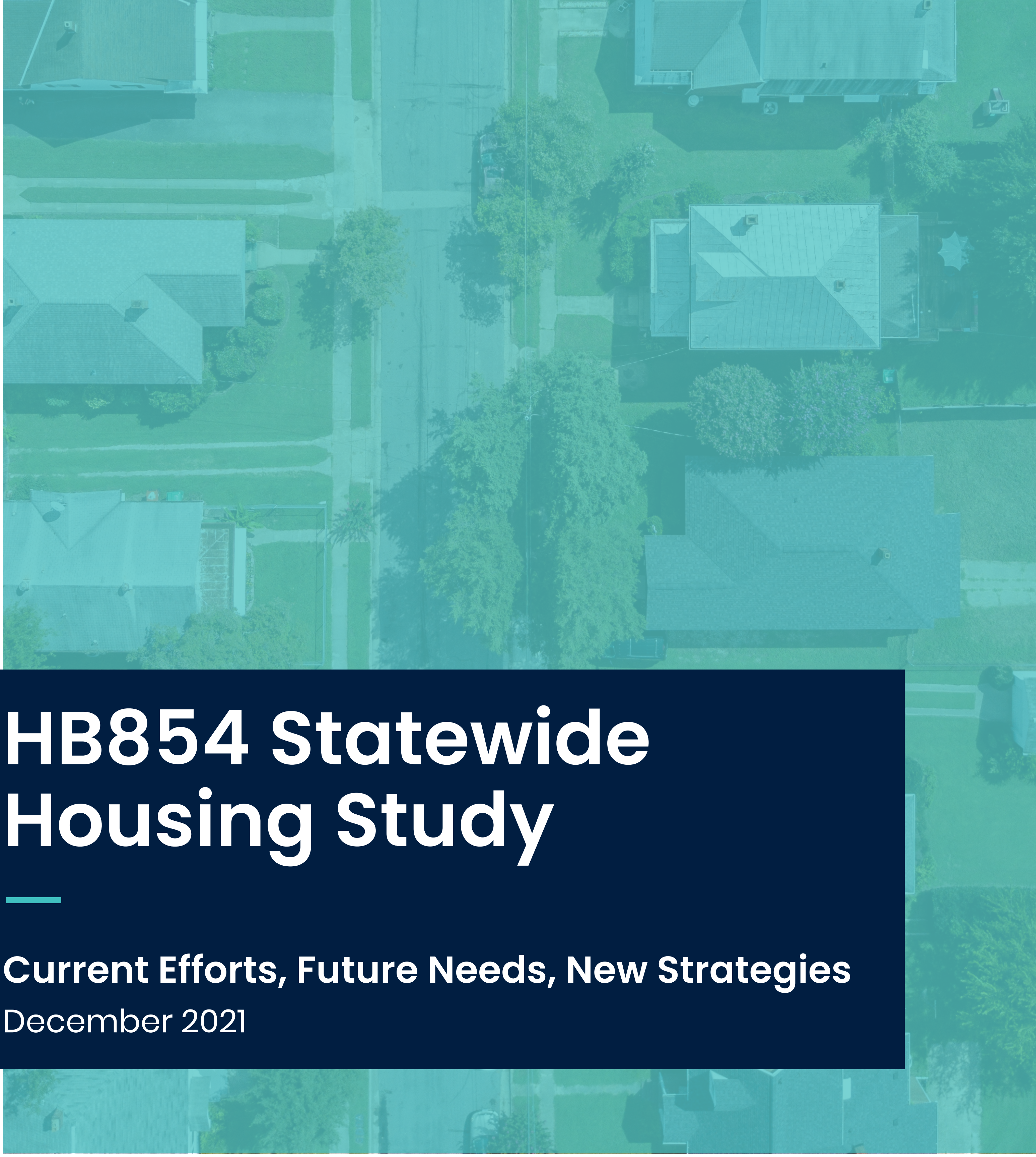

HB854 Statewide Housing Study

Current Efforts, Future Needs, New Strategies

December 2021

Virginia Housing

VIRGINIA DHCD

VIRGINIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

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Virginia Housing

VIRGINIA DHCD
VIRGINIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

This is the print version of the **HB854 Statewide Housing Study**, a report commissioned by the Virginia General Assembly to investigate housing needs across the Commonwealth and makes recommendations to state housing agencies, the General Assembly, and Governor's Office for improving housing affordability and opportunity for all Virginians.

The final report was delivered to lawmakers in December 2021 and is available on the Reports to the General Assembly Portal page of the Division of Legislative Automated Systems (DLAS) website.

An HTML-based website version of this report will be made available on the Department of Housing and Community Development website (www.dhcd.virginia.gov). The data visualizations on this website are interactive dashboards and allow users to explore charts in more detail.

HB854 Statewide Housing Study

Current Efforts, Future Needs, New Strategies

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EXECUTIVE SUMMARY

House Bill 854 (HB854) directed Virginia Housing and the Department of Housing and Community Development (DHCD) to complete a statewide study on affordable housing. Pursuant to that requirement, this report is the product of extensive research and engagement to understand Virginia's current affordable housing landscape and to chart a path forward that recognizes the importance of affordable housing to all Virginians.

BACKGROUND

Virginia Housing and DHCD are joint authors for this report. These agencies also received support from an external Stakeholder Advisory Group and the nonprofit organization HousingForward Virginia (HFV).

Per the bill's requirements, Virginia Housing and DHCD assembled a Stakeholder Advisory Group (SAG) of thirty-nine housing experts who represented a wide range of regions, industries, and demographics. Members shaped the report's priorities, participated in subgroups on specific policy issues, and helped design recommendations.

To aid both agency staff and SAG members, HFV was engaged as a research partner. HFV is a nonprofit, nonpartisan research and education organization that regularly supports housing studies throughout the Commonwealth. HFV contributed by administering surveys, analyzing data, and researching best practices.

Virginia Housing

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RESEARCH AND FINDINGS

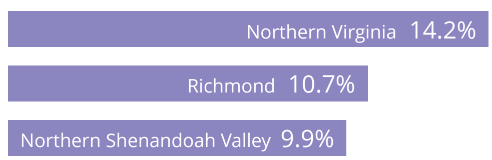
HB854 asked stakeholders to determine the current and future housing needs of Virginians, including the availability of affordable housing across the state. Data from federal, state, and other sources were compiled, analyzed, and translated into major findings for the following topics.

Demographic trends

The demographics of Virginia will continue to evolve, but persistent disparities between generations and racial and ethnic groups require continued efforts to ensure opportunity for all.

Virginia's population growth over the past decade has concentrated along the Urban Crescent, which includes Northern Virginia, Richmond, and Hampton Roads. These areas are consistently increasing in diversity.

Three fastest growing regions from 2010 to 2020



U.S. Census Bureau, Population Estimates Program and Decennial Census P.L. 94-171 Redistricting Data.

A dramatic rise in the older adult population will call for new senior housing opportunities across all parts of the Commonwealth.

Increase in number of Virginians over the age of 55 from 2010 to 2019

+ 549,000

U.S. Census Bureau, American Community Survey, 2010-2019 5-year estimates, Table B01001.

Virginians born in this new century are much more racially and ethnically diverse than previous generations.

Over half (53%) of all Virginians 24 and under in the Urban Crescent are Black, Hispanic, Asian, multiracial, or another non-white race.

U.S. Census Bureau, American Community Survey, 2010-2019 5-year estimates, Table B01001.

Housing options in Virginia should adapt to shrinking household sizes among both owners and renters in nearly every part of the state.

Household sizes with largest growth from 2010 to 2019

1-person **+ 7.4%**

2-person **+ 6.4%**

U.S. Census Bureau, American Community Survey, 2010-2019 5-year estimates, Table B08202.

Economic trends

Despite strong growth in the face of two major recessions, new economic opportunities in Virginia are not equally distributed.

Jobs rebounded quickly in metropolitan areas following the Great Recession and COVID-19 pandemic, but total employment levels in rural Virginia have consistently declined since 2008.

Total job loss in rural Virginia from January 2008 to August 2021

Over 26,000 jobs

U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

Black and brown Virginians suffered a much higher rate of pandemic-related job losses compared to white Virginians and also consistently have lower average household incomes.

Median household income

White, non-Hispanic	Hispanic	Black
$86,612	$69,220	$53,896

U.S. Census Bureau, American Community Survey, 2010-2019 5-year estimates, Table B19013.

Many of the state's fastest-growing job sectors, such as healthcare support occupations, offer below-average wages. These workers will have less income available for rent or mortgage.

Healthcare support occupations

Job growth since 2010

61%

Median annual wage in 2020

$28,090

U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2010 and May 2020.

Housing inventory and production

Housing production has yet to recover to pre-Recession levels, while population and job growth continues.

About 30,000 new homes are built in Virginia each year.

However, this rate is about half the annual production from the mid-2000s.

Virginia's annual housing production peaked in 2004 and has not caught pace since.

2004
63,215
Building permits

2020
33,813
Building permits

U.S. Census Bureau, Annual Building Permit Survey.

Statewide population growth remains several percentage points above the increase in housing supply, even as shrinking average household sizes require more homes per person.

Population growth since 2008
10.2%

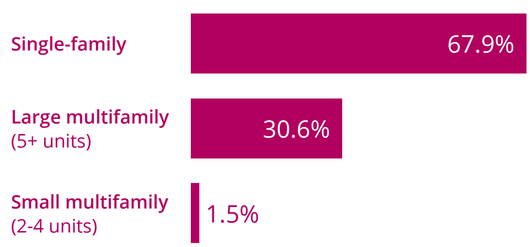
Housing supply growth since 2008
8.7%

U.S. Census Bureau, Population Estimates Program and Decennial Census P.L. 94-171 Redistricting Data.

Even in the Urban Crescent, Virginia's housing supply is predominantly detached single-family homes. These are also the most common new homes built, along with larger apartment buildings.

Townhomes and small-scale apartments—which can be more affordable by design—remain relatively rare.

Residential building permits by structure type since 2010



U.S. Census Bureau, Annual Building Permit Survey.

Homeownership market

Virginia's homeownership rate is consistently higher than the national average, but recent declines may continue without a proactive response to changing demographics and market conditions.

Compared to the average Virginian, homeowners in the Commonwealth are older, more affluent, and more white.

Virginia's Black-white homeownership gap

73% White homeownership rate **48%** Black homeownership rate

U.S. Census Bureau, American Community Survey, 2010-2019 5-year estimates, Table B25003.

Homeownership among young adults is declining, while in many small and rural markets, a majority of homeowners are more than 55 years old.

Homeownership rate for 25 to 44 year olds

2010 **58%** → **50%** 2019

U.S. Census Bureau, American Community Survey, 2010-2019 5-year estimates, Table B25007.

As of August 2021, the average single-family home in Virginia sold for \$355,000—an increase over 30 percent from five years prior.

Months of single-family home supply available

August 2016 **6 months** August 2021 **1.6 months**

Virginia REALTORS®.

Limited supply—especially of smaller homes equally sought after by young buyers and downsizing baby boomers—has lifted prices and kept homeownership out of the reach of many.

"Starter home" sales as share of all transactions

Starter homes are those affordable to households earning 80% of Area Median Income or below

2013 **47%**  **41%** 2021

Virginia REALTORS®.

Rental market

Many low-income renters continue to be cost-burdened as the deficit of affordable rentals grows and demand is ever-increasing.

Four in five renters below 50 percent of their Area Median Income are cost-burdened. This is more than a quarter of a million households in Virginia—and that number continues to rise.

Number of new affordable apartments needed to eliminate cost burden among Virginia's low-income renters

+ 300,000

U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy, 2013-2017 5-year estimates, Table 7.

Over half of Virginia's approximately 170,000 publicly-supported rental apartments rely on Low-Income Housing Tax Credits from Virginia Housing. Without intervention, three-quarters of these could be lost to expiring affordability restrictions by 2040.

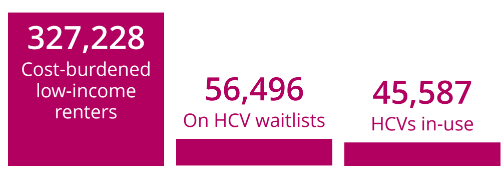
Potential loss of publicly-supported affordable rental units without additional investment between now and 2040

63,450 homes

National Housing Preservation Database.

The current supply of federal Housing Choice Vouchers is inadequate to meet the need. For every household with a voucher, another seven are eligible but do not have one. Tens of thousands of low-income Virginians remain on waiting lists.

Housing Choice Voucher supply and demand



U.S. Department of Housing and Urban Development, Geospatial Data Storefront and Comprehensive Housing Affordability Strategy, 2013-2017 5-year estimates, Table 7.

Housing instability and homelessness

COVID-19 could undo Virginia's progress in reducing homelessness and stably housing tens of thousands of Virginians.

Point-in-Time counts across Virginia have shown a general decline in observed homelessness—fewer than 6,000 individuals in 2020—although this was a slight uptick from 2019.

Decline in homelessness from 2015 to 2020

Veterans	Survivors of domestic violence	Persons with substance use disorders
604 → 395	1,039 → 551	1,101 → 654

Virginia Department of Housing and Community Development.

On the other hand, housing instability among Virginia's school-age children has increased in the past decade.

Students living in a hotel, doubled up with another family, or otherwise homeless

+ 17,000 *(2019-2020 school year)*

William & Mary School of Education, Project HOPE.

COVID-19 has put thousands of low-income Virginians behind on rent payments, which in turn put landlords at risk of missing their mortgage payments.

Virginia's national best practice for delivering rental assistance to both parties offers policy solutions to ensure long-term housing stability.

In August 2021, nearly **one in five** (18.5%) Virginia households were behind on rent or mortgage and at risk of eviction or foreclosure.

U.S. Census Bureau, Household Pulse Survey.

To date, the Virginia Rent Relief Program has:

- Processed **over $477 million** in assistance
- Assisted **more than 70,900** households

Virginia Department of Housing and Community Development.
Data provided from program inception through October 31, 2021.

Homeowners in Virginia have fared better since the Great Recession and even during the pandemic, due in part to the federal foreclosure moratorium from March 2020 to July 2021.

Statewide mortgage delinquency rate

(90 or more days delinquent)

Jan 2010	**7.0%**
Jan 2015	**4.0%**
Dec 2020	**1.4%**

Consumer Financial Protection Bureau, Mortgage Performance Trends, 2021.

Projections

Many low-income renters continue to be cost-burdened as the deficit of affordable rentals grows and demand is ever-increasing.

Virginia will likely reach a population of 10 million by 2040—with growth continuing to be concentrated in the Urban Crescent.

Minimum number of new homes needed each year to meet projected growth through 2040

+ 25,000

Based on calculations of data from University of Virginia Weldon Cooper Center for Public Service.

The share of seniors in Virginia will grow faster than all other age groups, creating major shifts in housing demand, healthcare needs, and the workforce.

By 2040, the number of Virginians age 75 or above will have **doubled** (+116%) from 2010.

University of Virginia Weldon Cooper Center for Public Service.

*Beyond these clearly significant forecasts, **policymakers should use caution** with population projections current as of this report.*

Findings should be reevaluated when the latest 2020 Census figures are incorporated into new population predictions published by the University of Virginia Weldon Cooper Center for Public Service in 2022.

EFFECTIVENESS OF CURRENT PROGRAMS

Per HB854 requirements, stakeholders reviewed the wide array of affordable housing programs currently offered by state agencies. More than thirty different programs—organized into six categories—were analyzed to determine their successes, challenges, and opportunities for improvement.

OVERVIEW

Results from an assessment of practitioners indicate Virginia's current housing efforts generally work well and should be continually strengthened and enhanced to fully meet needs across the state.

Over nearly 12 months, the SAG received feedback from hundreds of housing stakeholders across the state through surveys, focus groups, large and small "issue area" meetings, and one-on-one dialogues.

This engagement showed that Virginia's two housing agencies are widely respected by housing providers, Virginians being served by program, administrators, developers, investors, real estate agents, lenders, and a range of other participants in Virginia's affordable housing ecosystem.

These two agencies—their staff, policies, programs, and processes—were consistently credited for the substantial achievements and progress that the state has made in addressing affordable housing needs. Indeed, both organizations rise to the top when compared with their sister agencies in other states.

The recommendations in this report, which flow from these stakeholders, should be viewed in that context. In fact, one of the many virtues cited by providers was the openness of these agencies to hearing feedback and their commitment to constant improvement. The confidence that stakeholders have in Virginia Housing and DHCD fueled many of the suggestions that are offered.

EFFECTIVENESS OF CURRENT PROGRAMS

Affordable rental housing production programs

Virginia's affordable rental housing production efforts have been key to housing thousands of low-income Virginians.

- Virginia Housing's Low-Income Housing Tax Credit program, working in conjunction with gap financing options like those provided by the Virginia Housing Trust Fund, produces nearly all new affordable rental housing in every corner of the state. However, the needs of cost-burdened renters continue to outpace production.
- Market conditions and local land use consistently put constraints on the availability and timing of new supply.

Recommended strategies include increasing the Virginia Housing Trust Fund and similar resources, expanding program flexibility to maximize investments, and exploring a pilot program for additional supportive housing units in new affordable rental developments.

Rental assistance and eviction prevention programs

Virginia has made major strides to get assistance to low-income renters and unstably housed persons, in addition to addressing the eviction crisis.

- As of September 2021, the Virginia Rent Relief Program has helped more than 70,900 low-income households stay housed during the COVID-19 pandemic. The Commonwealth's efficiency in deploying these federal funds is a nationally-recognized best practice for helping tenants and landlords.
- The State Rental Assistance Program (SRAP) operated by the Department of Behavioral Health and Developmental Services (DBHDS) has consistently outmatched its own goals for providing housing assistance to renters with developmental disabilities so they can live in integrated housing within their communities.

Recommended strategies include project-basing a share of Housing Choice Vouchers administered by Virginia Housing, continuing to scale up SRAP, and reducing eligibility barriers for assistance programs per national best practices.

Homeownership and counseling programs

Homeownership programs in Virginia have successfully focused on the demand-side by helping low- and moderate-income households achieve homeownership. However, the lack of inventory remains the biggest impediment to homeownership opportunities for Virginians.

- Virginia Housing continues to assist and increase the number of first-time homebuyers taking advantage of their programs, particularly buyers of color. However, the scale of this progress alone is not enough to close the Black-white homeownership gap.
- Tight market conditions and increasing construction costs are driving up prices, preventing prospective buyers with limited savings from competing. This reduces the overall effectiveness of assistance programs.

Recommended strategies include developing a statewide “starter home” initiative, increasing homeownership funding in existing competitive affordable housing programs, expanding outreach to Black institutions and networks, and increasing the involvement of for-profit developers.

Rehabilitation and accessibility programs

A wide range of programs help Virginians improve the quality of their homes. Streamlining and expanding these efforts would make safe, efficient, and accessible housing a reality for thousands more.

- Rehabilitation and accessibility programs are generally effective thanks to their range and compatibility.
- However, these efforts often require providers to leverage other private funds, such as philanthropic gifts and individual donations, to effectively meet their community’s needs.

Recommended strategies include expanding the Neighborhood Assistance Program, increasing program resources, streamlining administration, and addressing downstream issues like workforce and contractor capacity.

Community revitalization and capacity building programs

Virginia Housing and DHCD invest in local capacity to drive local solutions that create new housing opportunities.

- Using both federal and state dollars, a suite of community revitalization and capacity building programs foster creative approaches to meet the unique housing needs of Virginia's diverse communities.
- Capacity building programs, especially those offered by Virginia Housing, strengthen affordable housing providers and make them resilient to future challenges.
- Opportunities for improvement are primarily administrative: these include better alignment of applications and project timelines, technical assistance, and streamlining the closing process.

Recommendations include expanding the successful Vibrant Community Initiative, aligning state revitalization efforts with local public housing revitalization goals, encouraging more inclusive land use strategies, and facilitating greater involvement of developers and contractors who are Black and brown.

Homelessness assistance and prevention programs

Historic investments to reduce homelessness are making significant headways. Sustaining these efforts—and pivoting to more permanent solutions—could help overcome persistent challenges.

- Stable and increasing investments in the Virginia Homelessness Solutions Program and Homeless Reduction Grant, which are supported with both federal and state funding, have yielded clearly measurable successes. Point-in-Time counts of those experiencing homelessness have steadily declined over the past decade, although ongoing impacts of the COVID-19 pandemic could change this trajectory.
- The supply of housing available for persons transitioning out of homelessness is inadequate and is now a programmatic priority. Community resistance, financing limitations, and land use restrictions serve as barriers to ending homelessness.

Recommended strategies include increasing the supply of deeply affordable housing, expanding long-term rental assistance options, increasing inter-agency collaboration, and better integrating housing services in criminal processing and educational systems.

These options would build upon the existing inter-agency, inter-secretariat collaborative efforts of the Governor's Coordinating Council on Homelessness and Housing for Vulnerable Populations.

HB854 POLICY FOCUS AREAS

HB854 specified four housing policy areas for stakeholders to generate new solutions:

1. A state-funded rental assistance program,
2. Utility rate reduction,
3. Property tax reduction, and
4. Bond financing options.

Stakeholders, along with both state housing agencies, unanimously agreed to add **racial equity** as a fifth focus area for significant recommendations.

These new housing initiatives may be needed to guarantee long-lasting affordability and address racial equity in the Commonwealth's housing market.

State-funded rental assistance

A new state-funded rental assistance program could build on proven strategies to reduce housing instability and increase opportunities for low-income households.

- Over 300,000 low-income renters in Virginia are cost-burdened—a challenge faced disproportionately by Black, brown, and senior households.
- Current federal rental assistance and the supply of affordable rentals in Virginia do not satisfy the need thousands of low-income individuals and families have for housing assistance.

Stakeholders recommend a statewide rental assistance program that prioritizes Virginians below 50 percent of Area Median Income and those experiencing housing instability, reduces barriers experienced in federal assistance programs, focuses on equity and efficiency, and ensures resident success through choice, mobility counseling, and landlord involvement.

Utility rate reduction

Rising utility costs are contributing to housing unaffordability across Virginia. Addressing those costs may help ease the burden.

- Electricity, gas, water, and other essential utility costs strain the budgets of low-income Virginians—as well as those of affordable housing providers working to build and preserve units across the state.
- COVID-19 demonstrated that reliable high-speed internet access is critical for work, education, and healthcare for families. However, more than one-in-three households earning less than $20,000 do not have internet access in Virginia.

Although state law and regulatory precedent disallow rate reduction carve outs for affordable housing, Virginia could address these challenges by unifying current and new efforts supported by expanded state and federal funding, helping localities reduce up-front utility costs for affordable housing, bolstering current energy efficiency measures, and leveraging the Commonwealth's substantial new broadband investments to increase internet access and affordability for residents in affordable housing.

Property tax reduction

Real estate taxes often challenge the viability of affordable housing efforts in Virginia. State lawmakers could consider a constitutional amendment and stronger guidance to local assessors as efforts to reduce such burdens.

- Property taxes on affordable housing generate needed revenue for localities, but they can often serve as a barrier to development and preservation.
- While current state code directs local assessors to account for rent restrictions in some types of affordable rental housing, providers must frequently appeal incorrect valuations. This often leads to wasted efforts and continuing burdens on projects.

Stakeholders endorse a new amendment to the state constitution that would enable—not require—local governments to use a wide range of alternative real estate tax relief structures for properties used for affordable housing and homelessness services. Potential solutions include full and partial exemptions, abatements, and Payment in Lieu of Tax (PILOT) programs.

To address assessment challenges, stakeholders recommend minor code changes, along with expanded outreach to local assessors, to reduce these difficulties.

Bond financing options

Bond financing is a critical tool Virginia uses to support affordable housing. Expanding and improving its use could help affordable housing production and preservation.

- The majority of Virginia's Private Activity Bond allocation is used to create both affordable rental and homeownership opportunities. The Governor's Pool has increasingly been used to support multifamily rental housing bonds.
- Localities in Virginia rarely use their general obligation bonding capacity to support housing.

Virginia Housing and DHCD could continue and expand their bond efforts by monitoring allocation trends, increasing "gap" funding resources, and supporting beneficial changes to federal law currently being considered by Congress.

Recommended strategies for increasing local bonds for housing may include sharing best practices, incentivizing bond issuance (and similar local housing investments) within current programs, and exploring state funds to match and leverage any new local housing bonds.

Addressing racial equity

Inequity in housing outcomes persists across racial lines in Virginia. Embracing new and proven strategies can help address disparities in homeownership, rental affordability, and housing stability.

- While better than the national average, Virginia has a wide homeownership rate gap that leaves Black households 25 points behind white households. The discriminatory policies, actions, and attitudes which led to this disparity also mean Black Virginians have higher rates of cost burden, live in poorer-quality housing, more often experience homelessness, or are housing insecure.
- Racial inequity exists on both sides of the housing equation; ownership of production and development companies, along with nonprofit leadership, are predominantly white.
- Both Virginia Housing and DHCD have successfully expanded their initiatives to advance fair housing goals, including improving access to homeownership for Black Virginians.

Continued efforts to address racial equity in housing will require Black and brown-led long-term engagement, as well as continued statewide leadership.

Recommended strategies to address these racial disparities in housing seek to expand Black access to homeownership, help mitigate the effects of gentrification, increase success and choice in rental assistance programs, and ensure that equity is considered at all levels of the housing industry.

Preface

Background

In the 2020 Regular Session of the General Assembly, legislators unanimously approved **House Bill 854**, which directed the state to begin this statewide study on affordable housing. HB854 was signed by Governor Ralph Northam into the Acts of Assembly (Chapter 482) on March 27, 2020.

The full text of House Bill 854 is available on the Virginia LIS website.

The bill directs the Commonwealth's two housing agencies—the Department of Housing and Community Development (DHCD) and Virginia Housing—to "study ways to incentivize" affordable housing in the state. To accomplish this, HB854 requests these organizations to:

- Determine the quantity and quality of affordable housing and workforce housing across the Commonwealth,
- Conduct a review of current programs and policies to determine the effectiveness of current housing policy efforts,
- Develop an informed projection of future housing needs in the Commonwealth and determine the order of priority of those needs, and
- Make recommendations for the improvement of housing policy in the Commonwealth.

The bill also requires the study to consider recommendations for:

- A [new] Virginia rent subsidy program to work in conjunction with the federal Housing Choice Voucher Program,
- Utility rate reduction for qualified affordable housing,
- Real property tax reduction for qualified affordable housing for localities that desire to provide such an incentive,
- Bond financing options for qualified affordable housing, and
- Existing programs to increase the supply of qualified affordable housing.

When work began on this report, the agencies and stakeholders agreed to add two more elements reflective of the major societal and economic shifts of 2020:

- The immediate and long-term impact of the COVID-19 pandemic on housing needs, programs, and providers, and
- Efforts to address racial equity in housing across Virginia.

The original completion date for this study was the first day of the 2021 Regular S ession. However, three days after signing HB854, Governor Northam issued a statewide Stay at Home order to limit the initial spread of COVID-19 in Virginia.

Lawmakers subsequently granted a 12-month extension to the report deadline following increased workloads of agency staff in response to the pandemic. This final report was delivered to the Governor and the General Assembly in December 2021.

Outline

This report is organized into five major parts, described below.

Part I: Introduction

- Part I introduces the major concepts, frames, and terms used throughout the study. This includes why housing affordability is important and how it can be measured. In addition, Part I provides a brief outline of previous housing studies and public opinion of housing, along with descriptions of data and geographic housing markets used for analysis.

Part II: Engagement

- Part II shares the outcomes of various engagement efforts conducted throughout the HB854 process. This included the convening of a Stakeholder Advisory Group (SAG) per the bill's re-quirements, and numerous surveys, focus groups, and interviews.

Part III: Research and Findings

- Part III describes the major demographic, economic, and housing trends impacting housing availability and affordability across Virginia. The report uses the most recently available data to make determinations about the current quantity and quality of affordable housing in Vir-ginia. This part also provides an approximation of future housing needs and priorities, while acknowledging the impact of COVID-19 on projections.

Part IV: Analysis of Existing Programs

- Part IV reviews the current successes and challenges of existing housing programs administered by the Department of Housing and Community Development and Virginia Housing. That analysis informed the development of recommendations for sustaining and improving these initiatives.

Part V: Focused Recommendations

- Part V covers the four new policy proposals outlined in HB854: 1) a state-funded rental assistance program, 2) real property tax reduction, 3) utility rate reduction, and 4) bond financing options in support of qualified affordable housing in Virginia. It also includes recommended strategies for addressing racial inequities in housing across Virginia.

Report process

Work on this report began in the summer of 2020 when DHCD and Virginia Housing assembled a Stakeholder Advisory Group (SAG), per HB854 requirements, to guide the study. Prior to the first meeting of this group, DHCD and Virginia Housing engaged **HousingForward Virginia** to serve as the primary consultant to help the SAG complete this report.

HousingForward Virginia (HFV) is a nonprofit, nonpartisan research and education organization dedicated to expanding housing affordability in the Commonwealth. HFV regularly supports housing studies throughout the state and helps train local government officials, nonprofit providers, developers, and other stakeholders on affordable housing issues.

The SAG first met in November 2020. Between then and October 2021, SAG members participated in dozens of meetings in small and large groups to review data, analyze program information, and make recommendations to fulfill the bill's requirements.

In September 2021, HFV completed a full report draft. Following review by agency staff, the Secretary of Commerce and Trade, SAG members, and other stakeholders, HFV completed the final report in December 2021.

Table 1 lists the organizations and groups responsible for creating this study, along with each of their roles.

Table 1: Organizations involved in this report

Organization	Role
Department of Housing and Community Development	Virginia's housing and community development agency. Provided staff support, expertise, and program data to support study effort.
Virginia Housing	Virginia's state housing finance agency. Provided staff support, expertise, and program data to support study effort.
Stakeholder Advisory Group	Affordable housing experts and practitioners from across Virginia recruited to guide and contribute to this report.
HousingForward Virginia	Research and education nonprofit engaged to conduct and draft report.
Secretary of Commerce and Trade	Cabinet-level office responsible for final review of report.

What this report does and does not cover

This study focuses on the effectiveness of state-level programs in addressing the Commonwealth's housing needs. This includes the challenges those programs face and the need for additional programs to fully meet those needs.

There are several factors that impact housing affordability in Virginia that are *not addressed* in depth within this study. These topics include:

- Local zoning and land use regulations,
- Federal housing program design and eligibility,
- Economic and workforce development efforts, and
- Transportation policy and investments.

While these factors are important to consider, and are mentioned throughout where relevant, they were beyond the scope of this study.

Concurrent state housing studies

Several other state-level housing studies will also be completed in 2021:

- DHCD completed a report on accessory dwelling units (ADUs) in November 2021, as required by House Bill 2053 from the 2021 General Assembly Special Session I. This study evaluated ways the state might support ADUs as a "strategy to address the Commonwealth's growing demand for affordable and market-rate housing."[1]

[1] Reports to the General Assembly, RD629 - State of the Market and Local Policy: Accessory Dwelling Units in the Commonwealth of Virginia – November 2021.

- The Joint Legislative Audit and Review Commission (JLARC) is currently finishing a "Review of the Commonwealth's Housing Needs" as authorized by the Commission on November 16, 2020. This study will also analyze state housing programs, but it will go beyond the scope of HB854 by assessing challenges local land use regulations present to affordable housing options.
- The Virginia Housing Alliance is conducting an update of its *State of Supportive Housing Report*, which will consist of an estimate of supportive housing demand for populations in need (excluding individuals with intellectual and developmental disabilities). This update will include recommendations to address the overall statewide supportive housing needs.

Part I

INTRODUCTION

Part I Overview

Part I includes the following chapters:

1 Why affordability matters

Chapter 1 explains the basics of housing affordability, makes the case for addressing high housing costs to make our communities more successful, and demonstrates the basic mechanisms available for making housing more affordable across Virginia.

2 Public opinion of housing

Chapter 2 describes results from numerous public opinion polls in recent years that have asked questions about housing affordability and opportunity. These findings help make the case for increased and sustained actions to solve housing challenges in the Commonwealth.

3 Analysis of prior housing studies

Chapter 3 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 across the Commonwealth are experiencing.

4 Virginia's housing markets

Chapter 4 outlines the three levels of geographic regions across Virginia used to describe housing needs and trends in different parts of the Commonwealth. The Research and Findings part of this report (Part III) uses these market and submarket categories.

5 How we use data

Chapter 5 introduces the most common data sources used for this study and the definitions for demographic categories, such as race and ethnicity identifiers, used throughout the report.

Chapter 1

Why affordability matters

This chapter explains the basics of housing affordability, makes the case for addressing high housing costs to make our communities more successful, and demonstrates the basic mechanisms available for making housing more affordable across Virginia.

1.1 How do we define affordable housing?

Affordable housing is not a specific type of housing. Rather it is housing within the financial reach of Virginians across the full spectrum of incomes and budgets. But how do we measure what is affordable?

1.1.1 Household cost burden

There are multiple ways of measuring housing affordability. One key metric is the U.S. Department of Housing and Urban Development's (HUD) 30 percent rule. This is a simple ratio that states housing is affordable when an individual or family pays no more than 30 percent of their gross household income on regular housing costs, including rent or mortgage and basic utilities.

If someone is paying more than 30 percent of gross household income on housing costs, then the household is *cost-burdened.* If an owner or renter spends more than 50 percent of gross income on housing, the household is *severely cost-burdened.*

Cost-burdened households have less to spend on other necessities such as groceries, healthcare, and transportation. When expenses stretch budgets to the breaking point, families and individuals make sacrifices to stay in their home that risk their health and well-being.

1.1.2 Community affordability

Affordability is not limited to the expense of an individual home; it extends to the surrounding neighborhood and community. Communities that offer a range of housing options ensure that there are enough homes for all types of households, regardless of income or circumstance.

The most common way to measure the affordability of a community is to compare household incomes with the cost of homes to buy or rent. Housing disparities limit a community's capacity to thrive; incomes must be adequate to offer residents a range of housing options without becoming cost-burdened.

To better understand where needs and gaps exist in housing markets, researchers can define the ability of a household to pay for housing by comparing their income to a regional average. HUD determines this *Area Median Income* (AMI) each year for every community in the country using data from the U.S. Census Bureau.

Official AMI limits for communities are published on the HUD website. Current 2021 limits are effective until April 2022.

Area median income is a useful way to conceptualize the full range of housing needs and solutions in a community. For example, in most areas, households earning 100 percent of AMI or above generally have fewer challenges finding and affording their homes.

Households with incomes at or slightly below 80 percent AMI ("low-income") might have less cost burden, but have trouble saving enough to buy their first home.

Households with incomes near 50 percent AMI ("very low-income" or "VLI") are much more likely to rent and have challenges finding good-quality apartments with rents that match their budget.

Households with incomes below 30 percent AMI ("extremely low-income" or "ELI") have the most trouble securing stable, affordable homes.

Figure 1.1 shows these income ranges overlaid on some of the most common housing types and public programs used by households in those categories. This is commonly referred to as the *housing spectrum*.

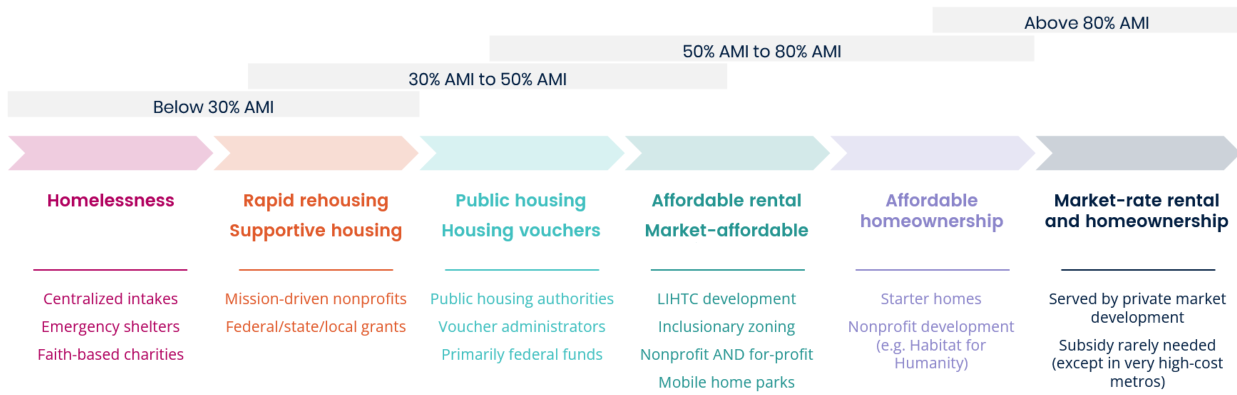


Figure 1.1: The housing spectrum

Policymakers also use AMI to help direct housing assistance programs to households with the greatest needs. For example, most down-payment grants for first-time homebuyers are limited to households earning less than 80 percent AMI. Many rental assistance programs cap eligibility at 50 percent AMI or 60 percent AMI.

1.2 Why is housing important?

Housing is foundational for households, communities, and economies.

Affordable housing helps build wealth.

Owning a home remains the most important way for Americans to build wealth. For nearly a century, homeownership has been the best pathway for households to achieve housing security, accumulate wealth, and pass wealth on to the next generation. Federal policy continues to endorse and promote homeownership via government-backed mortgages and the mortgage interest deduction.

As homeownership becomes increasingly difficult for many to achieve—especially in the wake of the 2008 housing crisis and Great Recession—affordable housing for all emerges as a core economic issue. Renters who are not cost-burdened have greater financial security and can save more of their income to plan for future expenses.

Why housing is important for wealth-building:

- Across the country, the average homeowner has 40 times the total household wealth of the average renter. (Bhutta et al., 2020)
- Research has shown that households paying affordable rents in Low-Income Housing Tax Credit (LIHTC) units were able to double their discretionary spending, allowing them to cover necessities like health insurance, pay down debt, or increase their savings. (Local Initiatives Support Corporation, 2010)

Better homes lead to better health.

A safe and stable home is essential for a healthy life. When we are able to comfortably afford our homes, we are able to spend money on food, health care, and other resources that affect health outcomes. The security of an affordable quality home also alleviates the stress of precarious circumstances that burden residents' physical and mental health.

The COVID-19 pandemic has centered attention on the role of housing in individual and public health. Without a safe home, many people cannot effectively quarantine. This increases the spread of communicable disease within a household and in the community.

Why housing is important for health:

- Numerous studies have demonstrated a link between overcrowding and the spread of infectious diseases, like COVID-19. (Gray, 2021) When a home is too small for a family, they are in much closer contact and are unable to properly quarantine.
- Researchers at Brown University found that counties with a higher percentage of poor housing—particularly overcrowded and without plumbing—had a higher incidence of and mortality associated with COVID-19. (Ahmad et al., 2020)
- Substandard housing conditions—such as lead paint, overcrowding, and poor plumbing—are three times more likely to impact Black households than white, non-Hispanic households and reduce their health outcomes. (Matthew, Rodrigue, & Reeves, 2016) (Boulware, 2020)
- According to the American Health Homes Survey, Black households are more likely to have lead-based paint hazards in their homes (45 percent) than their white counterparts (32 percent). (Ashley, Friedman, & Pinzer, 2011)

Better housing options alleviate transportation challenges.

Housing and transportation are inextricably linked because where we live often determines our mode and cost of travel to reach basic necessities, like grocery stores and medical care. Transportation is typically a household's second largest expenditure after housing.

When housing is easily connected to conveniences like grocery stores, child care, or healthcare facilities, we are more likely to opt to walk or use public transit reducing transportation expenses. Diverse housing like apartments, townhomes, duplexes, and manufactured home communities offer options that allow residents to choose a lifestyle that meets their needs and wants.

Why housing is important for transportation:

- Households in the Washington, DC Metropolitan Statistical Area (MSA) spend an average of $12,939 on transportation per year. The average share of total income these households spend on transportation and housing is 41 percent. (Center for Neighborhood Technology, 2021)
- Many modest-wage jobs are not efficiently located near lower-cost housing, according to a spatial analysis of employment and housing in the Richmond region by Virginia Commonwealth University. (Jacobson, Suen, MacKenzie, & Fasulo, 2017)

A strong housing industry supports Virginia's economy.

Building more homes means more jobs. The housing industry provides thousands of jobs throughout Virginia. From real estate agents that sell homes, developers that buy and plan, builders that construct, lenders that help finance, and nonprofits that serve their clients, the housing industry supports a robust economy in Virginia.

More housing also means that Virginia can better accommodate its workforce. Affordable places to live that match available wages and salaries will attract talented people to Virginia's employers and communities.

Why housing is important for our economy:

- Virginia's housing industry accounted for $28.1 billion in direct economic output in 2015 according to a report from the Governor's Housing Policy Advisory Council. Housing is the sixth-largest private sector industry in the Commonwealth. (Virginia Coalition of Housing and Economic Development Researchers, 2017)
- Housing supports more than 314,000 jobs across the state and helps pay more than $14 billion in total wages.

1.3 How can we make housing more affordable?

Policymakers can help keep housing costs reasonable by *supporting new affordable housing* and by *making current housing more affordable.* Both approaches are necessary and complimentary.

Supporting new affordable housing increases the supply of homes available to buy or rent at prices that are within reach of moderate-income and low-income households. Both the public sector and private market help accomplish this. Governments can change regulations and provide funding to allow for-profit and nonprofit builders to create new affordable homes.

Examples of these supply-side solutions include:

- Local land use reforms to allow lower-cost housing types,
- Project-based rental assistance attached to specific apartments,
- Development subsidies, tax credits, and other incentives in exchange for creating below-market homes, and
- Alternative tenure models, such as community land trusts.

Virginia's housing agencies help create new affordable homes with programs that address:

- Affordable rental housing production (see Chapter 20),
- Community revitalization and capacity building (see Chapter 24), and
- Homelessness assistance and prevention (see Chapter 25).

These initiatives build and preserve thousands of affordable homes each year.

Making current housing more affordable is accomplished by providing a wide range of assistance packages to households who need help paying their rent, mortgage, or utility bills; who are looking to buy their first home; who are facing housing instability; or who need physical improvements to their homes.

Governments can help serve these households with a range of demand-side solutions, including:

- Tenant-based rental assistance (such as Housing Choice Vouchers),
- Homebuyer down payment grants and government-backed mortgages,
- Eviction prevention and diversion programs, and
- Investments in energy efficiency, weatherization, and accessibility improvements for current homeowners.

Virginia's housing agencies help lower housing costs for currency homeowners and renters with programs that address:

- Rental assistance and eviction prevention (see Chapter 21),
- Homeownership and counseling (see Chapter 22),
- Rehabilitation and accessibility (see Chapter 23), and
- Homelessness assistance and prevention (see Chapter 25).

These efforts help tens of thousands of Virginians with their housing needs each year.

Chapter 2

Public opinion of housing

This chapter describes results from numerous public opinion polls in recent years which have asked questions about housing affordability and opportunity. These findings help make the case for increased and sustained actions to solve housing challenges in the Commonwealth.

2.1 Measuring how Virginians and Americans feel about housing

Public opinion polling in recent years has found broad agreement that housing affordability is a problem. This polling has also discovered robust support for policies and programs to address it. While the two most recent polls surveying only Virginians predate the COVID-19 outbreak, another two nationwide polls performed during the pandemic suggest increasing recognition of the need and support for more long-term government investment in affordable housing.

For instance, a national public opinion poll commissioned by the *Opportunity Starts at Home* campaign and conducted by Hart Research Associates in June 2020 found that 86 percent of respondents “agree that the pandemic has demonstrated that the government needs to invest more in affordable housing over the long term.”

In short, the COVID-19 pandemic and its ensuing economic crisis have revealed and exacerbated issues of housing affordability and stability that pervaded Virginia and the country long before 2020.

More than **four in five** Americans think that the COVID-19 pandemic showed the importance of public investments in affordable housing. (Opportunity Starts at Home, 2020)

This chapter is a synthesis and summary of the two Virginia-focused housing affordability polls: one commissioned by the Campaign for Housing and Civic Engagement (CHACE) and conducted in 2017 by the Judy Ford Wason Center for Public Policy at Christopher Newport University (CNU), and the other conducted in 2019 by the Center for Public Policy at Virginia Commonwealth University (VCU). It concludes with results from more recent national polls to fill in what Virginians’ current attitudes about affordable housing and related issues might be since experiencing the pandemic and its economic fallout.

2.2 Public opinion on affordable housing in the Commonwealth

2.2.1 2017 CHACE poll

Respondents of the 2017 CHACE poll (509 registered Virginia voters surveyed) and the 2019 VCU poll (816 adults in Virginia surveyed) broadly agreed that housing affordability is an important issue and supported possible measures to address affordability and related issues. (Campaign for Housing and Civic Engagement, 2017)

The CHACE survey—which offers a statewide view of public opinion and attitudes among registered voters—reported significant majority support for values affirming housing equity and programs:

- More than three-quarters (79.4 percent) agree that having an adequate supply of housing options in their community is important to them.
- Most respondents (82.1 percent) believe that people working in their community should be able to afford to live in their community.
- More than three-quarters (78 percent) support the preservation of the Virginia Housing Trust Fund, its use specifically to address homelessness (80.3 percent), and its expansion to assist in the costs of aging-in-place modifications (87 percent).
- The majority of those surveyed (84 percent) support the state's use of incentives and financial resources to encourage Virginia utilities to increase their funding for energy efficiency programs for their customers.
- An overwhelming majority (89 percent) support requiring Virginia utility companies to achieve greater energy savings for their customers.

Smaller majorities of respondents:

- Supported paying a 50 cent surcharge on their monthly utility bill to fund the provision of financial support for weatherization programs for low-income residents,
- Believed that affordability contributes to the economic success of their community,
- Agreed that ending homelessness should be an important government priority,
- Agreed that local and state governments should work to provide housing opportunities for families whose incomes are a barrier to quality housing, and
- Indicated that they are more likely to support a candidate for political office who makes housing affordability a priority.

2.2.2 2019 VCU poll

The VCU poll collected and presented public perspectives about housing affordability at various scales and units of analysis. (Fasulo, 2019) A key finding of this study is the dissonance between respondents' perceptions of housing affordability in their own communities in Virginia versus their perceptions of housing affordability at a national level.

Overall, the poll found that:

- While 78 percent of the Virginians surveyed identified housing affordability as a current problem in the United States, just 57 percent regarded it as a problem where they live, and only 33 percent believed it was a very serious local problem.
- At the regional scale, 47 percent of respondents in the South Central region said it was a very serious problem where they live, followed by 41 percent of respondents in Northern Virginia.
- On the other hand, substantial shares of respondents in the Northwest (55 percent), Tidewater region (51 percent), and West regions (40 percent) said affordability was not a problem in their respective areas.

Survey responses also aligned within racial groups:

- 42 percent of non-white respondents reported that affordability is a very serious problem where they live compared to 28 percent of white respondents who said the same.

Educational attainment also influences perceptions of housing affordability:

- 41 percent of college graduates see it as a very serious problem in their area, but just 29 percent of respondents with some college and 28 percent of those with a high school education or less share this view.

Party identification also divides public perception of affordability:

- 57 percent of Democrats and 51 percent of Independents agree that housing affordability is a very serious problem, compared to 31 percent of Republicans reporting the same.

Respondents' sense of their own housing stability also contrasted according to race and income:

- While 55 percent of white respondents reported feeling very stable in their current housing situation, only 32 percent of non-white respondents did as well.
- Just 40 percent of respondents earning a family income of less than $50,000 reported feeling fairly stable and secure compared to 54 percent of those with incomes of $50,000 to $100,000.
- The poll also found substantial disparities in housing cost burdens along racial and class lines across Virginia, which other research confirms. (See Chapter 30.)

The poll included questions specifically addressing homeownership affordability:

- Of the 41 percent of the sample who rent or live with their parents or in some other arrangement, 70 percent said they aspire to own a home, 22 percent said that they do not, and 8 percent said that they do not know.
- The main barriers to buying a home included limited options within their budget (22 percent), a poor credit history (18 percent), lack of down payment (15 percent), and existing debt (11 percent).

The results also illustrate the widely known racial gap in homeownership that persists across the country:

- Two-thirds of white respondents owned their home, compared to 49 percent of non-white respondents.

Finally, the majority of respondents to this poll indicated their endorsement of changing rent and eviction policies to address problems of housing affordability and stability:

- In particular, 75 percent of respondents supported changing landlord-tenant laws to increase the length of time that renters have to pay past-due rent to 14 days.[1]
- 78 percent said they would support legislation making it easier for tenants to withhold rent from landlords who fail to make necessary repairs in a specified amount of time.

2.3 Public opinion on affordable housing across the nation

In the midst of worsening housing unaffordability and instability during the COVID-19 pandemic, national public opinion on policies to reverse the trend sustained or even gained strength across the political spectrum. A poll commissioned by *Opportunity Starts at Home* found that 63 percent of those surveyed agreed that housing affordability is a "serious problem" in the area where they live, an increase of 24 percentage points since 2016. (Opportunity Starts at Home, 2020)

These responses apply to immediate action to stem housing instability resulting from the pandemic (such as emergency rental assistance, more funding for homeless assistance programs to minimize crowding, and a uniform, nationwide eviction moratorium) as well as to longer-term solutions to these housing problems that the pandemic crisis exposed and exacerbated.

Over two-thirds of respondents said they wanted the government to "make major housing investments even if it means increasing the deficit." However, only 49 percent of Republicans agreed with this view compared to 79 percent of Democrats and 76 percent of Independents.

A December 2020 survey by Data for Progress—which polled 1,116 "likely voters" nationally—found substantial support for a public option for housing in addition to increased government support for affordable housing access and stability. (Winter, 2021)

[1]New COVID-19 protections in Virginia law do allow 14 days for a tenant to make a missed payment. This is in effect until July 1, 2022. (Va. Code Ann. § 55.1-1245)

When asked if they would be in favor of a "proposal where cities or counties build new, affordable housing that people can then rent from and which would compete with private housing options," over 75 percent of Democratic voters said would be, while 64 percent of Independent/third-party voters and 37 percent of Republican voters agreed.

The *Opportunity Starts at Home* campaign also conducted the most recent national opinion poll on housing in June and July of 2021. (Opportunity Starts at Home, 2021) That poll again found that Americans overwhelmingly support investments in affordable housing:

- Three in four (74 percent) favor programs to expand the supply of homes affordable to low-income persons.
- Four in five (82 percent) believe the government should increase efforts to end homelessness.
- Nine in ten (92 percent) agree that "stable, affordable housing" is important to a person's well-being.

Over half of low-income, Black, and Hispanic respondents to this poll said housing is one of the most important factors for well-being.

Chapter 3

Analysis of regional housing studies

This chapter 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 across the Commonwealth are experiencing.

3.1 Introduction

This meta-analysis of community engagement includes housing studies completed between 2013 and 2021 for more than twenty regions and localities across Virginia. The aim of this analysis is:

1. Determine whether each housing study contained a community engagement component,
2. Identify the specific methods used and the key findings in studies that did incorporate community engagement, and
3. Aggregate and summarize the main themes that emerge across the studies' community engagement findings.

Of the housing studies reviewed, most appeared to incorporate community engagement in some form. The extent of community engagement ranged from broad community feedback through public surveys to targeted input through interviews or focus groups with selected stakeholders.

Some study reports and other materials mention the use of community engagement methods, yet do not include an explicit presentation or discussion of the findings from such input.

The themes identified and discussed here draw specifically with varying levels of detail from community input, when available, in the following regions and localities (with report date and external link to published study):

- Alexandria (December 2013)

- Arlington (September 2015)
- Northern Shenandoah Valley (October 2018)
- Fairfax County (2018)
- City of Falls Church (August 2019)
- Farmville/Prince Edward County (September 2019)
- Richmond Region (January 2020)
- Bath County (March 2020)
- Richlands (April 2020)
- City of Martinsville (July 2020)
- Fredericksburg Region/George Washington Region (October 2020)
- Roanoke Valley-Alleghany Region (December 2020)
- James City County (2020)
- Prince William County (2020)
- Harrisonburg (February 2021)
- Goochland County (April 2021)
- New River Valley Region (April 2021)
- Loudoun County (June 2021)

3.2 Common themes

3.2.1 Housing options for seniors

Many of the study areas are home to aging populations, and a common theme that emerged was the lack of housing options that enable seniors to age-in-place or age-in-community. For the former, this means policies and programs that support the renovation and adaptation of residents' current homes to make their homes more accessible as they age.

Community input also raised the broader need for senior housing options to enable aging-in-community, particularly in more rural parts of Virginia, as older adults seek to downsize to homes in more centrally located areas that are walkable and amenity-rich.

3.2.2 Affordable homeownership opportunities

In most of the community-engaged studies, residents and stakeholders voiced a need for affordable homeownership opportunities for first-time homebuyers, particularly young people and single-parent households who work in the area, and prospective employees. This theme overlaps with housing options for seniors, as aging Virginians compete with first-time homebuyers for smaller for-sale homes. The particular price points considered affordable vary by region.

For instance, the median annual salary for the Farmville/Prince Edward County region's "most common job types" is $35,647, which would require a price point of about $135,000 for affordable homeownership. Survey respondents in Goochland County reported unmet demand for affordable homeownership opportunities under $300,000 and under $200,000. Bath County's stakeholder input revealed a lack of "[f]or-sale homes at price points 'in the middle' (between approximately $100,000 and $200,000)."

3.2.3 Lack of multifamily rental housing, both subsidized and market-rate

Community input across all study areas identified shortages in rental housing affordable to a range of income levels. Many studies only cite supply gaps in subsidized affordable housing and workforce housing as key challenges, while others report a strong need for new market-rate rental housing

Community input in the Northern Shenandoah Valley, the Farmville/Prince Edward County region, and the New River Valley Region all indicated rental supply issues related to those areas' college student populations. The Northern Shenandoah Valley report noted a dearth of housing options to meet student demand, while the two other regions' studies raised concerns about an insufficient supply of housing for nonstudents, largely due to students' "domination of the rental market."

3.2.4 Greater diversity of housing types

This theme necessarily reflects and interconnects with the preceding themes and does not require extensive discussion. However, community input in a number of studies revealed an explicit desire for more diverse—and denser—housing options to meet the needs of a range of current and future residents.

3.2.5 Repairs, maintenance, and utilities of existing housing stock

These issues are grouped together, as they all affect housing cost burdens and quality. A number of studies raised the challenge of aging and substandard housing stock and the inability of homeowners to afford maintenance, repairs, and rehabilitation. Additionally, lack of access to quality, reliable broadband service emerged from community input as a prominent issue in Goochland County and the Roanoke Valley-Alleghany Region.

Chapter 4

Virginia's housing markets

This chapter outlines the three levels of geographic regions across Virginia used to describe housing needs and trends in different parts of the Commonwealth. The Research and Findings part of this report (Part III) uses these market and submarket categories.

To illustrate important housing trends throughout the Commonwealth, this report presents data according to three tiers of market groups aggregated by city/county and described below.

At the highest level, Virginia is divided into three major categories: Large Metro Housing Markets (the "urban crescent"), Small Metro Housing Markets[1], and Rural Housing Markets. This report will often abbreviate these markets to Large Markets, Small Markets, and Rural Markets.

Within each of these major categories are distinct housing markets that generally correspond with familiar metro regions; for example, Hampton Roads, Charlottesville, and Southwest.

Finally, each market is divided further into submarkets that reflect nuances within each market. For example, the Richmond market is divided into its urban core, suburbs, and exurbs, while the Chesapeake Bay is divided into the Northern Neck/Middle Peninsula and the Eastern Shore.

[1]These markets are sometimes referred to as the "reverse crescent" of Virginia. However, this is not a commonly used term and is therefore not applied in this report.

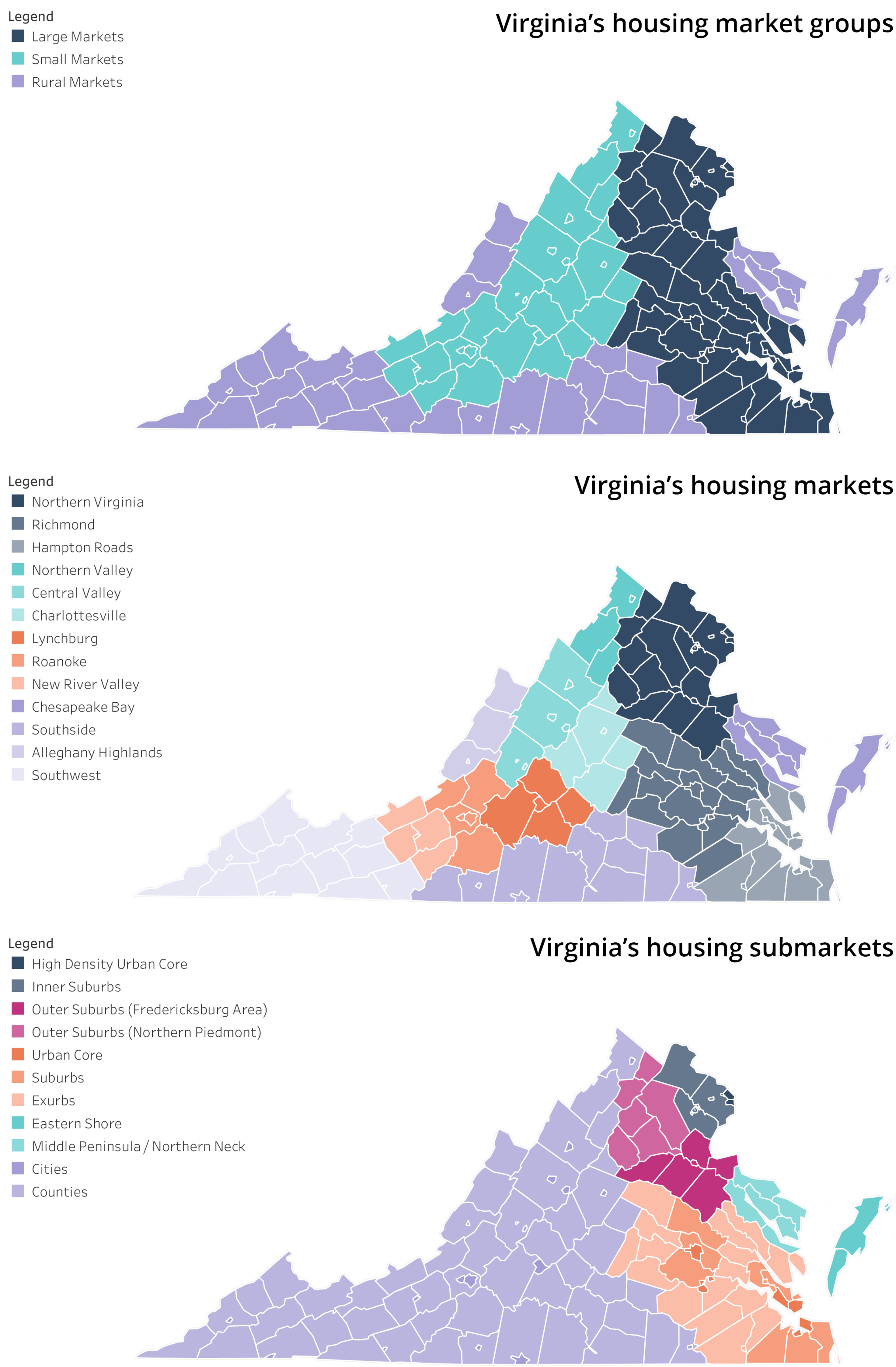


Figure 4.1: Virginia's housing market groups, markets, and submarkets used in this report

4.1 Large Metro Housing Markets

Characteristics of these markets include:

- Moderate-high population density and population growth,
- High housing costs that are rising faster than incomes, contributing to high levels of cost burden,
- High land costs and shortage of land available for residential development,
- Economic and household growth pressures pushing residential development into lower density peripheral exurban localities,
- Large commuting range with significant transportation pressures related to household growth,
- Significant need for higher density and multifamily residential development, and
- Concentrated poverty and limited access to affordable housing in areas of opportunity.

Large Markets: submarkets and localities

Market	Submarket	
Hampton Roads	Urban Core	Hampton City, Newport News City, Norfolk City, Portsmouth City
	Suburbs	Chesapeake City, James City County, Poquoson City, Suffolk City, Virginia Beach City, Williamsburg City, York County
	Exurbs	Franklin City, Gloucester County, Isle of Wight County, Mathews County, Southampton County, Surry County
Northern Virginia	High Density Urban Core	Alexandria City, Arlington County, Falls Church City
	Inner Suburbs	Fairfax City, Fairfax County, Loudoun County, Manassas City, Manassas Park City, Prince William County
	Outer Suburbs (Fredericksburg Area)	Caroline County, Fredericksburg City, King George County, Orange County, Spotsylvania County, Stafford County
	Outer Suburbs (Northern Piedmont)	Clarke County, Culpeper County, Fauquier County, Madison County, Rappahannock County, Warren County
Richmond	Urban Core	Colonial Heights City, Hopewell City, Petersburg City, Richmond City
	Suburbs	Chesterfield County, Hanover County, Henrico County
	Exurbs	Amelia County, Charles City County, Cumberland County, Dinwiddie County, Goochland County, King and Queen County, King William County, Louisa County, New Kent County, Powhatan County, Prince George County, Sussex County

Figure 4.2: Large Markets: submarkets and localities

4.2 Small Metro Housing Markets

Characteristics of these markets include:

- Moderate-to-low population density and population growth,
- Moderate housing costs which are rising faster than incomes for low-to-moderate income households, and high cost burden among lower income groups,
- Higher homeownership rates than in Large Metro markets but limited new housing construction to accommodate first-time buyer needs,
- Rising land costs and shortage of land available for residential development,
- Residential development being pushed into lower density peripheral exurban localities, resulting in larger commuting ranges and increased transportation pressures,
- Aging population and limited affordable senior housing options, and
- Significant differential between owner and renter incomes leading to continued concentration of poverty and limited access to opportunity for low-income households, especially minority populations—though on a more limited scale than in Large Metro markets.

Small Markets: submarkets and localities

Market	Submarket	
Central Valley	Cities	Buena Vista City Harrisonburg City Lexington City Staunton City Waynesboro City
	Counties	Augusta County Rockbridge County Rockingham County
Charlottesville	Cities	Charlottesville City
	Counties	Albemarle County Buckingham County Fluvanna County Greene County Nelson County
Lynchburg	Cities	Lynchburg City
	Counties	Amherst County Appomattox County Bedford County Campbell County
New River Valley	Cities	Radford City
	Counties	Floyd County Giles County Montgomery County Pulaski County
Northern Valley	Cities	Winchester City
	Counties	Frederick County Page County Shenandoah County
Roanoke	Cities	Roanoke City Salem City
	Counties	Botetourt County Craig County Franklin County Roanoke County

Figure 4.3: Small Markets: submarkets and localities

4.3 Rural Housing Markets

Characteristics of these markets include:

- Low density,
- Low growth or declining population,
- A rapidly aging population,
- Low household income and income insufficient to support new housing development, except for limited custom home development,
- Weak private-sector housing industry (finance/development/real estate) due to weaker economies, low income levels, and lack of adequate economies of scale,
- Higher reliance on manufactured housing than other markets,
- Aging and deteriorating housing inventory,
- Inadequate new housing production to support quality housing options (which is a major barrier to new economic development), and
- Limited affordable senior housing options.

Rural Markets: submarkets and localities

Market	Submarket	
Alleghany Highlands	Cities	Covington City
	Counties	Alleghany County Bath County Highland County
Chesapeake Bay	Eastern Shore	Accomack County Northampton County
	Middle Peninsula / Northern Neck	Essex County Lancaster County Middlesex County Northumberland County Richmond County Westmoreland County
Southside	Cities	Danville City Emporia City Martinsville City
	Counties	Brunswick County Charlotte County Greensville County Halifax County Henry County Lunenburg County Mecklenburg County Nottoway County Patrick County Pittsylvania County Prince Edward County
Southwest	Cities	Bristol City Galax City Norton City
	Counties	Bland County Buchanan County Carroll County Dickenson County Grayson County Lee County Russell County Scott County Smyth County Tazewell County Washington County Wise County Wythe County

Figure 4.4: Rural Markets: submarkets and localities

Chapter 5

How we use data

This chapter introduces the most common data sources used for this study and the definitions for demographic categories, such as race and ethnicity identifiers, used throughout the report.

5.1 Common data sources

Below is a description of some of the most common data sources that inform this study.

American Community Survey

The American Community Survey (ACS) is an ongoing survey program of the U.S. Census Bureau. The ACS collects information about the nation's social, economic, housing, and demographic characteristics on an annual basis. This information provides the most-up-to-date estimates between decennial censuses.

This study uses two types of ACS data:

1. 5-Year Estimates are averages across a five-year period. This type of data is available for all geographic levels. Although it is the least current data, it is considered the most reliable due to its large sample size.
2. 1-Year Estimates are averages across a 12 month period. This type of data is available only for areas with populations of 65,000 or more people. Although less reliable because it uses the smallest sample size, this data is the most current. This report uses 1-Year Estimates when reporting median dollar amounts to avoid the distortion created by calculating medians over several years (as in the case of 5-Year Estimates).

Building Permits Survey

The Building Permits Survey is a program of the U.S. Census Bureau that provides national, state, and local data on new privately-owned residential construction. The survey releases data on an annual and monthly basis. Information collected by the survey includes the number of buildings, number of housing units, and permit valuation by size of the structure.

Comprehensive Housing Affordability Strategy

The U.S. Census Bureau creates custom tabulations of ACS data and provides them to HUD on an annual basis. Known as Comprehensive Housing Affordability Strategy (CHAS) data, they indicate the extent of housing problems and needs throughout the nation.

CHAS data are the primary source of information regarding housing cost burden. Although released on an annual basis, CHAS data do lag behind more current ACS estimates. At the time of this report, the most recent CHAS data release was for the 5-Year Estimate period from 2013 to 2017.

Home Mortgage Disclosure Act

The Home Mortgage Disclosure Act (HMDA) requires that financial institutions maintain, report, and disclose loan-level information about mortgages. This information provides a level of transparency around home lending and informs policy decisions. All publicly published data is de-identified to protect applicant and borrower privacy. Data collected through HMDA includes demographic information about applicants and details about the loan and the home-to-be-purchased.

HUD Point-in-Time and Housing Inventory Count

HUD requires that Continuums of Care (CoC) conduct and report an annual count of people experiencing homelessness within their service areas. These counts include people experiencing homelessness currently in emergency shelters, transitional housing, and Safe Havens on a single night, as well as unsheltered people experiencing homelessness observed on-the-street. These counts are referred to as Point-in-Time (PIT) counts.

The Housing Inventory Count (HIC) is a PIT inventory of provider programs within a CoC that provide beds and units dedicated to people experiencing homelessness or who were homeless at entry. This includes emergency shelters, transitional housing, rapid re-housing, Safe Havens, and permanent supportive housing.

Local Area Unemployment Statistics

The Local Area Unemployment Statistics (LAUS) program is a program of the U.S. Bureau of Labor Statistics. This program produces monthly and annual employment, unemployment, and labor force data for all geographic levels of the country.

National Housing Preservation Database

The National Housing Preservation Database (NHPD) is a partnership between the National Low-Income Housing Coalition (NLIHC) and Public and Affordable Housing Research Corporation (PAHRC). The NHPD provides property-level and subsidy-level data from nine different HUD and USDA data sources in a single database.

Population and Housing Units Estimates Program

The Population Estimates Program (PEP) is a program of the U.S. Census Bureau that provides an informed estimation of population and housing units for all states and counties on an annual basis. The U.S. Census Bureau estimates resident populations and housing units each year following a decennial census by using the measures of population change and components of housing change.

Other survey programs such as the ACS and American Housing Survey (AHS) use the data as controls. Population estimates from PEP inform federal funding allocations.

Project HOPE Education for Homeless Children and Youth

The William and Mary School of Education's Project HOPE serves as the administrator of Virginia's Program for the Education of Homeless Children and Youth on behalf of the Virginia Department of Education. Project HOPE tracks the number of homeless children and youth enrolled in Virginia's public schools based on the Department of Education's definition of homelessness.

Occupational Employment and Wage Statistics

The Occupational Employment and Wage Statistics (OEWS) program is a product of the U.S. Bureau of Labor Statistics. OEWS provides annual employment and wage estimates for roughly 800 different occupations in the United States.

Virginia Association REALTORS® Multiple Listing Service

A Multiple Listing Service (MLS) is a real estate database used by licensed REALTORS® to facilitate the buying and selling of homes in the United States. These systems provide a dynamic snapshot of home prices and home sales, as well as information on the characteristics of those homes. Virginia REALTORS® provided statewide data from MLS databases across the Commonwealth.

Weldon Cooper Center for Public Service Population Projections

The University of Virginia's Weldon Cooper Center for Public Service produces population projections for the Commonwealth of Virginia and its cities, counties, and large towns. The center also produces population projections for all fifty U.S. states and the District of Columbia. Federal agencies, state governments, businesses, and nonprofit entities now use these projections for their particular planning and research needs because the U.S. Census Bureau stopped producing state-level population projections this past decade.

5.2 Common terms

The following list provides definitions for several data categories used throughout this study:

5.2.1 Race

When referring to a specific race, that race is non-Hispanic. For example, Black households are specifically Black, non-Hispanic households, unless specified otherwise.

Another race most often refers to the U.S. Census Bureau's category of "Some Other Race," which includes all responses not included in the white, Non-Hispanic, Black or African American, American Indian and Alaska Native, Asian, and Native Hawaiian and Other Pacific Islander categories. For visual clarity, we often aggregate American Indian and Alaska Native and Native Hawaiian and Other Pacific Islander—a small proportion of the data—into the “Another race” category.

Multiracial refers to the U.S. Census Bureau’s category of “Two or More Races.”

Hispanic is referred to throughout this study in place of “Hispanic or Latino.” Hispanic and Latino are both pan-ethnic terms used to describe people living in the United States who identify as being from Spain or from Spanish-speaking countries and from Latin American countries regardless of language. We recognize that there are distinctions between the two terms; however, for the sake of brevity and consistency we use the term Hispanic.

White, non-Hispanic refers to individuals who do not identify as Hispanic or Latino and who have reported their race as “white” only.

5.2.2 Housing

Area median income (AMI) is the midpoint of a region’s income distribution (i.e., half the households in a region earn more than that figure while the other half make less). AMI is used frequently as a benchmark to set income limits in housing policy. HUD sets different AMI levels based on different geographic areas and household sizes.

Cost-burdened refers to a household that spends more than 30 percent of their gross household income on housing costs, including utilities. For greater nuance, a household that spends more than 50 percent is severely cost-burdened.

Home(s) refers to what the U.S. Census Bureau defines as “housing units.” A housing unit is a house, apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters.

Household refers to all individuals that reside under a single roof. A household typically comprises a family, but can include non-related individuals that live together.

Householder refers to the primary individual owning or renting a home. This individual may be either spouse if the household consists of a married couple.

Manufactured home refers to a factory-built home that is fully built on a chassis. These homes are built to meet standards promulgated by the U.S. Department of Housing and Urban Development (the “HUD Code”).

Modular home (or a prefabricated home) is a home that is built to near completion (typically 80 to 90 percent) and then transported to a location and fully assembled on site. These homes are built to state and local building codes.

Multifamily refers to a building that contains more than one housing unit. For the purposes of this study, different multifamily densities are defined as follows:

- **Small-scale multifamily** is a building that consists of 2 to 19 housing units. This includes duplexes, triplexes, and other similar buildings of three stories or fewer.
- **Medium-scale multifamily** is a building that consists of 20 to 49 housing units. This typically includes low-rise and mid-rise apartments.
- **Large-scale multifamily** is a building that consists of 50 or more housing units. This typically includes mid-rise and high-rise apartments.

5.2.3 Income

Extremely low-income (ELI) households are households that earn 30 percent of AMI or below.

Very low-income (VLI) households are households that earn between 31 and 50 percent AMI.

Low-income (LI) households are households that earn between 51 and 80 percent AMI.

Asset Limited, Income Constrained, Employed (ALICE) is a term used to describe working households that are not technically in poverty, but are unable to afford all the basic necessities like housing, food, and health care.

More information about ALICE, including specific methodology, can be found on the United for ALICE campaign website. This effort is led by the United Way of Northern New Jersey; multiple United Way affiliates in Virginia also participate as partners.

5.2.4 Age

Generation Z (or Gen-Zers) generally refers to people born between 1997 and now. As of 2021, these people are under 24 years old.

Millennial(s) generally refers to a person or people born between 1981 and 1996. As of 2021, these people are 25 to 40 years old.

Generation X (or Gen-Xers) generally refers to people born between 1965 and 1980. As of 2021, these people are 41 to 56 years old.

Baby boomer(s) generally refers to a person or people born between 1946 and 1964. As of 2021, these people are 57 to 75 years old.

Silent generation generally refers to people born between 1928 and 1945. As of 2021, these people are 76 to 93 years old.

Part II

ENGAGEMENT

Part II Overview

Part II includes the following chapters:

6 SAG and steering committee involvement

Chapter 6 provides an overview of the SAG and steering committee roles during the HB854 study process.

7 Provider survey

Chapter 7 summarizes the housing provider survey that HousingForward Virginia designed in consultation with the steering committee. The results showcase the opinions of more than 400 practitioners and advocates across the Commonwealth.

8 Focus groups

Chapter 8 outlines the focus groups conducted by HousingForward Virginia to better understand housing needs and challenges across the Commonwealth. These findings complement the results of the provider survey.

9 Public housing authority survey

Chapter 9 summarizes the public housing authority survey that HousingForward Virginia circulated among public housing authorities across the Commonwealth to collect information on the demand for housing assistance in their communities.

10 Client survey

Chapter 10 provides an overview of the program client survey that HousingForward Virginia designed and the Virginia Housing Alliance deployed. The survey intended to collect direct feedback on current housing programs from users who have applied for and/or received assistance through these initiatives.

11 Experts and power users

Chapter 11 provides readers with a summary of the additional experts and practitioners who provided testimony to the SAG, steering committee, and HousingForward Virginia during the HB854 study process.

Chapter 6

SAG and steering committee involvement

This chapter provides an overview of the SAG and steering committee roles during the HB854 study process.

6.1 Stakeholder Advisory Group

The Stakeholder Advisory Group (SAG)—mandated by HB854 and composed of housing experts from across Virginia—guided this study. As directed by the bill, the SAG membership included:

> *"individuals with expertise in land development, construction, affordable housing, real estate finance, tax credit syndication, and other areas of expertise as determined by the Department of Housing and Community Development and the Virginia Housing and Development Authority, and at least one resident of an affordable housing property."*

The SAG's purpose was to:

> *"(i) determine the quantity and quality of affordable housing and workforce housing across the Commonwealth, (ii) conduct a review of current programs and policies to determine the effectiveness of current housing policy efforts, (iii) develop an informed projection of future housing needs in the Commonwealth and determine the order of priority of those needs, and (iv) make recommendations for the improvement of housing policy in the Commonwealth."*

The SAG met five times between November 2021 and October 2021 to discuss and provide feedback on the recommendations. HousingForward Virginia and the steering committee prepared memos and other meeting materials to inform and support the SAG decision-making process.

The SAG formed six subgroups to discuss the specific focus areas that HB854 identifies. The topical subgroups addressed: data and research, state rental subsidy, utility rate reduction, real property tax reduction, bond financing, and existing programs.

These teams investigated their topics by consulting experts and practitioners, reviewing best practices from across the nation, and assessing data prepared by HousingForward Virginia and the steering committee. Each subgroup reported their findings and initial recommendations to the SAG for review, meeting the specific tasks that HB854 charged the SAG with accomplishing:

- **Data and research** met one time to develop plans for collecting, analyzing, and presenting the range of data meeting the legislative research requirements to *"determine the quantity and quality of affordable housing and workforce housing across the Commonwealth . . . [and] . . . develop an informed projection of future housing needs in the Commonwealth and determine the order of priority of those needs."*
- **State-funded rental assistance** met five times to study best practices from across the nation and provide recommendations for lawmakers to consider the creation of *"a Virginia rent subsidy program to work in conjunction with the federal Housing Choice Voucher Program."*
- **Utility rate reduction** met five times to explore new methods for the state to lower energy costs in the development and operation of affordable housing, per HB854's requirement to study *"utility rate reduction for qualified affordable housing."*
- **Real property tax reduction** met five times to propose solutions that give communities the authority to lower expenses for affordable housing through *"real property tax reduction for qualified affordable housing for localities that desire to provide such an incentive."*
- **Bond financing** met four times to evaluate how the state uses its debt authority to support housing production and recommend additional *"bond financing options for qualified affordable housing."*
- **Existing programs** met twice as a full group and once within six smaller groups to examine the strengths, weaknesses, and opportunities for improvement for the dozens of *"existing programs to increase the supply of qualified affordable housing."*

Table 6.1 lists all members of the SAG.

6.2 Steering committee

Team members from Virginia Housing and the Department of Housing and Community Development comprised the SAG steering committee. The steering committee guided and oversaw the HB854 study and worked closely with HousingForward Virginia staff to manage the SAG and its subgroups.

Table 6.2 lists all members of the steering committee.

Table 6.1: Stakeholder Advisory Group members

Member	Organization
Phillip Agee	Virginia Tech
Ann Bevan	Virginia Department of Medical Assistance Services
Allison Bogdanovic	Virginia Supportive Housing / Virginia Housing Alliance (board chair)
Matt Bruning	Virginia Bankers Association
Heather Crislip	Housing Opportunities Made Equal of Virginia
David Cooper	Woda Cooper
Andrew Clark	Home Builders Association of Virginia
Matt Crookshank	City of Roanoke
Joe Fortier	Acme Panel Company
J. Conrad Garcia	Virginia LISC
Deborah Garcia-Gratacos	Your Home Now Mortgage
Brian Gordon	Apartment and Office Building Association of Metropolitan Washington
Michelle Gowdy	Virginia Municipal League
Randy Grumbine	Virginia Manufactured and Modular Housing Association
Tracey Hardney-Scott	Richmond Virginia Branch NAACP
Bernard Harkless	Lynx Ventures
Greta Harris	Better Housing Coalition
Erica Holmes	Virginia Association of Housing Counselors / St. Joseph's Villa
Andy Van Horn	Dweck Properties
Earl Howerton	Southside Outreach Group
Nina Janopaul	Arlington Partnership for Affordable Housing
Brian Koziol	Virginia Housing Alliance
Michelle Krocker	Northern Virginia Affordable Housing Alliance
Steve Lawson	Lawson Companies
Joe Lerch	Virginia Association of Counties
Bob Margolis	TM Associates
Christie Marra	Virginia Poverty Law Center
Christine Morris	LISC Hampton Roads
Bob Newman	Vibrant Communities Drive Change (VCDC)
Carmen Romero	Arlington Partnership for Affordable Housing
Monty Salyer	Wise County Redevelopment and Housing Authority
Jennifer Schwartz	National Council of State Housing Agencies
Sarah Stedfast	NewTowne Mortgage
Lisa Sturtevant	Virginia REALTORS®
TJ Thompson	"HEARD" participant and Gilpin Court resident
Karen Wilds	Newport News Redevelopment and Housing Authority
Michelle Winters	The Alliance For Housing Solutions
Michael Wong	Harrisonburg Redevelopment and Housing Authority
Kristin Yavorsky	Virginia Department of Behavioral Health and Developmental Services

Table 6.2: Steering committee members

Member	Agency
Llewellyn Anderson	Virginia Housing
DJ Benway	Virginia Housing
Demas Boudreaux	Virginia Housing
Art Bowen	Virginia Housing
Fabrizio Fasulo	Virginia Housing
Mike Hawkins	Virginia Housing
Marshall Jones	Virginia Housing
Barry Merchant	Virginia Housing
Tammy Neale	Virginia Housing
Toni Ostrowski	Virginia Housing
Neal Rogers	Virginia Housing
Anton Shaw	Virginia Housing
Frances Stanley	Virginia Housing
Mike Urban	Virginia Housing
Lyndsi Austin	DHCD
Kristen Dahlman	DHCD
Kaycee Ensign	DHCD
Willie Fobbs, Jr.	DHCD
Pam Kestner	DHCD

Chapter 7

Provider survey

The purpose of this document is to provide readers with a summary of the housing provider survey that HousingForward Virginia designed in consultation with the steering committee. The results showcase the opinions of more than 400 practitioners and advocates across the Commonwealth.

7.1 Methods

HousingForward, with support from Virginia Housing and the Department of Housing and Community Development (DHCD), surveyed a diverse and representative range of stakeholders. The survey collected input from users of state housing programs to address four core topics:

1. Community housing needs,
2. Efficacy of current state efforts to promote affordable housing,
3. Racial disparities in housing, and
4. Impact of COVID-19 on these providers and their clients.

An online form was used to collect survey responses from November 11, 2020 to January 25, 2021. This timeframe overlapped with the COVID-19 pandemic and the increased national attention on systemic racism and social injustice.

The survey period also coincided with federal, state, local, and private economic interventions including the federal CARES Act, the Consolidated Appropriations Act, and the CDC Eviction Moratorium. Survey results reflect respondents' pressing concerns related to pandemic consequences and underlying, exacerbated societal inequities laid bare.

7.2 Profile of respondents

Respondents could select multiple options to describe their locality, organization, and housing area of focus; therefore the data represents the number of "touches" a single respondent has with a geographic area, organization type, or housing location. A total of 408 respondents submitted completed responses.

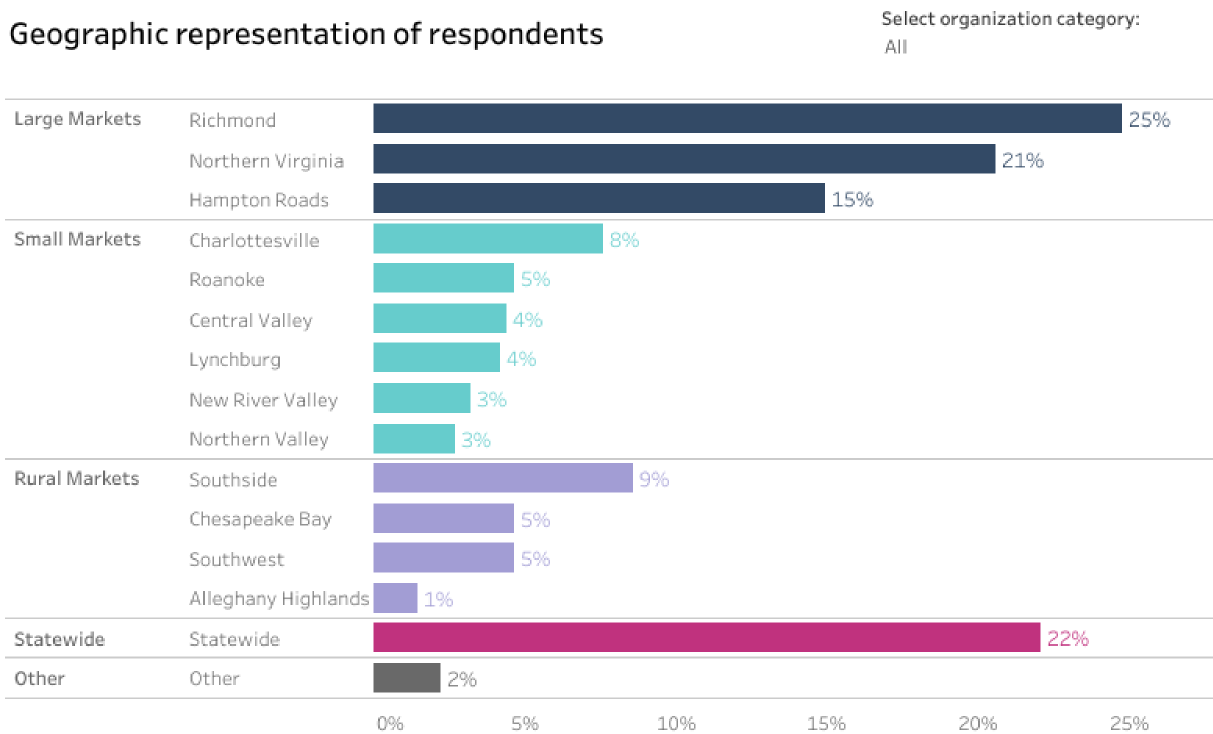


Figure 7.1: Geographic representation of respondents

Respondents represented all geographic regions of Virginia, and their numbers were commensurate with regional population distribution, including the Large Metro Housing Markets of the urban crescent.

The survey results initially may seem to underrepresent the urban crescent—which accounts for 73 percent of Virginia's population—because 54 percent of respondents reported serving at least one locality within it. However, the survey's geographic menu included the possible selections of "other" and "statewide," the latter accounting for more than a fifth of all touches, so it is reasonable to infer that the survey fairly reflects the Commonwealth's regions and residents.

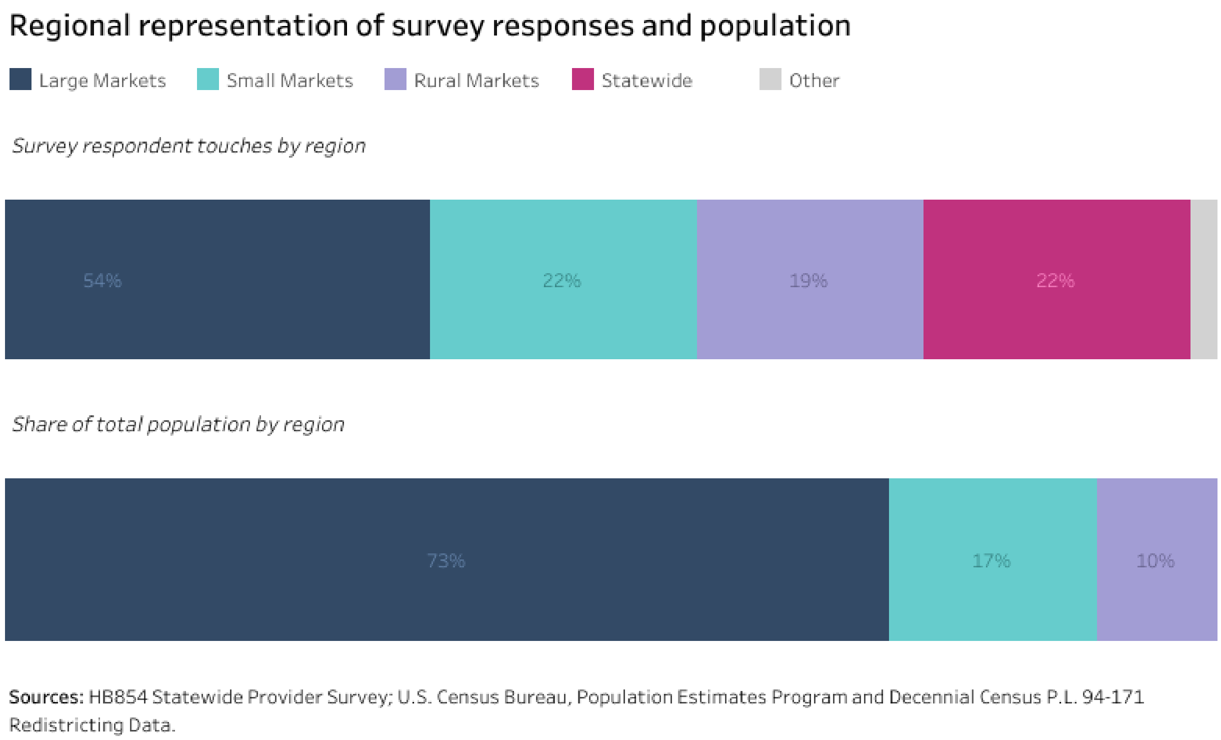


Figure 7.2: Regional representation of survey responses and population

Overall, nonprofit housing developers, operators, and/or service providers are the most represented category of respondent, a majority of whom operate in Large Markets within the urban crescent (57 of 408). Local governments, homeless service providers, for-profit housing builders/developers, and real estate professionals round out the top five organization types from Large Markets.

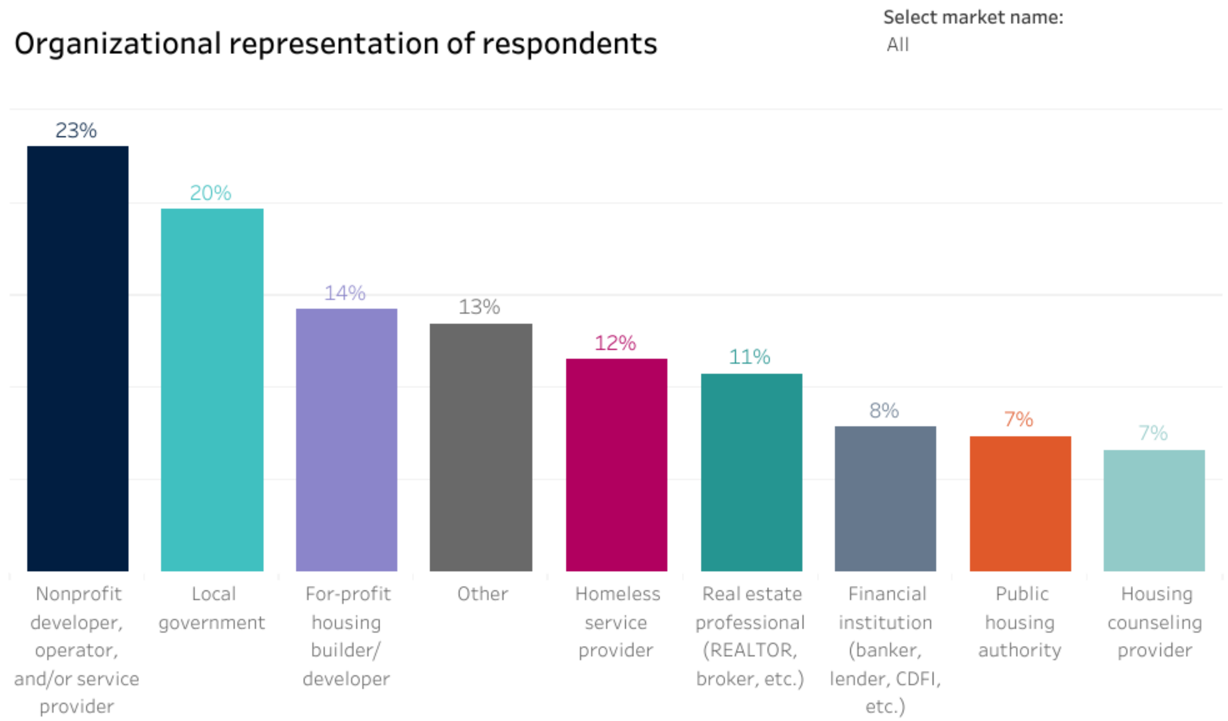


Figure 7.3: Organizational representation of respondents

Nonprofits were also the most represented of all market groups in regions beyond the Large Metro Housing Markets, except in the category of "statewide" where financial institutions were the most touched industry group. Some of the least touched industries and regions are the "Other" market category, financial institutions (especially in rural areas), and public housing authorities in Small Metro and Rural Housing Markets.

Nearly two-thirds (64 percent) of respondents work in rental housing, and more than half (58 percent) work in homeownership. Homelessness was the least represented housing area at just 37 percent of respondents.

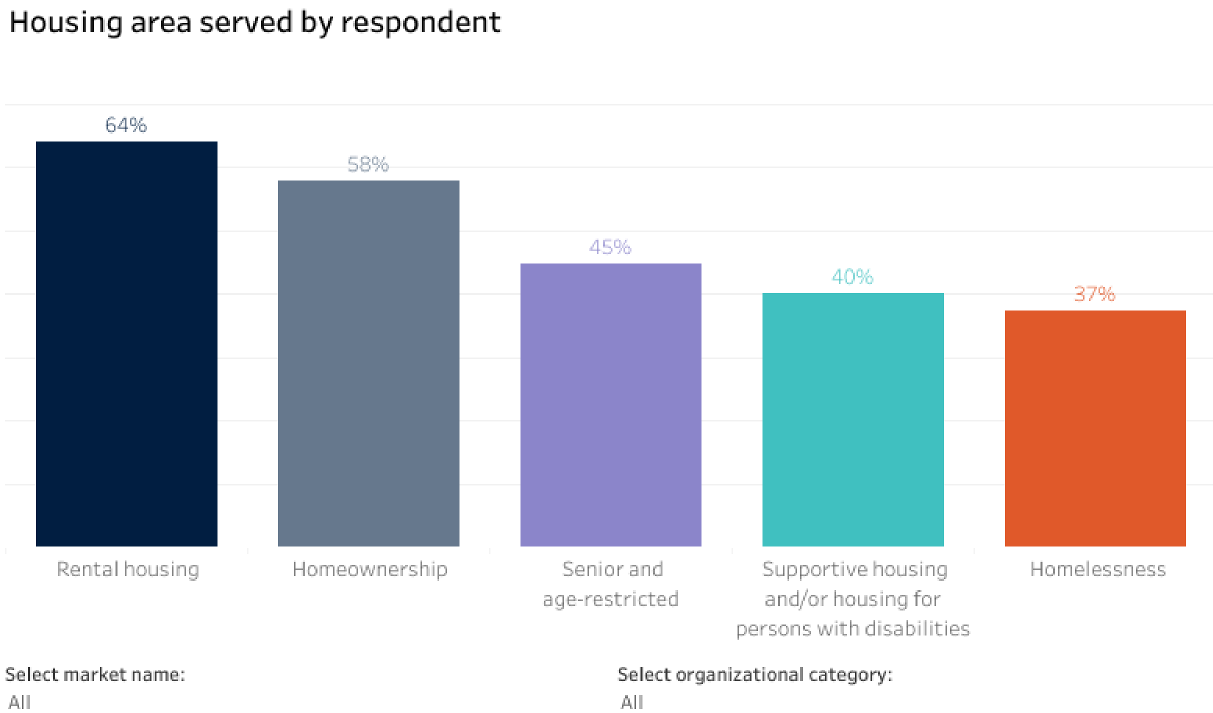


Figure 7.4: Housing area served by respondent

7.3 Community housing needs

The survey asked respondents to rate the challenges they face in their particular service area. Respondents rated challenges such as "cost of materials" and "price of homes" on a four-point scale from one being "not a problem" to four being a "major problem."

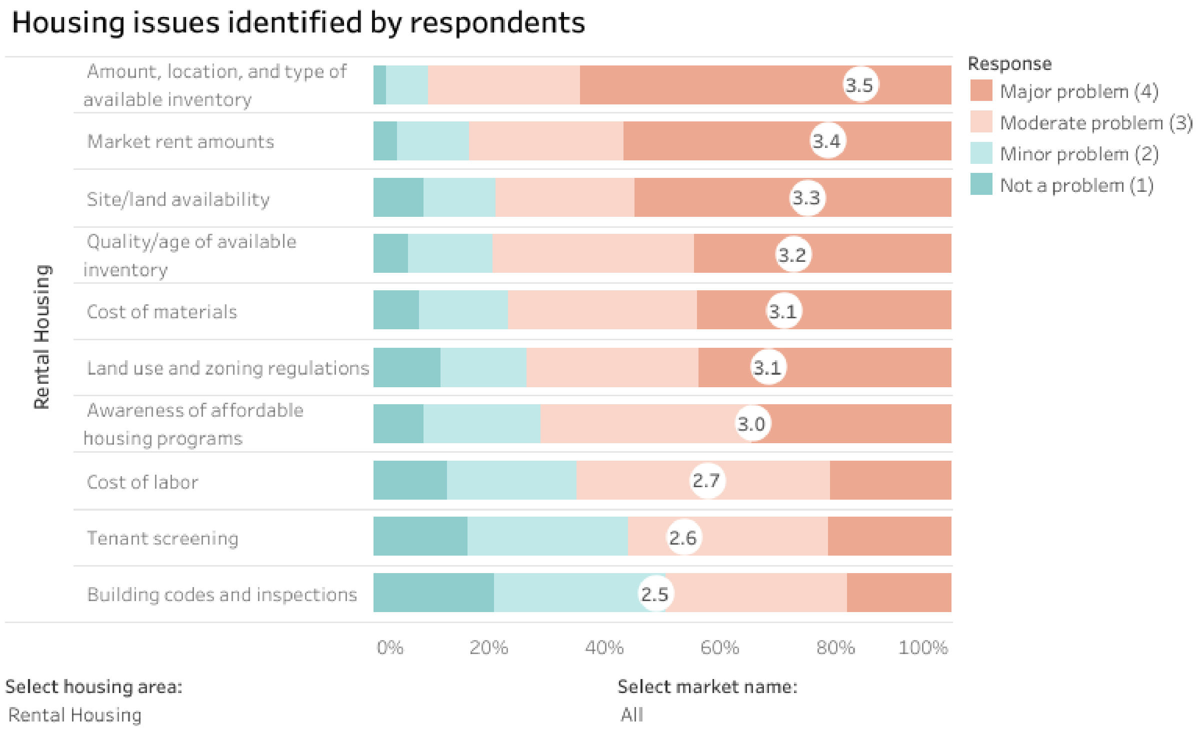


Figure 7.5: Housing issues identified by respondents

Major takeaways

- A majority of respondents found all listed issues except for “building codes and inspections” to be either a moderate or major problem. Across nearly all housing areas and regions, respondents identified the “Amount, location, and type of housing” and the costs associated with that housing as a “major problem.”
- Respondents identified “funding availability” and “site/land availability” as significant factors for homelessness, supportive housing, and rental housing. The “quality/age of existing inventory” for rental housing stood out as an issue, particularly in Rural Housing Markets.
- Survey results indicate that “renters” and “unhoused/vulnerable” populations were notably affected by and preoccupied with the pandemic’s consequences.
- While half of respondents did indicate “moderate” to “extreme” concern over homeownership opportunities over the next year, over 90 percent expressed the same concern over “homelessness” issues, 75 percent for “supportive housing,” and 65 percent for “rental housing” opportunities.
- “Homelessness” was the most significant issue across all industry sectors and geographic markets.
- Real estate professionals and housing counseling providers are the only industry groups reporting more concern for “senior and age-restricted housing” opportunities than for “homeownership” opportunities.
- Respondents from most industry categories identified “racial disparities in housing” as the

most influential factor affecting "homeownership" access and "homelessness."

- Of all respondents, local governments indicated the least concern for "homelessness."
- Public housing authorities (PHAs) indicated more concern for "rental housing" opportunities; real estate professionals and "others" showed a higher level of concern for "supportive housing."
- Across geographic regions, respondents from Small Markets appear the least concerned about "homelessness" and observe significant racial disparities in both "homeownership" and "rental housing" opportunities.

7.4 Assessment of current housing programs and policies

To open a section on state-level housing programs, respondents first identified the state-level programs with which they have direct experience. Each program fell within seven broad program categories. If a respondent selected at least one program within one of these broad program categories, they then responded to open-ended questions on that program's broad category.

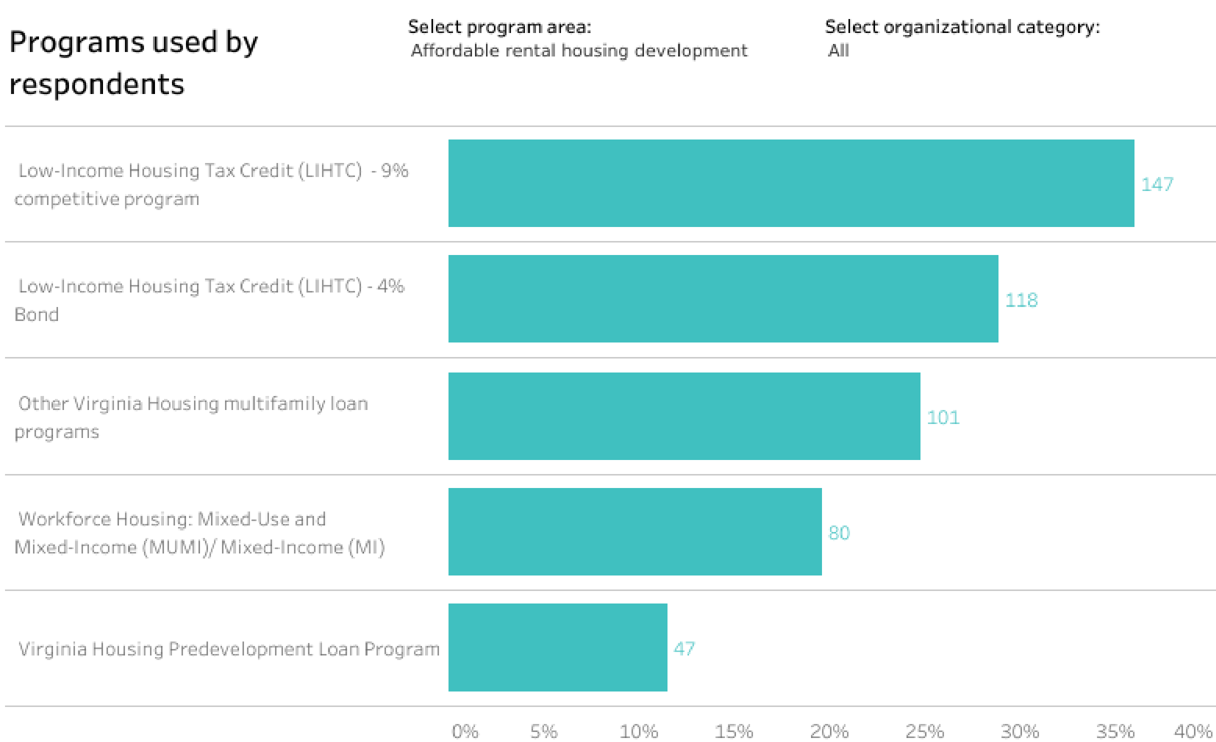


Figure 7.6: Programs used by respondents

Questions addressed program effectiveness, ease or difficulty of use, COVID-19 impact, and programmatic responsiveness to racial inequities in housing.

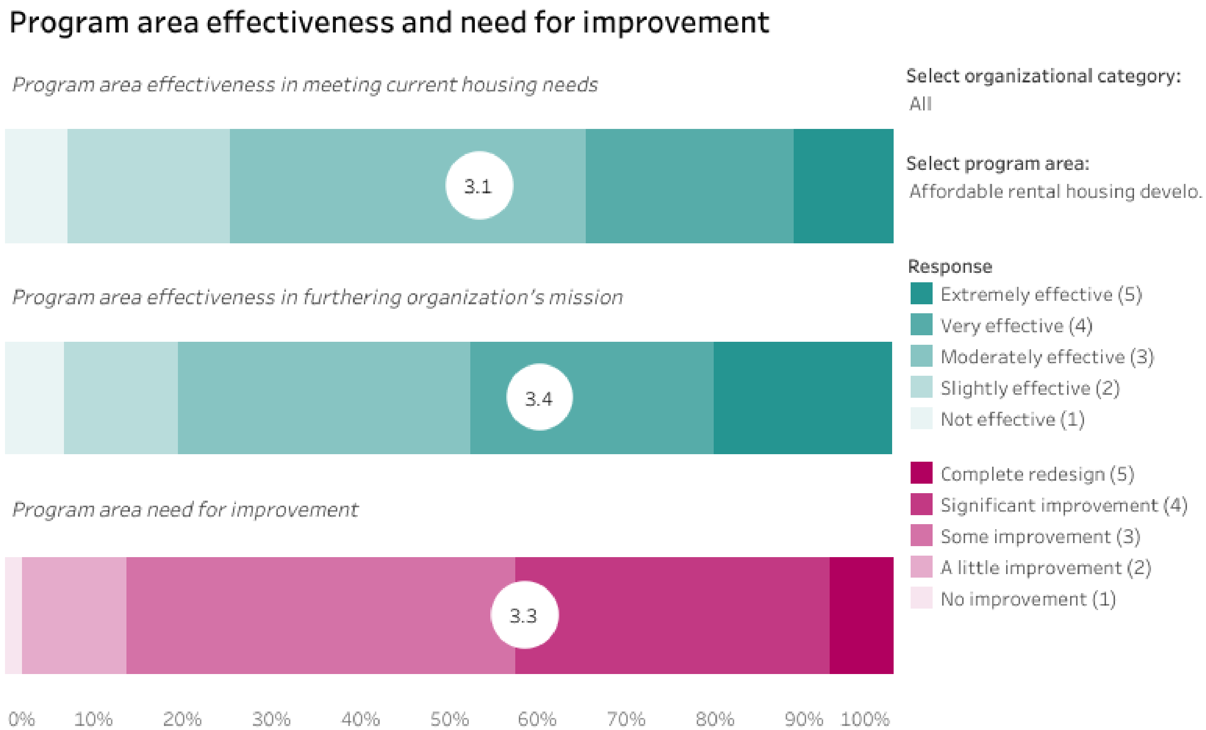


Figure 7.7: Program area effectiveness and need for improvement

Major takeaways

- A majority of the respondents had experience with broad-based housing and community development assistance and rental assistance/eviction and foreclosure prevention programs. Respondents generally felt that all program areas were "moderately effective" in both meeting current housing needs and furthering their organizational missions.
- However, respondents also generally indicated a need for "some improvement" to "significant improvement" to better serve housing needs. Only those respondents familiar with housing counseling and education programs suggested that those programs needed a "little improvement" to "some improvement"; this includes 69 percent of housing counseling providers suggesting "some improvement."
- A high number of respondents indicated a need for "significant improvement" or a "complete redesign" for homelessness prevention, special needs housing, and broad-based housing and community development assistance programs.
- The most frequently cited internal challenge among program areas was "limited staff capacity to implement program," with two exceptions:
  - "Program guidelines and fund uses are overly restrictive" is the greatest internal challenge for home purchase assistance, homelessness prevention, and special needs housing programs.
  - "Administrative burden" is the highest-ranked internal challenge for affordable rental housing development programs.

- "Difficulty marketing to potential clients" was the most frequently cited external challenge, especially for programs that involved direct assistance to clients.
- "Citizen opposition (e.g. NIMBY-ism)" ranked high as an external challenge for the two housing production programs (affordable rental housing development and broad-based housing and community development assistance programs).
- "Limited support from elected officials" ranked as the greatest external challenge for homelessness prevention and special needs housing programs.
- The COVID-19 pandemic had the greatest negative impacts on homelessness prevention, special needs housing, and rental assistance/eviction and foreclosure prevention programs.
- Respondents did not identify any broad program addressing racial inequities in housing.
- When prompted for additional detail on needed improvements, respondents did not provide sufficient detail, but many cited similar priorities:
  - Greater flexibility in eligibility requirements,
  - More information and awareness of existing programs,
  - Support in increasing local organizational capacity to assist local communities (e.g., funding and/or technical assistance), and
  - Increased funding for existing programs.

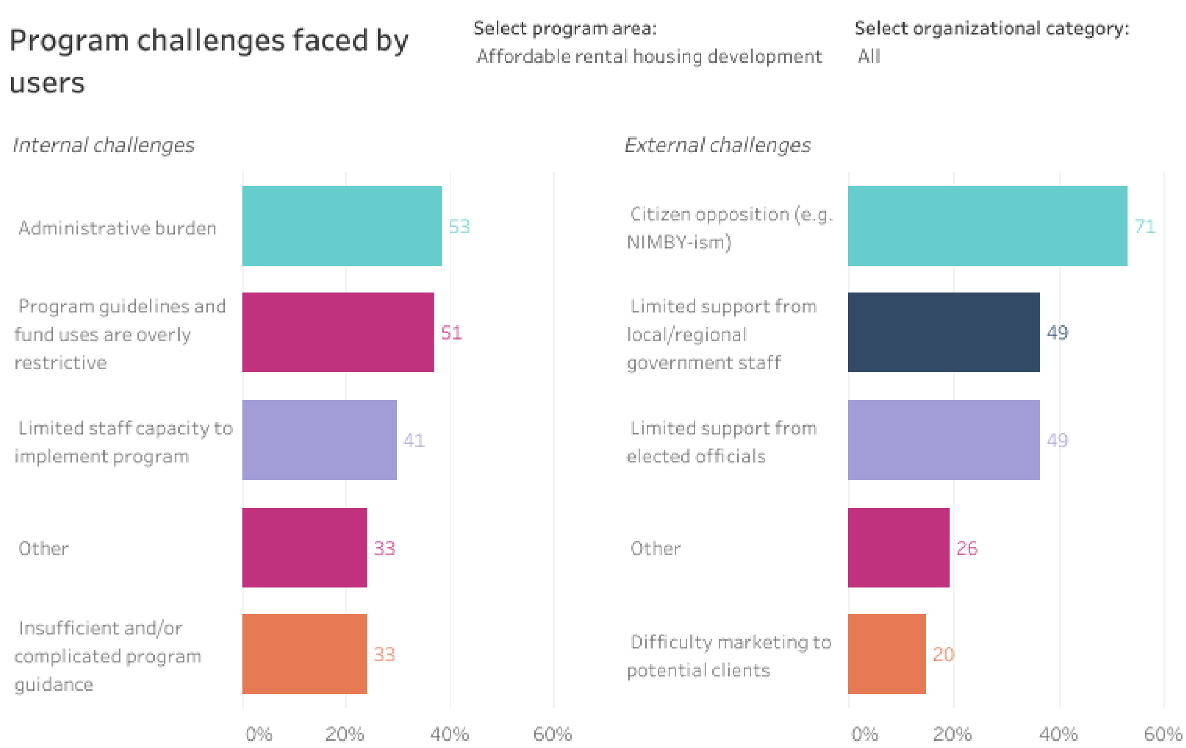


Figure 7.8: Program challenges faced by users

7.5 Racial equity

Although HB854 does not explicitly address racial equity, an honest and useful examination of affordable housing programs cannot exclude it. Centuries of racism, segregation, disenfranchisement, and redlining and other discriminatory practices have shaped Virginia's communities, and their legacy of inequity constrains the potential of Black households today.

The murder of George Floyd in May 2020 sparked an international call for racial justice heard resoundingly in the Commonwealth. The SAG and steering committee recognized that this study would achieve its intended goals only if it brought racial disparities in housing into the conversation.

For the purposes of this survey, "racial disparities" refers to any disproportionate challenges, opportunities, and outcomes that disadvantage households of color attempting to access and secure high-quality housing.

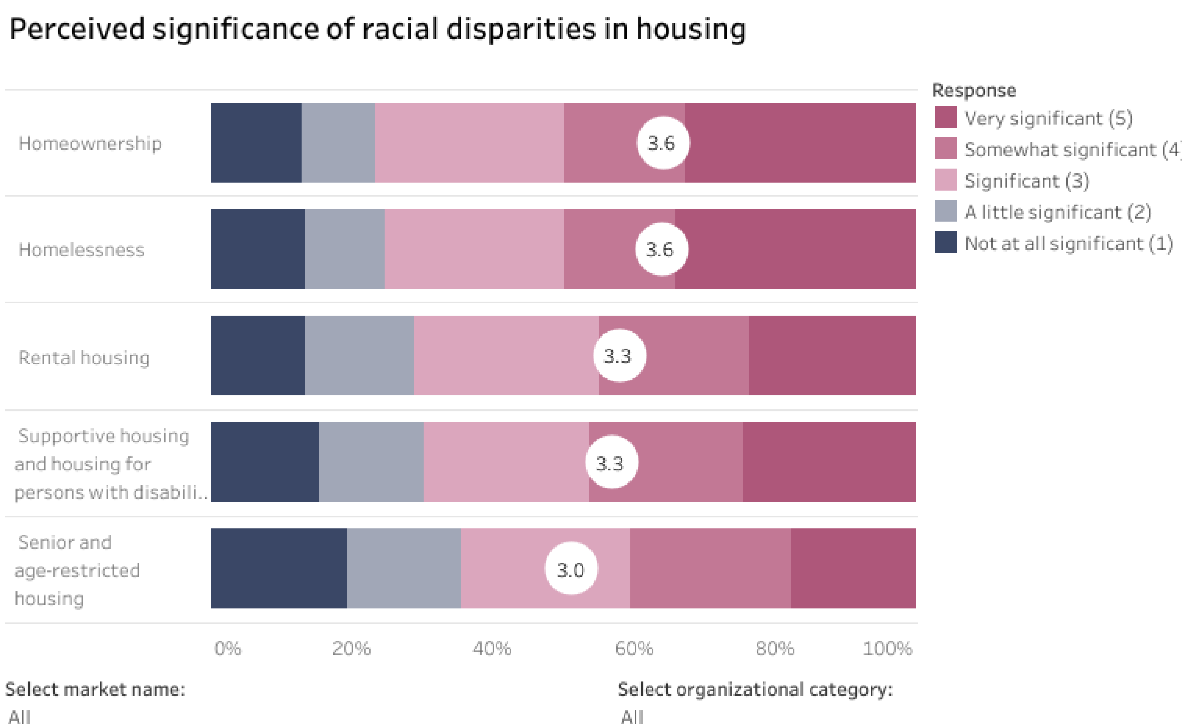


Figure 7.9: Perceived significance of racial disparities in housing

Major takeaways

- Of the aggregated housing areas, respondents found the greatest significance of racial disparities for "homeownership" and "homelessness."
- When comparing the individual geographic market groups, only Small Metro Housing Markets indicated more significant disparities in "homeownership" than "homelessness." Large Metro

Housing Markets, Rural Housing Markets, statewide, and "other" areas perceived "homelessness" as having significant disparities.
- Notably, homeless services providers indicated "homeownership" had more significant disparities than "homelessness." Real estate professionals and financial institutions found more disparity in "homelessness" than "homeownership."
- Most respondents believed "senior and age- restricted housing" to have the least significant racial disparities, except for local governments, who perceived "homelessness" as having the least significant racial disparities.
- Respondents deemed three programs most effective at addressing racial inequities: home purchase assistance, housing counseling and education, and rental assistance/evictions and foreclosure prevention programs.
- Large Markets, however, singled out home purchase and rehabilitation programs as more effective, while Small and Rural Markets regard rental assistance and broad based community and development programs as most effective. Statewide, rental assistance/eviction and foreclosure prevention programs topped the list.

Because this study overlapped with the first eight months of the pandemic, it is not possible to know if respondents would have assessed these programs differently in the absence of a global public health crisis.

More than half of respondents (216 out of 404) indicated that their organization has not developed and implemented any specific program or effort to address racial inequities in their service area. Only 15 percent of respondents (60 respondents) indicated that they did have a specific program, while 32 percent were "unsure."

When prompted to provide more detail on their racial equity programs, forty-eight respondents provided a written response to this question. Responses included policies on diversity and inclusion, training, and Diversity, Equity, and Inclusion (DEI) committees.

While several respondents did identify specific racial equity programs, there were many respondents that referred to existing programs such as the Community Reinvestment Act (CRA) or permanent supportive housing (PSH) programs that significantly help Black households due to disproportionate representation among target populations.

Seventeen respondents specifically mentioned a focus on homeownership to address racial inequities. These included programs focused on homebuyer education, grant programs, and rent-to-own programs.

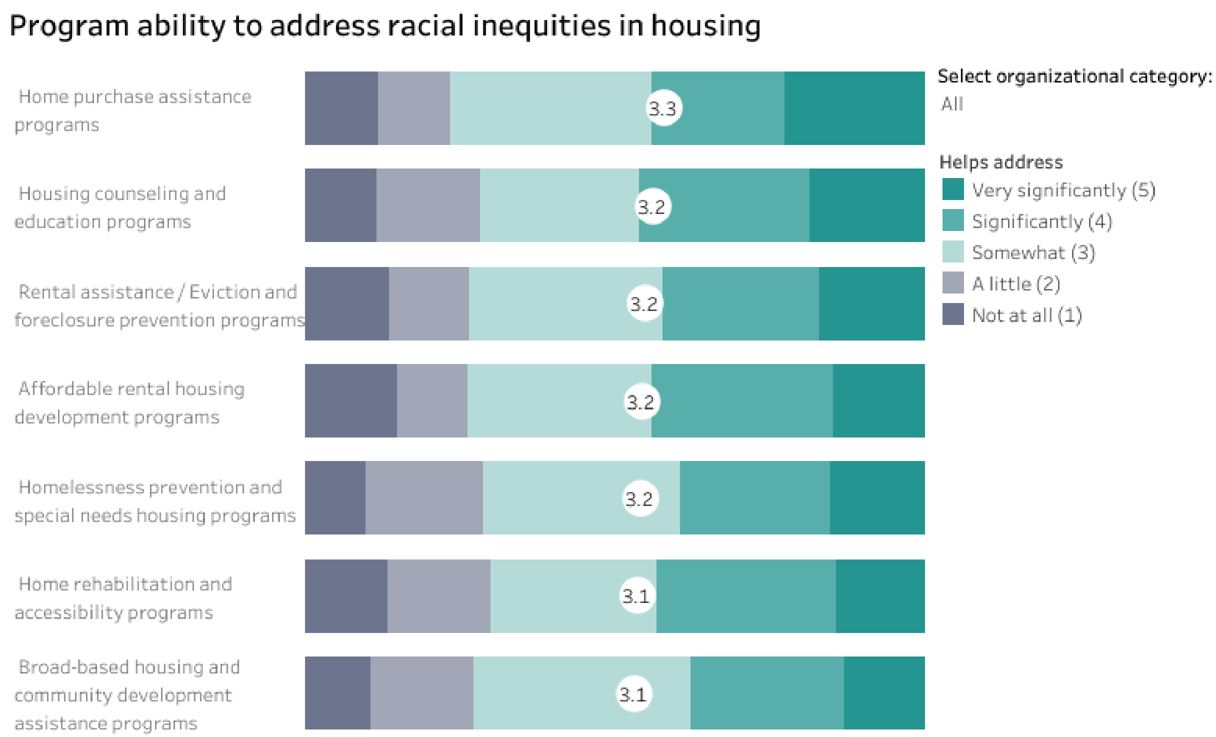


Figure 7.10: Program ability to address racial inequities in housing

Half of respondents said these programs were "moderately effective," five regarded them as "extremely effective," and no respondents found them to be "not at all effective."

198 respondents wrote a response to the prompt: "What state-level resources or support do you feel your organization needs to address racial gaps in housing within your service area?" Of these responses, 12 frequently mentioned themes emerged:

1. Expansion of programs/funding,
2. Creation of new programs,
3. Response to barriers to housing,
4. Marketing/outreach,
5. Internal capacity training/support,
6. Data/knowledge,
7. Impact/goal tracking,
8. Reform local land use,
9. Homeownership,
10. Workforce/economic development,
11. Nothing additional, and
12. Uncertain.

7.6 COVID-19 impact and response

The Virginia General Assembly passed HB854 in March 2020 just as the COVID-19 pandemic began to sweep across the United States. While many experts anticipated the pandemic's impacts on affordable housing, the general public was largely unaware of how much COVID-19 would affect the national housing market and housing conditions in their own communities. The public health crisis has disproportionately devastated low- and moderate-income renters, the majority of which are Black and Brown households.

HB854 did not include—indeed could not have included—language addressing the COVID-19 pandemic's impact on Virginia's affordable housing. Virginia Housing and DHCD subsequently determined that the HB854-mandated study should examine state-level housing programs within the context of this unprecedented and catastrophic economic and public health crisis.

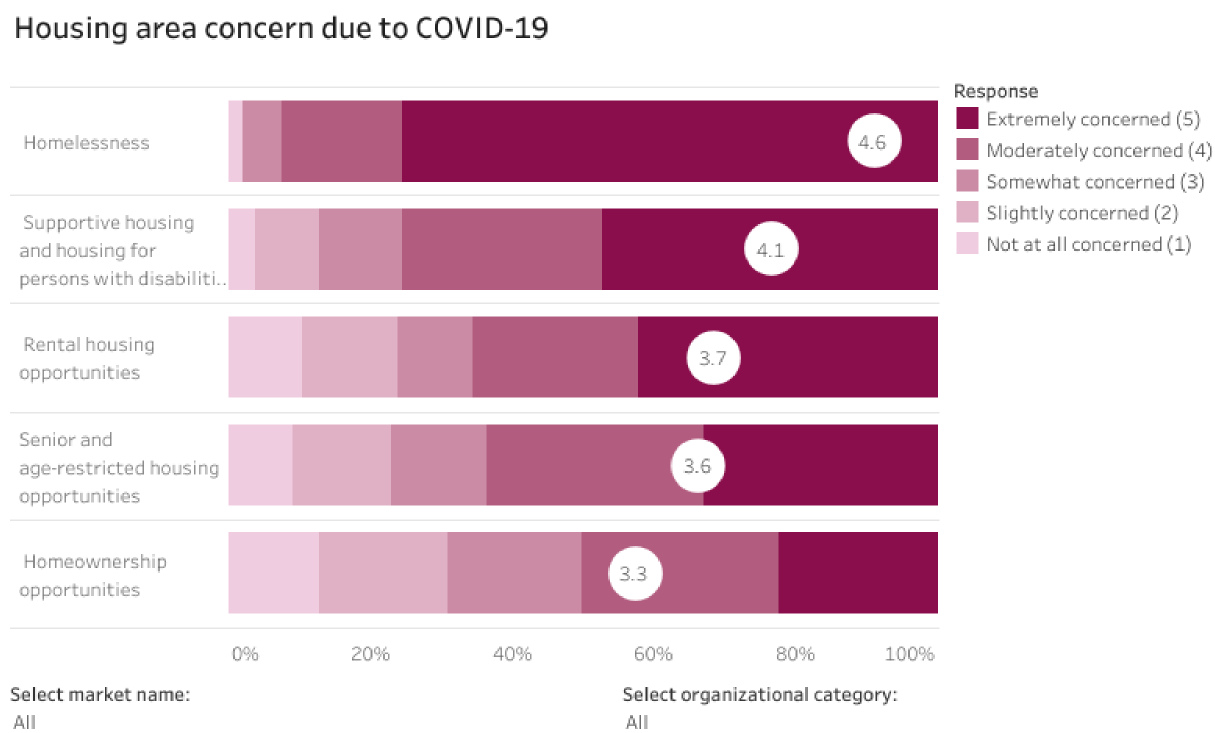


Figure 7.11: Housing area concern due to COVID-19

The survey asked several questions about COVID-19's impact on core housing services and state-level programs. Questions also probed the greatest concerns among respondents and the importance of specific resources to manage the long-term repercussions of COVID-19.

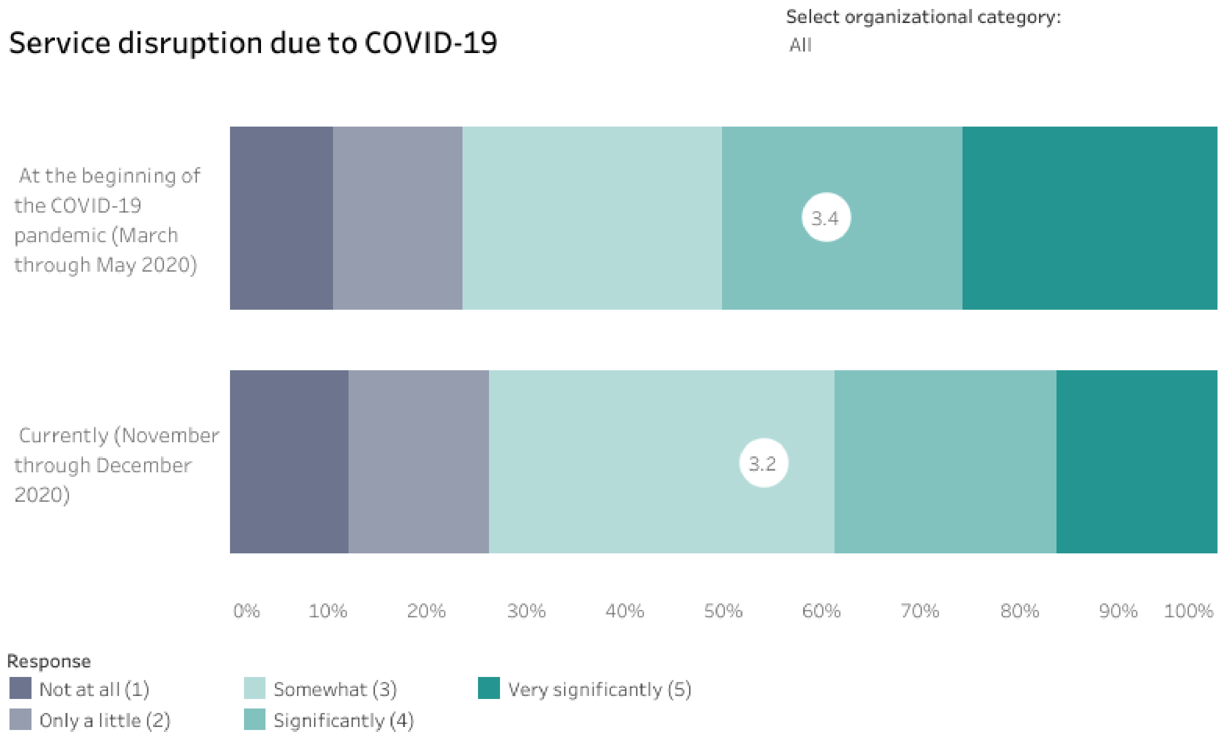


Figure 7.12: Service disruption due to COVID-19

Major takeaways

- Homelessness was the top concern for the coming year with 75 percent of respondents describing themselves as "extremely concerned." Supportive housing, rental housing opportunities, senior and age-restricted housing, and homeownership followed homelessness in order of significance. These results were consistent across geographic markets and categories (except for-profit housing developers, none of whom responded to the prompt).
- Respondents also indicated significant pandemic impacts to homelessness prevention and special needs housing programs.
- All organization types across all regions believed that core housing and housing related services suffered as a result of the pandemic; a large proportion of homeless service providers, housing counselor providers, and nonprofit housing developers, operators, and/or service providers all signaled that their services bore "significant" to "very significant" impact.
- In all cases, respondents felt the worst of the pandemic's effects occurred from March through May 2020 compared to the current period of November to December 2020. This may reflect the federal stimulus packages and emergency housing related policy enacted and extended between the onset of COVID-19 and the end of 2020.
- A larger proportion of respondents (35 percent) rated the disruption as "somewhat" significant in later 2020 as compared to 26 percent in March 2020. This also suggests an adaptation to pandemic conditions over time. The pandemic continues to disrupt service delivery at least "somewhat" for an overwhelming majority of respondent organizations.

- Respondents ranked CARES Act grants (and presumably other federal stimulus funds) as the most important source of financial relief needed for service provision since the pandemic began. Respondents rated local government funds (also bolstered by federal support) as "significant" to "very significant." Similarly, respondents identified "new funding to support change/expanded programs" as the most important resource for continued service.

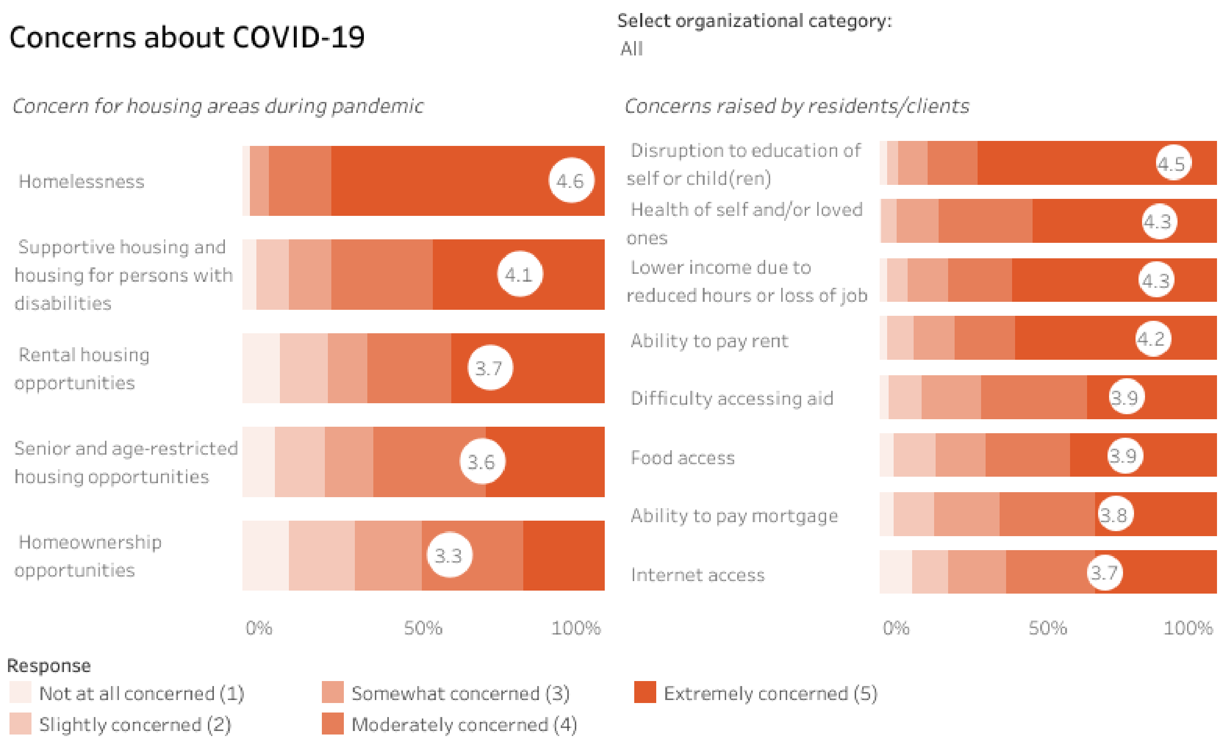


Figure 7.13: Concerns about COVID-19

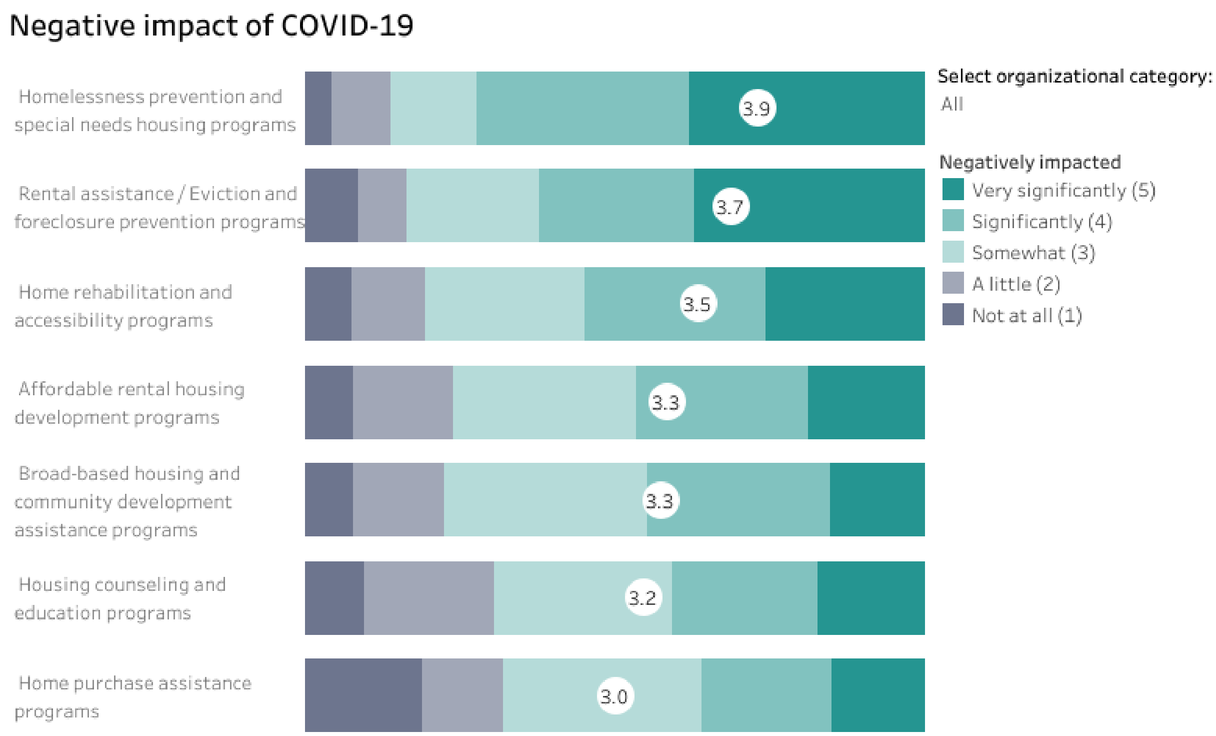


Figure 7.14: Negative impact of COVID-19

Thirty-five respondents identified other sources of COVID-19 financial relief important to their organization's operations:

- Several respondents reiterated the CARES Act and local government funding through specific programs such as small business loan programs or economic development grants.
- Four respondents specifically mentioned Virginia Housing's COVID-19 Grants.
- Other respondents noted local support from churches, other nonprofit organizations, and foundations.
- One respondent referred to funding from the Department of Behavioral Health and Developmental Services (DBHDS) that provided flexibility when other sources of funding did not.

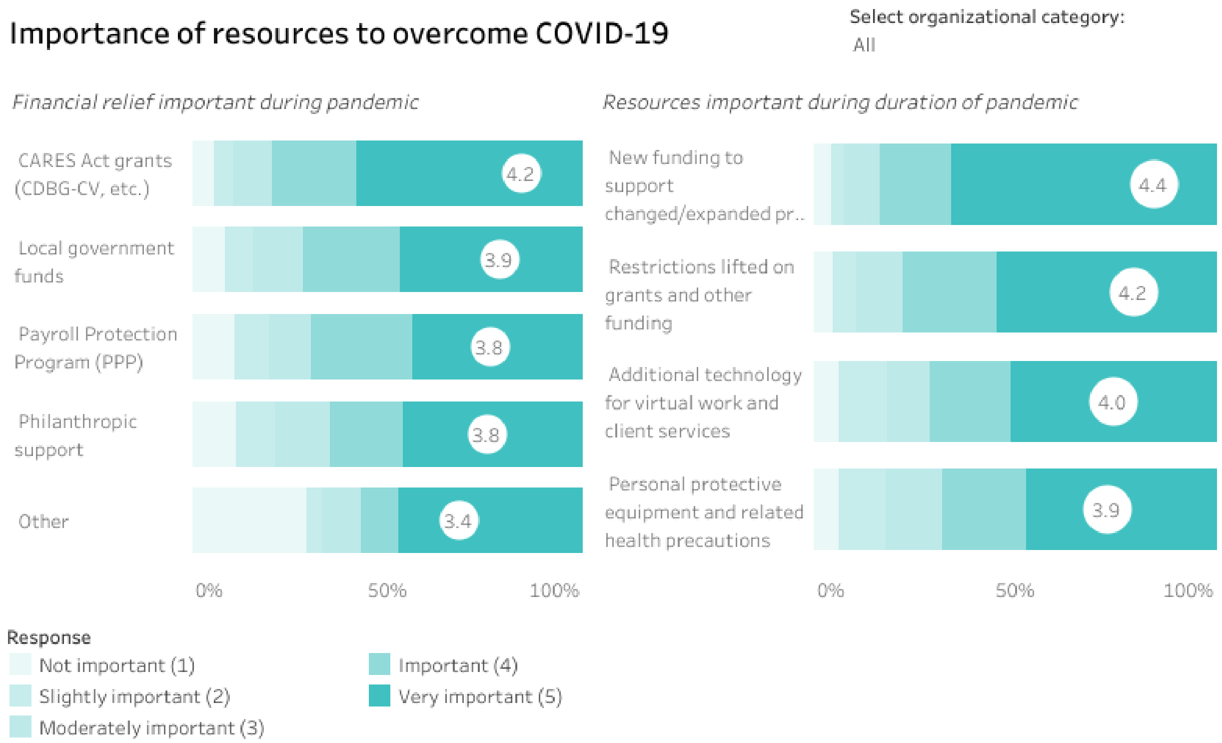


Figure 7.15: Importance of resources to overcome COVID-19

When asked to provide additional comments about COVID-19's impact on housing, 100 respondents provided a written response. Eleven major themes frequently arose:

1. Funding,
2. Successful policy/program interventions,
3. Deferred/delayed programs,
4. Staff/volunteer reductions,
5. Housing supply/development issues,
6. Long-term needs/opportunities,
7. Client needs/concerns,
8. Economic concerns,
9. Homelessness,
10. Eviction moratorium, and
11. No major impact/unsure.

Chapter 8

Focus groups

This chapter outlines the focus groups conducted by HousingForward Virginia to better understand housing needs and challenges across the Commonwealth. These findings complement the results of the provider survey.

8.1 Methods

Virginia Housing and DHCD often seek feedback from program users in both formal and informal settings, including focus groups, in order to improve program delivery and outcomes.

In February 2021, HousingForward Virginia invited 151 individuals from more than 50 organizations to participate in focus groups to discuss housing needs in their communities and the capacity of state housing programs to meet them. HousingForward assigned 58 individuals to nine focus groups; each group represented a distinct category of organization with an average focus group size of six participants.

HousingForward asked participants to provide feedback on state-level housing programs they use, the impact of COVID-19 on community housing needs and programs, and efforts to address racial inequities. All meetings occurred virtually due to the ongoing COVID-19 pandemic.

The concerns expressed by the focus group participants reflect the stress and uncertainty of the COVID-19 pandemic.

Participants raised concerns related to federal housing programs and standards as well as state-level programs. Participants' impressions of the effectiveness of Virginia's programs often revealed incomplete knowledge of all available state programs and limited understanding of the Commonwealth's programmatic jurisdiction. However, these observations contribute to the usefulness of the focus groups' feedback, which provides a valuable overview of the priorities, concerns, and needs of housing providers in Virginia.

8.2 Priorities, concerns, and solutions

The nine categorical focus groups produced clear highlights:

8.2.1 Nonprofit housing organizations focused on the general population

Housing priorities and concerns

- Preservation and rehabilitation of existing affordable housing stock,
- Assistance for families at risk of eviction and foreclosure, and
- Rental market pressures driving unaffordability.

How the Commonwealth can help

- Coordinate outreach more extensively for the announcement of funding and resources,
- Increase resources to scale-up programs to meet overwhelming need and to build capacity of grassroots organizations,
- Update compartmentalized programs to offer more holistic approaches, and
- Preserve market-rate affordable housing through incentives for landlords.

8.2.2 Nonprofit housing organizations focused on permanent supportive housing and special needs populations

Housing priorities and concerns

- Inadequate resources to address the overwhelming need for affordable rental housing,
- Initial roll out of the Virginia Rent Relief Program (e.g., multiple policy changes and capacity of small local nonprofits to administer at the local level),
- Extremely low-income households, especially those on fixed incomes (e.g., persons with disabilities, seniors, etc.),
- Increase in seniors in need of assistance now and in the future,
- Federal Fair Market Rents (FMR) are not truly representative of the market,
- CDC Eviction Moratorium's impact on vacancy rates (i.e., the extreme scarcity of housing that might otherwise be available for vulnerable populations),
- Impending wave of evictions when the CDC Eviction Moratorium ends, and
- Uncertainty of funding after emergency pandemic allocations are used.

How the Commonwealth can help

- Assist homeless service providers interested in developing affordable housing,

- Increase the supply of permanent supportive housing accessible housing for persons with ambulatory disabilities, and
- Diversify affordable housing solutions (e.g., resident-owned manufactured home communities, inclusionary zoning, flexible requirements on funding, etc.).

8.2.3 For-profit housing organizations

Housing priorities and concerns

- Nine percent Low-Income Housing Tax Credit (LIHTC) deals are complicated and not cost effective for small- and mid-sized developers,
- One funding round per year makes it difficult to mitigate risks, and
- Hidden costs at the local level are stifling affordable development (e.g., development standards, planning process inefficiencies, etc.).

How the Commonwealth can help

- Evaluate the possibility of multiple LIHTC funding rounds,
- Incentivize local cap fees such as water and sewer to reduce initial construction costs,
- Advocate local approval of a set number of new housing units per year, and
- Encourage affordable development in communities of opportunity.

8.2.4 Real estate professionals

Housing priorities and concerns

- Insufficient financing options for essential workers,
- Need for home-buying education for potential home buyers,
- Loan disqualification of existing homes, especially in rural areas,
- Credit and debt accumulation or lack of credit as cause of racial homeownership gap, and
- Pandemic-driven demand and constraint on supply.

How the Commonwealth can help

- Provide for greater ability to couple first mortgages with financing for renovations, and
- Offer more resources for homebuyer education and readiness planning.

8.2.5 Financial institutions

Housing priorities and concerns

- High median incomes in the Northern Virginia region creating high income limits for affordable housing programs,
- Subsequent need for assistance for moderate income households, leaving extremely and very low-income families competing for assistance,
- Disparate guidelines and requirements across localities making it difficult to connect clients with products and assistance that meet their needs,
- Difficult documentation of assets in the mortgage lending process for households relying on cash transactions because they do not have traditional bank accounts,
- Some households who may qualify for a mortgage lack cash or savings to cover down payment and/or closing costs, and
- Inadequate for-sale housing inventory limiting options for first-time and low-income home buyers.

How the Commonwealth can help

- Adjust income limits for certain programs to help more moderate income households,
- Develop a centralized source for learning about home purchase assistance resources at the state and local levels,
- Emphasize education for home buying, asset management, etc., and
- Increase resources to cover both down payment and closing cost assistance.

8.2.6 Public housing authorities

Housing priorities and concerns

- Households making 50 to 80 percent AMI who do not have access to many resources,
- Inadequate assisted-living facilities for low- and moderate-income senior and other special needs households,
- Weak connections between housing and healthcare industries, and
- Reluctance of landlords to participate in the Housing Choice Voucher program.

How the Commonwealth can help

- Allocate more Private Activity Bonds (PAB) to public housing authorities (PHAs),
- Assist PHAs, especially small ones, on PAB deals to accelerate affordable housing development,
- Consider increasing the Housing Authority Pool for nine percent LIHTC credits at Virginia Housing,
- Provide greater resources to help small- and mid-sized developers build capacity to be competitive, and
- Support greater communication and cooperation between Housing Choice Voucher administrators.

8.2.7 Housing counselors

Housing priorities and concerns

- Language and cultural barriers to housing assistance for immigrants,
- Limited understanding of tenants' rights and protections among both landlords and tenants, and
- Homeowners at-risk of foreclosure.

How the Commonwealth can help

- Increase marketing and outreach efforts in hard-to-reach communities to inform individuals about housing assistance available,
- Foster greater collaboration between agencies,
- Bolster the development and delivery of hybrid counseling and education programs (i.e., virtual and in-person), and
- Support development of infrastructure to support programs, such as transportation and broadband access, that often obstruct service delivery.

8.2.8 Homelessness service providers

Housing priorities and concerns

- Inadequate quantity and locations of shelters,
- Housing instability as consequence of constrained housing supply,
- Seniors and those with substance use disorders, serious mental illness, and other disabilities, and
- Maintenance level of pandemic-level resources.

How the Commonwealth can help

- Increase state-level funding for homelessness prevention and assistance programs,
- Enhance flexibility with funding (e.g., to develop permanent supportive housing, to administer services, to pay for one-time housing costs, etc.), and
- Provide resources for racial equity training within organizations.

8.2.9 Local governments

Housing priorities and concerns

- State-level assistance with NIMBY-ism and local land use issues (e.g., inclusionary zoning) to address affordable housing needs and racial inequities,

- Rental assistance to benefit tenants and landlords during and after the pandemic,
- Pandemic's impact on housing vacancy rates (i.e., unavailability of housing for those most in need), and
- Impact of broadband access on affordability.

How the Commonwealth can help

- Increase resources to address staff capacity at the local- and state-level (e.g., funds to hire additional staff, technical assistance, etc.),
- Create centralized resource of available programs and clarification of viable local policies in context of the Dillon Rule,
- Lead on racial equity initiatives and coordination among localities, and
- Align requirements of Virginia Housing and DHCD programs (e.g., income limits, household type, etc.).

Chapter 9

Public housing authority survey

This chapter summarizes the public housing authority survey that HousingForward Virginia circulated among public housing authorities across the Commonwealth to collect information on the demand for housing assistance in their communities.

9.1 Methods

From February to March 2021, HousingForward Virginia distributed an online survey to public housing authorities (PHAs) to understand the scope of their affordable housing portfolios and allocation of federal Housing Choice Vouchers. HousingForward Virginia, with assistance from the Virginia Association of Housing and Community Development Officials (VAHCDO), received feedback from 22 out of 33 HUD Direct Voucher Administrators.

The survey results illuminate the shortage of rental units and assistance to low-income households despite existing resources. Both PHAs and rental assistance programs often allow waiting lists, but if all existing PHA units were available to be leased, there still would be a deficit of 7,415 units to meet the waiting lists.

The PHA survey did not account for Project-based Vouchers and Rental Assistance Demonstration (RAD) units, which provide additional affordable units; administrators noted that there are waiting lists for these types of assistance as well.

One administrator observed that the current private housing market is not just making it extremely difficult for voucher holders to locate and lease units, it is also raising per unit costs. Another PHA administrator explained that they operate just over 260 conventional apartments with rents capped at 80 percent AMI without any subsidy in an attempt to provide “maximum stock” for the area’s low-income households.

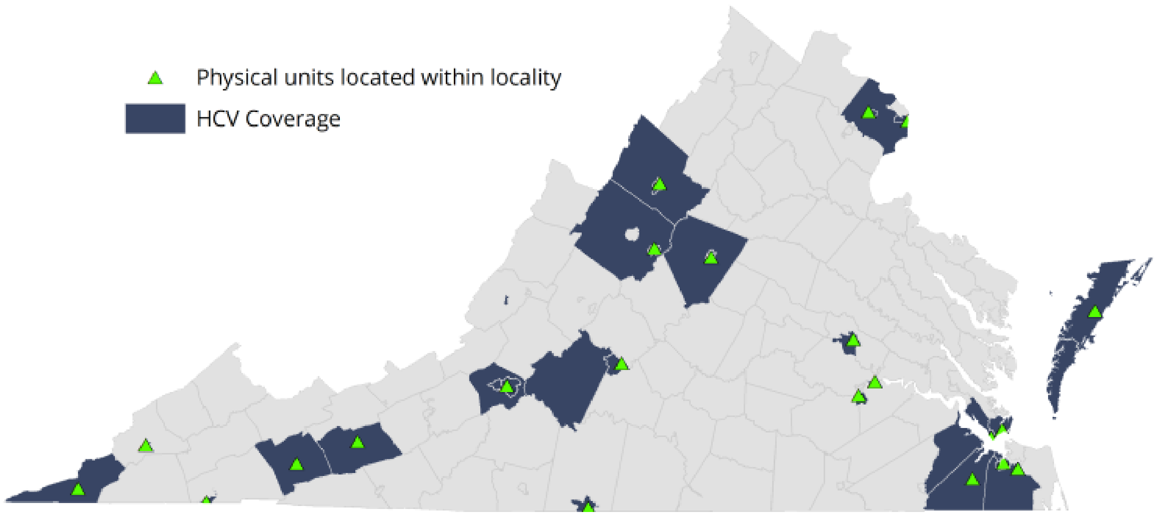


Figure 9.1: Geographic coverage of PHAs surveyed

9.2 Waiting lists for PHA housing assistance programs

All waiting lists are current as of March 2021.

Virginia has a deficit of **40,718 units** and **32,498 rental assistance vouchers** across 32 localities.

9.2.1 Public housing units

A majority of PHAs (82 percent) had open public housing waiting lists in early 2021. Two out of 22 authorities did not own and manage public housing units.

- Total units owned and managed: 12,536[1]
- Waiting list: 16,720[2]

[1] 1,060 units are public housing units that have been converted to RAD.
[2] Less than 200 waiting list households are for RAD.

9.2.2 LIHTC units

Half of authorities (50 percent) had open LIHTC waiting lists in early 2021. Thirty-six percent of authorities had no LIHTC units.

- Total units owned and managed: 4,047
- Waiting list: 7,278

9.2.3 Housing Choice Vouchers

A majority of authorities (64 percent) had open HCV waiting lists in early 2021. Thirty-six percent of authorities expected to open waiting lists in 2022 and beyond.

- Total HCVs allocated: 30,731
- Total HCVs in use: 27,781
- Waiting list: 32,498

Chapter 10

Client survey

This chapter provides an overview of the program client survey that HousingForward Virginia designed and the Virginia Housing Alliance deployed. The survey intended to collect direct feedback on current housing programs from users who have applied for and/or received assistance through these initiatives.

Summary

At the recommendation of the SAG, HousingForward sought feedback from individuals who may have received assistance from state housing programs to provide additional context for the effectiveness of programs. Virginia Housing Alliance, HousingForward Virginia, and other partners developed and distributed an online survey from May to June 2021.

The survey received 1,313 completed responses, but was compromised by the interference of an automated software program or "bot." The survey partners determined from repetitive responses, suspicious email addresses, and random country IP addresses that 93 percent of the responses were not valid, leaving 91 legitimate responses. Fifteen service and/or housing providers, identified by their email addresses, had taken the survey, further limiting analysis of the results.

The survey was also limited by a low response rate despite a financial incentive and availability of Spanish language and hard copy versions. It also could not incorporate verification that respondents had received housing assistance from a state program.

The HB854 client survey sample size is too small to fairly represent the number of individuals that receive housing assistance from state agencies. The client survey outcome and the barriers to its effective implementation demonstrate a need for well-planned and on-going communication between the Commonwealth and housing assistance recipients whose experiences and input would inform regular program adjustments to best meet the needs of target populations.

Recommendations for sustained engagement are included in Chapter 30.

Chapter 11

Experts and power users

This chapter provides readers with a summary of the additional experts and practitioners who provided testimony to the SAG, steering committee, and HousingForward Virginia during the HB854 study process.

Rental assistance experts

To provide the rental assistance subgroup with information on national best practices and lessons learned, HousingForward Virginia spoke with or invited the following individuals to speak to the subgroup:

- Danilo Pelletiere, Washington, D.C. Department of Housing and Community Development
- Hammere Gebreyes, District of Columbia Housing Authority
- Maxwell Ruppersburg, Georgia Department of Behavioral Health and Developmental Disabilities
- Cecilia Woodworth, Massachusetts Office of Community Development
- Steve DiLella, Connecticut Department of Housing
- Dan Threet, National Low Income Housing Coalition
- Jillian Fox, Corporation for Supportive Housing

Utility experts

To provide the utility rate reduction subgroup with a clear understanding of the regulatory environment and scope of existing public and provider-based assistance programs, HousingForward Virginia spoke with or invited the following individuals to speak to the subgroup:

- Kyle Rosner, Deputy Broadband Advisor, Commonwealth of Virginia

- Tommy Oliver and Nick Banka, Roanoke Gas
- Petrina Jones Wrobleski and Bryan Stogdale, Columbia Gas
- Morgan Whayland and Tyler Lake, Virginia Natural Gas
- Todd House, Andrew Lawson, and Scott McGeary, Washington Gas
- Lisa FaJohn and Elizabeth Rhyne, Dominion Energy
- Arlen Bolstad and Kim Pate, Virginia State Corporation Commission

Bond financing experts

To provide the bond financing subgroup with information on the legal framework and scope of bond activities by Virginia's state and local governments, HousingForward Virginia spoke with or invited the following individuals to speak to the subgroup:

- Kyle Flanders, Virginia Department of Housing and Community Development
- Megan Martz Gilliland, Kauffman & Canoles, P.C.
- Hil Richardson, Virginia Housing
- Mike Urban, Virginia Housing

Property tax expert

To provide the real property tax reduction subgroup with information on the legal framework and scope of bond activities by Virginia's state and local governments, HousingForward Virginia invited the following individual to speak to the subgroup:

- Lane Pearson, Fleckenstein & Associates, P.C.

Existing program experts

To adequately understand the strengths, challenges, and opportunities for current state housing programs, HousingForward Virginia spoke with or invited the following individuals to speak to the existing programs subgroup:

- Andy Kegley, HOPE, Inc.
- Ari Severe, TM Associates
- Dianna Bowser, Southside Community Development and Housing Corporation
- Jake Powell, Community Housing Partners
- Jennifer Jacobs, Albemarle Housing Improvement Program
- Jillian Fox, Corporation for Supportive Housing
- John Bolton, LISC Virginia
- Kelly King Horne, Homeward

- Linda Melton, Fulton Bank
- Matthew Morgan, project:HOMES
- Meghann Cotter, Micah Ecumenical Ministries
- Samantha Brown, Community Housing Partners
- Sunshine Mathon, Piedmont Housing Alliance
- Tonya Irizarry, Virginia Credit Union

Part III

RESEARCH AND FINDINGS

Part III Overview

Part III includes the following chapters:

12 Demographic trends

Chapter 12 explains Virginia's major demographic trends over the past decade. The size, movement, diversity, and age of the population all affect the number and types of households (both current and new) and the kinds of housing they need.

13 Economic trends

Chapter 13 shows Virginia's major economic trends over the past decade. Jobs, wages, household incomes, and poverty rates all help explain the financial health of Virginians and contribute significantly to their ability to find housing that meets their budgets.

14 Housing inventory and production

Chapter 14 evaluates high-level trends in Virginia's housing stock, including overall production relative to population and job growth, along with the type, size, age, and quality of the places Virginians call home.

15 Homeownership market

Chapter 15 analyzes the state's homeownership market and current characteristics of Virginians who own their home or are seeking to purchase a home.

16 Rental market

Chapter 16 analyzes the state's rental market and current characteristics of Virginians who rent their home. It also provides data on the scope and distribution of apartments that use some form of public assistance to reduce rents to make them more affordable.

17 Housing instability and homelessness

Chapter 17 presents trends on mortgage delinquency, eviction filings, and homelessness throughout Virginia. Intervention to prevent these crises must be a priority; inaction compounds stresses on social infrastructure like healthcare and education.

18 Projections

Chapter 18 uses the latest available population projections for the state to estimate housing demand in the coming decade. It also discusses the limitations of such data and the need to generate new estimates as post-pandemic census figures are available.

19 Neighbor state comparisons

Chapter 19 compares Virginia's challenges and progress on housing affordability with its neighboring states in the South and Mid-Atlantic. The data contextualizes the Commonwealth's current situation for a broader perspective.

Chapter 12

Demographic trends

This chapter explains Virginia's major demographic trends over the past decade. The size, movement, diversity, and age of the population all affect the number and types of households (both current and new) and the kinds of housing they need.

Highlights

Major takeaways in this chapter include:

- The 2020 U.S. Census recorded Virginia's population at 8,654,542 residents, an increase of more than half a million in a decade and a full percent increase since 2019, reversing the previous slowing trend in annual growth.
- Metro areas are gaining population while rural areas are losing residents. The Northern Virginia suburbs, the Richmond region, and the Northern Shenandoah Valley are growing the most rapidly while the most pronounced losses have been in Southside, Southwest, and the Alleghany Highlands.
- Natural increase and international immigration are driving population growth, not residents moving from other states.
- Virginia is becoming more ethnically and racially diverse, especially within younger age groups. Non-white population growth outpaces that of the white population, particularly in metro areas.
- Virginia is aging. The over-55 cohort is the largest age group in the state, increasing demand for smaller houses—particularly ones suitable for aging-in-place—from renters and owners alike.

12.1 Population and migration

Finding 1: Virginia is growing, but that growth may be slowing.

The number of new Virginians added per year has been getting smaller, although last year's Census count may buck the trend.

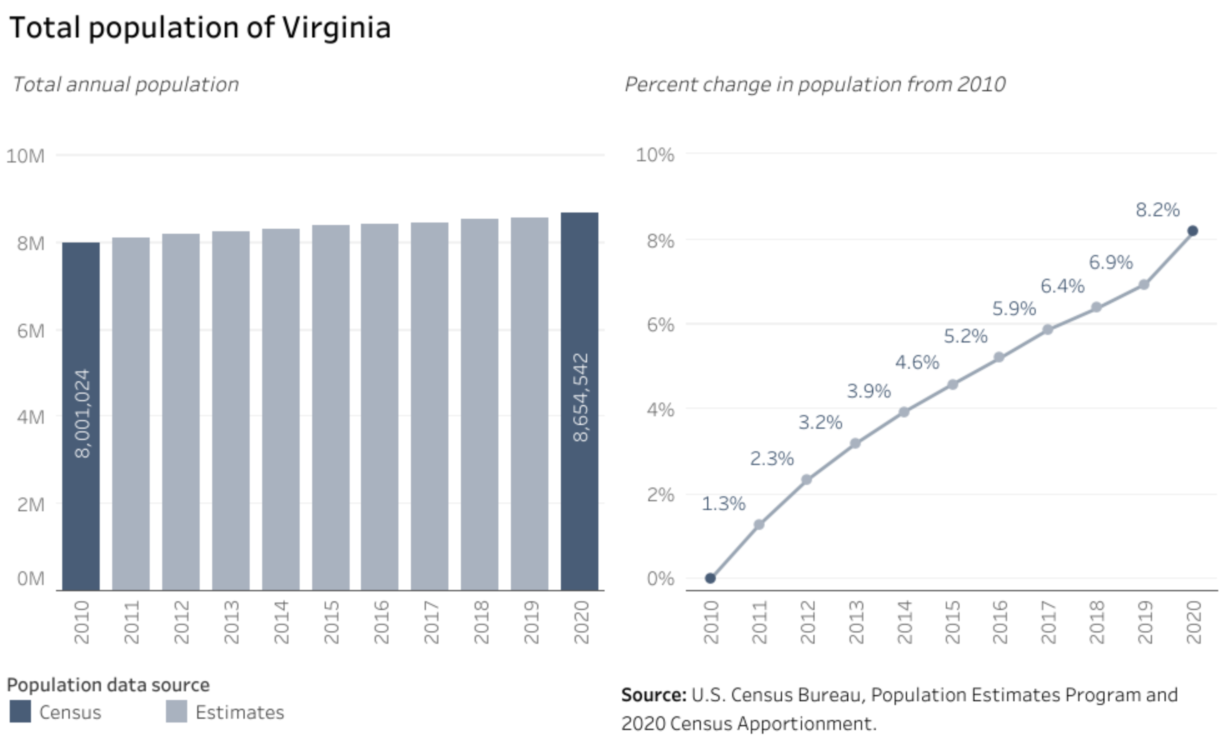


Figure 12.1: Total population of Virginia

Virginia's population surpassed eight million just over ten years ago. Since then, the Commonwealth added more than half a million new residents. While Virginia continues to grow, the relative number of new residents has been getting smaller each year. Up until 2019, population estimates showed Virginia's growth rate waning nearly every year.

That trend may be changing. In April 2021, the U.S. Census Bureau released the state apportionment results from the 2020 Census, which tallied the Commonwealth's population at 8,654,542—more than a full percent increase from the 2019 estimate.

The U.S. Census Bureau has additional information on the changes that Virginia has experienced from the 2010 Census to the 2020 Census here. Interactive dashboards created by the U.S. Census Bureau allow you to explore changes at the locality level in terms of population, diversity, and age.

Finding 2: Many more people are living in metro areas than a decade ago.

Rural communities across the Commonwealth continue to lose population.

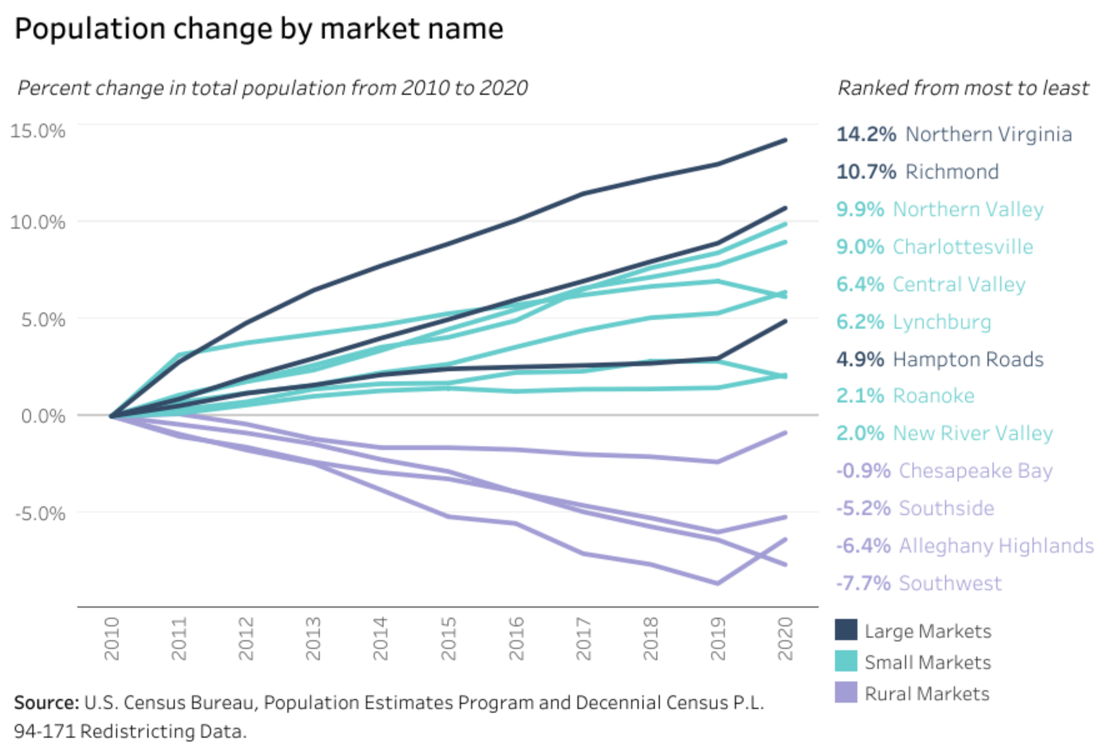


Figure 12.2: Population change by market name

Virginia's population growth is not evenly distributed; large portions of the Commonwealth are losing residents. Every Large and Small Metro Housing Market has grown since 2010, especially those along the urban crescent and throughout the Shenandoah Valley. The three fastest growing metro areas are the Northern Virginia suburbs, the Richmond region, and the Northern Shenandoah Valley.

Over the same period, Virginia's rural population has consistently declined. The most pronounced losses have been in Southside, Southwest, and the Alleghany Highlands. However, 2020 Census counts showed that recent estimates for rural Virginia may have overestimated population losses of the past decade. The Chesapeake Bay, Southside, and Southwest markets all had above-expected population counts in last year's decennial census.

Population change by submarket

Percent change in total population from 2010 to 2020

Large Markets	Outer Suburbs (Fredericksburg Area)	15.9%
	High Density Urban Core	14.7%
	Inner Suburbs	14.3%
	Suburbs	9.9%
	Outer Suburbs (Northern Piedmont)	9.8%
	Exurbs	7.2%
	Urban Core	2.9%
Rural Markets	Eastern Shore	0.3%
	Middle Peninsula / Northern Neck	-1.6%
	Cities	-2.5%
	Counties	-7.1%
Small Markets	Cities	4.6%
	Counties	6.1%

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

Figure 12.3: Population change by submarket

Populations also shifted dramatically within markets. By sorting metro areas into submarkets, it is possible to explore the types of communities with the largest population increases and decreases. Since 2010, the highest population growth—more than 14 percent—has occurred in lower density areas along the I-95 corridor, dense urban cores in Northern Virginia, and suburban localities surrounding major cities.

Lower-density urban cores have seen the smallest relative growth (just below three percent) among all submarkets in major metro areas. These are the central cities in the Richmond-Petersburg area and Hampton Roads.

Within smaller markets, both cities and their surrounding counties are growing, although cities have a slight edge. Three of the four rural submarkets are shrinking, with the largest declines occurring in small cities and counties not along the Chesapeake Bay.

Finding 3: 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.

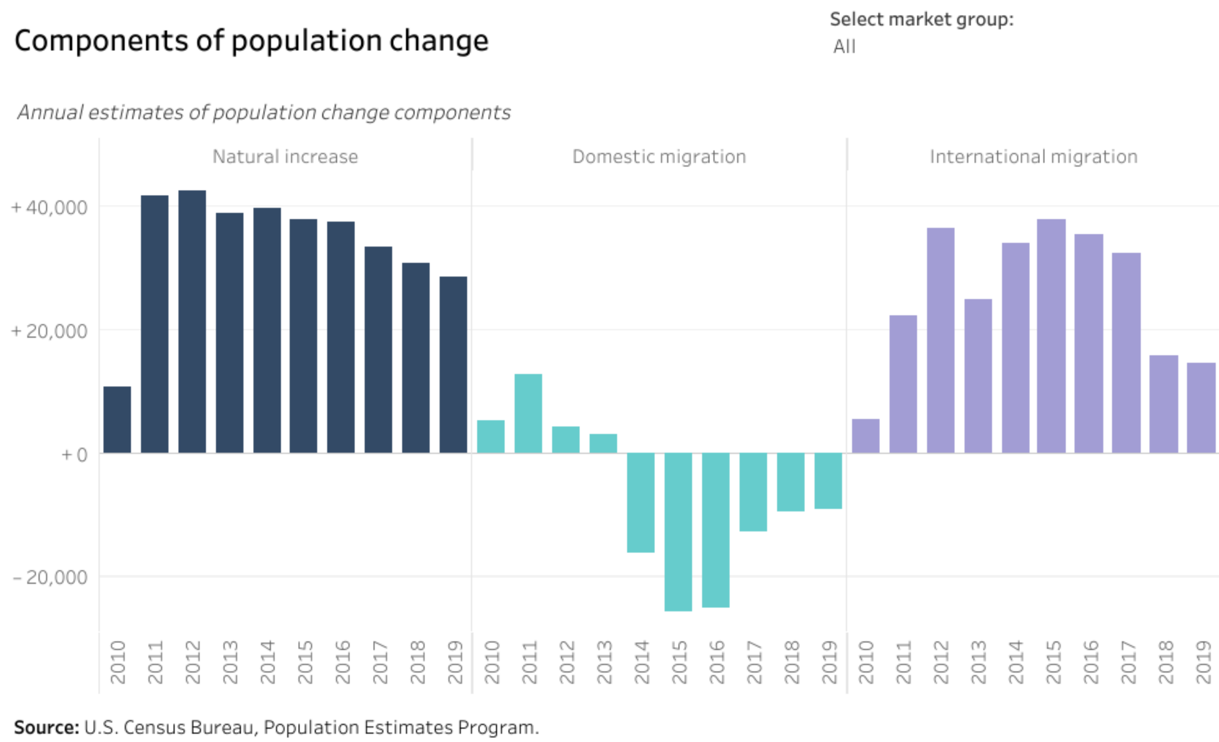


Figure 12.4: Components of population change

The basic components of population change include births, deaths, and migration—both domestic and international. The net difference between births and deaths is the "natural" increase or decrease in population.

Since 2010, Virginia's population growth has been entirely the result of natural increases and immigration from other countries. Since 2014, more Virginians have moved to another state than other Americans have moved to Virginia.

However, figures from the last few years show that the state's natural population increases are slowing. The domestic migration "deficit" is getting smaller, and foreign migration numbers have declined sharply. If these recent trends continue, in the near future population growth may be driven more by individuals and families moving to Virginia from other states.

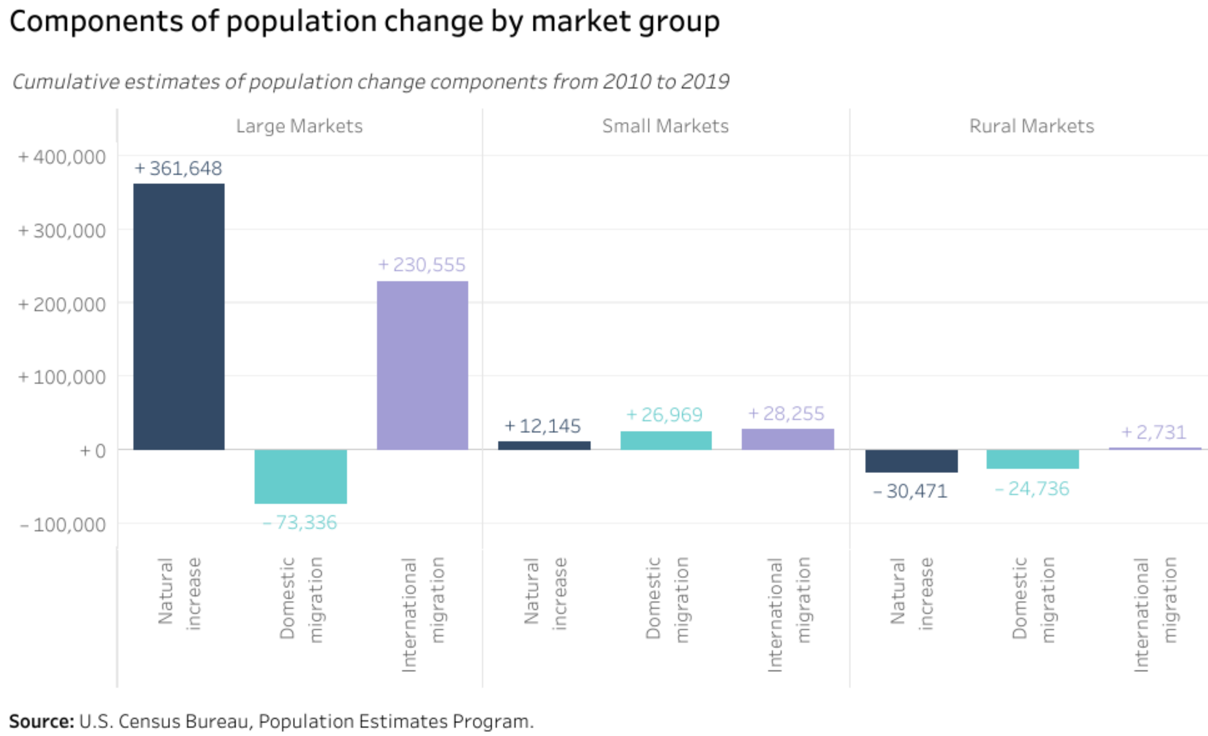


Figure 12.5: Components of population change by market group

Natural increases and foreign migration are driving population growth in Large Metro Housing Markets. Domestic and foreign migration is driving growth in Small Metro Housing Markets. While Rural Housing Markets have seen a small increase in immigrants from other nations, they are experiencing both natural population decline (more deaths than births) and domestic migration deficits.

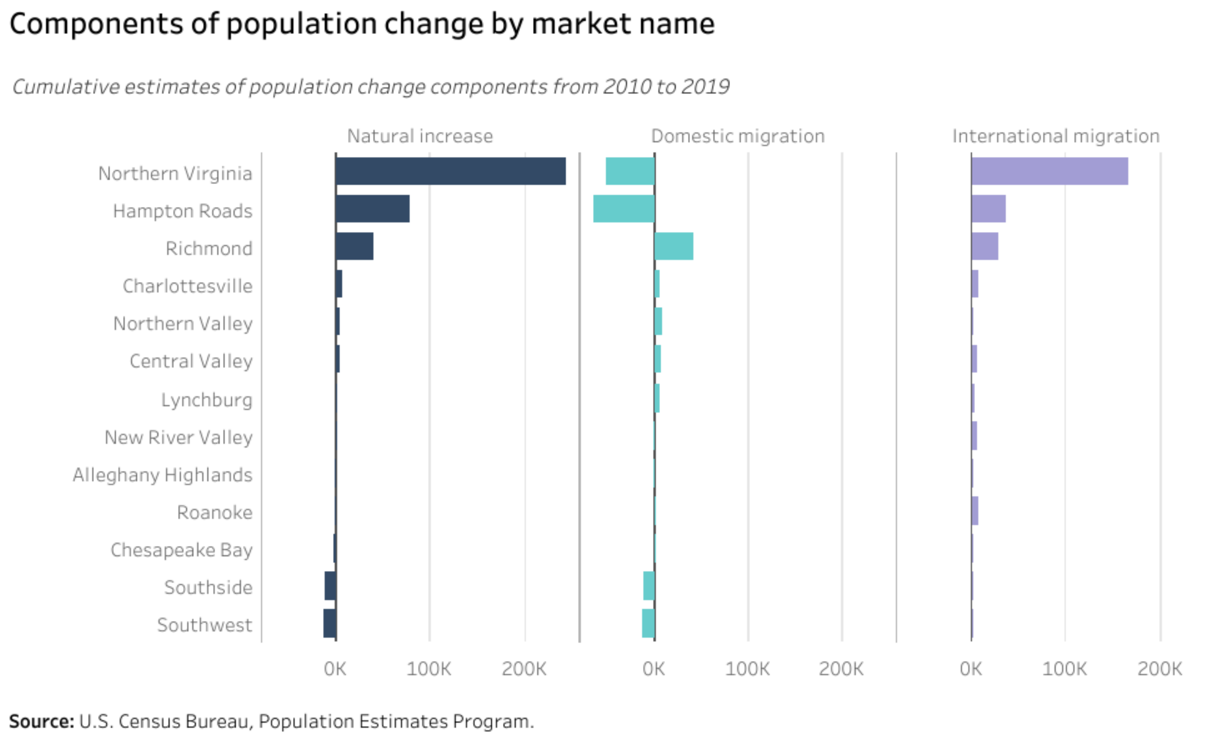


Figure 12.6: Components of population change by market name

From 2010 to 2019, births and foreign immigration in the urban crescent has driven Virginia's population growth. Hampton Roads experienced a larger natural increase than Richmond, but Richmond was the only market to see major growth from people moving into Virginia from other states. Small Markets in the Shenandoah Valley also experienced slight net increases in domestic migration. These markets, including Charlottesville and Winchester, have attracted more residents over the past decade.

12.2 Racial and ethnic diversity

Finding 1: Virginia is steadily becoming more diverse.

The non-white population has seen more growth than the white population.

Non-white population change

Percent change in non-white and white population since 2010 by market name

		Non-white	White
Large Markets	Northern Virginia	89.9%	-15.3%
	Richmond	31.4%	-1.0%
	Hampton Roads	24.0%	-7.6%
Small Markets	Northern Valley	168.3%	-3.4%
	Central Valley	122.2%	-4.4%
	New River Valley	83.4%	-6.3%
	Charlottesville	46.5%	-0.8%
	Roanoke	44.1%	-6.3%
	Lynchburg	27.0%	0.6%
Rural Markets	Southwest	72.2%	-10.9%
	Alleghany Highlands	33.0%	-9.7%
	Chesapeake Bay	12.3%	-6.9%
	Southside	7.1%	-12.1%

Source: U.S. Census Bureau, Population Estimates Program and Decennial Census P.L. 94-171 Redistricting Data.
Note: Non-White includes American Indian and Alaskan Native, Asian, Black or African American, Native Hawaiian and Other Pacific Islander, Two or More Races, and Some Other Race.

Figure 12.7: Non-white population change

Although a majority of Virginians (60 percent) identified as white in the 2020 Census, growth among the non-white population is outpacing white population growth. This is especially true in the Large and Small Metro Housing Markets of Virginia where on average the non-white population has grown by more than 50 percent, while the white population across all markets has declined.

Race and ethnicity in the 2020 Census

The greater-than-expected rise in the non-white population—and commensurate shrinking of the white population—surprised researchers when the 2020 Census results were released.

This phenomenon is very likely in part because of the changing ways Americans are choosing to identify their race and ethnicity.

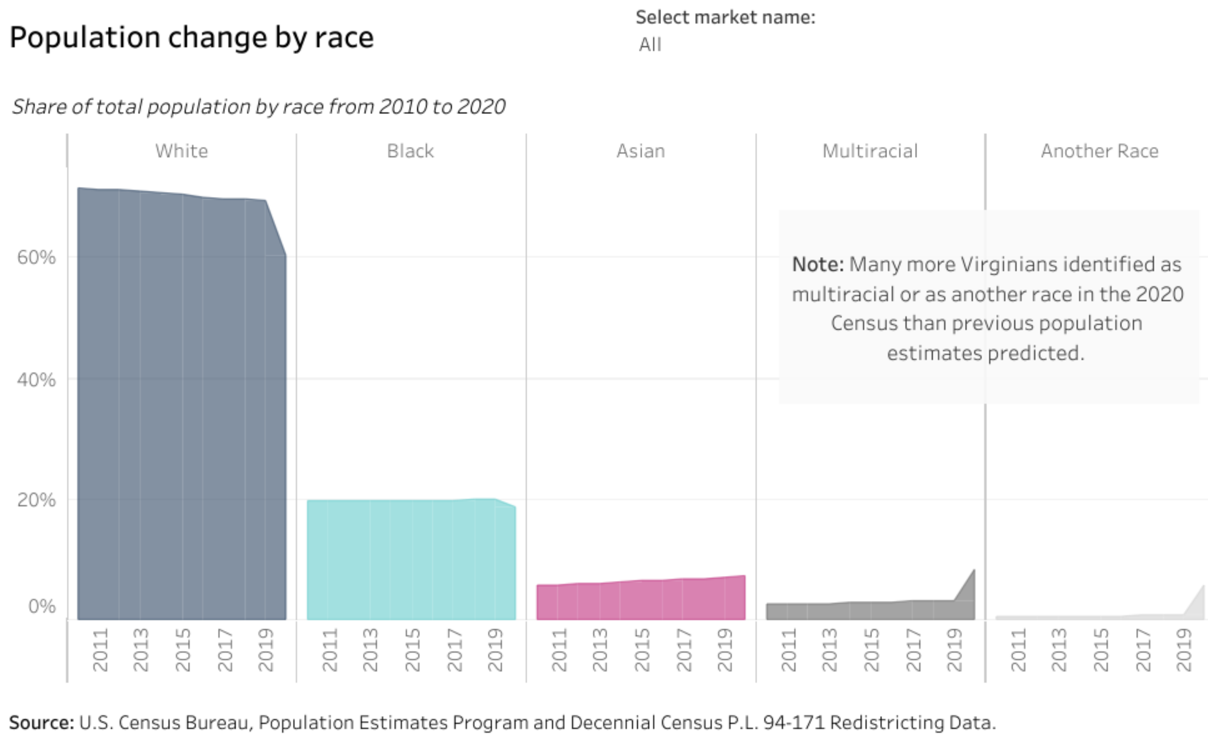


Figure 12.8: Population change by race

In the 2010 Census, just over 71 percent of Virginians identified themselves as white. That number steadily declined over the past decade as the Commonwealth continued to become more diverse, falling to just above 69 percent in the 2019 population estimates.

However, that share dropped significantly—to 60 percent—in the 2020 Census. Last year, larger shares of Virginians chose to identify themselves as multiracial (up to 8.2 percent from 2.5 percent in 2010) or of another race (up to 5.7 percent from less than one percent in 2010).

Over this same period, the share of Virginians who are Black remained just below 20 percent, and the share of those who are Asian increased steadily from 5.6 percent to 7.1 percent.

Finding 2: Hispanics are driving population growth across the Commonwealth.

The Hispanic population is outpacing non-Hispanics in all market areas of Virginia.

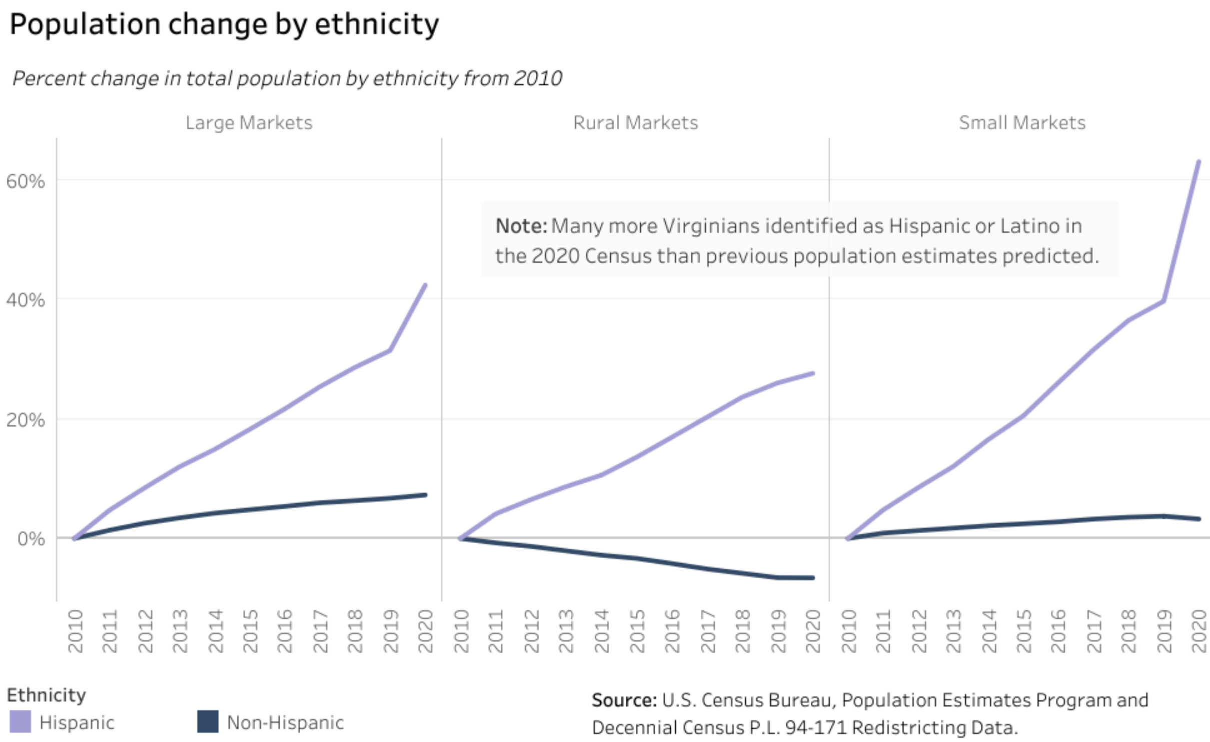


Figure 12.9: Population change by race

Like much of the United States, the Hispanic population in Virginia is seeing major growth. Hispanics in rural Virginia are compensating for the decline in non-Hispanics. Without this growth, Rural Housing Markets in Virginia would suffer further from a shrinking workforce and tax base.

The Hispanic population has increased by 63 percent in Small Metro Housing Markets from 2010 to 2020, the largest percent change in Virginia.

Finding 3: Immigration to Virginia is a big factor in recent growth.

Naturalized U.S. citizens are contributing to growth throughout Virginia.

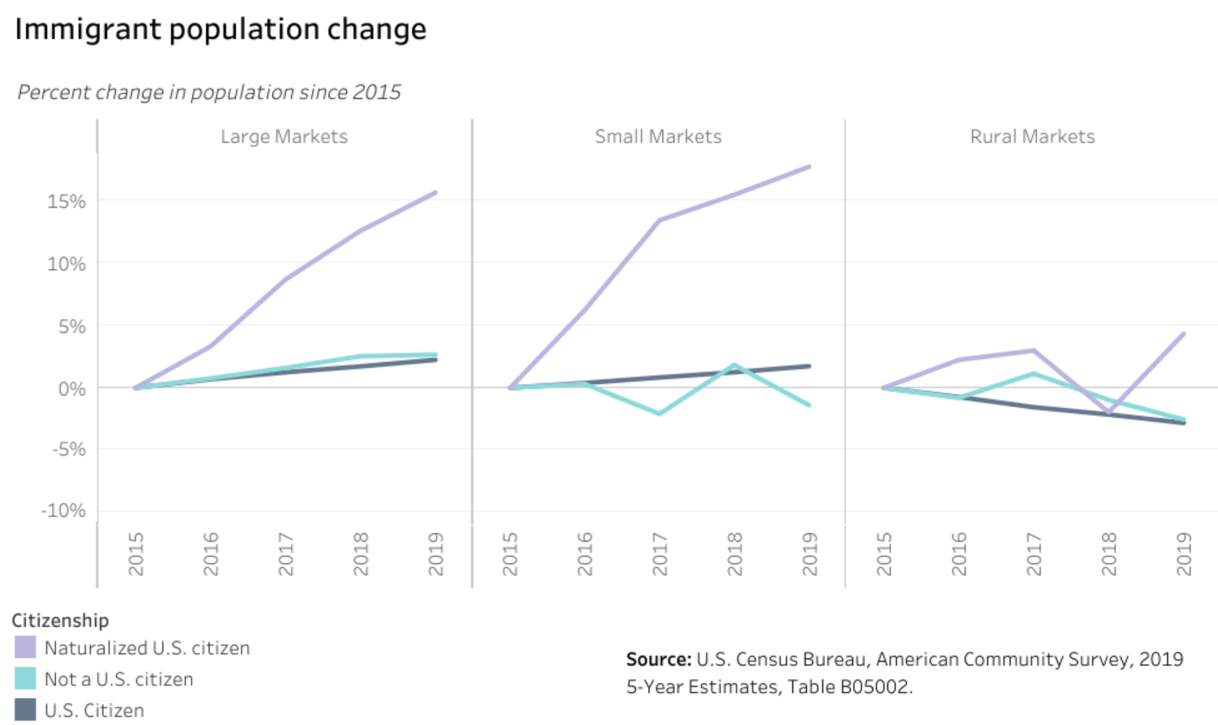


Figure 12.10: Immigrant population change

In 2019, approximately 12 percent of Virginia's population was born in another country. The largest share of Virginia's foreign born population (42 percent) was from Asia while 36 percent was from Latin America. Much of Virginia's immigrant population comprises naturalized citizens who are a significant factor in population growth in all three housing markets in Virginia.

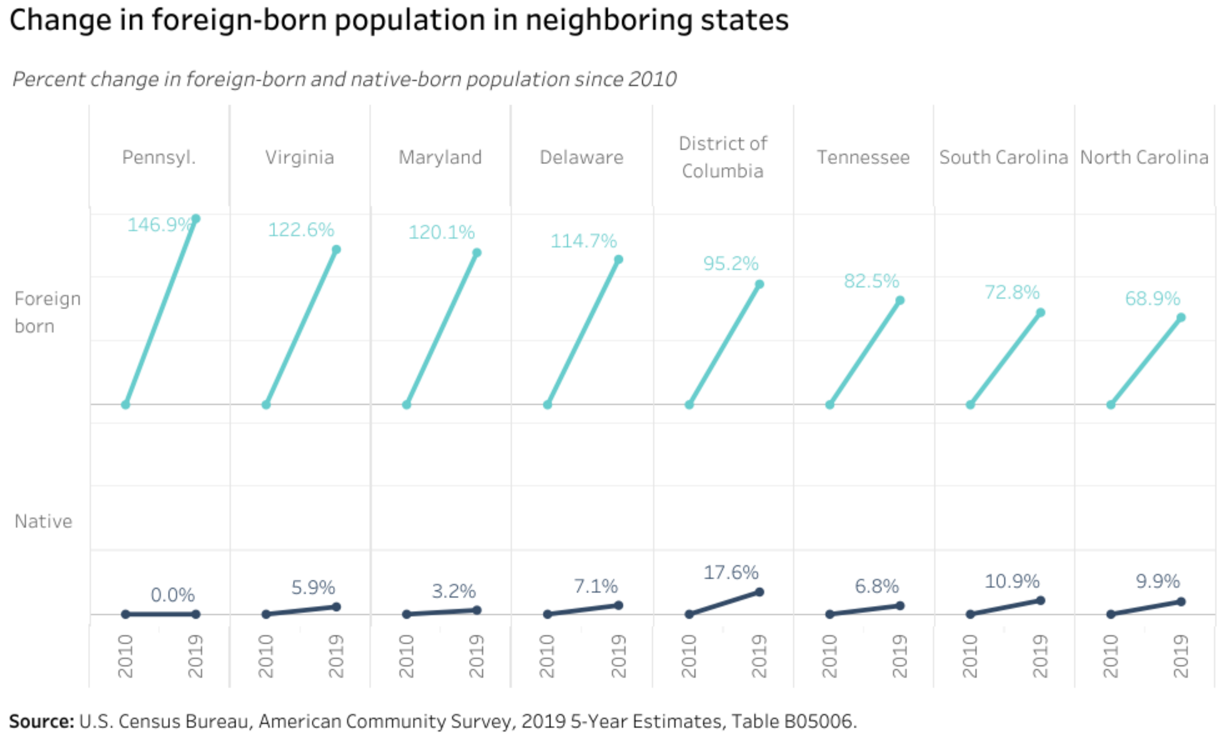


Figure 12.11: Change in foreign-born population in neighboring states

12.3 Age and generations

Finding 1: Virginia is getting older.

Baby boomers are the main group aging in Virginia, but millennials aren't far behind.

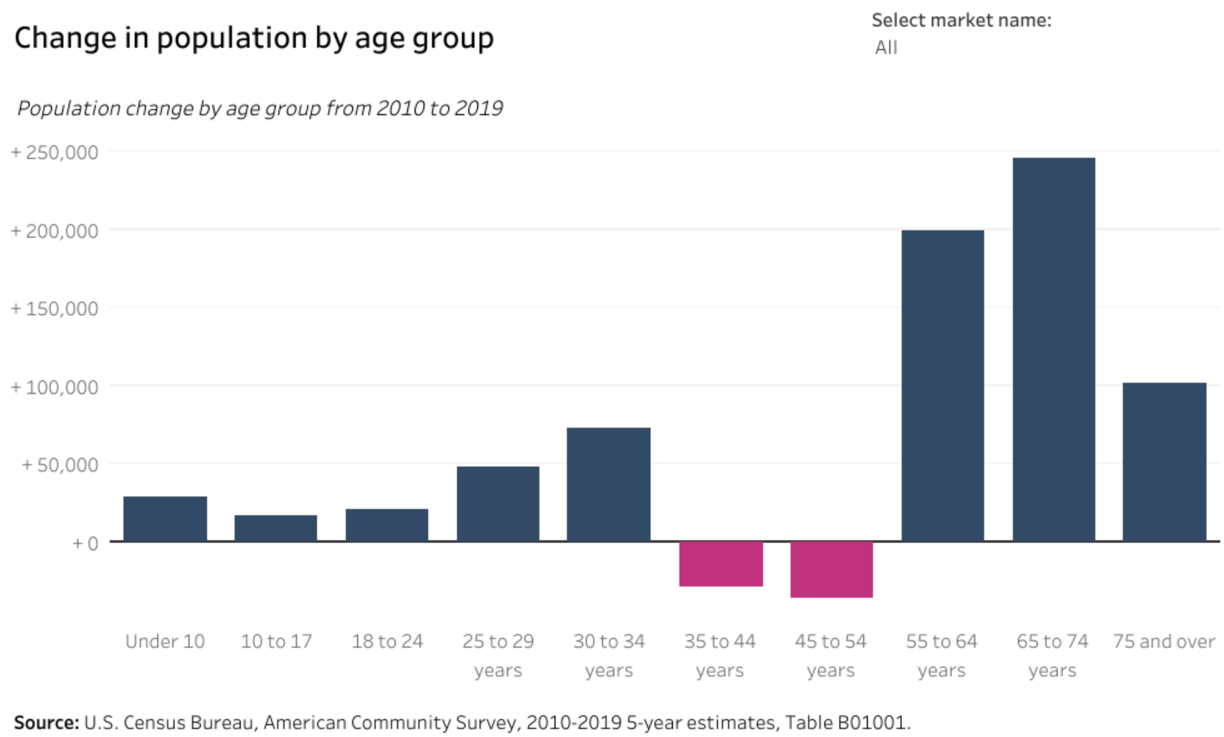


Figure 12.12: Change in population by age group

Virginia's population shifts by age resemble a barbell, with all the growth occurring at the ends of the spectrum. The largest growing age cohort over the last ten years is 55 and over, especially "young" seniors between 65 and 74. There are also 100,000 more elderly Virginians who are 75 and older and who have more specific housing needs. The number of middle-age Virginians—between 35 and 54—has declined, while the 25 to 34 cohort showed strong gains as millennials fully graduate into adulthood.

Finding 2: Rural communities have much higher average ages than metro regions.

Smaller college towns keep some non-metro areas of Virginia youthful.

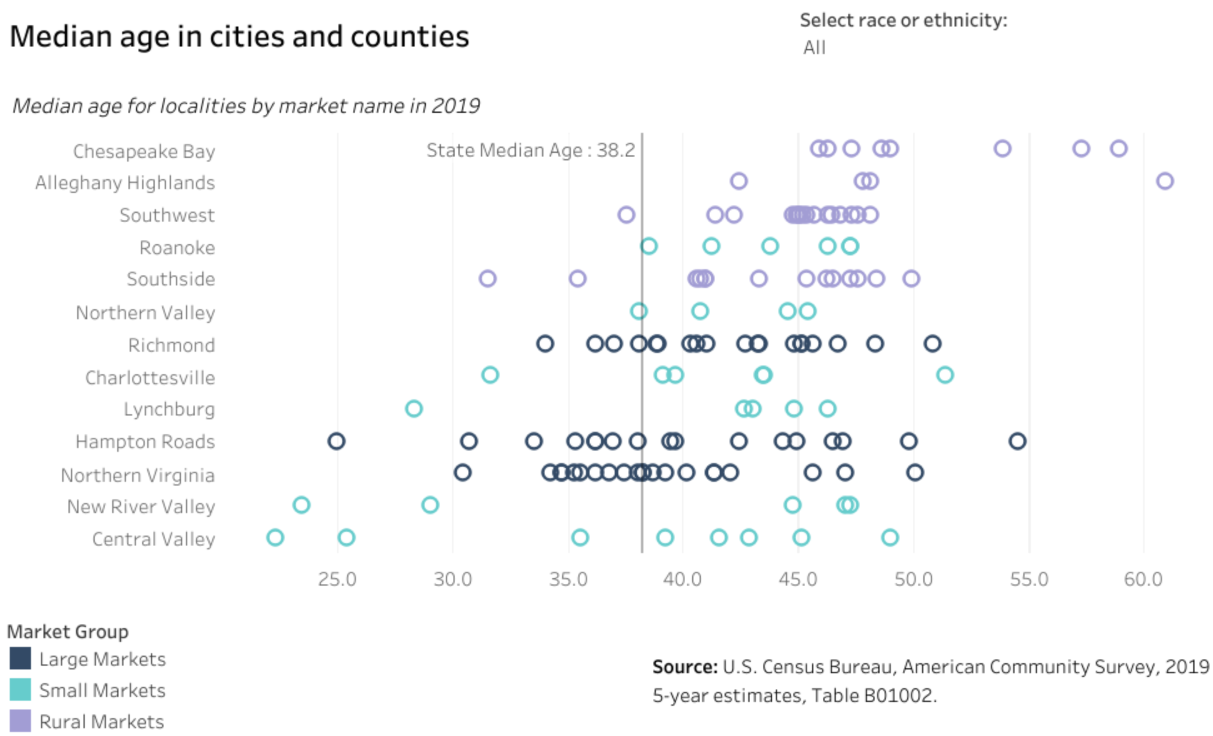


Figure 12.13: Median age in cities and counties

The average age of Virginia's statewide population is 38 years, but is 45 years in communities around the Chesapeake Bay, in the Alleghany Highlands, and throughout Southwest Virginia. These rural areas continue to age at a much faster rate than their more populous counterparts in other parts of the state.

Some of the youngest areas of the state are actually outside of the urban crescent, including college towns and cities in the New River Valley (Blacksburg and Radford) and Central Valley (Harrisonburg and Lexington). However, most younger-than-average localities are located in Northern Virginia and Hampton Roads.

Finding 3: Both Large and Small Metro Markets are aging faster than Rural Housing Markets.

This age wave has major housing implications.

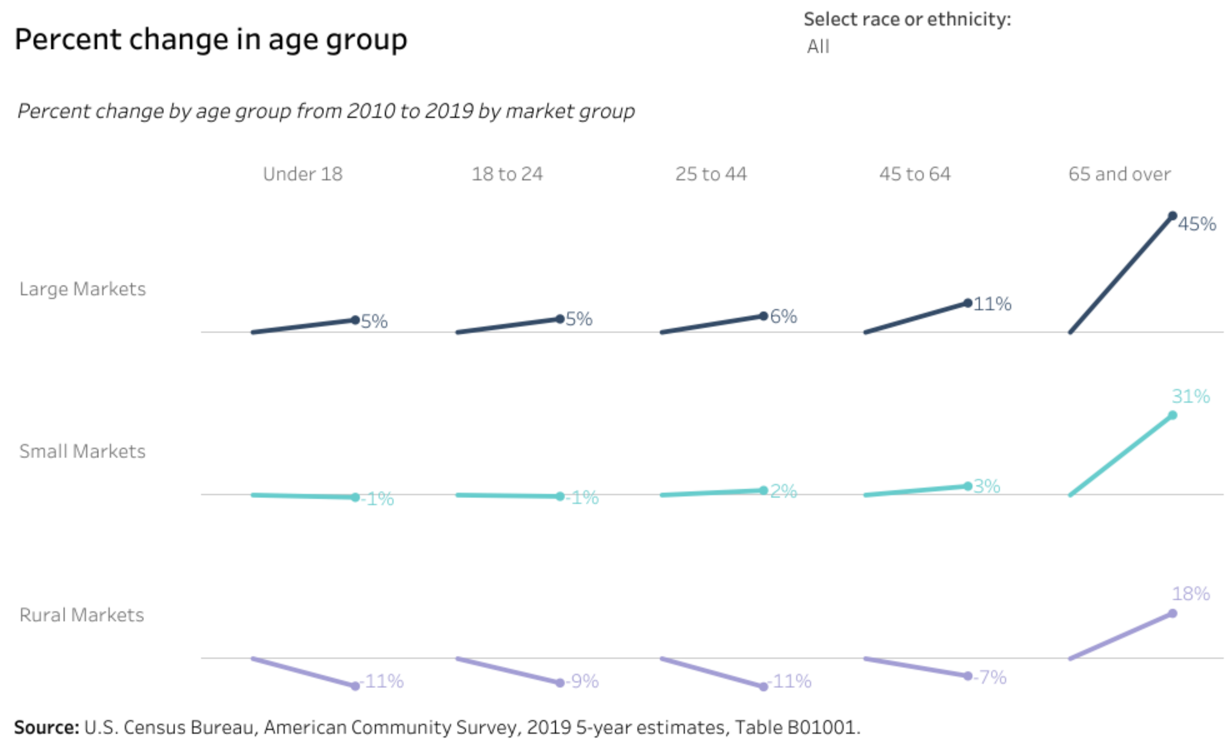


Figure 12.14: Percent change in age group

Most rural communities in Virginia are losing population on the whole but gaining numbers of people over 55—mainly due to current residents aging into retirement. However, these gains are much more significant in both Large and Small Markets in the rest of the state, especially in the 65 to 74 cohort.

Many of these urban and suburban Virginians are looking to downsize as they reach their senior years. This increases competition for an insufficient number of smaller homes. Less affluent and less mobile seniors—especially those with disabilities—face challenges of accessibility and maintenance needs.

Finding 4: More seniors generally means smaller households.

As baby boomers age, they continue to live with their spouse or to live alone.

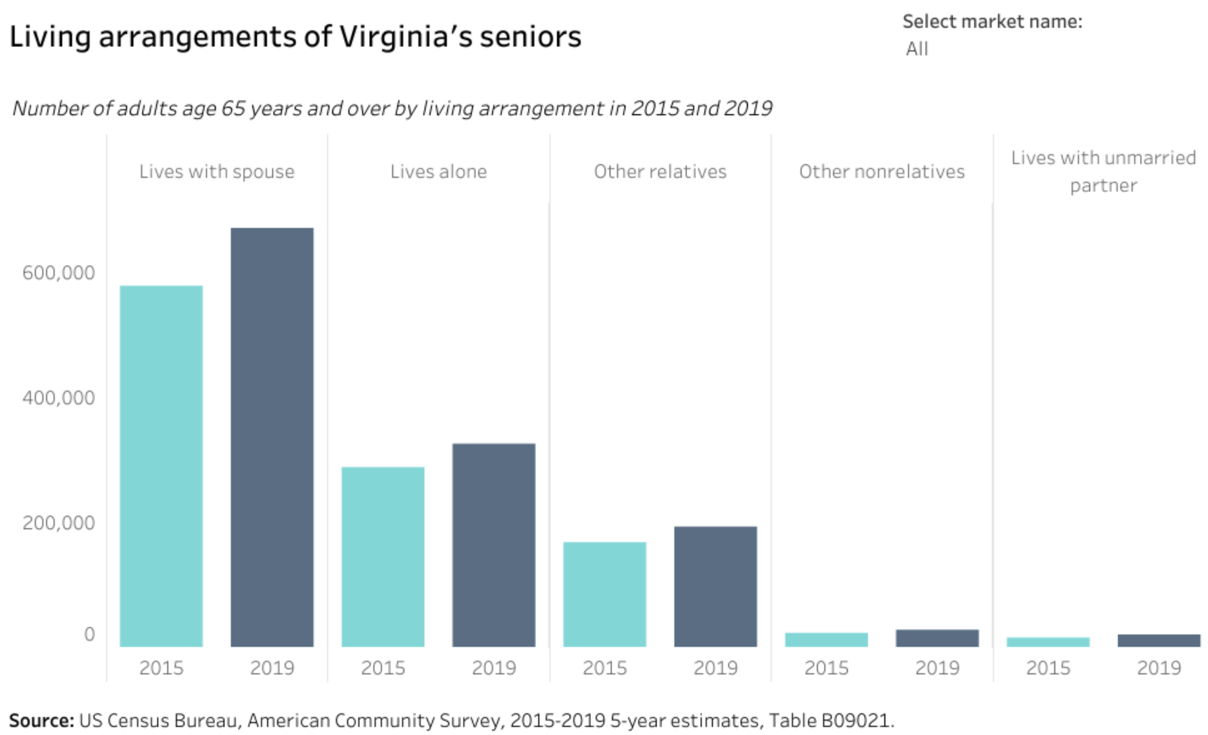


Figure 12.15: Living arrangements of Virginia's seniors

Most seniors continue to live alone or with their spouse though there has been a small increase in the number of seniors living with extended family. Married or single seniors living independently experience both sides of the housing stability coin: while they may now need "less house" to live comfortably, caring for themselves or each other will become increasingly difficult as they age without younger household members to provide care.

As a result, many mobile senior households are seeking smaller homes in denser areas, especially neighborhoods near services and amenities. This stock is also popular with young adults seeking their first home to purchase, setting up high levels of demand.

Finding 5: Disabilities among seniors are more common in rural communities.

These seniors face greater challenges accessing services and safe housing.

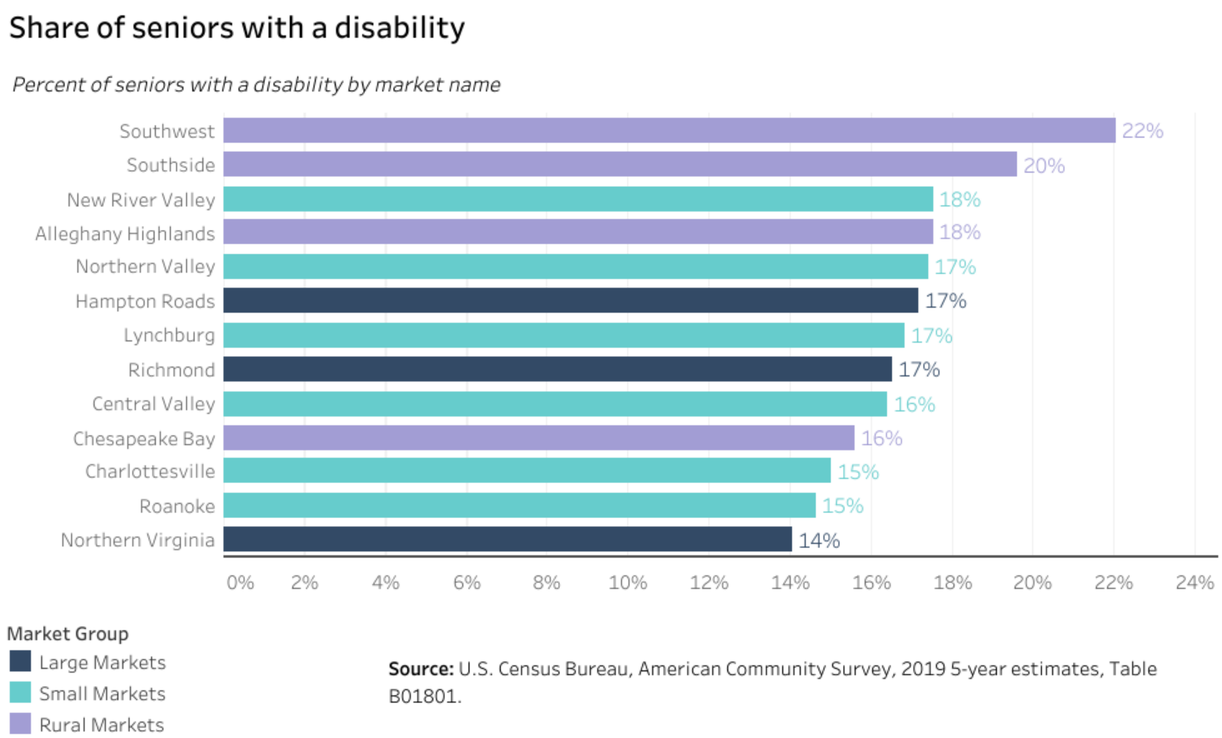


Figure 12.16: Share of seniors with a disability

In 2012, more than 330,000 Virginians over 65 had a disability. As of 2019, that number had increased to 410,000. Many of those seniors are in Southwest and Southside, where more than one in five older adults have a disability.

In these less dense areas, seniors must travel further to shop, visit family, and get healthcare. Many types of disabilities make those necessary daily activities even more challenging, especially when public transportation is limited. Older housing in rural areas is often less accessible and in need of more maintenance than newer homes in other parts of the state.

Finding 6: Virginia's youth is increasingly diverse.

Over half of young Virginians in Large Metro Housing Markets are now persons of color.

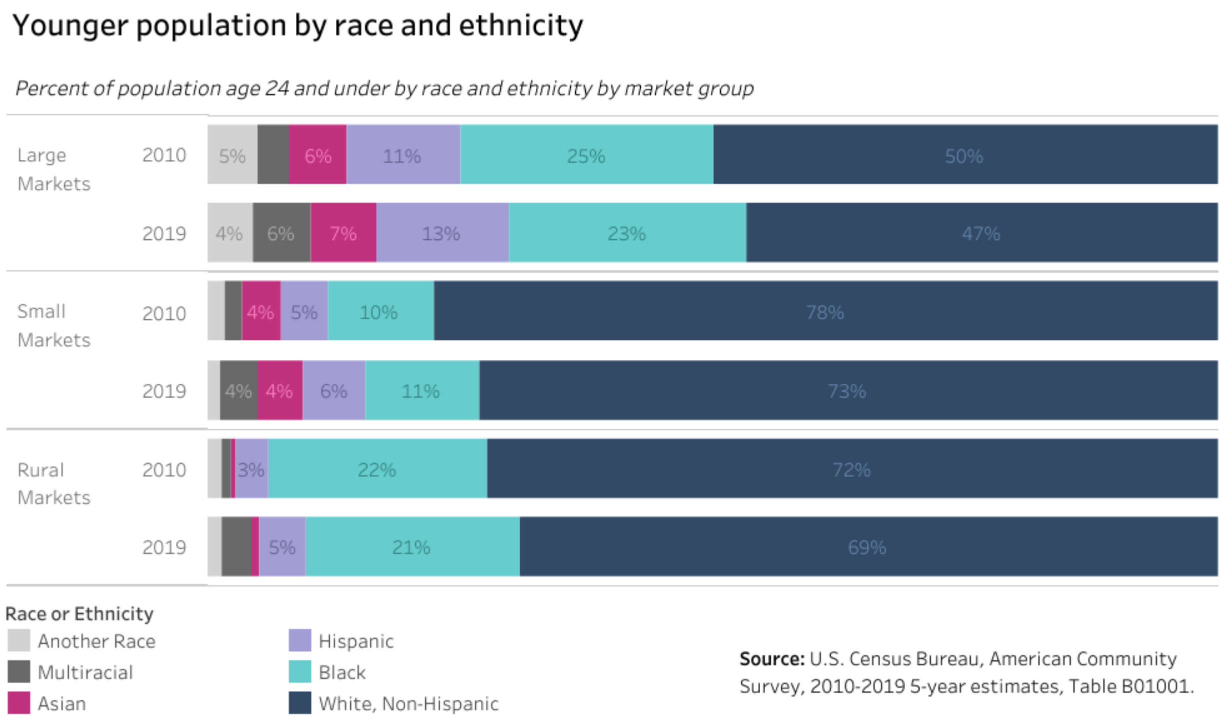


Figure 12.17: Younger population by race and ethnicity

Large Markets have the most racially and ethnically diverse population of children and college-age adults. There is also a large and growing diverse youth cohort in Small Markets. The youth population in rural Virginia is becoming increasingly diverse as well due to a larger share of the Black population. Overall, the strongest growth is in Hispanic and multiracial youth.

12.4 Household trends

Finding 1: Household sizes are shrinking in Small Metro and Rural Housing Markets.

Larger households are seeing the greatest growth in Large Metro Housing Markets.

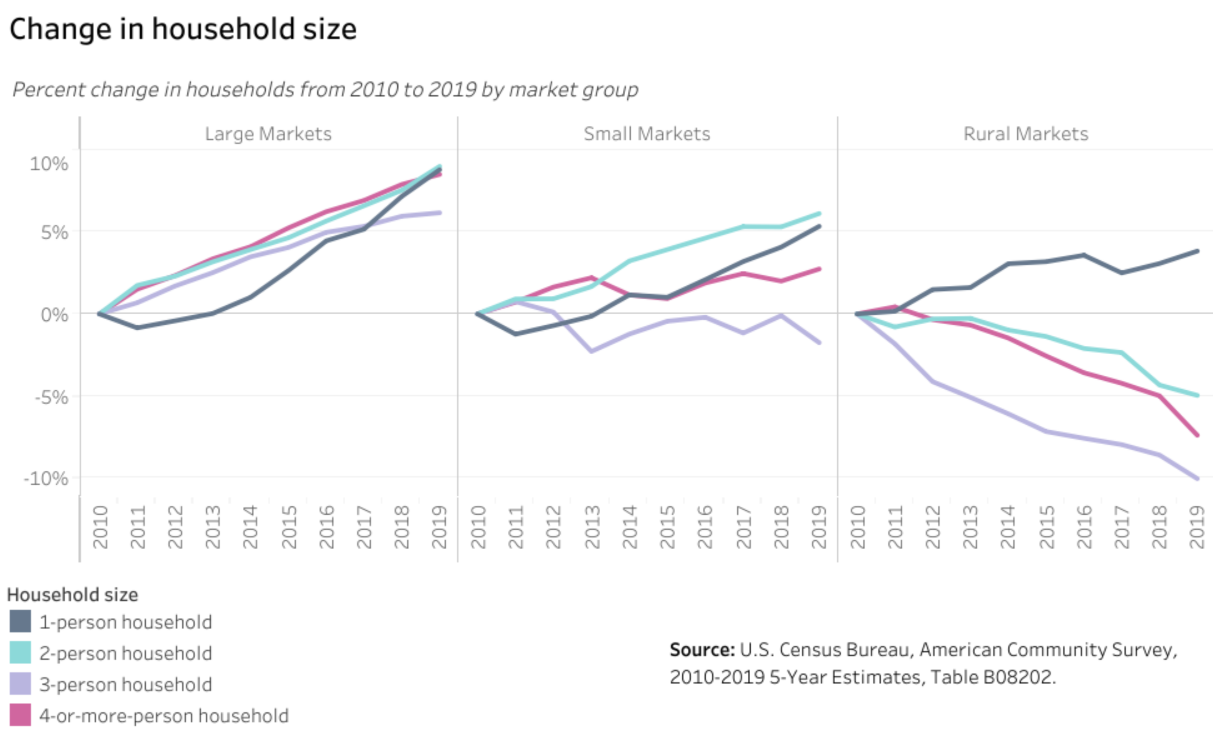


Figure 12.18: Change in household size

While households of all sizes are seeing rapid growth in Large Markets in Virginia, the same cannot be said for other parts of the Commonwealth. The largest declines in household size are happening in the rural areas of Virginia, where overall population declines are occurring in large part due to loss of economic opportunities and an aging population.

In Small Markets, three-or-more person households are stagnating while one- and two-person households are seeing the greatest growth. The growth of one-person households in rural areas has outpaced all other household sizes—likely in large part to an increase in seniors living alone.

Finding 2: Renters have smaller households than owners.

The average size of renter households is also decreasing more rapidly than the average size of owner households.

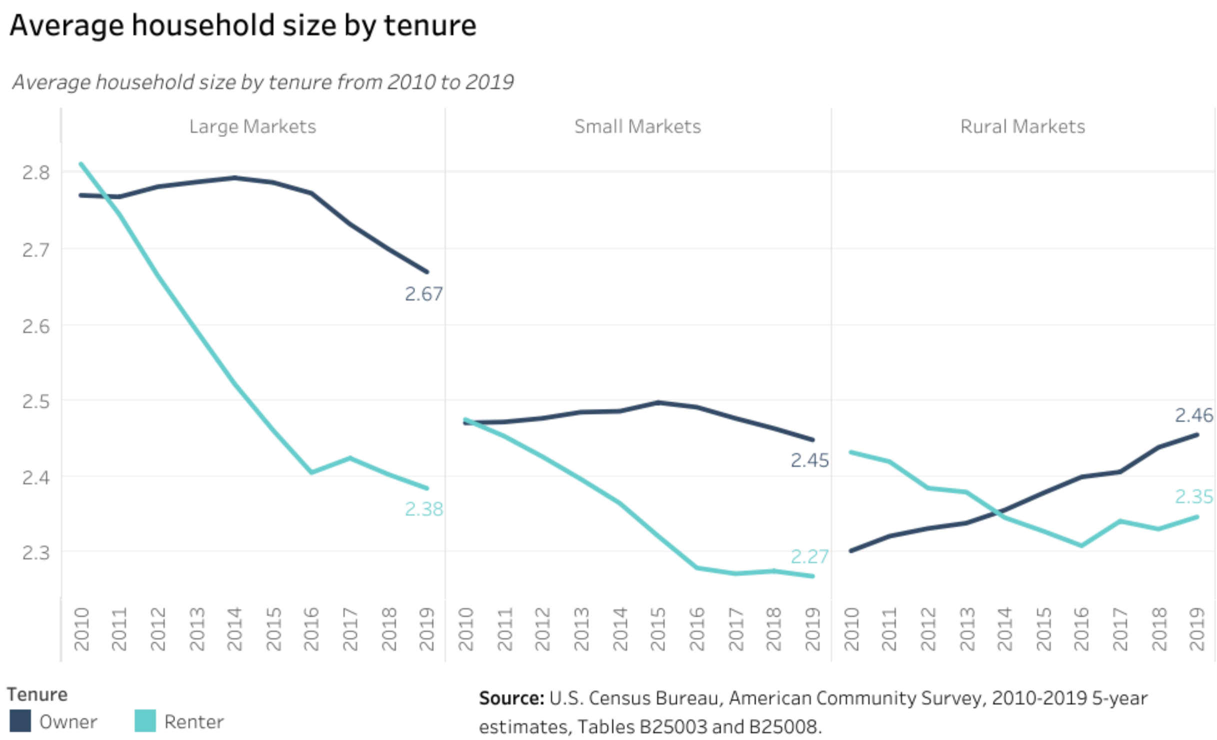


Figure 12.19: Average household size by tenure

Large Markets have had the largest average household sizes for both owners and renters, but those sizes have declined significantly since 2010. Renter households in Small Markets have also gotten smaller, while owner-occupied households in those areas have stayed about the same size. The size of renter households in Rural Markets has not changed significantly, but owner households there have bucked the trend and increased in size steadily over the last decade.

Finding 3: The share of adult children living with their parents continues to climb.

Except in Hampton Roads, Large and Small Metro Housing Markets are experiencing moderate increases in the number of adult children living with their parents.

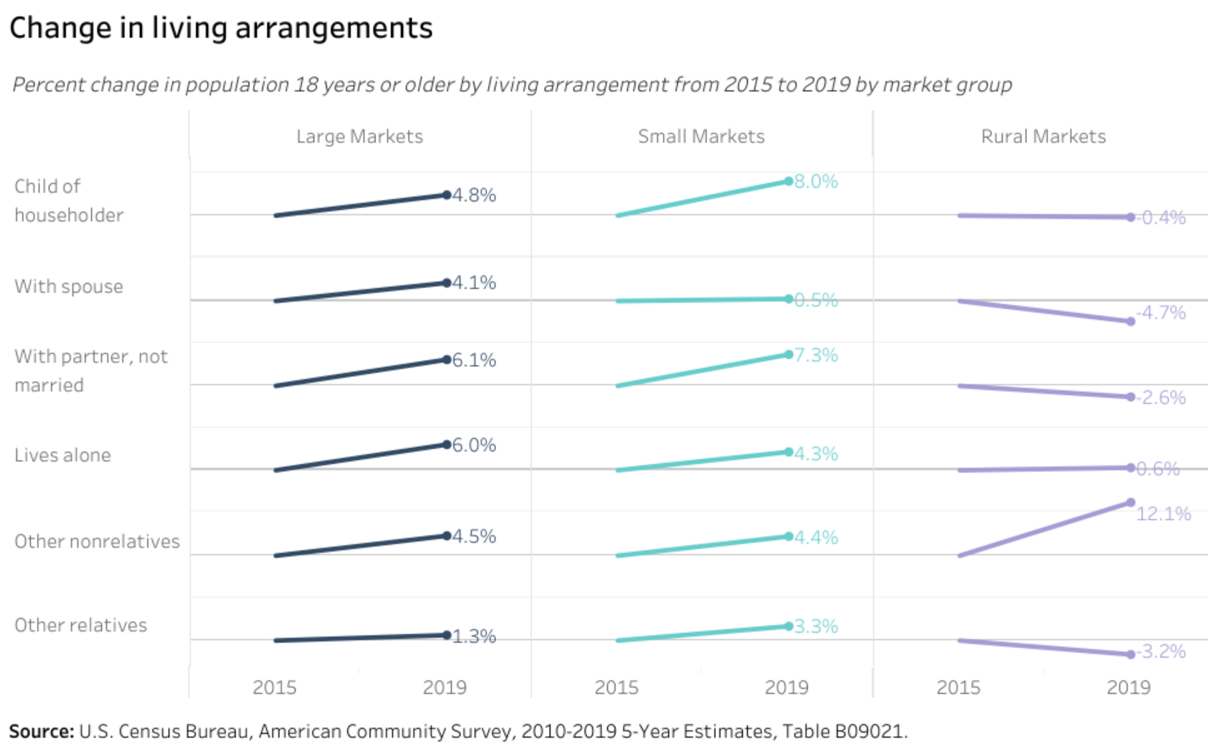


Figure 12.20: Change in living arrangements

As home prices and rents have continued to increase, many adults are finding it hard to find affordable housing on their own. There have been moderate increases in the number of adults living with their parents in nearly every large and small metro area in Virginia except for Hampton Roads.

In rural Virginia, the shift in household composition has been primarily toward shared living arrangements of nonrelatives.

Finding 4: There are now many more older homeowners—and fewer younger ones—than a decade ago.

Renter households have increased across all ages.

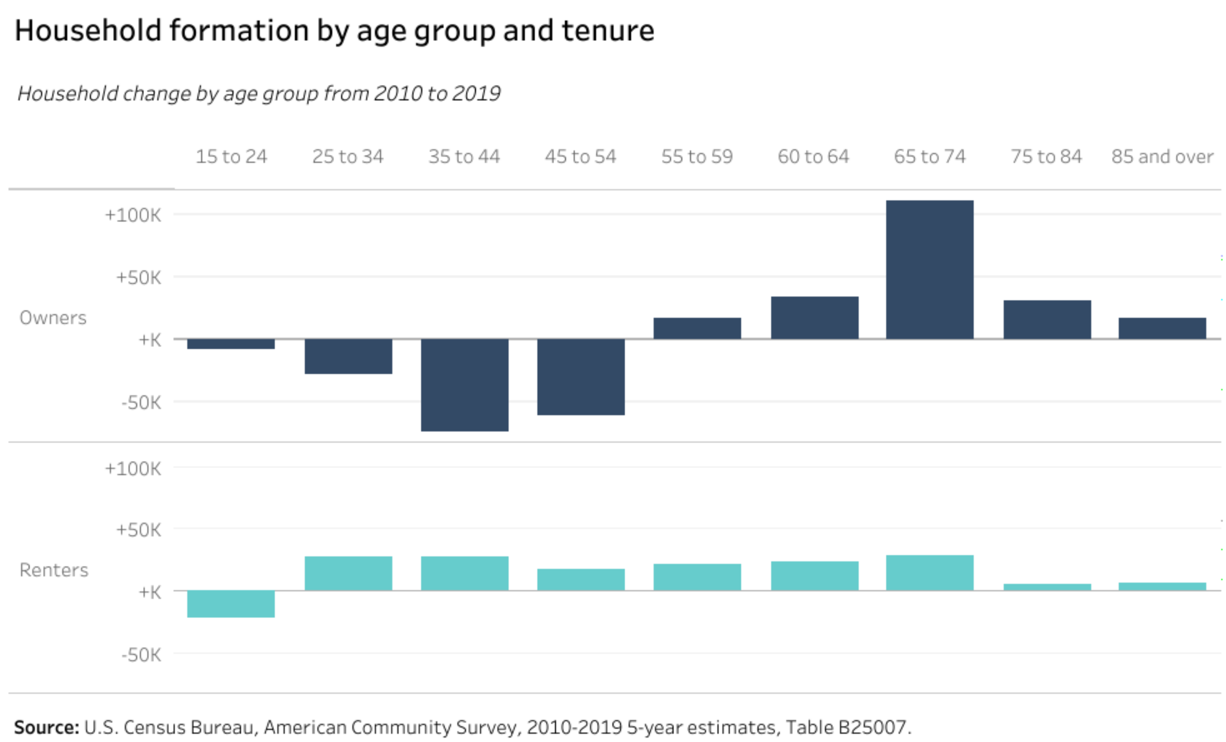


Figure 12.21: Household formation by age group and tenure

Over the past ten years, older homeowners accounted for the largest increase in new households in Virginia. Conversely, the largest decrease in new households is among young and middle-aged homeowners. This can be attributed to baby boomer homeowners aging into older cohorts and to the millennials' low ownership rates. This may be due partly to the ability of higher-wealth older adults to outcompete less wealthy younger buyers for homes, especially smaller homes in highly desirable markets.

In contrast, growth in renter households is steadily increasing across all ages between 25 and 74. This indicates a demand for rental housing options attractive and accessible to every age group.

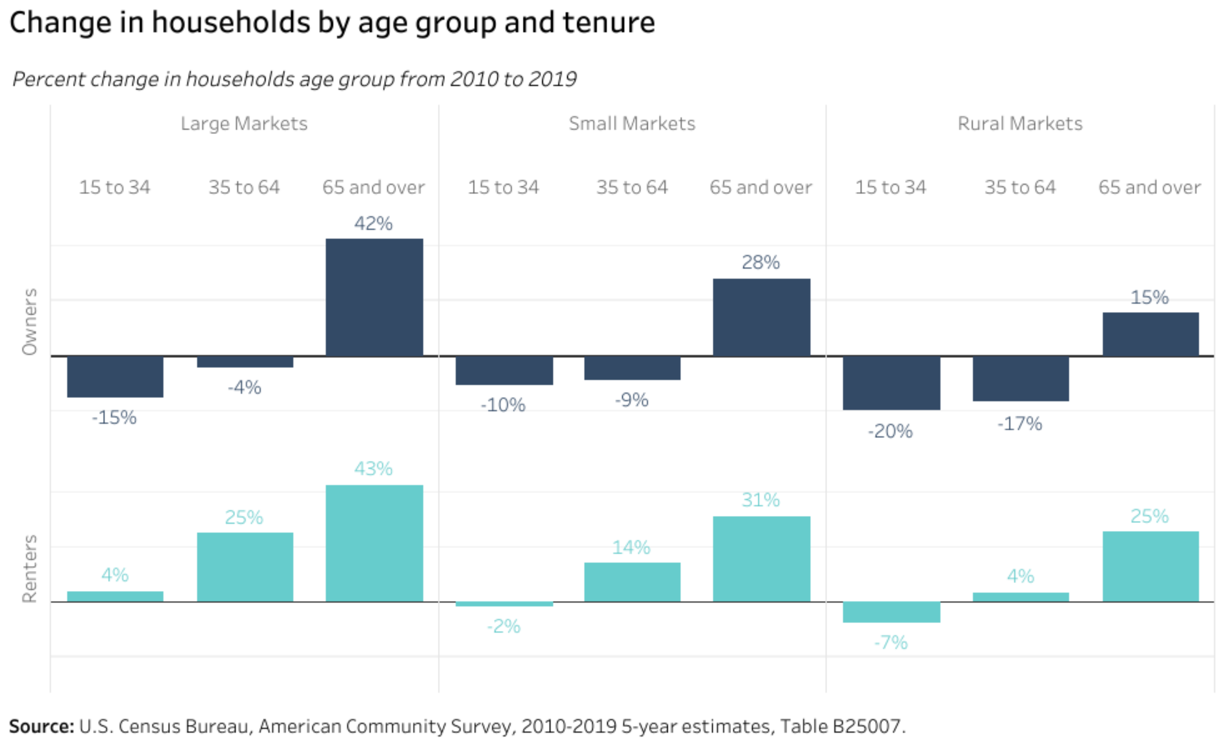


Figure 12.22: Change in households by age group and tenure

Over the past decade, each major market group has seen a decrease in young homeowners and an increase in homeowners over the age of 65. Out of all the housing markets, Rural Markets had the greatest loss of non-senior homeowners. This reflects the overall trend of shrinking populations in rural areas and population growth in urban and suburban areas. There also has been a significant increase in middle-age and older renter households in both Large and Small Markets.

Finding 5: Hispanic, Asian, and Multiracial Virginians are the only groups with more homeowners now than in 2010.

Similar growth among renter households has kept homeownership rates from rising.

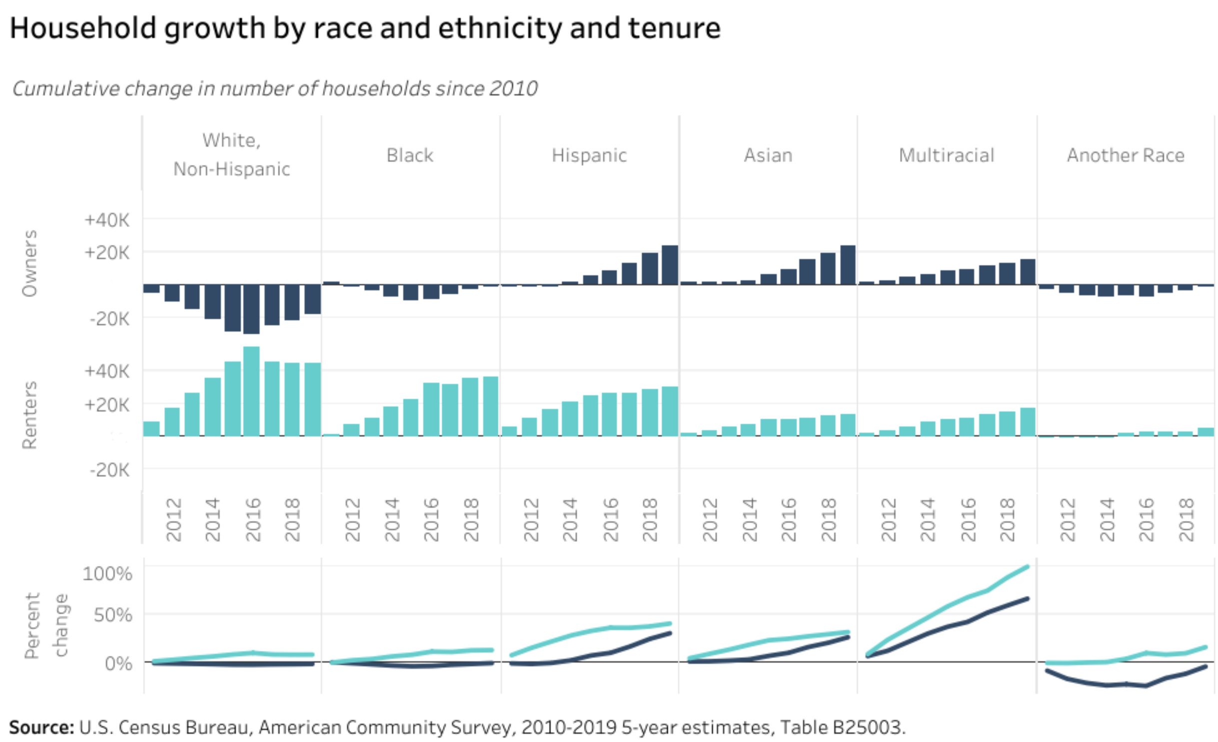


Figure 12.23: Household growth by race and ethnicity and tenure

The increase in renters across all age groups also applies to all racial and ethnic categories in Virginia. Although there are now over 40,000 more white renter households, they experienced the smallest growth compared to 2010. Hispanic, Asian, and Multiracial Virginians saw the largest relative increase in renter households. These three groups are also the only Virginians who saw real increases in the number of homeowners since 2010.

However, the homeownership gap has not narrowed for most racial and ethnic groups, especially for Hispanic and Multiracial Virginians, due to a concurrent rise in renters that outpaces the rise in homeowners.

Chapter 13

Economic trends

This chapter shows Virginia's major economic trends over the past decade. Jobs, wages, household incomes, and poverty rates all help explain the financial health of Virginians, which determines their ability to find housing that meets their budgets.

Highlights

Major takeaways in this chapter include:

- Despite strong growth in the face of two major recessions, new economic opportunities in Virginia are not equally distributed.
- Jobs rebounded quickly in metropolitan areas following the Great Recession and COVID-19 pandemic, but total employment levels in rural Virginia have consistently declined since 2008.
- Black and brown Virginians suffered a much higher rate of pandemic-related job losses compared to white Virginians. They also consistently have below-average household incomes.
- Many of the state's fastest-growing job sectors, such as healthcare support occupations, command below-average wages. These workers will have less income available for rent or mortgage.
- Employment and income trends are exacerbating inequality: Projected *job growth* is in occupational sectors with widely disparate earnings, and *wage growth* remains concentrated in already high-earning occupations and regions.

13.1 Labor force

Finding 1: Virginia's metro areas account for all job growth over the past two decades.

Rural Markets never recovered from the Great Recession.

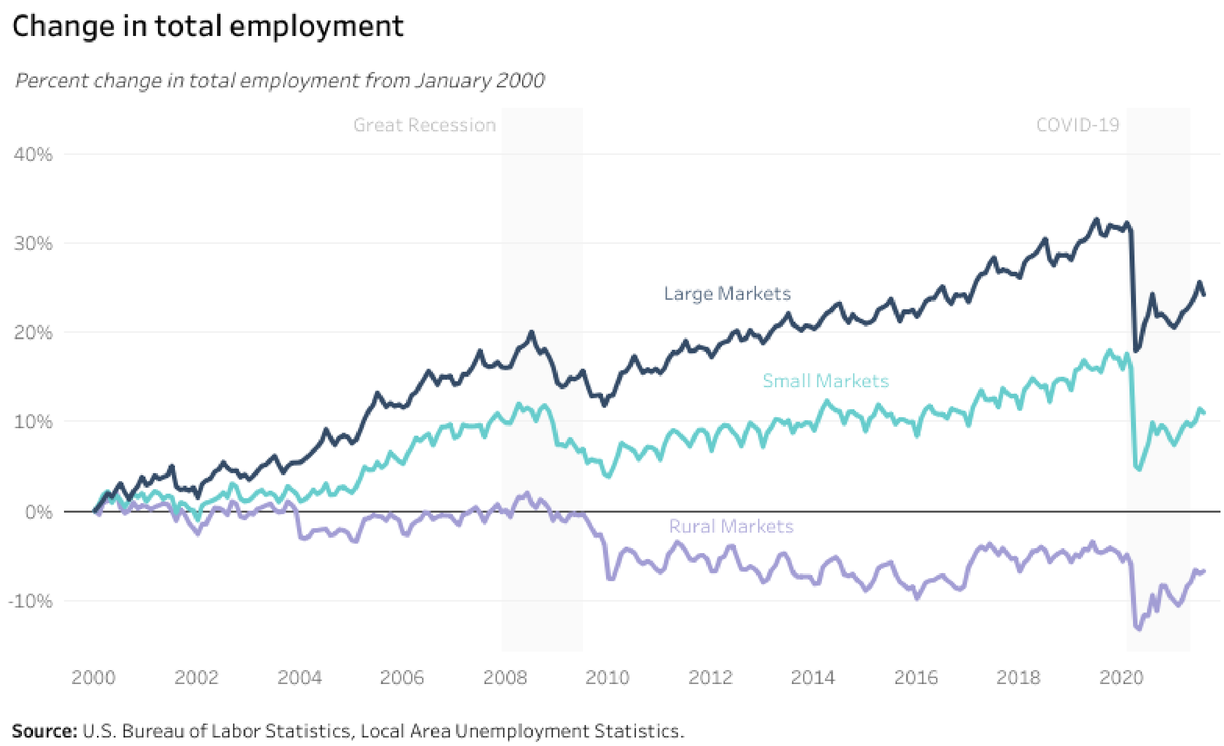


Figure 13.1: Change in total employment

The Commonwealth added almost 900,000 new jobs from 2000 to 2020. During that time Virginia *lost* 200,000 jobs to the foreclosure-driven Great Recession from 2008 to 2010. Most of Virginia rebounded after the downturn; the state added 60,000 new jobs each year on average between January 2010 and February 2021. But in March 2021, Virginia entered lockdown in response to the spread of COVID-19. Job losses were immediate and historic, exceeding 400,000 within weeks. However, a large number of those jobs returned over the past year.

While Large Markets saw the highest job growth levels, their Small Market counterparts were not far behind. Prior to the pandemic, these areas had 20 percent more jobs than in 2000. Rural Markets saw stagnant growth in the 2000s followed by steady declines after the Great Recession.

Finding 2: Since the start of the pandemic, Rural Housing Markets and some Small Metro Housing Markets have fared better with job recovery.

Large Metro Housing Markets—and some Small Metro Housing Markets—are still well below pre-pandemic employment levels.

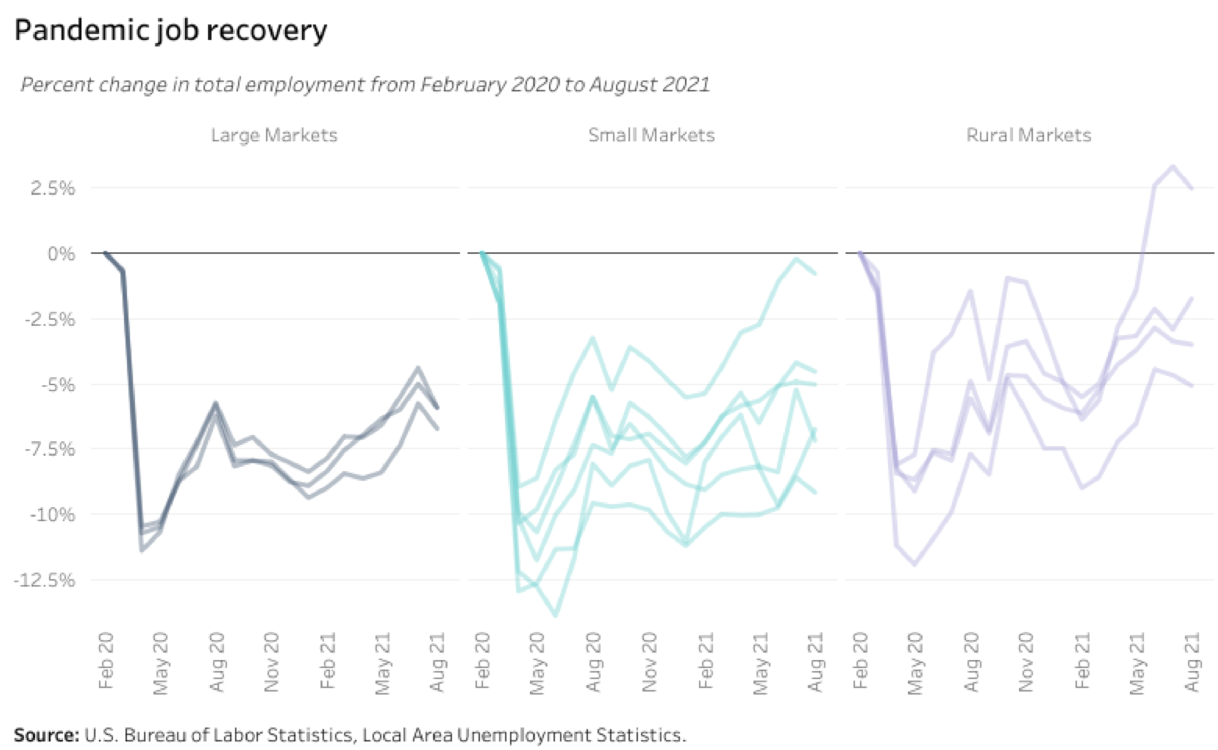


Figure 13.2: Pandemic job recovery

Economic recovery has been uneven across the state since the lifting of initial state-level pandemic restrictions and the rollout of the state's vaccination effort. The Northern Shenandoah Valley/ Winchester Metropolitan Statistical Area (MSA) and the Chesapeake Bay are two areas seeing the fastest return to pre-pandemic employment levels. Regions recovering more slowly include otherwise healthy metro markets such as Richmond and Charlottesville as well as remote areas like the Alleghany Highlands.

Overall, the three Large Markets are still far from full recovery. Small Markets and Rural Markets vary; some are faring better than their more populous counterparts in the urban crescent, but as of June 2021, others still have employment levels that are down about 10 percent from pre-pandemic levels.

Finding 3: Despite recent recovery, rural Virginia still has higher unemployment levels.

Non-metro areas may have fared better over the past year, but they have not recovered from pre-pandemic job losses.

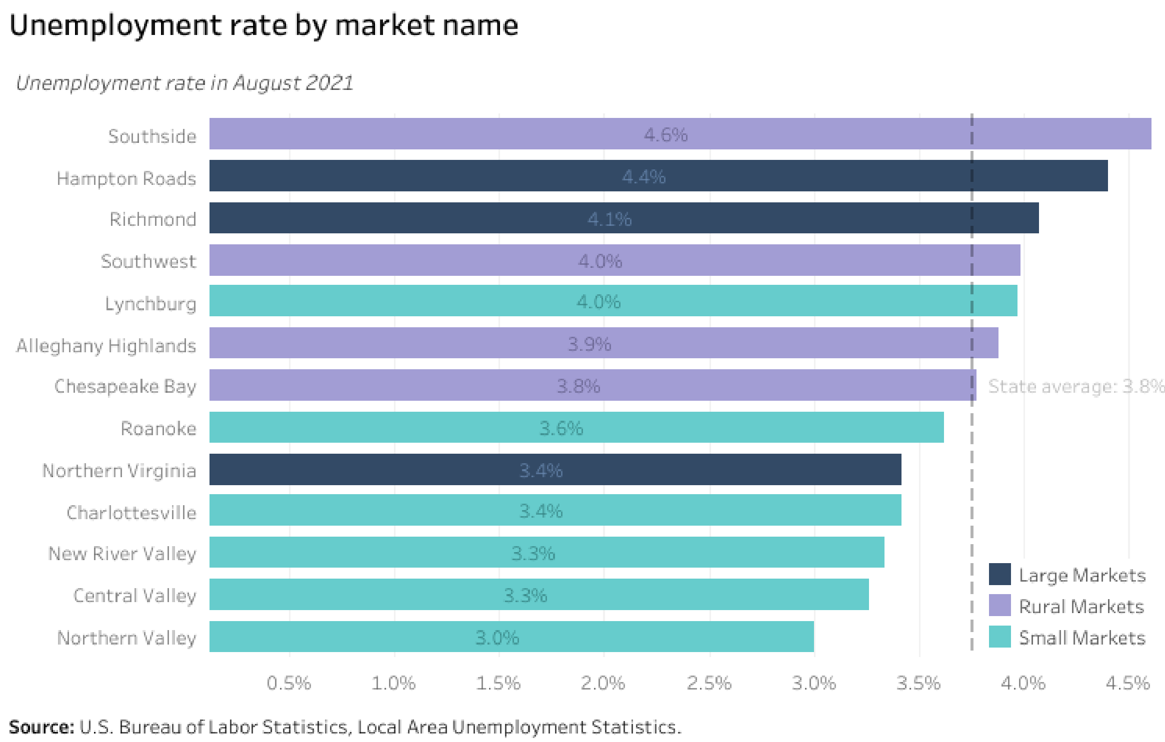


Figure 13.3: Unemployment rate by market name

Virginia enjoyed low unemployment rates across most of the state prior to the pandemic and its economic fallout. Many lost jobs now have been restored and filled, and the statewide unemployment rate is 4.5 percent as of June 2021.

Across the state, nearly all markets are within a point of this state average. Within the urban crescent, Hampton Roads and Richmond have higher unemployment than Northern Virginia. Unemployment in Small Markets is relatively low except for the Lynchburg area. Every Rural Market has unemployment above the state average, especially Southside at 5.5 percent.

Finding 4: Non-white Virginians experience unemployment at much higher rates.

Pandemic job losses in 2020 hurt Virginians of color the most.

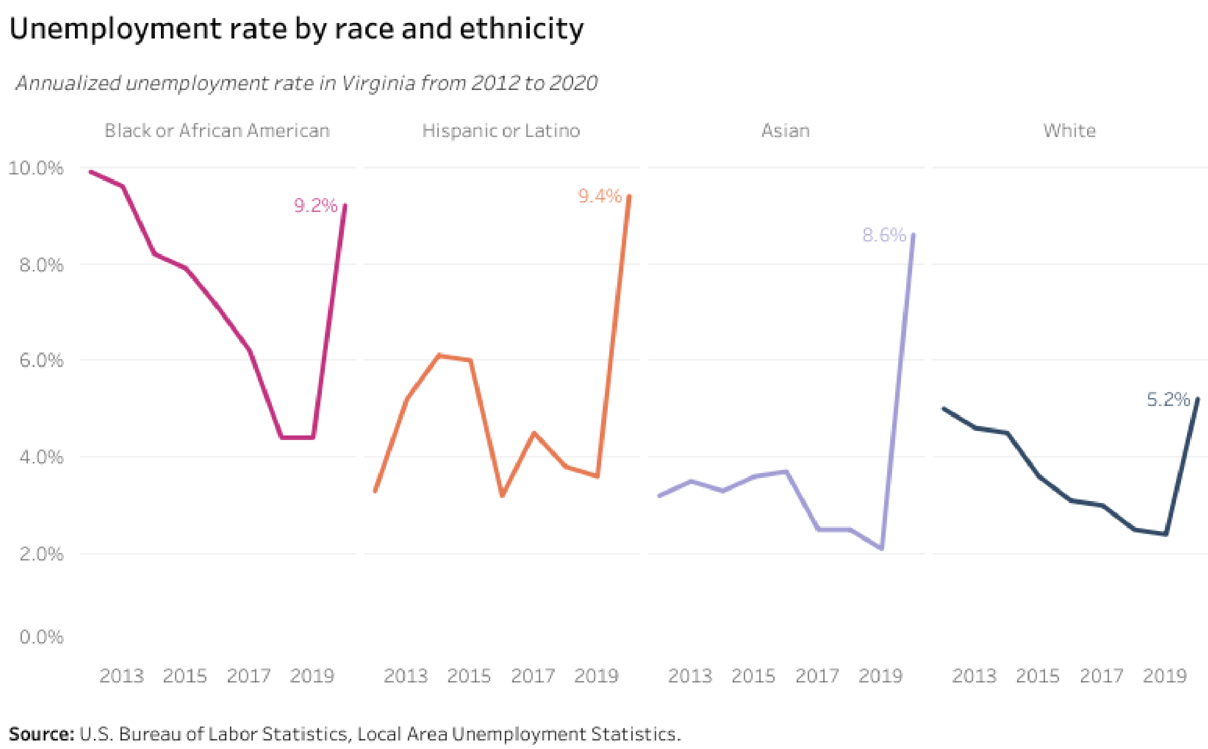


Figure 13.4: Unemployment rate by race and ethnicity

Unemployment across Virginia is not equally distributed across race and ethnicity. Nearly a decade ago, the 10 percent unemployment rate for Black Virginians was almost double the rate for white Virginians. Unemployment for Hispanic Virginians varied prior to the pandemic, but generally exceeded the rate for whites. Asian Virginians experienced the lowest unemployment rates among major race/ethnic groups.

The unemployment situation is fluid as the pandemic recovery continues, but based on available 2020 averages, Virginians of color lost jobs at a much higher rate than white Virginians. Black and Hispanic unemployment soared above nine percent, and Asian unemployment was not far behind, but the white unemployment rate barely exceeded five percent.

13.2 Jobs and wages

Finding 1: Customer-service jobs are the most common positions filled by workers in Virginia.

These workers have been front and center during the pandemic.

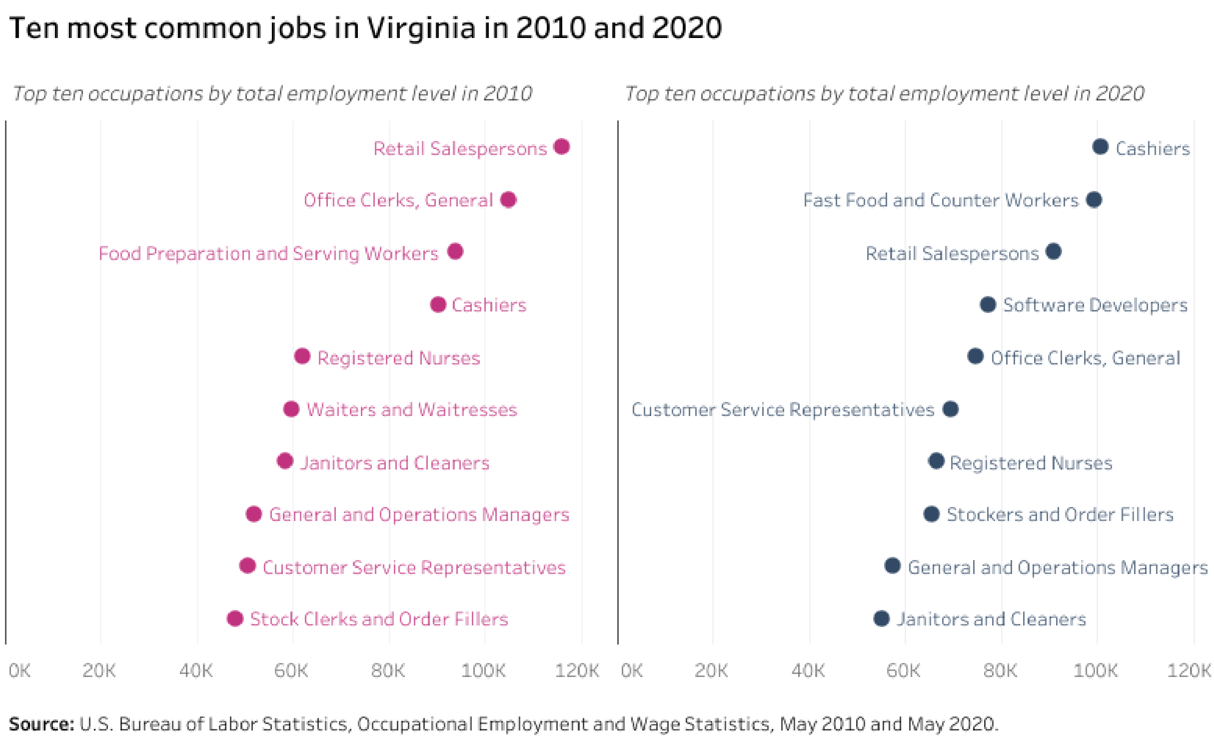


Figure 13.5: Ten most common jobs in Virginia in 2010 and 2020

Retail salesperson, cashier, and food service worker remain in the top five most common occupations in Virginia. These relatively low-pay positions have been a policymaking focus as communities re-open and restart their economies. Other common positions that have stayed in the top ten are office clerk, customer service representative, janitor, stocker, and general manager.

Software developer, a traditionally higher-earning role, emerged as the fourth most common job in the state by 2020. However, the “software developers” occupation code did not exist in 2010 so jobs in that category likely were classified under other codes.

Finding 2: The fastest growing job groups are a tale of two income brackets.

The two fastest growing sectors have low wages while others in the top five pay well.

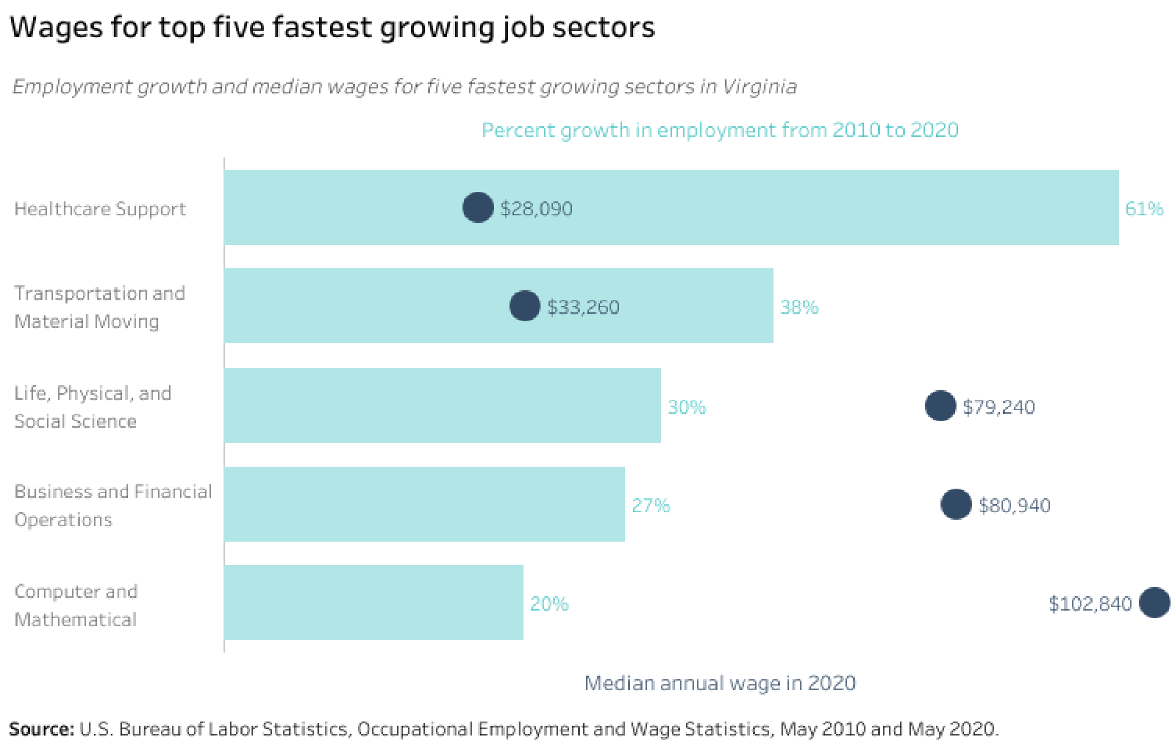


Figure 13.6: Wages for top five fastest growing job sectors

Since 2010, the two fastest growing sectors have been healthcare support and transportation and material moving. As of 2020, the median annual wages for all jobs in both categories were well below $35,000. At the same time, Virginia saw strong growth in three other sectors: life, physical, and social science; business and financial operations; and computer and mathematical. Positions in these categories are more likely to require advanced degrees and additional training and correspondingly command higher salaries ranging from $79,240 to $102,840.

Finding 3: Future jobs in Virginia will focus on computers, food, and healthcare.

These important positions have a wide range of salaries.

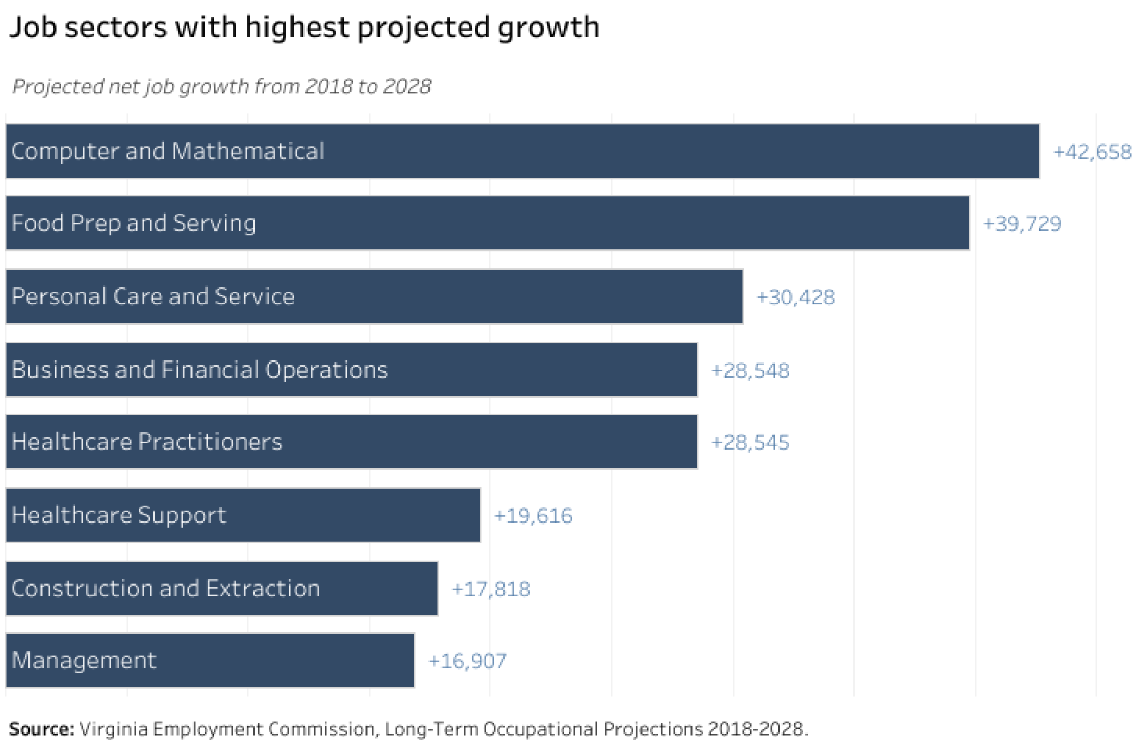


Figure 13.7: Job sectors with highest projected growth

The Virginia Employment Commission expects the Commonwealth to add more than 260,000 new jobs between now and 2028. Nearly every major occupational sector will see increases, but the top eight are shown above. High-tech computer-based jobs will see the greatest net increase followed by food preparation and service. Though a diverse economy requires that both are strong sectors, their average wages and educational requirements contrast significantly.

The personal care and service, healthcare practitioners, and healthcare support sectors are all projected to grow significantly. The state's aging population will contribute to the increase in demand for these services.

Finding 4: Wage growth has been highest in some of Virginia's already highest-earning localities.

Average annual pay increased by nearly $20,000 in some places over the last five years, but others saw much smaller growth.

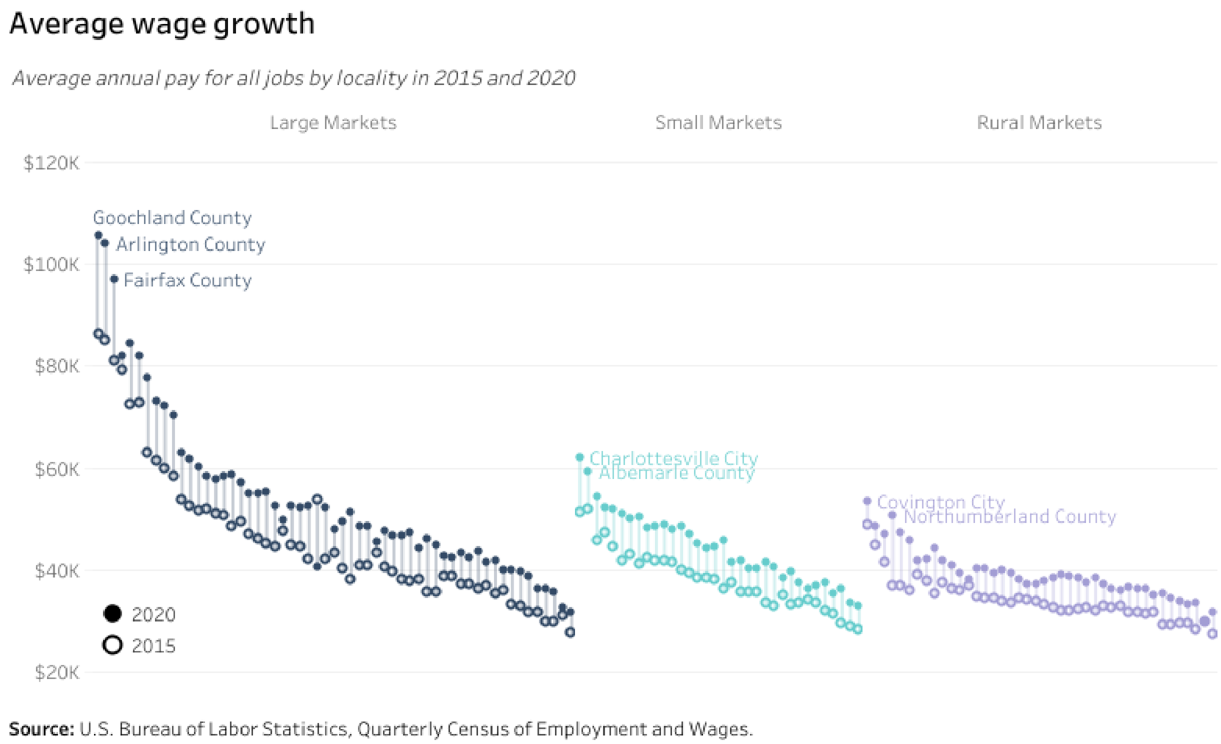


Figure 13.8: Average wage growth

Virginia's robust economic growth prior to the COVID-19 pandemic led to wage growth in nearly every locality across the Commonwealth. However, that extra take home pay was concentrated mainly in already higher-earning localities in Large Markets, such as Goochland, Arlington, and Fairfax counties.

Counties like Arlington and Fairfax have many high-earning residents largely because the headquarters of major companies and organizations are located in Northern Virginia, as well as the large federal workforce. Fairfax County-based employers include Freddie Mac, General Dynamics, Capital One Financial, and Hilton Worldwide Holdings.

Within Arlington County is Amazon's HQ2, an expansion of their Seattle, Washington corporate headquarters, as well many other corporate, financial, and government contracting jobs.

Goochland County, just west of the city of Richmond, also has several large high-paying companies with major footprints. These include the Capital One West Creek campus, CarMax headquarters, and the Luck Stone Corporation.

Some Small Markets, including Charlottesville and Albemarle County, experienced significant average wage increases. The lowest-earning localities in Small Markets—those with average annual wages near or below $40,000—generally saw the smallest growth in take home pay as did the lowest-earning localities in Large Metro Housing Markets.

In nearly every locality in Rural Markets, average annual wages do not exceed $40,000. While most wage increases since 2015 were modest, some localities saw relatively high gains, particularly Northumberland County on the Northern Neck.

Finding 5: Wage growth is not the same across all industries.

Higher-paying industries are seeing the greatest wage increase.

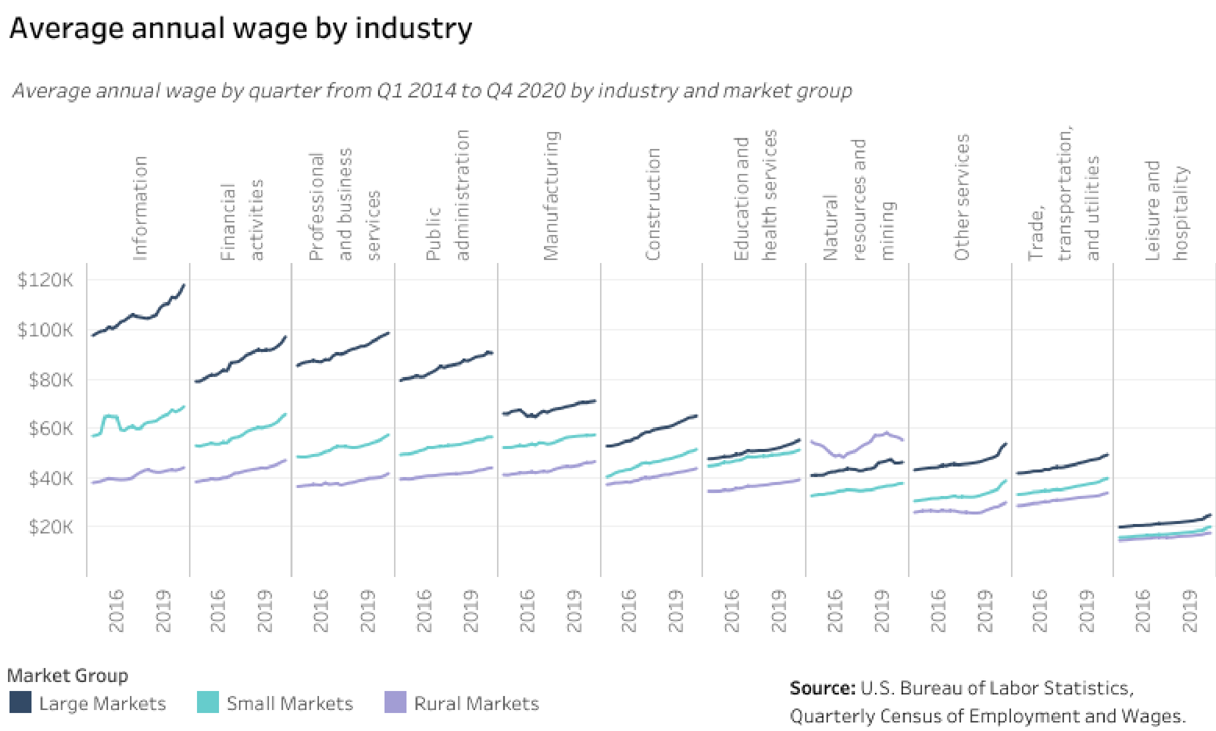


Figure 13.9: Average annual wage by industry

Jobs in information, finance, and professional services have the highest-paid workers in the Commonwealth. However, the salaries for these occupations vary widely depending on market area. In the Large Markets, such jobs pull in well over $80,000 a year, but similar positions in the same industries command two-thirds to half of that in other parts of the state.

Scarce natural resource and mining jobs are the highest-paying occupations in Rural Markets, with average wages of approximately $55,000 in October 2020. Aside from these few well-paying jobs, most industries in rural areas have similar average wages to each other—largely ranging between $47,000 for financial activity jobs and $39,000 for education and health services jobs.

Wages for the lowest-paying industry—leisure and hospitality—are the most compressed across the market groups. Many jobs in this sector pay at or slightly above the minimum wage, and many have less than full-time hours. However, the second quarters of 2020 show notable relative wage increases for these jobs. This may be due in part to employers offering higher wages to entice workers back to their jobs during reopening phases.

13.3 Household incomes

Finding 1: Black Virginians make significantly less money.

There are major income disparities between Black households and other racial and ethnic groups in Virginia.

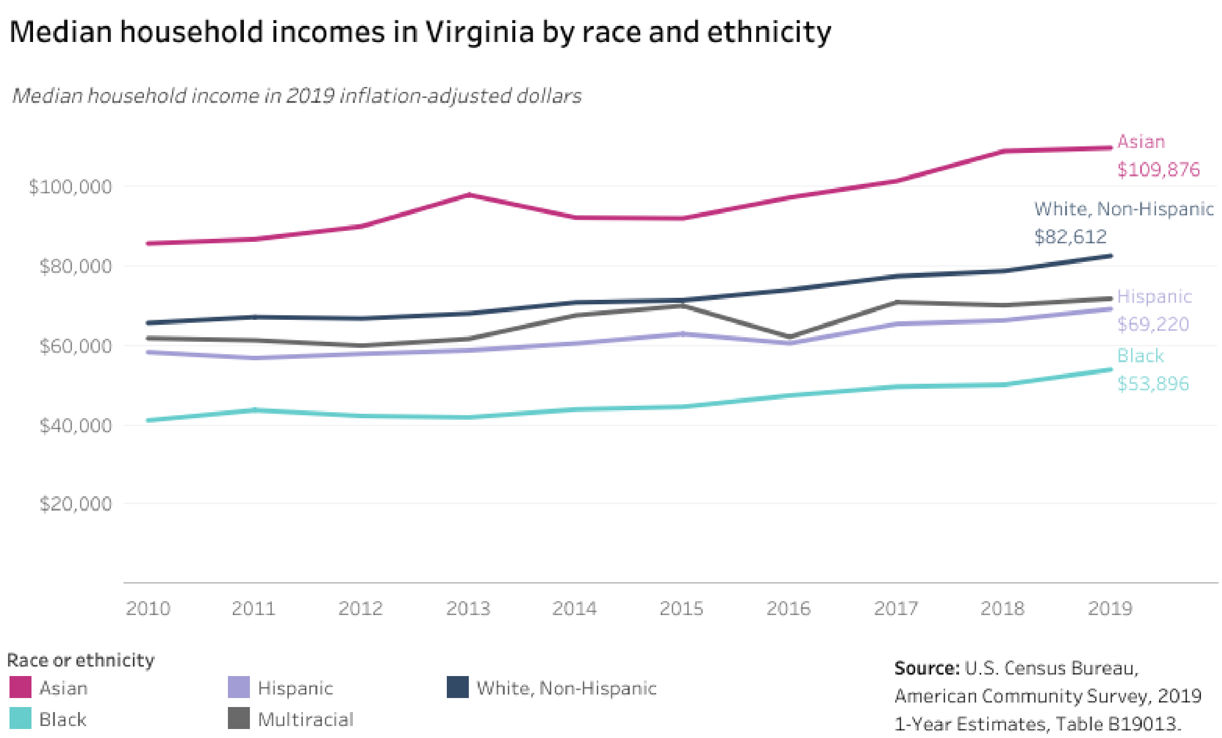


Figure 13.10: Median household incomes by race and ethnicity

Incomes for all racial and ethnic groups have been on a steady rise over the past decade, but disparities in income have persisted. Income inequalities between racial groups will continue to perpetuate disparities in housing if not addressed.

In 2019, the median Black household income was only $53,896, while White, non-Hispanic households made roughly $30,000 more than that, and Asian households made over 50 percent more than Black households.

There are wide disparities in income between different Asian origin groups. In the U.S., Indians had a median household income of $119,000 in 2019, compared to $70,000 for Vietnamese households and $44,000 for Burmese households. (Budiman & Ruiz, 2021)

When looking at data on Asians or Hispanics, it is important to keep in mind that "Asian" and "Hispanic" or "Latino" are panethnic terms—meaning that multiple ethnicities are grouped together based on a commonality such as geographic area or language.

The experiences of people of different countries of origin often vary dramatically, despite being grouped under the same pan-ethnic label.

Nuances do exist across the Commonwealth, with the widest income disparities occurring in Northern Virginia. But Black households and Hispanic households are consistently represented at the low end of median household income.

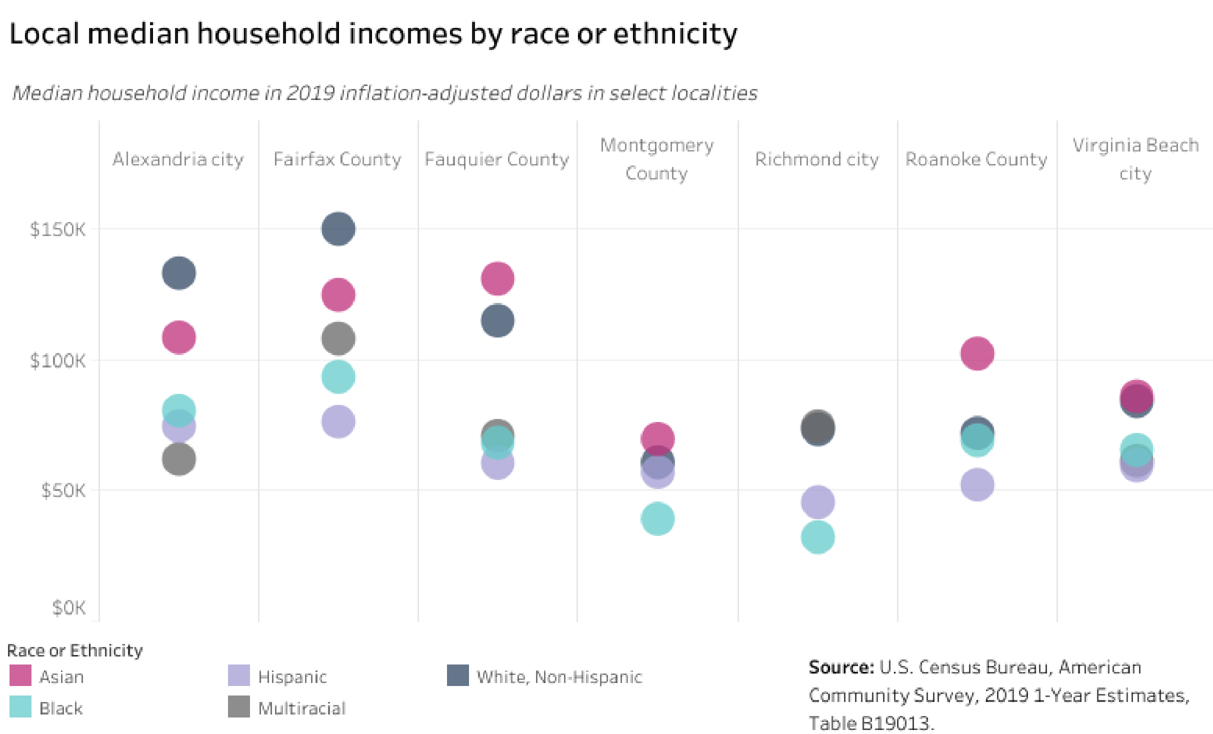


Figure 13.11: Local median household incomes by race and ethnicity

Finding 2: Incomes across the Commonwealth are unevenly distributed by tenure.

The majority of owner households make over $75,000 while most renters make less than $50,000.

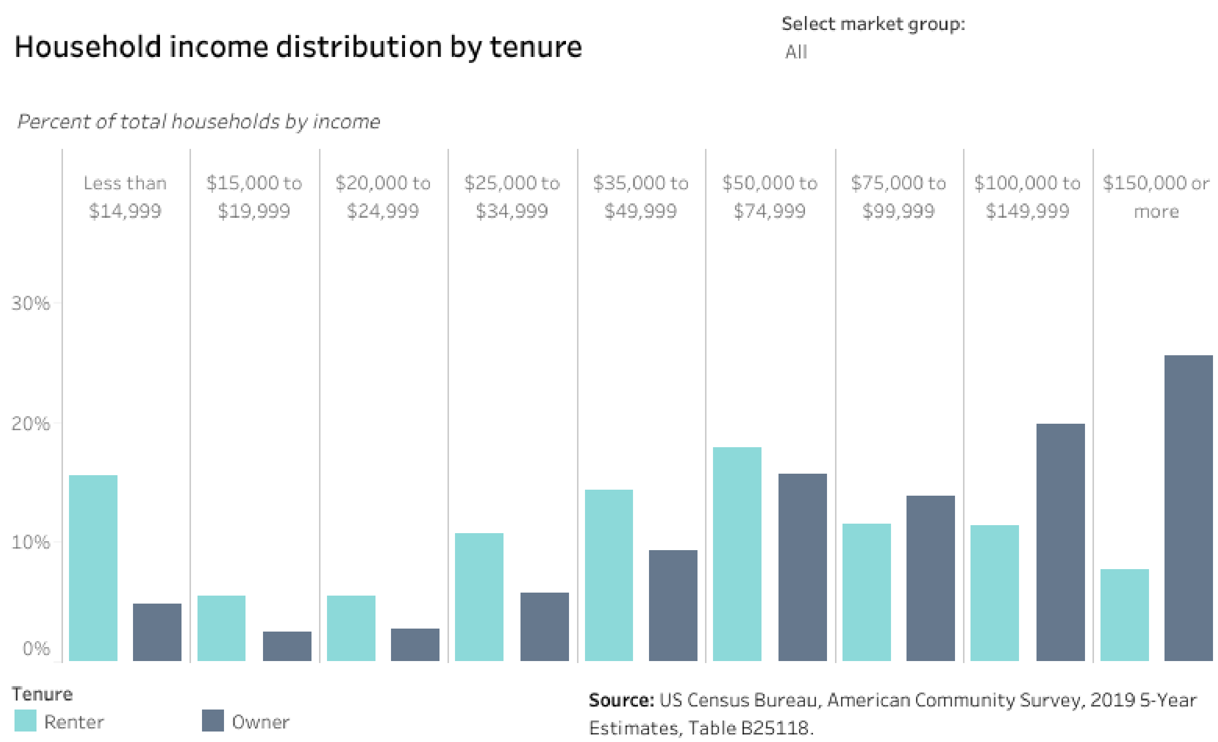


Figure 13.12: Household income distribution by tenure

The share of renters and owners making higher incomes increased from 2010 to 2019. But those increases have not been evenly distributed; homeowner incomes have continued to skew towards $100,000 or more while renter incomes only reach the $50,000 to $74,999 range.

Although there has been a rise in the number of renters making higher incomes, there still remains a significant number of renters who are making less than $15,000. These renter households continue to be in high need of assistance to make their way out of poverty.

13.4 Poverty

Finding 1: Black Virginians experience poverty at a disproportionately high rate.

White and Asian Virginians have the lowest poverty rates.

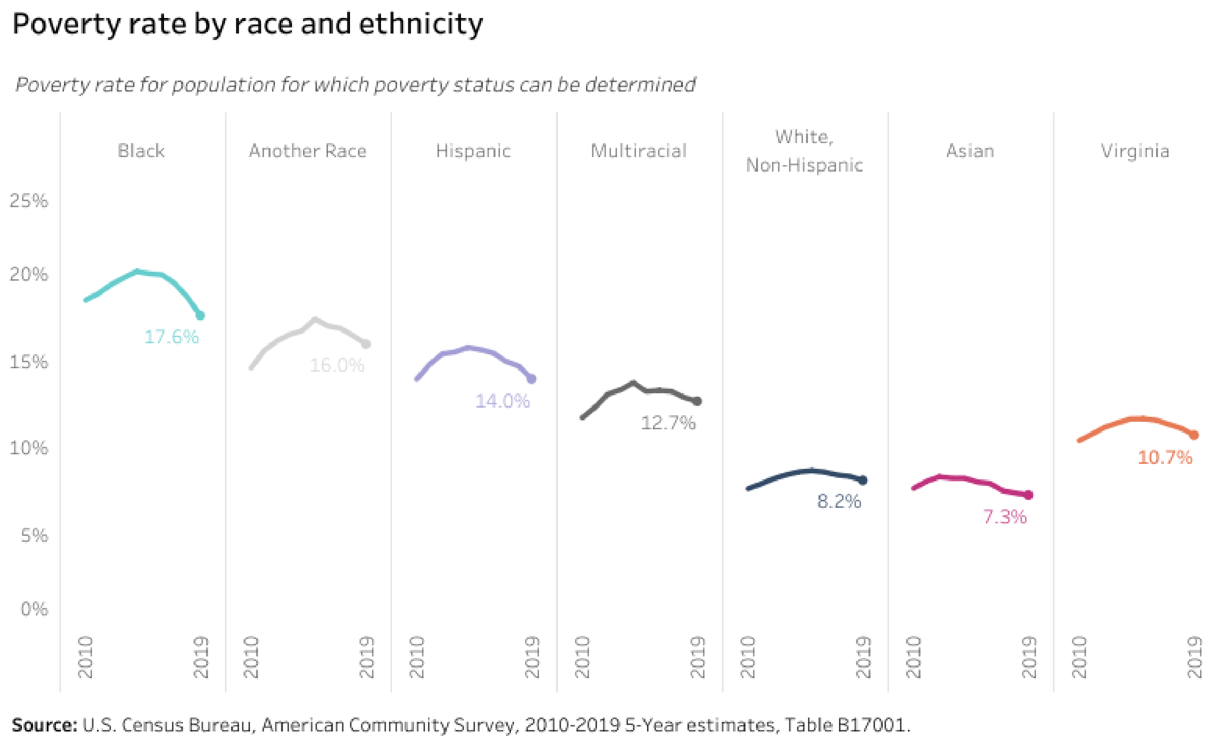


Figure 13.13: Poverty rate by race and ethnicity

Compared to the overall poverty rate of Virginia, many people of color experience poverty at a much higher rate. From 2010 to 2019, nearly one in every five Black Virginians was below the Federal Poverty Level. The poverty rate of Black Virginians in 2019 (18 percent) was over two times that of white, non-Hispanic Virginians (8 percent) and Asian Virginians (7 percent). Hispanics also experienced relatively high poverty rates (14 percent)—three percent points above the overall Virginia poverty rate of 11 percent.

These poverty rates have major equity implications for Black and Hispanic Virginians. As these disparities in poverty have persisted for over a decade, the need to address the economic conditions of people of color in Virginia is a critical path to racial equity.

Finding 2: Young people below 24 years of age are more likely to experience poverty in Virginia.

While the poverty rate among all age groups has remained steady, young Virginians are disproportionately represented in poverty.

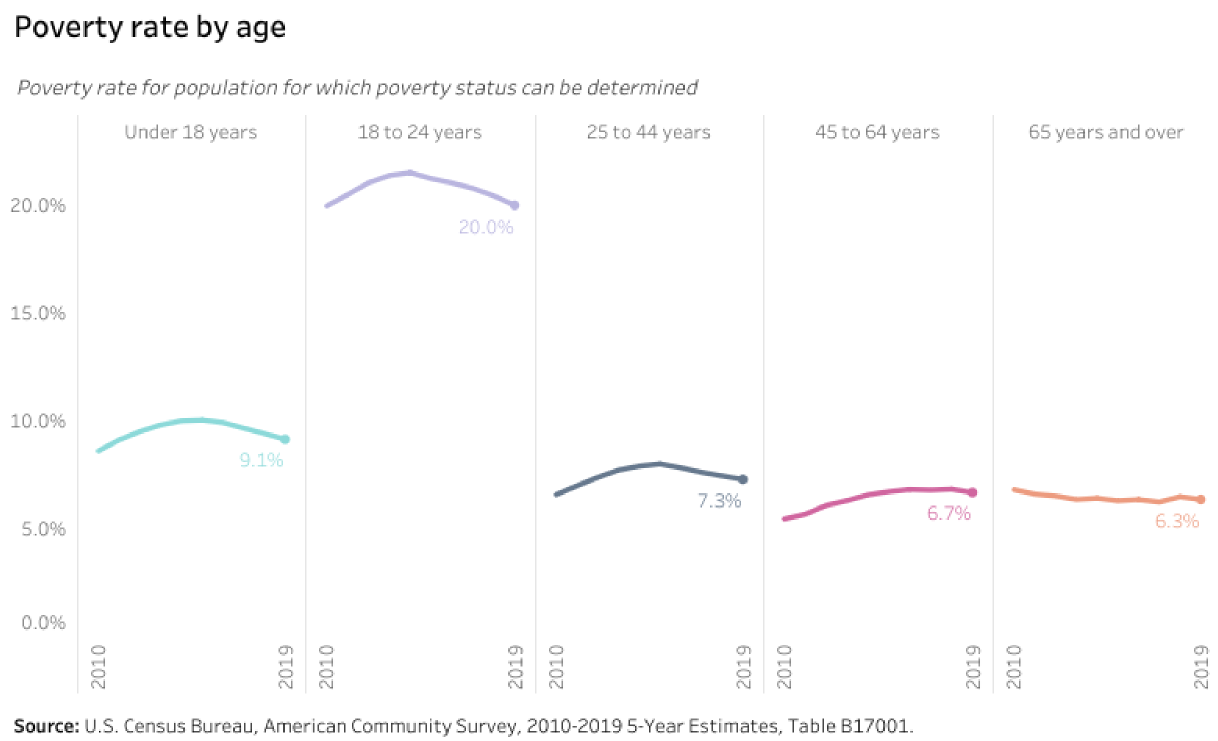


Figure 13.14: Poverty rate by age

Compared to any other age group, Virginians under 24 years of age experience poverty at disproportionate rates. In 2019, 14 percent of the population under 18 and 20 percent of 18 to 24 year olds were below the Federal Poverty Level, while all other age groups had a poverty rate below 10 percent.

The low number of seniors in poverty can be attributed to federal assistance programs such as Medicare and Social Security Income, while the 25 to 44 and 45 to 64 year old age groups have a high proportion of working adults. However, the under 18 population with a 14 percent poverty rate shows a high need of support for families with children in poverty.

The 18 to 24 year old age group consists of a high number of college age students who technically meet the poverty criteria, but are not living in actual poverty because they are receiving familial support that is not counted as income.

For context, the presence of college students living off campus has the ability to increase poverty rates in localities with large or multiple universities by 10 or more percentage points. (Benson & Bishaw,

2018) (Rorem & Juday, 2016)

Finding 3: Asset Limited, Income Constrained, Employed households are growing outside of Large Metro Housing Markets in Virginia.

While Asset Limited, Income Constrained, Employed (ALICE) households are decreasing overall, the number of ALICE households is increasing in Small Metro and Rural Housing Markets.

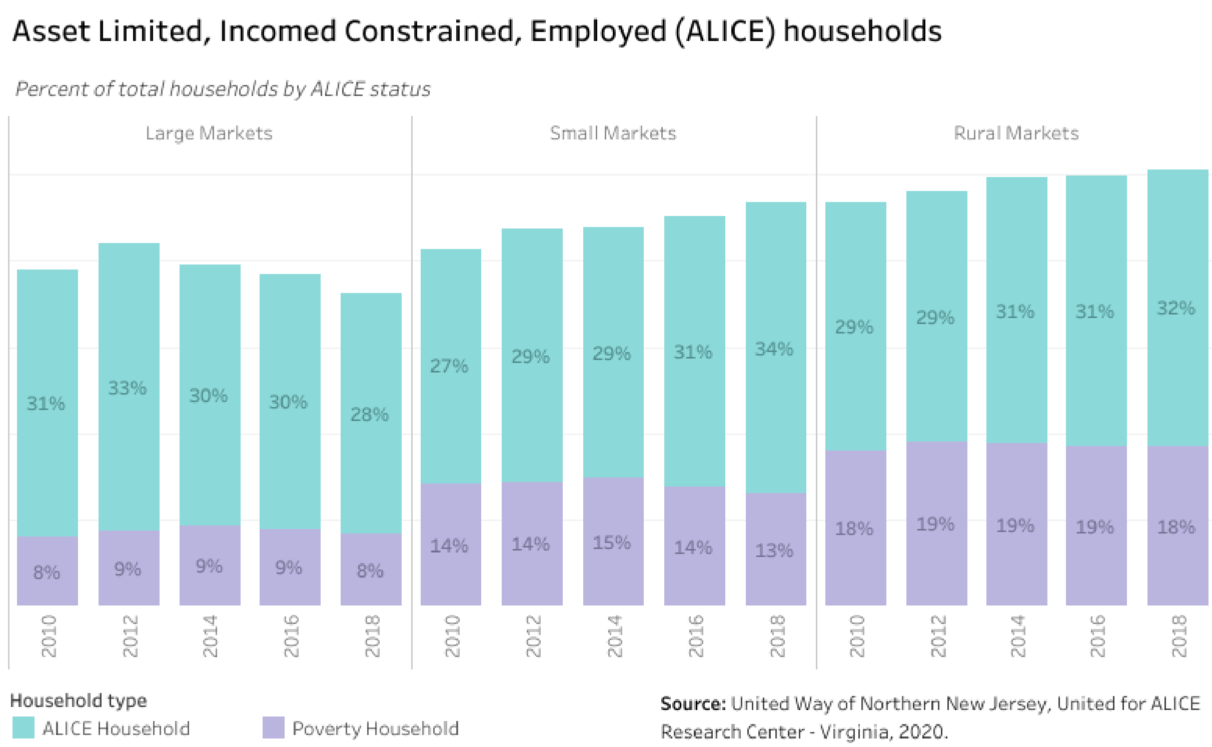


Figure 13.15: Asset Limited, Incomed Constrained, Employed (ALICE) households

ALICE is a term increasingly used to describe households that earn above the Federal Poverty Level but are unable to afford the basic necessities to live comfortably. These households often do not qualify for assistance programs because they do not meet the income requirements. In 2018, just over 900,000 households in Virginia qualified as ALICE.

While Virginia's statewide number of ALICE households has decreased in recent years, the rate is not consistent across regions. ALICE households have been increasing in Small and Rural Markets in Virginia where households often live in areas where basic necessities are not easily accessible.

Chapter 14

Housing inventory and production

This chapter evaluates high-level trends in Virginia's housing stock. That includes overall production relative to population and job growth and the type, size, age, and quality of the places Virginians call home.

Highlights

Major takeaways in this chapter include:

- Housing production has yet to recover to pre-Recession levels, while population and job growth continues.
- About 30,000 new homes are built in Virginia each year. However, this rate is about half the annual production from the mid-2000s.
- Statewide population growth remains several percentage points above the increase in housing supply, even as shrinking average household sizes require more homes per person. This gap is driven by Large Metro Housing Markets.
- Virginia's housing supply is predominantly detached single-family homes, even throughout much of the urban crescent. These are also the most common new homes built, along with larger apartment buildings.
- Townhomes and small-scale apartments—which can be more affordable by design—are a very small fraction of the supply added in recent decades.
- On average, Virginia's housing stock is aging. Older homes—with potential health and safety shortcomings—are more prevalent in cities and rural areas.
- Overcrowded homes—with more than one person per room—are rare, but are much more frequently occupied by low-income renters.

14.1 Housing production

Finding 1: More than 30,000 new homes are built in the state each year.

However, that production is roughly half the number of annual housing starts in Virginia during the mid-2000s.

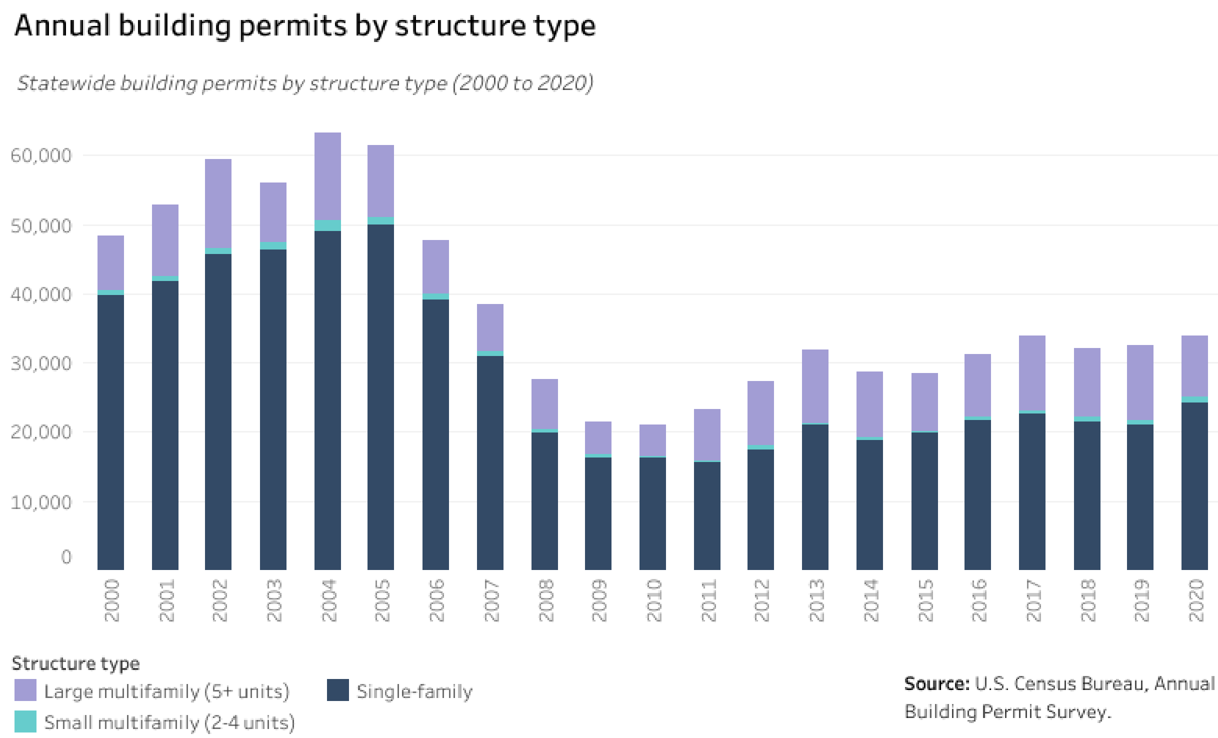


Figure 14.1: Annual building permits by structure type

The Building Permits Survey data collected by the U.S. Census Bureau only disaggregates multifamily buildings into three types:

- Two-family buildings,
- Three- and four-family buildings, and
- Five-or-more family buildings.

This is different from the categorization of multifamily buildings used in other parts of this report. Note: When using Building Permit Survey data this report classifies small multifamily as 2-4 units and large multifamily as 5-or-more units.

The average annual number of building permits for the last decade has stayed around 30,000, roughly equivalent to the number of homes currently in the City of Lynchburg. Those figures may seem large, but they are just above half of the annual permits filed across the state in the early 2000s. During that last building boom, Virginia was adding between 50,000 and 60,000 new homes per year—closer in size to today's Spotsylvania County.

Finding 2: Most new homes are built in suburbs throughout the urban crescent.

In Small Metro and Rural Housing Markets, production is in counties—not cities.

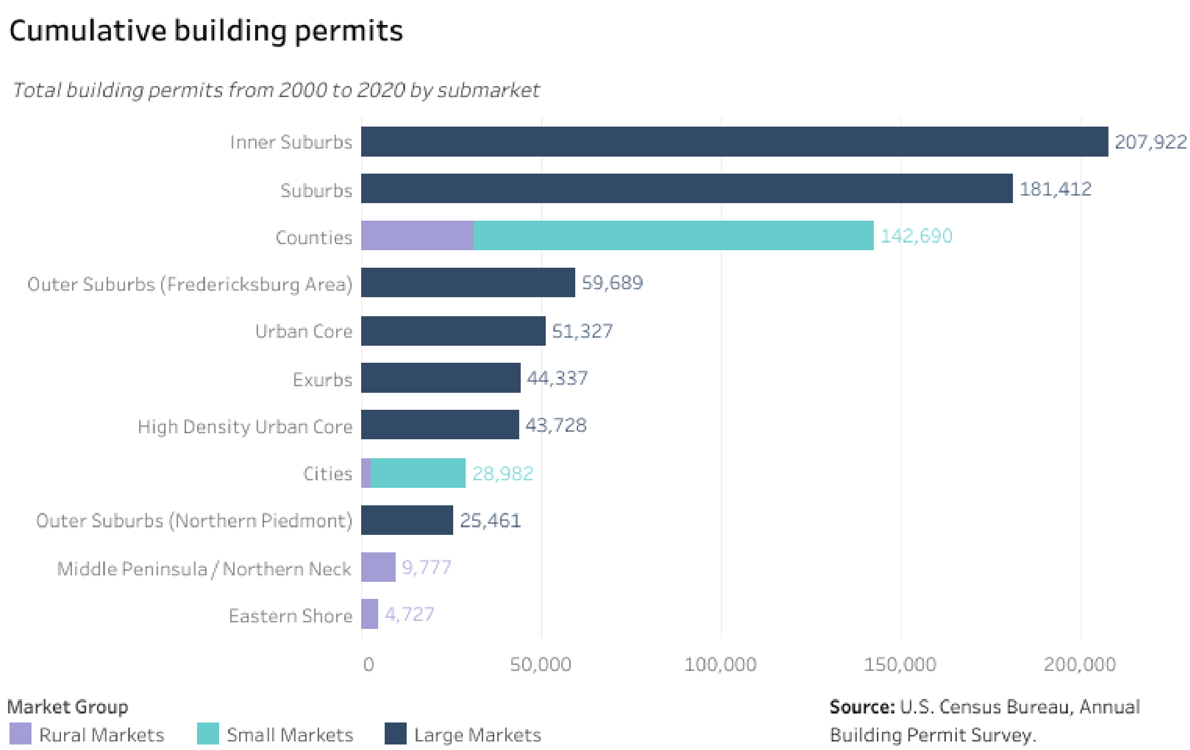


Figure 14.2: Cumulative building permits

The largest share of new homes built in the Commonwealth since 2000 are in suburban submarkets in the urban crescent, along with counties in Small and Rural Markets. Many of these are single-family homes built prior to 2008. For every home built in an Urban Core in a Large Market or in a small or rural city, *more than three* were built in metro suburbs.

Finding 3: Virginia is adding people faster than homes.

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

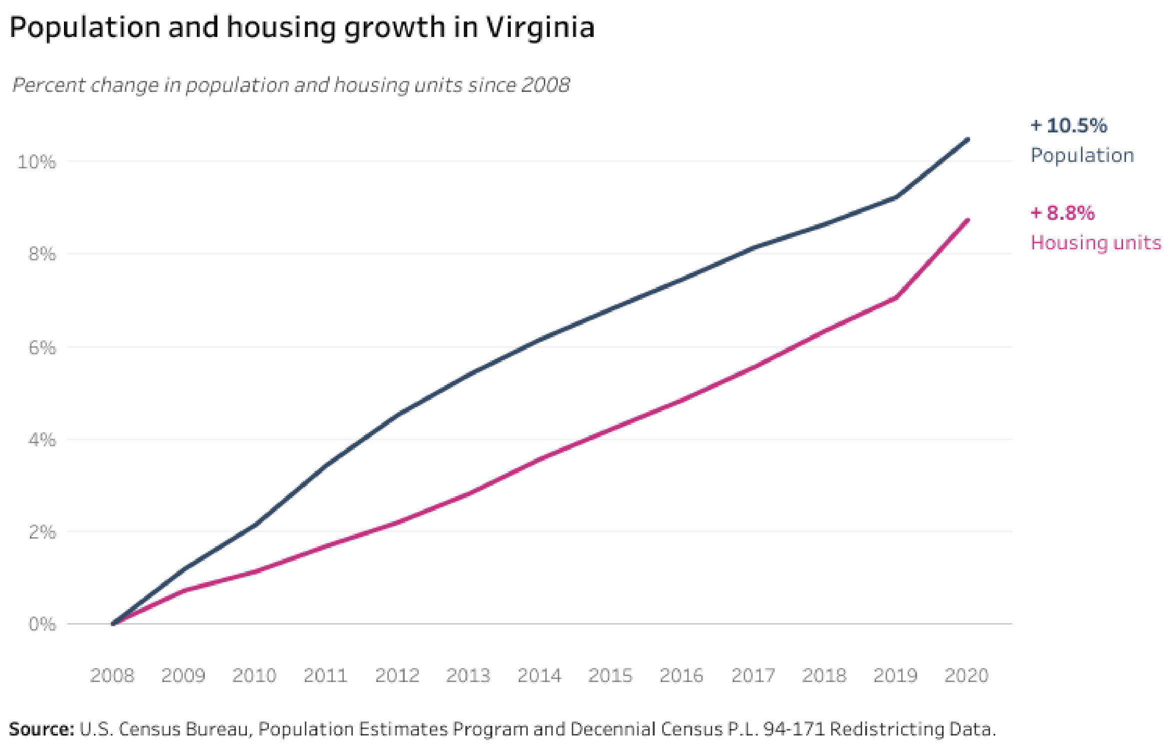


Figure 14.3: Population and housing growth in Virginia

Since the Great Recession, the Commonwealth's population has grown more than ten percent, captured by a stronger-than-expected count in the 2020 Census. At the same time, the total housing supply across the state increased by just under nine percent. This underproduction—combined with general trends toward smaller household sizes—increases demand for existing homes.

Finding 4: The population-housing gap is driven by Large Metro Housing Markets.

Housing production in Small Metro and Rural Housing Markets is generally keeping pace with population growth.

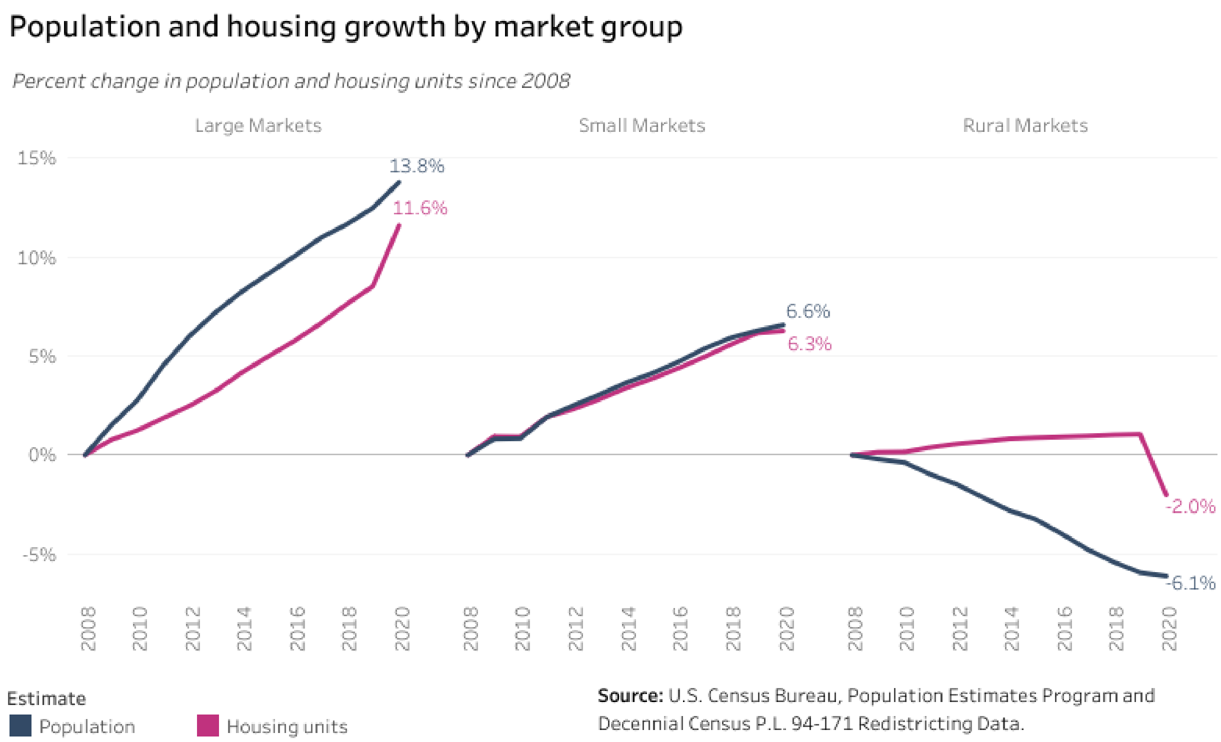


Figure 14.4: Population and housing growth by market growth

Housing underproduction relative to population growth is most significant in Virginia's Large Markets as new construction remains well behind pre-2008 levels throughout the urban crescent.

In Small Markets, population and housing growth have mostly aligned at around six percent since 2008. In Rural Markets—where population is declining—housing production remained commensurately low but still slightly positive until 2020. The recent 2020 Census count showed an unexpectedly low two percent decline in housing units in rural Virginia since 2008.

Finding 5: Prior to COVID-19, Virginia was adding many more jobs than homes.

Between 2009 and 2019, job growth outpaced the number of new individual housing units added across the state.

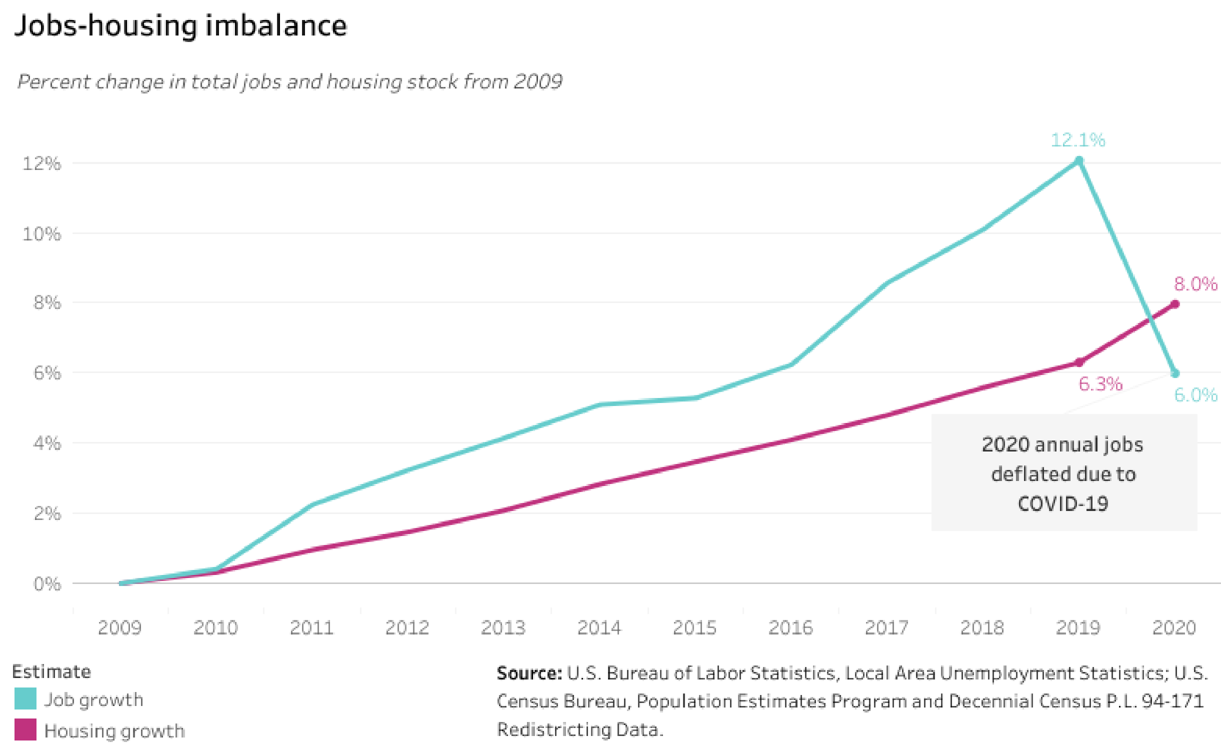


Figure 14.5: Job-housing imbalance

Economic growth—and the jobs that follow—are a major component of housing demand. Virginia's economy recovered relatively well from the 2008-2010 Great Recession, adding over 12 percent additional jobs by 2019. Over that same period, the number of individual housing units available to become home to workers, their families, and all other Virginians increased by just under six and a half percent.

The job losses resulting from the pandemic's economic crisis inverted the annual ratio of employment to housing unit estimate for 2020, but many of those jobs subsequently returned and have been filled as of summer 2021.

14.2 Structure type

Finding 1: Most Virginians live in single-family homes.

Multifamily apartments account for fewer than one in four homes.

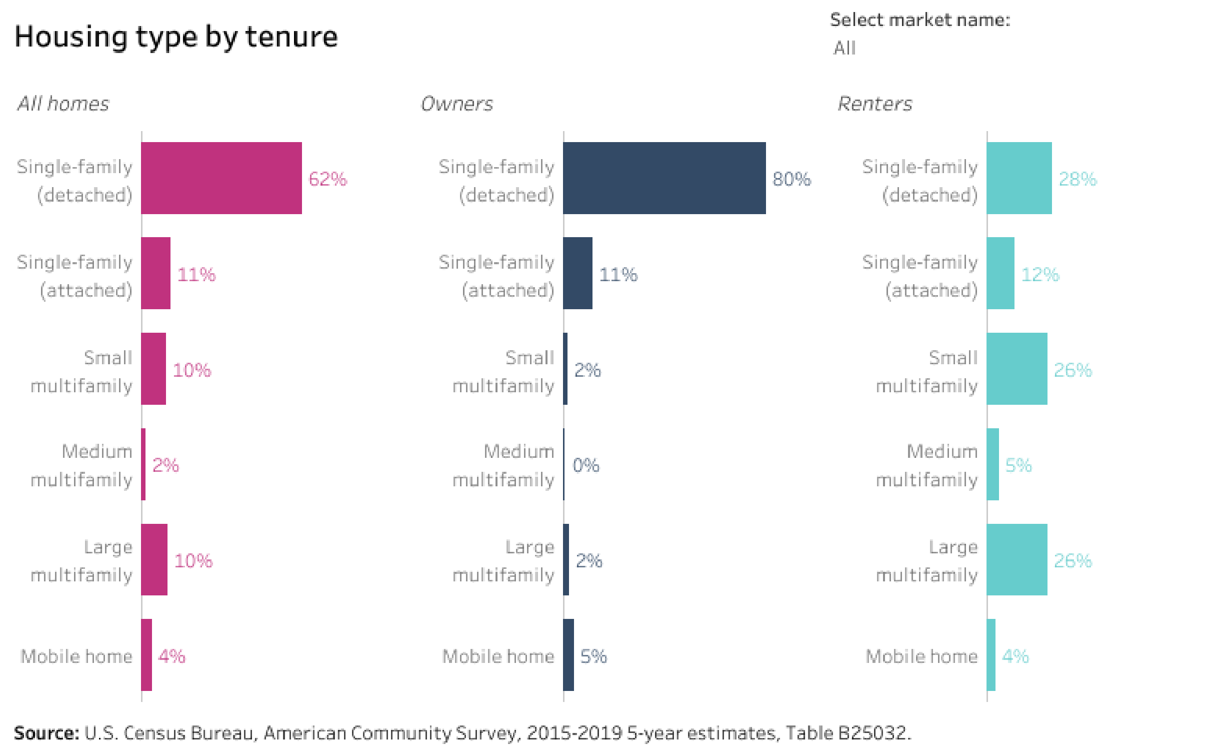


Figure 14.6: Housing type by tenure

Virginia is predominantly a single-family home state. Almost three in four of all households—including 40 percent of renters—live in detached or attached single-family homes. Though attached townhomes may be common in some more dense areas, they are still outnumbered five times by detached single-family homes statewide. Most Virginians do not share walls with their neighbors.

This arrangement is not by chance. In the early 20th century, localities in Virginia (and across the nation) began adopting zoning ordinances that regulated land uses. While many of these new restrictions attempted to promote public health and welfare by separating noxious activities from residential areas, they were just as commonly used to segregate communities by race and class via single-family only zoning. The history of this activity in Virginia—and its continued legacy—were the subject of a recent paper by the McGuireWoods Zoning and Segregation Work Group, which can be read in full here.

The prevalence of single-family zoning over the past century has also contributed to car-oriented suburban sprawl. When localities limit the diversity of housing options available to build (including smaller homes, townhomes, and multifamily buildings), more land per home is needed. As a result, nearly all communities built-out in Virginia after the Second World War are difficult to navigate by anything other than a personal vehicle. Traveling by foot to an adjacent neighborhood, or the grocery store, is nearly impossible on foot. These auto-dependent areas contribute to longer commutes, more congestion and pollution, and greater transportation spending.

Multifamily homes are much more likely to be leased rather than owned as condominium units; just five percent of all owners live in either a small or large multifamily building. Nearly half of renters (46 percent) live in large apartment buildings with five or more units.

A small but similarly-sized share of owners (five percent) and renters (four percent) live in manufactured homes throughout the state.

Finding 2: Single-family and larger multifamily buildings make up nearly all new homes in Virginia.

Small-scale apartments are rarely built.

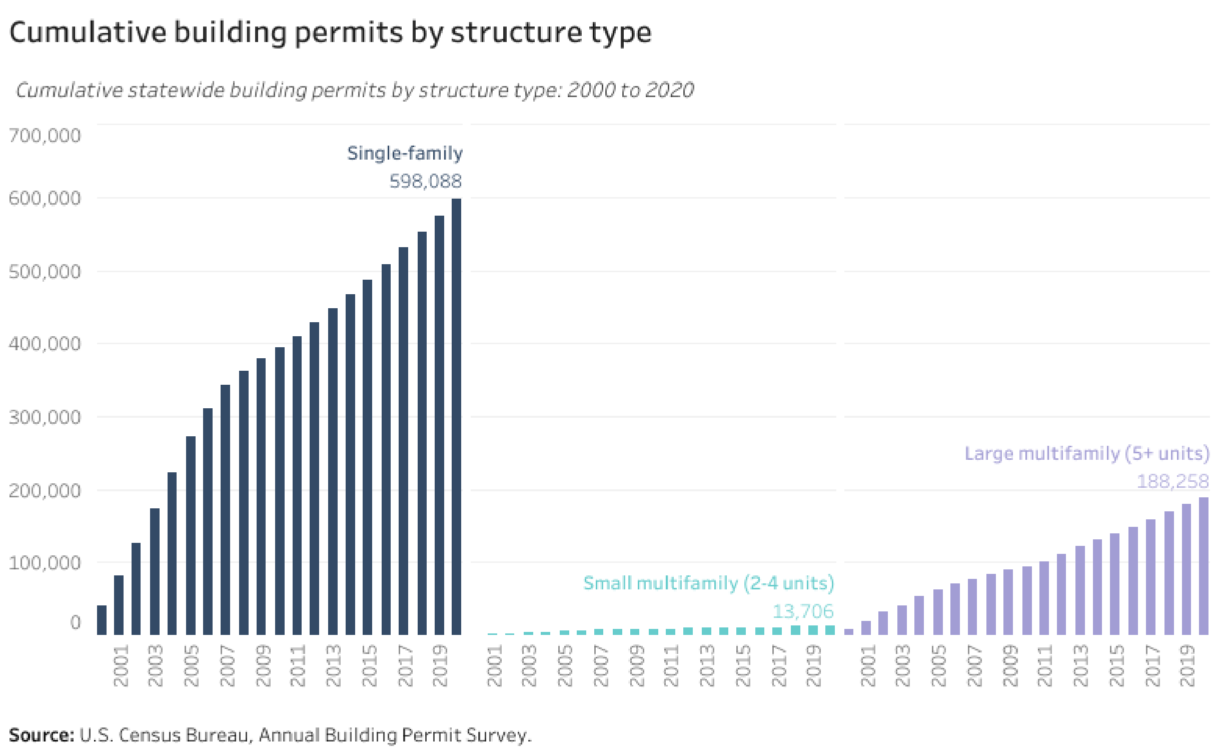


Figure 14.7: Cumulative building permits by structure type

Home builders in Virginia continue to build what is already most familiar: single-family homes and large apartment buildings. Since 2000, the rate of single-family production has more than tripled that of multifamily production. However, while the pace of multifamily construction has remained steady over the past two decades, single-family output has slowed relative to pre-recession levels.

Over the same past 20 years, developers and builders produced fewer than 14,000 units of small multifamily homes (2-4 units per building) across the state—less than two percent of all new homes built. These buildings, which make up a significant portion of rental homes available in older cities across Virginia, are often considered the "missing middle" homes along with other small-scale apartment complexes.

Finding 3: Single-family homes are the most common housing type built across the state.

Only in Small Metro Housing Markets are multifamily homes becoming more common.

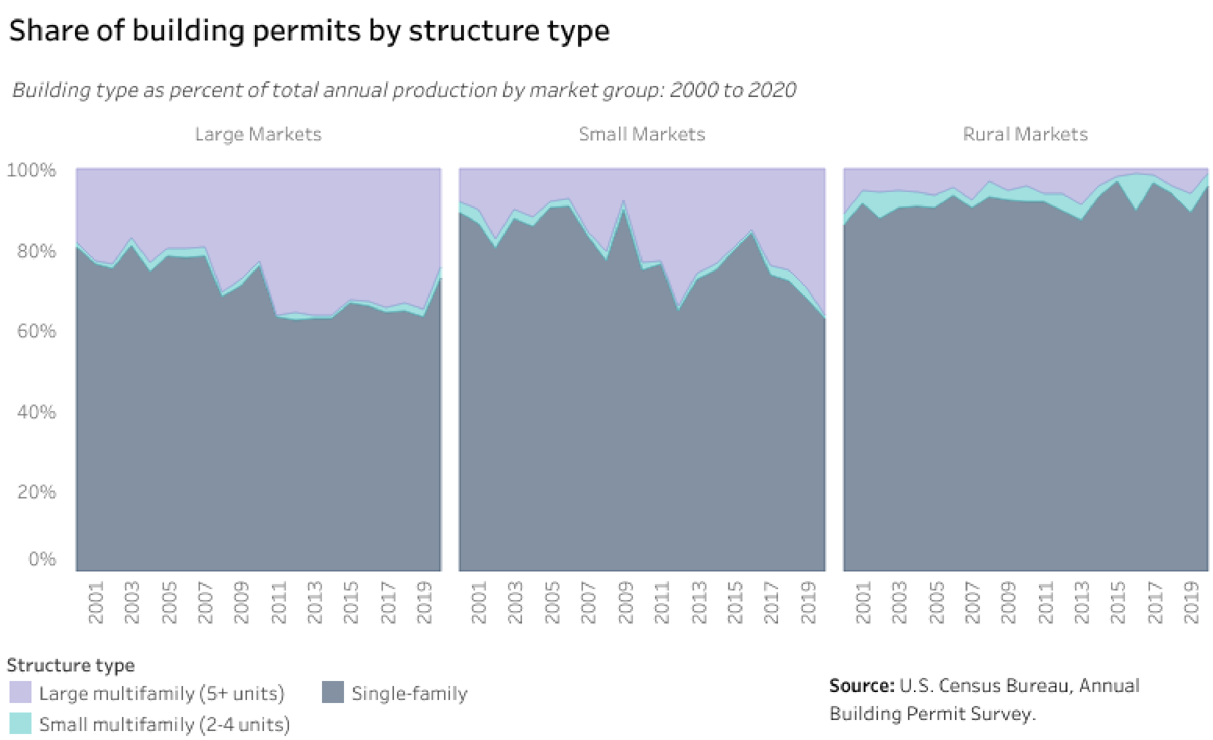


Figure 14.8: Share of building permits by structure type

Single-family production outpaces multifamily starts even in Large Markets. Throughout the urban crescent, nearly four in five homes built before 2008 were single-family. That share was higher in Small and Rural Markets.

Three important trends emerged after the Great Recession. First, the multifamily share of production in Large Markets expanded to nearly 40 percent (although that trend later ended according to 2020 permit data). Second, the multifamily share of production in Small Markets has grown from around 20 percent to almost 40 percent. Third, the already small share of apartment construction in Rural Markets has declined to a negligible amount.

Finding 4: Small Metro Housing Markets are playing catch-up to meet new demand for apartments.

Multifamily production in Large Metro Housing Markets has remained relatively consistent since 2000.

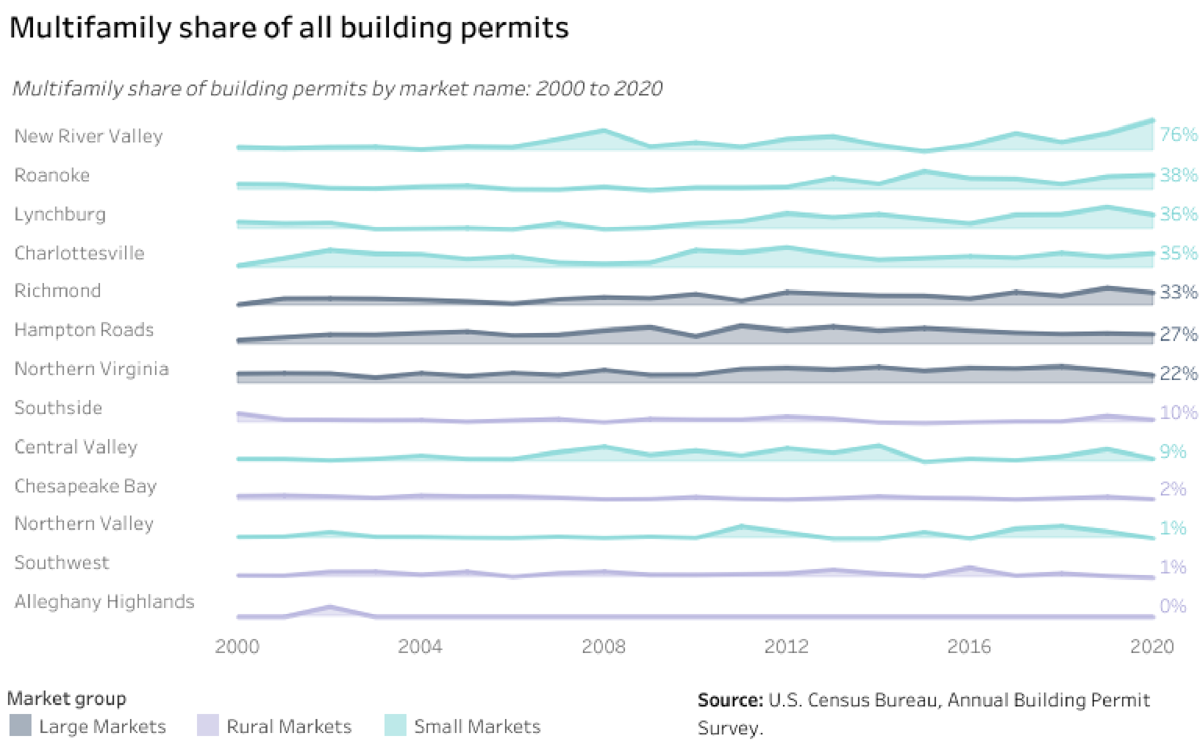


Figure 14.9: Multifamily share of all building permits

The increase in new multifamily buildings is most visibly dramatic in Northern Virginia, Richmond, and Hampton Roads. While those three Large Markets are certainly home to the highest net counts of new apartments, as of 2020 they are behind four of Virginia's six Small Markets in terms of *the share* of new homes that are multifamily.

Notably, new apartment construction is relatively strongest in the Blacksburg-Christiansburg, Roanoke, and Lynchburg areas, especially since 2010. In 2020, more than three-quarters of all new homes built in the Blacksburg-Christiansburg market were multifamily, likely the result of demand from students at Virginia Tech and Radford University. In Charlottesville—another Small Market anchored by a university—apartments account for well over a third of all new homes built since 2010.

Throughout the urban crescent, apartment construction is more prevalent in core cities, but overall fewer than one in three new homes are apartments. Single-family homes still dominate housing starts in these areas.

Finding 5: About 2,000 new manufactured homes are added in the state each year.

Those deliveries are a fraction of 1990s levels.

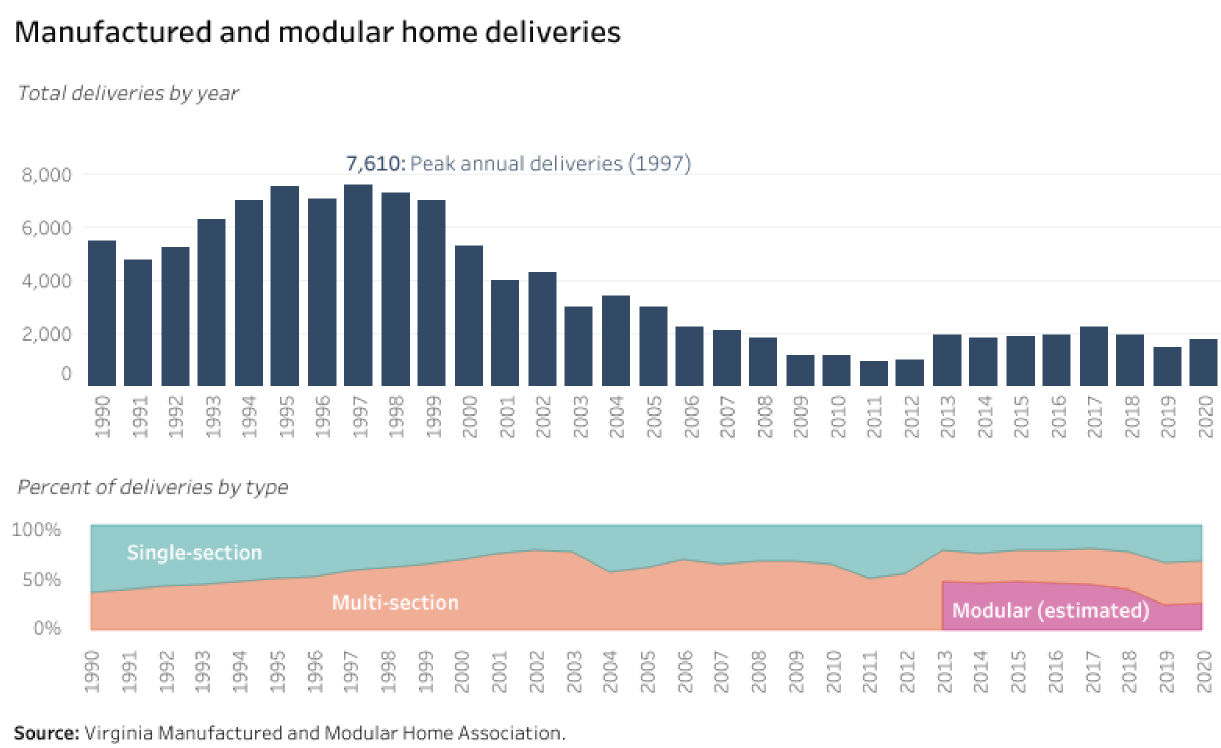


Figure 14.10: Manufactured and modular home deliveries

Factory-built homes may be relatively uncommon statewide, but they are an affordable solution for thousands of Virginians, especially in rural communities across Southside and Southwest. Throughout the 1990s, Virginia added about 6,000 new manufactured homes per year delivered from factories both inside and outside the state. Beginning in the 2000s, those deliveries began declining as site-built housing became more abundant and affordable. Since then, total annual deliveries have remained near or below 2,000.

While most manufactured homes built between mid-century and the 1990s were single-section, larger multi-section homes became increasingly common by the 2000s when they accounted for well over half of new deliveries.

As of 2013, Virginia Manufactured and Modular Housing Association (VAMMHA) also began estimating modular home deliveries. These units are composed of multiple factory-built sections that are assembled on site and conform to state building code rather than HUD manufactured home regulations. Several hundred have shipped out across the state annually in recent years.

14.3 Age and quality

Finding 1: The average home in Virginia is about 40 years old.

Renters have slightly older homes than homeowners.

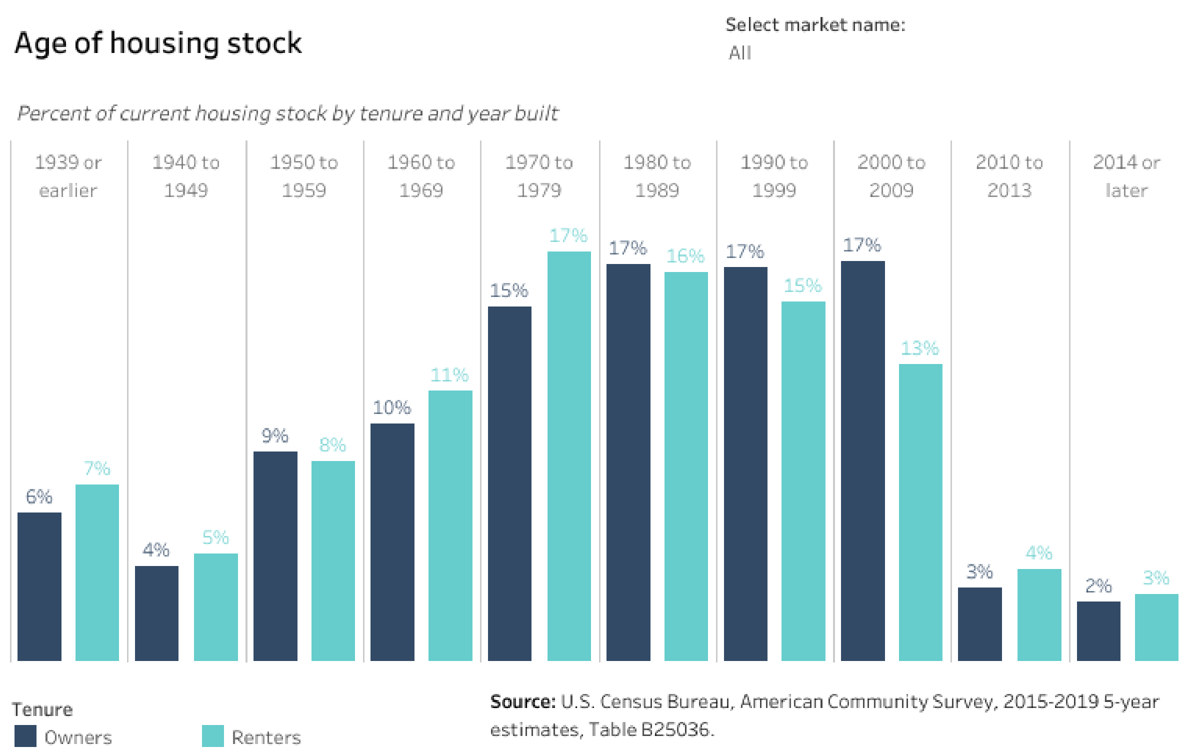


Figure 14.11: Age of housing stock

Most Virginians live in homes built between 1970 and 2009. Housing production across those four decades was fairly consistent and significantly more plentiful than during any other time period. Still, there currently are many more occupied homes built prior to 1970 than homes built after 2009.

The average Virginian—who is about 38 years old—is probably living in a home built around the same time they were born.

There are small but noticeable differences between the age of homes occupied by owners and renters. This is mostly the result of higher single-family home production in the 1990s and 2000s and the growth in homeownership that followed.

Finding 2: Older homes are more common in cities while newer homes are in the suburbs.

The Eastern Shore and rural counties also have older-than-average homes.

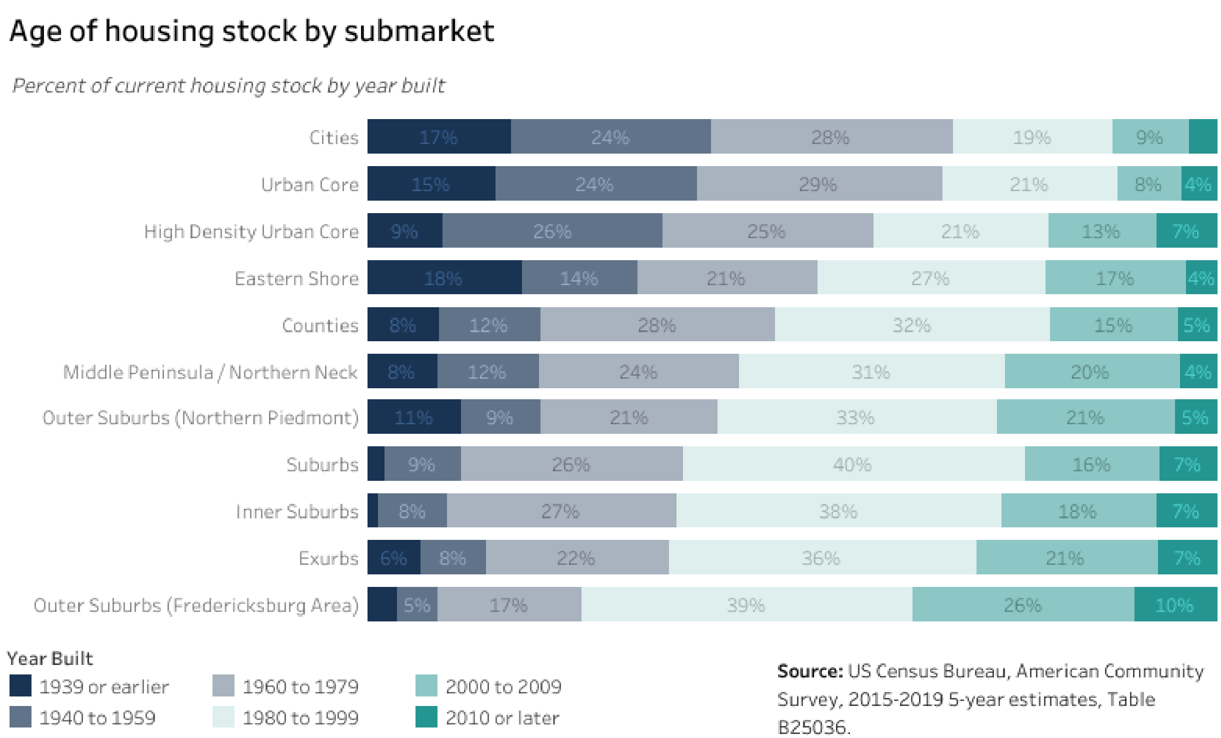


Figure 14.12: Age of housing stock by submarket

More than half of all homes in Small Market and rural cities, Urban Cores, and the Eastern Shore were built before 1980. Small and Rural Market counties, along with the Middle Peninsula/Northern Neck, also have large shares of older housing stock. These submarkets include both high-demand areas (such as many metro cities with pre-World War II homes) and lower density, lower demand communities.

Submarkets with the youngest housing stock are the places where production has been highest over the past two decades—primarily the suburban corridor along the urban crescent.

Finding 3: Homes in Southwest Virginia are much more likely to be more than 40 years old.

This housing predates laws prohibiting lead paint.

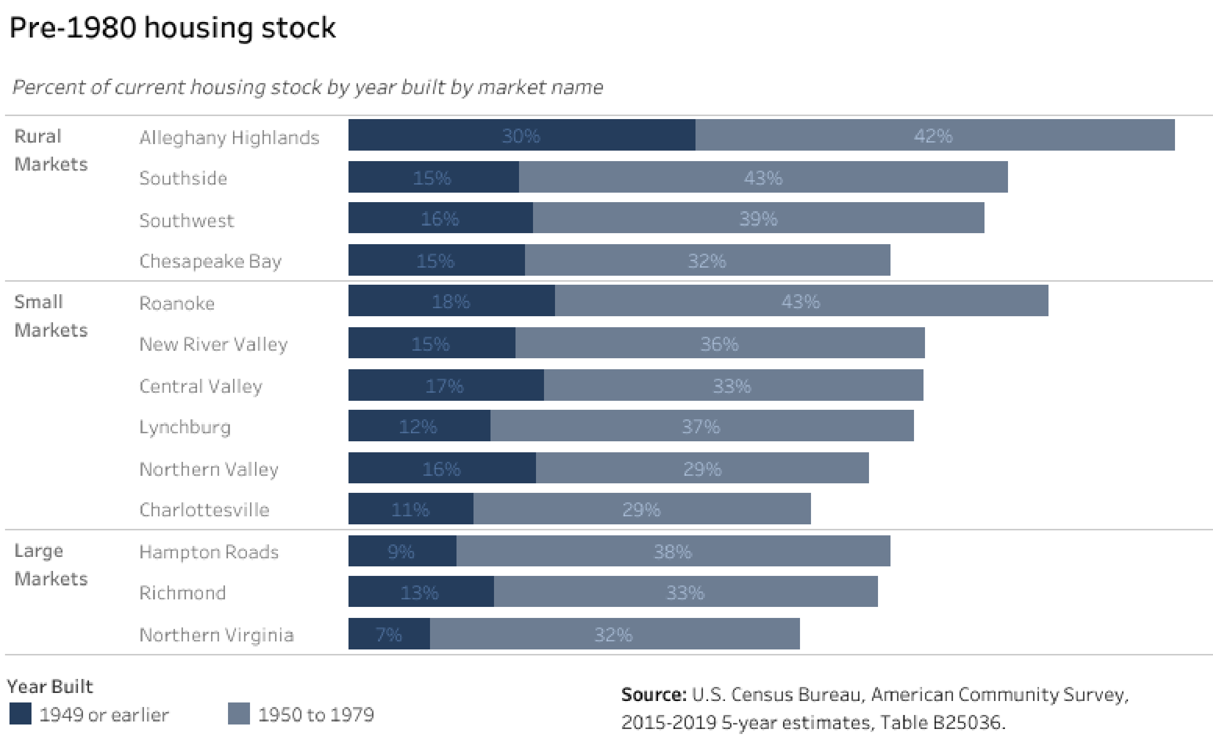


Figure 14.13: Pre-1980 housing stock

Lead paint exposure remains a serious public health risk, especially for young children. Voluntary phasing out of lead paint began in 1950, but a full ban did not take effect until 1980 so any homes more than 40 years old continue to pose a risk.

Across the state, the highest shares of this older housing stock are in Rural and Small Markets in the Southwest and Shenandoah Valley. In the Allegheny Highlands, almost three-quarters of all homes were built before 1980.

Finding 4: Homes without plumbing or kitchen facilities are rare but unequally distributed.

Virginians with lower incomes more commonly live in homes without basic necessities.

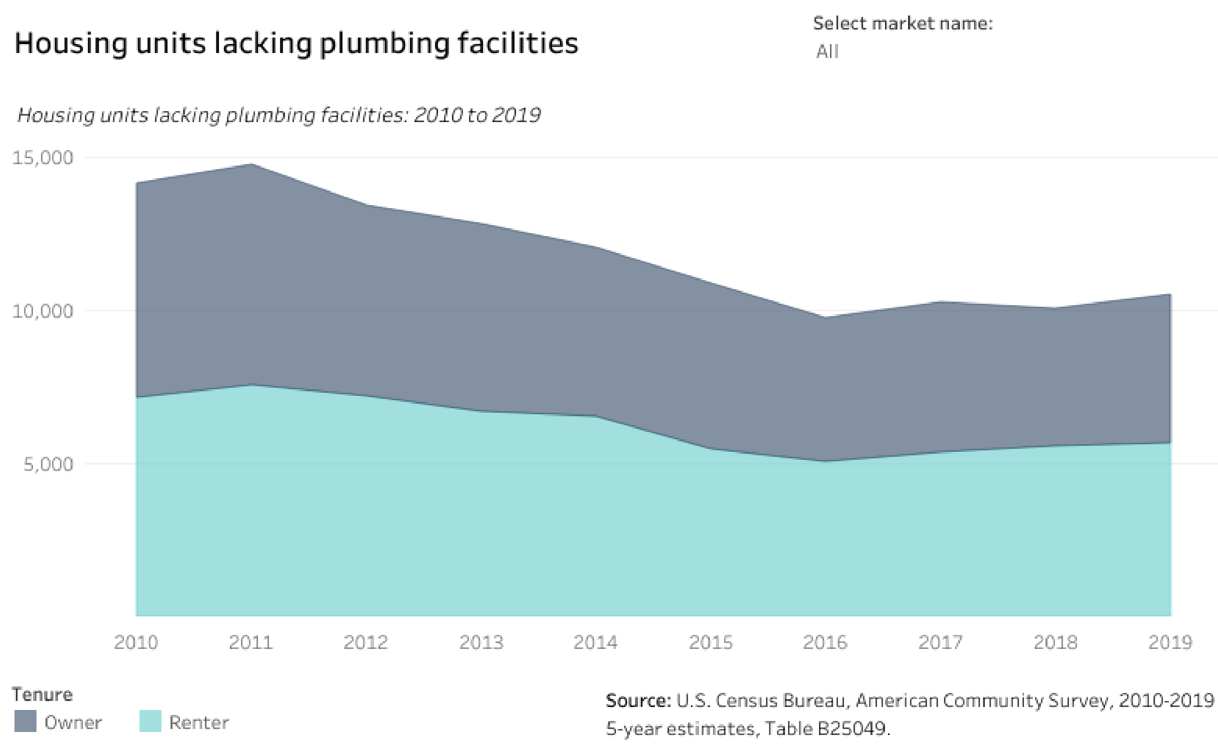


Figure 14.14: Households without plumbing or kitchen facilities by tenure

Virginia has diligently worked over the past several decades to bring sanitary indoor plumbing to all homes across the state through publicly-assisted upgrades and private investments. Today only about one percent of all homes lack full plumbing and/or kitchen facilities.

However, housing still in need of these critical upgrades is typically occupied by extremely and very low-income Virginians, particularly renters and rural homeowners.

Finding 5: Low-income renters are most likely to live in homes too small for their families.

Overcrowded homes are a community health risk.

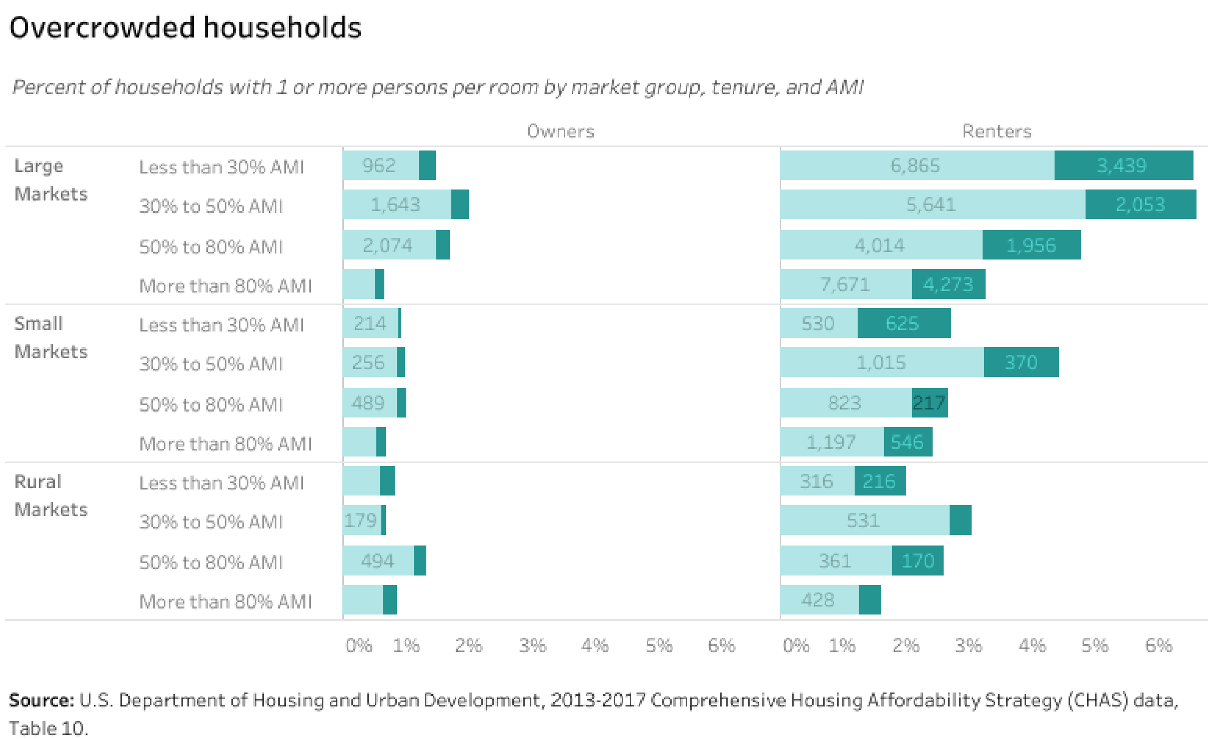


Figure 14.15: Overcrowded households

A home is considered overcrowded when there are too many people per room. While definitions vary, the common "overcrowded" threshold is 1.0 persons per room and the "very overcrowded" threshold is 1.5 persons per room. People living in overcrowded conditions are more likely to experience physical and mental health issues—including an increased likelihood of disease transmission.

Overcrowded homes are relatively rare across Virginia, representing just two percent of all households, or approximately 61,000 households. Most overcrowded households are in Large Markets and occupied by renters with incomes below 50 percent AMI. Homeowners in other markets, especially those outside of the urban crescent, are the least likely to live in overcrowded homes.

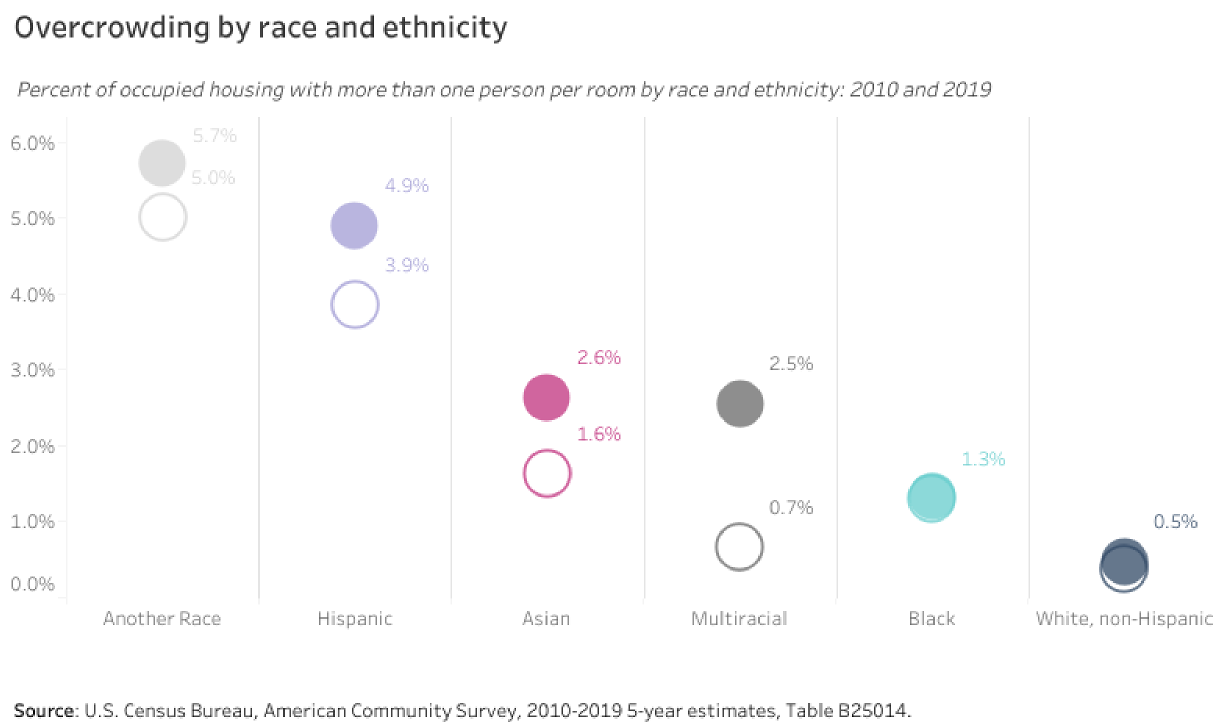


Figure 14.16: Overcrowding by race and ethnicity

Overcrowded housing conditions are more likely to be experienced by Hispanics and persons of Another Race—which includes Indigenous peoples—than any other group. While overcrowding conditions have been rising for all groups, this rise has been more greatly felt by households identifying as Multiracial, Asian, and Hispanic. These three groups experienced a one percentage point or more rise in the share of overcrowded housing units from 2010 to 2019, while Black and white households saw nearly no change.

Chapter 15

Homeownership market

This chapter analyzes the state's homeownership market and current characteristics of Virginians who own their home or are seeking to purchase a home.

Highlights

Major takeaways in this chapter include:

- Virginia's homeownership rate is consistently higher than the national average, but may continue recent declines without a proactive response to changing demographics and market conditions.
- Compared to the average Virginian, homeowners in the Commonwealth are older, more affluent, and more white. In many Small and Rural Markets, most homeowners are more than 55 years old.
- As of August 2021, the average single-family home in Virginia sold for $355,000—an increase over 30 percent from five years prior. Home prices are rising far faster than renters' average incomes.
- Limited supply—especially of smaller homes equally sought after by young buyers and downsizing baby boomers—has lifted prices and kept homeownership out of the reach of many.
- Homeowners are less likely to be cost-burdened than renters. However, homeowners who are low-income, who live alone, or who are Black and brown are all disproportionately cost-burdened.

15.1 Virginia's homeowners

Finding 1: Three in four homeowners live with their family.

Rural homeowners are slightly more likely to live alone.

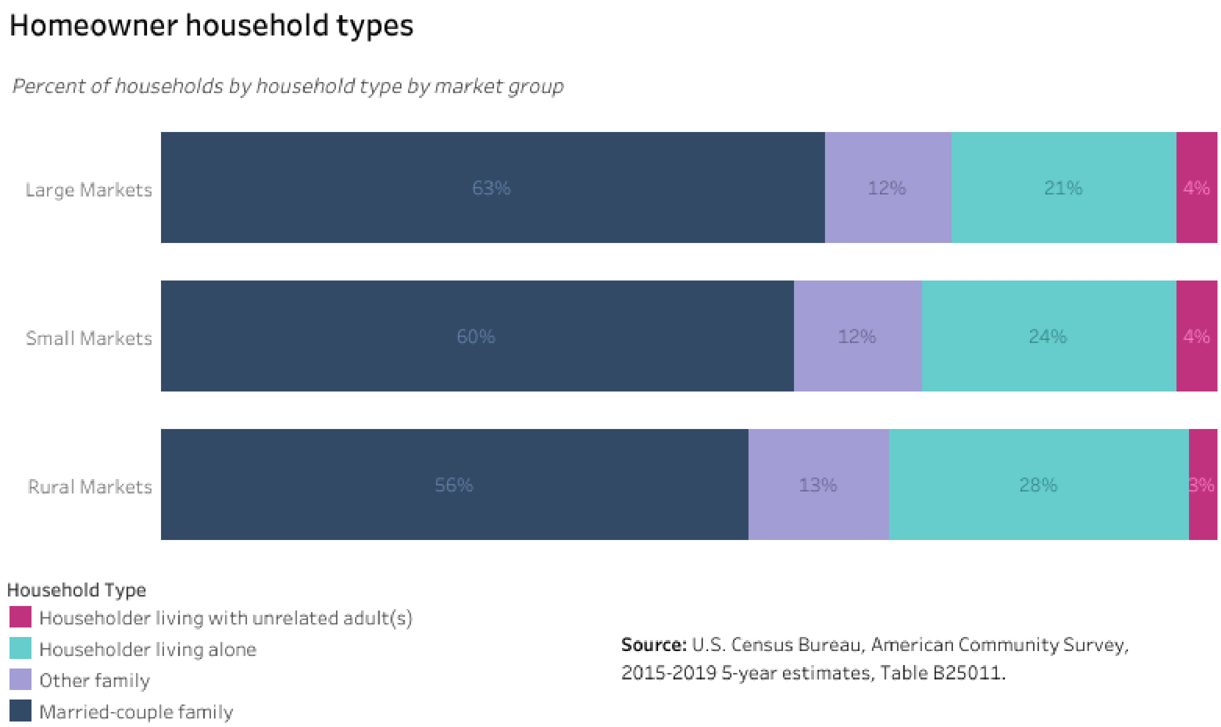


Figure 15.1: Owner household types

Married-couple households are much more likely to be able to afford a home because of the additional income when both spouses are in the paid workforce. This holds true particularly in Virginia's Large and Small Markets, where over half of homeowners are in married-couple households. Married-couple households are also the most common living arrangement in Rural Markets (56 percent), but rural residents are more likely than their Large and Small Market counterparts to live with other family members (13 percent) or alone (28 percent).

Finding 2: Most homeowners live in one-person or two-person households.

But unlike renters, homeowners are more likely to share their home than to live alone.

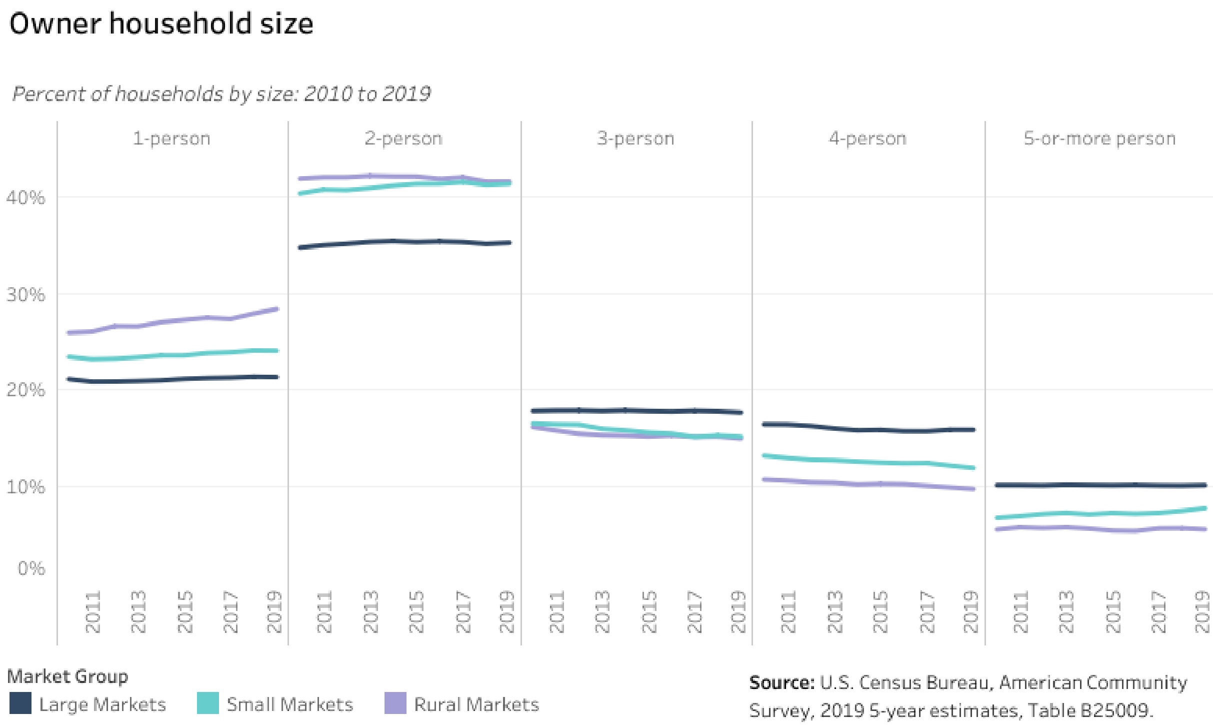


Figure 15.2: Owner household size

Most homeowners in the Commonwealth live in one-person or two-person households, but there are variations in household size across market groups. In Large Markets, Virginia homeowners are much more likely to live in larger households—most likely due to increasing economic opportunities for young families in these areas. Rural and Small Markets have greater shares of smaller households.

Finding 3: Homeowners are getting older.

Virginia's oldest homeowners are in rural communities.

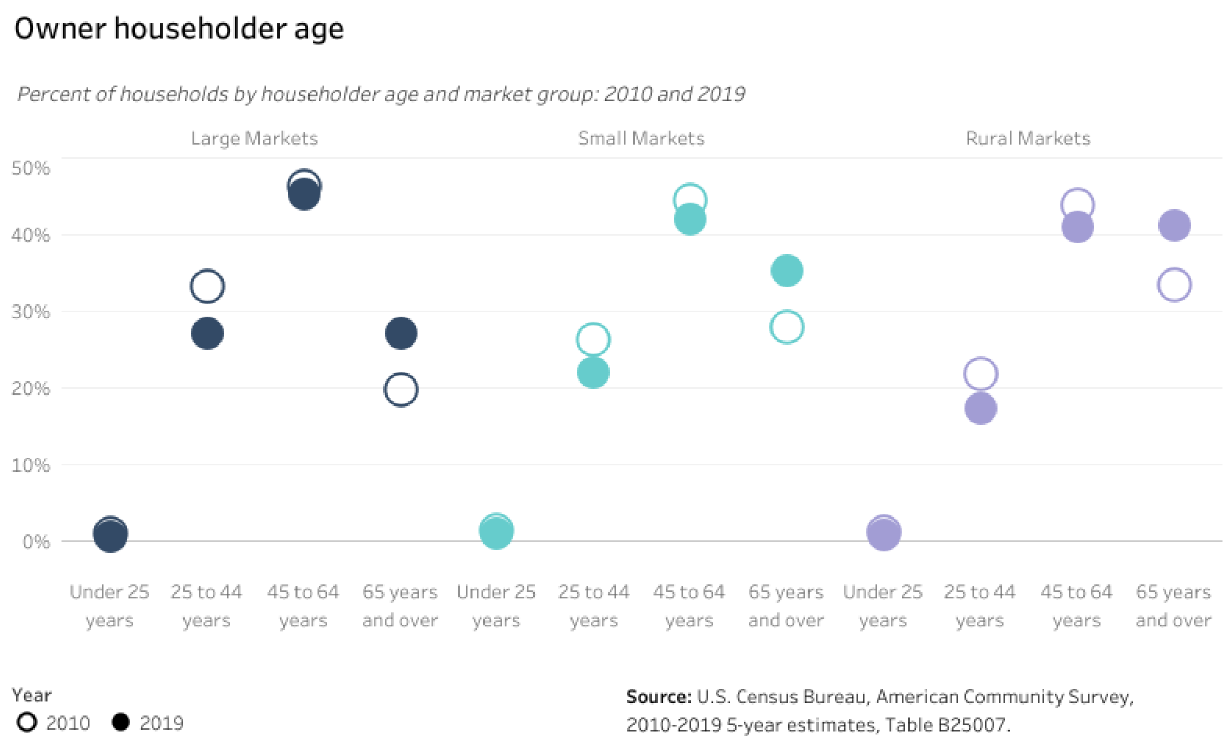


Figure 15.3: Owner household age

The aging of homeowners in Small Metro and Rural Housing Markets is contributing to smaller household sizes. In these areas, residents 55 and older make up a greater share of the population, and they also have increased in number.

Homeowners in Virginia are increasingly older adults; unaffordable home prices have locked out many millennial and younger Generation X would-be homebuyers.

Finding 4: Homeowners of color are uncommon in Virginia.

Even in diverse markets, over two-thirds of homeowners are white.

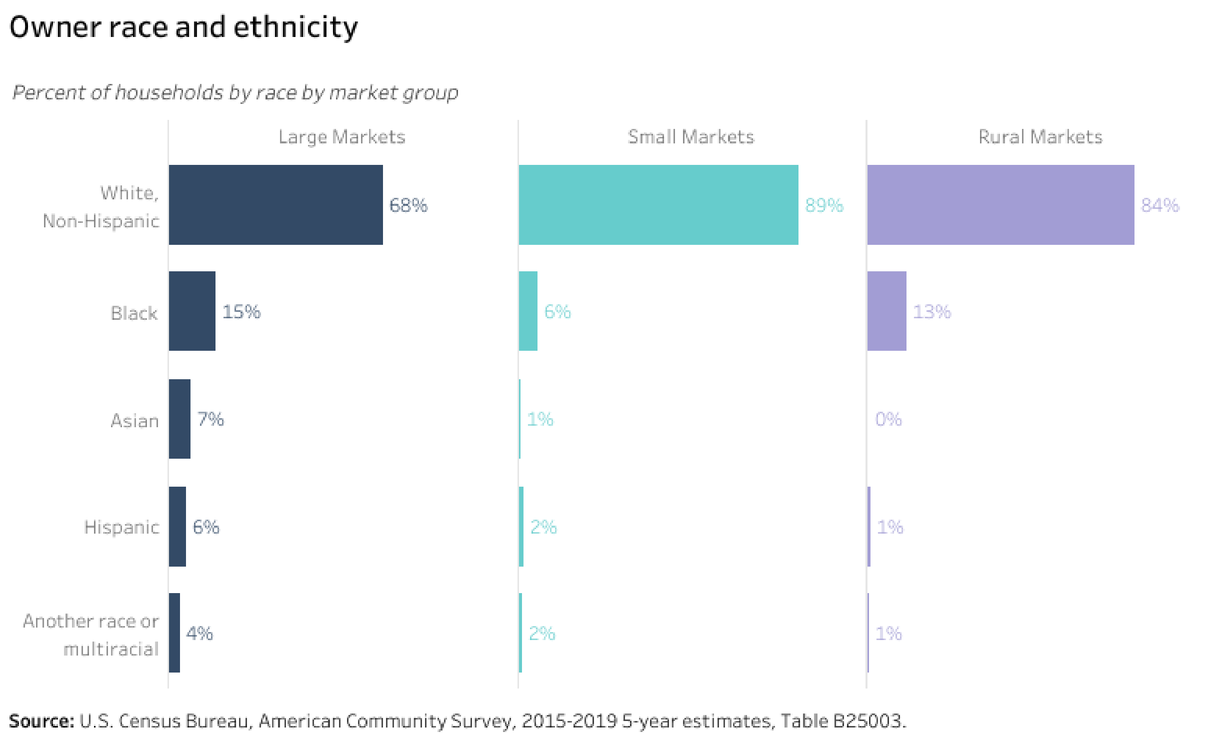


Figure 15.4: Owner race and ethnicity

Homeowners in Virginia are more likely to be white, even in diverse areas of the Commonwealth. Although white Virginians make up a majority of the population, the low number of homeowners of color signals a key consequence of centuries of racial inequity.

For example, 21 percent of all households in Large Markets are Black, but they account for only 15 percent of the homeowners.

Finding 5: Metro homeowners have above-average incomes.

Over half of homeowners in the urban crescent earn more than six figures.

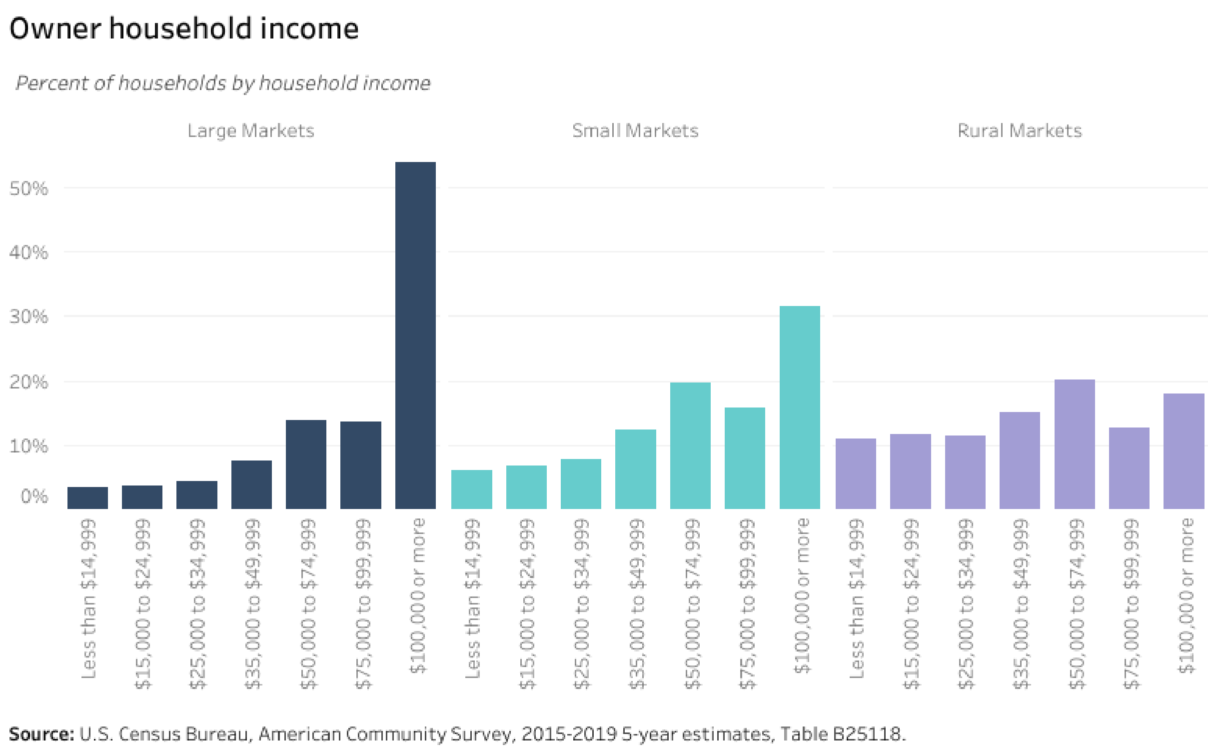


Figure 15.5: Owner household income

Income inequality among homeowners in Virginia is most significant in Large and Small Metro Housing Markets where a greater proportion of homeowners make $100,000 or more across income groups. There is greater income uniformity in Rural Housing Markets where homeowner incomes are distributed almost evenly across all income groups.

Finding 6: Homeowners are more likely to have a bachelor's degree or higher in Virginia metro areas.

Over half of homeowners in the urban crescent have a bachelor's degree or higher.

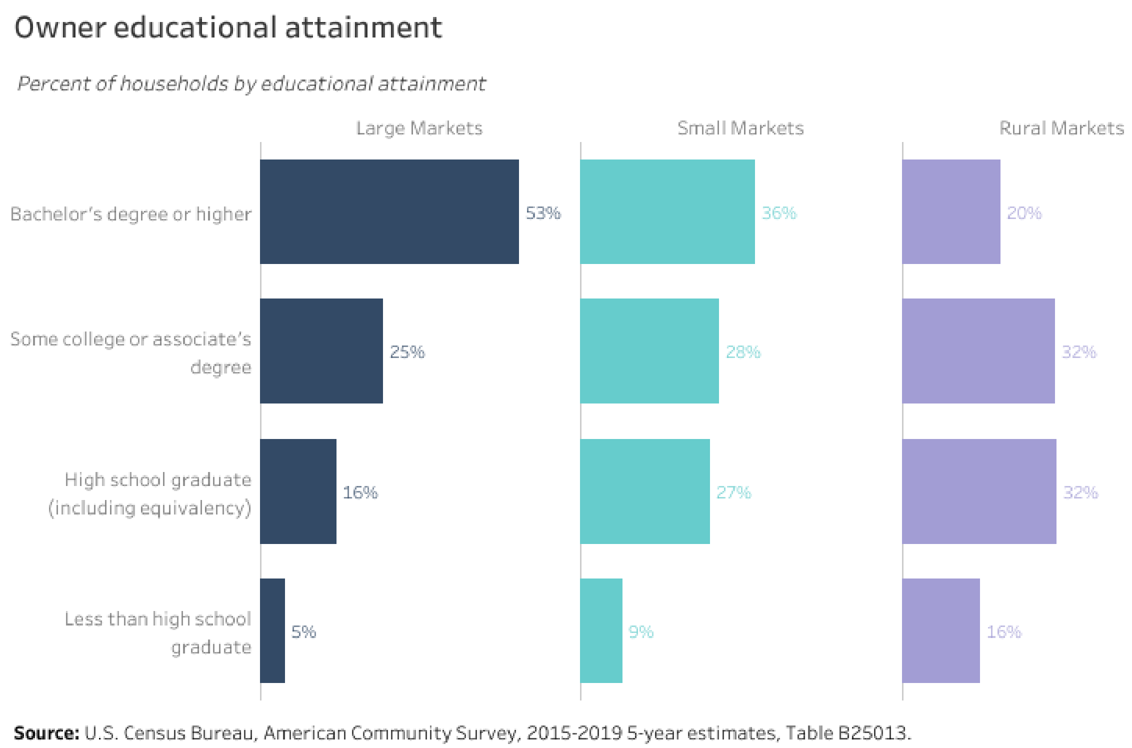


Figure 15.6: Owner educational attainment

Higher educational attainment often leads to higher income and with it, greater ability to afford a home. In Virginia, disparities in homeownership among residents of different educational backgrounds are more pronounced in Large Markets. Over half of homeowners (53 percent) in the urban crescent and just over one in three Small Market homeowner households have a bachelor's degree or higher.

15.2 Homeownership rate

Finding 1: Prior to COVID-19, homeownership in Virginia was increasing for the first time in more than a decade.

Recovery from the Great Recession and the increase in renting has slowed the rate of homeownership across most of the country.

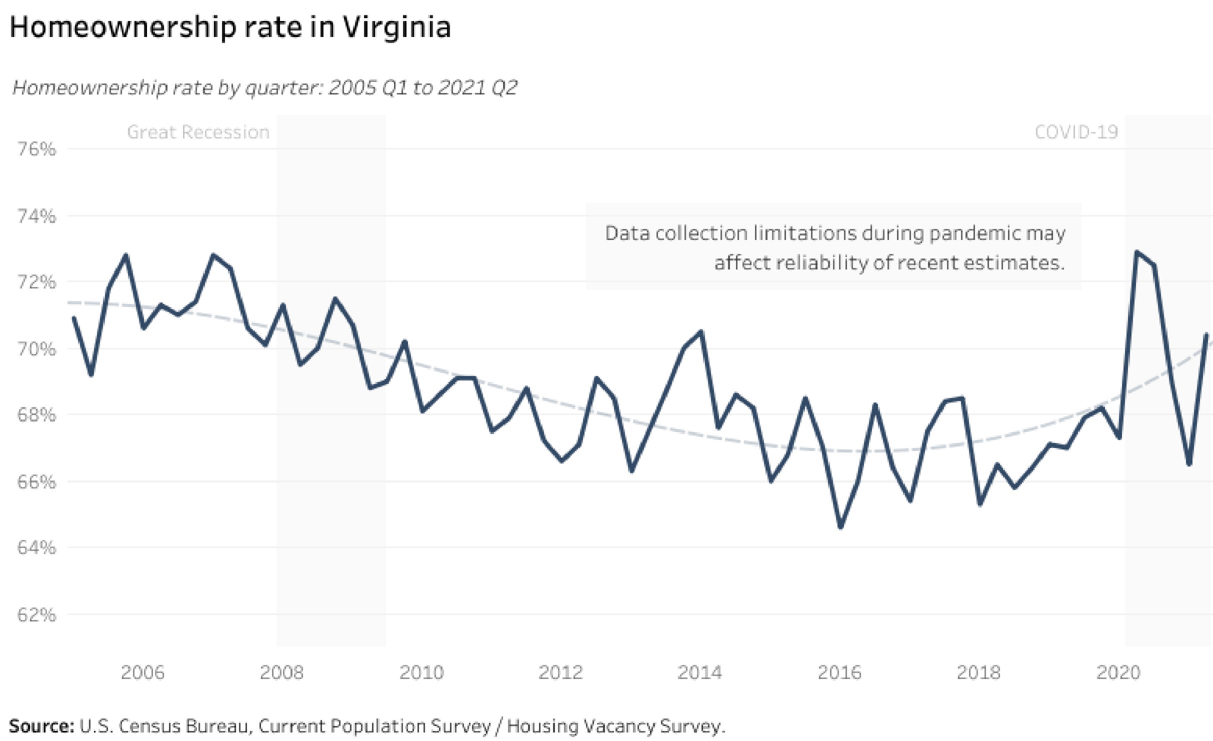


Figure 15.7: Homeownership rate in Virginia

From 2010 to 2016, homeownership decreased in many states as they recovered from the impacts of the Great Recession and housing costs rose. Virginia's homeownership rate—almost 68 percent before the pandemic—was slightly higher than the national average, but a full six points below what it was before 2008.

Virginia's homeownership rate began to plateau around 2015 following a steady decline since the start of the recession in 2008. By 2018, homeownership was on the rise again until the COVID-19 pandemic hit in early 2020.

Although the U.S. Census Bureau's homeownership estimates for Virginia were above 72 percent in the second and third quarters of 2020, the rate dropped by more than four points by the first quarter of 2021, followed by another sharp increase of several points. This volatility is likely the result of changed data collection procedures during the pandemic for Housing Vacancies and Homeownership (CPS/HVS) estimates.

Finding 2: Homeownership has been declining slightly in almost every part of the state.

The biggest drops have been in Large Metro Housing Markets, but that trend may be over.

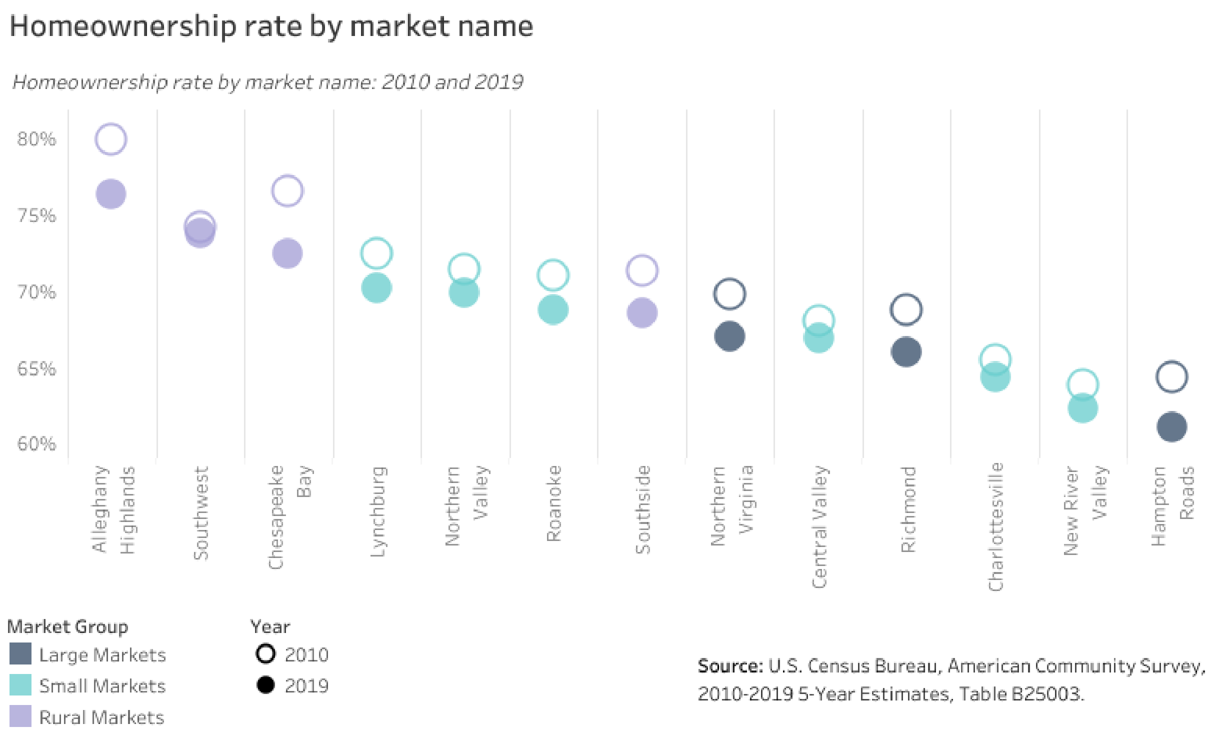


Figure 15.8: Homeownership rate by market name

Homeownership in Virginia is most prevalent in Rural Markets, followed by Large Markets and then Small Markets. However, in nearly every market homeownership rates continued to decline in the years following the Great Recession. While that drop is beginning to level off in Large Markets and some Small Markets, homeownership in most rural areas is still decreasing.

Finding 3: The racial homeownership gap remains wide in Virginia.

Throughout Virginia, non-white households are far less likely to be homeowners—but Virginia's Black and brown homeownership rates are better than the national average.

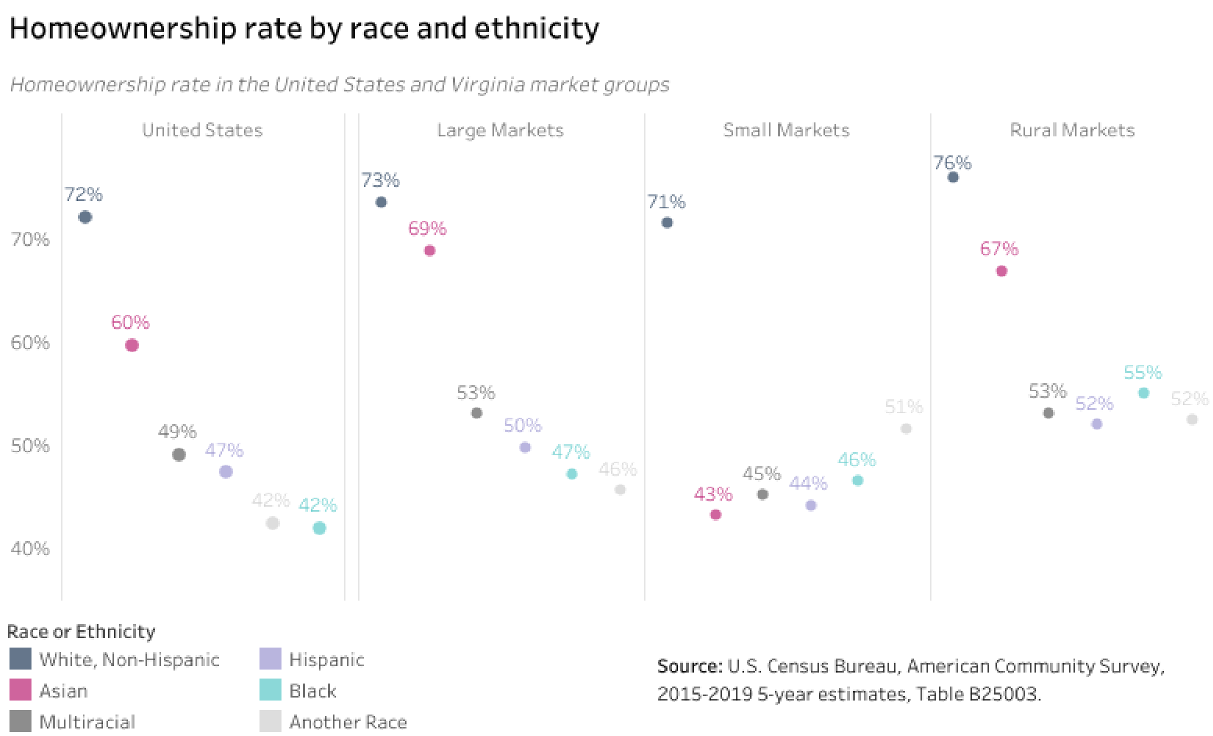


Figure 15.9: Homeownership rate by race and ethnicity

The barriers to homeownership for many households of color are deeply rooted in the systemic injustices of Virginia's and the nation's past. For generations these injustices have compounded the barriers for Black and brown families to build generational equity and wealth that many white households have been able to pass on to their children and grandchildren.

The wide homeownership gap between Black and brown households and their white counterparts in all parts of Virginia is a clear holdover from these injustices, especially in Large Markets that experienced redlining. In these communities, the gap has widened to 26 points; white households have a homeownership rate of 73 percent while Black households have a 47 percent homeownership rate.

However, in a national comparsion, Black Virginians are more likely to be homeowners. The national homeownership rate for Black households sits at 42 percent, six percentage points behind the homeownership rate of Black Virginians.

Most racial and ethnic groups generally have experienced a decrease in homeownership except in Small and Rural Markets where Hispanic homeownership rates are increasing significantly. In rural Virginia, Hispanic households have increased their homeownership rate to 52 percent from 40 percent in a decade.

Finding 4: Fewer millennial and Generation X Virginians are becoming homeowners over time.

There has been an overall decline in homeownership among all age groups, but millennials—who already have a low homeownership rate—have experienced the most significant decreases.

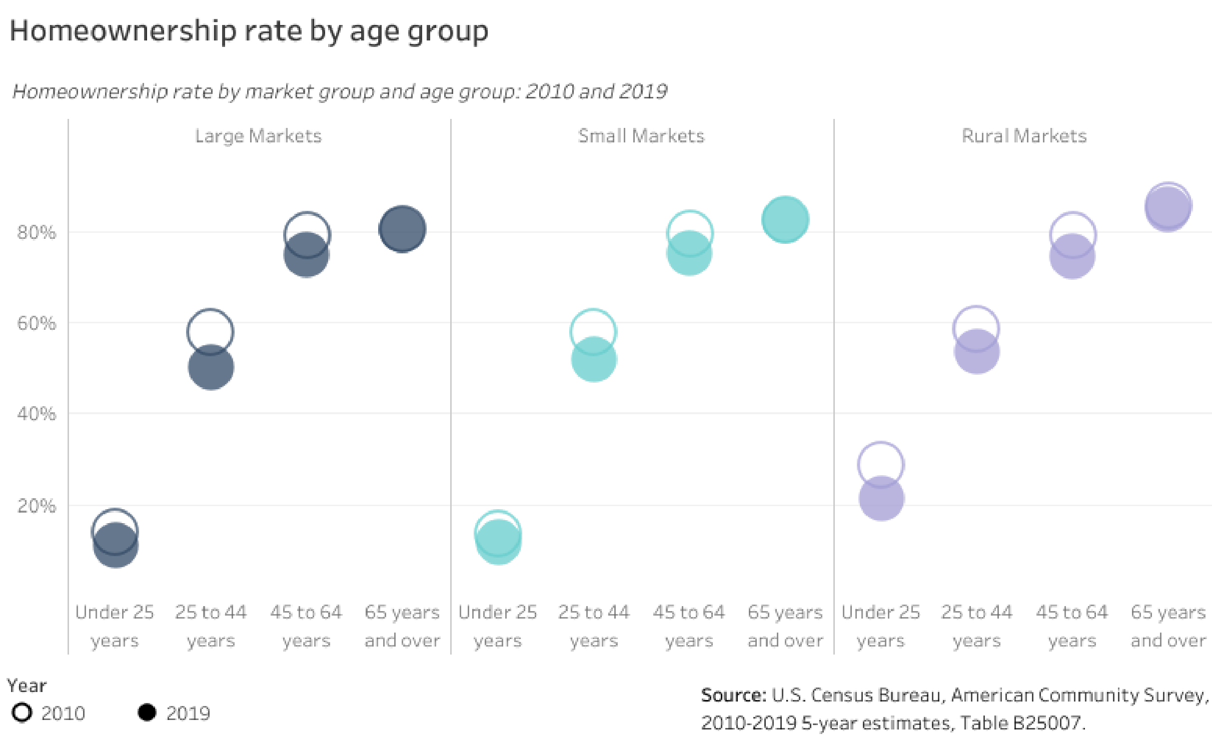


Figure 15.10: Homeownership rate by age group

Statewide, the average homeowner is getting older. Millennials (born between 1981 and 1997) continue to struggle to achieve homeownership. Social and economic factors—such as student loan debt and delayed household formation—are influencing this development. Delayed homeownership can contribute significantly to growing inequity between younger and older generations.

Throughout Virginia the homeownership gap between millennials and older age groups is 20 percent or greater. This holds true in Small and Rural Markets as well as in Large Markets where housing costs are rapidly increasing.

The number of Generation X homeowners (those born between 1965 and 1980) has also been declining across all markets, though not as dramatically as for millennials. The decline may indicate a new preference for renting, but it also reflects increasing barriers to homeownership such as debt accumulation, rising housing costs, and low supply of homes for sale.

15.3 Home prices and supply

Finding 1: It is hard to buy a home in Virginia today.

The average home in the state now costs more than $300,000.

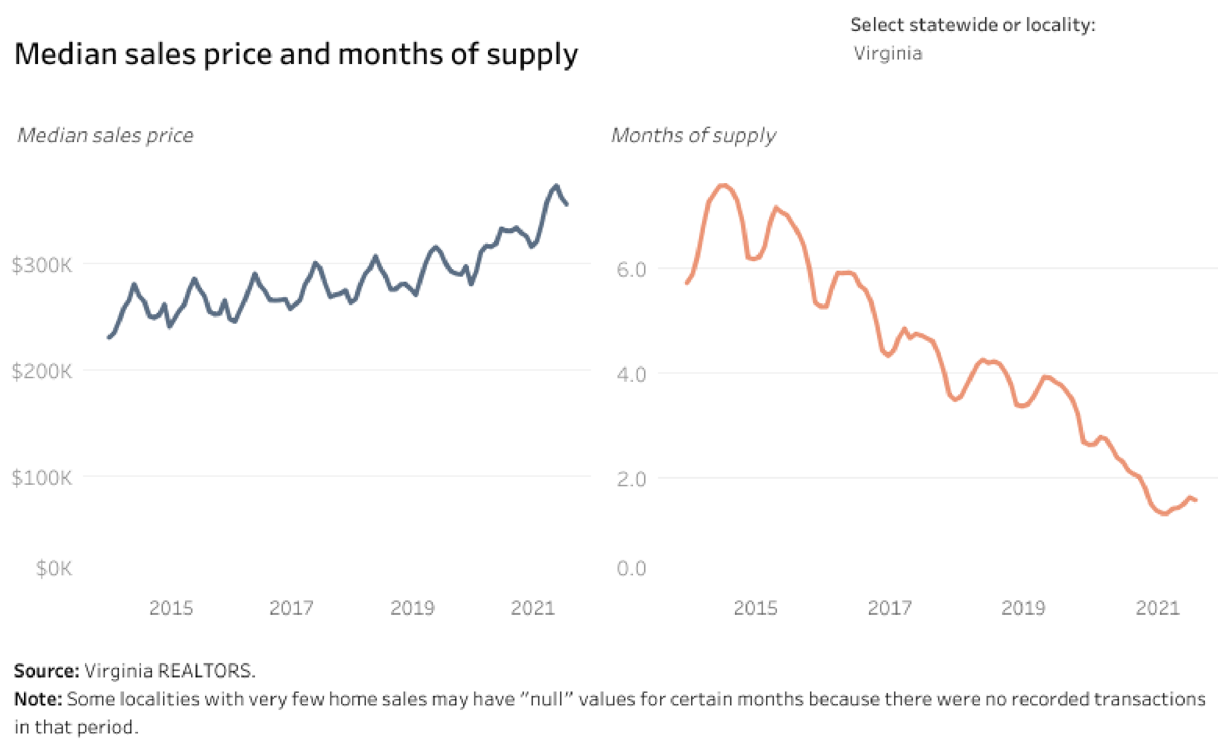


Figure 15.11: Median sales price and months of supply

Home prices in Virginia steadily recovered after the Great Recession. By 2016, the median sales price across the state regularly exceeded $250,000. In the summer of 2017, the average home price cracked $300,000 for the first time. Initial fears about a slump during the pandemic in 2020 were soon dispelled as average prices stayed well above $310,000, driven by historically low interest rates, low inventory, and a homebuyer pool relatively unscathed by pandemic job losses.

High demand for nearly all types of housing has dramatically reduced available supply. Before 2016, Virginia was comfortably above six months of supply. That figure soon began to decline, and was just above one month in early 2021.

Finding 2: Starter home inventory is decreasing.

Homes affordable to buyers earning less than 80 percent AMI are becoming hard to find.

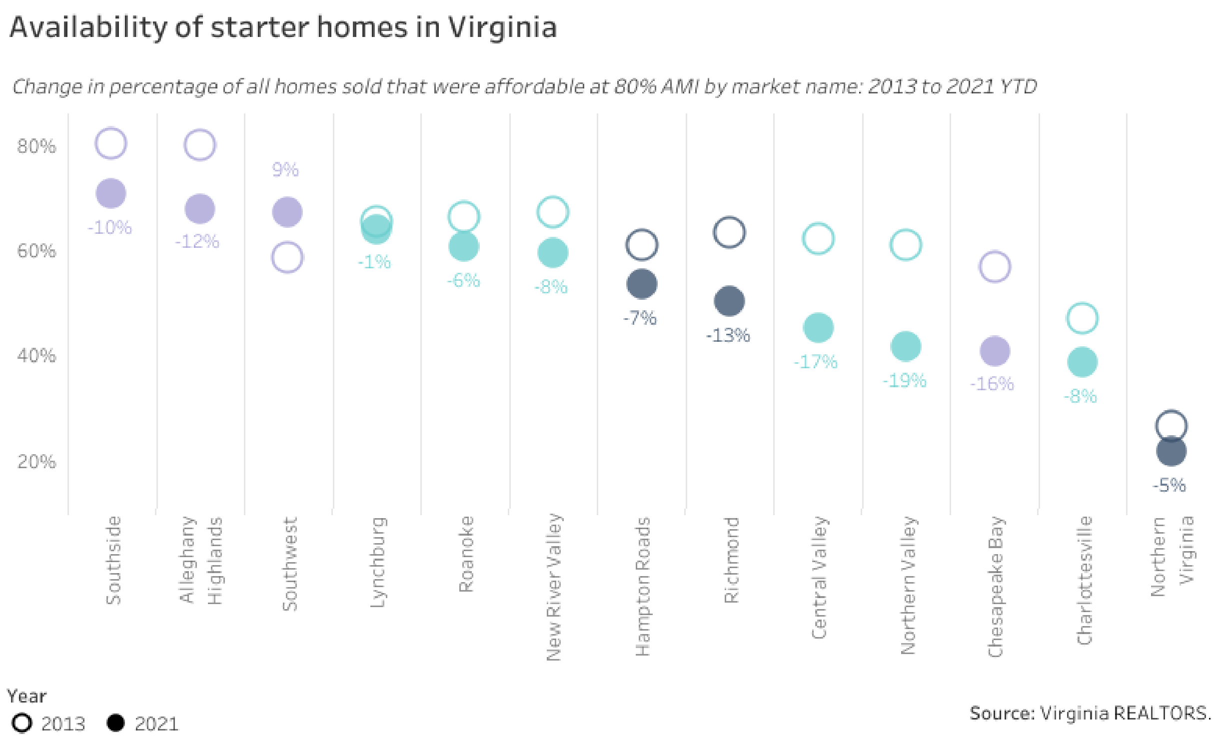


Figure 15.12: Availability of starter homes in Virginia

In all parts of Virginia except for the Southwest, the number of homes that are affordable to households making 80 percent AMI has decreased since 2013. These "starter homes" are generally smaller and slightly older, making them traditionally more affordable than newer homes coming onto the market.

In Arlington County, for example, 80 percent AMI equated to an annual household income of $65,850 in fiscal year 2021. The maximum home price affordable to these households was $356,745, but in fiscal year 2021 only 16 percent of homes sold were at or below this price. Conversely, in the city of Petersburg, where 80 percent AMI was $57,600, 97 percent of homes sold in fiscal year 2021 were at $312,050 or below.

The most pronounced market decreases in starter home stock have occurred in the Northern Valley (20 percent decrease), Central Valley (17 percent decrease), and Chesapeake Bay Markets (16 percent decrease). In Northern Virginia, where the percentage of starter homes was already low at 27 percent, the share of starter homes has declined to just above 20 percent.

Finding 3: New home sizes are not matching the need for starter homes.

The number of owner-occupied homes with four or more bedrooms has been rising, while smaller homes have been decreasing.

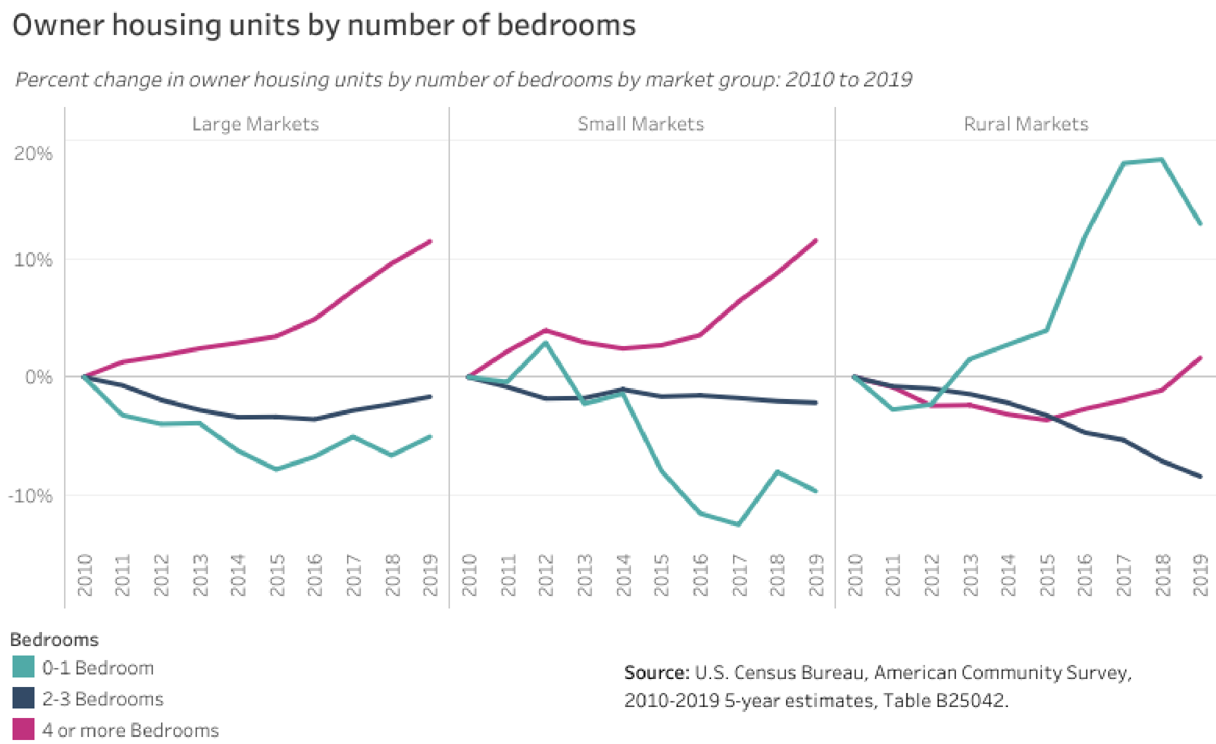


Figure 15.13: Owner housing units by number of bedrooms

Fewer bedrooms in a home often mean a more affordable price. But the share of owner housing units with fewer than four bedrooms has largely been in decline in Virginia, except in rural areas where the number of single room occupancy or one bedroom homes has been on the rise since 2012.

The decline of homes with fewer bedrooms means fewer options for young, single, and/or first-time home buyers, but also for low- and moderate-income couples just starting a family.

Finding 4: Virginia's supply of manufactured homes, a vital path to affordable homeownership, is declining.

Lower cost factory-built homes are less common today than in the past.

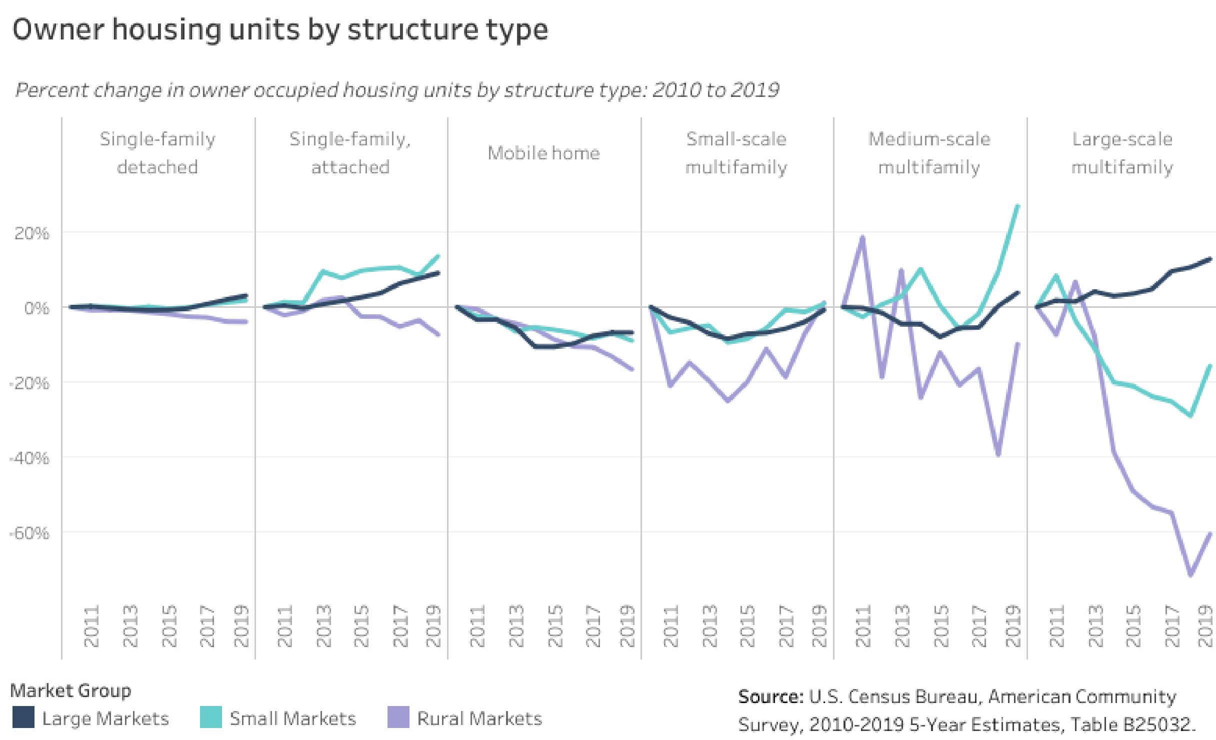


Figure 15.14: Owner housing units by structure type

The number of owner-occupied manufactured homes has declined sharply across the Commonwealth, especially in rural Virginia where the manufactured homes segment of owner-occupied housing stock dropped from nearly 20 percent to just 16 percent in 2019.

While the reduction of low-quality manufactured homes is an overall good for many communities, manufactured homes are not being replaced with newer, better quality manufactured homes.

Modern manufactured homes are not only an affordable alternative to traditional site-built homes, but their quality is far from that of their pre-1980 predecessors. In spite of these benefits, manufactured homes continue to carry the stigma of undesirable, unsafe housing that doesn not hold its value. Yet 21st century manufactured housing offers the promise of homeownership to those for whom it is otherwise out of reach and a solution to the affordable housing crisis, particularly as the cost of site-built construction rises.

15.4 Affordability

Finding 1: Cost burden among low-income homeowners remains high.

The share of cost-burdened very low-income and extremely low-income homeowners has largely remained unchanged since 2010.

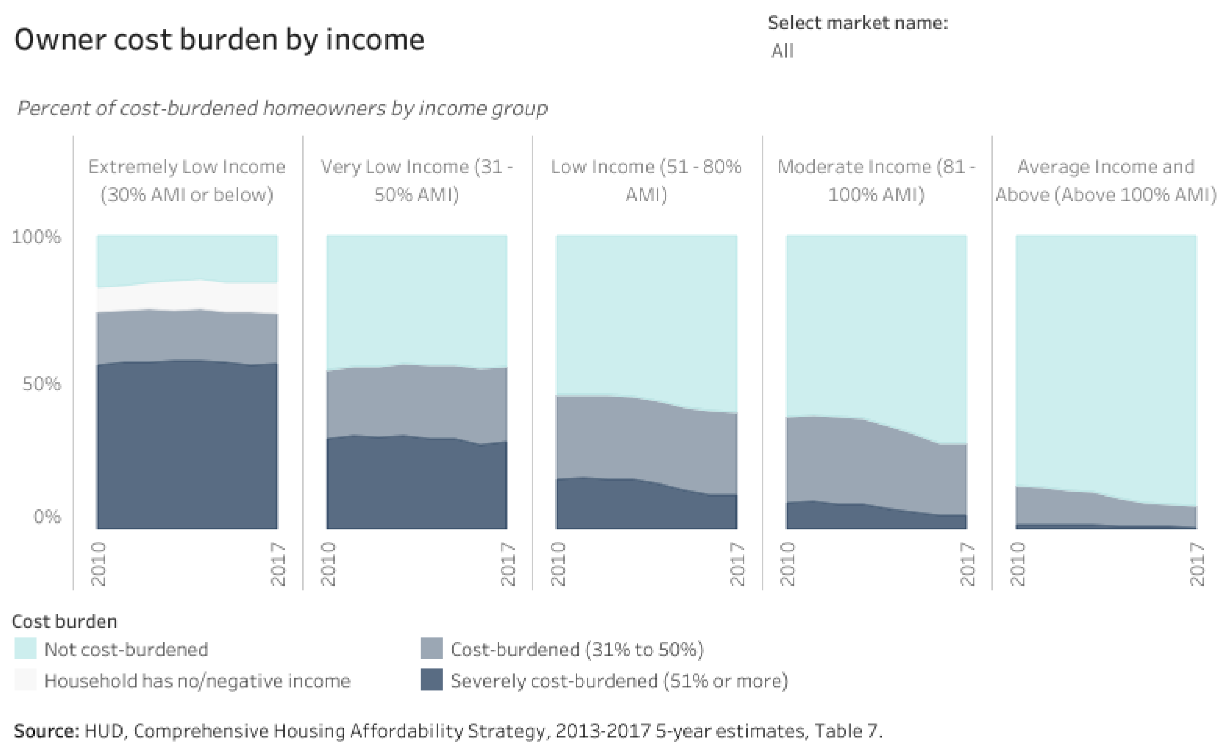


Figure 15.15: Owner cost burden by income

Housing cost burden for homeowners making more than 50 percent AMI has been decreasing across Virginia, but this trend does not hold for homeowners with lower incomes. The share of homeowners making 50 percent AMI or less who are cost-burdened has remained steady since 2010.

Worse yet, over half of ELI homeowners (57 percent) are severely cost-burdened (spending more than half of their income on housing costs). For these households, staying stably housed is critical when incomes are already barely enough to cover the basic necessities.

While improving housing affordability for these households is an important piece of the puzzle, improving overall economic conditions for ELI and VLI households must be a priority. One major issue is the lack of savings and retirement income that makes rising property taxes, utilities, and repairs a heavy burden for older homeowners. Their income post-retirement is insufficient to cover ongoing housing costs, especially if they still carry a mortgage and/or have significant deferred maintenance.

When these difficulties are compounded by the death of a spouse and the loss of their income, single-owner households face exceptionally high cost burdens.

Finding 2: Homeowners living alone are disproportionately cost-burdened.

The lack of extra income from a partner or family member drastically impacts homeowners in Virginia.

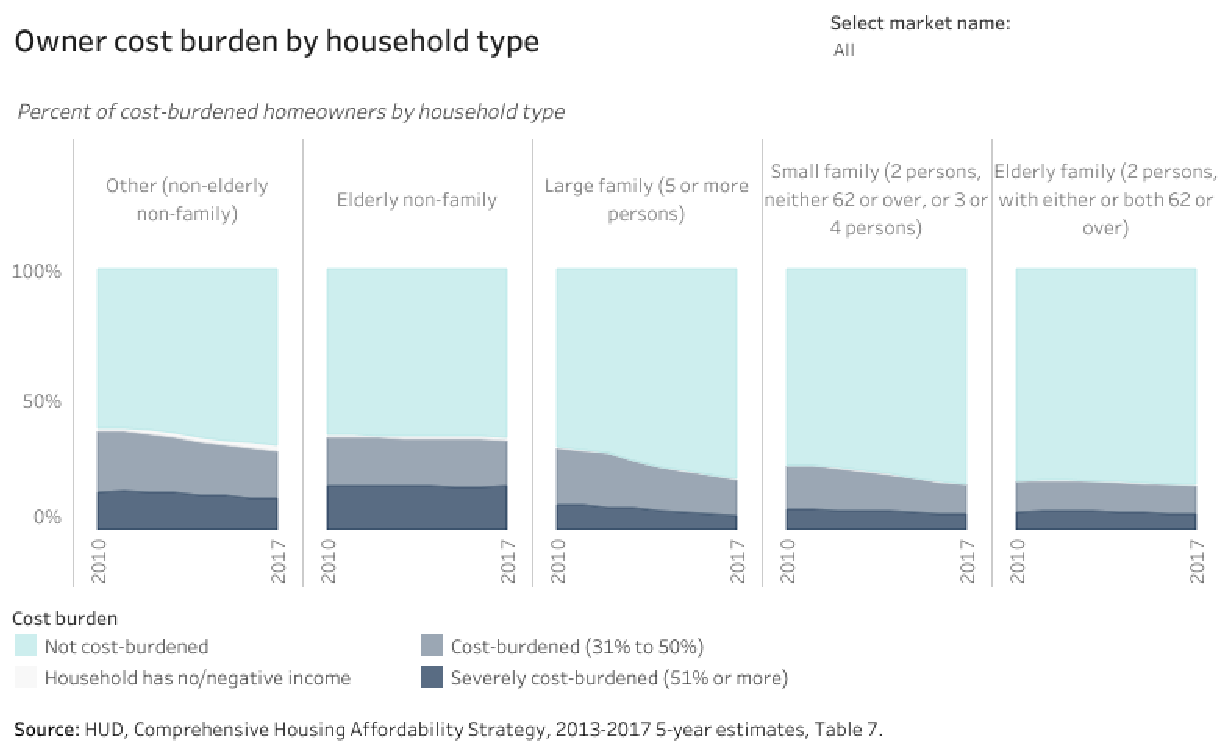


Figure 15.16: Owner cost burden by household type

The share of senior homeowners (62 years or over) living alone who are cost-burdened—35 percent in 2017—has largely remained the same since 2010 (36 percent). Senior homeowners living alone also have the greatest percentage of severely cost-burdened households at 17 percent in 2017.

Households with single adults (below 62 years old) living alone or sharing a home with non-relatives experience substantial cost burden. In 2017, nearly a third of non-elderly, non-family households (32 percent) were cost-burdened—a decrease from 39 percent in 2010, but still a significant portion of households.

A **non-family** household is a single-person living alone or where that person shares a home with people to whom they are not related. For example, a single adult living alone or three college students renting an off-campus apartment are both considered non-family households.

Cost burden has decreased since 2010 for most household types, but not for seniors. Senior homeowners living alone *and* those living with family members have seen very little change in their share of cost-burdened households.

Finding 3: Black and Hispanic homeowners are disproportionately cost-burdened.

All homeowners of color are more likely to be cost-burdened than their white counterparts.

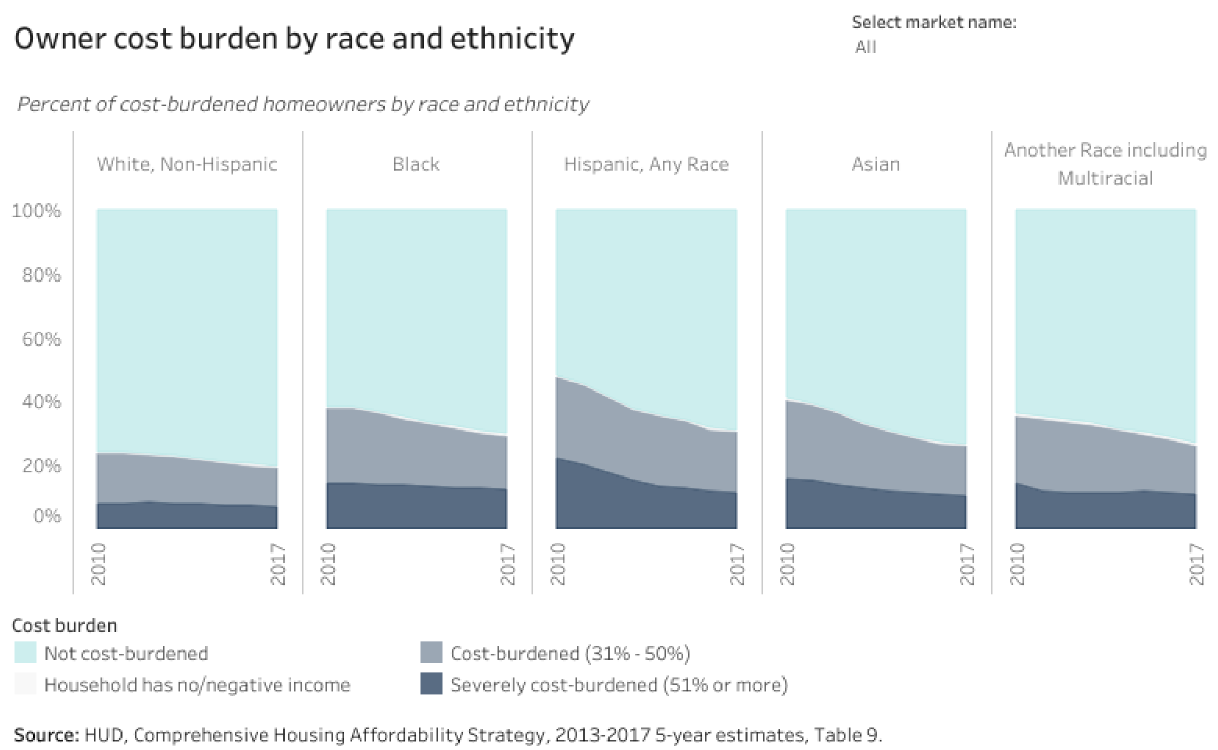


Figure 15.17: Owner cost burden by race and ethnicity

Cost-burdened households put homeowners and their families at risk when they must make difficult choices between making a mortgage payment or putting food on the table. As of 2017, just over 22 percent of all homeowners in Virginia were cost-burdened.

The rate of cost-burdened households is much higher for Hispanic homeowners (31 percent) and Black homeowners (30 percent) than it is for white homeowners (20 percent). All other minorities also have higher-than-average homeowner cost burden rates.

The rate of cost-burdened households among homeowners of color has declined since 2010; the likeliest cause of this change is the transition of previously cost-burdened homeowners to becoming renters as the result of the foreclosure crisis and subsequent recession.

Finding 4: 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.

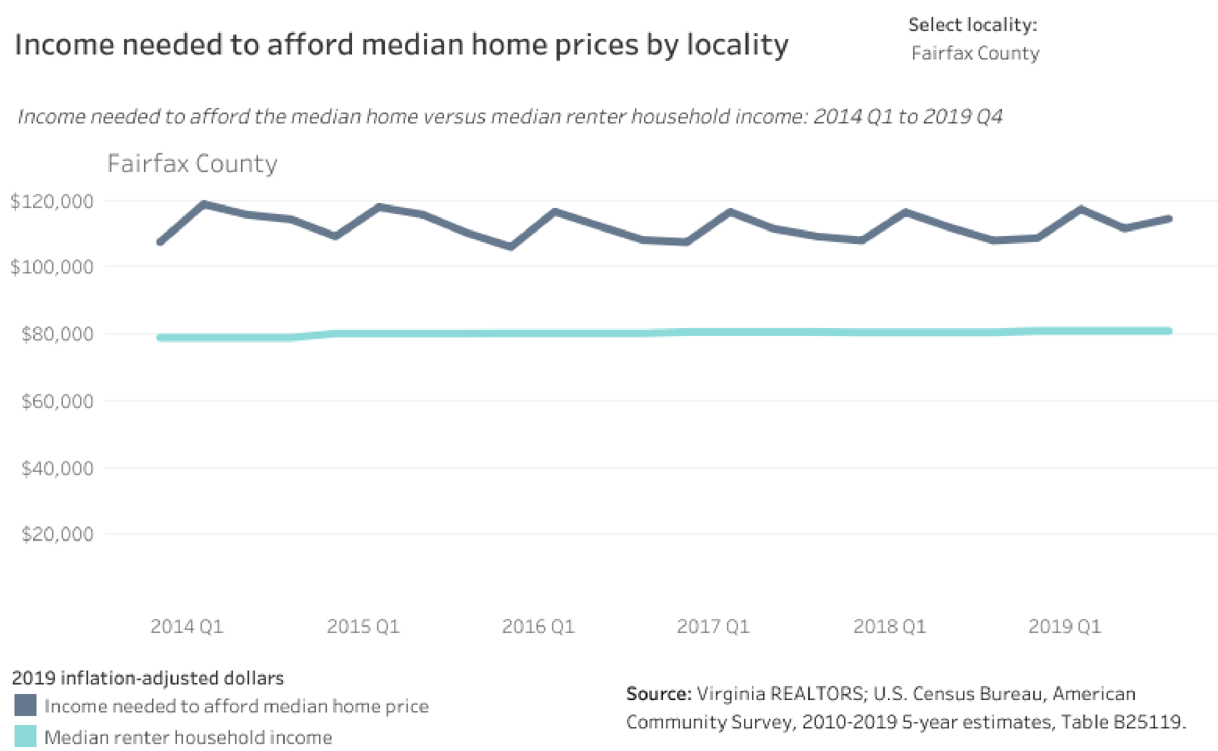


Figure 15.18: Income needed to afford median home prices

Having an adequate income is crucial to securing a home mortgage, but many renters' current income falls far short of the income needed to afford the median home price. In localities where there are large renter populations, the gap is especially wide.

Homeownership is still often out of reach even in localities where median renter household income is high; in Fairfax County the median renter household income is $80,858, but in the fourth quarter of 2019 a renter needed an income of $114,473 to afford the median home price. The affordability and income gap exacerbate inequities for the large number of Black and brown renters.

15.5 Mortgage trends

Finding 1: Black and Multiracial home mortgage applicants in Virginia are twice as likely to be denied a loan than white applicants.

Barriers to a home mortgage will continue to perpetuate inequities in homeownership if not addressed.

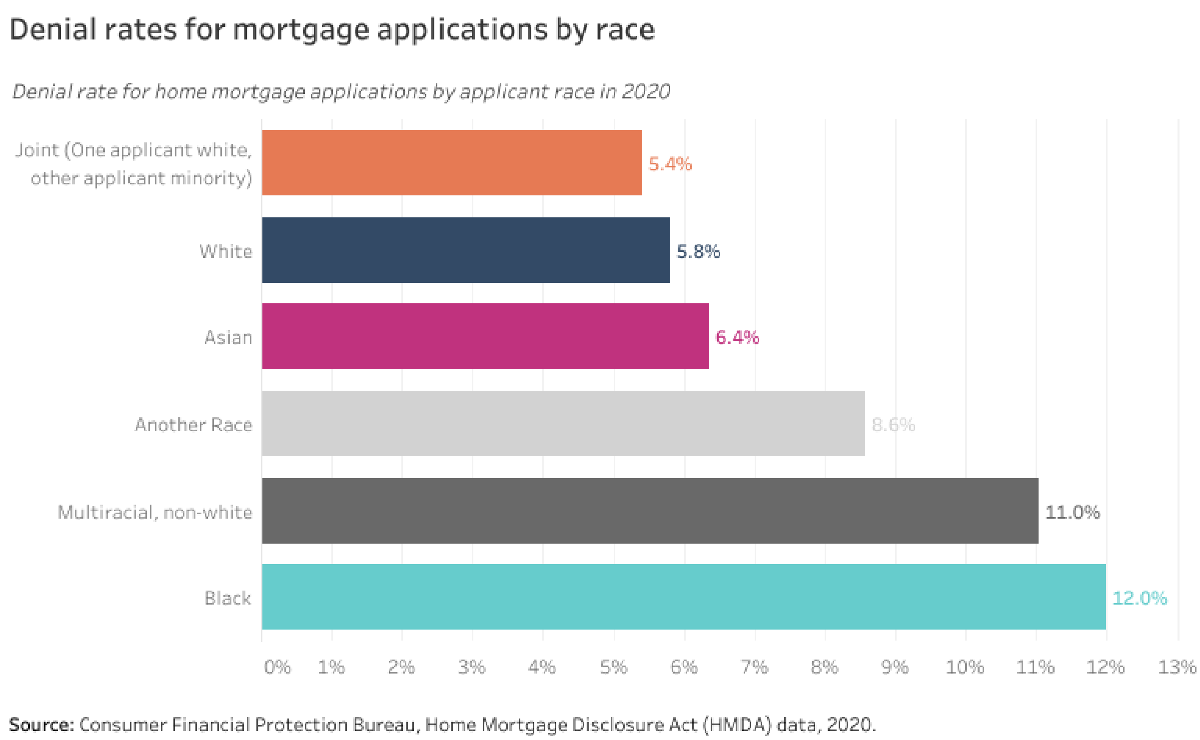


Figure 15.19: Denial rates for mortgage applications by race

In 2020, white applicants received 80 percent of approved home purchase loans while Black applicants received just 10 percent of approved home purchase loans.

Black applicants are disproportionately denied a loan in Virginia compared to white applicants. In 2020, Black applicants had a denial rate of 12 percent followed by Multiracial applicants at 11 percent, while the denial rate for white applicants was six percent.

Finding 2: High debt levels and poor credit are the biggest barriers for Virginians looking to buy a home.

Over half of applicants for a home purchase loan were denied due to either their debt-to-income ratio or their credit history.

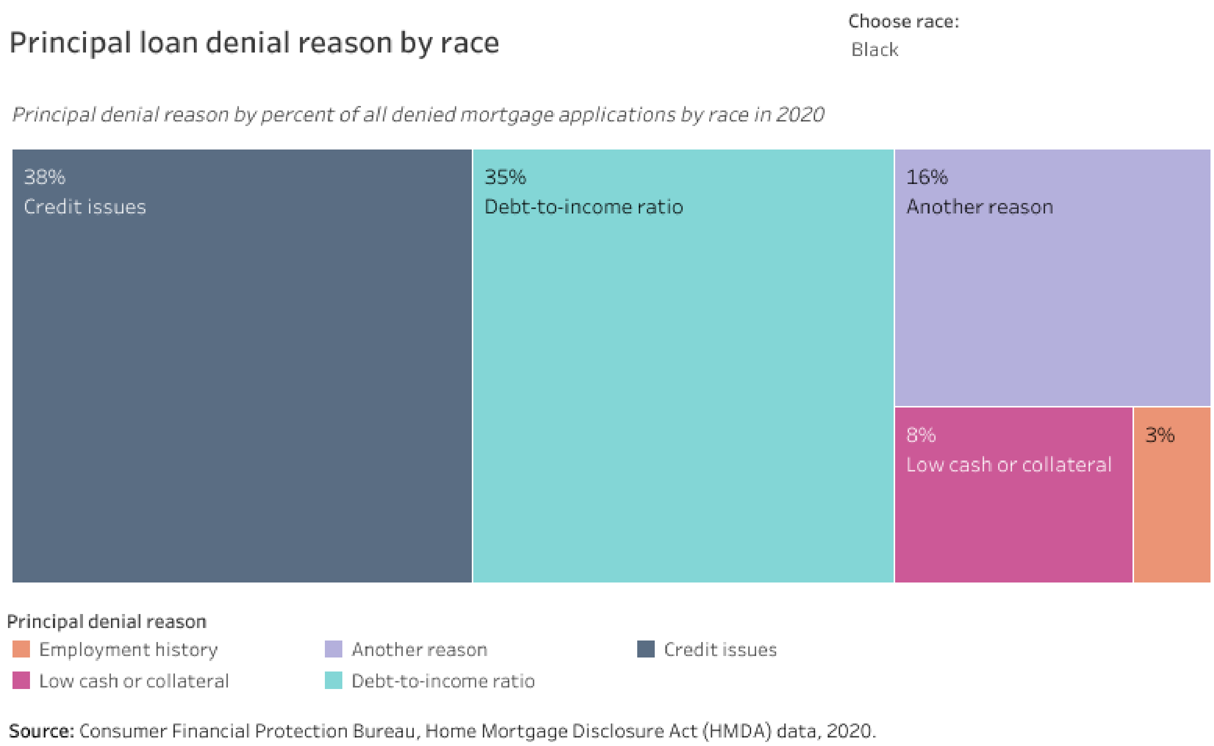


Figure 15.20: Principal loan denial reason by race

Regardless of an applicant's race, debt-to-income (DTI) ratio and credit history were the most cited reasons that a lender denied an application for a home purchase loan in Virginia. DTI represents the combination of inadequate wages and common types of debt like student loans that hinder many Virginians' homeownership aspirations.

When a lender cites an applicant's credit history as a reason for a loan application denial, it does not necessarily indicate past failure to make payments on debt; instead it sometimes is evidence of the "credit invisibility" that saddles individuals with little to no credit history. According to the Consumer Financial Protection Bureau, this invisibility is much more common among Black and Hispanic Americans. (Brevoort, Grimm, & Kambara, 2015)

Although DTI and credit history were the major reasons for loan denial for all racial groups, Black Virginians are six percent more likely to be denied a loan because of their DTI and seven percent more likely to be denied a loan due to their credit history than are white Virginians.

Finding 3: Black millennials are less likely to receive a home purchase loan than their counterparts.

Only 61 percent of originated loans for Black applicants were for an applicant younger than 45 years old.

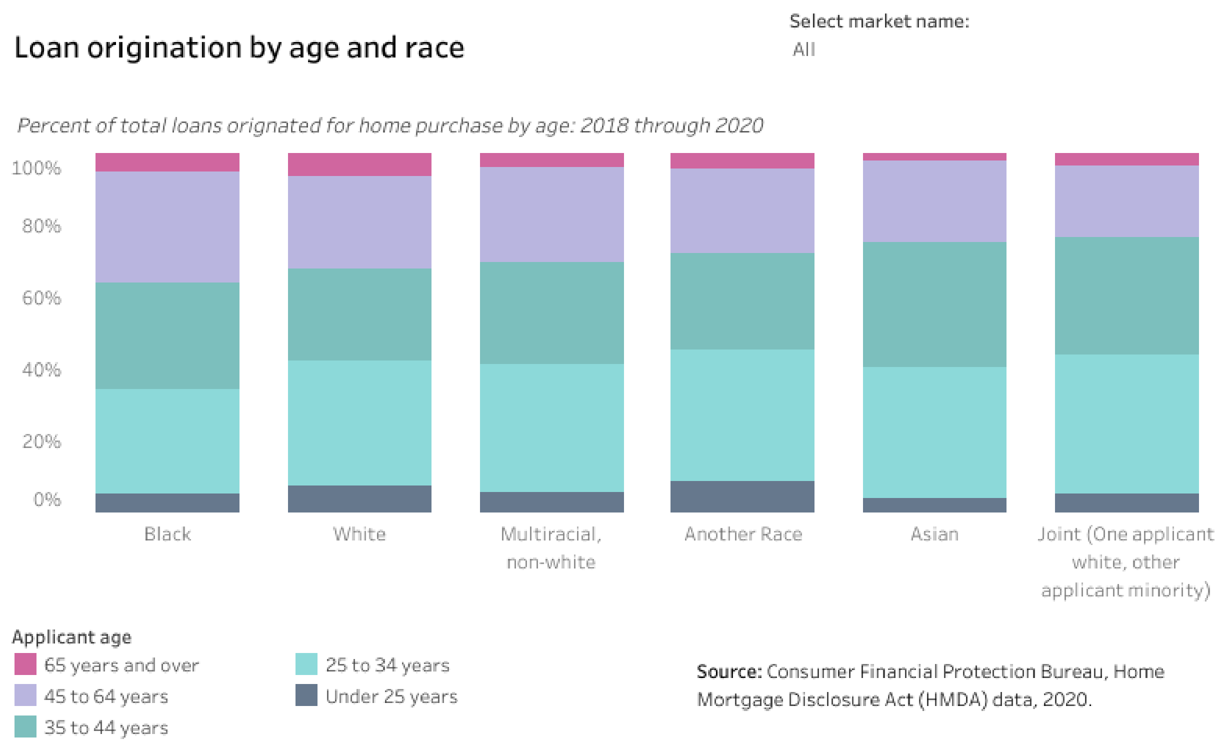


Figure 15.21: Loan origination by age and race

Purchasing a home later in life has major implications for long term wealth-building; delayed homeownership for Black Virginians and the lower number of young Black homeowners will contribute to the Commonwealth's persistent racial wealth gap for generations. Although millennials garnered the majority of loans (61 percent) of all Black applicants from 2018 to 2020, all other racial groups exceeded this rate for the same age category.

Chapter 16

Rental market

This chapter analyzes the state's rental market and current characteristics of Virginians who rent their homes. It also provides data on the scope and distribution of apartments supported by forms of public assistance that reduce rents to make them more affordable.

Highlights

Major takeaways in this chapter include:

- The age and income of the average renter in Virginia has increased, likely due in part to fewer homeownership opportunities.
- Limited apartment supply, especially in high-growth areas, continues to tighten vacancy rates and raise rents.
- Many low-income renters continue to be cost-burdened as the deficit of affordable rentals grows and demand is ever-increasing.
- There are over 300,000 cost-burdened renters who have very low incomes—resulting in a corresponding gap of over 300,000 deeply affordable rental units in Virginia.
- Over half of Virginia's approximately 170,000 publicly-supported rental apartments rely on Low-Income Tax Credits from Virginia Housing. Three-quarters of these could be lost to expiring affordability restrictions by 2040.
- The current supply of federal Housing Choice Vouchers is inadequate to meet the need; tens of thousands of low-income Virginians remain on waiting lists.

16.1 Virginia's renters

Finding 1: A range of household types are common among renters.

Most renters live either by themselves or with their family.

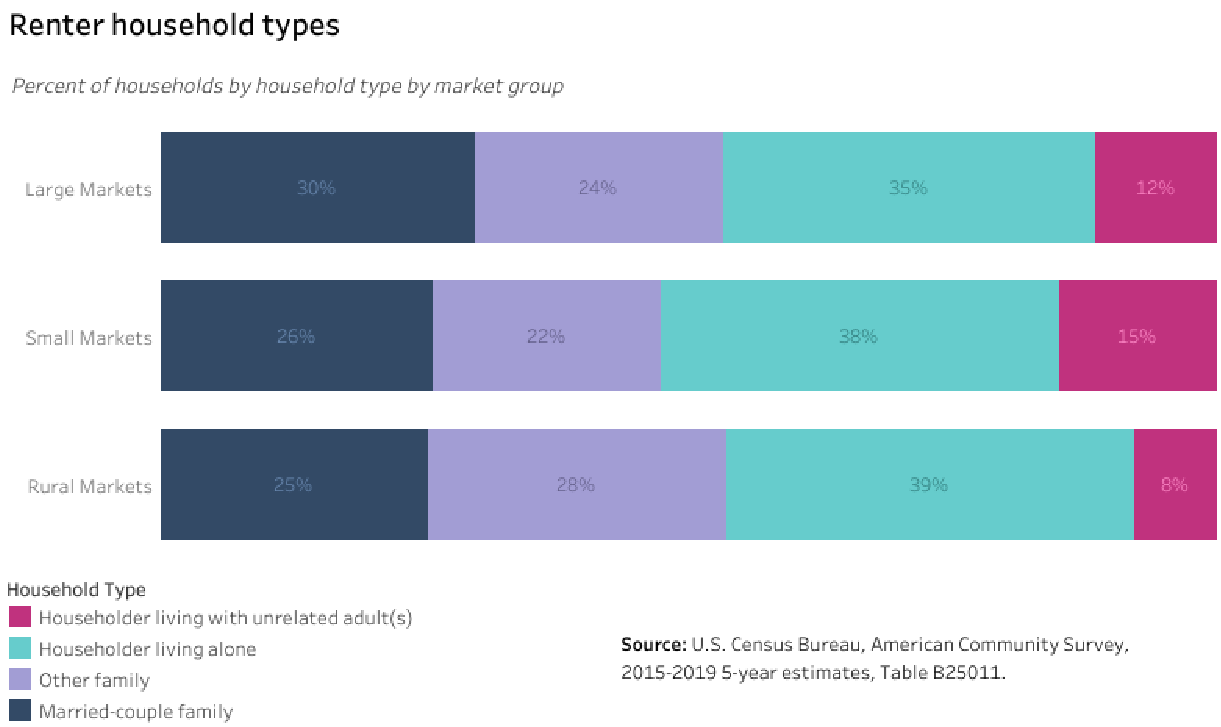


Figure 16.1: Renter household types

No specific household type is dominant among renter households in Virginia, but renters in Virginia are much more likely to live with another family member or by themselves when compared to homeowners.

Finding 2: Renters generally have small household sizes.

Over a third of all renters in the state live alone.

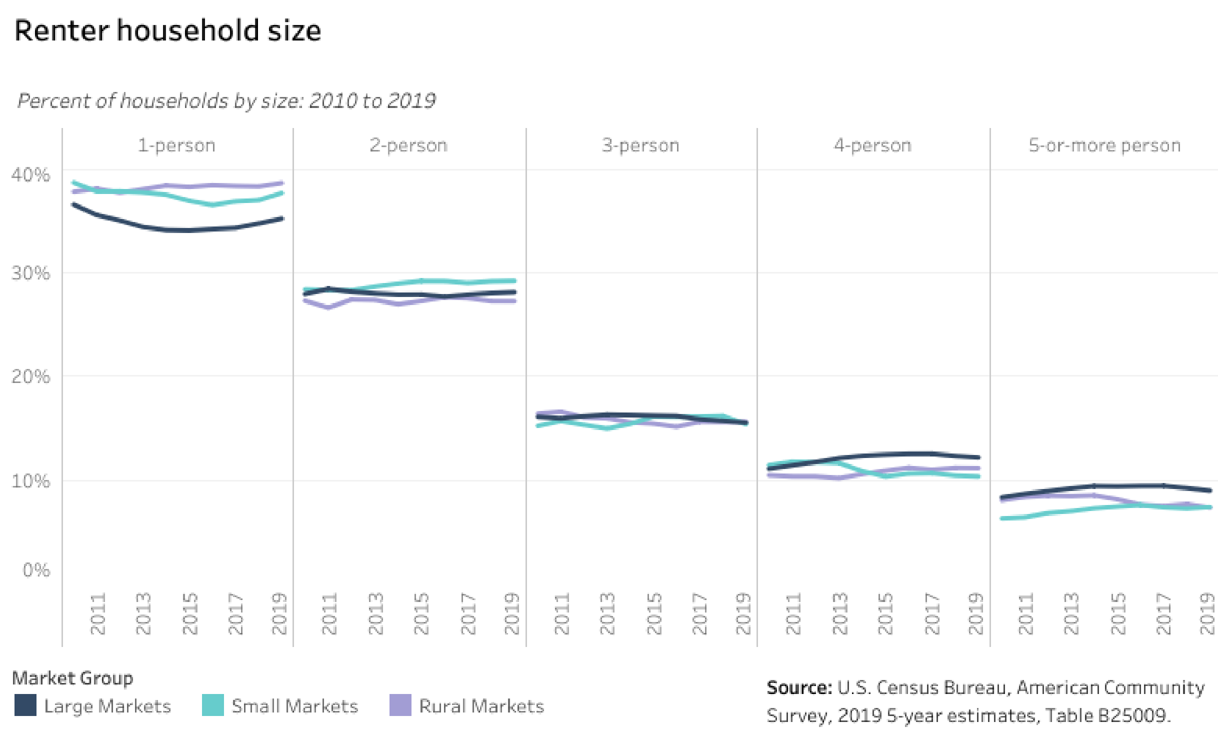


Figure 16.2: Renter household size

Throughout Virginia—and particularly in Small and Rural Markets—renters are more likely than homeowners to live alone or with one other person. There are few distinctions in renter household size across market groups though Large Markets are more likely to have larger-sized renter households than other market groups.

Finding 3: Older Generation X and baby boomer households are increasingly renting across Virginia.

The number of renters aged 45 years or older is outpacing the growth of younger renters in all Virginia housing markets.

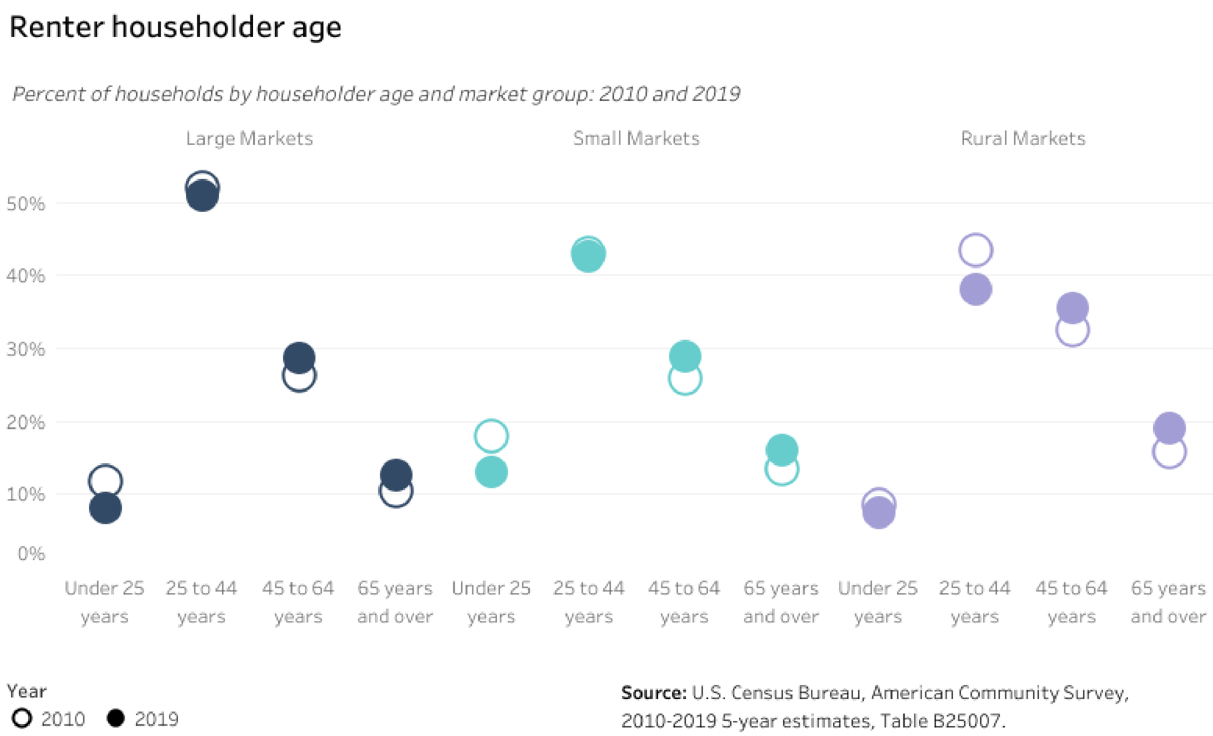


Figure 16.3: Renter household age

Across the United States there has been a major relative increase in the number of baby boomers who are choosing or being forced to rent. In Virginia the number of seniors (65 years and older) who are renting has increased by over 20 percent in Large and Small Markets.

Baby boomers often have higher incomes, and their demand for rental housing is driving the high-end rental market. (Sisson, 2017) (Mitra, 2019) High demand and low supply continue to influence prices that are out of reach for low- and moderate-income families.

Finding 4: Most renters across Virginia are white.

However, there are more renters of color than white renters in the urban crescent.

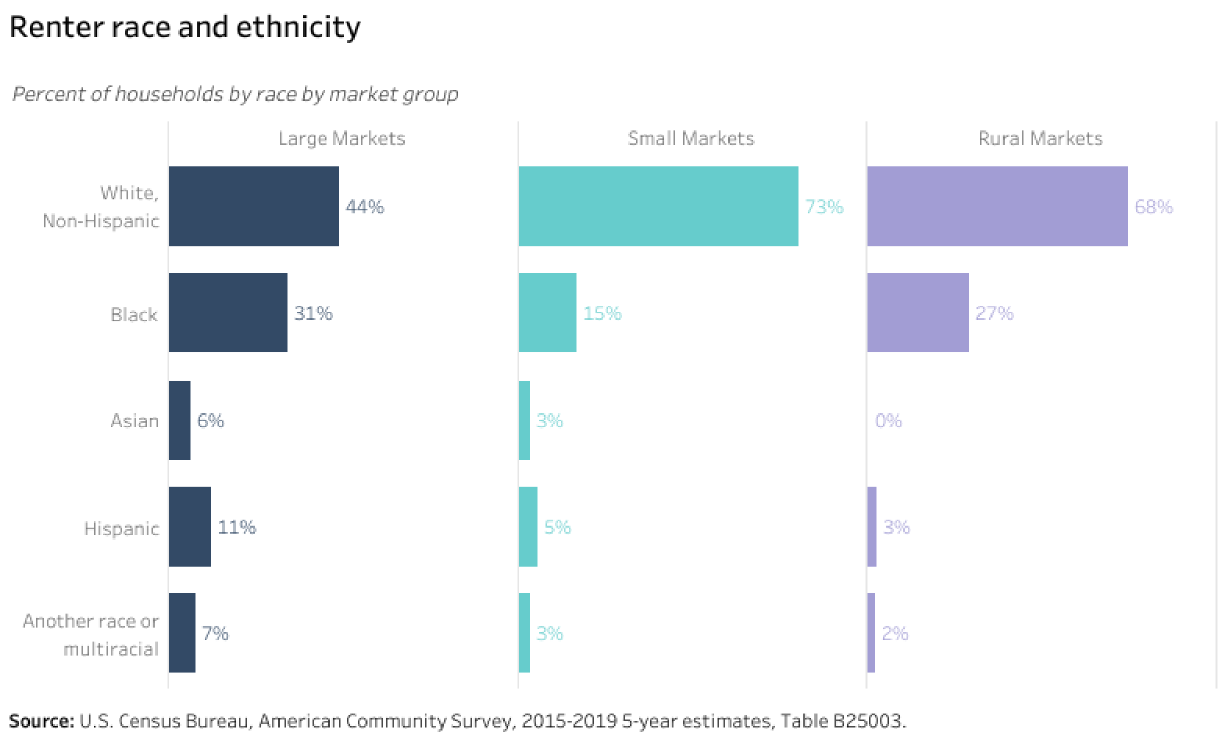


Figure 16.4: Renter race and ethnicity

Because Virginia's population is majority white, white renters still account for a large proportion of renter households in the Commonwealth. However, people of color make up a larger proportion of renters than they do homeowners. Renter households are the most racially and ethnically diverse in Large Markets where households of color make up a majority of renters.

Finding 5: Renter income in Virginia is more evenly distributed than homeowner income.

While higher-income renters are common in Large Metro Housing Markets, most renters elsewhere are likely to earn relatively little.

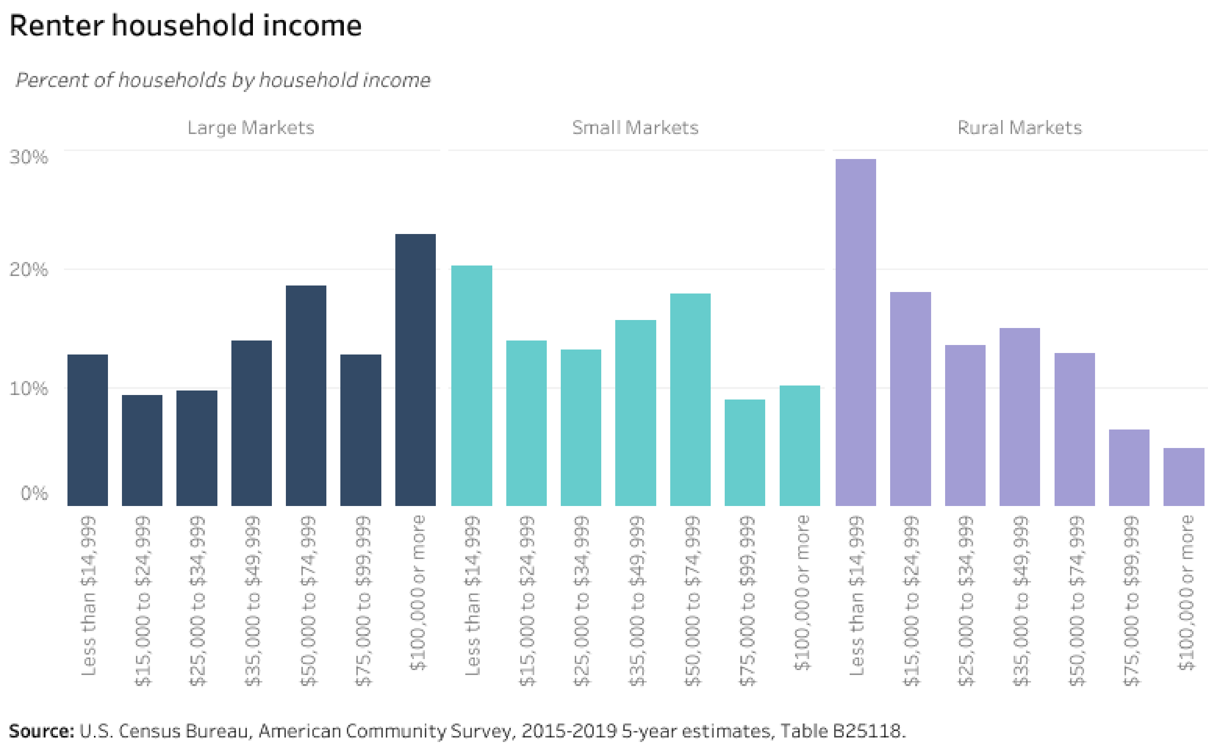


Figure 16.5: Renter household income

Compared to the distribution of homeowner incomes, renter household incomes are much more evenly distributed. Increased preference for renting's flexibility and high barriers to homeownership have increased the number of renters across Virginia, even among high income earners.

Renter income varies much more in Large Markets where households are widely distributed across income groups and where luxury rentals are more available. High-income Northern Virginia localities like Loudoun County also push renter incomes higher in Large Markets.

By contrast, in Small and Rural Markets renter households are more likely to earn less than $25,000. While housing costs are lower in these communities, very low incomes make it difficult for many renters to save money and pay for unexpected expenses.

Finding 6: Renters have diverse educational backgrounds in Virginia.

In Virginia's Large and Small Metro Housing Markets, renters often have some college experience or higher.

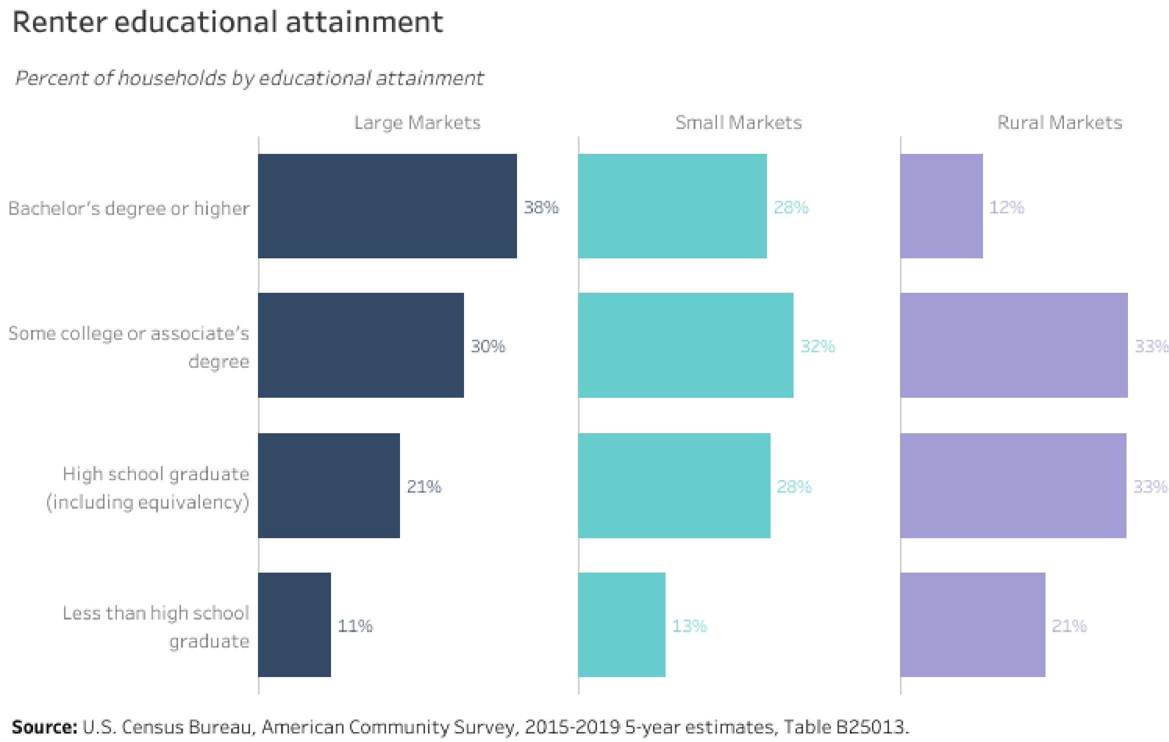


Figure 16.6: Renter educational attainment

Renters have diverse educational backgrounds in Virginia's Small and Large Markets, but renters in Rural Markets are less likely to have a bachelor's degree. The percentage of renter households with a bachelor's degree or higher has been on the rise since 2010. From 2010 to 2019, the number of renter households with a bachelor's degree or higher has increased by 41 percent, while lower educational attainment households have declined or remained stagnant in recent years.

16.2 Rental prices and supply

16.2.1 Finding 1: Apartments are becoming more expensive in every part of the state.

Small Metro Housing Markets have the largest relative gains in higher-cost units.

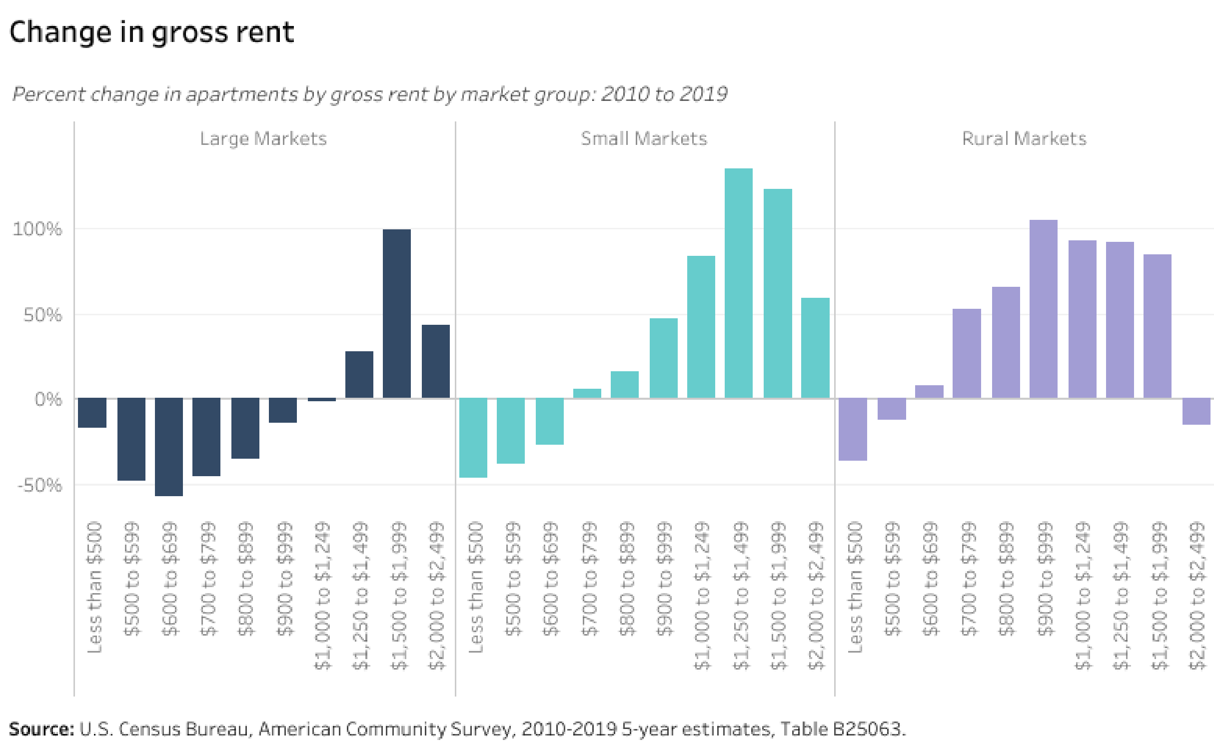


Figure 16.7: Change in gross rent

The number of apartments with gross rents below $700 has decreased across Virginia in the last decade—especially in Large Markets—and apartments with higher gross rents have increased substantially. Small Markets have seen the most growth in higher-cost units; units with rents between $1,250 and $2,000 more than doubled from 2010 to 2019. High-cost rental units have increased even in Rural Markets.

Finding 2: Actual rents have increased more than renter incomes, but inflation adjustments flip the trend.

Average renter incomes have increased sharply in recent years.

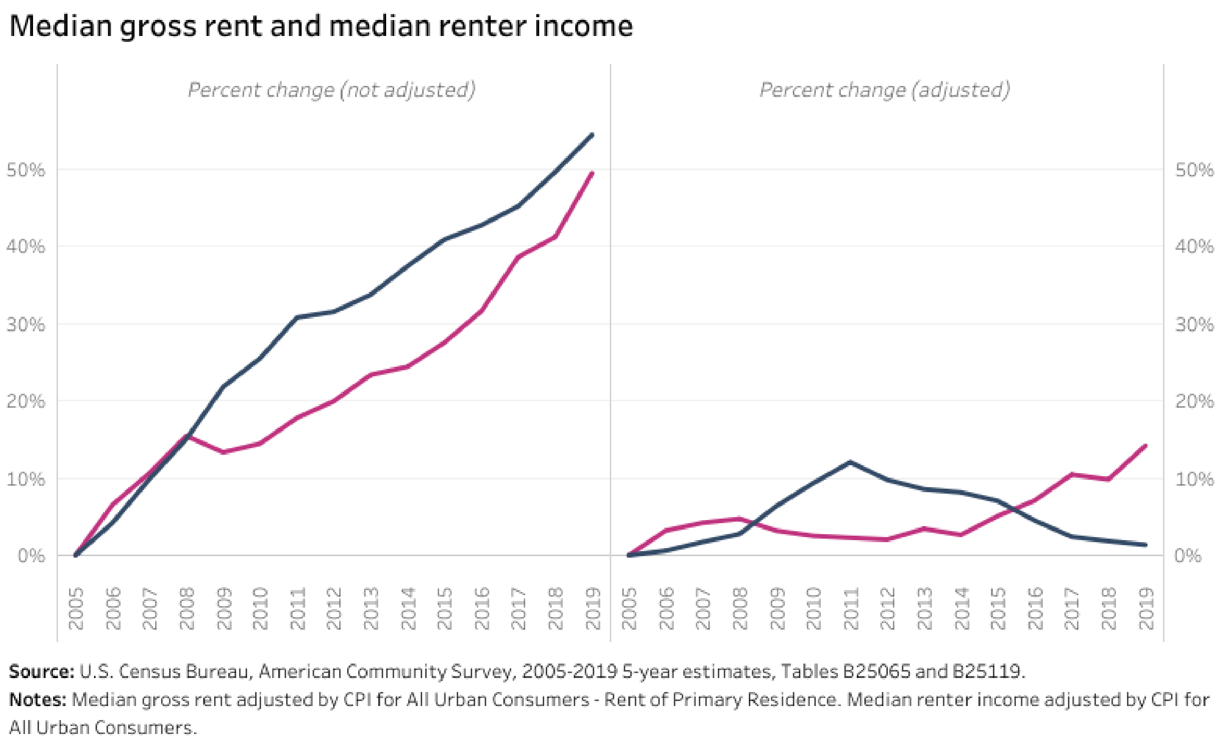


Figure 16.8: Median gross rent and median renter income

An analysis of Virginia's rent and income trends without adjusting for inflation suggests that rent increases have outpaced the growth in renter incomes. But adjusting to real dollars indicates that median gross rents have declined in Virginia since 2011 after rising from 2005 to 2010. At the same time, renter incomes have actually trended upward.

This complexity is likely the result of several factors, including Consumer Price Index (CPI) adjustments based on national averages, increased prevalence of upper-income renters who still have trouble buying homes in tight markets, and the absence of a true statewide rental market.

Finding 3: Rental vacancy rates are tightening across the state.

Lower vacancy rates make it more difficult to find a home.

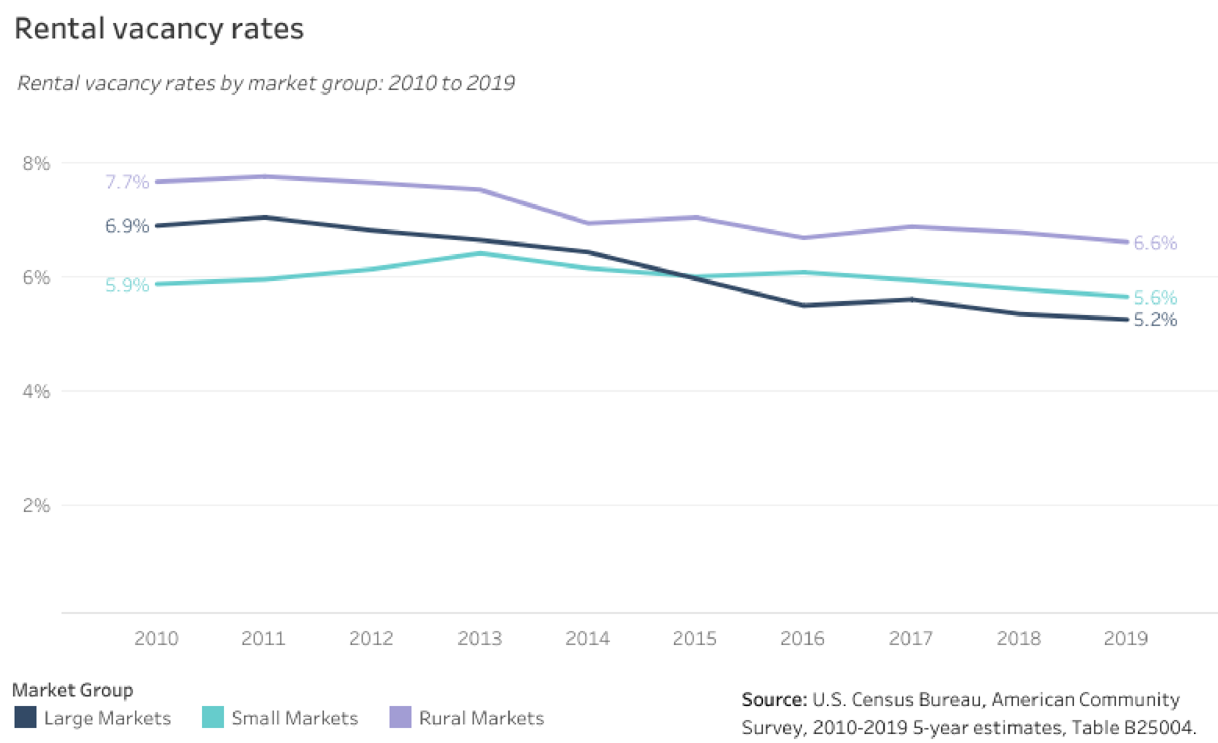


Figure 16.9: Rental vacancy rates

Rental vacancy rates are dropping throughout Virginia. Large Markets are experiencing the most dramatic vacancy rate decline—from seven percent to five percent in the past decade. Low rental vacancy rates tighten the rental market and make it more difficult for low-income renters to compete for housing. Declining vacancy rates have major implications for housing affordability and underscore imbalances in supply and demand.

During the ongoing COVID-19 pandemic, rental vacancy rates across the nation have dropped to historic lows. By second quarter of 2021, Virginia's rental vacancy rate was 4.4 percent, the 14th lowest rate in the country—with Vermont having the lowest at 1.8 percent and North Dakota having the highest at 12.9 percent.

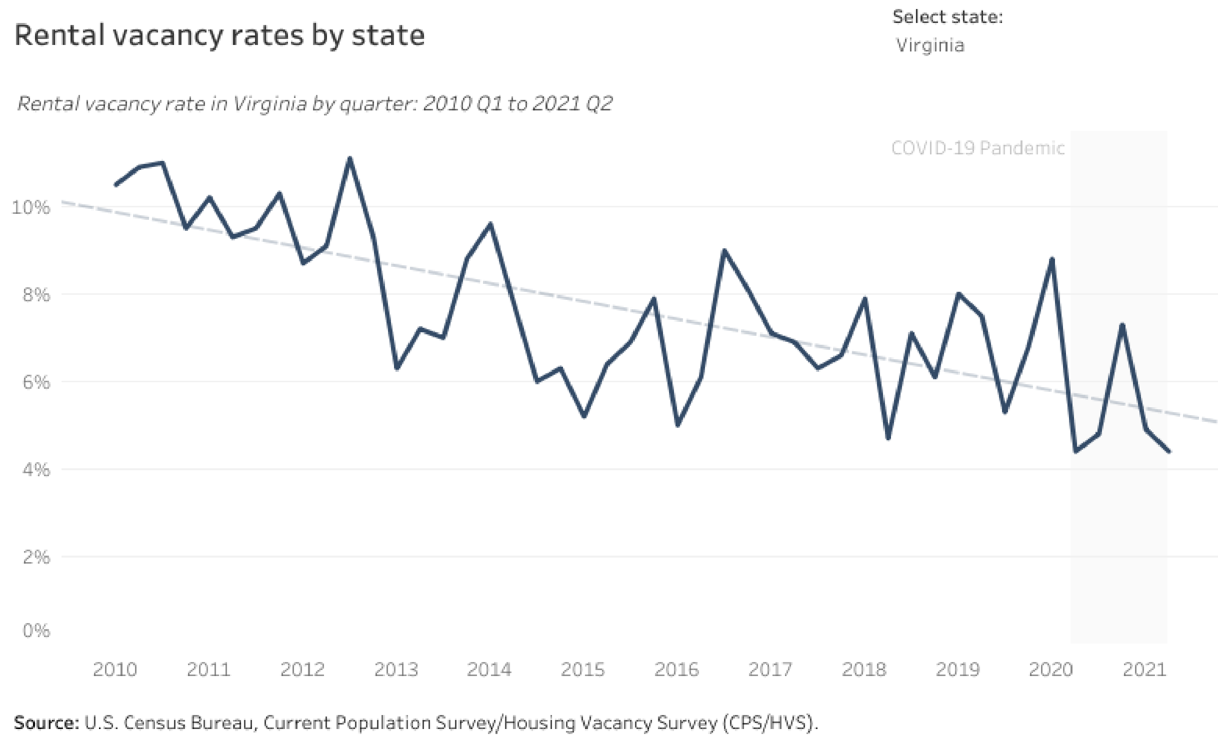


Figure 16.10: Rental vacancy rates by state

Finding 4: Single-family detached homes are an important source of rental housing, especially in rural Virginia.

In Rural Housing Markets, single-family detached homes made up half of the rental housing stock in 2019.

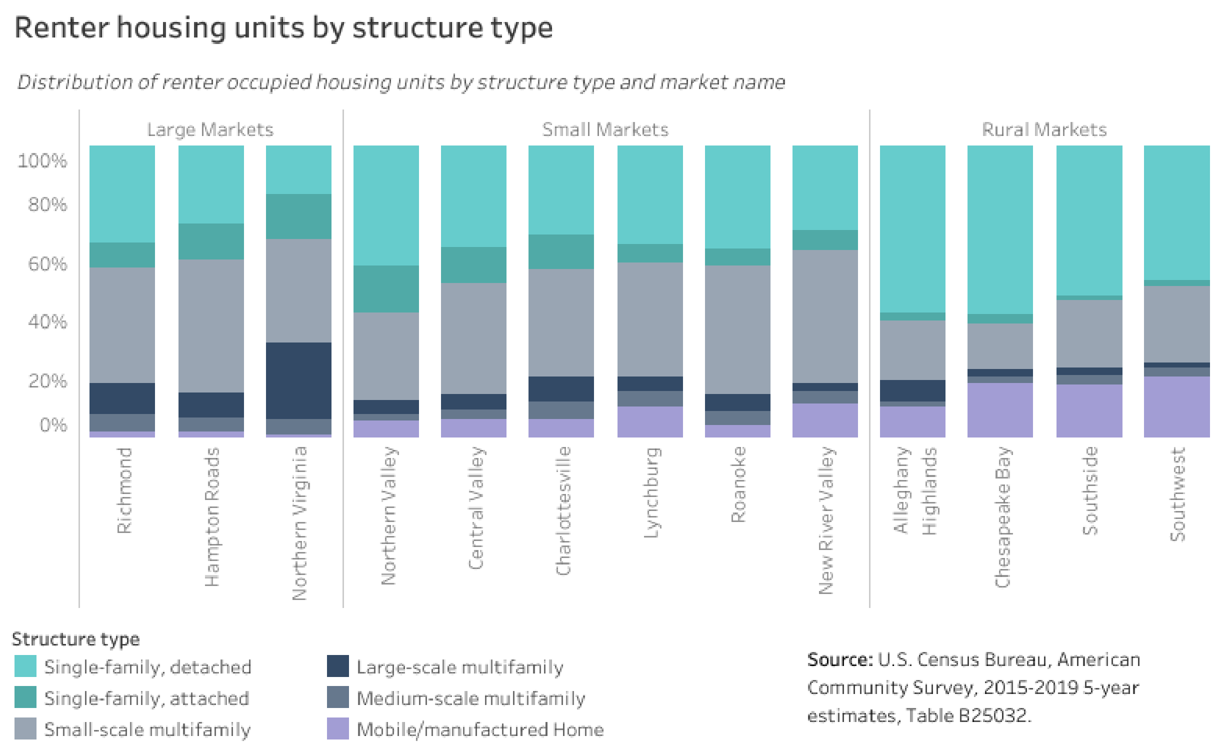


Figure 16.11: Renter housing units by structure type

Few opportunities for dense development and increasing barriers to homeownership have accelerated the demand for single-family rentals (SFR) in Virginia's Rural Markets where half of all rental housing consists of single-family detached homes.

Single-family detached homes also make up a significant portion of the rental housing stock elsewhere—23 percent in Large Markets and 24 percent in Small Markets. Freddie Mac has noted that SFR are helping to fill major gaps in the multifamily market by offering options for larger households and those wanting to live in a single-family home but unable to purchase one. (Freddie Mac Multifamily, 2018)

Although SFRs are an important source of rental housing and an expanding slice of investor and developer portfolios, they also reduce the stock of for-sale homes. This causes supply to fall short of high demand, driving home prices even higher.

16.3 Affordability

Finding 1: Housing cost burden for Black and Hispanic renters in Virginia continues to rise.

While all other racial groups have experienced a decrease in their share of cost-burdened renters, Black and Hispanic or Latino renter cost burden has increased since 2010.

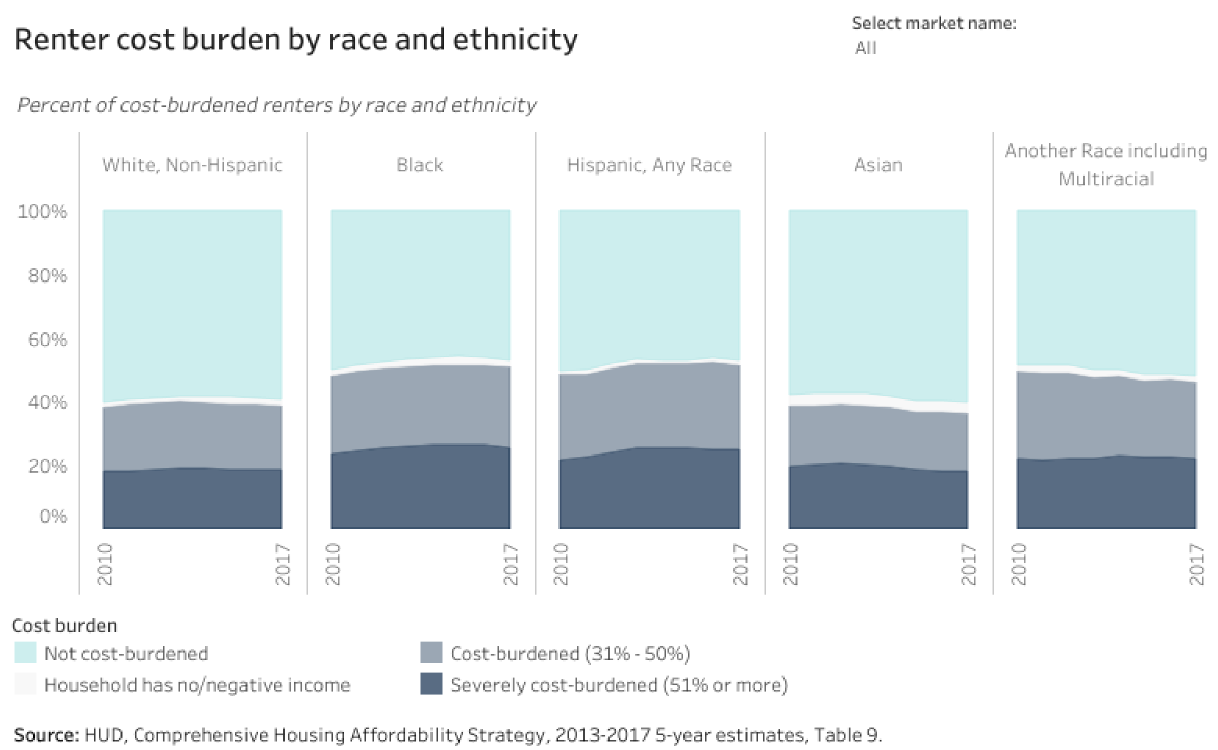


Figure 16.12: Renter cost burden by race and ethnicity

The pandemic exacerbated affordability challenges for many renters of color who often worked on the frontlines in essential yet low paying jobs. Nearly half of Black and Hispanic renters were cost-burdened in 2017; diminished hours and lost jobs during the pandemic put a large number of renters of color at risk of eviction and homelessness.

Finding 2: Regardless of renter household type, affordability has not improved.

Across all household types, the percentage of cost-burdened renter households has remained unchanged since 2010.

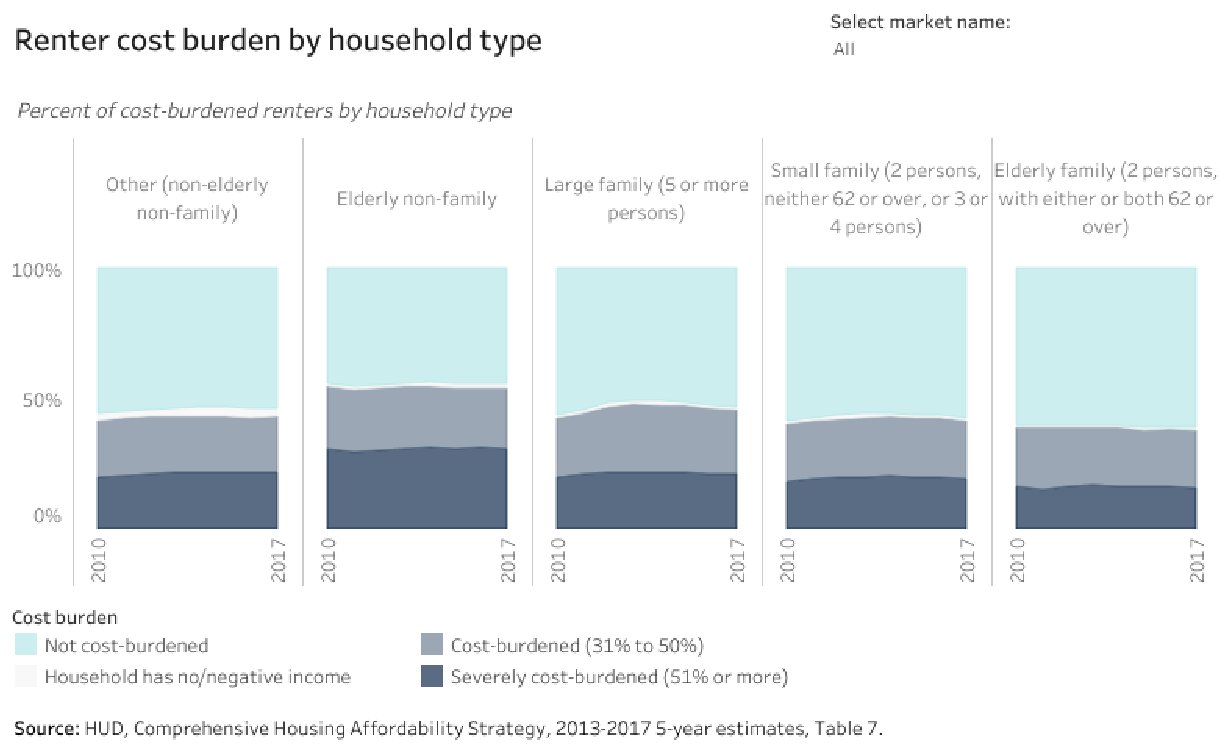


Figure 16.13: Renter cost burden by household type

When renter households are broken down into different household types, none have seen an improvement in affordability. From 2010 to 2019, the share of cost-burdened renter households of all household types has either remained the same or increased slightly.

But seniors living alone are more likely to be severely cost-burdened than any other household type. In 2017, over half of elderly non-family households (56 percent) were severely cost-burdened. Rising rental costs can be catastrophic for the many seniors living on fixed incomes.

Finding 3: Housing cost burden is on the rise for nearly all households with below-average incomes.

Despite little change in the total percentage of cost-burdened renters, the share of cost-burdened renters for low-income and moderate-income households has risen.

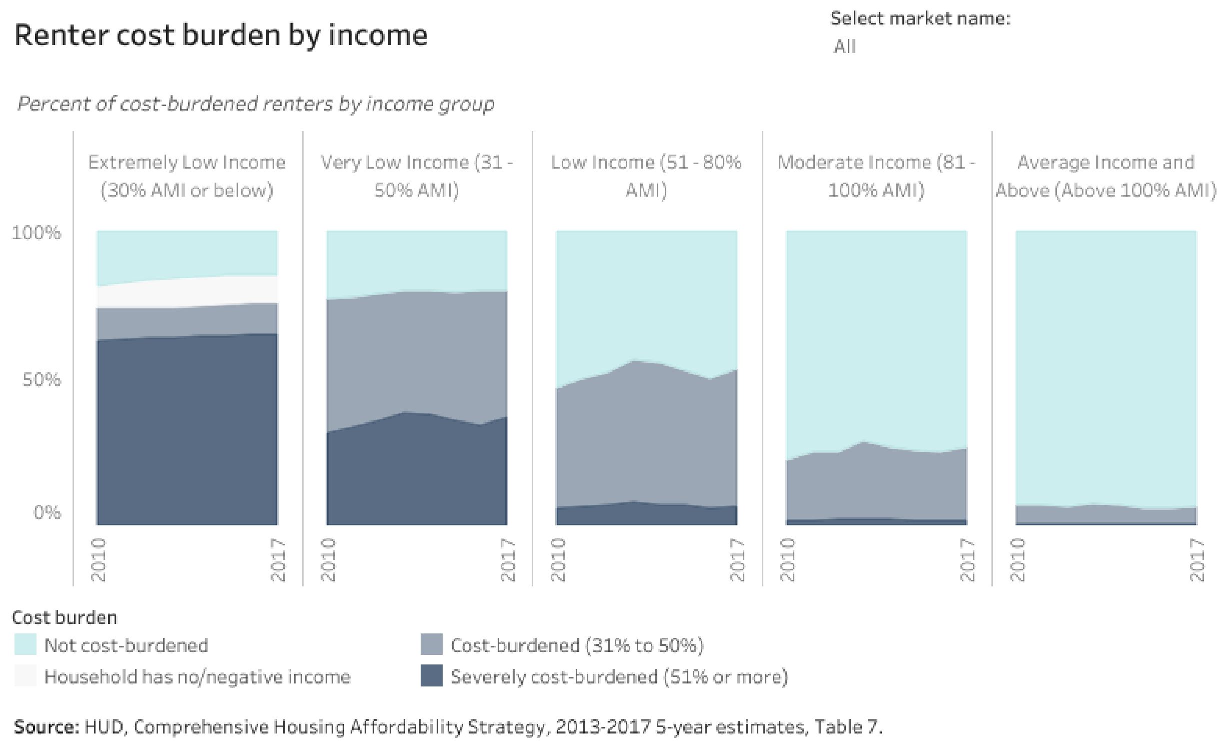


Figure 16.14: Renter cost burden by income

An assessment of cost burden by income group brings the rise in unaffordable rentals into focus. Households making less than 100 percent AMI are increasingly becoming cost-burdened. This shift is most apparent for low-income (51 to 80 percent AMI) and moderate-income (81 to 100 percent AMI) households. Between 2010 and 2017, the share of cost-burdened low-income renters grew six percent and the share of cost-burdened moderate-income renters increased four percent.

Affordability for ELI households (less than or equal to 30 percent AMI) and VLI households (31 to 50 percent AMI) is even worse. Over 80 percent of ELI and VLI households are cost-burdened, while 65 percent of ELI households are severely cost-burdened.

While ELI and VLI households most urgently need affordable rental housing, the increasing number of low- and moderate-income renter households that are cost-burdened signals an advancing crisis demanding attention.

Finding 4: The supply of deeply affordable rental housing has decreased since 2010.

ELI and VLI households increasingly reside in homes that are not affordable to them.

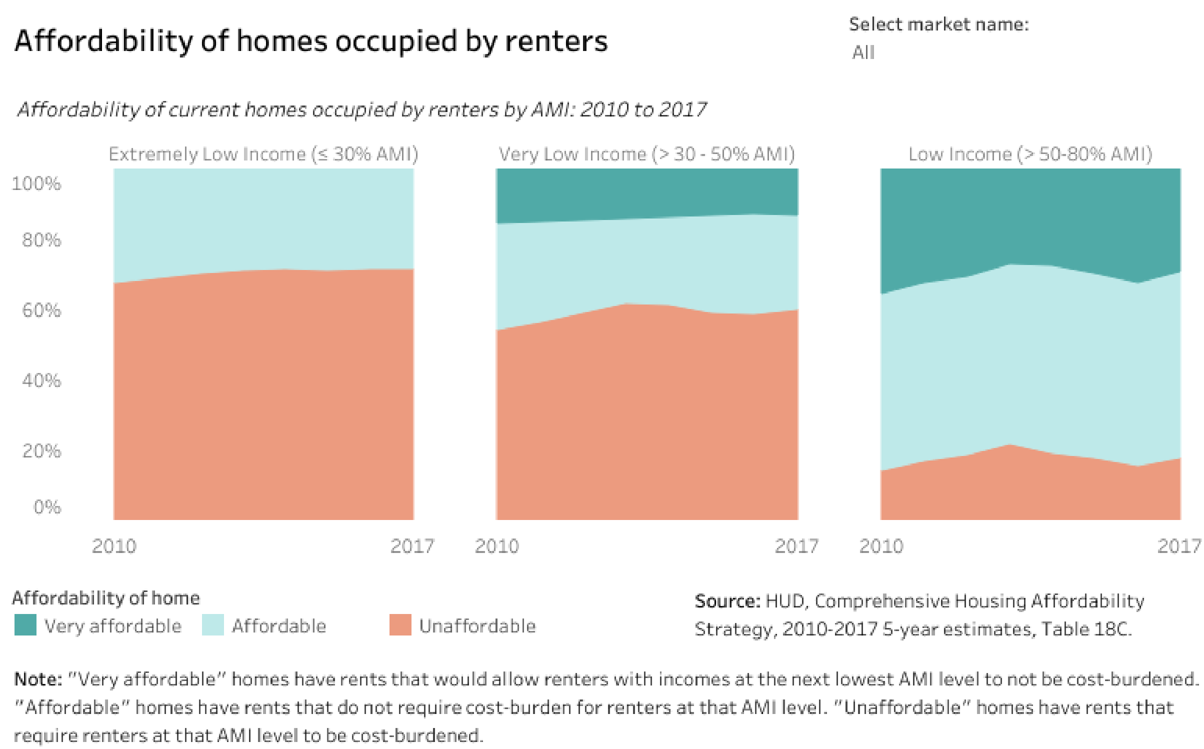


Figure 16.15: Renter housing affordability match

Comprehensive Housing Affordability Strategy data can present the income of households based on AMI and the affordability of the housing unit they occupy. This association indicates if a household is matched to a housing unit that is affordable to them.

Based on this data, nearly 300,000 low-income Virginia renter households occupied a home that was not affordable to them in 2017. This spotlights a shortfall of roughly 300,000 units affordable to households making less than 80 percent AMI and an inadequate housing supply for households making more than 80 percent AMI. Many households making 80 percent AMI reside in rental housing that would be affordable to those with lower incomes, further squeezing out lower-income households from affordable housing.

16.4 Assisted rental housing

Finding 1: There are more than 170,000 publicly-supported affordable rental homes in Virginia.

Over half of these apartments receive Low-Income Housing Tax Credits from Virginia Housing.

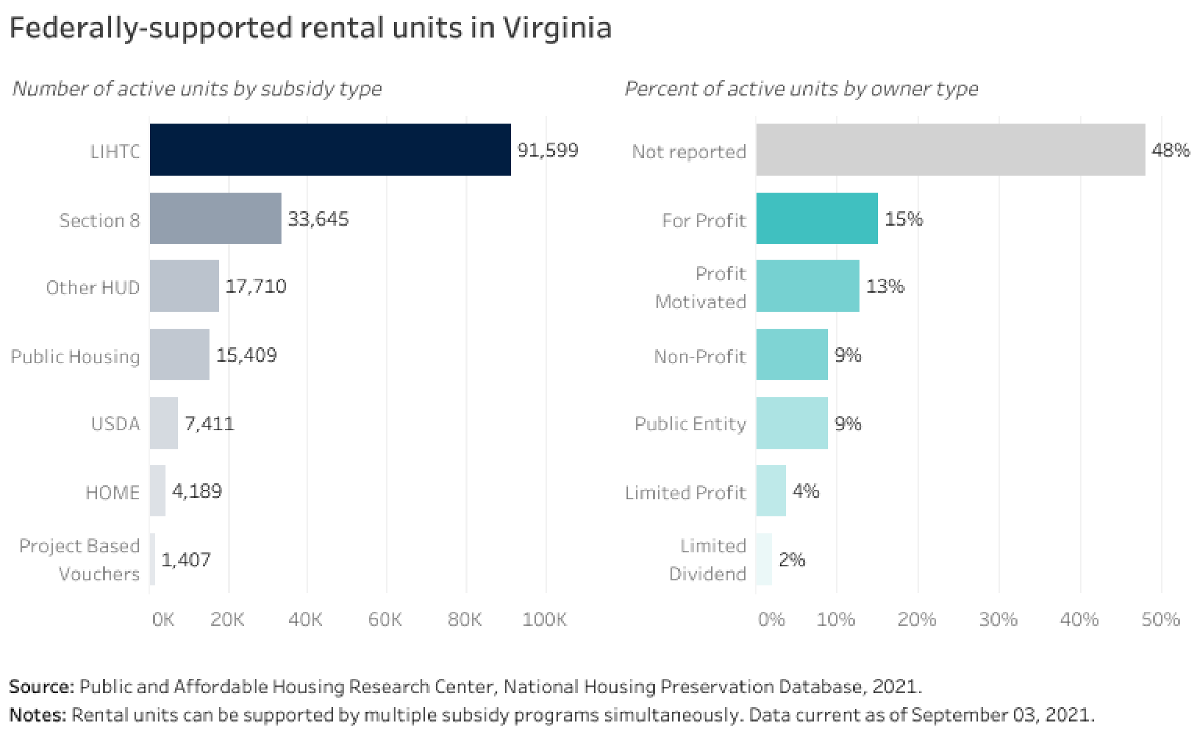


Figure 16.16: Federally-supported rental units in Virginia

According to the National Housing Preservation Database, 171,370 rental homes in the Commonwealth receive subsidies to lower their rents. Many different programs support these subsidies and a significant number of affordable apartments are individually supported by multiple subsidies, but the LIHTC is the most common form of assistance.

LIHTCs provide a tax incentive to housing developers to construct or rehabilitate rental housing and reserve a certain number of units for VLI and ELI households. Virginia has approximately 91,599 rental homes supported by LIHTCs provided by Virginia Housing.

But in 2017, more than 300,000 cost-burdened renter households were making less than 50 percent AMI. This represents a massive gap in affordability for a significant number of Virginians.

Most of the state's LIHTC units are located in Large Markets where most low-income renters live and where apartments (of all types and prices) are more common. In rural areas, where there are fewer low-income renters and multifamily developments, the preservation and replacement of existing affordable housing stock is often a more urgent need than significantly expanding supply.

For example, homes supported by USDA Rural Development subsidies, particularly Section 515 rental properties, are at-risk due to owner opt-outs from affordability restrictions and the decrease in overall USDA rental assistance funding. Further loss of dedicated affordable rentals in rural Virginia will place additional pressure on already sparse Housing Choice Vouchers, whose recipients rely on single-family rental homes that are less likely to meet the program's Housing Quality Standards (HQS).

All types of entities are involved in the production of affordable housing in Virginia—including for profit organizations. But a large portion of federally-supported rental housing projects have not reported their organization type—an important data point to understanding the landscape of affordable housing.

Finding 2: 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.

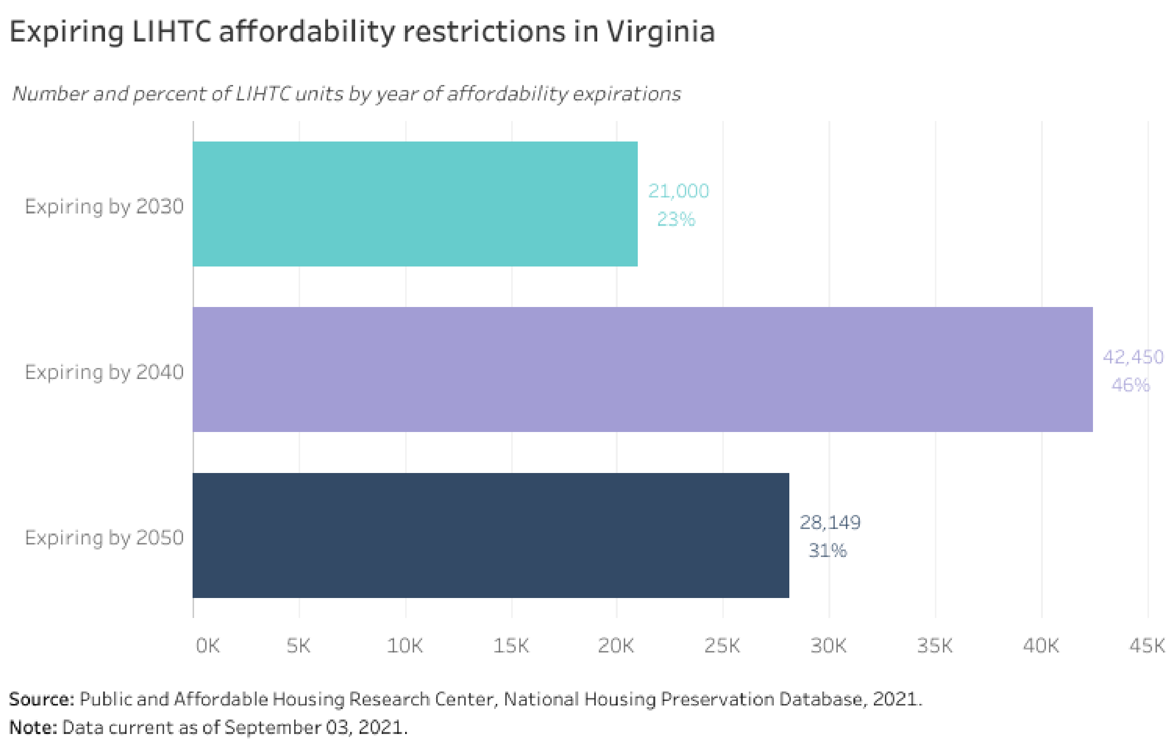


Figure 16.17: Expiring LIHTC affordability restrictions in Virginia

Although LIHTC aids the construction and rehabilitation of housing units in Virginia, the program does not mandate the permanent affordability of those units. Program participation requires a minimum 15-year compliance period, and Virginia Housing's LIHTC program generally requires 30 years of compliance through a 15-year extended use period. After that time, owners can convert income-restricted units to market rate.

While many properties remain affordable after the initial compliance period—and some are expected to remain affordable after the 30-year period—there is always a risk that properties will convert to market rate without additional allocations of tax credits or subsidies.

By 2040, almost three quarters of LIHTC units will reach the end of the 30-year affordability period. While the potential loss of affordable units is a priority, the physical condition of these 30-year old properties also deserves attention.

Some LIHTC programs in other states require affordability compliance beyond 30 years. For example, California has a mandatory 55-year extended use period for nine percent tax credits, and major incentives for the same compliance term from four percent tax credits.

Finding 3: Housing Choice Vouchers make homes affordable to more than 45,000 renters in Virginia.

Public housing authorities, Virginia Housing, and local administrators all help deliver these vouchers.

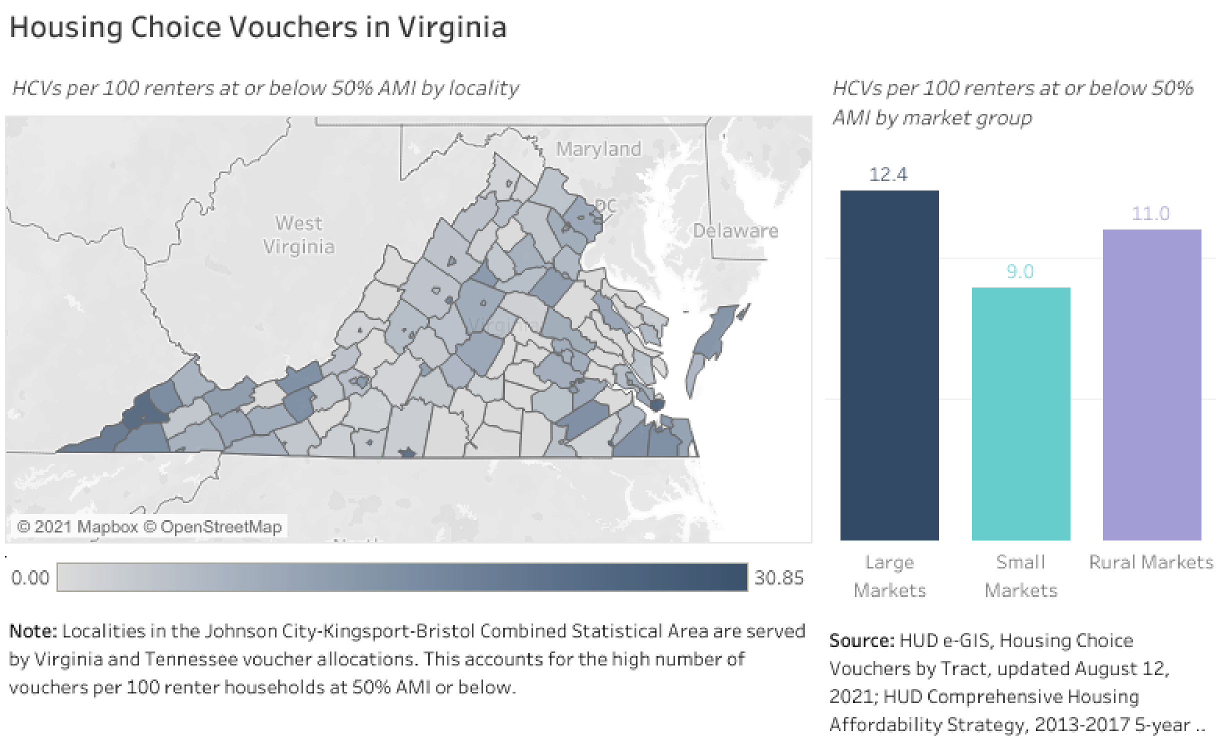


Figure 16.18: Housing Choice Vouchers in Virginia

The Housing Choice Voucher (HCV) program, which is a major component of federal assistance known as "Section 8," is the federal government's major program for addressing the affordable housing needs of VLI households. The program provides rental assistance to qualifying households that are then able to choose their type and location of housing as long as it meets certain criteria.

As of August 12, 2021, there were 45,587 HCVs in Virginia. Given the number of renters making less than 50 percent AMI in 2017, this translates to roughly twelve vouchers per 100 VLI or ELI renter households. While there is a greater share of HCVs in Large Markets to meet the need, Small Markets do not have a comparable share of HCVs for their low-income renter households.

Finding 4: Tens of thousands of Virginians remain on voucher waiting lists.

The scale of federal rental assistance is not enough to meet the demand from VLI renter households.

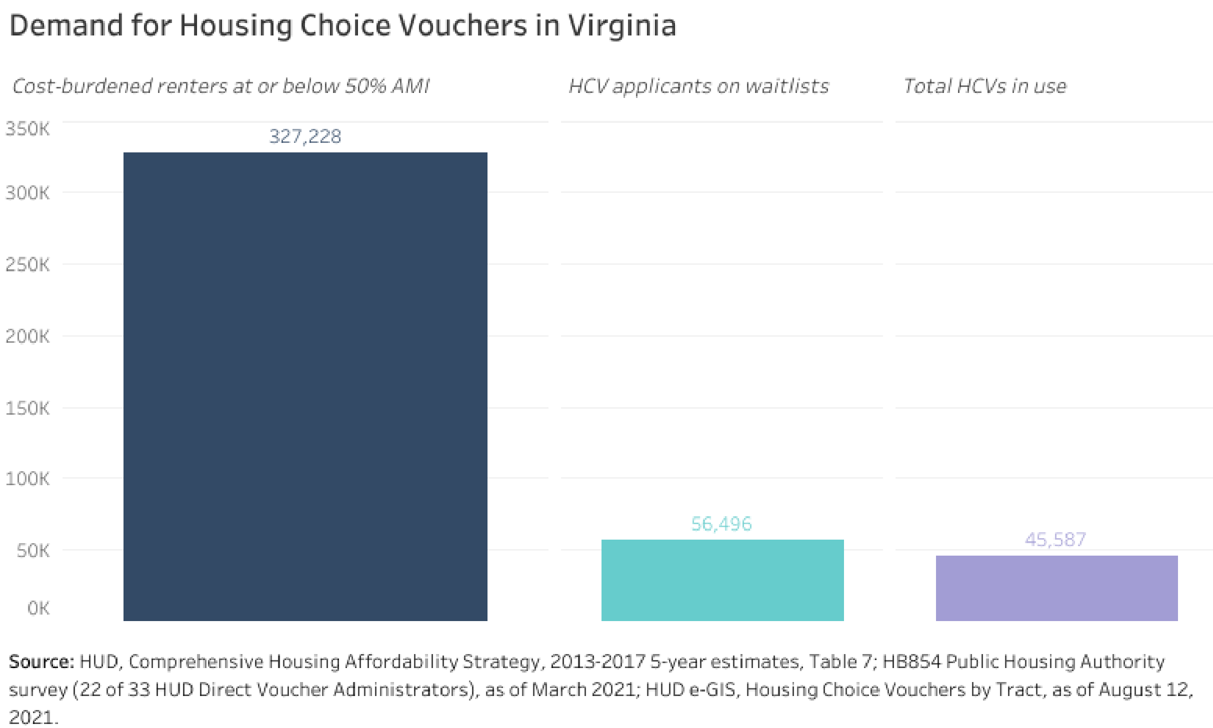


Figure 16.19: Demand for Housing Choice Vouchers in Virginia

The HB854 public housing authority survey reported that there were just over 56,000 households on waiting lists for public housing, LIHTC units, or HCVs. The survey did not include all PHAs in Virginia so this number is an undercount of households on PHA waiting lists.

When compared to the number of estimated cost-burdened renter households making 50 percent AMI or less in 2017, the current number of HCVs does not come close to meeting the total need for assistance, which will only continue to worsen if ignored.

Chapter 17

Housing instability and homelessness

This chapter presents trends on mortgage delinquency, eviction filings, and homelessness throughout Virginia. Intervention to prevent these crises must be a priority; inaction compounds stresses on social infrastructure like healthcare and education.

Highlights

Major takeaways in this chapter include:

- COVID-19 has put thousands of low-income Virginians behind on rent payments—risking an extended eviction crisis.
- Homeowners in Virginia have fared better since the Great Recession and even during the pandemic, so far. As of December 2020, mortgage delinquency rates remain below 2 percent—likely helped by the federal foreclosure moratorium.
- Point-in-Time counts across Virginia have shown a general decline in observed homelessness—less than 6,000 individuals in 2020—although this was a slight uptick from 2019.
- On the other hand, housing instability among Virginia's school-age children has increased in the past decade. Over 17,000 enrolled students experienced homelessness during the 2019-2020 school year.
- Black Virginians are disproportionately represented in counts of persons experiencing homelessness. In 2020, over 50 percent of Virginians experiencing homelessness were Black.
- Supportive housing needs remain high. The number of available units fails to match the demand to safely provide homes for individuals requiring additional support, like case management and health services.

17.1 Impact of COVID-19

In May 2020, the U.S. Census Bureau began the Household Pulse Survey (HPS) to measure the social and economic impacts of the COVID-19 pandemic on American households. As of August 2021, the

HPS is still active and has collected responses covering 34 weeks. This rich time-series data—which is available at the national and state levels—is a valuable tool for tracking how COVID-19 continues to impact Americans' daily lives.

Along with questions about healthcare, food insecurity, school disruptions, employment status, and transportation, the HPS also asks several questions about household spending and housing insecurity that indicate a household's ability to make rent or mortgage payments. These prompts allow researchers and policymakers to understand the scope of real and potential housing instability in their state.

Finding 1: Many Virginians are still struggling to make their budgets work.

A quarter of adults still have major trouble paying for usual household expenses.

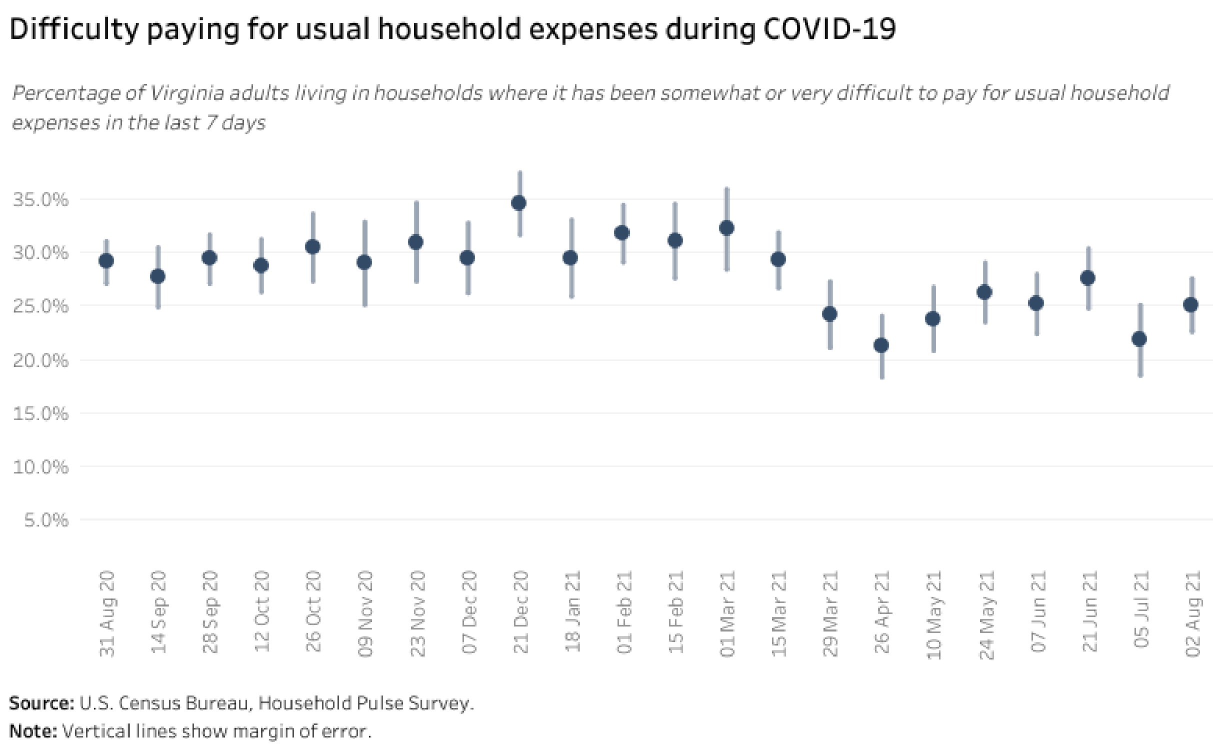


Figure 17.1: Difficulty paying for usual household expenses during COVID-19

Since the HPS began asking respondents this question in late August 2020, two to three out of every ten Virginians have reported that it has been somewhat or very difficult to pay their regular household expenses. Prior to March 2021, this share hovered around 30 percent; since then it has decreased slightly to around 25 percent.

Finding 2: Without continued rent and mortgage relief intervention, thousands of Virginians may find themselves without a home.

Of households behind on their rent or mortgage, about one-third believe eviction or foreclosure is likely.

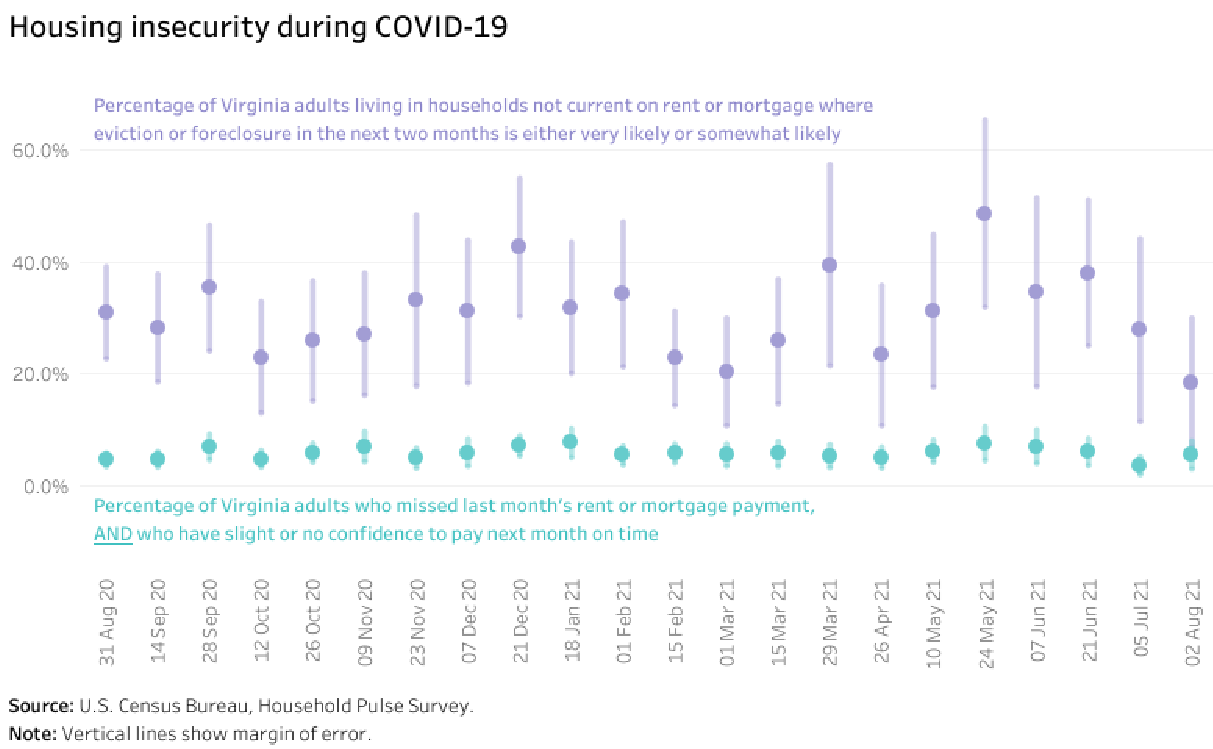


Figure 17.2: Housing insecurity during COVID-19

From weeks one to 12 of the HPS, the Census asked respondents if they missed the previous month's rent or mortgage payment or if they had slight or no confidence in their ability to pay the coming month's rent or mortgage on time. From May to July 2020, about 20 percent of Virginia adults confirmed that one of those situations applied to their household.

Beginning in week 13 of the HPS, the Census separated the housing insecurity question into two questions. First, they asked if respondents missed last month's rent or mortgage payment and if they have slight or no confidence in their ability to pay next month's payment on time. Households meeting both these conditions represent about five percent to eight percent of all Virginians.

Second, the survey asked respondents who are behind on their rent or mortgage whether eviction or foreclosure is likely in the next two months. Over the last year about 30 percent said they were, which amounts to roughly 100,000 Virginians (although the statistical margin of error for this subsampling is very high).

17.2 Mortgage delinquency

Homeowners can fall behind on their mortgage payments when they lose their job, have unexpected expenses, or confront a number of other financial challenges. Homeowners may be able to work with their lenders to get back on track, but sometimes delinquency is too severe and leads to foreclosure.

Although detailed foreclosure data is not publicly available, the Consumer Financial Protection Bureau (CFPB) tracks mortgage delinquencies on a large sample of loans across the country. This information can indicate how many homeowners are beginning to have trouble paying for their homes.

Finding 1: Mortgage delinquency has been steadily declining in Virginia since the Great Recession.

Prior to COVID-19, more than 97 percent of all homeowners were making their payments on time.

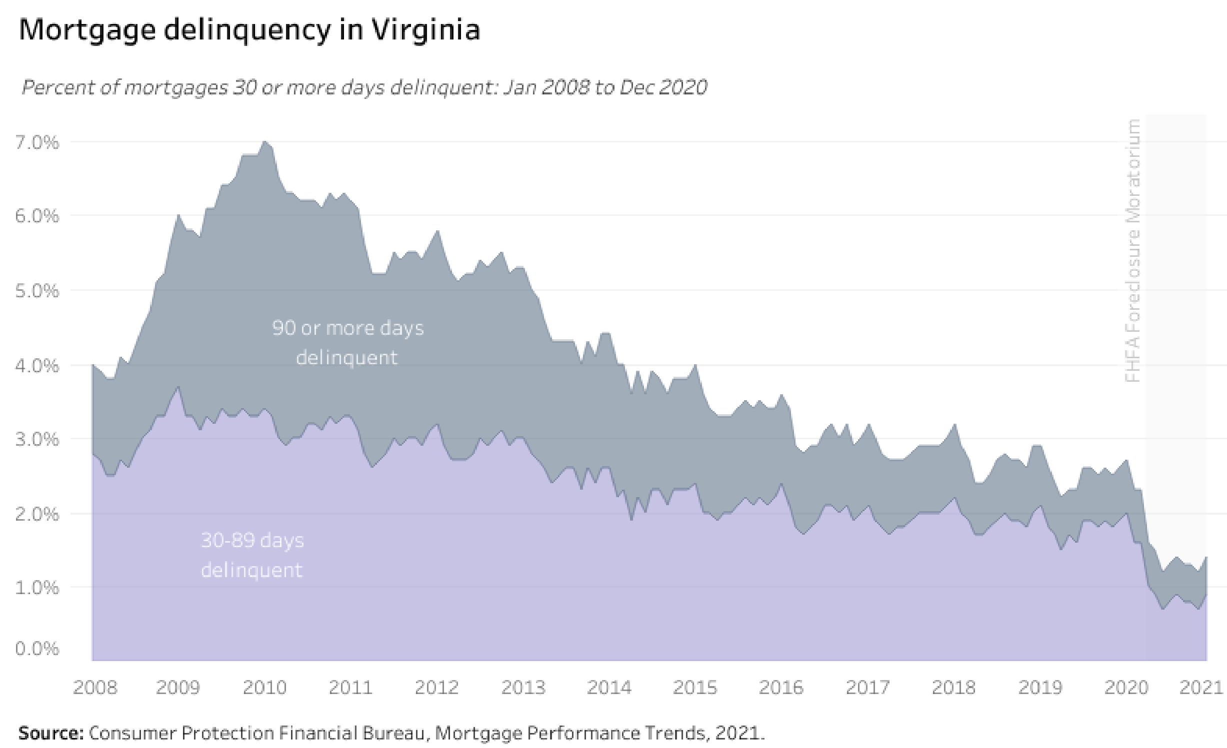


Figure 17.3: Mortgage delinquency in Virginia

Mortgage delinquency in Virginia has declined steadily since the Great Recession when rates were as high as seven percent and foreclosures were common. Overall delinquency rates for Virginia's homeowners more than a month behind on their payments have since fallen to between two and three percent in 2020.

Virginia's delinquency rate recently fell to well below two percent as a result of the Federal Housing Finance Agency (FHFA) foreclosure moratorium and mortgage forbearance policies established as a result of the COVID-19 pandemic. Policymakers should continue to monitor the financial health of homeowners in 2021, especially as federal protections may expire before mortgage assistance funds have been fully disbursed.

Finding 2: Metro areas were hit unequally by foreclosures in 2008, but all have made major recoveries.

Most areas of Virginia have delinquency rates well below four percent.

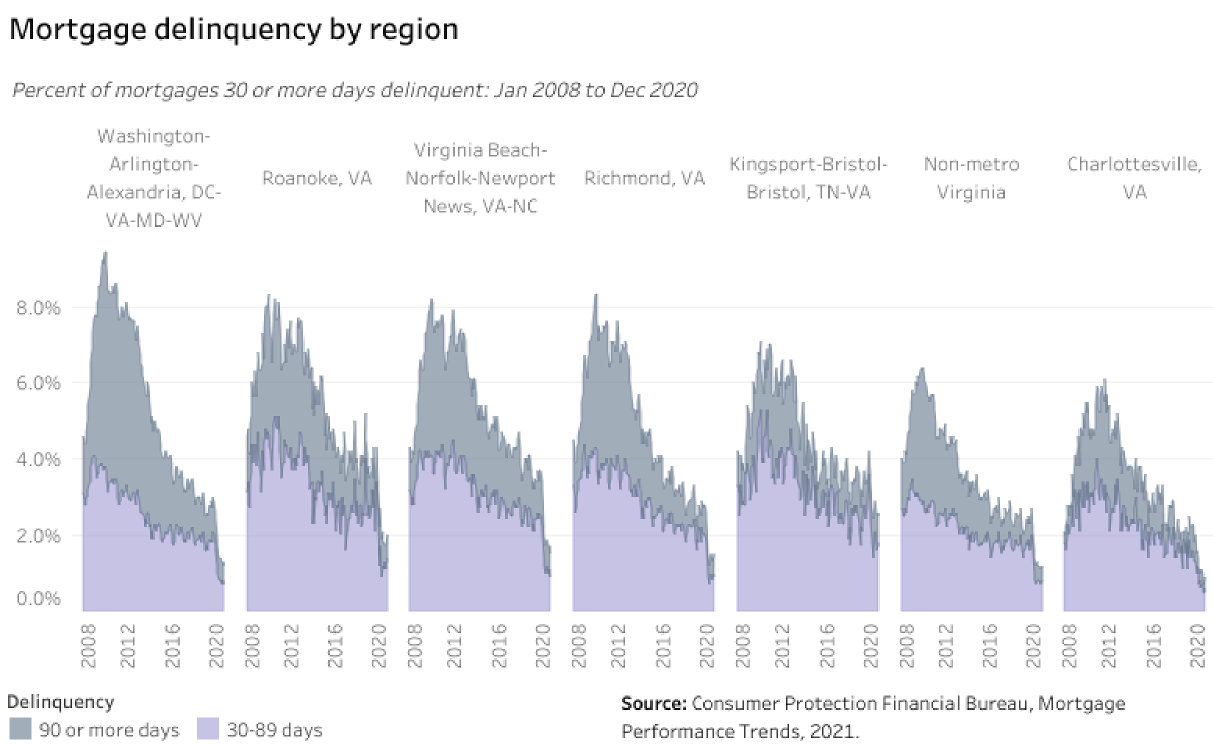


Figure 17.4: Mortgage delinquency by region

In the years following the 2008 foreclosure crisis, many parts of Virginia saw sustained mortgage delinquency rates above six percent, especially the Northern Virginia, Roanoke, Virginia Beach, and Richmond MSAs. Other parts of the Commonwealth had less severe delinquency during that period, but they still experienced rates above four percent even after 2012.

Between 2013 and 2020, homeowners throughout the state generally recovered well. Delinquency rates in most regions were near two percent before the FHFA mortgage forbearance and foreclosure moratorium took effect in March 2020. The Northern Virginia and Richmond MSAs in particular saw some of the steepest declines in delinquency compared to their post-2008 peaks.

17.3 Evictions

In 2016, Virginia gained national attention when the Princeton Eviction Lab published data ranking five Virginia cities in the top ten for eviction rates in the nation. Virginia's overrepresentation in the data prompted massive response from policymakers and advocates, resulting in new laws to cap late fees on rent, source of income protections, and wider education on tenant rights.

Important context for eviction data in this section:

We use the Princeton Eviction Lab data for Virginia to show historical trends because it is the most complete time-series for eviction filings and judgements. A full description of their methodology can be found on their website.

For eviction records after 2017, we use civil case records from district courts compiled by the Virginia Supreme Court and made available by virginiacourtdata.org.

In both datasets, evictions are based on court records, and do not always represent actual physical evictions carried out by sheriff's offices. In many cases, renters who receive an eviction judgement will move prior to intervention by law enforcement.

However, research reliably demonstrates that court-administrative data (eviction filings and judgements) significantly undercounts involuntary moves made by tenants when facing the threat of eviction or lease non-renewal. (Desmond, Gershenson, & Kiviat, 2015) (Nelson, Garboden, McCabe, & Rosen, 2021)

These "informal evictions" are more difficult to record, but may account for *well over 60 percent* of all forced moves in the United States. (Gromis & Desmond, 2021)

Finding 1: Eviction rates in Virginia stayed above five percent from 2000 to 2016.

That rate is several points higher than the national average.

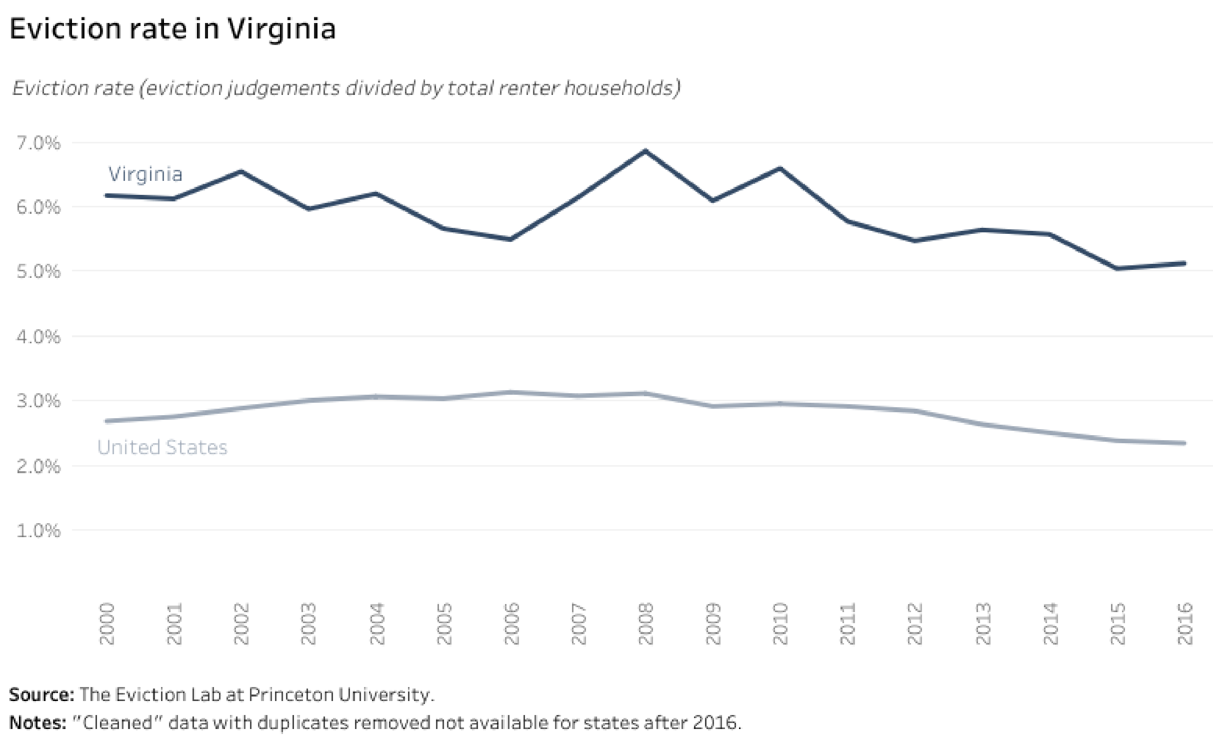


Figure 17.5: Eviction rate in Virginia

Virginia's eviction rate, as calculated by The Eviction Lab at Princeton University, has remained above five percent since 2000. As of 2016 (the most recent statewide annual data currently available), the Commonwealth's eviction rate was five and one-tenth percent: There was one unlawful detainer that ended with a judgement for the plaintiff (landlord) for every twenty renter households.

What is an unlawful detainer?

An *unlawful detainer* is the legal name for an eviction notice filed by a landlord to the local district court. The process is outlined in the Virginia Residential Landlord and Tenant Act (§ 55.1-1200 et seq.).

A landlord must deliver a written notice to the tenant before filing an unlawful detainer with the court. At the initial court appearance, the judge may immediately grant possession to the landlord, which is recorded as a judgement against the tenant. (Tenants may also contest the charge and request a trial at a future court date.)

If a "default" judgement is issued in the initial appearance, or if a judgement is issued at the later trial, the court directs the sheriff's office to conduct a formal eviction within a certain time. However, tenants may appeal this decision to the circuit court within ten days of the decision.

Finding 2: New eviction filings during COVID-19 are a fraction of pre-pandemic levels.

Pandemic eviction protections have vastly decreased but not eliminated new filings.

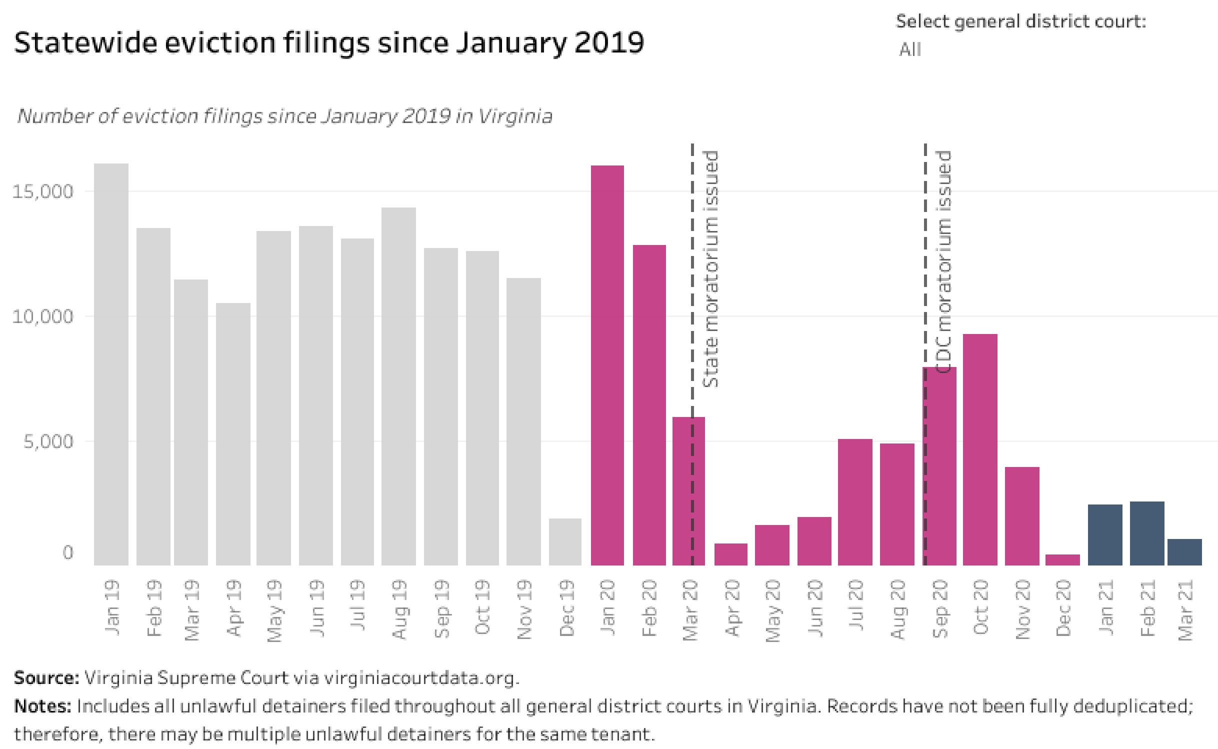


Figure 17.6: Statewide eviction filings since January 2019

In 2019, landlords filed about 12,000 new unlawful detainers every month in district courts across the state. Those levels persisted in the first two months of 2020 until the onset of COVID-19 pandemic and the subsequent moratorium on most legal proceedings issued by the Virginia Supreme Court on March 17, 2020. This order halted nearly all unlawful detainer cases. Fewer than 6,000 new evictions were filed in March 2020 and just under 900 in April 2020.

Monthly filings then slowly increased through the summer, nearly reaching 5,000 in August. On September 4, 2020, the Centers for Disease Control announced a national moratorium on evictions for households who affirm their inability to pay because of pandemic-related reasons.

While the moratorium's implementation unfolded in September and October, landlords filed nearly 16,000 new unlawful detainers across Virginia. New filings have since declined as state law requires landlords to apply for rent relief before an eviction can occur, and the state is disbursing millions of dollars in emergency rent relief; filings remained below 2,500 per month through March 2021 (the latest statewide court data available).

17.4 Homelessness

Without affordable housing options, many people are at risk of housing instability that can lead directly to homelessness. Slowly improving wages outstripped by rapidly growing housing costs are putting low-income and moderate-income households under pressure to afford food, clothing, medical care, and transportation.

A variety of often co-occurring factors precipitate homelessness. Whether homelessness lasts a few days or years, its consequences long outlast its duration.

Finding 1: Point-in-Time counts show a gradual decline in the number of homeless Virginians.

However, that number increased in 2020 for the first time in years.

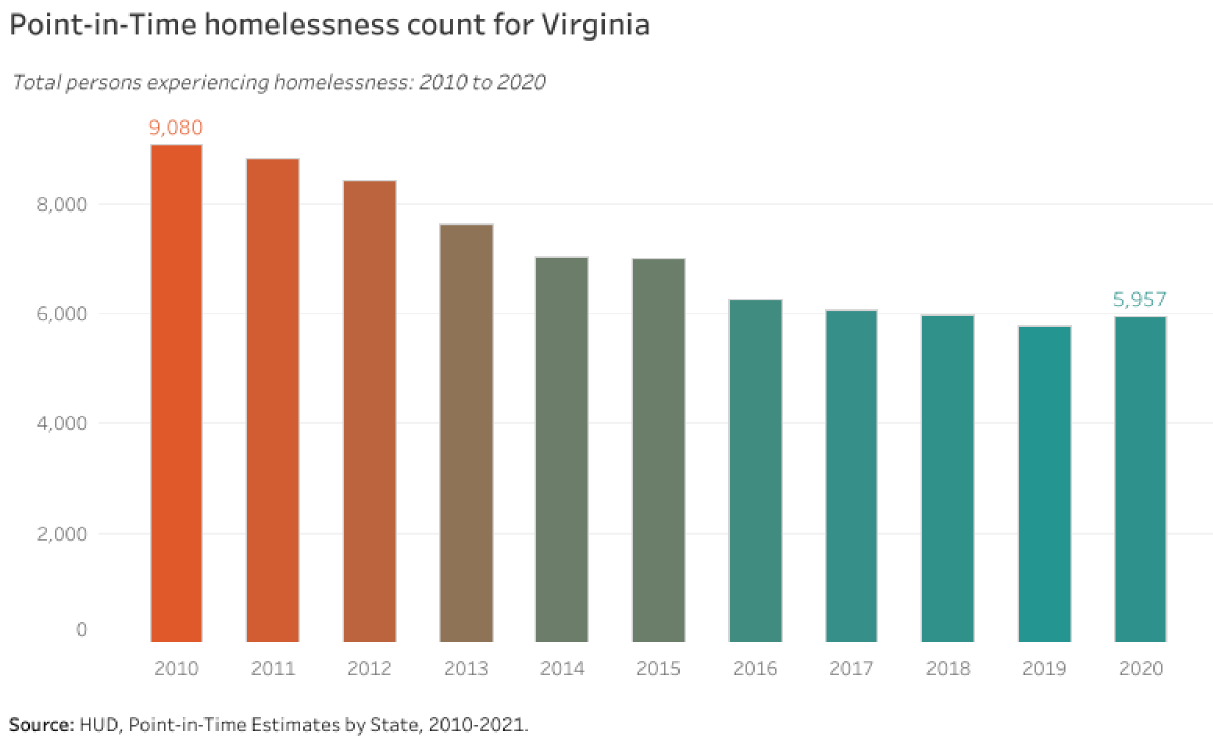


Figure 17.7: Point-in-Time homelessness count for Virginia

In January 2020, the annual HUD Point-in-Time (PIT) count found that 5,957 individuals were experiencing homelessness in Virginia. This was a 34 percent decrease from the total number in 2010, when the Virginia PIT count had its highest count at homeless 9,080 persons. Since 2010, the number of persons experiencing homelessness in Virginia captured by the PIT counts has been on a steady decline, with a slight uptick from 2019 to 2020.

While the decreasing numbers are good news for Virginia, PIT numbers do not account for everyone in unstable housing situations. PIT counts only measure the number of people who are in shelters, transitional housing, or identified on the street as experiencing homelessness. This count misses those who are not literally homeless according to HUD's definition, but are instead precariously housed (e.g., people temporarily staying with family or friends or living in motels and those incarcerated or in treatment facilities who have nowhere else to reside).

Finding 2: Black Virginians disproportionately experience homelessness.

Black Virginians make up about 19 percent of Virginia's population but account for 50 percent of those experiencing homelessness.

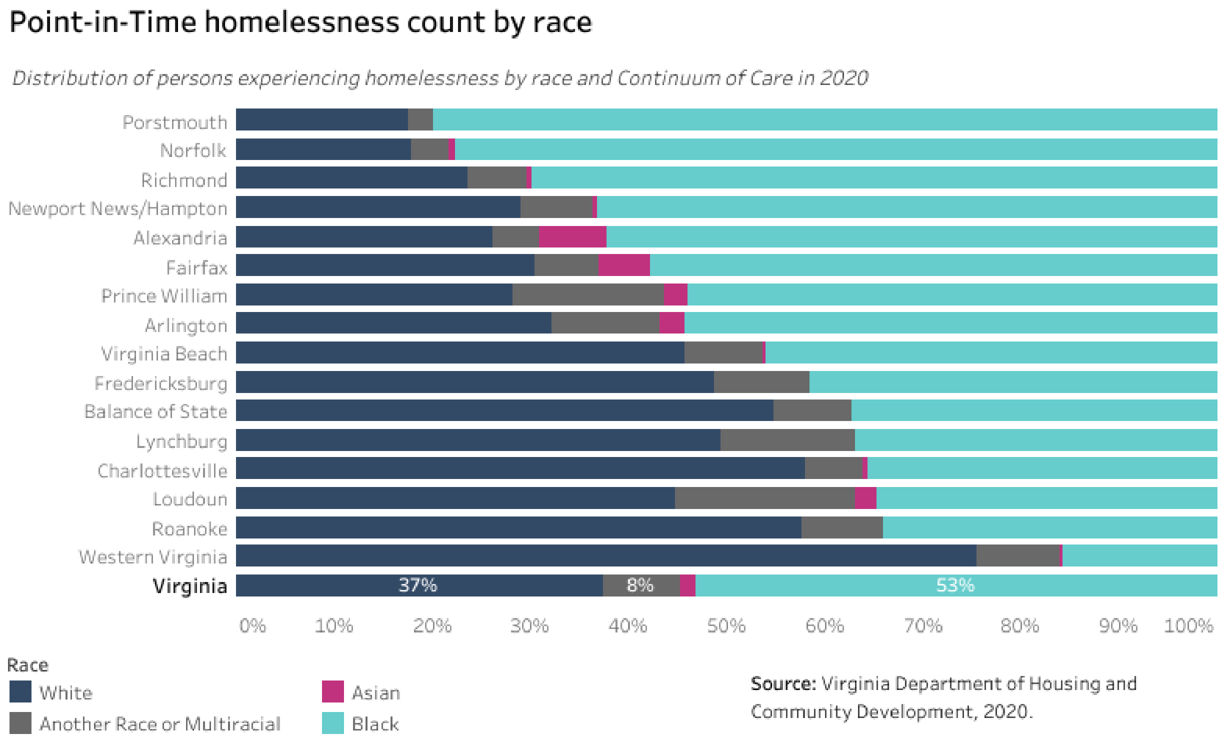


Figure 17.8: Point-in-Time homelessness count by race

In 2020, the majority of individuals experiencing homelessness in Virginia were Black (53 percent), identified as male (60 percent), and were over the age of 24 (73 percent). This trend has been consistent for at least the past five years.

The disproportionate representation of Black men experiencing homelessness is a racial justice issue that can be linked to centuries of discrimination in housing, criminal justice, education, healthcare, and the economy. Lack of access to quality healthcare and incarceration are conditions that often contribute to homelessness and that are frequently common to the experience of Black and brown Americans.

In metro areas like Hampton Roads and Richmond, where urban renewal and redlining displaced and divested Black homeowners, nearly seven in ten persons experiencing homelessness are Black.

Finding 3: 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 2008-2009 school year.

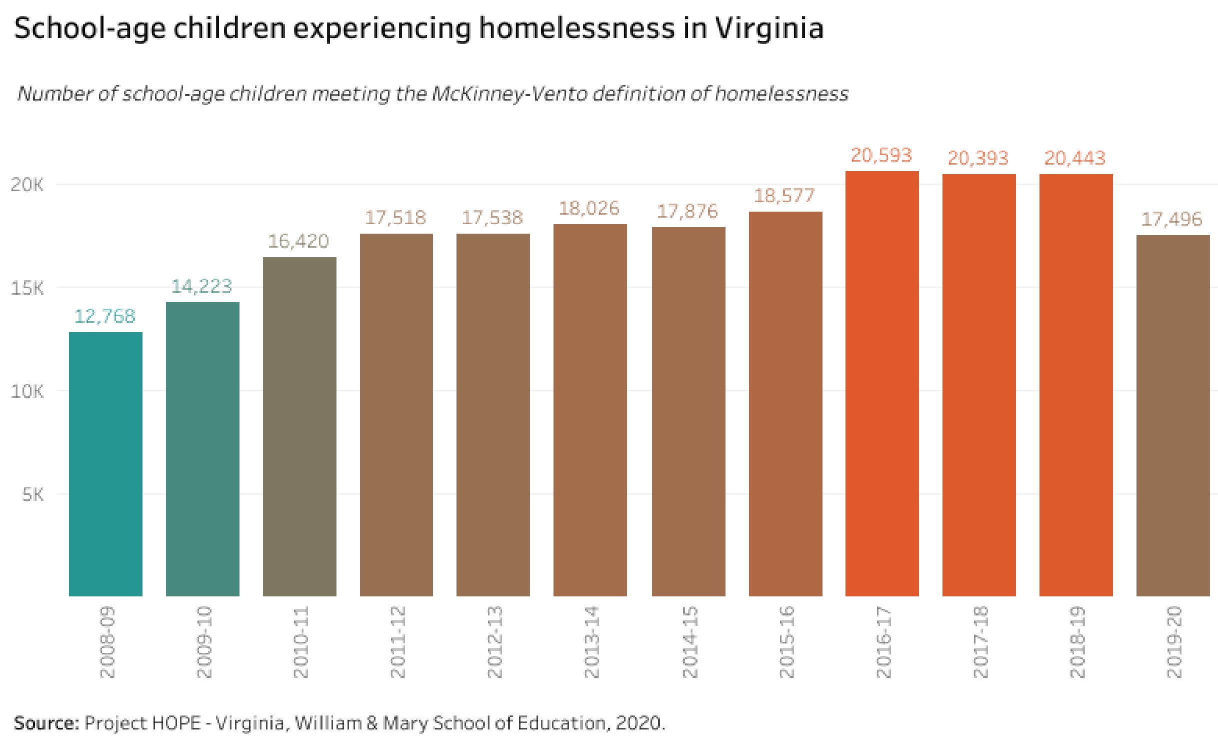


Figure 17.9: School-age children experiencing homelessness in Virginia

Through Title VII of the McKinney-Vento Homeless Assistance Act, the Department of Education tracks additional information on children and youths experiencing homelessness who are enrolled in local school districts. The Department of Education defines homelessness differently by including children and youths who do not typically meet the HUD definition of literal homelessness. This data provides additional context to the issue of homelessness in the Commonwealth.

Whereas PIT counts have seen a decrease, McKinney-Vento counts of students experiencing homelessness have been on the rise for more than a decade; 17,496 of Virginia's students experienced homelessness during the 2019-2020 school year compared to nearly 13,000 students during the 2008-2009 school year.

Finding 4: There is a substantial need for more permanent supportive housing across the Commonwealth.

In 2020, the Corporation for Supportive Housing (CSH) estimated a permanent supportive housing need of at least 20,000 units.

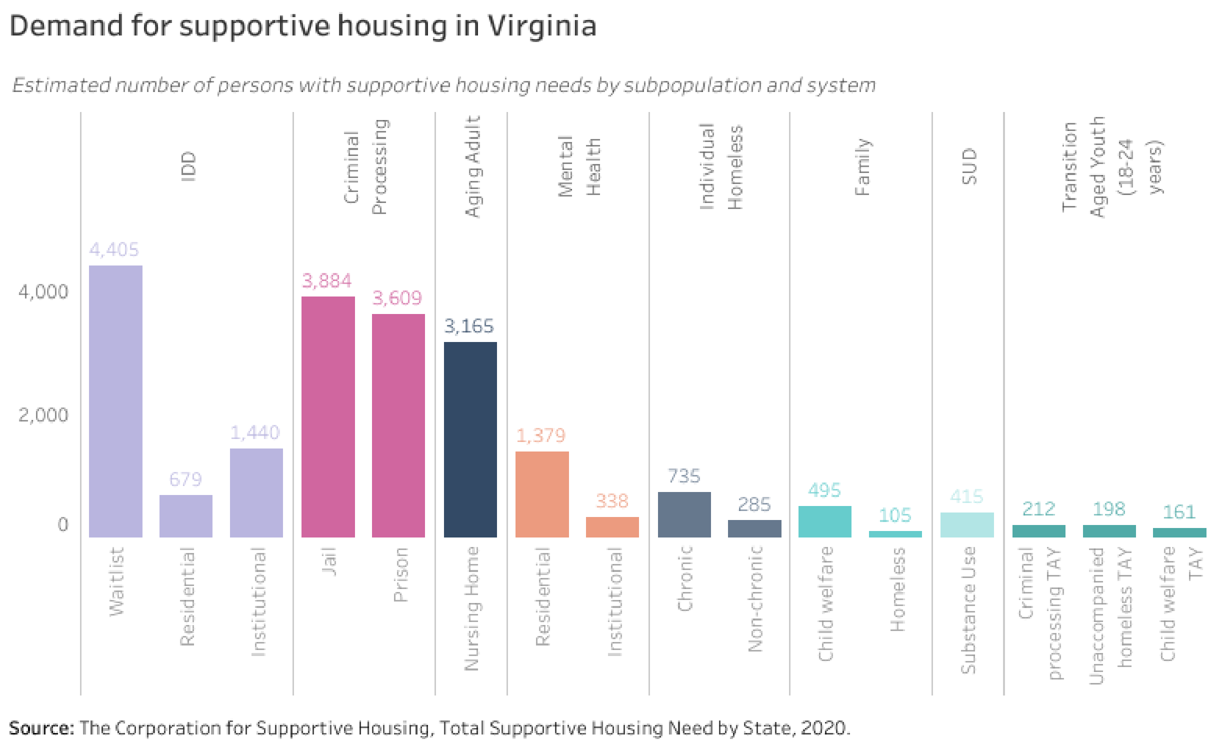


Figure 17.10: Demand for supportive housing in Virginia

CSH conducts an annual permanent supportive housing (PSH) needs assessment based on publicly available data at the national level. CSH provides a snapshot of subpopulations that have needs consistent with PSH who are involved in the following systems: homelessness, justice, aging, mental health, substance use, intellectual and developmental disability, and child welfare. Across these subpopulations, CSH estimates that there was an unduplicated PSH total need of 21,750 units in Virginia in 2020.

Finding 5: Homelessness among certain vulnerable populations has declined significantly.

Point-in-Time counts for veterans, those with chronic substance use disorders, and survivors of domestic violence have seen major declines since 2015.

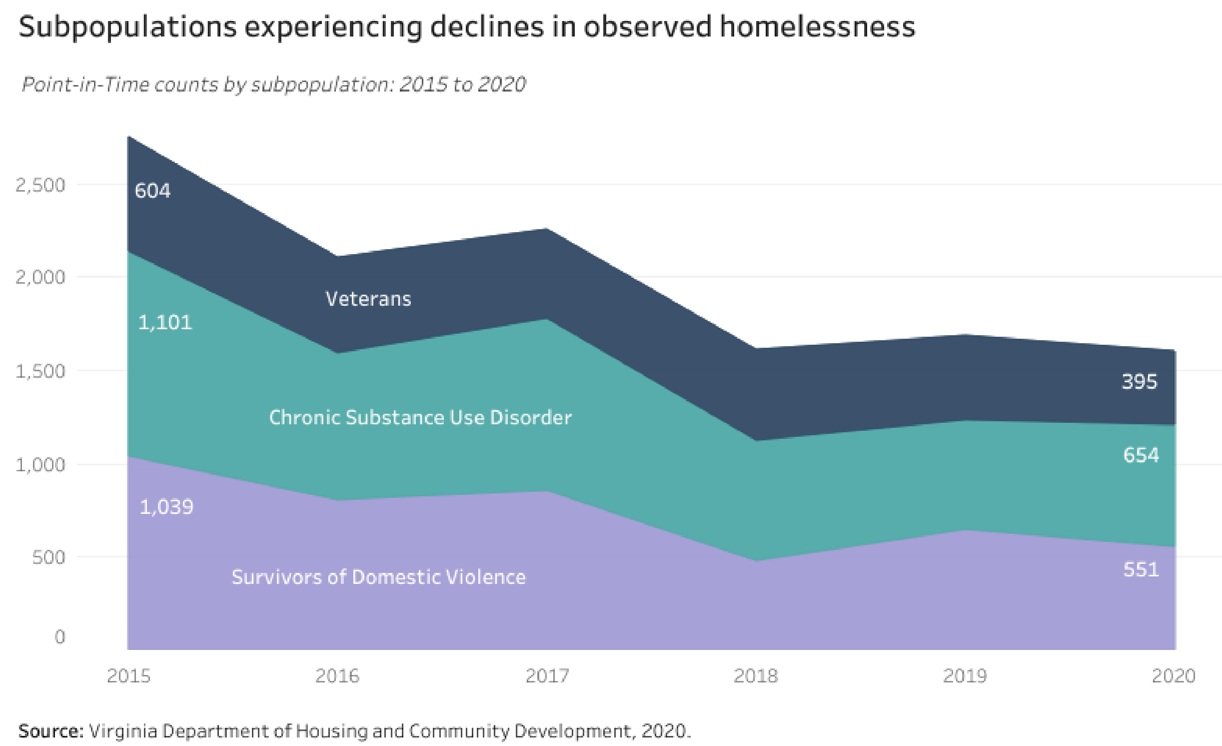


Figure 17.11: Subpopulations experiencing declines in observed homelessness

According to the Department of Veteran Affairs, Virginia is among three states and 82 localities that have effectively ended veteran homelessness. Virginia announced this milestone in November 2015, under Governor Terry McAuliffe's administration, when Virginia met the federal definition of "effectively ending homelessness among military veterans." (National Alliance to End Homelessness, 2018) This definition states that Virginia had no homeless veterans with the exception of those who were offered housing but refused it.

As of January 2020, there were 395 homeless veteran households in Virginia, most of whom found placements in emergency shelters.

While homelessness among survivors of domestic violence has declined significantly since 2015, many survivors still need emergency shelter and permanent housing. In 2020, there were 405 requests for shelter for those fleeing domestic violence when shelters were full. (Virginia Sexual and

Domestic Violence Action Alliance, 2020)

Two in three families exiting shelters did not have stable housing plans in place (i.e., they either returned to the home where the abuser was present, exited to unstable housing such as living with a friend/relative or another shelter, or left the area), or their plans were unknown.

The decline in individuals with substance use disorders experiencing homelessness could be largely attributed to the "Housing First" approach championed by HUD, as well as DHCD, which no longer requires sobriety or being in treatment as a condition of housing.

Access to treatment programs has also grown substantially since 2017 due to the Virginia Medicaid agency's implementation of Addiction, Recovery, and Treatment Services (ARTS).

An independent evaluation by Virginia Commonwealth University School of Medicine showed that 63 percent out of 734 individuals using ARTS experienced improved housing conditions. (Cunningham et al., 2021)

Finding 6: The number of permanent supportive housing beds has been slowly increasing, but still does not meet demand.

When compared to PIT counts, the gap in PSH units for the chronically homeless has been narrowing.

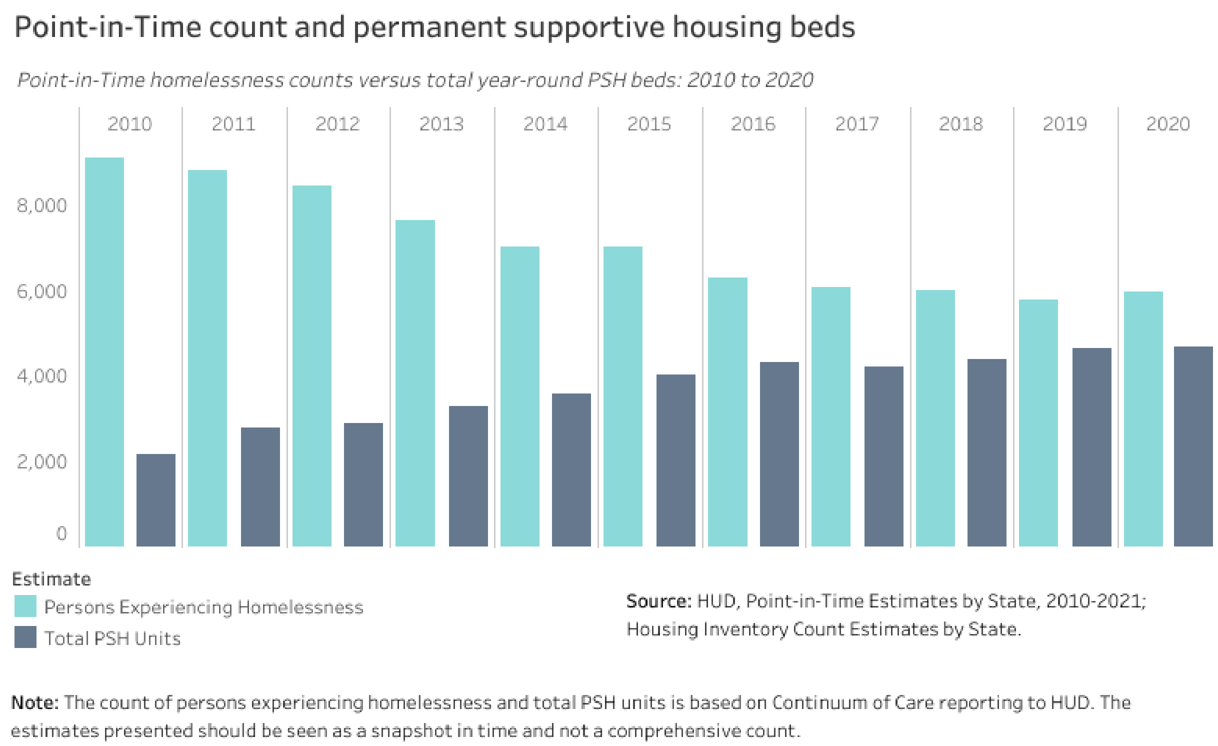


Figure 17.12: Point-in-Time count and permanent supportive housing beds

Virginia has been steadily increasing its supply of PSH in the last decade. Virginia has doubled the number of PSH beds reported by Continuums of Care (CoC), from 2,164 reported year-round PSH beds in 2010 to 4,660 in 2020.

Although this is a major increase, the supply of PSH is still not enough to cover the number of people experiencing homelessness. In 2020, there was a gap of at least 1,297 PSH beds. While it may appear that Virginia could exceed its supply of PSH beds according to its PIT count, the assessment of PSH needs must include populations outside of CoC systems. As noted by CSH, the estimated need for PSH units is greater than 20,000.

Chapter 18

Projections

This chapter uses the latest available population projections for the state to estimate housing demand in the coming decade. It also discusses the limitations of such data and the need to generate new estimates as post-pandemic census figures are made available.

Highlights

Major takeaways in this chapter include:

- Virginia will likely reach a population of 10 million by 2040—with growth continuing to be concentrated in the urban crescent.
- The share of seniors in Virginia will grow faster than all other age groups, creating major shifts in housing demand and the workforce.
- Policymakers should reevaluate projections when the latest 2020 Census figures are incorporated into new population predictions published by the University of Virginia Weldon Cooper Center for Public Service in 2022.

18.1 Statewide projections

Finding 1: Virginia will add about 60,000 new residents each year between now and 2040.

That translates to about 25,000 new homes needed annually.

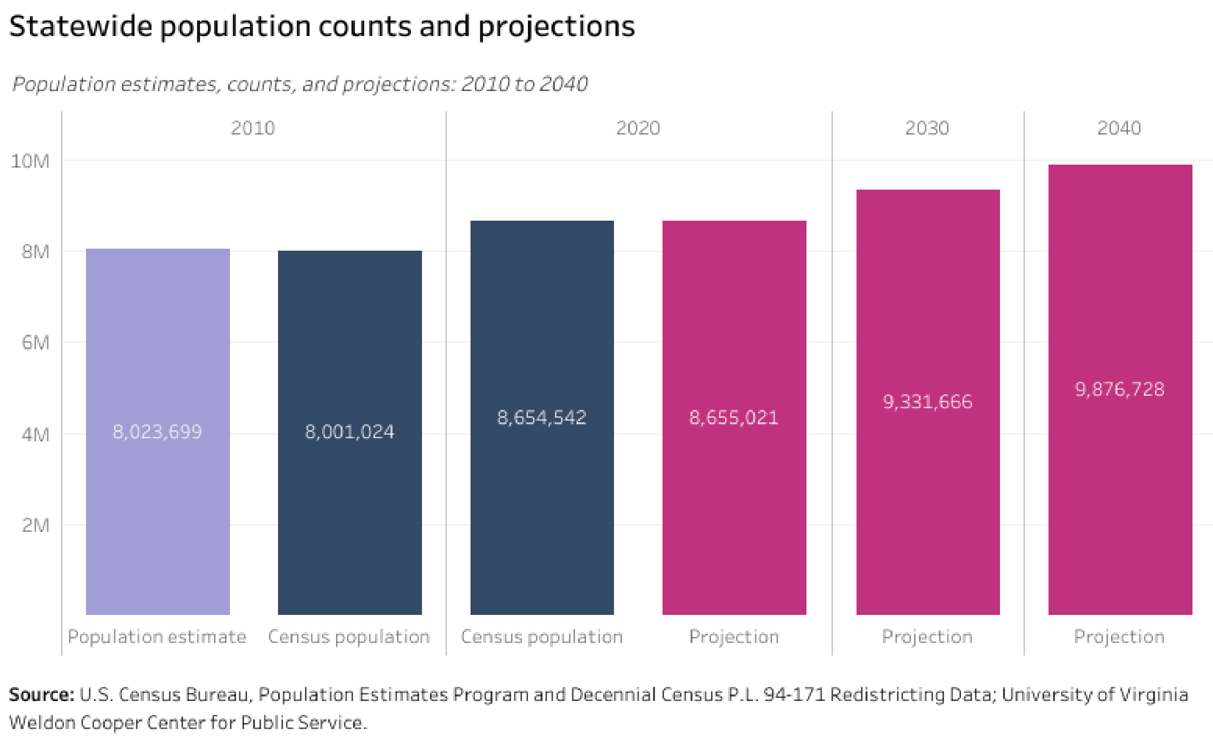


Figure 18.1: Statewide population counts and projections

Based on the most recent population projections published by the Weldon Cooper Center for Public Service at the University of Virginia, the Commonwealth will have a total population near 9.9 million in 2040. If the average household size stays slightly less than 2.5 persons, this means that Virginia will need to build approximately 25,000 more homes each year to accommodate this growth. However, these projections do not yet incorporate the results of the 2020 Census.

18.2 Market area projections

Finding 1: Most new Virginians will live in the urban crescent.

Small Metro Housing Markets will also grow while Rural Housing Markets will continue to decline in numbers.

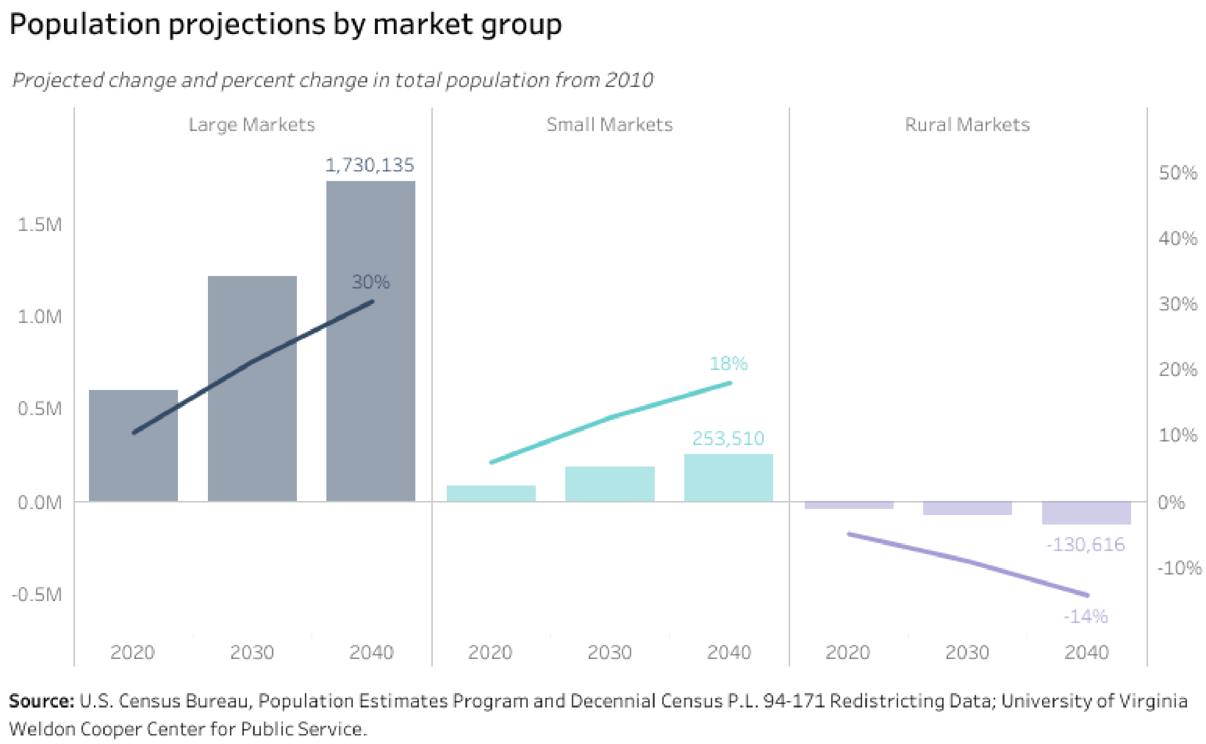


Figure 18.2: Population projections by market group

Population growth from 2020 to 2040 is expected to be most rapid in Large Markets, where the total population will reach just over 1.7 million by 2040. Small Markets will see growth but at a slower pace, reaching a quarter of a million people by 2040. On the other hand, Rural Markets are projected to lose 14 percent of their population by 2040.

These shifts in population will have major economic consequences that will impact housing supply and demand across Virginia.

Finding 2: Northern Virginia will continue to be the fastest-growing market.

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

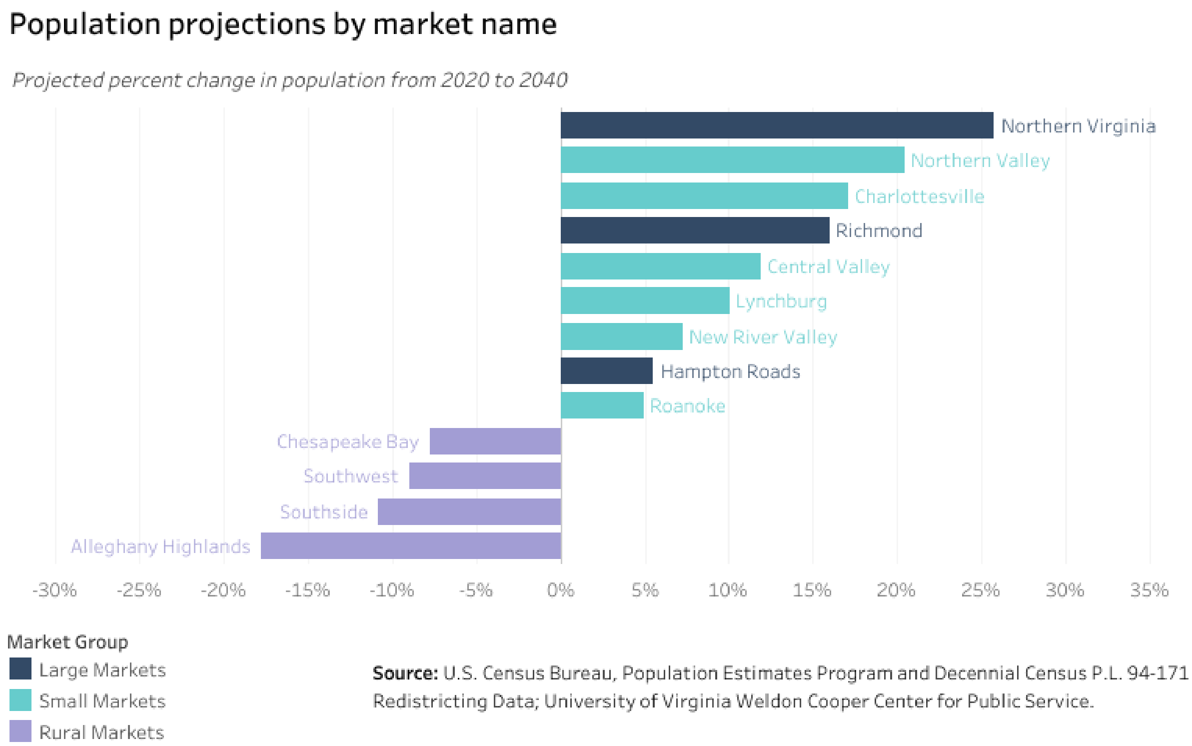


Figure 18.3: Population projections by market name

The most rapid growth will occur in four markets in Virginia: Northern Virginia, the Northern Valley, Charlottesville, and Richmond. These four markets will see their populations grow by over 15 percent between 2020 and 2040. Northern Virginia will see the most rapid growth, with the population growing by over 25 percent within two decades, while Hampton Roads, one of Virginia's most populous regions, will see relatively slow growth.

All Rural Markets will see population declines, with the Alleghany Highlands expected to experience the greatest population loss at over 15 percent.

Finding 3: Most growth will be in suburbs along Interstate 95.

High-density parts of Northern Virginia will grow, while other major cities in the urban crescent might not grow at all.

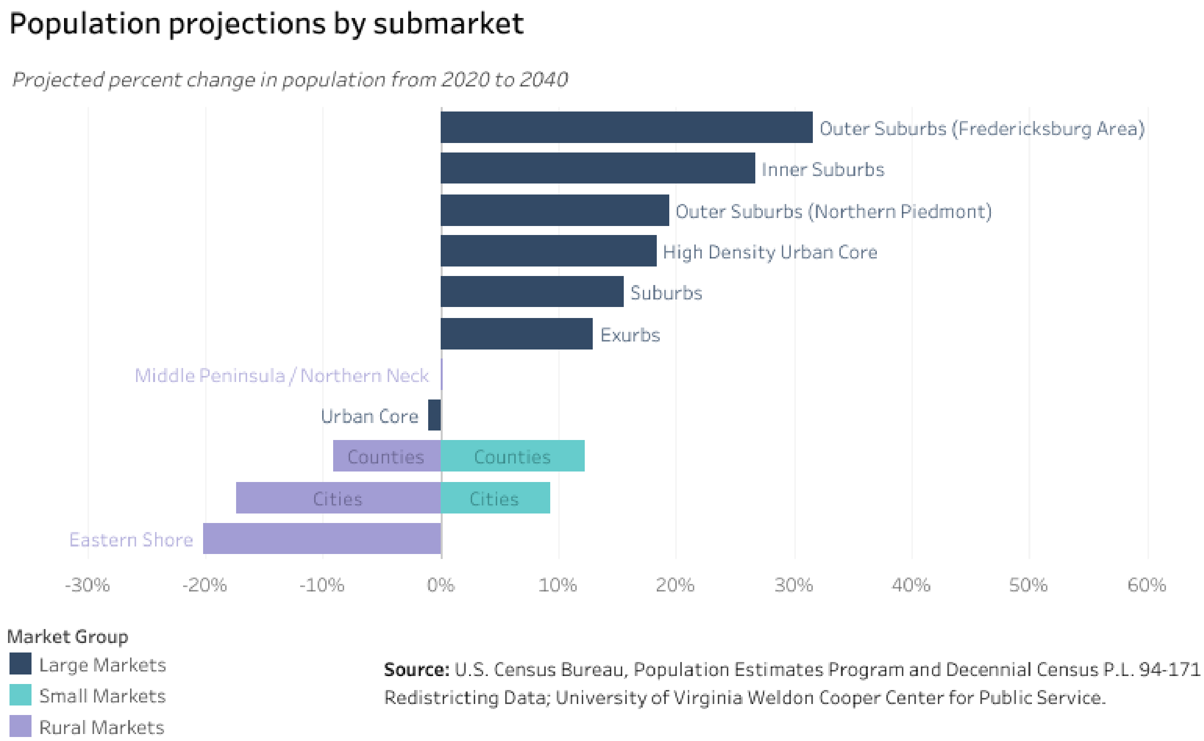


Figure 18.4: Population projections by submarket

Breaking down population projections by submarkets shows that the greatest growth will occur in the suburban areas of Virginia. Prior to 2020, these areas have seen growth as urban cores become increasingly unaffordable and this trend is expected to continue. Suburban areas in proximity to Interstate 95 will see the most increases as Washington, D.C. commuters continue to search for housing convenient to their work.

18.3 Age projections

Finding 1: Future growth is strongest among children, young adults, and seniors.

The number of Virginians 75 and over will double between 2010 and 2040.

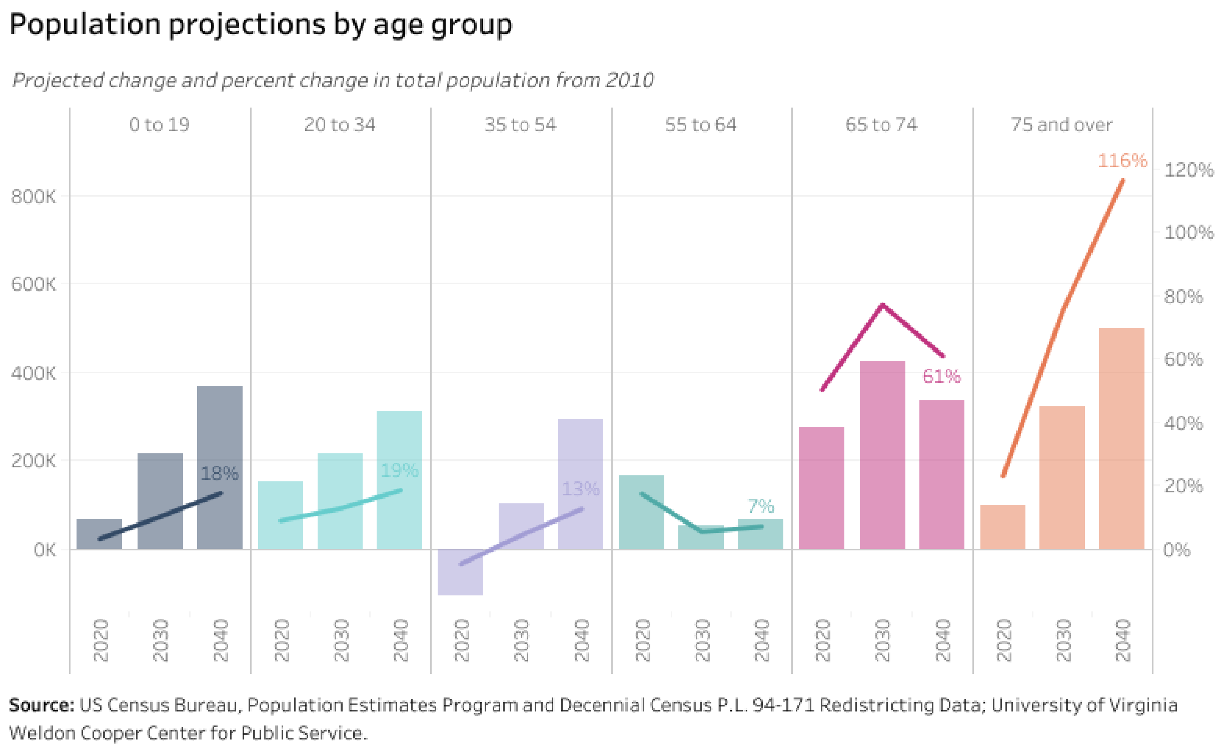


Figure 18.5: Population projections by age group

Although Virginia's youngest residents will continue to increase in number, the segment of the population expanding most dramatically will be the oldest; the number of Virginians 65 and older will nearly double in the next two decades. This age-based demographic divergence will have major implications for the Commonwealth's housing and workforce. The needs of seniors will be a priority statewide issue.

At the same time, there will be increased demand for housing for Generation Z and millennials, who are often locked out of the homeownership market due to high home prices and economic burdens such as student and automobile loan debt. For younger generations looking to form families, these costs coupled with potential child care costs further put home purchase out of reach.

Finding 2: Older Virginians will be more common in every part of the state.

Only Large and Small Metro Housing Markets will experience population growth of younger residents.

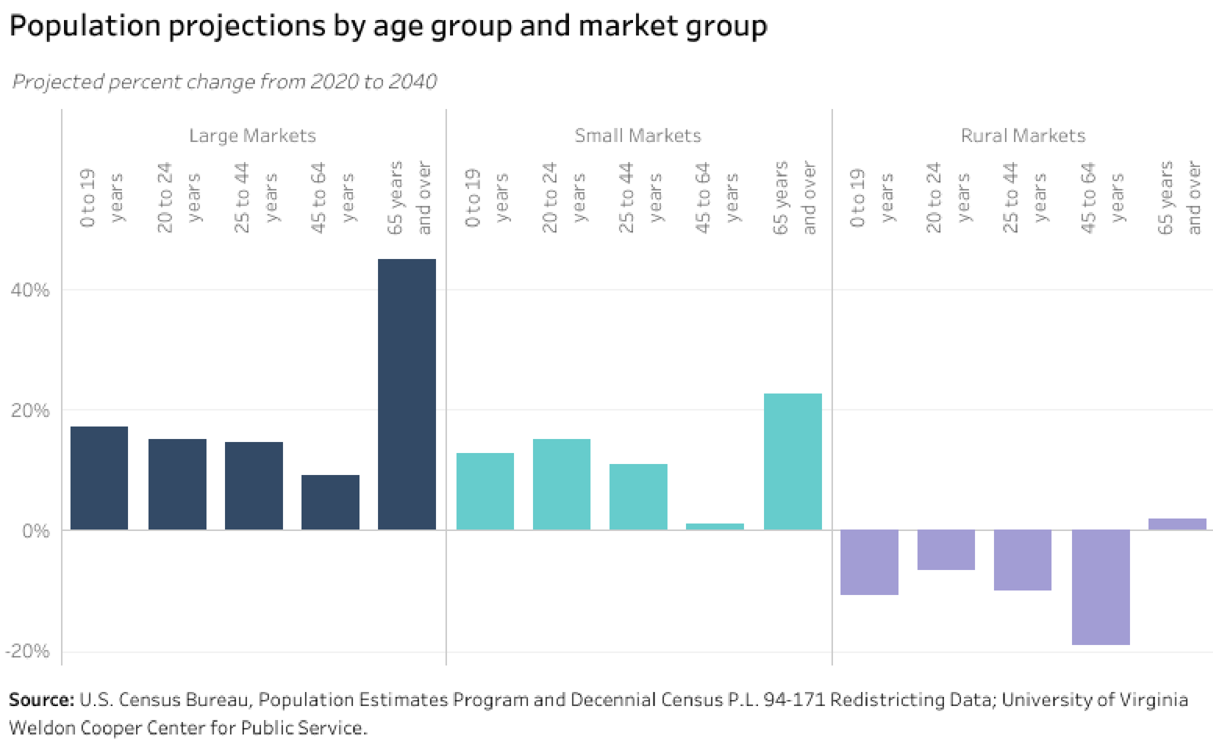


Figure 18.6: Population projections by age group and market group

Generation Z's expansion will not be evenly distributed across Virginia's market groups. Younger Virginians increasingly will reside in Virginia's Large and Small Markets, while Rural Markets will lose much of their younger population. The loss of young people in rural parts of the Commonwealth will be detrimental to rural economies in need of a workforce.

The growth in the population 75 and over will be significant in all market groups, and 75-and-over will be the only age group to increase in Rural Markets. The greatest growth will occur in Large Markets where this age group will nearly double in number from 2020 to 2040.

18.4 Discussion

HB854 asks for *"an informed projection of future housing needs in the Commonwealth."* While the engagement results and data included in this report help paint that picture, another common method for estimating future housing needs is to project actual household growth in addition to the standard population projections analyzed above.

In many cases, these household projections are disaggregated by age, race/ethnicity, and/or income to help researchers and policymakers better anticipate and prepare for future needs. Such estimates apply various methodologies to a series of demographic data, especially decennial census counts, annual population estimates, and other details from products like the American Community Survey.

What about projections by race and ethnicity?

In the past, the Weldon Cooper Center published race and ethnicity projections alongside projections by age groups. However, the center ended production of these estimates several years ago. Researchers cite both the way people identify and how the Census Bureau collects data as the major reasons why it is difficult to produce accurate projections by race and ethnicity today.

Although the specific methods for household projections can vary, each is an arithmetic model with inputs and outputs. The accuracy of the outputs depends on the quality of the inputs. Unfortunately, the current timing of data availability in 2021 means that high-quality inputs are not available to produce reliably accurate estimates for future household growth in the Commonwealth.

This is the result of pandemic-related delays in the 2020 Census data releases and the timing of the HB854 deadline, which falls prior to the first release of American Community Survey data collected during the pandemic. The next expected release of high-quality population projections from the Weldon Cooper Center (which will incorporate the 2020 Census results) is early 2022.

New household projections for Virginia, its regions, and its localities cannot be completed until later in 2022. These projections should incorporate:

- 2020 Census data on population and housing units, released in August 2021,
- 2016-2020 American Community Survey 5-year estimates, and its associated Public Use Microdata Sample (PUMS), to be released in early 2022[1],
- New population projections for Virginia and its localities, published by the Weldon Cooper Center, to be released in early 2022, and
- Best practices on household projection methodology, for which there is no universally recognized standard.

[1]The Census Bureau will not release 2020 American Community Survey 1-year estimates because the results did not meet their data quality standards, due to low response rates during the COVID-19 pandemic. Instead, it will release "Experimental Estimates" that use a novel weighting methodology.

Chapter 19

Neighbor state comparisons

This chapter compares Virginia's challenges and progress on housing affordability with its neighboring states in the South and Mid-Atlantic. The data contextualizes the Commonwealth's current situation for a broader perspective.

19.1 Homeownership affordability

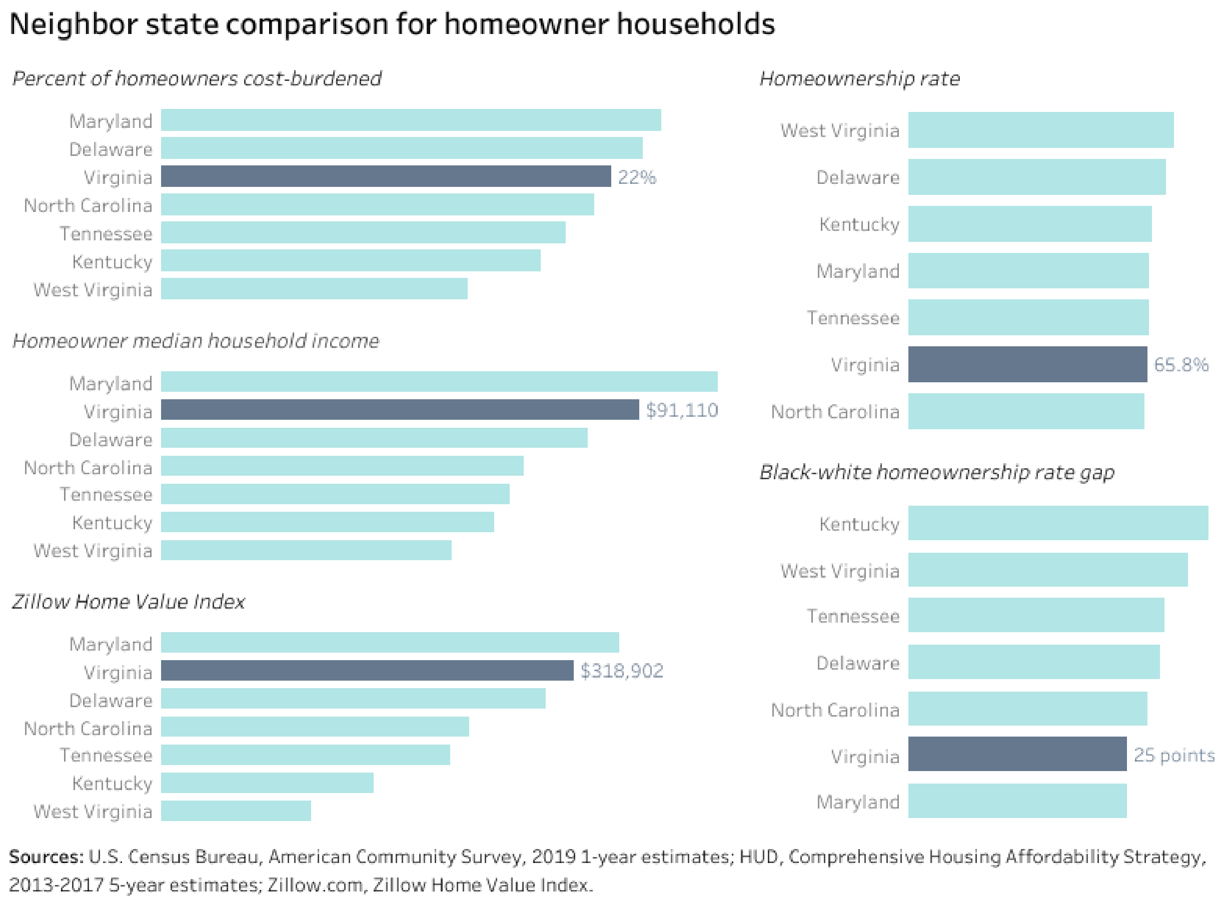


Figure 19.1: Neighbor state comparisons for homeowner households

Virginia ranks third out of seven states for homeowners who are cost-burdened. One in five homeowner households in Virginia were cost-burdened in 2017; in Maryland nearly one in four homeowners were cost-burdened as were barely one in four homeowners in Delaware.

Virginia had the second highest median household income for homeowners in 2019 at $91,110 and the second highest Zillow Home Value Index (a measure of the typical home value) at $318,902.

Virginia has a lower homeownership rate compared to its neighbors in the Mid-Atlantic and the South—except for North Carolina—but Virginia's Black-white homeownership gap is narrower than it is in North Carolina.

19.2 Rental affordability

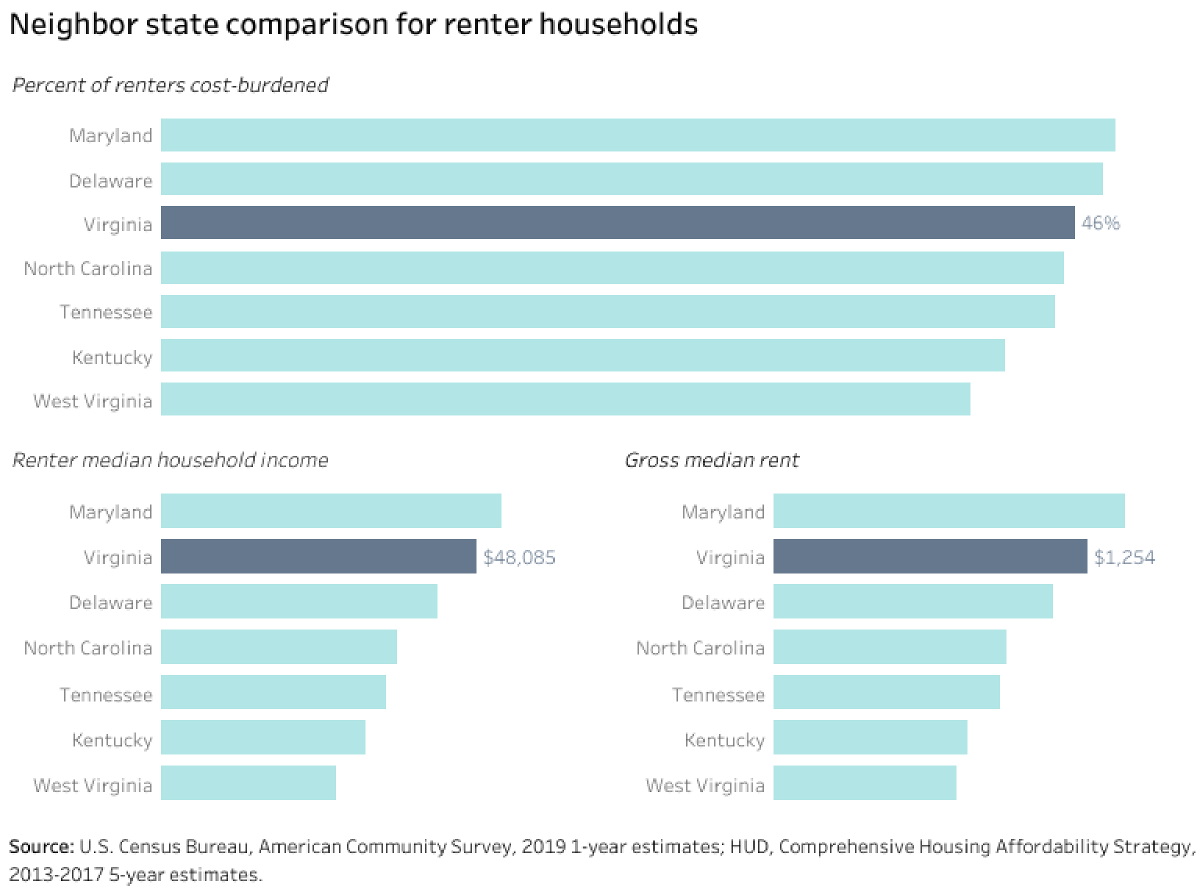


Figure 19.2: Neighbor state comparison for renter households

Although Virginia has relatively higher renter household incomes than a majority of its neighbors, its rents are also comparatively high.

Median renter household income—$48,085—is higher than that of Virginia's neighbors, but it is only about half that of Virginia's homeowner median household.

Part IV

ANALYSIS OF EXISTING PROGRAMS

Part IV Overview

Part IV includes the following six chapters, which assess groupings of current state housing initiatives. Each section presents the major findings, successes, and challenges associated with those programs and then offers recommendations for lawmakers and program administrators to make these initia-tives more efficient and impactful.

20 Affordable rental housing production

Chapter 20 covers four programs that incentivize the production and preservation of affordable rental apartments.

21 Rental assistance and eviction prevention

Chapter 21 covers six programs that provide direct assistance to renters, including efforts created specifically to reduce evictions.

22 Homeownership and counseling

Chapter 22 covers seven programs created to expand homeownership among low- to moderate-income households in the Commonwealth.

23 Rehabilitation and accessibility

Chapter 23 covers seven programs that help current homeowners and renters improve the quality, efficiency, and accessibility of their homes.

24 Community revitalization and capacity building

Chapter 24 covers five programs created to support major community revitalization efforts through housing and to strengthen the capacity of nonprofit housing organizations across the state.

25 Homelessness assistance and prevention

Chapter 25 covers six programs that support efforts to assist persons experiencing homelessness and to build infrastructure to make homelessness rare, brief, and non-recurring.

Chapter 20

Affordable rental housing production

This chapter covers four programs that incentivize the production and preservation of affordable rental apartments.

Highlights

Major takeaways in this chapter include:

- According to providers, the Commonwealth's four main affordable rental housing programs maximize effectiveness with flexibility, adaptability, responsiveness, and targeted financing.
- The Low-Income Housing Tax Credit is Virginia's dominant engine for affordable rentals; 75 percent of LIHTC households are very low-income or extremely low-income, earning less than 50 percent AMI.
- The needs of cost-burdened households continue to exceed the combined capacity of programs to meet the demand.
- Primary program challenges include restrictive local land use policies and widespread community resistance to affordable housing development. At best, such difficulties delay production and increase costs. At worst, they stop new affordable homes altogether.
- These initiatives can be improved by increasing investments in programs focused on deeply affordable rental housing, and by leveraging existing strategies and best practices like income averaging in LIHTC development.
- Creating new programs, such as developing a version of the Wasington, D.C. Local Rent Supplement Program and fostering greater minority-led developer involvement, can support the development of and greater access to deeply affordable rentals in Virginia.

Programs in this grouping

Virginia Housing

- Low-Income Housing Tax Credit (LIHTC)
- Mixed Used / Mixed Income
- Multifamily Lending Program

Department of Housing and Community Development

- Affordable and Special Needs Housing

20.1 Findings

These findings are based on data provided by Virginia Housing, DHCD, and other sources on the scale of these programs, demographic information on their beneficiaries, and other trends.

Finding 1

The LIHTC program is the largest engine for affordable rental housing production and preservation in Virginia.

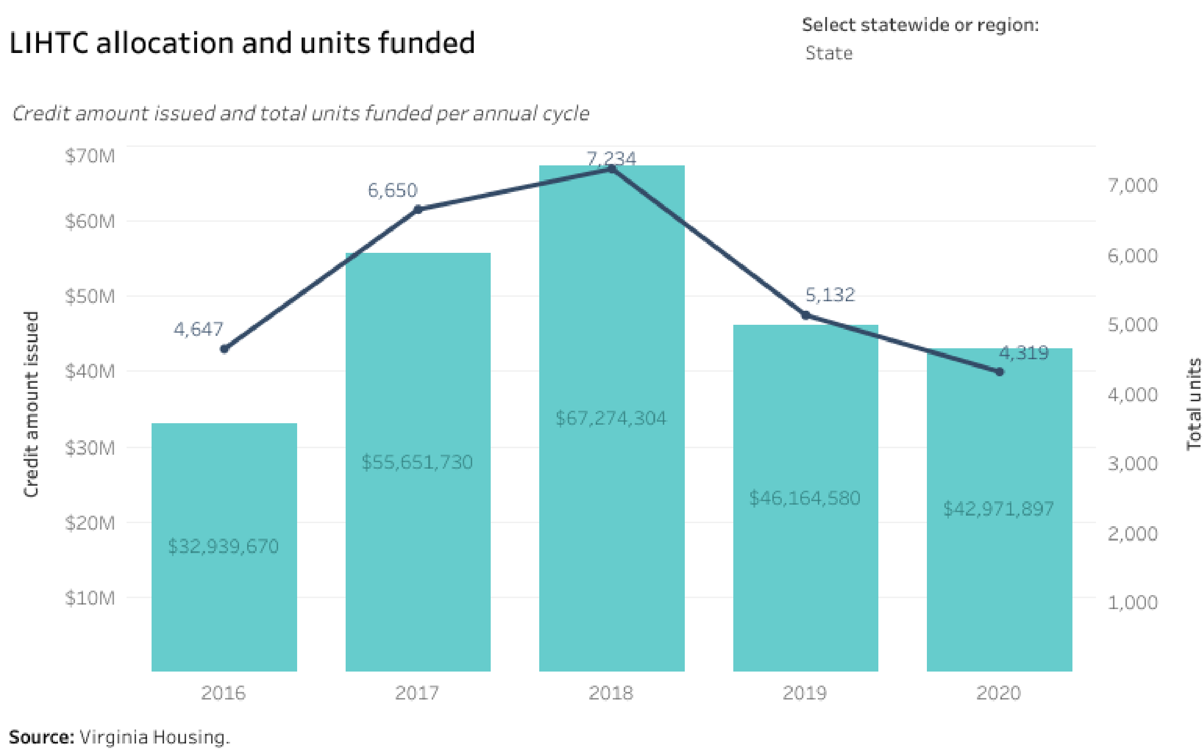


Figure 20.1: LIHTC allocation and units funded

LIHTC produces thousands of affordable rental units across Virginia. In the last five credit-award cycle years, the program has produced as many as 7,234 units to a low of 4,319 units. The growth of the Virginia Housing Trust Fund and the Virginia Housing Opportunity Credit enacted in early 2021 have the potential to increase production across the Commonwealth.

Finding 2

Over 75 percent of all households in Virginia's LIHTC apartments earn less than 50 percent AMI.

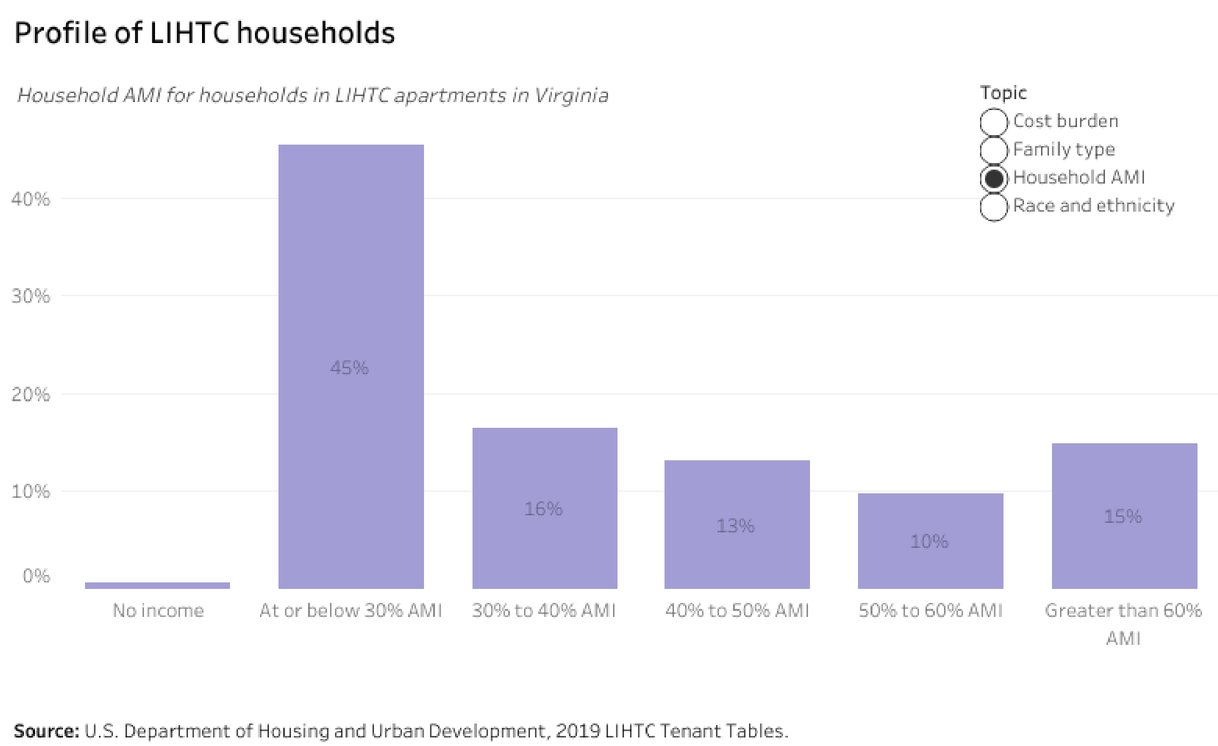


Figure 20.2: Profile of LIHTC households

Although LIHTC can serve households making up to 60 percent AMI, LIHTC units in Virginia are serving those households who are most in need of affordable housing. Over 75 percent of LIHTC units serve ELI and VLI households in Virginia.

Finding 3

In spite of Virginia's prolific affordable rental development programs, the need consistently eclipses the supply.

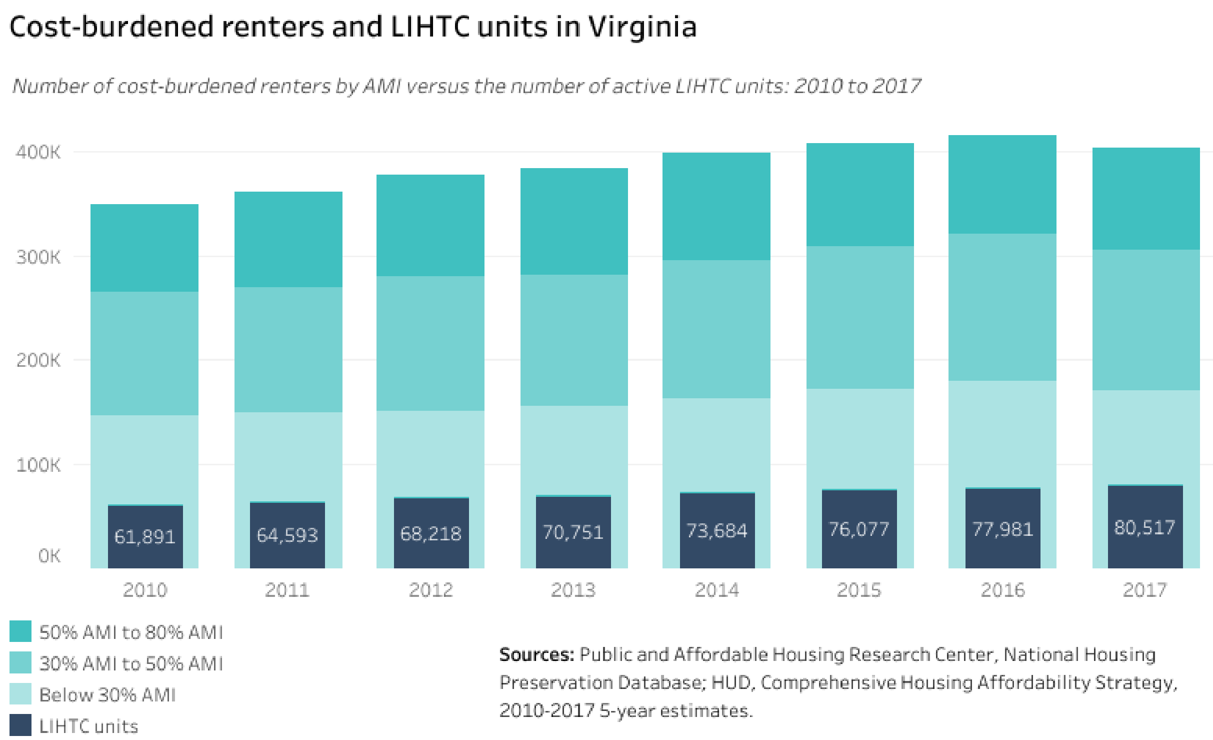


Figure 20.3: Cost-burdened renters by AMI and LIHTC units

The number of active LIHTC units in Virginia has been increasing steadily over the last decade. But the number of cost-burdened renter households has remained consistently well above the number of affordable units supported by LIHTC, even with additional subsidies like Housing Choice Vouchers.

20.2 Program successes

These successes are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Success 1

There is robust transparency in the LIHTC scoring system.

Overall, affordable rental housing developers are satisfied with Virginia Housing's transparent process for scoring applications using the Qualified Allocation Plan (QAP).

Success 2

The flexibility of Virginia Housing's REACH program is a major asset.

Funds from the REACH program positively impact the underlying loans for multifamily projects and help make these deals less costly. This can take the form of reduced interest rates and/or loans amortized over 35 years.

Success 3

Virginia Housing is responsive to feedback from developers and advocates on the Qualified Allocation Plan.

Developers and advocates frequently cited Virginia Housing's consistent adjustments to the QAP as a major advantage in dealing with the LIHTC program. The QAP adjustments allow the program to keep pace with shifting economic conditions as well as changes to other affordable housing resources.

Success 4

Virginia Housing adapts extremely well to federal actions that impact the LIHTC program.

Virginia Housing effectively monitors and addresses federal actions and events that may have an impact on the LIHTC program (e.g., their proactive response to potential reductions in credit valuation as a result of the Tax Cuts and Jobs Act of 2017).

Success 5

Virginia commits a large amount of its Private Activity Bonds for affordable housing development.

Virginia has designed the Private Activity Bond (PAB) allocation system so that the PAB allocation is completely expended every year. In the last decade, this has meant that nearly all of the allocation is used for housing—either multifamily four percent bond deals or Mortgage Credit Certificates.

The multifamily bond program carries the extra benefit that investors generate additional equity to further reduce the cost of this housing. The result is that no multifamily bond proposals have been denied because of a shortage of bond allocation—and Virginia renters benefit from the additional equity generated from the tax credits.

Success 6

State-level programs to address permanent supportive housing needs have been improving in terms of program guidelines and increases in the critical Virginia Housing Trust Fund.

DHCD's Affordable and Special Needs Housing Program (ASNH) provides higher per unit awards for targeting special needs/permanent supportive housing (PSH); this beneficial prioritization recognizes the particular underwriting needs of these types of projects.

During the past few years, the LIHTC pool for PSH projects and the 10 percent PSH leasing preference requirement in the QAP years have supported the development of more housing for this population.

20.3 Program challenges

These challenges are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Challenge 1

Developers and advocates need additional support in addressing NIMBY-ism at the local level.

Despite some progress on this issue, many affordable rental housing developers and housing advocates experience strong community opposition to new housing, especially apartments that use some form of rental assistance and/or that are serving a population that is the subject of misperceptions. At best, this opposition can delay projects and increase costs and at worst, it can derail proposals entirely.

Challenge 2

Local land use restrictions lead to limited site availability and higher acquisition costs when land is available.

As a result, affordable housing developers must search longer for land and pay exorbitant prices for sites when they become available. These delays and expenses stymie the addition of new affordable rental supply, especially in high-cost areas where those homes are badly needed.

Challenge 3

The interest rate on ASNH loans can be an issue for certain projects.

The ASNH interest rate is a three percent "must pay" interest-only loan with repayment of principal deferred. However, DHCD lowers this rate for most nonprofit organizations. Upwards of 90 percent of the ASNH loans are at a rate less than three percent and most nonprofits have rates ranging from one-half percent to one percent.

Some for-profit providers have suggested that the interest rate should be even more flexible, given the type of the project and the households that are targeted. Rates that are too high can reduce initial feasibility and/or cut cashflow during operations and delay payment of the developer fee.

Challenge 4

Households in LIHTC units are still cost-burdened.

There are relatively high levels of rent burden in many LIHTC communities. This means that households are frequently paying more than 30 percent of their income for rent and utilities. Almost half of households living in LIHTC housing are below 30 percent AMI and most of them have some type of rental assistance; rent burdens are falling primarily on the households above that income level.

Challenge 5

The QAP does not always reflect the specific needs of the local community. Those needs may vary from area to area.

One stakeholder noted that housing developers are adept at adjusting their plans to meet scoring criteria. This survival instinct to adhere strictly to the QAP guidelines to maximize scoring may stifle certain needs or types of projects. (e.g., it is difficult to get awards for larger projects). Some developers also expressed that the current QAP may lead to excessive design/construction standards that drive up the cost of apartments.

20.4 Recommendations

These recommendations synthesize the findings, successes, and challenges identified for this cluster of programs. They offer a roadmap to a future where these state initiatives are efficient, impactful, and best serve Virginians who need greater housing opportunities.

Recommendation 1

Expand support for increasing supply of apartments available and affordable to very low income households earning less than 50 percent AMI.

Why this is needed:

- The majority of Virginia's renter households in affordable apartments have incomes below 50 percent AMI, and they still commonly experience cost burden because most rents set by LIHTC program guidelines remain higher than they can afford (i.e., at 60 percent AMI).
- As of 2017, more than 300,000 cost-burdened renter households in Virginia with incomes below 50 percent AMI—over three times the number of active LIHTC apartments.
- Households with incomes below 50 percent AMI are the most severely disadvantaged in seeking quality, affordable rentals. While there is an overall shortage of affordable apartments across all incomes, the gap between the affordable supply and the number of VLI households seeking those units is greater than for other income groups.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- General Assembly
- Governor
- Congress and the federal administration
- Virginia Housing Alliance and advocates

How to accomplish:

Virginia can act to expand existing state programs, especially the Virginia Housing Trust Fund. Providing housing for more VLI households using a deep subsidy is expensive and will require the allocation of new resources, such as an expansion of services. A state sponsored rental assistance program—also recommended in Chapter 26 this report—could be one additional valuable tool to meet needs using state resources.

Congress and the federal administration are also considering proposals that would expand production of deeply affordable rentals through the expansion of federal rental assistance, the National Housing Trust Fund, the LIHTC program, and other avenues. The scale of federal dollars potentially available for this effort is considerable and essential to begin meeting the full need for affordable rental homes.

Education and advocacy of elected officials at both the state and federal levels will be a key element in accomplishing this recommendation.

Recommendation 2

Monitor, report, and expand the use of income averaging across LIHTC developments. This relatively new option has the potential to create housing that has greater income mixing and the opportunity to include more apartments that are targeted to households below 50 percent AMI, where needs are greatest.

What is income averaging?

The Affordable Housing Credit Improvement Act of 2016 altered income restrictions in LIHTC developments to allow for some units at 80 percent AMI, as long as the overall average of incomes across an entire development is equal to 60 percent AMI. Benefits of this option are described in more detail below.

Why this is needed:

- Virginia has a severe shortage of apartments that are affordable to individuals and families with incomes below 50 percent AMI. Income averaging is a strategy that can begin to address this need.
- Income averaging can address community uneasiness and other concerns about poverty concentration. While such perceptions are often not founded on an accurate understanding of the LIHTC program or the program's residents, communities with positive regard for "workforce housing" are more likely to welcome households up to 80 percent AMI (balanced with households at lower incomes).
- Income averaging is not widely adopted because of the current complexity of its administration and management. Investors are not yet fully confident that income averaging is a positive opportunity and they avoid investment risk, including recapture if noncompliance occurs.

Who is responsible:

- Virginia Housing
- LIHTC owners and managers
- Virginia Housing Alliance and advocates

How to accomplish:

More data and reporting are needed to bring greater clarity to the issue of income averaging and to encourage its use. This may require enhanced guidance from the IRS and compliance safe harbors. It will require increased technical assistance to managers and education of investors once the investment risk can be reduced and clarified.

Recommendation 3

Form a task force to design and propose a statewide program similar to the District of Columbia's Local Rent Supplement Program (LRSP).

Why this is needed:

- The LRSP was created in 2007 and provides rental assistance to households with incomes below 30 percent AMI who are most at risk of homelessness and who frequently have a need for additional services to keep them stably housed.
- The LRSP operates like the Housing Choice Voucher program except that it is more deeply income targeted. The program makes up the difference between what a family can afford (30 percent of income) and the rent.
- LSRP assistance can be tenant-based, project-based, or organization-based.
- It is frequently used as part of a supportive housing program and is an important tool in preventing homelessness.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Department of Behavioral Health and Developmental Services
- Virginia Department of Social Services
- Homelessness service providers
- Virginia Housing Alliance and advocates

How to accomplish:

Stakeholders recommend a task force of representatives from the above groups to explore the feasibility of a program similar to LSRP that would help meet needs of individuals and families advancing from homelessness and ELI households. This initiative relates to a companion recommendation for a state-supported rental assistance program. Depending on that outcome, this LSRP-modeled initiative could fold into a broader rental assistance program as a focal component.

Recommendation 4

Consider lower interest rates for ASNH funding, especially with respect to projects that serve special needs and/or ELI populations.

Why this is needed:

- Some providers are unable to use the lower ASNH interest rate on certain projects where it would significantly help.

- Inflexibility on the rate can reduce initial feasibility and/or cut cashflow during operations and delay payment of developer fees that support the sustainability of many nonprofit providers.
- Lower or zero interest rate loans would also enable rent reduction and/or the securing of additional debt to close gaps in the capital budget.

Who is responsible:

- Department of Housing and Community Development
- ASNH program users

How to accomplish:

DHCD and providers should engage in an informed discussion on the benefits and disadvantages of ASNH loans payment and how to potentially reconcile their inherent competing interests. The interest-only ASNH loans developers pay back to DHCD return directly to the Virginia Housing Trust Fund, but the payments, though more generous than other sources, can hinder some development projects. DHCD, with input from affordable housing developers, should evaluate whether ASNH can deliver greater loan term flexibility that would remove impediments to smaller, more challenging projects.

Recommendation 5

Conduct overhauls of the QAP every five to six years to make adjustments that account for important macroeconomic and demographic trends to reconsider basic program requirements and targeting.

Why this is needed:

- Currently the QAP undergoes modifications every other year. These adjustments can be significant or incremental. Stakeholders recommend that Virginia Housing consider a "zero base" overhaul periodically that would respond to major economic, social, demographic shifts and changes in other issue areas.
- Stakeholders also saw this type of review as one that would allow for renewed conversation about components of the program that otherwise are considered to be "settled law." An example cited was the progression of design and construction standards, which individually seem logical and desirable but periodically require a comprehensive, aggregated assessment.

Who is responsible:

- Virginia Housing
- Developers, lenders, investors, consultants, other program users
- Local governments
- Virginia Housing Alliance and advocates

How to accomplish:

Virginia Housing already has an effective system for feedback and review of the QAP. This system can also provide a broader review over a longer period of time and with the development of several "large issue" focus groups.

Recommendation 6

Virginia Housing should consider allowing 30 to 45 year amortization for certain new construction and rehabilitation projects.

Why this is needed:

- Longer amortization periods are available in certain USDA-Rural Development loan products as well as some HUD and FHA loans. Longer amortization periods reduce debt service and improve project feasibility. They may also create the opportunity for reduced rents and/or for additional debt to close gaps in the project budget.

Who is responsible:

- Virginia Housing
- Multifamily developers and loan program users

How to accomplish:

Virginia Housing already has an advisory group in place for its multifamily programs. The same advisory group or a separate dedicated group could address amortization periods.

Virginia Housing may need to clearly articulate the financial risks associated with longer terms balanced with the benefits. Developers need to clarify the benefit of enhanced amortization within Virginia Housing's loan program if other existing long term amortization programs can already be used as an alternative.

Recommendation 7

Virginia Housing and DHCD should recruit more minority-led developers to participate in programs.

Why this is needed:

- The affordable housing development industry does not have adequate representation from for profit and nonprofit development groups that are Black, Indigenous, people of color (BIPOC) led

and governed. Many minority development groups are under-capitalized and under-staffed; they have difficulty accessing affordable housing programs that often rely on experience and track record as key factors in scoring and selection.
- Affordable housing developers often work with properties and/or neighborhoods where there is a high minority population. The inclusion of BIPOC-led organizations in this work will have a positive impact on resident and community support.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Minority development groups
- Other minority participants in the housing industry
- NAACP, Urban League, and other associations representing minority interests

How to accomplish:

Virginia Housing and DHCD should collaborate in this effort since their constituencies overlap to some degree.

Virginia Housing has an internal process underway, including staff additions, to enhance its outreach to the minority community and better serve that population through its programs. Stakeholders felt that Virginia Housing should augment this effort to reach and encourage minority developers.

Chapter 30 includes a series of suggested strategies to begin addressing racial disparities in housing in Virginia. One strategy is the use of Racial Equity Impact Assessments (REIAs) to evaluate programs and activities to determine barriers to minority participation. The city of Chicago and the state of Oregon have used REIAs to examine their QAPs; one outcome has been proposals to increase BIPOC developer/contractor participation in these programs.

Recommendation 8

Virginia Housing should conduct a comprehensive review of all active Low-Income Housing Tax Credit properties to assess the potential risk of LIHTC units exiting the affordable housing supply.

Why this is needed

- Virginia Housing's LIHTC program currently has a 30-year affordability commitment, but after the initial 15-year compliance period, property owners can increase rents.
- Virginia's LIHTC affordable stock is facing a loss of nearly three quarters of its active units (over 60,000 units) by 2040 due to current existing affordability expirations.
- Current data provided by the National Housing Preservation Database is inconsistent or lacking in regards to property ownership (i.e., whether a nonprofit or for-profit organization owns and/or manages a property).

Who is responsible

- Virginia Housing

How to accomplish

Virginia Housing should survey all active LIHTC properties and provide a report on how many are nonprofit owned or have a nonprofit right-of-first-refusal (ROFR) for an accurate assessment of properties at-risk of conversion to market rate.

Virginia Housing should also explore other ways to expand compliance periods within the QAP and other regulations. Many other states have established longer compliance requirements through extended use periods. California requires a 55-year extended use period for nine percent tax credit projects, while 4 percent tax credit projects frequently receive a basis boost by agreeing to a 55-year extended use period.[1]

[1] California Tax Credit Allocation Committee, Program Overview.

Chapter 21

Rental assistance and eviction prevention

This chapter covers six programs that provide direct assistance to renters, including efforts created specifically to reduce evictions.

Highlights

Major takeaways in this chapter include:

- Virginia's array of programs has a track record of achievement before and since the COVID-19 public health crisis, with most assistance reaching Very Low-Income households.
- DHCD's Rent Relief Program far outpaced other states in its rapid disbursement of federal Emergency Rental Assistance funds in 2021.
- DBHDS's State Rental Assistance Program has consistently outmatched its own goals for providing housing assistance to renters with developmental disabilities so they can live within communities.
- The Communities of Opportunity Tax Credit Program, designed to serve metro areas, has untapped potential that new source of income protections may redirect.
- Primary challenges for these programs include long wait lists, restrictive eligibility criteria, and a decline in quality market affordable housing.
- Supporting a state-funded, non-emergency rental assistance program, continuing to invest in DBHDS housing assistance programs, reducing barriers to assistance, and leveraging new source of income protections will further help many renters in Virginia stay stably housed during increase, as well as increase economic opportunity.

Programs in this grouping

Virginia Housing

- Housing Choice Voucher (Virginia Housing-administered)

Department of Housing and Community Development

- Communities of Opportunity Tax Credit (COPTC)
- Virginia Eviction Reduction Pilot (VERP)
- Virginia Rent Relief Program (RRP)

Department of Behavioral Health and Developmental Services

- Permanent Supportive Housing - Serious Mental Illness
- State Rental Assistance Program (SRAP)

Virginia Department of Social Services

- Low-Income Home Energy Assistance Program (LIHEAP)

21.1 Findings

These findings are based on data provided by Virginia Housing, DHCD, and other sources on the scale of these programs, demographic information on their beneficiaries, and other trends.

Finding 1

Virginia has been a leader in its disbursement of Emergency Rental Assistance funds through the Virginia Rent Relief Program.

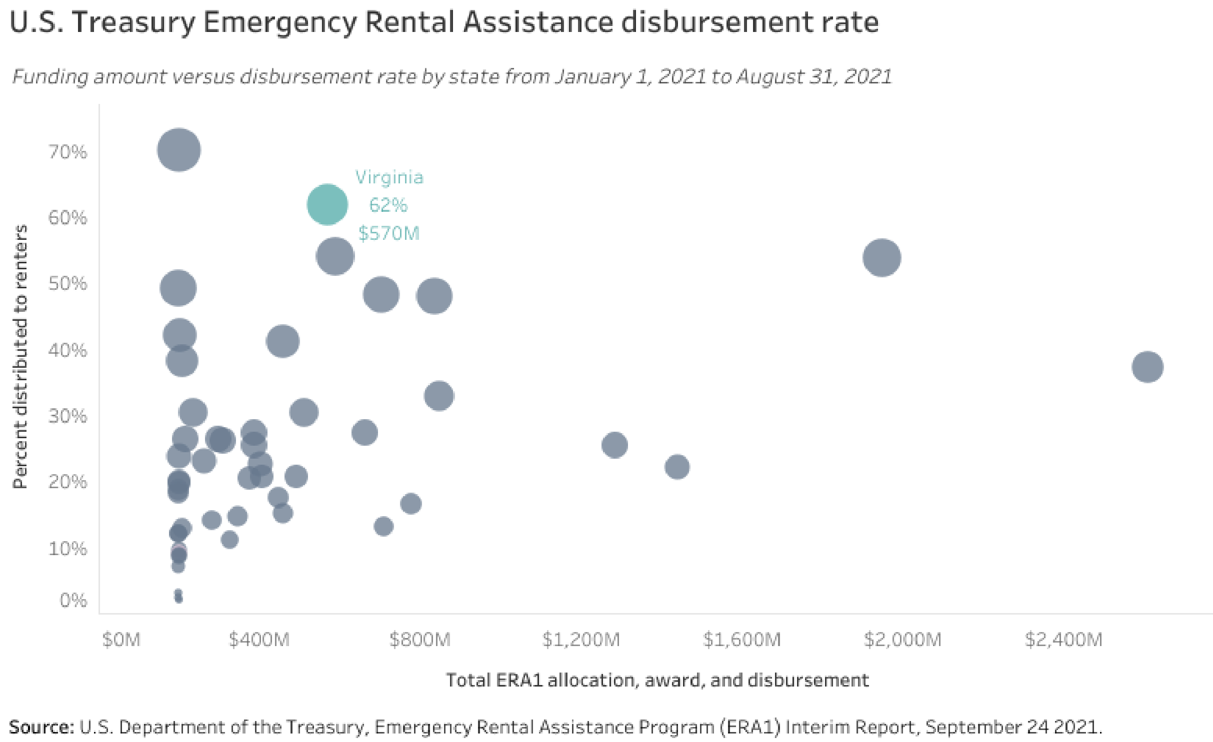


Figure 21.1: Emergency Rental Assistance funding and disbursement by state

In its Emergency Rental Assistance Program (ERA) Monthly Compliance Report, the U.S. Treasury data compared the program's first-round (ERA 1) total Allocation, Award, and Disbursement to the total rent, rental arrears, and utilities paid; the comparison demonstrated that Virginia's Rent Relief Program (RRP) led a majority of states in its disbursement rate (62 percent).

While this does not account for funds disbursed before January 2021, Virginia's rapid disbursement of rent relief funds has been exemplary. As of October 31, 2021, the RRP has served more than 70,900 unique low-income households.

Finding 2

Since its launch in 2015, Virginia has consistently exceeded its target in providing community-based, independent housing for persons with developmental disabilities that were covered by the Settlement Agreement.

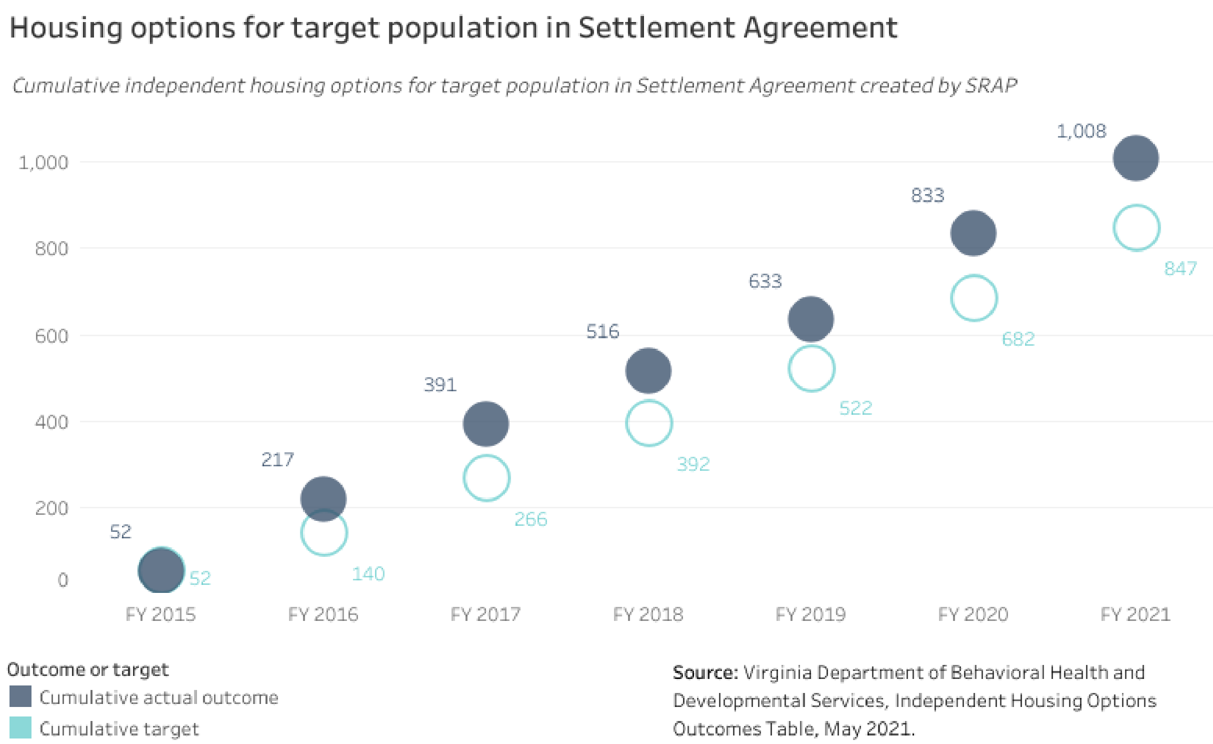


Figure 21.2: Housing options for target population in Settlement Agreement

Virginia's Department of Behavioral Health and Developmental Services has consistently exceeded its target outcome for the number of adults in the Target Population of the Settlement Agreement living in independent housing.[1]

DBHDS has been able to do this thanks to the State Rental Assistance Program (SRAP), which provides tenant-based rental assistance to individuals with developmental disabilities (IDD) so that they may live integrated within communities.

SRAP has been able to take pressure off Virginia Housing-administered Housing Choice Vouchers and local PHA Housing Choice Vouchers, which had supported the IDD population.

[1] In 2012, the Commonwealth and the Department of Justice entered a Settlement Agreement following a civil rights investigation into state institutions for persons with developmental and intellectual disabilities. The Final Order and Settlement Agreement, along with annual reports, are available on the DBHDS website.

Finding 3

Even before source of income protections were enshrined in state law, the Communities of Opportunity Tax Credit Program was underutilized.

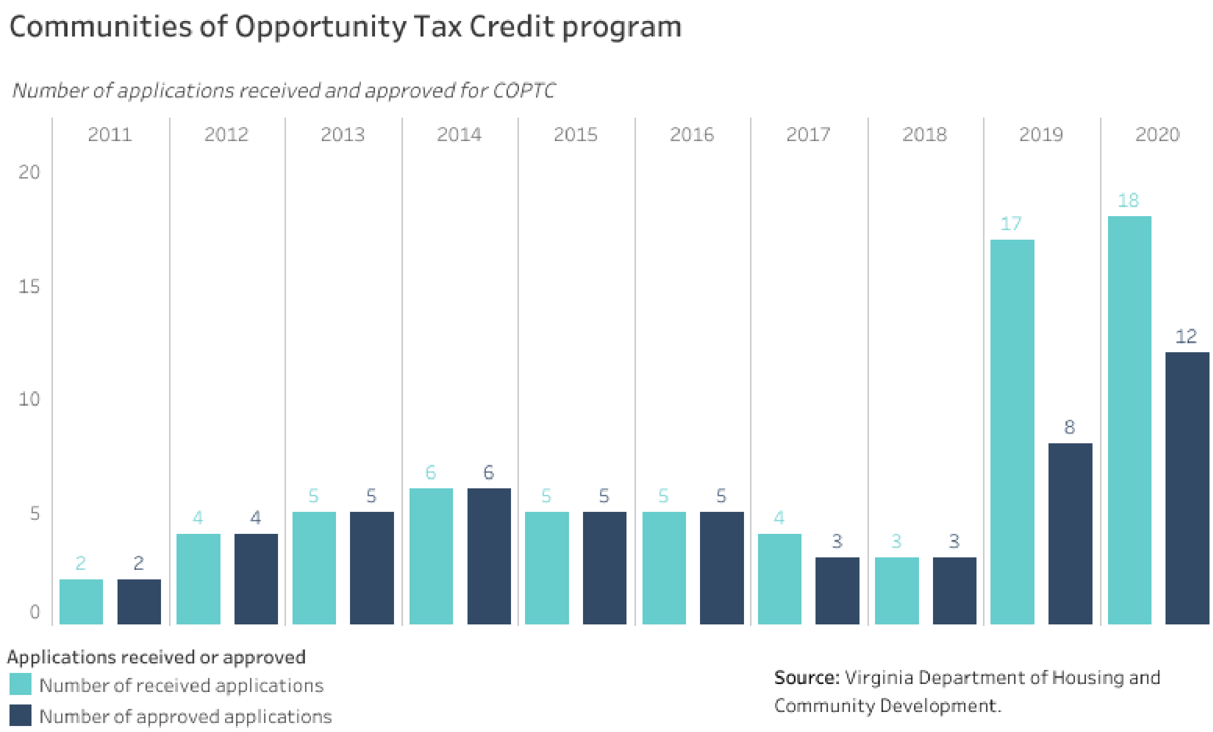


Figure 21.3: Communities of Opportunity Tax Credit program

The Communities of Opportunity Tax Credit Program (COPTC) operates in Virginia's three major metropolitan areas where HCV recipients are concentrated. However, the program has consistently received a low number of applications with an increase only in the past two years. New source of income protections offer an opportunity to redirect the COPTC toward encouraging landlords to increase unit energy efficiency and affordability.[2]

[2]HB6 Virginia Fair Housing Law; unlawful discriminatory housing practices, sources of funds. 2020 Regular Session, Virginia General Assembly.

Finding 4

Successful investments in supportive housing assistance lead to significant reductions in state hospital costs.

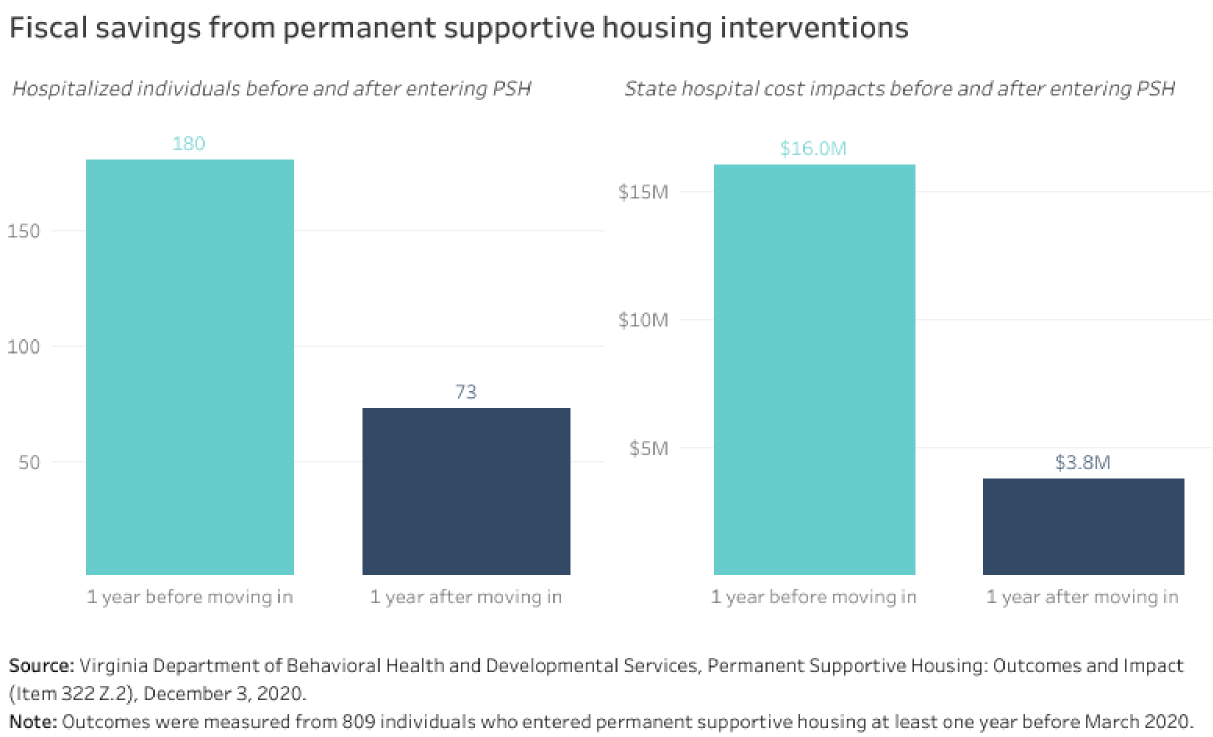


Figure 21.4: Fiscal savings from permanent supportive housing interventions

PSH-SMI follows national best practices that help reduce costs outside of homelessness systems. In Virginia, a recent DBHDS study showed that the state hospital costs for a cohort of 809 individuals who entered supportive housing at least one year before March 2020 were reduced by 76 percent one year after moving into supportive housing. This equated to a total state hospital cost reduction of more than $12.2 million and a 59 percent reduction in hospitalizations from 180 to 73 after move-in. (Virginia Department of Behavioral Health and Developmental Services, 2020)

21.2 Program successes

These successes are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Success 1

Tenant-based rental assistance in Virginia reaches households most-in-need.

The majority of households served by Virginia's tenant-based rental assistance programs make 50 percent AMI or below. These households benefit greatly from resources that assist them in remaining stably housing—lowering the risk of eviction and homelessness.

Success 2

Virginia has been a national leader in its efforts to disburse emergency rental assistance in response to COVID-19.

Although some survey respondents and focus group participants had issues with the initial deployment of Virginia's RRP, Virginia has been able to quickly disburse Emergency Rental Assistance funds from the U.S. Treasury. Virginia has disbursed funds to over 70,900 households, most of which are households at 50 percent AMI or below.

Virginia has consistently ranked in the top tier of states for expenditure of funds by deploying a dual track design that engages both housing agencies—one responsible for direct assistance to individual renters and the other for larger scale transactions with landlords that include payments for rent in arrears for multiple tenants.

Success 3

Virginia's response to the eviction crisis has been historic, even before COVID-19.

In November 2018, Governor Northam signed Executive Order 25 (PDF) that set several housing priorities for Virginia, including reducing the rate of evictions. The order cited eviction reduction initiatives such as "diversion and prevention programs," "potential pilot programs that provide eviction relief," and "counseling and education services."

The General Assembly passed additional legislation during the 2019 legislative session to mitigate evictions by requiring landlords to provide written leases, extending the time tenants can pay their rents, and limiting actions that landlords can take against a tenant.

Three years before Governor Northam's Executive Order, Governor McAuliffe announced that Virginia was the first state in the nation to meet HUD's criteria for "effectively ending veteran's homelessness." This meant that Virginia had put systems in place that would immediately make assistance available to any veteran who became homeless.

During the 2020 Special Session, the General Assembly and the Governor allocated $3.3 million to implement a Virginia Eviction Reduction Pilot (VERP). This program focuses on local and regional systems to prevent evictions. The pandemic delayed final approval of the $3.3 million until fall of

2020 and the implementation of VERP until March 2021. Therefore, an evaluation of VERP was not completed as part of this report.

21.3 Program challenges

These challenges are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Challenge 1

Over 32,000 applicants remain on HCV waitlists due to limited federal program funding.

The HB854 public housing authority survey indicated that as of early 2021 there were over 32,000 applicants on HCV waitlists; this count did not include the waitlists of eleven additional PHAs that did not respond to the survey. Many of these waitlists have been closed for years. Limited federal funding for the program prevents additional HCV allocation, leaving tens of thousands of low-income Virginians without assistance.

Challenge 2

Eligibility criteria for HCVs can be too restrictive.

Stakeholders, survey respondents, and focus group participants that work with HCVs often cited the restrictive eligibility criteria of the federal HCV program. These restrictions include criminal background restrictions and immigration status, which prevent assistance from reaching households that are at risk of housing instability and related crises that further jeopardize their economic and social well-being.

Challenge 3

The effectiveness of rental assistance depends on greater access to affordable units.

The substantial shortfall of rental assistance to meet the demand of low-income Virginians is not the only impediment to its success. The inadequate supply of affordable housing units is the most urgent challenge to the program's effectiveness; voucher holders competing on the open market simply have too few options. They may fail to find a home, settle for a less desirable neighborhood, opt for a home with chronic maintenance needs or substandard conditions, or select a home with a rent above the payment standard. This last possibility means that a household could still be rent-burdened despite the HCV.

Challenge 4

The quality and quantity of market-rate affordable housing ("naturally occurring affordable housing" or NOAH) is declining.

Across Virginia, older rental units—which are often affordable because market dynamics drive their prices lower—are continuously aging. The declining quality of these homes impacts residents' health and quality of life, but it also often means that housing costs are higher due to an aging home's deteriorating condition and outdated systems. Owners face the choice of either raising rents to cover the costs of maintenance and upgrades or redeveloping the properties, further shrinking the supply of affordable housing. In fast-growing areas of the Commonwealth like Northern Virginia, this trend has already led to major losses in the supply of lower-cost, unsubsidized apartments.

Many rental assistance recipients occupy these "Class B" and "Class C" buildings, which are far more common than affordable apartments with project-based rent subsidies in Virginia and across the country.

This challenge also extends to older single-family and manufactured home rentals in rural Virginia, which often have high levels of deferred maintenance that lead to poor living conditions.

Challenge 5

Geographic coverage for local HCV providers can complicate voucher delivery.

Local providers of HCVs administered by Virginia Housing have significant overlap in their geographic coverage. Several localities in Central Virginia and the Middle Peninsula are served by two or even three local providers. This agency overlap in multiple localities can cause redundancies and confusion for potential clients.

21.4 Recommendations

These recommendations synthesize the findings, successes, and challenges identified for this cluster of programs. They offer a roadmap to a future where these state initiatives effectively and efficiently serve Virginians who need greater housing opportunities.

Recommendation 1

Virginia Housing should explore national best practices for project-basing some Virginia Housing administered HCVs.

Why this is needed:

- Project basing of HCVs is a strategy to incentivize the development of new or rehabilitated housing that expands the supply of high quality affordable apartments. Virginia Housing should explore national best practices for project-basing some of their HCVs to help develop a reliable supply of place-based affordable rental units. This would ensure a steady supply of deeply affordable rental units in the jurisdictions of local voucher administrators, which often serve less populous areas with fewer rental options than urban PHAs.
- Most PHAs in the state follow a practice of allocating a portion of their HCVs to project-based housing. In some cases, these PHAs conduct an RFP for vouchers in advance of the annual LIHTC application cycle. This has the benefit of locking in some LIHTC units as deeply affordable because of the rental assistance.

Who is responsible:

- Virginia Housing
- Local HCV administrators

How to accomplish:

Stakeholders suggest that Virginia Housing consult with other statewide HCV administrators to weigh the benefits and the drawbacks of implementing project-basing. Virginia Housing should also examine the impact on housing supply, especially the ability to stimulate new construction in areas with a severe supply shortage.

Localities that serve as administrators should participate in this discussion, which should include the opportunity to target new housing to high-need populations identified by the locality. If approved, Virginia Housing and the local administrator could allocate project-based assistance through jointly offered RFPs.

Recommendation 2

Continue to scale up state funding for the DBHDS SRAP targeted rental assistance programs and to expand populations eligible for assistance.

Why this is needed:

- Virginia's existing targeted rental assistance programs (State Rental Assistance Program (SRAP) and Permanent Supportive Housing-Serious Mental Illness (PSH-SMI)) have been effective in reducing homelessness for individuals within the Settlement Agreement population.
- By increasing the ability of these proven effective programs to house individuals in the Settlement Agreement and other populations with supportive housing needs, the Commonwealth will not only continue to be in compliance with the Settlement Agreement, but will also help address statewide homelessness and the state psychiatric hospital bed crisis.

Who is responsible:

- General Assembly
- Department of Behavioral Health and Developmental Services

How to accomplish:

Between 2017 and 2020, the General Assembly allocated between $1.5 million and $2.6 million per year for SRAP out of the general fund. In 2021 SRAP received a large increase in funding, bringing its total budget to nearly $4.7 million. The General Assembly can sustain and expand on this funding level by allocating necessary funds during future state budget cycles.

Recommendation 3

Reduce voucher program eligibility barriers for assistance by following best practices from other states.

Why this is needed:

- Easing such barriers (e.g., criminal history and immigration status documentation) would acknowledge racial injustices across other systems and work toward their elimination. When rental assistance is available for persons facing numerous structural challenges—such as Virginians exiting criminal processing systems—they can more steadily focus on finding success with their jobs, family, and community.

Who is responsible:

- Virginia Housing
- Department of Behavioral Health and Developmental Services
- Local HCV administrators

How to accomplish:

Virginia's HCV program should reduce eligibility barriers for assistance by following best practices from other states. The reduction of barriers should also mirror, when possible, the recommendations included for the new state-funded rental assistance program described in Chapter 26 of this report. Those considerations include immigration status, debt status, eviction record, and other factors that commonly prevent households from receiving rental assistance.

Recommendation 4

Support the creation of a state-funded rental assistance program as outlined in Chapter 26 of this report.

Why this is needed:

- A state-funded rental assistance program will help fill the gap in assistance not met by the federal government while continuing to support low-income and moderate-income renter households post-pandemic to prevent evictions and homelessness.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Department of Behavioral Health and Developmental Services
- General Assembly
- Governor

How to accomplish:

The administration—through its housing agencies and DBHDS—should work with the General Assembly to enact legislation that creates a state-funded rental assistance program, as recommended in Chapter 26. That larger state rental assistance program could include a component that serves Virginians with developmental disabilities or severe mental illness and other populations identified and served by DBHDS's targeted housing programs.

Recommendation 5

Eliminate or transform the Communities of Opportunity Tax Credit Program.

Why this is needed:

- The COPTC program is small in terms of the amount of tax credits available and has not experienced much demand. Few landlords have applied and been approved to receive credits for their participation in the program. Now that source of income protection is part of Virginia's fair housing law, the program could pivot to other similar efforts that expand housing mobility.

Who is responsible:

- General Assembly
- Department of Housing and Community Development

How to accomplish:

The COPTC may be eliminated in order to transfer resources to other rental assistance efforts. Alternatively, lawmakers may explore transforming it to operate more effectively in a rental market where source of income protection is now law. The tax credit could instead incentivize other needed actions by landlords and property owners, such as rehabilitating lower-quality apartments and preserving those as below-market units .

Policymakers can choose either option, but each scenario should assure that revisions to this program do not generate unintended consequences.

Chapter 22

Homeownership and counseling

This chapter covers seven programs created to expand homeownership among low- to moderate-income households in the Commonwealth.

Highlights

Major takeaways in this chapter include:

- The share of Virginia Housing's first-time homebuyer borrowers of color has been increasing in the last five years. Nearly all Virginia Housing borrowers also now benefit from Mortgage Credit Certificates, a dramatic shift in a short period of time that further lowers housing costs for homeowners.
- Homeownership projects compete with a high number of rental projects for Affordable and Special Needs Housing (ASNH) funds and represent only a small share of that awarded funding.
- For-profit housing developers are an untapped resource among these programs; their participation in ASNH could help boost production.
- Supply and demand shifts continue to stifle greater numbers of first-time buyers. Senior citizens without affordable downsizing options stay in their homes longer, keeping those homes out of the market, while the market cannot produce adequate starter homes and middle-moderate income homes due to restrictive land use policies and other challenges.
- Expanding equitable homeownership opportunities in Virginia can be accomplished by developing a statewide "starter home" initiative, increasing homeownership funding in existing competitive affordable housing programs, expanding outreach to Black institutions and networks, and increasing the involvement of for-profit developers.

Programs in this grouping

Virginia Housing

- Homebuyer Education
- Home Purchase Loans / SPARC
- Mortgage Credit Certificates
- REACH - Housing Counseling

Department of Housing and Community Development

- Affordable and Special Needs Housing (ASNH)
- Down Payment Assistance

22.1 Findings

These findings are based on data provided by Virginia Housing, DHCD, and other sources on the scale of these programs, demographic information on their beneficiaries, and other trends.

Finding 1

Virginia Housing has increasingly served first-time homebuyers of color.

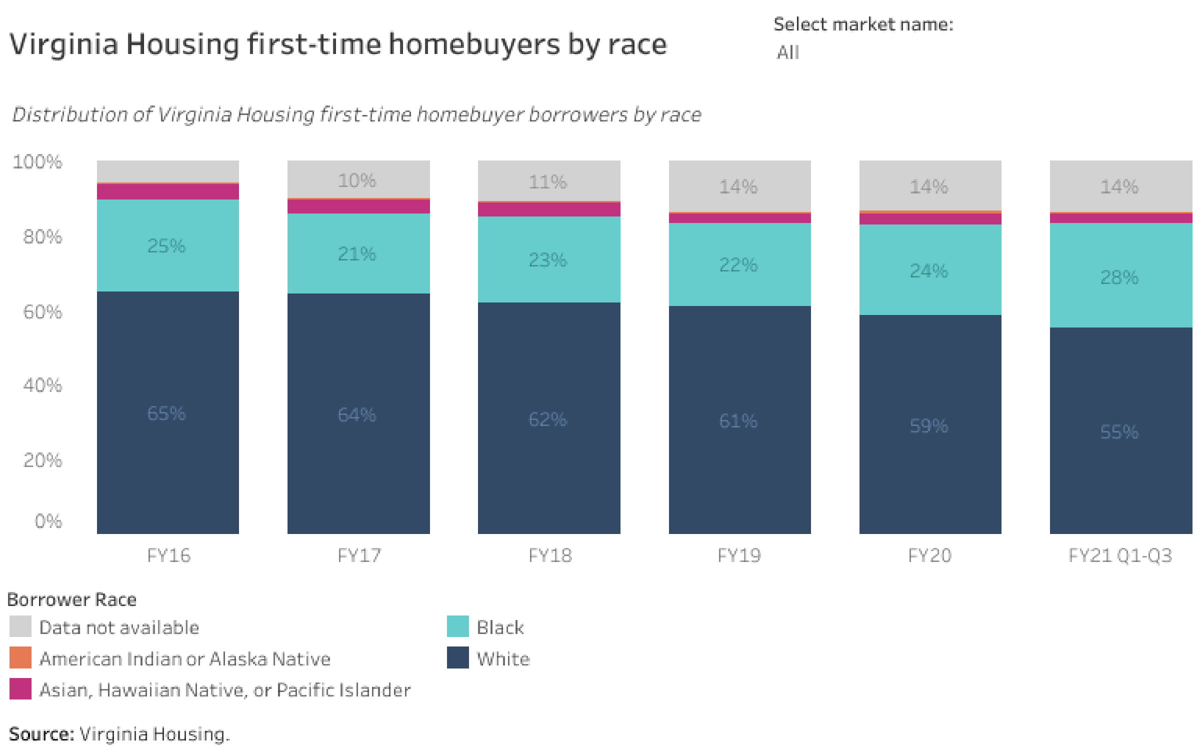


Figure 22.1: Virginia Housing first-time homebuyers by race

The share of Virginia Housing's first-time homebuyer borrowers of color has been increasing in the last five years. Even with a higher percentage of borrowers choosing not to indicate their race, the number of borrowers of color—particularly Black borrowers—receiving Virginia Housing loans has increased from 24 percent in fiscal year 2016 to 27 percent in the first through third quarters of fiscal year 2021.

Finding 2

Homeownership awards have represented a small percentage of overall ASNH funding since 2017.

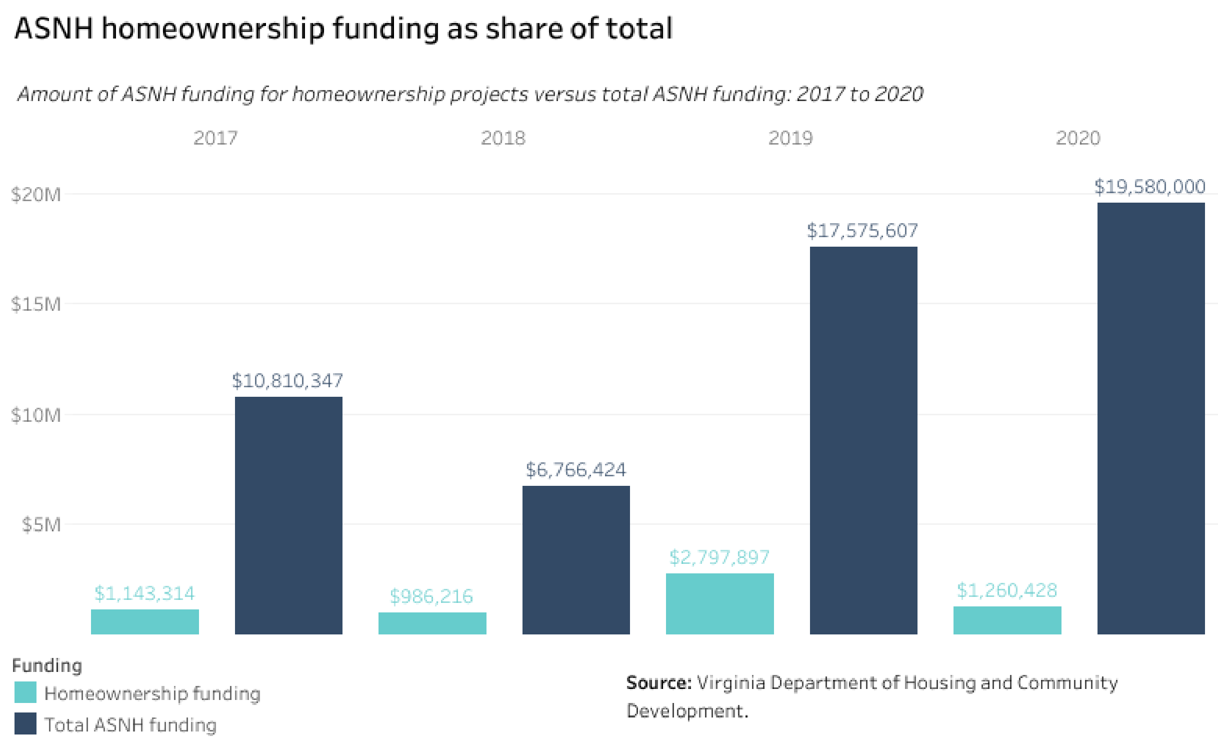


Figure 22.2: ANSH homeownership funding as share of total

ASNH began awarding funding to homeownership projects in 2017. However, homeownership project awards have made up a small percentage of total ASNH funding awards—from a high of 16 percent in 2019 to a low of six percent in 2020. This is a result of homeownership projects competing with a high number of rental projects for ASNH funding.

Finding 3

The share of Virginia Housing borrowers taking advantage of Mortgage Credit Certificates has consistently increased.

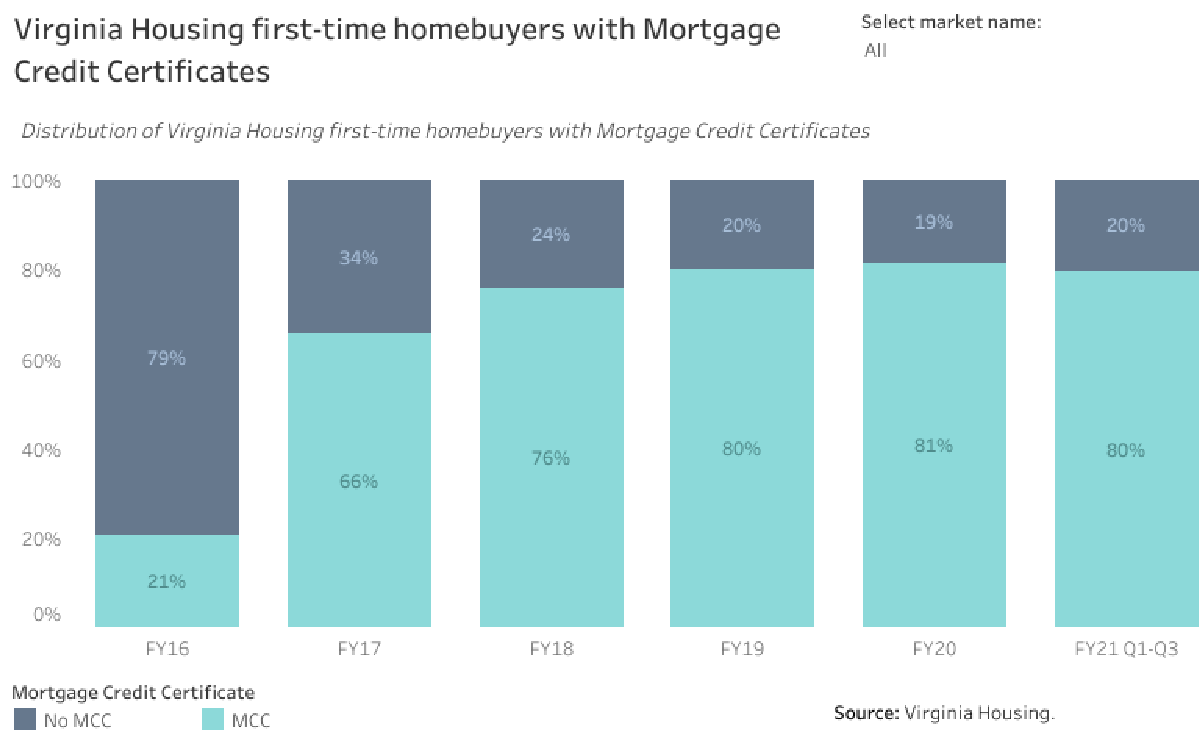


Figure 22.3: Virginia Housing homebuyers using MCCs

Early in the rollout of the Mortgage Credit Certificate (MCC) program, fewer than one in four home-buyers with Virginia Housing loans took advantage of the certificate. From 2016 to 2020 that share drastically increased to 80 percent. Today, nearly all Virginia Housing borrowers avail themselves of an MCC.

22.2 Program successes

These successes are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Success 1

Overall, users and administrators feel that homeownership programs work well.

Virginia Housing and DHCD offer a robust set of programs that assist households seeking homeownership. The stakeholders agreed that these efforts are effectively designed, targeted, and administered.

Success 2

State-level programs have increasingly served households of color.

In Virginia, there is a significant gap between Black and white homeownership rates. For the past few years, there has been steady progress in increasing the number of persons of color accessing assistance from state homeownership initiatives.

22.3 Program challenges

These challenges are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Challenge 1

Almost all programs focus on the demand side by assisting with purchase of a home.

All of the state-level homeownership programs—except for DHCD's Affordable and Special Needs Housing (ASNH) program and Acquire, Renovate, and Sell (ARS)—focus primarily on improving buyers' readiness to buy a home. These programs provide support on the demand side of the market.

However, the supply side of the market lacks adequate existing or under-construction starter homes to meet that demand. Increasing demand side assistance without supply side balance can exacerbate this problem as more buyers chase scarcer and increasingly pricey homes.

Challenge 2

Virginia's major metropolitan areas need more starter homes for first-time and moderate-income buyers.

Providers working in the homeownership market have consistently mentioned the lack of starter homes for young families and first-time homebuyers. These homes are priced closer to $150,000 and are lacking in Virginia's major metropolitan areas.

Additionally, there is a shortage of homes priced in the low to mid $200,000s for moderate-income buyers. This amplifies the pressure on the low end of the market because moderate-income buyers who cannot afford to buy above their price range subsequently out-compete lower-income buyers for scarce starter homes.

Local land use policies—including large lot requirements and minimum home sizes—are a major barrier to these home types by constraining the development of smaller, less expensive homes.

Challenge 3

Different eligibility requirements and application schedules make it difficult to layer much needed assistance.

It is often necessary to layer different sources of down payment assistance to meet minimum requirements or to reduce monthly payments. These types of assistance can have different requirements and different application schedules.

For example, the Federal Home Loan Bank (FHLB) of Atlanta's down-payment program targets specific household types such as veterans and first responders and operates through FHLB partner lending institutions that usually link these to their own loan products.

Challenge 4

Homeownership and rental projects compete side by side for ASNH funding.

ASNH awards funding to affordable housing developers through a competitive application process with a maximum Virginia Housing Trust Fund loan of $750,000. Homeownership projects compete with rental projects under the same scoring criteria, which makes it difficult for some homeownership projects to garner funding.

Challenge 5

ASNH homeownership awards have been exclusively used by nonprofit developers.

Since ASNH began funding homeownership projects in 2017, nearly all applicants for homeownership projects have been nonprofit housing developers. For-profit developers have not been active in the program because most are not active in the low-cost starter home market and/or they are less inclined to partner with government programs. Such developers could become an important resource in scaling up ASNH-funded homeownership.

Challenge 7

Student debt and other major underwriting challenges prevent many millennials—especially millennials of color—from achieving homeownership.

High debt-to-income ratios for young Black households, often due to student debt, are a primary reason for loan denials. Addressing student debt creatively through flexible underwriting is an important objective for many stakeholders. Other sectors of state government must address additional underwriting challenges such as auto debt (through efficient, affordable transportation alternatives) and child care costs (with state support for early childhood development/education).

There is also a large age gap between white and Black first time buyers: white homebuyers enter the market at much earlier ages. This has significant implications for narrowing the wealth gap because homeownership is the primary path to wealth-building for middle-class Americans, and first time homebuyers in their mid-20s have an equity advantage over first time homebuyers older by a decade or more.

Challenge 8

Seniors are staying in low value homes longer because they have no affordable alternatives.

The lack of affordable homes most suitable for seniors has downstream impacts on the homeownership market. Many seniors are staying in low value homes longer because they have no alternatives that are affordable or designed for aging-in-place. This is stalling the flow of lower cost existing homes into the market.

Challenge 9

There is still a widespread misperception that a mortgage requires a 20 percent down payment.

Stakeholders pointed out that many aspiring homebuyers believe that they must be able to afford a 20 percent down payment. Expanded education efforts must demonstrate that first time buyers can purchase a home with a much lower percentage down payment.

22.4 Recommendations

These recommendations synthesize the findings, successes, and challenges identified for this cluster of programs. They offer a roadmap to a future where these state initiatives most effectively and efficiently serve Virginians who need greater housing opportunities.

Recommendation 1

Develop a substantial, statewide starter home initiative with a capital subsidy to reduce the home price.

Why this is needed:

- Stakeholders and survey respondents noted supply issues related to homes priced for millennials and young families.
- 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:

- Virginia Housing
- Department of Housing and Community Development
- General Assembly
- Governor
- Homebuilder and REALTOR® associations
- Localities
- Habitat for Humanity and other nonprofit providers

How to accomplish:

Important considerations for a statewide starter home program are below.

- The amount of subsidy needed would vary by region.
- The developer would receive the subsidy at the time of construction.
- The program could be structured similar to the Vibrant Community Initiative as a partnership between Virginia Housing and DHCD, with joint proposals from localities and developers.
- Localities would provide land, greater density, expedited processing, and/or other local incentives.
- To ensure long term benefits, this state investment should place homes in a program that provides for permanent affordability, such as deed restricted, shared equity, or community land trust. The house will remain a starter home for decades and provide homeownership opportunities for many first time buyer households.
- This initiative should launch statewide with a substantial multi-year fund allocation and a goal to produce 1,000 units over three years.

Recommendation 2

Create a separate application, scoring template, and funding pool for homeownership proposals within the ASNH program.

Why this is needed:

- The current ASNH design allows for proposals to develop both rental and homeownership projects, but the two compete against each other.
- Competition between these different types of projects is likely to be inequitable. Rental housing proposals may have an advantage because they typically are able to serve lower incomes and usually leverage significantly more funding than do homeownership proposals.

Who is responsible:

- Department of Housing and Community Development
- Homeownership providers
- Other interested parties

How to accomplish:

Stakeholders encourage DHCD to develop greater separation within ASNH between homeownership and rental proposals by working with providers of both to customize the process and make it more specifically relevant to each tenure type. This could include the development of a homeownership work group to advise DHCD on program parameters, application format, and scoring criteria.

DHCD should also consider establishing a separate funding pool for homeownership proposals within ASNH. This would allow the agency to begin to make fund allocations in proportion to overall goals separately for homeownership and rental housing development.

Recommendation 3

Expand outreach to Black institutions and networks to promote homebuyer education and resources.

Why this is needed:

- There is a homeownership gap in Virginia between Black and white households. This gap has not declined significantly over the past decade and is only marginally better than it was 50 years ago when the Fair Housing Act became law.
- Outreach customized to Black and Brown homebuyers requires non-traditional avenues and methods.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Homeownership providers and counselors
- Organizations, churches, and networks within the BIPOC community

How to accomplish:

Virginia Housing has implemented an aggressive campaign to reach minority homebuyers over the past few years—including adding new staff dedicated to that assignment. Stakeholders encourage Virginia Housing and partners to continue and expand outreach to Black institutions and networks across the Commonwealth to promote homebuyer education and resources and to glean information about other challenges Black Virginians face when seeking a home.

A suggested strategy elsewhere in this report is to set measurable goals for penetrating this market in terms of counseling, applications, and home purchases.

Recommendation 4

Recruit more for-profit single-family developers to apply for ASNH homeownership assistance to increase production of lower cost homes.

Why this is needed:

- The ASNH program has been used almost exclusively by nonprofit homeownership organizations like Habitat for Humanity. While these mission driven organizations are an important part of the delivery system for affordable homes, private market participation is needed to bring this program to scale.
- For-profit developers and homebuilders are generally better capitalized and can build faster than their counterparts in the nonprofit sector.
- There is an extreme shortage of low-cost starter homes in the marketplace.

Who is responsible:

- Department of Housing and Community Development
- Home Builders Association of Virginia (HBAV)
- Other developer and construction associations (e.g., Urban Land Institute)

How to accomplish:

DHCD should recruit and direct an advisory group of homebuilders and developers to review the program design and identify barriers to participation. Revisions to the program design should:

- Accommodate the needs of for profit builders and expand outreach and education through the HBAV and local home builder chapters,
- Encourage partnerships between nonprofit providers and for profit developers,
- Recruit localities, builders, counseling organizations, and lenders to partner collaboratively to produce and sell more starter homes, and
- Increase the fund allocation to this program as a further incentive to grow greater levels of industry participation.

Recommendation 5

Conduct assessment of down payment assistance programs to explore further alignment of terms and eligibility across programs.

Why this is needed:

- Many down payment assistance (DPA) programs exist in the state with federal, state, local and private funding. Many of these are not aligned in terms of eligibility, amount of assistance, and application cycles.
- Affordable homeownership providers struggle to layer these sources of assistance together. This can be time consuming and frustrating for the provider and confusing to the homebuyer.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Down payment program providers

How to accomplish:

DHCD and Virginia Housing should jointly coordinate this effort. Program administrators from both agencies should:

- Conduct a survey of down payment assistance programs and compare all relevant program criteria,
- Survey homeownership providers to determine the most important challenges that they face in accessing and combining these resources for an individual buyer,
- Convene a meeting of DPA providers to discuss variations in approach,
- Propose a more standardized set of requirements and processes, and
- Negotiate changes as possible to bring greater uniformity, consistency, and ease of access.

Chapter 23

Rehabilitation and accessibility

This chapter covers seven programs that help current homeowners and renters improve the quality, efficiency, and accessibility of their homes.

Highlights

Major takeaways in this chapter include:

- Rehabilitation and accessibility programs are generally effective thanks to their range and compatibility.
- However, these efforts nearly always require providers to leverage other private funds, such as philanthropic gifts and individual donations, to come close to meeting their community's needs.
- Other obstacles include the high cost of necessary improvements, a shortage of qualified contractors, and lack of centralized administration of programs that must be deployed in tandem.
- Expansion of the Neighborhood Assistance Program, increasing program resources, streamlining administration, and addressing downstream issues like workforce and contractor capacity can help guarantee safe and accessible housing for all Virginians.

Programs in this grouping

Virginia Housing

- Granting Freedom
- Rental Unit Accessibility Modification (RUAM)

Department of Housing and Community Development

- Acquire, Renovate, and Sell (ARS)
- Emergency Home and Accessibility Repair (EHARP)
- Indoor Plumbing Rehabilitation (IPR)
- Lead Hazard Reduction
- Liveable Home Tax Credit
- Weatherization Assistance Program (WAP)

23.1 Findings

These findings are based on data provided by Virginia Housing, DHCD, and other sources on the scale of these programs, demographic information on their beneficiaries, and other trends.

Finding 1

The Weatherization Assistance Program consistently reaches over a thousand households every year.

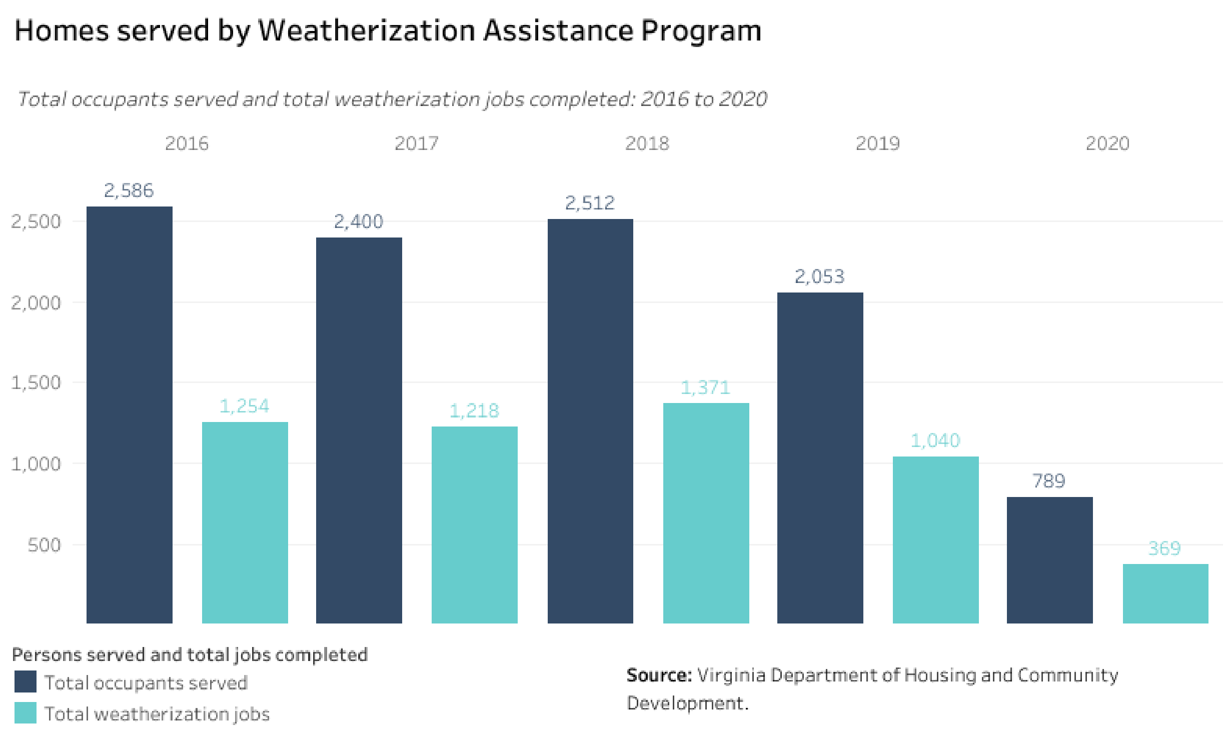


Figure 23.1: Homes served by Weatherization Assistance Program

Between 2016 and 2019, WAP served more than 1,000 households across the state each year. That number unfortunately dropped to fewer than 400 in 2020 due to the COVID-19 pandemic. Program administrators stated that the successful program was on track for a productive 2020 if not for the economic shutdowns and quarantine protocols that disrupted WAP providers.

Finding 2

The scale of the Indoor Plumbing Rehabilitation program is small compared to the need.

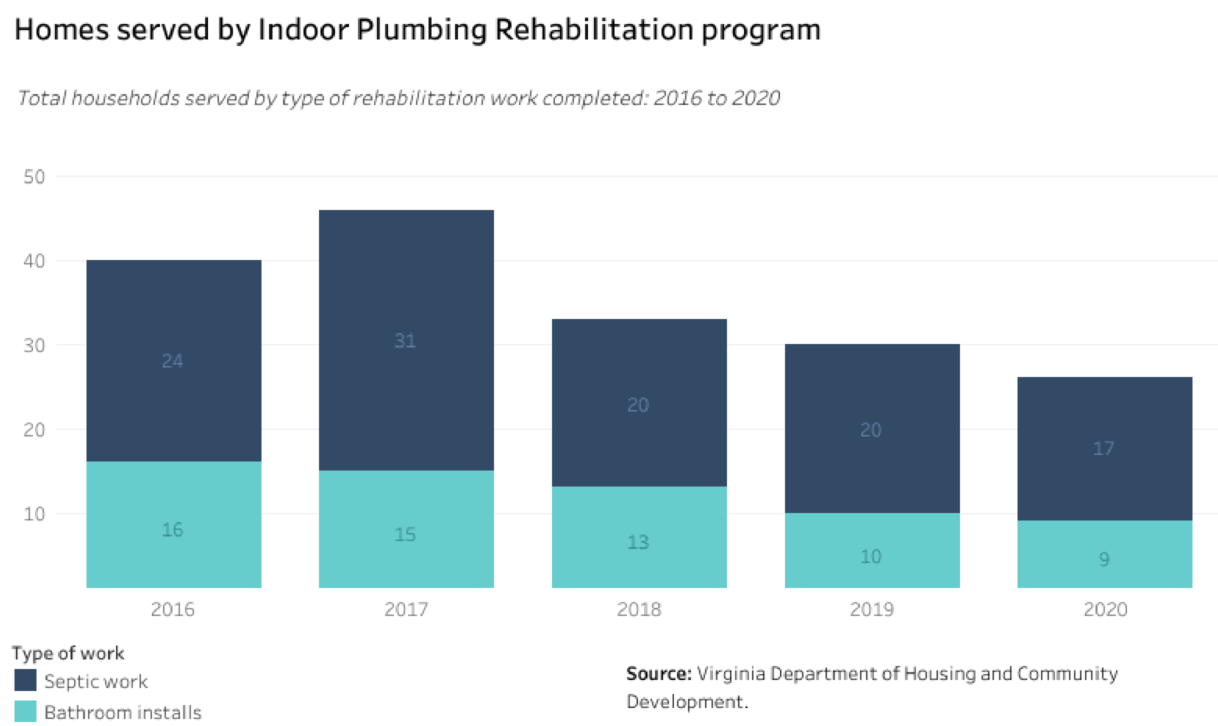


Figure 23.2: Homes served by Indoor Plumbing Rehabilitation program

Homes without indoor plumbing are rare in Virginia—currently around 10,000—and represent a small percentage of the state's total housing stock. The count may also include many homes that are not lived in year-round. However, the main program aimed at bringing indoor plumbing to full-time residences still only serves a limited number of clients each year. Since 2016, the annual number of households served has not exceeded 50.

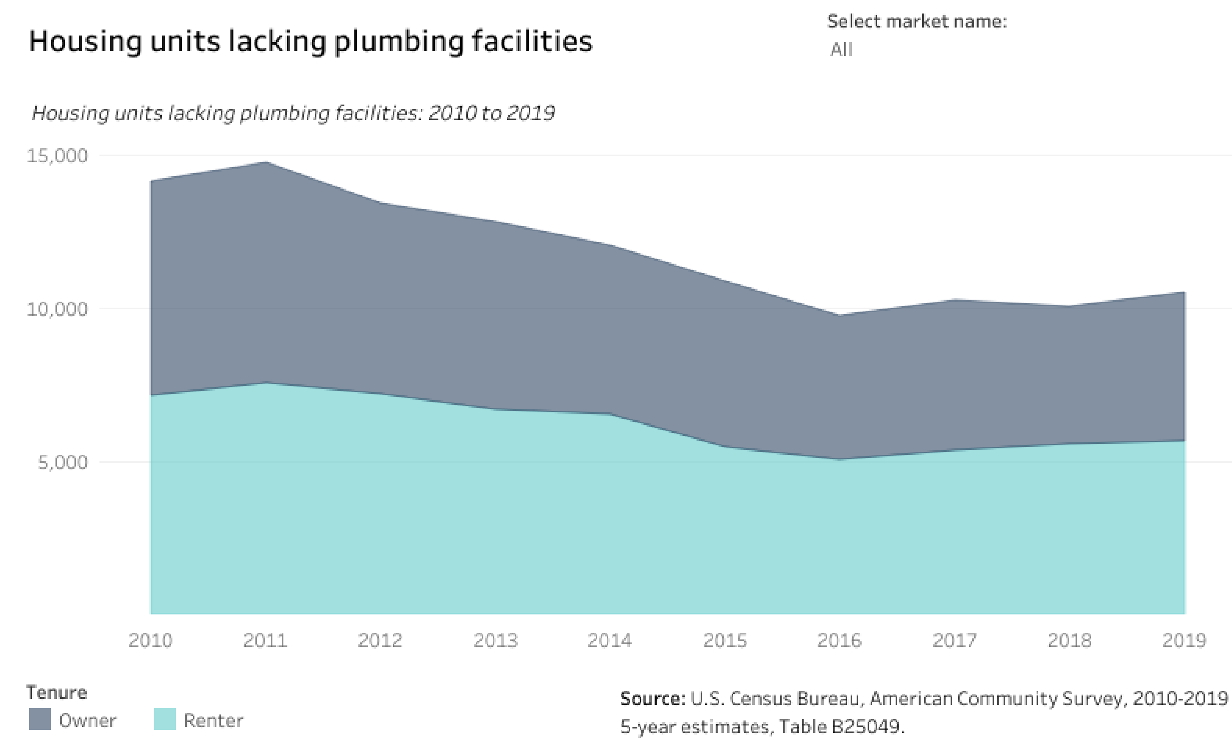


Figure 23.3: Housing units lacking plumbing facilities in Virginia

23.2 Program successes

These successes are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Success 1

There are a wide range of programs in this cluster that address a spectrum of needs.

These varied programs (including several new energy efficiency programs currently being implemented at DHCD) are available to assist homeowners as well as the owners of rental properties.

Success 2

Service providers often use more than one of these programs in conjunction with each other.

Providers often pair WAP with EHARP as it is common for the weatherization crew to encounter emergency repair needs when they begin work on a house. Coordination is critical to meeting the client's needs because the funds have narrowly defined eligible uses.

Success 3

Program users do not report significant challenges associated with the funding cycles and schedules for these programs.

According to users, application timelines and funding cycles for these programs generally match up. This alignment helps providers coordinate when applying for funds.

Success 4

Most of these programs are compatible with manufactured homes—including homes that are located in a park setting where the occupant owns the home but rents the lot.

Older manufactured homes—especially single-wide homes built prior to 1976 when HUD established construction standards—are some of the worst quality and least energy efficient homes in the state. These programs sometimes enable housing providers to replace severely deteriorated homes and repair and weatherize those that are still livable.

Success 5

Nonprofit providers have been successful in leveraging these programs with local funding from cities and counties, philanthropy, local companies, and individual donors.

The aggregated funding from these programs is not adequate to meet needs. Providers have to seek matching funds from a wide range of sources. The availability of these programs establishes a foundation so local funders are confident that their contributions will achieve more by leveraging state dollars.

23.3 Program challenges

These challenges are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Challenge 1

Several of these programs are funded at very low levels and do not provide administrative support.

The small level of funding in programs such as EHARP and IPR limit their impact compared to the outsized needs. The limited funding also discourages organizations from participating if they are not assured of sufficient funding to support a sustainable line of business.

Challenge 2

Low or no administrative fees make it more challenging to serve clients who are more remote.

Single-family rehab and repair are administratively costly to carry out. This is compounded when working in a rural area where client homes may be separated by significant distances.

Challenge 3

Accessibility improvements exceed the costs of making basic changes to the home, especially in multifamily structures.

Several providers noted that the maximum grant per home was not sufficient to cover rehab costs necessary for many accessibility projects because making the home fully usable by a person with a disability requires more than one measure.

Virginia Housing recently increased the maximum awards for their Granting Freedom and Rental Unit Accessibility Modification programs by 33 percent (from $6,000 to $8,000), which should help considerably.

Challenge 4

Greater administrative flexibility of programs would enhance success since providers often use them in combination. More uniform requirements would further enhance the ability to fully meet the needs of clients.

Program requirements such as income eligibility, property eligibility, permitted use of funds, grant and loan documentation, property inspection, work descriptions, and a host of other program procedures can and do vary from one source of funding to another. This complicates the already difficult process of addressing critical home repair and rehab needs for the provider.

Challenge 5

Waiting lists for services can be extraordinarily long. Many clients live in dangerous and unhealthy conditions while waiting to move up the list.

Long waiting lists are an indication of the mismatch between resources allocated to this program area and the scale of needs in communities across Virginia. Poor housing quality is widespread in the Commonwealth from the largest urban centers to the most remote rural regions. One organization noted that Indoor Plumbing Rehabilitation wait times can range from anywhere from six months to several years—a long time to be without proper running water.

Challenge 6

Qualified contractors are difficult to find, especially in less populated areas. Smaller jobs exacerbate this obstacle.

The construction industry has a labor shortage. (U.S. Chamber of Commerce, 2021) This is true across the board from large new construction projects to small-scale single family rehabilitation. Small, remote jobs are difficult to accomplish when demand for contractors is exceptionally high. The extreme shortage also increases the likelihood of participation of less qualified contractors and/or those performing lower quality work.

Challenge 7

Repair, rehab, weatherization, and accessibility are often scattered across different providers making comprehensive service delivery difficult and confusing for clients.

Different agencies and nonprofit organizations often administer these otherwise interconnected programs. For example, DHCD has a select group of qualified WAP providers, but many of them may not engage in large scale single-family home rehab. This administrative compartmentalization compounds the difficulty of matching resources with varying program requirements.

Challenge 8

Most clients are homeowners. Assisting renters, especially in scattered locations, is much more challenging.

Rental households also cope with housing that is often in much worse condition than that of homeowners, yet most rehab and repair resources focus on homeowners. Small, widely scattered projects and "mom and pop" ownership complicate and impede improvements to rental properties.

Owner-landlords frequently do not wish to participate or are unwilling to guarantee affordability for a lengthy period of time. There are no easy solutions to overcoming these obstacles, but administrators could begin by working with localities to incentivize good code enforcement that may encourage greater participation by small landlords.

23.4 Recommendations

These recommendations synthesize the findings, successes, and challenges identified for this cluster of programs. They offer a roadmap to a future where these state initiatives are efficient, impactful, and best serve Virginians who need greater housing opportunities.

Recommendation 1

Expand the Neighborhood Assistance Program (NAP) with an emphasis on donations to support low-income rehab and repair. Increased access to grant funds and the greater flexibility of private funding would support program administrators and advance their work.

The **Neighborhood Assistance Act** is found in Va. Code Ann. § 58.1-439.18 et seq. This act has been amended many times to change the focus and requirements, and it would need to be amended to specifically reference a new focus on rehab and repair. The General Assembly sets the amount available for the NAP program in its annual budget.

Why this is needed:

- It is difficult to estimate the number of substandard and severely deteriorated homes in the state. The U.S. Census Bureau stopped characterizing housing as "substandard" decades ago, limiting the data sets that can serve as substitutes (such as age of structure). Program administrators, local planners, and code officials provide the best available anecdotal information. These reports do indicate that dilapidated housing is ubiquitous in the state and predictably affects primarily low-income households.

- Experienced providers report that the flexibility of private funds makes them the most useful resource for administering rehab and repair programs. They can fill gaps in public programs, including covering the cost of program operations.
- The NAP program increases incentives for private individuals and corporations to make donations to these types of activities.

Who is responsible:

- Virginia Department of Social Services
- Department of Housing and Community Development
- Appropriate secretariat
- General Assembly

How to accomplish:

Any expansion of the NAP should incorporate the following features:

1. Additional, permanent funds dedicated to and earmarked for housing,
2. Inclusion of a geographic component in the funding distribution methodology to attract both nonprofits and donors in underserved areas, and
3. A distinction between regular and housing credits in recipient applications and documentation of credits to ensure their use for housing purposes.

Recommendation 2

Expand and promote workforce training programs—in partnership with education and economic development organizations—to increase the number of qualified contractors and workers able to participate in these residential rehab programs.

Why this is needed:

- The housing industry has a severe shortage of skilled construction workers, which slows progress and raises costs. Recent efforts to identify and deport undocumented workers has made the problem worse. (East, Luck, Mansour, & Velasquez, 2018)
- Workforce training programs are limited (especially those reaching minorities and other disadvantaged individuals). This inadequacy exists across many of the relevant trades including carpenters, roofers, plumbers, electricians, and HVAC workers.
- Construction jobs are in high demand and offer the opportunity for good wages and benefits, including health insurance.

Who is responsible:

- Virginia Housing

- Department of Housing and Community Development
- Workforce training programs
- State and local home builder organizations
- Construction trade unions

How to accomplish:

Industry stakeholders and workforce development programs must partner to create and expand training programs for new residential construction initiatives at the local level. Incentives to large nonprofit and for-profit housing developers and housing program administrators would then motivate them to hire graduates of these programs.

Recommendation 3

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

Why this is needed:

- Providers must have ways to cover their administrative costs or they will opt for programs that offer greater opportunities for higher fees rather than participate in repair and rehab programs.
- Smaller scale rehab and repair programs are inherently inefficient; they require a high level of effort per dollar expended as compared to larger programs like multifamily development and rehab.
- In the absence of fees that are sufficient to cover costs, providers will not operate rehab/repair programs at scale, instead investing minimal effort to limit their losses.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Large scale rehab and repair providers

How to accomplish:

Virginia Housing and DHCD should collaborate with high volume rehab/repair providers to analyze actual costs of program administration, adjust fees as needed, and track production changes in response to higher fees.

Recommendation 4

Regularly monitor the cost caps for accessibility improvements—especially for certain property types (like multifamily) and/or markets where costs can easily exceed current caps.

Why this is needed:

- When a provider needs to leverage greater resources to complete a project, they will produce less as their effort outweighs the return, and the project becomes less sustainable.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Providers with the potential to scale to higher volume

How to accomplish:

Virginia Housing and DHCD should develop a cost database for providers that will track total improvement costs over time by type of structure, location, and detailed description of improvements and that will document completed improvements as well as those not completed because of lack of funding.

Recommendation 5

Determine whether smaller programs can be combined; a provider could easily access a range of separate funding sources with a single application cycle.

Why this is needed:

- Many of the programs in this cluster share similar objectives; in any area of policy, programs tend to multiply as new initiatives join existing programs. New initiatives typically target a gap in an existing program or group of programs. This can lead to a confusing and unwieldy collection of individual programs covering the entire spectrum of needs.
- The goals of small programs (e.g., the Livable Home Tax Credit) often align with those of others in the same cluster; there are opportunities to consolidate similar efforts when a program lacks substantial new funding to individually scale up.
- Program consolidation will simplify access for providers and beneficiaries and will streamline program administration for the housing agency for greater efficiency and consistency.
- Conformity of guidelines and funding cycles as a result of program consolidation will improve the experience of program users.
- Program organization within a single agency staff division contributes to consistency and efficiency.

- State-funded programs have more flexibility to allow for consolidation than federally mandated programs.

Who is responsible:

- Department of Housing and Community Development
- Virginia Housing
- Virginia Department of Social Services
- Rehab and repair providers

How to accomplish:

Program administrators from responsible agencies should direct an assessment of grouped programs in conjunction with providers. This evaluation will identify irreconcilable conflicts and opportunities to combine initiatives where conflicts can be overcome. Each program requires periodic reviews with a "zero base" approach that considers how an agency would administer and implement a program if starting from scratch; incrementalism often shapes programs without deliberate analysis of needed fundamental adjustments.

DHCD's current effort to combine its Housing and Community Development divisions into a single work group offers a promising opportunity to rethink the design and delivery of programs that it administers as well as those that it collaborates with Virginia Housing to operate.

Recommendation 6

Take advantage of incoming Housing Innovations in Energy Efficiency (HIEE) funds by reserving certain proceeds for a large pool of flexible, easily deployed dollars to support rehab and accessibility activities.

DHCD's HIEE program makes energy efficiency upgrades to new and existing residential buildings to reduce energy bills for low-income Virginians. HIEE is funded through proceeds collected from Regional Greenhouse Gas Initiative (RGGI) auctions. DHCD will dedicate approximately 50 percent of those proceeds to HIEE.

Why this is needed:

- Proceeds from the Regional Greenhouse Gas Initiative (RGGI) have begun to contribute significant new funds to the state that can be used for improving energy efficiency.
- Virginia already has existing programs that are directed at this goal. RGGI funds can be used to expand activity in these existing programs, making it easier for providers to access these funds and allowing greater scale and efficiency in using them.

Who is responsible:

- Department of Housing and Community Development

How to accomplish:

DHCD should continue with its current planning efforts for these dollars, which includes allocating these new dollars to expand existing efforts like WAP and ASNH that already work well.

Recommendation 7

Expand resources for IPR and broaden program eligibility to homes in very poor condition that threaten the health and safety of residents.

Why this is needed:

- The overall funding for basic rehab of single family dwellings is too limited to meet needs.
- Home rehab is one of the most fundamental housing needs in the Commonwealth. The state's largest initiative, Indoor Plumbing and Rehabilitation, is very modest with an annual allocation of approximately $3 million.
- IPR adjustments recently have permitted more rehab (IPR-Flex), but increases to program funding allocations have not kept pace with expansion of eligible uses.
- The program still focuses on a narrow subset of deteriorated, unsafe housing—those homes with incomplete plumbing or a failing septic system.
- Additional resources and an expanded, coordinated administrative structure are necessary to meet the nearly universal need in all jurisdictions.
- As more local governments in Virginia begin to make resources available for housing (including American Rescue Plan funds over the next few years), the state must build stronger partnerships with entitlement communities to support the rehab and repair of homes. Such partnerships are currently much more developed with the construction and rehab of larger rental housing communities.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Localities
- Other local funders, including corporate and philanthropic donors
- General Assembly

How to accomplish:

Additional resources are necessary for the rehab and repair of homes occupied by low income and moderate income Virginians. This will take action by the General Assembly to increase funding for the Virginia Housing Trust Fund, with a subsequent allocation from the fund to this effort.

Other solutions that do not require additional state appropriation may include the combination of IPR and scattered-site Community Development Block Grant (CDBG) projects, as well as partnerships with CDBG entitlement communities for rehab initiatives using existing state and local financial resources.

As noted earlier, few accurate data sources exist to quantify this need. DHCD should work with local planning and building officials to develop estimates of needs that can help to justify additional funding.

Nearly all of the funds that support this activity are grant funds. Virginia Housing should explore the potential to supplement these grant funds with deferred debt that would be due on sale; if feasible, this could lead to a significant boost to activity.

Chapter 24

Community revitalization and capacity building

This chapter covers five programs created to support major community revitalization efforts through housing and to strengthen the capacity of nonprofit housing organizations across the state.

Highlights

Major takeaways in this chapter include:

- Using both federal and state dollars, a suite of community revitalization and capacity building programs foster creative approaches to meet the unique housing needs of Virginia's diverse communities.
- Capacity building programs, especially those offered by Virginia Housing, strengthen affordable housing providers and make them resilient to future challenges.
- Opportunities for improvement are primarily administrative: these include better alignment of applications and project timelines, technical assistance, ease of entry, and streamlining the closing process.
- Expanding the successful Vibrant Community Initiative, aligning state revitalization efforts with local public housing revitalization goals, encouraging more inclusive land use strategies, and greater involvement of BIPOC developers and contractors are all ways to enhance these programs.

Programs in this grouping

Virginia Housing

- Capacity Building Grants

- Community Impact Grants (CIG)
- Predevelopment Loan Program (PDL)

Department of Housing and Community Development

- Community Development Block Grant (CDBG)
- Vibrant Communities Initiative (VCI)

24.1 Findings

These findings are based on data provided by Virginia Housing, DHCD, and other sources on the scale of these programs, demographic information on their beneficiaries, and other trends.

Finding 1

Virginia's Community Development Block Grant (CDBG) allocation significantly helps ELI and VLI households of color in non-entitlement communities.

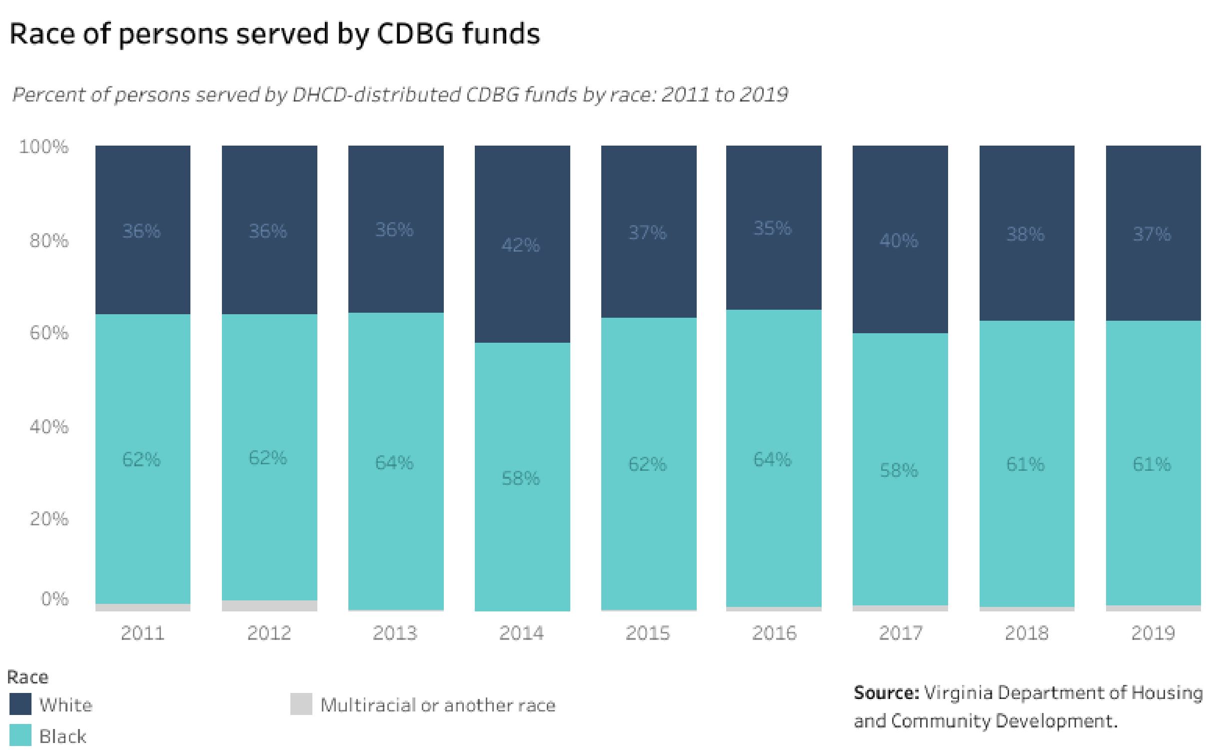


Figure 24.1: Race of persons served by CDBG funds

Across non-metro areas of the Commonwealth, DHCD's CDBG funds used for housing-related activities are more likely to serve Black Virginians than any other race.

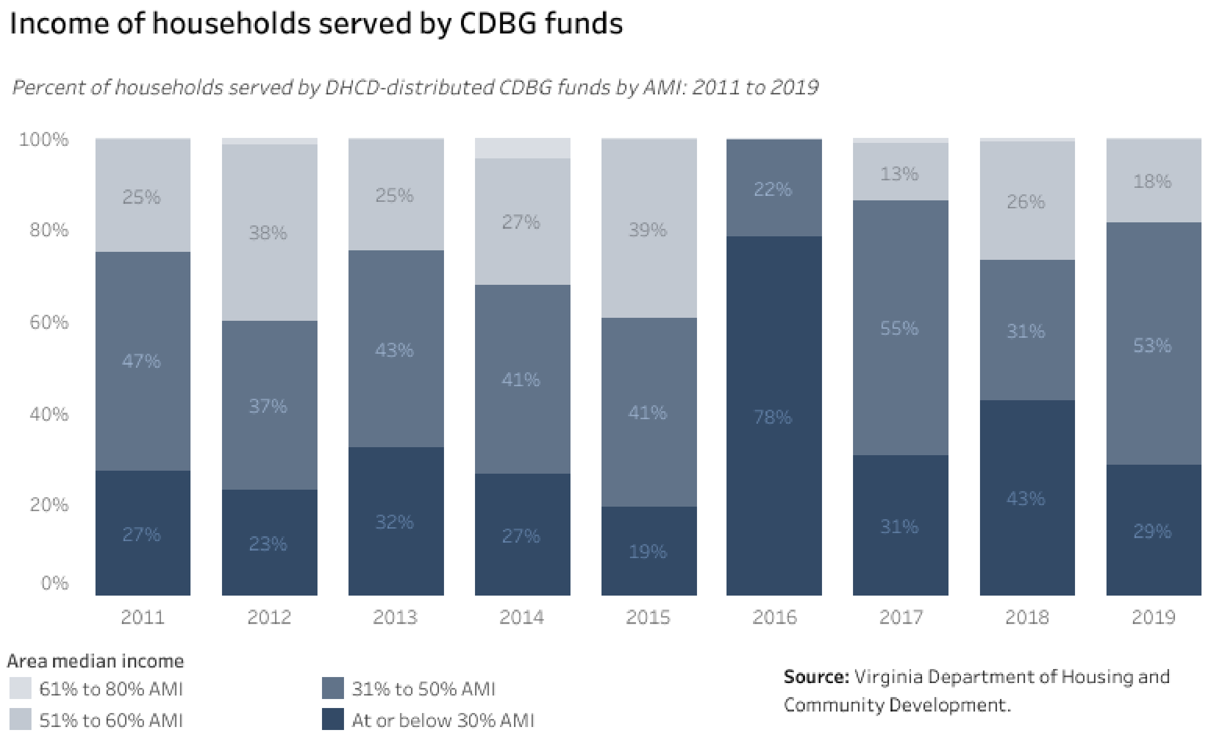


Figure 24.2: Income of households served by CDBG funds

Federal CDBG dollars are restricted to 80 percent AMI and below, so all funds benefit households with low incomes. However, DHCD's CDBG funds are used primarily to serve VLI households (those below 50 percent AMI) and ELI households (those below 30 percent AMI).

Finding 2

Since 2016, Virginia Housing has awarded over $13 million in grants and loans to support affordable housing providers in Virginia.

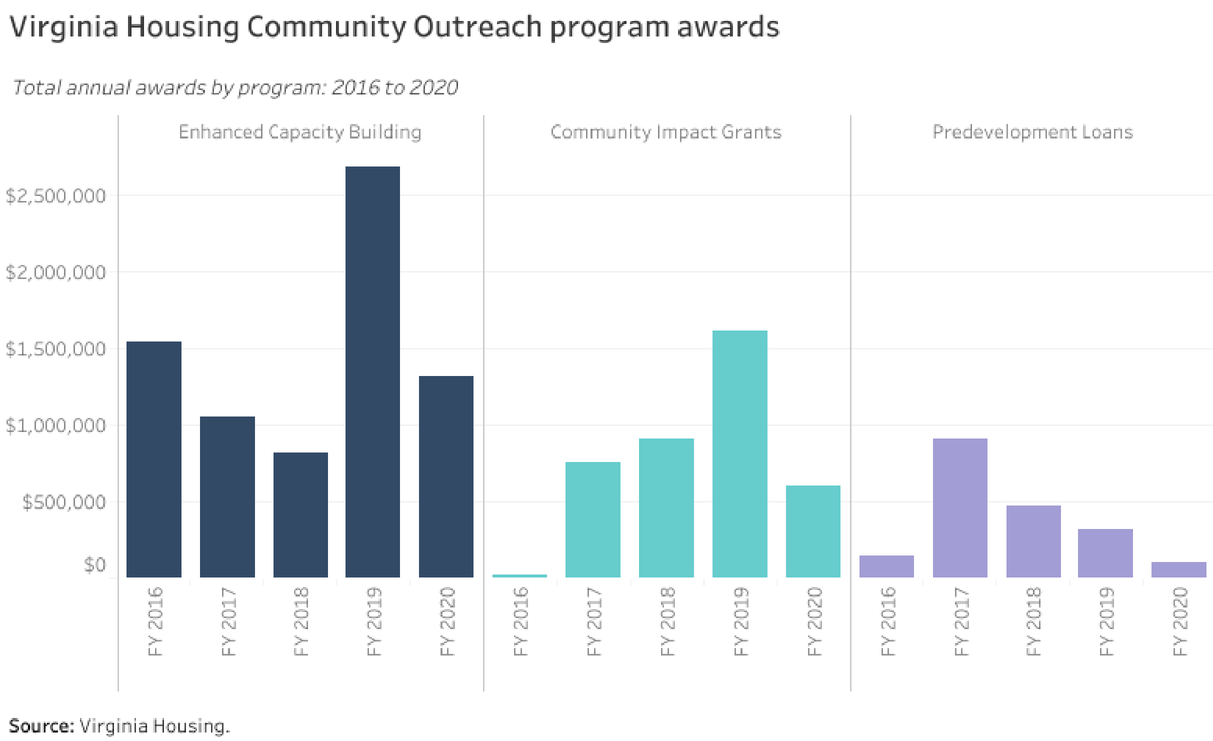


Figure 24.3: Virginia Housing Community Outreach program awards

Virginia Housing helps build the capacity of affordable housing providers across the state by offering Predevelopment Loans, Community Impact Grants, and organizational Enhanced Capacity Building grants. These community outreach programs each serve a unique purpose and supplement more traditional forms of federal and state funding.

24.2 Program successes

These successes are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Success 1

The Vibrant Communities Initiative (VCI) supports transformational projects.

Stakeholders expressed positive views of VCI as a model of how the state can facilitate projects that result in change at a significant scale. These projects can catalyze long term neighborhood improvement by encouraging similar successful efforts on nearby sites.

VCI also demonstrates the value that the state can bring to a problem by combining resources on the front end, rather than leaving it to the developers to shop for them one at a time.

Success 2

Virginia Housing's Community Impact Grant (CIG) has been well received as a flexible tool that works across many different regions of the state to accomplish different objectives.

Stakeholders value the CIG program particularly for its flexibility that allows for its wide application supporting a variety of projects. Stakeholders appreciate the program's support for innovations such as manufactured housing and other construction strategies. The CIGs also have financed a broad array of creative approaches to help communities strategically address their unique affordable housing challenges.

Success 3

CDBG funds can be game-changing for rural communities.

Funding for community development projects in rural areas is not widely available. The non-entitlement CDBG program is unique in the scale of grant funding that it can bring to the table. Stakeholders saw it as an excellent tool for offsetting site development and utility extensions for rural projects—which have costs that often render a project infeasible.

Success 4

Virginia Housing and DHCD recognize that outreach to localities is important. They understand the value of this engagement and dedicate staff time to it.

Local governments are critical partners in the development of affordable housing for numerous reasons. They control land use, manage community expectations, provide access to utilities, and provide resources in the form of financial assistance and processing incentives. However, these communities need help in developing project concepts and understanding what type of state assistance is accessible.

Stakeholders were extremely complimentary of the staff time and resources dedicated by both state housing agencies to community outreach and assistance.

Success 5

Capacity Building grants are helping many organizations with diverse needs, especially strategic planning and capacity building at smaller nonprofits.

As resources for affordable housing increase, affordable housing sponsors face the fundamental challenge of bolstering their own capacity to deliver services. Stakeholders enthusiastically recognized Virginia Housing and DHCD for their commitment to capacity building through organizational support, project planning, and pre-development assistance.

24.3 Program challenges

These challenges are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Challenge 1

There is a need to provide technical assistance to projects that are at the conceptual stage prior to application for major funding like the VCI.

Stakeholders recommend that housing agencies sustain and increase support and advisory services to localities and developers who are working to assemble large scale, complex projects requiring funding within the next year. Shepherding these projects on a path toward feasibility is a priority, especially in an environment where the resources essential to project success are only expected to rise.

Challenge 2

Stakeholders new to housing projects need a more navigable, well-defined initial process for bringing projects to Virginia Housing and DHCD.

Some local stakeholders indicated difficulty in determining where to find information and which staff person to contact depending on the project they are planning. Other stakeholders suggested a more clearly defined entry point for technical assistance and support, especially for localities whose employees may be less familiar with state housing agency staff and organizational structure.

Challenge 3

The Predevelopment Loan Program closing process can be too complex; limited project eligibility can lock out otherwise worthy applicants.

Several stakeholders noted that the Predevelopment Loan Program is time consuming and its approval process lacks clarity. The closing process can be too complicated for the size of the transactions. There is a natural balance between the need for flexible predevelopment support and the lender's need for repayment; a reevaluation of this balance could lead to a retooled model that is easier to use and more successful.

The design of the Predevelopment Loan Program should be revisited in consultation with housing developers—especially nonprofits and small for-profits.

Challenge 4

Some perceive the Capacity Building Grant sphere as too complex or over-prescribed.

Over the last five years, Virginia Housing has developed a capacity building initiative aimed at helping nonprofit organizations grow their ability to be successful developers and administrators of affordable housing. Its wide use by the nonprofit community underscores the need for it. The nonprofit sector's growth in capacity may certainly be credited, at least in part, to the array of assistance the program has provided.

In the last several years, the capacity building initiative has added a number of new funding tiers. Some stakeholders expressed concern that the flexibility that characterized the earlier program is becoming more rigid. They emphasized the widely differing circumstances of providers and suggested a return to more of a negotiated technical support package.

Challenge 5

Knowledge and usage of the Vibrant Communities Initiative (VCI) is low in non-entitlement areas.

The VCI can be an important resource for smaller communities in rural areas. There is a need for more communication about VCI with these communities where VCI is not widely understood as in larger metro areas. These smaller communities are also likely to need greater assistance with project planning and development.

Challenge 6

Funds within this cluster are less commonly used for single-family homeownership programs. They are predominately used for major multifamily and mixed-use projects.

Stakeholders appreciated the transformative nature of many of these larger mixed-use developments that frequently include a diverse rental housing component. Given the importance of creating homeownership opportunities, especially for BIPOC participants, stakeholders agreed that projects with homeownership components should be encouraged. A new source of assistance focused on homeownership would also enhance the current mix of resources.

Challenge 7

Timing of program availability and applications can sometimes be challenging, especially when projects also use federal funds.

Projects that employ federal funds are complex, and they inevitably include a wide range of resources in building the layered funding structure. When resources come from federal, state, and private sources, developers and localities face challenges with application schedules and project timing that complicate the process of fully funding the project.

24.4 Recommendations

These recommendations synthesize the findings, successes, and challenges identified for this cluster of programs. They offer a roadmap to a future where these state initiatives are efficient, impactful, and best serve Virginians who need greater housing opportunities.

Recommendation 1

Establish a VCI planning grant or similar funds to support smart, strategic planning efforts for large-scale projects in their infancy.

Why this is needed

- Stakeholders strongly supported this initiative primarily because these projects are high impact, and the state has innovatively assembled a variety of resources in one location, so the developer does not need to navigate multiple access points. Agencies should develop and deploy a planning grant specific to VCI to increase and improve applications. This would also help put smaller jurisdictions on a more competitive footing with larger, more experienced teams.

- The planning grant program widely used with CDBG for many years may be an applicable prototype. HUD also deploys planning grants to localities and PHAs that are seeking funding under the Choice Neighborhoods Initiative; a similar state option would helpfully supplement those efforts in communities with public housing.
- Virginia Housing recently made awards to planning district commissions (PDCs) in the state with the purpose of encouraging them to develop stronger relationships with affordable housing providers.[1] If this effort proves successful, PDCs might also be helpful planning partners for future VCI proposals.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Planning district commissions
- Localities

How to accomplish:

Virginia Housing and DHCD should allocate funds to the VCI for project planning using the earlier cited models. Depending on project scale, these grants could run from 12 to 24 months with prescribed deliverables included in the VCI application. A scoring incentive for planning grant recipients could encourage organizations to use the grant to shape more realistic and feasible proposals. Virginia Housing could position its CIG program to be used more frequently to support the development of VCI applications.

Recommendation 2

Design a "central intake" for localities or developers when they have an affordable housing project proposal—whether complex like VCI, simple as with a single development, or for innovations in systems and construction methods.

Why this is needed:

- Stakeholders report that rural (non-entitlement) areas have less knowledge about state housing agency programs and fewer relevant staff positions.
- A clearer path with guidance on appropriate contacts for specific issues would foster a more level playing field for potential applicants.
- Program staff are extremely knowledgeable and helpful. Providing more direct access to them for more developers would benefit the program.

Who is responsible:

[1] "Virginia Housing Announces $40 Million in Grant Funding for PDCs." Virginia Housing. July 13, 2021. (PDF)

- Virginia Housing
- Department of Housing and Community Development
- Localities
- Virginia Municipal League (VML), Virginia First Cities, and Virginia Association of Counties (VACO)

How to accomplish:

DHCD and Virginia Housing should work with local governments and their associations to determine preferred processes and needs for localities. This assessment would then inform a collaboration with localities, trade associations, local developers, and program administrators to craft an intake process for technical assistance and support more accessible for those unfamiliar with the programs and new to affordable housing development.

Recommendation 3

To expand the use of pre-development loans, Virginia Housing should consider design changes to increase flexibility in program guidelines, timelines, closing process and reporting.

Why this is needed:

- Some stakeholders noted that the current Predevelopment Loan Program would be more widely used if it had greater flexibility and offered a more timely, less complicated processing and closing experience. The purpose of the predevelopment assistance is to allow a more thinly capitalized developer to expend the funds needed to assemble a viable project application in a timely and efficient manner.
- Architecture, legal, appraisal, and engineering are the types of expenses that must be paid at the front end of the development process—often before the fate of the application is determined.
- The challenge with any predevelopment loan program is balancing loan risk with the need to fund activities before feasibility is established.

Who is responsible:

- Virginia Housing
- Program users, especially smaller nonprofit and for-profit developers

How to accomplish:

Virginia Housing should engage program users to determine if there are design shifts that will make the program more user friendly. This should include an assessment of whether a change in the funding source—such as HUD's Housing Trust Fund—would facilitate greater flexibility.

Recommendation 4

Continue and expand efforts to encourage and fund more VCI projects in non-entitlement areas.

Why this is needed:

- VCI projects have tended to be large scale and complex. Urban areas are more likely to have the potential to identify and develop these types of projects that may have multiple objectives and a range of participants and funding sources.
- While non-entitlement area projects are likely to be smaller, they also can be transformative for their neighborhoods. These areas will likely need more assistance from the state in developing projects that will be able to compete with those that are assembled by the more experienced teams in metro areas.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Small (non-entitlement) localities
- Virginia Municipal League (VML) and Virginia Association of Counties (VACO)

How to accomplish:

Virginia Housing and DHCD should expand outreach and education about VCI using networks that connect with smaller communities (e.g., Rural Planning Caucus of Virginia). The agencies should also build stronger technical assistance functions specifically for smaller communities and consider an emphasis on planning grants for rural communities seeking assistance with a project.

Recommendation 5

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:

- VCI encourages large scale, complex projects that can have a transformational impact on their communities. Often these projects take many years to achieve. Projects may have two or more phases that are crucial to a successful outcome. VCI awards that span the full timeframe of the project may enhance such efforts.
- Multiple year funding from VCI may enable program participants to leverage additional outside funding and potentially secure multi-year commitments from other sources.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Public and private VCI funders

How to accomplish:

Virginia Housing and DHCD should review VCI applications for the past several years, interview the teams that developed them, and assess how multi-year financing would have affected the project and influenced other funding sources. The agencies should then convene other VCI funders to discuss approaches to longer term commitments to multiple year projects. These may include multi-year funding that is based upon the achievement of milestones within prescribed timeframes. Such incentives could motivate and add urgency to project development.

Recommendation 6

Expand and encourage use of programs (particularly VCI and CIG) for homeownership, especially as a tool to support wealth-building in historically Black neighborhoods.

Why this is needed:

- Most VCI work focuses on mixed-use, mixed-income projects where rental housing is the key residential component of the project. In recent years, an overheated homeownership market—especially in larger metro areas—has left behind lower-income potential homebuyers as the market has served primarily middle- and upper-income buyers.
- The homeownership gap between Black and white households has grown over the last decade.
- VCI applications should incentivize mixed income homeownership. They should also encourage neighborhood revitalization with increased homeownership as an anchor activity.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Localities
- Other local funders

How to accomplish:

DHCD and Virginia Housing could adapt programs to facilitate rapid acquisition of properties and/or large down payments, potentially with revolving loan funds. The agencies should develop best practice standards and examples of redevelopment and revitalization projects that prioritize affordable homeownership.

VCI training and education should include more examples of homeownership, and each funding cycle should include some homeownership proposals. Scoring incentives for local land donations for homeownership would accelerate these projects.

Recommendation 7

Consider LIHTC set-asides for VCI and similar projects to ensure assets are leveraged and to simplify layering and timing challenges.

Why this is needed:

- LIHTCs are one of the most competitive funding sources for affordable housing in the nation. Competition for LIHTCs is high and assembling and submitting an LIHTC application is costly.
- A set-aside of credits for high-ranking VCI applications simplify the VCI process and make it more likely that projects will be successfully funded in a timely manner.

Who is responsible:

- Virginia Housing

How to accomplish:

Virginia Housing should seek feedback during the next QAP comment period to determine support for linking LIHTCs to the VCI process.

Recommendation 8

Coordinate with the Virginia Association of Housing and Community Development Officials to align state efforts for public housing revitalization with the programs in this cluster.

Why this is needed:

- The replacement or revitalization of large, aging public housing communities is one of the most pressing problems in the Commonwealth. Residents often endure poor living conditions that are especially detrimental to the health and well-being of the many children who grow up in these communities and who are at a significant disadvantage compared to their peers in higher quality, better located housing.
- HUD is supporting the transformation of public housing and shifting the funding platform to the more reliable Section 8 mechanism through the Rental Assistance Demonstration program (RAD) and through Section 18 - Demolitions/Dispositions.

- Replacement and revitalization of public housing is quantifiable and achievable. The oldest and worst public housing in the state are the large projects built in the 1970s and earlier. Many of them have already been revitalized and replaced, but a significant number remain—just under 10,000 units scattered across Virginia's large metro areas. A concentrated effort could replace and rehabilitate them within a decade—bringing an end to this legacy from an earlier era of federal housing policy.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Virginia Association of Housing and Community Development Officials (VAHCDO)
- Public housing authorities (PHAs)
- Localities

How to accomplish:

Public housing revitalization is a complex and expensive undertaking. The revitalization programs that make up this cluster are well positioned to aid this process. Virginia Housing has already prioritized this work through the PHA pool in the LIHTC program as well as a set-aside of REACH funding for these types of projects.

Building on this base, state housing agencies should engage directly with localities and PHAs and seek ways in which this suite of state programs can support existing public housing revitalization plans as well as assist in developing new plans where needed.

Recommendation 9

State government should work with localities to remove land use barriers and encourage more inclusive land use strategies.

Why this is needed:

- Land use policies, including zoning, have been frequently identified by stakeholders as one of the key barriers to production of affordable housing in many communities.

Who is responsible:

- State government
- Localities
- Other applicants for community revitalization funds

How to accomplish:

State government officials should begin a dialogue with localities seeking funding for community revitalization to understand their land use policies and whether they encourage or inhibit affordable housing development. Agencies could create a menu of best practices in land use policies that are inclusionary and help support projects supported by these programs. New incentives in the review and scoring of VCI and other revitalization funding could also encourage local adoption of policies that facilitate affordability.

Recommendation 10

Recruit higher participation by minority developers and contractors.

Why this is needed:

- The BIPOC community is underrepresented in the housing development industry, paralleling the lag between Black and Brown households and white households for access to high quality, affordable housing.
- Change in who is developing, building, managing, and selling housing will occur only with intentional efforts.
- Capacity building and technical support efforts to date have not been effective in substantially increasing minority participation in the industry.

Who is responsible:

- Virginia Housing
- Department of Housing and Community Development
- Home Builders Association of Virginia
- Virginia REALTORS®
- Urban Land Institute and other industry leaders

How to accomplish:

DHCD and Virginia Housing should apply scoring incentives to proposals submitted by organizations with BIPOC leadership and/or proposals which demonstrate a measurable commitment to racial equity.

The agencies should also focus on minority developers and community development corporations for capacity building, offer robust technical assistance and funding over a sustained period, and foster partnerships with experienced developers.

Additional objectives include:

- Expansion and increased funding of current initiatives to grow minority participation in the industry,

- Establishment of goals in conjunction with developers, builders, lenders, housing authorities, nonprofits, real estate agents, and others, and
- Annual progress reports to measure improvement.

Chapter 25

Homelessness assistance and prevention

This chapter covers six programs that support efforts to assist persons experiencing homelessness and to build infrastructure to make homelessness rare, brief, and non-recurring.

Highlights

Major takeaways in this chapter include:

- Virginia's stable and increasing investments in the Virginia Homelessness Solutions Program and the Housing Trust Fund - Homeless Reduction Grant have yielded clearly measurable successes, as Point-in-Time counts of those experiencing homelessness have steadily declined over the past decade.
- The overall supply of housing available for persons transitioning out of homelessness is inadequate and is now a programmatic priority. Community resistance, financing limitations, and land use restrictions all impede more permanent solutions to end homelessness.
- To make lasting progress, state efforts should focus on increasing the supply of deeply affordable housing, expanding long-term rental assistance options, increasing inter-agency collaboration, and better integrating housing services in criminal processing and educational systems.

Programs in this grouping

Department of Housing and Community Development

- Affordable and Special Needs Housing (ASNH)
- Housing Opportunities for Persons with AIDS/HIV (HOPWA)
- Virginia Homelessness Solutions Program (VHSP)
- Virginia Housing Trust Fund - Homeless Reduction Grant (HTF-HRG)

Department of Behavioral Health and Developmental Services

- Permanent Supportive Housing - Serious Mental Illness (PSH-SMI)
- State Rental Assistance Program (SRAP)

25.1 Findings

These findings are based on data provided by Virginia Housing, DHCD, and other sources on the scale of these programs, demographic information on their beneficiaries, and other trends.

Finding 1

Virginia has continued to increase its investments in programs to end homelessness.

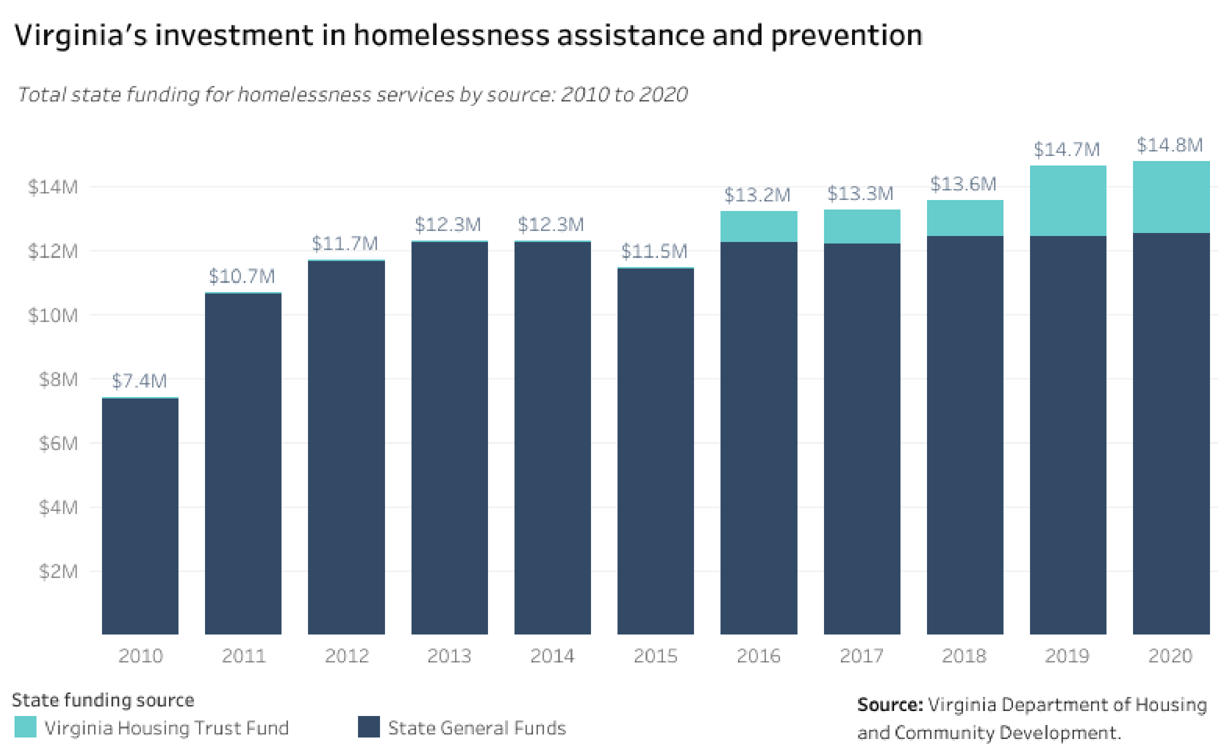


Figure 25.1: Virginia's investment in homelessness assistance and prevention

In 2020, the Commonwealth invested nearly $15 million in its two major homelessness prevention programs: the Virginia Homelessness Solutions Program and the Housing Trust Fund - Homeless Reduction Grant.

While the state's General Fund allocation to VHSP has remained steady in recent years, the most significant increases have occurred in the amount of Virginia Housing Trust Fund dollars in support of HTF-HRG.

Finding 2

Virginia's investments have resulted in significant decreases in the number of persons experiencing homelessness.

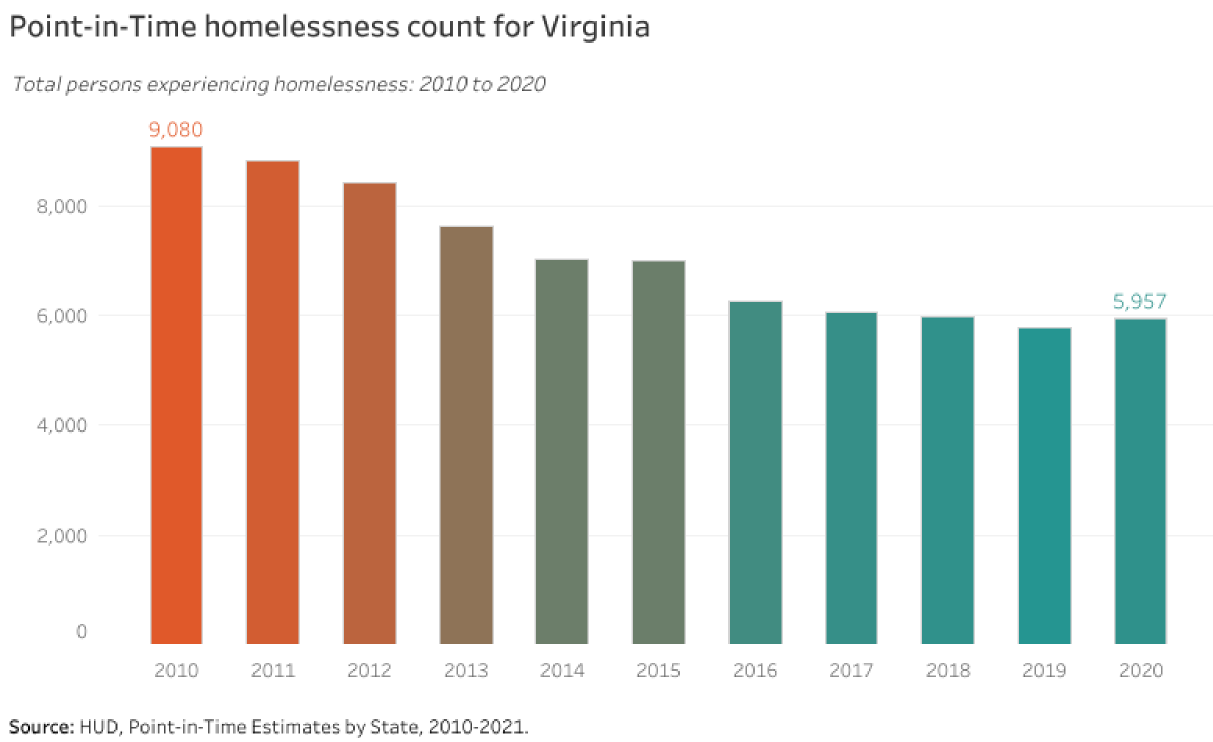


Figure 25.2: Point-in-Time homelessness count for Virginia

Coordination by DHCD and local Continuums of Care (CoC) has significantly decreased the number of observed persons experiencing homelessness in Virginia. Point-in-Time (PIT) counts have decreased 34 percent from just over 9,000 homeless individuals in 2010 to fewer than 6,000 in 2020.

Finding 3

Funding for permanent supportive housing under the Homeless Reduction Grant has increased significantly since the 2017-2018 program year.

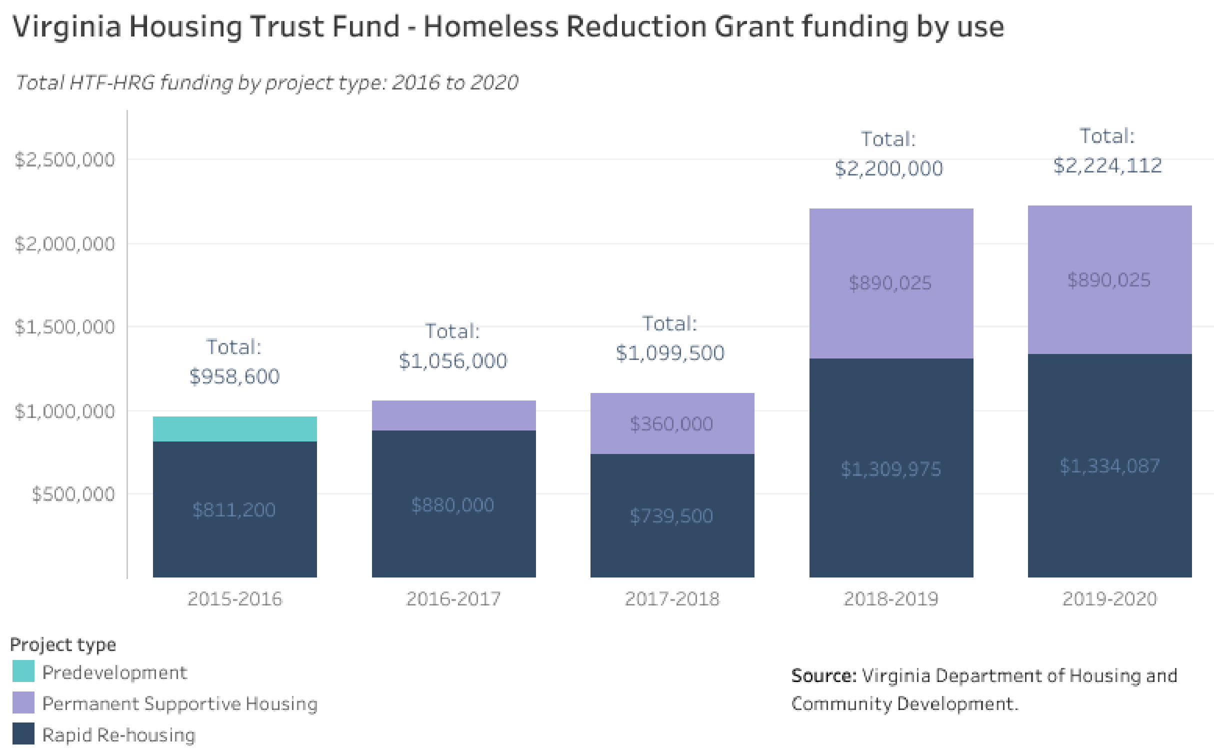


Figure 25.3: Virginia Housing Trust Fund - Homeless Reduction Grant funding by use

In the 2018-2019 program year, DHCD awarded funding to 13 permanent supportive housing (PSH) projects. This award was a major increase from the previous year where DHCD awarded $360,000 across five projects. This pivot represents a significant investment in permanent solutions to end homelessness.

25.2 Program successes

These successes are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Success 1

Virginia's increasing commitment to end homelessness is noteworthy.

Virginia's commitments to homelessness prevention over the past decade are impressive and worth highlighting. State government now plays a lead role in reducing homelessness throughout the Commonwealth and commits historic levels of funding to address these challenges.

Success 2

Homelessness prevention programs are well-coordinated in Virginia.

Virginia's strong collaboration by state and local providers includes coordinating a variety of federal resources. For instance, the VHSP application is modeled on the federal process, which reduces obstacles and allows for strategic investments. Funding can cover dedicated staff and critical administrative and data needs.

Success 3

The HTF-HRG reimbursement process has worked well during the program's lifespan.

Stakeholders and program administrators report that once HTF-HRG funds have been awarded, the reimbursement process runs smoothly. Funds also can cover supportive services and administrative staffing costs, which are not always covered by funding sources, but are much needed.

25.3 Program challenges

These challenges are based on feedback collected from the statewide provider survey, focus groups, and conversations with experienced users of these programs.

Challenge 1

Expanding the supply and spectrum of housing options has become a greater priority, and requires more support.

Increased funding levels have been pivotal to decreasing the number of persons experiencing homelessness, and funding—if current levels are sustained—is now less of a problem than it was a decade ago. The current pressing issue is the challenge of expanding the full spectrum of available housing options to meet the needs of those experiencing homelessness.

The supply of housing affordable and attainable to persons exiting homelessness is extremely limited. This includes both income-restricted housing and privately owned market-rate housing. Additionally, there are few state-supported incentives for private landlords to lease to tenants exiting homelessness, forcing providers to use privately-raised dollars instead.

The majority of persons exiting homelessness do not need a full suite of PSH offerings. There is a need to explore other models, such as single room occupancy (SRO) units and similar units with shared common spaces. However, local land use policies are often a major barrier to this.

Challenge 2

Despite increased collaboration, the homelessness system still has some components that are siloed.

Although state agencies, the Continuum of Care (CoC) program, and other providers collaborate effectively, there are still major opportunities for homelessness programs to integrate more fully into the broader housing and service delivery sectors. One example is the need for the PSH-SMI program to increase collaboration with CoCs.

Homelessness providers often deal with the downstream effects of challenges that emerge in the criminal processing and education systems. Although providers understand these connections, legislators and policymakers need to be better informed and more aware of the need for structural reform to end the root causes of housing instability.

Challenge 3

Some program design aspects hinder homeless service provider effectiveness.

Providers noted that programs operating on a reimbursement basis are challenging for homelessness providers who have large-scale costs like property acquisitions and hotel reimbursements.

As acquisition and construction costs rise, limits on project capital for some programs are becoming an issue. Providers would like to see these capital limits raised to reduce the need for additional funding sources for capital costs.

Challenge 4

NIMBYism at the local level can delay or derail efforts to combat homelessness.

"Not in my backyard" sentiments are most often expressed by members of the general public, but are also endemic in local officials when there is a vacuum of information. According to many providers, city and county managers are often unaware of how CoCs and associated homelessness prevention and assistance efforts actually work.

Challenge 5

Financing and overly restrictive local land use policies increase the barriers to providers.

Many projects aimed at reducing homelessness face challenges due to funding or financing and local land use regulations. These barriers increase the obstructions service providers confront in attempting to address homelessness in their communities.

25.4 Recommendations

These recommendations synthesize the findings, successes, and challenges identified for this cluster of programs. They offer a roadmap to a future where these state initiatives are efficient, impactful, and best serve Virginians who need greater housing opportunities.

Recommendation 1

Virginia's support to end homelessness should expand permanent solutions by increasing the supply of deeply affordable housing and expanding long-term rental assistance options.

Why this is needed:

The number and variety of deeply affordable housing units for persons exiting homelessness remains low. Service providers struggle to find units that not only meet the needs of their clients but are also priced affordably. These supply issues are stalling efforts to end homelessness.

Who is responsible:

- Department of Housing and Community Development
- Virginia Housing
- Department of Behavioral Health and Developmental Services
- Virginia Department of Social Services
- General Assembly
- Governor

How to accomplish:

DHCD should use increases in the HTF to sustain and expand its deployment of HRG funds for investments in permanent supportive housing. The state should encourage localities to amend local land use policies to allow for different types of housing that support persons experiencing homelessness.

Recommendation 2

When possible, allow for more flexibility in the expenditure of homelessness funds following COVID-19.

Why this is needed:

- Service providers often cited overly restrictive funds as a major barrier to addressing the needs of their clients and stably housing persons experiencing or exiting homelessness. This often resulted from federal funding rules that require changes in HUD programs, which DHCD is then responsible for administering.
- Providers also cited a lack of sufficient funding for supportive services often necessary to help address homelessness and transition clients into stable housing.
- Although the abundance of homelessness-related funding allocated during the COVID-19 pandemic alleviated some of these restrictions and gave providers additional flexibility, pandemic-related funding increases are not likely to stay permanent.

Who is responsible:

- Department of Housing and Community Development

How to accomplish:

DHCD should allow homeless service providers to use awarded funds on other services and resources that meet additional needs of individuals experiencing homelessness, unless DHCD is constrained by federal requirements.

For example, incentives to landlords to rent to people exiting homelessness are an eligible expense for Emergency Services Grant-CARES Act (ESG-CV) funds under the Virginia COVID Homelessness Emergency Response Program. This use should be codified permanently and not be limited to pandemic emergency response.

Recommendation 3

Expand existing education and professional development networks to include local officials, community service boards, and other social service providers.

Why this is needed:

- Stakeholders outside of the homelessness system are not well informed about how homelessness assistance and prevention programs work and the people the programs serve.

Who is responsible:

- Local government officials (e.g., city councils, boards of supervisors, and county administrators)
- Local community service boards
- Local departments of social services
- Department of Behavioral Health and Developmental Services
- Virginia Department of Social Services
- Managed care organizations (MCO)
- Virginia Housing Alliance and advocates
- Department of Housing and Community Development

How to accomplish:

Virginia should support and incentivize the inclusion of non-traditional stakeholders in professional development, education, and networking events held by groups like Virginia Housing Alliance. This can be done through greater promotion of these events and opportunities through housing and social services networks.

Recommendation 4

Integrate housing services in criminal processing and educational systems more comprehensively to strengthen homelessness assistance and prevention efforts.

Why this is needed:

- Prevention of homelessness can be more successful in upstream systems where at-risk individuals and families are first identified.
- Early identification and prevention in criminal processing, foster care, and educational systems can lessen pressures on CoCs and more effectively address homelessness among justice-involved populations and students at risk of or currently experiencing homelessness.

Who is responsible:

- Department of Housing and Community Development
- Department of Criminal Justice Services (VDCJS)
- Virginia Department of Education (VDOE)
- Department of Behavioral Health and Developmental Services
- Virginia Department of Social Services
- Continuums of Care and Local Planning Groups (LPG)
- Governor

How to accomplish:

Frontline agencies—DHCD, DBHDS, DCJS, VDOE, and other stakeholders— should establish and foster regular inter-agency communication and develop solutions to common challenges of housing vulnerable populations. This should involve identifying opportunities to better integrate housing services in educational systems and improve discharge planning in criminal processing systems to strengthen homelessness prevention.

Recommendation 5

Shift grant programs away from reimbursement models to facilitate faster delivery of funds and more sustainable cash flows for providers.

Why this is needed:

- The current reimbursement process through HTF-HRG requires homeless service providers to cover carrying costs before being reimbursed. This can create instability in nonprofit balance sheets, especially for those that depend heavily on government resources.

Who is responsible:

- Department of Housing and Community Development

How to accomplish:

DHCD should transition from reimbursement models to facilitate faster delivery of funds and more sustainable cash flows for providers. DHCD should also reduce or eliminate interest charged on borrowed money to cover services prior to reimbursement. Alternatively, they could explore whether interest can be reimbursed as an allowable administrative cost.

Part V

FOCUSED RECOMMENDATIONS

Part V Overview

Part V includes the following chapters:

26 State-funded rental assistance

Chapter 26 addresses HB854's requirement to propose recommendations for *"a Virginia rent subsidy program to work in conjunction with the federal Housing Choice Voucher program."*

27 Utility rate reduction

Chapter 27 addresses HB854's requirement to propose recommendations for *"utility rate reduction for qualified affordable housing."*

28 Property tax reduction

Chapter 28 addresses HB854's requirement to propose recommendations for *"real property tax reduction for qualified affordable housing for localities that desire to provide such an incentive."*

29 Bond financing options

Chapter 29 addresses HB854's requirement to propose recommendations for *"bond financing options for qualified affordable housing."*

30 Addressing racial equity in housing across Virginia

Chapter 30 provides recommendations to policymakers for reducing racial disparities in housing. While not specifically referenced in the text of HB854, the steering committee and SAG unanimously agreed that the report should include this topic.

Chapter 26

State-funded rental assistance

This chapter addresses HB854's requirement to propose recommendations for *"a Virginia rent subsidy program to work in conjunction with the federal Housing Choice Voucher program."*

Highlights

Major takeaways in this chapter include:

- A new state-funded rental assistance program would build on proven strategies to reduce housing instability and increase opportunities for low-income households.
- Over 300,000 low-income renters in Virginia are cost-burdened—a challenge faced disproportionately by Black, brown, and senior households.
- Current federal rental assistance and the supply of affordable rentals in Virginia still pale in comparison to the need thousands of low-income individuals and families have for housing assistance.
- Stakeholders recommend a statewide rental assistance program that prioritizes Virginians below 50 percent of their Area Median Income and those experiencing housing instability, reduces barriers to assistance that often leave Virginians behind in federal assistance programs, focuses on equity and efficiency, and ensures resident success through choice, mobility counseling, and landlord involvement.

26.1 Background

HB854 requested the SAG to:

> *". . . consider the following proposals as well as other proposals it considers advisable during the course of its analysis and deliberations: . . .* ***a Virginia rent subsidy program to work in conjunction with the federal Housing Choice Voucher program*** *. . ."*

The subgroup initially divided into two panels focused separately on rental assistance for permanent supportive housing (PSH) and a general rental assistance program (i.e., strictly assistance based on household income). The panel quickly realized that the complexity of PSH and initiatives already underway to assess statewide PSH needs required dedicated attention beyond the scope of this study. Therefore, a single subgroup addressed a state-funded rental assistance program.

The need for PSH units and rental assistance remains high. Organizations addressing this demand are supported by a range of programs:

- Department of Housing and Community Development (DHCD)
  - Affordable and Special Needs Housing (ASNH)
- Department of Behavioral Health and Developmental Services (DBHDS)
  - State Rental Assistance Program (SRAP)
  - Permanent Supportive Housing - Serious Mental Illness (PSH-SMI)
- Other sources
  - Section 811 Project Rental Assistance Program
  - "Mainstream" Housing Choice Vouchers
  - Auxiliary Grant Supportive Housing
  - Continuums of Care Rental Assistance

This state-funded rental assistance proposal concentrates on households making less than 30 percent area median income (AMI), which are extremely low-income households (ELI). The Technical Assistance Council notes that households that often need supportive housing are also ELI households. (O'Hara & Yates, 2015) A state-funded rental assistance program dedicated to ELI households can assist households that would benefit from PSH and those that do not need PSH.

26.2 Rationale

Rental assistance is a nationally-recognized best practice to help low-income households remain stably housed at a time when wages are stagnating, the wealth gap is widening, and rents are rising. (Salviati, Popov, Warnock, & Szini, 2021) (Horowitz, Igielnik, Kochhar, Horowitz, & Arditi, 2020)

Rental assistance covers a portion of a household's rent to prevent eviction and homelessness, which do not just harm those evicted and experiencing homeless but ultimately exact long-term costs to communities and local governments.

Federal rental assistance

The Housing Choice Voucher program (Section 8), created in 1974, is designed to help low-income families move from impoverished neighborhoods to neighborhoods of opportunity. The program assists qualified families to afford the cost of housing in the private market.

In Virginia, federal Housing Choice Vouchers (HCVs) are administered by Virginia Housing (through local agency partners) and public housing authorities (PHAs), which receive HCV allocations directly from the U.S. Department of Housing and Urban Development (HUD).

State rental assistance

State-funded programs have existed since 1966, when Massachusetts became the first to implement a rental assistance program, predating the federal Section 8 Housing Choice Voucher Program. Programs such as the Massachusetts Rental Voucher Program (MRVP) and the recent D.C. Flexible Rent Subsidy Program (D.C. Flex) offer valuable lessons for the design and implementation of a Virginia rental assistance program.

In the Commonwealth, DBHDS operates two relatively small and targeted rental assistance programs for persons with more complex needs: State Rental Assistance Program (SRAP) and Permanent Supportive Housing - Serious Mental Illness (PSH-SMI). These initiatives are reviewed in more detail in Chapter 21.

Need for rental assistance

Three out of four families who are eligible for housing assistance do not receive federal rental assistance. (Center on Budget and Policy Priorities, 2021) **The demand far exceeds the supply that has been appropriated by Congress.** When funding runs out, long waiting lists close and often remain closed for years. Emergency rental assistance in Virginia has helped to stabilize thousands of households during the COVID-19 pandemic, but even before the pandemic low income renters were often one missed paycheck away from housing instability.

In 2017, roughly 400,000 low-income renter households in Virginia were cost-burdened. In 2020, about 106,000 Virginia households received federal housing assistance[1] and an additional 86,600 lived in Low-Income Housing Tax Credit (LIHTC) apartments.[2] A Virginia rental assistance program could help close the substantial gap in assistance for low-income households.

26.3 Findings

26.3.1 Renter cost burden in Virginia

Comprehensive Housing Affordability Strategy (CHAS) data are calculated by the U.S. Census Bureau and are based on the American Community Survey (ACS). The U.S. Department of Housing and Urban Development (HUD) disseuminates this data to local governments and other organizations to help them understand the extent of housing problems and needs in their community. A large portion of this data focuses on cost-burdened households.

The most recent data release was on August 25, 2020 for the 2013-2017 5-year estimate period.

[1] Includes public housing, Housing Choice Vouchers, Project-Based Section 8, and other HUD-assisted income-restricted rental housing programs.

[2] HUD Picture of Subsidized Households; Virginia Housing list of existing LIHTC properties.

Income levels used by CHAS and other affordability data:

- Low-income (LI) is defined as above 50 percent but below 80 percent AMI.
- Very low-income (VLI) is defined as above 30 percent but below 50 percent AMI.
- Extremely low-income (ELI) is defined as below or equal to 30 percent area median income (AMI)

Major takeaways

Cost burden is highest among renters with the lowest incomes.

Nearly half a million renter households (45 percent) in Virginia are cost burdened. ELI renter households are disproportionately cost-burdened; 85 percent are cost-burdened and 65 percent are severely cost-burdened. The majority (80 percent) of VLI renter households are cost-burdened, and almost half of LI renter households are cost-burdened.

While the total share of renters with cost burden in Virginia has remained largely unchanged since 2010, National Low Income Housing Coalition (NLIHC) research indicates that ELI households who were severely cost-burdened rose to 71 percent in 2019, compared to 62 percent in 2017.

Virginian renters of color have higher cost burden

- Over half of Hispanic, Black, and American Indian renter households in Virginia are cost-burdened.
- One in four Hispanic and Black renter households in Virginia are severely cost-burdened.
- The number of Hispanic and Black renter households that are cost-burdened has been on the rise since 2010.

26.3.2 Publicly supported rental homes in Virginia

The Public and Affordable Housing Research Corporation (PAHRC) provides a snapshot of each state's publicly supported rental housing, often funded by multiple sources from different levels of government. Preservation of publicly supported rental housing with affordability restrictions due to expire over the next 30 years is also a priority.

Click here to view PAHRC's 2021 Preservation Profile for Virginia.

Major takeaways

- PAHRC estimates that in 2020 there were 125,020 rental units supported by public subsidy in Virginia.
- The majority (66 percent) of affordable rental housing units are supported by LIHTC.
- Nearly 5,000 existing publicly supported rental housing units (four percent of the total) are at risk of expiring affordability restrictions in the next five years.
- Over half (52 percent) of existing publicly supported rental housing units that have affordability restrictions expiring in the next five years (2,489) are also assisted by Section 8 contracts.
- PAHRC estimates that there is a 157,087 unit shortage of rentals affordable and available to ELI renters.

26.3.3 Available and affordable rental homes in Virginia

NLIHC annually analyzes the availability of rental housing that is affordable to ELI and other income groups. The analysis presents either a surplus or deficit of housing that is affordable to these income groups.

Click here to view NLIHC's profile for Virginia from their latest "The Gap" report.

Major takeaways

Virginia has a deficit of nearly 300,000 affordable and available units for households at or below 50 percent AMI. This includes a deficit of 148,720 for ELI households and 149,300 for VLI households.

For every 100 ELI households, there are only 39 available units that are affordable and available to them. Only 63 units are affordable and available for every 100 VLI households.

26.3.4 Virginia public housing authority housing stock and waitlists

The PHA survey conducted for this report, which collected information on waitlists for affordable housing programs run by PHAs in Virginia, is described in Chapter 9. Important considerations from that survey for this chapter are below.

Major takeaways

- There is a deficit of 40,718 units and 32,498 rental assistance vouchers across 32 localities in Virginia.
- Public housing has 16,270 applicants on waiting lists across the 22 PHAs, with the majority of public housing applications open.

- LIHTC housing has 7,278 applicants on waiting lists, with ten PHAs having open applications and three opening applications in the next one to four years.
- Voucher programs have 32,498 applicants on waiting lists, with the majority having open applications as of April 2021.

26.3.5 Profile of public housing residents and HCV recipients

HUD collects information on public housing residents and Housing Choice Voucher recipients using Form 50058, a module within the reporting system used by public housing authorities. HUD uses Form 50058 data to produce a Resident Characteristics Report (RCR) summarizing general information on households living in public housing or receiving either tenant- or project-based vouchers.

Information on Virginia's public housing residents and HCV recipients is available on the following dashboard:

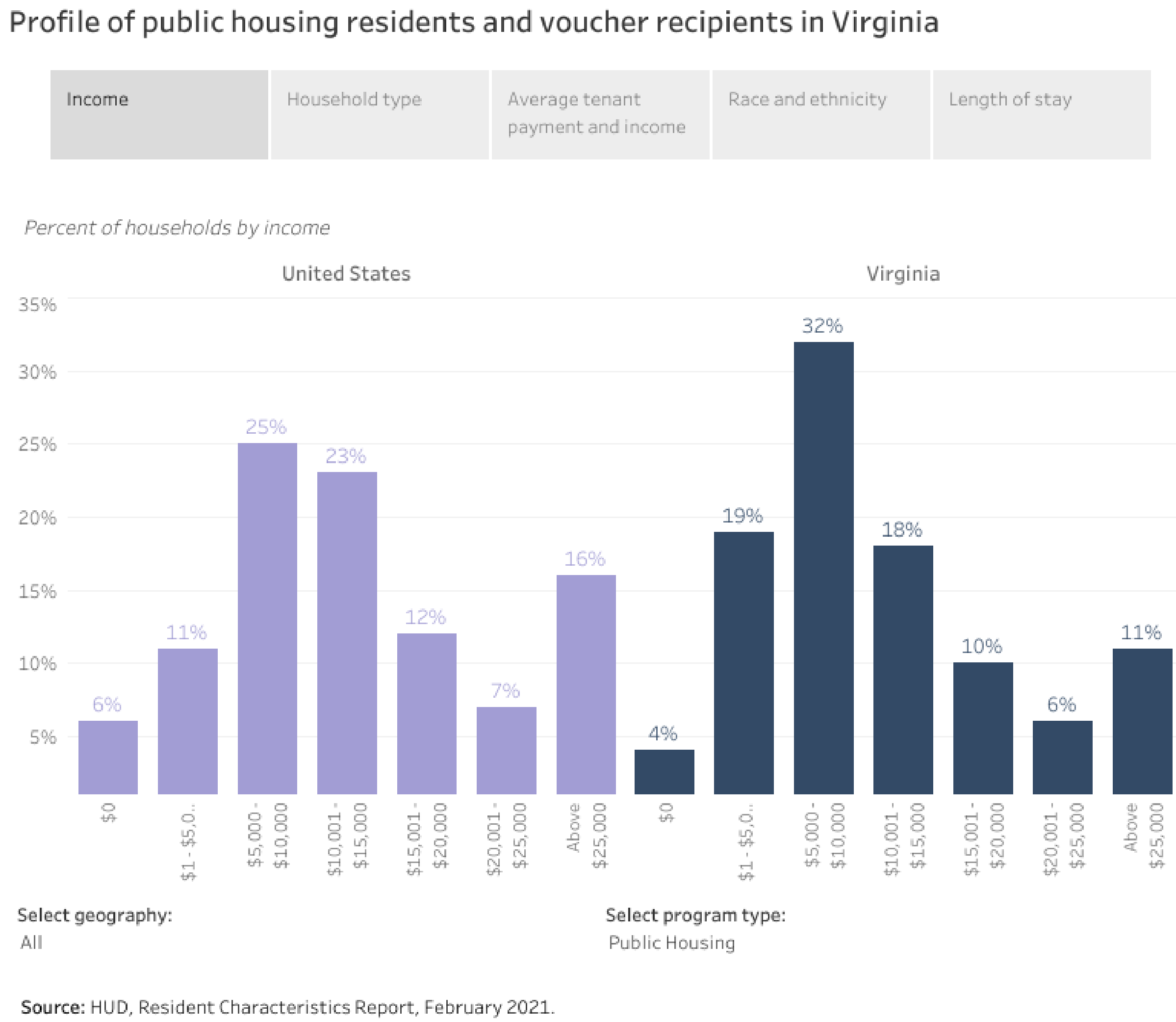


Figure 26.1: Profile of public housing residents and HCV recipients

Regional variations do exist among residents and recipients, but the publicly available data does not allow for a comprehensive breakdown between PHAs and localities.

HUD provides additional information on households that use housing assistance programs through its Picture of Subsidized Households dataset.

Major takeaways

- The majority of project-based voucher recipients in Virginia have an average annual income of $13,415 and contribute an average of $315 of their monthly income toward housing. Thirty-seven percent of households are female-headed households with children. The majority of recipients (82 percent) are Black.

- Tenant-based voucher recipients have a slightly higher average annual income of $14,964 and on average pay $352 of their monthly income toward housing costs. Forty-two percent of households are female-headed households with children and 73 percent of recipients are Black.

26.3.6 Lessons learned from other rental assistance programs

NLIHC maintains a database of State and Locally Funded Rental Housing Programs that was regularly updated before the COVID-19 pandemic. NLIHC staff identified in the updated database five statewide tenant-based rental subsidy programs that serve the general population. NLIHC provided the subgroup with an extensive list of programs across the nation that involve state-funded long-term rental assistance.

General takeaways

The following are high-level recommendations noted by NLIHC for state rental assistance programs.

- Most successful programs have a permanent source of funding rather than annual appropriations.
- Tenant-based assistance can be deployed more quickly than project-based assistance.
- Programs are more adaptable to state-level needs when not tied to federal HCV. Connecticut has been able to work within the confines of the federal HCV model by allowing for more flexibility in how it is administered at the state-level, including the use of third-party administrators instead of PHAs, waiving citizenship requirements at the state-level, and offering greater flexibility on criminal background checks.
- Only four states (Connecticut, Hawaii, Massachusetts, and New Jersey) and the District of Columbia have long-term state-funded rental assistance programs that serve populations based on income. Some of these programs have additional targeting and eligibility requirements (e.g., 75 percent of participants must be ELI, persons experiencing homelessness or at risk of homelessness, etc.). The majority of these programs are modeled after the federal HCV program. A state-level department or authority administers most of these programs.
- Time-limited vouchers are unwise because households are unable to improve their wages without significant time invested in workforce development, education, and other commitments. Even after improvements in employment, sustained stability requires a longer timeline.
- Setting priorities and preferences for voucher applicants can be difficult because explaining and verifying criteria can be difficult.

Policy takeaways

Specific lessons regarding policy design include the following four takeaways.

- Programmatic changes (e.g., payment standard levels and utility allowances) are politically and financially difficult to implement. Policymakers should endeavor to make appropriate decisions during the initial design phase.

- Opportunities exist to leverage the knowledge base of Section 8 administrators and beneficiaries. These organizations and individuals should be engaged throughout the design of development of a state rental assistance program.
- Virginia should consider flexibility and reasonable accommodations built into initial policy design to account for unknown market conditions and household needs in the future.
- Program administrators highly recommend the development of an administrative plan for state rental assistance programs written in accessible, plain language.

The Massachusetts Rental Voucher Program Administrative Plan (PDF) is a useful example of a plain-language guidebook.

Funding takeaways

The following are relevant examples and lessons from other states for funding their rental assistance programs.

- The District of Columbia's Local Rent Supplement Program (LRSP) uses its Housing Production Trust Fund, which is permanently funded through deed and recordation taxes.
- New Jersey's program blends both trust fund funding and appropriations.
- It is important to contextualize the high cost of providing rental assistance by providing an estimate of the number of households served or impacted by rental assistance. State long-term funding builds confidence in the program (i.e., budget in two- to three-year cycles).
- Disbursement of funds takes time; necessary phases include applicant selection and screening and time for participants to find units, and/or for projects to be constructed.
- Connecticut's Rental Assistance Program administrator recommends that general income-based assistance programs be tied to education and support; workforce development and education programs increase wages.

Provisions and standards takeaways

Additional lessons for program standards and best practices include the following four takeaways.

- Most programs use the 30 percent payment standard, but some are flexible (between 25 to 40 percent) depending on the household type and/or income.
- Vouchers must be tracked at the tenant/household level to inform spending and policy decisions.
- Electronic access to state databases is essential to verify income for quality assurance. (Examples include TANF, unemployment benefits, and Medicaid.)
- Centralized online applications improve usability for applicants and agencies.

26.4 Recommendations

The state-funded rental assistance program subgroup met four times in early 2021 to discuss the potential design of an initiative to work in conjunction with the federal Housing Choice Voucher program. The subgroup made the following recommendations—based on member input and consultation with national experts—to the full HB854 SAG and steering committee.

Recommendation 1

Develop a rental assistance program based on the federal Housing Choice Voucher program, with expanded eligibility, flexibility, and increased efficiencies.

A rental assistance program modeled after the federal program reduces the time and effort required to develop and implement new guidance and rules. The current program is effective in providing households with assistance, but there are areas of the program that can be more efficient and modifications to eligibility requirements that would ensure all Virginia residents can access assistance.

The subgroup recommends that the program should:

- Include both tenant-based and project-based vouchers to allow for flexibility in meeting household needs: allocate voucher type based on federal standards (up to 20 percent of total vouchers may be project-based), but monitor demand for project-based vouchers and allow for the ability to modify allocation in response to demand,
- Use existing HUD income limits based on AMI and household size to maintain consistency across affordable housing programs,
- Consider an administrative structure that is commensurate with the scale of the program (options include overlaying over the existing HCV administrative structure, etc.),
- Allow for assistance regardless of immigration status, housing authority debt status, eviction record, and criminal background to ensure that households most in need receive assistance[3],
- Allow funding to be used towards security deposits and application fees, and
- Use HUD's updated housing quality standards (NSPIRE) and allow for administrators to contract home inspections to qualified contractors.

Recommendation 2

Target households making 50 percent AMI or below, with the majority of allocation for households at or below 30 percent AMI.

Most of the cost-burdened renter households in Virginia are those earning 50 percent AMI or below. The federal program is inadequate to meet these substantial needs. Households at or below 30

[3] The subgroup recommends using the Office of Attorney General's Model Policy for Tenant Screening (PDF) for guidance on criminal background status

percent AMI often have supportive housing needs which can put further pressure on household finances. Development of a state-funded rental assistance program should consider dedicating annual voucher allocation (both project- and tenant-based) to serve persons with supportive housing needs.[4]

The subgroup recommends that the program should:

- Allocate the majority of vouchers to ELI households,
- Vouchers intended to support persons experiencing homelessness or at-risk of homelessness should be coordinated through the Continuum of Care and Balance of State Local Planning Group in each area of Virginia to ensure effective prioritization of vouchers and coordination with existing efforts and local resources,
- Prioritize households most in need as identified by the Continuum of Care and Balance of State Local Planning Group's established Coordinated Entry/Centralized Assessment prioritization process, and
- Require smaller percentage of income dedicated toward rent for ELI households (rather than the standard 30 percent), which would allow for greater savings and spending on necessities like food and transportation.

Recommendation 3

Implement a statewide program at-scale.

Rental assistance is a proven method to reduce homelessness and to eliminate the obstacles many low-income households face on a daily basis.

Rental assistance expands opportunities for low-income families.

The Center on Budget and Policy Priorities conducted a literature review on the benefits of rental assistance. (Fischer, Rice, & Mazzara, 2019) Overall, rental assistance is a major tool for bringing people out of poverty and increasing opportunities for better economic and personal well-being.

Based on their findings, rental assistance has been found to:

- Reduce the share of families living in shelters or experiencing homelessness by 75 percent,
- Reduce the share of families living in overcrowded housing by more than half,
- Lift three million people above the poverty line in 2018—a significant share of which were seniors and children,
- Increase positive outcomes for young children—allowing families to move to lower-poverty neighborhoods, and

[4] The allocation of vouchers dedicated to individuals with supportive housing needs can be estimated through Continuums of Care and Local Planning Group Homeless Management Information Systems. While HMIS may not account for all persons for which supportive housing may be beneficial, there is potential opportunity to increase coordination with criminal processing systems and other institutional systems to connect individuals to CoC/LPG coordinated entry systems to be assessed for emergency shelter or permanent housing placement.

- Improve health outcomes for children and adults by reducing the stress caused by homelessness and housing instability that can exacerbate chronic health conditions.

This subgroup believes there is no need for a pilot program to demonstrate the effectiveness of rental assistance in Virginia. The scale of the program is largely dependent on funding levels, which must also consider administrative costs. An effective and efficient program requires additional training, staff, and systems.

Funding example for statewide rental assistance program:

The Massachusetts Rental Voucher Program (MRVP) received $100 million through a budget allocation in fiscal year 2019, providing an average assistance of $922 per voucher per month to 8,535 households in the same fiscal year.[5] The MRVP projects that the fiscal year 2020 administrative fees will be $5,393,770 out of its total projected spending of $114,981,967—a five percent share. The budget allocates about one percent to supportive services subsidy.

The subgroup recommends that the program should:

- Use a stepped implementation process at the regional-level to work out program issues,
- Allocate funding towards administration and additional support services for special needs populations (e.g., seniors, persons with disabilities, victims of domestic violence, etc.),
- Consider equity and cost-effectiveness when developing a program at-scale, and
- Use the following broad estimates on households assisted and costs (Table 26.1) to make a decision on program scale.

Investing in rental assistance would reduce the total public and private costs of evictions.

These projected cost ranges—from $73 million to $258 million per year—are significantly lower than recent estimates for the total immediate and downstream costs of evictions in Virginia. According to the RVA Eviction Lab at VCU, the total cost of the 70,600 evictions across the state in 2018 is between $483 million and $1.26 billion. (DeLeon, Howell, & Teresa, 2021)

Recommendation 4

Ensure resident success through choice, mobility counseling, and landlord outreach/incentives.

While many rental assistance program recipients may want to stay within their existing communities, some may want to relocate to areas where they can take advantage of new economic and educational

Table 26.1: Possible funding scenarios for new state-funded rental assistance program

Scenario	Scale	Description	Households served	Cost range
1	Targeted: Homeless	Addresses the needs of all special needs households identified by Point-in-Time counts. Prioritizes households most-in-need who are experiencing homelessness. No rental assistance is provided for households that are not experiencing homelessness or at risk of homelessness.	4,551	$73M to $85M
2	Targeted: ELI	Covers 50 percent of special needs households in both metropolitan and rural areas, while also providing assistance to several thousand ELI households.	9,844	$112M to $134M
3	Targeted: ELI-VLI	Widens previous scenario to VLI households currently paying more thah half of their income on rent (severely cost-burdened).	13,080	$154M to $185M
4	Targeted: Homeless and ELI-VLI	Maximizes assistance by addressing the needs of all special needs households and a portion of cost-burdened of ELI and VLI households.	16,700	$216M to $258M

opportunities. However, many low-income households face obstacles in finding and securing housing in these areas.

The newly enacted source of income protection for Virginia allows recipients to use rental assistance wherever they choose without being legally denied housing solely because they have a voucher.[6] Assistance throughout the process can also expand recipients' options of where to live; this includes help with searching for housing, understanding their rights as tenants, and navigating issues in a new neighborhood or between landlords and tenants.

The subgroup recommends that the program should:

- Take into account the expansion of mobility counseling programs with funding levels,
- Require administrators within metropolitan areas to provide mobility counseling,
- Incentivize the use of Small Area Fair Market Rents for public housing authorities in metropolitan areas (e.g., priority allocation for metropolitan public housing authorities using SAFMR),
- Address portability of tenant-based assistance across housing authority service areas, and
- Consider additional landlord incentives beyond the Communities of Opportunity Tax Credit for the acceptance of vouchers.

[6] As of July 1, 2020, Virginia Fair Housing Law now includes "source of funds" as a protected class. (Va. Code Ann. § 36-96.1, et seq.) Landlords may not deny an application based on how that prospective renter intends to pay their rent. This includes, for example, renters with Housing Choice Vouchers.

Chapter 27

Utility rate reduction

This chapter addresses HB854's requirement to propose recommendations for *"utility rate reduction for qualified affordable housing."*

Highlights

Major takeaways in this chapter include:

- Electricity, gas, water, and other essential utility costs strain the budgets of low-income Virginians—as well as those of affordable housing providers working to build and preserve units across the state.
- COVID-19 demonstrated that reliable high-speed internet access is critical for work, education, and healthcare for families. However, more than one-in-three households earning less than $20,000 do not have internet access in Virginia.
- State law and regulatory precedent disallow specific rate reduction carve outs for affordable housing.
- Instead, Virginia can address these challenges by unifying current and new efforts supported by expanded state and federal funding, helping localities reduce up-front utility costs for affordable housing, bolstering current energy efficiency measures, and leveraging the Commonwealth's substantial new broadband investments to increase internet access and affordability for residents in affordable housing.

27.1 Background

HB854 requests the SAG to:

> *". . . consider the following proposals as well as other proposals it considers advisable during*

> *the course of its analysis and deliberations: . . .* ***utility rate reduction for qualified affordable housing****. . .”*

Utilities are an important but often overlooked aspect of affordable housing. They contribute to upfront development costs and then affect affordability through regular service bills for residents and property owners. While mortgage or rent is the main source of a housing cost burden, sometimes households must also dedicate a large share of their income on basic services like electricity and gas.

Different formulas calculate this financial hardship and measure affordability. (Brown, Soni, Lapsa, & Southworth, 2020) For the purposes of this report, “energy cost burden” refers to the share of a household’s income spent specifically on home energy bills. When this burden is too large, it contributes to greater housing insecurity, primarily for low-income households with less spending power.

The subgroup concentrated on household energy burden, which includes the group’s suggested solutions to reduce costs associated with the development and preservation of energy efficient affordable housing. The subgroup also addressed access to and affordability of high-quality internet service to residents of affordable housing, as internet has proven to be an essential household utility.

27.2 Findings

27.2.1 Household utility cost trends in Virginia

The threshold for energy cost burden is six percent of household income. (Fisher Sheehan and Colton, 2021) This calculation includes all costs associated with energy used by the home (e.g., electricity and natural gas), but excludes other utilities like trash collection and internet.

Households paying more than six percent of their income for their home energy bills are at much greater risk of being unable to meet all other necessary expenses. According to tabulations of the Consumer Expenditure Survey by the Harvard Joint Center for Housing Studies:

> *“Severely cost-burdened renter households in the bottom expenditure quartile (a proxy for lowest income) spent 38 percent less on food and 40 percent less on healthcare in 2018 than otherwise similar renters with housing they could afford.”* (Joint Center for Housing Studies, 2021)

Energy cost burden disproportionately impacts low-income households as, on average, they spend ten percent or more of their income on utilities compared to the five percent or less spent by middle- and upper-income households. In 2020, Virginians below 50 percent of the Federal Poverty Level spent 31 percent of their income on home energy bills alone.

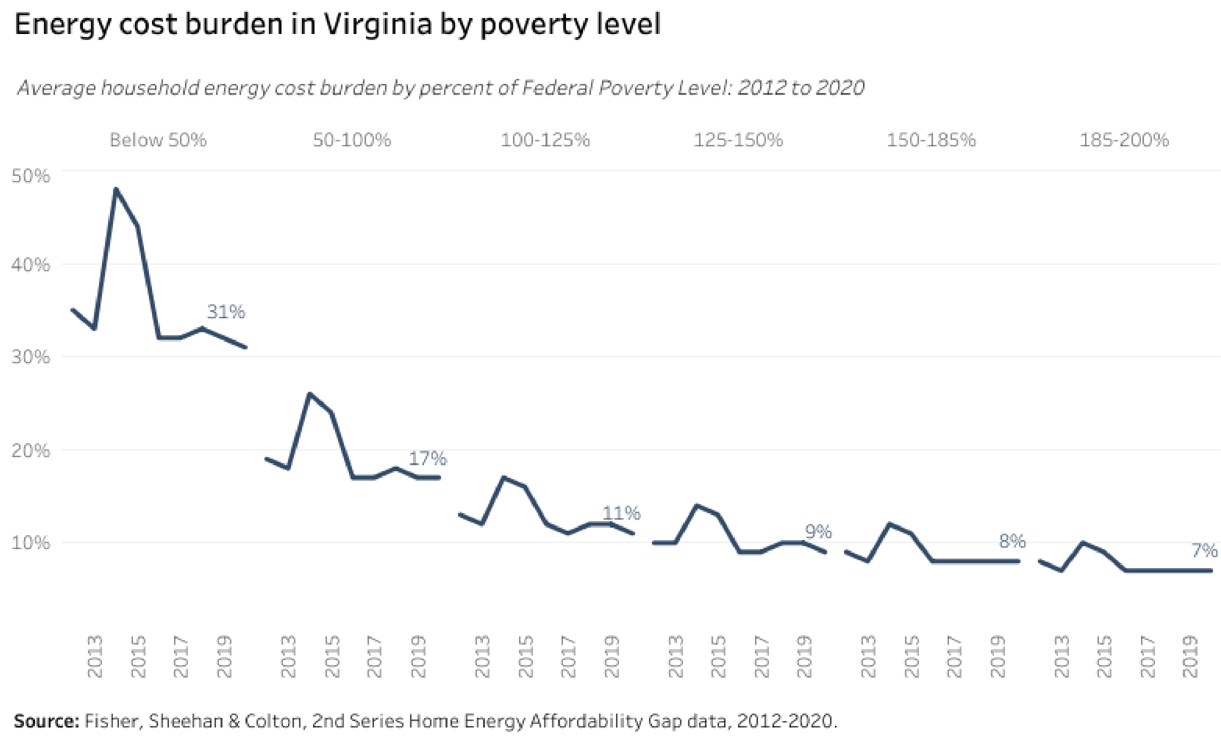


Figure 27.1: Energy cost burden in Virginia by poverty level

This disproportionate energy cost burden is partly due to low-income households occupying less efficient homes and apartments. Over 57 percent of all households below 50 percent AMI in the state live in homes built more than 40 years ago.[1]

[1]U.S. Department of Housing and Urban Development, Comprehensive Housing and Affordability Strategy, 2013-2017 5-year estimates, Table 12.

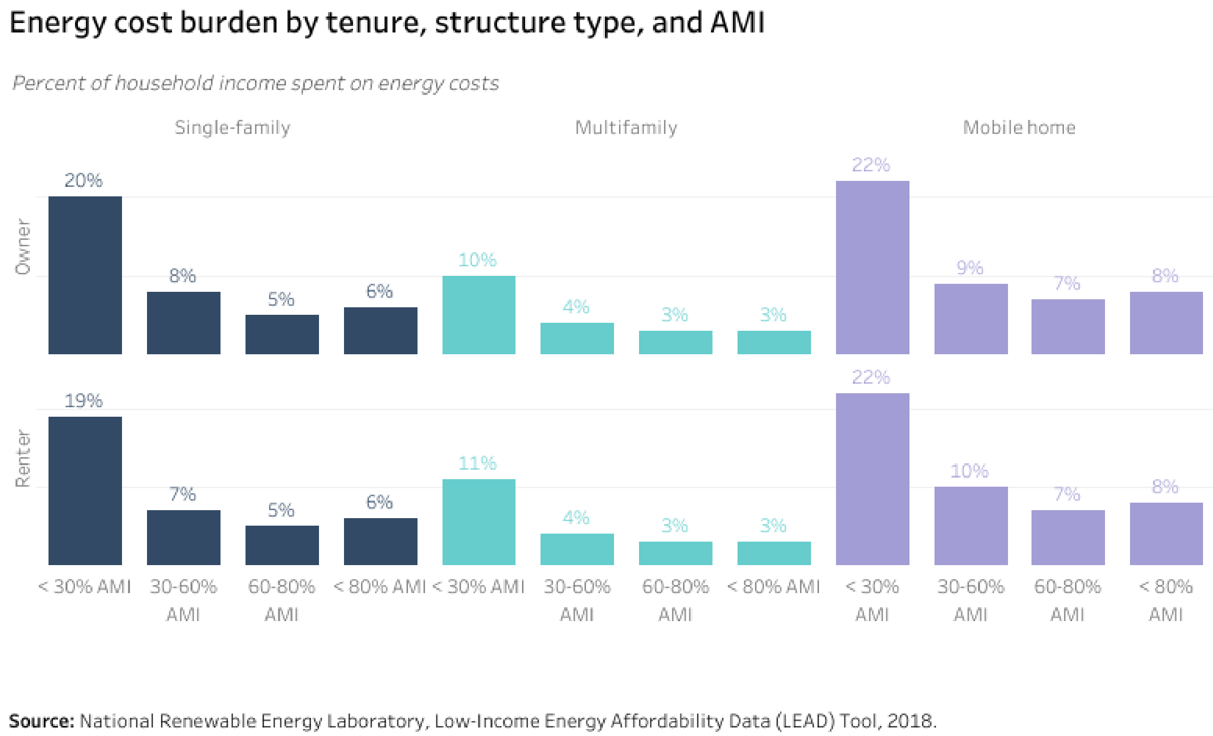


Figure 27.2: Energy cost burden by tenure, structure type, and AMI

As of 2019, the median monthly rent in Virginia for a home built prior to 1940 was $670 less than that of one built in the past five years.[2] Data from the National Renewable Energy Laboratory show that Virginians earning less than 50 percent AMI who live in older housing—particularly single-family homes and mobile homes—have the highest energy burdens.

[2]U.S. Census Bureau, American Community Survey, 1-year estimates. Table B25111.

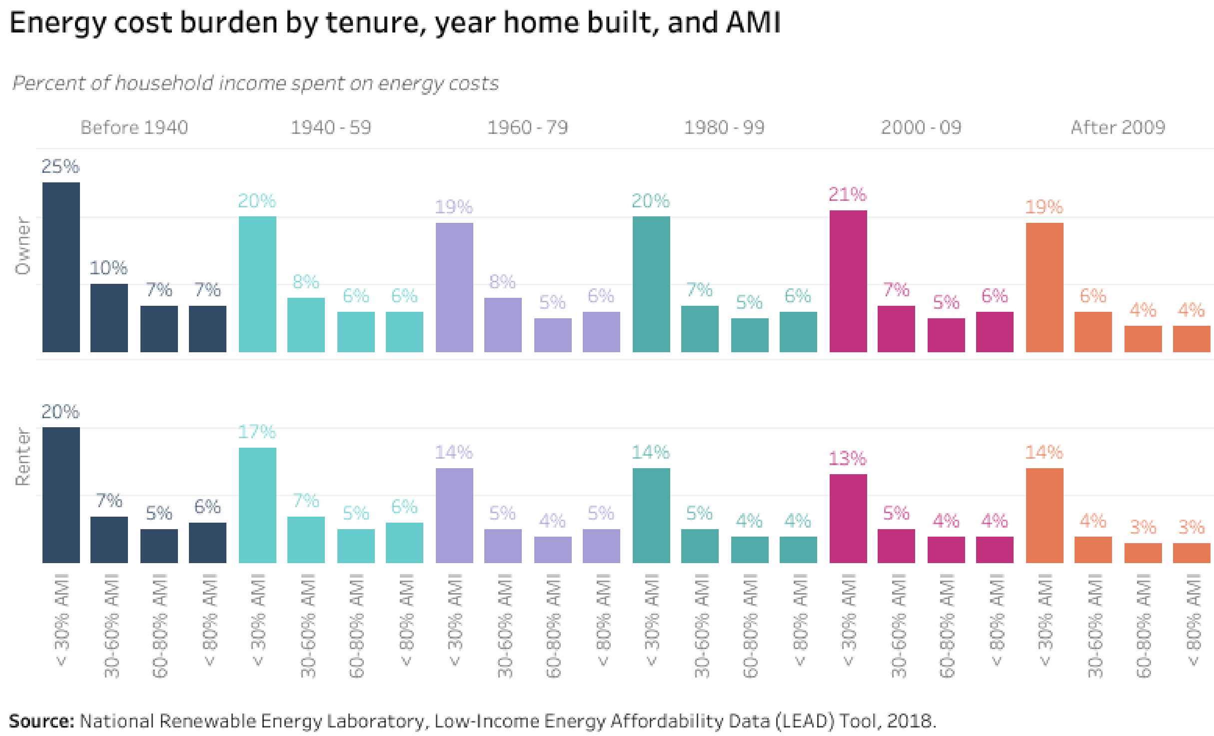


Figure 27.3: Energy cost burden by tenure, year home built, and AMI

High cost burdens can reduce a household's ability to use electricity, heat or cool their home, or even have running water. Some households choose between paying utility bills and paying mortgage or rent, or other essential expenses. This in turn contributes to high levels of housing instability, including evictions and foreclosures.

27.2.2 Utility rate and expenditure trends

On average, the nominal retail price of residential electricity in Virginia has increased annually by roughly 0.18 cents per kilowatt-hour from 1990 to 2019. When adjusting the price using the Consumer Price Index (CPI) of electricity for urban consumers in U.S. cities, the real price of electricity has decreased by 0.30 percent on average per year during the same period.[3]

[3] The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Indexes are available for the U.S. and various geographic areas.

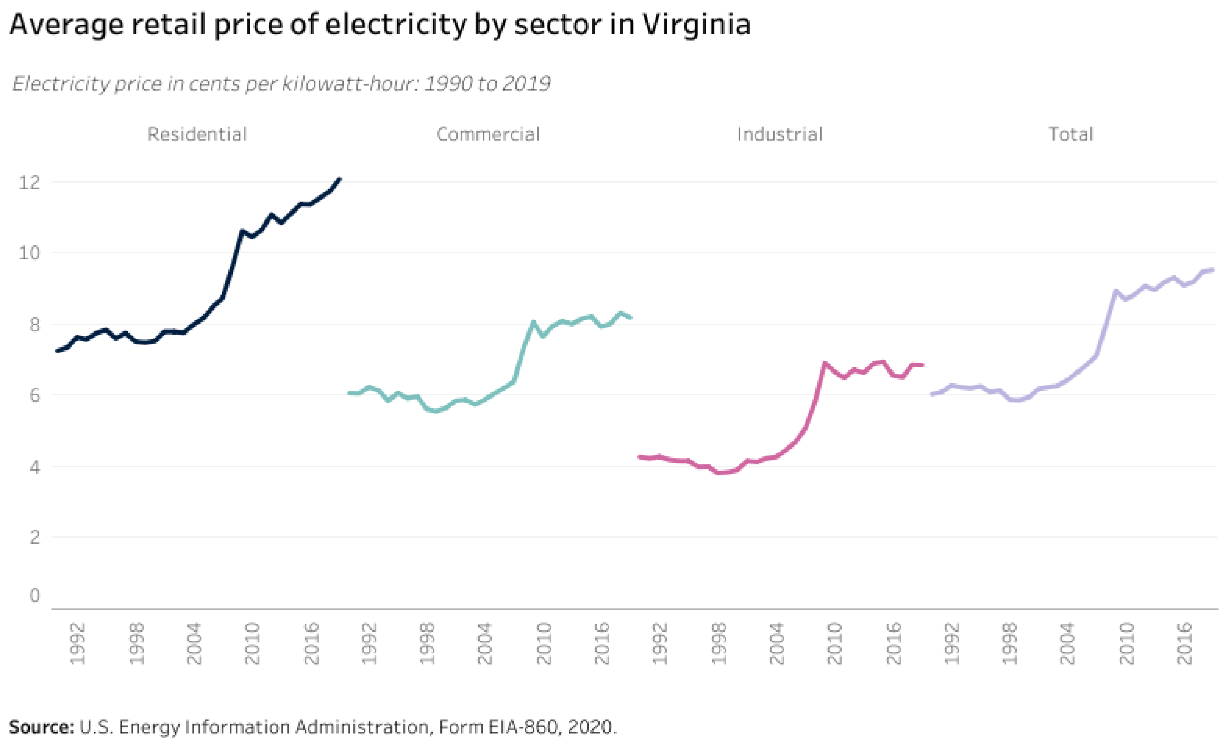


Figure 27.4: Average retail price of electricity by sector in Virginia

The average bills for residential water and sewer (wastewater) have similarly increased in recent years. In 2020, the typical customer in Virginia paid more than $80 for both water and sewer, or roughly $25 more than the average for 2010.

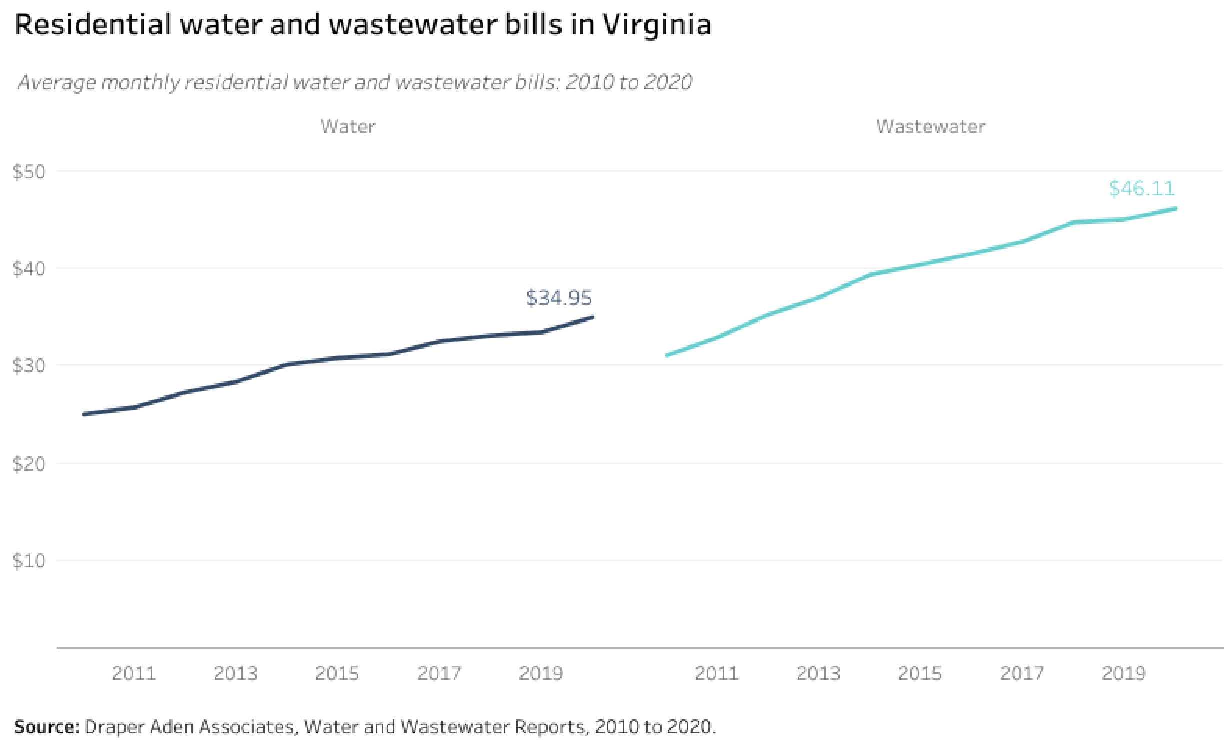


Figure 27.5: Residential water and wastewater bills in Virginia

27.2.3 Internet as a utility

The COVID-19 pandemic has demonstrated that high-speed internet is a vital tool in everyday life. As a result, disparities in broadband access exacerbate existing inequity throughout Virginia.

The statewide provider survey, focus groups, and discussion within this subgroup all identified equitable access to broadband as a need for low-income households and residents in affordable housing.

Across the Commonwealth, more than one-in-three households earning less than $20,000 do not have internet access, compared to fewer than one-in-twenty households earning $75,000 or more.

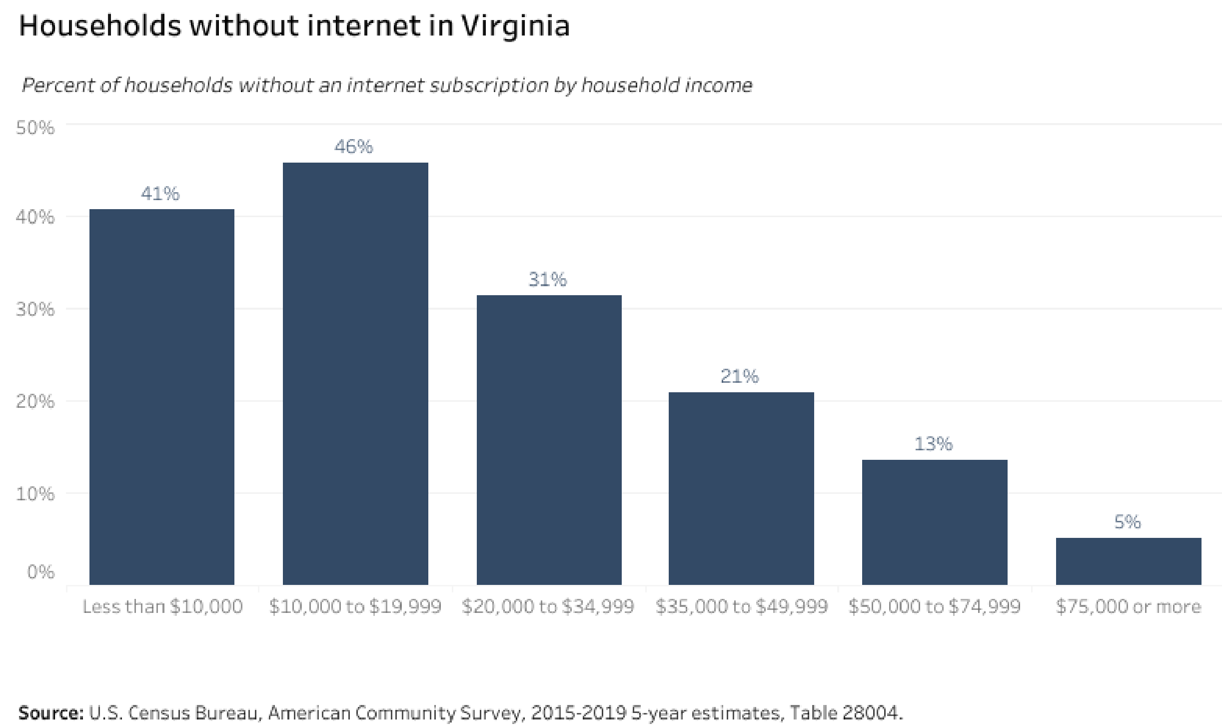


Figure 27.6: Households without internet in Virginia

There also is a broadband divide by race in Virginia: 30 percent of Black households in the state do not have high-speed home internet access compared to 23 percent of Hispanic households and 19 percent of white households. (Alliance for Excellent Education, 2020)

Although Virginia does not currently recognize broadband internet as a "utility" alongside electric and gas service, in 2018 Governor Northam committed the state to achieving universal broadband access by 2028. (Pew Charitable Trusts, 2021) Commonwealth Connect—a state-led comprehensive effort to expand the scale and impact of broadband investments—supports this initiative.

Commonwealth Connect promotes solutions in three main areas:

1. State policy changes to remove barriers and support infrastructure,
2. Financial, planning, technical, and other assistance to local governments, and
3. Grants to communities to spur solutions via public-private partnerships. (Commonwealth Connect, 2018)

Since 2017, the Commonwealth has awarded $140 million and connected 124,000 locations to address broadband accessibility throughout Virginia.

Broadband investments funded by the CARES Act

In October 2020, Virginia dedicated $30 million of federal CARES Act dollars to projects that will expand broadband access and affordability across the state. As of spring 2021, the state has funded 71 projects throughout 50 localities. Some relevant examples include:

- An investment of $4 million for the City of Hopewell to provide **free public Wi-Fi networks for 747 affordable housing units.** This project created eight miles of fiber with 250 access points throughout the city.
- An investment of $750,000 for the Portsmouth Broadband Authority to build a **wireless mesh network for 1,065 public housing units.** The funds also supported several additional public Wi-Fi hotspots with a total of 173 access points throughout the city. (Commonwealth Connect, 2021)

Along with these affordability-focused projects in urban areas, CARES Act funding supported 45 "last mile" projects to expand broadband access in predominantly rural areas. These investments to deploy physical infrastructure are the state's priority in the coming years.

Other recent state actions

Broadband expansion was a key topic during the 2021 General Assembly session. Virginia developed two new pilot programs and passed legislation to expand broadband access and close disparity gaps.

The first program authorizes the Virginia Department of Social Services (VDSS) to design a program to expand reliable internet access for low-income residents by providing them with up to $15 in reimbursement costs monthly. VDSS was required to report its recommendations by November 1, 2021.[4]

The second program requires DHCD to create a program within the Virginia Telecommunication Initiative (VATI) where public broadband authorities are permitted to apply for program funds without private sector investment.[5]

Lawmakers also adopted a third bill which authorizes school boards to appropriate funds for the expansion and operation of broadband for educational purposes.[6] School boards may partner with private broadband service providers and subsidize broadband for qualifying households.

What are other states doing? Over the past year, nearly every state in the nation has taken up or is considering new legislation to expand broadband or make it more affordable. These bills, including a handful specifically related to affordable housing, are listed on the National Conference of State Legislatures website.

Internet and LIHTC

As of today, none of the methods to calculate utility allowances for LIHTC developments include broadband internet as a utility for residents. Internet costs are categorized alongside telephone, cable,

[4] Appropriation Act - Item 359 L, 2021 Special Session I, Virginia General Assembly.

[5] HB1923 Broadband capacity; expands existing pilot program, municipal broadband authorities. 2021 Special Session I, Virginia General Assembly.

[6] SB1225 Broadband services; school boards to appropriate funds for expansion of services for education. 2021 Special Session I, Virginia General Assembly.

and other non-essential utilities; without any changes, *simply adding internet to LIHTC utility allowances would lower total rent collected and add additional up-front costs.*

However, many states do encourage internet infrastructure for new LIHTC units. For example, Virginia Housing currently awards points in its 2019-2020 Qualified Allocation Plan for internet as follows:

- *One point awarded* "if each unit is provided with the necessary infrastructure for high-speed Internet/broadband service."
- *Four points awarded* "if free Wi-Fi access is provided in the community room and such access is restricted to resident only usage."
- *Six points awarded* "if each unit is provided with free individual high-speed Internet access."

If developers receive additional support to offset initial costs, they likely will pursue these points more frequently as internet continues to rise in importance and becomes a significant market advantage.

27.2.4 Regulatory environment

The State Corporation Commission (SCC) regulates rates for most electric and gas utilities in Virginia. Title 56 of the Code of Virginia enumerates how the state may regulate the rate-setting and operations of these utilities.

Due to prevailing state law and regulatory precedent, a standalone rate reduction for affordable housing is not feasible in Virginia. The subgroup reached this conclusion following multiple conversations with SCC officials and utility providers.

The subgroup has found no evidence that any other state provides a separate rate classification for affordable housing.[7] This applies to both electric and gas utilities.

27.2.5 Relevant state utility and energy programs

COVID-19 assistance

Following the onset of the COVID-19 pandemic, providers of electric, gas, water, and sewer utilities were subject to:

- A shut-off moratorium preventing termination of service due to unpaid bills[8],
- Establishment of emergency debt repayment plans for customers more than 30 days behind on their bills, and
- Debt forgiveness for customers using CARES Act funding from the federal government.

[7] Based on HousingForward Virginia research and conversation with the National Housing Trust.
[8] This moratorium began on March 16, 2020 and expired on October 5, 2020.

Utilities have also been encouraging customers to take advantage of LIHEAP funds and provider programs such as Dominion Energy's EnergyShare.

Low-Income Home Energy Assistance Program (VDSS)

The Low Income Home Energy Assistance Program (LIHEAP) is a federally-funded resource that covers "costs associated with home energy bills, energy crises, weatherization and energy-related minor home repairs."[9]

VDSS administers LIHEAP in Virginia. Households are eligible for LIHEAP funds if they earn less than 130 percent of the Federal Poverty Level or 60 percent of Virginia median income if using funds for weatherization.

Virginia received more than $87.8 million in LIHEAP funds in fiscal year 2021 and $23.3 million in supplemental funds from the CARES Act. Across Virginia in fiscal year 2019, LIHEAP provided heating assistance to 102,858 households, cooling assistance to 65,196 households, and crisis assistance to 16,592 households.[10]

Weatherization Assistance Program (DHCD)

The Weatherization Assistance Program (WAP) helps provide energy efficiency upgrades to low-income households. Funds are provided by the U.S. Department of Energy (DOE) and are used to install insulation, repair heating and cooling systems, and other energy-saving uses.

Prior to 2020 and the COVID-19 pandemic, WAP funded nearly $5 million in weatherization activities across the state, reaching more than 1,200 households annually.

Percentage of Income Payment Program (VDSS and DHCD)

In 2021 the General Assembly passed legislation to begin the Percentage of Income Payment Program (PIPP).[11] PIPP limits the total electric bills for eligible low-income customers of Dominion Energy and Appalachian Power and directs customers to other resources to alleviate their energy cost burden. VDSS, with help from DHCD, will begin drafting program regulations this year.

In the bill, lawmakers also asked the state to conduct a gap analysis and determine what service gaps, if any, continue to exist for PIPP-eligible customers.[12] VDSS will be the lead agency and partner with DHCD on the weatherization component. VDSS will direct the subsidy program.

Utility sponsored and administered programs

Private utilities in Virginia offer charitable programs to provide utility assistance to customers in need. Private donations, usually from ratepayer voluntary contributions, typically fund these unregulated programs. One well-known example is the Dominion Energy EnergyShare program, which provides bill payment assistance and weatherization services.

[9] U.S. Department of Health & Human Services Low Income Home Energy Assistance Program (LIHEAP)

[10] Virginia LIHEAP FY2019 State Profile (PDF)

[11] HB230 Percentage of Income Payment Program and Fund; DHCD & DSS to adopt rules, etc., for adoption. 2021 Special Session I, Virginia General Assembly.

[12] Va. Code Ann. § 56-585.6. "Universal service fee; Percentage of Income Payment Program and Fund." Section D.

Dominion Energy and Appalachian Power have also just recently expanded their energy efficiency program offerings pursuant to Va. Code Ann. § 56-585.1, referred to as "Phase VIII" initiatives in their demand side management (DSM) program.

- Dominion Energy's new programs were approved in July 2020; they include Residential/Non-Residential Multifamily energy efficiency, Residential Home Retrofit, Residential Manufactured Housing, and Residential New Construction programs.[13]
- Appalachian Power's approved new programs include Low-Income Single Family, Low-Income Multifamily, and ENERGY STAR Manufactured Home programs.[14]

Regional Greenhouse Gas Initiative and Housing Innovations in Energy Efficiency (DHCD)

The Regional Greenhouse Gas Initiative (RGGI) is a cap-and-trade program designed to reduce climate pollution from fossil fuel power plants. Virginia joined RGGI in 2020, bringing the total number of participant states to eleven across the eastern seaboard. By capping emissions, RGGI requires energy producers to either reduce pollution or buy allowances at auction. Funds raised at RGGI auctions flow to the states. According to DHCD:

> *"Legislation passed by the Virginia General Assembly authorizes proceeds from these auctions to be used for community flood preparedness, coastal resilience and energy efficiency programs for affordable housing. DHCD will administer approximately 50 percent of the auction proceeds through [the Housing Innovations in Energy Efficiency (HIEE) program], with technical assistance from the Department of Mines, Minerals, and Energy (DMME)."*[15]

The Housing Innovations in Energy Efficiency (HIEE) program expands energy efficiency measures in residential buildings to benefit low-income Virginians. DHCD formed a HIEE Stakeholder Advisory Group in 2020 to establish priorities and craft guidelines for the program.

Virginia's first RGGI auction in March 2021 produced $21.7 million in proceeds to the Commonwealth. For fiscal year 2021 these funds have been distributed through DHCD's Affordable and Special Needs Housing (ASNH) program and the Weatherization Assistance Program (WAP).

On July 8, 2021, Governor Northam announced more than $21 million in 24 new ASNH loans for affordable housing projects across Virginia. This includes $6.2 million in HIEE funds to support energy efficiency and renewable energy upgrades.

Beginning in January 2022, lawmakers will receive an annual report on RGGI participation and fund distribution jointly prepared by DHCD, the Department of Conservation and Recreation DCR, and Department of Energy.[16] The partner agencies will update and deliver this report annually.

[13] Program descriptions are found in Direct Testimony of Michael T. Hubbard filed 12/3/2019 (PUR-2019-00201 starting on p. 46).

[14] Program descriptions are in "Exhibit 3 - Direct Testimony of Kelly Marlow" filed 9/30/2019 (PUR-2019-00122).

[15] DHCD Housing Innovations in Energy Efficiency website.

[16] Va. Code Ann. § 10.1-1330. "(Effective until October 1, 2021) Clean Energy and Community Flood Preparedness." (Note: the Department of Mines, Minerals, and Energy changed its name to the Department of Energy in May 2021.)

27.2.6 Impact of utility costs on affordable housing development

Utility hookup fees

Initial fees for water, wastewater, and other basic infrastructure can be a significant hard cost for affordable housing developers. These expenses are rolled into the project's financing, increasing the level of debt service needed, and adding to the eventual rent or sales price amounts. Since 2010, the statewide average water and wastewater hookup costs have steadily risen.

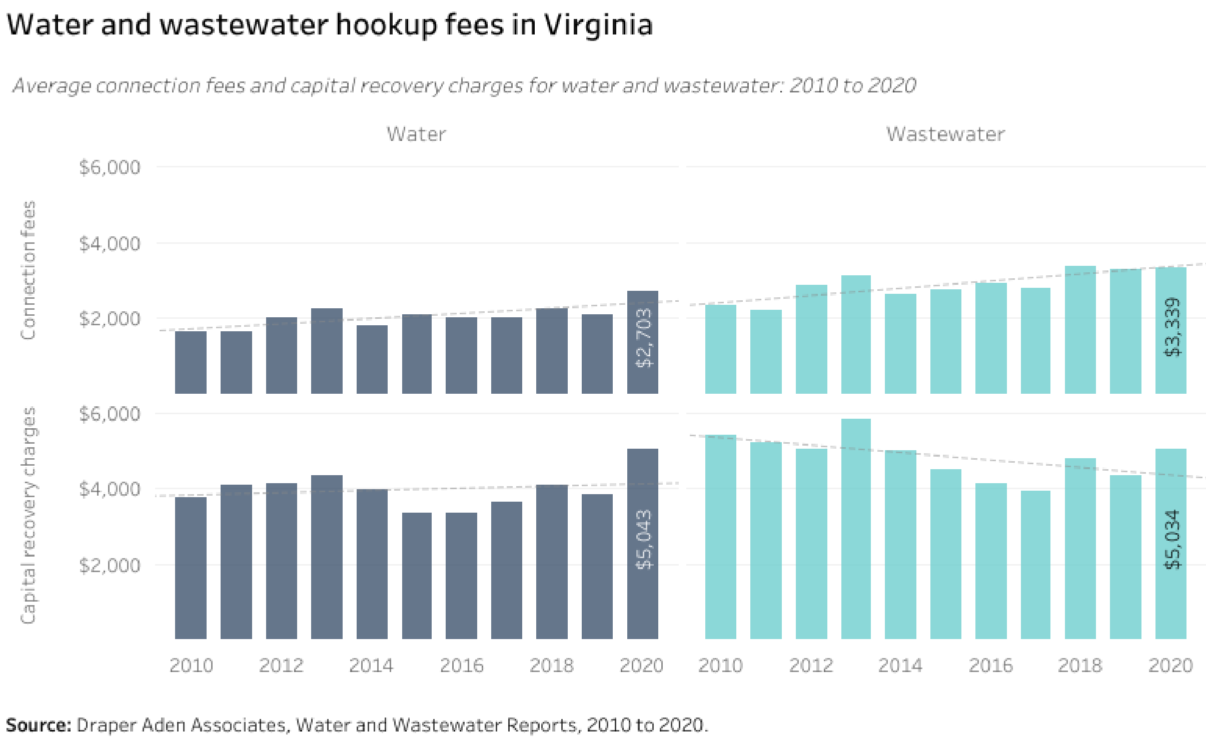


Figure 27.7: Water and wastewater hookup fees in Virginia

Table 27.1 shows example development fees for two small residential projects in the City of Fairfax: a 13-unit single-family home development and a 9-unit townhome development.[17] In both cases, wastewater, water, and service connection fees account for the majority of municipal residential development costs.

The Code of Virginia does allow localities to waive a wide range of fees for affordable housing development.[18] A locality that has adopted an ordinance may give these waivers or reductions to nonprofit or private-sector entities.

[17] "Fee Waivers for Affordable Housing." Fairfax City Council Work Session. September 22, 2020.
[18] Va. Code Ann § 15.2-958.4. "Waiver of certain fees for affordable housing."

Table 27.1: Examples of local development fees for two residential projects from the City of Fairfax

Fee	Avery Park (13 single family)	Johnson Crest (9 townhomes)
Land use application	$16,800	$13,330
Site plan	$30,657	$18,966
Zoning permits	$858	$495
Building/trade permits	$28,905	$14,555
Wastewater	$103,636	$71,748
Water	$56,160	$38,880
Water service connection	$7,670	$5,310
Total utility fees	**$167,466 ($12,882 per unit)**	**$115,938 ($12,882 per unit)**
Total all fees	$244,686 ($18,822 per unit)	$163,284 ($18,143 per unit)

To date, very few localities are known to have waiver or reduction policies using the authority granted in Va. Code Ann § 15.2-958.4. The City of Charlottesville will reduce water and sewer connection fees by up to 75 percent for certain projects, and Arlington County is studying proposals.

Ongoing utility costs in multifamily properties

Utility bills for multifamily apartment buildings can be paid several different ways. In some cases, each unit has individual meters and tenants pay independently. Alternatively, the building may be master-metered where the owner pays the entire property bill and builds the cost into the price of rent. In many cases, multiple utilities are metered and billed differently in the same property.

Efforts to encourage energy efficiency and conservation in multifamily properties are often challenging. When utilities are metered individually and paid by tenants, building owners have few reasons to make energy improvements in the building. When utilities are master-metered, the pricing structure usually gives tenants little incentive to conserve their energy use. This market failure is called a *split incentive*.

Sample monthly energy costs for all-electric multifamily building

Monthly energy costs by demand source for 1, 2, and 3-bedroom units

	1 bedroom	2 bedrooms	3 bedrooms
Heating	$20	$30	$40
Cooling	$20	$30	$40
Hot water	$12	$18	$24
Plug load	$10	$15	$20
Refrigerator and range	$7	$10	$13
Dishwasher, washer, and dryer	$7	$10	$13
Lighting	$7	$9	$11
Total	$83	$122	$161

Source: Adam Stockmaster, TM Associates. (Stakeholder Advisory Group member)

Figure 27.8: Sample monthly energy costs for all-electric multifamily building

When multifamily properties have income and rent restrictions as part of affordable rental housing programs, such as LIHTC, utility payment becomes more complex. In buildings where some or all utilities are paid by tenants, property managers must reduce the net rent to account for these payments to keep the overall housing costs for residents affordable. Specifics vary with each program, but this calculated reduction is generally referred to as the *utility allowance*.

The complicated methods for estimating utility allowances in affordable rental properties are beyond the scope of this report, but policymakers must understand that utility allowances can help overcome split incentives by giving owners a pathway to cover the costs of and gain savings from efficiency improvements. Virginia's affordable rental housing stock represents an important opportunity to deploy energy efficiency investments.

27.2.7 Utility needs vary by region

The geography and climate of Virginia's diverse physiographic region—from the southwestern Appalachian Plateau to the Coastal Plain—influence utility needs and how they are met. The varied types of necessary utility infrastructure and energy efficiency upgrades present unique challenges and costs.

Examples of regional challenges include:

- Variability in the fixed fees for the 32 electric utility providers across the state, composed of three investor-owned companies, 13 cooperatives, and 16 non-jurisdictional operators; Fees range from $4 to $35 per month.
- Wide cost ranges for water and wastewater fees. According to the *32nd Annual Virginia Water and Wastewater Rate Report* (2020) from Draper Aden Associates, the lowest and highest combined charges for water connection service were $88 and $32,910 while the lowest and highest charges for wastewater connection were $25 and $21,600.
- Varied geographic, climate, and socioeconomic conditions influence seasonal and periodic residential energy demand.

27.3 Recommendations

In early 2021 the HB854 utility rate reduction subgroup met four times to discuss how Virginia can expand its efforts to reduce utility costs and energy cost burdens for affordable housing developers and residents. Based on discussions with experts from across the Commonwealth and input from members of the subgroup, the subgroup makes the following recommendations.

Recommendation 1

Take advantage of increased resources to unify state support for energy efficiency and household-based utility assistance.

Virginia should strategically organize, prioritize, and deploy new federal and state funds available for residential energy efficiency and utility assistance. Since HB854 was first drafted in early 2020, a number of important developments have occurred that dramatically changed the landscape of utilities and housing:

- COVID-19 pandemic has had long-term impacts including an economic downturn,
- The CARES Act, American Rescue Plan, and other major federal relief packages include significant rounds of funding for utility assistance, weatherization, and energy efficiency,
- RGGI participation will generate funds for DHCD to use for increased energy efficiency measures in affordable housing, and
- PIPP will reduce energy cost burdens for low-income customers of Dominion Energy and Appalachian Power.

These changes require state policymakers and program administrators to holistically evaluate where and how to use these new resources while meeting needs without wasteful duplication of services.

Strategy 1.1

Direct increased resources to expand current programs into markets and demographics that are currently underserved by utility and efficiency efforts. These include single-family rentals, non-subsidized multifamily, *and manufactured homes.*

According to analysis by the Oak Ridge National Laboratory, the three major underserved markets for energy assistance are:

1. **Multifamily and other rental housing** due to the split incentive problem,
2. **Rural communities** due to lower density, different energy sources, limited provider capacity, and higher infrastructure costs per capita, and
3. **Manufactured and mobile homes** due to lower household incomes, nonstandard tenure (especially in mobile home parks), concentration in rural areas, and highly inefficient construction in older units.

When evaluating needs and redesigning programs, policymakers should create specific plans to bring solutions to these underserved markets. This work will complement ongoing work by DHCD and VDSS to conduct a gap analysis as required by HB2330, which enables the PIPP program. According to that bill, this analysis may:

> *". . . review the needs of PIPP-eligible customers and whether gaps remain in serving such customers that are not already served by existing and available federal, state, local, or nonprofit programs to meet the energy reduction obligations of this section."*

Action items:

Task 1.1.1: Leverage program analysis in Chapter 23 to evaluate eligibility barriers and/or fund limitations specific to underserved markets.

- **Who:** SAG, steering committee

Task 1.1.2: Develop specific recommendations for any necessary changes to existing programs and needed new programs. These recommendations should incorporate all known information about the range of new funding streams for these activities. One possible example: deployment of RGGI funds to increase weatherization network capacity in rural areas via investments in workforce training.

- **Who:** SAG, steering committee

Task 1.1.3: Share relevant findings and recommendations from the HB854 study with DHCD and VDSS as they undertake gap analysis study per legislative requirements.

- **Who:** SAG, steering committee

Recommendation 2

Explore mechanisms to reduce up-front utility costs for the creation and preservation of dedicated affordable housing.

The subgroup seeks to solve challenges associated with both high initial costs for water, sewer, and other residential infrastructure, as well as total energy use of projects over their lifespans. These strategies will lower expenses for developers or owners and reduce rents and utility bills for residents.

Strategy 2.1

Link funding streams between federal, state, and local resources for reducing initial utility hookup costs (and necessary upgrades to older infrastructure) in affordable housing.

Resources for affordable housing development and local infrastructure investments have expanded significantly over the past several years, primarily due to federal pandemic relief packages. State policymakers and local officials should find ways to strategically use these dollars—and other associated incentives—to help reduce upfront utility costs for affordable housing without placing undue pressure on municipal revenue streams.

Action items:

Task 2.1.1: Explore mechanisms for Virginia to establish incentives within housing, community development, and related programs to reward localities that provide utility discounts to affordable housing developers. Determine eligibility and prioritization criteria, potential funding sources, and any additional legislative authority needed. Incentives should establish a rational basis for assistance based on costs and needs within different regions and markets.

- **Who:** DHCD, Virginia Housing

Task 2.1.2: Monitor federal and state guidance for use of American Rescue Plan dollars made available for local infrastructure investments (e.g., Capital Projects Fund).

- **Who:** DHCD, Virginia Housing, local government associations

Strategy 2.2

Collaborate with localities and the General Assembly to expand tools available for reducing utility hook up costs rather than mandate fee waivers for affordable housing.

Statewide mandates for localities to lower or waive utility hookup costs and other fees for affordable housing risk counterproductive outcomes. Regional and market variations in infrastructure costs would be a barrier to uniform statewide fee limits or discounts, and mandatory cost reductions limit the ability of localities to provide debt service on bonds.

Voluntary waiver options for localities and incentives to increase levels of state community development and housing funds to participating jurisdictions are more likely to reduce energy cost burdens.

Action items:

Task 2.2.1: Monitor the findings and recommendations from the recently completed Commission on Local Government study on mandatory local tax exemptions.

- **Who:** DHCD, Virginia Housing

Task 2.2.2: Examine the scope and impacts of local policies created under the authority of Va. Code Ann. § 15.2-958.4 (Waiver of certain fees for affordable housing). Determine whether this legislation is working as intended, or if additional education/guidance is needed.

- **Who:** DHCD

Task 2.2.3: Consider changes to scoring systems for state funding to localities to award greater points for jurisdictions that have policies to lower utility fees for affordable housing.

- **Who:** DHCD, Virginia Housing

Recommendation 3

Increase the long-term energy efficiency of new and existing affordable housing units with expanded strategies.

The goal of these strategies is to lower energy costs for both tenants and housing providers to make housing more affordable.

Strategy 3.1

Bolster energy efficiency incentives for LIHTC developments to align with national best practices.

The LIHTC program is the largest producer of dedicated affordable apartments in the country and in Virginia. LIHTC can deliver high-quality, energy efficient units using best practices and technology.

Over the past decade Virginia Housing, developers, advocates, and other stakeholders have grown the proportion of energy-efficient affordable homes. Virginia can sustain this momentum and advance the goal of long-term energy efficiency in affordable housing with critical next steps.

Action items:

Task 3.1.1: Develop a strategy to expand greater coordination between Virginia Housing, developers, and utility providers.

Follow the lead of Connecticut, Minnesota, Pennsylvania, and other states that require an energy rebate analysis to explore what energy incentives a project may be eligible for that can be incorporated into the development plans.

Coordination with major utility providers should focus on the new multifamily efficiency programs.

- **Who:** Virginia Housing

Task 3.1.2: Explore potential uses for the new Virginia Housing Opportunity Tax Credit to expand capacity of developers to incorporate efficiency measures and renewable energy investments in LIHTC projects receiving allocations.

In the 2021 Special Session I, lawmakers approved SB1197 to establish the Virginia Housing Opportunity Tax Credit in Va. Code Ann. § 58.1-439.29 and § 58.1-439.30. This new state income tax credit will work in conjunction with the federal LIHTC program to create more affordable rental homes in the Commonwealth. Virginia Housing is currently drafting regulations (PDF) for this program.

Examples of new uses for credits might include on/off-site solar, geothermal, and smart thermostats.

- **Who:** Virginia Housing

Strategy 3.2

Deploy other forms of state support to help developers strengthen their commitments to energy efficiency in affordable housing construction and operation.

In addition to reducing initial hookup costs, new federal and state resources for affordable housing and energy efficiency should strategically provide funds to developers for the building and maintenance of homes that are friendly to both the environment and household budgets.

Action items:

Task 3.2.1: Support and monitor DHCD's use of RGGI funds (via Home Innovation in Energy Efficiency) for builders to go above and beyond current code requirements.

Other innovative uses for these funds may include large-scale offsite solar and behind-the-meter storage.

- **Who:** DHCD

Task 3.2.2: Support the efforts of Dominion Energy and Appalachian Power to roll out new efficiency programs to low-income households, especially those living in non-subsidized market-affordable rental housing.

State housing agencies and other partners may help connect property owners and managers with these resources.

- **Who:** DHCD, Virginia Housing

Strategy 3.3

Determine how residential and commercial Property Assessed Clean Energy can support new/existing affordable housing; recommend potential enhancements to state law.

Property Assessed Clean Energy (PACE) programs are an innovative solution to finance green investments for new and existing buildings. Localities with PACE programs for commercial (C-PACE) and/or residential (R-PACE) allow property owners to pay back the cost of certain improvements that improve energy efficiency or reduce carbon emissions via real estate assessments. The PACE lien runs with the property regardless of changes in ownership.

There are only a handful of relatively new PACE programs in Virginia. State policymakers should continue to monitor and support these programs to specifically evaluate how they can effectively serve affordable housing developers and operators.

Action items:

Task 3.3.1: Monitor the ongoing efforts of the Virginia Department of Energy to create a statewide R-PACE program for localities to opt into. (See Appropriation Act - Item 125 E, 2021 Special Session I, Virginia General Assembly.)

- **Who:** Virginia Department of Energy

Task 3.3.2: Work with the Virginia PACE Authority and other necessary partners to determine how many affordable housing properties have used C-PACE.

Investigate specific barriers and successes with these case studies and make necessary recommendations for the expanded use of PACE programs by affordable housing developers and owners.

- **Who:** Virginia Department of Energy

Recommendation 4

Leverage current state broadband initiatives to expand access and affordability of high-speed internet for affordable housing residents.

Internet service is a daily necessity for nearly all households in Virginia. Almost 92 percent of all renters say that high-speed internet is "important" or "very important." (National Multifamily Housing Council, 2020) Renters are much less likely than homeowners to have reliable broadband in their homes—especially persons of color, low-income households, and people in rural communities. (Gallagher & O'Brien, 2021)

Although the state is making significant strides to bring broadband to more people, many challenges and gaps remain. There are now more resources than ever to meet Governor's Northam goal of full broadband access by 2028, and state policymakers should take advantage of this momentum to ensure residents of affordable housing are not left behind.

One important distinction in this discussion is broadband access versus affordability. Solutions to expand access focus on new infrastructure in rural areas and other underserved places. Increasing affordability—especially for low-income customers—typically involves direct household subsidies or making network access free.

Another important consideration is the urban and rural divide. In denser cities and suburbs, where broadband infrastructure may already be common, expanding access and affordability via free Wi-Fi and other connection types is highly effective. In non-metro areas without widespread wireless access, extending infrastructure and coverage of household connectivity requires more subsidy.

Strategy 4.1

Align state and local efforts to expand broadband access so that new and existing affordable housing has reliable, affordable, high-quality internet.

Action items:

Task 4.1.1: Determine what types of projects and activities are eligible to be funded by federal dollars set aside for broadband in the American Rescue Plan.

- **Who:** DHCD, Secretary of Commerce and Trade

Task 4.1.2: Survey LIHTC developers to evaluate whether current QAP points for internet access are a meaningful incentive, or if alternative approaches to expand broadband in LIHTC buildings are needed.

- **Who:** Virginia Housing

Task 4.1.3: Identify a permanent funding source for the types of projects coordinated by Governor's Office with CARES Act subsidy. These include rural last-mile, free Wi-Fi in public housing, and other initiatives.

Ensure localities are a major partner in such future projects; encourage participating jurisdictions to have a permanent role in the maintenance of new systems when applicable.

- **Who:** DHCD, Secretary of Commerce and Trade

Strategy 4.2

Increase broadband affordability by promoting current assistance and urban construction programs to residents and operators of affordable housing.

Action items:

Task 4.2.1: Monitor design and rollout of pilot VDSS internet assistance program in late 2021. Identify potential ways for affordable housing residents to learn about and apply for this assistance when made available.

Encourage VDSS to market program specifically among tenants via public housing authorities, HCV administrators, and other housing providers.

- **Who:** DHCD, Virginia Housing, Virginia Association of Housing and Community Development Officials (VAHCDO), others

Task 4.2.2: Ensure all eligible affordable housing residents are given the opportunity to apply for the FCC's two internet affordability programs:

1. Lifeline, which provides a $9.25 per month discount, and

2. Emergency Broadband Benefit, which provides up to $50 per month.

- **Who:** DHCD, Virginia Housing, VAHCDO, others

Task 4.2.3: Engage marketing and communication professionals to establish simple, clear messaging to promote household internet affordability programs in affordable housing communities.

Draw on lessons from utility providers and social service organizations who struggled to effectively communicate important relief program information throughout the pandemic.

Partner with owners and operators of affordable housing (and low-cost non-subsidized housing) to distribute materials among residents.

One best practice example of this outreach is the Affordable Housing Broadband Initiative in New York.

- **Who:** DHCD, Virginia Housing, VAHCDO, VDSS, others

Chapter 28

Property tax reduction

This chapter addresses HB854's requirement to propose recommendations for *"real property tax reduction for qualified affordable housing for localities that desire to provide such an incentive."*

Highlights

Major takeaways in this chapter include:

- Property taxes on affordable housing generate needed revenue for localities, but they can often serve as a barrier to development and preservation.
- Stakeholders endorse a new amendment to the state constitution that would enable—not require—local governments to use a wide range of alternative real estate tax schemes for properties used for affordable housing and homelessness services. Potential solutions include full and partial exemptions, abatements, and Payment in Lieu of Tax (PILOT) programs.
- While current state code directs local assessors to account for rent restrictions in some types of affordable rental housing, providers must often appeal incorrect valuations, leading to sunk costs. Minor code changes, along with expanded outreach to local assessors, would significantly reduce these challenges.

28.1 Background

HB854 requests the SAG to:

> *". . . consider the following proposals as well as other proposals it considers advisable during the course of its analysis and deliberations: . . .* ***real property tax reduction for qualified affordable housing for localities that desire to provide such an incentive*** *. . ."*

Local real estate taxes are one of the many costs of creating affordable housing, but are also the primary revenue generator for local governments. Property tax reductions allow municipalities to support affordable housing for the duration of the benefit, replacing or supplementing upfront capital subsidies.

28.2 Findings

28.2.1 Tax reduction mechanisms

In Virginia, localities can reduce real estate tax burdens through tax exemption or tax abatement.

Tax exemption

A tax exemption on a property makes it "immune from real estate taxation" within a county, city, or town.[1] A locality can grant an exemption to certain properties or property owners only if the local government has been so authorized by the Virginia Constitution and/or an act of the General Assembly. Depending on statute, exemptions may be total or partial.

Tax abatement

A tax abatement reduces the taxable value of a property for a prescribed period usually as an incentive to conduct significant repair, rehabilitation, or construction. The taxable amount is locked into a pre-improvement value for a period of time, as established by an ordinance. This temporarily reduces the tax burden, helping the property owner finance needed upgrades to a structure, or in some cases, a total replacement.[2]

Both mechanisms may be considered as "property tax reductions" in accordance with HB854. This subgroup will explore exemption and abatement mechanisms in its recommendations.

Tax exemption and tax abatement are distinct from **tax credits**, which are generally dollar-for-dollar reductions in tax liability for earned income. Although different forms of tax influence housing development and housing markets, this report focuses on reducing taxes associated with property values rather than incomes.

28.2.2 Constitutional and legal framework

Constitutional provisions

The Virginia Constitution provides localities with options for exempting residential real estate under certain conditions:[3]

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[1] Va. Code Ann. § 58.1-3604. "Tax exemption information."

[2] In some cases, "partial tax exemption" and "tax abatement" are used interchangeably. For the purposes of this report, "tax abatement" will refer specifically to temporary real estate tax reductions that expire after a period of time.

[3] Va. Const. Art X, § 6. Exempt property.

- A *total or partial* exemption for dwellings owned and occupied by persons not less than 65 years of age or persons permanently and totally disabled. Localities may establish "income or financial worth limitations, or both" to set eligibility criteria for exemptions.
- A *partial* exemption for real estate "whose improvements . . . have undergone substantial renovation, rehabilitation or replacement" or real estate "with new structures and improvements in conservation, redevelopment, or rehabilitation areas."

Mandatory property tax exemptions study

In early 2021, state lawmakers asked the Commission on Local Government to study "the fiscal effects of mandatory property tax exemptions on the capacity of local governments to deliver essential services to the public." (See: Appropriation Act - Item 359 #4c, 2021 Special Session I, Virginia General Assembly.)

The report was completed in November 2021 and includes recommendations to mitigate any detrimental effects created by these requirements.

Proposed 2021 constitutional amendment

In 2021, Delegate Jeffrey Bourne proposed a constitutional amendment to authorize localities to exempt certain affordable housing from real property taxes.[4] The resolution was passed by in committee. As drafted, it would have amended Section 6 of Article X of the state constitution as follows:

> *"The General Assembly may by general law authorize the governing body of any county, city, town, or regional government to provide for the exemption from local real property taxation, or a portion thereof, within such restrictions and upon such conditions as may be prescribed, of real estate on which affordable housing, as defined by the General Assembly, is constructed."*

Current state code

In accordance with constitutional provisions, state law provides localities with specific guidance on housing-related exemption and abatement options. Relevant examples include:

§ 36-157 et seq. Housing Revitalization Zone Act.

The passage of the Housing Revitalization Zone Act in 2000 intended to create performance-based grants to encourage rehabilitation of designated residential zones by private sector investment. At least one quarter of real estate tax revenues from such areas would then be reserved for additional investments in those zones. The unfunded program has never been implemented.

§ 58.1-3219.4. Partial exemption for structures in redevelopment or conservation areas or rehabilitation districts.

[4] HJ616 Constitutional amendment; real property tax exemption for affordable housing. 2021 Session, Virginia General Assembly.

In 2006 lawmakers authorized local governments to grant partial real estate tax exemptions for:[5]

- (i) new structures located in redevelopment or conservation areas or rehabilitation districts, and
- (ii) other improvements to real estate located in redevelopment or conservation areas or rehabilitation districts.

Local ordinances establish such districts and areas. Exemption amounts are based on a share of the increase in an eligible property's assessed value. Many localities across Virginia currently use this provision to encourage residential revitalization in certain neighborhoods. In 2020 lawmakers extended the maximum possible exemption period from 15 years to 30 years.[6]

§ 58.1-3220. Partial exemption for certain rehabilitated, renovated or replacement residential structures.

Similar to § 58.1-3219.4, this provision authorizes local governments to grant partial real estate tax exemptions for certain properties with structures more than 15 years old that undergo "substantial rehabilitation, renovation or replacement for residential use." Localities can establish eligibility criteria in an ordinance. This code has been amended numerous times since its inception over 40 years ago.

§ 58.1-3221. Partial exemption for certain rehabilitated, renovated or replacement commercial or industrial structures.

Drafted and adopted in conjunction with § 58.1-3220, this code allows localities to grant similar partial real estate tax exemptions for properties that undergo "substantial rehabilitation, renovation or replacement for commercial or industrial use." Buildings must be at least 20 years old, or 15 years old if located in an enterprise zone or technology zone pursuant to § 58.1-3850. No language in this section precludes "commercial use" from including multifamily apartment and mixed-use buildings.

§ 58.1-3622. Habitat for Humanity and local affiliates or subsidiaries thereof.

Passed in 2000, this code classifies nonprofit Habitat for Humanity entities as "charitable and benevolent" organizations that are exempt from local real estate taxes. State lawmakers derive their authority to grant this exemption from Article X, Section 6 (a) (6) of the Constitution of Virginia. Local governments must pass a resolution for Habitat affiliates to receive this exemption.

The scale, scope, and effectiveness of these various provisions have never been systematically studied or evaluated, particularly with respect to their ability to spur additional investments in housing and lower housing costs.

[5] SB358 Real estate tax; exemption in redevelopment or conservation areas, etc. 2006 Session, Virginia General Assembly.

[6] SB727 Real estate tax; exemption for property in redevelopment or conservation areas. 2020 Session, Virginia General Assembly.

28.2.3 State guidance to assessors for affordable housing

Va. Code Ann. § 58.1-3295 directs localities to assess below-market rate (affordable) rental housing after considering:

1. Restrictions on rent values,
2. Restrictions on title transfers and "other restraints" on future sale, and
3. "Actual operating expenses" and other relevant expenditures.

These considerations ensure that the owners of affordable rental housing are levied real estate taxes commensurate with the actual rent amounts collected rather than fair market values. This should reduce the tax burden on these properties.

Multiple owners have expressed concern that local assessors have neglected to follow these provisions correctly, resulting in burdensome real estate taxes relative to actual operating revenue. Tax assessors in different jurisdictions sometimes approach this valuation differently, complicating development for entities that work across more than one locality.

One affordable rental provider interviewed for this report testified they spend about **100 hours each year on appeals and hearings** just to get their properties correctly valued by localities.

Current code does not cover all types of affordable rental housing found in the state:

Covered by § 58.1-3295:

- Low-Income Housing Tax Credit (both nine percent and four percent)
- Project-based Vouchers
- HUD 236
- HUD 241f
- HUD 221(d)3

Not covered by § 58.1-3295:

- USDA Rural Development (Section 515)
- HUD 202
- HUD 811
- Rental Assistance Demonstration (RAD)
- Properties that are entirely funded/supported by localities

28.2.4 Impact of high tax burdens on affordable housing

Based on stakeholder interviews and research, this subgroup finds that:

- In Virginia, real estate taxes often average five to ten percent of an affordable housing property's expenses. This can translate to roughly one month's rent for tenants, increasing their rent burdens.
- Property tax reductions can have significant impact because developers and owners can leverage reductions into total financing for the property, lowering overall debt and reducing rents. At current low interest rates, this leverage can be ten to one; however, any tax reduction must be long-term for underwriting purposes.
- Lowering operating expenses through tax reductions raises net operating income, increasing mortgage proceeds available to pay down debt.

28.3 Recommendations

In early 2021, the HB854 property tax reduction subgroup met four times to discuss how the state can lower real estate tax burdens for affordable housing. Based on discussions with experts from across the state and input from members of the subgroup, the subgroup makes the following recommendations.

Recommendation 1

Give localities more tools to reduce tax burdens on dedicated affordable housing serving low-income Virginians.

Rather than enacting statewide mandates, the General Assembly should pursue measures that give cities and counties new, flexible policy options for reducing real estate tax burdens on affordable housing properties. These solutions require changes to both the Constitution of Virginia and state code.

Strategy 1.1

Support a new amendment to the state constitution allowing localities, at their option, to set up a Payment in Lieu of Taxes (PILOT) program or similar abatement/exemption options for affordable housing.

PILOT initiatives allow affordable housing developers and localities to enter into mutually beneficial agreements that lower property tax burdens. Current Virginia law does not give localities proper authority to establish PILOT programs for affordable housing. It is already common practice for new affordable rental housing in Maryland and other states.

While PILOT programs may be the most common solution enabled by this proposal, the subgroup suggests that any amendment language be flexible enough to allow other similar types of relief policies.

Action items:

Task 1.1.1: Draft language for an amendment to the Constitution of Virginia that:

- Explicitly permits all localities in Virginia to adopt ordinances that allow alternative real estate property tax collection schemes for properties used as affordable housing,
- Is written to broadly permit PILOT programs, abatements, exemptions, and other similar solutions that allow localities flexibility and options,
- Sets a minimum floor of 15 years for any period of tax reduction by local programs,
- Considers pro-rata tax relief to provide greater relief as deeper affordability is offered (covering mixed-income housing, and properties with units under inclusionary zoning programs, which may have some units rented above 80 percent AMI), and
- References definitions of affordable housing in state code if necessary.

Options for defining affordable housing are below.

- **Who:** Advocates and lawmakers

Task 1.1.2: Determine whether this amendment would require any reference to a definition or definitions of affordable housing in state code. Subgroup members recommend that any definition—whether current or new—should at a minimum:

- Cover all existing types of publicly-assisted multifamily rental housing, including LIHTC, USDA-RD Section 515, and others,
- Include as eligible uses affordable homeownership programs, homelessness services, and community land trusts and other shared-equity ownership models,
- Not be restricted to new construction only, and
- Defer most specific definitions/criteria to localities as they create ordinances under this new authority.

Currently, Va. Code Ann. § 15.2-2201 provides the following definition of affordable housing for localities to use in the creation of land use and zoning regulations:

"...housing that is affordable to households with incomes at or below the area median income, provided that the occupant pays no more than thirty percent of his gross income for gross housing costs, including utilities. For the purpose of administering affordable dwelling unit ordinances authorized by this chapter, local governments may establish individual definitions of affordable housing and affordable dwelling units including determination of the appropriate percent of area median income and percent of gross income."

- **Who:** Advocates and lawmakers

Strategy 1.2

Allow localities more flexibility to provide tax incentives that support affordable manufactured home communities and the replacement of older, poor-quality mobile homes with new units.

Manufactured home communities (MHCs) are one of the largest sources of unsubsidized affordable housing across the country and in Virginia. These properties would be mostly excluded from the solutions described in Strategy 1.1 because they do not receive public assistance and do not have dedicated affordability restrictions.

State policymakers can still create greater opportunities for localities to improve and preserve these communities through advantageous tax treatments.

Action items:

Task 1.2.1: Mandate localities to assess manufactured homes in lot-lease communities (e.g., mobile home parks) as real estate rather than as personal property. This would enshrine an already common practice across the state, and help homeowners pay lower tax rates.

- **Who:** Advocates and lawmakers

Task 1.2.2: Amend state code to allow localities to waive or reduce disposal fees for obsolete, uninhabitable manufactured homes. Consider expanding such incentives to other/all types of vacant and distressed properties.

- **Who:** Advocates and lawmakers

Task 1.2.3: Allow localities to offer certain tax breaks and other incentives (e.g., waiver of recordation fees) to nonprofit organizations and resident cooperatives who purchase a manufactured home community with the intent to preserve its current use.

May also expand eligibility to private owners in certain scenarios, such as enforceable commitments to tenant protections and/or infrastructure investments. Duty to Serve quality criteria for MHCs (drafted by Fannie Mae) could be useful standards to apply.

- **Who:** Advocates and lawmakers

Task 1.2.4: Consider expansion of any affordable housing definition established by Strategy 1.1 to include manufactured home communities owned and operated by mission-oriented entities with certain affordability provisions, as well as manufactured home subdivisions.

- **Who:** Advocates and lawmakers

Task 1.2.5: Allow localities to offer reduced taxes, fees, and hookup costs for new manufactured home subdivisions. Possible mechanism is amending Va. Code Ann. § 15.2-958.4.

- **Who:** Advocates and lawmakers

Task 1.2.6: Study potential for localities to use tax-increment financing (TIF) districts specific to manufactured home communities to fund strategic investments in these neighborhoods. TIF funds could be used for:

- Water, septic, and other necessary infrastructure upgrade,
- Replacement unit assistance funds,
- Relocation funds for displaced residents, and
- Park preservation activities.

Example: Living Cully Community-Led Development District in Portland, Oregon.

- **Who:** HousingForward Virginia, Manufactured Home Community Coalition of Virginia, and other stakeholders

Task 1.2.7: Study potential for statewide tax credit (rather than tax abatement) that covers a significant portion of cost associated with replacement of obsolete mobile homes with new, high-quality manufactured homes.

- **Who:** HousingForward Virginia, Manufactured Home Community Coalition of Virginia, and other stakeholders

Strategy 1.3

Streamline, improve, and promote current state code sections that allow localities to reduce tax burdens for affordable housing in certain districts.

The Code of Virginia currently includes numerous districts that localities may establish (under certain conditions) which permit special tax treatment of specific developments. Real estate tax abatements are the most common option allowed. While affordable housing development has an important connection to many of these districts, the number and complexity of these districts can make it difficult to make those links.

To date, the state has not conducted a comprehensive review of these districts. This subgroup is unable to make specific recommendations without an analysis. State policymakers should commission a study that assesses the timeline, scale, and impact of these districts. Such a study should consider repositioning special districts to promote affordable housing development in high opportunity areas rather than only in communities with historically low levels of investment.

Action items:

Task 1.3.1: Determine the preferred method for commissioning and undertaking this study. Possible entities that would be responsible for overseeing this work include the Virginia Housing Commission.

Evaluate whether state housing staff could complete the necessary research or would require a consultant such as a university.

Estimate state budget implications and prioritize work relative to other agency activities.

- **Who:** DHCD and Virginia Housing

Task 1.3.2: Outline study components and research questions to be addressed. Report should cover:

- Original goals of each district,
- Number per applicable locality for each district type,
- Scope of housing development or operation benefitting from each district,
- Timeframe of local adoption of these districts,
- Analysis of strengths, weaknesses, and opportunities, and
- Recommendations for changes to state code.

The report would be delivered to the General Assembly and appropriate stakeholders.

- **Who:** DHCD and Virginia Housing

Recommendation 2

Promote fair, accurate, and predictable tax assessment of affordable housing.

Both developers and operators of affordable housing properties have highlighted significant challenges with the assessment process for rent-restricted communities. These problems stem from insufficient language in state code. Policymakers should resolve this issue by amending code, and establishing a permanent system to resolve future conflicts.

Strategy 2.1

Strengthen Va. Code Ann. § 58.1-3295 to include additional affordable housing types.

The current section of state code that directs local real estate assessors to use a specific income-based approach for rent-restricted affordable housing needs revision. The code should be amended to cover all types of rental housing that use subsidies to serve households below 80 percent AMI.

Action items:

Task 2.1.1: Draft new language to replace certain sections of Va. Code § 58.1-3295 with a broader definition of affordable housing.

The new definition should use one of the following solutions.

1. Explicitly reference the major forms of affordable rental housing excluded in the current code, including:

- USDA Rural Development,
- HUD Section 202,
- HUD Section 811,
- Rental Assistance Demonstration, and others.

2. Align with any possible definition of affordable housing proposed above in Task 1.1.2 of this chapter.

Either route will significantly expand the number of properties covered under this requirement.

- **Who:** Advocates and lawmakers

Strategy 2.2

Create a standing statewide committee or task force to monitor and promote fair assessment of affordable housing by localities.

Rental housing practitioners have catalogued specific challenges related to incorrect valuation of affordable housing by local assessment officials. Providers pay a larger amount of real estate taxes on these misvalued properties than state code actually requires.

Along with the necessary change to state code described in Strategy 2.1 of this chapter, policymakers should create a new permanent task force that offers additional training, resources, education, and conflict resolution opportunities. This group will work to achieve greater consistency and predictability for the assessment of affordable housing.

Action items:

Task 2.2.1: Gather stakeholders to determine the most appropriate apparatus of state government to fulfill this task.

These stakeholders should include:

- State Department of Taxation
- Auditor of Public Accounts
- Virginia Association of Commissioners of Revenue
- Virginia Housing Commission staff
- Affordable housing developers and owners
- DHCD and Virginia Housing

Other stakeholder may be added as appropriate.

- **Who:** Advocates and lawmakers

Task 2.2.2: Propose major elements of this new entity, including:

- Membership criteria and appointment process,
- Mission, roles, and responsibilities,
- Conflict resolution process (between property owners and localities),
- Ability to levy penalties to localities with multiple substantiated complaints,
- Meeting schedule, and
- Permanent funding levels needed in the state budget to sustain staffing and operations of this body.

Lawmakers would ultimately be responsible for funding this entity.

- **Who:** Advocates and lawmakers

Chapter 29

Bond financing options

This chapter addresses HB854's requirement to propose recommendations for *"bond financing options for qualified affordable housing."*

Highlights

Major takeaways in this chapter include:

- Nearly all of Virginia's Private Activity Bond allocation is used to create both affordable rental and homeownership opportunities. The Governor's Pool has increasingly been used to support multifamily rental housing bonds.
- Virginia Housing and the Department of Housing and Community Development should continue and expand these efforts by monitoring allocation trends, increasing "gap" funding resources, and supporting beneficial changes to federal law currently being considered by Congress.
- On the other hand, localities in Virginia rarely use their general obligation bonding capacity to support housing. The state can kindle more of this activity by sharing best practices, incentivizing local bond issuance (and similar local housing investments) within current programs, and exploring state funds to match and leverage any new local housing bonds.

29.1 Background

HB854 requests the SAG to:

> *". . . consider the following proposals as well as other proposals it considers advisable during the course of its analysis and deliberations: . . .* ***bond financing options for qualified affordable housing*** *. . ."*

Bond financing of affordable housing is a critical tool in Virginia. Much of Virginia's production of affordable rental housing is financed through bonds issued by Virginia Housing. Public housing authorities also issue bonds to finance rental housing. Some of the bonds issued by Virginia Housing and PHAs carry with them tax credits that can be converted into equity that helps reduce rents.

Many types of bonds and bond financing strategies exist, but not all are in use in Virginia.

29.2 Findings

29.2.1 Private Activity Bonds

DHCD manages Virginia's cap for tax-exempt Private Activity Bonds (PAB). The state annually receives a nearly $900 million allocation of bonding authority from the federal government for PABs.

PABs serve a variety of purposes in different states. The majority of PABs in Virginia are used for housing. Recent analysis from Novogradac shows that Virginia consistently has been among the top ten states for total PAB volume dedicated to multifamily housing. (Lawrence, 2021)

Multifamily four percent bonds

Virginia Housing and public housing authorities issue multifamily bonds with four percent Low-Income Housing Tax Credit (LIHTC) allocations. These bonds contribute to the total PAB cap.

Multifamily mixed income bonds

This is a variation of the bonds above. As PABs, they too come under the state bond cap. Under IRS rules, at least 20 percent of units must serve households at 50 percent AMI or 40 percent of units must serve households at 60 percent AMI; these bonds are commonly known as either "80/20" or "60/40."

In the most common application of multifamily mixed income bonds, 100 percent of units serve households at 60 percent AMI in order to maximize the equity from the Low-Income Housing Tax Credits attached to the affordable units. Truly "mixed income" multifamily projects that include market rate and tax credit units in the same building are rare.

Single-family Mortgage Revenue Bonds and Mortgage Credit Certificates

Mortgage Revenue Bonds (MRBs) finance mortgages to low- and moderate-income households for the purchase of new or existing homes. They are included in the state bond cap. Following the foreclosure crisis, the IRS allowed the substitution of Mortgage Credit Certificates (MCCs) in place of MRBs due to disruptions in the bond market. Virginia Housing has used MCCs since 2015 and has not issued MRBs since that time.

501(c)(3) bonds

A nonprofit 501(c)(3) organization can issue 501(c)(3) bonds for an eligible purpose though generally they must be credit enhanced. The current spread between taxable financings and tax exempt bonds is not significant enough to incentivize the use of these bonds. Few if any have been issued in Virginia in recent years.

29.2.2 Taxable bonds

State-level taxable bonds are uncapped and primarily used by Virginia Housing for the construction and/or acquisition of affordable multifamily housing. Both nonprofit and for-profit developers may use this financing.

29.2.3 Local bond options

The primary use of housing bonds at the local government level has been the issuance of PABs by PHAs for affordable multifamily development. These bonds are included in the state bond cap. There are several PHAs in the state that regularly issue such bonds; some issue bonds only within their jurisdiction while others issue them for projects in any locality that invites them. Examples include Harrisonburg Redevelopment and Housing Authority and Suffolk Redevelopment and Housing Authority.

General obligation bonds

General obligation (GO) bonds are the second type of local bonding used for housing. Article VII, section 10 of the Constitution of Virginia provides the necessary authority—and limitations—for cities, counties, and towns to issue general obligation bonds. The Virginia Public Finance Act (Va Code Ann. § 15.2-2600 through 15.2-2663) provides further guidance.

Virginia localities have rarely used GO bonds for housing, though their use for housing is becoming more common in other states. Issuances have instead largely funded investments in public education, transportation, and infrastructure.

Some of the cases where Virginia localities issued bonds specifically related to housing include:

1. In 1983, the City of Charlottesville issued bonds for housing improvements in the Vinegar Hill neighborhood. Although a lawsuit claimed the city did not have authority to use its bonding capacity for housing activities (which benefitted a private developer involved in the revitalization project), the Virginia Supreme Court ultimately upheld the issuance because the project served a public purpose. (See: Charlottesville v. De Haan, 228 Va. 578, 323 S.E.2d 131 (1984))
2. In 2006, the City of Harrisonburg made a loan of $3.5 million in bond proceeds to the Harrisonburg Redevelopment and Housing Authority to renovate public housing units. In 2014, the city issued refunding bonds and entered into a memorandum of understanding with HRHA to facilitate repayment.
3. In 2008, the City of Alexandria issued $12 million in bonds for the acquisition, construction, remodeling, and repairing of affordable housing, as well as the acquisition of necessary land and equipment; then issued $1.5 million in bonds in 2012 for public housing replacement used

in conjunction with Low-Income Housing Tax Credits. The city issued another $4.4 million in 2017 to fund the redevelopment of one homeless shelter and the construction of another.

Local government authority to issue bonds in Virginia

Cities, counties, and towns in Virginia can only borrow money when the state constitution or state law explicitly confers that authority or implies it. The Public Finance Act and/or a locality's charter outlines a locality's power to borrow.

The Constitution of Virginia sets limits on local borrowing powers based on type of locality (i.e., cities, towns, and counties):

- Article VII, section 10(a) of Constitution states that cities and towns may incur debt up to 10% of assessed value of real estate without referendum (some exceptions apply).
- Article VII, section 10(b) of Constitution states that counties must approve most debt by referendum, but does not establish a total debt limit.[1]

29.2.4 State bond cap allocation trends

Virginia's annual PAB cap is determined by 20 U.S. Code § 146 (Internal Revenue Code). In 2020, the state's total PAB allocation was $896,229,495. This amount has increased two to three percent annually on average over the past decade.

Each year the total allocation is divided into four pools. Va. Code Ann. § 15.2-5002 sets the amount allocated to each pool:

Table 29.1: Statutory bond allocation by pool according to Va. Code Ann. § 15.2-5002

Pool	Amount	Use
Virginia Housing	43%	Affordable rental and homeownership
Industrial Development	25%	Manufacturing and other exempt projects
Governor's ("state allocation")	18%	Housing, manufacturing facilities, and other exempt projects
Local Housing Authorities	14%	Affordable rental

Note: "Exempt" projects include 1) waste disposal and energy production facilities, 2) water and irrigation facilities, 3) mass commuting facilities, and 4) heating and cooling facilities as defined by Va. Code Ann. § 15.2-5000.

The state is not statutorily committed to exhausting the individual pool allocations each year, but DHCD and Virginia Housing ensure that unused individual pool allocations flow to Virginia Housing

[1] The cap on county debt limits is driven more by desire to maintain certain bond ratings from rating agencies.

to be fully used. The annual bond allocation data from DHCD in Figure 29.1 show that the Governor's, Industrial Development, and Local Housing Authorities pools rarely use their full allocations. Since 2017, the Local Housing Authority pool has been fully expended and the Governor's pool increasingly supports multifamily rental housing bonds.

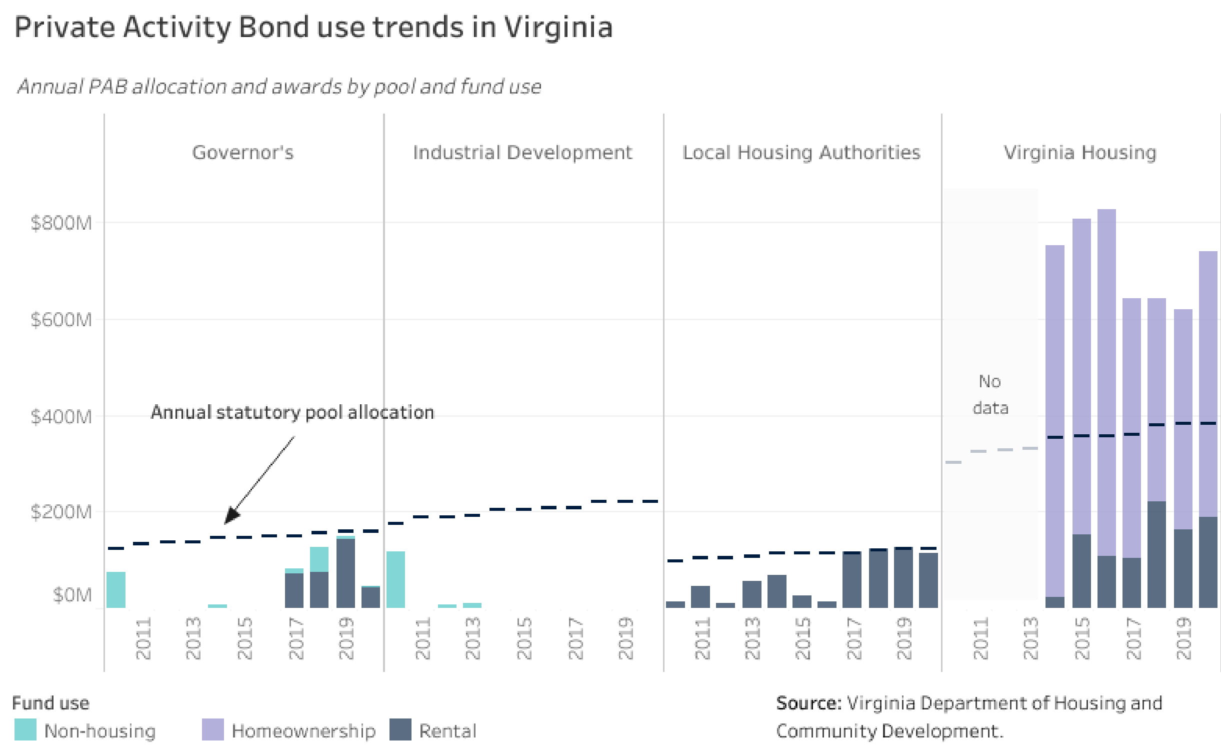

Figure 29.1: Private Activity Bond use trends in Virginia

When these pools are not depleted, the remainder is reallocated to Virginia Housing pursuant to Va. Code Ann. § 15.2-5004. Virginia Housing uses this additional allocation to support their multifamily and single-family homeownership bonding activity, which subsequently total much more than their actual pool allocation. When Virginia Housing is unable to convert the entirety of a single year's bond allocation into housing uses, they "carry forward" the remaining balance into the next year in the form of Mortgage Credit Certificates.

29.2.5 Virginia Housing Mortgage Credit Certificates

Since 2015, Virginia Housing's remaining bond cap supports Mortgage Credit Certificates (MCCs). These provide a dollar-for-dollar credit against the homeowner's tax liability. The credit amount is ten percent of the homebuyer's annual mortgage interest.

MCCs are used in conjunction with Virginia Housing mortgage loans as well as non-VH loans. MCCs are available only to income eligible households and the sales price must fall under the program limit.

The program targets first time homebuyers (or those who have not owned a home in the previous three years). In fiscal year 2020, 6,841 buyers received MCCs—up from 892 in fiscal year 2016.

Through MCC conversion, the Commonwealth uses its entire PAB allocation and prevents the recapture of the remaining bond cap by the Treasury Department. This can and does occur in other states when carry forward bond allocation is not used within three years.

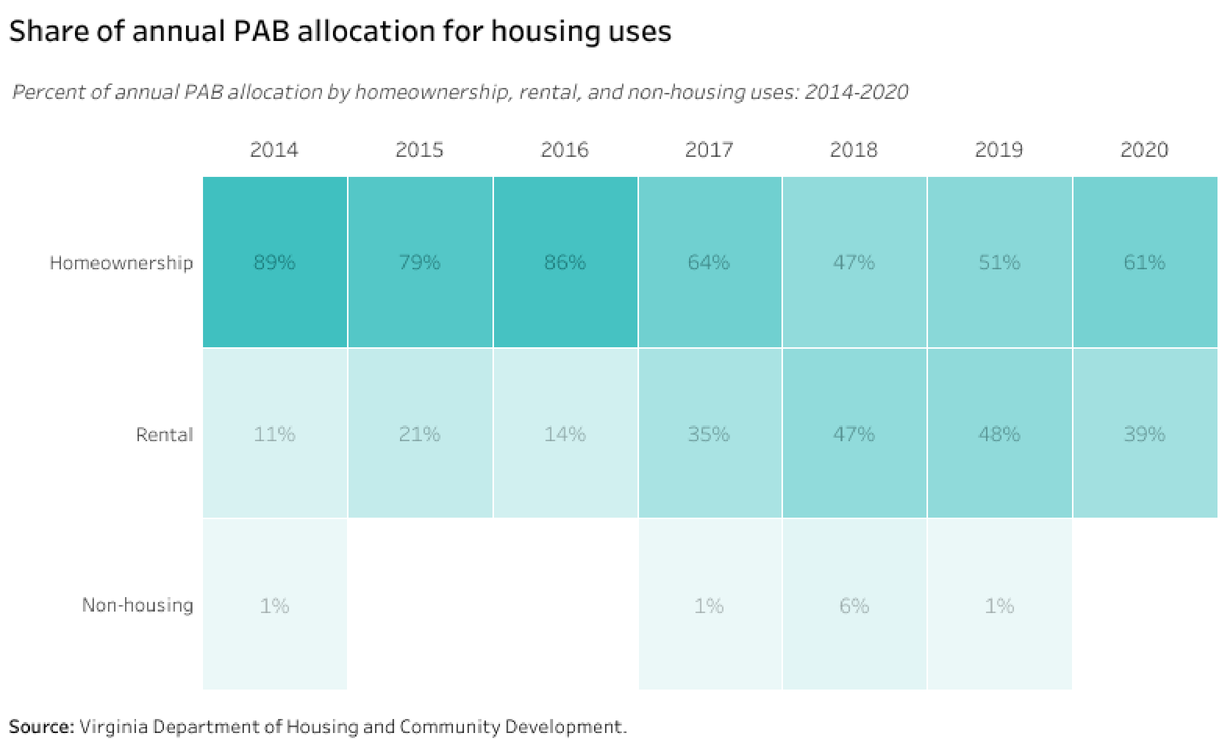

Figure 29.2: Share of annual PAB allocation for housing uses

The current arrangement also means that the majority of Virginia's PAB cap is used for affordable homeownership and rental initiatives. Most of the bond allocation between 2014 and 2016 consisted of MCCs; since 2017, expanded use of the Local Housing Authorities pool has increased the share of PABs used for affordable rental.

29.2.6 Role of local general obligation bonds for housing

GO bonds issued by localities have several advantages compared to other financial tools and resources:

- GO bonds can be structured with greater flexibility than current tax exempt bond offerings. Localities may align bond uses with the greatest housing needs in the community.

- Funds may be applied to a wide range of housing needs—not just affordable multifamily rental. This includes homeownership and homelessness services.
- Localities may offer bond proceeds as grants, deferred loans, and other award mechanisms.
- Flexibility allows GO bonds to fill specific financing gaps created by limited resources from other housing development programs, especially in high-cost markets or underserved communities.

Other states widely use local GO bonds for housing; in 2020, the City of Charlotte, North Carolina issued $50 million in housing bonds. Charlotte described their purpose:

> *"Housing bonds fund the city's Housing Diversity Program to increase the supply of safe, quality and affordable housing for low- and moderate-income residents throughout Charlotte. The Housing Diversity Program not only addresses the need for new construction, it also helps preserve existing housing through rehabilitation of both single- and multifamily housing units. This funding leverages other public, private and nonprofit dollars to increase the supply and accessibility of housing in the community."*[2]

In 2021, the City of Raleigh, North Carolina issued an $80 million housing bond. They described their program:

> *"City Council directed the housing staff to look at two affordable housing bond options for the November 2020 ballot. The City formed an Affordable Housing Bond Advisory Committee on January 21, 2020 to identify options and gather public input for a Fall 2020 bond referendum.*
>
> *Raleigh residents gave overwhelming support, with 72 percent of those voting in favor of the bond.*
>
> *Bond Priorities*
>
> - *Provide generally equal geographic distribution with project investments,*
> - *Provide a range of housing types and income levels in coordination with Wake County,*
> - *Include new units and rehabilitated units where financially viable,*
> - *Seek innovative development partnerships, and*
> - *Pursue projects and acquisition opportunities near planned transit routes like Bus Rapid Transit."*[3]

29.3 Recommendations

In early 2021, the HB854 bond financing options subgroup met four times to discuss how the state can expand its efforts to use bonds to support the creation and preservation of affordable housing. Based on discussions with experts from across the state and input from the subgroup's members, the subgroup makes the following recommendations.

[2] City Bonds, City of Charlotte.
[3] Affordable Housing Bond, City of Raleigh.

Recommendation 1

Support the expansion of PABs for affordable rental housing using the four percent LIHTC bonds. Virginia Housing and public housing authorities issue these bonds.

Strategy 1.1

Continue to monitor allocation trends within the state PAB allocation.

At this time, there is no competition for allocation between housing and non-housing uses; nearly all of the allocation is used for housing, but circumstances could change. For example, a widening of the gap between taxable and tax-exempt interest rates could fuel more use of PAB allocation for non-housing uses. Such a shift would necessitate an analysis to fully understand the relative economic and other benefits to the state of each use and to guide any changes to the allocation formula.

The Industrial Development allocation has received little use in the past five years. A ten percent allocation to Industrial Development would have covered the demand every year for the past decade. The use of PABs for housing concurrently grew at a rapid pace. The four percent housing bonds—because of their attached housing credit—bring additional private investment to the state that other PAB uses do not automatically generate. The Governor's allocation is available for any eligible use and has been regularly tapped for multifamily bonds.

Action items:

Task 1.1.1: Explore possible uses of the allocation for Industrial Development to better understand the benefits as compared to housing bonds. Engage in discussion and information exchange with Industrial Development practitioners.

- **Who:** DHCD, Virginia Housing

Task 1.1.2.: Develop information about the equity generated from investors that use the four percent LIHTC. Educate policymakers and legislators about this benefit.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 1.1.3: Assess what macro-economic changes would potentially shift demand within the PAB allocation to Industrial Development.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 1.1.4: Research legislative and rulemaking requirements related to any future shifts in allocation.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Strategy 1.2

Increase use of affordable housing resources as gap funding to support the increased production of four percent LIHTC bond projects (i.e., expanded geography, types and sizes of projects, etc.).

As resources continue to increase, both Virginia Housing and DHCD should enhance their scoring and selection processes to facilitate the development of more four percent LIHTC bond projects throughout the state. While programs are currently meeting the demand for PABs for rental housing, the provision of new sources of soft debt, low interest funding, and other subsidy types will expand the demand for bonds. In particular, the new Virginia Housing Opportunity Credit should be considered as a way to expand use of the four percent LIHTC bonds by pairing the state credit with these transactions.

Action items:

Task 1.2.1: Identify programs where scoring shifts might be beneficial to incentivizing and increasing the feasibility of four percent bond projects, especially in regions where they have not been used.

- **Who:** DHCD, Virginia Housing

Task 1.2.2: Identify local barriers to increased use of four percent LIHTC bonds for rental housing development. Conduct deeper analysis of energy burden by income and housing stock to identify greatest needs across Virginia.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 1.2.3: Meet with local housing authorities that are active four percent LIHTC bond conduits to determine any additional recommendations for removing barriers and improving project feasibility.

- **Who:** DHCD, Virginia Housing

Task 1.2.4: Monitor the development of the Virginia Housing Opportunity Credit program during the legislative follow-up that will be required in the 2022 General Assembly session to clear up legislative ambiguities. Suggest strategies whereby the new state housing credit can support the production of more four percent bond projects.

- **Who:** DHCD, Virginia Housing, advocates, and other stakeholders

Strategy 1.3

Support beneficial changes to federal laws, particularly the Affordable Housing Credit Improvement Act of 2021 (AHCIA) that expands the LIHTC program and reduces the "50 percent test."

Action items:

Task 1.3.1: Prepare a summary of how the changes in the AHCIA will benefit Virginia.

- **Who:** Virginia Housing Alliance, advocates, and other stakeholders

Task 1.2.2: Determine the level of support for this legislation from the administration and its priority level.

- **Who:** Virginia Housing Alliance, advocates, and other stakeholders

Task 1.2.3: Prepare a recommendation encouraging support of the AHCIA by the administration, elected officials, local governments, and associations.

- **Who:** Virginia Housing Alliance, advocates, and other stakeholders

Additional considerations for Recommendation 1

The state's allocation of PABs to permitted uses was last adjusted in 2008. A further change in 2012 allows unused bond cap to flow to Virginia Housing in the second half of each year. As a result, Virginia's volume cap has always been fully expended. Virginia Housing is able to carry forward any unused cap to the next year and uses conversion to MCCs each year as a way to ensure that the full cap is used and none is returned to the federal government.

Virginia Housing has not issued Mortgage Revenue Bonds since 2012 and has used MCCs since 2015 to assist low- and-moderate income homebuyers. The bond allocation process is managed by DHCD in accordance with regulations promulgated by the department.

There has been little demand for the use of PABs for the Industrial Development pool and four percent housing bonds have the added benefit of federal tax credits that generate equity for affordable rental housing development—something that non-housing bonds do not do.

While use of PABs for multifamily has been growing recently, experts predict that demand for the expansion of PABs for affordable rental housing using four percent LIHTC bonds is about to increase for several reasons:

- A recent change in federal law fixes the companion tax credit at four percent, when it had previously floated at a much lower rate. This means the credit will generate more equity to the project. More equity means that projects will have to support less debt, improving the feasibility of proposals especially in markets where rents are lower or there is a shortage of gap financing.

- Another prospective change at the federal level would adjust the 50 percent test to 25 percent. Congress is currently considering the bipartisan AHCIA, which includes a change that will make it possible to use bonds for projects that previously could not meet the 50 percent test or would need to use the bonds only for short term—so called "bond burning." If this shift occurs, it will expand the number of projects that benefit from four percent LIHTC bond financing and increase the amount of equity that can be generated for affordable rental housing. AHCIA would also increase the nine percent LIHTC volume by 50 percent.
- Gap financing to help with project feasibility is increasing substantially; the Virginia Housing Trust Fund, HOME funding, National Housing Trust Fund, local trust funds, energy efficiency funds, and many more sources are rising.
- The new Virginia Housing Opportunity Credit can provide new equity, improve feasibility, and fund more projects.

All of these new resources will make it possible to develop four percent LIHTC projects in lower rent markets across the state. They also will support smaller projects and other types of targeted projects that have been difficult or infeasible under current restrictions.

During the first Special Session of 2021, the General Assembly passed the Virginia Opportunity Tax Credit; the Governor subsequently signed the legislation, and it took effect July 1, 2021. This credit is a significant new housing resource for Virginia. The program's design—still under development—will provide issuance of $15 million in credits annually, similar to the federal LIHTC. The program begins in 2021 and has a five year sunset that will require re-enactment. The intent of the legislation is twofold: to support the development of more income and rent-restricted apartments in Virginia, and to support some apartments with rents that will serve Virginia families with very-low incomes.

Four percent LIHTC bond projects tend to be in urban areas with stronger markets and higher rents because they offer a lower subsidy than the nine percent LIHTC program. Serving very low-income households is difficult without significant gap funding such as grants and low interest or deferred loans. The subgroup considered whether the new state credit could expand the use of four percent LIHTC bonds and what program design features could accomplish this goal.

Recommendation 2

Increase understanding of the use of local general obligation bonds for affordable housing at both the state and local level.

GO bonds, unlike PABs, are backed by the full faith and credit of the locality—not from the revenue generated by the project. The proceeds from a GO bond for housing could be used in a variety of ways to support affordable housing in a community.

Virginia localities have not embraced this strategy though other states frequently use local bonds for housing. Schools, public buildings, infrastructure, and other uses have been higher priorities for local debt. As housing challenges continue to increase and as affordable housing becomes a higher priority issue within communities, localities may reevaluate this approach.

Strategy 2.1

Disseminate to localities best practice information and examples from other states on the use of local general obligation bonds for affordable housing.

The Virginia Resources Authority (VRA) is currently the lead on working with localities on debt financed projects. Additional research is needed to see what impediments exist to allowing this assistance.

Action items:

Task 2.1.1: Identify and explore existing resources and capacities at the state level that could provide this type of technical support. Review other examples in other states that might present a model.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 2.1.2: Discuss the recommendation with departments and offices that might be candidates for this service to determine interest, capacity, and additional resources needed.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Strategy 2.2

Consider how state housing programs could support localities that generate resources for affordable housing through the issuance of bonds or from local budgets.

Potential incentives should not be exclusively tied to GO bonds alone and should reflect similar efforts to support housing through local housing trust funds and other locally-generated investments.

Action items:

Task 2.2.1: Review existing state funding programs to identify those that might be used in conjunction with local housing resources.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 2.2.2: Discuss possible incentives with the appropriate agencies or funders, including the VRA and Department of Taxation, on impediments to GO utilization by localities.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 2.2.3: Identify and meet with localities that might consider GO bonds for housing (and similar efforts) to determine the types of incentives from the state that would be helpful.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 2.2.4: Suggest several specific state incentives to encourage and facilitate local initiatives via bonds and general funds.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Strategy 2.3

Consider the development of state housing resources that would match local bonds for housing, enabling localities to leverage their programs and bring more resources to the community.

Action items:

Task 2.3.1: Identify existing and new potential sources for matching or leveraged funding to pair with local housing bond funded initiatives.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 2.3.2: Discuss options with appropriate state agencies or funders to determine feasibility.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Additional considerations for Recommendation 2

Virginia localities have rarely used GO bonds for housing though other states commonly do. The Virginia Supreme Court has upheld the legality of GO bonds for housing.

The state constitution caps the amount of GO bonds that a city can have outstanding as a percentage of their taxable base. Counties are not cap-restricted but generally must have bond issues approved by referendum.

As a result, most localities have preferred to issue bonds for issues such as infrastructure, schools, parks or other public/community uses. Localities also carefully monitor their debt to achieve and preserve a high bond rating that allows for ready access to capital markets at low interest cost.

Recommendation 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.

Localities can establish these zones for a variety of purposes including preservation of "naturally occurring affordable housing" (NOAH), development of new affordable rental or ownership housing, development of mixed income housing, and preservation of existing assisted housing. The state should encourage these local initiatives through the following strategies:

Strategy 3.1

Disseminate to localities best practice information and examples from other states on the use of property tax abatements and TIF districts with a housing focus.

Action items:

Task 3.1.1: Identify and explore existing resources and capacities at the state level that could provide this type of technical support. Review other examples in other states that might present a model.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 3.1.2: Discuss the recommendation with departments, offices that might be candidates for this service to determine interest, capacity and additional resources needed.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Strategy 3.2

Provide bonus points or other scoring preferences within the LIHTC QAP and other state housing programs for applicants within qualified housing TIFs.

Action items:

Task 3.2.1: Review existing state funding programs to identify those that might be used in conjunction with local housing TIF districts.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 3.2.2: Discuss options for preferences or priorities with the appropriate agencies or funders.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 3.2.3: Identify and meet with localities that might consider housing TIF districts to determine the types of incentives from the state that would be helpful.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 3.2.4: Suggest several specific state incentives to encourage and facilitate local housing TIFs.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Strategy 3.3

Consider how state housing programs could support localities that generate resources for affordable housing through the use of property tax incentives and qualified housing TIFs.

Action items:

Task 3.3.1: Identify existing and new potential sources for matching or leveraged funding to pair with local tax abatements and housing TIFs.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 3.3.2: Discuss options with appropriate state agencies or funders to determine feasibility.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Strategy 3.4

Establish the standards that the TIF district must meet in order to qualify for state incentives.

Action items:

Task 3.4.1: Review housing TIFs in other states to determine best practices. Propose minimum standards for TIF eligibility for state incentives (e.g., retention of all tax increases and level of housing affordability).

- **Who:** DHCD, Virginia Housing, and other stakeholders

Task 3.4.2: Discuss options with appropriate state agencies or funders to determine methods for competition or other distribution of resources.

- **Who:** DHCD, Virginia Housing, and other stakeholders

Additional considerations for Recommendation 3

Housing TIFs can address a variety of goals, including: the construction of new affordable housing, the preservation of at-risk rental housing, and the preservation of affordable homeownership in neighborhoods that are rapidly gentrifying.

The National Housing Conference has a summary of housing TIF best practices at their website.

Chapter 30

Addressing racial equity in housing across Virginia

This chapter provides recommendations to policymakers for reducing racial disparities in housing. While not specifically referenced in the text of HB854, the steering committee and Stakeholder Advisory Group unanimously agreed that the report should include this topic.

Highlights

Major takeaways in this chapter include:

- While better than the national average, Virginia has a wide gap in homeownership rates that leaves Black households 25 points behind white households.
- Historical patterns of discrimination also produce inequities in wealth and well-being for Black households: they are more likely to be cost-burdened, to live in poor quality housing, to lose their housing, or to have few options of where to live.
- Racial inequity exists on both sides of the housing equation: ownership of production and development companies and leadership of nonprofits are predominantly white.
- Both Virginia Housing and the Department of Housing and Community Development have expanded programs and efforts to advance fair housing goals, including improving access to homeownership for Black Virginians.
- Continued efforts to address racial equity in housing will require Black and brown-led long-term engagement, as well as continued statewide leadership.
- Strategies to address these racial disparities in housing seek to expand Black access to homeownership, help mitigate the effects of gentrification, increase success and choice in rental assistance programs, and ensure that equity is considered at all levels of the housing industry.

30.1 The current landscape

30.1.1 Why we must act

While the language in HB854 does not specifically address the issue of racial disparities in housing, the SAG agreed that the study should incorporate an analysis of racial equity in housing and that every work group should include it in their issue area discussion.

Racial disparities in housing are as widespread throughout Virginia as they are nationally. The legacy of slavery and 150 years of public policy and private discrimination have left Virginians who are Black or African American and other persons of color disadvantaged with respect to housing conditions and status.

The history of redlining and race-based federal mortgage programs, deed restrictions based on race, predatory lending programs, and discriminatory property appraisals contribute to many inequities that the Commonwealth must continue to address.

30.1.2 The Black-white homeownership gap

The homeownership rate for Black Americans across the country is the same as more than 50 years ago when the Fair Housing Act was signed. That rate—44 percent—is 30 points below that of white Americans.

Although Virginia's minority homeownership gap is the fifth smallest among all states, it remains far too wide. Only 48 percent of Black households in Virginia own their home compared to 73 percent of their white counterparts—a 25-point difference.

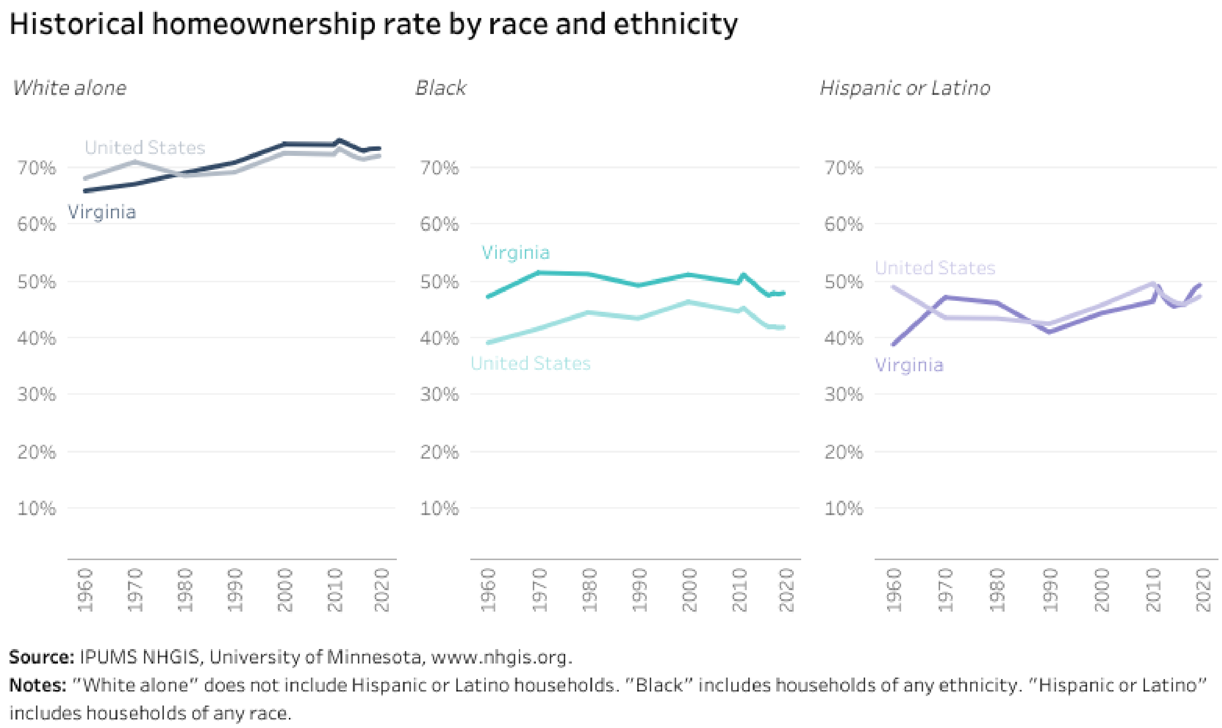

Figure 30.1: Historical homeownership rate by race and ethnicity

Unfortunately, the situation has worsened over the last decade as Black homeowners were more severely affected by the mortgage and foreclosure crisis that triggered the great recession in 2008. With home equity being the largest source of wealth-generation for middle class Americans, the racial homeownership gap is a principal contributor to the large wealth gap that separates white and Black Virginians.

30.1.3 Black renters pay more

A study conducted in 2018 found that Black voucher holders pay a rent premium for the same housing as their white counterparts in the same neighborhood. (Early, Carrillo, & Olsen, 2019) More specifically, researchers concluded that the premium was roughly 2.5 percent more than white households in neighborhoods where the racial composition is more than 60 percent white.

The disparate cost burden experienced by Black renters can be seen here in Virginia, where 53 percent of Black renters are cost-burdened compared to 41 percent of white renters.

30.1.4 Black households experience greater housing insecurity

Racial disparities exist beyond rents but to the experiences Black households face in securing and maintaining housing, as well. The Brookings Institute found that "[e]victions, regardless of other factors, take place in greater density in Black-majority neighborhoods." (Romer, Perry, & Broady, 2021) The impact of eviction on households can further contribute to stress and financial strain on households, household instability, and homelessness.

The Household Pulse Survey conducted by the U.S. Census Bureau sheds further light on housing situation disparities—showing that Black and Hispanic households were most likely to lose income during the pandemic, in turn causing greater difficulty in keeping up with rent payments. During week 15 of the survey, Black households were twice as likely than white households to be behind on their rent than white households and to report. (Wedeen, 2021)

Although representing only 13 percent of the country's population, Black Americans experience homelessness at a greater rate than any other race or ethnic group. Thirty-nine percent of people experiencing homelessness are Black, while more than 50 percent of homeless families with children are Black. (National Alliance to End Homelessness, 2018)

30.1.5 Poorer housing conditions among Black Americans impact health and well-being

Racial segregation has had a profound impact on Black health. The remnants of redlining still impact Black neighborhoods where disinvestment has led to lower quality infrastructure and a lack of community amenities like healthy food, economic opportunities, and health care. (Richardson & Meier, 2020)

One study has found that Black households were nearly two times more likely to live in a home with severe physical problems. (Krieger & Higgins, 2002) Poor housing conditions contribute to poorer health conditions, including respiratory infections, asthma, lead poisoning, physical injuries, and mental illness.

Another study found that Black households are overly represented in neighborhoods with high toxic concentration levels, and higher pollution burdens than other racial or ethnic groups. (Downey & Hawkins, 2008)

30.1.6 Black households have less access to neighborhoods of their choice

Persistent residential segregation continues to block many Black households from greater economic opportunities. Continued underinvestment and devaluation in predominantly Black neighborhoods impede not only personal well-being and wealth accumulation, but also social mobility. (Loh, Coes, & Buthe, 2020)

Long-standing land use policies that block diverse types of housing that can be afforded by diverse people prevent many Black households from living in neighborhoods with better schools, economic opportunities, and community resources.

30.1.7 Racial disparities in the housing industry

In launching their national racial equity initiative, Enterprise Community Partners notes that the American housing industry needs reform as well. Nationally, only two percent of development companies are Black-led. Even among community development corporations, fewer than one in five are governed by persons who are Black or African American despite the fact that many focus their work in communities of color. Just one and a half percent of real estate assets under management are controlled by minority-owned firms.

According to the statewide provider survey completed for this report (see Chapter 7), the majority of respondents (53 percent) indicated that their organization had not developed and implemented any specific program or effort to address racial inequities in their service area and 32 percent were unsure if their organization had done so. The challenge is not just to reduce inequities in allocation of housing assistance but also to bring parity to housing production including ownership and leadership of housing development companies. The goal must be the same for housing nonprofit leadership, board membership, and staffing so that these organizations truly reflect and represent the communities they serve.

30.2 What's happening now

30.2.1 Virginia Housing

Virginia Housing has increasingly addressed racial disparities in housing in a variety of ways, including the expansion of programmatic and staff capacity dedicated to equitable housing outcomes.

For example, home purchase assistance programs (mortgage loans, counseling, down payment assistance, and Mortgage Credit Certificates) primarily target first-time homebuyers and underserved populations. Raising the visibility of Virginia Housing's first-time homebuyer programs and services in underserved communities is crucial to expanding access—a challenge that continues to shape their communications and marketing efforts.

This includes the production of omni-channel ads targeting multicultural audiences or stakeholders with a specific focus on reaching Black markets. Virginia Housing also must collaborate with professional organizations that serve minority businesses or advocate for greater access to homeownership while strengthening their existing partnerships.

As of March 2021, 40 percent of the more than 53,000 Virginia homeowners with Virginia Housing first mortgage loans were racial and/or ethnic minorities; 29.9 percent were Black, and 10.2 percent were Hispanic or Latino. These estimates may underreport service to underserved populations since 8.8 percent of borrowers chose not to indicate their racial/ethnic identity. Figures 30.2 and 30.3 show trends in the racial makeup of participants in the mortgage loan and MCC programs.

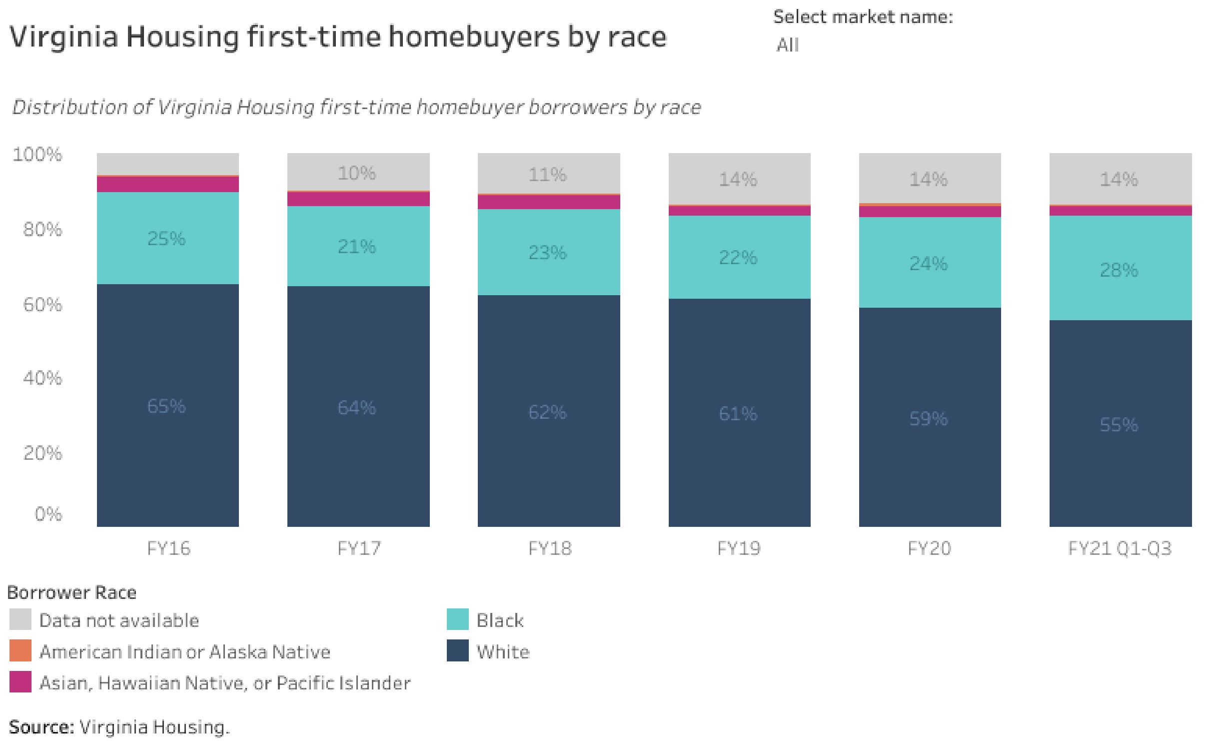

Figure 30.2: Virginia Housing first-time homebuyers by race

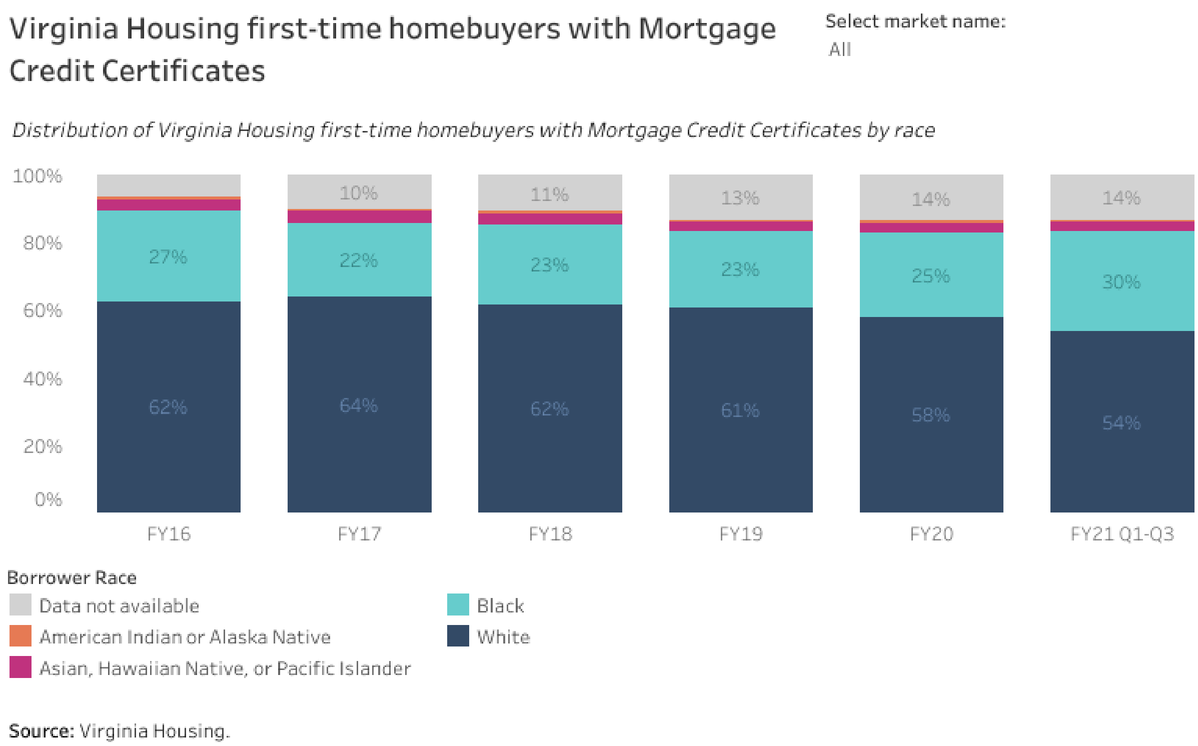

Figure 30.3: Virginia Housing homebuyers using MCCs by race

30.2.2 Department of Housing and Community Development

DHCD's programs focus on historically economically-disadvantaged communities, serving those at 80 percent AMI or less. For example, the Affordable and Special Needs Housing (ASNH) program—which provides gap financing for affordable and special needs housing—prioritizes housing projects for the most vulnerable (50 percent AMI or less) but can provide gap financing for projects that include incomes up to 80 percent AMI.

DHCD has programs dedicated to weatherization of multifamily and single-family units up to 80 percent AMI, homeless solutions grants, eviction prevention, subsidized energy efficient housing for low-income Virginians, funding for broadband access, and emergency rental assistance. The broadband team has been working with the Governor's office on an equity data dashboard to highlight broadband access and affordability.

The Housing Innovations in Energy Efficiency (HIEE) program uses proceeds from the Regional Greenhouse Gas Initiative (RGGI) for low-income energy efficiency programs and subsidies for more energy efficient housing for low-income Virginians. The program prioritizes historically economically disadvantaged communities and will collect and analyze data to expand these initiatives in underserved communities.

The Virginia Rent Relief program is currently working with a grantee to increase outreach and engagement in communities of color to create awareness of the program and help provide technical assistance for tenants especially those with barriers to applying for assistance such as language and disability.

The Homeownership Down Payment and Closing Cost Assistance Program is a flexible gap financing program administered by DHCD that provides opportunities for first-time homebuyers to obtain homes that are safe, decent, and accessible. The long-term goal is sustainable housing and growth in personal wealth and equity for low-income Virginians.

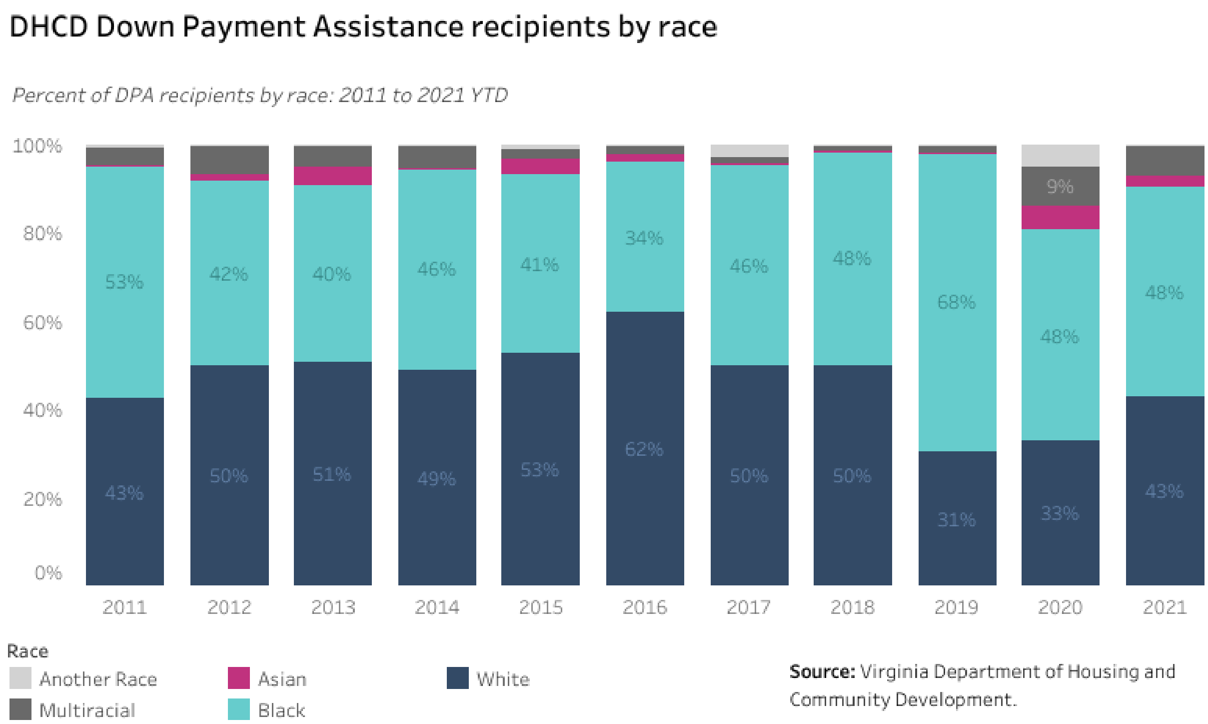

Figure 30.4: DHCD Down Payment Assistance recipients by race

DHCD also updates a yearly Consolidated Action Plan as required by the U.S. Department of Housing and Urban Development. The consolidated plan includes DHCD's plan to promote and affirmatively further fair housing across its programs and guidelines.

DHCD is currently working with the Virginia Center for Inclusive Communities to identify challenges; to ensure that staff, policies, and systems are aligned; and to continually strengthen programmatic areas in response to racial disparities in housing and other areas.

30.3 The path forward must expand engagement

The SAG supports a broad-based approach to racial equity in housing that addresses the entire housing development process from the types of homes and apartment communities that are built to where they're built, who builds them, and the impact on household budgets and wealth generation for their residents.

The group also emphasized that while this process is just beginning, those leading it must be guided by key principles:

Principle 1

Black and brown-led long-term engagement should drive solutions.

- A single program, initiative, or strategy will not solve this complex, entrenched problem; it demands a range of varied programs.
- Black and brown voices must inform decision-making at every step. The SAG recommends implementing a long term, community engagement process that will inform and direct housing initiatives as they develop in the coming years.
- This outreach should include affordable housing consumers, community and political leaders, pastors and congregations, civic organizations, HBCUs, Hispanic Serving Institutions (HSIs), sororities, fraternities, small businesses, city and county administrators, and advocacy organizations.

Principle 2

Continued statewide leadership is necessary.

- The Commonwealth should establish high-level advisory boards that guide the launch of outreach initiatives, receive feedback, and ensure inclusivity as programs are designed and implemented. These bodies include the:
  - Latino Advisory Board,
  - African American Advisory Board, and
  - Virginia Asian Advisory Board.

30.4 Recommended strategies for addressing racial disparities

The SAG reviewed a range of housing initiatives that may be useful first steps to address equity in housing.

Strategy 1

Expand down payment assistance and supplemental initiatives to lower home loan principal amounts.

Inadequate savings for down payment and closing costs is a significant barrier for many prospective Black homebuyers. The racial wealth gap is significant, and the lack of generational wealth often eliminates for Black homebuyers the possibility of family assistance that is more common for white first-time homebuyers.

Both DHCD and Virginia Housing have down payment assistance programs that close the gap between the maximum allowed loan-to-value ratio and the full purchase cost (including down payment). All Virginia Housing borrowers are eligible for this form of assistance via down payment assistance, second mortgages, and grant programs. These are successful initiatives that, if expanded, would benefit more households of color especially those with limited savings.

However, policymakers may also want to explore additional solutions to provide deeper assistance that lowers principal loan amounts to affordable levels. Such programs also would help buyers whose incomes are insufficient to afford most home prices in their community. Deeper subsidies to reduce principals reduce the size of the loan needed and therefore lower monthly mortgage payments.

Strategy 2

Offer property tax relief for long-term owners in transitional neighborhoods.

One of the challenges facing older minority homeowners in neighborhoods where property values are rising quickly is the burden of higher taxes that potentially accelerate gentrification by putting economic pressure on some residents to leave their homes. These homeowners may be struggling to maintain older homes while also paying increased property taxes. Although many communities have adopted tax reduction programs for seniors, homeowners who are slightly below the age cut-off for these programs may face financial challenges to stay in their homes.

Strategy 3

Support community land trusts, co-ops, deed restrictions and other shared equity programs

Community land trusts (CLTs) and other "shared equity" types of programs are an important tool in restraining rising home values in neighborhoods that are undergoing transition. A CLT limits the increase in the home value so that the property remains affordable to future buyers; homes in a gentrifying neighborhood can remain affordable to a stream of future buyers. CLT and other shared equity housing are one way to ensure long term economic and racial diversity in neighborhoods that are experiencing strong market pressures.

These programs are not the right answer for every buyer as they limit the equity growth and potential wealth-generation for individual families. However, CLTs are the answer for households that would otherwise be unable to access homeownership through other programs. Those households that stabilize and increase their economic status can move on after five to six years to conventional homeownership and free up the CLT house for another first-time homebuyer.

Strategy 4

Support security deposit assistance and eligibility screening reform for Housing Choice Vouchers.

Chapter 26 explores some aspects of the Housing Choice Voucher (HCV) program that can negatively impact minority applicants and eliminate or reduce participation in the program. Minority applicants are less likely than white applicants to have sufficient funds for security deposits; a program designed to reduce the barrier of a cash requirement for an applicant, including security deposits and utility deposits, can increase program access for people of color.

Because Black persons have been incarcerated at higher rates than whites, criteria that restrict or preclude program eligibility based on arrest/incarceration history and status can also disproportionately affect minority applicants and become an insurmountable barrier for ex-offenders who are attempting re-entry. More flexibility in tenant screening criteria—such as criminal record checks and payment/eviction records—can benefit some minority applicants and overcome bias in the system.

Strategy 5

Expand mobility programs for Housing Choice Voucher recipients.

Mobility programs offer low-income families of color the opportunity to move away from neighborhoods with high concentrations of poverty to “communities of opportunity” with better schools and improved access to jobs, services and neighborhood amenities. These programs combine HCVs with voluntary intensive counseling and wraparound services.

Baltimore, Maryland has one of the oldest and most successful mobility programs in the country. It began with a fair housing lawsuit in 1995 and has helped over 5,000 families relocate from public housing to higher opportunity neighborhoods throughout the Baltimore metro area. The Richmond region is home to a smaller program that is administered by Housing Opportunities Made Equal of Virginia. These programs require a combination of HCVs and funds to support counselors and other services to families.

To ensure households maintain stable housing after relocation assistance has ended, programs should work with the household to provide sufficient follow-up services and support for up to five to seven years as needed.

Strategy 6

Seek greater participation in affordable housing by developers, contractors, nonprofits, and other organizations that are BIPOC-owned or led.

Strategies to address and reduce disparities within housing must deploy at all levels from policies on paper to programs on the ground. At the program level, this includes identification and prioritization of households and provision of services. At the organizational and policy setting level, this includes ensuring that leaders and decision makers reflect and represent the communities served.

Entities led by BIPOC Virginians (including BIPOC-owned companies, BIPOC-governed nonprofits, and other BIPOC-led organizations) should be prioritized for opportunities to design, develop, build, finance, manage, or sell affordable housing. It is imperative that program implementation actively engage people of color and elevate their expertise that comes only from lived experience. This will require intensive efforts to build capacity, expand access to capital, and develop leadership. Goals for minority participation must be strengthened and selection processes must be reviewed to uncover barriers to minority success.

30.5 Emerging best practices in other regions

While many communities across the country are beginning to discuss restorative housing initiatives, few have successfully implemented such programs. Policy makers and advocates are in the early stages of determining the legal and effective crafting of these programs. There are several examples that are worth noting where communities outside of Virginia have created programs intentionally designed to repair racial injustices through housing. These include:

Evanston, Illinois

Local Reparations Restorative Housing Program

The city of Evanston, Illinois (a northern suburb of Chicago) became the first community in the nation to formally adopt a reparations program focused on housing. In Evanston, Black households in the community between 1919 and 1969 are eligible for grants of $25,000 that can be used for home repair, down payments, and mortgage payments. The city established a $10 million fund with revenue generated by a new city tax on recreational marijuana.

Chicago, Illinois

Racial Equity Impact Assessment

The city of Chicago commissioned a Racial Equity Impact Assessment (REIA) for their Qualified Allocation Plan (QAP). The QAP guides the allocation of LIHTCs. (Chicago receives its own allocation separate from the State of Illinois.) The REIA examines the QAP through a racial equity lens to determine how the policy affects racial and ethnic groups.

The result is a series of recommendations that address issues including wealth-building, increased opportunities for developers and contractors of color, tenant screening criteria that may adversely affect Black and Brown households. The Chicago QAP is the first in the nation to do this.

Boston, Massachusetts

STASH Program

Saving Towards Affordable and Sustainable Homeownership (STASH) is a matched savings program that targets first generation homebuyers. The program's main goals include closing the racial homeownership gap and increasing assets and the affordability and stability of homes for first-generation, first-time homebuyers with low-to-moderate incomes.

STASH provides homebuyer education and a matched savings of $2,000 for a down payment on a house in Massachusetts. Participants in the program must be a first-generation homeowner in the United States. The program defines a first-generation homebuyer as someone who does not currently own a home and has not previously owned a home; whose parents and/or legal guardian do not currently own a home and have not previously owned a home; and whose spouse, if applicable, does not currently own a home and has not previously owned a home.

APPENDIX

Appendix A

Survey methods

This chapter provides links to the actual collection instruments used for the statewide provider survey, the public housing authority survey, and the client survey conducted for this report. The results of these surveys are covered in Part II. All links are PDF documents.

A.1 Statewide provider survey

This survey was built in QuestionPro and was conducted electronically.

Virginia Housing Programs and Policies Survey (PDF)

HousingForward Virginia also compiled a content analysis of responses to open-ended questions in this survey.

Open-Ended Question Content Analysis (PDF)

A.2 Public housing authority survey

This survey was built in QuestionPro and was conducted electronically.

Virginia Public Housing Authority Survey (PDF)

A.3 Client survey

This survey was built in QuestionPro and was conducted electronically. Printed versions were also made available and distributed to housing providers throughout the Commonwealth.

Client Engagement Survey (PDF)

Appendix B

Data methodology

This chapter provides links to documents that explain specific methodologies used for data analysis in this report. All links are PDF documents.

B.1 Quantifying the availability of "starter homes" in Virginia

This analysis estimates the number and share of homes sold in Virginia jurisdictions that could be defined as "starter homes." The goal is to better understand how options for first-time home buyers vary across the Commonwealth and how the inventory of starter homes has changed over the past eight years. Sales data from the Virginia REALTORS® and income data from the U.S. Department of Housing and Urban Development are used.

Results of this analysis are in Chapter 15.

Data methodology: Quantifying the availability of "starter homes" in Virginia (PDF)

B.2 Determining the income needed to afford the median home sales price

This analysis was used to make comparisons between the median renter household incomes and income needed to afford the median home sales price in Virginia localities. This analysis was conducted using American Community Survey data on median renter household incomes at the locality-level in Virginia, as well as median sales price data from the Virginia REALTORS®.

Results of this analysis are in Chapter 15.

Data methodology: Determining the income needed to afford the median home sales price (PDF)

B.3 Estimating the cost of a state-funded rental assistance program

This analysis provides a general estimation of four possible scale options for a state-funded rental assistance program in Virginia. The scenarios are based on general assumptions about assistance amounts and administrative costs.

Results of this analysis are in Chapter 26.

Estimating the cost of a state-funded rental assistance program (PDF)

Appendix C

Program fact sheets

This appendix provides links to fact sheets on each state housing program evaluated in this report. A total of 32 fact sheets are provided. The successes, challenges, and recommendations for these programs are covered in Part IV. All links are PDF documents.

C.1 Affordable rental housing production

Virginia Housing

- Low-Income Housing Tax Credit (LIHTC)
- Mixed Used / Mixed Income
- Multifamily Lending Program

Department of Housing and Community Development

- Affordable and Special Needs Housing

C.2 Rental assistance and eviction prevention

Virginia Housing

- Housing Choice Voucher (Virginia Housing-administered)

Department of Housing and Community Development

- Communities of Opportunity Tax Credit (COPTC)
- Virginia Eviction Reduction Pilot (VERP)
- Virginia Rent Relief Program (RRP)

Department of Behavioral Health and Developmental Services

- Permanent Supportive Housing - Serious Mental Illness
- State Rental Assistance Program (SRAP)

Virginia Department of Social Services

- Low-Income Home Energy Assistance Program (LIHEAP)

C.3 Homeownership and counseling

Virginia Housing

- Homebuyer Education
- Home Purchase Loans / SPARC
- Mortgage Credit Certificates
- REACH - Housing Counseling

Department of Housing and Community Development

- Affordable and Special Needs Housing (ASNH)
- Down Payment Assistance

C.4 Rehabilitation and accessibility

Virginia Housing

- Granting Freedom
- Rental Unit Accessibility Modification (RUAM)

Department of Housing and Community Development

- Acquire, Renovate, and Sell (ARS)

- Emergency Home and Accessibility Repair (EHARP)
- Indoor Plumbing Rehabilitation (IPR)
- Lead Hazard Reduction
- Liveable Home Tax Credit
- Weatherization Assistance Program (WAP)

C.5 Community revitalization and capacity building

Virginia Housing

- Capacity Building Grants
- Community Impact Grants (CIG)
- Predevelopment Loan Program (PDL)

Department of Housing and Community Development

- Community Development Block Grant (CDBG)
- Vibrant Communities Initiative (VCI)

C.6 Homelessness assistance and prevention

Department of Housing and Community Development

- Affordable and Special Needs Housing (ASNH)
- Housing Opportunities for Persons with AIDS/HIV (HOPWA)
- Virginia Homelessness Solutions Program
- Virginia Housing Trust Fund - Homeless Reduction Grant

Department of Behavioral Health and Developmental Services

- Permanent Supportive Housing - Serious Mental Illness
- State Rental Assistance Program

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