City of Harrisonburg

Comprehensive Housing Assessment and Market Study

January 2021

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About the Data Used in the Study

The study makes use of several data sources. The most current years of data do not always align with one another. For example, data that is used directly from the American Community Survey (ACS) comes from the 2014-2018 five-year estimates while HUD's Comprehensive Housing Affordability Strategy (CHAS) data covers 2013-2017. Because CHAS data is derived from ACS data, 80% of the underlying data is the same in these two data sets.

The United Way provides information related to ALICE households and are based on 2018 calculations. These calculations are not purely ACS-based and there is no direct comparison of the United Way data to ACS and CHAS data. HISTA projection data uses 2011-2015 ACS data as the base year and makes projections based on historical data.

Other data sets used include locally-provided data such as the Real Estate Division tax data. The analysis for this data set was not compared to HUD-established Area Median Income (AMI) limits and is therefore not affected. Multiple Listing Service (MLS) data was compared to HUD income limits and sales year was aligned with income limits from that year to ensure proper categorizing into income tiers.

Executive Summary

INTRODUCTION

In 2019, the City Council of Harrisonburg, Virginia created a vision statement that described what they envisioned for the most ideal state of the City by 2039. This vision focuses on six key areas: A City for All; Economic Development: Goals, Gains, and Growth; A Thriving Educational Epicenter; Available Housing for All; Distinctive, Reliable Delivery of High-Quality City Services; and Fiscal Sustainability and Planning.

The Comprehensive Housing Assessment and Market Study begins to address the Available Housing for All priority but with a much more expansive approach to understanding housing needs in Harrisonburg. The study analyzes several elements described in the City's priorities, from economic impact to the access to parks, among others, as they relate to housing. The study views housing need through the lens of social determinants of health, introduced by the World Health Organization, to quantify existing housing supply, assess demand for different housing types, identify barriers to meeting demands, and list potential policy tools to address housing gaps.

Social determinants of health are "the circumstances in which people are born, grow up, live, work and age, and the systems put in place to deal with illness. These circumstances are in turn shaped by a wider set of forces: economics, social policies, and politics."[1] This framework has informed national research on how these environmental circumstances affect a community's health, functioning, and quality of life. The U.S. Department of Health and Human Services outlines five key domains of social determinants of health in the *Healthy People 2030* report. These include economic stability, education access and quality, health care access and quality, neighborhood and the built environment, and social and community context. *Healthy People 2030* notes several examples of social determinants including "availability of resources to meet daily needs (e.g., safe housing and local food markets); access to educational, economic, and job opportunities; quality of education and job training; availability of community-based resources in support of community living; and, opportunities for recreational and leisure-time activities, transportation options, and socioeconomic conditions."

The Harrisonburg Comprehensive Housing Assessment and Market Study (the study) reviews data sets from all five key domains of social determinants of health, in combination with housing market activity levels, to create a series of market typologies across the City. It is within these four market types that population trends, poverty, jobs and wages, housing affordability, housing mismatch and more, are analyzed to determine the degree to which Harrisonburg's housing market currently meets the demand.

This study was initiated in July 2020, less than four months after Virginia Governor Ralph Northam declared a state of emergency due to COVID-19 and issued a stay-at-home order for the state. With thousands of non-essential businesses closed or experiencing modified operations, hundreds of thousands of Virginians were without jobs or had reduced working hours seemingly overnight. Although there are predictions of an enormous wave of rental evictions anticipated once the CDC moratorium is lifted and impacts of the pandemic will be felt across the economy

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[1] World Health Organization, Commission on Social Determinants of Health 2008. Closing the gap in a generation: health equity through action on the social determinants of health. Final report of the Commission on Social Determinants of Health. Available at: http://whqlibdoc.who.int/publications/2008/9789241563703_eng.pdf

and more acutely among some demographics, there is no reliable data available to reflect in this study.

KEY FINDINGS

There are several characteristics of the Harrisonburg housing market that exemplify the demand for more affordable housing, but two conditions concisely summarize the complexity of the challenges facing the City and its residents.

- **There is a "housing mismatch" in which thousands of households live in units that do not align with their income.** In other words, many higher income households live in housing "beneath their means" while many lower income households live in units where they must pay 30-50%, or more, of their monthly income for housing costs. While there are numerous reasons why people choose to live where they live, this housing mismatch has a disproportionately greater impact on lower income households. Higher income households have greater choice in the housing market as a result of having more income available for housing. However, when higher income households reside in lower cost housing, they are effectively "squeezing out" lower income households—who, because they are lower income, have the fewest housing options.

- **The lowest income group (up to $19,410 for a family of four in 2017) has the smallest housing inventory available and affordable to them.** The lack of available and affordable units is because there is both a shortage of units affordable to this income tier relative to the number of households and many of the units that do exist are occupied by households with higher incomes.

Other key findings include the following:

- **The Harrisonburg sales market is a very strong one with limited inventory on the market and a median days on market of two weeks.** This translates to a seller's market, where buyers make competing offers and the median home sells for 99% of the list price. Twenty-one percent of home sales listed with a real estate agent sold for above the list price. Exacerbating this trend is Harrisonburg's "missing middle housing" problem. Fully 94% of all owner-occupied units are traditional single-family dwellings.

- **The City's rental market is comparably tight.** The rental vacancy rate is low at 2-3.5% indicating a very tight market with a low inventory. This creates high levels of competition within the market as renters compete for scarce units and where the lowest income households have the fewest options.

- **College students drive population growth and the housing market.** College students accounted for 37% of population growth between 2010-2018. Demand for off-campus rental units to accommodate college students exerts upward pressure on rental rates, pricing out non-student households.

- **The poverty rate skews higher in the City with its large college student population.** Overall, the rate is 28%; however, removing the college-age households of 19-24 years old from the equation lowers the poverty rate to 14%, which is higher than Virginia's rate (10.7%) but comparable to the national rate of 13%.

- **Net employment growth occurred in jobs paying less than $40,000.** The threshold of $40,000 per year in earnings serves as a proxy for good-paying jobs. Workers in industries with average wages above $40,000 per year are more likely to earn good wages and receive healthcare benefits with their jobs. Harrisonburg added more than 600 jobs between 2010-2019. However, industries with average annual wages *above* $40,000 lost 648 jobs while those with average wages below $40,000 grew by 1,300 jobs. Given that wages have largely been stagnant since 2010, paired with employment trends increasing in low-wage industries alongside losses in high-wage industries, points for the need for a coordinated effort among City staff focused on housing and those focused on economic development. Ensuring that there are housing options that fit the needs of the current and future workforce will be critical for efforts on the affordable and fair housing fronts.

- **More than 7,800 households fall below the ALICE threshold of being Asset-Limited, Income-Constrained and Employed.** The United Way of Harrisonburg and Rockingham County's 2018 ALICE report estimates that the income threshold to meet basic expenses for a family of two adults and two children in Harrisonburg is $60,000. The United Way estimates that 55% of Harrisonburg households headed by a householder aged 25 and older, totaling 7,834 households, do not meet the $60,000 earnings threshold of a survival budget for a family of four.

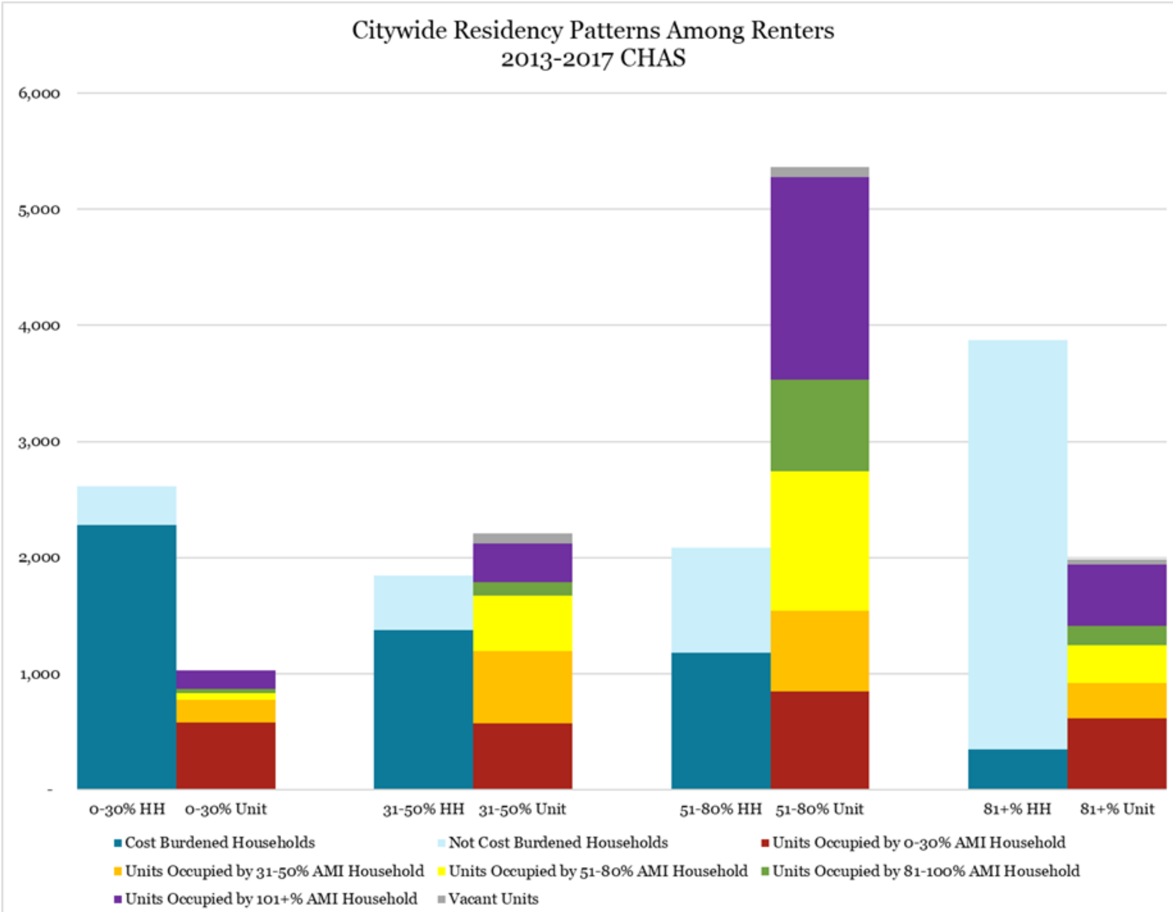
- **The level of affordable housing need among renters is much greater than among owner households residing in Harrisonburg as evidenced by the following indicators:**

    - **More than 3,600 lower income renter households are cost-burdened and pay more than 30% of their income on housing costs.** More than 2,200 households living on less than $19,410 (less than 30% of the area median income) pay more than 30% of their income on monthly housing costs. Another 1,370 households living on $19,411-$32,350 (31-50% of the area median income) pay more than 30% of their income on monthly housing costs. By comparison, only 367 owner households in these same income categories are cost-burdened.

    - **The demand for Supportive Housing units, a subset of the rental market, is estimated to be between 84-94 elderly households and between 445-509 non-elderly persons.** The majority of these units are required to meet the needs of persons with serious mental illness and intellectual/developmental disabilities.

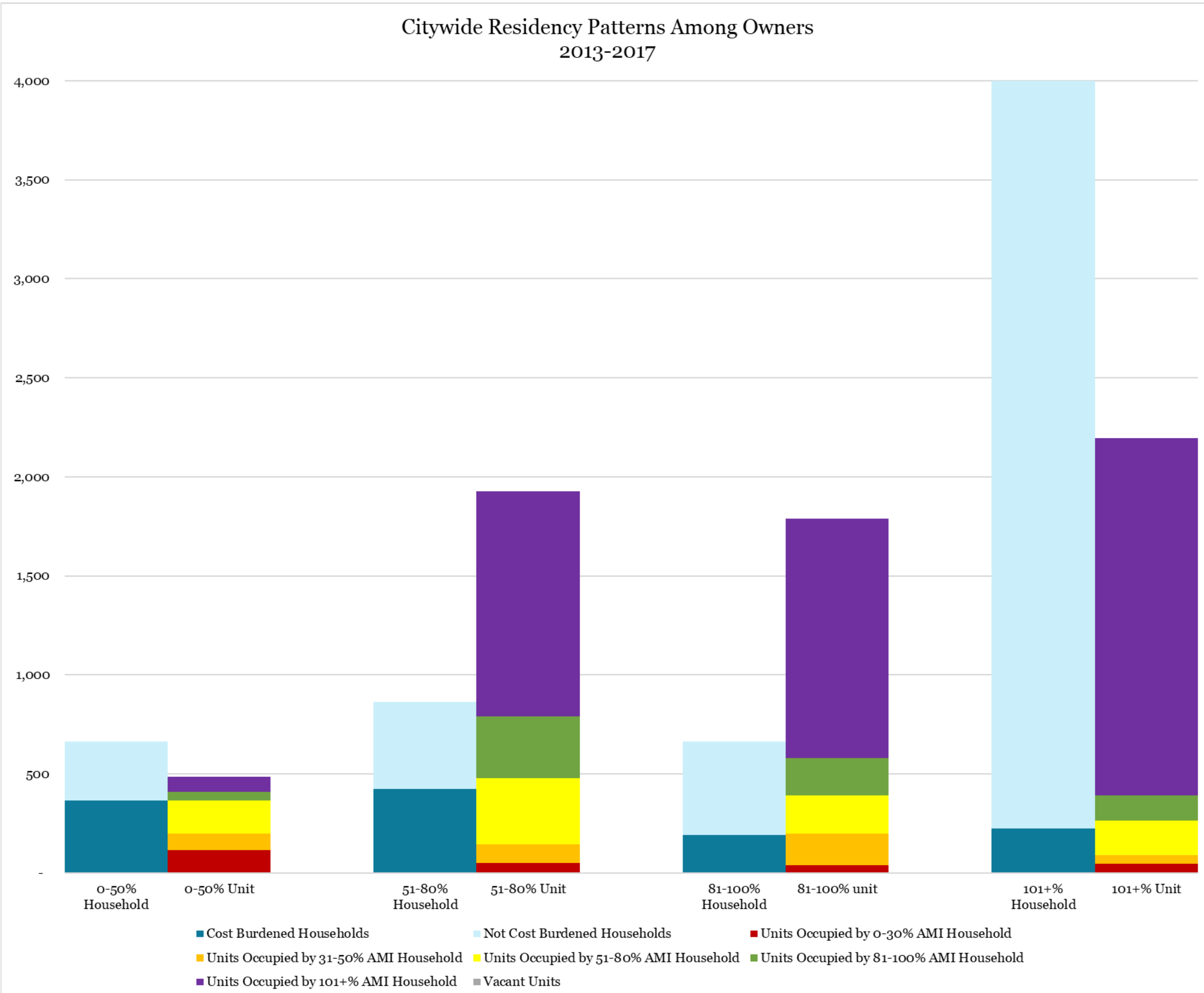
    - **Over the next five years, there is also a need for 126 Permanent Supportive Housing beds for persons exiting homelessness in the Western Virginia Continuum of Care.** This covers the six-county region that includes Harrisonburg.

- **There is strong demand for expanding the rental housing inventory at both ends of the income spectrum.** Among renters, the number of households in the lowest income group (0-30% of area median income) and the highest income group (81% of the area median income and above) significantly exceed the number of housing units available for and affordable to them.



Source: 2013-2017 CHAS

- **Similar to the rental market, there is strong demand for expanding the sales housing inventory at both ends of the income spectrum.** Among homeowners, the number of households in the lowest income group (0-50% of AMI) and the highest income group (101% and above) exceed the number of housing units available for and affordable to them. For example, there are nearly twice as many owner households with incomes above 100% of the area median income than there are units that align with their incomes.



Source: 2013-2017 CHAS

MARKET TYPES IN HARRISONBURG

Market types, as used in this study, are composed of two parts – the level of market activity as well as access to identified amenities as defined by the social determinants of health.

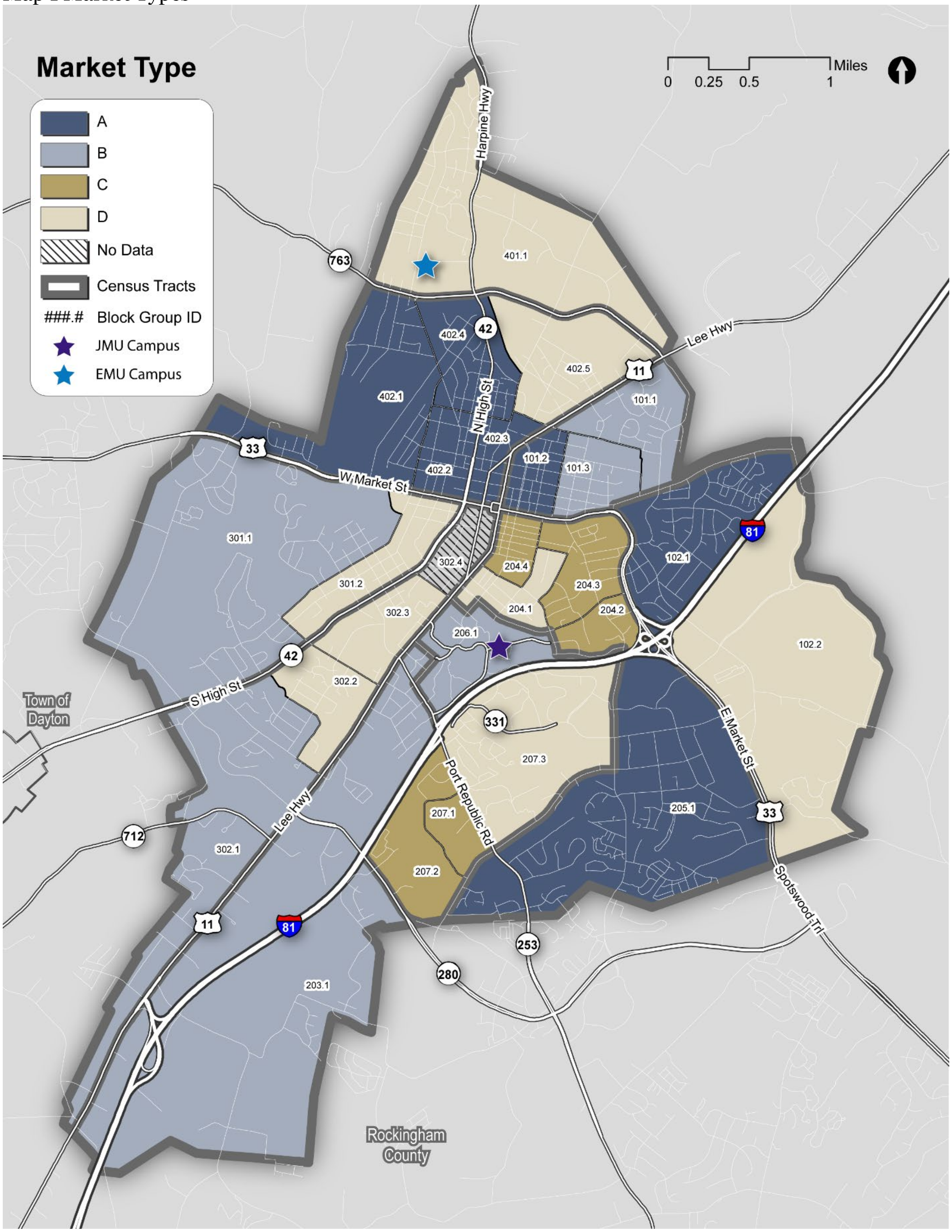
The Market Activity Score indicates the level of sales activity in each U.S. Census defined block group as measured by the number of days a unit remains on the market, the volume of sales, the change in the volume of sales from 2018 to 2019, and the ratio of the sales price to the list price. Each block group in Harrisonburg was scored relative to all other block groups within the City.

Harrisonburg is an amenity-rich city with multiple full-service grocery stores, a farmers' market, many parks and playgrounds, elementary schools located throughout the City, a public transit system with low fares compared to other cities, and lively recreational and cultural events and activities. To enhance the housing activity indicators in the Market Types, a second characteristic was added to capture access to various community amenities. The level of access to local community amenities was analyzed and a score was assigned to each block group as compared to other block groups within the City.

Describing housing submarkets across Harrisonburg by the level of housing activity and amenity access and the characterization of common demographic trends provides a tool for strategically matching public resources and policies where they can have the greatest impact. For example, a market type consisting of stable neighborhoods with older housing stock might benefit from housing rehabilitation to preserve existing units that are affordable to low- and moderate-income households. By comparison, a market type with a higher level of activity (i.e., a higher level of buying and selling of housing units) located on a major corridor with public transit access might benefit from increasing density through zoning to expand the City's housing inventory. Market typology is also useful as a local planning tool to assist City residents in understanding the housing market forces impacting their neighborhoods.

The resulting four market types – labeled as Market Types A, B, C and D – are illustrated on the Market Type map. It is against the backdrop of the Market Types that the study's recommendations were crafted.

Map 1 Market Types



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD, Multiple Listing Service

Market Type A neighborhoods are characterized by high population growth and high concentration of workers who earn $40,000 or more in their primary jobs. Houses in these markets are quick to sell and have a median sales price of $190,000. Within this market type reside 32% of the City's population and the lowest concentration of college-aged persons (age 18-24). Median household income has remained about the same since 2013, ranging from $27,300 to $59,800 in 2018.

Market Type A has above median overall access to amenities such as public transit within walking distance, full-service grocery stores, and multiple parks and recreation facilities. This does not mean that all Market Type A areas score above the median for all amenities but rather that, on the whole, these areas have higher access than other areas.

While it is suggested to increase density throughout Harrisonburg as an overall strategy, it is recommended to site affordable housing in areas that have higher access to amenities such as public transit, grocery stores, parks and jobs. Market Types A and C are areas with above median access to amenities but because Market Type A tends to be more built out than Market Type C (there are more home sales, which contributes to the Higher Market Activity score of Market Type A over Market Type C), priorities and policies that are appropriate to Market Type A areas include an emphasis on increasing density through zoning changes, infill development and housing rehabilitation to maintain the quality of housing.

Market Type B neighborhoods are characterized by high income earning households, large volumes of housing sales and lower population growth. Houses in these markets are also quick to sell and have a median sale price of $201,500. Twenty-eight percent of City residents live in these neighborhoods and have high - and growing - incomes. In 2018, median household incomes ranged from $34,500 to $112,300.

Market Type B has below median overall access to amenities such as public transit within walking distance, full-service grocery stores, and multiple parks and recreation facilities. This does not mean that all Market Type B areas score below the median for all amenities but rather that, on the whole, these areas have lower access than other areas

Priorities and policies that are appropriate to Market Type B areas include the preservation of existing affordable housing while at the same time working to increase access to amenities. For example, this could be through the reimagined use of a portion of an existing park or other City-owned parcels, locating a farmer's market in the area or bringing a bus line with multiple bus stops to these neighborhoods to increase the level of access to amenities.

Market Type C neighborhoods represent the smallest but fastest growing market type in Harrisonburg. These neighborhoods are characterized by a large number of college-aged persons (age 18-24), lower median household incomes, a lower percentage of workers making good wages in their primary jobs, and high rates of poverty among non-college students. Houses in these areas are slower to sell in Harrisonburg's strong market – though still sell relatively fast with a median of 14 days on market and a median sales price of $119,000.

These neighborhoods represent 14% of the City population. Given their high level of college students, these neighborhoods grew at the fastest rate of any market type in Harrisonburg. Off-campus college students represented almost five in 10 residents. Although 14% of the City's population reside here, they account for 23% of the off-campus student population as reflected in lower income households with the lowest ranges of median household income ranging from $17,500 to $59,700. Additionally, workers were more likely to hold primary jobs with incomes below $40,000 per year with 74% of workers holding low-paying positions.

Like Market Type A, Market Type C has above median overall access to amenities such as public transit within walking distance, full-service grocery stores, and multiple parks and recreation facilities.

Market Type C has above median access to amenities yet is the most affordable market type in the City. The creation and preservation of affordable housing and construction of middle income housing would be appropriate here as there are already amenities in place that would make these areas attractive locations for housing, particularly as some low- and moderate-income households either do not have access to a private vehicle or have more drivers in the household than there are cars indicating that one or more household members will need to rely on public transit. In addition, sales prices are lower in Market Type C than in other Market Types making this a potentially more feasible location to create and preserve affordable housing.

Market Type D neighborhoods are characterized by the lowest growth of any market type and low housing volume turnover. Houses in these areas are slower to sell, comparatively speaking – although still quickly at a median of 16 days on market – with a median sales price of $220,000. Twenty-five percent of the City's population is found here, where the demographic composition is similar to Harrisonburg as a whole.

Incomes in different pockets vary greatly. Median household incomes in these neighborhoods have the broadest range: $20,000 to $91,000. This could point to a divergence of two conditions found within these neighborhoods: one of stable, high-income, low turnover neighborhoods and one of lower turnover in lower income neighborhoods.

Like Market Type B, Market Type D has below median overall access to amenities such as public transit within walking distance, full-service grocery stores, and multiple parks and recreation facilities.

Market type D has lower market activity as well as lower access to amenities. This could be because the areas are stable residential neighborhoods or because the area is less developed and therefore has fewer sales and fewer amenities. Strategies that would be appropriate in the latter case include concurrent development of the housing and economic opportunities through mixed-use developments to build commerce and housing centers across the City.

RECOMMENDATIONS

The recommendations are structured to establish a foundation to address affordable housing now and in the future. Given the nature of the current housing situation, there are some simple, cost-effective solutions that can be implemented immediately that will help to alleviate current barriers and mitigate additional harm. Establishing a housing trust fund is a critical priority but it will take time to capitalize that fund and deploy those resources. The prioritization of these recommendations should not be interpreted as downplaying the importance of the trust fund. Many of the recommendations included in the study are being implemented in other Virginia municipalities, and several are best practices in places throughout the U.S. Several are bold measures requiring strong advocacy, community conversations and time. For success to be achieved, a significant shift in policies, funding priorities and the status quo—both in the private and public sectors—is required. The recommendations are presented in the recommended order of implementation. The first 17 recommendations fall primarily under the authority of City Council. The final four recommendations fall primarily under the responsibility of the Western Virginia Continuum of Care and could be implemented concurrently with the first 17.

City of Harrisonburg

Recommendation 1: Hire a Housing Coordinator.

The implementation of the study's recommendations will require the coordination and collaboration of numerous City departments as well as outside entities such as the real estate community, the Western Virginia Continuum of Care, Harrisonburg Redevelopment & Housing Authority, James Madison University, and many more. There are several recommendations that fall under the purview of individual City departments, however, the wide range of initiatives proposed do not all fall neatly under the authority of a single department. This can be achieved in one of two ways. The Housing Coordinator could report directly to the City Manager's office with the ability to coordinate the implementation of the study's recommendations with all departments and outside entities, as needed. Or, the Housing Coordinator can be assigned to the Department of Community Development with a support team comprised of representatives from city departments to ensure continuous cross-communication for implementation.

Recommendation 2: Launch and amplify collaborative efforts to attract and grow jobs with annual wages above $40,000 and provide workforce training so residents have the required skills.

The cost of living in Harrisonburg is rising faster than wages and incomes. Many residents are earning less than the ALICE survival budget and the City has been losing good paying jobs while gaining jobs that pay lower wages. The growth in low-wage jobs increases the demand for affordable housing but the costs of housing development are rising, requiring even more subsidy to be affordable. Harrisonburg needs an economic and workforce development strategy that promotes the upskilling of residents and connects them to jobs that enable them to thrive, not just survive.

Recommendation 3: Conduct a coordinated affordable housing public campaign.

Conduct a public campaign about affordable housing and why it contributes to a vibrant community. Educating residents, organizations, and businesses is a key element to combating NIMBYism that exists against any change proposed—whether in new zoning or subdivision ordinance provisions, new affordable housing developments, new policies proposed, and new ways of solving current issues. The focus of the campaign should be on why the City cannot afford to neglect affordable housing. The campaign can be carried out by a third party resulting from a partnership of public and private entities, such as James Madison University, the Harrisonburg-Rockingham Board of Realtors, the United Way, local lending institutions and others.

Recommendation 4: Prioritize City resources to finance affordable housing initiatives.

The impending bond for construction of a second high school will limit the borrowing capacity of the City and require a tax increase. As a result, identifying and evaluating how all available resources can be re-allocated to affordable housing must be a priority. In addition, the City should anticipate the housing situation will worsen once COVID-19 eviction moratoria end. Resources could include General Fund line items, but emphasis should also be placed on proceeds from the sale of City-owned assets (see Recommendation 8) and other revenue sources (such as recordation fees) that could be re-evaluated and re-directed for affordable housing efforts. One of the goals of this recommendation is to begin the process of setting aside available funds to capitalize a local Housing Trust Fund (see Recommendation 15).

Recommendation 5: Enact waiver of certain fees for affordable housing.

Waiving certain fees for affordable housing development may help to offset some of the costs associated with the project. Sec. 15.2-958.4 of the VA State Code states "a locality may by ordinance provide for the waiver of building permit fees and other local fees associated with the construction, renovation, or rehabilitation of housing by a § 501(c)(3) organization with a primary purpose of assisting with the provision of affordable housing." Many nonprofit affordable housing developers exist on shoe-string budgets. Having building permit fees and water/sewer connection fees waived for new affordable housing units can have a significant impact on the cost of the home for a low-income household. The City can also waive building permit and other local fees associated with a private-sector entity that is pursuing an affordable housing development.

Recommendation 6: Provide a 10-year tax abatement for new affordable multi-family projects consisting of more than four units and the adaptive re-use or preservation of formerly vacant or non-residential structures into affordable residential uses for non-student households.

Providing a tax abatement is another financial incentive the City can offer to encourage private developers and builders to undertake new affordable rental construction or substantial conversion of larger structures. Cities expect to break even when they grant tax abatements: the amount they forgo in tax revenue from the new development until it is completed should be exceeded by the tax revenue increase caused by the new housing's economic impact. If lower property taxes keep operating costs lower, then property owners should maintain affordable rents; however, a prohibition against raising rents during the abatement period should be part of the written agreement.

Recommendation 7: Adopt an Affordable Housing Location Policy.

Some communities have adopted Affordable Housing Location Policies with the goal of increasing the supply of affordable housing in underserved locations near employment, transit, and commercial centers (such as Market Types A and C); in and near downtown areas and neighborhoods with approved revitalization plans; and preventing further concentrations of minority and low-income persons and subsidized housing. To achieve this vision, the policy requires developers to comply with these criteria for any new multi-family rental affordable housing project that is funded, in whole or in part, by the City. Some exceptions are made for rehabilitation and developments exclusively for the elderly and disabled. City funding could be in the form of grants (such as CDBG or HOME) or any incentive provided to the development (such as tax abatement, fee waivers, or provision of infrastructure, among others).

Recommendation 8: Identify City-owned assets suitable for affordable and/or mixed-income residential development and issue Requests for Proposals (RFPs) for development options.

The City owns a valuable commodity that can contribute to expanding its housing inventory: developable land located across the City in all Market Types. This would include the sale of public properties, such as park property, property planned for park designation, excess land retained from past construction projects, and other City-owned parcels. Some of these parcels are small but several are significant in size. For larger parcels, the City should issue RFPs and solicit proposals from private developers and then provide incentives. For example, if a site would require the extension of water and sewer service lines, the cost of these extensions could be deducted from the sale price of the land, thereby providing an incentive to the developer for providing the necessary infrastructure. Another valuable incentive is to ensure each parcel is zoned appropriately so potential developers know they will not need to undertake this step—one that can be lengthy and expensive. Even small parcels may be appropriate for several small, moderately priced single-family dwellings made available as affordable sales units for income-eligible homebuyers.

Recommendation 9: Incorporate new and updated provisions in the current Zoning Ordinance update that will facilitate the implementation of the recommendations made in the study.

Under the City's current zoning code, there are several changes that, if made, would expand housing choice and foster greater affordability. These revisions include, but are not limited to, the following:

- **Definitions:** Modernize and clarify zoning definitions to be consistent with stated housing goals and the Code of Virginia
- **Accessory Dwelling Units (ADUs):** Design an ADU ordinance that is appropriate for the City's needs to foster the development of affordable units
- **Housing Supply and Choice:** Conduct zoning map and/or zoning text amendments to increase housing stock, housing type and housing density
- **Definition of Family:** Expand the definition of "family" beyond the limit of three unrelated individuals living together to "a group of individuals living together as a single housekeeping unit".
- **Regulations of Group Homes for Persons with Disabilities**: Ensure that the zoning code is consistent with fair housing laws regarding persons with disabilities residing together having the same housing choice as a single housekeeping unit consisting of persons without disabilities living together.
- **Affordability Incentives:** Explore obtaining special permissions from the Virginia General Assembly to establish density bonuses and other regulatory tools for incentivizing construction of affordable units

Recommendation 10: Amend the Comprehensive Plan and Zoning Ordinance to include "Missing Middle Housing" strategies.

Multi-family development is prohibited in 80% of the City. Single-family dwellings account for 94% of all owner-occupied units. For non-student one-person households, small households and other households in different phases of their lives seeking alternatives to single-family detached dwellings, medium density housing can be the solution. Frequently found in transition areas between single-family neighborhoods and multi-family developments, the missing middle can take the form of a four-unit structure, for example, that is compatible in style and size to surrounding structures. The goal is to maintain similar physical building styles, heights, setbacks, and other physical elements of existing neighborhoods while permitting more housing units.

Recommendation 11: Adopt an Accessory Dwelling Unit (ADU) Ordinance.

Under the existing zoning code, the City does not permit accessory dwelling units, which are smaller units located on the same lot as a principal residence. ADUs can be garage apartments or detached apartments. Some residential zones allow for a "rental space" for up to two persons but prohibit kitchen facilities to create a second dwelling unit, which limits the use of these spaces as true accessory units where occupants live independently. ADUs allow for additional housing supply without substantially changing the character of neighborhoods. Small one-bedroom or studio apartments are typical ADUs. Many communities permit them only on owner-occupied parcels, which can allay fears of unsupervised student rental housing encroaching into non-student neighborhoods. Similar to Missing Middle Housing, ADUs offer an affordable housing option for adult children, adult family members with disabilities who want to live independently, single parents of adult children who want to live close to family but independently, among others.

Recommendation 12: Continue and expand the preservation of the City's affordable housing stock.

Harrisonburg has a significant stock of units that are affordable to renters and owners (80% of all rental units and 38% of all sales units are affordable for households up to 80% AMI), and which have no public subsidy attached to them. In other words, much of the City's housing is relatively affordable. As such, it is critical that these units be maintained and preserved. Since many of them are older, they require maintenance and repairs to keep them safe, decent and affordable for future owners and renters.

Recommendation 13: Continue homebuyer assistance activities for low- and moderate-income homebuyers.

For low- and moderate-income households who desire to become homeowners, two critical elements can assist them in achieving this goal: homebuyer counseling and financial management along with down payment and closing cost assistance. In many cases, the monthly costs of homeownership are lower than monthly rent and utilities. There are several funding sources available locally and at the state level for continuing this type of assistance in Harrisonburg. Potential homebuyers living in areas with low access to amenities (Market Types B and D) may want to reside in neighborhoods with higher amenity access (Market Types A and C).

Recommendation 14: Collaborate with builders and developers to create and adopt an Affordable Housing Set-Aside Policy.

Harnessing the power of the private market to expand the inventory of affordable housing has become a very successful initiative in numerous cities and counties. In Virginia, local jurisdictions cannot mandate that developers of market-rate housing create affordable housing within their development, but they can offer incentives to developers who are willing to participate. The most common incentive is a density bonus whereby in exchange for including affordable units in their project, developers are provided the benefit of increasing the density of the overall project. The key is to collaborate with developers and builders to determine the number or percentage of additional units that can be built and balance it with the number of lower cost/lower rent units so the developer earns a comparable profit margin. If the City requires too many affordable units without providing the right level of density, then it risks stifling the private market's interest in such a program.

Recommendation 15: Create and establish a Harrisonburg Housing Trust Fund.

A housing trust fund should be established by local ordinance and has several benefits. First, it is a mechanism through which its funds can be used to finance affordable housing initiatives to address local need. Second, it is a locally established nonprofit organization under the direction of a board of directors. Third, it is a source of funding that is restricted only by the policy and programs established by its board (i.e., it is not encumbered by onerous state and federal regulations). And, it can be used to leverage additional private and public resources, thereby expanding the potential non-local resources available to the City for addressing affordable housing need.

To be successful and sustained over time, a housing trust fund must have a dedicated stream of funding. Periodic grants and other one-time sources are certainly good, but the focus of the trust fund is better spent on investing its funding rather than constantly raising funds. Common dedicated sources include general fund annual line items but also real estate tax transfer or recordation fees. Sustainable trust funds typically use their dollars to leverage even more funding from public sources, thereby generating a substantially greater impact.

Recommendation 16: Advocate for Virginia Housing to eliminate the requirement in the state's Qualified Allocation Plan that municipalities must provide a letter of support in order for low income housing tax credit (LIHTC) applications to be approved.

The requirement for a letter of local support has the tendency to encourage NIMBYism more often than not in communities where affordable housing is needed. However, if a proposed LIHTC residential community meets all local zoning and subdivision requirements, and its only distinguishing characteristics from a market-rate residential development are the source of financing (public dollars) and the target population (lower income families with children, for example), then it is discriminatory to deny local support for it. The potential for NIMBYism to kill a much-needed affordable housing development is too high to ignore it.

Recommendation 17: Amend the Comprehensive Plan to incorporate the housing policies and analysis included in this study.

In the City's Comprehensive Plan, the housing chapter includes one affordable housing goal (Goal 6). This goal is "[t]o meet the current and future needs of residents for affordable housing." Under this goal, there are three objectives and nine strategies listed. The City should incorporate the Comprehensive Housing Assessment and Market Analysis in the Comprehensive Plan to support the data elements of the housing chapter. Given the Plan's official nature, these additions should help to support changes to local ordinances, programs, capital budgets, and initiatives. The more extensive analysis will also communicate that affordable housing is a priority for the City of Harrisonburg.

Continuum of Care

Recommendation 1: Continuum of Care service providers should prioritize how funds are invested locally.

Funding to provide deep subsidies and supportive services needed for supportive housing is limited. By re-directing existing resources and improving policies to prioritize individuals with the greatest needs, it allows the community to increase positive outcomes for individuals, improve performance measures that could increase competitiveness for additional federal and state funds, and allows for enhanced consistency and coordination between service providers.

As part of the Continuum of Care and Emergency Solutions Grant process, the CoC should establish an aggressive reallocation process tied to performance and community goals. Reallocating funds is one of the most important tools by which CoCs can make strategic improvements to their homelessness system. Through reallocation, CoCs can create new, evidence-informed projects by eliminating projects that are underperforming or are more appropriately funded from other sources. Reallocation is particularly important when new resources are scarce.

In general, CoCs should direct funding towards projects that: a. serve the highest need individuals or families; b. help project participants obtain permanent housing as rapidly and directly from homelessness as possible; c. ensure long-term housing stability; and d. ensure the best and most cost-effective fit given a community's needs.

Recommendation 2: Expand the use of data to make informed decisions to address homelessness.

Funding sources continue to stress the importance of using data to inform local decision making and changes to local systems of care. Data allows communities to optimize services and resource allocation, identify gaps in services, and remove systemic barriers to housing and services.

The Department of Housing and Urban Development's Office of Special Needs Assistance Programs Office recommends communities analyze data at both the system and project levels and to evaluate their efforts by subpopulation, across project types, and in other ways. The CoC should explore using data to gain a more holistic picture of the progress made toward ending homelessness. This will require additional HMIS staff to expand capacity beyond the HUD required reporting and training.

Recommendation 3: Continuum of Care services providers should expand the use of best practices to address additional populations with needs consistent with supportive housing.

Best practices such as case conferencing and by-names lists, a real-time list of all people experiencing homelessness in the community, allows for the most effective prioritization of limited resources and encourages collaboration and coordination to serve high barrier populations.

Recommendation 4: Build capacity among nonprofit organizations and homeless service providers.

Harness the enthusiasm and commitment of local organizations to build grassroots support for affordable housing through small-group education and advocacy initiatives. Developing and operating supportive housing requires multiple resources with specific eligibility requirements and activities. Understanding the local assets and capacity to develop, operate, and provide services is necessary for expansion. Increased capacity can translate into new funding opportunities and expand quality supportive housing.

ESTIMATED TIMELINE

The following table provides an estimate of the suggested timeline for implementation.

PRIORITY	ACTIONS	YEARS									
		1	2	3	4	5	6	7	8	9	10
City of Harrisonburg											
1	Hire Housing Coordinator										
2	Attract & Grow Good-Paying Jobs & Provide Workforce Training (for 10 years)										
3	Conduct Affordable Housing Public Education Campaign										
4	Prioritize City Resources to Finance Affordable Housing Initiatives (annually)										
5	Waive Fees for New Affordable Housing Development (for 10 years)										
6	Provide Tax Abatement for New Multi-family Rental Construction (for 10 years)										
7	Adopt an Affordable Housing Location Policy										
8	Identify City-Owned Assets Suitable for Development & Issue RFPs										
9	Update Zoning Ordinance to Implement Affordable Housing Recommendations										
10	Amend Comprehensive Plan and Zoning Ordinance to Add Missing Middle Strategies										
11	Develop Accessory Dwelling Unit Ordinance										
12	Continue Housing Rehabilitation Activities to Preserve Existing Affordable Housing (for 10 years)										
13	Continue Support for Affordable Homebuyer Initiatives (for 10 years)										
14	Collaborate with Builders & Developers to Create an Affordable Housing Set-Aside Policy										
15	Create and Capitalize a Local Housing Trust Fund										
16	Advocate for Virginia Housing to Eliminate the Local Letter of Support from the QAP										
17	Amend the Comprehensive Plan to incorporate the housing policies and analysis included in this study										
Continuum of Care											
1	Prioritize Funding for Local Investment										
2	Expand Use of Data to Make Informed Decisions to Address Homelessness										
3	Expand Use of Best Practices to Address Additional Populations with Special Needs										
4	Build Capacity Among Nonprofits and Homeless Service Providers										

Definitions & Acronyms

There are many acronyms used throughout the study. This section spells out the acronyms and provides definitions, where needed.

Accessory Dwelling Unit (**ADU**): A smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e., detached) single-family home.

American Community Survey (**ACS**): An ongoing Census survey that provides vital information on a yearly basis about the United States and the population.

Area Median Income (**AMI**): The AMI for a jurisdiction is determined by HUD and *includes adjustments in income based on household size*. Throughout the study, 100% AMI refers to the area median income for a household of four. The AMI is rounded to the nearest $100. Because HUD uses AMI to set income limits for income-restricted units, it updates each jurisdiction's AMI on an annual basis. The AMI in Harrisonburg in 2017, 2018, 2019 and 2020 were:

Figure 1 Harrisonburg Area Median Income Since 2017

Year	Area Median Income (AMI)
2017	$64,700
2018	$62,500
2019	$70,700
2020	$71,900

Source: HUD

Asset-Limited, Income-Constrained, Employed (**ALICE**): The United Way developed the ALICE framework, which provides an estimate for the costs that families face to meet basic necessities like housing, transportation, food, health care, childcare, and a basic smartphone plan. ALICE workers earn more than the poverty level but less than the basic cost of living and are employed across industries such as construction, education, service, and caretaking.

Assisted Housing Inventory: Housing units that are constructed and financed with a public subsidy (i.e. Low Income Housing Tax Credit, Section 201, Section 811 – see below). These units are income-restricted and typically have periods of affordability during which time the income restrictions remain in place.

Built for Zero Initiative: A methodology and movement developed by Community Solutions. The movement is made up of more than 80 cities and counties that have committed to measurably ending homelessness, one population at a time. Using data, these communities have changed how local homeless response systems work and the impact they can achieve.

Central Shenandoah Planning District Commission (CSPDC): Represents and serves the local governments of Augusta, Bath, Highland, Rockbridge, and Rockingham counties and the cities of Buena Vista, Harrisonburg, Lexington, Staunton and Waynesboro as well as the 11 towns within the Central Shenandoah region. The CSPDC works with its member jurisdictions, communities and agencies to provide high-quality planning, technical assistance, and facilitation of services that address local, regional and state needs in an innovative, timely and cooperative manner.

Community Development Block Grant (CDBG): A federal program that provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. The program is authorized under Title 1 of the Housing and Community Development Act of 1974, Public Law 93-383, as amended 42 U.S.C. 5301 et seq.

Community Development Financial Institution (CDFI): Private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream.

Community Reinvestment Act (CRA): A federal law enacted in 1977 to encourage depository institutions to meet the credit needs of low- and moderate-income neighborhoods.

Community Services Block Grant (CSBG): A federal program that provides funds to alleviate the causes and conditions of poverty in communities. CSBG funding supports projects that: lessen poverty in communities, address the needs of low-income individuals including the homeless, migrants and the elderly and provide services and activities addressing employment, education, better use of available income, housing, nutrition, emergency services and/or health.

Comprehensive Housing Affordability Strategy (**CHAS**): A custom tabulation of American Community Survey (ACS) data created for HUD's use. It provides household and housing unit information by income tier as a percentage of AMI and provides insights into housing issues such as affordability by tenure, household type, cost burden and many other data points.

Continuum of Care (CoC): A federal program designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness. Communities within the Western VA CoC include the counties of Clarke, Frederick, Page, Rockingham, Shenandoah, and Warren, the towns within those counties, and the cities of Harrisonburg and Winchester.**Enhancement**

Corporation for Supportive Housing (CSH): Consulting organization which offers comprehensive services in supportive housing. Through consulting, training and policy and lending, they advance innovation and help create quality supportive housing. CSH's research on Supportive Housing Needs in the United States was used for the analysis of supportive housing need for Harrisonburg.

Cost Burden: When a household pays more than 30% of its income on housing costs. For renters this includes rent and utilities. For homeowners, this includes principal, interest, taxes, insurance and utilities.

Cost Burden, Severe: When a household pays more than 50% of its income on housing costs. For renters this includes rent and utilities. For homeowners, this includes principal, interest, taxes, insurance and utilities.

Eastern Mennonite University (EMU): Private university located in Harrisonburg, VA.

Elderly Households: The United States Census Bureau defines a household composed of one or more people who occupy a housing unit, who aged 65 or older.

Federal Housing Administration (FHA): A federal agency that provides mortgage insurance on loans made by FHA-approved lenders throughout the United States and its territories. FHA insures mortgages on single family homes, multifamily properties, residential care facilities and hospitals.

Free Application for Federal Student Aid (**FAFSA**): A form completed by current and prospective college students in the United States to determine their eligibility for federal student financial aid.

Harrisonburg Redevelopment and Housing Authority (HRHA): The local Public Housing Authority which assists eligible low-income families with rent through housing vouchers distributed by the United States Department of Housing & Urban Development (HUD). HRHA serves the City of Harrisonburg and Rockingham County, including Bridgewater, Broadway, Dayton, Elkton, Fulks Run, Grottoes, Keezletown, McGaheysville, Mount Crawford, Penn Laird and Timberville.

HOME Investment Partnerships (**HOME**): A federal program that provides formula grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities including building, buying and/or rehabilitating affordable housing for rent or homeownership, or providing direct rental assistance to low-income people. HOME is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

Home Mortgage Disclosure Act (**HMDA**):A federal act that requires many financial institutions to maintain, report, and publicly disclose loan-level information about mortgages. These data help show whether lenders are serving the housing needs of their communities; give public officials information that helps them make decisions and policies; and sheds light on lending patterns that could be discriminatory.

Homeless and Special Needs Housing unit (HSNH): HSNH administers a continuum of state and federally funded homeless service programs to address housing and stabilization services for individuals and families at-risk of or experiencing homelessness in the Commonwealth. HSNH works closely with communities and an array of service providers including nonprofits, units of local government, and housing authorities to ensure comprehensive homeless services are provided effectively and efficiently in accordance with best-practice models to maximize limited resources.

Homeless Management Information System (HMIS): A local information technology system used to collect client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness. Each Continuum of Care (CoC) is responsible for selecting an HMIS software solution that complies with HUD's data collection, management, and reporting standards.

Housing Choice Voucher (HCV): The federal government's primary program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.

HCV Set-Aside for Settlement Agreement Population: Housing Choice Vouchers approved by HUD to be made available to individuals with Developmental Disabilities in the Settlement Agreement population by set-aside or preference. In August 2008, DOJ initiated an investigation of Central Virginia Training Center (CVTC) pursuant to the Civil Rights of Institutionalized Persons Act (CRIPA). In April 2010, DOJ notified the Commonwealth that it was expanding its investigation to focus on Virginia's compliance with the Americans with Disabilities Act (ADA) and the U.S. Supreme Court Olmstead ruling. The Olmstead decision requires that individuals be served in the most integrated settings appropriate to meet their needs consistent with their choice. In February 2011, DOJ submitted a findings letter to Virginia, concluding that the Commonwealth failed to provide services to individuals with intellectual and developmental disabilities in the most integrated setting appropriate to their needs.

Housing, Income, Size, Tenure and Age (**HISTA**): A household projections dataset created by Ribbon Demographics, LLC and contains projections for the number of households by income, size, tenure and age (elderly and non-elderly).

Housing Inventory Count (HIC): A point-in-time inventory of provider programs within a Continuum of Care that provide beds and units dedicated to serve people experiencing homelessness (and, for permanent housing projects, where homeless at entry, per the HUD homeless definition), categorized by five program types: Emergency Shelter, Transitional Housing, Rapid Re-housing, Safe Haven and Permanent Supportive Housing.

Housing Mismatch: In the study, CHAS data (see above) was used to categorize each household and housing unit into an income tier based on household income and the cost of rent or value of the home. A housing mismatch exists when the income tier of the occupant household does not align with the cost of rent cost of the value of the home.

Housing Opportunities for Persons with AIDS (HOPWA): The only Federal program dedicated to the housing needs of people living with HIV/AIDS. Under the HOPWA Program, HUD makes grants to local communities, states, and nonprofit organizations for projects that benefit low-income persons living with HIV/AIDS and their families.

Intellectual and Developmental Disabilities (I/DD): Disorders that are usually present at birth and that negatively affect the trajectory of the individual's physical, intellectual and/or emotional development. Many of these conditions affect multiple body parts or systems.

James Madison University (**JMU**): Private university located in Harrisonburg, VA.

Longitudinal Employer-Household Dynamics (**LEHD**): The result of a partnership between the Census Bureau and U.S. to provide high quality local labor market information and to improve the Census Bureau's economic and demographic data programs.

Low Barrier Housing: Housing where a minimum number of expectations are placed on people who wish to live there. Low-barrier facilities follow a harm reduction philosophy. Low-barrier means people are accepted as they are and have limited entry requirements. While some housing programs may require a homeless neighbor to be sober or pass a drug test, low-barrier housing does not.

Low-Income Housing Tax Credit (**LIHTC**):A federal program that subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. The LIHTC was enacted as part of the 1986 Tax Reform Act. The federal government issues tax credits to state and territorial governments. State housing agencies then award the credits to private developers of affordable rental housing projects through a competitive process. Developers generally sell the credits to private investors to obtain funding.

Mainstream Vouchers: Mainstream vouchers assist non-elderly persons with disabilities. Aside from serving a special population, Mainstream vouchers are administered using the same rules as other housing choice vouchers.

Median Household Income (**MHI**): Combines wages with other sources of income (gifts, interest, bonuses and dividends) for all members of a household. The median household income represents the midpoint amount, so half of all households earn more than the median and half earn less.

Missing Middle Housing: Consists of multi-unit housing types such as duplexes, fourplexes, bungalow courts and mansion apartments that are not bigger than a large house and are integrated throughout a community.

Multiple Listing Service (**MLS**): An organization with a suite of services that real estate brokers use to establish contractual offers of cooperation and compensation and accumulate and disseminate information to enable appraisals and the selling and purchasing of real estate.

National Housing Trust Fund (NHTF): A federal program that provides grants to states to produce and preserve affordable housing for extremely low- and very low-income households. HUD allocates HTF funds by formula annually. A State must use at least 80% of each annual grant for rental housing, up to 10% for homeownership, and up to 10% for the administrative and planning costs. HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted units are required to have a minimum affordability period of 30 years.

Naturally Occurring Affordable Housing (**NOAH**):Residential properties that are affordable but are unsubsidized by any federal program. Their rents or housing values are relatively low compared to the regional housing market.

Not In My Backyard (NIMBY): A characterization of opposition by persons who object to the siting of something perceived as unpleasant or hazardous in the area where they live, especially while raising no such objections to similar developments elsewhere.

Olmstead Ruling: Under the U.S. Supreme Court's Olmstead v. L.C. decision, the Americans with Disabilities Act, and the Virginians with Disabilities Act, Virginia is required to provide appropriate opportunities for people with disabilities to become fully integrated into the community if they choose to do so. In February 2011, DOJ submitted a findings letter to Virginia, concluding that the Commonwealth failed to provide services to individuals with intellectual and developmental disabilities in the most integrated setting appropriate to their needs. In March 2011, upon advice and counsel from the Office of the Attorney General, Virginia entered into negotiations with DOJ in an effort to reach a settlement without subjecting the Commonwealth to an extremely costly and lengthy court battle with the federal government. On January 26, 2012, Virginia and DOJ reached a settlement agreement that resolves DOJ's investigation of Virginia's training centers and community programs and the Commonwealth's compliance with the ADA and Olmstead with respect to individuals with intellectual and developmental disabilities.

Opportunity Zone: An economically distressed community where private investments, under certain conditions, may be eligible for capital gain tax incentives. Opportunity Zones were created under the 2017 Tax Cuts and Jobs Act.

Point in Time Count/Data (PIT): A count of sheltered and unsheltered people experiencing homelessness on a single night in January. HUD requires that Continuums of Care conduct an annual count of people experiencing homelessness who are sheltered in emergency shelter, transitional housing, and Safe Havens on a single night. Continuums of Care also must conduct a count of unsheltered people experiencing homelessness every other year (odd numbered years). Each count is planned, coordinated, and carried out locally.

Section 202 Supportive Housing for the Elderly: HUD provides capital advances to finance the construction, rehabilitation or acquisition with or without rehabilitation of structures that will serve as supportive housing for very low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable. The Section 202 program helps expand the supply of affordable housing with supportive services for the elderly. It provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc.

Section 811 Project Rental Assistance: Under this program, state housing agencies that have entered into partnerships with state health and human services and Medicaid agencies can apply for Section 811 Project Rental Assistance for new or existing affordable housing developments funded by LIHTC, HOME, or other sources of funds. Under the state health care/housing agency partnership, the health care agency must develop a policy for referrals, tenant selection, and service delivery to ensure that this housing is targeted to a population most in need of deeply affordable supportive housing. This Section 811 assistance comes in the form of project rental assistance alone. No funds are available for construction or rehabilitation. Eligible grantees are state housing agencies that have entered into partnerships with state health and human services and Medicaid agencies who then allocate rental assistance to projects funded by tax credits, HOME funds, or other sources.

Section 811 Supportive Housing for Persons with Disabilities: Through the Section 811 Supportive Housing for Persons with Disabilities program, HUD provides funding to develop and subsidize rental housing with the availability of supportive services for very low- and extremely low-income adults with disabilities. The Section 811 program allows persons with disabilities to live as independently as possible in the community by subsidizing rental housing opportunities which provide access to appropriate supportive services. The newly reformed Section 811 program is authorized to operate in two ways: (1) the traditional way, by providing interest-free capital advances and operating subsidies to nonprofit developers of affordable housing for persons with disabilities; and (2) providing project rental assistance to state housing agencies.

Selected Monthly Owner Costs (**SMOC**): The total amount that a household paid for a mortgage or similar debts on the property (including payments for the first mortgage, second mortgages, home equity loans, etc.), real estate taxes, property insurance, and utilities. It also includes, where appropriate, the monthly condominium fee for condominiums and mobile home costs.

Seriously Mentally Ill (SMI): A mental, behavioral, or emotional disorder resulting in serious functional impairment, which substantially interferes with or limits one or more major life activities.

Social Impact Bonds: Unique public-private partnerships that fund effective social services through performance-based contracts. Impact investors provide the capital to scale the work of high-quality service providers. Government repays those investors if and when the project achieves outcomes that generate public value.

Supplemental Security Income (SSI): A federal income supplement program funded by general tax revenues (not Social Security taxes). It is designed to help aged, blind, and disabled people, who have little or no income and provides cash to meet basic needs for food, clothing, and shelter. SSI makes monthly payments to people who have low income and few resources, and who are age 65 or older, blind and/or disabled.

Supportive Housing (SH): Combines non-time-limited affordable housing assistance with wrap-around supportive services for people experiencing homelessness, as well as other people with disabilities.

Supportive Housing, Permanent (PSH): An intervention that combines affordable housing assistance with voluntary support services to address the needs of chronically homeless people. The services are designed to build independent living and tenancy skills and connect people with community-based health care, treatment and employment services.

United States Department of Agriculture (**USDA**): The federal executive department responsible for developing and executing federal laws related to farming, forestry, rural economic development and food.

Veterans Affairs Supportive Housing (VASH): A collaborative program between HUD and VA combining HUD housing vouchers with VA supportive services to help Veterans who are homeless and their families find and sustain permanent housing. Through public housing authorities, HUD provides rental assistance vouchers for privately owned housing to Veterans who are eligible for VA health care services and are experiencing homelessness. VA case managers may connect these Veterans with support services such as health care, mental health treatment and substance use counseling to help them in their recovery process and with their ability to maintain housing in the community.

Vibrant Community Initiative (VCI):A state program that combines multiple funding sources to support local or regional transformational community-based projects including affordable housing and community and/or economic development components. Funding for VCI includes a portion of the VA Department of Housing and Community Development federal CDBG and HOME allocations. VCI funding will also include resources from the Virginia Housing Trust Fund and Virginia Housing Development Authority and may include other funding sources where appropriate.

Virginia Department of Behavioral Health & Developmental Services (DBHDS): A state agency that operates Virginia's public mental health, intellectual disability and substance abuse services system through a system of 40 locally and regionally run community services boards (CSBs) and which serve children and adults who have or who are at risk of mental illness, serious emotional disturbance, intellectual disability, or substance use disorders.

Virginia Department of Housing and Community Development (DHCD): A state agency that partners with Virginia's communities to develop their economic potential, regulates Virginia's building and fire codes, provides training and certification for building officials and invests more than $100 million each year into housing and community development projects throughout the state, the majority of which are designed to help low- to moderate-income citizens.

Virginia Housing Development Authority (VHDA): Now known as Virginia Housing, this agency is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia in 1972 to help Virginians attain quality, affordable housing. It provides mortgages, primarily for first-time homebuyers and developers of quality rental housing by raising money in the capital markets to fund loans.

Wages: Individual adults earn income while working. An average wage is a good indicator of a typical income earned by an individual worker within Harrisonburg. An economy is more sustainable when it produces enough jobs that can support forming households and families.

Supportive Services for Veteran Families (SSVF): Established in 2011 to rapidly re-house homeless Veteran families and prevent homelessness for those at imminent risk due to a housing crisis. Through a competitive application, the U.S. Department of Veterans Affairs (VA) makes grants to private non-profit organizations and consumer cooperatives to provide eligible Veteran families with outreach, case management, and assistance in obtaining VA and other mainstream benefits that promote housing stability and community integration. Services include outreach, case management, assistance in obtaining VA benefits, and help in accessing and coordinating other public benefits. SSVF grantees can also make time-limited temporary payments on behalf of Veterans to cover rent, utilities, security deposits and moving costs.

Market Types

Market types, as used in this study, are composed of two parts – the level of market activity as well as access to identified amenities as defined by the social determinants of health. Both of these components and the resulting four market types – labeled as Market Types A, B, C and D - are summarized and color-coded to the market type map in the subsequent pages and described in detail in Appendix B.[2]

Describing housing submarkets across Harrisonburg by the level of housing activity and the characterization of common demographic trends provides a tool for strategically matching public resources and policies where they can have the greatest impact. For example, a market type consisting of stable neighborhoods with older housing stock might benefit from housing rehabilitation to preserve existing units that are affordable to low- and moderate-income households. By comparison, a market type with a higher level of activity (i.e., a higher level of buying and selling of housing units) located on a major corridor with public transit access might benefit from increasing density through zoning to expand the city's housing inventory. Market typology is also useful as a local planning tool to assist city residents in understanding the housing market forces impacting their neighborhoods.

Figure 2 Summary of Market Activity Among Market Types

	Market Type A	**Market Type B**	**Market Type C**	**Market Type D**	**Citywide**
Number of Units Sold	426	268	88	151	933
Median Days on Market	7	8	14	16	9
Median Sale to List Price Ratio	1.00	1.00	0.97	0.98	0.99

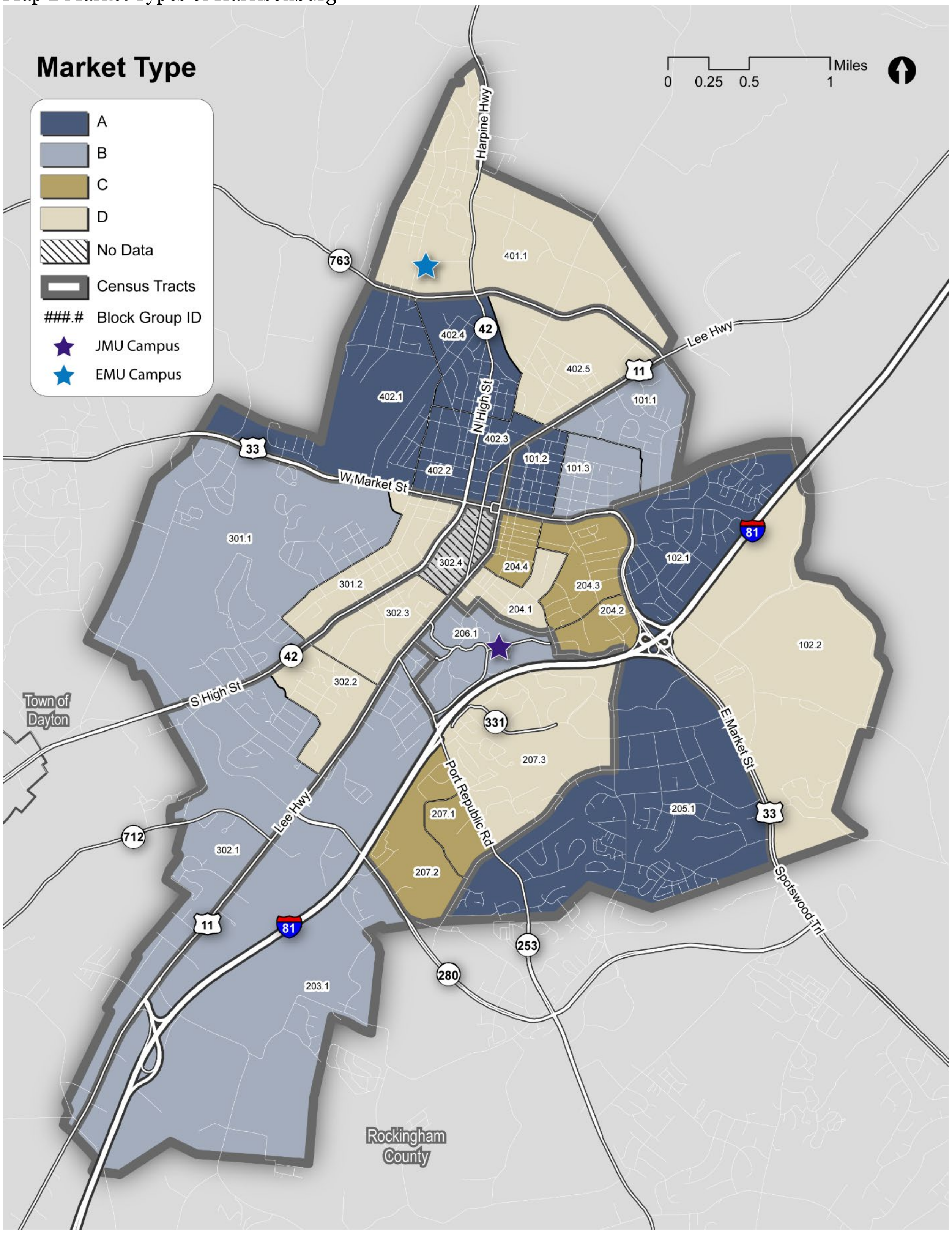
Source: Multiple Listing Service, January 1, 2018 – July 13, 2020

The Harrisonburg housing market is a very strong one. Even in block groups with lower market activity, the median number of days on market is approximately two weeks. Citywide, the median days on market is nine.

It's a seller's market with multiple offers from competing buyers and buyers paying above the sales price in some areas. Citywide, among homeowners that list their homes with a real estate agent, the median sales price is equal to 99% of the list price.

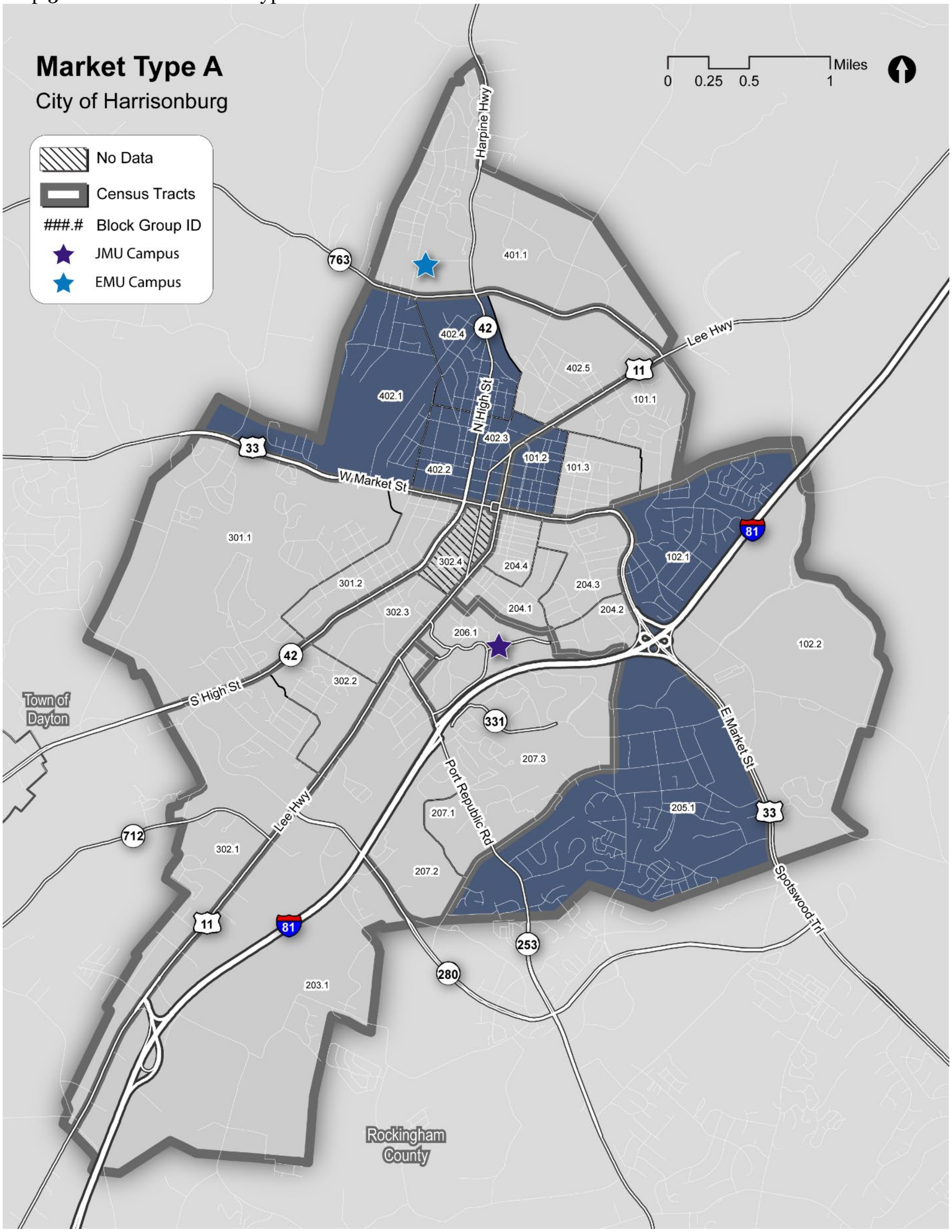
[2] For each component that comprises the market types, *each block group is compared only to other block groups located within Harrisonburg* and are mapped by quartile ranking. For this reason, even in an amenity-rich city such as Harrisonburg, there will be areas that are ranked as Lower and Lowest within each index. This categorization methodology does not imply that there is no access in those block groups but rather when compared to the rest of Harrisonburg, these areas are below the median.

Map 2 Market Types of Harrisonburg



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD, Multiple Listing Service

Map 3 Locations of Market Type A



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD, Multiple Listing Service

Market Type A

Market Type A neighborhoods are characterized by high population growth, low concentration of university students, and high concentration of workers who earn $40,000 or more in their primary jobs. Houses in these markets are quick to sell and have a median sales price of $190,000.

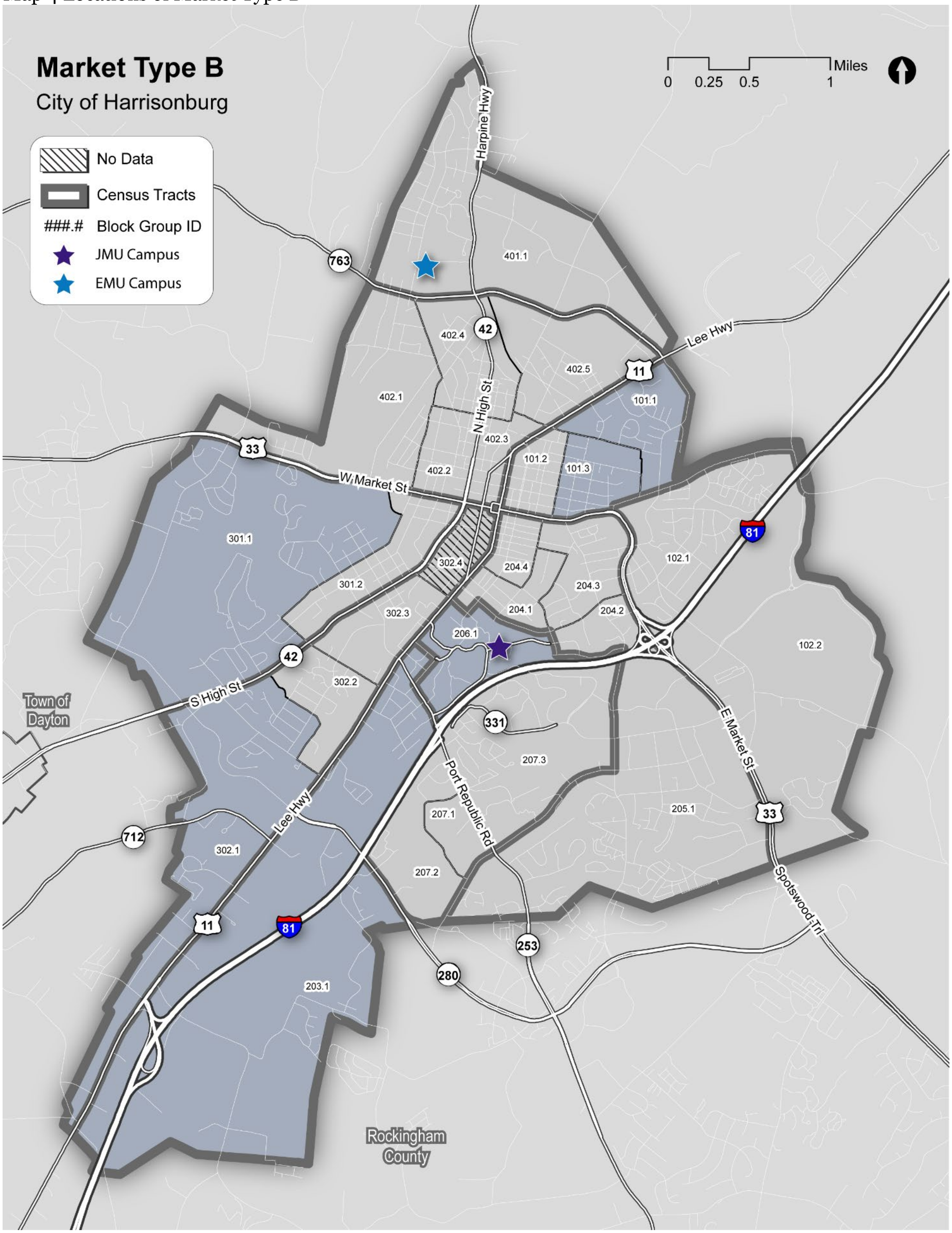
Market Type A neighborhoods are found in seven of 26 Census block groups in Harrisonburg. These block groups have a population of 16,725, representing 32% of the city's population.

Among all market types, these neighborhoods increased the most in population since 2013, adding 1,612 residents. Collectively, Market Types A and C had the highest growth rates from 2013 to 2018 at 11.6%, nearly twice the rate of the city as a whole and more than five times the rate of Market Types B and D combined.

These neighborhoods have the lowest concentration of college students. Off-campus college students are 30% of the city population but represent 24% of the population in these neighborhoods.

A third of workers holding primary jobs in Market Type A neighborhoods make more than $40,000 annually, slightly higher than the overall rate of 31% in Harrisonburg. Median household income has remained about the same since 2013. Of block groups within these neighborhoods, the typical median household income was $35,900 in 2013 and $39,100 in 2018. The range of median household incomes across all block groups in these neighborhoods ranged from $27,700 to $59,300 in 2013 and from $27,300 to $59,800 in 2018.

Map 4 Locations of Market Type B



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD, Multiple Listing Service

Market Type B

Market Type B neighborhoods are characterized by high income earning households, large volumes of housing sales, slower population growth, and shares of student and resident populations that reflect Harrisonburg as a whole. Houses in these markets are quick to sell with a median sale price of $201,500.

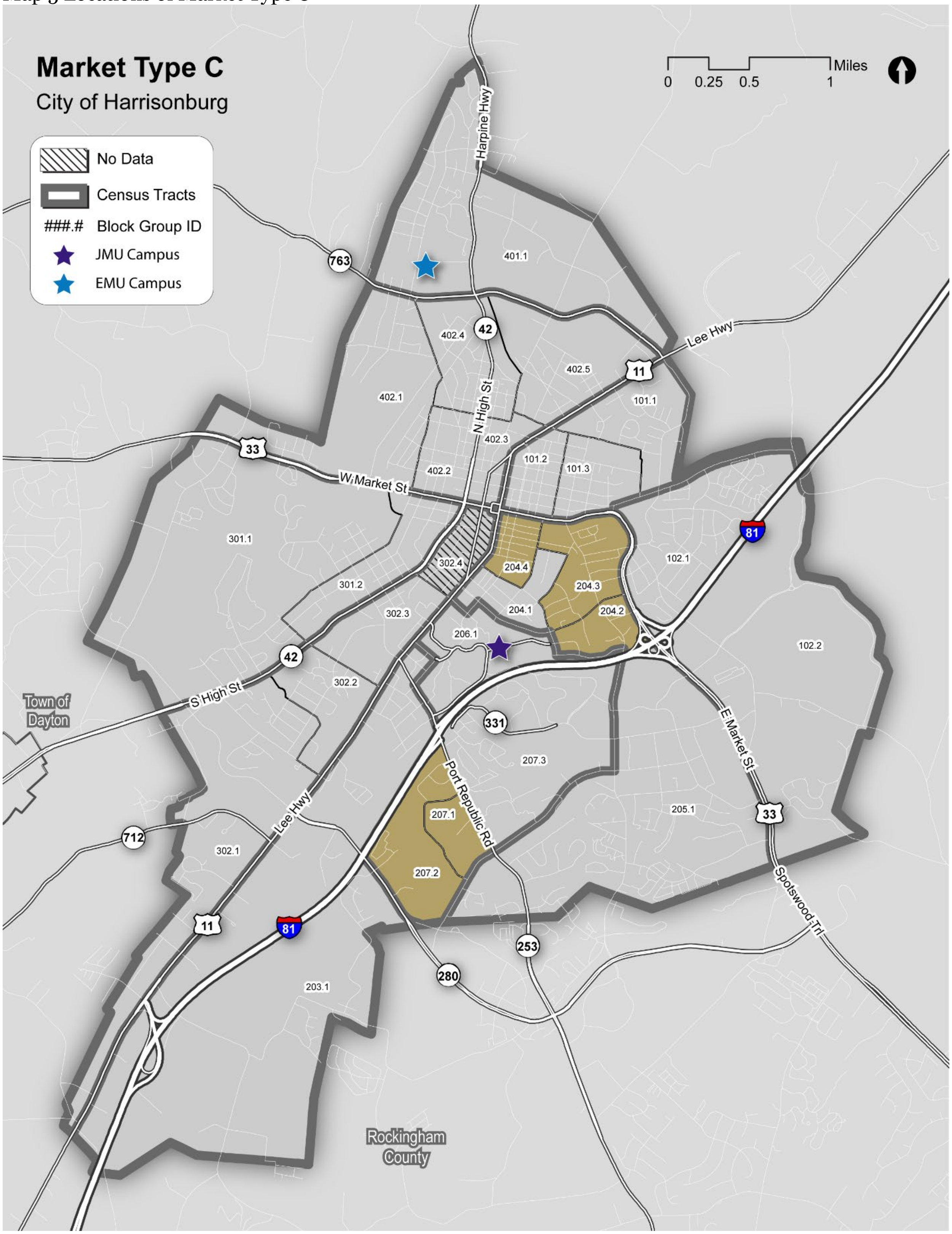
Market Type B block groups are found in six of 26 Census block groups in Harrisonburg. These block groups have a population of 15,017, representing 28% of the city's population.

These neighborhoods have high income households and growing household incomes. In 2013, median household incomes ranged from $36,300 to $71,000. By 2018, the upper end of median household incomes had increased with median household incomes ranging from $34,500 to $112,300.

Neighborhoods grew at a slower rate since 2013, adding 308 residents. Overall, Lower Amenity Access neighborhoods (Market Types B and D) had slow growth rates; Market Type B neighborhoods grew by 2.1% from 2013 to 2018.

Off-campus college students represented four in 10 residents, which mirrors the share of the off-campus student population in Harrisonburg as a whole.

Map 5 Locations of Market Type C



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD, Multiple Listing Service

Market Type C

Market Type C neighborhoods represent the smallest but fastest growing market type in Harrisonburg. These neighborhoods are characterized by a large number of university students, lower median household incomes, a lower percentage of workers making good wages in their primary jobs, and high rates of poverty among non-students. Houses in these areas are slower to sell in Harrisonburg's strong market – though still sell relatively fast with a median of 14 days on market - and have a median sales price of $119,000.

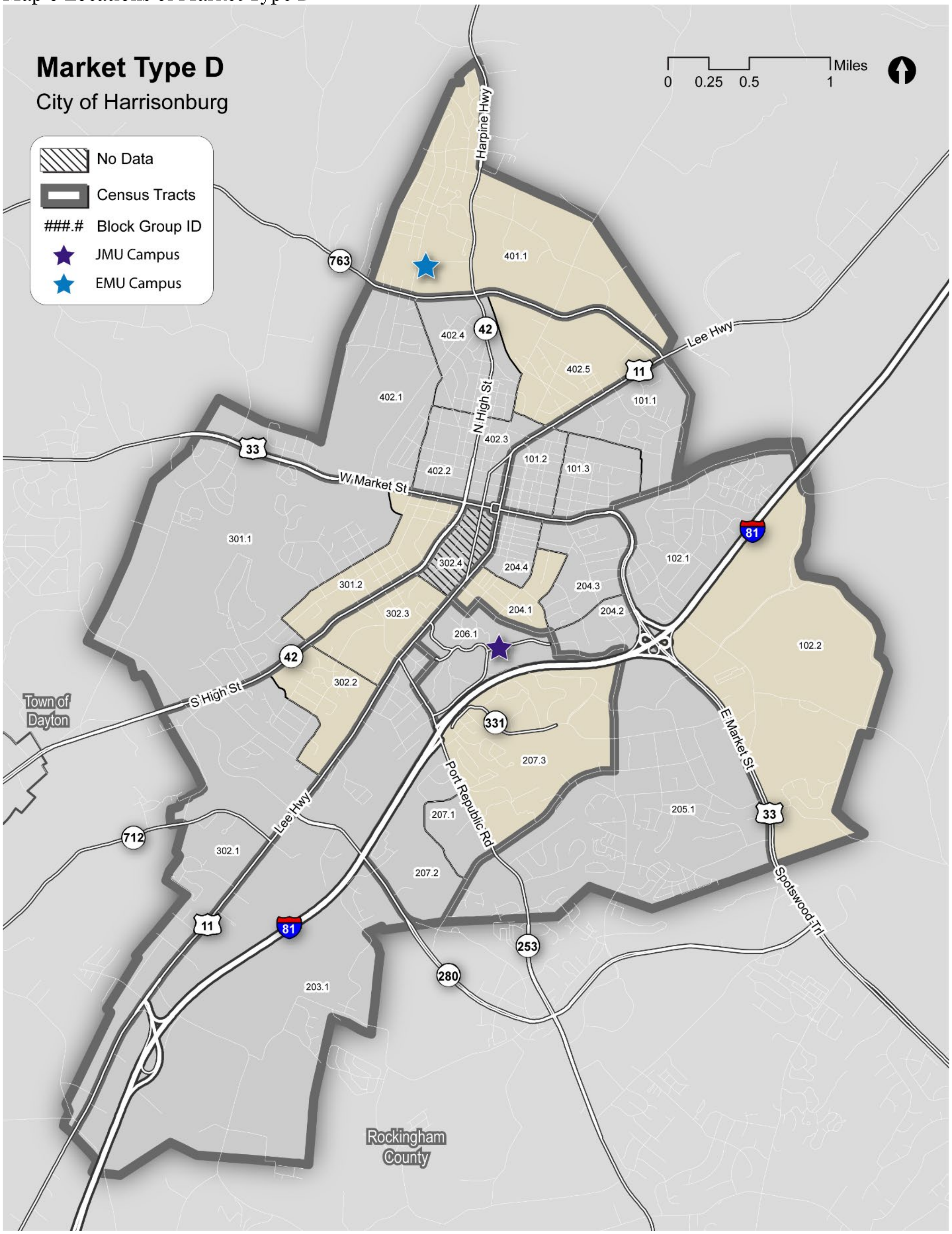
These neighborhoods are found in 5 of 26 Census block groups in Harrisonburg. These block groups have a population of 7,050, representing 14% of the city population. These neighborhoods grew 13.8% from 2013 to 2018, adding 854 residents during that time. Given their high level of college students, it's not surprising that Market Type C neighborhoods grew at the fastest rate of any market type in Harrisonburg.

These neighborhoods had the highest concentration of college students of any market type. Off-campus college students represented almost five in 10 residents. Although 14% of the city's population reside here, they account for 23% of the off-campus student population.

Market Type C neighborhoods have lower income households with the lowest ranges of median household income across block groups. In 2013, median household incomes ranged from $9,500 to $48,000. In 2018, although median household incomes had improved slightly to $17,500 to $59,700, middle income households were more likely to earn less than in any other market type. Additionally, workers were more likely to hold primary jobs with incomes below $40,000 per year with 74% of workers holding low-paying positions.

The presence of students can affect analysis of household income and poverty rate. Even when students are removed from the calculation, nearly a quarter of non-students living in Market Type C neighborhoods live in poverty - double the poverty rate of 12-13% found in other market types.

Map 6 Locations of Market Type D



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD, Multiple Listing Service

Market Type D

Market Type D neighborhoods are characterized by the lowest growth of any market type and low housing volume turnover. Houses in these areas are slower to sell, comparatively speaking – although still relatively quick at a median of 16 days on market - and have a median sales price of $220,000.

These neighborhoods are found in eight of 26 Census block groups in Harrisonburg with a population of 13,203, representing 25% of the city's population.

Among all market types, these neighborhoods grew the least in population since 2013, adding just 74 residents in five years.

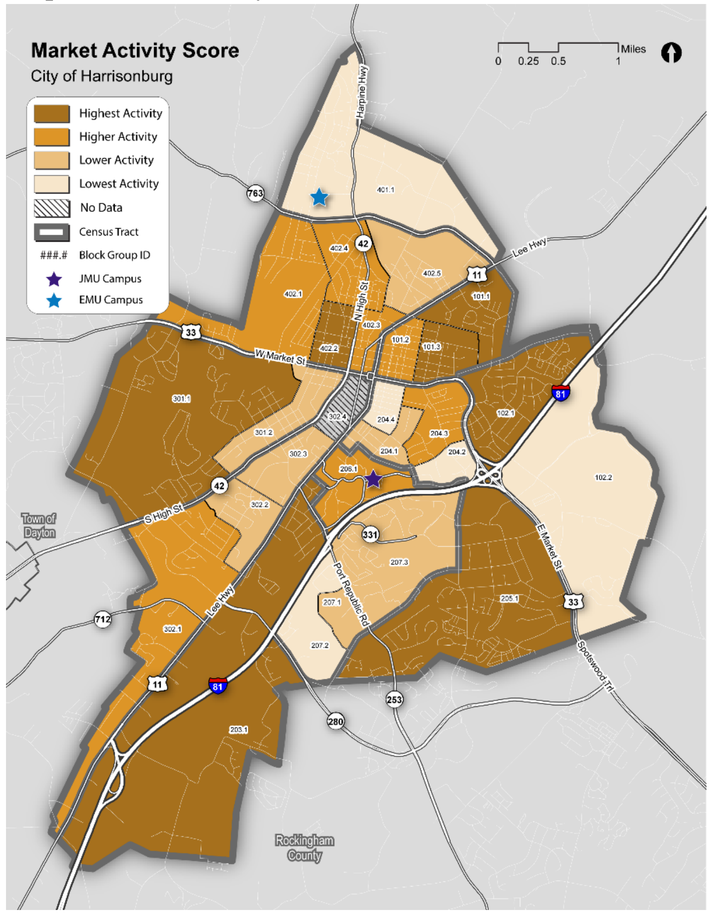
The demographic composition of Market Type D is similar to Harrisonburg as a whole. The neighborhoods had a similar ratio of college students and non-college student residents as the city.

Incomes in different pockets vary greatly. Median household incomes across block groups in these neighborhoods have the broadest range: $20,000 to $91,000. This could point to a divergence of two conditions found within these neighborhoods: one of stable, high-income, low turnover neighborhoods and one of lower turnover in lower income neighborhoods.

MARKET ACTIVITY SCORE

Within each Market Type, the level of housing sales activity was analyzed using Multiple Listing Service (MLS) data.[3] As before, each block group was compared to all of block groups within the City.[4]

Map 7 Market Activity Score



Source: Multiple Listing Service, January 1, 2018 – July 13, 2020

The Market Activity Score indicates the level of sales activity in each block group as measured by the number of days a unit remains on the market, the volume of sales, the change in the volume of sales from 2018 to 2019, and the ratio of the sales price to the list price. Each block group in Harrisonburg is scored relative to all other block groups within the city.

There are many reasons why an area can have high or low sales volumes. For example, stable neighborhoods in which owners stay in their homes for many years will be classified as Lower and Lowest along this metric because few homes are listed for sale. An area could also have a low volume of sales because it is less developed with fewer housing units than other parts of Harrisonburg.

The days on market criterion is used to determine how quickly a listed housing unit sells. Fewer days on market indicate that units are sold quicker than units with higher days on market. The ratio of the sales to list price indicates how closely the seller comes to receiving their asking price. In instances where a unit sold for more than 100% of the list price, it is likely due to the seller receiving competing offers in a market with a very limited inventory of units for sale. Additional maps and explanation are available in Appendix B.

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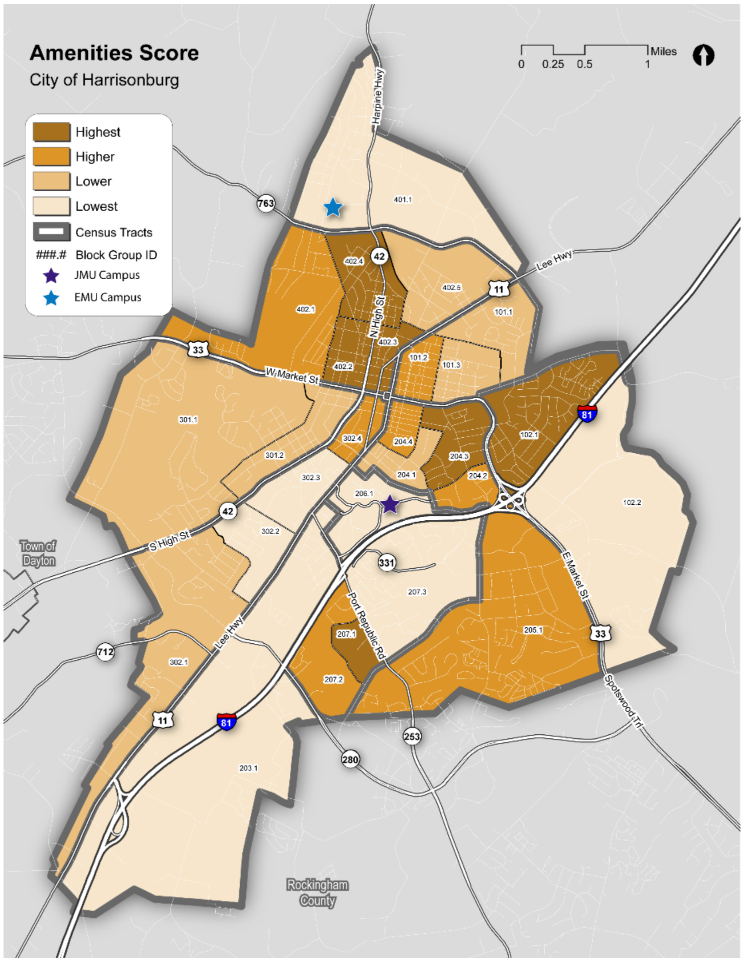
[3] MLS data was used instead of the City's Real Estate Division data in the creation of the market types because while the Real Estate Division data includes all transactions, it does not include key fields such as the list price and the number of days a unit was on the market. The limitation of MLS data is that it only includes sales for which the owner listed the unit with a real estate agent.

[4] While the final market types classify block groups as being above or below the median, the quartile map is shown here to show more nuance. The inclusion of quartiles into the final market types would result in 16 market typologies, which would not be suitable for a housing study for a city the size of Harrisonburg.

AMENITIES SCORE

Also within each Market Type, the level of access to local community amenities was analyzed. Similar to the process used to identify the four Market Types, an Amenities Score was assigned to each Census block group.

Map 8 Access to Amenities Score



Source: Great Schools, City of Harrisonburg, PolicyMap, LEHD

Harrisonburg is an amenity-rich city with multiple full-service grocery stores, a farmers' market, many parks and playgrounds, elementary schools located throughout the city, a public transit system with low fares compared to other cities, and lively recreational and cultural events and activities. Block groups scored as Lower and Lowest are below the median while Higher and Highest scores are above median among Harrisonburg's block groups.

An Access to Amenities Score was calculated using four indices: Education Index, Jobs Proximity Index, Transit Index and Health Index.[5] These measures were chosen because they are some of the primary factors that affect the short- and long-term health of residents – access to jobs and transportation to get to employment opportunities in the present day, access to quality education to ensure future success, and access to parks, recreation and fresh food for movement and health – all of which provide critical short- and long-term benefits as described earlier as related to the social determinants of health.

Amenities are located throughout the city with some areas having access to multiple parks and playgrounds while other areas have better access to public transit or jobs. Ideally, residents choose to live in different parts of Harrisonburg to access the amenities most important for their households.

[5] For each of the four indices, *each block group is compared only to other block groups located within Harrisonburg* and are mapped by quartile ranking. For this reason, even in an amenity-rich city such as Harrisonburg, there will be areas that are ranked as Lower and Lowest within each index. This categorization methodology does not imply that there is no access to amenities in those block groups but rather when compared to the rest of Harrisonburg, these areas are below the median.

Demographics and Economics

This section of the study provides a detailed analysis of demographic and economic trends summarized for each Market Type. Demographic and economic conditions influence the type of housing appropriate within a community. The following pages explore population trends, poverty conditions, and job, wage and household income trends within Harrisonburg to provide a backdrop to the housing market analysis that follows.

DEMOGRAPHICS

Figure 3 Summary of Population Trends and Income by Market Type

	Market Type A	Market Type B	Market Type C	Market Type D	Citywide
Population	16,725	14,709	6,196	13,129	53,391
Population Growth, 2013 to 2018	1,612	308	854	74	3,465
Population Change, 2013 to 2018	11%	2%	14%	1%	7%
Percent College Students	24%	41%	46%	31%	43%
Percent Non-Students	76%	59%	54%	69%	57%
Poverty Rate, Non-Students	12%	13%	25%	12%	14%
Block Groups	7	6	5	8	27
Lowest Median Household Income among Block Groups	$27,328	$34,453	$17,500	$20,000	$17,500
Highest Median Household Income among Block Groups	$59,844	$112,250	$59,659	$91,042	$112,250

Source: American Community Survey 2014-2018
Note: The one Census block group classified as No Data according to the market types is included in the citywide data.

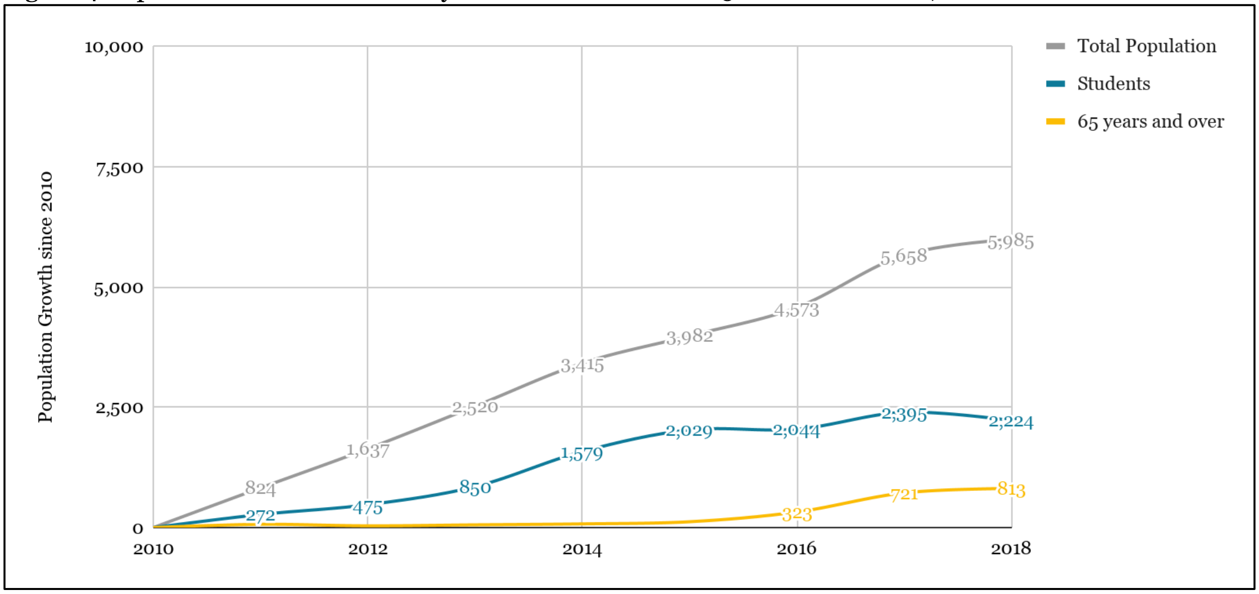
The highest market activity block groups are located surrounding the James Madison University (JMU) campus, in the northeast and on the western side of the city in the same block group as Harrisonburg High School.

POPULATION TRENDS

Harrisonburg has grown by 13% since 2010 from a population of 47,406 in 2010 to 53,391 in 2018. This growth has largely been fueled by students and adults 65 years and older. Of the 5,985-person increase from 2010 to 2018, increased student enrollments accounted for 2,224 additional residents, representing 37% of overall population growth. During that time, the population of adults 65 years and older increased from 3,887 to 4,700, an increase of 813, representing 13% of overall population growth.

Postsecondary students at JMU and Eastern Mennonite University (EMU) contribute to the city's population. Total enrollment across these universities has increased by 11% since 2010, growing from 20,971 in 2010 to 23,195 in 2018.[6]

Figure 4 Population Growth Trends by Students and Adults 65 Years and Older, 2010 to 2018



Source: American Community Survey, 2010 to 2018; National Center for Education Statistics, 2010-2018

Students represent 43% of the population in Harrisonburg with off-campus students comprising 30% of the population. Off-campus students are a significant portion of the population across all neighborhoods and market types. Off-campus students account for:

- More than 2 in 10 residents in Market Type A
- 4 of 10 residents in Market Type B
- Nearly 5 of 10 residents in Market Type C
- 3 of 10 residents in Market Type D

[6] Education Data Explorer (Version 0.9.0), Urban Institute, Center on Education Data and Policy, accessed August 24, 2020, https://educationdata.urban.org/data-explorer/, [US Department of Education Integrated Postsecondary Education Data System, the US Department of Education College Scorecard, 2010-2018].

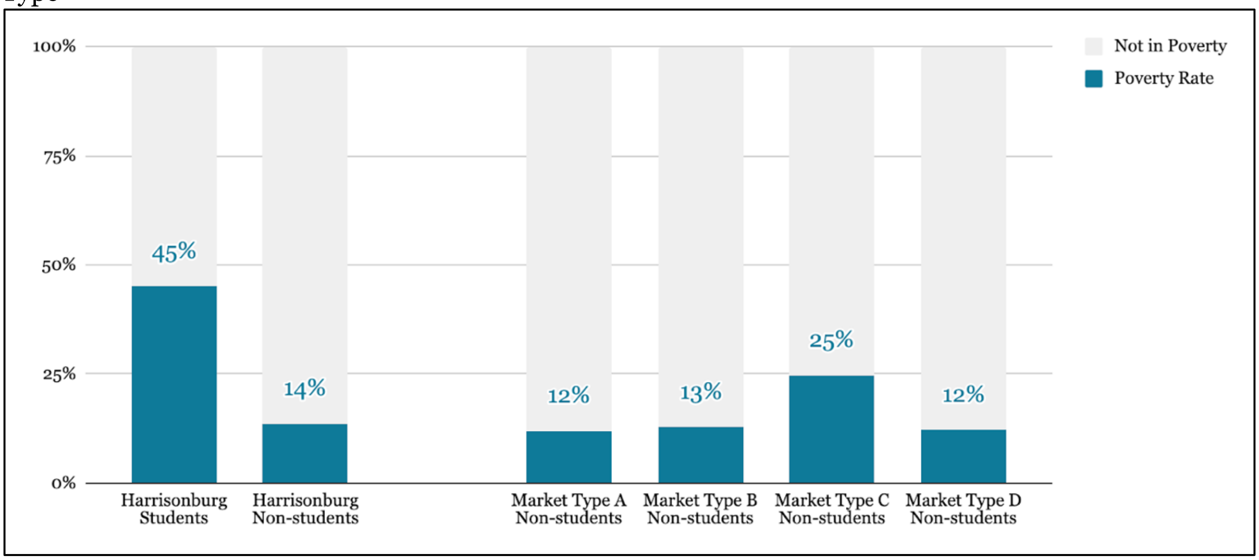
POVERTY

According to the American Community Survey (ACS), Harrisonburg's poverty rate of 28% is higher than the national rate of 13%. The city's poverty rate is inflated by the large number of college students who live off-campus. If the college student population is removed from the calculations, then the poverty rate of non-college student community members in Harrisonburg is 14%, only slightly higher than the national rate.

Even after adjusting for off-campus students, some neighborhoods in Harrisonburg have high concentrations of poverty according to ACS data. Nearly a quarter of non-student residents in Market Type C neighborhoods are in poverty. Across all other market types, poverty for non-students hovers between 12-13%.

Nearly one in two off-campus students live in poverty. The poverty rate for off-campus students is 45%. When the Census compiles the traditional poverty rate, it counts individuals with incomes that are lower than the poverty rate, including students not living in dorms. Because of this data collection method, many college students living off-campus are counted as impoverished, even if they may be supported by their parents or student loans.

Figure 5 Poverty Rate of Students and Non-Students and Concentration of Non-Student Poverty by Market Type



Source: Census American Community Survey, 2018

The majority of postsecondary students in Harrisonburg come from high income backgrounds. According to FAFSA data compiled since 2010, 92% of JMU and EMU students were claimed as dependents by their parents with many likely receiving rental support from their families. Of postsecondary students attending universities in Harrisonburg:[7]

- 15% of students come from families with incomes below $30,000
- 23% of students come from families with incomes between $30,000 and $75,000
- 61% of students come from families with incomes above $75,000

[7] Education Data Explorer (Version 0.9.0), Urban Institute, Center on Education Data and Policy, accessed August 24, 2020, https://educationdata.urban.org/data-explorer/, [US Department of Education College Scorecard, 2010-208]

Average wage, median household income, and the ALICE income threshold are three different frameworks that describe individual and household earnings compared to cost of living.

Household: A household is defined by the U.S. Census Bureau as all the people who occupy a single housing unit, regardless of their relationship to one another. One person in each household is designated as the householder—the person, or one of the people ages 15 or older, in whose name the housing unit is owned, being bought, or rented. The relationships of all other household members are defined only in relation to the householder and then used to group households into different types. The two primary types are family households and nonfamily households.

Average wage: Individual adults earn income while working. An average wage is a good indicator of a typical income earned by an individual worker within Harrisonburg. An economy is more sustainable when it produces enough jobs that can support forming households and families.

Median household income: Median household income combines wages with other sources of income (gifts, interest, bonuses and dividends) for a household, not just an individual. The median household income represents the midpoint amount, so half of the households earn more than the median and half earn less. If the median household income is below what is needed to meet basic necessities, then half of the households in the community are struggling.

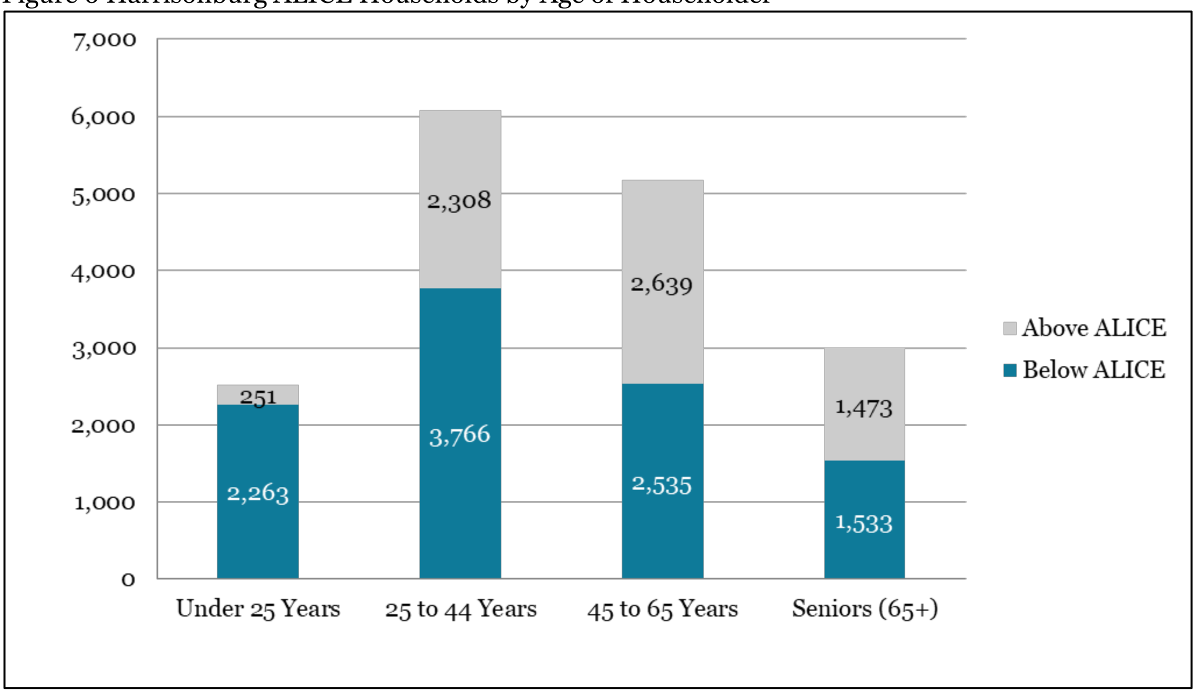
ALICE Threshold: The ALICE framework provides a cost estimate for household costs to meet basic necessities. ALICE workers earn more than the poverty level but less than a basic cost of living. A four-person ALICE family consists of two adults and two children. If the local economy cannot support a four-person ALICE family, then it is very difficult to sustain natural population growth and families will always be struggling and vulnerable to individual (illness, losing a job) or community-wide (recession, natural disaster) threats.

According to the 2014-2018 ACS, the most common industries for workers who live in Harrisonburg are Accommodation and Food (4,714 people), Education (4,708 people), and Manufacturing (3,382 people). The most common job groups are Food Prep and Serving (3,417 people), Education Instruction and Library (2,771 people), and Sales (2,401 people).

From 2010 to 2019, Harrisonburg added more than 600 jobs. Employment grew by 1.9% from 33,981 jobs in 2010 to 34,613 jobs in 2019, according to Longitudinal Employer-Household Dynamics (LEHD) data. During that time, absolute average wages across all industries increased except in Health Care and Arts, Entertainment, and Recreation. Median household income rose from $37,235 in 2010 to $43,893 in 2018, according to ACS data. However, when adjusted for inflation, this was only a 3% increase in average wages, which did not keep pace with inflation – one dollar in 2010 is equivalent to $1.14 in 2018, a 14% increase – indicating that residents need to do more with less money.

Average earnings across all industries increased from $38,130 in 2010 to $43,488 in 2019, according to LEHD data. Again, however, when adjusted for inflation, this apparent increase in average earnings was actually a *decrease* of 2%. Largely stagnant wages and increases in the cost of living means that many in Harrisonburg struggle to meet basic household needs.

Figure 6 Harrisonburg ALICE Households by Age of Householder



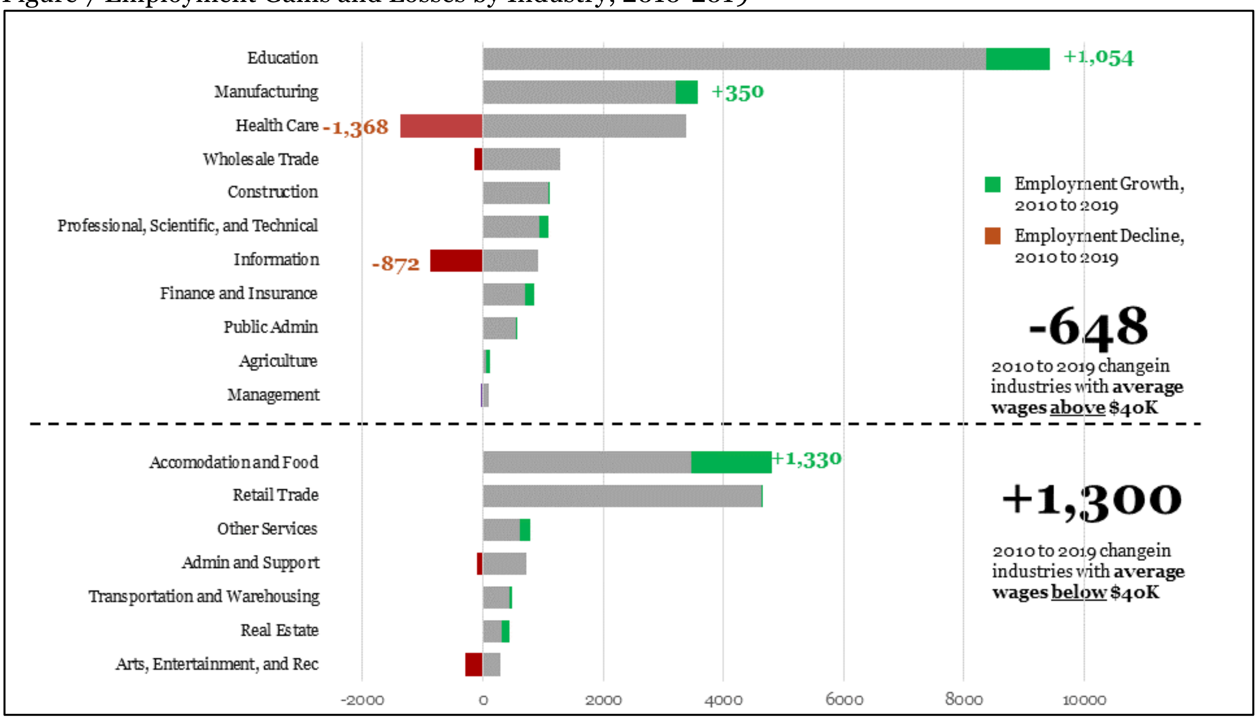
Source: United Way ALICE, 2018

The United Way ALICE framework provides an estimate for the costs that families face to meet basic necessities like housing, transportation, food, health care, childcare, and a basic smartphone plan. ALICE workers—who are Asset Limited, Income Constrained, Employed—earn more than the poverty level but less than a basic cost of living and are employed across industries such as construction, education, service, and caretaking. As of 2018, the United Way estimates that the ALICE income threshold to meet basic expenses for a family of two adults and two children in Harrisonburg is $60,000. Households earning the median household income level of $43,893 in the city do not earn enough to meet the ALICE threshold. Even after removing the youngest householders assuming they are student households, the United Way estimates that 55% of

Harrisonburg households headed by a householder aged 25 and older, totaling 7,834 households, do not meet the $60,000 earnings threshold of a survival budget for a family of four.

The threshold of $40,000 per year in earnings serves as a proxy for good-paying jobs. Workers in industries with average wages above $40,000 per year are more likely to earn good wages and receive healthcare benefits with their jobs. Many industries, like Education, Health Care, and Manufacturing have good-paying jobs and pay average wages above $40,000 per year, according to LEHD data. However, some industries like Retail and Accommodation and Food are lower paying and have average wages below $40,000 per year. Good-paying jobs bring stability to communities and allow workers to cover basic expenses related to housing, transportation, food, and other necessities. This is also important because two-income households that have jobs that are near or above $40,000 are more likely to be able to meet their basic needs for supporting a family represented by the ALICE household budget.

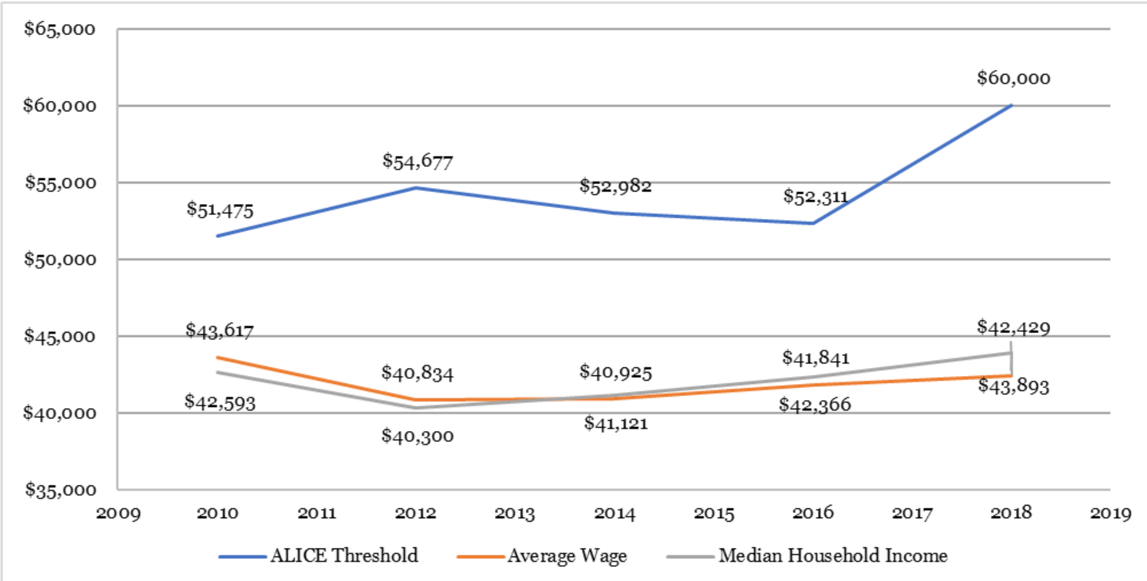
Figure 7 Employment Gains and Losses by Industry, 2010-2019



Source: Longitudinal Employer-Household Dynamics, 2010 to 2019

Although employment in Harrisonburg grew from 2010 to 2019, the number of jobs in industries with good-paying jobs decreased and wages are largely stagnant. Trends in employment in low-wage industries increasing alongside losses in employment in high-wage industries decreasing are alarming, especially for a community that values stability and affordable, accessible housing.

Figure 8 Median Household Income and Average Wage Increases, 2010-2018, in 2018 inflation-adjusted dollars



Source: United Way, ALICE; Census American Community Survey; Longitudinal Employer-Household Dynamics

Combined, these frameworks (i.e. ALICE Threshold, average wage and median household income) highlight information about economic conditions and household sustainability in Harrisonburg. Households earning the median household income level of $43,893 (ACS, 2018) do not earn enough to meet the ALICE threshold. Likewise, single earner households with the worker earning an average wage of $42,429 (LEHD, 2019) do not earn enough to meet the ALICE threshold for a four-person household and would require an additional wage earner. Since 2010, cost of living increases have outpaced average wage and household income gains in Harrisonburg. Even without factoring in any cost-of-living increases, a household in Harrisonburg making the median household income at a 2018 level could not afford the ALICE survival budget at a 2010 level.

Because growing industries are largely in low-wage industries, Harrisonburg will need additional affordable housing to meet the needs of future workers. However, as income decreases, development of new affordable units becomes more expensive due to the deep subsidy required to create housing that is affordable at the lowest income tiers. An economic and workforce development strategy that promotes the upskilling of residents and connects them to jobs that enable them to thrive, not just survive, is beyond the scope of this housing study but it is crucial that these efforts are linked.

Harrisonburg cannot build its way out of a housing crisis if the economy continues to lose higher-paying jobs while creating more low-wage jobs. An economic and workforce development strategy that promotes the upskilling of residents and connects them with jobs that enable them to thrive, not just survive, is critical.

Rental Market

Each aspect of Harrisonburg's housing market—rental and sales—is analyzed in greater detail. Included within the rental market discussion are the following segments:

- The market-rate segment where households rent units from private landlords and pay the total rent with their own funds
- The assisted rental market where households rent from either private or public landlords and pay a monthly rent amount that is based on their income as the result of a subsidy attached to the unit or provided directly to the renter
- The supportive housing market that combines affordable housing assistance with housing-focused supportive services for formally homeless people and people with disabling conditions, and
- The permanent supportive housing market that is a form of supportive housing specifically designed to meet the needs of chronically homeless persons

Regardless of the ownership of the units, the source of payment for monthly rent, the amount paid each month or the level of supportive services required by a household to remain housed, together these segments represent the complete rental market in Harrisonburg.

PHYSICAL CHARACTERISTICS

There are 10,370 occupied rental units throughout Harrisonburg, which is 62% of the occupied housing inventory. The highest number of rental units is found in Market Type A block groups located in the northeast, south of EMU and east of JMU between Port Republic Road and East Market Street.

Within the rental inventory, higher numbers of units are single family detached units (39%) or are located in structures with 20-49 units (22%). There are relatively few duplexes and structures with 10 to 19 units as these two types comprise only 7% of all rental structures. Among all rental units, 39% have two bedrooms and an additional 23% have three bedrooms. There are very few studio apartments (2%) or units with five or more bedrooms (1%).

Figure 9 Summary of Physical Characteristics of Rental Units

	Market Type A	Market Type B	Market Type C	Market Type D	Citywide	
					Number	Percentage
Number of Renter Occupied Units	**4,074**	**2,152**	**1,679**	**2,244**	**10,370**	**100%**
Median Year Built	**1963**	**1987**	**1975**	**1967**	**1972**	**-**
Number of Units in Structure						
1 unit, attached	512	391	137	425	1,486	14%
1 unit, detached	1,220	605	273	402	2,558	25%
2 units	245	67	44	86	499	5%
3 or 4 units	413	459	147	286	1,375	13%
5 to 9 units	442	340	249	113	1,144	11%
10 to 19 units	78	0	28	64	170	2%
20 to 49 units	815	290	658	472	2,250	22%
50 or more units	349	0	128	317	794	8%
Mobile home, Boat, RV or Van	0	0	15	79	94	1%
Number of Bedrooms						
0 bedrooms	46	42	64	76	228	2%
1 bedroom	955	228	179	475	1,859	18%
2 bedrooms	1,374	1,104	716	794	4,067	39%
3 bedrooms	1,039	568	262	399	2,341	23%
4 bedrooms	660	188	458	466	1,798	17%
5 or more bedrooms	0	22	0	34	77	1%

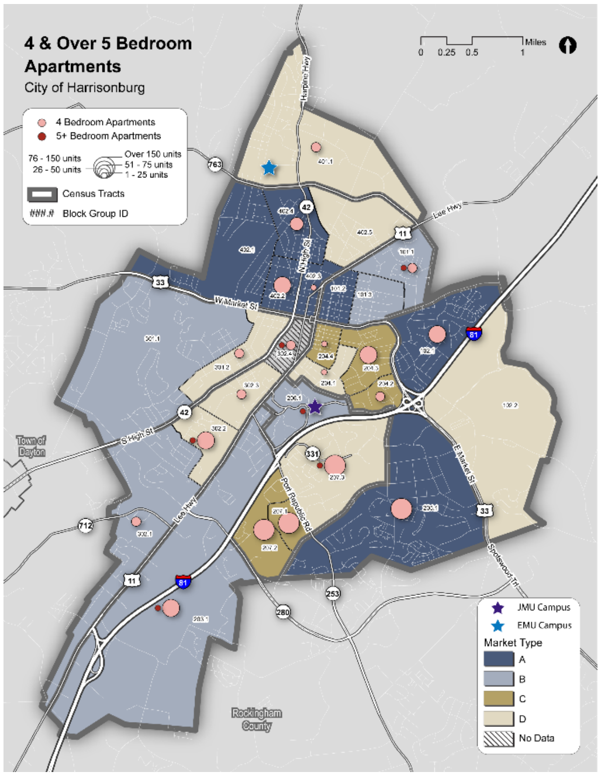
Source: 2014-2018 ACS

Note: The one Census block group classified as No Data according to the market types is included in the citywide data.

There are very few studio apartments (2% of the total rental inventory) or units with five or more bedrooms (1%) indicating a potential need for these unit sizes. Smaller units are ideal for the creation of supportive housing for single adults with disabling conditions or life events that are consistent with this type of housing intervention.

The rental vacancy rate is low. Depending on the source, it is estimated to be between 2% and 3.5%. This creates high levels of competition within the market as renters compete for scarce units.

Map 10 Locations of 4+ Bedroom Units

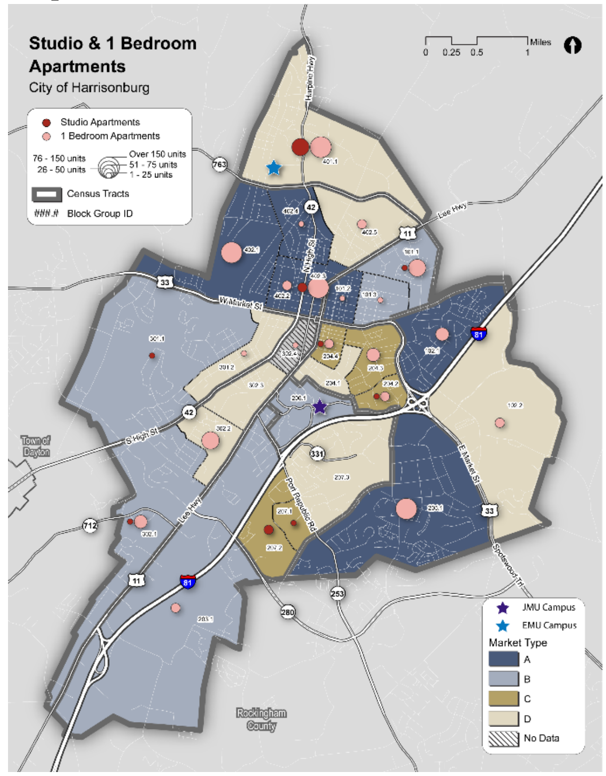


Source: ACS 2014-2018

Units with four or more bedrooms are largely clustered near JMU's campus with few in the northeast or near EMU's campus.

While the primary need within supportive housing are smaller units, there remains also a need for affordable units with four or more bedrooms for larger families. Currently, there are 53 households on the Housing Choice Voucher waiting list maintained by HRHA that need units consisting of five or more bedrooms. ACS data indicate there is a total of 77 units of this size across all of Harrisonburg.

Map 9 Locations of 0-1 Bedroom Units



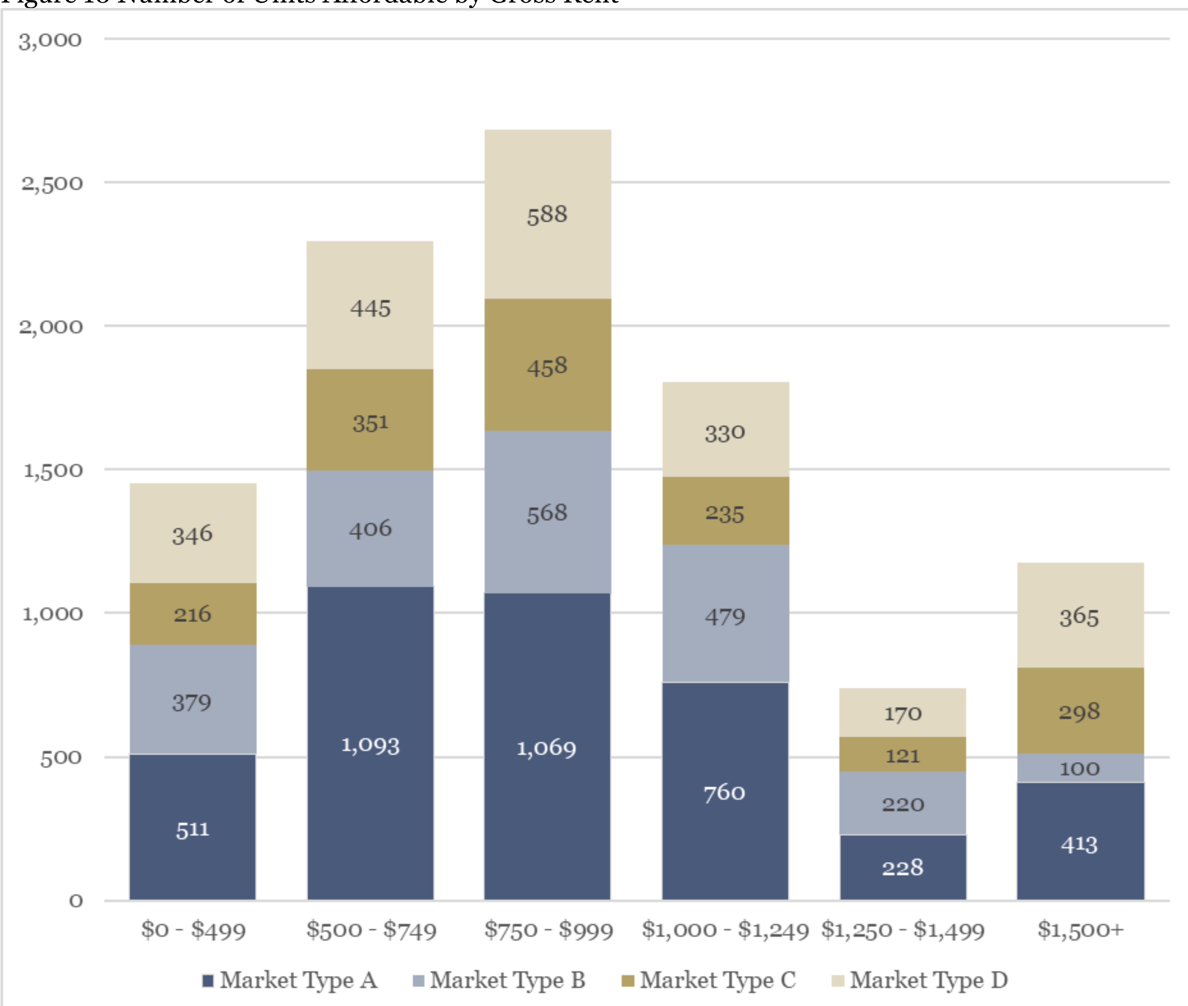
Source: ACS 2014-2018

Studio apartments and one-bedroom units are located primarily in areas near EMU, downtown and southeast of JMU. Given the high numbers of rental units in the northeast and their relative affordability, there is a lack of smaller units in this area. Having an adequate supply of smaller apartments in Market Types A and C is important because these block groups have higher scores for access to amenities such as jobs, parks, full-service grocery stores, and public transit. Because smaller apartments are part of the solution for supportive housing, the location of these smaller units is critical to ensure that persons in need of services can easily access them via walking and public transit.

RENTAL RATES

Throughout the market types in Harrisonburg, there are rental units priced from under $500 to more than $1,500 per month with the largest number of units available in Market Type A; the balance of units are relatively evenly distributed among the other market types. Units priced between $500 and $999 for gross rent (that is, rent plus utilities) are plentiful in Market Type A and constitute over 20% of all rental units. For reference, a 30% AMI household could afford monthly rent up to $469, a 50% AMI household up to $781 and an 80% household up to $1,250 monthly in 2018, which corresponds to the ACS data below.[8]

Figure 10 Number of Units Affordable by Gross Rent



Source: 2014-2018 ACS

[8] Note: There is one block group that did not have data to categorize it into a market type. Rental units available in this block group are therefore omitted from the above graph. There are an additional 221 rental units in the city, most affordable below $999 per month, that are located in the hashed block group on the market type map.

AFFORDABILITY AND COST BURDEN

While there are units available across all rental rates, this does not guarantee affordability for households needing units of a certain size. For example, the existence of lower priced one-bedroom units will not meet the needs of lower income larger households requiring three or more bedrooms. Most likely, these lower income households will either crowd into a too-small unit that is closer to what they can afford or they will be forced to pay more than they can afford for a right-sized unit. Paying no more than 30% of monthly income on housing costs is considered affordable housing regardless of a household's income. Paying more than 30% means a household is cost-burdened and paying more than 50% of income on housing means a household is severely cost-burdened. See Appendix D for cost burden data tables.

While Comprehensive Housing Affordability Strategy (CHAS) data indicates that over 80% of all rental units in Harrisonburg are affordable to households under 80% AMI ($50,200 for a family of four in 2017), there is disparity in the distribution of unit affordability by income range as well as bedroom size. In other words, lower income households are living in higher-rent units and higher income households are living in lower-rent units. There are numerous reasons why this occurs but the bottom line is that higher income households have more options by virtue of their income levels. Housing choice for the lowest income households, however, is greatly restricted by their very limited financial resources.

There is disparity in the distribution of unit affordability by income range as well as bedroom size.

Housing choice for the lowest income households is greatly restricted by their very limited financial resources.

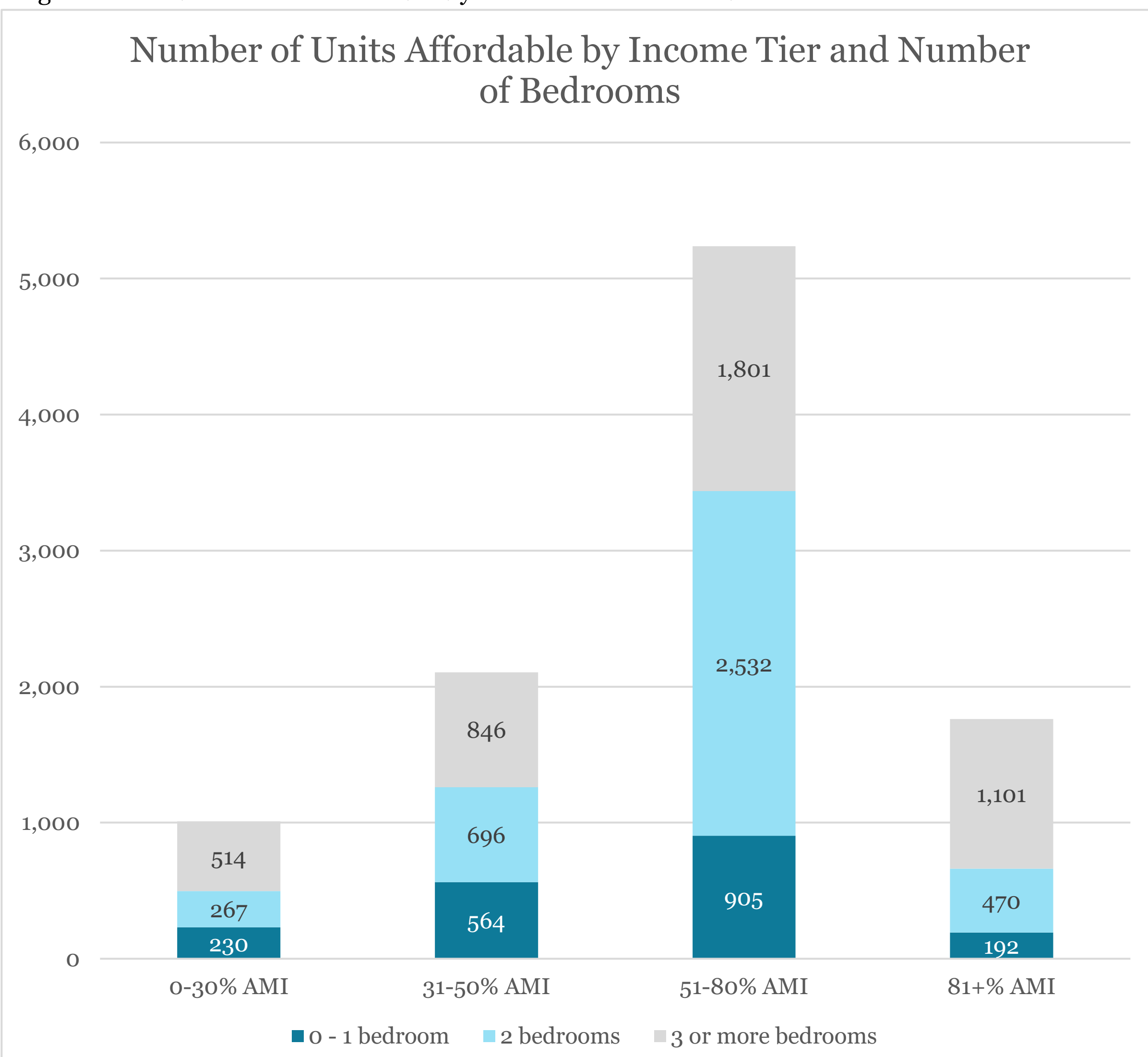
10%

Only 10% of all units are affordable to 0-30% AMI households, most of which are larger units.

230

There are only 230 studio and one-bedroom units affordable to 0-30% AMI households, which is a critical unit type needed to meet the needs of households consisting of 1-2 persons and single persons needing supportive housing.

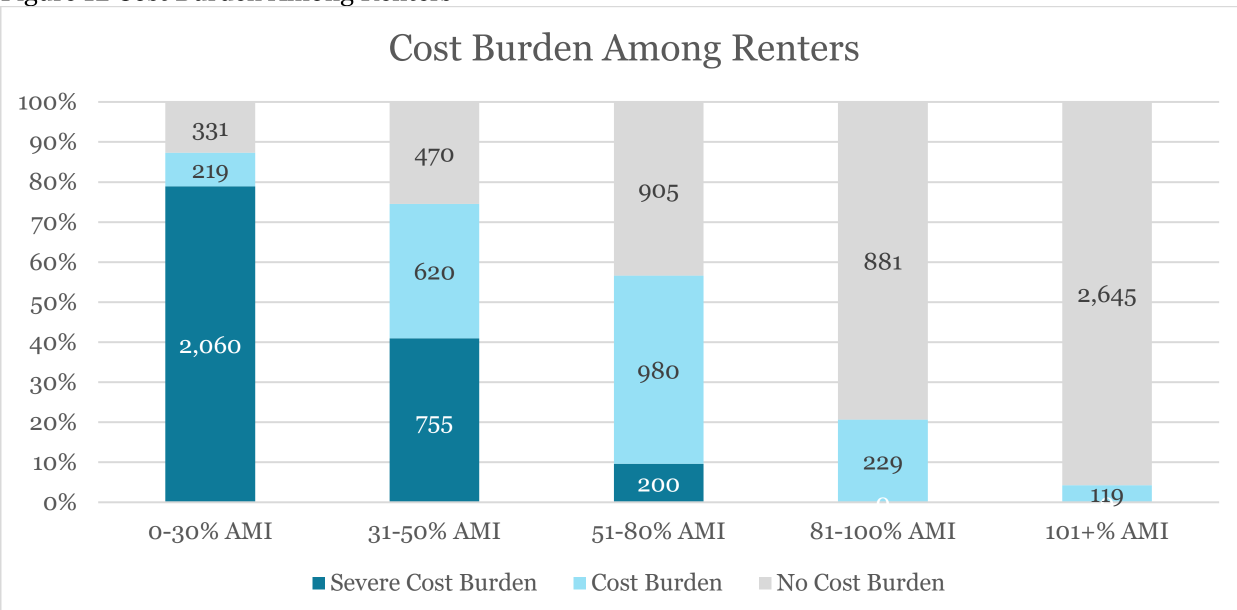
Figure 11 Number of Units Affordable by Income Tier and Number of Bedrooms



Source: ACS 2013-2017 CHAS

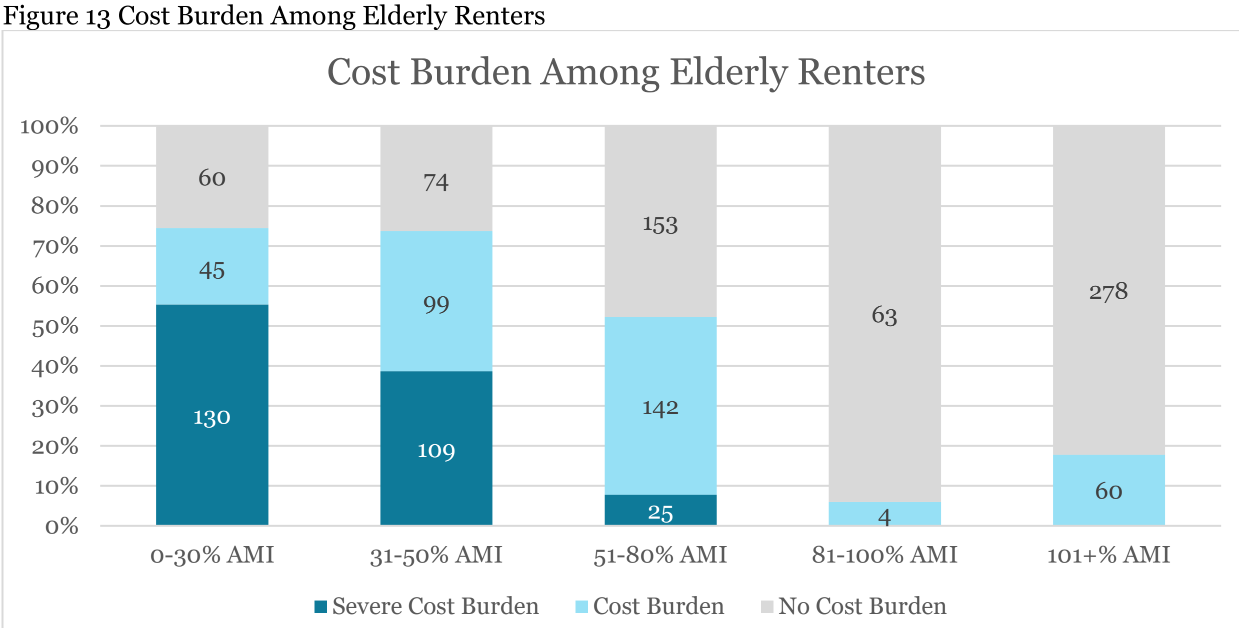
The highest rates of cost burden among renters occur among the lowest income households and decreases as income rises. This pattern persists also among elderly renter households.

Figure 12 Cost Burden Among Renters



Source: CHAS 2013-2017

Figure 13 Cost Burden Among Elderly Renters



Source: CHAS 2013-2017

RESIDENCY PATTERNS AMONG RENTERS

How to Read the Residency Pattern Graphs (i.e. Housing Mismatch)

These graphs are rich with data and can provide insights into the housing market. There are several factors to pay attention to when interpreting the graphs as described in list form below. To illustrate how to read the graphs, each listed point will correspond to a labeled point on the Owner-Occupied Housing Mismatch graph. A clean copy of the graph is located in the Sales Market section of the Study.

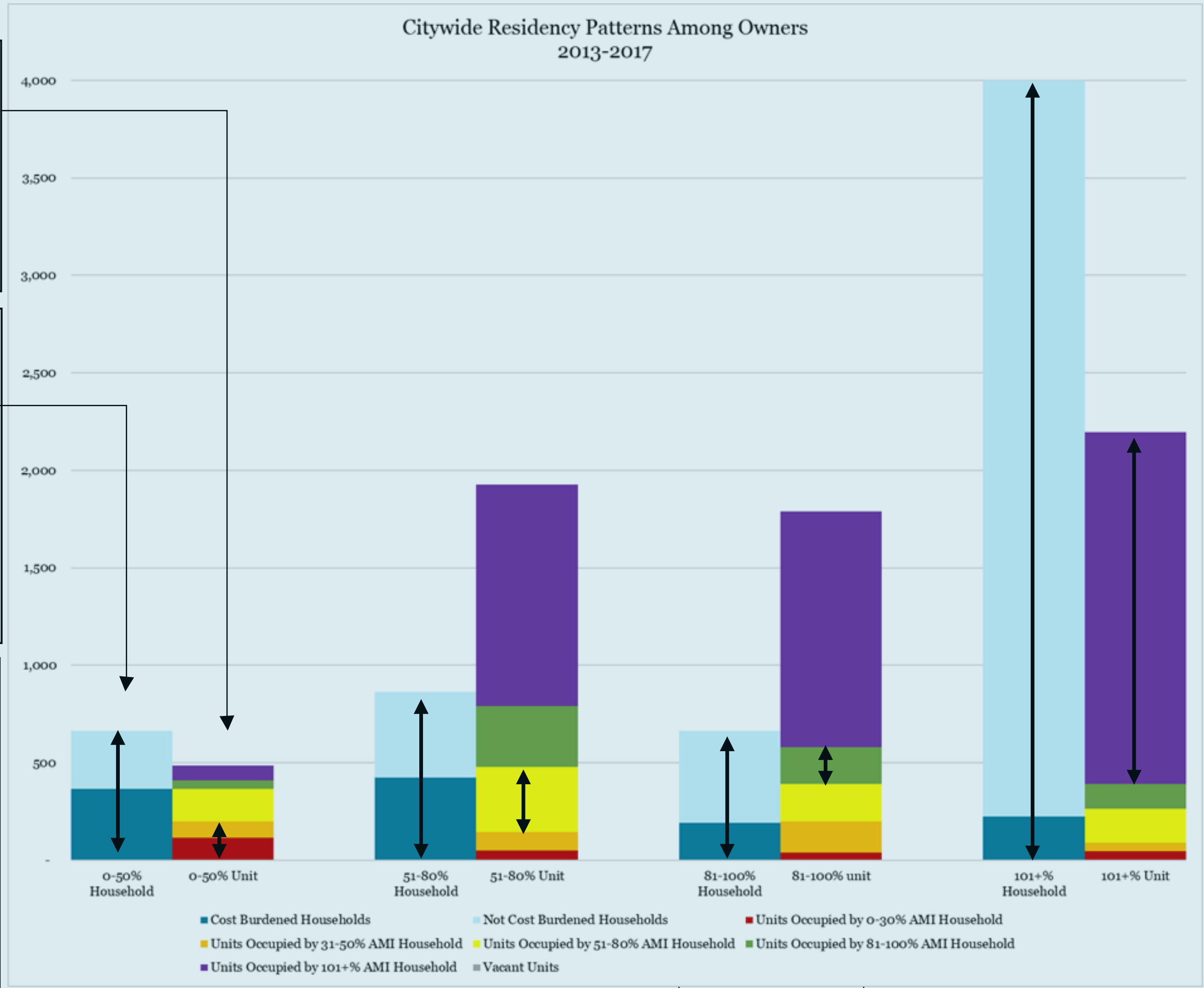
1. Each income tier has two bars: a) a blue bar at left showing the number of households in an income tier and b) rainbow-colored bar at right showing the number of units affordable in that income tier.
2. The blue bar has a dark and a light blue section. The dark blue shows households that are cost burdened (paying more than 30% of household income on housing costs) and the light blue portion indicates households that are not cost burdened.
3. The height of the blue bar as compared to the height of the rainbow-colored bar. If the height of the blue bar is greater than the height of the rainbow-colored bar, then there is a shortage of units affordable in that income tier. If the rainbow bar is taller than the blue bar, then there are more units that households in that income tier.
4. The colors in the rainbow correspond to the incomes of the households that occupy those units. For example, red indicates a 0-30% AMI household, orange a 31-50% AMI household, etc.
5. The mismatch for a particular income tier is determined by finding the difference in the total height of the blue bar (i.e. all the households in that income tier) with the colored segment that aligns with that particular income tier. For example, among the 51-80% income tier (the yellow part of the rainbow bar), compare the height of the blue bar for the 51-80% households and *only* the yellow part of the rainbow bar. The households in yellow are in the "appropriate" unit for their income and therefore do not contribute to the mismatch whereas all the other colors indicate households in the "inappropriate" unit and are part of the mismatch.

1b - The colored segments indicate the income of the households that live in the units. Red mean 0-30% AMI, orange 31-50% AMI, yellow 51-80% AMI, etc.

1a - Blue bars show the number of households in an income tier.

2 - Dark blue indicates cost burdened households and light blue indicates households that are not cost burdened.

4 - Each set of bars, indicated by the brackets, indicates a particular income tier. Per CHAS data, the owner tiers are 0-50%, 51-80%, 81-101% and 100+% AMI. Renter tiers are 0-30%, 31-50%, 51-80% and 81+% AMI.



3 - If the blue bar is taller than the rainbow bar then there is a lack of units in that tier (see 0-50% AMI and 101+% AMI). If the rainbow bar is higher than the blue bar then there are more units than households in that tier (see 51-80% AMI and 81-100% AMI).

5- The mismatch for any income tier is the difference in length of the arrows for each set of bars. Even when there are more units than households (i.e. in 51-80% AMI and 81-100% AMI) there is still a mismatch because of households in different income tiers residing in the units.

0-50% AMI
(red and orange)

51-80% AMI
(yellow)

81-100% AMI
(green)

101+% AMI
(purple)

Residency Patterns

The existence of units that are affordable to households with incomes below 80% AMI (equal to $50,200 for a family of four in 2017) does not guarantee that there will be an availability of these units within specific income ranges. A housing affordability problem can occur for multiple reasons including when there is a shortage of units and/or because there are higher income households residing in units that are affordable to lower income households, as described above. Both of these factors hold true within Harrisonburg's rental market. This is called a "housing mismatch." See Appendix E for details.

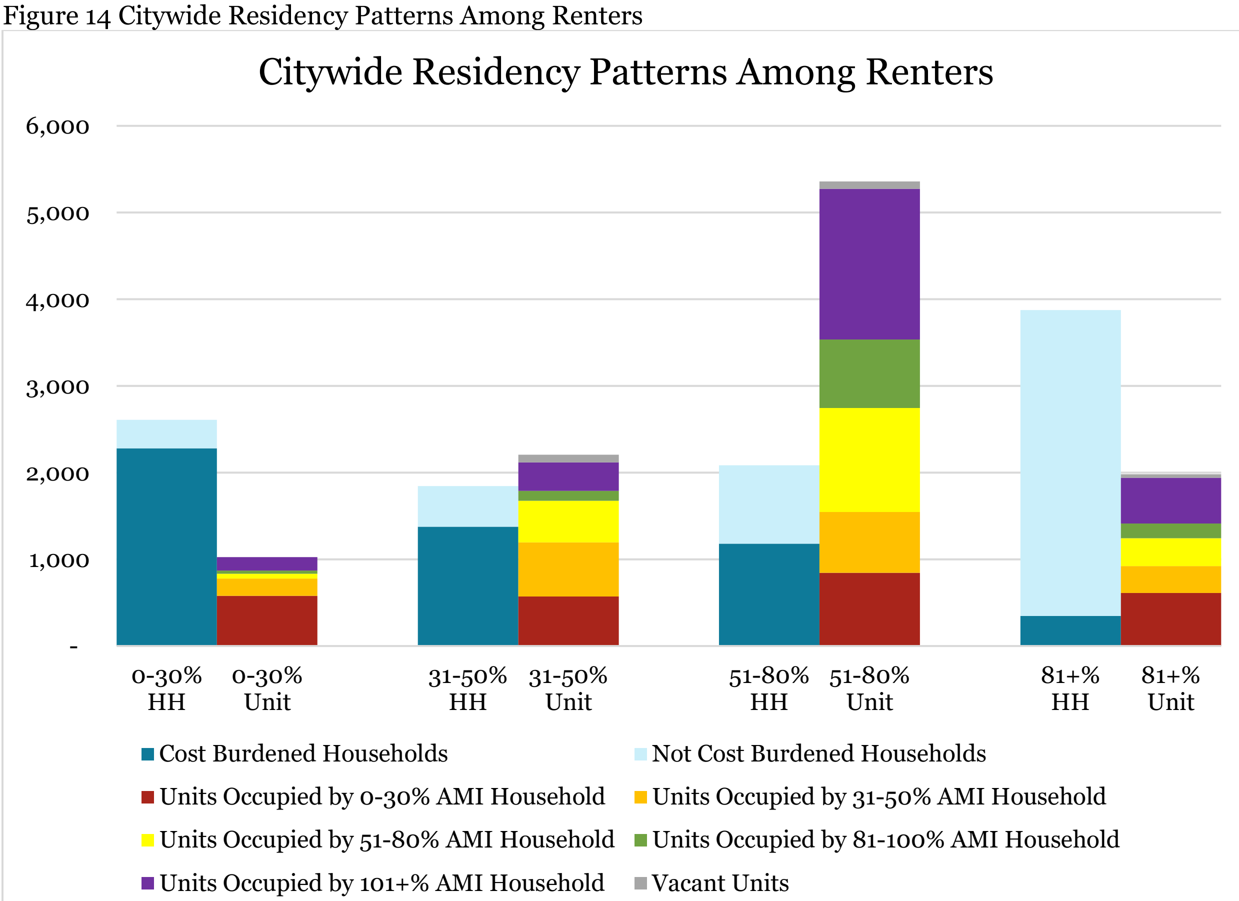
Examples of "Housing Mismatch"


81%+ AMI household in a 51-80% rental unit = **Fine from a financial perspective but contributes to the mismatch.**


0-30% AMI household in a 51-80% rental unit = **A problem financially and contributes to the mismatch**.


51-80% AMI household in a 51-80% rental unit = **Does not contribute to the mismatch.**

Figure 14 Citywide Residency Patterns Among Renters



Source: 2013-2017 CHAS

Key Findings of Residency Patterns Among Renters

There are several key findings of the housing mismatch among renters:

- There are significantly more households than units in the 0-30% AMI tier. This tier includes most student households (including dependent and independent students), persons needing supportive housing, elderly households, and other household types that are non-student, non-elderly households. (Student households will be explored further.)
- The vast majority of rental units are naturally occurring affordable housing, meaning that the unit is affordable to a household earning up to 80% AMI without a public subsidy; 81% of all rental units are affordable to households with incomes up to 80% AMI.
- Because there are many more households with incomes above 80% AMI but few units available for this income tier, these higher income households occupy rental units that cost less, thereby increasing competition among lower income households for the affordable units.
- The vacancy rate is low; CHAS data identified that only 2% of rental units were vacant.

There is a lack of rental units affordable and available to households with incomes between 0-30% AMI as well as a lack of higher-end units that would be for households with incomes above 80% AMI.

There is significant mismatch with many higher income households residing in more affordable units and lower income households residing in more costly units.

The mismatch as displayed in the previous chart does not include adjustments made for student households. Once adjusted for students, there is a range of potential mismatch by income range because it is not known specifically which units are occupied by student households. If parents support their student children living in a unit that is aligned with parental income, then the mismatch decreases. If the parental support results in the student living in a unit outside of the range that corresponds to parental income, then the mismatch could increase. See Appendices D and E for the full methodology in determining the mismatch range when adjusting for student households.

The mismatch should not be interpreted as a production number as producing an equivalent number of units would result in an over-supply. However, the mismatch is useful in understanding the extent to which there are adequate units that are affordable across the income spectrum given the number of households in the various income ranges. Additionally, the analysis provides a glimpse into which income tiers are more in need of affordable housing because there is either a lack of units and/or the units are occupied by households from other income tiers.

Figure 15 Renter Mismatch Summary Table

Affordability Tier	2017 Mismatch (without student adjustment)	Mismatch Range (with student adjustment)	2025 Mismatch (without student adjustment)
0-30% AMI	2,031	1,407	2,098
31-50% AMI	1,130	961 to 1,299	1,191
51-80% AMI	801	573 to 1,029	824
81+% AMI	3,135	2,907 to 3,363	3,417

Source: CHAS 2013-2017, HISTA by Ribbon Demographics, LLC; Calculations by Mullin & Lonergan Associates, Inc.

Units Needed to Reach a Healthy Vacancy Rate of Five Percent

There is a need for between 169 and 331 additional units to bring the rental vacancy to 5% in the immediate future depending on whether the CHAS 2.0% or ACS 3.5% vacancy rate is used as the base vacancy rate.

HISTA[9] projection data indicates that the household size will remain stable until 2025 but that there will be an increase of 882 renter households. To meet the need for housing for additional households as well as attain a vacancy rate of 5% while taking into account rental units that are in the pipeline for completion by 2025, there is a need for an additional 455 to 616 rental units by 2025. The cost estimate to build these units ranges from $74M to $133M depending on the number and type of unit constructed. See Appendix J for additional details.

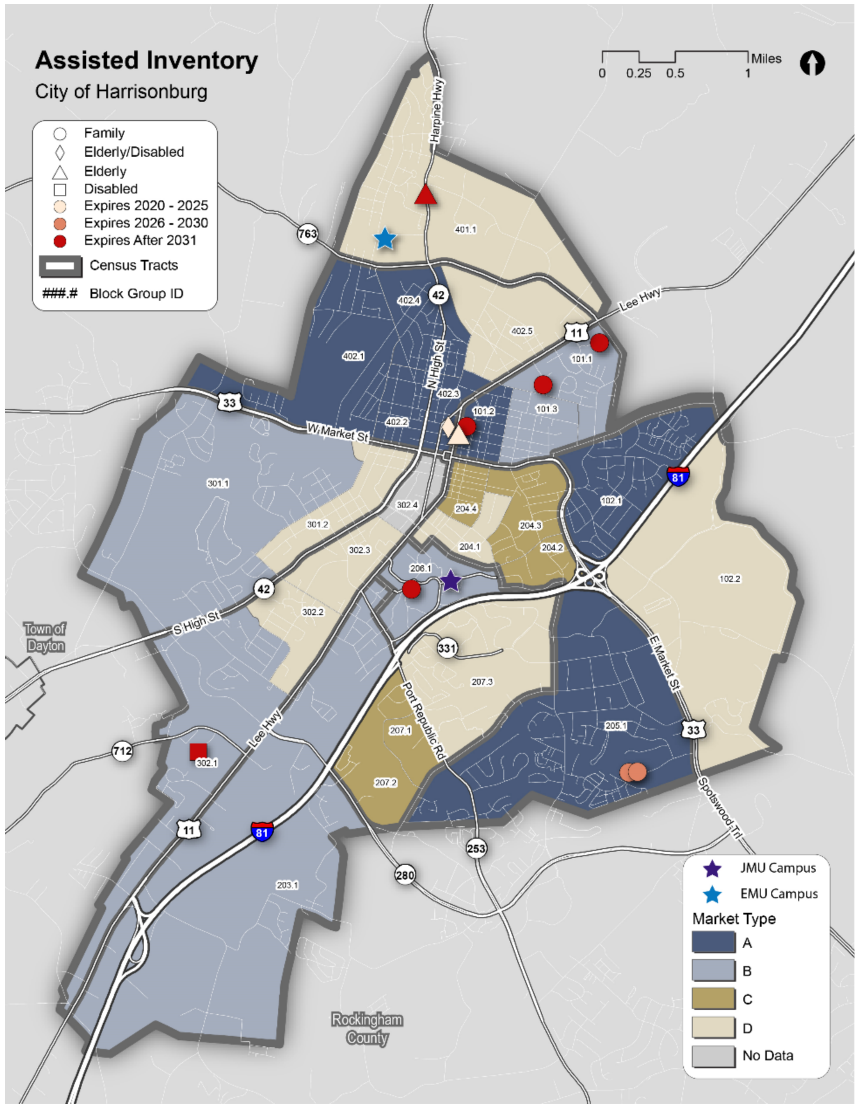
The rental vacancy rate is low at 2% according to CHAS data, indicating a very tight market with an inadequate inventory. This creates high levels of competition within the market as renters compete for scarce units and where the lowest income households have the fewest options.

[9] HISTA projection data is created by Ribbon Demographics, LLC and stands for Households, income, Size, Tenure and Age.

ASSISTED INVENTORY AND ACCESSIBILITY OF RENTAL HOUSING

When federal or state funds are used to construct or rehabilitate rental units, there is typically a predetermined period of affordability in which all or some of the units are reserved for income-qualified households. Usually these subsidy programs have terms of affordability for 15 to 30 years. At the end of the affordability period, these units can convert to market rate if the owner is interested in obtaining higher rents that are not regulated by state or federal regulations. This is more likely to occur in markets with low rental vacancy rates and there are households that could afford the unsubsidized, higher rents. Both of these conditions are present in Harrisonburg. Without intervention such as new public investment to extend the period of affordability, these units could be lost from the city's affordable housing inventory.

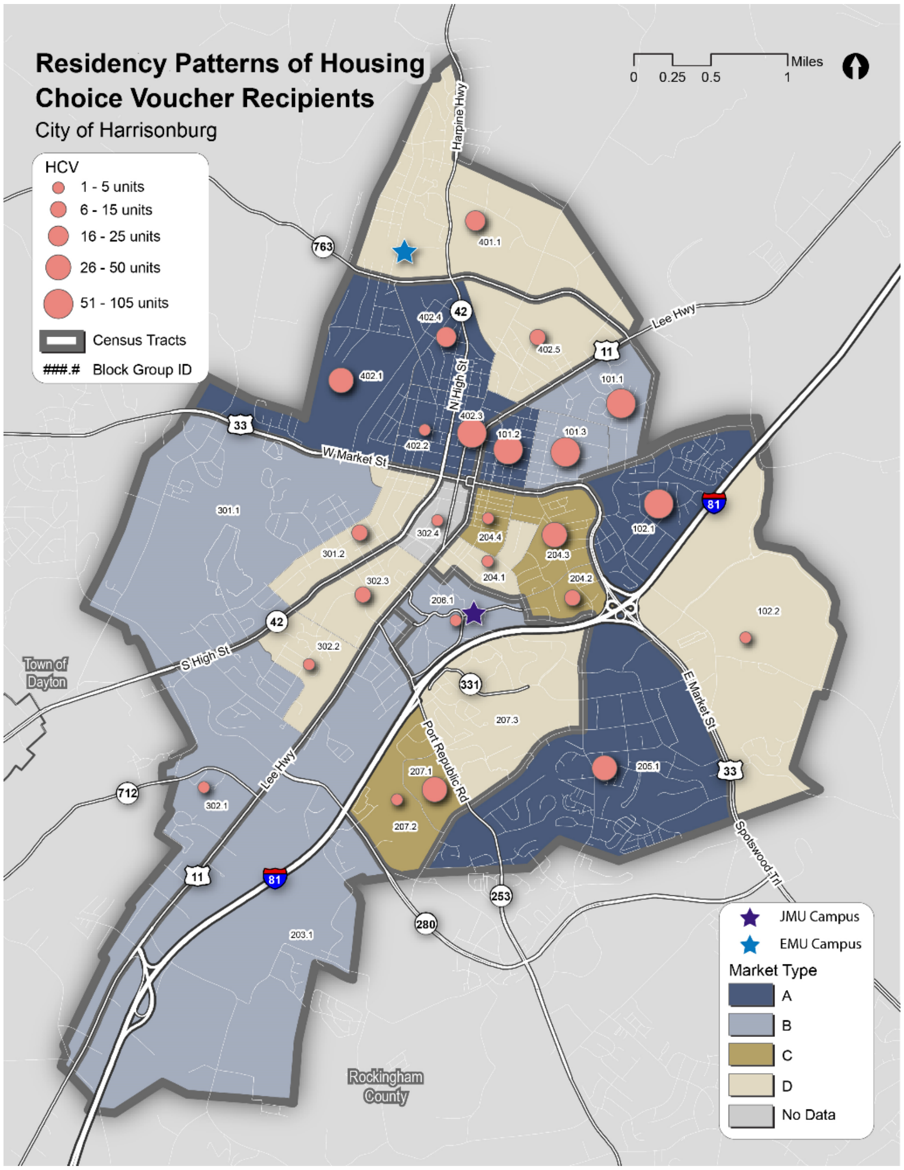
Map 11 Assisted Inventory



Source: National Low-Income Housing Preservation Database, HRHA, PolicyMap

There are ten multifamily assisted housing properties in Harrisonburg. Four of these are owned by HRHA and the balance are privately owned by both non-profits and profit-motivated owners. The properties with subsidies set to expire within five years are HRHA properties, making them unlikely to convert to market-rate units. However, by 2028, there are other assisted rental units with public subsidies that are set to expire that are owned by profit-motivated owners; future investment may be necessary to preserve these affordable units through rehabilitation, for example.

Map 12 Residency Pattern of Housing Choice Voucher Recipients



Source: HRHA

The Housing Choice Voucher (HCV) program is a HUD-funded program to assist very low-income households, the elderly and persons with disabilities afford safe housing in the private market. Households pay no more than 30% of their income toward rent and the HCV pays the balance directly to the landlord.

The HCV program is operated by HRHA and serves the city and Rockingham County. As of June 30, 2020, there were 796 HCVs leased with 624 of those within the city limits. HCV recipients are located throughout Harrisonburg, many of which are in Market Types A and C. Yet, there is an inadequate supply of HCVs to meet the needs of all low-income households within Harrisonburg and Rockingham County. HRHA has over 2,700 applicants on the waiting list for a HCV.

3x

For every household with a HCV, there are more than three households on the waiting list.

SUPPORTIVE HOUSING

All people share the need for safe and stable housing, however, for some vulnerable populations, housing could be a stabilizing factor for improved health outcomes. Vulnerable populations include individuals with disabilities, serious mental illness (SMI), experiencing homelessness, identified under the Commonwealth of Virginia Olmstead ruling,[10] and individuals who are transitioning from institutions. Some conditions make maintaining housing difficult and additional supports are needed to ensure stability.

Supportive housing, recognized as an effective housing strategy for people with special needs, may be the solution for this issue. It combines affordable housing with intensive supportive services to help vulnerable populations stabilize and maintain housing. There are several core components to supportive housing. The table below provides the essential characteristics outlined by Dohler *et al* (2016). While other housing models may seem similar to supportive housing, many do not meet all of the essential characteristics, such as integration or low barriers to entry.

Figure 16 Essential Characteristics of Supportive Housing

Permanence and Affordability	Supportive Services	Integration	Emphasis on Choice	Low Barriers to Entry
Typically pay no more than 30% of their income for rent.	Services are housing oriented (aim to help tenant remain housed).	Tenants are able to live independently in apartments or single-family homes in residential neighborhoods.	Maximizes client choice, in clients' housing options and the services they receive.	Providers do not require clients to hit benchmarks before moving into housing or put other screening barriers in the way.
Same rights and responsibilities as other tenants: Lease in their name	Services are multi-disciplinary (may involve multiple service agencies working together)	Have access to public transportation, grocery stores, parks, and other neighborhood amenities common to all other residents		
Right to privacy in unit	Services are voluntary but assertive			
Cannot be evicted for reasons unrelated to being a good tenant[11]				

Source: Dohler et al (2016)

[10] Under the U.S. Supreme Court's Olmstead v. L.C. decision, the Americans with Disabilities Act, and the Virginians with Disabilities Act, Virginia is required to provide appropriate opportunities for people with disabilities to become fully integrated into the community if they choose to do so. See Definitions for more information.
[11] Tenants have full rights, responsibilities and legal protections as any other renter. Services are not a condition of tenancy.

Needs Consistent with Supportive Housing

Estimated needs consistent with supportive housing.

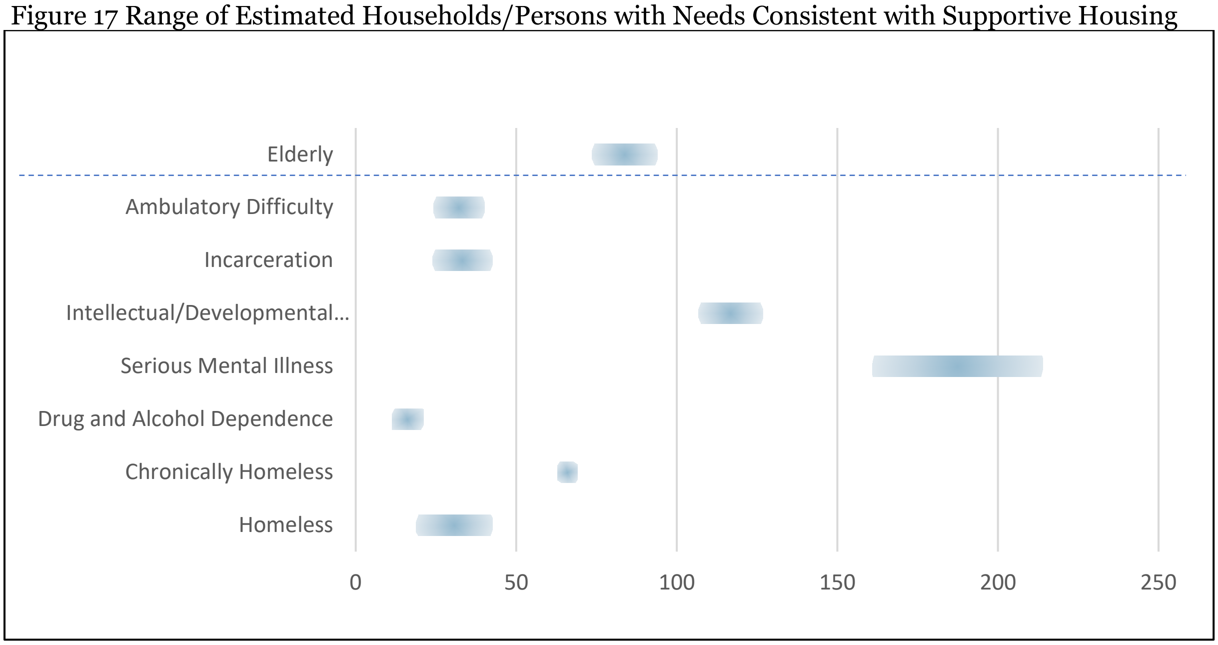
between **84-94 elderly households**

between **445-509 non-elderly persons**

While there is no widely known formula for calculating supportive housing needs, many communities have been able to use local data sources to estimate. This study provides an analysis of housing for populations that require supportive services as identified by Harrisonburg. These populations include persons with disabilities, serious mental illness, qualifying under the Commonwealth of Virginia Olmstead ruling, experiencing homelessness and persons transitioning from institutions.

Statistical prevalence data was used to estimate the probability that individuals in Harrisonburg meet one or more definitions of disability or a life event that would be consistent with the need of supportive housing. However, it should be emphasized that the prevalence figures estimate the number of people who are likely to have a certain condition, not how many are likely to seek services related to that condition or how many may need a rental subsidy. Prevalence figures for the elderly group were calculated by households, not individuals.

Figure 17 Range of Estimated Households/Persons with Needs Consistent with Supportive Housing



Source: Mullin & Lonergan analysis of prevalence data, CHAS data, national and local estimates of the probability of needing supportive services and other relevant information

While understanding the needs consistent with supportive housing among specific populations is helpful in the planning process, it should be noted these are estimates and will fluctuate depending on population changes, economic events, and other factors impacting persons with disabilities and the housing market. Having a system that can be flexible and responsive is key to providing housing stabilization services to persons who may benefit from a supportive housing model.

Major Components of Supportive Housing

Housing and Rental Subsidy

There is a shortage of affordable housing, most severely for households who earn 0-30% AMI (equal to $26,200 for a family of four or $15,100 for a one-person household in 2020). These extremely low-income households often spend more than 50% of their income on housing[12]. Some of these households have fixed incomes and disabling conditions that make working difficult. These circumstances often make additional rental subsidy necessary to maintain housing. Harrisonburg has utilized federally funded programs to create the deep subsidy needed for households in supportive housing, including the Continuum of Care (CoC) Program Permanent Supportive Housing (PSH) and Housing Choice Vouchers (HCV).[13]

The majority of supportive housing units in Harrisonburg have been produced by leveraging Housing Choice Vouchers provided by HRHA.

Despite the success and utilization of CoC Programs, HCVs, Mainstream Vouchers and the HCV Set-aside for Settlement Agreement Population to create supportive housing in the city, there are still major challenges. These include:

- CoC-funded units serve a larger region than Harrisonburg and target individuals with serious mental illness.
- Some landlords are unwilling to accept voucher payments from HUD voucher programs. In February 2020, Virginia passed a bill outlawing discrimination based on a person's source of income, which may help end housing discrimination against households seeking housing with a voucher as payment.
- Some populations are not eligible for the CoC Program because they do not meet the HUD definition of chronic homelessness and some people are not eligible for the HCV program due to criminal histories.

HCVs are not intended to be used only for the creation of supportive housing. The HCV program also is available to several other low-income populations and is the community's main resource for affordable housing for households making below 50% AMI (equal to $35,950 for a family of four or $25,200 for a one-person household in 2020).

For over 5 years, HRHA has utilized the HCV program to create 105 units of supportive housing.

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[12] See Appendix E Figure 28 Citywide Housing Mismatch Among Renters.
[13] See Appendix M for supportive housing inventory.

Supportive Services

Not all people with disabilities or conditions need supportive services to maintain stable housing. The supportive services provided to persons living in supportive housing can vary greatly from program to program depending on an individual's specific needs. All services in supportive housing should be housing-oriented and focused on helping the individual remain in housing, be voluntary, provide the client choice and offer flexible and responsiveness to meet changing needs.

One of the current barriers that Harrisonburg faces is the limited capacity of current non-profit and local government service providers. Stakeholders identified a lack of sufficient services and supports to assist individuals in accessing, transitioning to and sustaining supportive housing. This includes not only a lack of specific services for some populations, but also limited fiscal, staffing and administrative capacity. For Harrisonburg to effectively meet the needs of these populations and expand supportive housing in the community, the capacity of the service providers must be addressed.

Most services are facilities-based services and are available to clients who are enrolled directly with a service provider for a specific disability. Many people with disabilities need services and resources from multiple service systems, which each service system having its own funding sources and requirements. It is important for the service system to coordinate these services and their eligibility requirements to meet the individual needs of each person in supportive housing. Evidenced-based, best practice models should be encouraged. This includes ensuring services are community-based and flexible to meet the needs of individuals. Many federal and state funded programs lack the flexibility to deliver services in this manner. In order to move toward this model, local existing resources should be retooled and additional local flexible funding streams are needed.

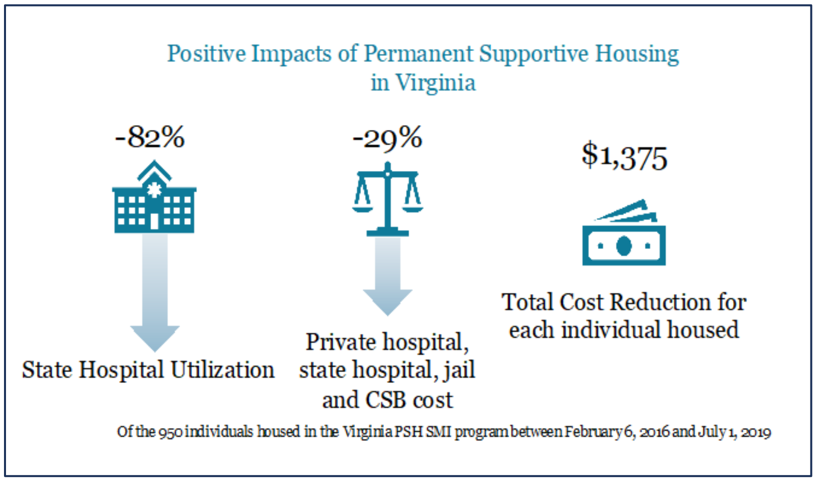
Supportive housing is a resource-heavy solution to housing for special populations. It often requires multiple subsidies for rental assistance and supportive service assistance. Harrisonburg should prioritize current resources, including existing supportive housing and local funding, and develop or obtain new resources to meet the supportive housing needs of its most vulnerable residents.

The CoC is currently a part of the national Built for Zero initiative. Homeless service providers within the CoC meet once a month to engage in case conferencing, bringing all available resources to the table, prioritizing the highest barrier clients, problem-solving, and then implementing the most suitable housing plan.

PERMANENT SUPPORTIVE HOUSING

To permanently exit the homeless system, people experiencing chronic homelessness often need long term affordable housing with intensive supportive services to maintain housing stability. This type of supportive housing model is often called permanent supportive housing (PSH). PSH began to be recognized as an effective housing strategy for people experiencing long-term homelessness with disabling conditions around the 1980s.

Research has shown that PSH lowers the public costs associated with high utilization rates of other systems such as the criminal justice, medical and homeless services. Most importantly, PSH has been shown to increase health outcomes, provide long-term housing stability and increase overall quality of life for residents receiving support.[14]



Source: Department of Housing and Community Development, 2020

To determine the unmet need of permanent supportive housing in the Western Virginia CoC, 2019 Point in Time data of chronically homeless adults was examined. Taking into account current PSH units and a national turnover rate, an estimate of the number of units needed was calculated for the next five years. The Western VA CoC includes the counties of Clarke, Frederick, Page, Rockingham, Shenandoah, and Warren, the towns within those counties, and the cities of Harrisonburg and Winchester. The CoC is a network of nonprofits, service providers, regional planners, and state and federal funders working together to build systems to reduce homelessness. Due to the regional approach to addressing homelessness, PSH projections are presented for the full CoC.


126

Over the next five years, it is projected the Western VA CoC will need to add 126 beds of Permanent Supportive Housing to meet the number of individuals experiencing chronic homelessness.

[14] Evaluation of the Collaborative Initiative to Help End Chronic Homelessness

Sales Market

The Harrisonburg sales market, also referred to as the homeownership market, reflects the impact of the college student population with a citywide homeownership rate of 38%. As is typical in small and medium size college towns, the rental market represents more than half of the city's housing market.

PHYSICAL CHARACTERISTICS

There are 6,398 owner-occupied units throughout Harrisonburg, which is 38% of the occupied housing inventory. The highest numbers of owner-occupied units are found in Market Type A, which are located in the northeast, south of EMU and east of JMU between Port Republic Road and East Market Street.

Within the sales market, 94% of all units are single family units. There are few alternatives to the single family dwelling from which residents can choose when seeking a unit to purchase indicating a need for different housing types such as duplexes, triplexes and other multifamily styles.

Figure 18 Summary of Physical Characteristics of Sales Units

	Market Type A	Market Type B	Market Type C	Market Type D	Citywide	
					Number	Percentage
Number of Owner Occupied Units	2,381	1,707	409	1,883	6,398	100%
Median Year Built	**1976**	**1981**	**1995**	**1981**	**1982**	**-**
Number of Units in Structure						
1 unit, attached	711	292	38	259	1,300	20%
1 unit, detached	1,542	1,390	337	1,463	4,750	74%
2 units	0	19	0	26	45	1%
3 or 4 units	36	6	0	0	42	1%
5 to 9 units	42	0	2	0	44	1%
10 to 19 units	0	0	32	0	32	1%
20 to 49 units	0	0	0	0	0	0%
50 or more units	0	0	0	14	14	0%
Mobile home, Boat, RV or Van	50	0	0	121	171	3%
Number of Bedrooms						
0 bedrooms	0	6	0	13	19	0%
1 bedroom	0	6	0	6	12	0%
2 bedrooms	328	153	68	232	781	12%
3 bedrooms	1,497	990	145	887	3,537	55%
4 bedrooms	446	440	165	527	1,578	25%
5 or more bedrooms	110	112	31	218	471	7%

Source: 2014-2018 ACS
Note: The one Census block group classified as No Data according to the market types is included in the citywide data.

Harrisonburg has a "missing middle" problem. There are very few alternatives to the traditional single family unit for residents seeking to purchase a home; 94% of all owner-occupied units are single family dwelling units.

FINANCIAL CHARACTERISTICS

The median home value throughout Harrisonburg is approximately $200,000 with the highest median home values found in Market Type C and the lowest in Market Type A. With the exception of Market Type C, the median home values in the various market types are within 10% of the city's median home value.

Selected monthly owner costs (SMOC) are the total amount that a household paid for a mortgage or similar debts on the property (including payments for the first mortgage, second mortgages, home equity loans, etc.), real estate taxes, property insurance, and utilities. It also includes, where appropriate, the monthly condominium fee for condominiums and mobile home costs.

The following two tables indicate the calculated maximum purchases prices and maximum monthly housing costs by income tier and year; both tables assume a household of four persons. For reference, the median home sale price (from MLS data) was $195,000 indicating that citywide, potential homebuyers generally would need income at or above 80% AMI.

Figure 19 Maximum Purchases Prices by Year and Income Tier

	Maximum purchase price for 30% AMI Household	Maximum purchase price for 50% AMI Household	Maximum purchase price for 80% AMI Household	Maximum purchase price for 100% AMI Household
2018 (2018 AMI: $62,500)	$ 71,548	$ 119,247	$ 190,795	$ 238,494
2019 (2019 AMI: $70,700)	$ 81,464	$ 135,774	$ 217,238	$ 271,547
2020 (2020 AMI: $71,900)	$ 82,915	$ 138,192	$ 221,107	$ 276,384

Source: Calculations by Mullin & Lonergan Associates, Inc.

Figure 20 Maximum Monthly Housing Costs by Year and Income Tier

	Maximum Monthly Housing Costs 30% AMI Household	Maximum Monthly Housing Costs 50% AMI Household	Maximum Monthly Housing Costs 80% AMI Household	Maximum Monthly Housing Costs 100% AMI Household
2018 (2018 AMI: $62,500)	$469	$781	$1,250	$1,563
2019 (2019 AMI: $70,700)	$530	$884	$1,414	$1,768
2020 (2020 AMI: $71,900)	$539	$899	$1,438	$1,798

Source: HUD; Calculations by Mullin & Lonergan Associates, Inc.

HRHA administers a homebuyer assistance program that serves households with incomes up to 80% AMI. This is an important program because it provides funding for households to access homeownership and to be financially more competitive in a tight market in which it is common for higher income households to purchase units that are affordable well below their income tier.

Homeowners without a mortgage, on the other hand, can afford the median unit in all market types even if income is only 30% AMI. Households that are low- and moderate-income but without mortgages are likely elderly households that purchased the home many years ago and have paid off the mortgage before retiring and are now living on a reduced income. Because SMOC does not include costs of home repairs, a low affordability range could indicate the need for a rehabilitation program to allow homeowners to make home modifications to age in place. A rehab program could also assist in maintaining the quality of housing as the population ages and becomes less able to make needed repairs but homeowners choose to remain in their homes.

Figure 21 Summary of Financial Characteristics of Sales Units

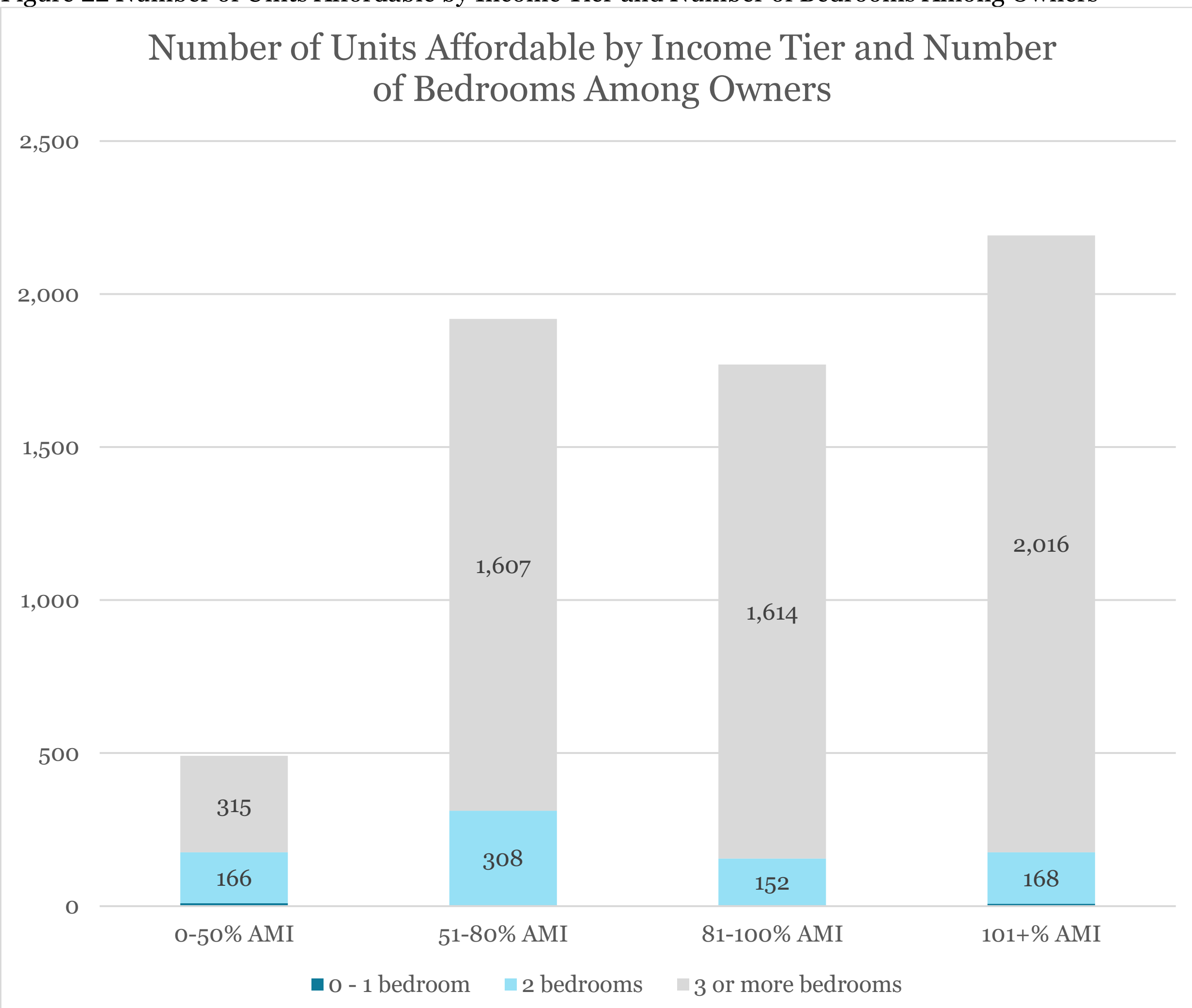
	Market Type A	Market Type B	Market Type C	Market Type D	Citywide
Median Home Value	**$183,900**	**$218,100**	**$280,500**	**$208,950**	**$200,050**
Median Selected Monthly Owner Costs	**$779**	**$933**	**$1,775**	**$884**	**$928**
Median SMOC with a mortgage	$1,135	$1,162	$1,627	$1,380	$1,256
Median SMOC without a mortgage	$363	$358	$393	$446	$426

Source: 2014-2018 ACS

AFFORDABILITY AND COST BURDEN

According to CHAS data, 87% of the owner housing stock has three or more bedrooms while the remaining 12% have two bedrooms. While CHAS does identify a few owner units that are studio or one bedrooms, there are so few that together they do not comprise 1% of the sales market indicating that there is a potential need for this housing type. See Appendix D for additional details.

Figure 22 Number of Units Affordable by Income Tier and Number of Bedrooms Among Owners

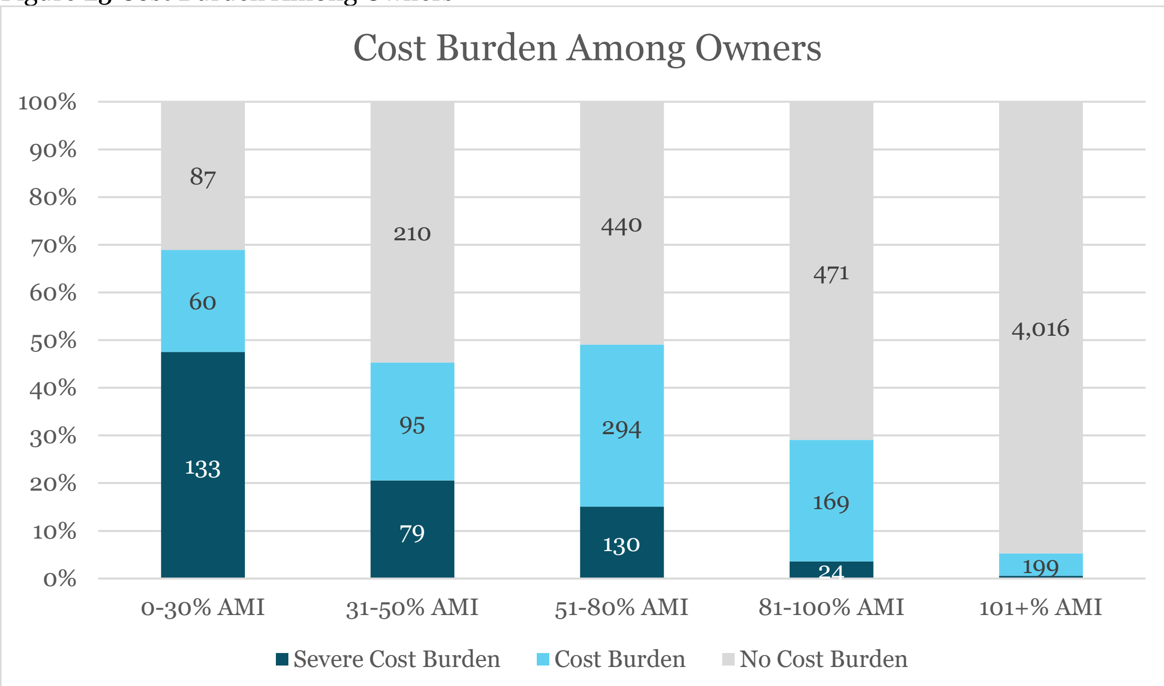


Source: 2013-2017 CHAS

87% of all owner units have three or more bedrooms while 12% have two bedrooms.

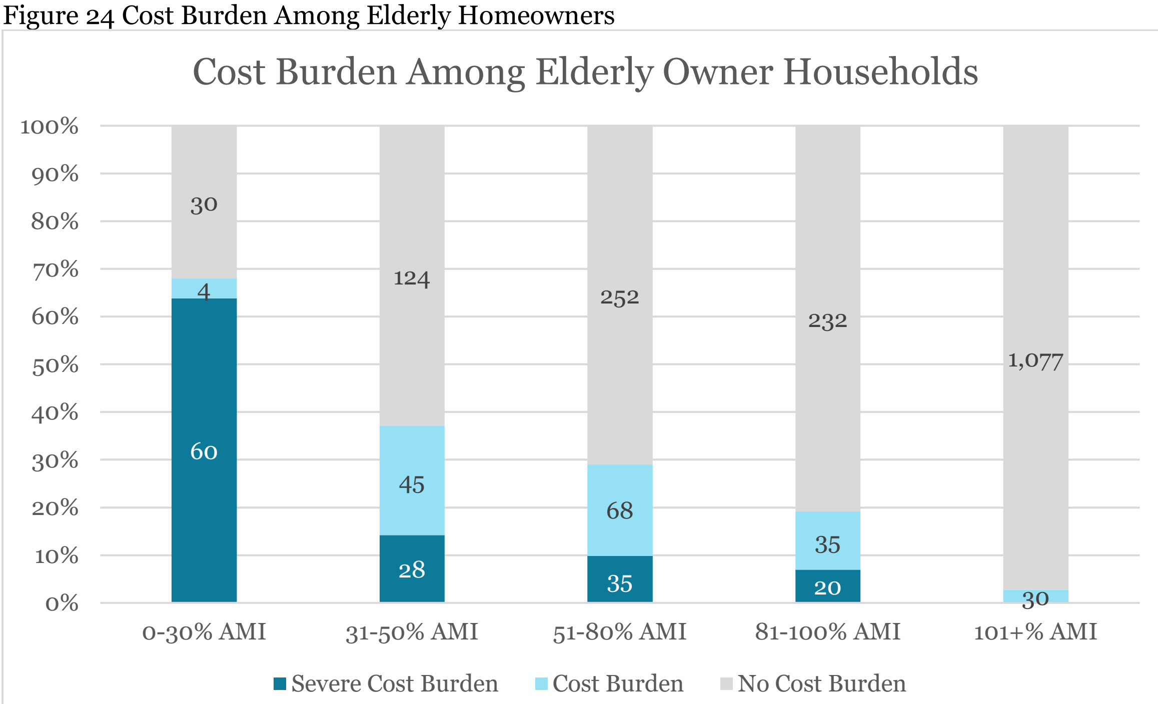
As in the rental market, cost burden is more common among lower income households and the rate of cost burden decreases as household income rises.

Figure 23 Cost Burden Among Owners



Source: 2013-2017 CHAS

Figure 24 Cost Burden Among Elderly Homeowners

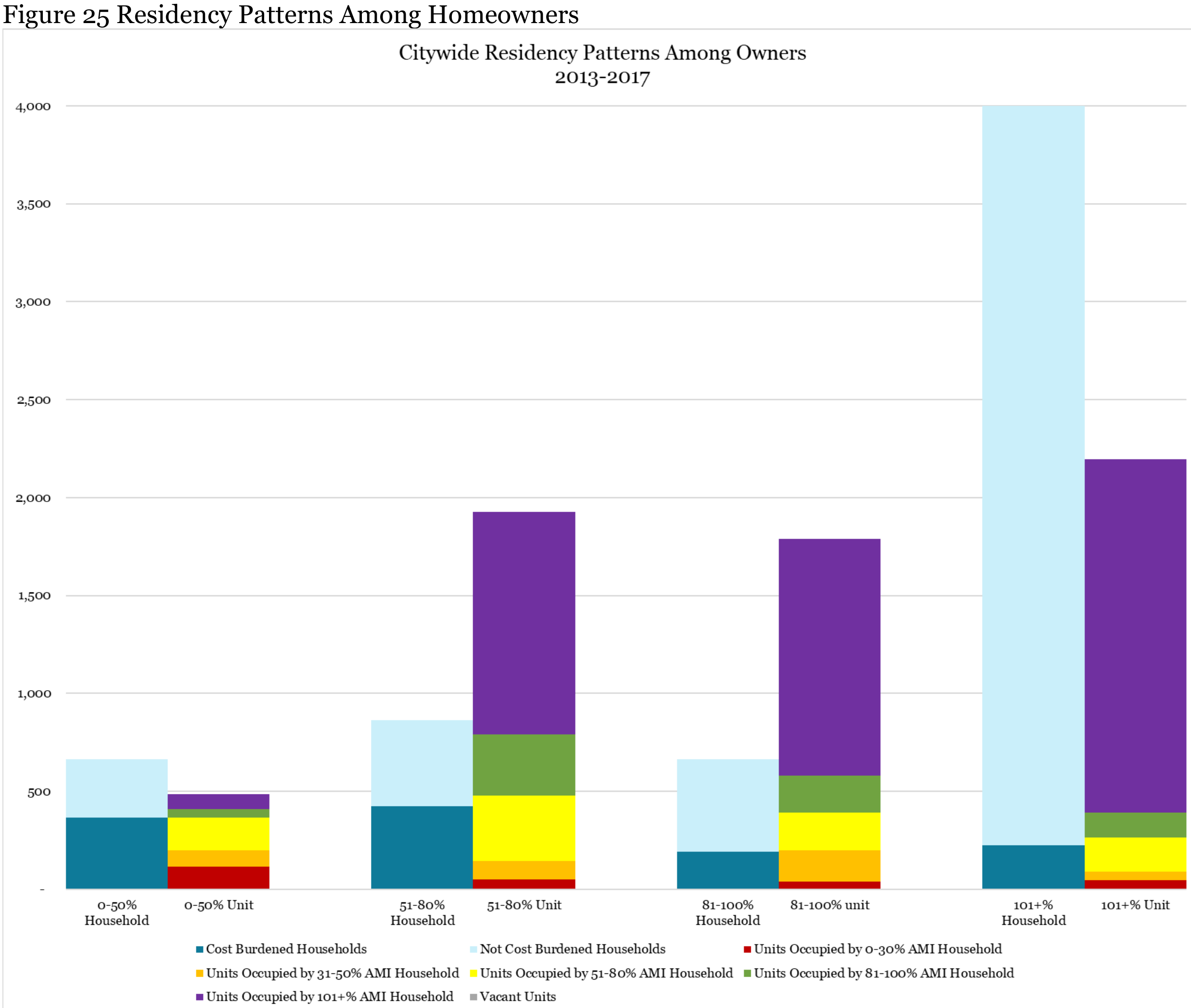


Source: 2013-2017 CHAS

RESIDENCY PATTERNS AMONG OWNERS

The following chart illustrates the housing mismatch between households and occupied units by income tiers. For example, there are slightly more 0-50% AMI households than there are units affordable to this income tier. However, less than 100 households at 0-50% AMI are residing in the approximate 600 units affordable to this income tier. The remaining 500 units are occupied by households at higher income tiers. A similar situation exists at the opposite end of the spectrum but to a more exaggerated degree. Of the 4,000 households at 101+% AMI, only about 1,800 are living in the units affordable to this income tier. The remaining 2,200 households (shown in purple) are split primarily between the 51-80% units and the 81—100% units. [15] See Appendix E or the section entitled "Residency Patterns Among Renters" on how to read the graph. See Appendix E for additional details and for graphs breaking out the housing mismatch by households with and without a mortgage.

Figure 25 Residency Patterns Among Homeowners



Source: 2013-2017 CHAS

[15] CHAS data does not include data on when homeowners purchased the home, indicating that some households may have purchased their home many years ago and the unit has since appreciated, which could contribute to the mismatch in household income and housing unit affordability. It also does not include data on how household income has changed since purchasing the home, which could also impact the mismatch.

Key Findings of Residency Patterns Among Homeowners

There are several key findings of the housing mismatch among homeowners independent of mortgage status:

- The majority of homeowner households have incomes that are above 100% AMI.
- There are nearly twice as many owner households with incomes above 100% AMI than there are units affordable to households with incomes above 100% AMI.
- Of all owner-occupied units, 8% are affordable to 0-50% AMI households; the remaining 92% of the housing stock is fairly evenly distributed in the 51-80%, 81-100% and 101+% income tiers.
- Potentially by choice but also potentially due to lack of inventory, higher income households occupy units that are affordable to households with lower incomes. There is no way to predict the reasons that a particular household would buy a home that is affordable below their "expected" income tier but the reasons could include not wanting to have high housing costs, having other debt obligations such as car loans and student loans, obligations in caring for an aging parent or adult child, lack of availability of units in the homebuyer's tier, etc.
- Higher income owners tend to have lower rates of cost burden.
- Cost burden among homeowners can be due in part to lending practices that allow borrowers to finance up to having a 42% debt-to-income ratio. Homeowners may choose to purchase a home that would leave them cost burdened because of the perception of a home being a lasting investment that will presumably appreciate over time, for example.

There is an inadequate inventory of sales units affordable to households with incomes between 0-50% AMI and households with incomes above 100% AMI.

There is significant housing mismatch in that many higher income households reside in more affordable units and even lower income households reside in more costly units. The mismatch is lower among households without a mortgage.

As in the rental market, the housing mismatch should not be interpreted as a production number since producing an equivalent number of units would result in an over-supply.[16] However, the mismatch is useful in understanding the extent to which there are enough units that are affordable across the income spectrum given the number of households in the various income tiers. Additionally, the analysis provides a glimpse into which income tiers are more in need of affordable housing because there is either a lack of units and/or the units are occupied by households from other income tiers.

Figure 26 Homeownership Mismatch Summary Table

Affordability Tier	2017 Mismatch (aggregated)	Mismatch Range (for those with/without a mortgage)	2025 Mismatch (aggregated)
0-50% AMI	466	203/228	490
51-80% AMI	529	318/217	597
81-100% AMI	474	301/181	489
101+% AMI	2,435	1,798/628	2,557

Source: CHAS 2013-2017, HISTA by Ribbon Demographics, LLC; Calculations by Mullin & Lonergan Associates, Inc.

[16] The total number of mismatched households is 4,133. Building an equivalent number of units would bring the total number of owner units citywide to 10,531, which is a 65% increase in the number of units. Without a correspondingly large increase in the number of owner households, production of this many units would result in an over-supply even if some renters did become homeowners.

RECENT HOUSING SALES

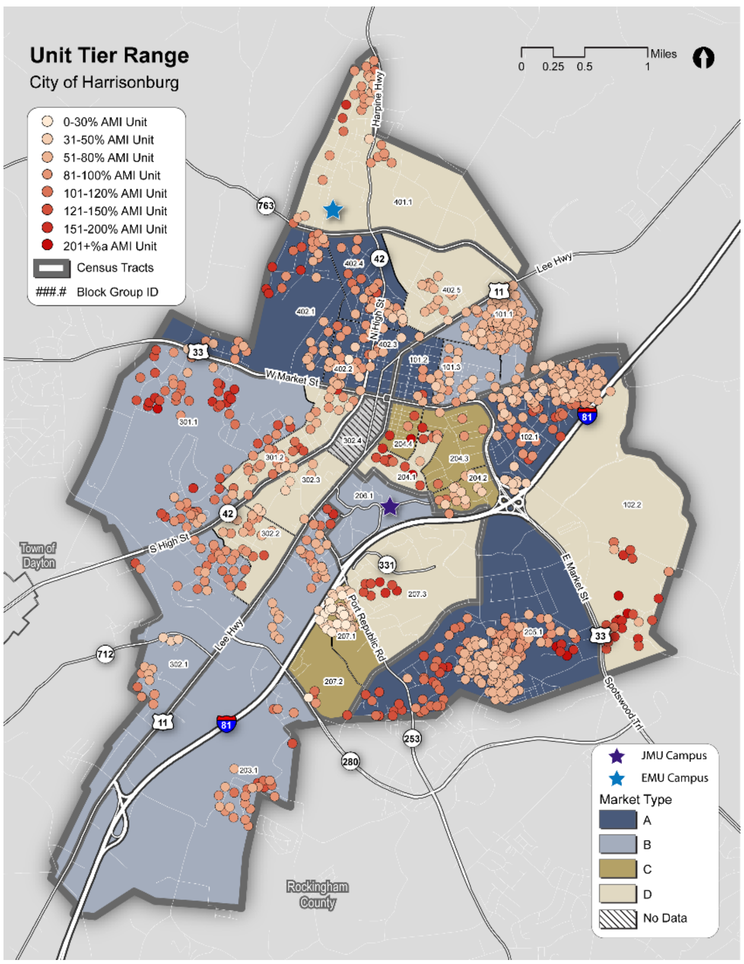
There were several data sources used to analyze recent housing sales: Multiple Listing Service (MLS), Home Mortgage Disclosure Act (HMDA) and City of Harrisonburg's Real Estate Division data.

Multiple Listing Service Analysis

Recent housing sales were analyzed using data obtained from the Multiple Listing Service maintained by the Harrisonburg-Rockingham Association of Realtors for the period of January 1, 2018 through July 13, 2020. MLS data captures home sales for which a seller listed their home with a real estate agent; it will not capture For Sale By Owner transactions or transactions to sell a unit to a family member, however. See Appendix G for additional methodology.

Unit Affordability

Map 13 Unit Tier Ranges of Recently Sold Units



Source: MLS, January 1, 2018 to July 13, 2020

Because the area median income changes annually, the maximum purchase price varies from year to year. The annual household income needed to purchase a median unit in 2020 was $52,628.

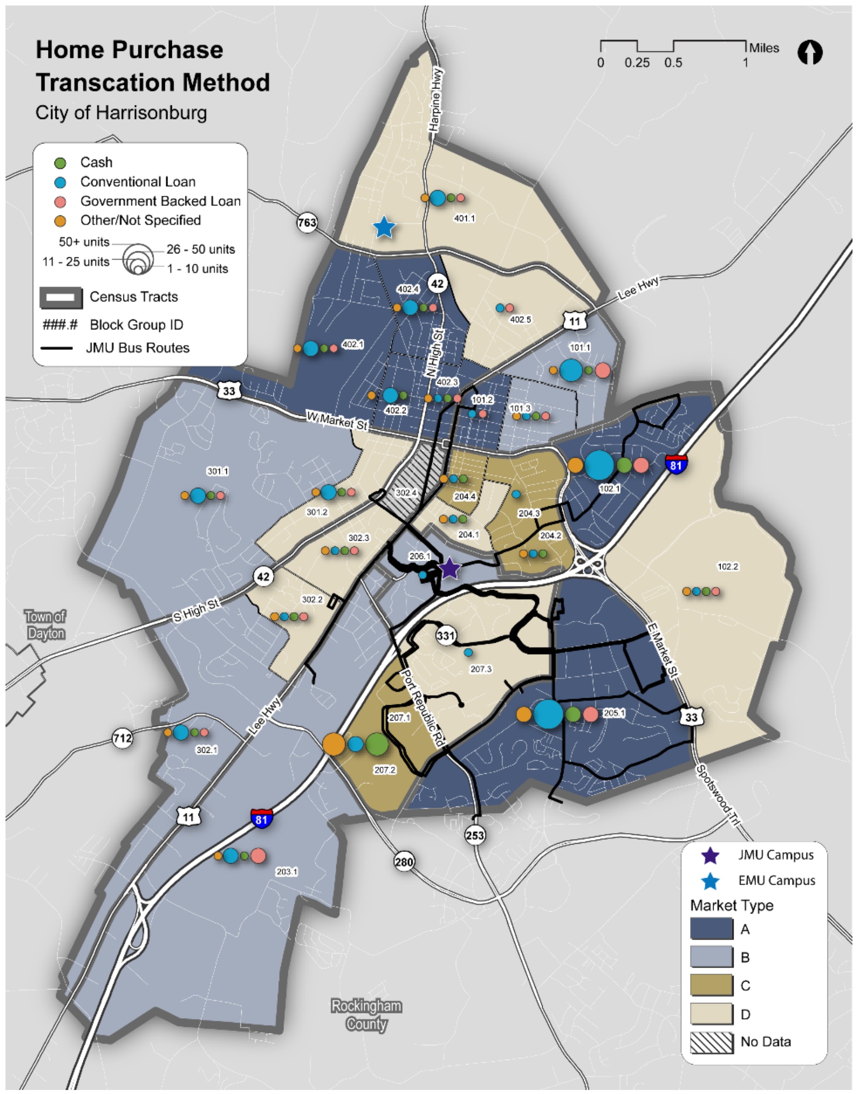
Among the 933 units sold during the period analyzed, 512 (56%) are classified as being affordable to households with incomes up to 80% AMI. These units are located throughout Harrisonburg with higher concentrations in the northeast and in the areas southeast of JMU. Most of these units are affordable to households in the 51-80% AMI tier as only 11% of all units sold are affordable to households with income below 50% AMI. Being able to afford homeownership can be challenging for 0-50% AMI households because of difficulty in securing financing, and the ability to make needed repairs and perform routine maintenance. Because of these challenges, it is common to focus on affordability for homeowners above 50% AMI.

$ *Among the 933 units sold during the period analyzed, 512 (56%) are classified as being affordable to households with incomes up to 80% AMI.*

Home Sales by Transaction Method

MLS data also provides information about the financing mechanism used to purchase a home that was listed with an agent. Some buyers will qualify for a conventional mortgage while others will use a government-backed loan such as FHA, VA or USDA loans. A smaller subset of buyers will have enough cash on hand to purchase the unit outright. Because the financing method is not publicly available data, the purchase method is aggregated at the block group level and symbolized at the center of the block group on the adjacent map to protect the privacy of buyers.

Map 14 Home Purchase Transaction Method



Source: MLS, January 1, 2018 to July 13, 2020

Cash sales frequently correspond to investment properties. There are more cash sales in block group 207.2 located in Market Type C, the market type with the lowest median sale price. There are also slightly more cash sales in Market Type A block groups, particularly in the northeast.

Of the 77 units sold for cash that were not located in developments commonly occupied by students living off campus, 51 sold for under $150,000. This threshold was selected because it is an affordability range attainable by households in the 51-80% AMI tier with some slack to allow for needed home improvements as lower cost units tend to need updates or upgrades as compared to their higher priced counterparts. Many cash sales for homes sold under $150,000 that are not typical student housing were located either within a quarter-mile of the JMU bus route or just outside of the buffer indicating that there is a chance of neighborhoods increasingly being comprised of students, particularly if the JMU campus expands to accommodate new institutional buildings and the JMU bus line is altered.

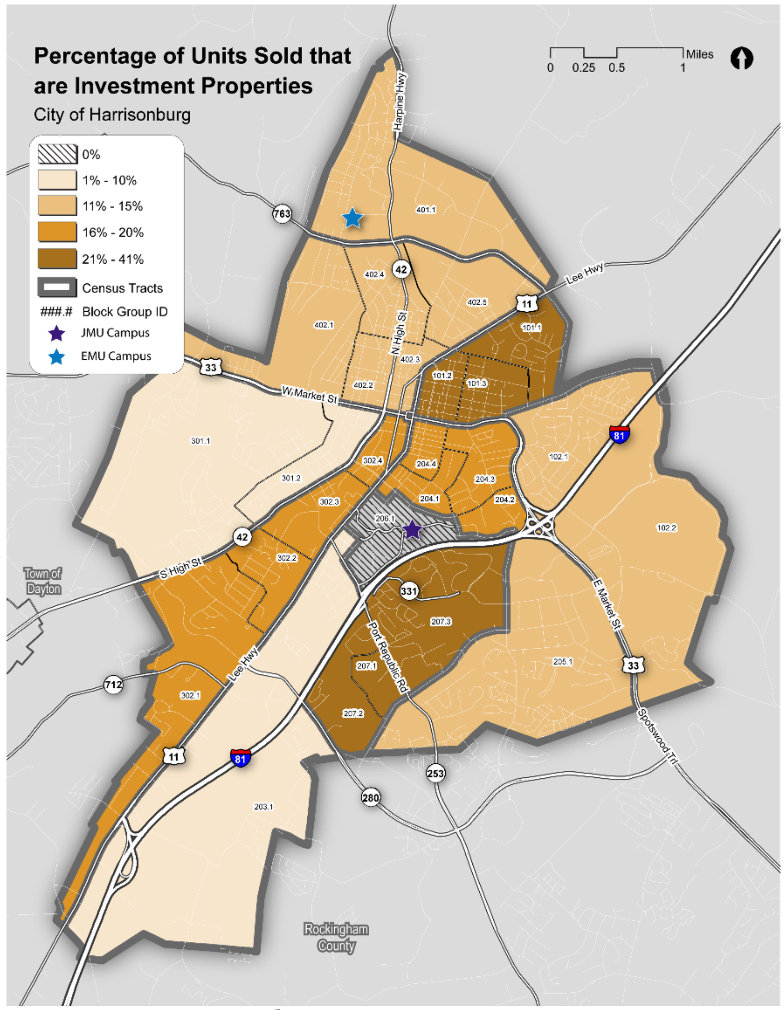
Of all units sold, excluding units that are typically investment properties for students living off campus, 77 units were sold for cash representing 9% of all non-student housing units sold.

Investment Purchases Identified by the Home Mortgage Disclosure Act

The Home Mortgage Disclosure Act (HMDA) data is transaction level data that includes information about the intended purpose of the unit – primary residence, second home or investment property. Because HMDA data includes private information such as race and ethnicity, income, and reasons for denial, the data does not include a street address and instead only provides the Census tract in which the property is located.

There are several Census tracts in Harrisonburg that have large percentages of investment properties. Census tract 101, located in the northeast, is also an area with high market activity (Market Types A and B) while tract 207, located near JMU, is comprised of block groups in Market Types C and D. Market Types A and C are both desirable in that they have higher levels of access to amenities as compared to other block groups. These are areas that would be ideally suited for households that either do not have access to a private vehicle or that are choosing to live in an area that is closer to various amenities. While Harrisonburg overall is amenity-rich, there are some areas that have walkable access to public transit, multiple parks and grocery stores. When units convert to investment properties in these areas, potential homebuyers could have a more difficult time finding units in these block groups.

Map 15 Percentage of Units Sold that are Investment Properties

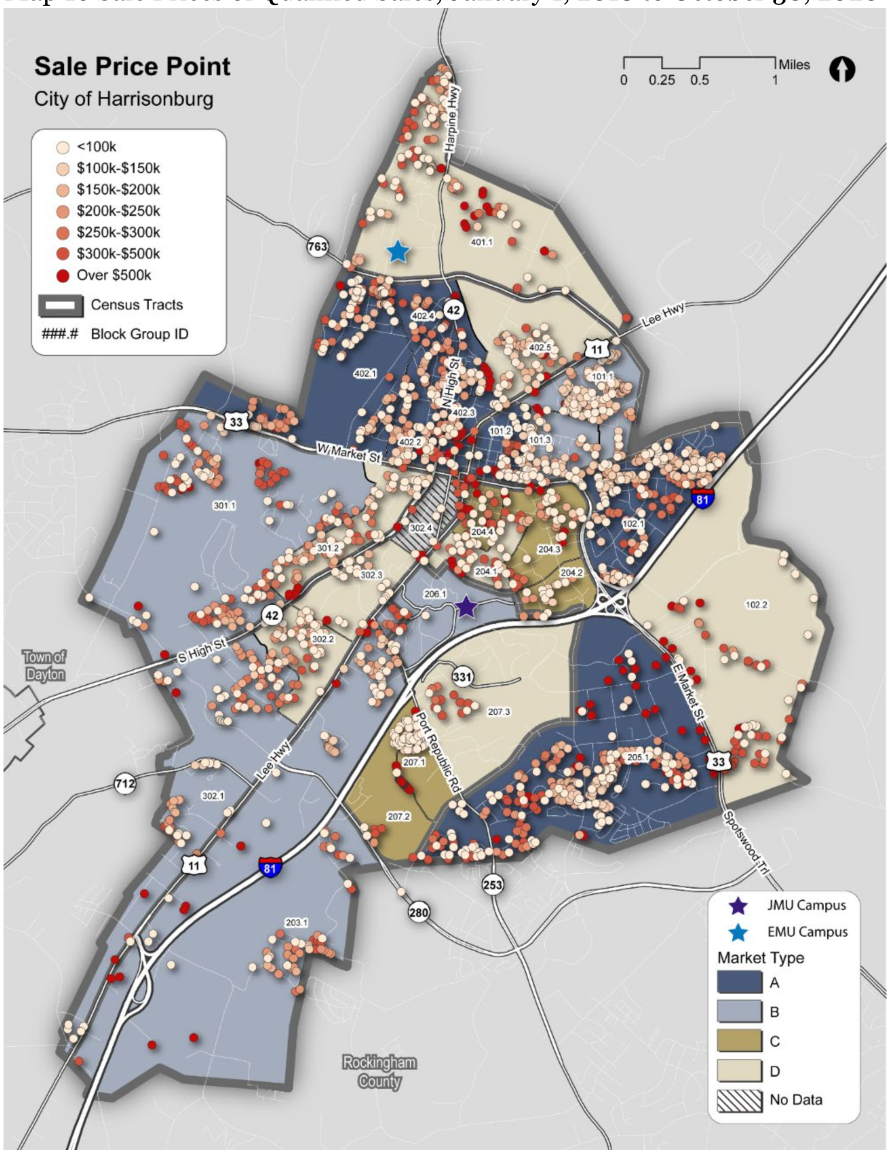


Source: HMDA, 2018 and 2019

City of Harrisonburg Real Estate Division Data

Properties listed as “qualified” in the Real Estate Division are those that are included in the city’s real estate assessment analysis, which is required by the Commonwealth. This *excludes* properties in which, for example, there is a familial relationship between the buyer and seller, which frequently results in sale prices that are significantly below market value. See Appendix H for the methodology.

Map 16 Sale Prices of Qualified Sales, January 1, 2018 to October 30, 2020



Source: City of Harrisonburg Real Estate Division

Unit Affordability

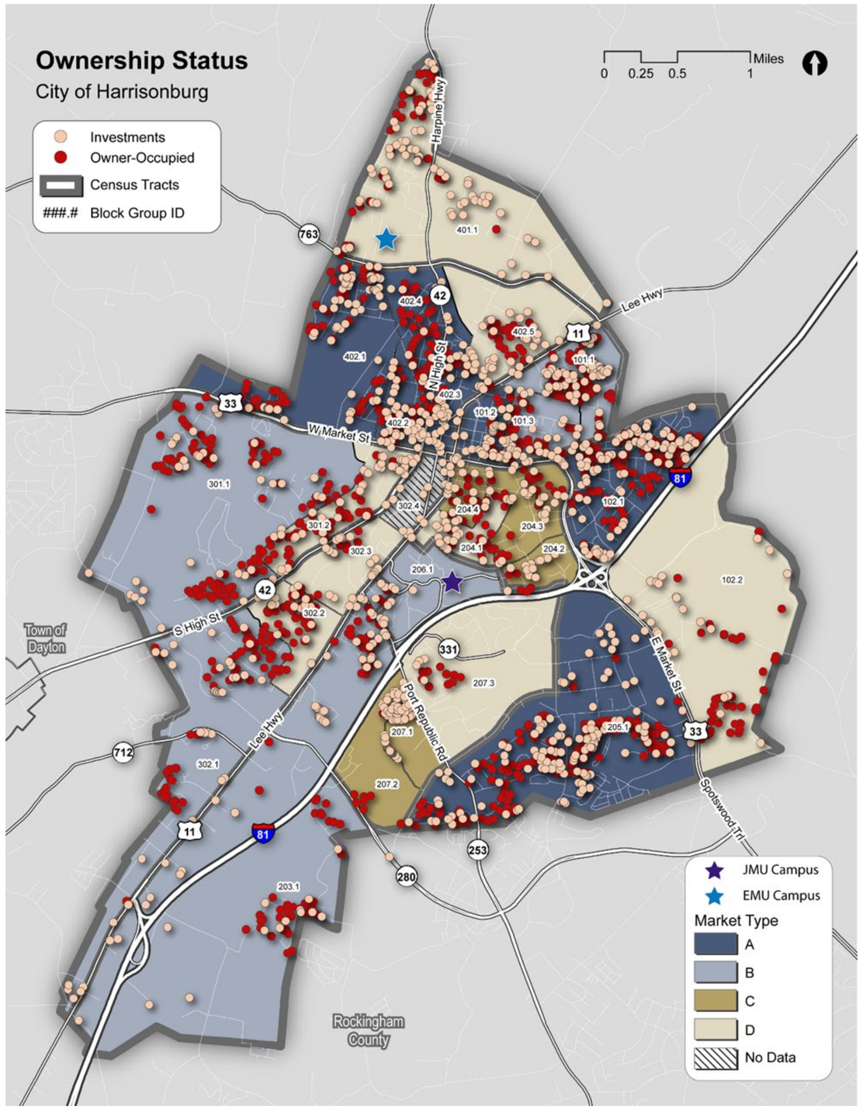
Among the qualified residential sales from January 1, 2018 to October 30, 2020, the median sale price was $190,000, which is comparable to the median sale priced among those properties that appeared in the MLS data ($195,000).

Among all 968 owner-occupied, qualified sales, 148 (16%) sold for under $150,000 with an additional 275 units (28%) selling for between $150,000 and $200,000. As discussed previously, a $200,000 sale price is approximately the highest price point that is affordable for a household with income at 80% AMI. This is also the threshold purchase price for the homebuyer assistance program offered through HRHA.

Despite the existence of units that sell at price points affordable for low- and moderate-income home buyers, this does not guarantee that the units will be purchased by these households as described in the residency pattern among homeowners section; higher income households often reside in units that are affordable to lower-income households as a result of a lack of inventory within their price range in the city.

Locations of Owner-Occupied and Investment Properties

Map 17 Owner-Occupied and Investment Property Locations



Source: City of Harrisonburg Real Estate Division

The MLS identified that cash sales, which are often investment purchases, are frequently located along the JMU bus route. Real Estate Division data confirms this pattern among all transactions, including those for which there was no real estate agent assisting in the sale.

While buying a unit for owner-occupancy in college student housing may not be perceived by some as a first choice for potential homebuyers, there were 21 units sold in these off-campus student housing developments that are owner-occupied. There is no way to determine from the data if the units were purchased by students' parents for their child to live in while attending college or if local, non-college student residents are opting to purchase units in these developments as an entry point into homeownership given that the sales prices are among the lowest in the city. All 114 units that sold in these developments sold for under $200,000. Nearly half (47%) sold for under $100,000 with an additional 27% of units selling for between $100,000 and $150,000.

Current City Initiatives and Resources

Identifying resources available to the City and programs currently underway are necessary steps in understanding how Harrisonburg can look inward for the means to expand its affordable housing inventory. This section highlights those resources and how the City should consider implementing the study's recommendations.

DEVELOPABLE LAND PARCELS

The following inventory identifies properties that are appropriate for future affordable housing development. This inventory consists of ten sites chosen from a master list of 96 properties. City staff developed the original master list, considering any potential site that may include affordable housing. City staff narrowed the list to ten based on lot size, zoning, ownership, political support, access, land-use policies, and proximity to desired destinations.

Site selection criteria involved the following:

- **Lot Size** – Large sites may be appropriate for substantial multi-family apartment or condominium housing development. These sites will have the most significant impact on the overall provision of affordable housing units for the city, but small acreage sites may also help address housing needs. Less acreage may be useful for smaller, infill single-family or duplex development and may provide opportunities for small affordable housing organizations to develop units.

- **Zoning** – Ideal affordable housing sites will have the necessary zoning already in place. In most cases, affordable housing projects should maximize allowable density to provide the City's greatest number of affordable housing units. While the city government controls the rezoning process and may rezone the property to pursue its affordable housing goals, any rezoning may cause public controversy.

- **Ownership** – With a high-demand real estate market, developable land in Harrisonburg may come at a high cost. Because it may be unlikely for the City to purchase land to develop affordable housing, site selection focused on leveraging City- or HRHA-owned properties.

- **NIMBYism and Political Support** – The creation of affordable housing is prone to public concern and cries of "Not in My Back Yard." Residents often resist change and may voice concerns over perceived threats to property values or crime. While data do not support these concerns, practical strategies to combat NIMBYism may include education and affordable housing development on structures that fit the scale and look of surrounding land uses.

- **Access** – Transportation is a critical consideration for affordable housing. A holistic view of affordability includes the cost of housing (rent or mortgage) and transportation costs. With lower-income households or people with mobility limitations, access to alternative modes of travel is essential. Consequently, this inventory analysis favored sites served by sidewalks, bike facilities, and the public transit network.

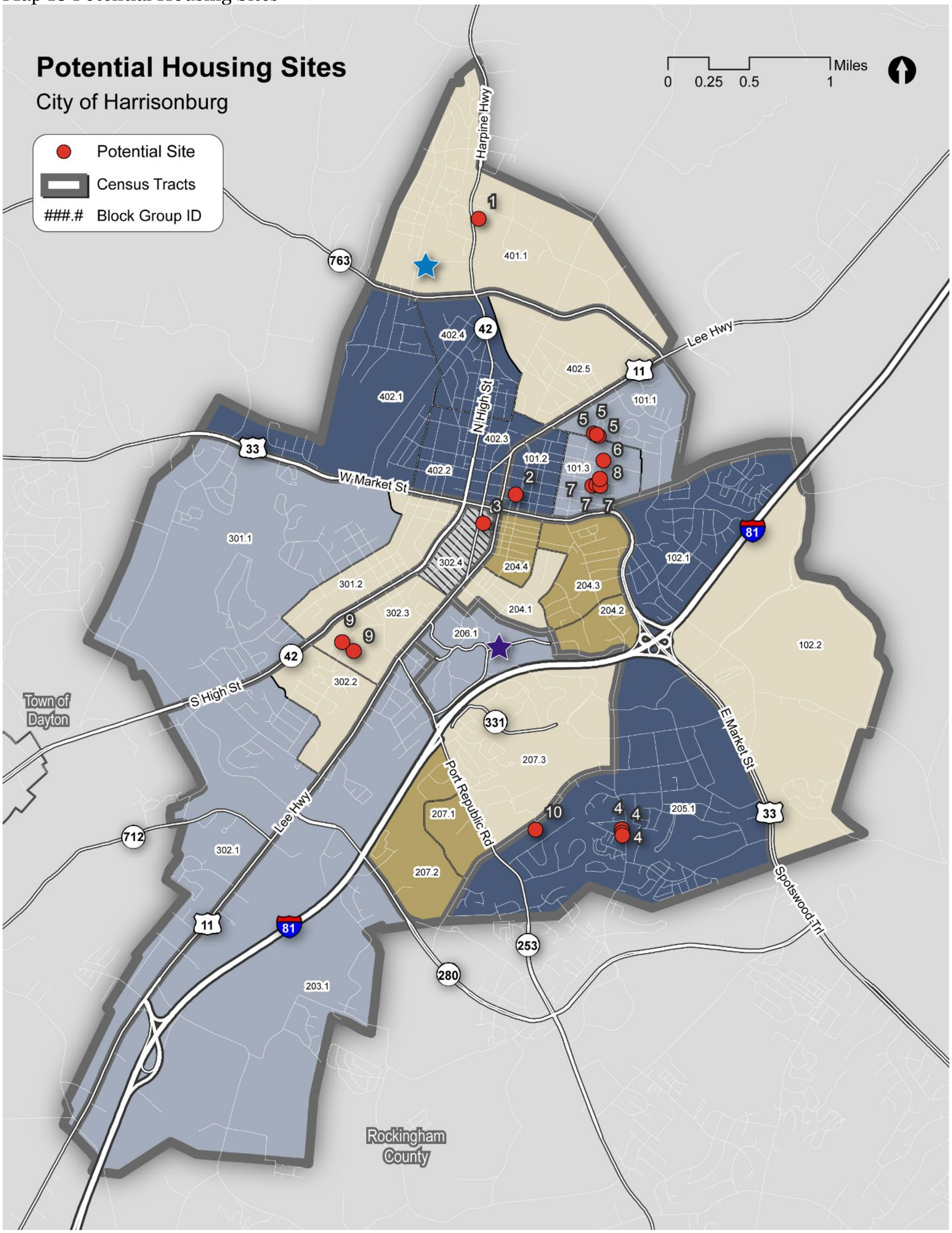
- **Future Land Use** – Future residential development should be consistent with the city's land-use policies. This analysis considered the city's comprehensive plan, which includes the future land use map. For the following site, the assessment of development potential included consideration for density and housing goals.

- **Proximity** – Similar to the access criteria, the analysis accounted for the proximity to major destinations. A quarter-mile is walkable, though those with disabilities may require closer proximity to important destinations, like schools, access to food, or employment centers. This criterion also presents challenges as sites closer to desirable areas generally experience greater market demand and development pressure. Market pressure is less of a challenge for publicly owned sites, as the City already owns the property.

POTENTIAL HOUSING SITES

Refer to the site ID to match property details with the map of potential development sites on the following page. Size refers to acreage of the site. Access to transportation includes those facilities that are adjacent to the site.

Map 18 Potential Housing Sites



Source: City of Harrisonburg

1450 Virginia Avenue							
ID	**Size**	**Zoning**	**Future Use**	**Future Density**	**Sidewalk**	**Utilities**	**Transit**
1	6.5 ac.	R-3	Commercial	N/A		●	●
Description							
The site is undeveloped, partially wooded pastureland. Surrounding uses include commercial/industrial (auto repair, etc.), a retirement community and a church.							
Recommendation							
With the existing R3 zoning and acreage, the city would need to process a special use permit to allow multi-family development with twelve units per building. There should be additional property research to identify easements and other site restrictions.							

150 East Elizabeth Street (Elizabeth Street Parking Deck)							
ID	**Size**	**Zoning**	**Future Use**	**Future Density**	**Sidewalk**	**Utilities**	**Transit**
2	1.42 ac.	B-1	Mixed Use	No Maximum	●	●	●
Description							
The lot is fully developed with a 2-story city-owned public parking garage. The surrounding land uses include downtown commercial uses, government buildings, mixed-use, and a mix of single- and multi-family housing.							
Recommendation							
Located two blocks from Court Square, this site provides parking to a courthouse and other nearby uses. Still, the city could foster a dense, urban development that mixes residential and commercial uses. A full program of affordable housing is not likely at this site due to the high cost of urban mixed-use construction. However, developers could mix affordable units into a broader market-rate residential and commercial space supported by city incentives.							

150 South Liberty Street/89 West Elizabeth/70 West Bruce Street (Water Street Parking Deck)							
ID	**Size**	**Zoning**	**Future Use**	**Future Density**	**Sidewalk**	**Utilities**	**Transit**
3	1.9 ac.	B-1	Mixed Use	No Maximum	●	●	●
Description							
The lot is fully developed with a 2-story city-owned public parking garage. The surrounding land uses include downtown commercial uses, restaurants, retail uses, office buildings, a church and the county jail building.							
Recommendation							
This site's central location and planned higher density make it an ideal location for major mixed-use development. Such development may include a wide variety of uses, including retail, office and residential uses, while providing critical parking for downtown. The site's urban nature, flood zone issues and existing structured parking will make site development expensive. The best path to affordable housing on this site may be to include a limited number of affordable units mixed with market-rate residential and commercial units and made possible through public incentives.							

2230, 2240, 2250 Reservoir Street							
ID	**Size**	**Zoning**	**Future Use**	**Future Density**	**Sidewalk**	**Utilities**	**Transit**
4	0.9 ac.	R-3	Mixed Use	24 units/acre	●	●	●
Description							
The site is undeveloped, generally flat and located in an area of existing single family, multi-family and town home residential development, some of which seems to serve university students.							
Recommendation							
A higher-intensity development would likely require a rezoning. A zoning map or text amendment could allow for more consistency with the future land use designation for higher density and potential mixed-use. New zoning may make the site ideal for multi-family affordable housing development in 1-3 small buildings, located near Reservoir Street with parking for the development used as a buffer between the new development and the immediately adjacent smaller residential structures on Ridgeville Lane and Foley Road.							

296, 298 East Washington Street

ID	Size	Zoning	Future Use	Future Density	Sidewalk	Utilities	Transit
5	0.9 ac.	B-2 & B-C	Mixed Use	24 units/acre		●	●

Description

One parcel is undeveloped, while the other has an auto-repair business in a single-story building with a surface parking lot. The undeveloped lot is flat with a grass surface. Surrounding uses include commercial, industrial, multi-family residential and a public school.

Recommendation

While a small site, the location near parks, schools, and commerce suggests the potential to maximize affordable housing density on these two parcels. The development of 1-3 small but dense multi-family buildings on this site could provide 20+ affordable housing units in a prime location. The city should consider a zoning map or text amendment that would allow for greater housing density for the site.

402 - 412 Kelley Street

ID	Size	Zoning	Future Use	Future Density	Sidewalk	Utilities	Transit
6	1.4 ac.	R-2	Neighborhood Residential	Dependent on surrounding area		●	●

Description

The parcel already has affordable multi-family housing. The undeveloped half of the property is grassy with perimeter trees and has a gentle slope. Surrounding uses include multi- and single-family housing, a school, a park and a church.

Recommendation

The site is an ideal location for additional affordable housing. The site has walkable access to schools and parks. Additional affordable duplexes may be the best path to developing this property but the city may consider a modest rezoning to allow four-plexes.

631, 651 East Gay Street and 364 Hill Street

ID	Size	Zoning	Future Use	Future Density	Sidewalk	Utilities	Transit
7	1.3 ac.	R-2	Neighborhood Residential	Dependent on surrounding area	●	●	●

Description

The site consists of three adjacent parcels. One is developed with a 2-story apartment building, while the other two are vacant. The site is moderately sloped. Surrounding uses include multi- and single-family residential uses.

Recommendation

The site is an ideal location for additional affordable housing. New affordable duplexes may be the best path to developing this property but the city may consider a modest rezoning to allow four-plexes.

650 East Gay Street

ID	Size	Zoning	Future Use	Future Density	Sidewalk	Utilities	Transit
8	0.4 ac.	R-2	Neighborhood Residential	Dependent on surrounding area	●	●	●

Description

The site is undeveloped and is sloped upward towards the northern end. Surrounding uses include parking and affordable multi-family housing.

Recommendation

This small infill site is near other small multi-family affordable developments. While existing zoning would allow for only single-family detached or duplex units, rezoning to allow small multi-family buildings would allow a higher density of new affordable units and better match surrounding uses.

<table>
<tr><th colspan="8">Central Avenue (parcel 19-E-9)</th></tr>
<tr><th>ID</th><th>Size</th><th>Zoning</th><th>Future Use</th><th>Future Density</th><th>Sidewalk</th><th>Utilities</th><th>Transit</th></tr>
<tr><td>9</td><td>7.7 ac.</td><td>R-2</td><td>Governmental/Quasi-Governmental</td><td>N/A</td><td>●</td><td></td><td>●</td></tr>
<tr><th colspan="8">Description</th></tr>
<tr><td colspan="8">The site is vacant and mostly grassy with woods to the rear. Surrounding uses include Keister Elementary and other medium- to high-density residential.</td></tr>
<tr><th colspan="8">Recommendation</th></tr>
<tr><td colspan="8">Although bisected by Central Avenue, this city-owned site is the largest of the proposed sites. It may present the city's most significant opportunity to develop a mix of multi-family and other affordable housing units. Nearby townhouses and multi-family residential could help support rezoning to densities above the single-family detached and duplex residential uses allowed by the existing R-2 zoning. However, an extension of water and sewer utilities will be needed. Proximity to Keister Elementary could provide walkability to low-income families.</td></tr>
<tr><th colspan="8">Neff Avenue (portion of parcel 87-G-2)</th></tr>
<tr><th>ID</th><th>Size</th><th>Zoning</th><th>Future Use</th><th>Future Density</th><th>Sidewalk</th><th>Utilities</th><th>Transit</th></tr>
<tr><td>10</td><td>7.6 ac.</td><td>R-1</td><td>Governmental/Quasi-Governmental</td><td>N/A</td><td>●</td><td>●</td><td>●</td></tr>
<tr><th colspan="8">Description</th></tr>
<tr><td colspan="8">The site is undeveloped and adjacent to JMU athletic facilities, single-family detached residential uses and a city park.</td></tr>
<tr><th colspan="8">Recommendation</th></tr>
<tr><td colspan="8">This large site is city-owned and could provide significant affordable housing beyond the existing zoned R-1 density, limiting projects to single-family only. Successful development could place significant density along the Neff Avenue edge of the property while using parking and open space as a buffer between new development and adjacent neighborhoods.</td></tr>
</table>

FUTURE SITE SELECTION

The city may consider additional sites for affordable housing in the future. To determine location, the city should identify the following factors:

- **Sites under Private Ownership:** Site selection should include privately owned properties where owners may be interested in partnering with a developer to create affordable housing.
- **Proximity to Amenities:** Affordable housing residents should have access to city amenities, such as parks, libraries, schools, and other services either directly or via public transit service.
- **Economic Characteristics:** The city should strive to distribute affordable housing throughout all neighborhoods.
- **Transportation:** Residents in affordable housing may rely on public transit more than other residents if they do not have access to a vehicle. Others may depend on adequate sidewalks and other bike or pedestrian amenities. Consequently, alternative forms of transportation should be an important consideration.
- **Economic Opportunity:** Sites should include easy access to employment centers and other economic opportunities either directly or via public transit service.

PROGRAMS AND OPPORTUNITIES FOR FUNDING GAPS

A variety of funding programs and opportunities are available to assist Harrisonburg in expanding affordable housing efforts and availability, and to fund gaps in affordable housing financing between what is necessary to accomplish desired projects and the funds available through market sources and local programs. Opportunities include both grant and loan funds from Virginia sources and national sources administered by state agencies. Virginia's two major housing-related agencies are Virginia Housing (formerly the Virginia Housing Development Authority) and the Virginia Department of Housing and Community Development.

Virginia Housing Programs

Virginia Housing was created by the Virginia General Assembly in 1972 to facilitate creation of, and access to, quality affordable housing. In addition to providing homebuyer education and mortgages for first-time homebuyers, Virginia Housing funds several grant opportunities for local governments, community service organizations, developers, and others.

Organizational Capacity Building Grants

Organizational Capacity Building Grants provide funding for local governments or non-profits organizations to advance organizational goals that address the housing needs of low- and moderate-income households. Funded governments or organizations should be engaged in creating affordable housing, carrying out planning and community development projects that include significant attention to affordable housing, or providing services and education that further affordable housing goals.

Tier 1 Capacity Building Grants of up to $20,000 can be used to fund the development of a Strategic Plan or Succession Management Plan to aid in expanding efficiency and effectiveness of affordable housing programs. Strategic Plans are high-level blueprints for organizations activities and involve required elements including statements of mission and vision, SWOT analysis, short and long-term goals and initiatives, and methods of tracking performance. Succession Management Plans identify and develop potential successors for key positions in an organization through a systematic evaluation process and training. Plans will be integrated with an existing strategic plan and will identify critical positions and will identify potential candidates for these positions while working to develop the capacity of identified candidates through training and mentoring.

Tier 2 Capacity Building Grants of up to $25,000 can be used to fund intensive training related to key focus areas identified necessary to building the capacity of the government or organization to advance affordable housing activities. Approved agencies work with participating consultants selected by Virginia Housing to deliver training.

Tier 3 Capacity Building Grants may be awarded up to $172,000 and can be used to fund program evaluation and enhancement activities that improve outcomes for organizations engaged in the creation of affordable housing. Approved agencies work with consultants selected by Virginia Housing on an 18-month intensive process to analyze up to three existing programs and look more deeply into evaluating inefficiencies and improvements in one of these programs. Organizations will evaluate program outcomes, identify and implement technology solutions; and receive an action plan to address changes.

Community Impact Grants

Community Impact Grants help to support the creation of sound, livable, and connected communities through neighborhood revitalization. These Community Impact Grants offer local governments resources towards community revitalization and encourages the development of mixed-use/mixed-income properties, which often anchor community development efforts and spur economic growth.

Community Engagement Planning Grants

Community Engagement Planning Grants support research and education concerning land use and development in order to encourage community voice in the development process. Funding under this program can be used to hold input sessions collecting community feedback prior to the implementation of projects or to provide rezoning solutions that support affordable housing. Awards are based on the degree to which proposals mitigate negative community impact, such as displacement or lack of affordable housing; community engagement; and a locality's readiness to engage in revitalization efforts. Grants in this category may be awarded up to $50,000.

Innovative Demonstration Grants support technological innovations that reduce construction cost barriers in creating affordable housing. Funding under this program may be awarded up to $500,000 and can be used to support innovative developments that make affordable housing more accessible, or that use innovative materials that reduce housing cost by making building more affordable.

Market Analysis Grants support local governments and non-profit organizations as they plan for affordable housing projects. Grant funds can be used to support a variety of planning-stage project activities including policy analysis, market small area plans, data analysis, marketing plans, site planning, preliminary architecture and engineering reports, title search and boundary surveys, among others.

Affordable Housing Predevelopment Loans and Grants

Affordable Housing Predevelopment Loans and Grants provide below-market financing to facilitate development of affordable multifamily rental housing by providing technical assistance and below-market financing for a potential development project. Loans and grants are available to local governments, redevelopment and housing authorities, or non-profit organizations. A maximum award of $200,000 is available for each specific development project. These funds can be used for typical predevelopment expenses but may not be used for general operating expenses, developer fees, or activities not directly connected with the creation and preservation of affordable housing. This grant does not include utility construction.

Accessibility Grants

Accessibility Grants support projects that upgrade existing affordable housing units to provide greater physical accessibility to residents with mobility and other impairments. Grants of up to $6,400 per upfit are awarded under two programs. Rental Unit Accessibility Modification Grants fund ADA modifications to make rental units accessible for low-income, disabled tenants. The Granting Freedom program funds similar modifications to make living spaces more accessible to disabled veterans, servicemen and women.

Department of Housing and Community Development Programs

The Virginia Department of Housing and Community Development (DHCD) conducts a variety of economic development and housing programs in the state, including those aimed at housing affordability and safety. DHCD invests more than $100 million annually into housing and community development projects throughout the state, with most efforts designed to help low- to moderate-income citizens.

The Affordable and Special Needs Housing (ASNH) Program

The Affordable and Special Needs Housing (ASNH) Program exists to create and preserve affordable housing units by financing to projects that will meet local affordable housing needs and support state housing policies. The ASNH Program is funded through a single competitive application for four funding sources: HOME Funds, the National Housing Trust Fund, the Virginia Housing Trust Fund, and the Regional Greenhouse Gas Initiative.

The National Housing Trust Fund

The National Housing Trust Fund is a dedicated federal fund providing resources to preserve, build and rehabilitate housing for extremely-low-income residents (30 percent Area Median Income or lower). NHTF funding is made available through DHCD's Affordable and Special Needs Housing application. Funding is limited to rental projects (new construction and rehabilitation) that are creating or preserving affordable units targeting extremely-low-income individuals. The NHTF provides flexible, below-market-rate loans that are targeted to projects targeting these individuals. All NHTF projects have an affordability period of 30 years. Priority is also given to projects that target special needs populations. These projects are targeting at least 20 percent of the units to individuals with disabilities. The maximum National Housing Trust Fund award is $700,000 for rental projects and $800,000 for special needs projects.

Opportunity Zones

Opportunity Zones are a federal economic development and community development tax benefit established as part of the 2017 Tax Cuts and Jobs Act available to investors with capital gains designed to encourage long-term private investment in low-income urban, suburban and rural census tracts.

The zones were nominated by each governor in the spring of 2018 and are comprised of low-income census tracts. Taxpayers can get capital gains tax deferral for making investments in Opportunity funds that then deploy capital into Opportunity Zone business and real estate ventures. This is an economic and community development tax incentive that provides an avenue for investors to support distressed communities to address areas of the Commonwealth that have experienced uneven economic growth and recovery. The tax incentive offers three benefits; tax deferral, tax reduction through long-term investment, and exclusion of certain capital gains tax. Harrisonburg opportunity zones include the area northeast of downtown between East Market Street and North Main Street and the area southwest of downtown between South High Street and South Main Street.

The Vibrant Community Initiative

The Vibrant Community Initiative combines multiple funding sources to support local or regional community-based projects including affordable housing and economic development. Funding for VCI will include a portion of DHCD's federal CDBG and HOME allocations. VCI funding will also include resources from the Virginia Housing Trust Fund and Virginia Housing Development Authority (VHDA) and may include other funding sources where appropriate. VCI is funded through a two-step application process with pre-applications submitted to DHCD followed by an invitation-only application, selected from the pre-applications. Successful VCI applications leverage other federal, state and local resources to make substantial community-wide impact, and all projects must include housing and economic/community development components.

The Virginia Homeless Solutions Program

The Virginia Homeless Solutions Program is a Homeless and Special Needs Housing (HSNH) funding source that supports the development of emergency housing. These activities are designed to reduce the overall length of homelessness in the community, the number of households becoming homeless and the overall rate of formerly homeless households returning to homelessness.

The Virginia Housing Trust Fund

The Virginia Housing Trust Fund exists to create and preserve affordable housing and reduce homelessness in Virginia. The fund addresses housing issues in populations, including low-income families and individuals, disabled persons needing accessible housing and supportive services, and homeless persons struggling with mental health and other issues. At least 80 percent of the fund is to be used for short-, medium- and long-term loans to reduce the cost of homeownership and rental housing while up to 20 percent of the fund may be used to provide grants for targeted efforts to reduce homelessness. The two components of the VHTF are administered separately. First, the Competitive Loan Pool for the production and preservation of affordable rental and homebuyer housing is administered through the Affordable and Special Needs Housing (ASNH) Program. The Virginia Housing Trust Fund grants, used to reduce homelessness, are allocated through the Homeless Reduction Grants. Housing development loans are awarded to developers that supply affordable housing that meet, or match goals aligned with gubernatorial initiatives or state housing policies. The loans are low-interest and are administered through the ASNH program and through Vibrant Community Initiative (VCI). The provisions of the loan encourage developers to use outside funding sources, such as tax credits or other federal and local funding programs.

Barriers to Housing Development

Barriers to affordable housing are obstacles that impede the development of affordable housing units. Some barriers, such as local public policies, can be modified or eliminated. Regulatory policies, such as zoning regulations that limit or prohibit multi-family housing or the development of single-family units on smaller lots, can be changed by local governments. Physical constraints, such as the condition of soils or severe topography, are barriers that cannot be reasonably modified. There are also barriers driven by local market conditions such as rising construction costs or a demand for housing that outpaces the available supply. This type of barrier typically requires public incentives to ease its impact on affordable housing.

In Harrisonburg, the Comprehensive Housing Assessment and Market Study process identified the following barriers to affordable housing.

ZONING ORDINANCE BARRIERS

A review of the city's existing code reveals obstacles to local affordable housing goals. In 2020, the City of Harrisonburg released a Request for Proposals to update the zoning code. City staff intended for the Comprehensive Housing Assessment Report to contain an evaluation of the code and how it may present obstacles to housing goals. Staff plans for this analysis to guide the pending zoning update. The following is a detailed review of the ordinance in the sequential order of the code sections.

Policy Framework

The analysis uses the comprehensive plan as a policy framework for reviewing the current zoning code. In the housing element of the plan, Goal 6 established a policy for affordable housing. This section lists three objectives and nine strategies.

- Goal 6: To meet the current and future needs of residents for affordable housing.
    - Objective 6.1 To promote affordable housing options, including affordable rental properties and affordable homes for ownership.
    - Objective 6.2 To promote home ownership to increase the proportion of owner-occupied units in the City.
    - Objective 6.3 To support programs that prevent and address homelessness in the City.

While none of the Comprehensive Plan's nine affordable housing strategies refer to the zoning code or regulations, this analysis focused on affordable housing options. One policy recommendation is to update the comprehensive plan to include additional objectives and strategies for reviewing regulatory codes, investments, and additional considerations for fostering affordable units. The following are potential obstacles to objective 6.1 in the comprehensive plan.

Zoning Definitions

Sec. 10-3-24 of the local code defines uses and terms for the zoning ordinance. This section lists approximately thirteen residential uses. Several uses are defined but not listed under the district sections. For example, Sec. 10-3-24 defines “accessory living unit,” which is not explicitly listed under any residential zone. The code defines “group housing project” but the definition is not explicitly consistent with the state code. There is ambiguity in the local zoning about allowing group housing. Under the zoning district code sections, there are uses listed, such as “single-family, attached” that are not defined in Sec. 10-3-24. The definitions section should also address “temporary family health care structure” per 15.2-2292.1 of the state code.

Zoning Districts Sections

The city created seventeen base zoning districts under its existing code. Fourteen districts are residential. The following zoning use matrix of districts and residential uses defined in the zoning code highlights how each zoning district regulates residential uses defined in Sec. 10-3-24. In the matrix:

- B represents “by-right use”
- S represents “special use permit”
- Blank spaces indicate uses that are not permitted under that zoning district.

Figure 27 Zoning Residential Use

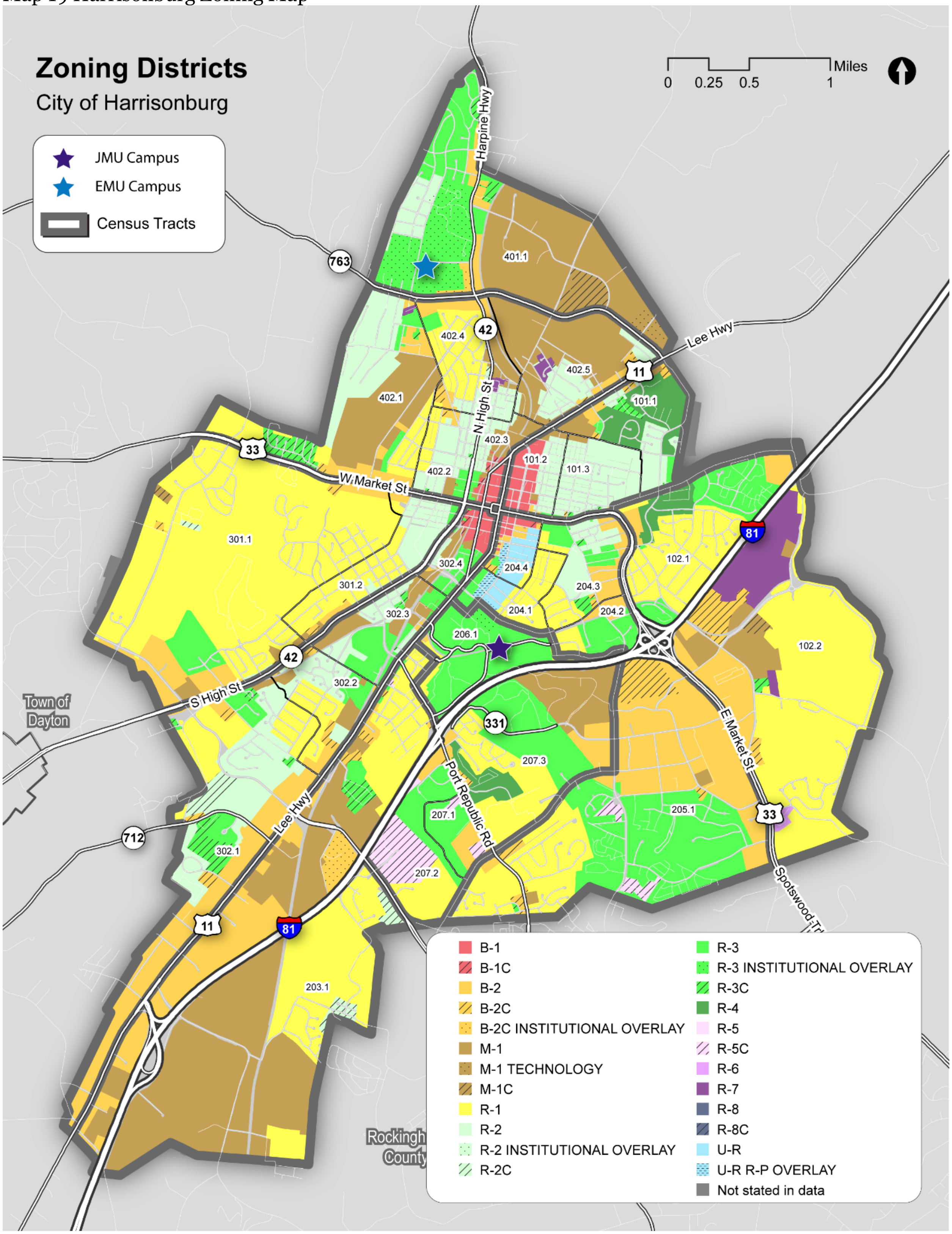
Zoning District	Accessory Living Unit	Boardinghouse	Dwelling, Single-Family	Dwelling, Duplex	Dwelling, multiple-family	Dwelling, Quadraplex	Dwelling, Townhouse	Group Housing Project*	Manufactured Home	Manufactured Home Park	Nursing Home	Short-Term Rental**
R-1 Single-Family Residential District.			B									S
R-2 Residential District.			B	B								S
R-3 Multiple-Dwelling Residential District.		S	B	B	B	B					B	S
R-3 Medium Density Residential District.		S	B	B	S		B				B	S
R-4 Planned Unit Residential District.			B	B								
R-5 High Density Residential District.					B/S		B					
R-6 Low Density Mixed Residential Planned Community District.			B									
R-7 Medium Density Mixed Residential Planned Community District.			B		B		B					S
R-8 Small Lot Residential District			B	B			S					S
MX-U Mixed Use Planned Community District.			B	B	B		B					
MH-1 Manufactured Home Park District.									B	B		
MH-2 Manufactured Home Subdivision District.									B	B		
B-1A Local Business District.												
B-1 Central Business District.			B	B	B	B	B					
B-2 General Business District.												
M-1 General Industrial District.			S									
I-1 Institutional Overlay District.												
U-R Urban Residential District.			B	B								S

**Note: The Planning Commission approves Group Housing Projects*
***Note: Short-term rentals are permitted by special use permit in R-1, R-2, R-3 (multiple), R-3 (medium), R-4, R-5, R-6, R-7, R-8, MX-U, B-1, and U-R). For local zoning terminology, know that we have a "short-term rental" use and a "homestay" use with similarities and differences.*

Despite fourteen residential-related districts, the primary allowable use is “dwelling, single-family.” Several districts allow for duplexes, townhomes, and multi-family. A review of the zoning map reveals that most applied zoning districts limit housing options. Other critical uses are not allowed in the district sections of the code.

Zoning Map

Map 19 Harrisonburg Zoning Map



The City of Harrisonburg has a limited supply of residentially zoned properties that allow for a higher intensity of housing densities and types. Under current zoning, nearly 20% of the City falls under industrial zoning. About 40% of the City's landmass has zoning for single-family detached homes. The City prohibits multi-family development for over 80% of the jurisdictional area. Zoning map amendments can create an additional supply of higher-density residential zoning, which would allow for more affordable units. Zoning map changes can also bring greater consistency between existing land uses and zoning.

Accessory dwelling units

Accessory dwelling units (ADU), also called granny flats, are essential for supplying affordable units and supplementing rental income to those struggling to afford their existing home. Under the current code, the City does not allow for ADUs in any residential zone. While rental spaces are allowable, separate kitchens are not. Accessory units are standard tools that can increase housing supply while maintaining the existing community character.

Group Housing

The residential districts are not explicit in how they regulate group homes. Under the state code, Sec. 15.2-2291 states that "Zoning ordinances for all purposes shall consider a residential facility in which no more than eight individuals with mental illness, intellectual disability, or developmental disabilities reside, with one or more resident or nonresident staff persons, as residential occupancy by a single family. For the purposes of this subsection, mental illness and developmental disability shall not include current illegal use of or addiction to a controlled substance as defined in § 54.1-3401. No conditions more restrictive than those imposed on residences occupied by persons related by blood, marriage, or adoption shall be imposed on such facility." Harrisonburg's existing code could be more explicit with how it allows for this use, which is defined under boardinghouse, as opposed to group housing project. More clarity could confirm conformity with Sec. 15.2-2291 of the Virginia Code.

Families

Under several residential districts, the code states that "Dwelling units may be occupied by a family or not more than four (4) persons, except that building regulations may supersede such occupancy." Other residential districts limit occupancy to no more than two persons. The code does not exempt those with disabilities and could violate the Fair Housing Act. These provisions are intended to help regulate student housing issues but also restrict housing options for non-students.

AFFORDABLE DWELLING UNIT ORDINANCE

The existing zoning code does not include provisions for affordable housing units. There are regulatory obstacles on the state level that limits what the city can enact. Due to Dillon's Rule, the city cannot enact an affordable dwelling unit ordinance without special permission from the Virginia General Assembly. Sec. 15.2-2304 of the state code says that the governing body "may by amendment to the zoning ordinances of such locality provide for an affordable housing dwelling unit program. The program shall address housing needs, promote a full range of housing choices, and encourage the construction and continued existence of moderately priced housing by providing for optional increases in density in order to reduce land costs for such moderately priced housing. Any project that is subject to an affordable housing dwelling unit program adopted pursuant to this section shall not be subject to an additional requirement outside of such program to contribute to a county or city housing fund." Localities granted this authority include the Counties of Albemarle and Loudoun, and the Cities of Alexandria, Charlottesville, and Fairfax.

NOT IN MY BACK YARD (NIMBY)

Public opposition to change in the status quo can be common. NIMBYism describes public opposition or an unwillingness to accept something considered undesirable in a neighborhood or community. This can include a new zoning ordinance, higher density housing, large multi-family development, the creation of housing for people with disabilities or supportive housing, or the development a long-vacant parcel by surrounding landowners. However, in many instances, the potential benefit resulting from proposed change can make it imperative that a public education campaign may be necessary to allay fear, inform with facts, address negative impact and answer questions.

Stakeholders identified this issue not only in locating housing for populations they serve, but also in the creation of housing for special needs populations. This public opposition is often times consuming and has stopped projects from being built.

ORGANIZATIONAL CAPACITY AMONG PROVIDERS

One of the barriers the city faces is the limited capacity of non-profit and local government service providers and affordable housing providers. There is a lack of sufficient services and supports to assist individuals in accessing, transitioning to and sustaining supportive housing. This includes not only a lack of specific services for some populations, but also includes limited fiscal, staffing and administrative capacity.

LACK OF INFRASTRUCTURE

The cost to develop affordable housing can be high. Some of the larger parcels identified in the study are suitable for new housing development but lack adequate water and sewer service, making them more difficult to develop. With the city's common practice is to not invest in new infrastructure to such locations, meaning that developers would have to invest their own funds. This could be the deal-breaker for many.

Recommendations

The recommendations are structured to establish a foundation to address affordable housing now and in the future. Given the nature of the current crisis, there are some simple, cost-effective solutions that can be implemented immediately that will help to alleviate current barriers and mitigate additional harm. Establishing a housing trust fund is a critical priority but it will take time to capitalize that fund and deploy those resources. The prioritization of these recommendations should not be interpreted as downplaying the importance of the trust fund. Many of the recommendations included in the study are being implemented in other Virginia municipalities, and several are best practices in places throughout the U.S. Several are bold measures requiring strong advocacy, community conversations and time. For success to be achieved, a significant shift in policies, funding priorities and the status quo—both in the private and public sectors—is required. The recommendations are presented in the recommended order of implementation. The first 17 recommendations fall primarily under the authority of City Council. The final four recommendations fall primarily under the responsibility of the Western Virginia Continuum of Care and could be implemented concurrently with the first 17.

Harrisonburg is a growing city and lacks an adequate inventory of housing units for current residents of all income levels. More specifically, there exists a critical "housing mismatch" where higher income households are residing in units that are more financially appropriate for lower income households. Without an adequate supply of units available for higher income households, they rent and buy "down market" to meet their housing needs. This exerts greater pressure in a tight market with lower income households negatively impacted the most as they have less income and fewer housing choices. Compounding this trend is the significant additional demand that college students who live off-campus exert on both the rental and sales markets.

Despite these conditions, Harrisonburg has many benefits and resources with the potential to begin addressing housing demand. The City is amenity-rich, highly appealing for its size. Analyses revealed the distribution of lower income households throughout many City neighborhoods and within a relatively affordable housing market. The challenge facing Harrisonburg today is to maximize its limited resources and intentionally build citywide housing affordability.

Recommendation 1: Hire a Housing Coordinator	
Why?	The implementation of the study's recommendations will require the coordination and collaboration of numerous City departments as well as outside entities such as the real estate community, the Western Virginia Continuum of Care, Harrisonburg Redevelopment & Housing Authority, James Madison University, and many more. There are several recommendations that fall under the purview of individual City departments, however, the wide range of initiatives proposed do not all fall neatly under the authority of a single department. This can be achieved in one of two ways. The Housing Coordinator could report directly to the City Manager's office with the ability to coordinate the implementation of the study's recommendations with all departments and outside entities, as needed. Or, the Housing Coordinator can be assigned to the Department of Community Development with a support team comprised of representatives from City departments to ensure continuous cross-communication for implementation. Required skills would include: understanding of the philosophies, principles, practices and techniques of public policy and housing programming; community development and affordable housing program development and financing; land use and planning; knowledge of organizational and management practices as applied to the analysis and evaluation of affordable housing programs, policies, and operational needs; knowledge of federal and state funded housing initiatives that can be used to leverage local funding; knowledge of mechanisms/tools that can be utilized to ensure long-term affordability and protect the City's interest; demonstrated ability to shape and influence policy development related to housing, as well as an understanding of the role housing plays in the broader social framework; knowledge and understanding of real estate markets and the forces that drive real estate development; knowledge of current best practices related to affordable housing policy and development; ability to identify opportunities for developing or preserving affordable housing and establishing working partnerships with community and neighborhood groups, non-profits, local government entities and government agencies; ability to present the results of research effectively in oral, written and graphic form; etc.
Best Practice:	Charlottesville, VA
Responsible Entities:	City of Harrisonburg / City Manager's Office
Possible Funding Sources:	General Fund
Priority:	Year 1
Market Type Focus:	Not applicable

Recommendation 2: Launch and amplify collaborative efforts to attract and grow jobs with annual wages above $40,000 and provide workforce training so residents have the required skills.	
Why?	The cost of living in Harrisonburg is rising faster than wages and incomes. Many residents are earning less than the ALICE survival budget and the City has been losing good paying jobs while gaining jobs that pay lower wages. The growth in low-wage jobs increases the demand for affordable housing but the costs of housing development are rising, requiring even more subsidy to be affordable. Harrisonburg needs an economic and workforce development strategy that promotes the upskilling of residents and connects them to jobs that enable them to thrive, not just survive.
Responsible Entities:	City Department of Economic Development Harrisonburg-Rockingham Chamber of Commerce Harrisonburg Downtown Renaissance Shenandoah Valley Partnership Shenandoah Valley Workforce Development Board
Possible Funding Sources:	City General Fund Virginia Economic Development Partnership Harrisonburg-Rockingham Chamber of Commerce
Priority:	Year 1
Market Type Focus:	Citywide

Recommendation 3: Conduct a coordinated Affordable Housing public campaign.	
Why?	Conduct a public campaign about affordable housing and why it contributes to a vibrant community. Educating residents, organizations and businesses is a key element to combating NIMBYism that exists against any change proposed—whether in new zoning or subdivision ordinance provisions, new affordable housing developments, new policies proposed, and new ways of solving current issues. The focus of the campaign should be on why the city cannot afford to neglect affordable housing. The campaign can be carried out by a third party resulting from a partnership of public and private entities, such as James Madison University, the Harrisonburg-Rockingham Board of Realtors, the United Way, local lending institutions and others.
Responsible Entities:	The City in collaboration with a formalized coalition of Affordable Housing Partners – Harrisonburg-Rockingham Association of Realtors, Continuum of Care, Harrisonburg Redevelopment & Housing Authority, Chamber of Commerce, James Madison University, religious-based entities and many others
Possible Funding Sources:	City General Fund along with contributions from partners The Community Foundation of Harrisonburg and Rockingham County
Priority:	Year 1
Market Type Focus:	Citywide

Recommendation 4: Prioritize city resources to finance affordable housing initiatives.	
Why?	The impending bond for construction of a second high school will limit the borrowing capacity of the City and require a tax increase. As a result, identifying and evaluating how all available resources can be re-allocated to affordable housing must be a priority. In addition, the City should anticipate the housing situation will worsen once COVID-19 eviction moratoria end. Resources could include General Fund line items, but emphasis should also be placed on proceeds from the sale of City-owned assets (see Recommendation 8) and other revenue sources (such as recordation fees) that could be re-evaluated and re-directed for affordable housing effort. One of the goals of this recommendation is to begin the process of setting aside available funds to capitalize a local Housing Trust Fund (see Recommendation 15).
Responsible Entities:	The City Council should evaluate how General Fund resources can be re-allocated to address specific housing need with the goal of expanding the overall inventory for all household types and all income levels. Tying expected outcomes to municipal resources distributed to local organizations should be formalized as policy.
Possible Funding Sources:	1. The City's General Fund allocates approximately $430,000 annually through its Community Contributions line item; this is a significant amount to dedicate to affordable housing including building organizational capacity among service providers in order to qualify for available state funds. Consideration should be given to increasing this amount to make more of an impact on expanding affordable housing. 2. Harrisonburg Redevelopment & Housing Authority will pay off its debt service in 2026 thus freeing up $140,000 in annual CDBG funds that can be dedicated to new affordable housing initiatives, such as public infrastructure improvements tied directly to new affordable housing development. 3. Identify state funding resources that the City is not currently using but is eligible to apply for, such as HOME funds from Virginia Housing (for incentivizing affordable housing development), Virginia Housing Trust Fund (low interest loans for housing production or preservation), and the Homeless Reduction Grant from Virginia DHCD (to reduce homelessness through rapid re-housing and rental assistance and stabilization services for chronically homeless households residing in permanent supportive housing). 4. Seek support from one of several Community Development Financial Institutions (CDFI) that serve Virginia. CDFIs establish partnerships between communities, supporters, and developers to build affordable housing and vital community facilities. They work with mission-focused community-based partners to support small business development and growth and boost local economies.
Priority:	Years 1-10 (annually)
Market Type Focus:	Not applicable

Recommendation 5: Enact waiver of certain fees for affordable housing.	
Why?	Waiving certain fees for affordable housing development may help to offset some of the costs associated with the project. Sec. 15.2-958.4 of the VA State Code states “a locality may by ordinance provide for the waiver of building permit fees and other local fees associated with the construction, renovation, or rehabilitation of housing by a § 501(c)(3) organization with a primary purpose of assisting with the provision of affordable housing.” Many nonprofit affordable housing developers exist on shoe-string budgets. Having building permit fees and water/sewer connection fees waived for new affordable housing units can have a significant impact of the cost of the home for a low-income household. The City can also waive building permit and other local fees associated with a private-sector entity that is pursuing an affordable housing development.
Best Practice:	Alexandria, VA, Loudoun County, VA
Responsible Entities:	City Council
Possible Funding Sources:	None (local ordinance to be prepared and adopted)
Priority:	Year 1
Market Type Focus:	Citywide

Recommendation 6: Provide a 10-year tax abatement for new affordable multi-family projects consisting of more than four units and the adaptive re-use or preservation of formerly vacant or non-residential structures into affordable residential uses for non-student households.	
Why?	Providing a tax abatement is another financial incentive the City can offer to encourage private developers and builders to undertake new affordable rental construction or substantial conversion of larger structures. Cities expect to break even when they grant tax abatements: the amount they forgo in tax revenue from the new development until it is completed should be exceeded by the tax revenue increase caused by the new housing’s economic impact. If lower property taxes keep operating costs lower, then property owners should maintain affordable rents; however, a prohibition against raising rents during the abatement period should be part of the written agreement.
Best Practice:	Alexandria, VA, Loudoun County, VA, Cleveland, OH
Responsible Entities:	City Council
Possible Funding Sources:	None (local ordinance to be prepared and adopted)
Priority:	Year 1
Market Type Focus:	Market Types A and C

Recommendation 7: Adopt an Affordable Housing Location Policy.	
Why?	Some communities have adopted Affordable Housing Location Policies with the goal of increasing the supply of affordable housing in underserved locations near employment, transit and commercial centers (such as Market Types A and C); in and near downtown areas and neighborhoods with approved revitalization plans; and preventing further concentrations of minority and low-income persons and subsidized housing. To achieve this vision, the policy requires developers to comply with these criteria for any new multi-family rental affordable housing project that is funded, in whole or in part, by the City. Some exceptions are made for rehabilitation and developments exclusively for the elderly and disabled. City funding could be in the form of grants (such as CDBG or HOME) or any incentive provided to the development (such as tax abatement, fee waivers, or provision of infrastructure, among others).
Best Practice:	Raleigh, NC, Iowa City, IA
Responsible Entities:	City Council Planning Commission Department of Community Development
Possible Funding Sources:	None (local ordinance to be prepared and adopted)
Priority:	Year 1
Market Type Focus:	Citywide

Recommendation 8: Identify city-owned assets suitable for affordable and/or mixed-income residential development and issue Requests for Proposals for development proposals.	
Why?	The City owns a valuable commodity that can contribute to expanding its housing inventory: developable land located across the City in all Market Types. This would include the sale of public properties, such as park property, property planned for park designation, excess land retained from past construction projects, and other City-owned parcels. Some of these parcels are small but several are significant in size. For larger parcels, the City should issue RFPs and solicit proposals from private developers and then provide incentives. For example, if a site would require the extension of water and sewer service lines, the cost of these extensions could be deducted from the sale price of the land, thereby providing an incentive to the developer for providing the necessary infrastructure. Another valuable incentive is to ensure each parcel is zoned appropriately so potential developers know they will not need to undertake this step—one that can be lengthy and expensive. Even small parcels may be appropriate for several small, moderately priced single-family dwellings made available as affordable sales units for income-eligible homebuyers. For any city-owned parcel transferred in this manner, the period of affordability and the required income eligibility of owners and renters can be ensured through deed restrictions on the property. In addition, potential tenants and homebuyers could be identified through the waiting lists maintained by Harrisonburg Redevelopment & Housing Authority. Sales proceeds from this recommendation should be set aside to capitalize a local Housing Trust Fund (see Recommendation 15).
Best Practices:	Arlington County, VA, Alexandria, VA, Montgomery County, MD
Responsible Entities:	City Council Department of Community Development Planning Commission Department of Public Works Harrisonburg Redevelopment & Housing Authority
Possible Funding Sources:	Virginia DHCH's Vibrant Community Initiative, which includes a mix of resources (State HOME, Housing Trust Fund and Virginia Housing Development Authority)
Priority:	Years 1-5 (this will be a lengthy process to initiate and undertake)
Market Type Focus:	Citywide

Recommendation 9: Incorporate new and updated provisions in the current zoning ordinance update that will facilitate the implementation of the recommendations made in the study.	
Why?	Under the City's current zoning code, there are several changes that, if made, would expand housing choice. These include, but are not limited to, the following: • **Definitions:** Modernize and clarify zoning definitions to be consistent with stated housing goals and the Code of Virginia • **Accessory Dwelling Units (ADUs):** Design an ADU ordinance that is appropriate for the City's needs to foster the development of affordable units • **Housing Supply and Choice:** Conduct zoning map and/or zoning text amendments to increase housing stock, housing type and housing density • **Definition of Family:** Expand the definition of "family" beyond the limit of three unrelated individuals living together to "a group of individuals living together as a single housekeeping unit". • **Regulations of Group Homes for Persons with Disabilities**: Ensure that the zoning code is consistent with fair housing laws regarding persons with disabilities residing together having the same housing choice as a single housekeeping unit consisting of persons without disabilities living together. • **Affordability Incentives:** Explore obtaining special permissions from the Virginia General Assembly to establish density bonuses and other regulatory tools for incentivizing construction of affordable units
Responsible Entities:	City Council Planning Commission Department of Community Development
Possible Funding Sources:	Not applicable (covered under current zoning update)
Priority:	Years 1-2 (in conjunction with the current zoning update)
Market Type Focus:	Citywide

Recommendation 10: Amend the Comprehensive Plan and zoning ordinance to include “Missing Middle Housing” strategies.	
Why?	Multi-family development is prohibited in 80% of the City. Single-family dwellings account for 94% of all owner-occupied units. For non-student one-person households, small households and other households in different phases of their lives seeking alternatives to single-family detached dwellings, medium density housing can be the solution. Frequently found in transition areas between single-family neighborhoods and multi-family developments, the missing middle can take the form of a four-unit structure, for example, that is compatible in style and size to surrounding structures. The goal is to maintain similar physical building styles, heights, setbacks, and other physical elements of existing neighborhoods while permitting more housing units.
Best Practice:	Rockville, MD, Montgomery County, MD
Responsible Entities:	City Council Planning Commission Department of Community Development
Possible Funding Sources:	None (amendments to be prepared and adopted)
Priority:	Years 1-2 (in conjunction with the current zoning update)
Market Type Focus:	Market Types A and C

Recommendation 11: Adopt an Accessory Dwelling Unit (ADU) Ordinance.	
Why?	Under the existing zoning code, the City does not permit accessory dwelling units, which are smaller units located on the same lot as a principal residence. ADUs can be garage apartments or detached apartments. Some residential zones allow for a “rental space” for up to two persons but prohibit kitchen facilities to create a second dwelling unit, which limits the use of these spaces as true accessory units where occupants live independently. ADUs allow for additional housing supply without substantially changing the character of neighborhoods. Small one-bedroom or studio apartments are typical ADUs. Many communities permit them only on owner-occupied parcels, which can allay fears of unsupervised student rental housing encroaching into non-student neighborhoods. Similar to Missing Middle Housing, ADUs offer an affordable housing option for adult children, adult family members with disabilities who want to live independently, single parents of adult children who want to live close to family but independently, among others.
Best Practice:	Arlington County, VA, Fairfax County, VA, Montgomery County, MD
Responsible Entities:	City Council Planning Commission Planning and Zoning Department
Possible Funding Sources:	None (amendments to be prepared and adopted)
Priority:	Years 1-2 (in conjunction with the current zoning update)
Market Type Focus:	Citywide

Recommendation 12: Continue and expand the preservation of the city's affordable housing stock.	
Why?	Harrisonburg has a significant stock of units that are affordable to renters and owners (80% of all rental units and 38% of all sales units are affordable for households up to 80% AMI), and which have no public subsidy attached to them. In other words, much of the City's housing is relatively affordable. As such, it is critical that these units be maintained and preserved. Since many of them are older, they require maintenance and repairs to keep them safe, decent and affordable for future owners and renters. In addition to preserving the non-subsidized housing stock, it is also cost-effective to preserve subsidized units, which also require maintenance and rehabilitation after 10-15 years of occupancy. The cost to rehabilitate these units, most of which tend to be multi-family rental developments, is much less than to construct new units.
Responsible Entities:	Department of Community Development Harrisonburg Redevelopment & Housing Authority
Possible Funding Sources:	City's CDBG annual allocation Virginia DHCD's Competitive HOME Program Virginia Housing's Low Income Housing Tax Credit Program (4% funding)
Priority:	Years 1-10
Market Type Focus:	Citywide

Recommendation 13: Continue homebuyer assistance activities for low- and moderate-income homebuyers.	
Why?	For low- and moderate-income households who desire to become homeowners, two critical elements can assist them in achieving this goal: homebuyer counseling and financial management along with down payment and closing cost assistance. In many cases, the monthly costs of homeownership are lower than monthly rent and utilities. There are several funding sources available locally and at the state level for continuing this type of assistance in Harrisonburg. Potential homebuyers living in areas with low access to amenities (Market Types B and D) may want to reside in neighborhoods with higher amenity access (Market Types A and C).
Responsible Entities:	Department of Community Development Harrisonburg Redevelopment & Housing Authority Central Valley Habitat for Humanity
Possible Funding Sources:	Harrisonburg Redevelopment & Housing Authority's Homebuyer Assistance Program and its new Moving to Work Program Central Valley Habitat for Humanity's Homeownership Program Central Shenandoah Planning District Commission's First-time Homebuyers Program Virginia Housing's Down Payment Assistance Grant Program
Priority:	Years 1-10
Market Type Focus:	Citywide

Recommendation 14: Collaborate with builders and developers to create and adopt an Affordable Housing Set-Aside Policy.	
Why?	Harnessing the power of the private market to expand the inventory of affordable housing has become a very successful initiative in numerous cities and counties. In Virginia, local jurisdictions cannot mandate that developers of market-rate housing create affordable housing within their development, but they can offer incentives to developers who are willing to participate. The most common incentive is a density bonus whereby in exchange for including affordable units in their project, developers are provided the benefit of increasing the density of the overall project. The key is to collaborate with developers and builders to determine the number or percentage of additional units that can be built and balance it with the number of lower cost/lower rent units so the developer earns a comparable profit margin. If the City requires too many affordable units without providing the right level of density, then it risks stifling the private market's interest in such a program. The agreement between the City and developer should include a period of affordability, how affordable sales units are re-sold to other income-eligible buyers, how sellers of affordable units are provided a fair share of the equity in their unit upon sale, and other protective mechanisms to protect the City's investment and the tenants and homebuyers of each development. For example, the affordable units must be included within the market-rate development and be indistinguishable from the market-rate units. Potential tenants and homebuyers could be identified through the waiting lists maintained by Harrisonburg Redevelopment & Housing Authority. In the near-term, set-aside units should be located in higher amenity areas (Market Types A and C). However, over time as the City potentially creates additional commercial centers, grocery stores, parks and other community amenities, then it would be reasonable to locate set-aside units throughout the City.
Best Practice:	Arlington County, VA, Fairfax County, VA, Loudoun County, VA
Responsible Entities:	City Council Department of Community Development Developers and Builders Harrisonburg Redevelopment & Housing Authority
Possible Funding Sources:	None (local ordinance to be prepared and adopted)
Priority:	Years 2-3
Market Type Focus:	Market Types A and C

Recommendation 15: Create and establish a Harrisonburg Housing Trust Fund.	
Why?	A housing trust fund should be established by local ordinance and has several benefits. First, it is a mechanism through which its funds can be used to finance affordable housing initiatives to address local need. Second, it is a locally established nonprofit organization under the direction of a board of directors. Third, it is a source of funding that is restricted only by the policy and programs established by its board (i.e., it is not encumbered by onerous state and federal regulations). And, it can be used to leverage additional private and public resources, thereby expanding the potential non-local resources available to the City for addressing affordable housing need. To be successful and sustained over time, a housing trust fund must have a dedicated stream of funding. Periodic grants and other one-time sources are certainly good, but the focus of the trust fund is better spent on investing its funding rather than constantly raising funds. Common dedicated sources include general fund annual line items but also real estate tax transfer or recordation fees. Sustainable trust funds typically use their dollars to leverage even more funding from public sources, thereby generating a substantially greater impact. Because these are local funds, for the most part, eligible activities can vary from predevelopment costs, construction, rehabilitation and services tied directly to supportive housing, among others. Dispersed funding can be in the form of grants or loans with the latter providing a source of recurring revenue back to the trust fund. A housing trust fund should be stablished by local ordinance and include the number and composition of board members (such as representatives from real estate, lending, legal, housing development, supportive housing providers, financing, etc.) along with their terms of office. Sources of potential funding must be described as well as eligible activities and qualifying applicants. An annual report to City Council should be required. Staffing needs for a housing trust fund can vary, depending on the funding and activity levels. The proposed Housing Coordinator (see Recommendation 1) could serve as the primary staff person as the fund is created and capitalized. Some minimal level of administrative assistance and accounting would also be required. These latter responsibilities could potentially be filled by current City staff.
Best Practice:	Arlington County, VA, Alexandria, VA, Fairfax County, VA, Loudoun County, VA, Louisville, KY
Responsible Entities:	City Council
Possible Funding Sources:	General Fund Sale proceeds from city-owned assets Dedicated source of revenue (e.g., real estate tax transfer or recordation fees)
Priority:	Years 2-4 (to establish and capitalize the fund)
Market Type Focus:	Citywide

Recommendation 16: Advocate for Virginia Housing to eliminate the requirement in the state's Qualified Allocation Plan that municipalities must provide a letter of support in order for Low Income Housing Tax Credit (LIHTC) applications to be approved.	
Why?	The requirement for a letter of local support has the tendency to encourage NIMBYism more often than not in communities where affordable housing is needed. However, if a proposed LIHTC residential community meets all local zoning and subdivision requirements, and its only distinguishing characteristics from a market-rate residential development are the source of financing (public dollars) and the target population (lower income families with children, for example), then it is discriminatory to deny local support for it. The potential for NIMBYism to kill a much-needed affordable housing development is too high to ignore it.
Best Practice:	Maryland, Delaware
Responsible Entities:	City of Harrisonburg Harrisonburg Redevelopment & Housing Authority
Possible Funding Sources:	Not applicable
Priority:	Years 2-3
Market Type Focus:	Citywide

Recommendation 17: Amend the Comprehensive Plan to incorporate the housing policies and analysis included in this study.	
Why?	In the City's Comprehensive Plan, the housing chapter includes one affordable housing goal (Goal 6). This goal is "[t]o meet the current and future needs of residents for affordable housing." Under this goal, there are three objectives and nine strategies listed. The City should incorporate the Comprehensive Housing Assessment and Market Analysis in the Comprehensive Plan to support the data elements of the housing chapter. Given the Plan's official nature, these additions should help to support changes to local ordinances, programs, capital budgets, and initiatives. The more extensive analysis will also communicate that affordable housing is a priority for the City of Harrisonburg.
Responsible Entities:	City Council Planning Commission Department of Community Development
Possible Funding Sources:	None (amendments to be prepared and adopted)
Priority:	Years 2-3
Market Type Focus:	Citywide

Recommendation 1: Continuum of Care service providers should prioritize how funds are invested locally.	
Why?	Funding to provide deep subsidies and supportive services needed for supportive housing is limited. By re-directing existing resources and improving policies to prioritize individuals with the greatest needs, it allows the community to increase positive outcomes for individuals, improve performance measures that could increase competitiveness for additional federal and state funds, and allows for enhanced consistency and coordination between service providers. As part of the Continuum of Care and Emergency Solutions Grant process, the CoC should establish an aggressive reallocation process tied to performance and community goals. Reallocating funds is one of the most important tools by which CoCs can make strategic improvements to their homelessness system. Through reallocation, CoCs can create new, evidence-informed projects by eliminating projects that are underperforming or are more appropriately funded from other sources. Reallocation is particularly important when new resources are scarce. In general, CoCs should direct funding towards projects that: serve the highest need individuals or families; help project participants obtain permanent housing as rapidly and directly from homelessness as possible; ensure long-term housing stability; and ensure the best and most cost-effective fit given a community's needs.
Best Practice:	Philadelphia, PA, New York, NY
Responsible Entities:	Continuum of Care committees (Compliance and Evaluation, Best Practices, Executive Committee) Local Government entities (including all jurisdictions served by the Western Virginia CoC)
Possible Funding Sources:	CoC program funds Virginia DHCD Homeless and Special Needs Housing Funding Virginia Housing Trust Fund's Homeless Reduction Grant
Priority:	Years 1-10 (annual process)
Market Type Focus:	Not applicable

Recommendation 2: Expand the use of data to make informed decisions to address homelessness.	
Why?	Funding sources continue to stress the importance of using data to inform local decision making and changes to local systems of care. Data allows communities to optimize services and resource allocation, identify gaps in services and remove systemic barriers to housing and services. The Department of Housing and Urban Development's Office of Special Needs Assistance Programs Office recommends communities analyze data at both the system and project levels and to evaluate their efforts by subpopulation, across project types, and in other ways. The CoC should explore using data to gain a more holistic picture of the progress made toward ending homelessness. This will require additional HMIS staff to expand capacity beyond the HUD required reporting and training.
Best Practice:	New York, NY
Responsible Entities:	Continuum of Care providers and committees Non-homeless systems of care
Possible Funding Sources:	Continuum of Care Program (Homeless Management Information System) Virginia DHCD Homeless and Special Needs Housing Funding (HMIS)
Priority:	Years 1-2
Market Type Focus:	Not applicable
Recommendation 3: Continuum of Care service providers should expand the use of best practices to address additional populations with needs consistent with supportive housing.	
Why?	Best practices such as case conferencing and by-names lists allows for the most effective prioritization of limited resources and encourages collaboration and coordination to serve high barrier populations.
Best Practice:	King County, WA, Los Angeles, CA
Responsible Entities:	Continuum of Care Best Practices Committee Continuum of Care housing solutions team
Possible Funding Sources:	Not applicable
Priority:	Years 1-3
Market Type Focus:	Not applicable

Recommendation 4: Build capacity among nonprofit organizations and homeless service providers.	
Why?	Harness the enthusiasm and commitment of local organizations to build grassroots support for affordable housing through small-group education and advocacy initiatives. Developing and operating supportive housing requires multiple resources with specific eligibility requirements and activities. Understanding the local assets and capacity to develop, operate and provide services is necessary for expansion. Increased capacity can translate into new funding opportunities and expand quality supportive housing.
Responsible Entities:	Continuum of Care Executive Committee Harrisonburg Redevelopment & Housing Authority City of Harrisonburg
Possible Funding Sources:	Continuum of Care Program Planning Funds The Community Foundation of Harrisonburg and Rockingham County
Priority:	Years 1-5
Market Type:	Not applicable

ESTIMATED TIMELINE

The following table provides an estimate of the suggested timeline for implementation.

PRIORITY	ACTIONS	YEARS									
		1	2	3	4	5	6	7	8	9	10
City of Harrisonburg											
1	Hire Housing Coordinator	■									
2	Attract & Grow Good-Paying Jobs & Provide Workforce Training (for 10 years)	■	■	■	■	■	■	■	■	■	■
3	Conduct Affordable Housing Public Education Campaign	■	■								
4	Prioritize City Resources to Finance Affordable Housing Initiatives (annually)	■	■	■	■	■	■	■	■	■	■
5	Waive Fees for New Affordable Housing Development (for 10 years)	■	■	■	■	■	■	■	■	■	■
6	Provide Tax Abatement for New Multi-family Rental Construction (for 10 years)	■	■	■	■	■	■	■	■	■	■
7	Adopt an Affordable Housing Location Policy	■	■								
8	Identify City-Owned Assets Suitable for Development & Issue RFPs	■	■	■	■	■					
9	Update Zoning Ordinance to Implement Affordable Housing Recommendations	■	■								
10	Amend Comprehensive Plan and Zoning Ordinance to Add Missing Middle Strategies	■	■								
11	Develop Accessory Dwelling Unit Ordinance	■	■								
12	Continue Housing Rehabilitation Activities to Preserve Existing Affordable Housing (for 10 years)	■	■	■	■	■	■	■	■	■	■
13	Continue Support for Affordable Homebuyer Initiatives (for 10 years)	■	■	■	■	■	■	■	■	■	■
14	Collaborate with Builders & Developers to Create an Affordable Housing Set-Aside Policy		■	■							
15	Create and Capitalize a Local Housing Trust Fund		■	■	■						
16	Advocate for Virginia Housing to Eliminate the Local Letter of Support from the QAP		■	■							
17	Amend the Comprehensive Plan to incorporate the housing policies and analysis included in this study		■	■							
Continuum of Care											
1	Prioritize Funding for Local Investment	■	■	■	■	■	■	■	■	■	■
2	Expand Use of Data to Make Informed Decisions to Address Homelessness	■	■								
3	Expand Use of Best Practices to Address Additional Populations with Special Needs	■	■	■							
4	Build Capacity Among Nonprofits and Homeless Service Providers	■	■	■	■	■					