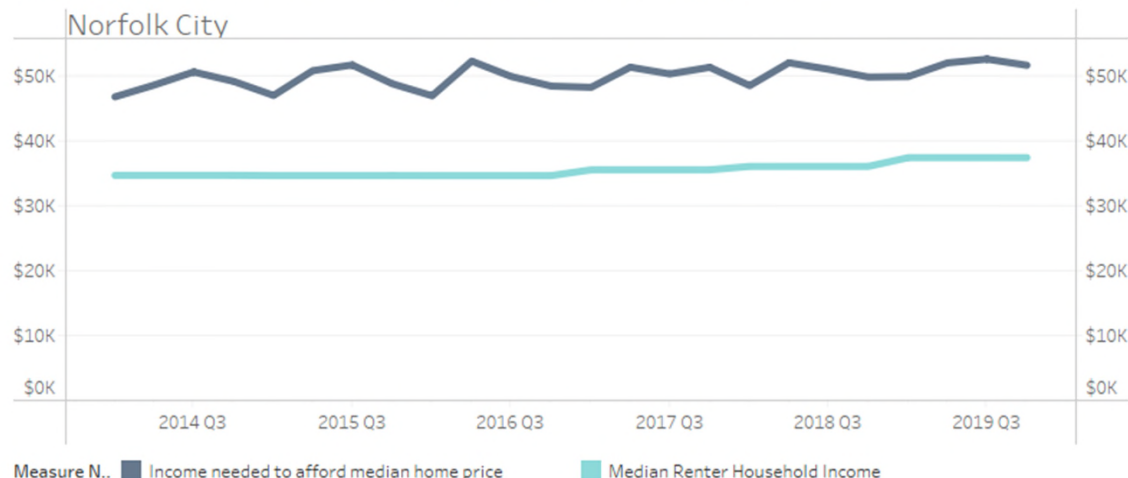
## Renter incomes are barring households from reaching homeownership.

In almost every locality in Virginia, there is a major gap between the median renter household income and the income needed to afford the median home price.

### Income needed to afford median home price versus median renter household income

In almost every locality, a majority of renters can not afford to buy a home with current wages.

*Income needed to afford the median home versus the median household income.*



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings

### **Rental Market**





# Rental Market

## Virginia's renters

Household type

Household size

Householder age

Household race and ethnicity

Household income

Household educational attainment

## Rental prices and supply

Gross rent by market

Median gross rent versus median renter household income

Rental vacancy rates

Structure type

## Affordability

Cost burden by income, household type, race/ethnicity

Gap in rental housing

## Assisted housing stock

Number of federally supported rental units

Expiring LIHTC affordability restrictions

Vouchers in use by locality

# Example Finding

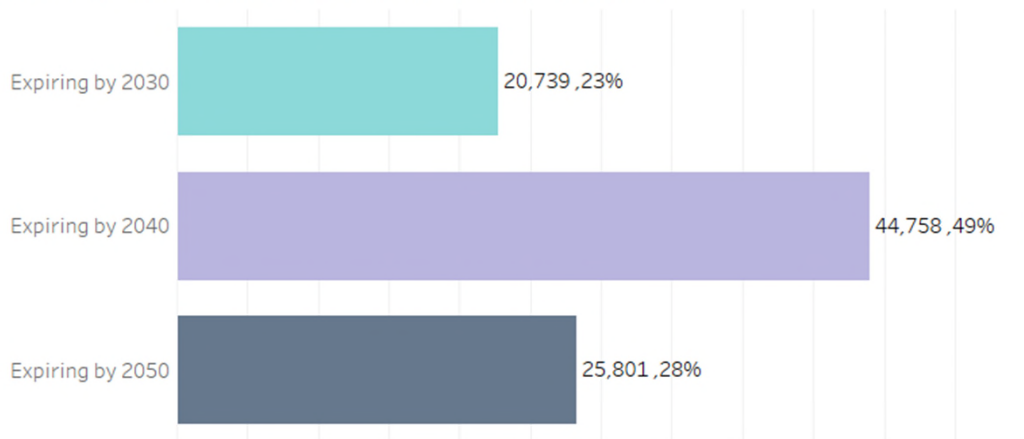
Without additional subsidy, Virginia is at risk of losing nearly three quarters of its LIHTC housing stock by 2040.

By 2040, over 60,000 of Virginia's LIHTC housing units could lose their affordability restrictions.

## Expiring LIHTC affordability restrictions in Virginia

Without additional subsidy, Virginia will lose over half of its currently active LIHTC affordable rental units.

*Percentage of LIHTC units by expiring affordability restrictions*



Source: National Housing Preservation Database

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings

### **Instability and Homelessness**



# Instability and Homelessness

## Impact of COVID-19

Difficulty paying for usual household expenses

Adults in households not current on/missed rent or mortgage payment

## Mortgage delinquency

Mortgages 30 or more days delinquent

Delinquency by region

## Eviction

Eviction rate in Virginia and nation

Statewide eviction filings since January 2019

## Homelessness

Virginia Point-in-Time counts

Point-in-Time count by race and subpopulation

McKinney-Vento count

Supportive housing need

Number of PSH units versus persons experiencing homelessness

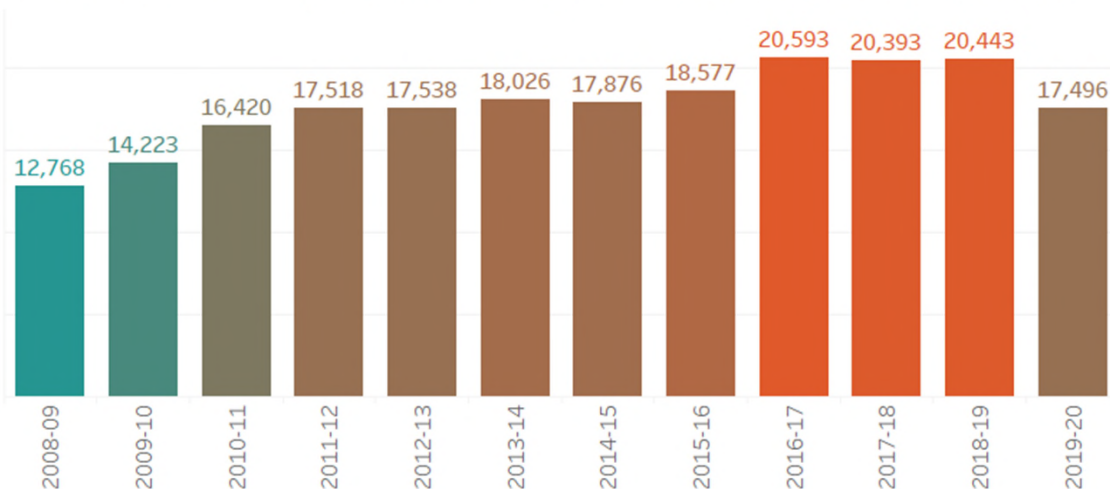
# Example Finding

Homelessness among school-age children is on the rise.

Despite declining Point-in-Time counts, homelessness among enrolled students has been on the rise since the 2008 to 2009 school year.

## Students Experiencing Homelessness in Virginia

Homelessness among enrolled students in Virginia has been on a steady rise since the 2008-09 school year.



Source: Recreated from Project HOPE Virginia, William & Mary, 2020

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings **Projections**



# Projections

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## Weldon Cooper Center for Public Service

Statewide population  
projections to 2040

- By market
- By age

The current timing of data availability in 2021 means that we do not have high-quality inputs to produce reliably accurate estimates for future household growth in the Commonwealth.

- COVID-19 delays
- Weldon Cooper Center updates not until early 2022

# Example Finding

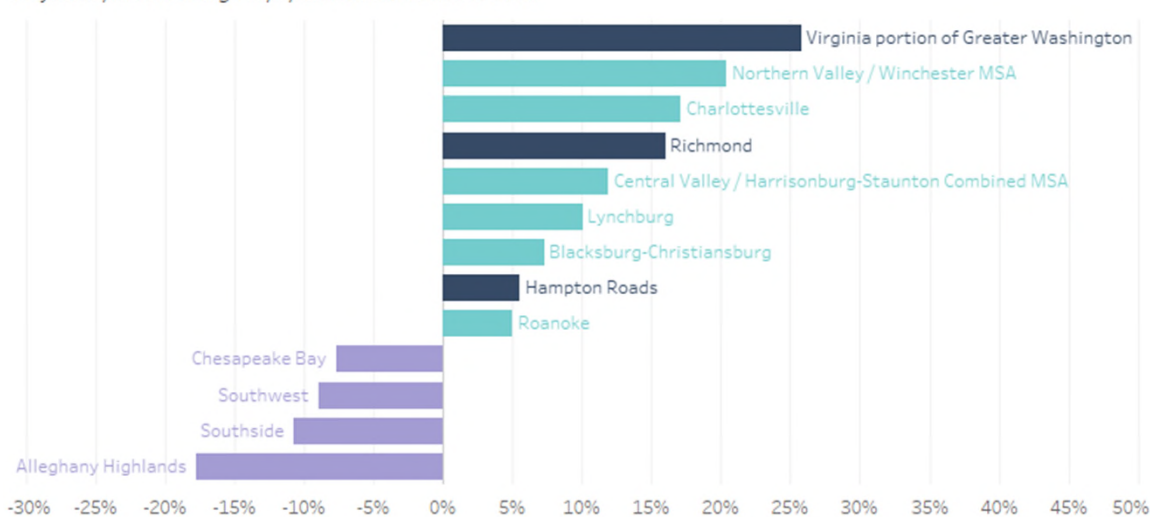
Northern Virginia will continue to be the fastest growing market.

The Northern Valley, Charlottesville, and Richmond will also grow by more than 15% in the next two decades.

## Population projections by Market Name

Northern Virginia, Charlottesville, and Richmond will see the most growth.

*Projected percent change in population from 2020 to 2040*



Source: US Census Bureau, Population Estimates Program and Decennial Census P.L. 94-171 Redistricting Data; University of Virginia Weldon Cooper Center for Public Service



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 3: Research and Findings

### **Neighbor State Comparisons**



# Neighbor State Comparisons

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## Homeowner affordability

Homeowner cost burden

Homeowner median household income

Zillow Home Value Index

Homeownership rate

Black-White homeownership gap

## Renter affordability

Renter cost burden

Renter median household income

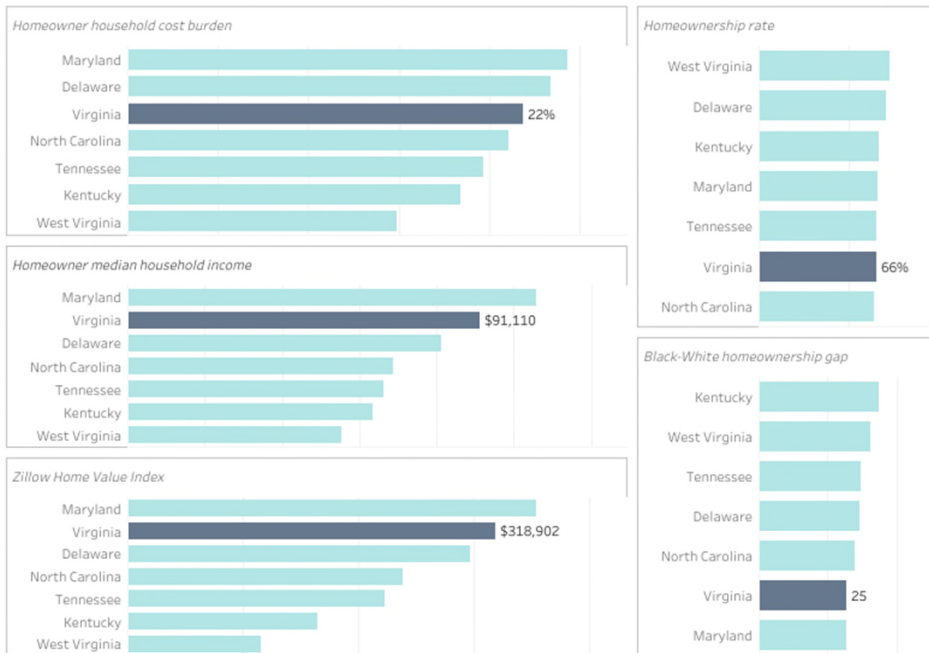
Gross median rent

# Example Finding

A larger share of homeowners in Virginia are cost burdened compared to several neighboring states.

Although still wide, Virginia does have a narrower Black-White homeownership gap than many of its neighbors.

Neighbor state comparison for homeowner households



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs



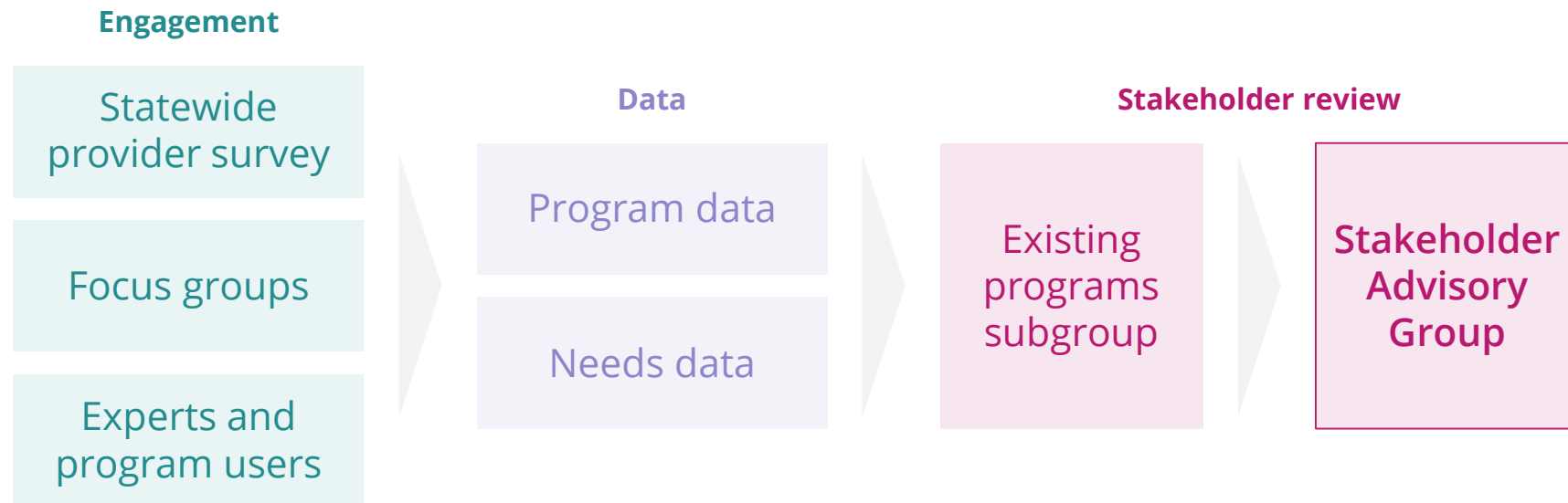
# Analysis of Existing Programs

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Six sections:

- 1. Affordable Rental Housing Production**
- 2. Rental Assistance and Eviction Prevention**
- 3. Homeownership and Counseling**
- 4. Rehabilitation and Accessibility**
- 5. Community Revitalization and Capacity Building**
- 6. Homelessness Assistance and Prevention**

# Inputs for Findings and Recommendations



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs

### **Affordable Rental Housing Production**



# What's Working

1. Transparency and predictability
2. Responsive to feedback
3. Virginia Housing REACH program
4. Adjustments to federal actions
5. PAB activity
6. Addressing PSH needs

# Challenges

1. NIMBY-ism
2. Local land use restrictions
3. Cost-burden in LIHTC units
4. QAP may not address some specific regional market needs



# Example Recommendation

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**Conduct periodic major overhauls of the QAP every 5-6 years** to make adjustments that account for important macroeconomic and demographic trends as well as reconsideration of basic program requirements and targeting.

## Why this is needed:

- Allow for major shifts in economic, social, demographic and other issue areas

## Who is responsible:

- Virginia Housing, QAP stakeholders

## How to accomplish:

- Expand current effective feedback system to conduct broader review over longer time period

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs

### **Rental Assistance and Eviction Prevention**



## What's Working

1. Tenant-based assistance reaches high-need households
2. Virginia's Rent Relief Program is national best practice
3. Historic response to eviction crisis

## Challenges

1. Long HCV waitlists
2. Restrictive eligibility criteria
3. Effectiveness depends on supply of attainable units
4. Declining quality of market-affordable rental housing
5. Overlapping service coverage

# Example Recommendation

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Continue to scale up state funding for the DBHDS State Rental Assistance Program program to **take pressure off the HCV program.**

## Why this is needed:

- Unmet housing needs for persons with developmental disabilities
- Would allow “mainstream” HCVs to be used primarily for households with low incomes and no other major challenges for finding housing

## Who is responsible:

- General Assembly, DBHDS

## How to accomplish:

- General Assembly can sustain and expand increased funding levels to SRAP program

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs

### **Homeownership and Counseling**



## What's Working

1. Suite of agencies' homeownership programs well-liked by providers
2. State-level programs have increasingly served households of color

## Challenges

1. Limited supply-side focus
2. Very few starter homes available
3. Difficult to layer assistance
4. ASNH competition for homeownership vs rental funding
5. Underwriting challenges for younger households

# Example Recommendation

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Develop a substantial, statewide **“starter home” initiative** with a capital subsidy to reduce the home price

## Why this is needed:

- High land and construction costs, barriers at the local-level, and the higher profitability of more expensive homes are making it more challenging for developers to build smaller-sized homes that are economically feasible

## Who is responsible:

- General Assembly, Virginia Housing, DHCD, et al.

## How to accomplish:

- Vary subsidy level by region; structure similar to VCI; incentivize permanent affordability among homes; begin with multi-year funding stream

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs **Rehabilitation and Accessibility**





## What's Working

1. Diversity of programs to meet needs
2. Programs can be layered/combined
3. Funding cycles sync well
4. Manufactured homes are mostly eligible
5. Providers can leverage these programs with non-state support

## Challenges

1. Relatively small funding amounts
2. Low to no admin fees
3. Improvement needs can exceed allowable costs
4. Long waiting lists
5. Difficult to find qualified contractors
6. Renters difficult to serve

# Example Recommendation

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Determine how programs with relatively low or complex administrative funding mechanisms can be reconfigured or complemented to help **cover the necessary program management costs** of the local providers.

## Why this is needed:

- In the absence of fees sufficient to cover costs, providers will not operate rehab/repair programs at scale but will only adopt limited efforts to limit their losses

## Who is responsible:

- Virginia Housing, DHCD, providers/stakeholders

## How to accomplish:

- Work with high-volume providers to analyze actual costs; restructure programs as necessary

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs

## Community Revitalization and Capacity Building



## What's Working

1. Vibrant Community Initiative (VCI) supports transformational projects
2. Virginia Housing Community Impact Grant (CIG) well-liked for flexibility
3. CDBG makes impacts in rural areas
4. Outreach to localities
5. Capacity building grants important to smaller nonprofits

## Challenges

1. Technical assistance needs
2. Front-end process could be clearer
3. Predevelopment loan closing process can be too complex
4. Low VCI use in rural areas
5. Limited focus on homeownership
6. Application cycles can conflict

# Example Recommendation

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**Allow VCI awards to be used over multiple years** to help large/complex projects, especially those relying on other major sources of funding.

## **Why this is needed:**

- Major projects may have multiple phases using many different funding sources (local, state, federal, private)

## **Who is responsible:**

- Virginia Housing, DHCD, providers/stakeholders

## **How to accomplish:**

- Convene VCI applicants and grantees to discuss needs; develop multi-year eligibility criteria with targeted milestones

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 4: Analysis of Existing Programs

### **Homelessness Assistance and Prevention**



## What's Working

1. Increasing commitments to end homelessness are noteworthy
2. High levels of coordination
3. Homeless Reduction Grant reimbursement process has worked well

## Challenges

1. Supply/availability of units
2. "Siloed" system components
3. Certain program design elements need to be updated
4. NIMBY-ism
5. Restrictive local land use requirements

# Example Recommendation

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**Better integrate housing services** in criminal processing and educational systems to strengthen homelessness assistance and prevention efforts.

## Why this is needed:

- Homelessness can be prevented/alleviated in “upstream” systems by addressing problems early on

## Who is responsible:

- Governor’s office, DCJS, VDOE, DBHDS, DHCD, VADOC

## How to accomplish:

- Expand regular inter-agency communications; identify and propose solutions; integrate housing solutions into other systems (e.g. discharge planning from criminal processing system)



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 5: Focused Recommendations



# Focused Recommendations

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Five sections:

- 1. Addressing Racial Equity in Housing Across Virginia**
- 2. State-funded Rental Assistance**
- 3. Utility Rate Reduction**
- 4. Property Tax Reduction**
- 5. Bond Financing**

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 5: Focused Recommendations **Addressing Racial Equity**



# Findings

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1. There is **unanimous agreement** among SAG to address racial disparities in housing.
2. Virginia's Black-white homeownership gap is the fifth smallest among all states, but is still a **25-point difference**.
3. Black homeownership in Virginia is lower today (48%) **than it was in 1970** (50%).
4. Large racial and ethnic disparities also **prevent diversity in the leadership** of housing and community development organizations.
5. Over the last decade, Virginia Housing and DHCD have **increased their commitments and programs to address these disparities**.

# Recommendations

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1. **Expand engagement** on this issue:
  - a. Solutions should be developed via Black and Brown-led long-term engagement.
  - b. Continued statewide leadership is necessary.
2. Expanded down payment assistance and supplemental initiatives to **lower home loan principal amounts**
3. **Property tax relief** for long-term owners in transitional neighborhoods
4. Community land trusts, co-ops, deed restrictions and other **shared equity programs**
5. **Security deposit assistance** and eligibility screening reform for Housing Choice Vouchers
6. Expansion of **mobility programs**
7. **Greater participation** by BIPOC developers and contractors in affordable housing

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 5: Focused Recommendations

### **State-funded Rental Assistance**



# Subgroup Findings

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1. Demand for rental assistance **far exceeds the supply** appropriated at the federal and state levels.
2. Rent burden **disproportionately affects** very-low income households, especially Black and Hispanic renters.
3. There are **at least 32,000 applicants** on Housing Choice Voucher waitlists in Virginia.
4. States with successful rental assistance programs **prioritize long-term funding**, built-in program flexibility, and eligibility beyond federal HCVs.
5. Proactive rental assistance would **cost less** than the current cost of evictions.

# Subgroup Recommendations

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1. Develop a rental assistance program based on the federal Housing Choice Voucher Program, with **expanded eligibility, flexibility, and increased efficiencies**.
2. **Target households making 50% AMI or below**, with the majority of allocation being towards 30% AMI or below households.
3. Implement a **statewide program** at-scale.
4. **Ensure resident success** by improving and implementing choice, mobility counseling, and landlord outreach/incentives.



# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 5: Focused Recommendations

### **Utility Rate Reduction**



# Subgroup Findings

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1. Both owners and renters with extremely low incomes have the **highest energy burdens**, especially in older single-family and mobile homes.
2. Residential electricity rates have **increased faster than other sectors** over the past three decades.
3. Over the past decade, water and sewer bills in Virginia have increased **more than 3% per year**.
4. Lower income households are much more likely to **not have reliable internet access**.
5. Pursuant to the current utility regulatory environment, **a true “rate reduction” for affordable housing is not feasible**; other solutions are needed.

# Subgroup Recommendations

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1. Take advantage of increased resources to **unify state support** for energy efficiency and household-based utility assistance.
2. Explore mechanisms to **reduce up-front utility costs** for the creation and preservation of dedicated affordable housing.
3. Expand strategies to **increase the long-term energy efficiency** of new and existing affordable housing units.
4. Leverage current state broadband initiatives to **expand access and affordability of high-speed internet** for affordable housing residents.

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 5: Focused Recommendations

### **Property Tax Reduction**



# Subgroup Findings

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1. Localities in Virginia have multiple methods for reducing real estate tax burdens, but provisions in the state constitution and code **limit the types of properties** and their uses that are eligible.
2. In 2021, the General Assembly **considered (but passed on)** a constitutional amendment to allow localities to exempt affordable housing from property taxes.
3. Affordable housing developers and operators noted **serious challenges with the proper valuation** of below-market rentals by local assessors.
4. Any tax reductions or exemptions should be **long-term** to leverage better financing terms, lower costs, and lower rents.

# Subgroup Recommendations

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1. **Give localities more tools** to reduce tax burdens on dedicated affordable housing serving low-income Virginians.
  - a. Support a new amendment to the state constitution
  - b. Allow localities more flexibility to provide tax incentives that support affordable manufactured home communities
  - c. Streamline various tax exemptions/abatement districts in state code
2. Promote fair, accurate, and **predictable tax assessment** of affordable housing.

# HB854 Statewide Housing Study

## Current Efforts, Future Needs, New Strategies

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### Part 5: Focused Recommendations

### **Bond Financing Options**



# Subgroup Findings

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1. The majority of Virginia's Private Activity Bond (PAB) authority is **consistently used for affordable housing** (including homeownership).
2. Virginia is **one of the highest-performing states in the nation** for using PABs for affordable housing.
3. In recent years, **over half** of Virginia's PAB allocation is transferred to Virginia Housing for Mortgage Credit Certificates (MCCs).
4. Local general obligation bonds issued by cities or counties in Virginia are **rarely used to support housing**; they instead focus on other public infrastructure and services.



# Subgroup Recommendations

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1. Support the expansion of private activity bonds for affordable rental housing using the **“4% tax credit” bonds**. These bonds are issued by Virginia Housing and by local housing authorities.
2. **Increase understanding of the use of local general obligation bonds for affordable housing** at both the state and local level.
3. Encourage localities to provide **property tax incentives for the development of affordable housing** including property tax abatement programs and Housing Tax Increment Financing (TIF) zones.