# CITY OF HARRISONBURG

Comprehensive Housing Assessment & Market Study

**November 19, 2020**

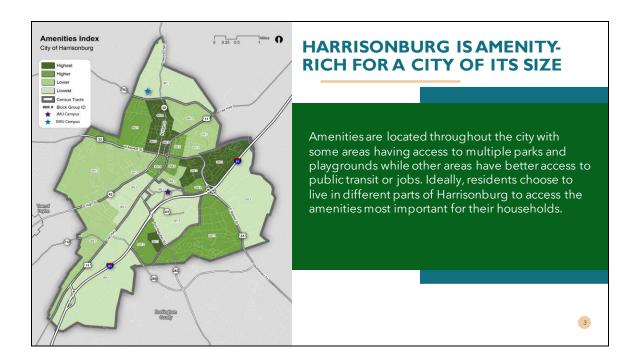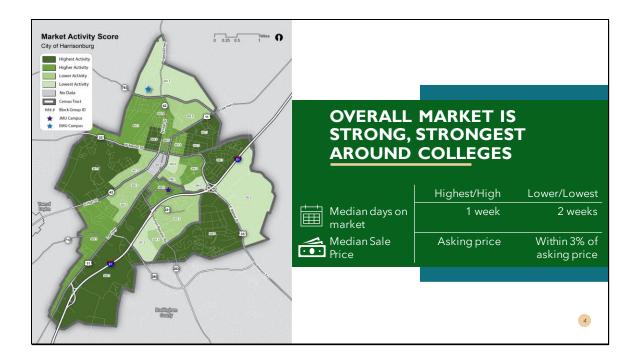# WELCOME

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  - Updating the report based on feedback

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FOURTH ECONOMY

EPRpc

**HARRISONBURG IS AMENITY-RICH FOR A CITY OF ITS SIZE**

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.
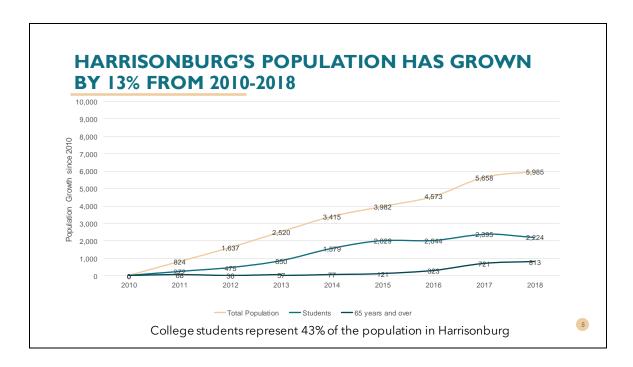
Harrisonburg is an amenity-rich city with multiple full-service grocery stores, a farmers' market, many parks and playgrounds, elementary schools located throughout the city, a public transit system with low fares compared to other cities, and lively recreational and cultural events and activities. But not all locations within the City have the same level of access to these types of amenities. In this map, each Census block group is scored relative only to block groups located within Harrisonburg so some areas will necessarily score higher and some lower.

**OVERALL MARKET IS STRONG, STRONGEST AROUND COLLEGES**

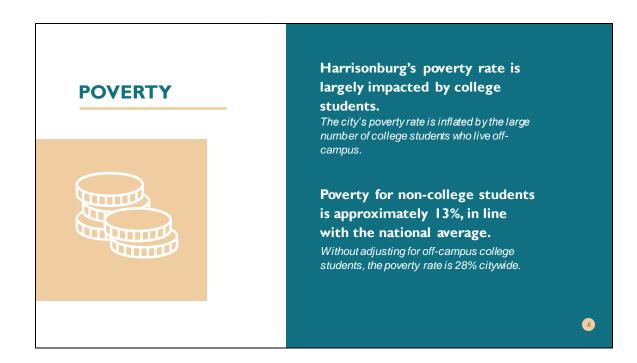|  | Highest/High | Lower/Lowest |
|---|---|---|
| Median days on market | 1 week | 2 weeks |
| Median Sale Price | Asking price | Within 3% of asking price |

- 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 sale 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.

- "Days on market" is used to determine how quickly a listed housing unit sells. Fewer days on market indicates that units are sold quicker than units with higher days on market. The ratio of the sale 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.

- Even in the "Lowest Market" the median days on market as 2 weeks and 3% of asking price is still very good. The US median is 53 days on market.

**HARRISONBURG'S POPULATION HAS GROWN BY 13% FROM 2010-2018**

College students represent 43% of the population in Harrisonburg

- The majority of Harrisonburg's population growth was with college students (37% of growth; 2,224 people), followed by persons 65 and older (14% of growth; 813 people).

**POVERTY**

**Harrisonburg's poverty rate is largely impacted by college students.**
*The city's poverty rate is inflated by the large number of college students who live off-campus.*

**Poverty for non-college students is approximately 13%, in line with the national average.**
*Without adjusting for off-campus college students, the poverty rate is 28% citywide.*

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- Even after adjusting for off-campus college students, some neighborhoods in Harrisonburg have concentrations of poverty near the national rate for non-college students between 12-13%.

## ALICE: Asset Limited, Income Constrained, Employed

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.
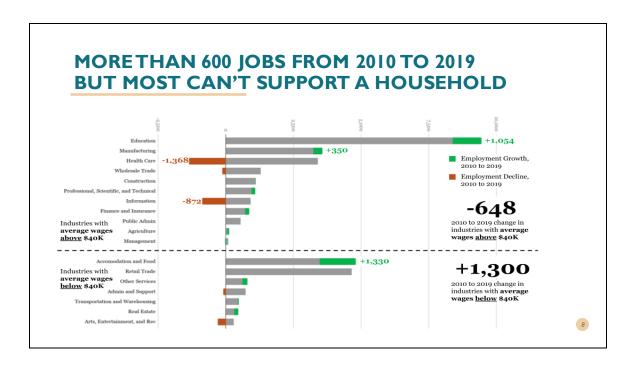
- More than 7,800 households do not meet this threshold of a survival budget for a family of four.

- Since 2010, higher-paying industries lost 648 jobs, while lower-paying industries gained 1,300 jobs In Harrisonburg.

**The number of households working but struggling to afford housing and necessities is growing.**

- A more compelling or realistic rate to determine if a household can afford their basic needs would be the The United Way ALICE framework. ALICE stands for Asset Limited, Income Constrained, Employed. ALICE workers earn more than the poverty level but less than a basic cost of living, and are employed across industries like construction, education, service, and caretaking.

- 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. These are households age 25 and above and are unlikely to include undergraduate students.

- Since 2010, cost of living increases (housing, transportation, food, etc.) 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.

- Since 2010, Harrisonburg has lost good paying jobs in industries with average wages of above $40,000. From 2010 to 2019, higher-paying industries with

average wages above $40,000 lost employment, while lower-paying industries with average wages below $40,000 gained employment. Higher-paying industries lost 648 jobs, while lower-paying industries gained 1,300 jobs. Average wages above $40,000 per year are more likely to receive health and other benefits with the job. Also wages apply to what one individual makes.

- The ALICE Household Survival Budget is the bare minimum cost of household basics necessary to live and work in the modern economy. These basic budget items include housing, childcare, food, transportation, health care, and technology, plus taxes and a contingency fund (miscellaneous) equal to 10% of the household budget. The budget is calculated separately for each county and for different household types and is updated as costs and household needs change over time.

MORE THAN 600 JOBS FROM 2010 TO 2019
BUT MOST CAN'T SUPPORT A HOUSEHOLD

- An increase in the number of lower paying jobs will increase the number of ALICE households or households living below poverty.
- When adjusted for inflation median household income has decreased by 4% from 2010 to 2018 according to the Census Bureau.

**WHAT IS AFFORDABLE HOUSING?**

**Affordable housing** is generally defined as housing for which the occupant is paying **no more than 30 percent** of gross income for housing costs, including utilities (HUD).

household income          housing cost

- HUD defines housing as affordable if the household spends no more than 30% of its household income on housing costs. If a household spends more than 30% of income on housing cost, the household is said to be cpst burdened. If the household spends more than 50% of income on housing costs, the household has severe cost burden.
- For housing to be affordable, there are two sides to consider: household income and the cost of housing.
- If household income is sufficiently high relative to the cost of housing itself, then households will be able to afford their housing.
- If household income is low relative to the cost of housing, then the household may be cost burdened.
- Solving an affordable housing problem within a community, therefore, is a balance between adequate wages to afford housing and an adequate supply of housing units for all income levels.

## HARRISONBURG AREA MEDIAN INCOME, 2017

| | 👤 | 👥👥👥👥 |
|---|---|---|
| 30% AMI | $13,200 | $24,600 |
| 50% AMI | $22,000 | $31,400 |
| 80% AMI | $35,150 | $50,200 |
| 100% AMI | $44,000 | $64,700 |

AMI table: 2017 (1-person/4-person households)

- The Area Median Income (AMI) is a term that refers the midpoint of a region's income distribution – half of families in a region earn more than the median and half earn less than the median - when taking into account household size.

- The U.S. Department of Housing and Urban Development (HUD) defines and calculates different levels of AMI for geographic areas across the country by household size. When we refer to 100% AMI throughout the study, we are specifically referring to a household of four unless otherwise stated. When HUD performs the AMI calculations, the values get rounded for simplicity.

- 30% AMI  $13,200.    $24,600
- 50% AMI. $22,000.    $31,400
- 80% AMI. $35,150     $50,200
- 100% AMI $44,000.    $64,700
- AMI table: 2017 (1-person/4-person households)

## HOUSING MISMATCH

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

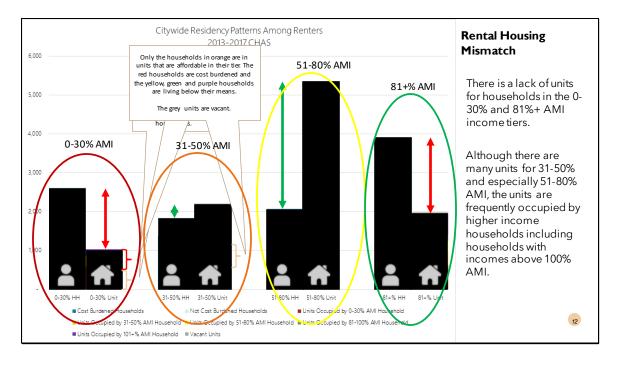0-30% AMI household in a 51-80% rental unit = **A problem financially and contributes to the mismatch**.

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

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- The concept of a housing mismatch can assist in understanding the housing challenges in Harrisonburg.

- The study uses data put out by HUD to classify each household, based on the household size, into an income tier. For example, 0-30% AMI, 31-50% AMI, and so forth as described on the previous slide.

- Additionally, the data classifies each unit into an affordability level. For example, if a rental unit costs $$780 per month, this would be affordable to a household earning 50% AMI.

- The study does a comparison of the unit's affordability (i.e. which income tier it is in) to the occupant household's income to see if these are aligned.

- For example, if there is a household with income above 81% AMI living in a unit that is affordable to households earning in the 51-80% AMI tier, then this household will not be cost burdened which is good for that household, but it will contribute to the mismatch because the unit affordability tier and occupant income tier are not aligned.

- If a household with income in the 0-30% AMI range lives in a unit that is affordable to a household with income in the 51-80% range, then this is a problem financially because the household will be cost burdened (or even severely cost burdened) and it will contribute to the mismatch because the unit affordability tier and occupant income tier are not aligned.

- If a household with income in the 51-80% AMI range lives in a unit that is affordable to a household with income in the 51-80% range, then this pairing does not contribute to the mismatch because the unit affordability tier and occupant income tier are aligned.

- This analysis – the comparison of the unit affordability with the household income tier of the occupants was done for both renters and owners.

- The primary challenge in Harrisonburg for both renters and owners is a mismatch between a household's income tier and the affordability tier of the unit in which they reside.

- In some income tiers, there is the additional challenge that there are not enough units in the city. That is, even if every existing unit in an income tier was occupied by households with incomes that aligned, there would be a shortage of units because there are more households than units in those tiers.

Citywide Residency Patterns Among Renters 2013-2017 CHAS

**Rental Housing Mismatch**

There is a lack of units for households in the 0-30% and 81%+ AMI income tiers.

Although there are many units for 31-50% and especially 51-80% AMI, the units are frequently occupied by higher income households including households with incomes above 100% AMI.

- We are going to walk through, step by step, how to read and interpret the mismatch. After we go through this slide in detail, we will present a summary slide so don't worry if you do not get every detail.

- This graph is composed on four pairs of bars. From left to right, the pairs correspond to 0-30% AMI, 31-50% AMI, 51-80% AMI and 81+% AMI.

- Within each pair of bars, the bars on the left are the households with incomes in that tier and the bars on the right are the units in that tier.

- What we see right away is that within the 0-30% pair at left and the 80+% pair at right, there are more households than units indicating a shortage of units that are affordable to households in this income tiers. We see that there are more units than households in the 31-50% AMI and 51-80% AMI tiers. But that does not tell the whole story.

- When we uncover the household bar for 0-30% AMI, we can see the level of cost burden. Households in the 0-30% AMI tier who are cost burdened are shown in dark blue; households that are not cost burdened are shown in light blue. The vast

majority of the lowest-income households are cost burdened.

- Next, we will uncover the bar representing units that are affordable to households with incomes between 0-30% AMI. You will see that this bar is color coded. Red indicates households with incomes between 0-30% AMI, orange is for 31-50% AMI households, yellow for 51-80% AMI households, green for 81-100% AMI households and purple for those households with incomes above 100% AMI.

- The units shown in red are affordable to 0-30% AMI households and are occupied by 0-30% AMI households.

- The units shown in orange, yellow, green and purple are affordable to 0-30% AMI households but are occupied by households outside of 0-30% AMI. We do not know why these households are choosing to reside in the most affordable units only that they are residing in these units. While this makes financial sense for these households, it does increase competition for the most affordable units as households with the most limited means are competing with higher income households for the same units. In this income tier, this competition is in addition to there being a lack of units.

- We can do the same comparison within the 31-50% AMI tier. In this case, we want to compare the total height of the blue bar (which is the total number of households with incomes between 31-50% AMI) and the orange section of the rainbow-colored bar. Only the households in orange are living in units that are affordable in their tier. The red households are cost burdened because they are 0-30% AMI units living in a more expensive unit and the yellow, green and purple households are living below their means. The grey units are vacant. Vacant units do not count toward the mismatch because a households with income in that tier *could* move in.

- Within the 51-80% AMI tier, we want to compare the total height of the blue bar with the yellow segment as these households are living in units that align with their income tier. Even in this tier, where there appears to be a large surplus of units, there are still many households with both lower and higher incomes residing in these units. There is still a mismatch for 51-80% AMI households.

- Within the last pair of bars showing the 81+% range, we will need to compare the total height of the blue bar with the height of the green and purple sections of the rainbow bar. The data source provides information about household income in 80-100% AMI and above 100% AMI tiers but buckets all units that are affordable above 80% AMI into one tier.

- Overall, we find that there is a lack of units for households in the 0-30% and 81%+ AMI income tiers.

- Although there are many units for 31-50% and especially 51-80% AMI, the units are frequently occupied by higher income households including households with incomes above 100% AMI.

**RENTAL MARKET**

- 62% of Harrisonburg's housing market are renters.

- 53% of renters are college students

The vacancy rate is low at 2%. This creates high levels of competition within the market as renters compete for scarce units.
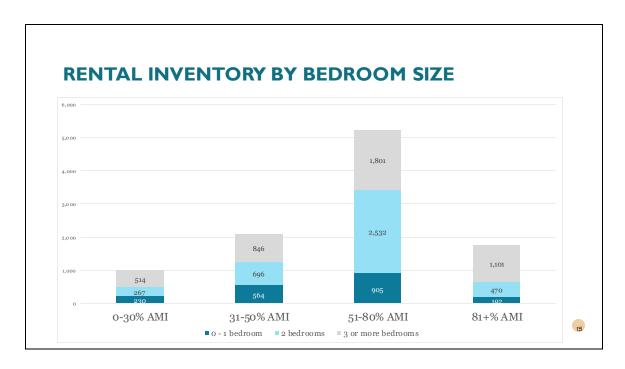
Source: CHAS 2013-2017

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- Before we shift to a summary slide of that last graph, it should be acknowledged that 62% of Harrisonburg's housing stock are rentals and that of these, 53% are college students living off-campus. We know from our research that 92% of college students are dependents of their parents or guardians and that these students are likely being supported financially in some way. However, because of the way that data is collected, many if not nearly all of these off-campus college student households will be captured in the 0-30% AMI households since student households typically either do not work or hold part-time jobs.

- Because of the college student impacts on the rental market, and knowing that many or most receive financial support, we adjusted the mismatch analysis to account for this. Going through the details of that analysis is beyond what we have time for tonight but is included in the report.
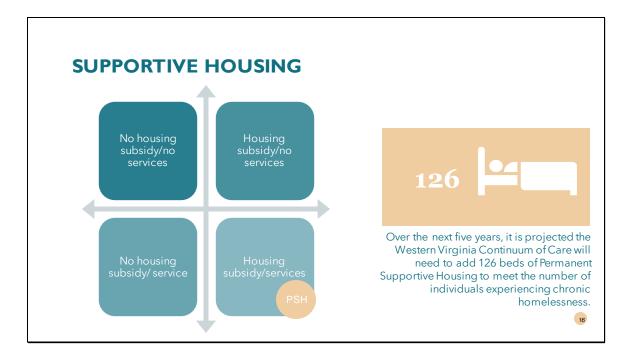
## RENTAL MARKET MISMATCH SUMMARY

| | Lack of Units | Existing Units Occupied by Households with incomes BELOW this Tier (cost burden) | Existing Units Occupied by Households with incomes ABOVE this Tier (not cost burden) | Mismatch (adjusted for students) |
|---|---|---|---|---|
| 0-30% AMI | ✓ | n/a | ✓ | 1,407 |
| 31-50% AMI | | ✓ | ✓ | 961 to 1,299 |
| 51-80% AMI | | ✓ | ✓ | 573 to 1,029 |
| 81+% AMI | ✓ | n/a | ✓ | 2,907 to 3,363 |

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- There is a shortage of housing units that are affordable to the lowest and highest income renter households (0-30% and above 80% AMI).

- Some households are cost burdened because they live in a unit that is more expensive and other households are living below their means. When higher income households live in units that are affordable to lower-income households due to limited housing supply, it increases competition for the limited units that are more affordable.

- The range in the mismatch is provided to show the extent of the challenge households face in finding units in their income tier. For example, a mismatch of 1,407 among the 0-30% AMI tier indicates that there are 1,407 households that do not have a unit that is affordable in the 0-30% AMI range.

- The ranges provided in the other tiers indicate the range of mismatch depending on college student households. If college students live off campus in units that align with their parents' or guardians' income, then the mismatch is lower. If they reside outside of the parents' or guardians' income tier, then the mismatch could increase.

- One final note about the mismatch analysis: the mismatch should not be interpreted as a production number. If the city produced the approximately 6,500 units that correspond to the total mismatch, there would be over a 60% increase in the number of rental units citywide and the vacancy rate would be nearly 40%. The mismatch is provided to assist in understanding which income tiers' households may be most challenged to find housing that is affordable because either there is a lack of units or because of residency patterns.
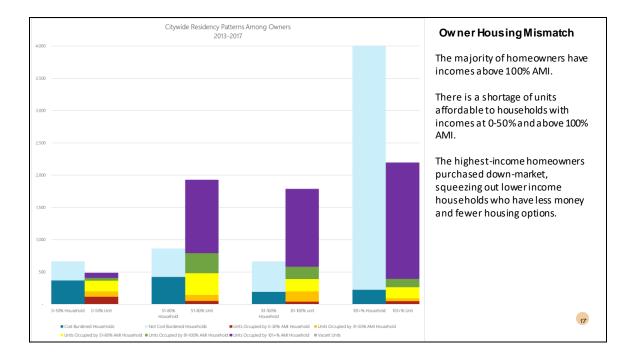
**RENTAL INVENTORY BY BEDROOM SIZE**

- There are relatively few efficiency and one-bedroom units citywide. On this graph, efficiency and one-bedrooms are shown in dark blue, two-bedroom units in light blue and units with three or more bedrooms are shown in grey.

- A lack of smaller units within the rental market across the income spectrum makes it difficult for various populations to find suitable housing. For example, smaller units are appropriate for supportive housing, but it is difficult to locate and secure these types of units. Additionally, young professionals may not want to have roommates after leaving college but, because they are just beginning their careers, may not be able to afford a larger unit. Their choice becomes to rent a too-large unit and possibly be cost burdened or find roommates.

## SUPPORTIVE HOUSING

No housing subsidy/no services

Housing subsidy/no services

No housing subsidy/ service

Housing subsidy/services

PSH

**126**

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

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- Supportive housing, recognized as an effective housing strategy for people with special needs, combines affordable housing with intensive supportive services to help vulnerable populations stabilize and maintain housing.

- There is a shortage of affordable housing, most severely for households who earn 0-30% AMI (equal to $24,600 for a family of four or $13,200 for a one-person household in 2017). These extremely low-income households often spend more than 50% of their income on housing. 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.

- 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.
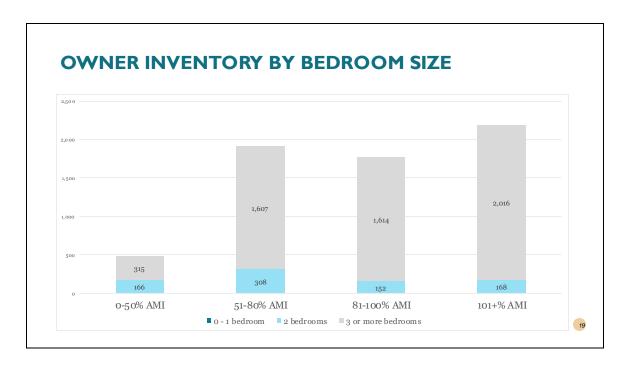
- The CoC covers the counties of Clarke, Frederick, Page, Rockingham, Shenandoah, and Warren, the towns within those counties, and the cities of Harrisonburg and Winchester; the CoC is a network of nonprofits, service providers, regional planners, and state and federal funders working together to build systems to reduce homelessness. Due to the regional approach to addressing homelessness, PSH projections are presented for the full CoC.

Citywide Residency Patterns Among Owners 2013-2017

**Owner Housing Mismatch**

The majority of homeowners have incomes above 100% AMI.

There is a shortage of units affordable to households with incomes at 0-50% and above 100% AMI.

The highest-income homeowners purchased down-market, squeezing out lower income households who have less money and fewer housing options.

- This graph shows the residency patterns among homeowners. The income tiers among owners are 0-50% AMI, 51-80% AMI, 81-100% AMI and above 100% AMI. The income breakpoints are slightly different in part because it is less common to have homeowners with incomes between 0-30% AMI so some of the data gets aggregated.
- As in the renter market, rates of cost burden are higher among households with lower incomes.
- The majority of homeowners have incomes above 100% AMI.
- There are more households than units in the 0-50% AMI and above 100% tiers.
- In part because there are so many households with incomes above 100% AMI relative to the number of unit priced for this tier, these higher-income households must buy down market if they wish to live in the city. This can squeeze out lower income households who have less money and fewer housing options.

# SALES MARKET MISMATCH SUMMARY

| | Lack of Units | Existing Units Occupied by Households with incomes BELOW this Tier (cost burden) | Existing Units Occupied by Households with incomes ABOVE this Tier (not cost burden) | Mismatch |
|---|---|---|---|---|
| 0-50% AMI | ✓ | n/a | ✓ | 466 |
| 51-80% AMI | | ✓ | ✓ | 529 |
| 81-100% AMI | | ✓ | ✓ | 474 |
| 101+% AMI | ✓ | ✓ | n/a | 2,435 |

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- As in the rental market, there is a mismatch caused by both a lack of units affordable to the lowest and highest income tiers and there are households living in units whose affordability tier do not match household income.
- The mismatch within the owner market is highest among households with incomes in the 101+% AMI tier at 2,435 units. While there is a mismatch for households in all tiers below 100% AMI, the mismatches within each tier are about 500 units each, which is approximately 20% of the mismatch for the 101+% AMI tier.

## OWNER INVENTORY BY BEDROOM SIZE

- This graph shows the number of owner units by number of bedrooms. Dark blue are units with 0-1 bedroom, light blue are 2-bedroom units and grey are units with three or more bedrooms. There are very few owner units that are studios or one-bedrooms. Our data source indicates there are only 26 units citywide.

- The majority of owner units have three or more bedrooms. For households seeking to purchase a smaller home – potentially young professionals or smaller families, for example – there are few options.
- By affordability tier, there are few units available to households with incomes between 0-50% AMI. Even within this tier, there are few 0-1 bedroom units.

**PARTIAL DRAFT RECOMMENDATIONS**

**Educate**
Conduct a coordinated public campaign promoting why affordable housing is needed.

**Prioritize Funding & Other Resources**
Prioritize current resources to finance affordable housing initiatives.

**Build Capacity**
Build capacity among nonprofit service providers and affordable housing providers.

**Change Policy**
Market city-owned parcels for affordable housing development and/or mixed-income residential development.

**Amend Local Laws**
Enact waiver of certain fees for affordable housing, pursuant to Sec. 15.2-958.4 of the state code.

**Preserve and Create Affordable Housing Opportunities**
Support homebuyer assistance initiatives for lower income households.

**Advocate for Change**
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 LIHTC applications to be approved.

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- At this point in our process, the document is still in draft form. We're identifying additional recommendations that we believe are appropriate for Harrisonburg.

- There are 7 objectives we identified for the City. For the purpose of the presentation tonight, we included one example recommendation under each of these objectives.

- The 7 objectives include educate, prioritize funding and other resources, build capacity, change policy, amend local laws, preserve and create affordable housing opportunities, and advocate for change.

- We are interested in hearing your thoughts about recommendations.

**Tell Us What We Are Missing.**

Call Our Hotline and Leave a Message
**(540) 433-1390**

That concludes our presentation on the draft housing study. Now, we'd like to hear from you on what we may have missed and suggestions you may have on recommendations for resolving the affordable housing issue in Harrisonburg.

**GIVE MORE INPUT THROUGH THE SURVEY:**
www.harrisonburgva.gov/housing-study

**Finalize Report and Recommendations Based on Your Input**

**Final Document to City Council – January 2021**

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This presentation was recorded and will be made available on the City's website to view at a later date.