Chesterfield County Rental Market Analysis

HDAdvisors

2022-09-14T00:00:00-04:00

Table of contents

1 About

> **Note**
>
> This report is currently in development. It was last updated on **2022-09-14**.

Chesterfield County community revitalization staff seek additional information about current rental market dynamics, particularly along the county's major commercial corridors. This report compiles and analyzes data on subsidized, market-affordable, and newly-built rental units to help strategically guide the county's future community development investments using CDBG and other grant funds.

1.1 Report outline

This report is divided into four parts:

PART 1-A: LITERATURE REVIEW

This part summarizes recent and current public planning documents that guide Chesterfield's housing strategies, provides distinctions between the different methods for measuring housing affordability, explores the definition of "naturally-occurring affordable housing" (NOAH), and assesses current research regarding the concentration of low-cost housing and differences in length-of-stay between homeowners and renters.

PART 1-B: DEMOGRAPHIC AND AFFORDABILITY ANALYSIS

This part provides insight into household incomes, housing cost burden, and housing affordability across Chesterfield County. Where possible, data is disaggregated by tenure, household type, age, and race/ethnicity. Data sources are identified and explained in the first chapter of this part, with special attention paid to reliability for datasets based on survey samples. The final chapter of this part is an affordability analysis for the Route 1 corridor within the county.

PART 2-A: COUNTYWIDE MARKET ANALYSIS

This section summarizes the existing stock of rental units within the county and provides an analysis of recent price and production trends in the rental market. The second chapter conducts a spatial analysis of recent multifamily, market affordable, and affordable rental housing in the county. The third chapter is a market comparison between recent multifamily (built in the last five years or slated for future construction) development and existing rental supply in the county. The final chapter summarizes in-depth interviews with nonprofit and for-profit multifamily developers in the county.

PART 2-B: CORRIDOR CASE STUDIES

This section provides a market and spatial analysis of multifamily developments along two major corridors in the county: the Route One Corridor from the city-county line to Route 10 and the Eastern Hull Street Corridor from the city-county border to Genito Road.

Part I

PART 1-A: LITERATURE REVIEW

2 Planning for housing in Chesterfield County

This section summarizes recent planning documents related to housing and housing affordability in Chesterfield County. This includes county and regional planning documents. Documents post-2008 will be favored for currency.

2.1 Background

Chesterfield County has acknowledged the importance of housing availability and affordability throughout many of their planning documents. Planning efforts by the county have sought to address housing at varying scales within county boundaries, while the county has also been involved in multijurisdictional planning to address the housing challenges that exist at the regional level.

The following sections summarize housing, community development, and revitalization elements in the most recent planning documents created for Chesterfield County. Plans are listed chronologically, ending with the most recently completed documents.

2.2 Hull Street Corridor Revitalization Plan

Completed January 2013.

This plan was a joint revitalization plan between the City of Richmond and Chesterfield County. It focused on a 4.7 mile stretch of Hull Street experiencing changing demographics and increased need for reinvestment.

Plan highlights:

- Current housing conditions in the corridor included:
  - A significant supply of affordable rental homes (without public assistance),
  - Homeownership opportunities that were relatively more affordable compared to other areas of the County and City, and
  - The average age of housing stock was younger than the City average, but older than the County average.
- The corridor vision includes preserving current neighborhoods while creating "new housing for a range of income levels."
- Townhomes and other multifamily options located near amenities were specifically recommended to reduce automobile dependency.
- The plan calls for future public investment to enhance existing housing stock, add new affordable housing options, and address senior housing needs.

2.3 Route 1 (formerly Northern Jefferson Davis) Special Area Plan

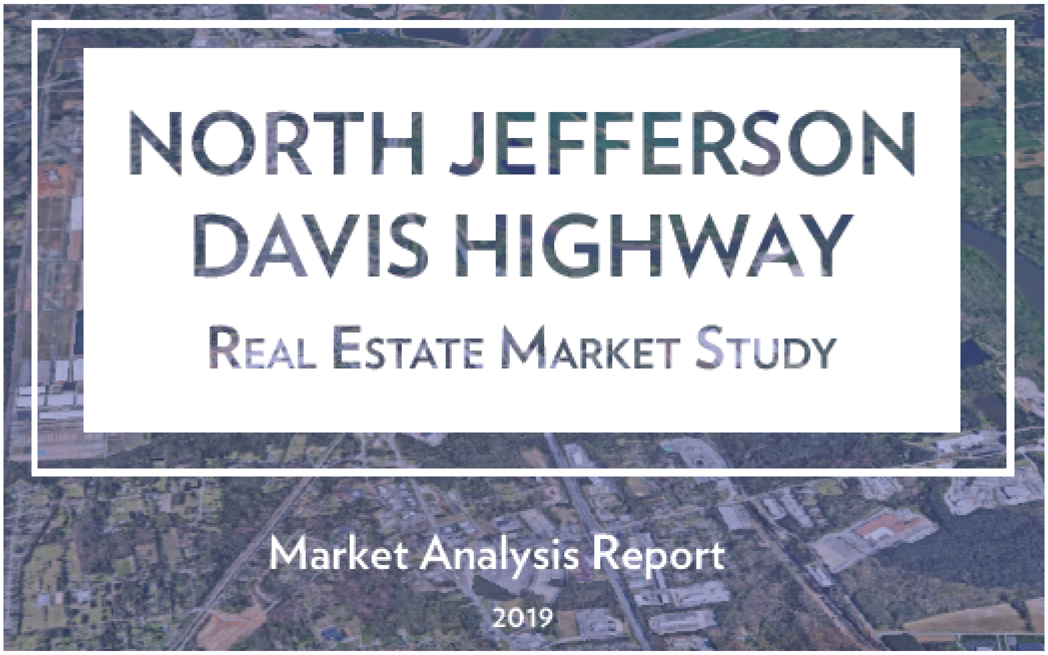
Completed April 2018.

This detailed special area plan produced by county planners focused on the northern 8.5 mile section of Route 1 within the county.

Plan highlights:

- The plan included a strong emphasis on stabilizing and improving distinct neighborhoods.
- Certain areas of the corridor were designated for new residential mixed use development to help encourage additional housing options and bring new investment.
- Accessory dwelling units (ADUs) were recommended as an alternative housing option to promote, as well as transitional housing options for individuals with high needs.
- An additional emphasis was placed on continued and expanded revitalization efforts to improve housing in older neighborhoods along the corridor.

2.4 Route 1 (formerly North Jefferson Davis Highway) Real Estate Market Study



Completed 2019.

This study, commissioned by Chesterfield County and prepared by Urban Partners, informed county officials on market opportunities that exist along the northern section of Route 1 within Chesterfield County. The study area included eight census block groups that abut Route 1 from the Richmond City border to Route 288.

Study highlights:

- Population and household growth in the study area are much slower than the county average.
- The study area is very ethnically diverse compared to county and region.
- These neighborhoods have higher shares of children (under 10) and non-family households.
- Households in this area have significantly lower incomes and higher poverty rates.
- Job numbers have declined across the study area, especially in manufacturing.
- The study area experienced a significant increase in residential vacancy, and decrease in homeownership, from 2000 to 2017.
- The study area is now majority renter, but over one-third of renters live in single-family homes.
- There are approximately 380 mobile homes across six manufactured home communities in the study area.

- An analysis of existing multifamily properties found a very tight rental market (98.4 percent occupancy) despite high overall vacancy rate.
- The report estimates that the study area could accommodate 15 to 20 percent of county's demand for new multifamily stock by 2025 (3-4 new developments); however, acquisition and construction costs would mean these new units are priced at or near County average, which is out of reach for most incomes in the study area.
- Homeownership is relatively affordable in the study area, but not always for current residents with very low or fixed incomes.

2.5 Moving Forward: The Comprehensive Plan for Chesterfield County

Completed May 2019.

The Code of Virginia (Section 15.2-2223) requires all localities to adopt a comprehensive plan that guides the physical development of jurisdictions based on existing conditions and trends. This plan is the most recently completed effort to fulfill this requirement. It was a collaborative effort between elected officials, residents, stakeholders, and county staff.

Plan highlights:

- Chapter 6: Neighborhoods and Housing:
  - The first desired outcome is additional affordable homeownership opportunities.
  - The second desired outcome is supporting a "range of housing options" in neighborhoods and mixed-use centers.
  - A lack of "missing middle" housing options (e.g., townhomes, small-scale rental) was also identified.

  - The chapter calls for affordable housing options to be "encouraged throughout the county to promote integrated communities."
- Chapter 7: Revitalization
  - Outlines goals for using public and private investment to improve the quality of communities experiencing decline, vacancy, and other challenges.
  - Reinforces the "need for a range of well-designed housing choices" that are strategically located and affordably priced.

2.6 Midlothian Community Special Area Plan

Completed December 2019.

This is a detailed special area plan by county planners focused on the Midlothian community. It is a continued effort of the *Moving Forward* comprehensive plan adopted earlier in 2019.

Plan highlights:

- There are currently a "limited variety of housing options" in the Midlothian Village area.
- 61 percent of housing in the Village are single-family homes in subdivisions.

- Recommendations call for additional residential development to meet demand, particularly smaller and denser types to lower per-unit costs and prices for buyers or renters.
- A specific need for housing that caters to persons/couples without children was identified.
- Mixed use opportunities (residential and commercial) were encouraged as part of retail property redevelopment strategies.
- Accessory dwelling units (ADUs) were also recommended as a solution to increase the supply of low-cost homes, especially for single-person households.

2.7 Richmond Regional Housing Framework

Completed January 2020.

This framework is an effort between the Partnership for Housing Affordability (PHA), Chesterfield, Hanover, Henrico, the City of Richmond, and the Town of Ashland to increase housing opportunities across the region. The plan identified common housing challenges and solutions, along with locality-specific findings and recommendations.

Major findings for Chesterfield County included:

- Homeownership is significantly more expensive to achieve than a decade ago.
- The deficit of homes affordable to renters below 50 percent AMI is over 2,000.
- The senior population in Chesterfield is growing faster than anywhere else in the region.

- Almost 2,000 families live in the county's 27 manufactured home communities, the highest amount in the region.
- Most of the projected job growth will be occupations with below-average wages, limiting the ability of workers to pay for housing.

Some of the specific policy solutions for Chesterfield County included:

- Increase the amount of land available for multifamily housing via land use and zoning reform.
- Reduce land use and zoning barriers to accessory dwelling units (ADUs).
- Encourage smaller, denser homeownership opportunities (such as townhomes and condos) to reduce land costs per home.
- Increase efforts to revitalize manufactured home communities and preserve them as affordable housing options.

2.8 Analysis of Impediments to Fair Housing Choice in the Greater Richmond and Tri-Cities Region


Final Report

2020 Analysis of Impediments to Fair Housing Choice in the Greater Richmond and Tri-Cities Region

Completed March 2021.

An analysis of impediments (AI) to fair housing is a requirement among jurisdictions receiving entitlement funds from the U.S. Department of Housing and Urban Development. This AI was a collaborative effort by Chesterfield, Henrico, and Cities of Colonial Heights, Hopewell, Petersburg, and Richmond in order to maximize efficiency.

Among the 587 respondents from Chesterfield County who participated in a community engagement survery:

- 25 percent want to buy a home but cannot afford one.
- 19 percent are worried about rent going up and being unable to afford it.

- The top five most important factors for choosing a new home were:
  - Quality schools,
  - Affordability,
  - Low crime rate,
  - Good opinion of the neighborhood, and
  - Close to work.
- The top impediment to moving was the inability to afford anywhere else to live.

Relevant research findings for Chesterfield County included:

- The lowest share of non-family households in the region (27 percent).
- Low disability rates among the full population (12 percent).
- The second-highest share of foreign-born residents in region (8.4 percent).
- The highest median household income in the region ($80,214 in 2018).
- The lowest poverty rate in region (7 percent).
- Nearly one-third of county's housing stock was built after 2000.
- More manufactured home communities are in Chesterfield than any other locality in the region; these neighnorhoods offer more affordable options but often at the expense of poor housing quality.
- Underutilization of housing assistance (e.g. Housing Choice Vouchers) by Hispanic and Latino households relative to their share of the overall population.

Common impediments to furthering fair and equitable housing included:

- Historical segregation and discrimination,
- Limited and/or inconsistent federal resources to increase the supply of affordable homes and reduce housing instability, and
- Restrictive land use codes limiting multifamily development and other more affordable types of construction.

Impediments to rental housing choices included:

- Geographically concentrated affordable rental options (in lower-opportunity areas),
- Low supply and high demand contributing to significant rent growth, and
- A lack of (and poor locations of) units available and affordable to residents with very low incomes and/or disabilities.

Impediments to accessing high opportunity environments included:

- A limited amount of affordable housing and transit access in job-rich areas,
- Inadequate public transportation coverage across the region, and
- Educational success disparities across public schools.

2.9 Takeaways

- Chesterfield County, both on its own and in partnership with the region, has regularly assessed its range of housing needs and identified policy solutions to address these challenges.
- Despite relatively high average incomes at the county level, affordable homeownership and rental opportunities are becoming more difficult to secure for low- to moderate-income households.
- The county's major commercial corridors (Route 1, Midlothian Turnpike, and Hull Street) have all been identified as opportunities for redevelopment and revitalization activities that would increase the supply and diversity of housing options.
- The county should ensure safe and affordable housing is available to its rapidly rising senior population, as well as its large share of Hispanic and Latino families, many of whom live in substandard manufactured housing.

3 Measures of housing affordability

This section will summarize the common measures of housing affordability that are widely used by researchers and policymakers, as well as credible alternative measures. Comparisons are made of each measure using county-specific data to understand the variations.

3.1 Background

Determining what housing is affordable and to whom is a key challenge many communities face as housing prices continue to rise. For many researchers and practitioners, the 30 percent of income ratio has been the standard measure due to its ease in application and understanding among the public. But criticism laid upon this measure points to its failure to account for the varying differences in cost of living based on household size and location.[1]

Other measures have gained credibility over time such as the Housing Affordability Index (HAI) from the National Association of REALTORS® and the Housing Wage from the National Low Income Housing Coalition (NLIHC). Alternative measures such as the residual income approach and the Housing and Transportation Affordability Index from the Center for Neighborhood Technology are other more recent metrics.

The following sections summarize standard and alternative measures of housing affordability, and provide an understanding of affordability within a Chesterfield-specific context.

3.2 30 percent standard

A household spending more than 30 percent of their gross income on housing costs is often referred to as *cost-burdened*. This standard (and the term "cost burden") is the most commonly used benchmark for housing affordability. It is simple to understand, and simple to calculate, because only two data points are needed: gross household income and total housing costs.

The 30 percent threshold is used because any income used for housing beyond that share cannot be used for transportation, healthcare, childcare, groceries, and other necessary household expenses. Generally speaking, a cost-burdened household will more commonly have trouble

[1] Morris. Carolyn. (2021). "How Much Should I Spend on Rent? Ignore the '30% Rule'," Earnest.com. November 22, 2021. Retrieved from https://www.earnest.com/blog/rent-and-the-30-percent-rule/.

balancing their monthly budget, and will also face significant challenges when attempting to save or invest their income.

This income-to-cost ratio was originally set at 25 percent when the federal government began designing housing assistance programs in the 1960s and 1970s. The threshold was increased to 30 percent in the 1980s. Today, the 30 percent cap is used to set household rent levels for public housing, Housing Choice Vouchers, and many other housing assistance initiatives.

> **Note**
>
> Although it has been the go-to measure in housing affordability, the 30 percent standard has several criticisms. Chief among these critiques is that living expenses vary from household to household.[a] A family of four will likely face much higher and additional costs for things like childcare, food, and transportation, when compared to a single adult with the same income.
> Secondly, different income groups don't spend the same way.[b] Higher income households can have much more flexibility to spend more than 30 percent of their income on housing costs when compared to a low income household. Using the 30 percent standard in this case can sometimes overestimate the share of higher income households experiencing cost burden.
> Other critics also reference the fact that the 30 percent standard does not account for things like location and housing quality. A household living in a very walkable community will spend very differently from a household that has to invest a lot of money in transportation (i.e., gas and car maintenance).
>
> [a] Herbert, Christopher, Alexander Hermann, & Daniel McCue. (2018). Measuring Housing Affordability: Assessing the 30 Percent Income Standard. September 2018. Joint Center for Housing Studies of Harvard University.
> [b] Daniel Kay Hertz. (2017). "Affordability: The 30 Percent Standard's Blinders," Shelterforce. April 25, 2017. Retrieved from https://shelterforce.org/2017/04/25/30-percent-standards-blinders/.

Cost burden data is available from the U.S. Census Bureau in the American Community Survey. Tables B25091 and B25070 break down the share of gross household income dedicated to housing costs for homeowners and renters, respectively.

Table B25091 defines "selected monthly owner costs" for homeowners as:

- Monthly mortgage payments,
- Real estate taxes,
- Homeowners and/or mortgage insurance, and
- Necessary utilities.

Table B25070 defines "gross rent" for renters as:

- Monthly contract rent payments, and
- Necessary utilities paid directly by tenants.

Table 3.1: Cost burden by tenure in Chesterfield County

Cost burden	Homeowners	Renters	Total	Percent
Not cost burdened	78,661	15,005	93,666	73.6%
Cost burdened	18,502	13,266	31,768	25.0%
Not computed	427	1,369	1,796	1.4%
Total	**97,590**	**29,640**	**127,230**	**100.0%**

In Chesterfield County:

The table below combines those datasets to show the number of cost burdened households by tenure in Chesterfield County.

Source: U.S. Census Bureau, American Community Survey, 2016-2020 5-year estimates. Tables B25091 and B25070.

3.3 NAR's Housing Affordability Index

The National Association of REALTORS® (NAR) publishes a Housing Affordability Index (HAI) to show the difference between the average family income for an area versus the minimum income required to afford the median priced single-family home in that community.

For 2021, the national HAI was **150.3**. This reflects the median family income being about 1.5 times greater than the minimum income required to purchase the median priced home, using the current 30-year fixed mortgage rate published by the Federal Housing Finance Board. A higher HAI value reflects higher affordability in the for-sale market.

> **Note**
>
> The full Housing Affordability Index methodology is available on the NAR website.

The HAI has steadily decreased as housing prices continue to rise across the nation. As of June 2022, the preliminary HAI for all 50 states was **98.5**. This assumed a median single-family home price of $423,300, a mortgage rate of 5.60%, and a median family income of $91,952.

In Chesterfield County:

The table below shows the inputs and calculated HAI for Chesterfield County as of August 2022. The median sales price is collected from all 2022 year-to-date single-family home sales accessed from the Central Virginia Regional Multiple Listing Service (CVR MLS).[2] The 30-year fixed mortgage is sourced from the national weekly average published by the Freddie Mac

[2]Through August 31, 2022.

Table 3.2: Housing Affordability Index in Chesterfield County

Input	Value
Median sales price	$371,480
30-year fixed mortgage rate	5.66%
Monthly payment	$1,717.33
Minimum qualifying income	$82,432
Median family income	$97,941
Housing Affordability Index	**118.8**

Primary Mortgage Market Survey for the week ending September 1, 2022. The median family income is the latest value published by the U.S. Census Bureau.[3]

The current HAI for Chesterfield County is **118.8**. This is lower than the latest national average published by NAR (150.3), indicating greater barriers to affordable homeownership in the county.

3.4 NLIHC's Housing Wage

The National Low Income Housing Coalition has published its Out of Reach report every year since 1989 to bring attention to the widening gap between actual wages and the cost of rental housing in the United States. Within this report, NLIHC calculates its Housing Wage, an affordability measure that estimates the wage a full-time worker must earn to afford rental housing based on the U.S. Department of Housing and Urban Development's (HUD) fair market rent (FMR) without spending more than 30 percent of their income.

> **Note**
>
> The latest 2022 Out of Reach report and data is available on the NLIHC website.

NLIHC utilizes multiple data sources, such as the U.S. Census Bureau's American Community Survey and average wages from the Bureau of Labor Statistics, to create an affordability measure that focuses on the economic gap between household incomes and the price of rental housing.

Fair market rent is another a key statistic that helps NLIHC determine the Housing Wage. FMR is calculated by HUD every fiscal year and is a reflection of the median rent in a given area. FMR is largely used to set rental assistance limits under the Housing Choice Voucher (HCV) program (Section 8).

[3] U.S. Census Bureau, American Community Survey, 2016-2020 5-year estimates. Table B19113.

There have been few, if any, specific critiques of the Housing Wage statistic. But issue can be taken with the fact that FMR is set at the metropolitan level. Therefore, the FMR in Chesterfield County, regardless of location, is the same as the FMR in the City of Richmond and other localities in the Richmond, Virginia Metropolitan Statistican Area (MSA). This means that the Housing Wage does not fully account for the nuances that exist across the regional rental market.

While the Housing Wage is helpful in determining the relationship between jobs and housing prices, it does not help to measure the gap in affordable housing, or rather how many households are facing affordability challenges.

In Chesterfield County:

NLIHC released their latest Out of Reach report in July 2022. According to NLIHC, the annual wage required to afford a two-bedroom rental unit in Chesterfield County was **$47,560**, or an hourly wage of **$22.87**. NLIHC estimates that the typical renter wage in Chesterfield County is $17.15—nearly $6 short of the wage needed to afford a typical two-bedroom rental in the region.

3.5 CNT's H+T Affordability Index

The Center for Neighborhood Technology (CNT) developed the Housing + Transportation (H+T) Affordability Index in 2006 as a result of a Minneapolis-St. Paul report conducted for the Brookings Institution's Urban Markets Initiative. This affordability measure is a robust indicator of the role that geographic location has on the two major costs faced by American households: housing and transportation.

CNT expands on the 30 percent standard with the inclusion of transportation costs in an affordability standard. Based on extensive research CNT found that 15 percent was a reasonable standard at which to set affordable transportation costs; it follows that a household should pay no more than 45 percent of their household income on housing and transportation costs combined.

CNT's transportation cost model takes into account several factors that influence how much a typical household pays for transportation, including commuting data, public transportation access, housing density, and consumer behavior.

With the H+T Affordability Index, CNT offers detailed data down to the Census Block Group-level (i.e. a neighborhood-level). The index is provided in terms of a regional typical household based on a median income, the average number of commuters per household, and the average household size. This allows the index to consistently measure the impact of neighborhood factors on a typical household's housing and transportation costs.

The index is expressed as a set percentage of income—in other words, what the typical regional household spends on housing and transportation based on their home's location.

In spite of the H+T's comprehensiveness, it has its pitfalls. The nature of the model requires the use of a standard household which only sets a baseline from which to compare other households to. This can make it difficult to make conclusions about households with incomes lower or higher than that baseline. To help with this, CNT offers the index based on a regional moderate income household—80 percent of the regional median household income, while maintaining the typical regional household size and commuters.

The index also suffers from outdated data sources. The most recent update of the model took place in 2017 and utilized data that predated this year to calculate the index. Therefore, the index does not capture recent trends in housing and transportation costs that tend to exacerbate cost burden.

In Chesterfield County:

The most recent H+T Affordability Index for Chesterfield County stated that the typical regional household, with an income of $59,919, 1.19 commuters per household, and a household size of 2.58 people, spent 53 percent of their income on housing and transportation combined.

CNT disaggregated housing and transportation to account for 30 percent and 23 percent, respectively.

These costs increase for the regional moderate income household with an income of $47,935—increasing to 63 percent, or 38 percent on housing and 25 percent on transportation.

3.6 Residual income approach

The residual income approach is a relatively new and uncommon method for measuring housing affordability. Rather than begin with housing costs compared to income, this more holistic metric sums up all other necessary household costs and determines what is left over ("residual") and available for housing. That residual amount can then be compared to local housing prices to assess affordability.

> **Note**
>
> The most comprehensive assessment of the residual income approach compared to other housing affordability measures is *Measuring Housing Affordability: Assessing the 30 Percent of Income Standard*, a research paper published by The Harvard Joint Center for Housing Studies in 2018.

Benefits of the residual income approach include the ability to:

- Factor in real-life household cost estimates for transportation, healthcare, and other necessary expenses,

- Account for a range of household types and compositions, particularly those with children, and
- More accurately reflect the affordability distinctions between low and high income households.

However, drawbacks of this metric include:

- Greater data and methodological requirements, making it less accessible to calculate,
- Difficulty in providing a simple explanation of the methods to laypersons, and
- The potential to inflate affordability challenges in high-cost areas.

In Chesterfield County:

A full calculation of housing affordability in Chesterfield County using the residual income method is beyond the scope of this report. However, we may use a sample from the Self-Sufficiency Standard (SSS) dataset published by the Center for Women's Welfare at the University of Washington. According to the Center, this Standard:

> …defines the income working families need to meet a minimum yet adequate level, taking into account family composition, ages of children, and geographic differences in costs. The Standard is an affordability and living wage economic security measure that provides an alternative to the official poverty measure.

As an example, we will estimate residual income for a household with the following characteristics:

- Two full-time working adults (married) and two elementary school-age children,
- A total household income equal to 80 percent of the Richmond, Virginia Area Median Income (AMI), and
- Full-time residency in Chesterfield County.

First, we calculate the gross and take-home household incomes. According to HUD's FY 2021 Income Limits, the income for a four-person family at 80 percent AMI is $72,000. Based on current federal and state effective tax rates, the estimated total household income after taxes for this family would be $58,111. This amounts to a monthly take-home wage of $4,843.

Next, we determine the 2021 SSS monthly cost estimates for a four-person household with two working adults and two elementary school-age children in Chesterfield County. These total costs (housing excluded) are $4,480.

We then subtract these costs from the total take home pay of each household to determine what is left to be spent on housing costs.

This $363 available for housing is far below than the required monthly payment to afford the median-priced single-family home ($1,717, from HAI section above) and the market rent for apartments with three or more bedrooms ($1,759, via CoStar[4]) in Chesterfield County.

[4]Current as of September, 5 2022.

Table 3.3: Self-Sufficiency Standard monthly costs

Expense	Amount
Child Care	$1,086
Food	$922
Transportation	$576
Health Care	$775
Miscellaneous	$462
Taxes	$1,092
Child Care Tax Credit (-)	($100)
Child Tax Credit (-)	($333)
Total	**$4,480**

Table 3.4: Residual income available for housing for family of four at 80 percent AMI

Pay, expenses, and residual income	Amount
Monthly take-home pay	$4,843
Monthly expenses (-)	($4,480)
Residual income	**$363**

For additional examples, we can estimate residual income for some of the county's most common household types and incomes[5]:

Homeowners

- Married registered nurse and Chesterfield County police officer, with two school-age kids, and a household income of $136,410
- Married couple, aged 65 and over, with no kids, and a monthly Social Security benefit of $2,739.10 (average amount for retired worker and aged spouse)

Renters

- Single Chesterfield County Public Schools teacher, with no kids, and a household income of $54,937
- Single female home health aide, with an infant and preschooler, and a household income of $23,930

The table below shows the monthly take home pay for each of these households, along with their calculated residual incomes based on SSS cost estimates.

These cases show a wide range of housing affordability depended on income and assumed households expenses. For two-earner families with above-average salaries, finding a home to buy in

[5] Based on 2016-2020 American Community Survey 5-year estimates, regional mean annual wages, Social Security benefit data, and Chesterfield County wage data.

Table 3.5: Monthly take home pay and residual income for selected households

Household	Take home pay	Residual income
Registered nurse, police officer, 2 kids	$8,594.58	$5,206.02
CCPS teacher	$3,589.33	$2,618.01
Retired senior and spouse	$2,328.24	$250.94
Home health aide, 2 kids	$1,685.92	-$2,000.74

the county is likely not a major challenge. For single workers with strong wages, finding an affordable apartment in Chesterfield may not be difficult. However, student loans, car payments, and other possible debt—not included in this analysis—would change this outcome.

On the other hand, lower income families—especially those with greater expenses associated with young children—must make hard choices to balance their budget. These concessions may include forgoing healthier (and more expensive) food options, putting off necessary healthcare treatments, and finding cheaper housing that is further away from their jobs. Other forms of public assistance, such as EBT, would also help.

3.7 Takeaways

- There are multiple measures that are being utilized to help practitioners communicate the need to address housing affordability in their communities.
- Each measure has their pros and cons, ranging from data currency to methodology complexity. But the choice of one over the other is dependent on its ultimate use.
- For this report, and for most other housing needs assessments, the standard 30 percent (cost burden) methodology is preferred for its ubiquity.
- If you want to better understand how location impacts costs, the CNT H+T may be the most useful. If you want to focus on the unique challenges that individual households face, the residual income approach may be worth the additional analysis required.

4 Market-affordable housing

This section summarizes research on market affordable housing, or what is commonly referred to as naturally occurring affordable housing (NOAH). Particular focus will be given to determining a common and accepted definition of NOAH.

4.1 Background

Not all affordable housing is supported by public subsidy. In fact, a large share of affordable housing is privately-owned and receives no government assistance. Widely referred to as naturally occurring affordable housing (NOAH), or market-affordable housing, these properties are a growing concern for communities facing housing affordability challenges.

The preservation of NOAH properties has been a growing strategy to support affordable housing in communities as the ability to quickly develop new units has been stifled by labor shortages, rising land prices, and supply chain issues. NOAH is at great risk of being lost because it often requires greater investment to maintain and more likely to be redeveloped—in turn contributing to a loss of affordable housing units.

4.2 Defining NOAH

While research around NOAH has been growing over the past several years, an universally-accepted definition still does not exist. But general agreement among advocates and practitioners is that NOAH units are older, outmoded, and in less desirable locations.

When these characteristics are placed into the context of a community's rental market, rents are generally lower than the typical rental unit because NOAH units are of comparably lower quality than newer units on the market.

CoStar, a commercial real estate and analytics provider with its global research operations based in Richmond, Virginia, conducted an analysis of NOAH properties in Fall 2016 at the request of Urban Land Institute's Terwilliger Center for Housing.

This analysis concluded that 76 percent of the 335,978 multifamily properties in their database were NOAH properties. CoStar came to this conclusion based on their proprietary rating system, which gives each property a star rating from one to five stars, wherein one- and two-star properties are the equivalent of Class B and C properties.

> **Note**
>
> **What are Class B and C properties?**
> The commercial real estate industry utilizes a property classification system to help investors, lenders, and brokers quickly understand and communicate the quality of a property. The system classifies real estate properties as A, B, C, or D.
> NOAH properties generally fall into either Class B or C.
> **Class B**
> These properties are generally in good condition for being built within the last 20 years, but the exteriors and interiors are generally considered outdated. Amenities are much less than those found in a high end apartment. Renovations may have occurred recently and there is little deferred maintenance.
> **Class C**
> These properties were built within the last 30 years or are a much older property that has had recent renovations. Exteriors and interiors are outdated, and amenities are very limited. Improvements to the property show some age and there may be some deferred maintenance.

4.3 NOAH in Chesterfield County

The following analysis on NOAH inventory in Chesterfield County uses data from CoStar Group, Inc. Properties were selected if they met these criteria:

- Existing multifamily properties with active leases,
- Classified as Class B or C,
- No public subsidy, rent caps, or other income-based restrictions, and
- *CoStar Building Rating* of two or fewer stars out of five.[1]
- Built before 2000
- Excluding single-family homes

> **Note**
>
> *Manufactured housing undercounted in CoStar data:*
> Manufactured homes are a key source of NOAH throughout Virginia, especially along Chesterfield County's major corridors. However, the CoStar database does not fully capture all of these communities.
> In 2016, the Manufactured Home Community Coalition of Virginia (MHCCV) conducted

[1] Per CoStar, this is rating for the building relative to other buildings of the same type throughout the country.

Table 4.1: NOAH properties and units by style

Style	Properties	Units
Garden	19	3,548
Manufactured Home Community	13	1,491
Low-Rise	4	116
Total	**36**	**5,155**

a study of mobile home parks in Central Virginia and found that Chesterfield County was home to roughly 1,500 units within parks—the highest of any Central Virginia locality, with the second highest locality being Prince George at 831.
The analysis below *includes* all manufactured home communities in Chesterfield County identified in the MHCCV report. They are appended to the CoStar records to create a fuller NOAH dataset. However, the only known variables are property location and number of units within each park. Accurate rent levels for most of these communities are *not* known at this time.

4.3.1 Amount

Chesterfield County is home to 5,155 market-affordable rental units as of August 2022. These apartments are predominately in garden-style buildings with 200 to 250 units per property. A smaller share of these NOAH units are found in manufactured home communities and low-rise multifamily buildings.

Source: CoStar Group, Inc.

This NOAH inventory is approximately 16 percent of the county's total number of rental units according to the latest Census Bureau estimates.[2] However, that estimate includes the approximately 10,000 single-family homes leased out in Chesterfield.

4.3.2 Location

NOAH properties are spread throughout all parts of Chesterfield County, but like most NOAH properties nationwide, they are largely located in the inner suburbs—areas that saw early development towards the middle of the 19th century. These includes garden style apartments like Falling Creek Apartments along Route One or manufactured home communities like Suburban Village off of Midlothian Turnpike.

[2] U.S. Census Bureau, American Community Survey, 2016-2020 5-year estimates. Tables B25003 and B25004.

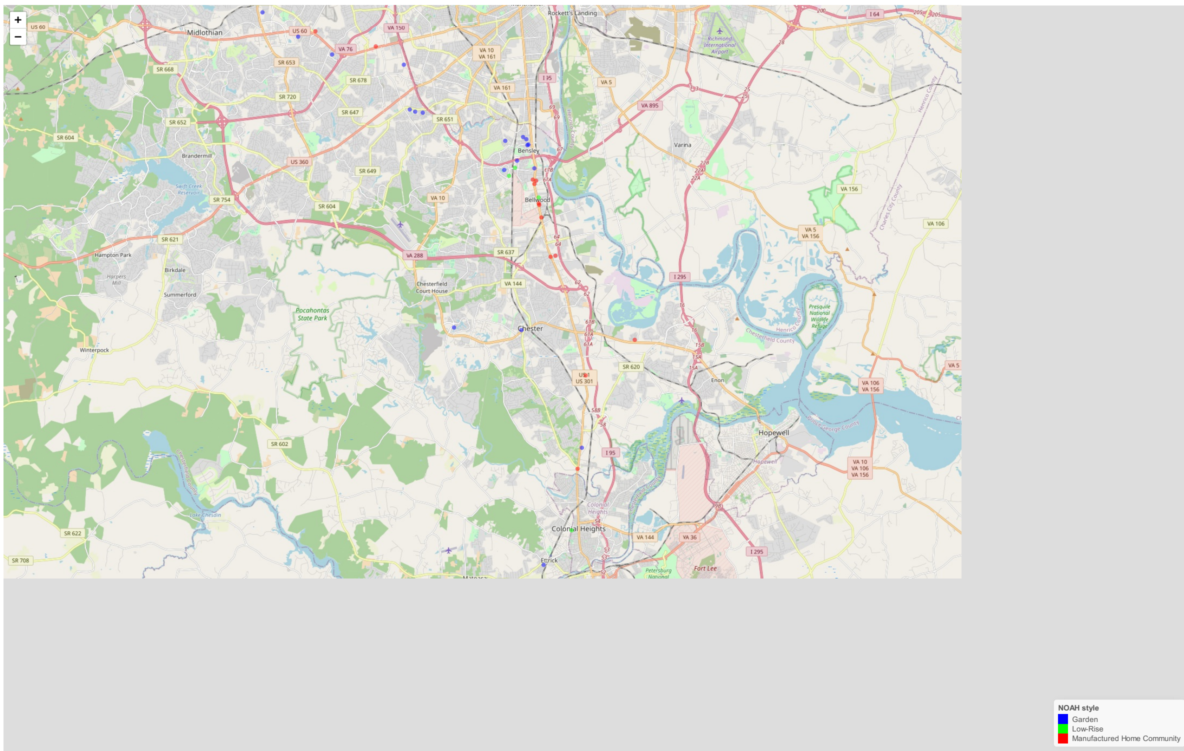


Figure 4.1: Location and type of NOAH

Table 4.2: Current rent by bedroom in NOAH properties

Bedrooms	Rent
Studio	$744
1 Bed	$1,023
2 Beds	$1,189
3 Beds	$1,491

4.3.3 Rent levels

As of early 2022, average rents in Chesterfield's NOAH units range from $744 to $1,491 depending on the number of bedrooms. The minimum gross annual income to afford the average 2-bedroom market-affordable apartment is $47,560.

Source: CoStar Group, Inc.

Market rents in Chesterfield's NOAH units have increased significantly as demand for lower-cost apartments continues to exceed the supply. Much of this price growth has occurred since 2015. Prior to that year, the average 3-bedroom NOAH unit could be rented for less than $1,200 per month.

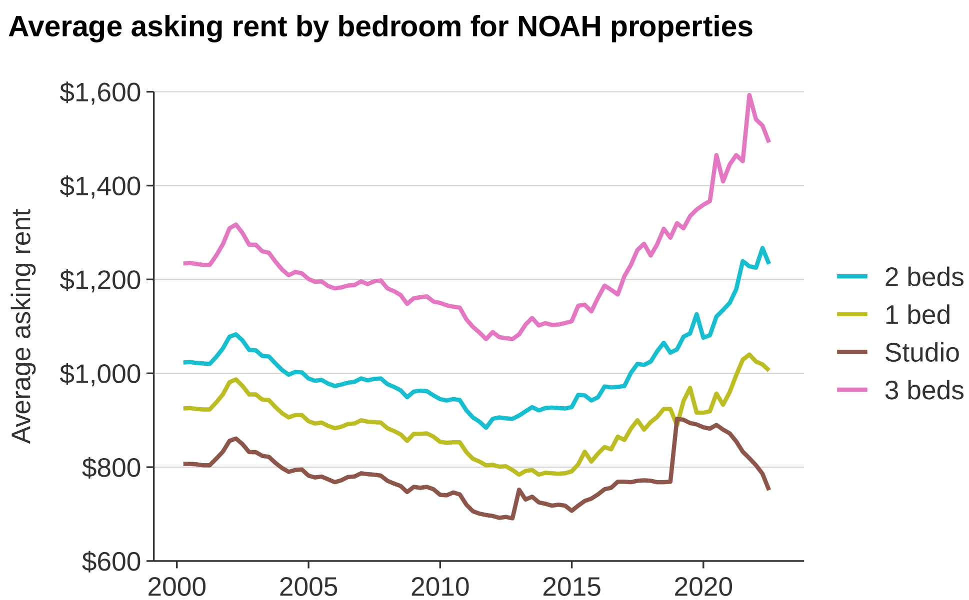


Figure 4.2: Average asking rent by bedroom for NOAH properties

Source: CoStar Group, Inc.

4.3.4 Age

The majority of Chesterfield's NOAH properties are older than 40 years. These buildings were primarily constructed in two major production cycles:

- The mid 1960s to the mid 1970s, and
- The late 1980s and early 1990s.

The median age of the county's NOAH units is 53 years. (Built in 1969.)

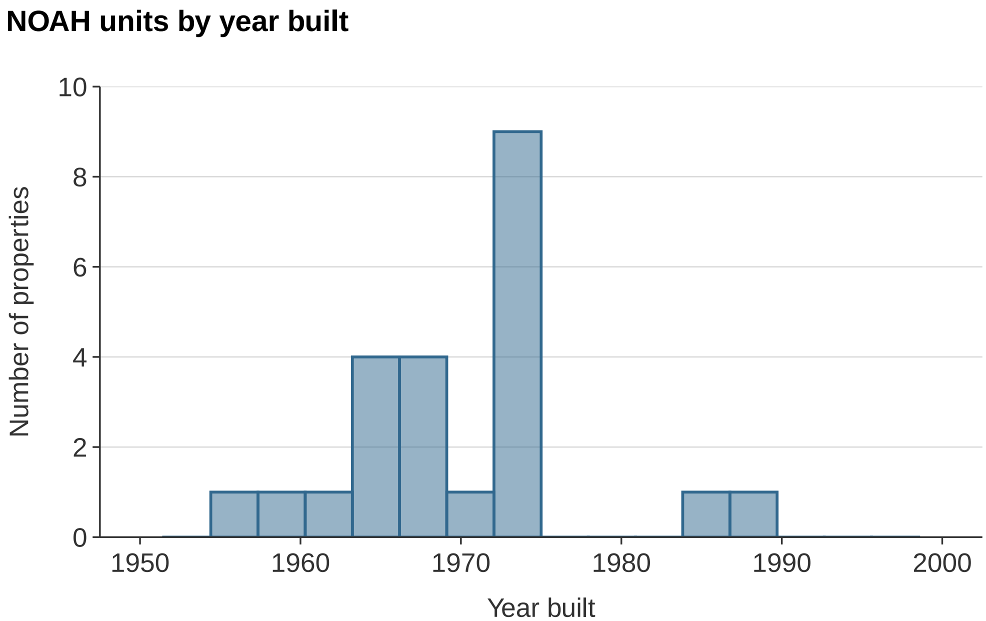


Figure 4.3: NOAH units by year built

Source: CoStar Group, Inc.

4.3.5 Examples

Falling Creek Apartments

- Units: 348
- Two-bedroom asking rent: $955
- Style: Garden apartments
- Neighborhood: Bensley

Suburban Village Manufactured Home Community

Figure 4.4: Falling Creek Apartments. Credit: CoStar Group, Inc.

Figure 4.5: Suburban Village Manufactured Home Community. Credit: Google Earth.

- Units: 220 units
- Asking lot rent: Approximately $500 to $600
- Style: Manufactured home community
- Neighborhood: Bon Air

4.4 HUD insured multifamily properties

Chesterfield County also contains 19 multifamily properties with mortgages insured by various HUD programs. These complexes are *not* necessarily NOAH, *nor* are they required to restrict rents or incomes. In fact, only one of these properties has active rental assistance through the Section 8 program. In all, there are 2,280 active units across these communities.

HUD mortgage insurance programs offer certain financing benefits to developers (e.g. longer terms, lower or fixed rates, nonrecourse loans) in exchange for additional due diligence, federal wage standards, and other considerations to guarantee a high-quality and successful development. Both for profit and nonprofit builders can be eligible in most circumstances. HUD issues hundreds of these mortgages across the nation each year.

> **Note**
>
> More details about these multifamily mortgage insurance programs is available on the HUD website.

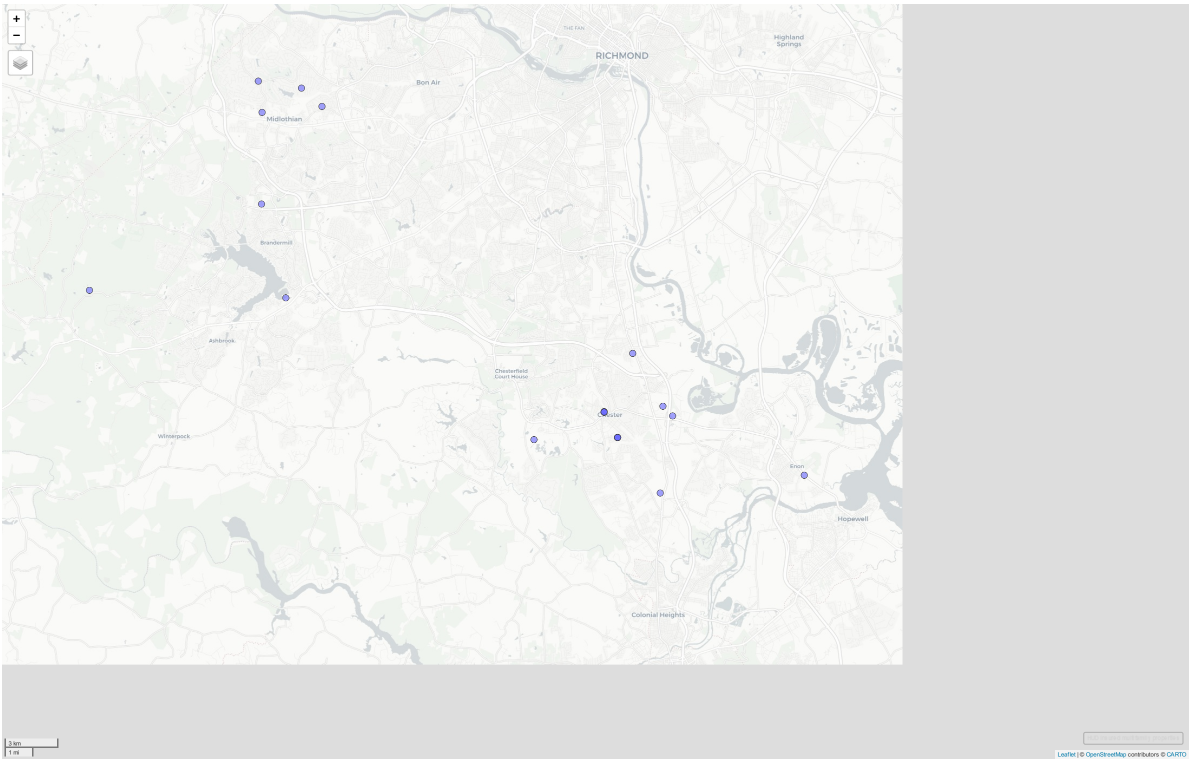


Figure 4.6: HUD insured multifamily properties in Chesterfield County

Source: U.S. Department of Housing and Urban Development.

Of these 19 properties, CoStar has active rent levels for 12. The average asking rent for these units is $1,600, which is above the range for most NOAH across the county.

Source: CoStar Group, Inc.

4.5 Takeaways

- NOAH properties are a key resource for communities facing affordability challenges. However, NOAH properties face challenges themselves.
- The investments needed to maintain or improve the quality of NOAH properties are often out of reach for many property owners. However, making those investments can often lead to rent increases that price existing residents out of that housing.

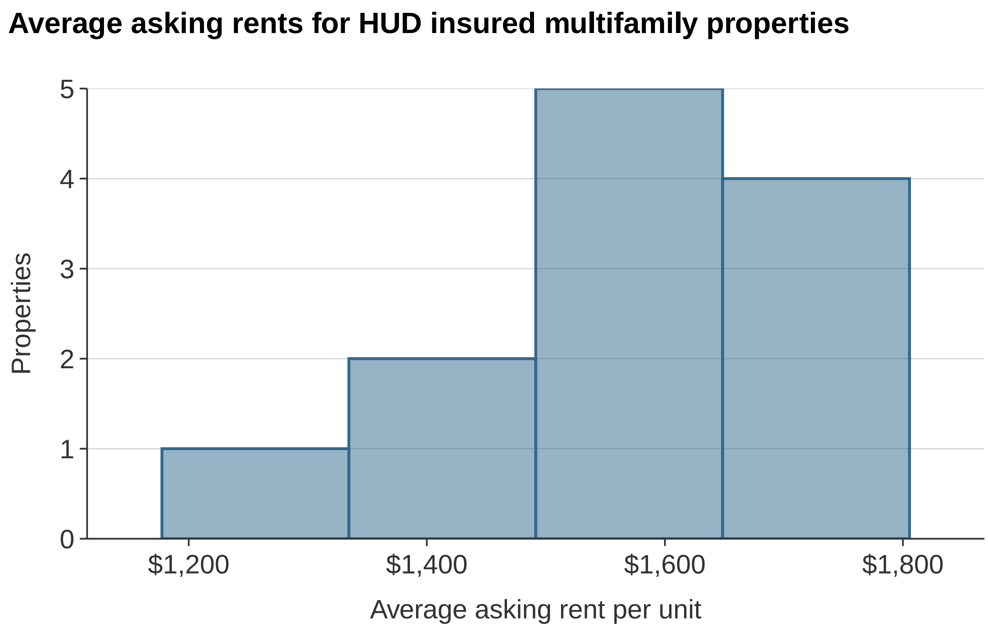


Figure 4.7: Average asking rents for HUD insured multifamily properties in Chesterfield County

- Strategies in NOAH preservation are becoming a growing area of interest among localities seeking to leverage limited resources for preserving existing affordable housing.
- NOAH units comprise a significant share of Chesterfield County's rental market, but are experiencing rapid rent escalation despite their above-average age compared to the rest of the county's housing stock.

Part II

PART 1-B: DEMOGRAPHIC AND AFFORDABILITY ANALYSIS

Part III

PART 2-A: COUNTYWIDE MARKET ANALYSIS

Part IV

PART 2-B: CORRIDOR CASE STUDIES