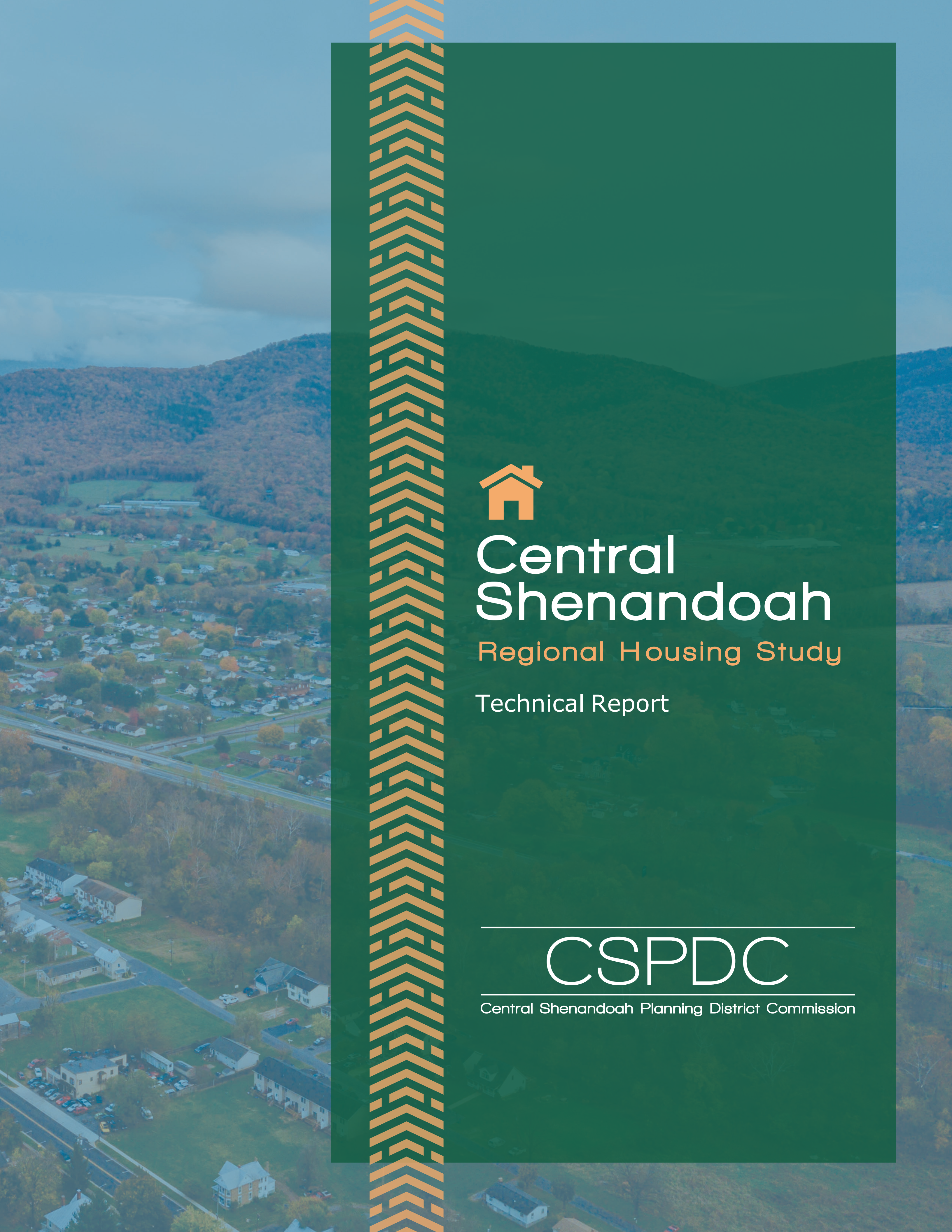

Central Shenandoah

Regional Housing Study

Technical Report

CSPDC

Central Shenandoah Planning District Commission

TABLE OF CONTENTS

INTRODUCTION

Housing markets are formed based on lifestyle preferences, available amenities and services, transportation networks, and development patterns. Households choose the best housing options based on very personal criteria such as budget, proximity to friends and family, jobs, and a host of individual needs and preferences. They consider jurisdiction boundaries as they relate primarily to schools and taxes among a long list of priorities. As such, housing markets are generally regarded as regional, with individual jurisdictions and other geographies therein usually representing submarkets.

The Central Shenandoah Planning District Commission geography is the largest planning district in the state, with at least three distinct housing markets and countless submarkets. The jurisdictions that constitute the planning district all grapple with housing challenges, but the types of challenges and capacity to address them differ based on the market as well as the capacity of local governments, area agencies, businesses, and nonprofits. As such, this study includes in-depth analysis for the Staunton MSA, the Harrisonburg MSA, Bath County, Highland County, and the region encompassed by Rockbridge County.

More than two years of study and engagement has culminated in detailed analysis tailored to the region and the markets therein. The study team has worked closely with local staff and regional stakeholders to develop solutions to market challenges that align with local goals and build on existing plans and interests. Further, the team has included regional solutions that address common challenges across the Central Shenandoah Planning District and thereby create efficiencies and fill gaps in local capacity.

The details in this technical version of the report are intended for those who would like a deep understanding of the housing market dynamics in the Central Shenandoah Planning District. The information can be leveraged by local government staff, nonprofits, and other stakeholders for comprehensive planning, HUD consolidated plans, grant application among other housing-related planning, and programmatic efforts. Furthermore, the study team remains engaged as the region's stakeholders endeavor to implement the solutions presented here. The Central Shenandoah Planning District Commission will lead regional efforts and regularly update data and analysis. The Virginia Center for Housing Research at Virginia Tech and HousingForward Virginia remain available to offer technical assistance to both planning district commission staff and stakeholders throughout the region.

Acknowledgements

The study team extends its appreciation to the individuals and organizations whose generous contributions have been instrumental in shaping this report. Their invaluable insights, guidance, and cooperation have enriched the depth and credibility of our findings, making this study a collective achievement.

Virginia Housing

Regional Housing Study Leadership Team Members

Regional Housing Study Consortium Group Members

Focus Group Participants

Augusta County and Town of Craigsville

Bath County

Highland County and Town of Monterey

Rockbridge County and Towns of Glasgow and Goshen

Rockingham County and seven associated towns

City of Buena Vista

City of Harrisonburg

City of Lexington

City of Staunton

City of Waynesboro

Virginia REALTORS®

Harrisonburg-Rockingham Association of REALTORS®

Rockbridge Highlands REALTORS®

Greater Augusta Association of REALTORS®

About the Study

Study Team

The 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. These services address many planning and development functions such as land use, transportation, water and wastewater utilities, natural resource management, affordable housing, economic and community development, disaster mitigation and preparedness, agritourism, and human services.

The Virginia Center for Housing Research at Virginia Tech (VCHR) was created by the Virginia General Assembly and Virginia Tech in 1989 to respond to the housing research needs of Virginia and the nation. In its 25-year record of performance, VCHR has established an unparalleled reputation for high-quality research on affordable housing that integrates policy, building technology, and the housing industry. In response to every request, VCHR identifies the best talent within Virginia Tech and beyond providing the capacity, talent, and drive to deliver the best proposal possible. VCHR works with multiple partners and sponsors to fulfill its mission within the commonwealth, including Virginia Housing, the Virginia Department of Housing and Community Development (DHCD), HousingForward Virginia, and Virginia REALTORS®.

HousingForward Virginia (HFV) is a Richmond-based 501(c)3 nonprofit that serves as the commonwealth’s trusted resource for knowledge and insight on affordable housing. HFV is led by a diverse board of directors representing Virginia’s geographies and housing stakeholders. Advocates, planners, developers, and mission-aligned organizations rely on HFV to understand challenges, build solutions, and advance their work. For more than a decade, HFV has helped complete numerous local, regional, and statewide housing studies in Virginia, often in partnership with VCHR. Its collective expertise in policy, finance, and research helps practitioners translate information into meaningful action.

Celebrating 55 Years CSPDC Central Shenandoah Planning District Commission

VCHR

HousingForward VIRGINIA

Geography and Regional Analysis

The CSPDC region includes five distinct housing markets that have connections within and outside the region. The region includes two metropolitan statistical areas (MSAs): the Staunton MSA—also known as the Staunton-Augusta-Waynesboro (SAW) region—and the Harrisonburg MSA. MSAs are defined based on commuting patterns and intended to represent "a core area containing a substantial population nucleus, together with adjacent communities having a high degree of economic and social integration with that core[1]." MSAs are good approximations of housing markets because households usually seek a home within a reasonable commute of their job or a job within a reasonable commute of their home. Households will also consider proximity to services and amenities, balancing them with other preferences for a rural or urban setting, proximity to family, etc.

Households with preferences for rural or small-town settings—whether based on family ties, occupations, or lifestyle—often live outside MSAs. Bath, Highland, Rockbridge, Lexington, and Buena Vista are all outside MSAs. Rockbridge, Lexington, and Buena Vista are submarkets in a crossroads, impacted by a number of metro areas (i.e., the SAW region, Roanoke, and Lynchburg) and corridors—some leading to metro areas and others leading to even more rural places in Bath and Alleghany counties.

Bath County and Highland County, both rural and mountainous, are the most remote submarkets of the region. Nearly one third of homes in each county are held for occasional, seasonal, or recreational use. Retirees also make up a large part of households in both counties. Bath is home to workers who choose to live in Bath and commute to neighboring jurisdictions, with many households (30.5%) traveling as far as 50 miles or more. People who live and work in Bath are a smaller population, likely restricted by the availability of housing. This trend is similar in Highland, but most residents who commute out of Highland for work have nearby destinations in neighboring counties.

The report includes detailed analysis of each locality organized based on markets and submarkets:

- The Staunton MSA, also called the SAW region: Staunton City, Waynesboro City, Augusta County, and the Town of Craigsville
- The Harrisonburg-Rockingham MSA: Harrisonburg City, Rockingham County, and the seven associated towns; Bridgewater, Broadway, Dayton, Elkton, Grottoes, Mount Crawford, and Timberville
- Bath County
- Highland County and the Town of Monterey
- The Rockbridge region: Buena Vista City and Lexington City, Rockbridge County, and the two towns of Glasgow and Goshen

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[1] U.S. Census 2023 https://www.census.gov/programs-surveys/metro-micro/about.html, Accessed April 2024

Data and Methodological Notes

VCHR used the data referenced in this section throughout its analysis and documented its use in the source lines of graphs and tables. For readability, VCHR has not documented the source of each estimate discussed. However, where the narrative includes sources that do not align with sources listed in each graph, VCHR has included the source in the narrative or a footnote to clarify the data source. Throughout the study process, VCHR and the CSPDC presented data to experts in focus groups described below, as well as local government staff and housing expert members of the study leadership group, to assess the validity of data and analysis.

The American Community Survey (ACS) is VCHR's main source of information on households, including demographic profile (e.g., family size, family type, and householder age); occupancy characteristics (e.g., number of occupants, presence of children, seniors, elderly, and/or people with disabilities); and tenure (i.e., whether the household rents or owns the home where they live). VCHR used the ACS Public Use Microdata Set (PUMS) to create estimates that are not available in the ACS published tables, such as characteristics of student households. VCHR analyzed five-year estimates from 2021, the most recent data year at the time of writing.

Household non-response increased substantially in the ACS during the COVID-19 pandemic because of the challenges of conducting a household survey, especially for households with lower socioeconomic status—those most likely to experience housing cost burden and other housing-related challenges. Although the U.S. Census Bureau has refined its methodology to reduce the effect of non-response bias owing to the COVID-19 pandemic, the organization still labels 2020 data as experimental. As such, VCHR has omitted 2020 ACS data from longitudinal analysis and, where necessary, represented the period from 2019 to 2021 as a broken line.

VCHR used a special ACS tabulation called Consolidated Housing Affordability Strategy (CHAS) data to estimate the degree to which economic means of households are matched with affordability of the housing supply. The CHAS data designate each unit as affordable to specific income levels based on the size of the unit, the unit's value or rent, and the level of income required for a household of corresponding size to affordably rent or own the unit. The CHAS tabulation also provides data on the income levels of occupants currently living in units at each unit affordability level.

VCHR analyzed 2015-2022 home sale data provided by the Virginia REALTORS® with permission from the Harrisonburg-Rockingham Association of REALTORS®, Rockbridge Highlands REALTORS®, and Greater Augusta Association of REALTORS®. VCHR used this data to analyze trends and demand in the homeownership market.

VCHR used CoStar data to supplement ACS data on rental market trends. VCHR primarily used rental vacancy rates for places with a substantial number of multifamily and townhome rental properties to provide a more current perspective on rental market trends.

Many of the counties and cities in the study area provided data including real estate assessment data; data on existing income-restricted housing and on building trends; and housing policies, plans, and prior studies.

VCHR used 2021 OnTheMap data from the U.S. Census Bureau's Center for Economic Studies to analyze commuting patterns and identify groups that disproportionately commute into the region for work. VCHR described the inflow and outflow of workers in the region and documented trends of note by workers' income, age, and industry.

VCHR's workforce housing affordability analysis compares maximum affordable housing costs by occupation to local housing costs to determine which workers may struggle to afford housing in the region or may commute from outside the region because they cannot find appropriate, affordable housing close to their job.

VCHR used BLS and Lightcast data to calculate maximum affordable monthly housing costs (30% of monthly income) for each occupation using three scenarios:

- A single earner with a median wage
- A single earner with a 90th-percentile wage to represent highly skilled or experienced workers
- Two earners with a median wage for a single occupation to represent a dual-earner household

VCHR used 2021 ACS survey data on median gross rent and median selected monthly owner costs with a mortgage to define housing costs.

The concept of naturally occurring affordable housing (NOAH) has gained attention as home prices and rents increase rapidly and as housing affordability, from both homeownership and rental perspectives, remains a pressing concern for residents in many places. NOAH refers to affordable housing units that arise in the marketplace without specific incentives or regulations.

VCHR used FY 2022 Income Limits from the Department of Housing and Urban Development (HUD) to categorize affordability levels for units in local assessment data. The NOAH analysis is driven by two primary objectives:

1. To realistically gauge the costs for low- to moderate-income households to own a home and to evaluate how many homes in the current market align with their affordability thresholds

2. To estimate the availability of affordable rental multifamily units in the market

For homeownership, VCHR relies on assessment data and adjusts assessed value to an estimated market price using recent sales data. VCHR uses supplemental datasets to estimate other associated costs (e.g., insurance, utilities, HOA and condo fees, and interest rates), ultimately leading to the computation of the monthly payment. For rental, VCHR employs CoStar data to derive monthly housing costs for multifamily units. Full details regarding the NOAH analysis methodology can be found in the appendix. NOAH findings for the Harrisonburg MSA are presented in the Harrisonburg-Rockingham region section, and results for the remaining jurisdictions are included in the appendix.

Short-term rentals (STRs) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. The rise of STRs has redefined housing utilization, transforming properties typically designated for long-term rental (LTR) or ownership into temporary accommodations. This shift has led to increased interest in STRs as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

VCHR used AirDNA data to analyze STRs in the housing market. AirDNA ia a leading global provider of STR data and analytics. AirDNA's platform accumulates publicly available information from websites like Airbnb and Vrbo, providing in-depth insight into the performance of millions of individual vacation rental properties worldwide. AirDNA employs sophisticated web scraping techniques to gather its data. The data are collected by automated bots programmed to extract specific types of information from websites. The company uses these web scraping tools to pull data daily, capturing a snapshot of all STR listings available on these platforms. These data include both current and historic listings, giving a comprehensive view of the STR market. For our analysis, we obtained the 2014-2022 dataset from AirDNA. Additional details of the analysis are included in subregion sections of the report as well as in the appendix.

Qualitative Data Collection and Analysis

Qualitative data from experts, stakeholders, and citizens helped the study team assess the validity of quantitative data analysis, identify additional topics for analysis, and contextualize study findings. VCHR has summarized themes of the discussions as a whole to promote earnest conversation and protect the anonymity of participants.

CSPDC staff coordinated listening sessions for VCHR and HFV to learn about housing market conditions and challenges from local staff and stakeholders. VCHR and HFV met with staff from each county and city, as well as representatives of many towns. Staff and stakeholders described each jurisdiction’s housing stock, housing challenges, and potential opportunities. These initial sessions helped the study team understand the region and shaped the elements of the study to respond to local concerns and conditions.

Local experts such as builders, developers, Realtors, lenders, housing service providers, employers, business groups like the chamber of commerce, K-12 school representatives, and university representatives are valuable resources in understanding housing-related challenges and opportunities. CSPDC and VCHR conducted eight focus groups and 17 interviews with these experts from across the Central Shenandoah footprint. Themes from these focus groups are documented throughout the report.

Important Terms and References

Tenure

The term “tenure” refers to the method by which a household possesses their home: renting, fully owned with no home loan, or owned with a mortgage or other home loan.

Cost-burdened Households

The U.S. Department of Housing and Urban Development (HUD) established the term “cost-burdened” to describe households who need more affordable housing. HUD defines cost-burdened households as “families who pay more than 30% of their income for housing… and may have difficulty affording necessities such as food, clothing, transportation, and medical care.” Severely cost-burdened households pay 50% or more of their income for housing and are likely to be making tough choices between housing and other necessities.

Percent of Area Median Income (AMI)

HUD sets income limits by household size that determine eligibility for assisted housing programs. HUD develops these income limits based on Median Family Income estimates and Fair Market Rent (FMR) area definitions for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. These income limits are useful tools for assessing housing needs because they standardize income-based household categories while considering household size. The appropriate annual income limits based on data vintage were applied in the analysis. HUD income limits can be queried by year and jurisdiction at https://www.huduser.gov/portal/datasets/il.html.

Housing Affordability

Housing affordability is a broad term used to discuss the degree to which housing units in a market or submarket meet the income-based needs of households in that market. Researchers and practitioners generally consider housing affordability for income groups that may face challenges related to affording housing, including (but not limited to) the following:

- extremely low-income households who do not make enough money to obtain decent housing
- young workers who wish to become homeowners but cannot find a starter home with associated costs within their budget
- established owners who cannot find an appropriate home to “upgrade” to as their families grow and they enter their professional prime
- seniors who struggle to find affordable, accessible housing that meets their needs, including maintenance and modifications to make their existing homes suitable for aging

Housing affordability is not usually a concern for higher-income households who can obtain their desired housing without sacrificing other household needs such as safety, transportation, medical care, food, education, or childcare. However, a shortage of housing for households at any income level may affect businesses expanding in the market or economic development efforts for attracting new businesses.

Householder

This report refers to "householders" when the available data pertains to the householder as defined by the U.S. Census: "the householder refers to the person (or one of the people) in whose name the housing unit is owned or rented (maintained) or, if there is no such person, any adult member, excluding roomers, boarders, or paid employees. If the house is owned or rented jointly by a married couple, the householder may be either the husband or the wife. The person designated as the householder is the 'reference person' to whom the relationship of all other household members, if any, is recorded."

The Importance of Housing

Housing plays a critical role in economic opportunity for individual workers and their families, affecting current and future workers, employers, communities, and regional markets. Benefits of appropriate, affordable housing and consequences when such housing is unavailable are most concrete at the individual and neighborhood levels. However, as demand for housing increases and housing becomes more expensive to produce, its availability and affordability also have distinct effects on businesses and markets. This overview of the importance of housing illustrates some of the connections between housing, individual economic opportunity, workforce, and economic development that have been explored by researchers. Nonetheless, the effects of homes—and attributes like size, quality, location, and cost—extend beyond the examples given here.

Individuals and families who select a home choose a host of related features, resources, amenities, and opportunities. For instance, they choose access to specific schools, proximity to grocers and other shopping, proximity to family and other important social networks, and opportunities for recreation and exercise. Households choose the best housing they can afford and gravitate toward markets that offer better housing "packages" at the best prices. Housing costs are among the top five factors affecting where households choose to live and work[2].

A community that lacks affordable housing often lacks housing for the community's essential, low-income workers. To provide a high quality of life for all households, the region and its jurisdictions must enable developers and builders to produce housing that is appropriate and affordable for households at every income level. For households with the lowest incomes, local governments must

[2] Wardrip, K., Williams, L., & Hague, S. (2011). The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature.

pair their land-use tools and resources with state and federal resources to provide affordable, appropriate housing and ensure that low-income workers can prosper in the community.

Although high housing prices often reflect local amenities and economic opportunities in the area[3], research suggests that high housing prices and few affordable options may constrain economic growth. Saks (2008) argues that when the supply of affordable housing is restricted (often by land-use controls), labor migration patterns change, resulting in lower employment growth[4]. Slowed, stalled, or negative employment growth can hurt businesses and communities. Jonas, While, and Gibbs (2010) suggest that workforce housing and other major infrastructure are common problems for regions identified as growth "hotspots[5]." Workforce housing[6] supports successful economic development, as businesses may have trouble attracting or retaining workers without nearby affordable housing options and/or convenient and affordable transportation. This job–housing imbalance may impede economic development by making it difficult for businesses to recruit and retain employees[7].

Housing affordability, stability, quality, tenure, and location have been shown to impact child development and opportunities for individuals and households. Housing is the foundation for family well-being[8], and housing unaffordability is often why individuals and families experience instability in housing, accept substandard housing, or sacrifice other critical needs like child educational enrichment, medical attention, or food. Strained finances and substandard or unstable housing may lead to negative economic consequences for both individuals and households.

Many aspects of substandard housing affect the health of residents. Poor housing quality often induces stress and inhibits the home from providing a peaceful or restorative space. Jones-Rounds et al. (2014) found that psychological well-being correlated with housing quality; that is, people in high-quality housing were less depressed and more energetic and peaceful than those living in low-

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[3] Ratcliffe, A. (2015). Wealth Effects, Local Area Attributes, And Economic Prospects: On The Relationship Between House Prices And Mental Wellbeing. *Review of Income and Wealth, 61*(1).
[4]Chakrabarti, R., & Zhang, J. (2015). Unaffordable housing and local employment growth: Evidence from California municipalities. *Urban Studies, 52*(6); Saks, R. E. (2008). Job creation and housing construction: Constraints on metropolitan area employment growth. *Journal of Urban Economics, 64*(1), 178-195. doi: 10.1016/j.jue.2007.12.003

[5] Jonas, A., While, A., & Gibbs, D. (2010). Managing Infrastructural and Service Demands in New Economic Spaces: The New Territorial Politics of Collective Provision. *Regional Studies, 44*(2).
[6] Workforce housing is generally described as the housing that is affordable to households earning less than 120% of AMI (Cohen & Wardrip, 2011).
[7] Morrison, N., & Monk, S. (2006). Job-housing mismatch: affordability crisis in Surrey, South East England. *Environment and Planning, 38*.
[8] Bratt, R. G. (2002). Housing and Family Well-being. *Housing Studies*, *17*(1), 13-26. doi: 10.1080/0267303012010585

quality housing[9]. Substandard housing represents a potential psychological detriment by causing low self-esteem and hindering family self-sufficiency[10]. For example, residents of low-quality housing worry about the integrity of the home's structural components. Housing-related stress or anxiety has been shown to lead to depression and stress-related mental illness[11]. Children in low-income families that receive housing subsidies are more likely to be classified as having "good" or "excellent" health than those children in low-income families on the waiting list for assistance[12]. Furthermore, adults who are housing cost-burdened are less likely to fill a prescription, follow healthcare treatments, or purchase health insurance because of the costs.

Health problems, when persistent, present significant employment and productivity problems. Businesses impacted by poor employee health may experience high rates of turnover that manifest unfilled positions, lower productivity, and lost profits. Employee turnover generates costs related to finding replacement workers, temporarily covering vacancies, training replacements, and managing loss of knowledge and skills. In total, the costs of turnover can be upwards of 30% of annual salary for lower-level employees and up to 250% of annual salary for highly skilled ones[13]. Health conditions also pose a barrier for those who are currently unemployed and can lead to both temporary and permanent medically induced unemployment (i.e., the inability to work owing to a medical condition)[14].

Cohen and Wardrip (2011) found that low-income families occupying substandard homes moved more often than middle- and high-income families did, owing to problems associated with high housing costs and changes in income[15]. In addition, households experiencing forced displacement (e.g., eviction, foreclosure, or building condemnation) often must move to substandard and/or temporary housing, resulting in subsequent moves[16]. Children in families with housing instability or substandard housing experience health, behavioral, and developmental educational consequences.

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[9] Jones-Rounds, M. L., Evans, G. W., & Braubach, M. (2014). The interactive effects of housing and neighbourhood quality on psychological well-being. *Journal of Epidemiology and Community Health*, *68*(2), 171-175. doi: 10.1136/jech-2013-202431

[10] Mueller, E. J., & Tighe, J. R. (2007). Making the Case for Affordable Housing: Connecting Housing with Health and Education Outcomes. *Journal of Planning Literature*, *21*(4), 371-385. doi:10.1177/0885412207299653

[11] Mueller, E. J., & Tighe, J. R. (2007). Making the Case for Affordable Housing: Connecting Housing with Health and Education Outcomes. *Journal of Planning Literature, 21*(4), 371-385. doi:10.1177/0885412207299653

[12] Maqbool, N., Viveiros, J., & Ault, M. (2015). The Impacts of Affordable Housing on Health: A Research Summary. Insights from Housing Policy Research.

[13] Hester, J. (2013). The high cost of employee turnover and how to avoid it. *Nonprofit World, 31*, 20-21. Retrieved from http://login.ezproxy.lib.vt.edu/login?url=http://search.proquest.com.ezproxy.lib.vt.edu/docview/1370701218?accountid=14826

[14] Jordan, R. (2016). Health Conditions in Five Choice Neighborhoods. Urban Institute.

[15] Cohen, R., & Wardrip, K. (2011). The Economic and Fiscal Benefits of Affordable Housing. *Planning Commissioners Journal* (89).

[16] Desmons, M., Gershenson, C., & Kiviat, B. (2015). Forced Relocation and Residential Instability among Urban Renters. Social Service Review.

Unaffordable housing contributes to children's poor school attendance and performance[17]. Gagne and Ferrer (2006) found that major home repair requirements and short length of residence negatively affect children's math scores[18]. Newman and Holupka (2013) found that families who are not cost-burdened are more likely to spend a portion of their income on child enrichment, affecting their children's cognitive achievement[19]. These developmental and educational consequences associated with student mobility and inadequate housing may have economic implications for individuals and the community workforce. Many studies have shown that educational attainment—the number of school years completed—closely correlates with both individual earnings and economic growth rates[20]. Level of education is typically positively associated with higher individual earnings. Studies within and across nations have found that one additional year of schooling translates into an approximately 10% increase in annual individual earnings[21].

Beyond this individual benefit, evidence exists that additional years of schooling provide social benefits in the form of improved health, higher levels of civic participation, lower crime rates, and greater economic growth[22]. Educational attainment increases human capital, resulting in the enhanced productivity of a nation's workforce, an increase in the rate of technological innovation, and the diffusion and adoption of new production processes and technologies, all of which help boost economic growth[23]. Each additional year of schooling within a population is also associated with greater long-run economic growth[24]. Schools and neighborhoods are closely interconnected;

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[17] Anderson, L. M., St. Charles, J., Fullilove, M. T., Scrimshaw, S. C., Fielding, J. E., & Normand, J. (2003). Providing affordable family housing and reducing residential segregation by income. *American Journal of Preventive Medicine, 24*(3), 47-67. doi: 10.1016/s0749-3797(02)00656-6

[18] Gagne, L., & Ferrer, A. (2006). Housing, Neighbourhoods and Development Outcomes of Children in Canada. *University of Toronto Press on behalf of Canadian Public Policy*.

[19] Newman, S., & Holupka, C. S. (2013). Housing affordability and investments in children. *Journal of Housing Economics*.

[20] Krueger, A. B., & Lindahl, M. (2001). Education for Growth: Why and for Whom? Journal of Economic Literature, 39(4), 1101-1136.; Sianesi, B., & Reenen, J. V. (2003). The Returns to Education: Macroeconomics. Journal of Economic Surveys, 17(2), 157-200. doi:10.1111/1467-6419.00192

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[22] Lochner, L., & Moretti, E. (2001). The Effect of Education on Crime: Evidence from Prison Inmates, Arrests, and Self-Reports. doi:10.3386/w8605; Currie, J., & Moretti, E. (2003). Mother's Education and the Intergenerational Transmission of Human Capital: Evidence from College Openings. *The Quarterly Journal of Economics*, *118*(4), 1495-1532. doi:10.1162/003355303322552856

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[24] Mankiw, N. G., Romer, D., & Weil, D. N. (1992). A Contribution to the Empirics of Economic Growth. *The Quarterly Journal of Economics, 107*(2), 407-437. doi:10.2307/2118477; Benhabib, J., & Spiegel, M. M. (1994). The Role of Human Capital in Economic Development: Evidence from Aggregate Cross-Country Data. *Journal of Monetary Economics, 34*(2), 143-173.; Hall, R. E., & Jones, C. I. (1999). Why Do Some Countries Produce So Much More Output per Worker than Others? *Quarterly Journal of Economics, 114*(1), 83-116.; Hanushek, E. A., &

therefore, providing equitable and affordable housing opportunities across a jurisdiction can provide more equitable educational opportunities[25], leading to greater and more sustainable economic growth[26]. Increasing skills for low-income individuals improves economic growth more than it does for those with high incomes as measured by GDP and tax revenue growth, suggesting that educational opportunities should be improved for low-income individuals[27]. Furthermore, closing educational-achievement gaps may reduce income inequality by increasing the lifetime earnings of the poorest 75% of children more than those of the richest 25%. Lynch (2015) concluded that improving the education of all future workers "accelerates economic growth and can promote more equal opportunity over the long run resulting in stronger, more broadly shared economic growth, which in turn raises national income and increases government revenue, providing the means by which to invest in improving our economic future[28]."

Finally, the location, tenure, and type of housing can affect a household's economic opportunities. Kleit (2002) found evidence that households living in areas with more income diversity have more diverse job-search networks[29]. White and Saegert (1997) showed that co-op ownership of low-income housing is associated with increased skills and self-confidence, as well as wider job networks among tenants. Studies have shown that homeownership provides considerable access to opportunity[30]. The simplest connection between homeownership and opportunity is the ability to build wealth and use home equity. Homeowners can elect to borrow against the equity they have built on their home through a home equity line of credit (HELOC). HELOCs may act as a financial

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Woessmann, L. (2008). The Role of Cognitive Skills in Economic Development. *Journal of Economic Literature, 46*(3), 607-668. doi:10.1257/jel.46.3.607

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[26] Lynch, R. G. (2015). The Economic and Fiscal Consequences of Improving U.S. Educational Outcomes. Washington Center for Equitable Growth. Retrieved from http://equitablegrowth.org/wp-content/uploads/2015/02/10153405/0115-ach-gapreport.pdf

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[29] Kleit, R. G. (2002). Job Search Networks and Strategies in Scattered-site Public Housing. *Housing Studies, 17*(1).

[30] White, A., & Saegert, S. (1997). Return from abandonment: The Tenant Interim Lease Program and the development of low-income cooperatives in New York City's most neglected neighborhoods. *Affordable Housing and Urban Redevelopment in the United States*, 158-180.

buffer against unexpected expenses, smooth consumption over time, and allow households to invest in education, job training, or a small business[31].

The COVID-19 crisis has highlighted the critical role of stable and affordable housing. The pandemic has left approximately 7.04 million American families struggling to pay rent. Despite nationwide efforts like the eviction moratorium, the Eviction Lab (2021) noted that 422,432 evictions took place in select states and cities, signaling a deepening housing crisis[32]. The pandemic's disproportionate impact on Black and Latino communities has further highlighted systemic issues. These populations, overrepresented in low-wage, non-remote jobs, faced greater challenges in maintaining housing stability[33][34], as noted by Brown (2020) and Greene & McCargo (2020). Reflecting on these challenges, it is evident that the issue of housing affordability is not just an individual struggle but a regional one, requiring a concerted and comprehensive response.

Central Shenandoah Regionwide Themes and Findings: People

All the markets and submarkets in the Central Shenandoah footprint grapple with the nearly universal challenge of meeting housing needs for the variety of individuals and households in each jurisdiction. These communities overlap and include students, workers, retirees, families, and vulnerable populations. This study addresses many of these household types for each jurisdiction; however, some analysis was only possible for the entire Central Shenandoah PDC. Common themes and region-wide analysis is presented in this section.

Workers

Most households (71%) in the Central Shenandoah footprint include at least one worker. Housing affordability and availability for workers is a central concern for all jurisdictions within the region. Low-wage service workers such as cashiers, retail sales people, fast-food workers, waitstaff, and personal care aides will struggle to find affordable housing without sharing costs with another earner. In some subregions, median homeownership costs are entirely out of reach for people working in these occupations, no matter their skill/experience level or living arrangement. Focus group participants explained that the lack of affordable housing makes it hard to recruit and retain employees, making it difficult for retail and restaurants to maintain regular hours and, more

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[31] MetLife Mature Market Institute, & National Council On Aging. (2009). The MetLife Study on the Changing Role of Home Equity and Reverse Mortgages.; Roe, W., Van Zandt, S., & McCarthy, G. (2002). Home Ownership and Access to Opportunity. *Housing Studies, 17*(1).
[32] Eviction Lab. (2021, June 26). Eviction Tracking System. https://evictionlab.org/eviction-tracking/
[33] Brown, S. (2020). How COVID-19 is affecting Black and Latino families' employment and financial well-being. Urban Institute. https://www.urban.org/urban-wire/how-covid-19-affecting-black-and-latino-families-employment-and-financial-well-being
[34] Greene, S., & McCargo, A. (2020). New data suggest COVID-19 is widening housing disparities by race and income. Urban Institute. https://www.urban.org/urban-wire/new-data-suggest-covid-19-wideninghousing-disparities-race-and-income

critically, for healthcare providers and schools to build up necessary staffing. Additional details are included in each subregion section.

Seniors

Just over 40% of Central Shenandoah householders are 60 or older. Though the percentage of aging adults varies, they represent a substantial portion of the population in each subregion. Some aging householders experience housing challenges and vulnerabilities. Approximately a quarter of households led by someone 62 and older spend more than 30% of their income on housing and may make choices between housing costs and other necessities like medication and food. Among households led by people 62 and older, non-family households (most of which are single householders, living-alone) are cost-burdened or severely cost-burdened at twice the rate of married couple households led by someone 62 or older. In many of the Central Shenandoah subregions, single seniors cannot afford median rent or owner costs and will likely struggle to afford housing if they do not own their home free and clear. Additional details are included in subregion sections as well as the appendix.

Students

More than 4,200 households in the Central Shenandoah footprint are led by an undergraduate student, and about 1,800 are led by a graduate student. Most undergraduate-led households live in the Harrisonburg MSA (71%), are nonfamily households, and are renting their home. Most undergraduate householders are younger than 23. There are too few households led by graduate students to conduct precise analysis. Nonetheless, approximately half are family households, most (90%) are older than 23, about half own their own home, and more than half (56%) live outside the Harrisonburg MSA. Graduate students closely reflect household characteristics of all households (students and nonstudents) in the Central Shenandoah footprint. Given the similarities between graduate students and the rest of the population, the study focused quantitative analysis on the impact of undergraduate students in the Harrisonburg MSA. Because students impact markets in the SAW and Rockbridge regions, as well, the study includes qualitative data from focus group discussions for these regions.

Vulnerable Populations

There are approximately 5,000 households at risk of homelessness in the Central Shenandoah footprint. Single earner/income households are among some of the most vulnerable households because they can rarely afford median owner costs and can only afford median rent in a few instances (e.g., a single female 65 or older with median income can afford the median rent in Highland). These vulnerabilities vary by region and are discussed in more detail both in the region sections below and the Appendix.

The region also has an estimated 265 people comprising 186 households who are unhoused (experiencing homelessness). The availability of services for households in crisis varies throughout

Central Shenandoah. Where services are extremely limited or non-existent, households are forced to leave their community in order to access emergency or rapid rehousing assistance. Where services are more robust, focus groups and stakeholders describe the need for better coordination or simply more services.

Some unhoused individuals and households need greater support to attain and sustain housing. To estimate the region's need for permanent supportive housing, VCHR applied Center for Support Housing (CSH) methodologies. In general, CSH estimates that 90% of chronically unhoused people and 10% of non-chronically unhoused people have needs consistent with permanent supportive housing. According to HUD point-in-time counts, there are 33 chronically unhoused individuals and 232 non-chronically unhoused individuals in the Central Shenandoah region. Thus, the region needs additional supportive housing for 53 individuals. Extensive detail regarding these estimates is included in the appendix.

Central Shenandoah Regionwide Themes and Findings: Housing Units

Housing stock—specifically its size, type, location, and condition—will influence who can and will live in a place. In high-demand submarkets, if the amount of housing can't meet demand, then prices and rents increase. Meanwhile, some niche submarkets rely on attracting select households interested in rural, small-town, or remote lifestyles. Although small-town living is increasing in demand, remote lifestyles are less popular than they once were. The Central Shenandoah footprint includes a variety of markets and submarkets—urban, suburban, exurban, and rural. Details of each submarket are discussed in regional sections below. An overview of the entire Central Shenandoah footprint is provided here.

Market Conditions

Throughout the region, housing that is for sale or for rent (aka "on the market") is scarce. Market weakness introduced after the Great Recession has resolved, but in the case of the Harrisonburg and Staunton MSAs, it has turned into market tightness. Both MSA jurisdictions have too little for-sale inventory, which increasingly makes homeownership out of reach for first-time homebuyers and low- and moderate-income buyers. Although Highland, Bath, and the Rockbridge region currently have adequate for-sale inventory, additional units will need to be added to keep up with demand.

Additional rental units are also needed in most areas of the Central Shenandoah footprint. In the two MSAs, rental vacancy is lowest in the principal cities: Harrisonburg and Staunton. In the SAW region, additional units could also be absorbed in Waynesboro, Stuarts Draft, and Fishersville. In the Harrisonburg MSA, Rockingham County at-large has a low rental vacancy rate and could likely absorb new rental units in both its incorporated towns and unincorporated areas. In the Rockbridge region, both Buena Vista and Lexington need more rental units (the former, critically), as evidenced by Buena Vista's extremely low rental vacancy rate and Lexington's steep increases in rent.

Meanwhile, Rockbridge County's rental vacancy rate is healthy to high, indicating that additional rental units may not be absorbed there. If they were, it would likely weaken the rental market, discouraging investment. In both Bath and Highland counties, stakeholders say limited rental housing opportunities prevent their communities from attracting workers they need, such as teachers and medical professionals.

Detailed analysis is included in each subregion section.

Age and Condition of Housing Stock

Stakeholders across Central Shenandoah expressed concern about housing conditions. Focus group participants discussed dilapidated single-family homes that need to be demolished; for-sale inventory that needs updates and, in some cases, substantial repair; housing that needs rehabilitation and modifications for current residents; multifamily rental housing that has been neglected by landlords; and mobile homes that need replacement, among other condition-related challenges.

A place's stock of housing units is built up over time, affected by decades' worth of demand and economic conditions. To maintain safety and relevance, housing needs regular maintenance and investments in upgrades. Such investments are encouraged by market conditions that allow owner-occupants and landlords to recoup their investments when they sell or rent their property and that enable market competition to raise expectations for upgrades and improvements to attract renters or buyers. In addition to these market conditions, owners and landlords must have enough money (or access to financing) to make improvements to their property.

Bath, Highland, and the Rockbridge region have some of the oldest housing stock in the Central Shenandoah footprint. Their markets are also slower paced than the two MSAs. Characterized by lower demand, less frequent sales, and lower returns on sales, slower-paced markets generally exhibit fewer upgrades and, in some cases, poorer conditions. Across Central Shenandoah, demand often outstrips supply. These high-demand markets are known as sellers' markets, in which buyers often settle for whatever is available. Sellers can get high prices for properties sold "as is" with few upgrades. Similarly, landlords do not have to compete for renters with upgraded properties and high-quality property management. Focus group participants and stakeholders described renters who endure substandard conditions because they fear being "kicked out" and replaced by renters who will tolerate poor conditions. In every jurisdiction throughout the Central Shenandoah footprint, there are owners who struggle to afford housing and may forgo housing maintenance and upgrades in favor of other necessities like medical care, childcare, and food.

Additional detail is included as relevant in each subregion section.

HIGHLAND HOUSING DATA ANALYSIS

Highland County, Virginia, is a rural, mountainous county that has long been known for its scenic landscapes and agricultural heritage. The county is home to approximately 2,229 residents, a blend of generations-old residents and newcomers. About 40% of households have moved to the county since 2010. Among those who have lived in Highland longer, 36% have lived in the county for more than 22 years. People relocate to Highland to adopt a rural lifestyle and often to return to family roots. Others relocate for entrepreneurship opportunities in hospitality or agriculture or for employment in service sectors like health, education, or local government services. Moreover, the rise in remote work flexibility has created a new interest among people who desire a rural lifestyle without needing to change their existing employment.

Similar to other rural regions, Highland's housing market is slow paced. Many properties that become available require niche buyers because of unique property types and the county's remote location. For example, some homes are paired with farms and other large tracts of land. In addition to sales for primary residences, the county has a significant market for vacation homes and investor-owned short-term rentals.

Households

As of 2021, 2,229 people comprise 987 households in Highland County. Eighty-three percent of households own their homes. Despite the confirmed presence of renting households, which account for roughly 17% of the total, the population of renters is small enough that the American Community Survey (ACS) sample cannot be used to make a precise estimate.

One of the most notable demographic traits of Highland County is the comparatively high median age, which is 56.5 years. This is nearly 20 years greater than Virginia's statewide median age of 38.5 years, making it the highest median age among counties in the CSPDC footprint. Approximately half (52.6%) of households have at least one member 65 or older.

The majority (79%) of households are composed of one or two individuals, indicating a prevalence of smaller family units. Two-person households, mostly married couples, make up the largest demographic subset, accounting for 49% of all households. Among single-person households, those 65 and older make up the largest group; at least 114 seniors live alone.

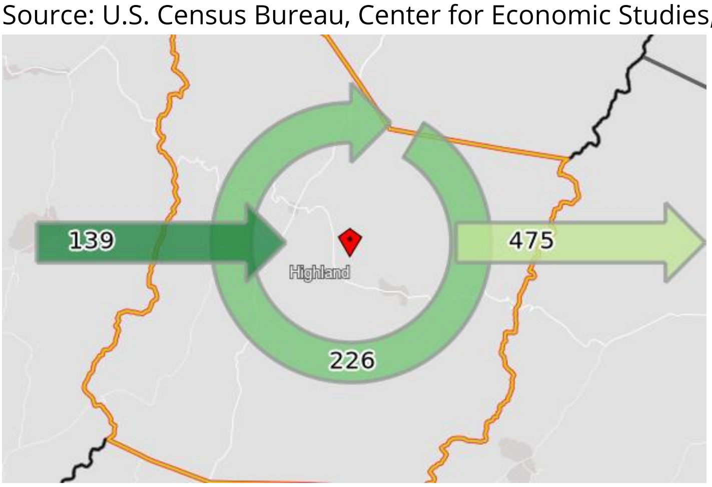
Workforce Housing

Nearly 53% of households (528) in Highland County include at least one working individual. Many non-working households are likely to be retired, with between 261 and 439 households receiving retirement income. The median household income of residents stands at $52,901, which translates to maximum affordable housing costs of approximately $1,323 per month.

Among the 701 workers residing in Highland County, approximately 32% are employed within the county itself. The destinations for those who commute out of the county vary, with 8.3% traveling to Augusta County, 5.2% to Bath County, and 4% to Rockingham County, among other places. Older workers are more likely to reside in the county, and younger residents are more likely to commute out of the county. At least 70 individuals in the county work from home[1].

Of the 365 individuals working in Highland County for their primary jobs, 62% live within the county, enjoying the benefits of proximity between their residence and workplace. Those commuting to Highland County from outside have diverse residences, mostly in neighboring counties: among them, 10% live in Pendleton County, West Virginia, followed by 6% in Augusta County, and 3% each in Bath and Rockingham counties. Some of these workers may choose to live in Highland if the appropriate housing were available. Workers 29 or younger are more likely to commute into the county compared to other older workers.

2020 Inflow/Outflow of Highland County Workers for Primary Jobs
Source: U.S. Census Bureau, Center for Economic Studies, LEHD



[1] 2022 ACS 5-year estimate from table S0801, VCHR applied the margin of error because the estimate is not reliable at a 90% confidence level.

Employers explained that the limited availability of housing is a barrier to recruiting and retaining employees. They explained that most new employees want to rent and learn more about living in Highland County before they invest in homeownership; however, rental housing is extremely scarce.

Housing Insecurity

At least 73 households spend more than 30% of their income on housing expenses and may have to make choices between housing and other necessities. Of these cost-burdened households, 17% are spending more than 50% of their income on housing and are likely to make choices between necessities (e.g., home maintenance, food, medical care, education, and clothing) in order to pay for housing. Further, these households are more likely to be at risk for homelessness in the event of an unexpected household expense such as a medical expense or major appliance failure. While accurate estimates are challenging to derive for cost-burdened households in rural areas like Highland County due to sample size limitations, it is generally observed that extremely low and very-low households are more likely to experience housing cost burden. The income thresholds for low-income households in 2023, represented in the table below, show that a four-person household with an income of $63,450 or lower is classified as having a “low income.” Nearly 35% of households in Highland have low incomes[2] and many are likely to qualify for government housing assistance programs such as the Weatherization Assistance Program, Indoor Plumbing Repair (IPR), USDA housing repair loans/grants, and housing choice vouchers (HCV). However, access to these programs is limited in the county. For example, at the time of this study, no HCV administrator covered the county, so vouchers were not available to eligible households.

New teachers in Highland County public schools as single-earner households would be considered to have low incomes. Though a new teacher could afford the median rent in the county, the availability of rental units is limited and a teacher newly locating to the county may have difficulty finding an affordable, appropriate home. Most of Highland’s workforce (71%) would be considered low income as a single-earner household. Those who earn less than $1,250 per month (26%) would be considered to have extremely low incomes as single earners and low income when sharing housing costs with another worker with similar earnings.

2023 HUD Low Income Limits: Highland County

	Median Income	Person in Family			
FY2023 Income Limits		1	2	3	4
Extremely Low (30%)		$16,700	$19,050	$21,450	$25,750
Very Low (50%)	$79,300	$27,800	$31,750	$35,700	$39,650
Low (80%)		$44,450	$50,800	$57,150	$63,450

[2] 2015-2019 CHAS Data, 440 low-income households out of 1,265 households (CV 14.78). According to 2021 ACS data, the number of households decreased to 987 between 2019 and 2021.

Highland service providers discussed the specific housing challenges of vulnerable populations and those who experience housing crisis in rural areas. They explained that families who experience a housing crisis are often displaced because there are no options for emergency housing in the county since the Highland Inn closed. The group also discussed the tenuous situation of many seniors who cannot receive in-home care because the county lacks service staff—for the reason that public providers in Highland County cannot compete with prevailing wages in the private home health industry. Providers also shared the need for home accessibility modifications, explaining that the Department of Social Services can only pay for minor adjustments. Though programs like IPR could be leveraged to make some home improvements, there are no active providers in the county. SERCAP and CSPDC staff are working to build capacity to serve Highland and other localities in the region.

Housing Stock

Highland County's housing stock largely consists of single-family homes, accounting for 96% of all housing options in the area. This includes 1,470 detached, site-built units, and at least 161 mobile or manufactured homes. According to data from the Department of Motor Vehicles, as of June 2022, 202 mobile or manufactured homes are registered in Highland County. ACS data in 2021 suggest that the number of occupied mobile or manufactured homes could be as high as 514, so it is likely that most of the registered units are occupied as residences rather than being used for storage or businesses and offices.

Roughly half of the housing units in Highland County (47%) consist of three-bedroom homes, and units with four or more bedrooms make up about 22%. Thus, nearly two-thirds of all units in the county have three or more bedrooms. Considering that about 80% of households in Highland County consist of two or fewer people, there is a discrepancy between housing size and household size. Developing smaller, well-located units could be beneficial for both current and future residents, as the trend toward smaller households is consistent both locally and beyond.

Market Conditions

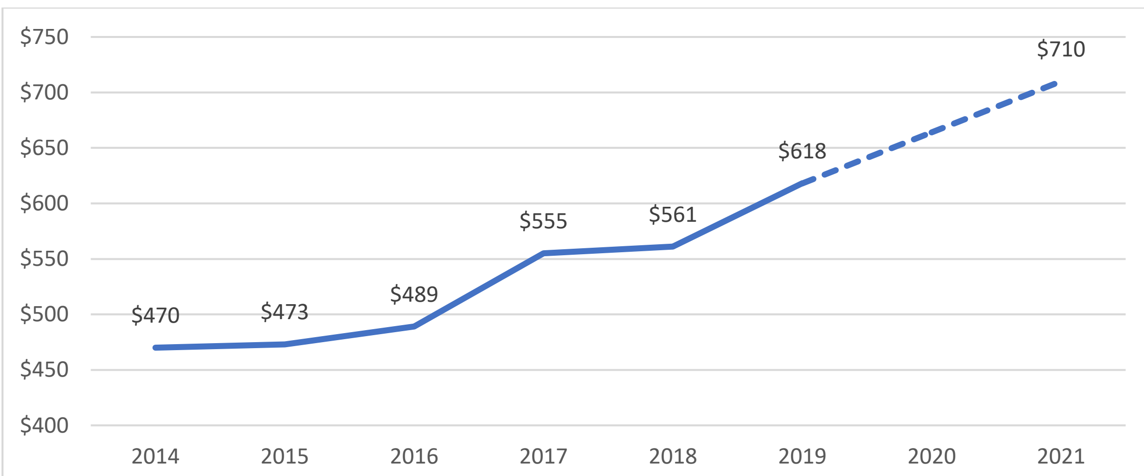
Highland County has 1,800 housing units, 82% more units than households. The 813 vacant units (69%) held for seasonal, recreational, or other occasional use are evidence of demand from second-home buyers over and above demand from residents and prospective residents. At least 14% of vacant units are long-term vacancies: abandoned, slated for demolition, or otherwise held in the long term without being occupied.

Between 0.6% and 4% of all housing units are vacant and available for sale or rent. Though this market vacancy rate range straddles the line between "too tight" and healthy, focus group insights and changes in rent suggest tightness in the market for rental units. Focus group participants discussed housing needs in more detail, explaining that new employees such as teachers, school administration, fire and safety personnel, and healthcare providers have difficulty finding housing that meets their needs (e.g., budget, location, conditions, and housing type). Though the quantity of new housing needed is small from a development perspective, the need is critical to maintain mandatory services in the community. Development interest among local community members could be the best way to address this need because development interests from outside the region are primarily focused on tourism and hospitality.

Increasing rents between 2018 and 2021 also indicate increased demand for and scarcity of rental units. The figure below shows a sharp increase in rents in Highland County. Since 2018, the rental costs in the county have escalated approximately 27%. Although the proportion of rental housing within the county isn't substantial, the demand for such accommodations exists. This shortage in rental housing supply, resulting in heightened living costs, could pose a significant challenge to renters in the area. Focus group participants described renters as vulnerable. They explained that when landlords decide to sell their property or transition it to a short-term rental, the families who lived there are displaced because they lack other options. The group explained that availability (and to some degree willingness to rent) is negotiated through relationships and word of mouth, meaning there is no central place to check for available units.

Median Gross Rent

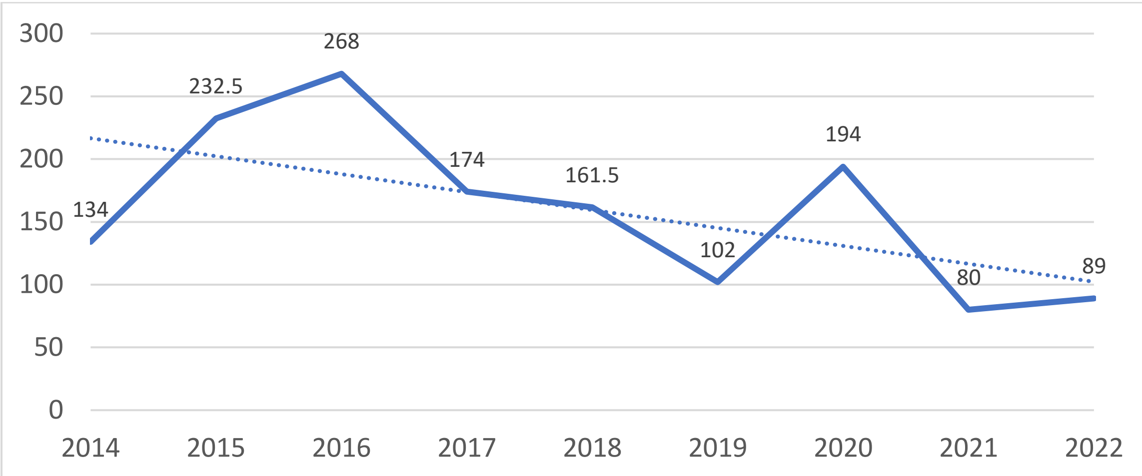
Source: VCHR Tabulation of 2015-2021 ACS 5-year, Not Adjusted



In the for-sale housing market, sales data are used to assess the relationship between supply and demand. In Highland County, a property typically remains on the market for about three months before it's sold. However, there's been a consistent decline in the median Days on Market (DOM)—down from nearly nine months in 2016—suggesting a steady increase in housing demand. Still, Highland County's DOM is considerably higher than in surrounding areas, possibly implying that Highland's housing market is not as widely demanded as neighboring jurisdictions. In addition to the longer commuting distances associated with Highland County, differences in demand could be related to several factors, such as home price, size, and the age and condition of available homes.

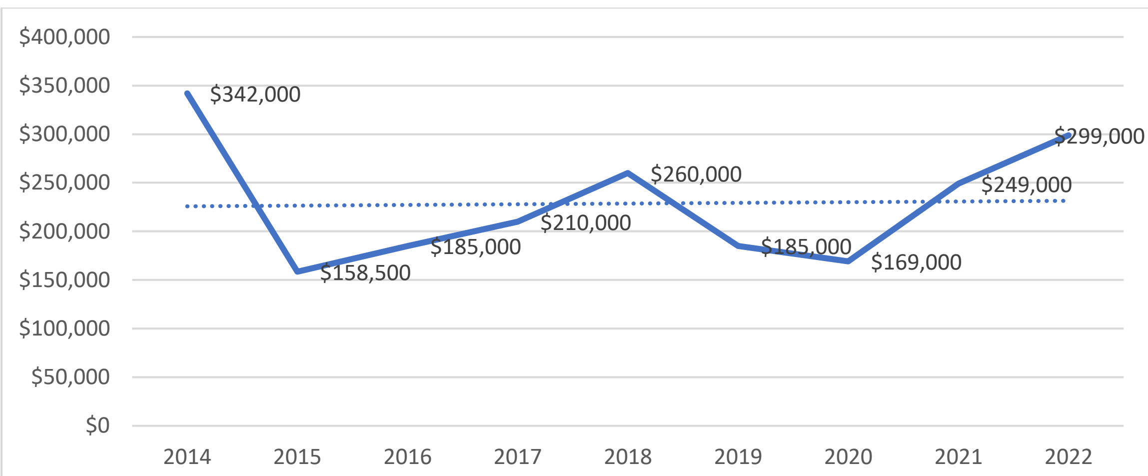
Median Days on the Market (DOM)

Source: VCHR Tabulation of 2014-2022 REALTOR Data



Median Sold Price

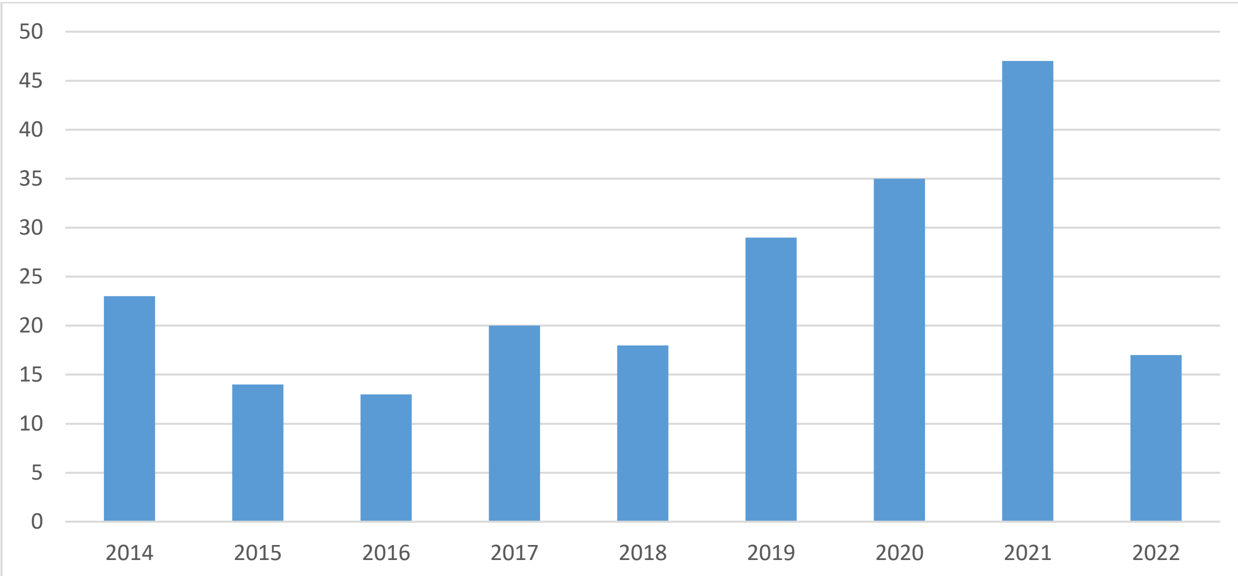
Source: VCHR Tabulation of 2014-2022 REALTOR Sale Data



The median sales price increased considerably in the past one to two years. This trend, similar to the DOM analysis, suggests an upswing in housing demand in the area. With relatively few sales annually, annual changes can be erratic. Though DOM has decreased fairly steadily since 2016, price tends to fluctuate around a long-term median of about $200,000, suggesting that demand may not have increased enough to have a long-term effect on price/value.

Focus group participants suggested that some of the recent demand in Highland may be a temporary, pandemic-related effect. Households might be seeking a different lifestyle following pandemic lock-downs and restrictions in urban areas, or investors might be anticipating higher home-buying demand in rural destinations. Because mortgage interest rates began to increase in 2022, depressing the market at least in part, it is difficult to estimate whether the market in Highland will continue to strengthen.

Number of Highland County Home Sales Annually
Source: VCHR Tabulation of 2014-2022 REALTOR Sale Data



Focus group participants and staff discussed the prominence of short-term rental properties in the county and voiced concerns that homes able to house long-term residents are instead used as accommodations for tourists and other visitors. Short-term rentals in the county are discussed in more detail in the following section.

Short-term Rentals

Short-term rentals (STRs) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. The rise of STRs has redefined housing utilization, transforming properties typically designated for long-term rental (LTR) or ownership into temporary accommodations. This shift has led to increased interest in STRs as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

The STR and LTR sectors are not independent entities but interlinked parts of the housing market. The influx of properties into the STR market has potential repercussions on LTRs. There is a possibility that the diversion of housing units from the LTR market could decrease supply, leading to increased housing price and rents. Furthermore, STRs often offer higher returns on investment than LTRs, potentially driving landlords to convert LTR units to STRs. However, this relationship is complex and may vary based on local regulations, housing market conditions, and other socioeconomic factors.

The growth of STRs can exacerbate housing shortages and affordability issues, especially in popular tourist destinations or urban areas with limited housing stock. Additionally, STRs can change neighborhood dynamics, impacting long-term residents through increased noise, overcrowding, and reduced community cohesion. These effects have led to legislative efforts to regulate or limit STRs in some regions.

Analyzing STRs within the housing market context is important due to their growing significance and potential impact on LTRs. The interplay between STRs and LTRs can affect housing supply, prices, neighborhood dynamics, and housing policy. Therefore, it is crucial to continually assess and understand the implications of these emerging trends to formulate effective strategies and policies.

Some units function as STRs throughout the year, while others, such as primary residences, accessory dwelling units, or spare rooms, can also serve as STRs. The latter category can occasionally cause inconveniences to neighbors, such as noise disturbances. However, they don't notably impact housing affordability. On the other hand, when an entire house is dedicated to STR use, it can reduce the stock of available housing for LTRs, potentially driving up house prices and rents, negatively affecting housing affordability. Therefore, the count of STRs can vary depending on the perspective. To differentiate the impacts of STRs on the housing market, we classify STRs based on the following definitions:

(1) **Full-time STRs**: These properties are used entirely as STRs, with the listing remaining active and available for reservations throughout the entire year. The listing type for these properties is "Entire home/apt." These units are consistently rented out on a short-term basis, meaning they are not available for the LTR market. Consequently, they may contribute to a decrease in the LTR housing stock and can exert upward pressure on housing prices and rents, potentially impacting housing affordability.

(2) **Occasional STRs:** These are entire properties used as STRs only part of the time, being active for at least one month in a year. The listing type for these properties is also "Entire home/apt." The “occasional” use refers to situations where owners might use their property as an STR when it's not in personal use. Though these properties are not fully dedicated to the STR market, they are still not available for the LTR market during their active periods.

(3) **Partial STRs:** These are properties where only a part of the home is listed as an STR, being active for at least one month in a year. The listing type for these properties is "Private Room" or "Shared Room." These types of STRs might cause minor inconveniences to neighbors but generally do not have a significant impact on housing affordability.

(4) **Inactive Listings:** These properties are listed as STRs but do not fit into the above categories of Full-time, Occasional, or Partial STRs. These could include properties that are listed but are not actively rented, either as a whole or in part. This category represents the potential number of STRs that could be operated in the area.

Using the proposed definitions of STRs, we calculated the STR numbers for Highland as of 2022.

In 2022, 44 housing units were listed at least once as STRs in Highland County, accounting for approximately 2.44% of the county's total housing units. These listings were then segmented into our four STR categories: Full-time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

The number of STR in Highland
Source: VCHR Tabulation of AirDNA Data in Dec. 2022

	Listing	Listing/Housing Units	Active	Active/Housing Units
Highland County	44	2.44%	34	1.89%

Among the total, 20 listings (approximately 1.11% of total housing units) are classified as Full-time STRs. This category is the most impactful on housing affordability, as these units are consistently unavailable for the long-term rental (LTR) market. The Occasional STRs and Full-time STRs categories are equal in Highland County, each accounting for 20 listings, or roughly 1.11% of total housing units. The Occasional STRs may be less impactful on housing affordability, but they represent a significant portion of the STR market. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals three properties, or about 0.17% of the total housing units. Lastly, the Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 10 listings, or around 0.56% of total housing units. These listings represent a potential expansion of the STR market if demand should increase.

Table X. The Number of STRs and Ratio to the Housing Stock in Highland
Source: VCHR Tabulation of AirDNA Data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Highland County	20	1.11%	20	1.11%	3	0.17%	10	0.56%	53	2.94%

Full-time STRs and Occasional STRs, which account for approximately 2.22% of the housing stock, seem relatively high when compared to Virginia's 1% and other areas (e.g., the Staunton-Augusta-Waynesboro region, 0.67%).

The high proportion of STRs could be linked to the rise in gross rent over recent years. According to several studies over the past few years, the increase in STRs is associated with the increase in rent and home values in nearby areas. The effect could be more pronounced in rural areas, where the rental market is small. However, the impact on the housing market can be minimal depending on the location of the STR and its original usage. For example, accommodation located on farms with low accessibility or second homes being operated as STRs during part of the year are not likely to exacerbate shortages in the rental market.

Conclusions

Since Highland needs more housing—but a relatively small number of units—new housing should appeal to as many demand segments as possible where need/demand is evidenced by the analysis presented above: small households, low- and moderate-income workers, and seniors. Therefore, new units should be primarily small (0-2 bedrooms), affordable, mobility accessible, rental units to serve workforce or seniors. Conveniently located, well-managed rental units are essential to attracting and anchoring prospective workers and residents. Focus group attendees, County staff, and County leadership all discussed the importance of attracting and retaining workers in mandatory service occupations such as teachers, sheriff's deputies, and healthcare providers. Some entry-level positions (like new teachers, new deputies, and health workers) will qualify for income-restricted low-income housing, so subsidized affordable housing should be considered.

A significantly smaller number of larger units *may* be readily absorbed, but these units are already available in the market. If these units are created as part of a larger subdivision development, they could be offered for sale in advance of construction and later rented as needed. For any new development, the county may want to consider ways to reserve units for workers and existing residents (e.g., Community Land Trust, affordable housing subsidies, and occupancy requirements).

Analysis of the short-term rental market indicates that STRs do not represent a large part of the housing stock as a whole, although the share of units in the STR market (2.4%) is similar to or possibly larger than the share of units available for rent or for sale (roughly 2.5%). Given Highland's relatively high percentage of STRs coupled with a small rental market, market rents are likely to be sensitive to potential earnings from STRs. In 2022, the median monthly gross revenue from full-time STRs was $805 per bedroom and $2,004 per housing unit in Highland County. Landlords are unlikely to lease a unit annually without a return that is comparable to what they could earn using the unit as an STR, with consideration for requirements to attract STR guests: location and desirability of the unit and additional operation expenses such as cleaning and furnishings. More information is required to establish a correlation between the shortage of rental housing and the increase in STRs in the county. Introducing an STR registry may allow the county to collect information about conversion of units that are leased annually to STRs and the characteristics of those units beyond what is available in the AirDNA data. If the county is unable to balance housing affordability and tourism through other means—such as new development that satisfies both demand segments, income-restricted housing, or programs such as a community land trust—then regulations that limit STRs may be appropriate.

Our analysis also highlighted that low-income, working households are often unable to access housing benefits due to scarcity of appropriate rental units in good condition and the lack of dedicated affordable housing. Similar to rental housing in general, housing supports like housing choice vouchers, Habitat for Humanity, project-based vouchers, and USDA and DHCD housing rehabilitation programs are critical components of the market. Without these supports, seniors, single-earner households, and low-wage workers are at risk and more likely to face a crisis. Highland County should work toward integrating these housing supports into the market by liaising with state and regional service providers and encouraging landlords and developers to offer or reserve units for voucher-holders.

BATH COUNTY HOUSING DATA ANALYSIS

Bath County is a rural, mountainous county that has long been known for its natural beauty and opportunities for vacationing. There are approximately 4,243 permanent residents, many of whom have deep roots in the county. Newcomers choose to retire to Bath or go there for jobs in hospitality or county services. All are attracted to the remoteness and lifestyle the county offers. Increasing opportunities for remote work have introduced a new source of demand in the county as workers who were previously required to be in urban places for employment can now choose to live in rural settings while retaining their jobs.

Like many rural places, the housing market is slower paced and includes mostly for-sale and owner-occupied homes. With its reputation as a vacation destination, Bath also has a relatively substantial market for second homes and investor-owned short-term rentals. Though Bath has some of the most affordable housing in the Central Shenandoah region, the commute makes it less practical for lower-wage workers who are employed in the Harrisonburg or Staunton-Augusta-Waynesboro MSAs.

Households

Bath County has 1,823 households, most of whom own their own home (78%). At least 14% of households rent their home, but the population of renters is small enough that the American Community Survey sample cannot be used to make an exact estimate. Owners include householders 25 and older, most (46%) of whom are between 55 and 84 years of age. At least 15% are aged 35-45, while few are either younger than 34 or older than 84. Renters are largely between 25 and 34 years of age, likely transitioning to homeownership or leaving the county as they age and their life situation changes (e.g., marry, have children, advance in their career).

The majority of households (79%) are small households with one or two people. Two-person households are the largest group, making up 47% of all households. Nearly all two-person households are married couples. Households with more than two people are generally households who include children. Non-family households are generally people living alone, without roommates.

Workforce Housing

Nearly 57% of households (1,038) include at least one worker. Non-working households are likely to be retired. At least 459 households (as many as 831) are headed by someone 65 and older, and at least 476 (as many as 828) households receive retirement income.

Of the 1,653 workers living in Bath County, less than half (46%) work in Bath. Workers commuting out of Bath for their primary jobs are commuting to a variety of destinations—many to the southwest (4.3% to the City of Covington, 3.9% to Alleghany County, and 2.4% to Roanoke), to the northeast (1.6% to Harrisonburg), or to the east (5.6% to Augusta County and 1.5% to Staunton). Residents of Bath are more likely to commute out of the county for work, a trend most prominent with higher earners.

Resident Workers by Earnings and Commute

Source: 2020 On the Map data, U.S. Census Bureau, Center for Economic Studies, LEHD

Monthly Earnings	Live/Work	Commute Out	Total Resident Workers
$1,250 or less	202 (48%)	218 (52%)	420
$1,251-3,333	289 (47%)	322 (53%)	611
More than $3,333	214 (34%)	408 (66%)	622

Nearly 700 workers commute into Bath for their primary job. Workers commute to Bath from a variety of places, most often within 50 miles and from the southwest. The highest concentration of in-commuters live in Alleghany County (10.3%) and Covington (5.5%). The number of in-commuters is higher for higher-paying jobs. Given that transportation costs are typically the second-highest household budget item, commuters must earn more to offset higher transportation costs.

Employers who participated in interviews and focus groups discussed housing as a challenge for recruitment and retention. They explained that employees who have previously owned their home are looking for homeownership opportunities that are turn-key. They also described employees such as new teachers who are not yet ready to buy and would like to rent. In any case, employers identified the amount of housing as a challenge for employees in Bath. They also discussed the affordability of available housing, sharing instances where employees would struggle to find affordable housing or have housing vouchers they could not use because of housing availability. Indeed, all resident workers who earn $1,250 or less monthly (420) would be considered extremely low income as a single earner. Those earning up to $3,333 monthly (611) would be considered low income as a single-earner.

The Omni Homestead Resort

Bath County is home to a large historic resort, The Homestead. The Homestead requires a large staff of service workers and managers. The resort incorporated housing into its staff attraction and retention strategies. Bath has dorm-style housing for seasonal employees and some rental units for new managers once they accept a job and first move to the area. However, managers at all levels have difficulty finding family homes in neighborhood settings. Housing (both rental and homeownership opportunities) for families with kids that is affordable to employees with incomes between $60,000 and $90,000 would help The Homestead and other Bath and Highland employers attract and retain workers.

Housing Insecurity

More than 200 households in Bath County spend more than 30% of their income for housing and may have to make choices between housing and other necessities. At least a third of cost-burdened households are spending more than 50% of their income for housing and are likely to make choices between necessities (e.g., home maintenance, food, medical care, education, clothing). Focus group participants described residents who can no longer keep up their home because of age and low income.

Households are more likely to make tough choices between housing and other needs when they have low incomes. Further, these households are more likely to be at risk for homelessness in the event of an unexpected household expense such as a medical expense or major appliance failure. More than half of cost-burdened households are likely to have low incomes. Cost-burdened, low-income households include nearly every family type: couples 62 or older, singles, families, and people 62 or older living alone. These households include both renters and owners. Nearly all renters who are cost-burdened have extremely low incomes, less than 30% of AMI, or $30,000 for a family of four.

2023 HUD Low-income Limits: Bath County

Persons in Family			
1	2	3	4
$40,600	$46,600	$52,200	$58,000

Many households with low incomes can qualify for housing assistance, but there are few opportunities to receive such assistance in Bath. Furthermore, focus group participants explained that there is no emergency housing for people who do experience crisis. They described households in tenuous renting situations who would likely face homelessness if their home was sold, turned into a short-term rental, or deemed uninhabitable. The group further explained that experiencing crisis means these households are displaced: they have to leave the county to find housing and sacrifice their established social supports such as school, church, family, and friends. Lower-income households are more dependent upon private mutual aid networks based on familial or neighborhood social ties[1]. Even if these households are able to access housing in a new place, separation from support networks remains a hardship, and households may be more likely to become housing insecure in the future.

Housing Stock

Most housing units (96%) are single-family units, including 2,811 detached, site-built units and at least 160 mobile or manufactured homes. As of June 2020, 557 manufactured or mobile homes in Bath were registered with the DMV, and 2021 ACS data suggest that as many as 514 may be occupied as primary residences. Though there are too few attached homes or condos to provide an accurate estimate, focus group participants confirmed that there are some in Bath. The group suggested that adding more attached and/or condo-type units might accommodate seniors and young people.

About half of housing units (49%) have three bedrooms. The remainder of units are roughly divided between smaller units with two-or-fewer bedrooms and larger units with four-or-more bedrooms. With more than three-quarters of households including two or fewer people, there is a mismatch between unit size and household size. Focus group participants confirmed that there are many instances of a single living in a four-bedroom home. Creating small, well-located units could benefit both current residents and prospective residents as a trend toward smaller households is consistent across the region and beyond. Focus group participants discussed demand for smaller homes on primary transportation routes and near villages. They explained that young people who don't want to or can't afford to care for large tracts of land want small single-family homes on small lots, but those types of homes are very scarce.

Market Conditions

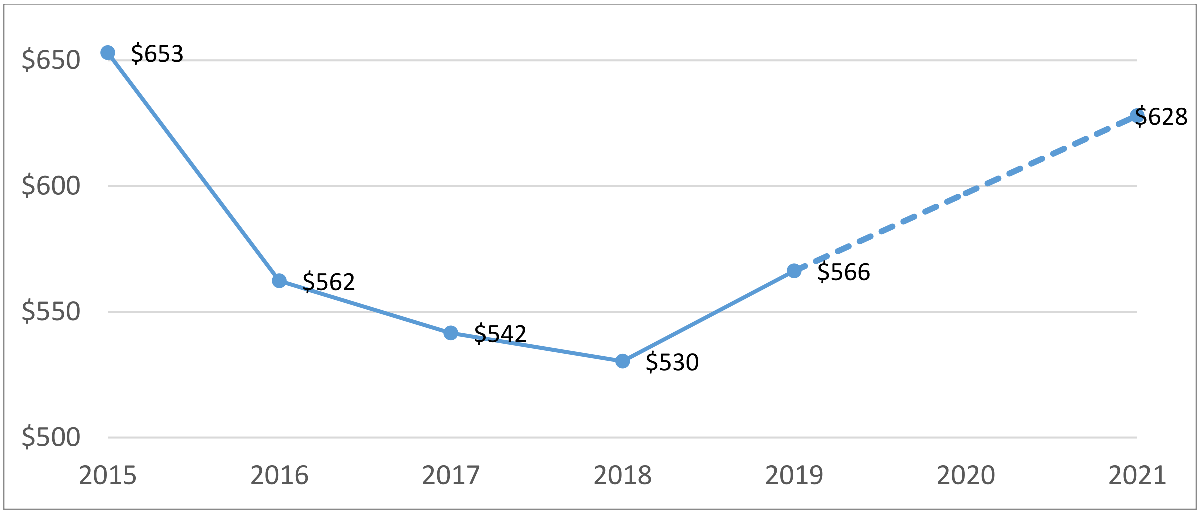
Bath County has 3,349 housing units, 84% more units than households. The 1,526 vacant units are largely (69%) held for seasonal, recreational, or other occasional use, which is evidence of demand from second-home buyers over and above demand from residents and prospective residents. At least 9% of vacant units are long-term vacancies: abandoned, slated for demolition, or otherwise held in the long term without being occupied.

Less than 4% of all housing units are vacant for-sale or vacant for-rent, with the rental market vacancy rate (less than 2.5%) lower than the for-sale rate (less than 4.5%). Though ACS data are limited, the low rental vacancy rate range, 0%-2.5%, indicates need for additional rental units as the rental market is likely too tight. Increased rents between 2018 and 2021 also indicate increasing demand and scarcity of rental units. Rents increased 18% from 2018 to 2021.

[1] Davis, M. A., Hartley, D. A., Gregory, J., & Tan, K. T. K. (2017). Neighborhood choices, neighborhood effects and housing vouchers. Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association, 110, 1–44.; Skobba, K., & Goetz, E. G. (2013). Mobility decisions of very low-income households. Cityscape, 15(2), 155–171.; Spring, A., Ackert, E., Crowder, K., & South, S. J. (2017). Influence of proximity to kin on residential mobility and destination choice: examining local movers in metropolitan areas. Demography, 54(4), 1277–1304. https://doi.org/10.1007/s13524-017-0587-x

Median Gross Rent

Source: VCHR Tabulation of 2015-2021 ACS 5-year, Estimates Adjusted to 2021 Dollars

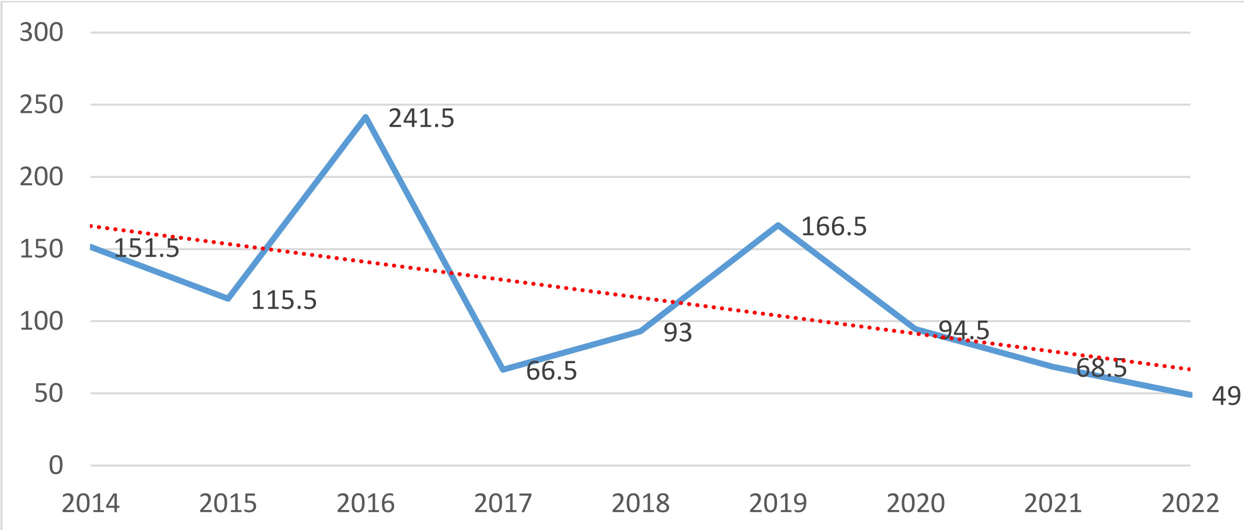


Focus group participants confirmed the scarcity of rental units and emphasized that more are needed. They also discussed the poor quality and management of many of the rental units that are available. Participants explained that people need to rent when they first move to Bath, so they can experience the remoteness, especially in the winter months. They explained that many people do not stay more than five or six years because of the lifestyle. In addition, newcomers may need to wait two or more years to find a home for sale that meets their preferences or to find appropriate land and build a home. They explained that once someone buys land, make a plan for it, and find a builder, builders are often two or three years engaged. As such, rental is an important component of the market, allowing people to locate in Bath and, eventually, stay in Bath.

In the for-sale market, we use sales data to evaluate supply and demand balances. Bath's market has improved from prior years in which sellers could expect to wait six months to find a buyer. Bath has experienced decreasing days on the market (DOM) over the 2014-2021 period, indicating increasing demand. However, DOM remains "comfortable," neither too low nor too high, indicating a relative balance in the for-sale market. Though lower-priced homes sell faster, the correlation between price and DOM is weak, indicating that demand is *not* concentrated in a particular price range.

Median Days on the Market (DOM)

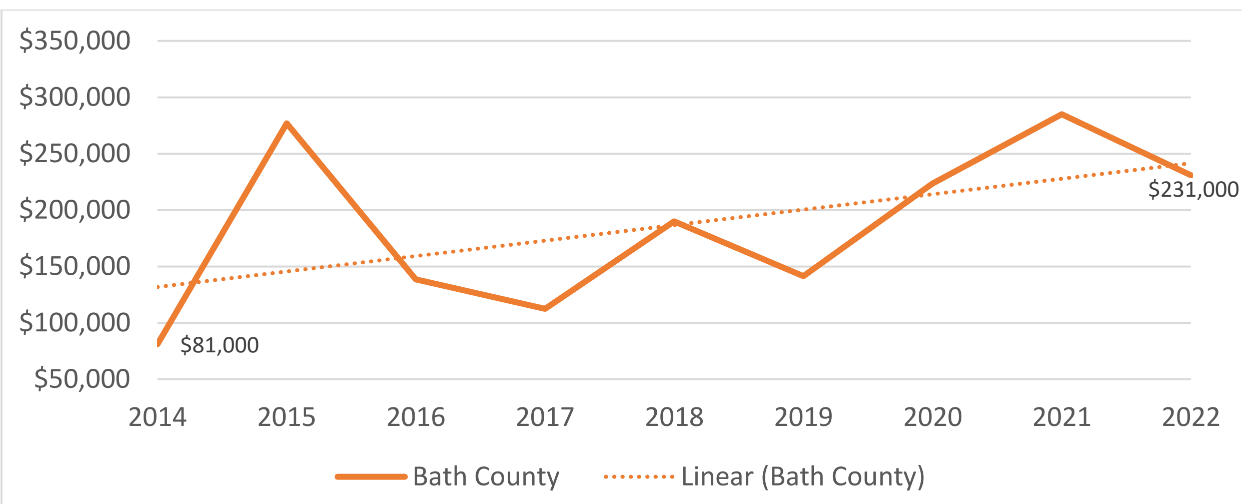
Source: VCHR Tabulation of 2014-2022 REALTOR Data



Prices have also trended up in Bath, indicating increasing demand, although the increase has not sustained long enough to merit substantial increases in supply. Rather, new units should accommodate specific needs not present in the market such as well-located, single-level living for seniors or affordable units that could help low-wage workers or single-earner households build wealth. New, convenient rental and for-sale housing will help Bath attract and anchor important residents like new teachers and healthcare providers. It will also help sustain the hospitality industry, a very important part of Bath's economy and identity.

Median Price

Source: VCHR Tabulation of 2014-2022 REALTOR Sale Data



Realtors described long-term changes in the market: the transition from permanently family-owned land to frequent land sales and substantial absentee-ownership; developing interests in homesteading and small farms complicated by inexperience in land management; and now, revived interest in remote living because of broadband availability and ability to work remotely. The group suggested that high demand is already being tempered by interest rates and increased prices. Recent demand creates opportunities for small-scale development but will likely be satisfied with a few projects (less than 100 units) over the next 5-10 years.

Short-term Rentals (STRs)

Short-term rentals (STRs) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. The rise of STRs has redefined housing utilization, transforming properties typically designated for long-term rental (LTR) or ownership into temporary accommodations. This shift has led to increased interest in STRs as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

The STR and LTR sectors are not independent entities but interlinked parts of the housing market. The influx of properties into the STR market has potential repercussions on LTRs. There is a possibility that the diversion of housing units from the LTR market could decrease supply, leading to increased housing prices and rents. Furthermore, STRs often offer higher returns on investment than LTRs, potentially driving landlords to convert LTR units to STRs. However, this relationship is complex and may vary based on local regulations, housing market conditions, and other socioeconomic factors.

The growth of STRs can exacerbate housing shortages and affordability issues, especially in popular tourist destinations or urban areas with limited housing stock. Additionally, STRs can change neighborhood dynamics, impacting long-term residents through increased noise, overcrowding, and reduced community cohesion. These effects have led to legislative efforts to regulate or limit STRs in some regions.

Analyzing STRs within the housing market context is important due to their growing significance and potential impact on LTRs. The interplay between STRs and LTRs can affect housing supply, prices, neighborhood dynamics, and housing policy. Therefore, it is crucial to continually assess and understand the implications of these emerging trends to formulate effective strategies and policies.

Some units function as STRs throughout the year, while others, such as primary residences, accessory dwelling units, or spare rooms, can also serve as STRs. The latter category can occasionally cause inconveniences to neighbors, such as noise disturbances. However, they don't notably impact housing affordability. On the other hand, when an entire house is dedicated to STR use, it can reduce the stock of available housing for LTRs, potentially driving up house prices and rents, which negatively affects housing affordability. Therefore, the count of STRs can vary depending on the perspective. To differentiate the impacts of STRs on the housing market, we classify STRs based on the following definitions:

(1) Full-time STRs: These are properties entirely used as STRs, with the listing remaining active and available for reservations throughout the entire year. The listing type for these properties is "Entire home/apt." These units are consistently rented out on a short-term basis, meaning they are not available for the LTR market. Consequently, they may contribute to a decrease in the LTR housing stock and can exert upward pressure on housing prices and rents, potentially impacting housing affordability.

(2) Occasional STRs: These are entire properties that are used as STRs only part of the time, being active for at least one month in a year. The listing type for these properties is also "Entire home/apt." The “occasional” use refers to situations where owners might use their property as an STR when it's not in personal use. Though these units are not fully dedicated to the STR market, they are still not available for the LTR market during their active periods.
(3) Partial STRs: These are properties where only a part of the home is listed as an STR, being active for at least one month in a year. The listing type for these properties is "Private Room" or "Shared Room." These types of STRs might cause minor inconveniences to neighbors but generally do not have a significant impact on housing affordability.
(4) Inactive Listings: These properties are listed as STRs but do not fit into the above categories of Full-time, Occasional, or Partial STRs. These could include properties that are listed but are not actively rented, either as a whole or in part. This category represents the potential number of STRs that could be operated in the area.

Using the proposed definitions of STRs, we calculated the STR numbers for Bath County as of 2022.

The Number of STRs and Ratio to the Housing Stock in Bath County
Source: VCHR Tabulation of AirDNA Data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Bath County	37	1.10%	52	1.55%	1	0.03%	19	0.57%	109	3.25%

In 2022, a total of 109 properties were listed at least once as STRs in the county. These listings are segmented into the four STR categories: Full-time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

Among the total, 37 (approximately 34% of total listed properties) are classified as Full-time STRs, representing just over one percent of the housing stock in the county. This category is the most impactful on housing affordability, as these units are consistently unavailable for the LTR market. There are more Occasional STRs than Full-Time STRs in the county. The Occasional STRs may be less impactful on housing affordability, but they represent a significant portion of the STR market. The third category, Partial STRs, which usually do not significantly impact housing affordability, only includes one property. Lastly, the Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 19 listings or around 0.57% of total housing units. These listings represent a potential expansion of the STR market should demand increase.

Full-time STRs and Occasional STRs, which account for approximately 2.65% of the housing stock, seem relatively high when compared to Virginia's 1% and other areas (e.g. Staunton-Augusta-Waynesboro (SAW) Region-0.67%). The high proportion of STRs could be linked to the rise in gross rent over recent years. According to several studies over the past few years, the increase in STRs is associated with the increase in rent and home values in nearby areas. The effect could be more pronounced in rural areas, where the rental market is small. However, the impact on the housing market can be minimal depending on the location of the STR and its original usage. For example, accommodation located on farms with low accessibility or second homes being operated as STRs during part of the year are not likely to exacerbate shortages in the rental market.

Conclusions

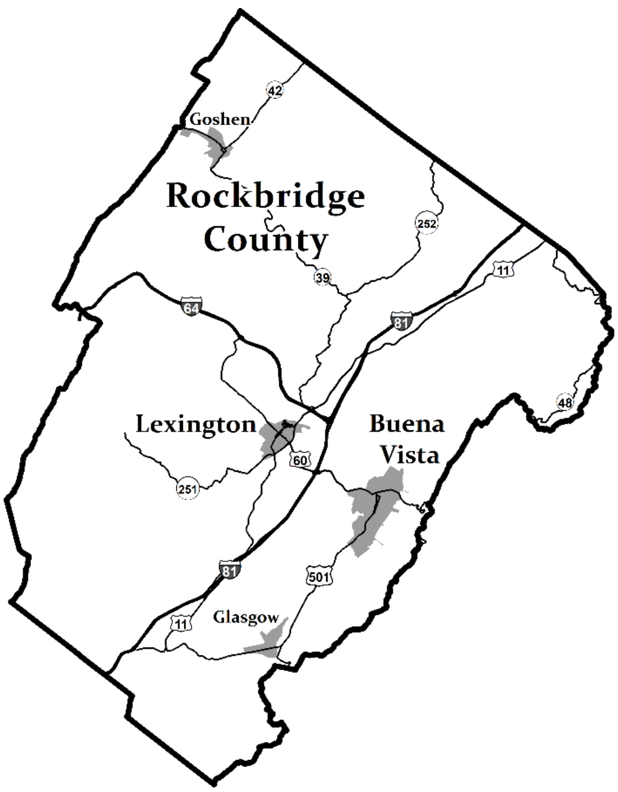
New rental units are needed in the market. Conveniently located, well-managed rental units are essential to attracting and anchoring prospective workers and residents. Focus group attendees, County staff, and County leadership all discussed the importance of attracting new residents, especially families, in order to sustain basic services like schools. They explained that many young people leave to find new opportunities and that retirees leave when they get older and need more medical care and convenience. Though returnees are common and make some of the best contributions to the community, more residents are needed to thwart the losses in community service and amenities that are inevitable with decreasing population. Employers also discussed the importance of rental units for attracting and retaining workers. They mentioned the need for modest, starter homes in a neighborhood setting.

Focus group attendees discussed a number of opportunities to develop new housing at an appropriate scale in Bath; however, each opportunity has obstacles to overcome. In a case where small-scale multifamily rental may be viable, development and finance technical assistance is needed. There may be opportunities for the community to apply for HUD direct technical assistance. In other cases, zoning is the primary barrier. In response, Bath should use rezoning to support housing developments that include needed housing types: single-level living, starter homes, and modest upgrade housing for young families. Bath should also emphasize the need for rental housing.

Low-income, working households cannot access the housing benefits for which they are eligible because appropriate rental units in good condition are scarce and dedicated affordable housing is nonexistent. Similar to rental housing in general, housing supports such as housing choice vouchers (HCV), Habitat for Humanity, project-based vouchers, and USDA and DHCD housing rehabilitation programs are an important component of the market. Without them, seniors, single-earner households, and low-wage workers become vulnerable and more likely to experience crisis. Bath County should facilitate the integration of these housing supports into the market by engaging with state and regional service providers and encouraging landlords and developers to offer or reserve units for voucher-holders.

ROCKBRIDGE HOUSING DATA ANALYSIS

Rockbridge County is located in the southern portion of the Central Shenandoah PDC and encompasses 607 square miles of diverse, rolling terrain. Within its borders are two independent cities, Lexington and Buena Vista, and two incorporated towns, Glasgow and Goshen. The City of Lexington is the county seat, as well as an important educational, retail, commercial, and governmental center. The City of Buena Vista, situated 6 miles east of Lexington and adjacent to the Maury River, serves as the area's industrial and manufacturing nucleus. Rockbridge is surrounded by the counties of Augusta, Nelson, Amherst, Bedford, Botetourt, Alleghany, and Bath. Rockbridge is served by interstates 81 and 64 and sits approximately 50 miles north of Roanoke.



Rockbridge Regional Housing Market

Regional housing markets can be defined through commuting patterns. Markets that gravitate to a jobs and amenities center are easiest to define and often comprise a Metropolitan Statistical Area. Others, like Rockbridge, function as a set of submarkets in a crossroads, impacted by a number of metro areas and corridors. Living in such places is often a matter of preference for newcomers or—for some longtime residents—necessitated by family ties and inherited property. Employers in these areas depend on existing residents to work in less competitive jobs that other households will not relocate or commute to take, and because these submarkets are slow to add additional housing, newcomers have difficulty finding a place to live. As a result, the labor force is restricted, and businesses have trouble finding workers for lower-wage service and support positions.

More than half of people who work in Lexington, Buena Vista, and Rockbridge County (60%) live in one of these jurisdictions while 40% commute in from a variety of other places. Only 17% of Lexington workers also live in Lexington; 43% commute from the county and 8% commute from Buena Vista. Thirty percent of Buena Vista workers live in Buena Vista, while the remainder commute primarily from the county (26%). The region is surrounded by four metropolitan areas and has connections to each. Workers commute into the region from Augusta (4%), Staunton (1.6%), Amherst (1.2%), Bedford (2%), Botetourt (2.3%), Roanoke County (1.6%), and Alleghany (1.7%). Residents also commute out of the region to Augusta (4.5%), the City of Roanoke (3.8%), Lynchburg (2%), Staunton (1.8%), Rockingham (1.7%), and Roanoke County (1.5%). Commuting patterns reflect household preferences. Generally, those commuting out of the region work in cities and likely prefer a rural setting for their home. Augusta and Botetourt are most likely to be alternative markets for Rockbridge, while Lynchburg, Staunton, and the City of Roanoke may be reasonable alternatives for households who prefer an urban setting.

Households

Nearly 36,600 people live in Buena Vista, Lexington, and Rockbridge County, and they make up 13,631 households. Two-thirds of these households live in the county, while Buena Vista households make up 19% of the region and Lexington households constitute 15%. The county's two towns, Glasgow and Goshen, include 535 households and at least 86 households, respectively. The region has not experienced a significant change in households over the past five years (2016-2021), perhaps limited by the housing supply. The Workforce Affordability section discusses housing as a limitation to growth in more detail.

Tenure

Most households (69%) in the Rockbridge region own their home. Renters are more concentrated in Buena Vista and Lexington, where home ownership rates are 55% and 54%, respectively. The homeownership rate in Rockbridge (76%) is similar to that of other counties in the Central Shenandoah footprint. Based on limited data, Glasgow and Goshen have higher homeownership rates than Buena Vista and Lexington but lower rates than in the county overall. Lower homeownership in Lexington is likely impacted by student households with a preference for renting (little to no households headed by someone 24 or younger own their home in Lexington, compared to 10% in Buena Vista and 11% in the county), as well as homeownership costs, which are discussed further in the Homeownership Market section. Buena Vista, however, has relatively low homeownership rates among households aged 35-54 and 60-74, which may be related to appropriateness or availability of homeownership opportunities.

Living Arrangements

Living arrangements in the Rockbridge region can be characterized by household size and family status. Most households in the Rockbridge region are one- (29%) or two-person (42%) households. Only 13% are three-person, and 16% include four or more people. This trend is true throughout Central Shenandoah, but one- and two-person households make up a larger percentage of the population in the county and in Lexington than in Buena Vista and Goshen.

Most households (65%) are family households, related either as married couples, traditional nuclear families, single parents with children, grandparents raising grandchildren, etc. Fewer than 1,687[1] people live with roommates, in as many as 992 households (up to 7%). The households are largely located in the county and in Lexington, with no more than 109 households comprised of roommates located in Buena Vista.

Of the nearly 4,000 people living alone, more than half (56%) are people 65 and older. Among people 35 and older who live alone, almost two-thirds own their home. Most who are younger than 35 (81%) rent their home.

Housing Insecurity

Nearly 3,200 households in the Rockbridge region spend more than 30% of their income on housing and may need more affordable housing. Households spending more than 30% of their income on housing are considered cost-burdened. Nearly half (49%) of these households are severely cost-burdened, spending more than 50% of their income for housing. Thirty-eight percent of cost-burdened households are seniors 65 or older.

Tenure plays a crucial role in housing affordability, with renters more vulnerable to increasing housing costs than homeowners. Evidence of this vulnerability can be found among cost-burdened households. In the Rockbridge region, 38.5% of renters are cost-burdened compared to 16.5% of homeowners[2]. Cost-burdened renters may be at risk for eviction and homelessness in the event of an unexpected household expense such as a medical need or car repair. However, the mortgage finance system generally prevents homeowners from being cost-burdened when they buy their home, and often homeowners' income increases over the life of their mortgage. Homeowners also face relatively little change in housing costs compared to renters. Homeowners may become cost-burdened due to economic hardship such as job loss, death of a family member, or fixed incomes that do not keep up with rising costs of taxes, utilities, and insurance. But when cost-burdened owners choose other necessities over housing, they may still make mortgage payments or even own their home free and clear. Instead, they often defer maintenance and forgo upgrades, threatening both their well-being and the community's housing stock.

Approximately 40% of the region's households have low incomes, defined as income at 80% of the HUD Area Median Income or lower. More than half (55%) of Buena Vista households have low incomes (1,380), compared to 45% (970) in Lexington and 36% (3,345) in Rockbridge County. An estimated 1,212 households including someone 75 or older have low income.

2019 HUD Low Income Limits: Rockbridge County-Buena Vista-Lexington

Persons in Family			
1	2	3	4
$33,400	$38,200	$42,950	$47,700

[1] The estimate of people living with "other non-relatives" is not reliable so the margin of error has been added to make an upper-bound estimate. Likewise, the estimate of non-single person, non-family households is not reliable and an upper bound is provided.

[2] Estimates of cost burden by tenure were produced using 2022 ACS 5-year estimates in ACS table 525140, newly available for 2022.

Approximately half of all low-income households throughout the region are cost-burdened and make up 79% of cost-burdened households in the region. Among low-income, cost-burdened households, 1,550 (55%) are severely cost-burdened. Low-income, severely cost-burdened households are faced with tough choices between housing and other necessities. These households are extremely vulnerable and at risk for homelessness. Indeed, area service providers described households who cannot access housing and live in their cars or in wholly substandard housing such as sheds, abandoned structures, and dilapidated mobile homes. Households with single-earners, which includes singles and single-parent households, are more likely to have incomes too low to comfortably afford housing. Seniors who do not own their home free and clear are likely to struggle with housing costs, potentially making it impossible to relocate from a family home to a unit that better meets their needs. Further, assisted living providers discussed being close to capacity, and senior service providers explained that existing assisted living options are not affordable for many seniors.

Median Income by Household Type Compared to Median Housing Costs

Source: VCHR tabulation of 2021 ACS 5-year Estimates for Rockbridge County

Workforce affordability

Most households in the region (65%) include at least one worker. Note that most households who do not include workers are likely to be retired (28% of households receive retirement income), or disabled (between 3% and 6% of households receive Supplemental Security Income). Among working households, 54% include one worker, 38% include two workers, and 8% include three or more workers.

Households by Work Status

Source: VCHR tabulation of 2021 ACS 5-year Estimates

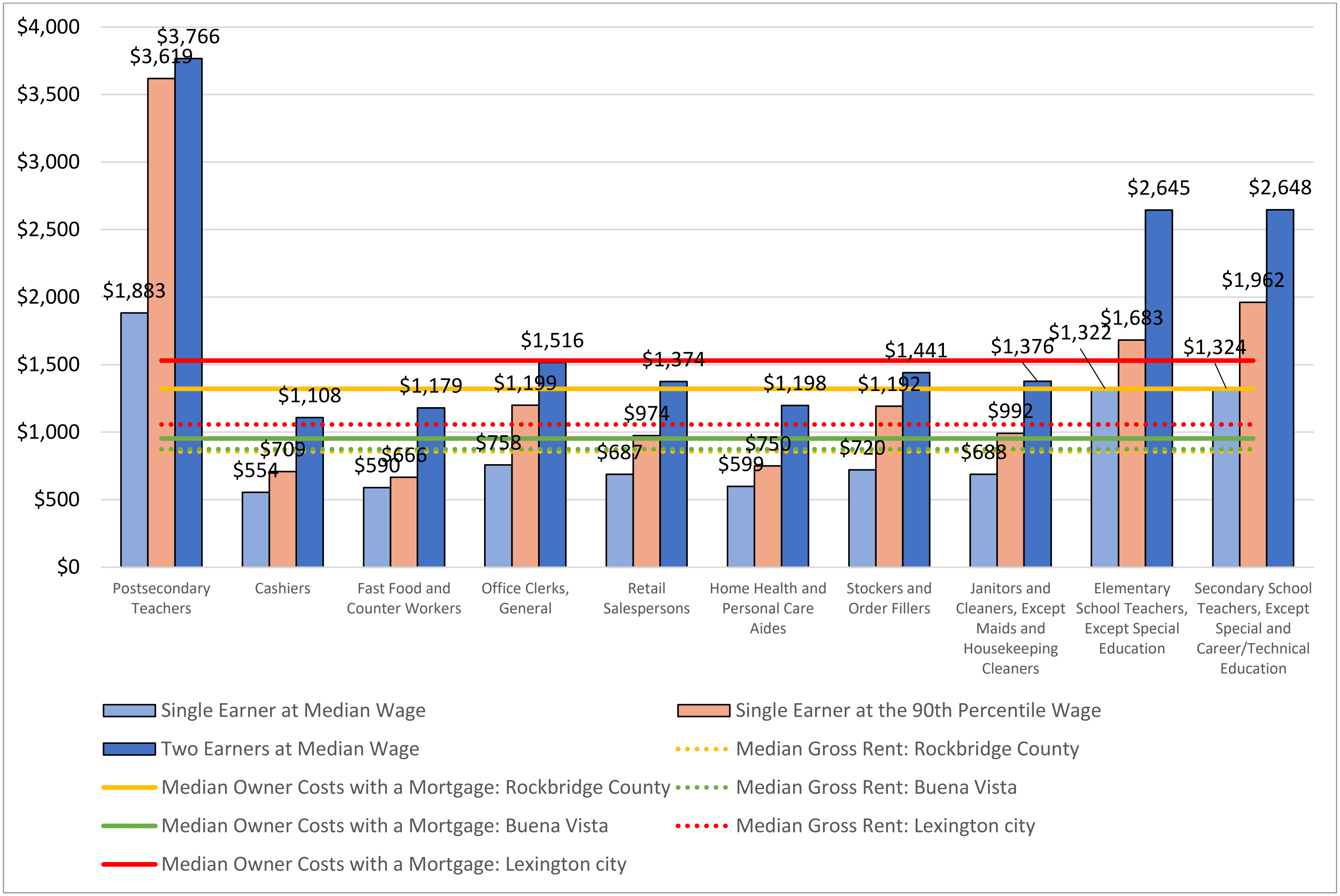
	Lexington	Buena Vista	Rockbridge
Working	1,175 (59%)	1,797 (70%)	5,847 (65%)
Not Working	830*	784	3,198

VCHR compares maximum affordable housing costs by occupation to housing costs in order to determine which workers may struggle to afford housing. VCHR compared maximum affordable housing costs by occupation to housing costs for households in three scenarios: a single earner, earning at the median for his or her occupation; dual earners, both earning at an occupation's median wage; and a single earner, earning at the 90th percentile. VCHR chose these scenarios to benchmark the experience of typical households. Households generally include one or two workers. VCHR included an analysis of housing affordability for earners at the 90th percentile to consider whether households can more readily afford housing later in their career, with increased skill or experience.

The Rockbridge region offers housing stock affordable to many occupations, including teachers and healthcare practitioners. However, those in service and support occupations may struggle to find affordable housing, especially those who are living independently or supporting a family as a single earner. Workers earning at the median in five of the top 10 occupations by employment would need housing with costs less than $600 per month in order to avoid cost burden. Cashiers, fast food workers, and home health aides will likely struggle to afford housing without sharing housing costs, even when earning in the 90th percentile. Workers in seven out of 10 occupations would likely find their homeownership opportunities as a single earner limited to Buena Vista; however, focus group participants indicated that inventory there is limited and that units both available and affordable need significant investment.

Maximum Affordable Housing Costs for Top Ten Occupations Compared to Median Housing Costs in Rockbridge Area

Source: VCHR Tabulation of 2021 Lightcast Data and 2021 ACS 5-year Estimates



Adding housing that is affordable for service and support workers in Lexington and throughout the county would help businesses retain and attract workers. A number of Rockbridge employers described difficulty attracting and retaining employees to work services and support jobs and cited limited housing availability as the probable cause. They explained that wages are not enough to support long-term commuting from Roanoke or other surrounding areas and that available units in Rockbridge cost more than employees can afford. The group explained that higher-paid professional staff often commute from up to an hour and a half away. Other employers said they must rely on households who are longtime residents and already have housing they can afford, which forces them to compete with other area employers to retain enough employees. Employers also described heavy competition for workers in the aftermath of the COVID-19 pandemic when many jobs are beginning to offer flexibilities such as remote work and many burnt-out employees are needing to adjust working and living arrangements.

Dishwashers Don't Drive

Employers who participated in focus groups shared a saying from the restaurant business: "Dishwashers don't drive." They explained that dishwashers are not paid enough to afford commuting costs, relying instead on affordable housing within a short distance of their job. For low-wage jobs that pay a "living wage" (enough to allow for typical household expenses, including rent or a mortgage), many employers rely on people who have inherited their home or who live in multi-generational households and own their home free and clear.

Many of these workers would qualify for subsidized housing such as Low-Income Housing Tax Credit developments and housing choice vouchers. Developing new subsidized housing with a priority for local workers would allow Rockbridge to compete more readily for new residents and employees who work in service and support jobs, among others. Developing for-sale housing affordable to these workers would further anchor them in the community. Most employers suggested that rental housing near employment centers such as Lexington, Buena Vista, and Glasgow would be a useful entry point for new residents.

2019 HUD Low Income Limits: Rockbridge County-Buena Vista-Lexington, VCHR Tabulation of Maximum Affordable Housing Costs

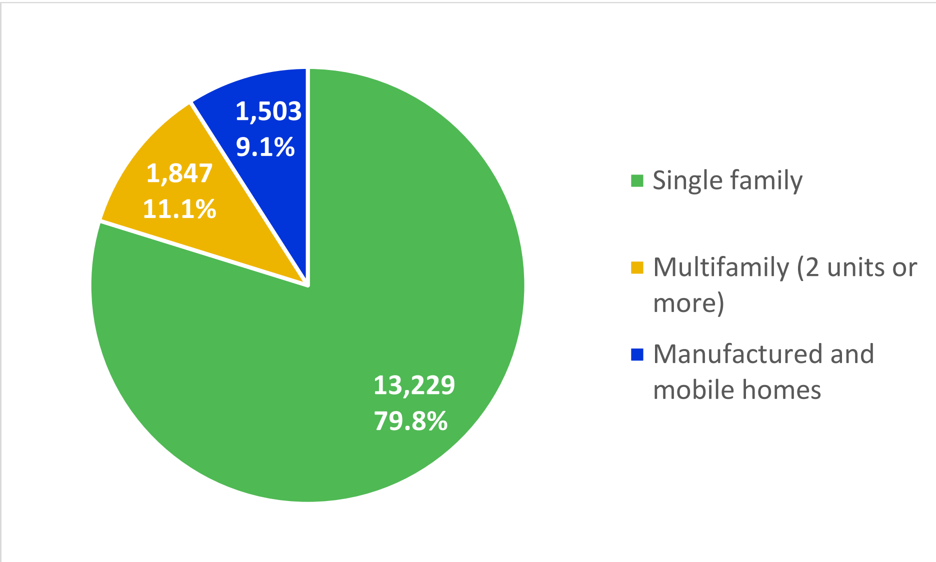
Persons in Family	1	2	3	4
HUD Income Limit	$33,400	$38,200	$42,950	$47,700
Maximum Affordable Housing Cost	$835/mo	$955/mo	$1,073.75/mo	$1,192.5/mo

Housing Stock

There are 16,579 housing units in the Rockbridge region. The majority of units (77%) are site-built, single-family detached units. Mobile and manufactured units make up 9% of housing units, with most located in the county. There are fewer than 1,012 single-family attached units, townhomes, or duplexes, and about 1,500 multifamily units. Duplexes, townhomes, and multi-family units are more common in Lexington than in the county or Buena Vista.

Units in Structure in the Rockbridge Region

Source: CSPDC Tabulation of 2021 ACS 5-Year Estimates



Bedrooms

Efficiency and one-bedroom units represent 8% of the housing stock in the region, even though 29% of households are individuals living alone. Two-bedroom units are more common and make up 26% of the housing stock. Three-bedroom units represent nearly half the region's housing stock, and larger units with four or more bedrooms constitute 19% of the stock. While many households prefer extra bedrooms for other uses, the lack of small units for small households may contribute to affordability challenges. A three-person family could share a two-bedroom space without creating an overcrowded condition, but while 84% of households include three or fewer people, only 35% of units have two or fewer bedrooms.

Focus group participants suggested that smaller units, combined with more density, could allow additional units to integrate into jobs and amenities centers (Lexington and Buena Vista) where they are needed. Realtors discussed needs among students and workers alike. Focus group participants also discussed the plausibility of increasing the density of housing through adaptive reuse strategies.

Conditions

Housing conditions and limited available for-sale units in turn-key or adequate condition were mentioned in many focus group discussions. Employers explained that employees recount difficulty finding units and eventually settle for what is available or turn down the job because they can't find an appropriate unit. Housing and health service providers recounted a range of housing from older homes lacking updates to wholly substandard units like sheds and units without electricity that constitute effective homelessness. Participants discussed the need for home repair and upgrade services such as weatherization, as well as a need for rental inspections and mechanisms to ensure a minimum standard for rental properties.

Focus group participants, Realtors, lenders, and service providers, all discussed barriers to home repair and upgrade. Because quality, trustworthy contractors are booked up, they said, homeowners must be careful hiring those who are more readily available. The group also discussed the lack of capacity among nonprofits to provide home repair and weatherization services.

Households with high energy costs can be a proxy for housing condition because older homes that have not been updated tend to cost more to heat and cool. VCHR estimated the number of households with average monthly energy costs greater than $257[3]. There are 2,686 households with high energy costs in the Rockbridge region. Many of them are concentrated in the tracts shown in orange. There are 1,298 households with high energy costs and low incomes, which results in an energy burden. These households would be excellent candidates for home repair and rehabilitation incentives, as well as weatherization.

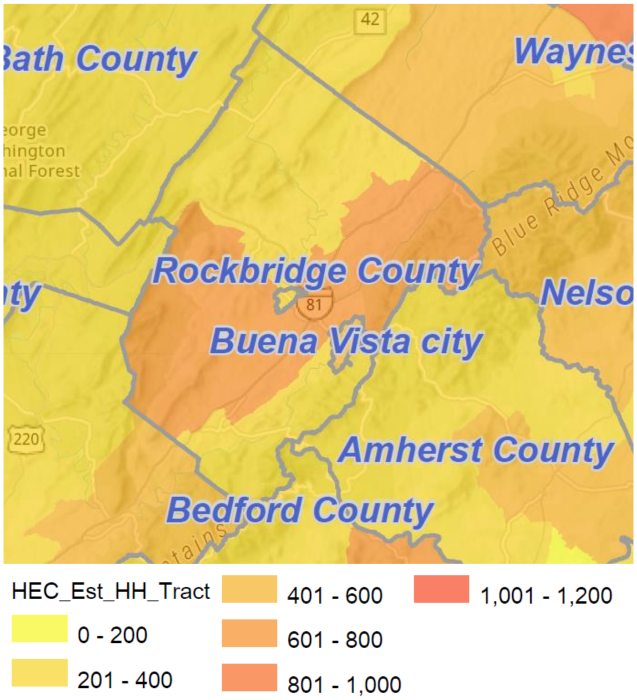
Spatial Impact of Poor Conditions and Long-term Vacancy

There are at least 1,444 long-term vacancies in the Rockbridge region. These are units that are abandoned, slated for demolition, or otherwise held in the long term without being occupied (e.g., the former resident has moved into assisted living or closer to family but has not sold the unit). Where these units are beyond repair and in a neighborhood or town setting, they negatively impact neighboring properties within a quarter-mile[1]. As such, these units should be removed and replaced in order to encourage investment in neighboring properties. Through the region, local governments should discourage long-term vacancy because these units are needed to attract new workers and serve existing need. Since large numbers of new units are not needed, encouraging the sale or rental of long-term vacancies could meaningfully contribute to the market.

[3] VCHR defined high energy costs as those in the top 25% for the Central Shenandoah Southwest PUMA, which includes Bath, Highland, Rockbridge, Augusta, Staunton, Waynesboro, Lexington, and Buena Vista.

Households with High Energy Costs

Source: VCHR tabulation of PUMS and 2019 ACS 5-year Estimates



Rental Market

There are approximately 4,700 rental units in the Rockbridge region. Median rent in Lexington is not only the highest in the Rockbridge region, but also the entire Central Shenandoah footprint. Steep rent increases in Lexington indicate that demand for rental units may be outpacing supply. Likewise, rent increases in Buena Vista coupled with extremely low vacancy among rental units suggests that the market could absorb additional units. Though rent has also increased in the county, higher vacancy rates suggest that the market may not absorb additional rental units.

Rental Units and Rental Vacancy Rate by Jurisdiction

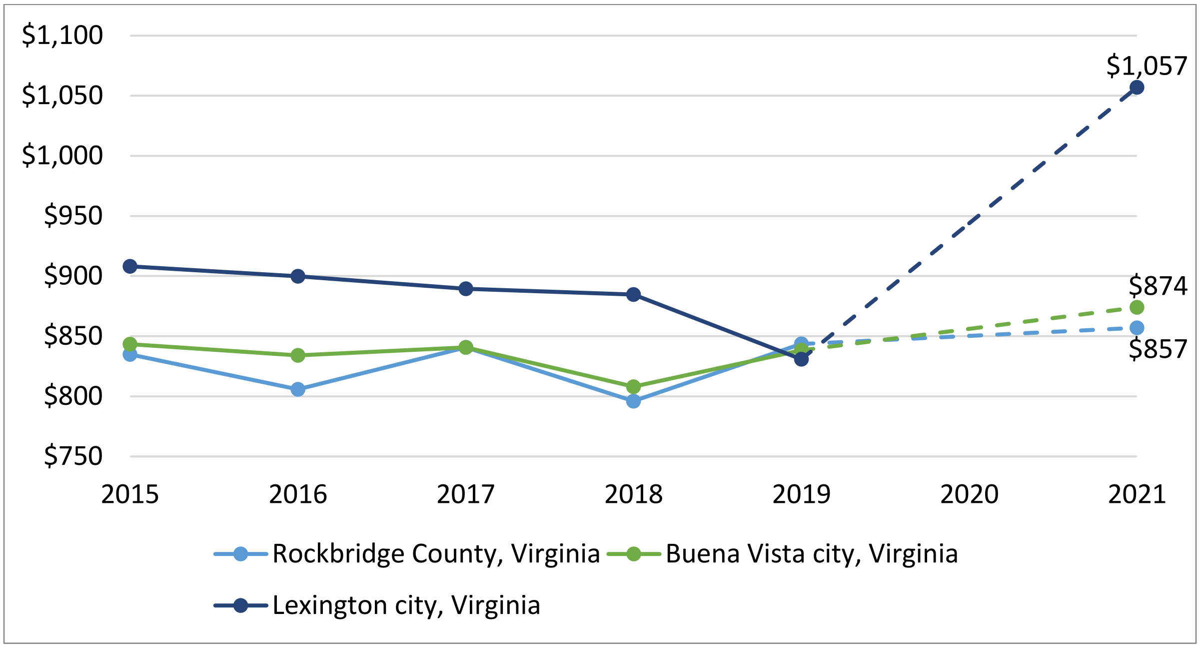
Source: VCHR tabulation of 2021 ACS 5-year Estimates

	Rockbridge	Buena Vista	Lexington
Rental Units	2,311	1,232	1,049
Rental Vacancy Rate	2-13%	0-1.5%	NA

Most rented units (61%) in the Rockbridge region cost less than $1,000 per month for rent and utilities, while 39% cost $1,000 or more. Despite the existence of low-cost units, renters throughout the region are disproportionately cost-burdened: they make up 31% of all households but 55% of cost-burdened households. Given the limited need for more rental units in the county, the county should prioritize new units that relieve cost burden and access to vouchers that will both relieve cost burden and increase access to homeownership opportunities. Affordable assisted living units to relieve cost burden among seniors may also be viable additions. More rental units can likely be absorbed in both Buena Vista and Lexington, especially if developments provide small (i.e., efficiency, one-bedroom, and two-bedroom), well-located units that can serve a mix of incomes.

Median Gross Rent

Source: VCHR Tabulation of 2015-2021 ACS 5-year Estimates adjusted to 2021 Dollars



Students

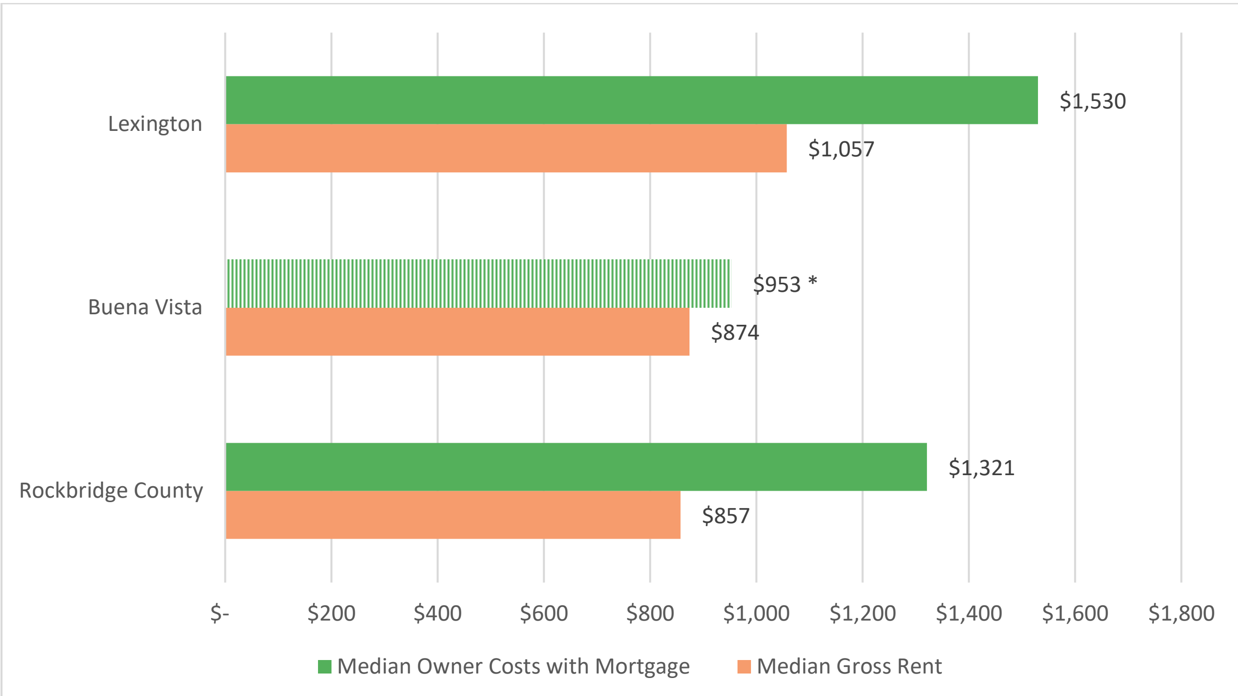
Focus group participants discussed needs and trends among students. They described challenges that students face finding both rentals and homeownership opportunities. University representatives explained that students who live off campus, particularly those with families and/or graduate students, have difficulty finding housing that is in good condition and safe. They explained that those who are not families are looking for small units where they can afford to live alone and close to campus. Realtors observed a trend of parents buying homes for their children to live in while attending one of the area colleges or universities. They explained that these investments are often for multiple children attending school successively. Nonetheless, this option is only available for those with the resources to do so. University representatives discussed a need for more housing for students who cannot live on campus.

Though students are part of the Rockbridge region's market, they are not a large enough part to heavily influence the market. Because so few undergraduate-led households live off campus, exact estimates of student households in Rockbridge are not available from public sources. VCHR used the ACS PUMS to estimate the number of students in available geographies. Between 851 and 1,587 undergraduate-led households live off campus in the combined area encompassing Rockbridge, Lexington, Buena Vista, Highland, Bath, Staunton, Augusta, and Waynesboro. They represent less than 2% of households in this area. Between 211 and 689 undergraduate-led households are estimated to be cost-burdened, less than 4% of the cost-burdened households in the area.

Homeownership Market

Median owner costs with a mortgage are higher than rents in the Rockbridge region. Lexington's median owner cost is the highest in the Rockbridge region and in the entire Central Shenandoah footprint. Buena Vista's owner costs with a mortgage are among the lowest in Central Shenandoah.

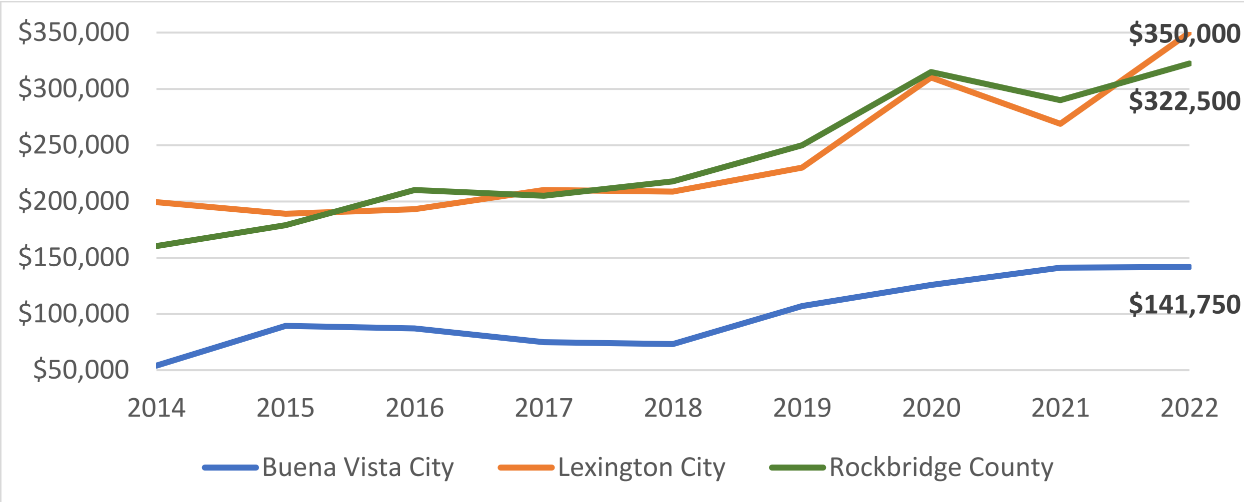
Median Rent and Owner Costs by Locality in the Rockbridge Area
Source: 2021 ACS 5-year Estimates



Median owner costs with a mortgage are reflective of relative median sale prices in the region, with Lexington being the highest and Buena Vista the lowest. Rockbridge had the second-highest median sale price in Central Shenandoah in 2022 (behind Lexington) even though median owner costs are among the lowest, indicating that recent buyers are facing higher costs than longer-time owners did when they bought their home. Median owner costs reflect all owners, even those who have owned their home for a long time. Recent median sale prices are the best reflection of real estate values and the costs that new homebuyers face.

Median Price

Source: VCHR Tabulation of 2014-2022 REALTOR Sale Data



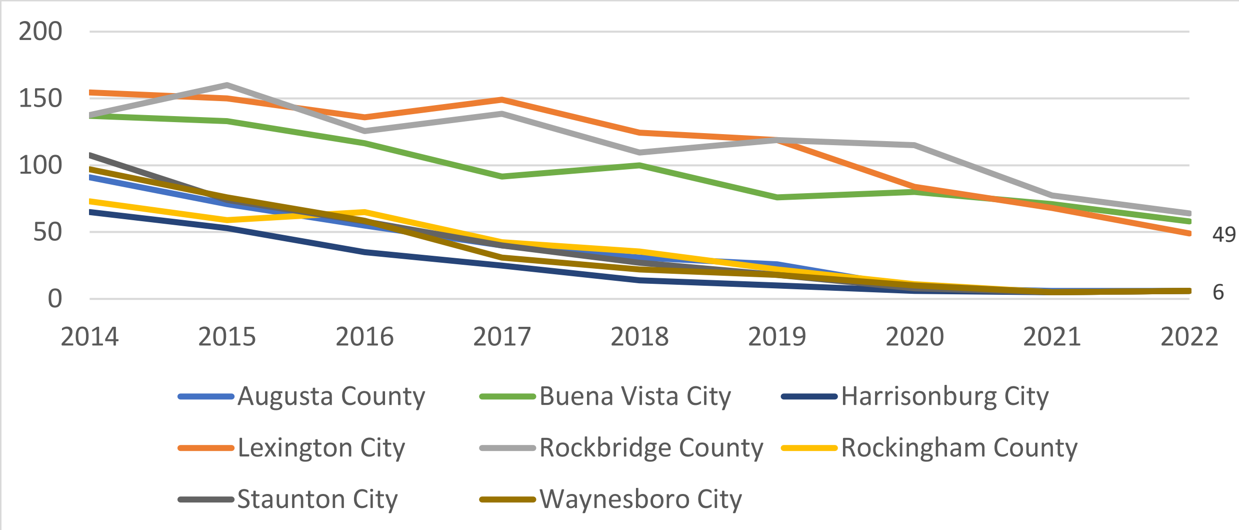
All three localities have experienced increasing sale prices since 2014. Median home prices in Rockbridge County and Buena Vista have more than doubled since 2014, representing the most dramatic increase in Central Shenandoah. Lexington's median price increased 76%. These trends, along with decreasing interest rates up until 2022, resulted in increasing affordability and wealth among existing owners. However, increasing prices have made homeownership less accessible for first-time buyers.

Lenders and Realtors discussed current market trends and explained that affluent buyers can still readily find homes and get financing but that low- and moderate-income households are largely excluded because of financing availability. The group described the need for more flexible Down Payment Assistance and other financial supports for homebuyers. They also cited housing conditions as a barrier for government loans (e.g., FHA and USDA) that would normally support low- and moderate-income buyers. Some employers in the region are offering housing benefits to address this gap, but these benefits are not widely available.

When days on the market is at a healthy level, it suggests that price increases are not related to a lack of supply in housing stock but rather of desirability. Nonetheless, extremely low prices in Buena Vista likely reflect the quality of the stock. The Rockbridge region is likely insulated from extreme demand and associated market tightness because of its distance from major employment centers in Staunton, Harrisonburg, Roanoke, and Lynchburg. Days on the market in Harrisonburg, Rockingham, Staunton, Waynesboro, and Augusta converged at six in 2022.

Median Days on the Market

Source: VCHR Tabulation of 2014-2022 REALTOR Data



Short-term Rentals (STRs)

Short-term rentals (STRs) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. The rise of STRs has redefined housing utilization, transforming properties typically designated for long-term rental (LTR) or ownership into temporary accommodations. This shift has led to increased interest in STRs as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

The STR and LTR sectors are not independent entities but interlinked parts of the housing market. The influx of properties into the STR market has potential repercussions on LTRs. There is a possibility that the diversion of housing units from the LTR market could decrease supply, leading to increased housing prices and rents. Furthermore, STRs often offer higher returns on investment than LTRs, potentially driving landlords to convert LTR units to STRs. However, this relationship is complex and may vary based on local regulations, housing market conditions, and other socioeconomic factors.

The growth of STRs can exacerbate housing shortages and affordability issues, especially in popular tourist destinations or urban areas with limited housing stock. Additionally, STRs can change neighborhood dynamics, impacting long-term residents through increased noise, overcrowding, and reduced community cohesion. These effects have led to legislative efforts to regulate or limit STRs in some regions.

Analyzing STRs within the housing market context is important due to their growing significance and potential impact on LTRs. The interplay between STRs and LTRs can affect housing supply, prices, neighborhood dynamics, and housing policy. Therefore, it is crucial to continually assess and understand the implications of these emerging trends to formulate effective strategies and policies.

Some units function as STRs throughout the year, while others, such as primary residences, accessory dwelling units, or spare rooms, can also serve as STRs. The latter category can occasionally cause inconveniences to neighbors, such as noise disturbances. However, they don't notably impact housing affordability. On the other hand, when an entire house is dedicated to STR use, it can reduce the stock of available housing for LTRs, potentially driving up house prices and rents, which negatively affects housing affordability. Therefore, the count of STRs can vary depending on the perspective. To differentiate the impacts of STRs on the housing market, we classify STRs based on the following definitions:

(1) Full-time STRs: These are properties entirely used as STRs, with the listing remaining active and available for reservations throughout the entire year. The listing type for these properties is "Entire home/apt." These units are consistently rented out on a short-term basis, meaning they are not available for the LTR market. Consequently, they may contribute to a decrease in the LTR housing stock and can exert upward pressure on housing prices and rents, potentially impacting housing affordability.
(2) Occasional STRs: These are entire properties that are used as STRs only part of the time, being active for at least one month in a year. The listing type for these properties is also "Entire home/apt." The “occasional” use refers to situations where owners might use their property as an STR when it's not in personal use. Though these units are not fully dedicated to the STR market, they are still not available for the LTR market during their active periods.
(3) Partial STRs: These are properties where only a part of the home is listed as an STR, being active for at least one month in a year. The listing type for these properties is "Private Room" or "Shared Room." These types of STRs might cause minor inconveniences to neighbors but generally do not have a significant impact on housing affordability.
(4) Inactive Listings: These properties are listed as STRs but do not fit into the above categories of Full-time, Occasional, or Partial STRs. These could include properties that are listed but are not actively rented, either as a whole or in part. This category represents the potential number of STRs that could be operated in the area.

Using the proposed definitions of STRs, we calculated the STR numbers for the Rockbridge region (comprising Rockbridge County, Lexington City, and Buena Vista City) as of 2022.

The Number of STRs and Ratio to the Housing Stock in the Rockbridge Region

Source: VCHR Tabulation of AirDNA Data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Rockbridge	105	0.93%	122	1.08%	51	0.45%	66	0.59%	344	3.05%
Lexington	17	0.72%	32	1.35%	10	0.42%	5	0.21%	64	2.69%
Buena Vista	3	0.10%	17	0.58%	10	0.34%	17	0.58%	47	1.60%
Total	125	0.75%	171	1%	71	0.43%	88	0.53%	455	2.74%

In 2022, a total of 455 properties were listed at least once as STRs in the Rockbridge region. These listings are then segmented into our four STR categories: Full-time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

Among the total, 125 (approximately 27% of total listed properties) are classified as Full-time STRs, representing less one percent of the housing stock in the region. This category would be the most impactful on housing affordability, as these units are consistently unavailable for the LTR market; however, their impact is likely to be minimal where rental vacancy rates are in the healthy range. STR are most likely to impact affordability in Buena Vista, where more units are needed to satisfy all types of demand, including from visitors and those who need temporary lodging.

Rockbridge County has the majority of these Full-time STRs, with 105 listings. The Occasional STRs comprise the largest category in the region, accounting for 171 listings, or roughly 38% of total listings. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals 71 properties, or about 17% of the total listings. The Inactive Listings (i.e., properties listed as STRs but not actively rented, either as a whole or in part) make up the remaining 88 listings, or around 19% of total listings. These listings represent a potential expansion of the STR market, should demand increase. The highest count of inactive listings is also in Rockbridge County with 66 listings.

Conclusions

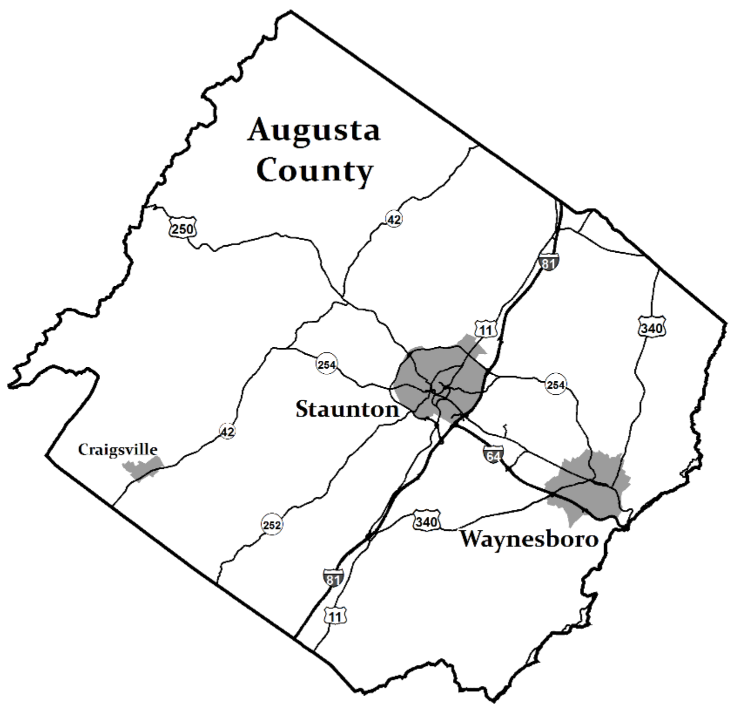
Future development in the Rockbridge region should be focused on adding variety to the existing housing stock and serving households with identified needs. Buena Vista can readily absorb more units and would benefit from higher-value and higher-rent units to increase the variety of housing units available and to build wealth for existing owners. Though Buena Vista needs to promote re-investment and the creation of new units, the city offers an important stock of low-cost housing and should consider preserving some of that stock as committed affordable units. This objective could be achieved by supporting mixed-income developments. Lexington will likely absorb limited numbers of new for-sale and rental units and should strive to add affordable units to address needs among seniors and service and support workers. Lexington is the most inaccessible market in the Rockbridge region for workers earning low wages, especially those who are just starting out in their careers. Since demand has not outstripped supply, the city has an opportunity to strategically add housing while keeping up with regular demand increases.

Many of those who need relief from housing cost burden would benefit from housing subsidy. Housing choice vouchers could alleviate cost burden among renters and give them greater access to homeownership opportunities. Homeowners could benefit from home repair, rehabilitation, and weatherization, which may lower energy bills enough to reduce housing cost burden. When homeowners are cost-burdened and have to make choices between housing and other necessities, they may defer maintenance on their home in favor of more immediate needs such as medical care or food. Supporting these households in the rehabilitation and upgrade of their home (particularly modernized heating and cooling) achieves a dual purpose of relieving cost burden and maintaining the housing stock for the community's future residents. Many focus group participants discussed the need for investments in the existing housing stock and that poor conditions are a challenge for both prospective and current residents. Employers described how prospective employees struggle to find homes in good condition, and lenders discussed financial products that require homes to be in good repair.

Finally, the Rockbridge region has a substantial senior population. Rockbridge has the second-largest population of people 60 and older in Central Shenandoah. Many of the people who are cost-burdened or at risk for housing insecurity are seniors, some 75 and older and many living alone. Ensuring that the most vulnerable seniors have access to home repair, rehabilitation, modification, and weatherization—as well as alternative housing options—should be a priority for the entire area. Focus group participants also discussed the need for more assisted living opportunities for people at all income levels. They explained that existing assisted living is at capacity and that some facilities have long waiting lists.

STAUNTON-AUGUSTA COUNTY-WAYNESBORO HOUSING DATA ANALYSIS

The Staunton-Augusta County-Waynesboro (SAW) region is located in the central-eastern portion of the Central Shenandoah PDC and is bounded on the west by the Allegheny Mountains and on the east by the Blue Ridge Mountains. Augusta County encompasses two independent cities, Staunton and Waynesboro, and one incorporated town, Craigsville. The City of Staunton is home to important educational and cultural amenities, particularly around its historic downtown. Waynesboro is uniquely situated as both a historically industrial location and a destination for outdoor recreation due to its proximity to Shenandoah National Park and the Blue Ridge Parkway. The SAW region offers a range of urban and rural settings and hosts important institutions such as Augusta Health and major industrial employers. The SAW region is surrounded by the counties of Albemarle, Bath, Highland, Nelson, Rockbridge, and Rockingham, as well as Pendleton County, West Virginia. Interstates 81 and 64 intersect centrally in Staunton, and the region is approximately 85 miles north of Roanoke, 100 miles west of Richmond, and 150 miles southwest of Washington, D.C.



SAW Regional Housing Market

Staunton, Augusta County, and Waynesboro constitute the Staunton Metropolitan Statistical Area (MSA). The MSA designation[1] is based on the strength of intra-regional commuting patterns, which can be used to approximate a housing market. This is because households generally seek to buy or rent a home within a reasonable commute of their job, just as households generally seek employment within a reasonable commute of their home. Roughly 63% of the people who work in the Staunton MSA also live in one of the three jurisdictions, while 37% commute from other areas—primarily Harrisonburg (2.4%) and Charlottesville (0.8%)[2]. Commuting within the region is described in more detail below, highlighting the connectedness of submarkets within the MSA.

While Staunton is the defined center of this MSA, both Waynesboro and Augusta County also host a substantial share of regional employment. The Staunton MSA is home to several major employers, including Augusta Health, Daikin Applied, Hershey Chocolate of Virginia, and, most recently, an Amazon fulfillment center. Roughly 25% of Staunton workers also live in the city, while roughly 16% commute in from Augusta County, 5% commute in from Waynesboro, and an additional 2.5% commute in from neighboring Harrisonburg. Similarly, only 20% of those who work in Waynesboro also live there; just over 20% commute in from the county, and nearly 7% commute from Staunton. Residents are also commuting out of the region, primarily to Harrisonburg (5.9%) and Charlottesville (3.8%). Focus group and interview participants discussed a growing trend in households who work in Charlottesville and are moving into the SAW region for more affordable housing options, particularly in Waynesboro.

Households

The SAW region is home to just over 126,000 people, comprising roughly 50,400 households. Most households (59%) live in the county, while 22% live in Staunton and 19% live in Waynesboro. The MSA also includes the Town of Craigsville, which has 455 households. Since 2016, the SAW region has experienced a substantial 5.4% growth in households. Comparatively, the Rockbridge region has seen no significant growth, and the Bath-Highland area has experienced a decline in households since 2016, suggesting that households continue to locate in proximity to the growing job opportunities found in the Staunton and Harrisonburg MSAs.

Tenure

The majority of households (70%) are owners; this is primarily reflective of a high rate of homeownership in Augusta County (78.5%). Renters are more concentrated in Staunton and Waynesboro, where homeownership rates are 59% and 60%, respectively. Based on limited data, Craigsville has a lower rate of homeownership, ranging somewhere between 32.5%-58%. Further discussion with Craigsville is needed to confirm this data. In Waynesboro, lower rates of homeownership are primarily driven by younger renters, with 62% of renter-occupied households being headed by individuals 34 and younger. In Staunton, households older than 75 have a homeownership rate of only 53%, suggesting limited appropriate homeownership opportunities for

[1] The United States Office of Management and Budget (OMB) delineates MSAs and micropolitan statistical areas according to published standards that are applied to Census Bureau data.
[2] 2021 On the Map, All Primary Jobs

seniors in the city, compared to Augusta County and Waynesboro, where senior homeownership rates are 85% and 75%, respectively. Realtors observed that investors are purchasing more single-family homes historically available for homeowners, which may limit homeownership opportunity in Staunton and Waynesboro.

Living Arrangements

Living arrangements in the Staunton-Augusta-Waynesboro region can be characterized by household size and family status. Most of the region's households are one- (29%) or two-person (36%) households. Only 16% are three-person, and 18% include four or more people. This trend is true throughout the region, but one- and two-person households make up a larger percentage of the population in Staunton, Waynesboro, and Craigsville than in the county.

Sixty-four percent of households in the Staunton MSA are family households, related either as married couples, traditional nuclear families, single parents with children, grandparents raising grandchildren, etc. Approximately 3,101 households in the Staunton MSA are made up of non-family roommates, representing just over 6% of all households. Roommate households are slightly more common in Staunton and Waynesboro than in Augusta County, which may be related to household characteristics, younger renter households, and housing stock availability in the two cities.

Of the more than 15,000 people living alone, just under half (49.5%) are 65 or older. Among people 35 and older who live alone, almost two-thirds (61%) own their home. Most who are younger than 35 (74%) rent their home.

Housing Insecurity

More than 12,600 households in the Staunton-Augusta-Waynesboro region spend more than 30% of their income on housing and may need more affordable housing options. Households spending more than 30% of their income on housing are considered cost-burdened. Nearly half (45%) of these households are severely cost-burdened, spending more than 50% of their income for housing. Thirty-five percent of cost-burdened households are seniors 65 or older.

Staunton and Waynesboro have a higher concentration of cost-burdened households, particularly among renters. More than 42% of renters in both Staunton and Waynesboro are considered cost-burdened, compared to 32.8% in Augusta County. Tenure plays a crucial role in housing affordability, with renters more vulnerable to increasing housing costs than homeowners. Cost-burdened renters may be at risk for eviction and homelessness in the event of an unexpected household expense such as a medical need or car repair.

Households are more likely to make tough choices between housing and other needs when they have low incomes. Further, these households are more likely to be at risk for homelessness in the event of an unexpected household expense such as a medical expense or major appliance failure. In order to assess the distribution of cost burden across income levels, the most recent reliable data is from 2019. Therefore, cost-burden totals will vary slightly from the overall cost-burden estimates above, which are from 2021. Approximately 42% of the region's households have low incomes, defined as 80% of the HUD Area Median Income or less. More than half (53%) of Waynesboro households have low incomes (4,855), compared with 45% (4,800) in Staunton and 38% (11,110) in Augusta County. An estimated 4,760 households including someone 75 or older have low incomes.

2019 HUD Low Income Limits (80% of Area Median Income): Staunton MSA

Persons in Family			
1	2	3	4
$38,750	$44,300	$49,850	$55,350

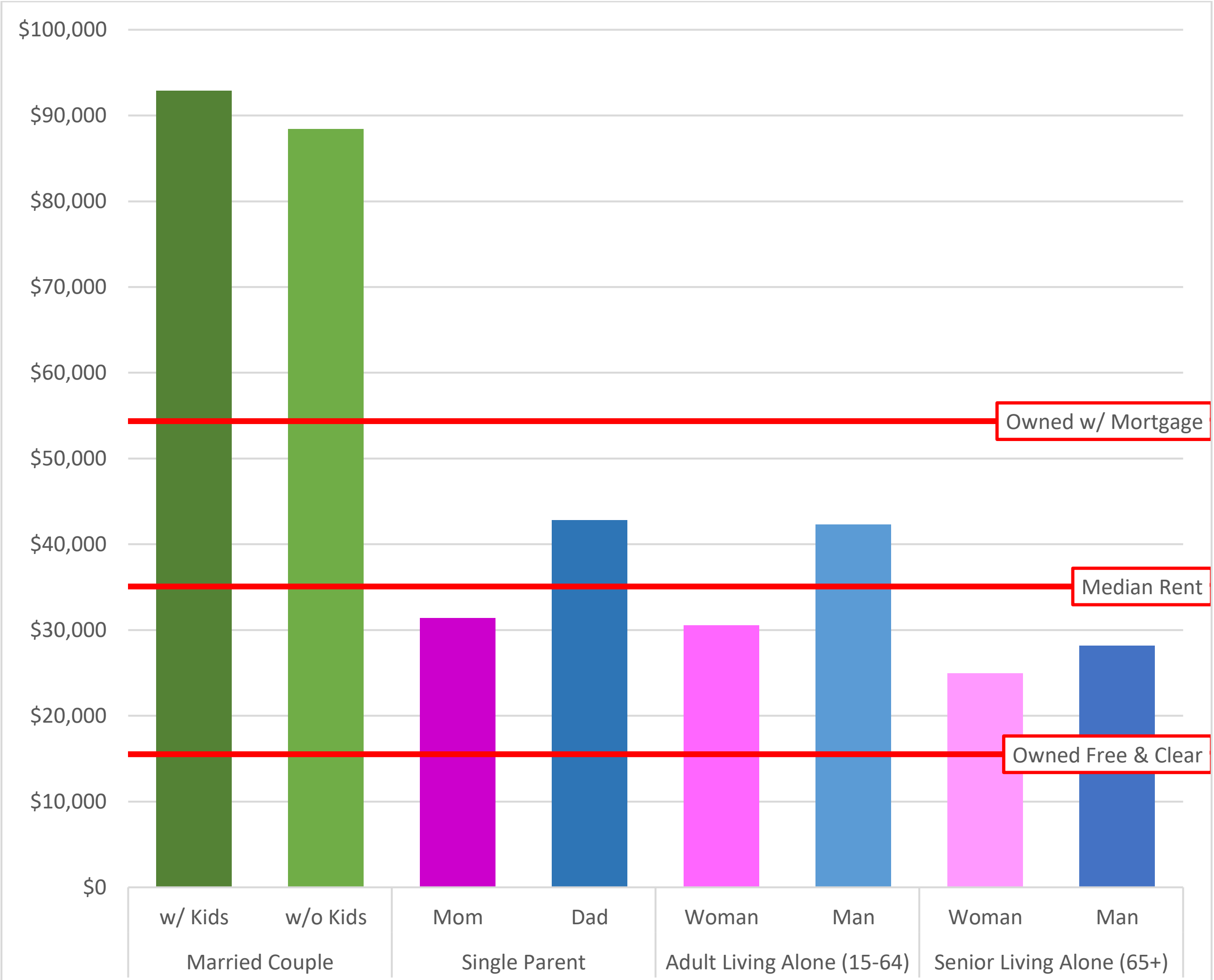
Approximately half of all low-income households throughout the SAW region are cost-burdened, and these make up 85% of cost-burdened households in the area. Among low-income, cost-burdened households, 4,835 (47%) are severely cost-burdened, paying more than 50% of their income for housing. Low-income, severely cost-burdened households face tough choices between housing and other necessities, making them extremely vulnerable and at risk for homelessness. Levels of cost burden among low-income households indicate a lack of appropriate housing stock, such as subsidized rental or affordable homeownership opportunities. Service area providers discussed a distinct lack of both deeply subsidized rental housing and rental assistance, and noted that renters in need of emergency assistance often have extremely limited or no options in the Staunton MSA. Service providers, such as Community Services Board representatives, also noted a substantial uptick in senior homelessness over the past five years.

Cost-burdened Households and Low-income, Cost-burdened Households in the SAW Region
Source: 2015-2019 Consolidated Housing Affordability Strategy (CHAS) data

	Staunton City	Waynesboro City	Augusta County
Cost-burdened Households (as % of total population)	2,960 (27.9%)	2,815 (30.6%)	6,420 (21.7%)
Low-income (80% AMI) Cost-burdened Households (as % of all cost-burdened households)	2,590 (87.5%)	2,540 (90.2%)	5,235 (81.5%)

Single female and single senior households are more likely to have incomes too low to comfortably afford housing. Median income among households led by a single female, whether a family or an individual living alone, is not enough to afford the median rent in the Staunton MSA. Seniors who do not own their home free and clear are likely to struggle with housing costs, potentially making it impossible to relocate from a family home to a unit that better meets their needs.

Median Income by Household Type Compared to Median Housing Costs
Source: VCHR tabulation of 2021 ACS 5-year Estimates for Staunton MSA



Workforce Affordability

Most households in the region (70%) include at least one worker. Note that most households who do not include workers are likely to be retired (29% of households receive retirement income), or disabled (4% of households receive Supplemental Security Income). Among working households, 50% include one worker, 40% include two workers, and 10% include three or more workers.

Working Households
Source: 2021 ACS 5-year Estimates

	Staunton	Waynesboro	Augusta County
Working	7,366 (66%)	6,667 (71%)	21,457 (72%)
Not Working	3,789	2,752	8,423

VCHR compares maximum affordable housing costs by occupation to housing costs in order to determine which workers may struggle to afford housing. VCHR compared data for households in three scenarios: a single earner, earning at the median for his or her occupation; dual earners, both earning at an occupation's median wage; and a single earner, earning at the 90th percentile. VCHR chose these scenarios to benchmark the experience of typical households, as households generally include one or two workers. VCHR included an analysis of housing affordability for earners at the 90th percentile to consider whether households can more readily afford housing later in their career, with increased skill or experience.

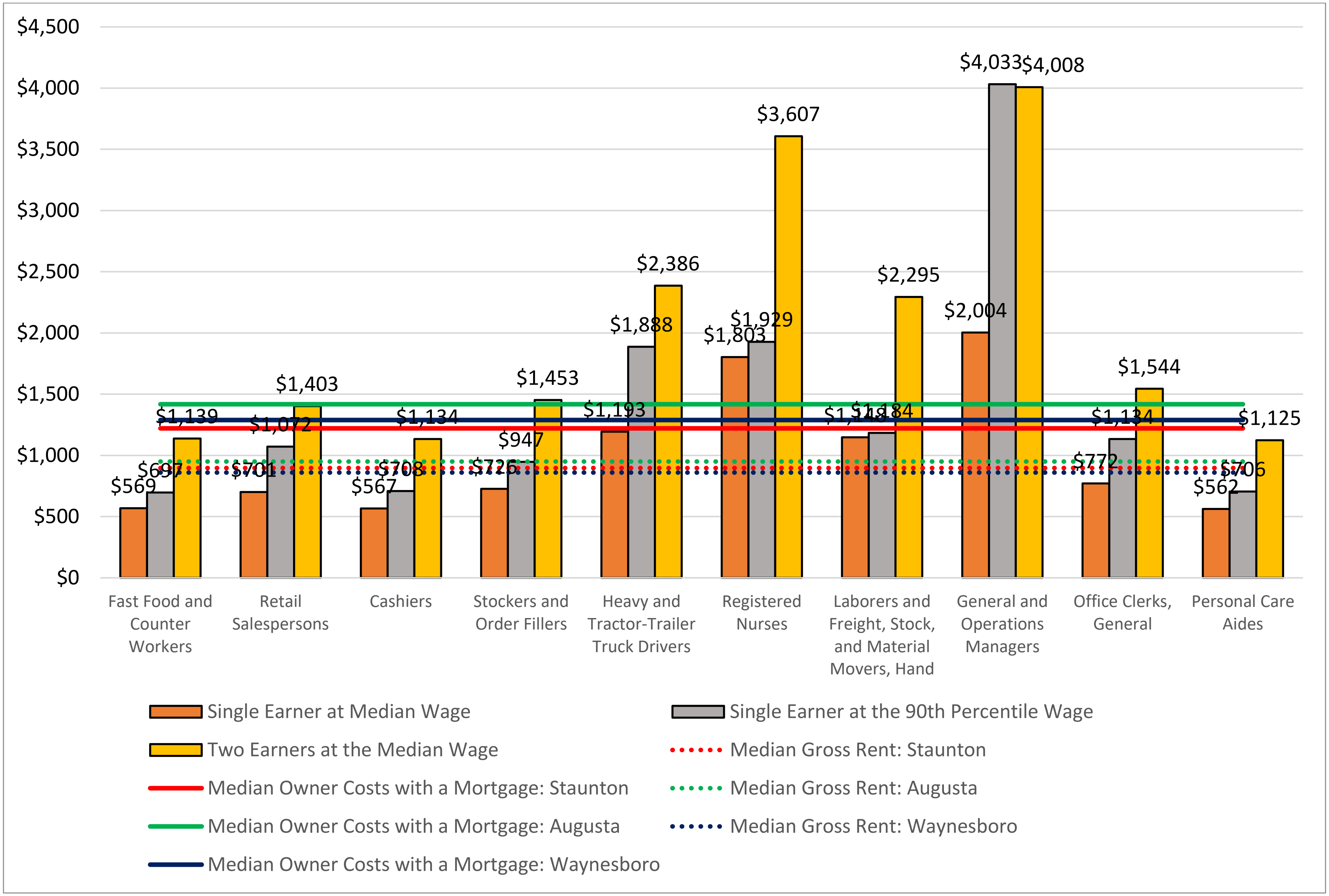
Several of the Staunton MSA's top earning occupations, including truck drivers, registered nurses, general laborers, and general/operations managers, are associated with higher wages and will find most rental units affordable in the region. However, workers in service or support occupations may struggle to find affordable rental housing, especially those who are living independently or supporting a family as a single earner. Workers earning at the median in five of the top 10 occupations by employment would need housing costs less than $800 per month in order to avoid cost burden, while three out of 10 would need housing costs less than $600 a month. Fast food workers, cashiers, and personal care aides will likely struggle to afford housing without sharing housing costs, even when earning in the 90th percentile. In terms of homeownership, registered nurses and general/operations managers who are single earners would be able to access affordable homeownership opportunities; all other occupations would need to share homeownership housing costs in order to affordably own a home in the Staunton MSA. Fast food workers, cashiers, and personal care aides are likely unable to access affordable homeownership opportunities, even when doubled up with another household member making a similar salary.

Introducing affordable housing for service and support workers in the Staunton MSA would help businesses retain and attract workers. In particular, housing is needed to accommodate personal care aides as the demand continues to rise for in-home health services to support the region's growing senior population.

Many of these workers would qualify for subsidized housing such as Low-Income Housing Tax Credit developments and housing choice vouchers. Developing new subsidized housing with a priority for local workers would allow the Staunton MSA to more easily retain its current workforce and attract new workers. Additionally, the SAW region can benefit from preserving existing subsidized stock and adding additional affordable units as it increasingly serves as an alternative housing market to neighboring jurisdictions such as Harrisonburg and Charlottesville. If the region is able to maintain socioeconomic diversity by offering more affordable options, the region's services and amenities will grow and, in turn, residents will be more likely to spend income earned in neighboring markets within the MSA. Developing for-sale housing affordable to service and support workers would further anchor them in the community, particularly in employment centers in Staunton, Waynesboro, and major commercial corridors of Augusta County, such as Fishersville and Stuarts Draft.

Maximum Affordable Housing Costs for Top Ten Occupations by Employment Compared to Median Housing Costs in SAW

Source: VCHR tabulation of 2021 Lightcast data and 2021 ACS 5-year Estimates

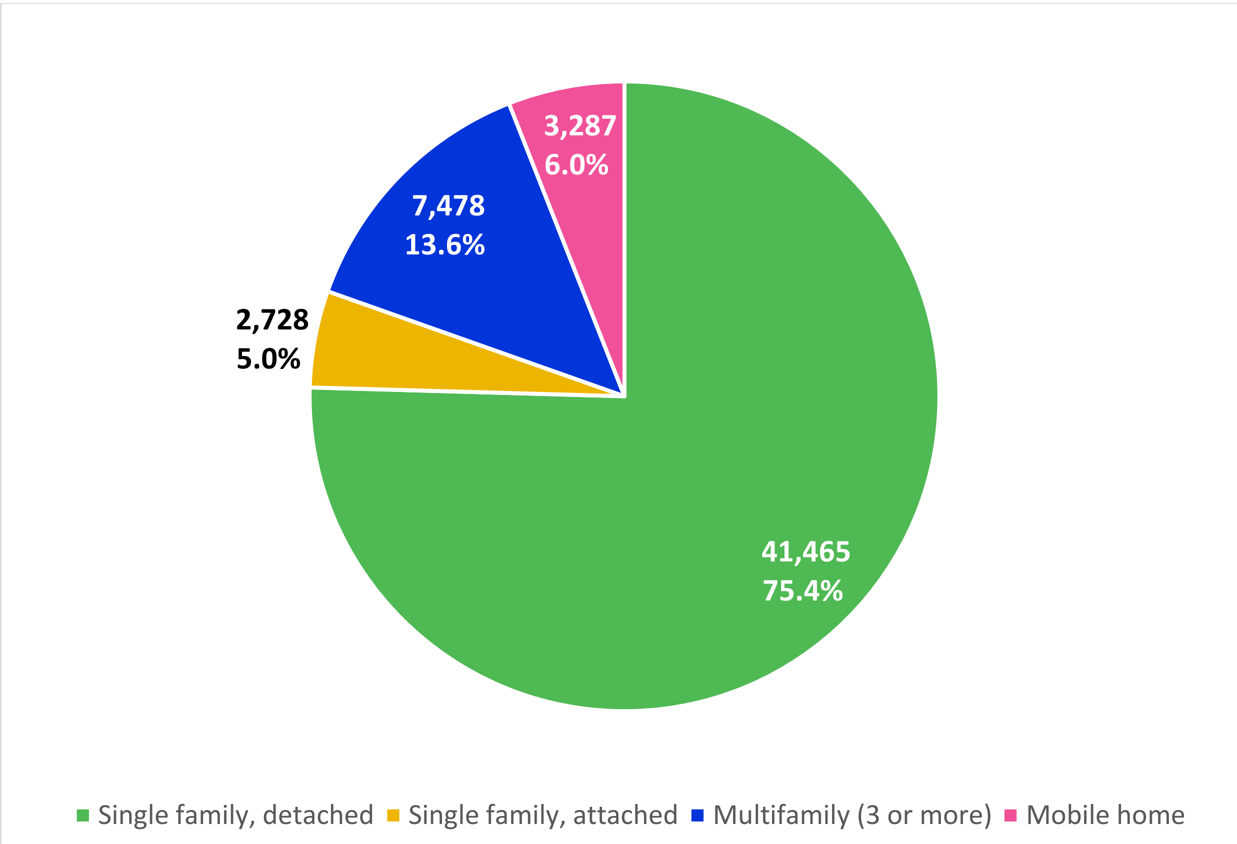


Housing Stock

There are 54,967 housing units in the Staunton MSA. The majority of units (75%) are site-built, single-family detached units. Mobile and manufactured units make up 6% of housing units and most are located in the county, thus constituting nearly 10% of Augusta County's housing stock[3]. There are fewer than 2,800 single attached units, townhomes, or duplexes, and about 7,500 multifamily units. Duplexes, townhomes, and multifamily units are far more common in Staunton and Waynesboro than the county, constituting 28% and 32% of total housing stock, respectively.

Housing Units by Type in the Staunton MSA

Source: CSPDC Tabulation of 2021 ACS 5-year estimates



Bedrooms

Although 29% of households in the Staunton MSA are individuals living alone, efficiency and one-bedroom units represent only 8% of housing stock in the region. Two-bedroom units are more common and make up 22% of housing stock. Three-bedroom units represent nearly half (49%) of the region's housing stock, and larger units with four or more bedrooms constitute 21% of the stock. While many households prefer extra bedrooms for other uses, the lack of small units for small households may contribute to affordability challenges. A three-person family could share a two-

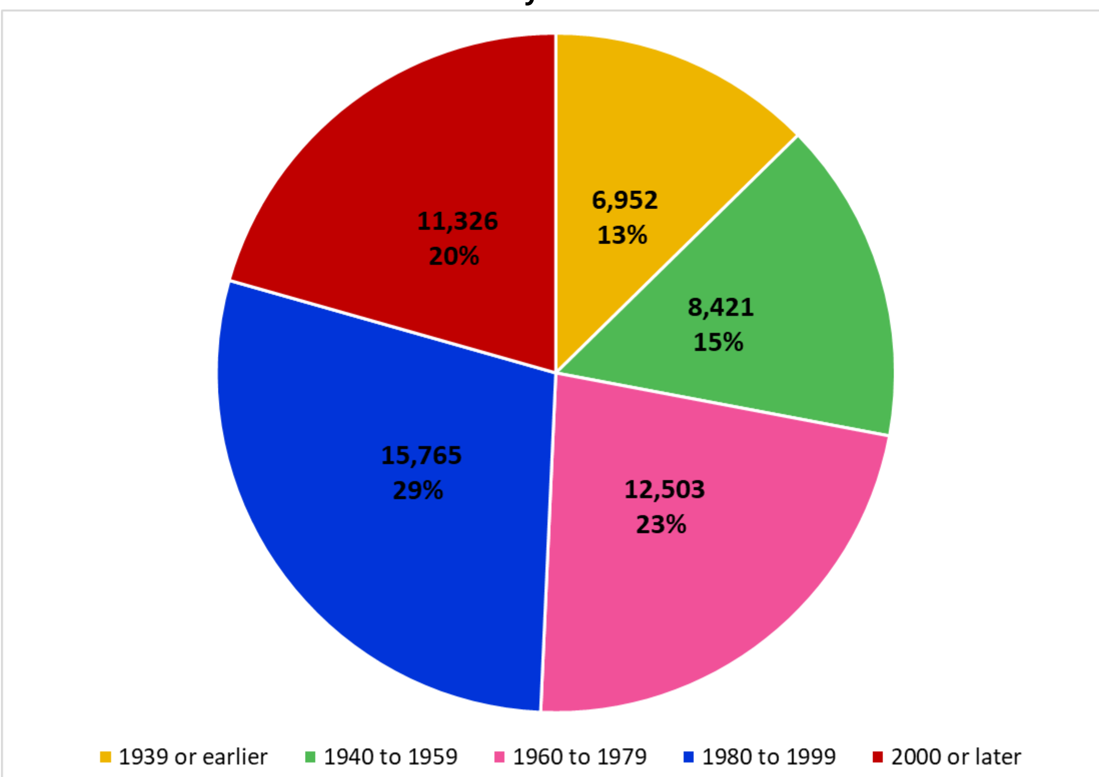
[3] As of June 2022, there were 3,649 mobile or manufactured units registered with the DMV in August County, 354 in Waynesboro, and 97 in Staunton. Not all mobile or manufactured units are used as primary residences, and those that have been transferred into real estate are not registered at the DMV. Nonetheless, the DMV registrations are useful in lieu of reliable numbers from the ACS.

bedroom space without creating an overcrowded situation, but while 81% of households are three or fewer people, only 30% of units are two or fewer bedrooms.

Age of Housing Stock and Conditions

The age of housing stock in the Staunton MSA is distributed relatively evenly, suggesting consistent and continued investment in the region. Augusta County has the newest housing stock, with just under a quarter of all housing units being built in 2000 or later. Focus group participants shared that most new housing stock is built in the county due to the lack of available land in Staunton and Waynesboro. In contrast, Staunton has one of the oldest housing stocks in the Central Shenandoah footprint, with 43% of all housing in the city being built prior to 1960, and 20% being built prior to 1940. Similarly, one-third of Waynesboro's housing stock was built prior to 1960.

Housing Units by Year Built in the Staunton MSA
Source: CSPDC Tabulation of 2021 ACS 5-year Estimates[4]



Participants in service-provider focus groups explained that a substantial amount of the region's aging housing stock needs critical home repair. Service providers noted an uptick in requests for home repair in the region, and said that they were having to close applications due to soaring demand. Participants shared that much of the older rental stock in Staunton and Waynesboro suffers from deteriorated condition and habitability issues, and that tenants need greater protections to ensure that landlords maintain basic safety and health requirements. As a potential

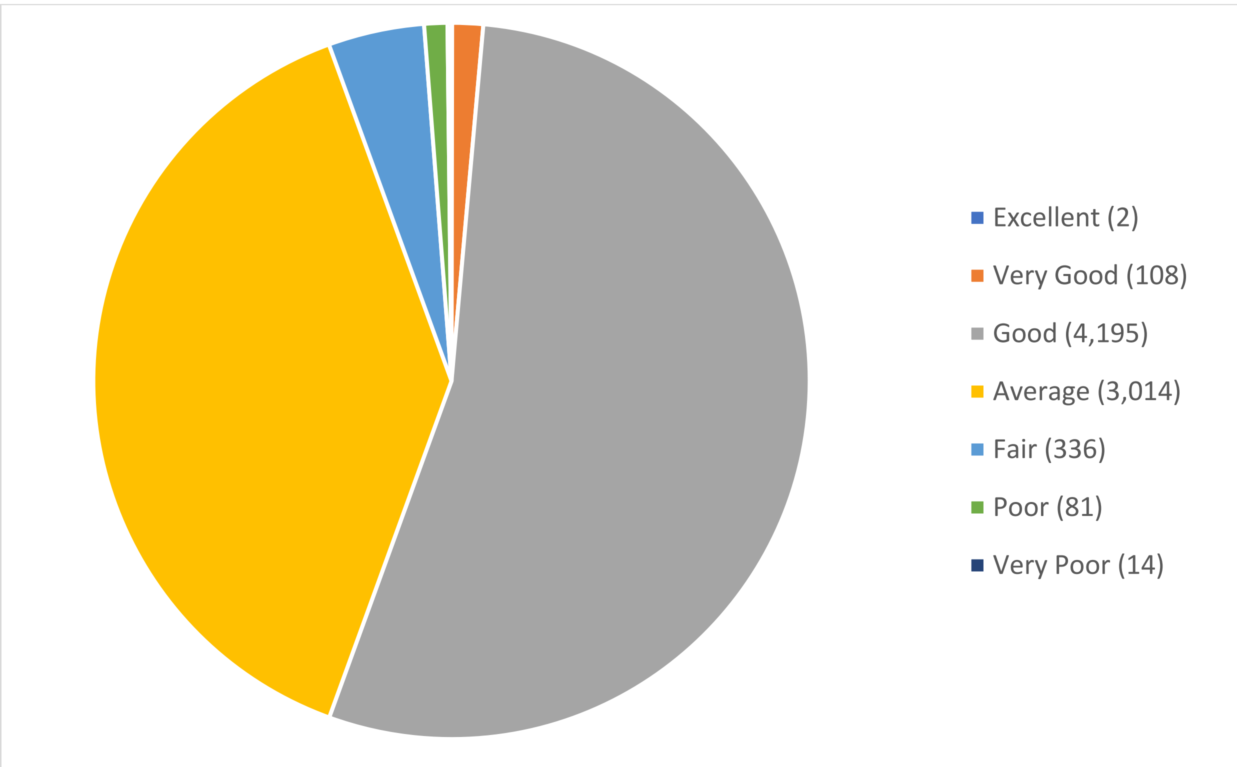
[4] The assessment data give a similar result: 11.9% prior to 1939, 16.4% 1940-1959, 24.6% 1960-1979, 25.3% 1980-1989, and 21.7% 2000 or later.

solution, the group recommended enhancements to rental inspection programs in Staunton and Waynesboro.

Unlike many jurisdictions across Central Shenandoah, Waynesboro collects data on housing conditions, allowing for more detailed analysis. Waynesboro's 2021 real-estate assessment data include a condition evaluation for 86% of residential units. Most units (94%) are in average or better condition. Though the condition of an average unit depends on the market, these units generally should not be the target of a revitalization program. With the repair or removal of units in "fair," "poor," or "very poor" condition, owners of "average" units may be encouraged to invest in their property. Waynesboro has 95 units in "poor" or "very poor" condition. These units should be evaluated and considered as a part of a revitalization program, since they are deteriorating and likely present a risk for occupants and neighboring properties, within 0.25 miles[5].

City of Waynesboro Housing Units by Condition

Source: City of Waynesboro real estate assessment data



[5] Ding, C., & Knaap, G. J. (2002). Property values in inner-city neighborhoods: The effects of homeownership, housing investment, and economic development. Housing Policy Debate, 13(4), 701-727.; Edmiston, K. D. (2012). Nonprofit housing investment and local area home values. Economic Review-Federal Reserve Bank of Kansas City, 67.; Kurvinen, A. T., & Vihola, J. (2016). The impact of residential development on nearby housing prices. International Journal of Housing Markets and Analysis.; Zahirovich-Herbert, V., & Gibler, K. M. (2014). The effect of new residential construction on housing prices. Journal of Housing Economics, 26, 1-18.

Homes need regular maintenance and periodic upgrades. Upgrades, modernizations, and replacements are typically needed every 10-15 years. When homeowners are cost-burdened, they may choose to defer maintenance or forgo upgrades in favor of necessities like food, childcare, and medical care. Nearly 1,350 owners in Waynesboro are cost-burdened (920 of whom have low incomes) and may benefit from programs such as tax abatement for seniors, critical home repair, USDA home renovation loans, and the Weatherization Assistance Program (WAP), among others.

The tight homeownership market and tightening rental market in the Staunton MSA will likely affect investments in homes in the region. Increased sales prices can encourage investments in homes because homeowners are more likely to receive a return on upgrades and repairs when they sell. However, the tight rental market may encourage buyers to make minimal investments and “flip” previously owner-occupied homes for the purposes of renting. Simultaneously, high demand for rental units with a limited supply (evidenced by low vacancy rates) can discourage long-term investments in rental properties since tenants must compete for properties (by accepting less quality for higher rent) rather than landlords competing for tenants with upgraded properties and good property maintenance. This tendency is likely to have the greatest impact on low- and moderate-income renters who compete less successfully for lower-cost units.

Mobile homes were also identified as a critical focus area for home repair investment. Manufactured homes are often a source of naturally occurring affordable housing, offering affordable housing stock to lower-income households without subsidy. However, mobile homes manufactured before 1976 are generally substandard stock that needs to be replaced or removed. Given that mobile and manufactured homes make up nearly 10% of Augusta County’s housing stock, the County might consider policy or programs that work to preserve, replace, or improve these units.

Vulnerable Populations

Focus groups revealed that the Staunton MSA continues to grapple with providing adequate housing infrastructure for its most vulnerable residents, including those experiencing chronic housing insecurity, mental health conditions, and substance use disorder. These vulnerable populations tend to be extremely low income, with very little deeply subsidized rental inventory to house them. Participants shared that those naturally occurring affordable units that do exist are often difficult to secure for these populations, in part due to rental discrimination.

Service providers described a substantial need for additional units paired with wraparound services, noting that those with criminal records re-entering the housing market after leaving nearby Middle River Regional Jail are even harder to house, often facing rental discrimination. Providers shared that it’s common in Staunton and Waynesboro for housing-insecure individuals to double or triple up in units, and that investments in permanent supportive housing are needed to appropriately house this population. A 2023 report by the Virginia Department of Behavioral Health and Developmental Services indicated that the Valley Community Services Board area (composed of the Staunton MSA and Highland County) needs to add an additional 125 units to its existing 120 units of permanent supportive housing to meet current needs. Additional analysis of supportive housing needs throughout the Central Shenandoah footprint is included in the regionwide analysis at the beginning of this report.

Vacancy

Housing vacancy in the Staunton MSA has reduced by more than 20% since 2016, further evidence of increasing demand in the region. These reductions have been primarily in market vacancies, units vacant for-rent or vacant for-sale, and units being held for seasonal, recreational, or occasional use. Long-term vacancies, those slated for demolition or held in the long term without being occupied, have remained constant at approximately 1,831 (about 3% of the total stock). Some of these long-term vacancies may represent an opportunity to increase the available housing stock by encouraging owners to rent or sell their units.

The current residential market in the Staunton MSA leans toward being too tight, with too little inventory on the market to satisfy current demand and maintain levels of competition for buyers and renters that encourage investments. The most recent data suggest a market vacancy rate between 2% and 3.5%, while a typical healthy market vacancy is between 2%-7%. Focus groups revealed that while households from Charlottesville are increasingly re-locating to Staunton or Waynesboro in search of more affordable housing options, development in both cities is limited by availability of development-ready land. Additionally, participants shared that much of the new development being built in the county is large-lot, custom-built housing, suggesting that much of the new housing being built is not dense enough to keep pace with residential growth. Higher density development, such as multifamily rental and smaller-lot homeownership opportunities, may help balance the market and provide more affordable housing options.

Rental Market Conditions

ACS market-vacancy data for rental units suggest that the SAW region is in the healthy range.

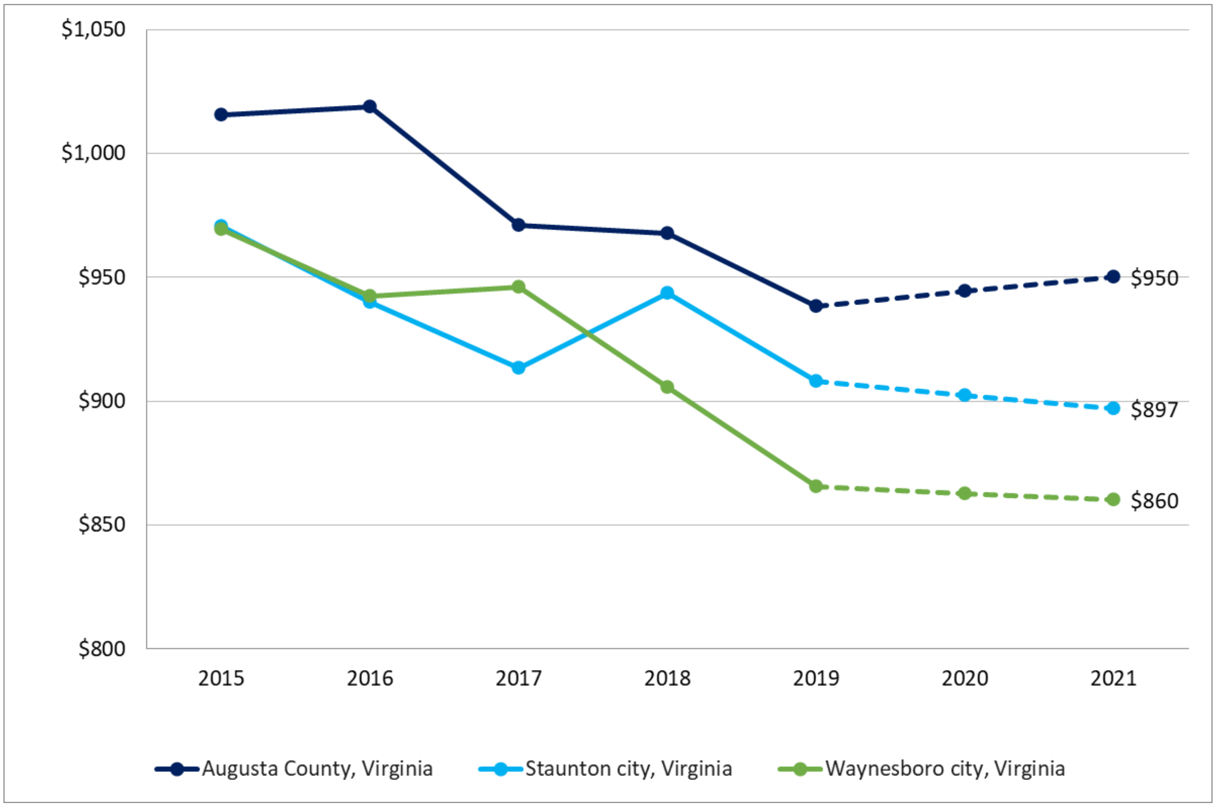
Rental Units and Rental Vacancy Rate for SAW Region Localities
Source: CSPDC Tabulation of 2021 ACS 5-year Estimates

	Staunton	Waynesboro	Augusta County
Rental Units	5,005	4,141	6,780
Rental Vacancy Rate	2-8%	2-13%	2-8%

However, CoStar offers more recent data for part of the rental units in the Staunton MSA—5,750 multifamily and townhome properties. The vacancy rate among these properties is 1.9%, suggesting that the rental market may be on the tighter side of the healthy range. The City of Staunton has the lowest vacancy rate (1.1%) among the four places in Augusta County with concentrations of multifamily properties, followed by Waynesboro at 1.8%, Stuarts Draft (1.9%), and Fishersville (2.5%). Vacancy rates from both ACS data and CoStar data suggest that the region has a healthy level of rental units and that units should be added to keep up with demand. Adding more units beyond the "keep up" level will give renters more options and encourage re-investment in rental properties in order to compete for renters as well as discouraging the transition of owner-occupied, single-family properties into investor-owned rental properties.

Median Gross Rent

Source: VCHR Tabulation of 2015-2021 ACS 5-year Estimates Adjusted to 2021 Dollars



Median rent in the Staunton MSA is $911, with Augusta County having higher rents than Staunton and Waynesboro. When adjusted for inflation, median rent in Staunton and Waynesboro has shown a decrease from 2019 to 2021. However, this trend is beginning to stabilize as market demand for housing in both cities increases. Pandemic-eviction and rental-increase moratoriums limited rent increases in 2020 and 2021, but Central Shenandoah Planning District Commission regional stakeholders have suggested that landlords and property management have begun to recover losses by increasing rents. CoStar[6] data suggest that real rents (adjusted for inflation) in Staunton began to increase following the second quarter of 2022. In the county, recent increases in rent coupled with low rental vacancy rates suggest that the market could absorb additional units. In Staunton and Waynesboro, the addition of rental units should focus on market gaps: units for extremely low-income households and units for moderate- and higher-income households.

Most rented units (59%) in the Staunton MSA cost less than $1,000 per month for rent and utilities, while 41% cost $1,000 or more. Despite the existence of low-cost units, renters throughout the region are disproportionately cost-burdened; they make up 29% of all households but 49% of cost-burdened households. There is not enough supply to serve renters with extremely low incomes, and 60% of those rental units are occupied by households with higher incomes. Although there are vacant units, given the need for deeply affordable rental units, we can anticipate that vacant units do not meet renter needs (e.g., not an appropriate size, in poor condition, not in the appropriate

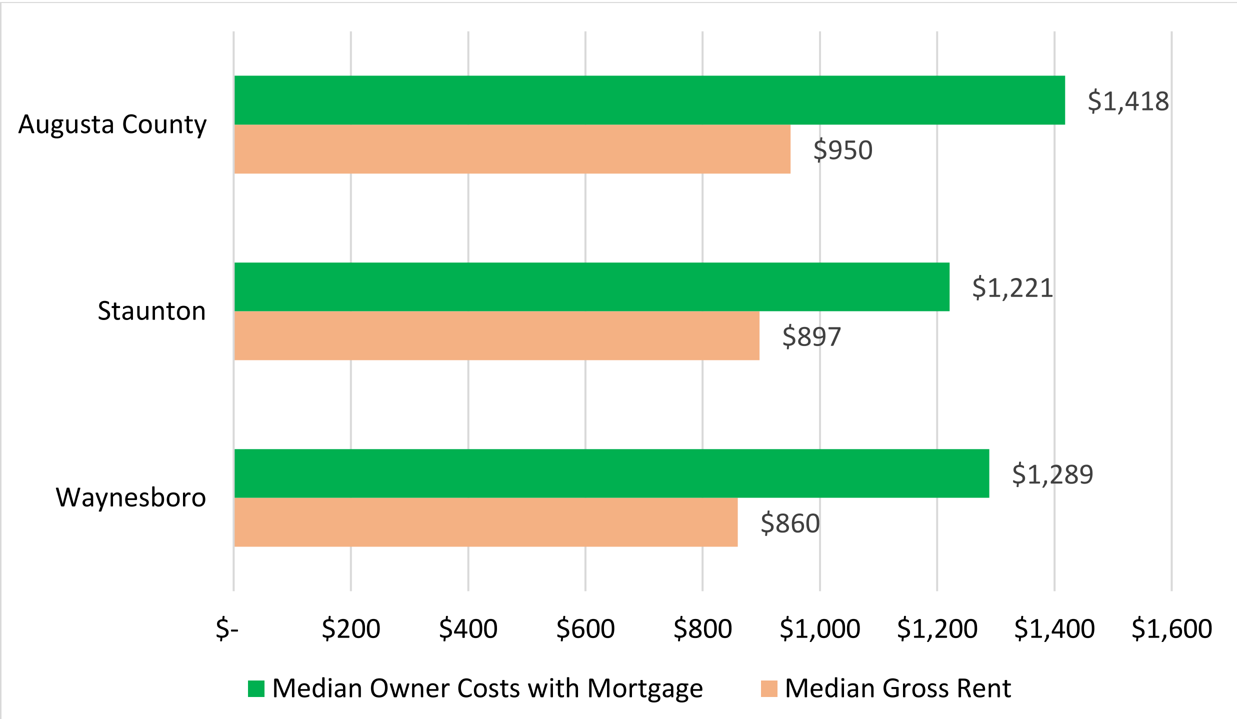
[6] Note that CoStar data is for 5,750 multifamily and townhome units, not all rental properties.

location). Similarly, there are not enough units to serve moderate- and higher-income households, causing those households to compete with low-income households for affordable units.

Homeownership Market Conditions

Median owner costs with a mortgage are higher than rents in the Staunton MSA. Augusta County's median owner cost is the highest in the Staunton MSA, and the second-highest in the entire Central Shenandoah region, behind Lexington.

Median Rent and Owner Costs by Locality in the Staunton MSA
Source: CSPDC Tabulation of 2021 ACS 5-year estimates

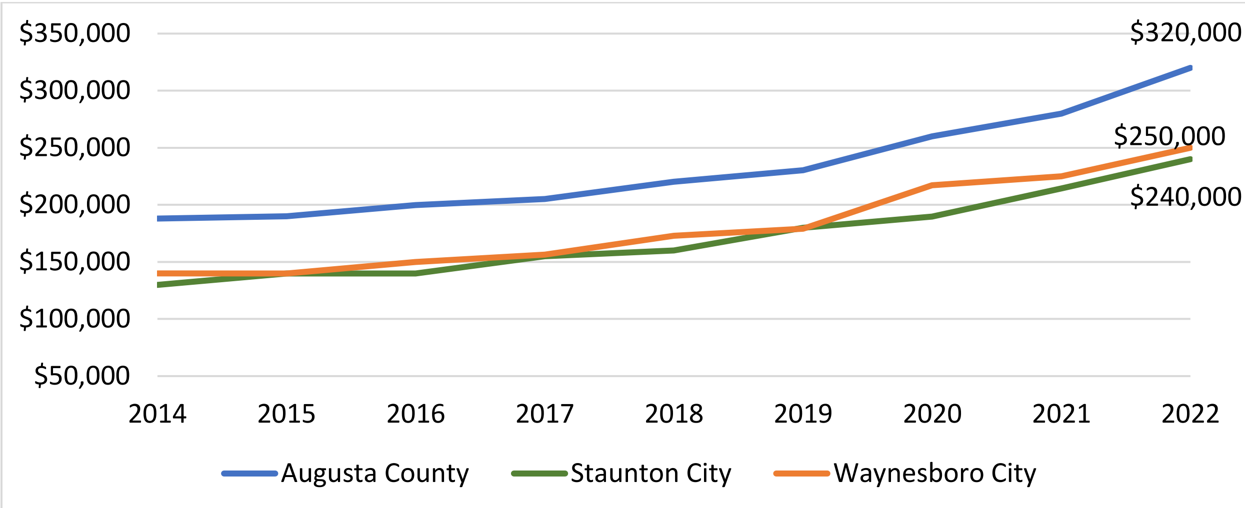


Median owner costs with a mortgage are reflective of relative median sales prices in the region, with Augusta County's being the second-highest and Staunton and Waynesboro around the middle of the Central Shenandoah jurisdictions. However, the most recent data demonstrate slightly lower costs compared to the rest of the region; both Lexington and Rockbridge County have higher home sales prices than Augusta County, and the Harrisonburg MSA and Highland County show higher prices than Staunton and Waynesboro.

Median owner cost is the middle cost among all owners, even those who have owned their home for a long time. Recent median sales prices are the best reflection of real estate values and the costs that new homebuyers face. While Augusta County's median sales price has consistently outpaced Staunton and Waynesboro, the graph below indicates that Augusta County's median sales price is pulling further away from Staunton and Waynesboro. This aligns with feedback from focus groups: new homes in the Staunton MSA tend to be built on larger lots in areas of available greenspace in the county rather than smaller, infill development.

Median Price

Source: VCHR Tabulation of 2014-2022 REALTOR Sale Data



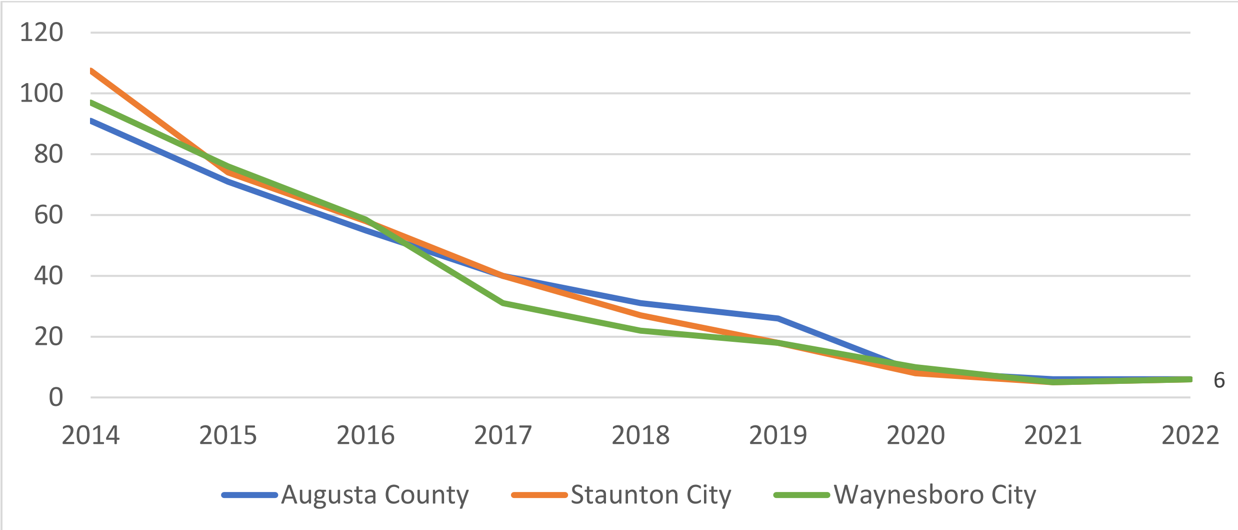
All three localities have experienced increasing sales prices since 2014. Staunton's median home price has seen the most dramatic change, increasing by 85% since 2014. Waynesboro's median home price has increased by 79%, and Augusta County's has increased by 70%. These trends—along with decreasing interest rates up until 2022—resulted in increasing affordability and wealth among existing owners. However, increasing prices and 2023's increased interest rates have made homeownership less accessible for first-time buyers.

Lenders and Realtors discussed current market trends and explained that the housing market in the Staunton MSA is becoming increasingly restricted due to both the slowed rate of construction and the lack of development outside of large-lot, single-family detached homes. Lenders shared that first-time homebuyers are not able to access the market with the inventory that is currently available, and that lack of overall inventory prevents current homeowners from "moving up" and freeing inventory for would-be first-time homebuyers. Both Realtors and lenders expressed a need for more townhomes, condos, and duplexes. Additionally, Realtors noted a growing trend in short-term rentals (STRs) in the Staunton MSA and suggested that STRs may be negatively impacting entry-level homeownership opportunities. STRs are discussed in more detail below.

Staunton, Augusta, and Waynesboro all averaged six days on the market in 2022, suggesting that price increases are closely related to a lack of supply in the region. For comparison, a healthy number of days on the market is typically between 30-60 days. The days on the market data in the Staunton MSA suggest that supply in recent years lags significantly behind demand, creating market tightness in the area. At this level of market tightness, current homeowners may be reluctant to sell their home and free up additional inventory for fear of not being able to find another home to purchase. This creates a "gridlock" situation, which is reflected in conversations with both Realtors and lenders. The Staunton MSA will need to significantly add to housing inventory to "catch up" with demand, re-balance the market, and avoid runaway home prices.

Median Days on the Market

Source: VCHR Tabulation of 2014-2022 REALTOR Data



Short-term Rentals (STRs)

Short-term rentals (STRs) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. The rise of STRs has redefined housing utilization, transforming properties typically designated for long-term rental (LTR) or ownership into temporary accommodations. This shift has led to increased interest in STRs as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

The STR and LTR sectors are not independent entities but interlinked parts of the housing market. The influx of properties into the STR market has potential repercussions on LTRs. There is a possibility that the diversion of housing units from the LTR market could decrease supply, leading to increased housing prices and rents. Furthermore, STRs often offer higher returns on investment than LTRs, potentially driving landlords to convert LTR units to STRs. However, this relationship is complex and may vary based on local regulations, housing market conditions, and other socioeconomic factors.

The growth of STRs can exacerbate housing shortages and affordability issues, especially in popular tourist destinations or urban areas with limited housing stock. Additionally, STRs can change neighborhood dynamics, impacting long-term residents through increased noise, overcrowding, and reduced community cohesion. These effects have led to legislative efforts to regulate or limit STRs in some regions.

Analyzing STRs within the housing market context is important due to their growing significance and potential impact on LTRs. The interplay between STRs and LTRs can affect housing supply, prices, neighborhood dynamics, and housing policy. Therefore, it is crucial to continually assess and understand the implications of these emerging trends to formulate effective strategies and policies.

Some units function as STRs throughout the year, while others, such as primary residences, accessory dwelling units, or spare rooms, can also serve as STRs. The latter category can occasionally cause inconveniences to neighbors, such as noise disturbances. However, they do not notably impact housing affordability. On the other hand, when an entire house is dedicated to STR use, it can reduce the stock of available housing for LTRs, potentially driving up house prices and rents, which negatively affects housing affordability. Therefore, the count of STRs can vary depending on the perspective. To differentiate the impacts of STRs on the housing market, we classify STRs based on the following definitions:

(1) Full-time STRs: These are properties entirely used as STRs, with the listing remaining active and available for reservations throughout the entire year. The listing type for these properties is "Entire home/apt." These units are consistently rented out on a short-term basis, meaning they are not available for the LTR market. Consequently, they may contribute to a decrease in the LTR housing stock and can exert upward pressure on housing prices and rents, potentially impacting housing affordability.
(2) Occasional STRs: These are entire properties that are used as STRs only part of the time, being active for at least one month in a year. The listing type for these properties is also "Entire home/apt." The “occasional” use refers to situations where owners might use their property as an STR when it's not in personal use. Though these units are not fully dedicated to the STR market, they are still not available for the LTR market during their active periods.
(3) Partial STRs: These are properties where only a part of the home is listed as an STR, being active for at least one month in a year. The listing type for these properties is "Private Room" or "Shared Room." These types of STRs might cause minor inconveniences to neighbors but generally do not have a significant impact on housing affordability.
(4) Inactive Listings: These properties are listed as STRs but do not fit into the above categories of Full-time, Occasional, or Partial STRs. These could include properties that are listed but are not actively rented, either as a whole or in part. This category represents the potential number of STRs that could be operated in the area.

Using the proposed definitions of STRs, we calculated the STR numbers for the SAW region (comprising Augusta County, Staunton City, and Waynesboro City) as of 2022.

The Number of STRs and Ratio to the Housing Stock in the SAW Region
Source: VCHR Tabulation of AirDNA Data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Augusta County	74	0.23%	99	0.30%	43	0.13%	39	0.12%	255	0.78%
Staunton city	49	0.40%	94	0.77%	61	0.50%	49	0.40%	253	2.06%
Waynesboro city	11	0.11%	43	0.42%	46	0.45%	30	0.29%	130	1.27%
Total	134	0.24%	236	0.43%	150	0.27%	118	0.21%	638	4.12%

In 2022, a total of 638 properties were listed at least once as STRs in the SAW region. These listings are then segmented into our four STR categories: Full-time STRs, Occasional STRs, Partial STRs, and Inactive Listings. Among the total, 134 (approximately 21% of total listed properties) are classified as Full-time STRs, representing less than a quarter of one percent of the housing stock in the region. This category is the most impactful on housing affordability, as these units are consistently unavailable for the LTR market. Augusta County has the majority of these Full-time STRs, with 74 listings. The Occasional STRs comprise the largest category in the SAW region, accounting for 236 listings, or roughly 37% of total listings. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals 150 properties, or about 24% of the total listings. Staunton has the highest count in this category with 61 listings. The Inactive Listings (i.e., properties listed as STRs but not actively rented, either as a whole or in part) make up the remaining 118 listings, or around 18% of total listings. These listings represent a potential expansion of the STR market, should demand increase. The highest count of inactive listings is found in Augusta County with 39 listings.

Conclusions

New housing units can be absorbed throughout the region, including both for-sale and rental units. On its face, adding new units will help reduce price escalation; however, diversity of location, housing type, and size, as well as the inclusion of subsidized affordable units, will help preserve the MSA's relative affordability. The already too-tight homeownership market is likely to exclude low- and moderate-income buyers and threaten the region's ability to attract and retain workers and families. Therefore, the region's most urgent need is promoting the development of diverse homeownership opportunities. Making small, affordable, well-located rental units is also a priority as the rental market is approaching a too-tight scenario. Meeting demand for modest units that are affordable to low- and moderate-income households is a critical component of retaining (and growing) quality retail and service amenities. Without these units, the region is likely to trend toward a bedroom community with residents commuting for both work and services/amenities.

Local governments can "compete" for local development bandwidth by including housing goals explicitly in planning documents and modifying zoning and review processes to smooth the way for builders and developers. Further incentives such as waived fees or financing can increase the feasibility of affordable housing developments that stabilize community members, prevent housing crisis, and support retail and service industries, among others.

Focus group participants explained that both Staunton and Waynesboro have limited land availability; therefore, higher density development, such as multifamily and townhome units, is needed to respond to growing demand. Focus group participants also recognized that smaller units, combined with more density, would allow for more affordable housing options. Builders in the Staunton MSA shared that the increasing costs of site planning, permitting, utility fees, and local regulations make it difficult to build modest homes that would accommodate smaller households. They suggested that zoning changes to promote higher density and mixed uses would make this sort of development more feasible in the region.

Existing residents with low and moderate incomes also need support and, in some cases, stabilization. Many households will benefit from added affordable units, but some need more specific supports, such as critical home repair, weatherization and other rehabilitation programs, supports for aging (whether aging in place or assisted living), or supportive housing. Stakeholders raised concerns about housing conditions, which could likely be addressed through the addition of competition in the market of affordable rental units (new, subsidized units to relieve reliance on substandard units) and supports for struggling homeowners, many of whom may also need home modification for aging.

HARRISONBURG-ROCKINGHAM HOUSING DATA ANALYSIS

The Harrisonburg-Rockingham region, located in the northern portion of the CSPDC footprint, is home to over 136,000 people. Bounded by the counties of Albemarle, Greene, Page, and Shenandoah, as well as Pendleton County, West Virginia, the Harrisonburg-Rockingham region contains a rich mix of urban, agricultural, and mountainous areas. Rockingham County contains one independent city, Harrisonburg, and seven incorporated towns: Bridgewater, Broadway, Dayton, Elkton, Grottoes, Mount Crawford, and Timberville. The City of Harrisonburg, founded in 1780, is an important education, commercial, technology, and government center, as well as being home to James Madison University. Situated at the headwaters of the Shenandoah River, Rockingham County is the largest producer of agricultural products in Virginia with agritourism opportunities such as farmers markets, u-pick farms, cideries, wineries, and breweries. The region’s seven towns provide a diverse range of cultural resources, living environments, and historic town centers.

Harrisonburg-Rockingham Regional Housing Market

The city of Harrisonburg and Rockingham County constitute the Harrisonburg Metropolitan Statistical Area (MSA). The MSA designation[1] is based on the strength of intra-regional commuting patterns, which can be used to approximate a housing market. This is because households generally seek to buy or rent a home within a reasonable commute of their job just as households generally seek employment within a reasonable commute of their home. About 60% of workers living in the Harrisonburg MSA also work in the MSA[2]. Commuting within the region is described in more detail below, highlighting the connectedness of submarkets within the MSA.

Many individuals who work in Harrisonburg live in Rockingham County (38%). About 22% of workers (36% of working residents) live and work in the city. A substantial number also commute from Augusta County (7%). A larger share of county residents live and work in Rockingham (41%) compared to Harrisonburg. Substantial numbers of workers also commute to Rockingham from Harrisonburg (14%), Augusta County (9%) and Page County (9%). The towns of Bridgewater and Dayton are also employment centers[3] with substantial in-commuting from Harrisonburg, other places in Rockingham County, and Augusta County.

Relatively few residents of each of the towns also work in their town. Bridgewater and Elkton have the highest percentages of residents working in the same town where they live, 12% and 7%, respectively. Town residents largely commute to Harrisonburg or other places in Rockingham. Mount Crawford's residents are most connected to Harrisonburg, with more than 60% of residents commuting to Harrisonburg for their primary job. Timberville is the only town in which residents commute to other places in Rockingham at a higher rate than Harrisonburg.

Bridgewater, Dayton, and Mount Crawford have the highest median housing costs in the region, meaning they may not be accessible to many workers. Given the employment opportunities in Bridgewater and Dayton, these towns could likely absorb more housing units and attract residents who currently commute from Harrisonburg and other nearby areas. In addition, adding dedicated affordable units would likely allow single earners and lower-wage workers to live in the community where they work. Additional units developed in Mount Crawford would likely increase the degree to which the town serves as a bedroom community for Harrisonburg workers.

Households

Nearly 135,152 people live in Harrisonburg (52,062) and Rockingham (83,090), constituting 48,291 households in the region. Nearly two-thirds of households live in the county, while Harrisonburg households make up 35% of the region. The county includes seven towns: Bridgewater with 2,041 households, Broadway with 1,623 households, Dayton with 654 households, Elkton with 1,271 households, Grottoes with 1,156 households, Mount Crawford with 179 households, and Timberville with 1,071 households.

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[1] The United States Office of Management and Budget (OMB) delineates MSAs and micropolitan statistical areas according to published standards that are applied to Census Bureau data.

[2] 2021 On the Map, All Primary Jobs

[3] Bridgewater and Dayton have more jobs than working residents.

Households (2016-2021)

Households	2016	2017	2018	2019	2020	2021
Rockingham County, Virginia	29,883	30,503	30,946	30,994	31,306	31,189
Harrisonburg city, Virginia	16,626	16,848	16,768	16,723	16,751	17,102

The region has not experienced a significant change in households (2.8% in Harrisonburg and 4.4% in Rockingham County) over the past five years (2016-2021), perhaps limited by the housing supply. Employers discussed challenges attracting new workers due to the price and availability of housing. Service providers described families sharing homes in order to cope with the lack of affordable housing. The Workforce Affordability section discusses housing as a limitation to growth in more detail.

Tenure

As of 2021, 75.9% of households in Rockingham County own their homes, compared to a lesser rate of 39.5% in Harrisonburg (state average – 66.6%). Harrisonburg is home to a substantial undergraduate student population, most of whom rent. Among the towns in this region, Grottoes has the highest homeownership rate at 80.4%, followed by Mount Crawford (70.4%), Broadway (65.4%), Dayton (64.7%), Timberville (64.4%), Elkton (63.9%), and Bridgewater (59.9%).

In addition to the student population, the disparity in homeownership rates between Rockingham County and Harrisonburg can be attributed in part to the county's older population. Rockingham County has a median age of 40.3, just over the state average of 38.5, in contrast to Harrisonburg's younger median age of 25.5. The higher homeownership rate in Rockingham County is associated with its older population, as older individuals generally have had more time to acquire assets and financial stability, leading to a greater likelihood of homeownership. However, households led by seniors in Harrisonburg are still less likely to own. In Rockingham County, 84% of householders 65 or older own their home, while in Harrisonburg, 63% own their home.

Another aspect of the homeownership rate is related to racial composition. In Rockingham County, 94% of householders identify as white, compared to a lower proportion of 77% in Harrisonburg. Additionally, Harrisonburg has a higher percentage of households led by people who identify as Hispanic or Latino, representing 20.5% of its total, in contrast to just 7.5% in Rockingham County. This variation in racial makeup is important for understanding homeownership trends for several reasons. Historically and socioeconomically, racial and ethnic groups in the United States have had differing access to housing resources and opportunities. Non-Hispanic whites, often having greater access to wealth and resources due to historical advantages, are more likely to own homes. This disparity is partly due to long-standing systemic factors, such as differences in income, credit access, and wealth accumulation, which are often interlinked with race and ethnicity. The Hispanic community often faces unique challenges, including potential language barriers, differing immigration and residency status, and historical socioeconomic disadvantages. These factors can impede access to homeownership due to difficulties in obtaining mortgages, less generational wealth to facilitate property purchases, and potential discrimination in the housing market.

Racial and Ethnic Disparities in Homeownership

Understanding racial disparity in homeownership in the Harrisonburg-Rockingham region will require additional examination beyond the scope of this study; however, nationwide trends can provide useful context. Since households led by a person who identifies as Hispanic or Latino represent the largest racial and ethnic minority group in Harrisonburg, VCHR has provided information on homeownership disparities between Hispanic/Latino and white households.

Hispanic/Latino and white households own homes at disparate rates nationally. According to 2021 ACS PUMS data, the homeownership rate was 72.7% for white households and 50.6% for Hispanic households[4]. Like the white-Black homeownership disparity, much of the white-Hispanic homeownership gap can be explained by inter-group differences in important predictors of homeownership: demographic variables such as household size and householder marital status, economic variables such as income and employment, and locational factors such as region and neighborhood type (mediating the supply of ownership housing units). Because a relatively high share of Hispanics are immigrants, measures of assimilation such as English-language competency, immigration status, and length of U.S. residency, are more important determinants of homeownership among Hispanic households than among white or Black households.[5]

Hispanic Americans are a large and diverse group with varying experiences in the housing market, and most studies disaggregate the Hispanic population into subpopulations by national origin[6]. The demographic, socioeconomic, and assimilation-related variables predictive of homeownership vary among Hispanic subpopulations, as does the ability to explain the homeownership gap with non-Hispanic whites. For example, the homeownership disparity between white and Mexican American households can be mostly explained by demographic, economic, and assimilation factors (such as household size, income, and English-language competency). In contrast, the homeownership disparity between white and Puerto Rican households is less influenced by household demographic and economic endowments, with statistical analysis showing a large unexplained share more closely resembling the Black-white disparity than other Hispanic subpopulations.[7]

Geographic concentrations of disadvantaged communities such as recent immigrants have been theorized as enclaves: social supports networks countering the disadvantages of linguistic and cultural isolation.[8] Scholars have observed higher Hispanic homeownership rates in areas with higher concentrations of Hispanic households, which, in addition to enclave effects, offer economies of scale for multilingual provision of housing and credit market services.[9] However, the

[4] National Association of Realtors (2023). *Snapshot of Race and Home Buying in America*. https://cdn.nar.realtor/sites/default/files/documents/2023-snapshot-of-race-and-home-buying-in-the-us-03-02-2023.pdf
[5] DeSilva, S., & Elmelech, Y. (2012). Housing inequality in the United States: Explaining the white-minority disparities in homeownership. *Housing Studies, 27*(1), 1–26. https://doi.org/10.1080/02673037.2012.628641
[6] Most studies disaggregate Mexican Americans and Puerto Rican Americans, the two largest Hispanic subpopulations. Some studies also disaggregate smaller subpopulations such as Cuban Americans, or aggregate smaller Hispanic subpopulations into an "other" Hispanic category for analysis.
[7] DeSilva, S., & Elmelech, Y. (2012). Housing inequality in the United States: Explaining the white-minority disparities in homeownership. *Housing Studies, 27*(1), 1–26. https://doi.org/10.1080/02673037.2012.628641
[8] Marcuse, Peter (1997). The enclave, the citadel, and the ghetto: What has changed in the post-Fordist U.S. city. *Urban Affairs Review*, *33*(2), 228-264.
[9] Haurin, D. R., & Rosenthal, S. S.. (2009). Language, Agglomeration and Hispanic Homeownership. *Real Estate Economics*, *37*(2), 155–183. https://doi.org/10.1111/j.1540-6229.2009.00238.x

enclave effect has also been shown to vary by Hispanic subpopulation. While a positive correlation between group concentration and homeownership has been observed for Mexican American households, for Puerto Rican American households, a negative correlation has been observed[10]. Region may account for some of this divergence, with Puerto Rican American households concentrated in Northeastern and Mid-Atlantic metropolitan areas. These regions have lower shares of ownership housing stock than the Southwest and Pacific regions where Mexican American households are concentrated. Indeed, in the South, the Puerto Rican American homeownership rate is closer to parity with white households than in the Northeast and Mid-Atlantic. This regional disparity, along with the considerable share of the Puerto Rican-white homeownership disparity that cannot be explained by group differences in confounding variables, suggests that localized historical processes of racialization and marginalization can affect the housing market outcomes of different Hispanic subpopulations in varying ways.[11]

Other elements could also influence homeownership rates. For example, economic factors like local employment rates, income levels, and home prices can play a significant role in determining whether households rent or own. These aspects are discussed in more detail in proceeding sections.

Living Arrangements

Living arrangements in the Rockingham region can be characterized by family status and household size. Most households (61%) are family households, related in some way, either as married couples, traditional nuclear families, single parents with children, grandparents raising grandchildren, etc. The share of family households in Rockingham County is 70%, compared to 46% in Harrisonburg. More than half of the 9,258 households live with roommates in Harrisonburg. Moreover, the proportion of individuals living alone is significant in both areas but differs in composition. In Rockingham County, 26% of all households are single-person households. Among people living alone, 53% of those are 65 or older. In Harrisonburg, although a similar 28% of households are single person, only 8.8% of all households are those older than 65. The large number of households composed of roommates—as well as the large number of younger, single-person households—is likely related to the large undergraduate student population in Harrisonburg.

In Rockingham County, 26% of households are composed of a single individual, while two-person households account for 37%. The remaining households are made up of three people (16%) or four or more people (21%). Harrisonburg has more households with four or more individuals and fewer households with two individuals: 28% of households consist of one person, 29% are two-person households, and the rest are made up of three-person households (16%) and households with four or more individuals (27%). The high number of large households in Harrisonburg is attributed in part to student households: 64% of student households (1,937) are three-or-more-person households.

[10] Alba, R. D., & Logan, J. R. (1992). Assimilation and stratification in the homeownership patterns of racial and ethnic groups. *International migration review*, *26*(4), 1314-1341.
[11] Kuebler, M., & Rugh, J. S. (2013). New evidence on racial and ethnic disparities in homeownership in the United States from 2001 to 2010. *Social Science Research*, *42*(5), 1357-1374.

However, focus group participants described overcrowding as an issue among low-wage workers, which may also contribute to the number of large households.

At least 1,160 households in the region live in overcrowded conditions. Overcrowded households (households with more than one person per room) account for at least 750 of households with three or more people. Overcrowded households are most often family households, either large families or families that are doubled up together. Focus group participants described families doubling up to cope with high housing costs and cited overcrowding as a challenge throughout Harrisonburg/Rockingham, but particularly in Broadway and Timberville.

Estimates of Households Experiencing Overcrowded Conditions
Source: VCHR Tabulation of 2019 ACS 5-year Estimates

	Rockingham	Harrisonburg
Households	30,995	16,725
Households with overcrowding*	317-799 (1.0-4.8%)	394-944 (1.3-5.6%)

*The sample size is too small to allow for precise estimates, so VCHR has provided a range.

Student Households

The Harrisonburg-Rockingham region includes a significant number of students attending four educational institutions: James Madison University, Eastern Mennonite University, Bridgewater College, and Blue Ridge Community College. With a combined enrollment of nearly 29,000, the schools include both undergraduate and graduate students. While both types of students experience housing affordability challenges, the profile of households led by a graduate student more closely mirror non-student households: about half are family households, most (90%) are older than 23, and about half own their own home.

Six percent of households in the Harrisonburg MSA are led by undergraduate students. The large majority of these households are non-family households composed of single individuals or those living with roommates, renters, and led by people 23 or younger. Undergraduate households are cost-burdened at a far higher rate (64%) than renters in the Harrisonburg MSA overall (44% of all renters in Harrisonburg are cost-burdened and 32% of all renters in Rockingham County are cost-burdened). Though students do experience housing affordability challenges as discussed below, their household income often does not reflect all the resources that contribute to housing and other living expenses. Institutional data such as Pell grant eligibility may be a more reliable source to estimate the number of students in need of housing supports.

Housing Insecurity Among College Students

Housing challenges among college students are hard to document using publicly available data as they often live with roommates and all sources of financial support are not readily documented. However, research on housing challenges nationwide has shown that many college students experience housing insecurity. The concept of housing insecurity includes not only homelessness, which is an extreme form of insecurity, but also unaffordability, which is represented by moving frequently or having difficulty paying rent or utilities. Major causes of housing insecurity for students include shortage of affordable housing, high college costs, and insufficient financial aid.

Limited expansion of financial aid has created significant financial stress on individuals and their families[12]. If the total cost of attendance is overlooked, students may have limited access to the amount of financial aid they need to pay for college[13]. This, in turn, may reduce food and housing spending[14].

In a survey of 4,000 students in 10 community colleges, the Wisconsin HOPE Lab found that nearly half of respondents struggle with food or housing insecurity[15]. The article explains that many students struggle to find adequate affordable housing and that at least 56,000 college students experience homelessness. A survey of 390 undergraduate students at the University of Massachusetts Boston shows that about 5% of students are homeless[16]. Broton and Goldrick-Rab (2018) explored the housing insecurity of college students using four surveys conducted by the Wisconsin HOPE Lab research team and affiliates. They found that approximately two-thirds of two-year students are housing insecure and that over 14% of them are homeless; furthermore, 11%-19% of four-year students are housing-insecure[17].

Students who pursue degrees without consistent access to affordable housing are more likely to leave college without degrees[18]. Students experiencing housing insecurity, including homelessness, are often disconnected from their peers and face challenges. The Chronicle of Higher Education (2015)[19] explains that college student homelessness is not well documented and that "homeless college students remain a largely invisible population — often indistinguishable from their peers and overlooked in policy debates. They get less attention than former foster youth and are often excluded from programs and policies benefiting such students."

Housing Insecurity

In Rockingham County, 6,208 households (19.9% of all households) are cost-burdened, spending 30% or more of their income on housing. Housing cost burden is more prevalent in Harrisonburg, where 5,619 households, representing 32.9% of total households (slightly more than the state average), face the same issue. Households led by undergraduate students make up 16% (1,911) of the cost-burdened households in the MSA.

Cost-burdened households may have to compromise other necessities such as food, clothing, medical care, and education to accommodate housing expenses. Moreover, a significant number of

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[12] Goldrick-Rab, Sara. (2016) *Paying the Price: College Costs, Financial Aid, and the Betrayal of the American Dream*. Chicago: University of Chicago Press.
[13] ibid
[14] Goldrick-Rab, S., Richardson, J., Schneider, J., Hernandez, A., & Cady C. (2018) "Still Hungry and Homeless in College." Wisconsin HOPE Lab. Retrieved from: https://hope4college.com/wp-content/uploads/2018/09/Wisconsin-HOPE-Lab-Still-Hungry-and-Homeless.pdf
[15] HUD PD&R guidebook "Addressing Housing Insecurity and Living Costs in Higher Education" (2016).
[16] Silva, M. R., Kleinert, W. L., Sheppard, A. V., Cantrell, K. A., Freeman-Coppadge, D. J., Tsoy, E., Roberts, T., & Pearrow, M. (2017). The Relationship Between Food Security, Housing Stability, and School Performance Among College Students in an Urban University. *Journal of College Student Retention: Research, Theory and Practice*, *19*(3), 284–299. https://doi.org/10.1177/1521025115621918
[17] Broton KM, Goldrick-Rab S. (2018) Going Without: An Exploration of Food and Housing Insecurity Among Undergraduates. *Educational Researcher, 47*(2):121-133. doi:10.3102/0013189X17741303
[18] Goldrick-Rab, S., Broton, K., & Frank, V. 2014. Single Stop USA's Community College Initiative Implementation Assessment. Kresge Foundation.
[19] "How to Help the Students with No Homes." (2015) The Chronicle of Higher Education.

these cost-burdened households are severely cost-burdened, meaning they spend more than 50% of their income on housing. In Rockingham County, 7.2% of households are severely cost-burdened, compared to 14% statewide. In Harrisonburg, severe cost burden is acute, with 17.9% of all households paying 50% of their income or more for housing. In addition to often making choices between housing and other basic necessities, severely cost-burdened households may be at risk for homelessness in the event of an emergency expense or economic hardship.

Tenure plays a crucial role in housing affordability, with renters more vulnerable to increasing housing costs than homeowners. Evidence of this vulnerability can be found among cost-burdened households. In Rockingham, 46% of renters are cost-burdened compared to 21% of homeowners. The situation for renters is similar in Harrisonburg, with 44% of renters being cost-burdened compared to 21.8% of homeowners with a mortgage and 5.8% of Harrisonburg homeowners who own their home free and clear.

Cost-burdened renters may be at risk for eviction and homelessness in the event of an unexpected household expense such as a medical need or car repair. In contrast, the mortgage finance system generally prevents homeowners from being cost-burdened when they buy their home and often homeowners' income increases over the life of their mortgage. Homeowners also face relatively little change in housing costs compared to renters. Homeowners may become cost-burdened due to economic hardship such as job loss, death of a family member, or fixed incomes that do not keep up with rising costs of taxes, utilities, and insurance. However, when cost-burdened owners choose other necessities over housing, they may still make mortgage payments or even own their home free and clear. Instead, they often defer maintenance and forgo upgrades, threatening both their well-being and the community's housing stock.

Households are more likely to make tough choices between housing and other needs when they have low incomes. These households are also more likely to be at risk for homelessness in the event of an unexpected household expense such as a medical expense or major appliance failure. According to Comprehensive Housing Affordability Strategy (CHAS) five-year 2019 data, 42% of low-income households (those earning 80% or less of AMI) in Rockingham County experience housing cost burdens and 34% in Harrisonburg. More than 4,500 households in the region have extremely low incomes and endure cost burdens that put them at risk for homelessness.

Children Experiencing Homelessness
Source: Project HOPE Virginia 2020-21 school year

Division #	Name	# of Enrolled Students Identified
082	Rockingham County Public Schools	35
113	Harrisonburg City Public Schools	45

According to the statistics from Project HOPE[20] for the 2020-21 school year, 35 students in Rockingham County and 45 students in Harrisonburg were identified as experiencing homelessness.

Harrisonburg and Rockingham have significant resources to support households or individuals experiencing housing crisis; however, focus group participants discussed the need for greater coordination and additional resources. For example, they recommended additional case management, recovery housing, resources to serve immigrants, housing to serve re-entry populations and those with a criminal record, and additional, appropriate housing that is affordable to households with extremely low incomes to help permanently house families who experience a cycle of crises.

The income thresholds for low-income households in 2023, represented in the table below, show that a four-person household with an income of $64,800 or lower is classified as having a "low income." Households with extremely low or very-low incomes are likely to qualify for housing assistance programs.

2023 HUD Low Income Limits: Harrisonburg, VA MSA

FY2023 Income Limits	Median Income	Persons in Family			
FY2023 Income Limits		1	2	3	4
Extremely Low (30% of AMI)	$95,900	$17,050	$19,720	$24,860	$30,000
Very Low (50% of AMI)		$28,350	$32,400	$36,450	$40,500
Low (80% of AMI)		$45,400	$51,850	$58,350	$64,800

Households by Income

Source: VCHR Tabulation of 2015–2019 CHAS Data

Note: Cost burden decreased from 2019 to 2021 in many places, likely due to pandemic support such as rental assistance and the federal Child Tax Credit. Preliminary data from 2022 suggest that these improvements were reversed as pandemic support programs ceased.

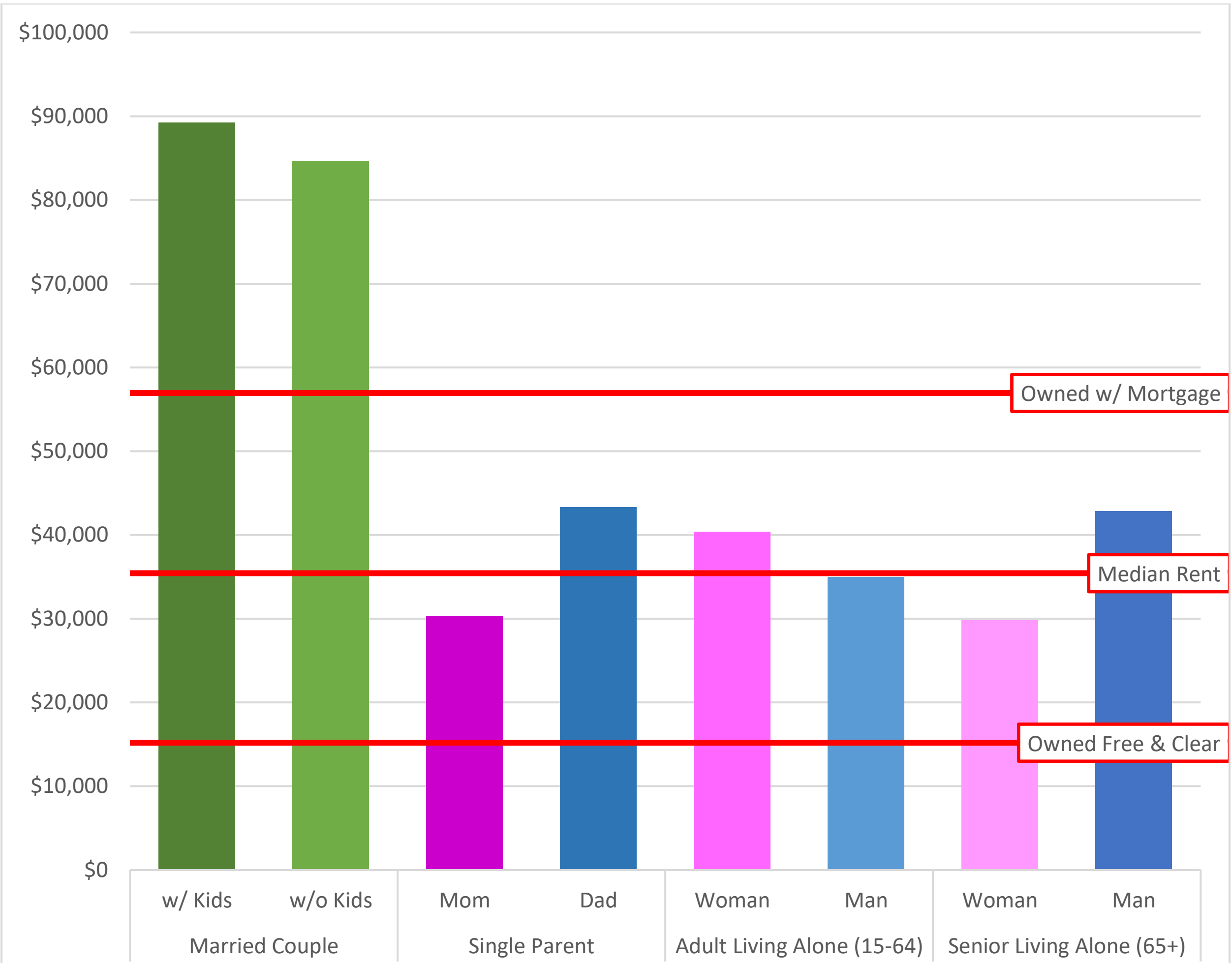
	Rockingham		Harrisonburg	
Income Range	Households	Cost-burdened	Households	Cost-burdened
Extremely Low (30% of AMI or less)	2,745	1,915	3,205	2,665
Very Low (30-50% AMI)	2,650	1,630	2,010	1,430
Low (50-80% AMI)	6,410	1,680	3,180	1,090
Total Households with Low Income (<80% of AMI)	11,805	5,225	8,395	5,185
Total Households	30,995	6,345	16,725	5,730

[20] Project HOPE-Virginia, the state's program for the education of homeless children and youth, provides information about students experiencing homelessness. Title IX, Part A of the Every Student Succeeds Act defines homelessness as living in the following places due to a lack of a fixed, regular, and adequate nighttime residence: emergency or transitional shelter; motel, hotel, or campground due to lack of an adequate alternative; a car, park, public place, bus or train station, or abandoned building; doubled up with relatives or friends due to loss of housing, economic hardship, or a similar reason; in the above conditions and is a migratory child or youth.

Additional household demographic characteristics are associated with incomes that are low relative to housing costs. In the Harrisonburg MSA, the median income among women who are single parents and single women 65 and older is too low to afford the median rent in the MSA. More than half the households in these demographic groups are likely to struggle to afford housing unless they own their home free and clear. Even then, maintenance costs may represent a burden.

Median Income by Household Type Compared to Median Housing Costs

Source: VCHR Tabulation of 2021 ACS 5-year Estimates for Harrisonburg MSA



Workforce Affordability

In Rockingham County, the majority of households, 73% or 22,909 households, have at least one working individual. Among households with workers, 10,434 consist of a single worker, 10,074 include two workers, and 2,401 households have three or more workers. Conversely, 8,280 households do not have any employed individuals. Households who are not working are likely to be retired since 36% of households have at least one person 65 or older; 25.5% (7,953 households) are receiving retirement income; and 36.7% (11,450 households) are receiving Social Security income. Approximately 1,020, or 3% of households, receive Supplemental Security Income (SSI). The number of households receiving SSI can be a proxy for households who may not be working due to disability.

Similarly, in Harrisonburg, 77% or 13,174 households have at least one employed individual. Among them, 6,699 households consist of one worker, 4,662 have two workers, and 1,813 households have three or more workers. Many of the 3,928 households without workers are likely to be retired since 20% of households have at least one person 65 and older; 12.9% (2,212 households) receive retirement income; 21.9% (3,750 households) receive Social Security income; and 4.4% (756 households) receive SSI. Undergraduate student households are also likely to contribute to the number of non-working households.

Rockingham County residents have a median income of $67,484, while those in Harrisonburg earn a median of $51,055. Although Harrisonburg has a slightly higher percentage of working households, their earnings are lower than in Rockingham County.

Working Households
Source: 2021 ACS 5-year Estimates

	Rockingham County	Harrisonburg
Working	22,909 (73%)	13,174 (77%)
Not Working	8,280 (27%)	3,928 (23%)

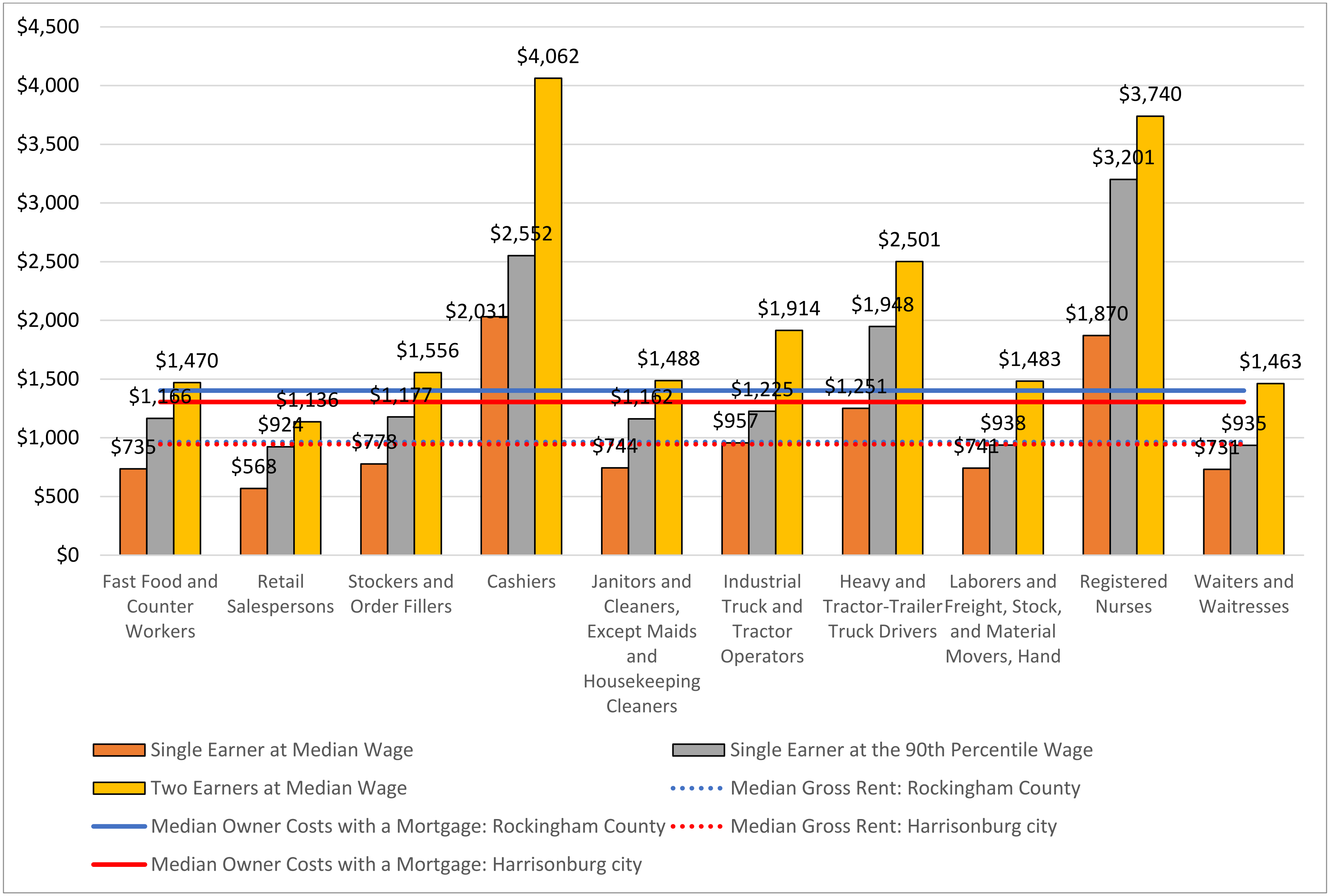
VCHR compares maximum affordable housing costs by occupation to housing costs in order to determine which workers may struggle to afford housing. VCHR compared this data for households in three scenarios: a single earner, earning at the median for his or her occupation; dual earners, both earning at an occupation's median wage; and a single earner, with earnings at the 90th percentile. VCHR chose these scenarios to benchmark the experience of typical households. Households generally include one or two workers. VCHR included an analysis of housing affordability for earners at the 90th percentile to consider whether households can more readily afford housing later in their career, with increased skill or experience.

Among the top 10 occupations in the Harrisonburg MSA shown in the graph on the next page, single earners in only three of these occupations can afford the median rent in Rockingham and Harrisonburg without straining their budget. Specifically, only industrial truck and tractor operators, heavy and tractor-trailer truck drivers, and registered nurses can comfortably afford median rental rates by allocating 30% or less of their monthly income. A significant proportion of workers in the Harrisonburg MSA, particularly those in service and support roles, may find it challenging to secure affordable housing. When considering homeownership, the picture becomes even more concerning. Only registered nurses can afford the median owner costs with a mortgage as a single earner with median wages. This reality presents a potential hurdle for many workers wishing to lay down roots in the Harrisonburg MSA. Even if workers earn in the 90th percentile of income for their respective occupations, only two occupations (heavy and tractor-trailer truck drivers and registered nurses) can afford owner costs with a mortgage.

Focus group participants explained that anyone who earns less than $50,000 per year would have difficulty finding a place to live. The group described teachers and other public servants as needing a secondary income in order to support a family and buy a home. They also explained that teachers and civil servants earn too much to benefit from programs that support homebuyers, although they cannot afford market prices. Employers also described housing as a major issue for new employees, especially low-wage workers and entry-level and mid-level managers.

Maximum Affordable Housing Costs for Top 10 Occupations Compared to Median Housing Costs in Harrisonburg MSA

Source: VCHR Tabulation of 2021 Lightcast Data and 2021 ACS 5-year Estimates



Housing Stock

Housing types differ among the total 53,957 housing units in Rockingham County and Harrisonburg. Rockingham County's housing stock largely consists of single-family homes, accounting for 90.5% of all housing options in the area, which is notably greater than the state average of 77.2%. This includes 25,556 detached, site-built units, and 3,019 mobile or manufactured homes. In Harrisonburg, single-family homes, while still prevalent, only account for 58.1% of the total housing stock. The city's housing stock includes relatively few mobile or manufactured homes (a range of 109 to a potential maximum of 333). According to data from the Department of Motor Vehicles (DMV), as of June 2022, 3,870 mobile or manufactured homes are registered in Rockingham County and 394 mobile or manufactured homes are registered in the city of Harrisonburg[21]. The substantial difference between the number of registered mobile and manufactured homes compared to those reported as residences to the U.S. Census may mean that many of these units are used for storage or as offices. The remainder of Harrisonburg's housing stock (41.9%) is composed of 7,789 multifamily units.

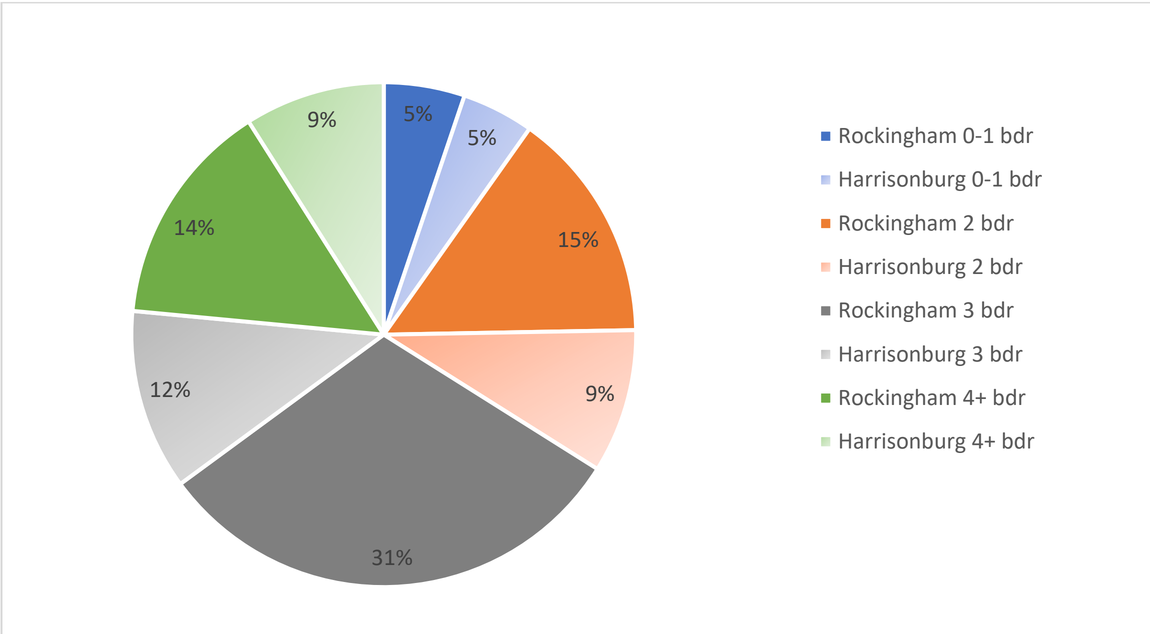
Bedrooms

In Rockingham County, a significant portion of the housing stock is dominated by three-bedroom units, accounting for 47.2% of housing stock. Housing units with four or more bedrooms make up about 22.1% of the housing stock. Taken together, homes with three or more bedrooms account for a sizable 69.3% of all units in the county. This is slightly higher than the state average, as 67.0% of the Commonwealth's housing stock has three or more bedrooms. The sizes of homes in Rockingham County do not match the sizes of households: 63% of households are made up of one or two people and could be accommodated by efficiency-style or one-bedroom units. Only 8% of units are efficiency or one-bedroom units, and 22% are two-bedroom units. While many households prefer extra bedrooms for other uses, the lack of small units for small households may contribute to affordability challenges. A three-person family could share a two-bedroom space without creating an overcrowded condition. Adding smaller units would increase the variety of housing stock available in the county.

Harrisonburg exhibits a more balanced distribution in terms of bedrooms: 26.8% of the housing units in the city consist of two-bedroom homes, while three-bedroom homes are nearly one-third of the housing stock. Housing units with four or more bedrooms comprise a considerable 26.1% of the housing stock. Nonetheless, there are far fewer small units than small households: 57% of households consist of one person or two people while only 10% of units are efficiency-style or one-bedroom units. Similar to the county, adding smaller units would increase the variety of the housing stock in the city.

[21] Not all mobile or manufactured homes are used as residences, and some manufactured homes are placed on a foundation and transferred into real estate and therefore not registered with the DMV. For these reasons, discrepancy between the ACS estimate and DMV registration is expected.

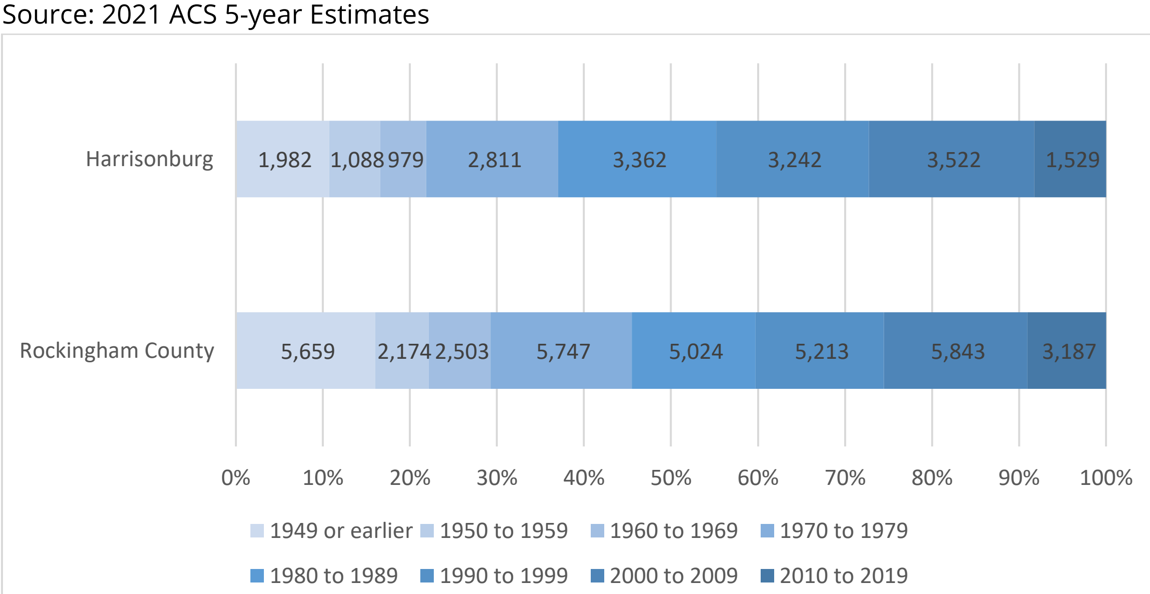
Housing Units in Rockingham County and Harrisonburg by Number of Bedrooms
Source: VCHR Tabulation of 2021 ACS 5-year Estimates



Units by Year Built

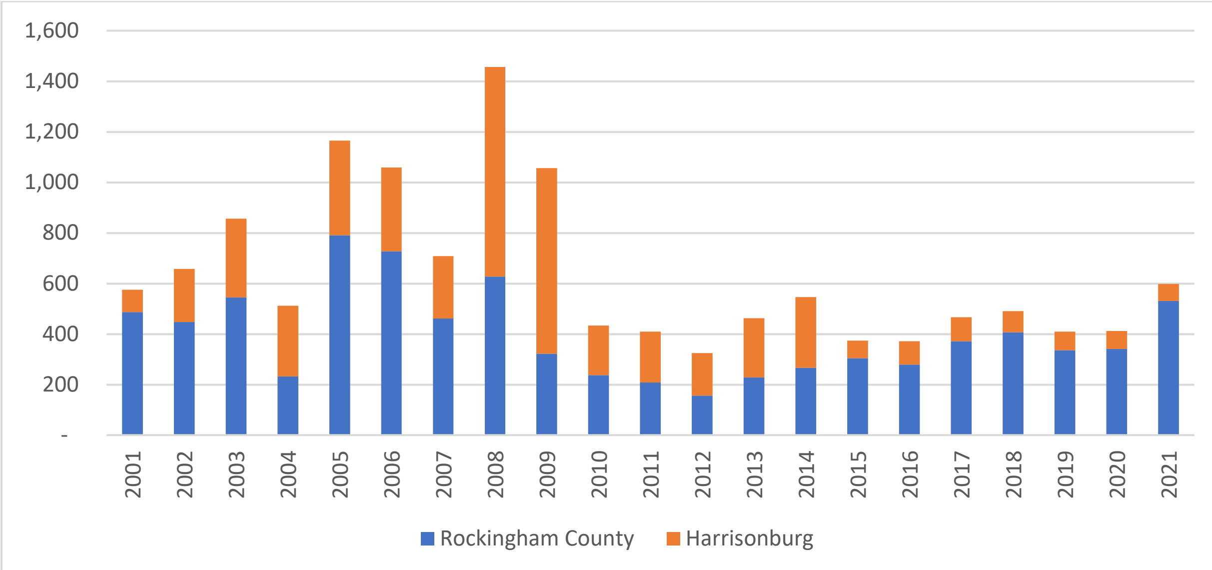
About 27% of the region's housing stock was built prior to 1970. Almost 65% was built between 1970 and 2009. These units are spread roughly evenly across the decades. Development decreased dramatically after 2009. The average of 894 units built annually from 2001-2009 decreased to an average of 442 annually from 2010-2021.

Housing Units by Year Built
Source: 2021 ACS 5-year Estimates



Units Created Annually

Source: 2001-2021 Rockingham County and City of Harrisonburg Certificate of Occupancy Data



The regional decrease in building following the Great Recession is similar to national trends. Decreases in building in the MSA, particularly in the city of Harrisonburg, are followed by evidence of a tightening market. Demand in the homeownership market began to outstrip supply as the annual median days on the market decreased below 30 in Harrisonburg in 2017 and in Rockingham two years later.

Lenders who participated in study focus groups reported increased construction lending over the past two to three years and that permanent financing for building has also increased recently. They described most construction as typical, detached units but mentioned that some builders are building townhomes or developments with a mix of housing types. However, lenders cautioned that rising interest rates will slow construction. Despite recent increases, building still must "catch up" to demand.

Market Conditions

Rockingham County has a total of 35,388 housing units, 13.5% more units than households. Out of the 4,199 vacant units, a large number (2,481 units) are held for seasonal, recreational, or other occasional use. Twenty-seven percent of vacant units are categorized as long-term vacancies (1,137 units), which can include properties that are abandoned, slated for demolition, or held without being occupied for an extended duration. Such a high percentage of long-term vacancies can pose challenges for community revitalization and housing market stability.

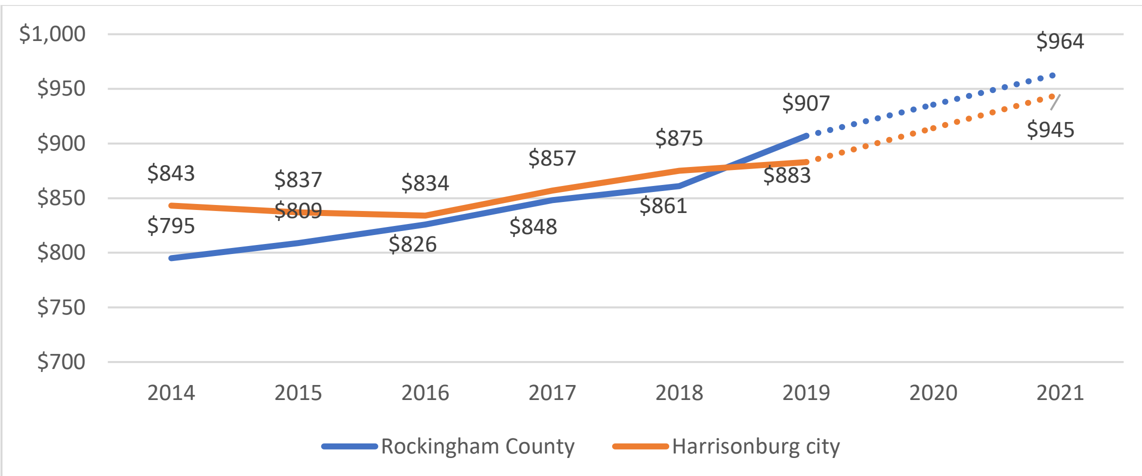
Harrisonburg, with 18,569 housing units, has 8.6% more units than its 17,102 households. There are too few vacant units in Harrisonburg to make precise estimates of their status. Among the city's 1,467 vacant units, units held for seasonal, recreational, or occasional use are a maximum of 109 units. Between 116 and 370 units are considered long-term vacancies. The remaining units are in transition (sold or rented but not yet occupied) or market vacancies, those for sale or for rent.

Rental Market

Increases in rents indicates a rising demand for rental units in the region. However, the continuous escalation of rents could create or exacerbate affordability for renters, many of whom already face housing instabilities. The rental market in Harrisonburg has shown a trend of fluctuating rents from 2014 to 2021. While there was a decline in rents from 2014 to 2016, there has been a gradual increase since 2017. Over the five years from 2016 to 2021, gross rents in the city have risen by approximately 13.3%. Median rent in the county, which includes the seven towns, has increased steadily over the 2014-2021 period.

Median Gross Rent

Source: VCHR Tabulation of 2015-2021 ACS 5-year, Not Adjusted



Relatively high contract rents in Bridgewater and Mount Crawford indicate high demand with relatively restricted supply. Relatively low contract rents in Broadway, Timberville, Elkton, and Grottoes may be indicative of more balanced supply and demand or relatively low demand. Timberville, Elkton, Broadway, and Grottoes have the lowest median housing costs in the region. Though these communities already offer naturally occurring affordable housing to the region, low values and high energy costs indicate that some housing may have a low cost because of poor condition and/or few upgrades over the years[22]. Adding new housing to increase the diversity of price/rent, tenure, and housing type in these towns would likely increase home values and offer housing to accommodate seniors and first-time homebuyers. Furthermore, adding new, committed affordable housing may offer an alternative for households who currently endure deteriorating housing and thereby encourage homes to be renovated for sale or upgraded to attract new renters.

[22] As housing units age, their energy performance deteriorates, especially when they have not received mechanical and other upgrades, so higher energy costs are often a good proxy for poorer conditions. Relatively low median value in Timberville may be further evidence of deteriorating housing conditions.

Median Gross Rent and Contract Rent by Locality
Source: VCHR Tabulation of 2021 ACS 5-year Estimates

	Gross Rent	Contract Rent	Difference (Utilities)
Harrisonburg	$945	$819	$126
Rockingham	$964	$803	$161
Bridgewater	$972	$848	$124
Dayton	$886	$724	$162
Mt. Crawford	$975	$841	$134
Broadway	$804	$690	$114
Timberville	$912	$692	$220
Elkton	$658	$583	$75
Grottoes	$800	$643	$157

Median Home Value for Owner-occupied Units by Locality
Source: 2022 ACS 5-year Estimates

Harrisonburg	$263,700
Rockingham	$266,900
Bridgewater	$333,500
Dayton	$294,200
Mt. Crawford	$263,400
Broadway	$244,800
Timberville	$192,800
Elkton	$214,800
Grottoes	$242,000

There are 82 to 310 vacant rental homes in Rockingham County, representing 1.0%-3.9% of all rental housing units. There are between 268 and 654 vacant rental units in Harrisonburg, representing 2.4%-5.8% of all rental housing units. CoStar offers more recent data for 4,984 of the multifamily and townhome rental units in the Harrisonburg MSA. The vacancy rate among these properties is 2.2%[23], suggesting that the rental market may be on the tighter side of the healthy range. The city of Harrisonburg has a lower vacancy rate (1.9%) than the MSA overall. Vacancy rates from both ACS data and CoStar data suggest that the region has a tightening rental market and that units should be added to keep up with demand. Adding more units beyond the “keep up” level will give renters more options and encourage re-investment in rental properties in order to compete for renters, as well as discouraging the transition of owner-occupied, single-family properties into investor-owned rental properties.

Increased sales prices can encourage investments in homes because homeowners are more likely to receive a return on upgrades and repairs when they sell. However, the tight rental market may encourage buyers to make minimal investments and “flip” previously owner-occupied homes for the purposes of renting. Simultaneously, high demand for rental units with a limited supply can

[23] 2023-Q2

discourage long-term investments in rental properties because tenants must compete for properties (by accepting less quality for higher rent) rather than landlords competing for tenants with upgraded properties and good property maintenance. Indeed, focus group participants discussed deteriorating rental housing and especially instances of mold and poor maintenance. This tendency is likely to have the greatest impact on low- and moderate-income renters who compete less successfully for lower-cost units and may be displaced as landlords increase rents.

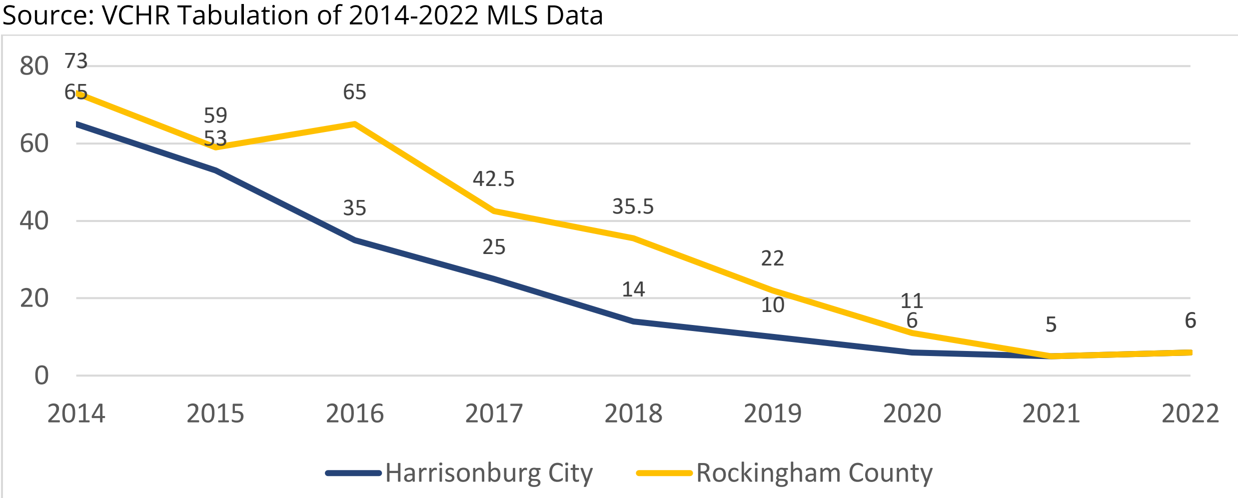
Homeownership Market Conditions

In the for-sale housing market, sales data is used to assess the balance between supply and demand. The for-sale housing market in Rockingham County has become significantly more competitive over the years, as indicated by the median days on market (DOM). In 2014, the median DOM stood at a relatively high 65 days, suggesting homes took nearly two months before being sold. However, by 2022, this figure had reduced to six days, implying an extremely competitive homeownership market. Harrisonburg showed a similar trend. Starting with a high median DOM of 73 days in 2014. The figure was reduced to six days by 2022.

DOM well below 30 indicates that the market is a seller's market that is likely to exclude first-time homebuyers or those who need unconventional financing. Focus group participants described homebuyers who needed FHA or USDA loans struggling to participate in the market as interest rates increased. As the DOM decreases, the power dynamics in the market tilt toward sellers, who often receive multiple offers, sometimes above the asking price. Focus group participants described sellers wanting inspections waived, further increasing difficulty among first-time homebuyers who rely on down-payment assistance programs and unconventional financing tools that require an inspection. They also described buyers needing to make offers with escalation clauses at the first interaction with the seller. Moreover, the rapid pace of sales can lead to a rise in property prices, further complicating affordability for these groups. This trend toward a competitive seller's market could lead to a range of socioeconomic implications. It might accelerate gentrification in certain neighborhoods, contribute to a regional housing shortage, and widen the homeownership gap among different economic classes and demographic groups.

Median Days on the Market (DOM)

Source: VCHR Tabulation of 2014-2022 MLS Data



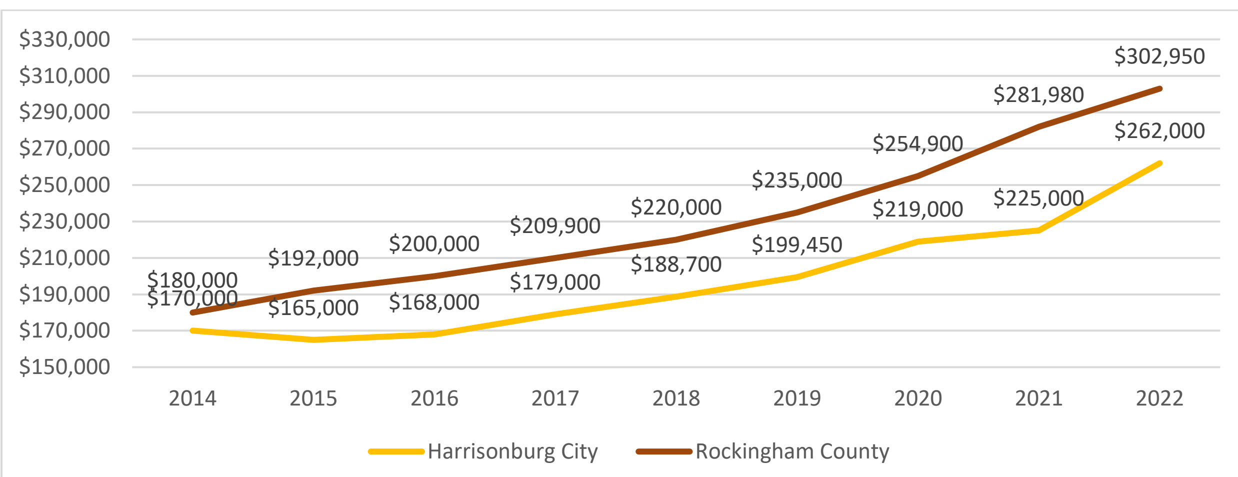
The median sold prices witnessed a consistent and significant increase over the years, also reflecting the growing demand for homeownership in the county. From 2014 to 2022, the median price increased from $180,000 to $302,950, marking an impressive 68% increase. Harrisonburg's housing market also experienced a substantial boost in the median sold prices. In the period from 2014 to 2022, there was an approximately 54% increase, with prices growing from $170,000 to $262,000. This suggests a robust demand for the city's residential properties.

In discussing these figures, it is important to consider the broader implications. Such significant price increases can challenge affordability and accessibility in the housing market, particularly for lower-income and first-time buyers. As property values outpace wage growth, it can lead to housing affordability issues, with a larger population finding it difficult to enter the housing market. Additionally, increases in housing prices can contribute to wealth disparities, as homeownership is a key component of wealth building. Those who own or who are able to purchase homes in this escalating market stand to gain from the increasing property values, while those who cannot buy a house may miss out on this wealth accumulation.

A tight for-sale market also has implications for the rental market. Would-be homebuyers who continue to rent keep pressure on the rental market. Focus group participants described increased investment buying, simultaneously increasing competition in the homebuyer market and further limiting future inventory by turning the purchased properties into rental units. Furthermore, landlords also take advantage of the seller's market to sell rental properties, especially in the post-COVID period when rental income was suppressed through eviction moratoriums. Focus group participants described an increase in hardships among families being evicted because landlords chose to sell.

Median Sold Price

Source: VCHR Tabulation of 2014-2022 MLS Data



Ownership costs are highest for those with a mortgage in Bridgewater, Dayton, and Mount Crawford. Higher costs among owners with a mortgage are typically associated with higher sales prices, though they can also be impacted by high utility costs, high taxes, or high insurance costs (usually flood insurance). With relatively low costs for those who own free and clear in Bridgewater and Dayton, median costs with a mortgage are likely related to higher prices caused by demand relative to supply. In Mount Crawford, costs for owners who own their home without a loan are relatively high, indicating that a relatively large amount of owner costs with a mortgage may be attributed to utilities, insurance, or taxes.

Median Selected Monthly Owner Costs by Tenure and Locality

Source: 2021 ACS 5-year Estimates

	With a Mortgage	Free and clear
Harrisonburg	$1,305	$448
Rockingham	$1,402	$403
Bridgewater	$1,647	$397
Dayton	$1,540	$360
Mt. Crawford	$1,511	$475
Broadway	$1,462	$330
Timberville	$1,217	$342
Elkton	$1,263	$407
Grottoes	$1,209	$433

Naturally Occurring Affordable Housing

The concept of naturally occurring affordable housing (NOAH) has gained attention as home prices and rents increase rapidly and as housing affordability, from both homeownership and rental perspectives, remains a pressing concern for residents in many places. NOAH refers to affordable housing units that arise in the marketplace without specific incentives or regulations. VCHR evaluated the affordability of housing units in Harrisonburg and Rockingham and estimated the number of NOAH units in each locality.

VCHR evaluated the affordability of 34,911 single-family units in Rockingham and 10,089 single-family units in Harrisonburg. VCHR also evaluated the affordability of multifamily units in 96 properties included in CoStar data extracted in April 2022. These properties represent 5,714 units, approximately 61% of the 9,387 multi-family rental units estimated by ACS data.

VCHR used HUD FY 2022 Income Limits to categorize affordability levels. For single-family units, the categorization is based on income limits for two household sizes (1.5-person and 4.5-person) intended to proxy the position of first-time homebuyers and more-established households who benefit from longer careers and existing home equity. VCHR adjusted the tax-assessed values based on differences observed in close prices in Harrisonburg-Rockingham Associations of REALTORS sales data for 2022, providing a more realistic estimate of market prices. Using Freddie Mac's 30-year fixed rate from December 2022 and standard mortgage formulae, VCHR estimated mortgage payments for each unit. This analysis considers two down-payment scenarios: 5% and 10%. The monthly mortgage was combined with average insurance payment, median utility costs, estimated real estate taxes, and estimated HOA and condo fees to determine the total housing expenditure.

For 1.5-person households, approximately 3,262 units (Rockingham) and 2,531 units (Harrisonburg) with a 5% down payment are affordable to households with incomes $60,400 or less. For 4.5-person households, approximately 5,795 units (Rockingham) and 7,413 units (Harrisonburg) with a 10% down payment are affordable to households with incomes $83,750 or less. Though the units identified in this analysis may be affordable to low- and moderate-income households, they are not necessarily available to them. Many of those units are not reserved for low- and moderate-income households via income restrictions and are occupied by households with higher incomes.

Number of Units by Down Payment Percentage (1.5 persons / 1 bedrooms)

Sources: VCHR Tabulation from Rockingham and Harrisonburg Assessment Data (1.5-person)

Down Payment				
	Rockingham		**Harrisonburg**	
	5%	**10%**	**5%**	**10%**
<30%	1,191	1,257	1	1
30-50	593	584	5	5
50-80	743	774	476	617
80-100	735	799	2,049	2,585
100-120	818	982	2,466	2,243
>120%	30,831	30,515	5,092	4,638
TOTAL	34,911	34,911	10,089	10,089

Number of Units by Down Payment Percentage (4.5 persons / 3 bedrooms)

Sources: VCHR Tabulation from Rockingham and Harrisonburg Assessment Data (4.5-person)

Down Payment				
	Rockingham		**Harrisonburg**	
	5%	**10%**	**5%**	**10%**
<30%	1,191	1,848	6	7
30-50	593	484	259	340
50-80	743	1,301	3,095	3,498
80-100	735	2,162	3,527	3,568
100-120	818	2,972	1,555	1,244
>120%	30,831	26,144	1,647	1,432
TOTAL	34,911	34,911	10,089	10,089

Considering that 15% of homes are affordable to households with moderate income or less in the region's housing market, when a 10% down payment is made, the scarcity of affordable housing options for households with moderate incomes or below (4.5-person households) is evident. Furthermore, according to our analysis, at least 59% of these units were constructed prior to the year 2000. Older units raise concerns about potential additional costs for renovations and maintenance due to age-related issues and overall condition.

Of the 96 multifamily properties with data available from CoStar, 80 properties with 4,620 units are fully "market rate" and do not include subsidy or affordability restrictions. These units span various sizes, ranging from studios to one-bedroom, two-bedroom, three-bedroom, and even four-bedroom units. Among these units with available rent data, 58% are affordable to households with incomes less than or equal to 100% of Area Median Income (AMI).

VCHR used the HUD income limits and the associated maximum affordable rent, 30% of the income limit divided into 12 monthly rent payments, to categorize units by affordability level. Income limits correspond to maximum affordable monthly rent by unit size. The maximum affordable rent for a one-person household is applied to studio apartments, the affordable rent for 1.5-person households is applied to one-bedroom units, affordable rent for a three-person household is applied to two-bedroom units, and the affordable rent for a 4.5-person household is applied to three- and four-bedroom units. VCHR adopted this convention from the rules applied by HUD to classify units for the Consolidated Housing Affordability Strategy (CHAS) data tabulations. VCHR used the maximum affordable rents to set ranges for property-wide average rents by unit type reported to CoStar.

Rockingham Market Affordable Housing Units by Unit Size and Affordability Category
Source: VCHR Tabulations of Rockingham CoStar Data Accessed April 2022

AMI Level	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	Total
30% or less	-	-	-	-	-	-
30-50%	-	8	-	-	-	8
50-80%	-	106	76	16	-	198
80-100%	-	53	-	-	-	53
100-120%	-	189	77	-	-	266
Over 120%	-	-	100	133	-	233
No Rent Data	360	176	233	3	-	772
Total	360	532	486	152	-	1,530

Harrisonburg Market Affordable Housing Units by Unit Size and Affordability Category
Source: VCHR Tabulations of Harrisonburg CoStar Data Accessed April 2022

AMI Level	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	Total
30% or less	-	-	-	-	-	-
30-50%	-	103	42	-	-	145
50-80%	33	597	325	59	15	1,029
80-100%	-	38	195	78	-	311
100-120%	-	189	262	71	-	522
Over 120%	-	-	100	119	-	219
No Rent Data	8	657	95	10	13	783
Total	41	1,584	1,019	337	28	3,009

In Rockingham County, the majority of affordable units fall within the 50%-120% AMI range, with no units available for those under 30% AMI. This suggests that while there is a modest supply of affordable housing for middle-income earners, there is a severe shortage for those with the lowest incomes. Harrisonburg shows a similar pattern, with a substantial proportion of units available to those earning 50%-120% of the AMI. However, the city offers a slightly better situation for lower-income individuals compared to Rockingham, with 145 units available for those earning 30%-50% of the AMI. Across both regions, two-bedroom units represent the majority of affordable housing, followed by one-bedroom units. Three-bedroom and studio options are significantly limited, which can pose challenges for larger families or those seeking smaller, more affordable spaces.

Short-term Rentals (STRs)

Short-term rentals (STRs) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. The rise of STRs has redefined housing utilization, transforming properties typically designated for long-term rental (LTR) or ownership into temporary accommodations. This shift has led to increased interest in STRs as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

The STR and LTR sectors are not independent entities but interlinked parts of the housing market. The influx of properties into the STR market has potential repercussions on LTRs. There is a possibility that the diversion of housing units from the LTR market could decrease supply, leading to increased housing prices and rents. Furthermore, STRs often offer higher returns on investment than LTRs, potentially driving landlords to convert LTR units to STRs. However, this relationship is complex and may vary based on local regulations, housing market conditions, and other socioeconomic factors.

The growth of STRs can exacerbate housing shortages and affordability issues, especially in popular tourist destinations or urban areas with limited housing stock. Additionally, STRs can change neighborhood dynamics, impacting long-term residents through increased noise, overcrowding, and reduced community cohesion. These effects have led to legislative efforts to regulate or limit STRs in some regions.

Analyzing STRs within the housing market context is important due to their growing significance and potential impact on LTRs. The interplay between STRs and LTRs can affect housing supply, prices, neighborhood dynamics, and housing policy. Therefore, it is crucial to continually assess and understand the implications of these emerging trends to formulate effective strategies and policies.

Some units function as STRs throughout the year, while others, such as primary residences, accessory dwelling units, or spare rooms, can also serve as STRs. The latter category can occasionally cause inconveniences to neighbors, such as noise disturbances. However, they do not notably impact housing affordability. On the other hand, when an entire house is dedicated to STR use, it can reduce the stock of available housing for LTRs, potentially driving up house prices and rents, which negatively affects housing affordability. Therefore, the count of STRs can vary depending on the perspective. To differentiate the impacts of STRs on the housing market, we classify STRs based on the following definitions:

(1) Full-time STRs: These are properties entirely used as STRs, with the listing remaining active and available for reservations throughout the entire year. The listing type for these properties is "Entire home/apt." These units are consistently rented out on a short-term basis, meaning they are not available for the LTR market. Consequently, they may contribute to a decrease in the LTR housing stock and can exert upward pressure on housing prices and rents, potentially impacting housing affordability.
(2) Occasional STRs: These are entire properties that are used as STRs only part of the time, being active for at least one month in a year. The listing type for these properties is also "Entire home/apt." The “occasional” use refers to situations where owners might use their property as an STR when it's not in personal use. Though these units are not fully dedicated to the STR market, they are still not available for the LTR market during their active periods.
(3) Partial STRs: These are properties where only a part of the home is listed as an STR, being active for at least one month in a year. The listing type for these properties is "Private Room" or "Shared Room." These types of STRs might cause minor inconveniences to neighbors but generally do not have a significant impact on housing affordability.
(4) Inactive Listings: These properties are listed as STRs but do not fit into the above categories of Full-time, Occasional, or Partial STRs. These could include properties that are listed but are not actively rented, either as a whole or in part. This category represents the potential number of STRs that could be operated in the area.

Using the classification of STRs, we recalculated the STR numbers for the Harrisonburg region as of 2022. In 2022, a total of 1,475 properties were listed at least once as STRs in the Harrisonburg region. These listings are then segmented into our four STR categories: Full-Time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

The number of STR and ratio to the housing stock in the Harrisonburg Region
Source: VCHR tabulation of AirDNA data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Rockingham County	341	1.09%	560	1.80%	47	0.15%	216	0.69%	1,164	3.73%
Harrisonburg city	63	0.37%	95	0.56%	50	0.29%	103	0.60%	311	1.82%
Total	404	0.84%	655	1.36%	97	0.20%	319	0.66%	1,475	3.05%

Among the total, 404 (approximately 27% of total listed properties) are classified as Full-Time STRs. This category is the most impactful on housing affordability, as these units are consistently unavailable for the long-term rental (LTR) market. Rockingham County has the majority of these Full-Time STRs with 341 listings. The Occasional STRs comprise the largest category in the Harrisonburg region, accounting for 655 listings or roughly 44% of total listings. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals 97 properties or about 7% of the total listings. The Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 319 listings or around 21% of total listings. These listings represent a potential expansion of the STR market should demand increase.

Conclusions

The increasingly competitive housing market in Harrisonburg and Rockingham is straining renters and prospective homebuyers, as well as discouraging prospective residents. The region will need to develop new homeownership opportunities to increase inventory and create space for new and existing residents to find the housing that meets their needs. Furthermore, the region will need to add rental units to keep the rental market from becoming too tight, which would discourage investment in property maintenance and upgrades. Given increasing costs of development, focus group participants discussed strategies for reducing the cost of building, including increased density and mixed uses as well as reductions in time spent in regulatory processes such as re-zonings and site plan approvals.

The region will also need to add income-restricted, affordable housing to stabilize current low-wage workers and seniors with low, fixed incomes. Nearly 10,000 non-student households pay more than 30% of their income for housing and may need more affordable housing. Focus group participants discussed the need for more affordable housing to attract workers and stabilize households who currently endure overcrowding or costs that result in choices between housing and other necessities. Analysis of housing affordability among workers shows significant need among workers in most of the top 10 occupations by employment.

Focus group participants suggested possible incentives for affordable housing such as public-private partnerships formed around surplus properties, affordable dwelling unit programs (density exchanged for affordable housing), as well as tax increment financing for affordable housing. However, the group cautioned that although local governments and employers acknowledge the need for more affordable housing, NIMBYism among residents creates a significant barrier.

Focus group participants also emphasized the need for greater coordination of housing crisis services and the expansion of housing to serve the most vulnerable. In particular, they discussed the need for additional case management and the need to fully utilize housing choice vouchers by expanding landlord participation.

As the region considers approaches to add housing—both market-rate and income-restricted, subsidized housing—strategies should also work to increase the diversity of housing types as well as equity of access to housing. Smaller, accessible housing units should be added to accommodate smaller household sizes and respond to increasing demand from seniors with mobility challenges.

Finally, housing conditions present challenges throughout the MSA. Focus group participants discussed rental properties in poor condition. Low property values combined with high utility costs are evidence of investments needed in single-family housing. Homeowners may benefit from specific supports such as critical home repair, weatherization and other rehabilitation programs, and supports for aging (whether aging in place or assisted living). Rental housing conditions can likely be addressed through the addition of competition in the market of affordable rental units (new, subsidized units to relieve reliance on substandard units).

REGIONAL SOLUTIONS

STRATEGIC PRIORITIES

1: Establish a hub for home improvement grants and resources

ISSUE: *A lack of accessible home improvement resources and funding options for residents is impacting property maintenance and local housing quality.*

Disjointed and overlapping home improvement programs across the region lead to inefficient use of resources and challenges in accessing funding for those in need. Many residents are unaware of existing resources or are unsure where to find information and apply for assistance within localities' websites.

SOLUTION: *Provide residents with streamlined access to grants, loans, and resources for home improvement needs.*

By consolidating regional home improvement resources into a centralized online hub, localities can streamline access to information and assistance for residents. This solution offers a unified and efficient mechanism for managing home renovation resources across the area, making it easier for homeowners to locate and use current programs. A centralized portal can also be used as a single location to accept and triage applications. This might assist communities in prioritizing cases based on available resources and strategically aligning waitlists/requests with qualifying monies to better distribute aid.

HOW IT WORKS

Cultivate regional collaboration and integration

Consolidation and centralization

Regional connections are essential for smaller municipalities to optimize their capacity and effectiveness in serving community needs. By conducting a thorough assessment of all current programs, these alliances can identify service overlaps and gaps throughout the area. This allows for more efficient efforts by consolidating comparable initiatives and distributing resources where they are most required.

Collaboration allows smaller localities to benefit from the larger infrastructure and financial resources of surrounding jurisdictions. Regional alliances also encourage information exchange and capacity building through training programs, conferences, and technical assistance, allowing smaller towns to benefit from the knowledge of larger ones.

Collaboration with partners

Work with local governments, housing authorities, nonprofits, and financial institutions to gather and regularly update information on available resources. Establish partnerships with these entities to ensure that the portal reflects real-time data on program availability and application deadlines.

Developing a centralized, online toolkit

Centralized portal development

Develop an intuitive, user-friendly online portal that consolidates all available home improvement grants, loans, and resources from local, regional, state, and federal programs. The portal should include a comprehensive database that residents can search and filter based on their specific needs, such as repair type, income eligibility, and location.

User education and outreach

Implement a targeted outreach campaign to educate residents about the portal and how to use it. This could include workshops, social media campaigns, and partnerships with community organizations to spread the word. Regular educational workshops and seminars about existing resources can also help homeowners with home renovation projects increase their grasp of funding options.

Direct assistance options

Establish hotline hours or monthly “office hours” for providing technical assistance to supplement the online platform. This direct support can help residents navigate the application process and troubleshoot any issues they may encounter.

Efficiency and outreach

Streamlined application process

Create a single, unified application system within the portal that allows residents to apply for multiple programs through one form. This system should streamline the application process by pre-filling common information and reducing the administrative burden on applicants.

Eligibility screening

Incorporate an eligibility screening tool that helps users determine which programs they qualify for based on their specific circumstances. This tool should guide them to the most relevant resources and funding opportunities.

Monitoring and adaptation

Developing techniques to monitor the hub's use across the area will help municipalities better recognize current needs and missing possibilities, as well as distribute resources more efficiently across local communities. Consolidating applications into a single interface can also aid in monitoring and triaging activities.

Recruiting community ambassadors

Recruit community ambassadors to promote awareness and confidence in the areas where they live. These ambassadors can supplement staff outreach efforts by engaging with residents directly and encouraging them to use the centralized portal.

Program coordination

1. **USDA Section 504 Home Repair:** This program provides loans to very-low-income homeowners to repair, improve, or modernize their homes and grants to elderly very-low-income homeowners to remove health and safety hazards. Coordinate the eligibility criteria to ensure applicants meet the income limits and other requirements specific to rural areas. Repairs covered include general home improvements and removal of health and safety hazards.

2. **Virginia DHCD Essential Home and Accessibility Repair Program (EHARP):** Administered by Community Housing Partners and Total Action for Progress (TAP), EHARP provides funds for critical repairs like structural hazards, roof repairs, plumbing, and accessibility modifications for low-income individuals. Ensure the portal includes detailed eligibility requirements and a clear list of eligible repairs.

3. **Virginia DHCD Indoor Plumbing Rehabilitation Flex (IPR Flex):** Also administered by Community Housing Partners and TAP, this program focuses on plumbing and sanitation system repairs for low-income households. Coordinate application processes to verify income and property ownership, emphasizing the eligible activities related to plumbing improvements.

4. **Virginia DHCD Weatherization Assistance Program (WAP):** This program offers weatherization services to improve energy efficiency for low-income families, administered by Community Housing Partners and TAP. Include specific eligibility guidelines and coordinate the inclusion of WAP-funded measures such as insulation and HVAC improvements in the portal.

5. **Virginia DHCD Weatherization Deferral Repair (WDR):** Administered by the same nonprofits, WDR funds repairs necessary to make homes eligible for WAP services, addressing issues like structural repairs, roof leaks, and moisture problems. Ensure the portal provides clear guidelines on the specific repairs that can be funded through WDR.

6. **Individual Household Well & Septic Loan Program:** Administered by SERCAP, this program provides low-interest loans for the repair or replacement of wells and septic systems for low-to-moderate-income homeowners in rural areas. Coordinate the application and eligibility verification process for households needing well and septic system repairs.

HOW TO DO IT

Within 6 months:
- Establish a task force comprising representatives from local governments, housing authorities, nonprofits, and financial institutions to guide the development of the centralized portal.
- Begin collecting information on all available home improvement grants, loans, and resources across the region.
- Start designing a framework for the centralized portal, including the database structure, user interface, and application system.

Within 1 year:
- Launch a pilot version of the centralized portal with a limited set of resources and features. Gather feedback from users and stakeholders to refine the system.
- Implement an outreach campaign to raise awareness about the pilot portal and encourage residents to use it.
- Continue to build partnerships with additional organizations and expand the range of resources included in the portal.

Within 2 years:
- Launch the full version of the centralized portal with all planned features and a comprehensive database of resources.
- Establish a system for ongoing support and maintenance of the portal, including regular updates to the database and continuous improvement based on user feedback.

- Conduct an impact evaluation to assess the effectiveness of the portal in improving access to home improvement resources and enhancing housing quality. Use the findings to make further enhancements to the system.

WHO DOES WHAT

CSPDC: Lead task force of localities, agencies, and providers. Oversee the strategic direction of the web portal.

Local governments: Provide data on available resources, participate in the task force, and support outreach efforts.

Housing authorities: Contribute information on housing programs, assist with the application process, and provide case management support.

Nonprofits: Assist with outreach and education, provide support services to residents, and help gather feedback on the portal.

Financial institutions: Offer information on loan programs, participate in the task force, and help design the unified application system.

Community organizations: Spread awareness about the portal, host workshops and information sessions, and provide feedback on the portal's usability and effectiveness.

HOW TO FUND IT

Local governments: Pool resources from participating localities to fund the initial development and ongoing maintenance of the web portal.

Philanthropic funds: Apply to grants offered by local and regional philanthropic foundations to support capacity building, overhead, and operational costs that may be more difficult to fund with state and federal program dollars.

State grants: Explore using CDBG funding from DHCD, as well as Virginia Housing's Community Impact Grant and Capacity Building Grant, to support the work of the task force and development of new resources.

EXAMPLES AND RELATED INFORMATION

Loudoun County - Housing & Community Development [Home Improvement Programs]

Loudoun County's DHCD hosts a number of webpages guiding residents to existing resources, including the Home Improvement Programs page. The page serves as a comprehensive guide for residents looking to undertake home improvement projects, and effectively outlines different funding sources available, including grants, loans, and other financial assistance programs. The page provides clear descriptions of each funding option, along with eligibility criteria and application procedures. Additionally, it links to additional guides and resources, such as step-by-step application guides and FAQs, to help residents navigate the process effectively.

St. Louis, MO - Community Development Administration

The Community Development Administration (CDA) is the City of St. Louis' clearinghouse for federal, state, and municipal funding. The CDA supports the mayor's economic justice program by funding a diverse range of public and nonprofit organizations that offer public services, build affordable housing, eradicate blight, and engage in other community development activities.

The CDA includes a Healthy Home Repair webpage and Neighborhood Transformation Grants. These portals provide comprehensive information and resources in a single, easily accessible area. First, they outline the requirements for accessing funding, ensuring clarity and transparency for citizens. Second, they incorporate video tutorials that provide visual help and clarification on the application process, making it more accessible to a wide range of audiences. Furthermore, the webpages list accessible funding, allowing citizens to easily locate opportunities for financial assistance as well as request for proposal (RFP) specifications, allowing individuals to grasp the specific criteria and timeframes for submitting offers. Overall, this consolidated application efficiently streamlines the funding process by integrating critical information and resources into a single user-friendly website, making it easier for individuals to explore and obtain the assistance they require for community development activities.

2: Support permanent housing options to help end homelessness

ISSUE: *A lack of sustainable housing alternatives has led to prolonged homelessness, with present shelter services unable to meet long-term requirements adequately.*

Housing solutions are necessary to combat homelessness by lowering the number of people who become homeless while increasing the number of people who leave the system permanently. However, building permanent supportive housing (PSH) involves distinct challenges compared to other forms of affordable housing, resulting in a smaller availability. A primary challenge is the need for integrated, frequently on-site supportive services. These services need continual collaboration between skilled nonprofit providers and local government, complicating the development process. As a result, PSH frequently requires more investment than other types of affordable housing to cover both unit development expenses and personnel required.

SOLUTION: *Add permanent supportive housing developments and utilize the aid and expertise of the Continuum of Care (CoC) serving the region.*

Developing and implementing a comprehensive regional plan should prioritize: 1. enhancing permanent supportive housing availability, and 2. introducing new non-shelter options to successfully boost housing supply for the region's unhoused. This plan will address immediate housing needs across counties while also laying the framework for long-term and scalable solutions to homelessness. These long-term solutions must take into account the fact that the reasons of homelessness stem from a variety of individual and societal issues, and collaboration with organizations dedicated to supportive services is critical to this type of housing success.

HOW IT WORKS

Strengthen Capacity

Develop strategic plan

A comprehensive strategic plan for Valley Community Services Board (CSB) should be developed, focusing on increasing the supply of homes available for persons experiencing housing instability, investing in prevention programs such as rental assistance and counseling, and developing permanent partnerships with local governments, partner organizations, and developers.

This could be supported by the CoC Capacity Building Grant from Virginia Housing, which funds strategic planning activities and secures formal buy-in from local government leadership. Local philanthropic support could also be pursued to expand planning activities, particularly community engagement efforts.

Expand regional knowledge sharing

CSPDC can help organize a region-wide collaborative group of practitioners who work with both Valley CSB and Western Virginia CoC. This task force could facilitate additional ways to coordinate activities, share knowledge and experiences, and address common challenges. Regular meetings and coordinated efforts will ensure a cohesive approach to ending homelessness.

Build local advocacy base

Local advocacy for new investments and policies aimed at ending homelessness could be strengthened by leveraging the SAW Housing work groups. The successful "Built for Zero" data improvement initiative by Valley Homeless Connection (VHC) can be used to create compelling talking points and fact sheets for advocacy efforts, engaging community members and policymakers.

Increase Resources

Explore regional HOME consortium

Forming a HOME consortium is a potential way to streamline access to federal HOME funds for developing affordable housing. This consortium will enable CSPDC and its partners to receive HOME Investment Partnerships funds directly from HUD. However, it would require developing a new consolidated plan that addresses a broad spectrum of homelessness issues and focuses on the most vulnerable populations. Best practices from HOME consortiums supported by the New River Valley Regional Commission and Thomas Jefferson PDC can be followed.

Pursue investments from healthcare systems

Program-related investments from local health systems, such as Augusta Health, will be encouraged to support the development of PSH and affordable housing. By investing in housing initiatives, healthcare systems can improve community health outcomes and reduce healthcare costs associated with homelessness.

Expand Housing Options

Create low-barrier shelter in Waynesboro

Capitalizing on efforts to increase capacity and expand support for addressing homelessness, Valley CSB and its partners should begin a process to establish a new low-barrier shelter in Waynesboro, following the successful models of Valley Mission shelter in Staunton and the Homeless Services Center in Harrisonburg. This shelter will provide immediate, accessible housing for individuals experiencing homelessness, regardless of their current situation or background.

Encourage legalization of SRO units

Single-room occupancy (SRO) housing will be promoted by working with localities to include SRO housing in their zoning ordinances during comprehensive plan updates. Legalizing SRO units will create more affordable housing options for individuals and help address the shortage of available housing.

Strengthen developer partnerships

Proactive partnerships with developers will be formed to include PSH units in their proposals. Engagement with regional Low-Income Housing Tax Credit (LIHTC) developers and identification of vacant properties for redevelopment into one-bedroom and efficiency units will be key strategies. Projects will be targeted as strong candidates for the DHCD Affordable and Special Needs Housing (ASNH) program.

HOW TO DO IT

Within 6 months:

- Establish the regional task force and organize initial meetings to facilitate collaboration and knowledge sharing.
- Conduct initial outreach and create priorities ahead of an application to Virginia Housing for the strategic plan grant.
- Engage local healthcare systems to discuss potential investments in housing initiatives.
- Coordinate with HUD to explore the feasibility of pursuing a HOME consortium.
- Begin outreach and advocacy efforts through SAW Housing work groups to build local support for these and related efforts.
- Promote and support the inclusion of SRO housing in local zoning ordinances during comprehensive plan updates.

Within 1 year:

- Expand the task force activities to include regular coordination and sharing of best practices among local governments, nonprofits, and other stakeholders.
- Develop and begin the implementation of the Valley CSB strategic plan, focusing on increasing housing supply and preventive programs.
- Form proactive partnerships with regional LIHTC developers to include PSH units in their proposals and identify vacant properties for redevelopment into affordable housing units.
- Initiate the formation of the HOME consortium by drafting the consortium agreement and identifying potential members.

Within 2 years:

- Finalize the HOME consortium agreement and develop a consolidated plan to submit to HUD for approval.

- Establish a low-barrier shelter in Waynesboro, ensuring it follows the successful models of other regional shelters.
- Launch healthcare system partnership initiatives, with Augusta Health and others, to start housing developments with their support.

WHO DOES WHAT

CSPDC: Facilitate the formation of the regional task force, ensuring coordination and collaboration among all stakeholders. Support the strategic planning process for Valley CSB, providing technical assistance and guidance as needed.

Valley CSB / VHC: Lead the development and implementation of the strategic plan aimed at increasing the supply of PSH and rapid re-housing units. Participate actively in the regional task force, sharing expertise and coordinating service delivery across the region.

Western Virginia CoC: Collaborate with Valley CSB and other stakeholders in the task force, providing insights and best practices from their own experiences. Assist in aligning regional efforts with broader CoC goals and requirements.

Housing authorities and nonprofit providers: Work closely with CSPDC and Valley CSB to identify and develop housing projects eligible for ASNH and HOME funding. Support the creation of low-barrier shelters and the inclusion of SRO units in local zoning ordinances.

Local governments: Provide local support and resources for the initiatives, including adopting necessary zoning changes to legalize SRO units. Participate in the task force and advocate for local funding and policy initiatives to support homelessness programs.

SAW Housing: Leverage its work groups to prioritize local funding and policy initiatives, engaging community members and policymakers in the advocacy process. Support data improvement initiatives like VHC's "Built for Zero" to create compelling advocacy materials.

Healthcare systems, **such as Augusta Health:** Invest in housing initiatives as part of their community health strategies. Provide funding for new housing developments and support services for individuals transitioning out of homelessness, helping to improve overall community health outcomes.

HOW TO FUND IT

Virginia Housing Capacity Building Grant: This grant will support the strategic planning process for Valley CSB, covering consultant fees and administrative costs, and enabling the development of comprehensive strategies to increase housing supply and prevention programs.

Regional philanthropic foundations: These foundations can provide additional funding to enhance operational capacity and support specific initiatives within the strategic plan, such as outreach programs and advocacy efforts.

Local governments: Local governments can allocate funds to support the regional task force and advocacy activities, ensuring that the necessary resources are available to implement zoning changes and other policy initiatives that facilitate the development of affordable housing.

Healthcare systems: Healthcare systems like Augusta Health can invest in housing initiatives as part of their community health strategies, providing funding for capacity-building activities and support services that improve health outcomes for individuals transitioning out of homelessness.

METRICS TO EVALUATE SUCCESS

- Number of new PSH and affordable rental units developed and occupied
- Amount of funding secured from ASNH, HOME, healthcare partnerships, and other sources
- Impact of housing stability on health outcomes, including reduced emergency room visits and improved mental health metrics
- Participation levels and feedback from community members and stakeholders involved in SAW Housing and other task force activities

EASY WIN

1: Introduce the community land trust homeownership model

ISSUE: *Pathways to homeownership are becoming increasingly difficult for low-income and middle-class families as the housing market drives purchase prices and interest rates higher.*

Rising land, material, and labor costs also impact the ability of Habitat for Humanity (HFH) and similar organizations to build affordable homes to sell to first-time buyers. Furthermore, many homeownership subsidies are structured such that the long-term future sales prices of those homes would no longer be affordable. The scale of subsidy needed to achieve reasonable purchase prices requires more permanent affordable housing mechanisms.

SOLUTION: *Incorporate the community land trust model to create permanently affordable homeownership opportunities in the region.*

Community land trusts (CLTs) allow low- and moderate-income individuals and families to access homeownership in markets where homeownership is out of reach. They stand apart from other varieties of affordable development for the way they preserve investments into single-family homes and offer stability against gentrification and escalating housing costs. The Central Shenandoah region has an important opportunity to tap into a growing statewide CLT program that can deliver this model without the need to design and stand up new programs. Today, the Virginia Statewide Community Land Trust (VSCLT) can be an important partner to bring permanently affordable homeownership to the region efficiently.

HOW IT WORKS

The CLT model has proved effective in creating permanently affordable housing across the nation. While the homeowner owns the improvements on the land, the CLT retains ownership of the land and limits the equity gained at the resale of the home, effectively keeping the cost of the home below market.

This arrangement is made possible through the use of a ground lease that the homeowner enters into with the CLT, outlining the initial purchase price as well as the resale formula that tracks increases in value over time. Unlike traditional forms of affordable housing, homes remain affordable in perpetuity through the CLT; ground lease terms are 99 years and are renewed at each sale.

Defining shared equity

Establishing a resale formula tailored to the specific housing market is crucial for a community land trust to effectively fulfill its mission. The formula should consider local real estate conditions, such as property appreciation rates and income levels, to ensure that homes remain affordable over time. By adapting the resale formula to the market, the CLT can strike a balance between providing homeowners with a fair return on their investment and preserving affordability for future buyers.

CLTs deploy a range of formulas nationwide, with the most common three models being:

- **Fixed-rate:** The CLT sets a specific, unchanging percentage amount by which the home's resale price will appreciate over time. Rates set at 1%-3% above the initial purchase price each year are most typical.
- **Index-based:** The CLT ties the appreciation of a home to a certain economic indicator, such as the median income in the area. The resale price adjusts based on changes in the chosen index, reflecting broader economic conditions of the market.
- **Appraisal-based:** Through a standard real estate appraisal, the homeowner is entitled to a set fraction of the appraised value, while the CLT retains the remaining portion.

Each of these formulas offers a different approach to maintaining affordability in CLT homes, with varying levels of predictability and adaptability to the market fluctuations. Thanks to the way CLTs preserve a one-time subsidy to lower the initial purchase price of the home, one CLT home may serve 10 or more low- and moderate-income households during its life cycle as compared with traditional models of affordable homeownership.

Joining an existing CLT

The Virginia Statewide Community Land Trust (VSCLT) is an operational CLT that already serves the commonwealth and can be readily implemented in the region. Joining an existing CLT bypasses the time and resources needed to establish a new organization, and utilizes established channels to facilitate new home sales and development immediately.

While some communities in Virginia have already established local or regional CLTs, CSPDC can benefit from VSCLT's existing presence. The existing statewide model can immediately administer new CLT-homes closings alongside the local Habitats for Humanity or other affordable developers. Furthermore, VSCLT actively supports homeowners throughout the pre- and post-closing process, and devotes time to guiding communities, municipalities, developers, and homeowners through the CLT process.

Establishing an engagement strategy with important regional actors as well as a playbook of local government support are important steps to bring a CLT to the region via both financial incentives and non-financial assistance:

Financial incentives

- **Federal funding:** Entitlement communities in the region can orient a share of their CDBG and HOME funds to homes supported by VSCLT. HUD has steadily embraced the CLT model and does not have major barriers preventing the use of federal housing and community development dollars for CLT homes.
- **Local funding:** Locally generated funds for housing—i.e., not sourced from state or federal programs—can be prioritized for CLT homeownership. Dollars can be used to cover land acquisition and construction, or can contribute to homebuyer assistance. These funds should be used to strategically supplement any federal and state dollars.
- **Fee waivers:** Localities can explore waiving or reducing development fees (e.g., utility hookups, permit application fees) to lower development costs and streamline the construction of CLT homes.

Non-financial assistance

- **Land donation:** Localities can examine their real estate holdings to determine whether they own any lots suitable for single-family development. If appropriate, these parcels can be donated (or provided at discounted prices) to lower the overall development costs.
- **Property assessment:** Assessors are generally unfamiliar with a split land/improvement arrangement, and require some guidance. Virginia law (§ 58.1-3295.2) requires assessors to consider restrictions on the fair market value of a CLT home; they cannot assign value above affordable price enumerated in the ground lease. Localities can proactively develop an implementation plan to ensure their real estate assessment systems can incorporate CLT arrangements.
- **Securing lender partnerships:** While the number of banks and credit unions lending to CLT homebuyers is expanding, some lenders remain unfamiliar to the model. CSPDC and housing partners across the region can help VSCLT conduct outreach and education with local lenders, especially those already actively serving first-time buyers, to ensure that favorable mortgage products are reliably available.

HOW TO DO IT

Within 6 months:

- CSPDC, regional HFH affiliates, and other partners can have initial conversations with VSCLT on opportunities to serve the region.

- In addition to the region's HFH affiliates, identify other ideal partners engaged in affordable housing efforts that could easily partner with VSCLT to bring more homes into existence in the area.
- Develop standard guidelines for entitlement communities to incorporate the CLT model into their proposed priorities for CDBG and HOME funds during their consolidated plan updates.

Within 1 year:

- Start conversations with major corporate, institutional, and philanthropic funders about seed funds for operations and acquisition; include VSCLT in those conversations.
- Engage mortgage lenders in the region, especially community banks and credit unions, about loan products for CLT homebuyers.
- Provide VSCLT with opportunities to engage with localities updating their comprehensive plans to explain how zoning ordinances could be improved to encourage CLT home development.

Within 2 years:

- Work with local real estate assessor offices and VSCLT to establish guidelines for the "decoupling" of land and improvements for CLT properties.
- Begin educating the community about CLTs to cultivate homebuyers. Leverage connections with trusted institutions, such as congregations, civic associations, and employers.
- Depending on acquisition funding, identify viable surplus land for single-family use, vacant parcels for new construction, or for-sale homes for purchase and rehab. Explore opportunities for CLT neighborhoods as well as infill development.

WHO DOES WHAT

VSCLT: Work with CSPDC and local government staff to identify barriers and opportunities, participate in conversations with community members and partners, assist local developers with creation of CLT homes, and steward buyers and their homes throughout purchase and ownership.

CSPDC: Engage with VSCLT and coordinate conversations between VSCLT, localities, HFH affiliates, funders, and other potential partners in the region.

Local governments: Reform zoning codes, contribute funding, streamline regulations, and support community outreach efforts. For entitlement communities, ensure consolidated plans support CLT efforts.

Habitat for Humanity affiliates: Partner with VSCLT to build affordable homes and provide homebuyer education. Includes Central Valley HFH, Rockbridge Area HFH, and Staunton-Augusta-Waynesboro HFH.

Housing authorities: Assist with identifying eligible homebuyers and coordinating with local governments. Serve as a potential development partner with VSCLT.

Private developers: Engage in the construction of single-family homes and participate by allocation a share of homes to VSCLT in exchange for commensurate development incentives from localities.

Lenders: Create or modify lending products available for CLT homebuyers, provide grants and other assistance as available, and advertise the CLT model to their pipeline of applicants.

Community organizations: Support outreach and educational efforts to increase community awareness and support.

HOW TO FUND IT

Public funds: Local governments in the region can support the CLT model with both federal funds (CDBG, HOME) and locally generated funds. Successfully deploying federal grants requires additional diligence and planning due to the unique equity-sharing model, mainly via updates to plans submitted to HUD.

Private funds: CLTs in Virginia and nationwide have been successful in securing funding from philanthropic organizations interested in homeownership and community development. Major employers and institutions should also be solicited.

METRICS TO EVALUATE SUCCESS

- Number of properties identified and selected for CLT development
- Number of properties acquired and developed by VSCLT and community partners
- Homebuyers cultivated, educated, and placed in homes
- Homeownership rate, especially for low- and moderate-income families
- Household wealth created over time by appreciation in CLT home values

BACKGROUND WORK

1: Pursue regional land bank entity

ISSUE: *Vacant and underutilized properties are holding back development in many areas within the cities and towns of the region.*

Property vacancy and blight are consistent issues among nearly all localities in the region. Population decline and disinvestment were early factors that contributed to property abandonment and neglect, and real estate speculation now plays a major role in current property conditions.

SOLUTION: *Investigate the utility of a regional land bank entity.*

While the region cannot fully address all root causes for this trend of vacancy and under-utilization, it can further leverage public-sector capacity to strategically identify, acquire, and position certain properties for redevelopment into affordable housing and other community assets. These activities are commonly undertaken by "land bank" authorities.

HOW IT WORKS

The Land Bank Entities Act in the Code of Virginia allows for a locality or multiple localities to designate a planning district commission as a land bank entity (§ 15.2-7502). A land bank in the region would be able to acquire or receive, hold, manage, and develop or redevelop properties in order to transform these properties back into productive use. As of June 2024, none of the CSPDC member localities have created or designated a land bank.

Purpose

A land bank acts as responsible steward of property and land. While a land bank can be used to facilitate lot assemblage or hold land responsibly until market conditions improve, land banks more often attempt to quickly acquire and dispose of property to meet community goals. In the commonwealth, there are only a handful of active land banks, including the Maggie Walker Community Land Trust and the Chesapeake Land Bank Authority.

While there are no planning district commissions in Virginia that have been formally designated as a land bank entity, West Piedmont PDC is actively undertaking the process to operate as its region's land bank.

Powers

In Virginia, land banks are able to receive properties directly from localities (including surplus and tax-foreclosure under certain conditions), avoiding a competitive bidding process. Through the transfer process, localities can set specific guardrails on the development to ensure that any improvements on the property are fulfilled and meet the needs of the community.

Land banks can also acquire properties on the private market (if they have funding for acquisition). Once acquired, property owned by land banks can be held strategically for larger property assemblage, temporarily improved to serve a community purpose (e.g., community garden or community gathering space), developed by the land bank entity, or disposed of to another organization or entity to develop it. To make these activities more feasible for land banks, land banks in Virginia have been granted exemption from real estate taxes. This allows them to better focus resources on improving and maintaining properties.

Land banks may also be designated "as a receiver to repair derelict and blighted buildings" (Virginia Code § 15.2-907.2). This avenue requires a locality to have exhausted efforts to ensure compliance by property owners to abate property issues. Receivership grants a land bank entity the ability to bring a property up to code, and the expenses incurred to do so may act as a lien against the property.

Results

One of the most active land banks in Virginia is the Maggie Walker Community Land Trust (MWCLT), an affordable homeownership nonprofit based in the Richmond region. MWCLT was designated as the official land bank of the City of Richmond, Chesterfield County, and Henrico County. This relationship has allowed for the transfer of tax-foreclosed and surplus properties to MWCLT in order to support affordable housing development in the region. The Richmond Land Bank, an MWCLT program, uses a competitive bidding process with public feedback to dispose of properties to eligible developers. This process has resulted in affordable homeownership and rental projects throughout Richmond.

In Henrico and Chesterfield counties, MWCLT has leveraged county surplus properties to develop affordable infill housing and also the first community land trust subdivision within Virginia. Henrico County's use of MWCLT as its land bank has also maximized nonprofit partnerships to leverage county surplus property for the development of housing and childcare with the YWCA and Children's Home Society of Virginia.

Constraints

Recent judicial rulings on the tax-foreclosure process have negatively affected land banks. In *Tyler v. Hennepin County*, the U.S. Supreme Court ruled that the retaining of surplus profits from a tax-foreclosure sale by Hennepin County, Minnesota, was a violation of the Fifth Amendment's takings clause. This ruling makes it more difficult for land banks to intervene and dispose of properties to responsible owners because they can no longer use the proceeds to fund their operations or subsidize their programs. While this impacts the stream of qualifying tax-foreclosed properties (Virginia Code § 58.1-3970.1) to land banks, localities can still support their land banks with surplus properties and funding.

HOW TO DO IT

Within 6 months:

- Identify surplus properties and severely derelict/blighted properties within each of the localities by using relevant information (e.g., site and building conditions, assessed value, zoning).
- Develop overarching priorities for a regional land bank, including affordable housing development.
- Request that localities in the region support the creation of a land bank entity.

Within 1 year:

- Pursue grant funding to conduct a dedicated land bank program development process.
- Evaluate options for the region to create a new land bank entity, or to have an existing agency/organization expand its capacity to fulfill the role.
- Engage with the development community to educate them about the land bank process.
- Conduct an analysis to determine “highest and best use” for priority properties.
- Assess opportunities to leverage receivership to rehabilitate derelict properties.

Within 2 years:

- Select the appropriate existing or new entity to operate as a land bank within the region.
- Appoint a governing board, advisory council, or other appropriate oversight mechanism.
- Develop application and review process for property disposition; consider a pre-qualification process to ensure that recipients are able to properly maintain the property for its end use.
- Receive viable properties for development, redevelopment, or rehabilitation.
- Market properties for development.
- Receive and review applications based on priorities set by the land bank and localities.
- Dispose of the first round of properties to qualified developers or other responsible stewards.
- Monitor development and ownership of properties to ensure that development agreements are carried out.

WHO DOES WHAT

CSPDC: Coordinate efforts to explore land bank options, engage with local governments to determine priorities and assess property opportunities, and determine feasibility of expanding into regional land bank role.

Local governments: Designate applicable entity as their land bank, provide financial support to operate the land bank, and provide land bank with a steady supply of property.

For-profit and nonprofit developers: Apply for land bank properties and develop, rehabilitate, or redevelop properties for productive use in the community.

HOW TO FUND IT

Land banks can operate as their own standalone entity or be a part of a larger organization. Regardless of their operating form, land banks require staff to administer their programs. Staffing scope can range from a single individual to multiple people but is limited based on funding and the breadth of programs being offered.

POTENTIAL FUNDING SOURCES

Virginia Housing Capacity Building Grants can help CSPDC and partners undertake a formal process to evaluate options to develop a land bank program for the region.

Local general fund appropriations can help support a staff position at CSPDC or other entity to manage and operate a land bank.

Community Development Block Grant funds may be used to help support the acquisition of real estate on the open market.

Philanthropic funds can be used to help support land bank operations that align with the donor's mission.

EXAMPLES

Maggie Walker Community Land Trust/Richmond Land Bank

The Maggie Walker Community Land Trust acts as the land bank entity for three localities in the Richmond region. The organization is an affordable homeownership nonprofit focused on providing permanently affordable housing. The Richmond Land Bank—an MWCLT program—acts as the City of Richmond's land bank and receives and disposes of property through a community-engaged process.

In Henrico and Chesterfield counties, MWCLT acts in partnership with local government, which identifies surplus properties ripe for residential development and transfers them to MWCLT through a straightforward local ordinance process. In some cases, their community development departments identify properties at risk of foreclosure and ask MWCLT to engage with homeowners to acquire the property.

2: Expand housing counseling services

ISSUE: *The region has limited housing counseling services that do not comprehensively cover all localities or address the full spectrum of housing counseling needs.*

As of 2024, only a few housing counseling agencies operate in the CSPDC region. They can provide limited resources for first-time homebuyers, homeowners at risk of foreclosure, and specific populations experiencing a housing crisis. However, there is a critical need to expand these efforts to meet demand, and to also offer rental counseling, post-purchase counseling, financial literacy education, and broader geographic coverage to ensure that all residents in the region have access to comprehensive housing counseling services.

SOLUTION: *Expand and enhance housing counseling services across the CSPDC region to provide comprehensive support to homeowners, prospective homebuyers, and renters.*

To address these gaps, the CSPDC region needs to expand and enhance its housing counseling services to provide comprehensive support to all residents. This expansion involves leveraging existing providers to increase geographic coverage, adding new services such as rental counseling, post-purchase counseling, and financial literacy education, and developing partnerships with local governments and community organizations. Implementing virtual counseling options and securing diverse funding sources will further ensure that these expanded services are accessible and sustainable.

HOW IT WORKS

Assess and expand geographic and service coverage

The CSPDC region should engage current housing counseling providers to determine their priority issues and assess existing capacity limits. Performing a regional inventory, including the location of HUD-certified counselors, serving radiuses, and areas of high or low home sales, can help identify both strengths and opportunities for growth.

The region should also leverage existing service providers to extend their reach to underserved localities and expand the range of services offered to include rental counseling, post-purchase counseling, and financial literacy education.

"Traveling" counselor services

As an interim solution, deploying traveling teams of counselors throughout the region for a temporary period to fill in service gaps can help outreach efforts. This is especially true in rural or isolated areas of the region, which are frequently overlooked or underserved in terms of resource availability.

Form partnerships, secure funding, and build capacity

Developing strategic partnerships with local governments, community organizations, and nonprofits will enable resource sharing and enhance service delivery. The region should identify and apply for federal, state, and local grants, and seek funding from private foundations and corporate sponsors to support the expansion of services.

Government and private funding opportunities are required to create long-term capacity within the region. Although significant state and federal financing is available for first-time homebuyers and housing counseling programs, identifying funding options through collaborations with banks, lenders, and private groups might also help create capacity and improve outcomes.

Implement virtual counseling and targeted outreach

To reach clients in remote areas, the region should establish virtual counseling options such as telephone, email, and video conferencing. Developing and executing targeted marketing campaigns using local media, community events, and social media will raise awareness and attract clients.

HOW TO DO IT

Within 6 months:

- Conduct a regional inventory to assess the current housing counseling capacity, identify strengths and areas for growth, and map the location and reach of HUD-certified counselors.
- Engage existing service providers to understand their priority issues and capacity limits, and develop a plan to address these through expanded geographic and service coverage.
- Begin developing strategic partnerships with local governments, community organizations, and nonprofits to leverage resources and enhance service delivery.
- Apply for initial funding opportunities from federal, state, and local grants to support the expansion efforts.
- Establish virtual counseling infrastructure, including necessary technology and training for counselors.

Within 1 year:

- Launch pilot programs for expanded services, including rental counseling, post-purchase counseling, and financial literacy education, in select underserved localities.
- Deploy traveling teams of counselors to temporarily fill service gaps in rural and isolated areas, assessing the effectiveness and reach of this approach.
- Secure additional funding from private foundations, corporate sponsors, and collaborations with banks and lenders to build long-term capacity.
- Develop and execute targeted marketing campaigns to raise awareness of the expanded services, utilizing local media, community events, and social media.
- Provide comprehensive training and certification for housing counselors to ensure high-quality service delivery.

Within 2 years:

- Evaluate the success of pilot programs and the effectiveness of traveling counselor services, making adjustments based on feedback and outcomes.
- Expand successful programs and services to all localities within the CSPDC region, ensuring comprehensive coverage.
- Continue to seek and secure diverse funding sources to sustain and further develop housing counseling services.
- Implement a monitoring and evaluation system to track client outcomes and satisfaction, using this data to continuously improve services and inform future strategies.
- Regularly review and update training programs to ensure counselors remain knowledgeable and effective in meeting community needs.

WHO DOES WHAT

CSPDC: Coordinate regional efforts, conduct needs assessments, and facilitate partnerships among stakeholders. Oversee the implementation and evaluation of expanded services.

Existing counseling providers: Expand geographic coverage, enhance service offerings, and deploy traveling counselor teams. Collaborate with local governments and agencies to apply for new funding.

Local governments: Provide support and resources for service expansion. Offer office space, funding, and logistical assistance for outreach efforts.

Philanthropic foundations: Offer grants and sponsorships to support the expansion and sustainability of housing counseling services. Collaborate with local organizations to identify and fund critical needs.

EXAMPLES

Colorado - Regional Grant Navigators
Colorado created 14 Regional Grant Navigator positions at each of the councils of governments across the state to provide capacity support to Colorado local governments, special districts, and federally recognized Tribes seeking Bipartisan Infrastructure Law and Inflation Reduction Act funding opportunities through grant navigation, writing and review, technical support, resource sharing, and regional collaboration support. This example models out how regional positions assist in accessing funding pools and resources outside individual localities.

HIGHLAND COUNTY SOLUTIONS

PRIORITY SOLUTION 1: Create incentives and align zoning regulations to encourage a range of housing options and overcome development challenges

ISSUE: *Infrastructure and regulatory challenges make it difficult for developers to finance and build new housing supply in designated growth areas.*

In rural areas, water and sewer infrastructure are vital to developing more housing in designated growth areas and preventing sprawl that erodes the rural character. Investing in infrastructure in designated growth areas can be a challenge for rural communities with low capacity and limited funding. Meanwhile, the cost for private developers more than often serves as a disincentive to come to rural areas.

Development challenges are further compounded when overly restrictive lot requirements are placed on development, such as minimum lot area and yard sizes, the amount of developable land shrinks with it. While the County's comprehensive plan calls for smaller lot sizes and increased density, as well as residential over commercial uses, the zoning ordinance requires these types of housing only through a public approval process in many cases. Although with its merits, the public approval process can stifle much needed housing production by making it a political issue.

SOLUTION: *Support new investments in infrastructure while strategically aligning zoning and subdivision regulations to encourage a range of new housing options.*

Highland County can balance preservation of rural character while also becoming more developer friendly by investing in critical infrastructure and amending zoning and subdivision regulations to reduce barriers to development. This work should be done in full partnership with the Town of Monterey due to their location within growth areas and their existing water and wastewater operations.

As outlined in the comprehensive plan, strategic objectives for this solution are:

- Attaining a better understanding of the system's current usage vs. projected need to determine potential capacity improvements for the Town of Monterey Water and Wastewater Systems;
- Expanding the capacity of the McDowell Water System to promote development in its village growth area and in the village of Blue Grass;
- Planning strategic growth and potential utility expansion along the U.S. Route 220 corridor.

HOW IT WORKS

Leverage EDA to provide development incentives.

EDAs can facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a county ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs — which in turn can secure better financing. The tax base as a whole may increase as a result of these abatements as newly constructed property has a higher value than vacant land.

EDAs can also issue tax-exempt bonds that provide large, low-cost funding to create transformative capital projects. Numerous EDAs throughout Virginia use multifamily revenue bonds to help boost the construction or rehabilitation of housing in their communities. These bonds are guaranteed by the future income ("revenue") of the project and provide below-market interest rates.

Neither the EDA nor the County formally loans money; the arrangement simply provides developers with access to capital markets at attractive rates. In fact, EDAs use this as an income-generating activity by earning fees collected from the bond recipient.

Review barriers to development within zoning and subdivision ordinances.

Identify key barriers that restrict the development of housing in the county. Consider consulting with housing developers in the region to get feedback on what barriers they face. Specific attention should be paid to the zoning districts and development regulations currently found in the designated growth areas. Assets should also be identified alongside barriers, including current lot density allowances, to determine what is working well and what could be improved. This stage should also examine lot sizes to ensure they can support private systems if public service can not be expanded. District of interest include:

- R-1 Residential Limited District
- R-2 Residential General District
- R-4 Planned Development District
- B General Business District

Explore funding opportunities to expand or develop essential water and wastewater infrastructure.

There are numerous funding sources available to support infrastructure planning and development in rural communities. While some sources are competitive, and the overall supply of funds is not at all near what would be required to solve every challenge, the scope of resources is growing.

Exploration of these funding opportunities should include an assessment of local capacity to apply for funding, ability to leverage matching funds, and cost-effective opportunities to partner with neighboring jurisdictions or private water and sewer entities.

Amend zoning ordinance to support more diverse types of development.

A package of reforms should be drafted to remove or change any elements of the zoning ordinance that were identified as counterproductive. These amendments should follow all applicable community outreach and public hearing steps.

If the review of zoning requirements instead reveals a much more limited need for reform, the county and town could consider additional initiatives that result in smart development patterns. These might include fee structures to orient growth in designated areas, a transfer of development rights (TDR) program, or even tax increment financing (TIF) districts to fund future infrastructure.

Apply for Virginia Housing Community Impact Grant and other similar funding opportunities to conduct market research and/or design and engineering studies.

Virginia Housing provides grant support for predevelopment activities including design and engineering studies. Conducting more detailed site analysis for the type of development the county and town want to see can help cut down private development costs, while steering the direction of the development towards county and town goals. Additional resources are available through DHCD and the Virginia Resources Authority.

Seek technical assistance from rural development experts.

When seeking new funding sources, county and town staff should also take advantage of technical assistance opportunities from state and national experts at USDA Rural Development, DHCD, DEQ, SERCAP, and other agencies. Some of the funding opportunities identified above include technical assistance activities.

Another resource is the Housing Assistance Council (HAC), a national nonprofit that advances affordable housing in rural communities throughout the nation. HAC offers technical assistance to local governments for a range of activities, including capacity building, predevelopment work, and other topics relevant to infrastructure.

HOW TO DO IT

Within 6 months:

- Review current zoning and subdivision ordinances and consult with developers to identify barriers.
- Identify and assess potential funding sources for water and wastewater infrastructure expansion.
- Apply for the Virginia Housing Community Impact Grant and similar funding for market research and preliminary studies.

Within 1 year:

- Draft, gather input, and adopt zoning ordinance amendments to support diverse housing development.
- Leverage the Economic Development Authority (EDA) to provide development incentives and tax abatements.
- Initiate planning for the expansion of the McDowell Water System and utility growth along U.S. Route 220.

Within 2 years:

- Secure funding and improve the capacity of the Town of Monterey Water and Wastewater Systems.
- Implement infrastructure improvements in designated growth areas to support residential development.
- Establish a framework to monitor progress and adjust strategies based on feedback and needs.

WHO DOES WHAT

- Department of Building and Zoning: Conduct the analysis of zoning impediments, study potential changes, recommend any reforms to Planning Commission and Board of Supervisors.
- Planning Commission and Board of Supervisors: Provide overall guidance and objectives for county staff when designing regulations, serve as liaison with community leaders and residents, and review and adopt any final ordinance(s).
- Economic Development Authority: Partner with County and Town to seek grants and other financial assistance, explore creating financial incentives for development.
- Town of Monterey staff and council: Partner with the County to plan infrastructure objectives, study options, and pursue new funding opportunities.

HOW TO FUND IT

DHCD Community Development Block Grants: DHCD makes federal CDBG funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the County could apply for that would support predevelopment work. For all CDBG grants, there are varying requirements for serving communities/households with low- to moderate-incomes.

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
- Construction-Ready Water and Sewer Fund: Open submission grant up to $800,000 to support development of community water and wastewater infrastructure.

Virginia Housing Community Impact Planning Grant: Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Virginia Housing Community Impact Stabilization and Deconstruction Grant: Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*" Deconstruction Grant available to "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*" For either, the County may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, and Rehabilitation Area (per Va. Code Ann. § 36).

Virginia Housing Predevelopment Loan Fund: Below-market rate loan up to $500,000 with 36-month term. Funds can be used for architectural/engineering reports, legal fees, permitting fees, appraisals, and other similar expenses.

Virginia Resources Authority: Low-cost loan financing for local governments via the public debt market. Specific programs that could support infrastructure, utilities, site acquisition, and similar activities include:

- Local Government Direct Loan Program: Flexible awards between $250,000 and $750,000
- Virginia Pooled Financing Program: For larger projects
- Clean Water Revolving Loan Fund: For water/wastewater improvements and brownfield remediation
- Drinking Water State Revolving Loan Fund: For public water supply, storage, and distribution

For a fuller but slightly out of date listing of infrastructure funding options, see: Virginia Water and Wastewater Funding Sources (Environmental Finance Center Network, July 2019).

METRICS TO EVALUATE SUCCESS

- Number of new housing units produced
- Amount of state and federal funding leveraged
- Time from development start to completion
- Property values and real estate tax revenue

PRIORITY SOLUTION 2: Find innovative ways to increase housing opportunities for critical workforce

ISSUE: *Many of the county's essential workers cannot find suitable housing.*

The lack of housing opportunities for critical workforce jobs, like teachers, nurses, local government, and public safety, can have far-reaching effects on local communities. Due to the county's limited supply of available and affordable homes for these employees and their families, all residents could experience declines in the quality and accessibility of core services in their community.

SOLUTION: *Pursue innovative partnerships and approaches to expand the number of homes available to workers.*

While the previous solutions do address some of the core challenges faced by workers looking for housing in Highland, the County can also undertake efforts more specifically targeted to housing important members of the workforce. This includes recruiting employers and institutions as development partners and investors, as well as creating incentive programs for developers who build workforce housing. These initiatives could involve tax breaks, expedited permit processes, or density bonuses for projects that include a significant percentage of units affordable to local workers.

Local governments don't need to do this alone either. Employers can help local communities by contributing matching funds or donating land for the development of housing to support their employees.

HOW IT WORKS

Determine local employer challenges in attraction and retention.

Gather specific data from employers to better understand the immediate challenges faced by their employees and potential recruits. Create an inventory of priority occupations and their respective wages to generate a detailed “wish list” of housing needs.

Explore public-private partnerships to develop housing with employers.

The county, affiliate agencies, and nonprofits can create a formal framework for collaborative housing development with employers. This would involve identifying potential sites for development, either county-owned or contributed by employers, and develop funding models where both parties contribute, possibly supplemented by state or federal grants. Employers can also offer guaranteed occupancy for their employees to make projects more financially viable for developers.

Create employer-supported housing assistance programs.

The county can work with employers to offer housing assistance as a benefit to current and potential employees. Some options for these programs include:

- **Down payment assistance** (DPA) to help with the purchase of a home. DPA could be offered as “soft second” mortgages to ensure that funds are used effectively. This involves structuring the DPA as a loan subordinate to the first mortgage, provided at zero (or very low) interest and with deferred payments. The DPA can be forgiven if the borrower lives in the home for a certain amount of time, or it could be repaid from sale proceeds.
- **Short-term rental assistance** to cover temporary financial challenges faced by current workers. Funds can be distributed based on documented needs, be used only for certain eligible expenses, and have specific dollar and/or time limits. This approach would effectively serve as an eviction prevention program to proactively keep workers and their families in a stable home.
- **Relocation assistance** to help fill critical positions with skilled workers from outside the county. Grants can help pay for moving expenses, security deposits, and other one-time costs associated with relocation.

While employers should financially contribute to this assistance, their support can be matched with county funds, philanthropic donations, and potentially grants from state and federal sources.

Help workers connect with local property owners to find available housing.

Because single-family homes comprise nearly all of the county's rental stock, many are owned by non-professional landlords who only use word of mouth and existing community networks to find tenants. This can make it difficult for new workers to find all available rental opportunities.

The county can help employers connect with local property owners to provide a reliable supply of renters, who will have already secured employment. One way to facilitate this process is by establishing an online platform or clearinghouse where local property owners can list available rental properties. It can also provide housing-related information, such as tenants' rights, financial assistance programs, and other community resources.

Before potentially making this resource available to the public, it can be used internally by the county, employers, and landlords to help "match make" employees with rental homes. However, the county and employers should strongly consider minimum criteria for a unit to be included in a listing, such as quality standards, local availability of the property owner, and other possible areas of concern. In exchange for meeting these standards, the county and employers could explore offering guaranteed rent for a number of months, or other preferential agreements.

HOW TO DO IT

Within 6 months:

- Establish a dedicated team consisting of public sector personnel, housing policy experts, and finance professionals. This can include consultants or university experts to expand capacity. The team will conduct a comprehensive study to understand the specific housing challenges faced by public sector employees.
- Begin negotiations with real estate developers and financial institutions for potential collaborations.
- Draft a preliminary design of comprehensive housing assistance programs tailored to meet the housing needs of public sector employees.

Within 1 year:

- Implement a direct housing subsidy program that provides monthly financial aid to those employees spending more than a set percentage of their income on housing costs.
- Finalize partnerships with developers for priority access or reduced rates on specific housing projects, and with financial institutions to provide flexible housing loans with preferential terms to public sector employees.
- Initiate a relocation assistance program that helps to offset the moving expenses for employees relocating due to job requirements.

Within 2 years:

- Continuously monitor, review, and refine the assistance programs to ensure they effectively address the housing needs of public sector employees.
- As necessary, expand the network of partnerships to provide a wider range of housing options and financial assistance.

WHO DOES WHAT

Department of Building and Zoning: Administers the program, setting guidelines, processing applications, determining eligibility, and providing financial assistance. The Economic Development Authority may also be well positioned to assist in this effort, or partnerships with consulting professionals.

Major public and private employers: Promote the program to employees and provide necessary information. Contribute funding directly or indirectly.

Local banks and lenders: Help facilitate DPA funds and pair with other attractive financial products. Provide financial literacy education.

Real estate agents and property owners: Play a significant role in promoting the program and assisting in locating qualifying homes.

HOW TO FUND IT

- Direct allocation of County general funds on annual basis
- Donations/grants from major employers and/or philanthropic foundations
- Specific revenue set-asides generated from economic development activities (e.g., portion of real estate tax proceeds for newly developed commercial parcels)

METRICS TO EVALUATE SUCCESS

- Increased number of public sector workers living and working in the county
- Increased number of private sector workers living and working in the county
- Reduced average time between job offer and securing housing
- Longer average tenures for workers in critical positions

EXAMPLES AND RELATED INFORMATION

***Fairfield County School District Education Foundation "Teacher's Village":* Fairfield, SC**

Approach: The school board committed 22 acres of district-owned property for the Fairfield County Teacher Village project at the outset. The town and county each gave a 95% property tax credit, while the United Way contributed $600,000. To finish site preparation, infrastructure, and the first 16 dwellings' construction, the foundation took out a further $1.3 million in loans. The foundation board is creating a procedure for teacher placement in the majority of homes, with one set aside for seniors in the University of South Carolina teaching program. This development is only open to certified teachers employed by the county, with those who've worked for the school system the longest getting priority.

Outcomes: With monthly prices ranging from $700 to $900, Teacher's Village seeks to offer qualified teachers working for Fairfield County affordable housing, saving them over $1,000 compared to market rates. By encouraging them to save for their own homes while residing in the county and making purchases there, the program seeks to retain teachers in the rural area. It also acts as a recruiting and retention tool for teachers who may otherwise be drawn to other opportunities.

***Employee Home Purchase Program:* Henrico County**

Approach: The Employee Assistance Program to full-time permanent employees of Henrico County General Government, Henrico County Public Schools and county constitutional officers. Employees must have worked full-time for at least a year without a break and have an acceptable or superior performance rating on their performance review in order to qualify. For the purpose of buying a property in Henrico County, the program offers up to $25,000 in interest-free, forgiving loans to help with closing costs and down payment.

Outcomes: Forbes has recognized HCPS as one of Virginia's best employers thanks to initiatives like the employee home purchase program. This program has helped draw in professionals, especially those who are first time home buyers, and has led to the county's increased competitiveness in hiring and retaining employees.

Public Employee Homeownership Grant Program (PEG): Loudoun County

Approach: The PEG program in Loudoun County provides down payment and closing cost assistance to employees of the Loudoun County government, Loudoun County Public Schools, and Loudoun Water who are first-time homebuyers in the county. The program aims to make homeownership more affordable for these employees, promoting community stability and reducing the commute times for public employees.

Outcomes: Over 118 public employees have been assisted through FY 2020, including County workers and public teachers, with the average household income for assisted households at $62,853.

SECONDARY SOLUTION 1: Help owners reposition vacant and abandoned properties into community assets

ISSUE: *The county has a significant number of vacant and abandoned properties.*

Declines in population in Highland County over the last decade have contributed to property vacancy and abandonment. These properties become a liability to communities by contributing to blight and stifling growth.

SOLUTION: *Develop intentional plan to help property owners become compliant and provide additional housing opportunities.*

Localities begin proactive steps to turn these problem properties into community assets through a strategic assessment of underperforming parcels. Using that information, the County can prioritize public incentives and interventions, and leverage state/federal funding programs to

HOW IT WORKS

Determine scope of vacancy.

Understanding the scope and characteristics of vacancy in the county can help determine solutions to addressing the problems. Use existing real estate records coupled with a windshield survey to compile a comprehensive list of vacant and abandoned properties. Information gathered should include owner information, delinquent taxes, and active code violations.

Prioritize strategic areas for addressing vacancy and blight.

A full inventory that is mapped will be able to help determine where there may be concentrations of vacancy, as well as if they are the result of only a few absentee property owners. Concentrated areas of vacancy near growth areas or next to well-maintained properties should be prioritized for remediation.

Explore creating a local revolving loan fund for home improvements.

Many lower-income homeowners do not have the capital to cover major repair and rehabilitation projects. To help overcome this, localities can establish funding programs that provide small loans to homeowners that help pay for these improvements. Often, the loan terms are structured so that the balance is repaid upon sale or transfer of the property.

Consider utilizing Acquire, Renovate, Sell (ARS) to catalyze rehabilitation and redevelopment.

DHCD and Virginia Housing have collaborated on a program that supports local governments and nonprofits in transforming vacant and underutilized properties into affordable homeownership for low and moderate income households. The program provides funding to support development activities, a portion of which is returned upon the sale of the home.

Establish a real estate tax abatement program for repair, rehabilitation, or redevelopment.

For properties with abandoned single-family structures, if they are found to be a persistent problem in the county, a rehabilitation tax abatement under Va. Code § 58.1-3220 could be considered. This abatement could incentivize owners to rehabilitate single-family properties and make them available for sale or rent.

Such a program also gives localities the authority to require the removal and/or repair of buildings that are declared derelict. If property owners fail to remedy the problem within 90 days, localities may impose a monthly civil penalty.

Assess vacant properties according to potential intervention mechanisms.

Virginia does not grant local governments significant powers to spur the revitalization of private properties, even when such properties are a public nuisance. However, a limited range of options does exist, but properties must often meet specific criteria. The following relevant statutes outline what state law does allow localities the right to do:

§ 36-49.1:1. Spot blight abatement authorized; procedure.

- Localities can establish procedures to identify and abate blighted properties.
- Enables local governments to acquire blighted properties through eminent domain for rehabilitation or resale.

§ 15.2-906. Authority to require removal, repair, etc., of buildings and other structures.

- Empowers local governments to mandate property owners to remove, repair, or secure hazardous buildings or structures, and allows localities to undertake these actions themselves if owners fail to comply, with costs recoverable from the owners.
- Provides for the imposition of liens on properties for unpaid charges, ranking on par with local real estate taxes, and permits civil penalties up to $1,000 for ordinance violations, offering financial mechanisms to enforce compliance and address vacancy issues.

§ 15.2-1127. Vacant building registration; civil penalty.

- Authorizes localities to require owners of vacant buildings to register them and pay an annual fee.
- This can help monitor and manage vacant properties and incentivize owners to maintain or repurpose them.
- Highland County and/or the Town of Monterey would need to seek General Assembly permission to be added to this statute.

§ 15.2-907.1. Authority to require removal, repair, etc., of buildings that are declared to be derelict; civil penalty.

- Allows localities to adopt ordinances to deal with derelict buildings that pose a public nuisance.
- Includes measures like requiring the owner to repair, secure, or demolish the building.

§ 58.1-3965. When land may be sold for delinquent taxes; notice of sale; owner's right of redemption.

- Outlines the general process localities can follow to auction tax delinquent properties.

§ 58.1-3970.1. Appointment of special commissioner to execute title to certain real estate with delinquent taxes or liens to localities.

- Authorizes localities to pursue a “direct sale“ of certain tax delinquent properties to itself or a land bank for redevelopment.
- Requires certain properties to be designated for affordable homeownership.

Staff should work with the Commonwealth's Attorney and other officials to determine the capacity and opportunities for undertaking some or all of these routes. Using known attributes for each parcel, staff can match properties to the most likely mechanisms available for the county to intervene.

HOW TO DO IT

Within 6 months:

- Conduct a comprehensive assessment of vacant and abandoned properties using real estate records and a windshield survey.
- Compile information on property owners, delinquent taxes, and active code violations.
- Prioritize strategic areas for addressing vacancy and blight, focusing on concentrations near growth areas.

Within 1 Year:

- Explore the creation of a local revolving loan fund to assist lower-income homeowners with repair and rehabilitation projects.
- Initiate discussion with CSPDC and DHCD about implementing an Acquire, Renovate, Sell (ARS) program to transform vacant properties into housing.
- Evaluate options for a real estate tax abatement program to incentivize repair, rehabilitation, or redevelopment of abandoned properties.

Within 2 Years:

- Assess vacant properties according to potential intervention mechanisms authorized by Virginia state law.
- Work with the Commonwealth's Attorney and other officials to determine the feasibility of various intervention routes.
- Secure funding and partnerships to implement chosen intervention strategies, turning vacant properties into community assets.

WHO DOES WHAT

Department of Building and Zoning: Begin efforts to assess scope and scale of property vacancy. Evaluate policy and program options to provide recommendations to the Board of Supervisors.

Commissioner of the Revenue: Provide information on property ownership, tax delinquency status, and any potential liens. Undertake tax auction processes as needed. Administer potential rehabilitation tax abatement program.

Board of Supervisors: Set priorities, guide strategies, and adopt policies using information provided by staff.

HOW TO FUND IT

Virginia Housing Community Impact Planning Grant: Up to $20,000 available for multiple uses, with Policy Study being the most appropriate category for this strategy. Funds could be used to hire outside consultants to conduct analysis and surveys, and to prepare reports for staff and the Board of Supervisors.

USDA Section 504 Home Repair Program: A low or zero interest loan program to help low- and fixed income homeowners access the capital needed to make significant improvements in their home.

DHCD Acquire, Renovate, Sell: Competitive funding to support repair and rehabilitation of single-family homes. Usually implemented via nonprofit community development organization.

DHCD Community Development Block Grants: Open submission Planning Grant available up to $100,000 to cover costs associated with designing housing improvement strategies. Additional assistance up to $1.25 million available (with certain exceptions and restrictions) to fund housing rehabilitation activities.

METRICS TO EVALUATE SUCCESS

- Number of vacant properties reoccupied
- Change in parcel and neighborhood property values
- Amount of local, state, and federal dollars leveraged

SECONDARY SOLUTION 2: Continue exploring appropriate options for integrating short-term rentals within housing market

ISSUE: *The increasing prevalence of short-term rental properties may be making fewer homes available for rent or purchase by permanent residents.*

Short-term rentals (STRs) support local tourism and the temporary labor market, but they can also place pressure on the for-sale and rental markets in certain scenarios. While the most recent data tally just under 50 STR listings across Highland County, they make up a much higher share of the housing inventory relative to the region and the state.

SOLUTION: *Continue facilitating community conversations to find ways for STRs in the county to be a healthy component of the local housing market.*

While an increasing number of localities across Virginia are placing certain restrictions on STRs in order to mitigate their real (or perceived) negative impacts, balancing the rights of individual property owners and overall community welfare is not easy. Intentional efforts to conduct outreach, gather accurate information, and glean best practices from other municipalities are needed. This solution outlines how Highland County and the Town of Monterey can explore long-term approaches to STRs that lead to lasting benefits.

HOW IT WORKS

Before undertaking regulations of STRs, it is important to understand the community's overall attitudes toward STRs, as well as local staff capacity to enforce any regulations once adopted.

Determine existing conditions

Assess internal capacity to engage with residents and implement STR policies.

Implementing any new policies or incentives for STRs requires community engagement to address questions and concerns from supportive and opposing residents. In addition, these changes will also be influenced by local capacity to either offer incentives or enforce regulations with a meaningful degree of success.

Furthermore, staff should review:

- Any and all discussions by the Planning Commission, Board of Supervisors, and Monterey Town Council in recent years related to STRs in the county
- Any and all permits issued for STR operations in recent years
- How STRs are currently defined and treated in the zoning ordinance

Conduct research on current inventory of STRs.

It's important to understand the current scope of STRs in the community before undertaking any kind of policy changes. Questions to answer include:

- How many listings are there in the county?
- Are the total number of listings increasing, decreasing, or staying the same?
- Among all listings, what types are most prevalent?
    - "Hosted partial-home": Owner present on property while guests stay in separate rooms or accessory building
    - "Unhosted owner-occupied": Owner uses home as primary or secondary residence, but is not present during rental; guests use the entire home
    - "Dedicated": Owner is investor and uses property as STR full time; guests use entire home
- Are listings concentrated in a particular area?
- Who is the typical operator of STRs?

Identify regulatory "guardrails" in state code.

County and Town leaders should work with their respective Commonwealth's Attorney, and other legal counsel as needed, to develop a clear understanding of what regulations they can and cannot adopt based on current state code.

Brief summaries of relevant sections are provided below.

§ 15.2-983. Creation of registry for short-term rental of property.

- Localities can establish STR registries by ordinance and require annual registration from property owners. Certain licensed owners, including real estate agents, are exempt.
- Localities can charge a "reasonable fee" for registration and can assess a violation up to $500 if an owner fails to comply. Repeated violations can result in owners being barred from operating their properties as STRs.

§ 58.1-3510.4. Short-term rental property; short-term rental businesses.

- Defines "short-term rental property" as tangible personal property for local taxation purposes (at least 80% of gross rental income from previous year is derived from stays shorter than 92 days).
- Authorizes local governments to tax STR properties using § 58.1-3509 (business tax) or § 58.1-3510.6 (special STR tax), but not both.

§ 58.1-3510.6. Short-term rental property tax.

- Localities can levy a tax up to 1% of the gross proceeds from STR businesses. "Gross proceeds" refers to the total rent amount charged, excluding other state and local taxes.
- STR operators must collect taxes for each rental, and provide returns and payments to the locality each quarter.

§ 58.1-3819. Transient occupancy tax.

- Most common authority that localities in Virginia use to tax hotels and other temporary lodging for stays under 30 consecutive days.
- State code extends applicability of this statute to STRs.
- Generally collected and remitted by STR intermediary services, such as Airbnb.

Office of the Attorney General, Opinion 22-036 (January 2023)

- Certain STR accommodations on a farm or ranch can be defined as "agritourism" activities, which state law prohibits localities from regulating via zoning ordinances.

Seek community input

Conduct community engagement to understand community perspectives on STRs.

Understanding community concerns can better set clear policy objectives that will guide the development of regulations and restrictions. Assessing the motivations and concerns of residents will have a direct impact on what is politically feasible.

Any community engagement should feature the information gathered in the previous phase. By sharing real data—along with clear explanations of what the County and Town are legally able to do—conversations are more likely to be civil and productive, and not driven by false assumptions.

One important goal of this engagement is to determine what aspects of the STR “problem” are real or perceived.

Work directly with Airbnb and other STR online brokers (e.g., Vrbo, Evolve) to educate local hosts and ensure compliance with registration.

Airbnb provides local governments with an online portal that allows them to get information on Airbnb listings within their communities. In addition, Airbnb has been known to support local governments in their efforts to bring local hosts into compliance.

Develop clear objectives.

Staff should use all the information and feedback received to this point to create succinct policy objectives for STRs. These aspirations will ideally reflect a consensus among the community, and provide a foundation for all future discussions.

For example, if opposition to STRs focuses on the loss of housing supply, it may be important to pursue an owner occupancy requirement, so that no unit is used as a STR throughout the entire year.

Explore potential incentives

While most local government approaches to STRs are based on regulations and enforcement, the County and Town can also determine whether any incentive-based approaches could achieve their goals. Potential policies might include partial reimbursements of real estate taxes for homeowners who choose to rent their properties to local residents on a long-term basis rather than converting them to STRs. Such incentives could also be offered to homeowners who rent out a portion of their home (e.g., a room or a basement apartment) rather than the entire property. This ensures the primary residence remains in use while still supporting tourism.

HOW TO DO IT

Within 6 months:

- Assess current conditions, including the number and types of STRs, and review past discussions and permits related to STRs.
- Conduct community engagement to gather input on STRs and understand residents' perspectives and concerns.
- Work with the Commonwealth's Attorney to identify regulatory options and limitations based on state code.

Within 1 year:

- Collaborate with Airbnb and other STR platforms to educate local hosts and ensure compliance with registration and regulations.
- Develop and adopt clear policy objectives for STRs based on community feedback and legal considerations.
- Explore and implement potential incentives for homeowners to rent properties to local residents on a long-term basis instead of as STRs.

Within 2 years:

- Monitor and evaluate the impact of STR policies and regulations on the local housing market.
- Adjust policies and strategies as needed to maintain a balance between tourism and housing availability for permanent residents.
- Foster ongoing community dialogue and engagement to address emerging issues and ensure that the policies remain effective and relevant.

WHO DOES WHAT

- **Department of Building and Zoning:** Plan and execute outreach, develop draft policies or programs, work with appointed and elected leaders, and manage any new administrative procedures.
- **Planning Commission, Board of Supervisors, and Monterey Town Council:** Provide overall guidance and objectives, serve as liaison with community leaders and residents, and review and adopt any final policies.
- **Commonwealth's Attorney:** Review and approve any potential policy with respect to current state code and applicable case law.
- **EDA / Highland Tourism Council:** Assist County staff with engaging STR property owners.
- **Commissioner of the Revenue:** Establish procedures for real estate tax incentives, if adopted.

HOW TO FUND IT

There are no "hard" costs associated with STR regulation. However, significant staff time and resources are required to successfully engage the community and develop new policies. These "soft" costs can be planned into respective department budgets as needed.

METRICS TO EVALUATE SUCCESS

- Number of residents and STR owners engaged
- Number of housing units available for rent or purchase by permanent residents
- Changes in rental prices and home purchase prices

EXAMPLES AND RELATED INFORMATION

Louisa County

- Adopted October 2023 after two years of drafting and development.
- Allows STRs by-right in residential districts if properties are in designated growth zones.
- By-right STRs still need to register and demonstrate compliance with relevant county codes and state health regulations.
- STRs in residential districts outside growth zones require a conditional use permit.
- STRs in agricultural districts are by-right and not regulated in alignment with Attorney General Opinion 22-036.
- County provides clear guidance and instructions on the website, including a one-page explanatory handout.

James City County

- STR regulations make a distinction between "rental of rooms" (where owner is the primary resident and the whole home is not rented) and "tourist home" (where the entire home may be rented).
- Many zoning districts treat each definition differently (i.e., whether the use is permitted by-right, not permitted, or a special use permit is required).
- STR operators must obtain a business license from the Commissioner of the Revenue.
- STR objectives were included in the most recent comprehensive plan update. Recommendations include the specific future land uses where STRs should be allowed, that STRs should be on perimeter of any platted subdivision and on major road, and that the STR owner should continue to reside on the property during the rental. County staff no longer recommend approval of permits that do not meet these criteria.

Relevant definitions in Highland County zoning ordinance:

Short-term rentals are not separately defined in the current zoning ordinance.

Guest home.

> A single-family dwelling used to house persons receiving the hospitality of the property owner. This unit is to be for temporary use, for stays of no longer than one (1) month. The guest home shall be considered an accessory structure for use by family and friends and prohibited for use as a rental unit. The guest home shall meet primary structure setbacks.

Guest homes are by-right in the Agricultural district only.

Guest room.

A room which is intended, arranged, or designed to be occupied, or which is occupied, by one (1) or more guests paying direct or indirect compensation therefore, but in which no provision is made for cooking.

Guest rooms are by-right in the Agricultural, R-1, R-2, Residential Estates, and General Business districts only.

Resources:

Regulating short term rentals (Local Housing Solutions)
Best Practices for Short-Term Rentals (U.S. Conference of Mayors and Airbnb, June 2023)
Short-Term Rental Regulations: A Guide for Local Governments (National League of Cities, 2022)

BATH COUNTY SOLUTIONS

PRIORITY SOLUTION 1: Begin housing education initiative with community partners and leaders

ISSUE: *Resident pushback on housing development can decrease affordability and opportunity.*

Misconceptions about the impacts of increased housing within a community often lead to vocal opposition from existing residents. These cries typically get louder at the mention of affordable housing. But the lack of affordable housing has far-reaching implications on future generations. Increased sprawling development can erode rural character and environmental sustainability, while also preventing the children and grandchildren of existing residents from being able to stay in the community they grew up in.

SOLUTION: *Educate residents about the importance of housing development and affordability.*

Housing education campaigns have been used to inform the wider community about the interconnected issues that housing affordability touches. With topics from homelessness all the way to economic development, education campaigns can reach a broad audience that spans the political spectrum. In particular for Bath County, a campaign should amplify youth and student voices, and help educate the public to overcome common misconceptions about affordable housing.

HOW IT WORKS

Not everyone understands the value of increasing housing affordability and production in their community when it isn't housing for them. But housing affordability and availability impacts our children, our parents, our neighbors, and our employees both now and in the future.

This proposed campaign can use a range of methods to educate the public and other stakeholder groups about what housing the county needs, where and how gaps exist, and how to overcome those challenges. Utilizing real examples from the community can have massive impact, especially when making connections to the issues that matter to county residents.

Explore formation of housing education workgroup.

A workgroup that represents the diverse voices within the community can help the education campaign have greater impact and community buy-in. Workgroup members can serve as campaign ambassadors to expand outreach.

Identify key housing issues for local residents and means of outreach.

The issues that matter most to local residents will help guide major talking points needed for different audience types. The housing campaign should leverage the voices of existing residents who currently face housing challenges or who know they will face those challenges in the future. More and more, young people who want to live in the communities they grew up in are speaking up about housing issues.

An inclusive campaign should also be aware of the ways in which its target audience can be reached. Some residents may need to be engaged with more traditional media outlets such as television or newspapers. A comprehensive campaign will take advantage of multiple means of communication.

Incorporate resources to support low- and moderate-income residents.

An education campaign can gain support for housing, as well as help residents better navigate the housing market. Identifying available housing resources, navigating landlord-tenant relationships, and ensuring adherence to Fair Housing Laws can be additional aspects of an education initiative.

Launch campaign and track metrics.

Once launched, the campaign should track engagements by page views, surveys, and solicited feedback. Changed perceptions and feelings can be crucial metrics to back increased financial support, as well as political will for housing development.

HOW TO DO IT

Within 6 months:

- Coordinate with the Department of Building, Planning, and Zoning to explore opportunities to incorporate housing education into the comprehensive planning engagement process.
- Explore formation of a workgroup to oversee the education campaign at a high level and ensure consistent messaging.
- Choose campaign ambassadors among workgroup members to lead outreach efforts.
- Outline major talking points needed for audience types (e.g., general public, elected officials, institutions, business leaders, real estate professionals, neighborhood associations).
- Investigate funding opportunities to sustain dedicated outreach efforts and potentially hire marketing consultant(s).

Within 1 year:

- Create outreach materials as needed, including fact sheets, social media posts, "layperson" policy briefs, presentation slides, and other relevant content; can be done in-house or in collaboration with a PR firm.
- Identify local housing stories to highlight during the campaign.
- Evaluate progress to determine long-term goals of campaign(s). Assess, reevaluate, and redesign outreach efforts as necessary to reflect changing housing needs in the region.

Within 2 years:

- Consider a formal public opinion poll on attitudes toward housing development and affordability. The Campaign for Housing and Civic Engagement (CHACE) conducted a statewide poll in 2017 with the help of William & Mary, and should be used as a reference.

WHO DOES WHAT

Department of Building, Planning, and Zoning: Generate information and data for housing education workgroup.

Board of Supervisors: Endorse effort via public statements and/or formal resolution, participate and/or host housing education workgroup meetings, and allocate County funding as desired.

Housing education workgroup: Serve supervisory role by providing substantive feedback on direction and content of campaign. Serve as spokespersons for the campaign.

Philanthropic and corporate organizations: Provide funding and guidance on goals of education campaigns.

HOW TO FUND IT

Public sources: Education campaigns for housing might be funded through a set-aside of County operating funds. Funding may also be available via grant opportunities from Virginia Housing, including sponsorships of any housing summits or similar educational events.

Private sources: Philanthropic and corporate partners may also be interested in funding educational efforts. The County should approach known funders who have (or could have) an existing interest in housing and community development. Grants and sponsorships could come from the Omni Homestead and other employers who need homes for their workers, as well as charitable donors such as the Community Foundation for Rockbridge, Bath, and Alleghany (CFRBA).

METRICS TO EVALUATE SUCCESS

- Campaign reach:
  - Number of people exposed to the campaign across all platforms
  - Number of unique website visitors or landing page visits (if applicable)
  - Number of social media impressions and reach, split by platform
- Audience engagement:
  - Number of social media interactions, including likes, shares, comments, and retweets
  - Number of subscriptions or sign-ups for more information or follow-up resources
  - Number of attendees at campaign-related events, webinars, or workshops
- Behavior change:
  - Pre- and post-campaign surveys to measure changes in knowledge, attitudes, or behaviors related to housing issues
  - Changes in patterns of housing searches or inquiries, potentially tracked through partnerships with real estate platforms and local property owners
- Economic impact:
  - Increases in investment or funding for housing projects
  - Increases in the number of housing units built or planned
  - Changes in housing policy that can be linked to increased awareness or advocacy related to the campaign
- Feedback and testimonials:
  - Qualitative feedback collected through surveys, focus groups, or interviews
  - Stories or testimonials from people who have been positively impacted by the campaign

EXAMPLES

Richmond Regional Housing Framework (Chesterfield, Henrico, Richmond, Hanover)
https://pharva.com/framework/

- Designed to guide policy and investment decisions over the next 15 years, to enhance regional cooperation and public engagement, and to provide more affordable housing options for all residents.
- Over 1,900 people in the region were reached in community meetings, focus groups, and interviews to identify priority housing challenges and common values.

Workforce Housing Now (Community Foundation for Loudoun and Northern Fauquier Counties)
https://workforcehousingnow.org/

- Data-based effort to expand awareness of housing affordability issues and make specific requests for solutions (e.g., expand the county's housing trust fund).
- Focused on housing needs for core community workers, including teachers and other public servants.

PRIORITY SOLUTION 2: Continue preparing sites for development

ISSUE: *Luxury demand and high construction costs are limiting the development of affordable residential development.*

Little to no new rental housing has been constructed in the county in years, which has challenged the county's employers and employees. New construction in the county has largely focused on luxury custom homes for both second-homes and seasonal visitors. While the demand for workforce housing exists, the market is not responding due to a lack of contractors and higher construction costs when compared to surrounding localities.

SOLUTION: *Expand on ongoing strategic efforts to identify and prepare priority sites for residential development.*

Localities can take proactive steps to support the types of residential developments they want and need. From rezonings to infrastructure development, preliminary work on sites can help bring down costs for private developers to help incentivize development.

HOW IT WORKS

The Bath County Land Suitability Assessment conducted in 2020 identified six potential areas suitable for residential development. These sites were identified based on their zoning, infrastructure availability and capacity, and nearby services. The Future Visitor Center Site and the Millboro Elementary School Parcel offer the most viable options for the county because they are controlled by public entities. There are many examples across Virginia of localities leveraging publicly owned land to create affordable workforce housing.

The four remaining options would require acquisition from private entities, which could impact overall project budgets. However, public acquisition of private property for housing development is not uncommon. Chesterfield County's Economic Development Authority (EDA) has acquired aging commercial retail properties to catalyze mixed-use development. The appropriate solution will ultimately depend on county capacity and resources.

Determine appropriate capacity and roles.

Local government capacity to ready sites for development can vary from locality to locality. County staff should assess internal capacity to oversee predevelopment activities, such as rezoning and feasibility studies. If pursuing property owned by Bath County Public Schools, the School Board will need to take an active role. Regardless of site, the Bath County EDA can serve a lead role in acquisition and predevelopment. EDAs in Virginia were recently granted the ability "to make grants associated with the construction of affordable housing."

Identify priority site for development.

A priority site should be selected based on the suitability assessment and County feedback. Successful development of the priority site could help garner support for future County-led development.

Apply for Virginia Housing Community Impact Grant and other similar funding opportunities to conduct market research and/or design and engineering studies.

Virginia Housing provides grant support for predevelopment activities including design and engineering studies. Conducting more detailed site analysis for the type of development the County wants to see can help cut down private development costs, while steering the direction of the development toward County goals. Additional resources are available through DHCD and the Virginia Resources Authority.

HOW TO DO IT

Within 6 months:

- Assess internal capacity to undertake predevelopment activities.
- Utilize the Bath County Land Suitability Assessment to select a priority site for development.
- Apply for funding to conduct site assessment (e.g., feasibility, engineering, conceptual design).

Within 1 year:

- Conduct necessary site assessments and analyses, with a focus on identifying infrastructure needs to make priority site shovel-ready (e.g., water/sewer extensions, road extensions).
- Conduct public engagement to educate residents about future development potential of priority sites and its benefits to the community.
- Develop a request for proposal (RFP) for development partners to redevelop a priority site based on findings of site assessment and County goals.
- If the priority site is County-owned, begin a County-initiated rezoning process.
- Identify potential funding sources to support infrastructure expansion.

Within 2 years:

- Secure funding for infrastructure expansion.
- Expand infrastructure to priority sites.
- Release RFP for development partners and consider additional development incentives to attract high-quality applicants.
- Assess applications and make an award within three to six months.

WHO DOES WHAT

Department of Building, Planning, and Zoning: Provide coordination of predevelopment activities and visioning for site development.

School Board: If selecting the Millboro Elementary School Parcel, the School Board would need to declare it surplus property and transfer the parcel to the County.

Bath County EDA: Provide additional assistance to plan and identify potential development partners and ideal uses of the site to encourage economic development within the county.

Board of Supervisors: Approve of County involvement and actions related to site development, funding, and overarching goals.

County Service Authority: Undertake infrastructure expansion to priority site after funding secured.

CSPDC: Support the County's efforts to coordinate improvements, particularly via technical assistance on applications for state funding opportunities.

HOW TO FUND IT

DHCD Community Development Block Grants: DHCD makes federal CDBG funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the County could apply for that would support predevelopment work. For all CDBG grants, there are varying requirements for serving communities/households with low-to-moderate incomes.

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
- Construction-Ready Water and Sewer Fund: Open submission grant up to $800,000 to support development of community water and wastewater infrastructure.

Virginia Housing Community Impact Planning Grant: Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Virginia Housing Community Impact Stabilization and Deconstruction Grant: Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*" Deconstruction Grant available "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*" For either, the County may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, and Rehabilitation Area (per Va. Code Ann. § 36).

Virginia Housing Predevelopment Loan Fund: A below market rate loan up to $500,000 with 36-month term. Funds can be used for architectural/engineering reports, legal fees, permitting fees, appraisals, and other similar expenses.

Virginia Resources Authority: Low-cost loan financing for local governments via the public debt market. Specific programs that could support infrastructure, utilities, site acquisition, and similar activities include:

- Local Government Direct Loan Program: Flexible awards between $250,000 and $750,000
- Virginia Pooled Financing Program: For larger projects
- Clean Water Revolving Loan Fund: For water/wastewater improvements and brownfield remediation
- Drinking Water State Revolving Loan Fund: For public water supply, storage, and distribution

METRICS TO EVALUATE SUCCESS

- Number of housing units produced
- Number of jobs produced
- Increased tax revenue

EXAMPLES AND RELATED INFORMATION

Red Onion Industrial Park, Dickenson County

Understanding the county's need to attract businesses that want to build quickly, Dickenson County is one of many Virginia counties taking on site preparation for industrial development. With its Industrial Development Authority, the county acquired a 100-acre property, most of it undevelopable due to slope, in 2014. Grant funds are being utilized to prepare the site for its future use, including grading for three small pad sites, road access, stormwater management, and expanding broadband access to the site. Funds have been acquired through the Virginia Department of Energy's Abandoned Mine Land Economic Revitalization (AMLER) program, Virginia Coalfield EDA, and Appalachian Regional Commission (ARC).

SECONDARY SOLUTION 1: Evaluate tax incentives to spur home improvements

ISSUE: *Deferred maintenance among homeowners with low and fixed incomes is contributing to community blight.*

Home maintenance can be costly for any household, but for low-income and elderly households on fixed incomes it can be near impossible to keep up with. Long-term deferred maintenance can result in higher housing costs (e.g., lower energy efficiency, temporary fixes), and it can leave households in dangerous living situations. These individual issues can impact entire communities by creating a perception of disinvestment and neglect.

SOLUTION: *Investigate the full range of real estate tax abatement options under state code to incentivize residential rehab and revitalization.*

As an incentive to conduct significant repair, rehabilitation, or redevelopment, real estate tax abatements reduce the taxable value of a property for a period of time. The taxable amount is based on the pre-improvement value, while the period of time is set through an adopted ordinance. The reduced tax burden is meant to help property owners finance improvements to a property that will lead to greater benefit not only for the property owner, but the community.

HOW IT WORKS

State code enables localities to offer a *partial* exemption for real estate “whose improvements . . . have undergone substantial renovation, rehabilitation, or replacement” or for real estate “with new structures and improvements in conservation, redevelopment, or rehabilitation areas.”

Before undertaking any type of tax abatement program, the County should clearly understand the costs and benefits of implementation. In order for such a program to work effectively, it must offer a significant enough incentive to property owners, while not negatively impacting county revenue.

Conduct a survey of older homes in need of rehabilitation or redevelopment.

Identify homes that are at least 15 years old, current on their tax obligations, and in need of significant repair, rehabilitation, or replacement. Concentrations of properties can be designated as a Rehabilitation District to restrict the program to certain areas. Additional outreach to homeowners can help determine the scope of challenges they face in making improvements to their properties.

Conduct analysis on potential program design parameters.

[*§ 58.1-3220. Partial exemption for certain rehabilitated, renovated or replacement residential structures*]() sets specific guidelines for the design of residential tax abatement programs.

- The partial exemption can either be a stated amount or percentage of the increase in assessed value of the property, or an amount up to 50% of the cost of rehabilitation, renovation, or replacement.
- The partial exemption can begin on the date of completion or on Jan. 1 of the following year.
- The period of exemption cannot last more than 15 years.
- Localities can shorten the length of the exemption period, or reduce the amount of the exemption in stepped increments.

Within these parameters, the County can craft a program that best suits its needs and goals. Planning staff, along with the Commission of Revenue, can work together to analyze potential scenarios that support homeowners and the county at-large.

For example, the full 15-year allowable exemption period may not be appropriate or desired, and different analysis could show outcomes based on five- or 10-year exemptions. This up-front work would help ensure that the County does not adopt any policies with unintended consequences.

Implement a residential tax abatement program or explore other options.

Policy analysis should provide the County with necessary information to determine whether a residential tax abatement program will support substantive improvements in the county's existing housing stock. An efficiently designed program should spur substantive private property improvement and not result in long-term loss of county revenue.

Consider solutions that instead provide up-front capital for repair costs.

If the math does not show that a tax abatement program would be very effective, the County should explore alternatives that provide property owners with up-front dollars that are paid back over time. This would remove the requirement for an owner to put up their own money, then get "paid back" over time via tax discounts. For example, the County could provide funding to seed a revolving loan fund that offers low- or zero-interest loans to homeowners. Loans could be paid back via incremental payments attached to real estate tax bills, or paid back from proceeds of the (eventual) sale of the home.

HOW TO DO IT

Within 6 months:

- Identify and prioritize grant opportunities to fund analysis and design for these policy efforts.
- Reach out to property owners to determine their challenges with deferred maintenance and to understand the need for interior rehabilitation and renovation.
- Connect with local and regional financial institutions regarding loan and grant products to support low-income home rehabilitation and repair.

Within 1 year:

- Conduct a survey of properties older than 15 years and current on their tax obligations.
- Conduct a windshield survey of the properties to assess them for deferred exterior maintenance.
- Explore alternative programs that support property rehabilitation and revitalization.
    - Low-to-no interest revolving loan fund
    - Grant programs
    - Receivership

Within 2 years:

- Assess the results of survey and property owner outreach.
- Analyze potential program structures and requirements, with focus on long-term return-on-investment.
- Determine which program approaches are most appropriate given County fiscal priorities, housing market dynamics, and homeowner needs.

WHO DOES WHAT

Bath County Department of Building, Planning, and Zoning: Conduct property survey and outreach to residents.

Bath County Commissioner of Revenue: Assess the costs and benefits of program implementation. Estimate potential impacts to County projections for property tax revenue.

Bath County Board of Supervisors: Evaluate reports and recommendations from staff to determine what program, if any, should be adopted. Weigh options in context of comprehensive budget needs and priorities.

HOW TO FUND IT

Virginia Housing Community Impact Planning Grant: Up to $20,000 available for multiple uses, with Policy Study being the most appropriate category for this strategy. Funds could be used to hire outside consultants to conduct analysis and surveys, and to prepare reports for staff and the Board of Supervisors.

USDA Section 504 Home Repair Program: A low- or zero-interest loan program to help low- and fixed-income homeowners access the capital needed to make significant improvements in their home.

DHCD Community Development Block Grants: Open submission Planning Grant available up to $100,000 to cover costs associated with designing housing improvement strategies. Additional assistance up to $1.25 million available (with certain exceptions and restrictions) to fund housing rehabilitation activities.

METRICS TO EVALUATE SUCCESS

- Number of properties rehabilitated
- Increase in rehab and building permits in prioritized areas
- Change in property values

EXAMPLES AND RELATED INFORMATION

Richmond Rehabilitation Tax Abatement Program

A Comprehensive Evaluation of Richmond's Rehabilitation Tax Abatement Program (VCU, February 2019)

Critical analysis of successes and failures with City of Richmond's rehab tax abatement program. While Richmond has a very different market and policy context than Bath, this report contains useful insight into the different impacts of program design elements.

SECONDARY SOLUTION 2: Find innovative ways to increase housing opportunities for critical workforce

ISSUE: *Many of the county's essential workers cannot find suitable housing.*

The lack of housing opportunities for critical workforce jobs, like teachers, nurses, local government, and public safety, can have far-reaching effects on local communities. Due to the county's limited supply of available and affordable homes for these employees and their families, all residents could experience declines in the quality and accessibility of core services in their community.

SOLUTION: *Pursue innovative partnerships and approaches to expand the number of homes available to workers.*

While the other previous solutions do address some of the core challenges faced by workers looking for housing in Bath, the County can also undertake efforts more specifically targeted to housing-important members of the workforce. This includes recruiting employers and institutions as development partners and investors, as well as creating incentives for people to live in the communities they serve.

Local governments don't need to do this alone, either. Employers can help local communities by contributing matching funds or donating land for the development of housing to support their employees. For this effort, the County should prioritize partnerships with the Omni Homestead.

HOW IT WORKS

Determine local employer challenges in attraction and retention.

The County should gather specific data from employers to better understand the immediate challenges faced by their employees and potential recruits. This will enable the County to create an inventory of priority occupations and their respective wages to generate a detailed "wish list" of housing needs.

Explore public-private partnerships to develop housing with employers.

The County, affiliate agencies, and nonprofits can create a formal framework for collaborative housing development with employers. This would involve identifying potential sites for development, either county-owned or contributed by employers, and develop funding models where both parties contribute, possibly supplemented by state or federal grants. Employers can also offer guaranteed occupancy for their employees to make projects more financially viable for developers.

Create employer-supported housing assistance programs.

The County can work with employers to offer housing assistance as a benefit to current and potential employees. Some options for these programs include:

- **Down payment assistance** (DPA) to help with the purchase of a home. DPA could be offered as "soft second" mortgages to ensure that funds are used effectively. This involves structuring the DPA as a loan subordinate to the first mortgage, provided at zero (or very low) interest and with deferred payments. The DPA can be forgiven if the borrower lives in the home for a certain amount of time, or it could be repaid from sale proceeds.
- **Short-term rental assistance** to cover temporary financial challenges faced by current workers. Funds can be distributed based on documented needs, be used only for certain eligible expenses, and have specific dollar and/or time limits. This approach would effectively serve as an eviction prevention program to proactively keep workers and their families in a stable home.
- **Relocation assistance** to help fill critical positions with skilled workers from outside the county. Grants can help pay for moving expenses, security deposits, and other one-time costs associated with relocation.

While employers should financially contribute to this assistance, their support can be matched with county funds, philanthropic donations, and potentially grants from state and federal sources.

Help workers connect with local property owners to find available housing.

Because single-family homes comprise nearly all the county's rental stock, many are owned by non-professional landlords who only use word of mouth and existing community networks to find tenants. This can make it difficult for new workers to find all available rental opportunities.

The County can help employers connect with local property owners to provide a reliable supply of renters, who will have already secured employment. One way to facilitate this process is by establishing an online platform or clearinghouse where local property owners can list available rental properties. It can also provide housing-related information, such as tenants' rights, financial assistance programs, and other community resources.

Before potentially making this resource available to the public, it can be used internally by the County, employers, and landlords to help "match make" employees with rental homes. However, the County and employers should strongly consider minimum criteria for a unit to be included in a listing, such as quality standards, local availability of the property owner, and other possible areas of concern. In exchange for meeting these standards, the County and employers could explore offering guaranteed rent for a number of months, or other preferential agreements.

HOW TO DO IT

Within 6 months:

- Establish a dedicated team consisting of public sector HR personnel, housing policy experts, and finance professionals. The team will conduct a comprehensive study to understand the specific housing challenges faced by public sector employees.
- Begin negotiations with real estate developers and financial institutions for potential collaborations.
- Draft a preliminary design of comprehensive housing assistance programs tailored to meet the housing needs of public sector employees.

Within 1 year:

- Implement a direct housing subsidy program that provides monthly financial aid to those employees spending more than a set percentage of their income on housing costs.
- Finalize partnerships with developers for priority access or reduced rates on specific housing projects, and with financial institutions to provide flexible housing loans with preferential terms to public sector employees.
- Initiate a relocation assistance program that helps to offset the moving expenses for employees relocating due to job requirements.

Within 2 years:

- Continuously monitor, review, and refine the assistance programs to ensure they effectively address the housing needs of public sector employees.
- As necessary, expand the network of partnerships to provide a wider range of housing options and financial assistance.

WHO DOES WHAT

Bath County Department of Building, Planning, and Zoning: Administers the program, setting guidelines, processing applications, determining eligibility, and providing financial assistance.

Major public and private employers: Promote the program to employees and provide necessary information. Contribute funding directly or indirectly.

Local banks and lenders: Help facilitate DPA funds and pair with other attractive financial products. Provide financial literacy education.

Real estate agents and property owners: Play a significant role in promoting the program and assisting in locating qualifying homes.

HOW TO FUND IT

- Direct allocation of County general funds on annual basis
- Donations/grants from major employers and/or philanthropic foundations
- Specific revenue set-asides generated from economic development activities (e.g., portion of real estate tax proceeds for newly developed commercial parcels)

METRICS TO EVALUATE SUCCESS

- Increased number of public sector workers living and working in the county
- Increased number of private sector workers living and working in the county
- Reduced average time between job offer and securing housing
- Longer average tenures for workers in critical positions

EXAMPLES AND RELATED INFORMATION

Live Where You Work: Arlington County

Approach: The County offers grant assistance toward the purchase of a residence in Arlington County for eligible government workers. Funding comes through general funds, and there are a number of restrictions on who can qualify and what types of housing they can put funds toward.

Outcomes: Around 25 grants have been made between 2021 and 2022 to help employees attain competitive home prices, with an average grant amount around $11,000.

Public Employee Homeownership Grant Program (PEG): Loudoun County

Approach: The PEG program in Loudoun County provides down payment and closing cost assistance to employees of the Loudoun County Government, Loudoun County Public Schools, and Loudoun Water who are first-time homebuyers in the county. The program aims to make homeownership more affordable for these employees, promoting community stability and reducing the commute times for public employees.

Outcomes: Over 118 public employees have been assisted through FY 2020, including county workers and public teachers, with the average household income for assisted households at $62,853.

ROCKBRIDGE COUNTY SOLUTIONS

PRIORITY SOLUTION 1: Increase supply by streamlining and simplifying land development regulations following comprehensive plan update

ISSUE: *Restrictive land development regulations have resulted in a housing supply that does not match changing demographics and needs.*

Certain requirements impede the creation of diverse and affordable housing by extending approval timelines or effectively prohibiting them, discouraging builders and worsening the housing shortage. Complicated land development laws lead to fewer housing options, higher costs, and prolonged approval processes, deterring developers.

By learning from best practices in other markets to expedite review processes and simplify application procedures, Rockbridge County can enhance housing diversity and affordability, better aligning development with community needs, especially with an aging population and decreasing family sizes.

SOLUTION: *Streamline and simplify land development regulations to encourage growth.*

Within existing planning and permitting programs, local governments have ways to streamline components of the new project review process. Reforming land development regulations should focus on downsizing and “right-sizing” options in the zoning ordinance, making townhomes a by-right use in certain districts, creating smoother paths for small-scale multifamily options, lowering minimum lot sizes where appropriate, and allowing ADUs by-right or conditionally in certain areas. It would also entail applying best practices from similar markets and designing a streamlined approval process, with resources available for homeowners and builders. The County can reference the guidance in this strategy as it completes its comprehensive planning process in the summer of 2024.

HOW IT WORKS

County efforts to improve its land use regulations should encompass several key components, including:

Standardizing and improving zoning code

The Rockbridge County Zoning Analysis provided as part of this study identifies inconsistencies, redundancies, and ambiguous language in land development regulations and the data structure used for parcel-level land use and zoning information. These issues make it difficult to correctly interpret and apply certain regulations. Examples include:

- "Dwelling" can technically include many different types of units, but the county only assigns it to single-family detached homes.
- Townhomes, which would likely cover single-family attached units, are combined with condos. Condominium units are most often multifamily.
- Multiple codes are created to differentiate between "fair value" or "exempt" tax assessment designations.
- Lot size minimums based on utility access do not specify whether duplexes fall under the R-1 and R-2 requirements or the multifamily requirements. (Table 2 in zoning ordinance, page T2-1)

To improve the accuracy and utility of this information, the County can:

- Reassign and standardize parcel land use codes to more accurately reflect existing conditions. See Table 1.2 in the zoning analysis, or the American Planning Association's Land Based Classification Standards (LBCS), as potential solutions.
- Create consistent methodology/definition for parcels assigned with "NA" zoning.
- Create a new standalone data field for tax assessment designations.
- Add clarity on current lot area requirements relative to utility access.
- Determine with greater certainty how many A-1, A-2, and A-T properties are actually used for activities related to farming and cultivating natural resources.

Lowering barriers to development of lower-cost housing types

While Rockbridge's current residential zoning regimen is not particularly complex, it is generally not amenable to by-right housing development beyond single-family detached homes. However, several exceptions are noteworthy. These include duplexes by-right in R-1 and R-2, and apartments by-right in R-2.

Potential improvements to build on these useful allowances include:

- Lowering barriers for townhome development, especially in R-1 and R-2 districts. Townhomes are effectively banned everywhere under current zoning—they comprise fewer than 2% of all residential parcels.
- Carving out a small-scale multifamily definition, such as three to four units per structure, whose development regulations could be less onerous than larger multifamily development.
- Lowering lot size requirements for single-family homes and townhomes in the R-1 and R-2 districts under certain conditions.

Designating housing varieties missing in the county as a by-right use in specific districts, particularly those near transportation corridors or commercial areas, could help develop supply that responds to community needs.

Streamlining the approval process

The County can apply lessons and successful strategies from similar markets that have effectively streamlined their land development processes. This could involve adopting proven regulatory frameworks or technology-based solutions to improve efficiency. This could include: expedited review timelines, simplified application procedures, and clear public guidelines for developers and homeowners.

For example, a “fast track” for ADUs might include:

- A fully administrative approval process with no public hearings required (“by-right”)
- Pre-defined review steps across departments with simple checklists
- Simplified application forms that are legible and accessible to homeowners and first-time developers
- Reviews completed within two or three business days
- A series of pre-approved designs and floor plans

To ensure smart development, the County could set specific criteria to benefit from the “fast track,” such as requiring the property to be in the Suburban Service Area or similar condition. Aligning the “fast track” with the future residential use recommendations in the new comprehensive plan is also critical. For a “fast track” to be effective, it should likely only apply to developments that are a permitted use in the property’s base zoning. Public hearings to approve a conditional or special use introduce significantly higher costs and timelines.

Making water and sewer hookup fees easier to pay

Maintaining and expanding adequate water and wastewater service is an important local government objective. To achieve this, utility providers generate additional capital and operating revenue when new development occurs by charging availability and hook-up fees.

Unfortunately, developers can face challenges trying to cover these fees alongside other permitting fees and construction expenses. As a result, certain projects can be stalled while developer cash flow allows them to fully pay the fees, or end up no longer penciling out as originally planned.

To mitigate these issues, the County and the Rockbridge County Public Service Authority (PSA) can explore:

1. <u>Variable fees based on home size</u>: The PSA currently sets charges based on meter size. Making these amounts flexible based on total square footage per unit could remove a disincentive for building smaller homes. For example, instead of the current flat $10,000 water availability fee for all new 1” meters, the PSA could establish a sliding scale for 1” meters between $8,000 and $12,000 as shown below.

Home size (sqft)	Below 1,600	1,600 – 1,799	1,800 –1,999	2,000 – 2,199	2,200 and above
1” meter water availability fee	$8,000	$9,000	$10,000	$11,000	$12,000

2. <u>Waived or reimbursed fees for certain projects</u>: To encourage specific types of residential development, such as smaller starter homes or dedicated affordable units, the County and PSA could offer to waive or reimburse a full or partial amount of the applicable availability and hook-up fees. To be sustainable and successful, such a policy would need to have clear guidelines on project eligibility and incentive amounts.

3. <u>Installment payment plans for residential projects</u>: To reduce the upfront financial burden of these initial fees, the PSA could offer residential developers the opportunity to use installment plans. The PSA already allows new and existing businesses the ability to pay these fees in installments for a period up to 60 months. (*Rockbridge County Public Service Authority Administrative Policies, Section C.1*)

HOW TO DO IT

Within 6 months:

- As possible, incorporate objectives into the updated comprehensive plan for expanding townhomes and small-scale multifamily homes in appropriate districts.
- Finalize comprehensive plan update and formally adopt document.
- Collaborate with CSPDC and partner localities to find opportunities to standardize planning and assessment data.
- Determine whether minor inconsistencies in the zoning ordinance should be addressed prior to or after the adoption of the comprehensive plan.

Within 1 year:

- Identify appropriate processes for improving the accuracy and utility of parcel-level land use and zoning data.
- Begin the formal process for updating or rewriting the zoning ordinance to fully align with the new plan.

Within 2 years:

- Compile list of specific strategies to encourage increased housing diversity for inclusion in an updated zoning ordinance. Evaluate potential options within the full context of the County's planning goals.
- Implement expedited review timelines and establish a dedicated process to oversee and expedite all new housing development approvals.
- Continuously monitor and update zoning and approval processes to ensure they remain efficient and adaptive to changing demographics and housing needs.

WHO DOES WHAT

Board of Supervisors: Review and adopt final comprehensive plan as recommended by Planning Commission. As needed, allocate additional funding for efforts to improve development procedures and the zoning ordinance. Review and adopt amendments to, or a full rewrite of, the zoning ordinance.

Planning Commission: Work with staff to finalize comprehensive plan update and approve for recommendation to the Board of Supervisors. Coordinate and guide rewrites to zoning ordinance.

Rockbridge County Public Service Authority: Coordinate with other departments to evaluate alternative arrangements to reduce the burden of development fees for residential projects.

Office of Community Development: Evaluate and propose changes to regulatory texts, provide analysis and recommendations to Planning Commission, implement administrative improvements to zoning and parcel data (with Commissioner of the Revenue), collaborate with other departments as necessary.

Consultant (optional): Assist staff by either coordinating zoning rewrite efforts and/or conducting special technical analysis as part of this initiative.

HOW TO FUND IT

General funds: The Board of Supervisors, under advisement from staff and the Planning Commission, could include funding in upcoming annual budgets to fund administrative and/or consulting costs.

Virginia Housing Community Impact Grant: Planning grants up to $20,000 are available for studies that address "development code analysis" and "policy analysis." This funding could be used by the County to support the development of housing-related components of a revised zoning ordinance.

METRICS TO EVALUATE SUCCESS

- Diversity of types and prices for new homes
- Permitting costs and approval timelines
- Amount of land and number of parcels zoned for lower-cost housing

EXAMPLES

City of Charlottesville, Affordable Housing Expedited Review
Expedited process enabled through § 34-12(f) in local code prioritizes affordable housing projects that align with the City's goals to have their review complete within a month.

Montgomery County, Maryland, Green Tape Process
Expedited permitting and review process for projects that designate at least 20% of the total units to affordable housing.

City of Richmond Third-Party Program
Applicants can contract directly with a third-party service for permit review as an alternative to in-house process. Available for certain scenarios and not all cases. This program was a response to significant ongoing delays and problems with the permit office, many highlighted in an internal audit of the permit office from 2020.

PRIORITY SOLUTION 2: Position Economic Development Authority to support housing development

ISSUE: *As housing costs outpace wage growth, more families struggle to find affordable housing, impacting workforce stability and overall economic health in the county.*

Traditionally, economic development authorities (EDAs) focus on attracting private investments that significantly increase the number of jobs—and commercial tax base—in a community. Because housing markets with limited affordable and available options can seriously hamper job creation, numerous EDAs across Virginia are now exploring a variety of mechanisms to create additional housing opportunities.

SOLUTION: *Explore options for EDA to acquire property, offer financial incentives, coordinate infrastructure, and conduct other activities that spur residential development and support job creation.*

EDAs are subordinate agencies created and supported by local governments in Virginia. EDAs have a wide range of powers to support the creation of new economic opportunities within their respective localities. These powers include the ability to finance major projects, acquire property for development by other entities, and promote the community to prospective businesses. The Rockbridge County EDA can leverage an expanding library of examples and best practices from other EDAs throughout the state to facilitate the development of new homes, particularly those tailored for the county's workforce.

HOW IT WORKS

The *Rockbridge County Strategic Economic Development Plan* directs the County and the EDA to enhance their support for housing initiatives as part of its broader mission to grow the community's economy and foster prosperity. Section 6.5 of the plan specifically recommends developing "a list of guidelines for supporting housing projects, developers, and grant support." This strategy outlines a process for the County and EDA to achieve that objective.

Legal framework

The Industrial Development and Revenue Bond Act (Chapter 49) of Virginia State Code provides broad authority for EDAs to engage in housing-related activities as part of their mission to promote economic development. Section 15.2-4901 explicitly states that EDAs may acquire, own, lease, and dispose of properties, including those used for "commercial enterprises." This broad language can encompass mixed-use and residential developments that support economic growth.

EDAs are empowered to issue bonds for various purposes, including the acquisition, construction, and improvement of authority facilities (§ 15.2-4905). The definition of "authority facilities" in § 15.2-4902 includes "facilities used primarily for single or multi-family residences," provided the EDA was created by a locality whose housing authority has not been activated. This provision allows EDAs to finance affordable housing projects through bond issuance.

While EDAs cannot operate housing facilities themselves (§ 15.2-4905), they can lease or sell properties to other entities for development and management. The Act also allows EDAs to make loans or grants to promote economic development (§ 15.2-4905), which could include support for affordable housing initiatives. Additionally, EDAs can collaborate with localities on various economic development incentives, potentially including tax rebates for qualifying housing projects.

Financial support

EDAs can now use a variety of tools to increase the financial viability of affordable housing projects. These investments can be made in conjunction with significant mixed-use development projects, or they can be made available for "one-off" projects that have the potential to strategically advance the larger goals of an EDA. This funding may be provided through grants, incentives, revenue bonds, or real estate tax abatements.

Grants

One common function of EDAs is to provide grants to businesses and other entities to foster innovation, workforce development, and other activities that support the community's economic growth objectives. While these grants are usually not targeted to housing-specific uses, the EDA may want to explore options to use any discretionary funds for strategic housing activities in the private sector.

As one potential strategy, the EDA could consider performance grants for firms involved in the production of lower-cost housing, or who can strengthen the construction workforce, especially through innovative methods.

Incentives

The County and EDA already have a range of specific incentives that can be considered when attracting new economic development opportunities. Examples include permitting fee reductions, expedited review processes, and infrastructure delivery. This framework can be expanded to include residential or mixed-use projects that align with the County's strategic growth goals.

Revenue bonds

EDAs can issue tax-exempt bonds that provide large, low-cost funding to create transformative capital projects. Numerous EDAs throughout Virginia use multifamily revenue bonds to help boost the construction or rehabilitation of affordable housing in their communities. These bonds are guaranteed by the future income ("revenue") of the project and provide below-market interest rates. Neither the EDA nor the County formally loans money; the arrangement simply provides developers with access to capital markets at attractive rates. In fact, EDAs use this as an income-generating activity by earning fees collected from the bond recipient.

Real estate tax abatements

EDAs can facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a county ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs — which in turn can secure better financing.

Land support

The EDA can pursue acquiring, consolidating, and leasing various parcels of land that are strategically located for mixed-use development. Having land readily available reduces a significant barrier for developers, expedites the development process, and allows for long-term control over land use. It also gives Rockbridge a proactive way to encourage development in areas targeted for growth.

Land banking

EDAs can purchase and hold onto land until suitable development partners are selected, utilities are planned, and financing terms established. This does not necessarily mean that the EDA needs to become a formal land bank in accordance with the Virginia Land Bank Entities Act.

Land swaps

Along with market acquisitions, EDAs can organize and execute property swaps to strategically trade land with private owners or other public entities.

Discounted sales

When selling off land for development that may include a residential component, EDAs can discount acquisition costs in exchange for certain terms, such as the inclusion of below-market rate residential units, or donation of a section of the property to a separate affordable housing developer.

Long-term ground leasing

EDAs have the option to retain ownership of the land and create a ground lease agreement with the developer for the improvements. The property is leased at a nominal cost, and the developer is exempt from paying real estate taxes on the value of the land. This arrangement gives the public a formal stake in the development and provides an EDA with more permanent oversight to ensure compliance with any performance incentives.

Planning and technical assistance

Working with community, regional, and state partners, the EDA and County can position themselves as an important resource for planning, executing, and managing residential and/or mixed-use projects. Building this capacity would help local developers—especially those with less experience—increase their confidence with affordable housing and related community development programs.

Planning grants

EDAs are increasingly serving as an intermediary for applying to state planning grants to help study development options for specific sites and properties. Sources include Virginia Housing, the

Department of Housing and Community Development (DHCD), and the Virginia Economic Development Partnership (VEDP). The EDA can provide this service to help investigate mixed-use opportunities on County-owned properties, or to assist private owners with assessing options for certain properties whose development would be a strategic win for the county.

Knowledge sharing

The EDA can explore hosting open houses or symposiums to encourage networking between affordable housing practitioners and developers of residential/commercial properties.

Guidelines

Any financial support or incentives should be provided within a framework that outlines the minimum requirements and eligibility criteria for projects. The EDA and County should work with stakeholders to develop these guidelines in a transparent process. Important aspects to consider include but are not limited to:

- Ownership and/or type of development entity
- Minimum number of units and/or construction cost
- Type, size, and location of units
- Income ranges of potential buyers or renters
- Amount of additional public/private investment leveraged
- Local hiring preferences for construction jobs

HOW TO DO IT

Within 6 months:

- Convene stakeholders from the EDA, Board of Supervisors, staff from relevant County departments, and other important partners to begin evaluating and prioritizing potential strategies.
- Develop preliminary guidelines for supporting housing activities and seek adoption by the EDA board and Board of Supervisors. Use these to direct future housing investments by the EDA.
- Identify affordable housing projects in the predevelopment stage in the county that could benefit from EDA support. Meet with these developers to understand their needs and to determine what types of financial support would be most beneficial.

Within 1 year:

- Reach out to relevant state agencies to pursue funding opportunities that would facilitate site planning, feasibility studies, and/or environmental remediation work.
- Identify opportunities for property assemblage or acquisition to support residential or mixed-use development.
- Identify properties owned by the County, the School Board, or other public agencies that could benefit from intentional planning activities.
- Begin to design, approve, and implement prioritized strategies.

Within 2 years:

- Develop procedures for compliance and reporting to ensure any projects supported by the EDA remain a productive asset for the County.
- Explore developing a competitive bid process that requires workforce housing as a component of a mixed-use development.

WHO DOES WHAT

EDA board: Work with staff and partners to set major goals and objectives. Evaluate and approve bond issues and other financial agreements. Liaison with the Board of Supervisors.

Board of Supervisors: Collaborate with the EDA board on strategic vision for supporting housing initiatives. Evaluate and approve financial incentives provided in full or in part by the County. Set aside funding for EDA housing efforts within the annual budget and/or capital improvement plan as desired.

County staff: Support EDA board with decision making. Gather information on best practices from economic development colleagues elsewhere in Virginia. Draft policies, procedures, and contracts related to programmatic activities.

Private and nonprofit developer partners: Seek out EDA partnerships and demonstrate specific ways for the County to provide support.

FUNDING SCOPE

Administrative costs: Meaningful progress may likely require increased staff capacity by one full-time or part-time position. Salary for this hire can be estimated using comparable wages for similar positions in County administration. As a long-term goal, a standalone executive director position for the EDA would provide significant advantages, and lessen the administrative burden of current economic development staff in the county.

Revenue bonds: Revenue bonds issued by the EDA for any mixed-use or residential project would be backed by the development's future income. The County does not guarantee any debt and has no expenses other than staff time dedicated to preparing and executing the issuance. Fees received by the applicant may cover that cost.

Real estate tax abatement: Grants that rely on reimbursement of future real estate tax income are revenue neutral. However, the County may want to consider certain payment-in-lieu fees to at least cover the projected need for additional public services.

HOW TO FUND IT

Increased administrative costs could be funded by additional support for personnel in the County budget. Revenue from the sale or long-term lease of properties could be another source to cover operational costs, and/or housing-related grant-making.

Planning grants are available from multiple state agencies and depend on specific scenarios and objectives.

Virginia Housing

Community Impact Planning Grant

Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Community Impact Stabilization and Deconstruction Grant

Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*"

Deconstruction Grant available "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*"

For either, the County may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, or Rehabilitation Area (per Va. Code Ann. § 36).

Predevelopment Loan Fund

Below-market rate loan up to $500,000 with 36-month term. Funds can be used for architectural/engineering reports, legal fees, permitting fees, appraisals, and other similar expenses.

Virginia Economic Development Partnership

VEDP offers the Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund (VBAF) to help local governments prepare brownfield sites for productive economic development projects. Two types of grants are available.

- Site Assessment and Planning Grants: Up to $50,000 for environmental and cultural assessments, remediation/reuse plans, structure demolition, and other similar prerequisite activities.
- Site Remediation Grants: Up to $500,000 for remediation of materials contaminated with hazardous substances and demolition/removal of structures.

Department of Housing and Community Development

DHCD makes federal Community Development Block Grant (CDBG) funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the County could apply for that would support predevelopment work. CDBG grants all have varying requirements for serving communities/households with low to moderate incomes.

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
- Construction-Ready Water and Sewer Fund: Open submission grant up to $800,000 to support development of community water and wastewater infrastructure.

Virginia Resources Authority

Low-cost loan financing for local governments via the public debt market. Specific programs that could support infrastructure, utilities, site acquisition, and similar activities include:

- Local Government Direct Loan Program: Flexible awards between $250,000 and $750,000
- Virginia Pooled Financing Program: For larger projects
- Clean Water Revolving Loan Fund: For water/wastewater improvements and brownfield remediation
- Drinking Water State Revolving Loan Fund: For public water supply, storage, and distribution

EXAMPLES AND RELATED INFORMATION

Statewide study on EDAs and housing
Housing as an Economic Development Strategy for Virginia (November 2023)
Completed by Chmura Analytics for Virginia Housing

Page County
The Page County EDA recently secured a Virginia Housing grant to assess the potential for residential development on land it owns.

Loudoun County
The Loudoun County EDA is partnering with nonprofit and for-profit developers to provide low-interest financing, including tax-exempt revenue bonds, to build hundreds of below market rate housing for Loudoun's workforce earning below the county's average wage.

Henrico County
The Henrico County EDA is pursuing a $50,000 brownfields grant from VEDP to help a property owner determine remediation needs on a parcel formerly used as an unregulated landfill but potentially suitable for mixed-use development, including residential. If successful, the EDA will assist the owner with applying for funds to cover actual remediation.

City of Richmond
The City of Richmond approved the second and third examples of a tax rebate arrangement for affordable rental projects. These "performance grants" are structured contracts between the City, its EDA, and the developers. The annual grant payments will run for 30 years and total the incremental real estate tax revenues generated by the developments. The projects must provide units affordable at 60% AMI in accordance with the Low-Income Housing Tax Credits they are also receiving.

SECONDARY SOLUTION 1: Evaluate long-term options to improve effectiveness of the Housing Choice Voucher program

ISSUE: *Following persistent challenges with the administration of its Housing Choice Voucher program, the County transferred operations to Virginia Housing in early 2024.*

The federal Housing Choice Voucher (HCV) program is the nation's largest and most effective source for rental assistance to low-income households. However, it is also regularly hindered by bureaucratic complexities, inadequate funding, and limited landlord participation. Rockbridge County is no exception. While local governments cannot solve all of these structural deficiencies, some improvements are possible. However, the recent transfer of the County's HCV program from its Rental Assistance Office to Virginia Housing (a state agency) could risk further challenges.

SOLUTION: *Collaborate with regional partners and Virginia Housing to evaluate permanent options, recruit landlords, and work with state and federal officials to optimize program design.*

The transition of the County's HCV program to Virginia Housing is an opportunity to investigate strategic pathways for providing rental assistance to low-income Rockbridge residents in the long term. This primarily includes finding a sustainable solution with Virginia Housing and other partners for the HCV program, but can also include developing strategies to increase landlord involvement, and advocating state and federal officials for program improvements. The County could also explore a supplemental rental assistance program that is locally funded and operated.

BACKGROUND

The Housing Choice Voucher program

The U.S. Department of Housing and Urban Development (HUD) manages the HCV program at the federal level. It promulgates program rules and regulations in accordance with applicable laws, and is responsible for allocating HCV funds to local programs across the country. Like all HUD programs, Congress determines its annual appropriation.

By default, HUD distributes HCVs to Public Housing Authorities (PHAs). In Virginia, PHAs are commonly found in most mid-to-large sized cities, as well as some counties and some small cities in Southwest Virginia. However, many suburban and rural communities in the state are not served by a PHA, which leaves them without an HCV program.

Virginia Housing and LHAs

To address this challenge, HUD can designate statewide agencies as PHAs. These agencies then administer HCV programs to fill geographic gaps in coverage. Our state housing finance agency—Virginia Housing—serves this role in the commonwealth. As of December 2023, Virginia Housing's HCV program is funded for 9,800 units, or roughly 17% of the total HCV allocation to all PHAs in Virginia. (*HUD Housing Choice Voucher Data Dashboard, accessed April 19, 2024.*)

Virginia Housing partners with 28 Local Housing Agencies (LHAs) generally located in communities not served by PHAs. LHAs across the commonwealth are organizationally diverse: examples include local social service departments, Community Service Boards, Community Action Agencies, and nonprofits. Most day-to-day program elements, including waitlists and payments to landlords, are completed by LHAs.

Administrative challenges

However, Virginia Housing is ultimately responsible for ensuring program compliance with HUD. One of its primary duties is to develop an Administrative Plan each year, which describe the specific policies Virginia Housing and the LHAs will use to award and manage HCVs. Drafting a plan that both meets all necessary HUD regulations *and* adequately meets the needs of all LHAs is difficult for three reasons:

1. HUD's program rules are often inflexible, and cannot be waived or amended on a case-by-case basis.
2. The wide range of agency types (local government departments, nonprofits, etc.) creates significant variation in organizational governance, capacity, operations, and administrative preferences.
3. Because each LHA operates in its own distinct rental market, the levels and types of housing needs can be very different.

As a result, Virginia Housing must submit Administrative Plans with policies that attempt to consolidate the interests of every LHA. In practice, this can create situations where LHAs must hew to rules that may not fully match their preferred objectives.

HCV program in Rockbridge

In 1980, the Rockbridge County Rental Assistance Office began serving as an LHA to offer HCVs to county residents, as well as residents in Lexington and Buena Vista. Program administrators in the Office would work directly with applicants and recipients, while Virginia Housing would manage actual voucher payments and federal program compliance. In 2023, the program served just over 100 renters, with more than 200 others on the waitlist.

Virginia Housing reimburses LHAs for salaries and other operating expenses. However, this support is often insufficient. In Rockbridge, the County allocated general funds each year to fill the Rental Assistance Office's deficit. Lexington and Buena Vista would then each be assessed an amount relative to the share of HCVs serving their residents.

Annual Funding for Rental Assistance Office in Rockbridge County Budgets

Year	Actual FY 2019	Actual FY 2020	Actual FY 2021	Actual FY 2022	Budget FY 2023	Budget FY 2024
Amount	$67,597	$67,646	$86,924	$84,944	$97,360	$103,075

Sources: Rockbridge County Budget Books, FY 2019 through FY 2024.

The $103,075 allocated for the Office in FY 2024 supported one full-time and one-part time position. County documents estimated Virginia Housing's reimbursement at $49,512, or just 48% of the program's operating expenses. While exact reimbursement figures for previous years are not available, staff commentary suggests this continues a relative decline in the share of expenses covered by non-local funds.

In October 2023, the Rockbridge County Board of Supervisors authorized staff to transfer HCV program operations from the County's Rental Assistance Office to Virginia Housing. This process was completed in March 2024. Renters with active HCVs were not impacted; no lapse in service occurred.

Reasons for this transfer include:

- The standard $37/month/voucher administrative fee reimbursement provided by Virginia Housing to the County no longer adequately covered the Rental Assistance Office's costs.
- To cover this gap, Rockbridge County had to increase its general fund allocation to the program. In FY 2024, this amount now exceeded the total reimbursement from Virginia Housing.
- The current lottery process required by Virginia Housing to select applicants from the waitlist leads to non-county residents being chosen before all applications from county residents are exhausted.

According to staff reports to the Board of Supervisors in October 2023, the County made unsuccessful attempts to transfer the program to other local partners. These included the Rockbridge Area Department of Social Services (RADSS) and the cities of Lexington and Buena Vista.

As of April 2024, non-local Virginia Housing staff are the primary program operators, but a part-time administrator for the Rental Assistance Office is still based in the County's administrative offices.

HOW IT WORKS

1. <u>Explore long-term options for a sustainable HCV program in Rockbridge</u>

There are three options for the future of Rockbridge's HCV program. To evaluate and eventually select a recommended approach, County leaders should select one or two staff (potentially along with staff representatives from Lexington and Buena Vista) to explore these options. This team would regularly update the County Administrator, along with the Board of Supervisors as needed, so future decisions can be made effectively.

Option A - Maintain status quo

Representatives from the County and from Virginia Housing can establish a regular meeting and reporting schedule so that County leaders could determine whether program outcomes are better, worse, or functionally similar to previous years. The objective of this approach would be to find ways to make the program efficient and effective under its current arrangement, *without* actively seeking an alternate solution.

Option B - Negotiate program reestablishment under County management

The County could pursue negotiations with Virginia Housing in late 2024 or 2025 to develop a mutually beneficial strategy that fully returns the HCV program to the Rental Assistance Office. These conversations would help determine:

- What level of County funding and resources would be necessary to successfully manage and operate the program. (Including short- and long-term projections.)
- Opportunities for collaboration and leveraging additional resources from regional partners. (Including the cities of Lexington and Buena Vista, as well as related agencies, organizations, and funders.)
- How Rockbridge's program could achieve success by adopting relevant best practices from other LHAs across Virginia.

Furthermore, potential updates to Virginia Housing's HCV policies and guidelines could alleviate some or all of the original challenges the County experienced. According to proposed updates outlined in the draft Annual Plans for FY2024 and FY2025, Virginia Housing is pursuing the following changes:

1. Removing the requirement for LHAs to use a lottery process to determine the wait list order, and allowing the wait list to be sorted by the date and time of the application. Returning this option could better allow applicants meeting Rockbridge's local preferences to have priority placements.
2. Implementing a Project-based Voucher (PBV) program that would attach rental assistance to specific units, rather than households. All eligibility criteria and preferences for applicants would still apply. Virginia Housing may reserve up to 20% of its HCVs for PBVs, along with an additional 10% for special populations. Securing a portion of Rockbridge's HCVs as PBVs in existing or new rental homes would provide a reliable supply of units for some voucher recipients, preventing lengthy searches for available units in a low-vacancy market.
3. Expanding HCV options for special populations, including persons/families experiencing homelessness or at high risk of housing instability (Emergency Housing Vouchers).

As a result of these ongoing reforms and improvements, it is very possible that conditions would allow the HCV program to once again be successfully managed by the County.

Option C - Identify or create an organization to administer HCVs regionally

County leaders could collaborate with regional partners to formally explore options for a regionally-administered HCV program. Reasons to pursue a multijurisdictional approach include:

- Aligning the program's focus and scope to reflect actual housing market dynamics and residential mobility.
- Distributing administrative costs among numerous localities, which builds on previous financial support provided by both Lexington and Buena Vista to the County to allow the Rental Assistance Office to also serve those cities.
- Exploring the opportunity for Bath County to be served by a dedicated HCV program for the first time.

The Rockbridge Area Rental Assistance Office is one of eight LHAs across Virginia that serve three localities. However, there are also nine LHAs that serve more than three localities. Most of these are nonprofit organizations that operate additional housing programs. Two are Community Services Boards (CSB), which are local agencies that more commonly provide group homes, mental health services, substance abuse treatment, and other similar assistance.

LHAs Serving More Than Three Localities

Local Housing Agency	Type	Counties/Cities Served
Central Virginia Resource Corporation	Nonprofit	20*
Southside Outreach Group, Inc.	Nonprofit	17*
Bay Aging	Nonprofit	7
Central Virginia Housing Coalition	Nonprofit	6
Nelson County Community Development Foundation	Nonprofit	6
Region Ten Community Services Board	CSB	6*
Rappahannock-Rapidan Community Services Board	CSB	5
New River Community Action, Inc. \ Housing Connections	Nonprofit	5
Junction Center for Independent Living	Nonprofit	4*

** One or more localities also have HCV programs administered by a Public Housing Agency.*

Source: Virginia Housing – Housing Choice Voucher Administrators in Virginia.

Previous efforts by the County to find a permanent host for the HCV program included discussions with the Rockbridge Area Department of Social Services (RADSS). While there are at least six local DSS offices throughout the state that administer HCVs under Virginia Housing, none serve more than two jurisdictions. Furthermore, RADSS determined in 2023 that bringing the program under its operation was not feasible due to staffing and IT barriers. RADSS may be an option in the future, but should not be considered a solution in the interim.

Because there are successful examples of regional HCV programs operated by CSBs, the County could examine the potential for Rockbridge Area Community Services (RACS) to become the permanent administrator of the HCV program. RACS is the CSB for Rockbridge, Lexington, Buena Vista, and Bath. At this time, it does not provide any housing beyond group homes for adults with developmental disabilities.

Alternatively, if no existing agency or nonprofit organization is able to administer HCVs, County leaders could work with other regional partners to explore the creation of a purpose-built nonprofit provider. The only known nonprofit LHA focused almost exclusively on HCVs is Housing Connections, which serves the New River Valley.

2. Engage landlords to encourage participation in rental assistance programs

One source of administrative inefficiencies is the difficulty HCV recipients face when looking for an available and suitable apartment to rent. To place HCV holders quickly and successfully into quality housing, private landlords must be familiar with the program. Accomplishing this requires proactive outreach and education. However, the Rental Assistance Office's advertising budgets are consistently under $500.

Knowledge of fair housing law is also important. As of 2020, Virginia now prohibits landlords with five or more units from discriminating against applicants based on "source of funds" (Va. Code Ann. § 36-96.3). However, many landlords may not be familiar with this new requirement. Additionally, when rental demand is high, landlords are often able to select an applicant without a voucher over one with a voucher without any discriminatory action, due to significant numbers of applications.

Therefore, the focus of this outreach should focus on topics that would increase the likelihood of residential property owners leasing to HCV holders, such as:

- Benefits for landlords from HCV program (e.g. consistent payments, etc.)
- Regular communication and opportunities for meetings
- Clear guidance on (and efficient execution of) unit inspections

While this work is dependent on finding a permanent solution for managing Rockbridge's HCV program as described above, specific mechanisms to expand outreach might include:

- Presentations to real estate associations, landlord associations, property manager groups, and other organizations that represent persons who lease apartments.
- Proactive discussions with developers of new market-rate apartments to encourage acceptance of HCVs.
- Easily-distributed materials that explain program benefits, the inspection process, and other information for landlords.

3. Work with state and federal officials to optimize existing program

Concurrent with all the strategies described above, the County — together with regional partners and Virginia Housing — can document any policy/regulatory changes needed at the state or federal levels to improve the HCV program's ability to serve existing residents. These barriers can be specific to the internal HCV program guidelines, or can reflect broader challenges related to rental supply, landlord participation, and renter household stability.

4. Consider locally funded and controlled rental assistance

The current supply of HCVs in Rockbridge is insufficient to meet existing needs, and any significant expansion of the federal HCV program in the near future is unlikely. Therefore, one potential solution that would help county renters find affordable homes is the creation of a locally-funded rental assistance program.

Such a program would be attractive because the County would be able to develop eligibility guidelines and policies that are simpler and better able to serve existing residents than the HCV program. In addition to a residency requirement, the County could structure the program to reduce administrative burdens for both staff and clients.

Local rental assistance programs have become more common throughout the country in recent years, but remain rare in Virginia. Today, Arlington County's Housing Grant serves more than 1,500 households and is the only operational local rental assistance program in the commonwealth. The scope and scale of that $14 million program is well beyond Rockbridge's needs and capabilities, but its design is worth noting for the following:

- Applicants that are not seniors or disabled must have income from a job.
- Maximum rent payments are set by household size, not number of bedrooms.
- Tenants must cover 40% of the rent, compared with 30% for HCVs.
- Strong partnerships with property owners to advertise program.

These aspects make the Housing Grant easier to administer and help it serve more households.

If the County has interest in this approach, it could do so with a one-year pilot program. Options for administering a pilot would include:

- Expanding the current part-time position in the Rental Assistance Office to full-time.
- Embedding the program within RADSS or RACS.
- Hiring a separate nonprofit organization as manager.

A wide range of options are available for determining potential rental subsidy amounts per household, and depend on client incomes, payment standards, and other factors. These decisions impact the number of households served within a given program budget. Examples are provided in the *Funding Scope* section below.

HOW TO DO IT

Within 6 months:

- Update Lexington and Buena Vista on current status and potential next steps. Invite representatives to be included in planning efforts.
- Establish productive dialogue with Virginia Housing to determine potentially beneficial changes to their program requirements and to explore permanent options.
- Develop an efficient process for reporting helpful program metrics, including number of households served and on waitlist and average subsidy amount per household. Ensure household figures show originating residency.
- Make contact with RACS (and any other relevant organizations) to explore whether they have long-term interest and capacity for administering the HCV program.

Within 1 year:

- Reach out to Bath County leaders to determine their interest in partnering on a regional solution.
- Engage Virginia Housing to begin evaluating and developing specific plans for HCV administration in Rockbridge (and the region).
- Gather feedback from landlords to identify priority issues to be addressed in education and outreach efforts.
- Establish basic parameters for a potential local rental assistance pilot and determine whether it should be included in budget considerations for the next fiscal year.

Within 2 years:

- Select final recommendation for operating the HCV program in Rockbridge and develop joint consensus among regional leaders.
- Pursue implementation of selected strategy based on its specific approach and objectives.
- Incorporate appropriate landlord engagement efforts into final recommendation.
- If funded, establish the local rental assistance pilot program. Administer per approved policies, evaluate impacts, and propose next phases.

WHO DOES WHAT

Board of Supervisors: Direct and guide staff efforts to identify long-term rental assistance solutions, coordinate partnerships with other regional leaders, and allocate funding for any new programs as desired.

County staff: Collaborate with Virginia Housing, other agencies, and housing providers to explore and design appropriate strategies. Provide Board of Supervisors with actionable recommendations.

FUNDING SCOPE

HCV program administration

Virginia Housing's reimbursement rate to LHAs of $37 per month per voucher amounted to roughly $48,000 for Rockbridge. Before transferring the HCV program to Virginia Housing, this revenue accounted for approximately half of the Rental Assistance Office's total budget, leaving the County to fill the gap. HUD determines the administrative fee amounts for PHAs each fiscal year, and these amounts do steadily increase; however, Virginia Housing retains about half of its reimbursement to cover their own operational expenses.

To increase the overall reimbursement available to Rockbridge, one approach would be to increase the number of HCVs. While this would increase the caseload, other LHAs in Virginia commonly have 150-200 (or more) HCVs per full-time position. Last year, 1.5 FTEs in the Rental Assistance Office managed just over 100 HCVs, which amounted to roughly 75 HCVs per full-time position.

Therefore, if the County does explore putting the program back under its operation, it should work with Virginia Housing to find strategies for increasing the number of HCVs available. The County should also engage other LHAs to identify best practices for increasing the average caseload to a greater, but still manageable number. For example, if the Rental Assistance Officer were to instead manage 175 HCVs, annual reimbursement from Virginia Housing would be near $80,000. At 1.5 FTEs, this would amount to a caseload of about 115 HCVs per full-time position — still quite low compared to other LHAs.

Local rental assistance

The County would have significant flexibility to set an amount to fund a local rental assistance pilot program. That amount would need to cover both the rental subsidies for clients, as well as administrative costs. For illustrative purposes, setting aside $75,000 for rental assistance payments could either:

- Provide a shallow subsidy of $250 per month to 25 households, or
- Provide a deeper subsidy of $750 per month to 8 households.

The former serves a greater number of residents, while the latter could provide more meaningful assistance to low-income families. With additional administrative expenses to support a part-time position, the total program budget in this example would approach $100,000. For reference, this is approximately double the County's past annual department budgets for the Rental Assistance Office.

HOW TO FUND IT

Virginia Housing

Along with the HCV administrative reimbursements (should the program again fall under the County), Virginia Housing could potentially provide separate funding under its Community Impact Grant program to cover a formal study of the County's and the region's options. This research would be most effective with regional participation, and could support the hiring of a consultant with significant familiarity of HCVs and other rental assistance programs.

County general funds

Depending on the recommended long-term approach, the County could again dedicate general funds in its budget to support HCV program administration. Those could be departmental funds for the Rental Assistance Office, or might be allocated as an operating grant to a separate agency/organization, if one is chosen. Additionally, general funds would be the likely source to support any potential local rental assistance pilot. If the County elected to continue and possibly expand that program, it could also explore a dedicated revenue source for it. That source would be a portion of, or the full amount of, a specific assessment or fee.

SUCCESS METRICS

- Number of local households served
- Landlord participation rate
- Average time to place voucher holders
- Administrative cost efficiency
- Client satisfaction and retention rates

EXAMPLES

Notable LHAs in Virginia

When exploring its options, the County should approach other relevant LHAs across the state to learn about how they operate their HCV programs. Good examples include:

- **Region Ten Community Services Board**: Approximately 425 HCVs and a service area of six localities. Two full-time HCV staff.
- **Rappahannock-Rapidan Community Services Board**: Recently rebranded to Encompass Community Supports, but remains CSB. Approximately 120 HCVs and a service area of five localities.
- **Housing Connections**: Serves five localities. Four full-time staff, each with a caseload of approximately 200 HCVs. Includes one project-based property with 40 units.

CITY OF BUENA VISTA SOLUTIONS

PRIORITY SOLUTION 1: Pursue more flexible zoning options and streamline regulations to create diverse housing opportunities

ISSUE: *The current supply of housing is not matched with the type of households driving demand in Buena Vista.*

Larger single-family homes make up the majority of homes on the market, which do not match the needs or desires of single persons and couples without children. This leads to cost burden for smaller households, or conversions of single-family homes into rentals, which single persons and couples are more likely to prefer.

SOLUTION: *Simplify residential zoning and create flexibility to allow for smaller homes and medium density.*

Zoning may frequently be a barrier to developing the sorts of homes that the market requires. Streamlining residential zoning and development regulations can provide greater flexibility for new construction. Accessory dwelling units, cottage courts, and small-scale multifamily constructions are examples of scaled housing that could be more easily permitted to alleviate market pressures.

HOW IT WORKS

The City can begin exploring changes to better allow accessory dwelling units (ADUs), cottage-style housing, and small-scale multifamily to fill in missing gaps of its housing supply spectrum.

Accessory dwelling units

To help add new housing supply in a cost-effective way, the City can craft new ADU regulations for detached and attached units. These rules can encourage ADUs that are economically viable and use design standards to respect neighborhood cohesion. Best practices for successful ADU zoning ordinances include:

- Clear and consistent guidelines grounded in the actual parcel geometries and layouts of residential lots
- Flexible residency requirements, so occupant does not have to be direct relative or caregiver
- Maximum number of occupants allowed per ADU to avoid overcrowding
- Parking requirements for no more than one additional space
- Proactive limitations on the use of ADUs as short-term rentals
- Amnesty path for any existing nonconforming ADUs that meet certain criteria

ADUs can also be encouraged by granting tax abatements in exchange for provision of the unit as a long-term rental on the market, and by working with community lenders (small banks and credit unions) to develop new ADU construction loan products for homeowners.

Cottage-style housing and small-scale multifamily

Cottage-style housing works by building multiple smaller, separate homes on one lot. The City should assess the parcel inventory to determine how many suitable parcels or aggregation opportunities exist for cottage courts. Guidelines for cottage-style developments should be simple, with illustrations demonstrating different options for developers, such as in Winchester. The results should be attractive and respectful of neighborhood cohesion; Bluegrass Trails in Farmville is a good example.

Likewise, small-scale multifamily homes—such as duplexes—can be an effective infill strategy to provide lower-cost options for a range of household types.

Important considerations for zoning ordinances are similar to those for ADUs above but also include:

- Avoiding overly restrictive design standards that specify architectural styles and materials, which can significantly increase construction costs
- Using lot coverage or floor area ratio (FAR) to define density guidelines, rather than minimum lot sizes or units per acre

Encouraging new housing types

While expanding the zoning ordinance to allow for these housing types is a critical step, the City should also ensure that the actual development and approval process is fair and reasonable, and that property owners are fully educated on their options.

For example, a pattern book and possibly pre-approved designs can be developed for ADUs and cottages to expedite permitting and to avoid possible negative perceptions by members of the public.

For other single-family and small multifamily buildings, definitions should be standardized and simplified, allowing for as much flexibility as possible within the definitions to avoid the need for rezoning, variances, or other special processes.

Garnering public support

Building support for these new housing types is important and may require overcoming steep learning curves in the community. Many residents may not fully understand why there is a need for lower-cost homes, what they can actually look like, or who would live in them.

The City should use this effort as an opportunity to lay the foundation for constructive education and build awareness of housing problems in the community. By proactively addressing concerns and misconceptions, and showcasing the benefits of diverse housing options, the City can foster a more informed and supportive community.

This educational effort can include public workshops, informational materials, and possibly tours of successful examples in other communities, helping to demystify these housing types and build a shared vision for a more inclusive and diverse housing landscape in Buena Vista.

HOW TO DO IT

Within 6 months:

- Evaluate current residential development standards, examples of where they have been used, and the types of housing they have produced.
- Identify the standards that have produced the most desirable types of housing and the standards that have produced undesirable housing or have not been used at all.
- Reach out to other Virginia localities that have implemented ADU and/or cottage zoning to learn from their experiences.
- Prepare basic informational materials to distribute to residents that describe what options the City is considering, why they are important, and how residents can be involved.

Within 1 year:

- Determine priorities for ADUs, cottage-style housing, and small multifamily. Begin drafting general guidelines and standards.
- Identify areas where streamlined single-family, ADUs, cottages, and small multifamily housing are desired.
- Draft zoning text amendments for the districts where more flexible housing development is desired.
- Evaluate, revise, and improve drafts with the Planning Commission.

Within 2 years:

- Introduce any amendments approved by the Planning Commission to the City Council.
- Hold further public hearings and other forms of community engagement to ensure residents are informed and have a chance to provide feedback.

WHO DOES WHAT

Department of Planning, Zoning & Community Development: Review zoning codes, lead prioritization process, and draft text amendments.

(Optional) Consultants: Assist with prioritization process and community engagement.

City Council, Planning Commission: Engage in prioritization process and review and enact text amendments.

HOW TO FUND IT

City budget: The City should proactively budget funding to support staff (and potential consultant) time for this work, as it did for the comprehensive plan update.

Other public funds: The Virginia Department of Housing and Community Development (DHCD) provides planning grants under the Community Development Block Grant (CDBG) program to enhance the likelihood of project impact and success. In coordination with citizen participation, these grants support the creation of well-defined strategies to address the most pressing community development needs in a given area. Virginia Housing also provides funding through its grants to support up to $50,000 in community engagement planning.

HOW TO MEASURE SUCCESS

- Increased knowledge among planners and elected officials about zoning best practices
- Successful adoption of “pro-housing” land use and zoning policies
- Number of parcels with increased regulatory options for new housing
- Number and type of new residential units created
- Share of projects/units approved by-right or by rezoning or special exemption

EXAMPLES

- The City of Winchester enacted a cottage-style housing ordinance in 2011 with drawings demonstrating types of cottage courts that are allowed under the ordinance. It is unclear whether this had any effect on cottage-style development in Winchester.

- The City of Richmond recently allowed ADUs by-right, with some restrictions, on any single-family residential lot in the city. The ordinance had wide support from residents, as it was bundled with stricter regulations for short-term rentals.

- The Railroad Cottages in Falls Church, Virginia, is a pocket neighborhood of 10 small houses and a common house built on a 1.25-acre triangular site adjacent to the 45-mile-long

Washington & Old Dominion (W&OD) cycling and pedestrian trail. This development, completed in 2019, offers 1,500-square-foot cottages for residents 55 and older, featuring a mix of private and shared spaces including a common house with guest accommodations and shared amenities. The project demonstrates how former rail corridors can be utilized to support small-scale, walkable development with easy access to trails, public transit, and local businesses. Its success has led city leaders to consider loosening restrictions on future cottage court developments.

PRIORITY SOLUTION 2: Examine and expand incentives for development and improvement of residential properties

ISSUE: *Affordable housing development is not incentivized or made feasible to new developers at a rate that helps build needed supply.*

Developers in Virginia face high costs and constraints in creating affordable housing due to restrictive property eligibility and exemption period criteria under the existing city code (§§ 58.1-3220 and 58.1-3221). While local tax abatements are common, they are often not directly linked to affordable housing and are subject to strict conditions and procedures. The challenge lies in effectively leveraging tax policies, like real estate tax reductions, to specifically support affordable housing development within the legal framework.

SOLUTION: *Examine the local real estate tax exemption policy to expand eligibility, increase exemption periods, and foster more affordable housing development.*

In Virginia, certain localities may reduce local taxes in order to promote affordable housing. The most common form of tax abatement in the commonwealth is a real-estate tax reduction made available to senior homeowners. Tax abatement is also frequently offered by localities to those who renovate residential and commercial structures. These abatements are generally unrelated to affordability, but occasionally they are in conjunction with other types of housing subsidies like low-income housing tax credits (LIHTCs) or historic tax credits.

Tax abatement for affordable rental housing is generally prohibited in localities unless specific conditions are met, like living in authorized redevelopment or rehabilitation districts. Localities must adhere to state law's specified procedures in order to designate such areas. Certain jurisdictions get around these restrictions by returning tax payments to properties after tax payments have been remitted, based on designated formulas that specify affordability requirements.

HOW IT WORKS

Residential tax abatements

Tax incentives can enhance development feasibility by allowing operators to reduce their operating costs. Property tax incentives are state or local policies designed to reduce the tax burden on properties in order to support a public goal.

While state and local municipality-specific mechanisms differ, they generally fall into three main categories: tax abatements, tax rebates, and tax exemptions. Partial exemptions are the most common type found in state code and used by localities.

Localities in Virginia are permitted to offer partial exemptions on real estate taxes for certain types of properties that are rehabilitated, renovated, or replaced under certain conditions. These programs can help spur investments in older neighborhoods and contribute to productive infill or reuse of underused properties. Owners can have the value of their improvements exempted from the calculation of their property taxes for a definite period after work is completed, usually for no more than 20 years.

Current city code offers two types of partial exemption:

Residential

§ 58.1-3220. Partial exemption for certain rehabilitated, renovated or replacement residential structures sets specific guidelines for the design of residential tax abatement programs. Many localities across the state have programs using this statute.

Under the City's parameters, the property eligibility and exemption periods are more restrictive than what state statute allows (75/50 years old versus 15 years; 10/5 year exemption versus 15 year). This artificially limits the scope of properties that could take advantage of this incentive. Furthermore, the ROI may not be enough for property owners to find the program worth pursuing.

The City can investigate effectiveness of current exemption to determine outcomes and challenges, and subsequently explore widening the scope of eligible properties based on age and lengthening the exemption period. Any reforms would fall under the same statutory authority.

Commercial and industrial

§ 58.1-3221. Partial exemption for certain rehabilitated, renovated or replacement commercial or industrial structures is a similar exemption but covers commercial and industrial properties. This, however, is not applicable to residential-only developments, and it's unclear whether it would apply to mixed-use developments.

To expand its options to support residential development, the City can consider using another enabling statute in state code:

§ 58.1-3219.4. Partial exemption for structures in redevelopment or conservation areas or rehabilitation districts can grant exemptions up to 30 years, but properties must be located in a "redevelopment or conservation area or rehabilitation district" designated by ordinance. These exemptions can be approved on a project-by-project basis, and are often used to strengthen LIHTC applications.

Revolving loan fund for home improvements

The City can explore creating a local home repair program using a revolving loan fund (RLF) model, similar to the one already in place for small business support in Buena Vista. This approach could provide a sustainable way to address housing quality issues and help low- to moderate-income homeowners maintain their properties. The program would offer low-interest or no-interest loans for essential home repairs and improvements, with repayments feeding back into the fund to support future loans.

To establish this program, the City could seed the fund using a combination of sources. These might include allocating City money, utilizing CDBG or HOME Investment Partnerships Program funds, or seeking support from philanthropic organizations. The initial investment would create a pool of money from which homeowners could borrow for qualified repairs, with loan repayments continually replenishing the fund for future use.

To ensure efficiency and minimize administrative burden, the program design should be kept simple. This could involve streamlining the application process, setting clear eligibility criteria based on income levels and types of repairs covered, and establishing straightforward loan terms. By reducing complexity, the City can lower administrative time and costs associated with running the program, allowing more resources to be directed toward actual home improvements and ensuring the long-term sustainability of the revolving loan fund.

Economic development authority

Economic development authorities (EDAs) can also facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a city ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs—which in turn can secure better financing.

However, the EDA's current capacity and level of resources are limited. Therefore, strategies that employ the EDA should be pursued as long-term options that come after the EDA's capabilities have expanded. City staff and the EDA board can explore grants from Virginia Housing, VEDA, and other funders that support capacity building and strategic planning.

HOW TO DO IT

Within 6 months:

- Form a task force comprising city officials, housing developers, and community stakeholders to review current real estate tax exemption policies and identify areas for improvement.
- Conduct a comprehensive analysis of the effectiveness of existing partial exemption programs (§ 58.1-3220 and § 58.1-3221) to determine outcomes and challenges.
- Develop a proposal for expanding the scope of eligible properties based on age and for lengthening the exemption period for residential properties.
- Begin drafting amendments to the city code to align with state statutes allowing for broader tax exemptions and rebates for affordable housing projects.

Within 1 year:

- Finalize and present the proposed amendments to the City Council for approval.
- Engage with the community through public meetings and workshops to gather input and build support for the proposed changes.
- Identify and designate "redevelopment or conservation areas or rehabilitation districts" by ordinance, allowing for tax exemptions under § 58.1-3219.4.
- Collaborate with the EDA to establish a framework for facilitating tax abatements and rebates for affordable housing projects.

Within 2 years:

- Implement the new tax exemption and abatement policies, including updated eligibility criteria and extended exemption periods.
- Launch a public awareness campaign to inform property owners and developers about the new incentives and how to apply for them.
- Monitor and evaluate the impact of the new policies on affordable housing development, adjusting as needed to ensure effectiveness.
- Continue to seek additional funding and partnership opportunities to support ongoing and future affordable housing projects.

WHO DOES WHAT

City Council: Oversee policy amendment process, including public consultation and ordinance drafting.

Planning, Zoning & Community Development: Investigate current policy outcomes, propose amendments, and assist in the implementation of new exemptions.

Office of the Commissioner of the Revenue: Administer tax exemptions, ensuring compliance with the updated policies.

Property owners and housing developers: Leverage the expanded exemptions in project planning and financing.

EXAMPLES

- Norfolk: Norfolk's tax abatement program is designed to encourage significant improvements to older residential, commercial, and industrial properties throughout the city. The program offers taxpayers an opportunity to improve residential, commercial, and industrial structures and not pay full taxes on the value of those improvements for 14 years. Qualifying structures must be at least 15 years old for residential property (single-family and four or fewer rental units) or 40 years old for commercial and industrial property.
- Richmond: The Affordable Housing Partial Tax Exemption Program is designed to provide affordable housing by offering a partial tax exemption to property owners who rehabilitate their single and multifamily properties for individuals and families earning up to 80% of the Area Median Income (AMI) for the Richmond-Petersburg MSA.
- Philadelphia: Philadelphia's tax incentive policy is designed to induce development by applying a 10-year tax incentive to address weak market conditions coupled with the fourth-highest construction costs in the country. The program started in 2000 and applies across both rental and for-sale communities. A report by JLL found that every $1 in tax revenue foregone through initially abated property results in $2 of net revenue through the resultant effects of the policy.

SECONDARY SOLUTION 1: Lay the foundation for high-quality mixed-use development

ISSUE: *Effective mixed-use development, an increasingly desired urban form, is often hindered by a lack of coordinated funding and strategic planning.*

Mixed-use developments, essential for sustainable urban growth, face challenges in Virginia due to uncoordinated funding and strategic planning. This results in missed opportunities for creating vibrant, economically diverse communities. Main street redevelopment of historic cities like Buena Vista could stimulate economic growth, promote cultural preservation, improve quality of life and attract new residents, and promote sustainable development practices to preserve the predominantly rural nature of the region.

SOLUTION: *Conduct a market analysis to determine potential mixed-use opportunities and identify federal and state resources to be used in revitalization initiatives.*

Market analysis is essential for localities considering mixed-use development because it assesses demand, evaluates economic viability, determines optimal land use, guides infrastructure planning, and aids in strategic long-term planning. Mixed-use developments can provide compounded community benefits within a single development, and these types of projects are increasingly sought after to meet a demand among generations seeking more accessible communities. Targeted mixed-use development strategies can also help localities address infrastructure investments and economic development goals within a region.

HOW IT WORKS

These efforts are aimed at fostering high-quality places that attract and retain residents, build a diverse tax base, and promote the town as a cultural destination.

Strategies include expanding the use of the Virginia Main Street Program (VMS), accessing state and federal tax credits, proactively recruiting developers, and connecting to other resources currently available for the purpose of main street mixed-use development.

Main Street Buena Vista, a local nonprofit serving as the City's VMS affiliate, has already received funding from the Community Vitality Grant (CVG) to beautify the downtown area with new landscaping and other improvements. Currently in the second-tier "Mobilizing Main Street" phase, Main Street Buena Vista will now pursue accreditation for the highest "Advancing Virginia Main Street" tier.

This status will allow the City to apply for Downtown Improvement and Financial Feasibility grants, and to receive technical assistance through consultants who are experts in architecture, design, planning, and organizational development.

Steps to develop Buena Vista's site inventory will help determine opportunities and barriers and lay the foundation for future projects. Opportunities to secure technical assistance and training programs for mixed-use and adaptive reuse development can help Buena Vista increase its public, nonprofit, and private sector capacities to pursue ground-level commercial opportunities and upper-story housing to attract new residents and activity.

HOW TO DO IT

Within 6 months:

- Assess internal capacity to undertake predevelopment activities.
- Plan market analysis and identify priority sites for development.
- Apply for funding to conduct market analysis and site assessment (e.g., feasibility, engineering, conceptual design).

Within 1 year:

- Conduct necessary site assessments and analyses, with a focus on identifying infrastructure needs to make priority site shovel-ready (e.g., water/sewer extensions, road extensions).
- Conduct public engagement to educate residents about future development potential of priority sites and its benefits to the community.
- Develop a request for proposal (RFP) for development partners to redevelop a priority site based on findings of site assessment and county goals.
- If the priority site is City-owned, begin a City-initiated rezoning process.
- Identify potential funding sources to support infrastructure expansion.

Within 2 years:

- Secure funding for infrastructure expansion.
- Expand infrastructure to priority sites as needed.
- Release RFP for development partners, considering additional development incentives to attract high-quality applicants.
- Assess applications and make an award within three to six months.

WHO DOES WHAT

City Council: Approve of City involvement and actions related to development, funding, and overarching goals.

Planning, Zoning & Community Development: Provide coordination of predevelopment activities and visioning for site development.

Economic Development Authority: Provide additional assistance to plan and identify potential development partners and ideal uses of the site to encourage economic development within the county.

CSPDC: Support the County’s efforts to coordinate improvements, particularly via technical assistance on applications for state funding opportunities. Oversee the utilization of Virginia Main Street Program and other state resources.

Local businesses: Engage in dialogue to assess needs and opportunities for commercial space within mixed-use developments. Participate in planning processes to ensure that developments meet local business requirements. Advocate for development projects that enhance local economic activity.

Developers: Design and execute mixed-use projects in line with market analysis and local needs. Leverage federal and state tax credits and other incentives for project financing.

HOW TO FUND IT

DHCD Community Development Block Grants: DHCD makes federal CDBG funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the County could apply for that would support pre-development work. For all CDBG grants, there are varying requirements for serving communities/households with low to moderate incomes.

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
- Construction-Ready Water and Sewer Fund: Open submission grant up to $800,000 to support development of community water and wastewater infrastructure.

Virginia Housing Community Impact Planning Grant: Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Virginia Housing Community Impact Stabilization and Deconstruction Grant: Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*" Deconstruction Grant available "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*" For either, the County may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, and Rehabilitation Area (per Va. Code Ann. § 36).

Virginia Housing Predevelopment Loan Fund: Below-market rate loan up to $500,000 with 36-month term. Funds can be used for architectural/engineering reports, legal fees, permitting fees, appraisals, and other similar expenses.

Virginia Resources Authority: Low-cost loan financing for local governments via the public debt market. Specific programs that could support infrastructure, utilities, site acquisition, and similar activities include:

- Local Government Direct Loan Program: Flexible awards between $250,000 and $750,000
- Virginia Pooled Financing Program: For larger projects
- Clean Water Revolving Loan Fund: For water/wastewater improvements and brownfield remediation
- Drinking Water State Revolving Loan Fund: For public water supply, storage, and distribution

EXAMPLES AND RELATED INFORMATION

Harrisonburg

In the early 2000s, downtown Harrisonburg faced various challenges, including blight, vacant buildings, and a lack of residential and commercial appeal. To address these challenges, the City established Harrisonburg Downtown Renaissance (HDR), a nonprofit devoted to revitalizing the downtown area, in 2003. HDR became part of the Virginia Main Street program, which provided a comprehensive strategy for revitalization. One key component of HDR was the focus on mixed-use development. Recognizing the value of having both residential and commercial spaces in the downtown area, the City encouraged developers to create mixed-use spaces. This meant renovating the upper floors of existing commercial buildings into residential units and promoting the ground floors for commercial use.

CITY OF LEXINGTON SOLUTIONS

PRIORITY SOLUTION 1: Investigate range of incentives to increase supply of lower-cost housing options

ISSUE: *Limited incentives exist for developers to engage with affordable housing, resulting in a low inventory of attainable and diverse housing.*

Insufficient incentives prevent the development of affordable housing in many localities. Developers frequently deal with exorbitant expenses, complicated regulations, and drawn-out approval procedures that discourage growth. These obstacles impede the ability to build more affordable housing, exacerbating socioeconomic inequality and increasing the need for community housing.

SOLUTION: *Encourage the expansion of affordable developers and builders by providing funding and support, and review development laws to permit higher housing densities and a wider range of housing types.*

Administrative delays and inefficiencies can lead to additional costs and complexities for builders. At best, these expenses get factored into higher home prices. At worst, developers choose another locality to build or give up entirely. Developing a comprehensive incentive package could include not only financial incentives but also streamlining procedures to expedite construction, thereby saving costs.

HOW IT WORKS

It takes a combination of financial, regulatory, and technical support to draw in and reward developers who can provide lower-cost options. Lexington can standardize existing incentives and explore adopting new mechanisms to spur future growth.

The options provided in this section do not need to be pursued and adopted all together. The City should review each of these possible strategies, determine which should be fully evaluated and vetted, and then proceed with a partial selection based on current priorities and capabilities.

Financial incentives

Together with its Industrial Development Authority (IDA), the City can use a variety of tools to increase the financial viability of affordable housing projects. These investments can be made in conjunction with significant mixed-use development projects, or they can be made available for "one-off" projects that have the potential to strategically advance the City's broader economic and community development objectives.

Grants

One common function of IDAs is to provide grants to businesses and other entities to foster innovation, workforce development, and other activities that support the community's economic growth objectives. While these grants are usually not targeted to housing-specific uses, the IDA may want to explore options to use any discretionary funds for strategic housing activities in the private sector.

As one potential strategy, the IDA could consider performance grants for firms involved in the production of lower-cost housing, or who can strengthen the construction workforce, especially through innovative methods.

Revenue bonds

IDAs can issue tax-exempt bonds that provide large, low-cost funding to create transformative capital projects. Numerous IDAs throughout Virginia use multifamily revenue bonds to help boost the construction or rehabilitation of affordable housing in their communities. These bonds are guaranteed by the future income ("revenue") of the project and provide below-market interest rates.

Neither the IDA nor the City formally loans money; the arrangement simply provides developers with access to capital markets at attractive rates. In fact, IDAs use this arrangement as an income-generating activity by earning fees collected from the bond recipient.

Land support

IDAs can purchase and hold onto land until suitable development partners are selected, utilities are planned, and financing terms are established. Along with market acquisitions, IDAs can also organize and execute property swaps to strategically trade land with private owners or other public entities.

When selling off land for mixed-use development, IDAs can discount acquisition costs in exchange for certain terms, such as the inclusion of below market rate residential units, or donation of a section of the property to a separate affordable housing developer.

IDAs have the option to retain ownership of the land and create a ground lease agreement with the developer for the improvements. The property is leased at a nominal cost, and the developer is exempt from paying real estate taxes on the value of the land. This arrangement gives the public a formal stake in the development and provides an IDA with more permanent oversight to ensure compliance with any performance incentives.

Real estate tax partial exemptions

Localities in Virginia are permitted to offer partial exemptions on real estate taxes for certain types of properties that are rehabilitated, renovated, or replaced under certain conditions. These programs can help spur investments in older neighborhoods and contribute to productive infill or reuse of underused properties. Owners can have the value of their improvements exempted from the calculation of their property taxes for a definite period after work is completed, usually for no more than 20 years.

Lexington's current City Code only offers partial exemption for rehabilitation projects under Va. Code Ann. § 58.1-3221, which covers commercial and industrial properties. This exemption, however, would not be applicable to residential-only developments, and is unclear as to whether it would apply to mixed-use developments.

Therefore, the City can consider designing new exemptions using other similar state statutes.

§ 58.1-3220. Partial exemption for certain rehabilitated, renovated or replacement residential structures sets specific guidelines for the design of residential tax abatement programs. Many localities across the state have programs using this statute.

- The partial exemption can either be a stated amount or percentage of the increase in assessed value of the property, or an amount up to 50% of the cost of rehabilitation, renovation, or replacement.
- The partial exemption can begin on the date of completion or on Jan. 1 of the following year.
- The period of exemption cannot last more than 15 years.
- Localities can shorten the length of the exemption period, or reduce the amount of the exemption in stepped increments.

§ 58.1-3219.4. Partial exemption for structures in redevelopment or conservation areas or rehabilitation districts can grant exemptions up to 30 years, but properties must be located in a "Redevelopment or conservation area or rehabilitation district" designated by ordinance. These exemptions can be approved on a project-by-project basis, and are often used to strengthen Low-Income Housing Tax Credit applications.

IDAs can also facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a city ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs—which in turn can secure better financing.

Planning and technical assistance

Localities and IDAs are increasingly serving as an intermediary for applying to state planning grants to help study development options for specific sites and properties. Sources include Virginia Housing, the Department of Housing and Community Development (DHCD), and the Virginia Economic Development Partnership. Lexington can provide this service to help investigate mixed-use opportunities on City-owned properties, or to assist private owners with assessing options for certain properties whose development would be a strategic win for the city.

HOW TO DO IT

Within 6 months:

- Form a dedicated task force consisting of members from the Department of Planning and Development, IDA, City Council, Planning Commission, and Public Works Department to oversee the implementation of the affordable housing strategy.
- Begin identifying potential funding sources such as DHCD Community Development Block Grants, Virginia Housing Community Impact Planning Grants, and other private funds from philanthropic foundations.
- Conduct a thorough review of existing financial and regulatory incentives to identify gaps and opportunities for enhancement.
- Engage with key stakeholders, including developers, community members, and housing advocates, to gather input and support for the proposed incentives and regulatory changes.

Within 1 year:

- Roll out financial incentives such as grants, revenue bonds, and land support mechanisms to make affordable housing projects financially viable for developers.
- Design and implement new real estate tax partial exemptions for rehabilitated, renovated, or replacement residential structures to encourage investments in affordable housing.
- Offer planning and technical assistance to developers and property owners to help them navigate the development process and access available incentives.
- Initiate pilot projects for mixed-use developments that include affordable housing units, leveraging financial tools such as multifamily revenue bonds.

Within 2 years:

- Adopt proven regulatory frameworks and technology-based solutions to further streamline residential development processes across the city.
- Continuously monitor the effectiveness of financial and regulatory incentives and make adjustments as needed to ensure they are achieving desired outcomes.
- Secure long-term funding commitments from state and federal sources, as well as private grants, to sustain affordable housing development efforts.

- Conduct a comprehensive evaluation of progress made in increasing affordable housing inventory and addressing regulatory barriers, using this evaluation to refine strategies and set new goals.
- Publicize successful affordable housing projects and the benefits of the incentives and regulatory changes to encourage further participation from developers and community members.

WHO DOES WHAT

Department of Planning and Development: Provide coordination of predevelopment activities and visioning for site development.

Industrial Development Authority: Provide additional assistance to plan and identify potential development partners and ideal uses of the site to encourage economic development within the city.

City Council and Planning Commission: Approve of City involvement and actions related to site development, incentives, funding, and overarching goals.

Public Works Department: Undertake infrastructure expansion to priority site after funding secured.

HOW TO FUND IT

DHCD Community Development Block Grants (CDBGs): DHCD makes federal CDBG funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the City could apply for that would support predevelopment work. For all CDBG grants, there are varying requirements for serving communities/households with low-to-moderate incomes.

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
- Construction-Ready Water and Sewer Fund: Open submission grant up to $800,000 to support development of community water and wastewater infrastructure.

Virginia Housing Community Impact Planning Grant: Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Virginia Housing Community Impact Stabilization and Deconstruction Grant: Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*" Deconstruction Grant available "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*" For either, the City may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, and Rehabilitation Area (per Va. Code Ann. § 36).

Virginia Housing Predevelopment Loan Fund: A below market rate loan up to $500,000 with 36-month term. Funds can be used for architectural/engineering reports, legal fees, permitting fees, appraisals, and other similar expenses.

Private funds: Grants from philanthropic foundations that support community development and civic innovation could also be explored.

SUCCESS METRICS

Increase in affordable housing units: Track the number of new affordable housing units developed annually and compare this to previous years.

Reduction in approval times: Measure the average time taken for affordable housing project approvals before and after the implementation of streamlined processes.

Utilization of financial incentives: Monitor the uptake of financial incentives such as grants, revenue bonds, and tax exemptions by developers and assess their impact on project feasibility.

Stakeholder satisfaction: Conduct surveys and gather feedback from developers, community members, and housing advocates to gauge their satisfaction with the new policies and processes.

EXAMPLES AND RELATED INFORMATION

Danville IDA

- The Danville IDA currently supports affordable housing development by offering a conditional real estate tax grant program, development fee reimbursements, and predevelopment grants for engineering and financial reports.

City of Charlottesville Affordable Housing Expedited Review

- Expedited process enabled through § 34-12(f) in local code prioritizes affordable housing projects that align with the City's goals to have their review complete within a month.

Montgomery County, Maryland Green Tape Process

- Expedited permitting and review process for projects that designate at least 20% of the total units to affordable housing.

City of Richmond Third-Party Program

- Applicants can contract directly with a third-party service for permit review as an alternative to in-house process. Available for certain scenarios and not all cases.
- Created in response to significant ongoing delays and problems with the permit office, many of which were highlighted in a 2020 internal audit of the permit office.

Virginia Beach Development Authority (VBDA)

- VBDA already uses its bonding authority to occasionally issue revenue bonds for residential projects, including affordable housing. According to MSRB records, VBDA issued 29 multifamily revenue bonds between 1987 and 2011.
- For example, the $6 million bond for New Sands Apartments ("The Sands") in 2011 helped finance the acquisition and rehabilitation of a 120-unit affordable rental property for seniors. It was used in conjunction with Low-Income Housing Tax Credits and an existing Section 8 contract.
- More recently, VBDA approved $33 million in bonds to help renovate the Atlantis Apartments complex in 2021. On Oct. 17, 2023, VBDA approved $525 million in revenue bonds to Westminster-Canterbury. This will allow the organization to build more than 200 new independent living units and related amenities.

PRIORITY SOLUTION 2: Continue momentum to evaluate and determine potential for underused properties

ISSUE: *Vacant and underutilized properties occupy a city's most valuable asset and do not provide benefits for the community or tax revenue for the local government.*

Localities have a limited supply of land to fulfill the needs of their constituents. When parcels sit vacant for extended periods, real estate tax revenue is lost and the City fails to serve surrounding community members. Land is often one of the most difficult things to obtain for housing development, so leveraging underutilized properties can effectively solve multiple issues.

SOLUTION: *Explore ways to convert vacant and underutilized properties back into more productive uses such as housing.*

Sometimes vacant properties exist not because they are undevelopable, but because the market is not in the right place to develop them as they are, or due to legal complexity. In these cases, there are ways for local governments to intervene by taking ownership of vacant properties or making them more attractive for developers. The first step is discovering how many and what kinds of vacant properties exist within the locality.

HOW IT WORKS

Survey and Identification

The City of Lexington already has an effort underway to survey housing and infrastructure conditions, funded in part by a CDBG Planning Grant. It is crucial to identify continued funding sources for this survey, and the survey should identify areas with high levels of property vacancy and infrastructure needs to target for closer examination.

Publicity Strategy

As the "windshield" survey wraps up, it will become important to develop a publicity strategy for the results. This strategy should assist in building public support for infrastructure improvements and action around vacant properties.

Detailed Census and Owner Engagement

After the survey is complete, a detailed census of all vacant properties in the city should be taken. Based upon the underutilized property survey conducted in 2023, letters should be sent to owners of as many vacant properties in the city as possible, inquiring as to the history of the properties and any plans owners have for the future.

Vacant Property Registry

As part of this survey, explore options for creating a city registry of vacant properties if there is a clear need determined for it. The statutory authority for localities to create these registries is outlined in Va. Code Ann. § 15.2-1127. The registry could require property owners to pay an annual fee to remain in good standing with the City. Failure to pay the registration fee could serve as an early warning for abandonment and tax delinquency.

Rehabilitation Tax Abatement

For properties with abandoned single-family structures, if they are found to be a persistent problem in the city, a rehabilitation tax abatement under Va. Code § 58.1-3220 could be considered. This abatement could incentivize owners to rehabilitate single-family properties and make them available for sale or rent.

Regional Land Bank Program

The City should participate in exploring a regional land bank program with other localities. A list of possible land bank properties should be created, to include any city-owned, vacant, developable properties, as well as any tax-delinquent properties with assessed values under $75,000 where the taxes owed are at least 25% of the assessed value. These properties could be transferred into a land bank entity without going through tax sale under Va. Code Ann. § 58.1-3970.1.

HOW TO DO IT

Within 6 months:

- Investigate funding sources to complete the windshield housing and infrastructure conditions survey.
- Identify areas with high infrastructure needs and property vacancy during the survey.
- Develop a publicity strategy to disseminate survey results and build support for action around infrastructure improvement and vacant properties.
- Continue the underutilized property survey from 2023, sending letters to as many owners of vacant properties as possible.

Within 1 Year:

- Explore the creation of a registry of vacant properties.
- Evaluate the inventory of underutilized properties in the city and whether a single-family rehab tax abatement could affect a significant number.
- Assess the inventory of vacant properties in the city to determine whether they are developable, who the owners are, and whether their tax assessments and tax delinquency could make them eligible for nonjudicial transfer to a land bank entity.

Within 2 Years:

- Implement the registry of vacant properties and monitor compliance.
- Collaborate with regional partners to establish a regional land bank program.
- Develop and initiate pilot projects for rehabilitating or repurposing underutilized properties based on the survey results.

WHO DOES WHAT

Department of Planning and Development: Conduct vacant property windshield survey, continue vacant and underutilized property owner survey, explore creation of vacant property registry, and evaluate vacant property inventory.

Public Works Department: Assist with infrastructure for windshield survey.

Commissioner of Revenue: Assist with evaluation of vacant property inventory.

Planning Commission: Evaluate findings from surveys and other staff research, and make recommendations to the City Council.

City Council: Use recommendations from staff and Planning Commission to revise policy and/or allocate funding to address property vacancy as needed.

HOW TO FUND IT

DHCD Community Development Block Grants: DHCD makes federal CDBG funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the City could apply for that would support predevelopment work. For all CDBG grants, there are varying requirements for serving communities/households with low-to-moderate incomes

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
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SUCCESS METRICS

- Completed surveys of vacant and delinquent properties
- Number of property owners engaged/contacted for redevelopment or sale
- Sites identified for infill opportunities

EXAMPLES

City of Lynchburg - Vacant Building Registration Program and Derelict Program

Lynchburg employs two interconnected programs to address vacant and deteriorating properties: the Vacant Building Registration Program and the Derelict Program. The Vacant Building Registration Program aims to protect the city from blight by requiring owners to register buildings that have been vacant for 12 months or more and meet the criteria of a "derelict building" by July 1 each year, with a $100 annual fee. Failure to register results in civil penalties, ranging from $200 for general cases to $400 for buildings in conservation districts or designated as blighted. The Derelict Program focuses on buildings vacant for 12+ months, boarded up, and disconnected from utilities. These programs work in tandem to encourage property maintenance and hold owners accountable for neglected buildings, with the City providing notice before taking action and offering various remedies to address problem properties.

Town of Alta Vista - Town-led ARS program

Using funding from DHCD's Acquire, Renovate, Sell (ARS) program, the Town of Alta Vista acquires undervalued homes, renovates them, and sells them at market rate. After the sale of the home, the Town uses the net proceeds as program income to reinvest in local, affordable housing efforts.

SECONDARY SOLUTION 1: Continue productive zoning reform measures and market new opportunities to property owners and developers

ISSUE: *Diverse housing forms are difficult to pursue if the zoning ordinance does not allow for flexibility.*

Larger single-family homes make up the majority of homes on the market, but they do not match the needs or desires of single persons, couples without children, or households looking to downsize. This leads to cost burden for smaller households, or conversions of single-family homes into rentals, which single persons and couples are more likely to prefer. Subdividing these lots to create desired density may be difficult if zoning regulations outline strict maximums.

SOLUTION: *Develop pathways for residents and developers to build smaller, "missing-middle" housing types in their neighborhoods.*

Zoning may frequently be a barrier to developing the sorts of homes that the market requires. Streamlining residential zoning and development regulations can provide greater flexibility for new construction. Accessory Dwelling Units, cottage courts, and small-scale multifamily constructions are examples of scaled housing that could be more easily permitted to alleviate market pressures.

HOW IT WORKS

Promote Accessory Dwelling Units (ADUs)

The City of Lexington has recently adopted an ordinance to permit detached ADUs in residential zoning districts. This ordinance aims to encourage the development of ADUs by providing clear guidelines and definitions for both attached and detached units. The promotion strategy should include:

Public Awareness Campaign: Launch a campaign to educate homeowners about the benefits and opportunities of building ADUs. This can include informational brochures, workshops, and online resources explaining the new ordinance, the application process, and potential financial benefits.

Financial Incentives: Explore potential financial incentives such as grants, low-interest loans, or tax abatements for homeowners who choose to build ADUs. ADUs can also be encouraged by granting tax abatements in exchange for provision of the unit as a long-term rental on the market, and by working with community lenders (small banks and credit unions) to develop new ADU construction loan products for homeowners.

Explore and Adopt Cottage Housing Zoning

Building on the success of ADUs, the City should also explore adopting cottage housing zoning to facilitate the creation of small-scale, community-focused housing developments.

Development of the Falls Church Railroad Cottages (described below) serves as a valuable example. The approach should include:

Assess Development Potential: Assess the parcel inventory to determine how many suitable parcels or aggregation opportunities exist for cottage courts.

Review and Adaptation of Zoning Codes: Conduct a comprehensive review of existing zoning codes and identify necessary amendments to permit cottage housing. This includes defining cottage housing, setting density and design standards, and establishing requirements for community amenities and green space.

Pilot Programs: Implement pilot programs to test the cottage housing model. Select suitable sites within the city, such as underutilized or vacant lots, and work with developers to create cottage housing communities.

Public Engagement: Engage with the community to gather input and support for cottage housing. Hold public meetings, workshops, and surveys to ensure that the community's needs and concerns are addressed.

HOW TO DO IT

Within 6 Months:

- Launch a public awareness campaign about the new ADU ordinance.
- Develop a streamlined permitting process for ADUs.
- Identify potential sites for pilot cottage housing projects.
- Engage with community stakeholders to gather input and build support for cottage housing.

Within 1 Year:

- Implement financial incentives for ADU construction.
- Conduct a detailed census of vacant properties and send letters to property owners.
- Establish a registry of vacant properties.
- Review and adapt zoning codes to allow for cottage housing developments.

Within 2 Years:

- Monitor and evaluate the success of ADU projects.
- Launch pilot cottage housing projects.
- Implement rehabilitation tax abatements for single-family properties.
- Establish a regional land bank program and begin transferring eligible properties.

WHO DOES WHAT

Department of Planning and Development: Conduct public awareness campaigns and workshops, streamline the ADU permitting process, and review and adapt zoning codes.

Planning Commission and City Council: Review, evaluate, and adopt applicable changes to the zoning ordinance and other sections of City Code as needed.

SUCCESS METRICS

- Increased knowledge among planners and elected officials about zoning best practices
- Adoption of "pro-housing" land use and zoning policies
- Number and type of new residential units created
- Share of projects/units approved by-right or by rezoning or special exemption

EXAMPLES

- The City of Falls Church has approved "Railroad Cottages" and a subsequent amendment on cottage housing in its zoning code.

- The City of Winchester enacted a cottage-style housing ordinance in 2011 with drawings demonstrating types of cottage courts that are allowed under the ordinance.

- The City of Richmond recently allowed ADUs by-right, with some restrictions, on any single-family residential lot in the city. The ordinance had wide support from residents, as it was bundled with stricter regulations for short-term rentals.

SECONDARY SOLUTION 2: Explore working with Virginia Resources Authority (VRA) to take advantage of its new power to fund local affordable housing efforts

ISSUE: *Securing stable and substantial subsidy for affordable housing is an ongoing barrier to increasing supply.*

Smaller cities, such as Lexington, struggle to raise the necessary funds to address local housing issues. Finding subsidies from state funds is an important part of the financing equation, but many of these well-known sources are over-prescribed.

SOLUTION: *New state funding opportunities through VRA can be tapped to develop much-needed housing.*

HB1805 and SB1401 from the 2023 General Assembly session make it possible for VRA to issue bonds for affordable housing development on behalf of local governments. This approach could simplify and streamline a process that has discouraged the local use of general obligation bonds for housing.

HOW IT WORKS

Article VII, section 10 of the Constitution of Virginia provides the necessary authority—and limitations—for cities, counties, and towns to issue general obligation bonds. The Virginia Public Finance Act (Va Code Ann. § 15.2-2600 through 15.2-2663) provides further guidance.

Last year, new amendments to the code (§ 62.1-198) were passed, allowing VRA to fund the "production and preservation of housing" for low- and moderate-income households. While VRA is still examining options, it has been granted a very flexible definition in new state code language, and the City could theoretically use VRA funds on a range of housing programs.

Creating a priority list of activities that require funding will be a first step toward bond applications, and this could include:

- Rehab and repair for low-income homeowners (following CDBG Planning Grant)
- Revolving loan fund for affordable rent housing development
- Down payment assistance for first-time homebuyers

VRA also has longstanding loan programs that can be used in conjunction with financing for actual housing construction and development. Specific programs that could support infrastructure, utilities, site acquisition, and similar activities include:

- Local Government Direct Loan Program: Flexible awards between $250,000 and $750,000
- Virginia Pooled Financing Program: For larger projects
- Clean Water Revolving Loan Fund: For water/wastewater improvements and brownfield remediation
- Drinking Water State Revolving Loan Fund: For public water supply, storage, and distribution

HOW TO DO IT

Within 6 Months:

- Identify and engage key stakeholders, including city officials, housing developers, and community organizations, to discuss the potential of using VRA funds for affordable housing.
- Conduct a comprehensive needs assessment to determine the priority housing activities that require funding, such as rehab and repair for low-income homeowners, a revolving loan fund for development of affordable rentals, and down payment assistance for first-time homebuyers.
- Develop a detailed funding plan that outlines the specific amounts needed for each priority activity and potential sources of funding, including VRA programs.
- Initiate the process of creating a priority list of activities that require funding to prepare for bond applications.

Within 1 Year:

- Apply for VRA's Local Government Direct Loan Program for small-scale projects with flexible awards between $250,000 and $750,000.
- Prepare and submit applications for the Virginia Pooled Financing Program to finance larger affordable housing projects.
- Collaborate with the Public Works Department to identify infrastructure and utility needs related to housing development and prepare applications for the Clean Water Revolving Loan Fund and the Drinking Water State Revolving Loan Fund.
- Develop a public awareness campaign to inform residents about the new funding opportunities and the city's plans to use VRA funds for affordable housing development.

Within 2 Years:

- Secure funding from VRA programs and other identified sources to initiate priority housing activities.
- Implement the priority housing activities, including rehab and repair for low-income homeowners, a revolving loan fund for affordable rent housing development, and down payment assistance for first-time homebuyers.
- Monitor and evaluate the effectiveness of the funded activities and make necessary adjustments to ensure they meet the city's affordable housing goals.
- Continue to seek additional funding opportunities and partnerships to sustain and expand affordable housing development efforts in Lexington.

WHO DOES WHAT

Department of Planning and Development: Determine priority housing activities, develop a detailed funding plan and identify specific amounts needed for each priority activity, prepare and submit applications for VRA funding programs, and monitor and evaluate the effectiveness of funded activities.

City Council and City Manager: Engage with key stakeholders, including city officials, housing developers, and community organizations. Approve the priority list of activities that require funding and the detailed funding plan.

Public Works Department: Collaborate with the Department of Planning and Development to identify infrastructure and utility needs related to housing development. Assist in preparing applications for the Clean Water Revolving Loan Fund and the Drinking Water State Revolving Loan Fund.

Finance Department: Manage and oversee the financial aspects of securing and utilizing VRA funds. Ensure compliance with all financial regulations and requirements related to bond issuance and fund allocation.

Community Organizations and Housing Developers: Provide input and support for the needs assessment and funding plan development. Partner with the City in implementing priority housing activities and utilizing secured funds effectively.

Virginia Resources Authority (VRA): Offer guidance and support throughout the application process for various funding programs.

SUCCESS METRICS

- Total investments secured via bond issuance, special assessments, or other revenue streams
- Sites pre-developed for future housing projects
- MOUs with municipal housing authorities or nonprofit developers to specify agreements in providing affordable homes through future bonds

TOWN OF GLASGOW SOLUTIONS

PRIORITY SOLUTION 1: Complete comprehensive vacancy survey to determine needs

ISSUE: *Vacant or underutilized properties represent missed opportunities for both the community and local government.*

As in other parts of the region, changes in Glasgow's population and migration patterns have resulted in property vacancy or abandonment. These properties contribute to blight and prevent community goals by stifling growth and development.

SOLUTION: *Explore ways to convert vacant and underutilized properties back into more productive uses such as housing.*

Identifying the scope of the vacancy problem and priorities for redevelopment can assist the Town in setting benchmarks for addressing this issue. Depending on location, the scale of disrepair, and missing community assets, these empty properties can be repurposed to either bring more beauty or housing to existing and future residents.

HOW IT WORKS

Even in cases when privately owned properties pose a public nuisance, Virginia does not give municipal governments substantial authority to promote the redevelopment of privately owned land. A few possibilities are available, nevertheless, if properties fulfill certain requirements.

Survey the town for vacancy.

Use existing real estate records coupled with a windshield survey to compile a comprehensive list of vacant and abandoned properties in the town. Information gathered should include owner information, delinquent taxes, property conditions, and active code violations. A full inventory that is mapped will help determine where there may be concentrations of vacancy, as well as if they are the result of only a few absentee property owners. Context and community objectives can assist in determining end-use. Concentrated regions of vacancy close to growing areas or next to well-maintained properties should be given priority for rehabilitation.

Assess vacant properties according to potential intervention mechanisms.

Inventoried properties can also help assess which projects meet the eligibility criteria for condemnation or tax sale based through currently enabled town authority. Parts of state code that outline powers below include:

§ 36-49.1:1. Spot blight abatement authorized; procedure.

- Localities can establish procedures to identify and abate blighted properties.
- Enables local governments to acquire blighted properties through eminent domain for rehabilitation or resale.

§ 15.2-906. Authority to require removal, repair, etc., of buildings and other structures.

- Empowers local governments to mandate property owners to remove, repair, or secure hazardous buildings or structures, and allows localities to undertake these actions themselves if owners fail to comply, with costs recoverable from the owners.
- Provides for the imposition of liens on properties for unpaid charges, ranking on par with local real estate taxes, and permits civil penalties up to $1,000 for ordinance violations, offering financial mechanisms to enforce compliance and address vacancy issues.

§ 15.2-1127. Vacant building registration; civil penalty.

- Authorizes localities to require owners of vacant buildings to register them and pay an annual fee.
- This can help monitor and manage vacant properties and incentivize owners to maintain or repurpose them.
- Rockbridge County and/or the Town of Glasgow would need to seek General Assembly permission to be added to this statute.

§ 15.2-907.1. Authority to require removal, repair, etc., of buildings that are declared to be derelict; civil penalty.

- Allows localities to adopt ordinances to address derelict buildings that are a public nuisance.
- Includes measures like requiring the owner to repair, secure, or demolish the building.

§ 58.1-3965. When land may be sold for delinquent taxes; notice of sale; owner's right of redemption.

- Outlines the general process that localities can follow to auction tax-delinquent properties.

§ 58.1-3970.1. Appointment of special commissioner to execute title to certain real estate with delinquent taxes or liens to localities.

- Authorizes localities to pursue a “direct sale“ of certain tax-delinquent properties to itself or a land bank for redevelopment.
- Requires certain properties to be designated for affordable homeownership.

Staff should work with the county attorney and other officials to determine the capacity and opportunities for undertaking some or all of these routes. Using known attributes for each parcel, staff can ultimately match properties to the most likely mechanisms available for the County to intervene.

Think ahead for repair, rehabilitation, or redevelopment.

This inventory can provide needed data for the Town to pursue more in-depth policy interventions and apply for further funding. Future interventions can be orchestrated as programs to incentivize property owners to make necessary improvements to their property or allow localities to require the removal and/or repair of buildings that are declared derelict. Examples exist that outline future pathways the Town can pursue, including collaborations between the public and private sector.

WHO DOES WHAT

County attorney: Aid in the review and guidance of state code for local rights to address vacancy. Consult to determine easiest pathways forward for town leadership.

Town staff: Coordinate the identification of suitable properties and existing code violations; inventory conditions of properties and major obstacles; and determine redevelopment goals.

HOW TO FUND IT

CDBG and HOME funding: Accessed via DHCD, these federal grants can be used to support property redevelopment, affordable homeownership, and infrastructure improvements.

Private investments: Private foundations may offer grants for community development and affordable housing projects.

EXAMPLES AND RELATED INFORMATION

City of Portsmouth “Dangerous buildings” ordinance

Prince William County Spot blight program: The program's purpose is to identify blighted properties and seeks to have unsafe structures repaired, renovated, or demolished by the property owner as a first resort and then by the County at the owner's cost as a last resort.

PRIORITY SOLUTION 2: Leverage state programs to improve housing stock and advance civic pride

ISSUE: *The existing inventory of buildings and homes in the town is aging, requiring modification to best serve the changing needs of residents and to showcase the town's appeal.*

Towns want to reclaim their character by attracting new businesses and residents by pursuing more livable, resilient mainstreet communities. Over the past few decades, many rural towns have experienced the loss of traditional industries and population declines. With an aging population and a steady decline of downtown businesses, Glasgow is facing similar challenges. Furthermore, many residents are unable to perform the rehabilitation needed for the aging inventory of single-family and mobile dwellings, or to make necessary climate resilience modifications.

SOLUTION: *Use state and federal resources to proactively address housing and commercial rehabilitation programs.*

Economic growth, community development, and housing are inextricably linked, especially in smaller places. The ongoing renovation of historic downtown districts can attract both new inhabitants and companies in a harmonious way. Identifying opportunities for obtaining technical help and training programs for mixed-use development, adaptive reuse, and other actions to add residential space to revitalize key downtown districts will allow towns to strengthen their public, nonprofit, and private sector skills.

Several programs exist to target challenges related to climate resiliency, affordable home maintenance, and revitalization of industrial sites. Blending these programs can help the town not only attract new residents but also help existing citizens make necessary improvements to increase quality of life.

HOW IT WORKS

Revitalize old industrial or commercial properties.

DHCD has a number of programs designed to target deteriorating mixed-use sites across the state for revitalization. These include both site-specific and corridor-wide redevelopment programs. Two programs, in particular, have achieved success in rural communities by providing funding and guidance to local planners:

1. Industrial Revitalization Fund

The Industrial Revitalization Fund (IRF) is a program particularly well suited to repurposing larger properties or sites into new community-generating uses. Localities sponsor projects and apply to the state for final award determinations.

The program, targeted toward vacant non-residential structures whose poor condition creates physical and economic blight to the surrounding area, can include former manufacturing, warehousing, mining, transportation, and power production sites, as well as large-scale white elephant structures, such as department stores, theaters, hotels, or shopping centers. While this program is not permitted for residential-only repurpose, most projects have resulted in mixed-use outcomes that help reinstate a keystone structure to the community.

Examples: Renovation of the Historic Ashland Theatre, Norton IDA Cidery Project

2. Virginia Main Street

The Virginia Main Street (VMS) program assists cities and towns in implementing the National Main Street Center's Main Street Approach. The VMS program offers communities technical help, consulting services, training, and grant money. Between 1985 and 2021, the VMS program established over 7,500 enterprises, 25,000 jobs, and more than $2.1 billion in public and private investment in Virginia.

Virginia allows for the utilization of federal and state historic tax credits to rehabilitate commercial structures, such as offices and retail facilities. These tax credits have been used in many fading downtowns to repair and adaptively reuse buildings, converting old warehouses into a mix of housing and commercial purposes.

Virginia Housing also helps to promote community development through its mixed-use/mixed-income (MUMI) initiative. MUMI offers low-interest mortgage financing for projects that encompass both residential and commercial usage. Virginia Housing is flexible on the incomes served and will fund projects with household incomes up to 150% of AMI.

The first level, "Exploring Main Street," is available to all towns and intends to give help and financing for organizational growth, such as visioning or mission statements, as well as small physical upgrading projects. Subsequent stages of the VMS software help realize the vision for revitalization as a community grows.

Examples: Historic Downtown Staunton

Prepare for climate change and infrastructure demands.

While the Shenandoah area may not face as severe climatic difficulties as the state's coastline region, rising temperatures and storms can be difficult for those who are more remote or live in run-down housing. While improving the commercial vibrancy of the town, it is critical to add resiliency programs that provide infrastructure and resources to keep residents safe.

1. VDR Community Flood Preparedness Fund

The Community Flood Preparedness Fund was established to assist regions and communities throughout Virginia in reducing the effects of flooding, especially flooding caused by climate change. The money is dedicated to enabling communities to conduct vulnerability assessments and implement actionable strategies to improve flood preparedness and resilience.

2. DHCD Weatherization Assistance Program

The Weatherization Assistance Program (WAP), implemented through partnerships with local nonprofits, is dedicated to providing installation services that can improve climate resilience and lower energy burden for households.

3. SERCAP Community Development Infrastructure Funding

The Southeast Rural Community Assistance Project (SERCAP), based in Roanoke, serves the Southeast U.S. by providing funding and assistance to those looking to improve quality of life for low- to moderate-income rural communities. Today, the agency has grown into an organization directly responsible for providing safe water, sanitary water disposal, and structurally sound housing to well over a million households across its seven-state service region. In addition to providing discrete programs for homeowners, SERCAP also provides assistance to local government:

- Facilities Development Grant Program

  The SERCAP Facilities Development Grant Program provides grant funds for community development projects focused on water and wastewater infrastructure projects.

- Community Development Loan Program

  The SERCAP Loan Fund Program provides loans to local governments, public service authorities, homeowner associations, nonprofit organizations, and other community entities for the development and/or construction of large-scale community projects. Communities in Virginia can borrow up to $250,000 at an interest rate ranging between 3% and 7% for development projects like building a new water/wastewater treatment facility, installing water/wastewater laterals for a low-income development or neighborhood, repairing/replacing a water storage tank, or any other valuable community development project.

Incentivize rehabilitation and homeowner maintenance.

Along with efforts to leverage state and federal programs to improve housing conditions, the Town can explore its own incentive for property owners. A partial real estate tax exemption program (per Va. Code Ann. § 58.1-3220) allows owners to make improvements to their homes without having to pay the increase in real estate taxes resulting from a higher property value.

However, because the town's real estate tax rate is only $0.185 per $100 of assessed value, pursuing a partial exemption would be most effective if done for both the county and the town, with priority on getting it accepted to reduce the county's rate.

WHO DOES WHAT

Town staff: Apply and organize for capacity building efforts toward revitalization visioning. Organize local engagement to assess future goals.

Rockbridge County and CSPDC: Assist in funding applications and coordinate regional tools for town staff.

Downtown businesses: Engage with local government to improve mainstreet projects and plan for new opportunities.

SERCAP and other nonprofit organizations: Advise the town on best practices and serve as technical assistance providers as needed.

HOW TO FUND IT

See funding sources described in "How It Works" section above.

EXAMPLES AND RELATED INFORMATION

Town of Alta Vista

Using funding from DHCD's Acquire, Renovate, Sell (ARS) program, the Town of Alta Vista acquires undervalued homes, rennovates them, and sells them at market rate. After the sale of a home, the Town uses the net proceeds as program income to reinvest in local, affordable housing efforts.

City of Harrisonburg

In the early 2000s, downtown Harrisonburg faced various challenges, including blight, vacant buildings, and a lack of residential and commercial appeal. To address these challenges, the City established Harrisonburg Downtown Renaissance (HDR), a nonprofit devoted to revitalizing the downtown area, in 2003.

HDR became part of the Virginia Main Street program, which provided a comprehensive strategy for revitalization. One key component of HDR was the focus on mixed-use development. Recognizing the value of having both residential and commercial spaces in the downtown area, the City encouraged developers to create mixed-use spaces. This meant renovating the upper floors of existing commercial buildings into residential units and promoting the ground floors for commercial use.

Today, downtown Harrisonburg is a thriving urban center, recognized as a Great American Main Street Award winner.

SECONDARY SOLUTION 1: Evaluate a potential rental inspection program

ISSUE: *The condition of rental units, particularly NOAHs, in town is often unknown until tenants make complaints.*

When unoccupied and deteriorating building conditions continue, communities require larger subsidies to solve and remediate problems, a challenge that often goes unmet. Protecting renters and ensuring the preservation of naturally occurring or subsidized affordable housing are connected actions that contribute to community health.

SOLUTION: *Explore ways to actively inspect and improve rental conditions in the town to promote minimum quality standards.*

Code enforcement and building inspection programs are at the forefront of measures for ensuring citizens' housing safety and health. Local governments may collaborate with property owners to enhance properties and support healthy and thriving communities by implementing a robust, proactive code enforcement and building inspection program.

HOW IT WORKS

Many places rely on citizens to report code infractions in their areas; however, without local awareness of housing rules and with the possibility of reprisal against renters, this reactive method generates few complaints. Instead, proactive code enforcement works alongside a reactive, complaint-based strategy to undertake periodic inspections of individual rental homes.

Local governments and property owners benefit from increased savings when potential problems are discovered before they worsen. A proactive and reactive strategy allows for the identification and prioritizing of infractions that are more likely to create major health hazards (e.g., mold, lead).

Survey older rental units through a coordinated effort.

Using a coordinated approach with local agencies and departments can lead to more efficient and effective inspection initiatives. Intragovernmental collaboration can streamline services that are offered by building inspectors, fire departments, health departments, and law enforcement to gather information. This can also help to reduce duplicate services, fill gaps in capacity, and identify shared regional challenges.

Develop proactive relationships.

Cooperative compliance models go beyond inspection and citation by partnering with property owners to inform, educate, and give tools to prevent future issues. Fostering excellent connections with property owners is a beneficial approach that frequently leads to more significant changes to buildings, particularly if they are connected to existing regional and state resources.

Partnering with community-based groups can boost capacity and help overcome possible gaps that local governments might encounter with tenants and property owners. Potential collaborators might include housing activists, health experts, immigrant service providers, social workers, or home repair programs.

Identify metrics for a future inspection program.

Municipalities in Virginia have the authority to create a rental inspection district under state statute, making programmatic action simpler to implement. As outlined in Title 36, Chapter 6, Section 36-105, a rental inspection district is warranted if the local government finds:

> *(i) there is a need to protect the public health, safety and welfare of the occupants of dwelling units inside the designated rental inspection district;*
>
> *(ii) the residential rental dwelling units within the designated rental inspection district are either (a) blighted or in the process of deteriorating, or (b) the residential rental dwelling units are in the need of inspection by the building department to prevent deterioration, taking into account the number, age and condition of residential dwelling rental units inside the proposed rental inspection district; and*
> *(iii) the inspection of residential rental dwelling units inside the proposed rental inspection district is necessary to maintain safe, decent and sanitary living conditions for tenants and other residents living in the proposed rental inspection district.*

Using data collected on property conditions, the Town will be able to make the findings required in the code and establish an inspection program. Some governments conduct periodic inspections (annually, every two years, or otherwise). Some authorities choose to perform inspections when tenancy changes occur.

If the inspection is conducted in response to a complaint, entry to the unit is typically not an issue. Typically, agreements require the tenant to grant the landlord access to the unit with certain notice, so coordinating with the landlord and providing notice may be the most efficient approach to acquire access. Inspections at the time of tenancy change eliminate these issues; however, in the event of long-term tenancy, inspections may be infrequent.

WHO DOES WHAT

Town officials: Take the initiative in promoting improvements to code enforcement and facilitate relationships between code enforcement, property owners, and renters.

Partner groups: Local housing advocates and community-based organizations, working to bridge the gap between local government officials and the community, can raise knowledge and awareness about the need for safe and healthy building conditions.

Public agencies: Fire, law enforcement, and health departments can collaborate with code enforcement to coordinate safety measures, expedite community services, and refer violations.

EXAMPLES AND RELATED INFORMATION

City of Lynchburg

Establishing a rental inspection district, the Lynchburg Residential Rental Inspection Program applies to both short-term and long-term rentals, requiring non-owner occupied rental property owners to comply with existing habitable standards. Owners of single- or multiple-occupied rental properties are assumed “Good to Go” and are expected to be ready for inspection of all habitable marketed rental dwellings.

SECONDARY SOLUTION 2: Explore long-term residential development incentives

ISSUE : *Housing developers are not developing lower-cost housing due to myriad factors that impact their bottom line.*

High land acquisition costs, coupled with expensive construction materials and labor, make it financially challenging to produce affordable units. Additionally, regulatory barriers such as zoning restrictions, lengthy approval processes, and stringent building codes can further increase costs and delays. Developers also face difficulties in securing financing for affordable projects, as they are typically seen as less profitable compared to market-rate developments. As a result, the financial risks and lower returns associated with affordable housing deter many developers, leading to a shortage of housing options for low- and moderate-income families.

SOLUTION: *Create a suite of development incentives to spur lower-cost housing development.*

Development incentives help offset the costs of providing affordable housing. Density bonuses are some of the most common, but other incentives may seek to relax other zoning restrictions, waive fees, expedite permitting, offer tax relief, or provide direct subsidy. Regardless of the type of the incentive used, the basic mechanism seeks to reduce the cost to develop a specific type of housing in return for a commitment to affordability (whether short-term, long-term, or permanent).

HOW IT WORKS

Localities have used a wide range of incentives to encourage developers to build more affordable housing types. The type of housing a community wants to encourage will determine the type of incentive. For example, communities that want to see more affordable rental housing often use density bonuses to allow developers to build more than what is allowed so long as they set aside a percentage of units as income-restricted.

Zoning changes and streamlined permitting can be no-cost alternatives that benefit both developers and property owners. Allowing accessory dwelling units by-right in all single-family zoning districts and maintaining a fast-track permitting process can create new housing opportunities, as well as new streams of revenue for homeowners.

- Training programs should cover how local zoning regulations could influence the planning and execution of affordable housing projects, including the potential need to navigate variances or amendments to these regulations. Training must also include understanding the Virginia Residential Landlord and Tenant Act and its implications on managing affordable housing units.
- Developers should be educated about Virginia's Low-Income Housing Tax Credits (LIHTCs) and how to leverage this program to finance affordable housing development.
- Building organizational capacity involves training developers on managing projects, collaborating with local organizations and government entities, and complying with affordable housing regulations.

WHO DOES WHAT

Town and Rockbridge County staff: Evaluate viable development incentives for Glasgow with stakeholders and prioritize specific policies to implement.

Housing industry professionals: Developers, builders, and real estate agents can provide important feedback about marketable housing options for the town and county.

AUGUSTA COUNTY SOLUTIONS

Priority Solution 1: Leverage comprehensive planning process to educate public about housing needs and solutions

ISSUE: *The comprehensive plan update and implementation process is an opportunity to address public misunderstandings about housing and increase support for well-planned growth.*

Augusta County is in the process of updating its comprehensive plan. As of June 2024, several rounds of community engagement have already been conducted. County staff and the consultant are now working to draft the plan, with the expectation to begin a final review and adoption process in the fall.

SOLUTION: *Supplement the comprehensive plan update with a solutions-focused housing education campaign to strengthen public support for more housing opportunities.*

Developing a greater understanding of housing among the public would help the County successfully pursue new strategies in its zoning codes following the comprehensive plan update. As the County pursues finalizing and eventually implementing strategies within the plan, it can work to ensure citizens fully understand why housing is critical, and why new solutions are necessary.

HOW IT WORKS

Integrating housing solutions into comprehensive plan

As the County works to draft an update to its comprehensive plan, it can consider the following strategies when evaluating options. These approaches fall into three broad categories:

1. Diversity of housing options
2. Density bonuses
3. Regulatory efficiencies

<u>Diversity of housing options</u>

There are several opportunities for the County to leverage its zoning code to make developing a wider variety of housing easier and less costly to develop at scale. These include:

Accessory dwelling units

Craft new ADU regulations for detached and attached units that are economically viable and use design standards that respect neighborhood cohesion. Best practices for successful ADU zoning ordinances include:

- Clear and consistent guidelines grounded in the actual parcel geometries and layouts of residential lots
- Flexible residency requirements, so occupant does not have to be direct relative or caregiver
- Parking requirements for no more than one additional space
- Proactive limitations on the use of ADUs as short-term rentals
- Amnesty path for any existing nonconforming ADUs that meet certain criteria

ADUs can also be encouraged by granting tax abatements in exchange for provision of the unit as a long-term rental on the market, and by working with community lenders (small banks and credit unions) to develop new ADU construction loan products for homeowners.

The County should monitor ongoing discussions among state lawmakers regarding ADUs. In response to recent bills that would have required local governments to permit ADUs by-right in certain areas, the Virginia Housing Commission created a Special ADU Workgroup that is finding a balance between promoting ADUs as a potential housing solution while addressing concerns from localities about infrastructure, zoning, and community impact. The workgroup is gathering information and perspectives to potentially inform future legislation or guidance on ADUs in Virginia.

Cottage-style and cluster housing

Cottage-style housing works by building multiple smaller, separate homes on one lot.

The County's current zoning regulations require a minimum 900 square feet of floor space for new housing units. Reducing or eliminating this requirement could enable the development of smaller, more affordable cottage-style homes. This change would allow for greater flexibility in housing design and potentially increase housing density without significantly altering neighborhood character. By permitting smaller units, developers could create more diverse housing options that cater to different household sizes and income levels, potentially addressing affordability concerns in the county. Smaller homes are often more energy-efficient and require less maintenance, which can further contribute to their affordability over time.

Furthermore, the County can assess the parcel inventory to determine how many suitable parcels or aggregation opportunities exist for cottage courts. Guidelines for cottage-style developments should be simple, with illustrations demonstrating different options for developers. The results should be attractive and respectful of neighborhood cohesion; Bluegrass Trails in Farmville is a good example.

Small-scale multifamily

Likewise, small-scale multi family homes — such as duplexes — can be an effective infill strategy to provide lower-cost options for a range of household types.

Important considerations for zoning ordinances are similar to those for ADUs above, but also include:

- Avoiding overly restrictive design standards that specify architectural styles and materials, which can significantly increase construction costs
- Using lot coverage or floor area ratio (FAR) to define density guidelines, rather than minimum lot sizes or units-per acre

Density bonuses

Within an updated zoning ordinance, the County can strategically guide density and incentivize lower-cost housing through either of the following mechanisms:

Inclusionary zoning

Adopt an "affordable dwelling unit" ordinance in accordance with the statutory allowances in Va. Code Ann. § 15.2-2305 or Va. Code Ann. § 15.2-2305.1. Density bonuses (beyond the maximum allowable amounts under current zoning and future land use designations) can be granted in exchange for the developer agreeing to offer a certain percentage of units at below-market rates for low-income renters.

Transfer of development rights

In a transfer of development rights (TDR) program, local governments help broker arrangements where the development capacity for a parcel designated for conservation is added onto the development capacity of a parcel targeted for growth. In this scenario, the increased density can help reduce the per-unit cost of development, and can allow builders to design and provide homes sold or rented at more affordable prices.

Virginia adopted enabling legislation in 2006 for localities to enact transfer of development rights (TDR) programs. Va. Code Ann. § 15.2-2316.2 outlines the statutory guidelines for such programs. To date, few localities in Virginia have pursued and adopted TDR programs. Technical complexity and staff capacity are likely reasons.

The County should also be sure to factor in height limitations for new construction related to the capabilities of emergency responders and fire apparatuses. Current equipment limits buildings to four stories, which may impose an unworkable cap on the density level required to design an effective TDR program.

Regulatory efficiencies

Along with helpful reforms to the uses and densities within zoning districts, the County can also evaluate these options to improve the overall effectiveness (and reduce administrative burdens) of its land use regulations:

Form-based code

Form-based code simplifies the development process by focusing on physical form rather than use, providing clear and predictable guidelines for developers. This reduces the uncertainty and time involved in obtaining approvals, which can lower costs. By promoting higher density and mixed-use developments, form-based code allows for more efficient land use, making it economically viable to include lower-cost housing units.

Additionally, the streamlined and consistent design standards reduce the need for extensive design revisions, further cutting down costs. Overall, form-based code creates a more straightforward and supportive environment for developing diverse and lower-cost housing options.

The Rio29 Form-Based Code (FBC) in Albemarle County, Virginia, provides an excellent example of how form-based code can be implemented through simple changes to a zoning ordinance. The ongoing update process for the Rio29 FBC further illustrates the importance of form-based codes and their ability to adapt to real-world implementation challenges. The planned "listening session" with developers and property owners demonstrates a commitment to refining the code based on practical experience and feedback, ensuring it remains an effective tool for achieving the community's vision while supporting diverse and potentially lower-cost housing options.

Reduced parking requirements

The County can consider waiving or lowering the number of parking spaces per residential unit for workforce or affordable housing. Negotiate with the developer to determine what the appropriate market demand for resident parking actually is.

Affordable housing overlay

The County could consider organizing the above density bonus and regulatory efficiency strategies into a unified *affordable housing overlay* approach. An affordable housing overlay is a zoning tool that allows for increased development potential and relaxed zoning restrictions specifically for projects that include a certain percentage of affordable housing units. An overlay tool partners well with ADU and form-based code reforms, and would allow the county to target specific areas for affordable housing growth while providing developers with clear incentives and a streamlined process for creating affordable units.

Investing in public engagement

To continue the momentum of community engagement conducted as part of the comprehensive planning process so far, the County can explore:

Illustrated pattern books

The County can use illustrative design standards and pattern books to visually communicate the desired aesthetic and functional outcomes of new housing developments. These tools help residents understand what new housing will look like and how it will fit into the community, addressing concerns about changes in neighborhood character.

Messaging guides

Messaging guides can be created to explain complex housing issues, terms, and concepts in simple, accessible language. These guides ensure that all community members have a clear and consistent understanding of the goals and benefits of the housing plan, helping to dispel myths and misinformation.

Community ambassadors

By leveraging community partners and trusted organizations, the county can expand its reach and credibility. These partners can help disseminate information, host educational events, and provide a platform for discussions, ensuring that the message reaches diverse segments of the community and garners broader support.

Solution-focused workshops

Workshops that focus on the design and implementation of a specific strategy can help orient conversations toward problem-solving. These workshops allow residents to voice their concerns, contribute ideas, and see firsthand how their feedback influences the final policies. This participatory approach builds trust and fosters a sense of ownership among residents.

Interactive tools

Innovative web tools, such as interactive visualizations, can be used to engage the public in a dynamic and accessible way. These tools allow residents to explore potential housing scenarios, visualize changes in their neighborhoods, and understand the impact of different planning decisions. By making complex data more tangible, these tools can enhance public understanding and support for the housing plan.

HOW TO DO IT

Within 6 months:

- Create an assessment that outlines specific objectives for overcoming public misunderstanding about housing issues.
- Research potential policy strategies for increasing the diversity of housing options, including ADUs, cottage-style housing, and small-scale multifamily.
- Evaluate the feasibility and benefits of implementing form-based code to simplify the development process, using the Rio29 Form-Based Code as a model.
- Assess potential density bonus policies, including inclusionary zoning and transfer of development rights programs.
- Analyze parking requirements and explore options for reducing them to align with actual market demand in housing developments.
- Draft preliminary policy recommendations to be integrated into the comprehensive plan update.
- Monitor ongoing discussions among state lawmakers regarding ADUs, particularly the Virginia Housing Commission's Special ADU Workgroup findings.

Within 1 year:

- Apply for a Virginia Housing Community Impact Grant to support the housing education campaign.
- Develop messaging guides to explain complex housing issues, terms, and concepts in simple, accessible language.
- Create illustrative pattern books to visually communicate the desired outcomes of new housing developments.
- Identify and engage community ambassadors to disseminate information and host educational events.
- Finalize and adopt the comprehensive plan update, incorporating strategies for housing diversity, density bonuses, and regulatory efficiencies.
- Develop guidelines for cottage-style developments, using examples like Bluegrass Trails in Farmville.
- Begin drafting new ADU regulations for detached and attached units, considering best practices like flexible residency requirements and parking limitations.

Within 2 years:

- Develop interactive web tools to allow residents to explore potential housing scenarios and understand planning decisions.
- Pursue specific steps to update elements of the zoning ordinance in accordance with prior steps, including:
    - Revising minimum floor space requirements to enable smaller, more affordable cottage-style homes.
    - Updating regulations for small-scale multi family homes, focusing on lot coverage or FAR rather than minimum lot sizes.
    - Implementing an "affordable dwelling unit" ordinance in accordance with Va. Code Ann. § 15.2-2305 or § 15.2-2305.1.
    - Considering the implementation of a transfer of development rights (TDR) program under Va. Code Ann. § 15.2-2316.2.
- Collect public engagement and education responses and publish them for full transparency.
- Establish a cross-departmental team to monitor the comprehensive plan's implementation and maintain alignment of goals.
- Organize density bonus and regulatory efficiency strategies into a unified affordable housing overlay approach.
- Work with community lenders to develop new ADU construction loan products for homeowners.
- Conduct solution-focused workshops to engage residents in the design and implementation of specific housing strategies.

WHO DOES WHAT

Community Development Department: Evaluate strategy options as comprehensive plan update is completed. Establish a timeline for the education campaign, integrate findings from this study and other analysis, coordinate with other departments and stakeholders, and oversee community engagement strategies.

County Administrator's Office: Review and help disseminate educational materials, support engagement efforts of the Community Development Department, assist with promotion and organization of any public meetings.

Planning Commission and Board of Supervisors: Guide and advise staff on engagement campaign and comprehensive plan process, participate in public engagement efforts, serve as liaison with constituents, and evaluate and adopt new policies as needed.

HOW TO FUND IT

Public sources: Education campaigns for housing might be funded through local operating funds. Funding may also be available via grant opportunities from Virginia Housing.

Virginia Housing Community Impact Grant: Planning Grants up to $20,000 are available for studies that address “development code analysis” and “policy analysis.” This funding could be used by the County to support multiple components of this strategy.

Private sources: Philanthropic and corporate partners may also be interested in funding educational efforts. The City should approach known funders who have an existing interest in housing and community development.

METRICS TO EVALUATE SUCCESS

- Number of residents engaged
- Increased understanding of housing issues
- Support for new housing policies
- Increased diversity of housing options available

EXAMPLES

Henrico County - HenricoNext

- Acknowledging significant changes since its last comprehensive plan, which was adopted in 2009, Henrico County began a comprehensive plan update in early 2021. The County’s process involves a significant phase analyzing trends and existing conditions within the county and evaluating different scenarios of growth.
- Henrico County developed a website specifically for updating the general public about the planning process and answering questions.

Richmond Regional Housing Framework (Chesterfield, Henrico, Richmond, Hanover)
https://pharva.com/framework/

- Designed to guide policy and investment decisions over the next 15 years, to enhance regional cooperation and public engagement, and provide more affordable housing options for all residents.
- Over 1,900 people in the region were reached in community meetings, focus groups, and interviews to identify priority housing challenges and common values.

Priority Solution 2: Create alignment between housing and economic development activities

ISSUE: *Limited incentives exist for developers to engage with affordable housing, resulting in a low inventory of attainable and diverse housing.*

New housing is expensive to build. In the wake of COVID-19, developers face rising labor and material costs, limited land inventory, more difficult financing options, and burdensome zoning rules and approval processes. At best, these expenses get factored into higher home prices. At worst, developers choose another locality to build or give up entirely. In either case, housing opportunities for workers with average-to-low wages become scarce.

SOLUTION: *Encourage nonprofit and for-profit developers to increase the supply of lower-cost housing by reducing regulatory barriers and providing a range of financial and incentives.*

A comprehensive incentive package for new housing can address these challenges in two ways. First, the County can offer financial incentives that help fill funding gaps and get projects to pencil out. Second, reforms to reduce zoning barriers and streamline the review process can expedite construction, saving additional costs and leading to more housing faster.

HOW IT WORKS

It takes a combination of financial, regulatory, and technical support to draw in and reward developers who can provide lower-cost options. Augusta can explore adopting and standardizing new mechanisms to future spur growth.

Incentive eligibility and criteria

The first step should involve determining what types of residential development should be eligible for any special incentives. These could include:

- Minimum number and/or percentage of affordable units
- Income levels served by affordable units
- Length of affordability terms
- Identical design and quality for market-rate and affordable units
- Proximity to transit and/or other amenities and services
- Location in designated growth area
- Current site control

Augusta should consider other minimum criteria but should avoid artificially restricting eligibility with unworkable requirements.

Partial real estate tax exemptions

Localities in Virginia are permitted to offer partial exemptions on real estate taxes for certain types of properties that are rehabilitated, renovated, or replaced under certain conditions. These programs can help spur investments in older neighborhoods and contribute to productive infill or reuse of underused properties. Owners can have the value of their improvements exempted from the calculation of their property taxes for a definite period after work is completed, usually for no more than 20 years.

The County can evaluate the two following options available to localities under current Virginia code.

§ 58.1-3220. Partial exemption for certain rehabilitated, renovated or replacement residential structures sets specific guidelines for the design of residential tax abatement programs. Many localities across the state have programs using this statute. It can be used for both single-family and multifamily properties.

- The partial exemption can either be a stated amount or percentage of the increase in assessed value of the property, or an amount up to 50 percent of the cost of rehabilitation, renovation, or replacement.
- The partial exemption can begin on the date of completion or on January 1 of the following year.
- The period of exemption cannot last more than 15 years.
- Localities can shorten the length of the exemption period, or reduce the amount of the exemption in stepped increments.

§ 58.1-3219.4. Partial exemption for structures in redevelopment or conservation areas or rehabilitation districts can grant exemptions up to 30 years, but properties must be located in a "Redevelopment or conservation area or rehabilitation district" designated by ordinance. These exemptions can be approved on a project-by-project basis, and are often used to strengthen Low-Income Housing Tax Credit (LIHTC) applications.

Financial incentives

Together with its Economic Development Authority (EDA), the County can use a variety of tools to increase the financial viability of affordable housing projects. These investments can be made in conjunction with significant mixed-use development projects, or they can be made available for "one-off" projects that have the potential to strategically advance the County's broader economic and community development objectives.

Tax abatements

EDAs can facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a County ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs — which in turn can secure better financing.

Grants

One common function of EDAs is to provide grants to businesses and other entities to foster innovation, workforce development, and other activities that support the community's economic growth objectives. While these grants are usually not targeted to housing-specific uses, the EDA may want to explore options to use any discretionary funds for strategic housing activities in the private sector.

As one potential strategy, the EDA could consider performance grants for firms involved in the production of lower-cost housing, or who can strengthen the construction workforce, especially through innovative methods.

Revenue bonds

EDAs can issue tax-exempt bonds that provide large, low-cost funding to create transformative capital projects. Numerous EDAs throughout Virginia use multifamily revenue bonds to help boost the construction or rehabilitation of affordable housing in their communities. These bonds are guaranteed by the future income ("revenue") of the project and provide below-market interest rates.

Neither the EDA nor the County formally loans money; the arrangement simply provides developers with access to capital markets at attractive rates. In fact, EDAs use this as an income-generating activity by earning fees collected from the bond recipient.

Land support

EDAs can purchase and hold onto land until suitable development partners are selected, utilities are planned, and financing terms established. Along with market acquisitions, EDAs can also organize and execute property swaps to strategically trade land with private owners or other public entities.

When selling off land for mixed-use development, EDAs can discount acquisition costs in exchange for certain terms, such as the inclusion of below-market rate residential units, or donation of a section of the property to a separate affordable housing developer.

EDAs have the option to retain ownership of the land and create a ground lease agreement with the developer for the improvements. The property is leased at a nominal cost, and the developer is exempt from paying real estate taxes on the value of the land. This arrangement gives the public a formal stake in the development and provides an EDA with more permanent oversight to ensure compliance with any performance incentives.

Planning and technical assistance

Working with community, regional, and state partners, the EDA and County can position themselves as an important resource for planning, executing, and managing residential and/or mixed-use projects. Building this capacity would help local developers—especially those with less experience—increase their confidence with affordable housing and related community development programs.

Planning grants

EDAs are increasingly serving as an intermediary for applying to state planning grants to help study development options for specific sites and properties. Sources include Virginia Housing, the Department of Housing and Community Development (DHCD), and the Virginia Economic Development Partnership (VEDP). The EDA can provide this service to help investigate mixed-use opportunities on County-owned properties, or to assist private owners with assessing options for certain properties whose development would be a strategic win for the county.

Knowledge sharing

The EDA can explore hosting open houses or symposiums to encourage networking between affordable housing practitioners and developers of residential/commercial properties.

Infrastructure expansion

The actual costs associated with expanding and updating water and wastewater infrastructure are a greater challenge than the fees charged to developers of new residential units. Working together with the Community Development Department and Augusta Water, the EDA can find new ways to fund this essential work.

Potential strategies include leveraging DHCD's Community Development Block Grant programs for planning and implementation, as well as utilizing VRA's low-cost loan financing options for local governments, such as the Local Government Direct Loan Program, Virginia Pooled Financing Program, and various revolving loan funds for water and wastewater improvements.

Streamlined approvals

The County can apply lessons and successful strategies from similar markets that have effectively streamlined their land development processes. This could involve adopting proven regulatory frameworks or technology-based solutions to improve efficiency. This could include: expedited review timelines, simplified application procedures, and clear public guidelines for developers and homeowners.

For example, a “fast track” for certain small-scale apartment buildings might include:

- A fully administrative approval process with no public hearings required (“by-right”)
- Pre-defined review steps across departments with simple checklists
- Simplified application forms that are legible and accessible
- Reviews completed within five business days
- A series of pre-approved designs and floor plans

HOW TO DO IT

Within 6 months:

- Form a dedicated task force consisting of members from the Community Development Department, EDA, Board of Supervisors, Planning Commission, and Augusta Water to set objectives and evaluate specific strategies.
- Begin identifying potential funding sources such as Community Development Block Grants, Virginia Housing Community Impact Planning Grants, and other private funds from philanthropic foundations.
- Conduct a thorough review of existing financial and regulatory incentives to identify gaps and opportunities for enhancement.
- Engage with key stakeholders, including developers, community members, and housing advocates, to gather input and support for the proposed incentives and regulatory changes.
- Develop and promote simplified application forms and processes for developers interested in affordable housing projects to reduce administrative burden.

Within 1 year:

- Roll out financial incentives such as grants, revenue bonds, and land support mechanisms to make lower-cost housing projects financially viable for developers.
- Establish a fast-track approval process for certain housing projects, including predefined review steps and pre-approved designs.
- Design and implement new real estate tax partial exemptions for rehabilitated, renovated, or replacement residential structures to encourage investments in lower-cost housing.
- Initiate pilot projects for developments that include affordable housing units, leveraging financial tools such as multifamily revenue bonds.

Within 2 years:

- Adopt proven regulatory frameworks and technology-based solutions to further streamline residential development processes across the city.
- Continuously monitor the effectiveness of financial and regulatory incentives and make adjustments as needed to ensure they are achieving desired outcomes.
- Secure long-term funding commitments from state and federal sources, as well as private grants, to sustain affordable housing development efforts.
- Conduct a comprehensive evaluation of progress made in increasing affordable housing inventory and addressing regulatory barriers, using this evaluation to refine strategies and set new goals.
- Publicize successful affordable housing projects and the benefits of the incentives and regulatory changes to encourage further participation from developers and community members.

WHO DOES WHAT

Community Development Department: Lead efforts to design and implement new incentive strategies. Provide analysis and recommendations to the Planning Commission and Board of Supervisors.

Economic Development Authority: Learn about best practices from other EDAs in Virginia, collaborate with the County to evaluate and develop incentives, and partner with developers to provide support on specific projects.

Board of Supervisors and Planning Commission: Evaluate policy options presented by staff, hold public hearings and gather community input, and adopt new ordinances to update codes and allocate funding for new incentives as necessary.

Augusta Water: Coordinate with Community Development staff to determine infrastructure expansion needs for housing development, and jointly pursue financing options.

FUNDING SCOPE

Administrative costs: Meaningful progress may likely require increased staff capacity by one full-time or part-time position. Salary for this hire can be estimated using comparable wages for similar positions in County administration.

Revenue bonds: Revenue bonds issued by the EDA for any mixed-use or residential project would be backed by the development's future income. The County does not guarantee any debt and has no expenses other than staff time dedicated to preparing and executing the issuance. Fees received by the applicant may cover that cost.

Real estate tax abatement: Grants that rely on reimbursement of future real estate tax income are revenue neutral. However, the County may want to consider certain payment-in-lieu fees to at least cover the projected need for additional public services.

HOW TO FUND IT

Virginia Housing

Community Impact Planning Grant

Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Department of Housing and Community Development

DHCD makes federal Community Development Block Grant (CDBG) funds available to non-entitlement localities on both competitive and open submission bases. There are several relevant programs the County could apply for that would support pre development work. For all CDBG grants, there are varying requirements for serving communities/households with low- to moderate-incomes.

- Planning Grant: Up to $1 million available for Activation Planning Grants (to determine priorities via public input) or Project-Driven Planning Grants (to expand readiness for a specific site). Open submission.
- Community Improvement Grant: Competitive submission with varying maximum grant amounts up to $3.5 million. DHCD recommends prior completion of a Planning Grant. Range of eligible funding uses available for project implementation.
- Construction-Ready Water and Sewer Fund: Open submission grant up to $800,000 to support development of community water and wastewater infrastructure.

Virginia Resources Authority

Low-cost loan financing for local governments via the public debt market. Specific programs that could support infrastructure, utilities, site acquisition, and similar activities include:

- Local Government Direct Loan Program: Flexible awards between $250,000 and $750,000
- Virginia Pooled Financing Program: For larger projects
- Clean Water Revolving Loan Fund: For water/wastewater improvements and brownfield remediation
- Drinking Water State Revolving Loan Fund: For public water supply, storage, and distribution

Private funds: Grants from philanthropic foundations that support community development and civic innovation could also be explored.

HOW TO MEASURE SUCCESS

- Number of new affordable housing units produced
- Number of persons experiencing homelessness or housing insecurity
- Amount of state, federal, and private investment leveraged for new developments

EXAMPLES AND RELATED INFORMATION

Statewide study on EDAs and housing

Housing as an Economic Development Strategy for Virginia (November 2023)
Completed by Chmura Analytics for Virginia Housing

Page County

The Page County EDA recently secured a Virginia Housing grant to assess the potential for residential development on land it owns.

Loudoun County

The Loudoun County EDA is partnering with nonprofit and for-profit developers to provide low-interest financing, including tax-exempt revenue bonds, to build hundreds of below market rate housing for Loudoun's workforce that earn below the county's average wage.

Henrico County

The Henrico County EDA is pursuing a $50,000 brownfields grant from the Virginia Economic Development Partnership to help a property owner determine remediation needs on a parcel formerly used as an unregulated landfill but potentially suitable for mixed-use development, including residential. If successful, the EDA will assist the owner with applying for funds to cover actual remediation.

City of Richmond

The City of Richmond approved the second and third examples of a tax rebate arrangement for affordable rental projects. These "performance grants" are structured contracts between the City, its EDA, and the developers. The annual grant payments will run for 30 years and total the incremental real estate tax revenues generated by the developments. The projects must provide units affordable at 60% AMI in accordance with the Low-Income Housing Tax Credits they are also receiving.

Secondary Solution 1: Develop strategic approaches for preserving, replacing, and incorporating manufactured homes as lower-cost solution to homeownership

ISSUE: *Manufactured homes are an important element of affordable homeownership, but many older units are past their functional lifespans.*

Although manufactured homes provide a much-needed source of low-cost housing, particularly in rural areas, they have challenges. Older mobile homes often present serious health, safety, and energy-efficiency hazards; dealer financing for manufactured homes may be predatory; and homes in parks, although typically owned by their occupants, are not titled as real estate—leading to depreciation and an absence of opportunities for wealth-building.

SOLUTION: *Explore land use, fiscal, and other mechanisms to ensure that manufactured homes benefit both homeowners and the community in the long term.*

This recommendation investigates and proposes specific actions the County could take to address these issues. Options include evaluating zoning ordinance changes to influence the placement of new manufactured homes, identifying incentive opportunities within real estate assessment and related tax schemes, and leveraging grant funds to support the disposal of dangerous pre-1976 mobile homes.

HOW IT WORKS

This solution includes three primary tasks, along with recommendations for prerequisite data analysis to better inform potential decisions. While these tasks are not dependent on one another, success is more likely if localities within the County simultaneously pursue at least two options together.

Data analysis: *Determine scope and scale of manufactured home placements*

The County can combine its residential permit and assessment data to investigate the deliveries of factory-built housing. Data should be inclusive of multiple years (at least three, ideally five or more) to increase sample size and reveal any important trends.

Data should be analyzed to answer the following questions, which will provide staff and leadership with important context:

- How many manufactured and site-built homes were permitted within each zoning district?
- How many manufactured and site-built homes were permitted in areas served and not served by public utilities?

- What were the original assessed values (improvements only) and purchase prices of newly placed manufactured homes?
- In what specific areas, neighborhoods, or corridors (if any) were new manufactured homes highly concentrated?

Once completed, staff can prepare a memo to share findings with the Planning Commission and Board of Supervisors. This memo could also outline some of the potential solution steps described below.

TASK 1: *Evaluate and amend zoning ordinances*

All new homes—whether built on site or in a factory—must conform to local zoning codes. While local governments in Virginia generally have broad powers to regulate residential uses in their zoning ordinances, state code (§ 15.2-2290) requires localities to permit manufactured homes:

> *". . . in all agricultural zoning districts or districts having similar classifications regardless of name or designation. . ."*

Still, manufactured homes must be on an individual lot (with no other residential units) and secured to a permanent foundation. The code does give localities the authority to apply general development standards in these districts, but those standards must apply to both site-built and manufactured homes.

In the County's current zoning ordinance, only three districts allow for manufactured homes: the Manufactured Home Subdivision (MHS) District, the Manufactured Home Park (MHP) District, and the Recreational Vehicle Park (RVP) District. As part of its comprehensive plan update, the County can evaluate how current zoning code may or may not be encouraging manufactured housing placements in an appropriately strategic manner.

TASK 2: *Identify possible tax and financial incentives*

Consult with County Attorneys to determine fiscal incentives that localities can implement under existing state code. Establish certain manufactured home quality criteria that new placements should meet to receive incentives, such as energy-efficiency performance and roof type.

Consider reduced or waived hookup fees, along with real estate tax rebates or abatements, for:

- Manufactured homes in areas served by utilities
- Manufactured homes that meet certain quality criteria
- Low-cost modular and site-built homes as alternatives to manufactured homes

Consider increased hookup fees for:

- Manufactured homes in areas not served by utilities
- Manufactured homes that do not meet certain quality criteria

TASK 3: *Secure new funding and create incentives to eradicate old mobile homes*

Work with CSPDC, Virginia Housing, and DHCD to identify and jointly apply for funding that:

- Covers some or all expenses associated with demolition and disposal of pre-1976 mobile homes
- Provides extremely low-income residents (in those homes) with relocation assistance to find new permanent housing

Conduct proactive outreach to residents in poorest-quality homes and connect with service providers to begin evaluating alternative housing arrangements.

Criteria to prioritize mobile home replacements will help triage properties/residents with greatest needs. Criteria should consider:

- Number of and severity of housing problems (e.g., no heat, water leaks, missing windows)
- Resident income and assets
- Resident physical and/or mental disabilities
- Presence of seniors and/or children
- Other attributes as needed

Develop a streamlined process for demolition/disposal pre-approval. Consider reducing, waiving, or refunding permit fees. Identify qualified contractors to complete work.

TASK 4: *Explore partnership with Staunton Redevelopment and Housing Authority (SRHA)*

Utilize condemnation, blight, and vacancy tools to address poor-quality manufactured homes. The County will focus on regulatory and enforcement activities, positioning properties for improvement. SRHA will assist owners and buyers, decommission non-habitable homes, and deliver/install new manufactured homes.

HOW TO DO IT

Within 6 months:

- Conduct a comprehensive survey and inventory of manufactured homes in the county.
- Categorize properties based on their condition and prioritize those needing immediate attention.
- Review and update local regulations to facilitate the improvement and replacement of aging manufactured homes.
- Initiate collaboration with SRHA to develop a plan for utilizing condemnation and blight tools.

Within 1 year:

- Implement and enforce updated standards for the maintenance and safety of manufactured homes.
- Begin the process of assisting owners/buyers through SRHA to decommission non-habitable homes and deliver/install new manufactured homes.
- Explore and develop financing models with Virginia Housing and DHCD to support affordable manufactured home ownership.
- Engage community lenders to create favorable loan products for manufactured home improvements and purchases.

Within 2 years:

- Strengthen collaboration with community groups and other stakeholders to improve the quality and integration of manufactured homes.
- Provide ongoing education and support to residents and potential buyers.
- Monitor and evaluate the progress of the initiative, making adjustments as needed to ensure success.

WHO DOES WHAT

Community Development Department: Conduct surveys and inventory properties; evaluate, update, and enforce local regulations; and collaborate with SRHA and other stakeholders.

Planning Commission and Board of Supervisors: Guide and advise staff on policy evaluation; coordinate joint efforts with SRHA; and evaluate and adopt new policies as needed.

SRHA: Leverage state and federal funding; undertake actual home replacement and/or repair work; and coordinate activities with County leadership and staff.

HOW TO FUND IT

Funding options to support the removal (and potential replacement) of substandard manufactured homes:

- **Federal** (via DHCD): CDBG, HOME, Weatherization Assistance Program (WAP)
- **Local**: Dedicated general fund revenue, special fees, or assessments
- **Private**: Local philanthropic foundations and other donors

HOW TO MEASURE SUCCESS

- Number of manufactured homes assessed and improved
- Increase in the number of habitable and safe manufactured homes
- Amount of state, federal, and private investment leveraged
- Improved quality and integration of manufactured homes within the community

CITY OF STAUNTON SOLUTIONS

PRIORITY SOLUTION 1: Use upcoming comprehensive plan update to educate public and set the right conditions for greater housing diversity

ISSUE: *Staunton's current comprehensive plan lacks sufficient strategies to address changing challenges and opportunities in the city.*

Staunton's comprehensive plan was adopted in July 2019; the plan is currently being updated. While the previous plan does have a meaningful level of data, findings, and recommendations related to housing, it does not fully meet contemporary and future needs. Furthermore, existing residents sometimes resist new housing in their community due to misconceptions about affordability and development, thereby becoming obstacles rather than supporters.

SOLUTION: *Supplement the comprehensive plan update with a housing education campaign to strengthen public knowledge and support for more housing opportunities.*

The City has an important opportunity to leverage ongoing housing initiatives, including the Community Needs Survey, Consolidated Plan update, and potential Local Housing Strategy and Action Plan, to educate the public and inform a robust housing component in the comprehensive plan update.

HOW IT WORKS

To ensure housing opportunities are successfully and productively addressed in the comprehensive plan process, the City can strategically use its current and planned housing initiatives as a foundation for public education and engagement.

Existing and upcoming initiatives

1. Community Needs Survey: The City recently finished a Community Needs Survey as part of its Consolidated Plan update for HUD, to be submitted in late 2024. This survey provides valuable insights into current housing needs and priorities from residents' perspectives.
2. FY 2024-2028 5-Year Consolidated Plan and FY 2024 Annual Action Plan: The priorities identified in the Consolidated Plan will serve as a crucial guide for future housing planning and engagement efforts.
3. Local Housing Strategy and Action Plan: The City is currently developing a housing plan, which will provide a detailed framework for addressing housing affordability. This initiative

presents a significant opportunity for rigorous public engagement and education on housing issues.

4. Comprehensive Plan Update: The City is in process of updating its comprehensive plan, building upon the insights and strategies developed through the above initiatives.

Leveraging initiatives for public education and engagement

The City can use these initiatives as a coordinated approach to educate the public and build support for housing strategies:

1. Data analysis and existing conditions: Use the results from the Community Needs Survey and the priorities identified in the Consolidated Plan as a starting point for understanding current housing challenges. Supplement this with additional analysis of home values, development trends, and other relevant factors.
2. Campaign planning: Develop a comprehensive public education and engagement strategy that aligns with the timeline of the Local Housing Strategy and Action Plan development. Identify core stakeholders, set clear objectives, and define measurable goals for the campaign.
3. Content development: Create educational materials that explain complex housing issues in accessible ways, using data from the Community Needs Survey and Consolidated Plan. Develop content that addresses common misconceptions and highlights the benefits of diverse housing options.
4. Community engagement: Organize a series of public events and engagement opportunities that coincide with the development of the Local Housing Strategy and Action Plan. Use these events to both gather input and educate residents about housing needs and potential solutions.
5. Evaluation and feedback: Implement methods to assess the effectiveness of the education and engagement efforts throughout the process. Use this feedback to refine strategies and inform the comprehensive plan update.

Engagement roadmap

Develop a timeline for public engagement that aligns with the Local Housing Strategy and Action Plan process and leads into the comprehensive plan update. Key milestones could include:

1. Initial sessions to present findings from the Community Needs Survey and Consolidated Plan priorities, gathering additional community input.
2. Workshops to explore potential strategies for the Local Housing Strategy and Action Plan, using this as an opportunity to educate residents about various housing solutions.
3. Visioning sessions for the future of housing in Staunton, presenting examples of successful housing initiatives from similar communities.

4. Discussions of draft recommendations for the Local Housing Strategy and Action Plan, explaining how these align with community input and city resources.
5. Transition sessions linking the Local Housing Strategy and Action Plan to the comprehensive plan update process, ensuring continuity of engagement and education.

HOW TO DO IT

Within 6 months:

- Finalize the Community Needs Survey and incorporate findings into the Consolidated Plan update.
- Apply for the Virginia Housing grant to develop the Local Housing Strategy and Action Plan.
- Begin drafting a public engagement plan that spans the Local Housing Strategy process and leads into the comprehensive plan update.
- Create plain-language summaries of the Community Needs Survey results and Consolidated Plan priorities.
- Initiate the Local Housing Strategy and Action Plan process, integrating robust public engagement and education components.

Within 1 year:

- Develop educational materials based on the Community Needs Survey, Consolidated Plan, and initial findings from the Local Housing Strategy process.
- Implement the first phase of public engagement events, focusing on presenting data and gathering initial input.
- Begin planning for the comprehensive plan update, ensuring alignment with the Local Housing Strategy process.

Within 2 years:

- Complete the Local Housing Strategy and Action Plan, including a final round of public engagement.
- Transition the engagement process towards the comprehensive plan update, building on the momentum and knowledge gained from the Local Housing Strategy process.
- Establish a cross-departmental team to monitor the implementation of housing strategies and maintain alignment between the Local Housing Strategy, Consolidated Plan, and comprehensive plan.

WHO DOES WHAT

Community Development Department: Lead the Consolidated Plan update, Local Housing Strategy development, and comprehensive plan update processes. Coordinate public engagement efforts and develop educational materials.

City Manager's Office: Oversee the grant application process for the Local Housing Strategy. Support engagement efforts and assist with promotion of public meetings.

Planning Commission and City Council: Guide and advise staff on the Local Housing Strategy and comprehensive plan processes. Participate in public engagement efforts and serve as liaisons with constituents.

HOW TO FUND IT

Public sources:

- Local operating funds can support ongoing engagement and education efforts.
- HUD funding associated with the Consolidated Plan may support certain engagement activities.
- Virginia Housing Community Impact Grant: If awarded, this grant (up to $20,000) could fund the Local Housing Strategy and Action Plan, including associated public engagement, as well as the development of educational materials.

Private sources: Philanthropic and corporate partners may also be interested in funding educational efforts. The City should approach known funders who have an existing interest in housing and community development.

METRICS TO EVALUATE SUCCESS

- Completion of key planning documents: Consolidated Plan, Local Housing Strategy and Action Plan, and updated comprehensive plan with robust housing components.
- Number of participants in engagement activities throughout the Local Housing Strategy and comprehensive plan processes.
- Improvements in public understanding of housing issues, as measured by surveys before and after major engagement efforts.
- Number and quality of housing strategies incorporated into the comprehensive plan update.
- Increased support for diverse housing options among residents and local leaders, as evidenced by public comments and policy decisions.

EXAMPLES

Cville Plans Together

Charlottesville's 2021 comprehensive plan update, known as "Cville Plans Together," focused heavily on addressing housing affordability and equity issues. The City followed this with a complete overhaul of its zoning ordinance in 2023, which included allowing more housing types in traditionally single-family neighborhoods and reducing parking requirements to encourage denser development.

Roanoke City Plan 2040

Roanoke similarly updated its comprehensive plan in 2020 with a strong emphasis on creating more diverse and affordable housing options. In 2021, the city adopted major zoning reforms that included allowing accessory dwelling units (ADUs) by right in all residential zones, reducing minimum lot sizes, and creating new mixed-use districts to promote walkable, transit-oriented development.

PRIORITY SOLUTION 2: Investigate options for self-generated funding for housing initiatives

ISSUE: *Consistent funding for affordable housing and supportive services is difficult to obtain with existing state and federal programs.*

Because the level of assistance required to fully address housing affordability and instability far exceeds the amount of federal and state funding actually available, the needs for many residents go unmet. As a result, local governments looking to make further progress must identify and raise their own funds. Many municipalities, including Staunton, have to then balance these efforts within the context of their broader fiscal objectives.

SOLUTION: *Explore innovative approaches to consistently generate local funds for housing and services.*

Localities across Virginia are experimenting with a range of different ways to raise money to invest in affordable housing efforts. These include bonds, special tax assessments, bonds, and other initiatives. Generating new revenue for local, flexible funding can allow the City to support a variety of projects and activities, including those that typically have trouble accessing traditional funding sources.

HOW IT WORKS

The City can begin by conducting a detailed housing demand analysis to quantify needs by income levels and housing types, leveraging the outcomes of currently ongoing and expected planning efforts. The City can use this information to identify priorities, evaluate new funding sources, and design effective allocation methods.

1. Build on previous planning and data efforts to create detailed demand estimates

The City of Staunton can leverage existing data from the Community Needs Survey, Consolidated Plan, and the ongoing regional housing study to establish a baseline understanding of current housing needs. This information will be supplemented through the Local Housing Strategy development process, which can include:

- A comprehensive housing market analysis, examining supply and demand projections for various housing types and price points
- Integration of demographic forecasts and employment trends to estimate future housing demand by income brackets and household types
- Analysis of the gap between current housing stock and projected needs to quantify shortfalls in specific housing types (e.g., affordable rentals, workforce homeownership options, supportive housing)

2. Determine reasonable minimum annual funding levels

Based on the detailed demand estimates, the City can:

- Estimate the financial resources required to address identified housing gaps, including development costs and potential subsidy needs
- Conduct a fiscal impact analysis to demonstrate how investments in affordable housing can benefit the city's long-term economic health
- Establish target annual funding levels necessary to make meaningful impacts on housing affordability and opportunity in Staunton

3. Evaluate different funding sources

The City can explore a range of self-generated funding sources to meet the demand for new units and/or services. This evaluation will focus on options that are less likely to be perceived as additional direct taxes on all residents and businesses, including but not limited to the following:

General obligation (GO) bonds

Because GO bonds are secured by general revenue and not a specific income stream (e.g., public utility service fees), orienting a portion of the City’s tax-supported debt to a new priority is a major long-term strategic decision. Housing needs should be evaluated against concurrent public investment needs, such as hard infrastructure and school facilities, and incorporated into the city’s debt management policy and capital improvement plan (CIP) accordingly.

Virginia Resources Authority

In 2023, the General Assembly granted the Virginia Resources Authority (VRA) power to issue bonds for affordable housing development on behalf of local governments. This approach could simplify and streamline a process that has discouraged the local use of GO bonds for housing.

VRA now offers housing loans as part of its Virginia Pooled Financing Program (VPFP). In this program, VRA issues bonds and loans the proceeds to municipalities at below-market interest rates. Based on the current underwriting guidelines, localities may apply for both *project-backed revenue* loans (where income from a development is committed to debt service payments) and *non-revenue backed* loans (where payments are pledged via local budget allocations). Therefore, VRA funds could support the actual construction of new affordable housing, or could jump start housing-related services that do not create direct revenue.

Tax-increment financing (TIF) districts

TIF financing, or tax increment financing, is a type of public financing that is used to fund development or redevelopment projects in a specific area. This type of financing is typically used by local governments to incentivize private investment in areas that need economic development. The way TIF financing works is by creating a special district, known as a TIF district, which is a defined geographic area that is designated for development or redevelopment. When property values within the TIF district increase, the additional property tax revenue generated by that increase is diverted from the general fund and put into a special TIF fund.

This additional revenue is then used to finance infrastructure improvements, public amenities, or other economic development initiatives within the TIF district. TIF financing is usually structured as a long-term investment, with the TIF district remaining in place for 20-30 years or longer. During this time, any additional property tax revenue generated by the increase in property values within the TIF district is diverted to the TIF fund, rather than going to the general fund.

However, TIFs are a relative unknown in Virginia in terms of funding affordable housing. It has also been criticized for its potential to divert public funds away from other important services and for its lack of transparency and accountability. While this could be a mechanism for long-term reliable revenue from specific projects, it requires a lot more research and policy work before becoming a legitimate opportunity.

Special assessment taxes

A special assessment tax is a type of tax that is levied on property owners to finance the cost of specific public improvements or services in a particular area. The special assessment tax is typically calculated based on the cost of the improvement or service, with the total cost divided among the affected property owners in proportion to the benefits they are expected to receive from the improvement or service. The special assessment tax is usually assessed as a one-time charge and is separate from the property tax.

While special assessment taxes can provide a targeted and flexible form of funding for affordable housing programs with minimal administrative costs, they can be controversial, as some property owners may feel that they are being unfairly burdened with the cost of public improvements or services.

Additionally, localities are limited by state law in how they can assess and tax real estate. It appears Virginia law does not allow for localities to increase real estate tax for properties via special assessment districts – existing "special assessment" authority allows localities to lower tax burdens for some property owners.

For each potential funding source, the City can assess:

- Projected revenue generation capacity
- Legal and administrative requirements for implementation
- Political feasibility and public perception
- Alignment with existing city financial policies and debt capacity
- Evaluate different methods to structure funding and allocate awards

4. Evaluate different funding mechanisms

The City can explore various mechanisms for deploying the generated funds, including:

- Establishing a housing trust fund with specific allocation criteria
- Creating a revolving loan fund for affordable housing development or rehabilitation
- Implementing a direct rental assistance program to supplement Housing Choice Vouchers
- Offering down payment assistance for first-time homebuyers
- Providing gap financing for affordable housing developments

Each allocation method should be evaluated based on:

- Alignment with identified housing needs and priorities
- Administrative efficiency and capacity requirements
- Potential leverage of private and other public funding sources
- Flexibility to address changing housing needs over time

HOW TO DO IT

Within 6 months:

- Complete the detailed housing demand analysis, building on existing data and incorporating projections for future needs.
- Quantify the housing gap by income levels and housing types.
- Establish preliminary annual funding targets based on the identified needs.

Within 1 year:

- Conduct a comprehensive evaluation of potential funding sources and allocation methods
- Engage with stakeholders, including city council members, housing advocates, and community members, to gather input on proposed funding strategies
- Develop a fiscal impact analysis to demonstrate the economic benefits of investing in affordable housing
- Draft a report outlining recommended funding sources and allocation methods, including implementation timelines and resource requirements

Within 2 years:

- Select and implement at least one new funding source for housing based on the evaluation and stakeholder input
- Establish the necessary administrative structures and policies to manage the new funding source and allocation method
- Begin deploying funds to address identified housing needs
- Develop a monitoring and evaluation framework to track the impact of the new funding and adjust strategies as needed

WHO DOES WHAT

Community Development Department: Lead the housing demand analysis and coordinate with other departments on data collection and analysis

Finance Department: Evaluate potential funding sources and their fiscal impacts, assist in developing implementation plans for selected funding mechanisms

City Manager's Office: Oversee the overall process, facilitate stakeholder engagement, and present recommendations to the City Council

City Council: Provide input on funding priorities, review and approve recommended funding sources and allocation methods

External consultants (if needed): Assist with specialized analysis, such as fiscal impact studies or detailed financial modeling

HOW TO FUND IT

General funds: City Council, under advisement from staff and others, could include funding in upcoming annual budgets to fund administrative and/or consulting costs.

Virginia Housing Community Impact Grant: Planning Grants up to $20,000 are available for studies that address "policy analysis." This funding could be used by the City to support the development of new funding sources for housing investments.

METRICS TO EVALUATE SUCCESS

- Completion of comprehensive housing demand analysis within 6 months
- Implementation of at least one new funding source within 2 years
- Amount of new funding generated for affordable housing initiatives
- Number of affordable housing units created or preserved as a result of new funding

EXAMPLES

In 2006, the City of Harrisonburg made a loan of $3.5 million in bond proceeds to the Harrisonburg Redevelopment and Housing Authority to renovate public housing units. In 2014, the city issued refunding bonds and entered into a memorandum of understanding with HRHA to facilitate repayment.

New River Valley Housing Trust Fund
https://nrvrc.org/nrv-housing-trust-fund

- Brand new and seeded with Virginia Housing PDC grant
- Regional oversight board (appointed by New River Valley Regional Commission) will help staff evaluate proposals; final approval by NRVRC Board

Arlington Affordable Housing Investment Fund
https://www.arlingtonva.us/Government/Programs/Housing/Development/Affordable-Housing-Investment-Fund

- Mix of dedicated county revenue sources (e.g. recordation tax) and traditional federal funds
- Led by staff; awards officially approved through advisory committee and BoS

Alexandria Housing Opportunities Fund
https://media.alexandriava.gov/docs-archives/housing/info/2020=hofapplicationprocessrequirements.pdf

- Funded by developer payments (in lieu of providing affordable units), 1 cent real estate tax, and 1 percent increment of meals tax
- Led by staff; awards officially approved through advisory committee and Board of Supervisors

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SECONDARY SOLUTION 1: Create alignment between housing and economic development activities

ISSUE: *Without adequate housing, economic development initiatives will be unsuccessful at attracting and retaining new talent.*

When affordable and suitable housing is scarce, potential employees may be deterred by high living costs, long commutes, or inadequate living conditions. This can be particularly problematic for lower-wage workers or those relocating for job opportunities. The lack of housing can lead to increased turnover rates, as employees may seek more stable and affordable living situations elsewhere.

SOLUTION: *Integrate housing strategies with local economic development plans to foster a holistic approach to community growth.*

A diversity of affordable housing attracts and retains a diverse workforce, which is crucial for economic stability and growth. By ensuring that housing meets the needs of the community, local economies can thrive as businesses have access to a stable labor force. Well-planned housing developments can spur local investment, increase property values, and generate tax revenues, which can be reinvested into further economic and community development projects.

HOW IT WORKS

Financial support

Economic development authorities (EDAs) can now use a variety of tools to increase the financial viability of affordable housing projects. These investments can be made in conjunction with significant mixed-use development projects, or they can be made available for "one-off" projects that have the potential to strategically advance an EDA's larger goals. This funding may be provided through grants, incentives, revenue bonds, or real estate tax abatements.

Grants

One common function of EDAs is to provide grants to businesses and other entities to foster innovation, workforce development, and other activities that support the community's economic growth objectives. While these grants are usually not targeted to housing-specific uses, the EDA may want to explore options to use any discretionary funds for strategic housing activities in the private sector.

As one potential strategy, the EDA could consider performance grants for firms involved in the production of lower-cost housing or who can strengthen the construction workforce, especially through innovative methods.

Incentives

The City and EDA can coordinate to offer permitting fee reductions, expedited review processes, and infrastructure delivery to make housing easier to develop. This framework can be expanded to include residential or mixed-use projects that align with the City's strategic growth goals.

Revenue bonds

EDAs can issue tax-exempt bonds that provide large, low-cost funding to create transformative capital projects. Numerous EDAs throughout Virginia use multifamily revenue bonds to help boost the construction or rehabilitation of affordable housing in their communities. These bonds are guaranteed by the future income ("revenue") of the project and provide below-market interest rates. Neither the EDA nor the City formally loans money; the arrangement simply provides developers with access to capital markets at attractive rates. In fact, EDAs use this arrangement as an income-generating activity by earning fees collected from the bond recipient.

Real estate tax abatements

EDAs can facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a city ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs—which in turn can secure better financing.

Land support

The EDA can pursue acquiring, consolidating, and leasing various parcels of land that are strategically located for mixed-use development. Having land readily available reduces a significant barrier for developers, expedites the development process, and allows for long-term control over land use. It also gives Staunton a proactive way to encourage development in areas targeted for growth.

Land banking

EDAs can purchase and hold onto land until suitable development partners are selected, utilities are planned, and financing terms are established. This does not necessarily mean that the EDA needs to become a formal land bank in accordance with the Virginia Land Bank Entities Act.

Land swaps

Along with market acquisitions, EDAs can organize and execute property swaps to strategically trade land with private owners or other public entities.

Discounted sales

When selling off land for development that may include a residential component, EDAs can discount acquisition costs in exchange for certain terms, such as the inclusion of below market rate residential units, or donation of a section of the property to a separate affordable housing developer.

Long-term ground leasing

EDAs have the option to retain ownership of the land and create a ground lease agreement with the developer for the improvements. The property is leased at a nominal cost, and the developer is exempt from paying real estate taxes on the value of the land. This arrangement gives the public a formal stake in the development and provides an EDA with more permanent oversight to ensure compliance with any performance incentives.

Planning and technical assistance

Working with community, regional, and state partners, the EDA and City can position themselves as an important resource for planning, executing, and managing residential and/or mixed-use projects. Building this capacity would help local developers—especially those with less experience—increase their confidence with affordable housing and related community development programs.

Planning grants

EDAs are increasingly serving as an intermediary for applying to state planning grants to help study development options for specific sites and properties. Sources include Virginia Housing, the Department of Housing and Community Development (DHCD), and the Virginia Economic

Development Partnership (VEDP). The EDA can provide this service to help investigate mixed-use opportunities on City-owned properties, or to assist private owners with assessing options for certain properties whose development would be a strategic win for the city.

Knowledge sharing

The EDA can explore hosting open houses or symposiums to encourage networking between affordable housing practitioners and developers of residential/commercial properties.

Guidelines

Any financial support or incentives should be provided within a framework that outlines the minimum requirements and eligibility criteria for projects. The EDA and City should work with stakeholders to develop these guidelines in a transparent process. Important aspects to consider include, but are not limited to:

- Ownership and/or type of development entity
- Minimum number of units and/or construction cost
- Type, size, and location of units
- Income ranges of potential buyers or renters
- Amount of additional public/private investment leveraged
- Local hiring preferences for construction jobs

HOW TO DO IT

Within 6 months:

- Convene stakeholders from the EDA, City Council, staff from relevant City departments, and other important partners to begin evaluating and prioritizing potential strategies.
- Develop preliminary guidelines for supporting housing activities and seek adoption by the EDA board and City Council. Use these to direct future housing investments by the EDA.
- Identify affordable housing projects in the pre-development stage in the city that could benefit from EDA support. Meet with these developers to understand their needs and to determine what types of financial support would be most beneficial.

Within 1 year:

- Reach out to relevant state agencies to pursue funding opportunities that would facilitate site planning, feasibility studies, and/or environmental remediation work.
- Identify opportunities for property assemblage or acquisition to support residential or mixed-use development.
- Identify properties owned by the City, the School Board, and other public agencies that could benefit from intentional planning activities.
- Begin to design, approve, and implement prioritized strategies.

Within 2 years:

- Develop procedures for compliance and reporting to ensure any projects supported by the EDA remain a productive asset for the City.
- Explore developing a competitive bid process that requires workforce housing as a component of a mixed-use development.

WHO DOES WHAT

EDA board: Work with staff and partners to set major goals and objectives. Evaluate and approve bond issues and other financial agreements. Liaison with the City Council.

City Council: Collaborate with the EDA board on strategic vision for supporting housing initiatives. Evaluate and approve financial incentives provided in full or in part by the City. Set aside funding for EDA housing efforts within the annual budget and/or capital improvement plan as desired.

City staff: Support EDA board with decision making. Gather information on best practices from economic development colleagues elsewhere in Virginia. Draft policies, procedures, and contracts related to programmatic activities.

Private and nonprofit developer partners: Seek out EDA partnerships and demonstrate specific ways for the City to provide support.

HOW TO FUND IT

Increased administrative costs could be funded by additional support for personnel in the City budget. Revenue from the sale or long-term lease of properties could be another source to cover operational costs, and/or housing-related grant-making.

Because Staunton is now an entitlement community, it receives CDBG and HOME funds directly from HUD on an annual basis. These funding sources can be tapped to support a wide range of planning and development activities; however, the grants must benefit low-income (80% AMI and below) homeowners or renters.

Planning grants are available from multiple state agencies and depend on specific scenarios and objectives.

Virginia Economic Development Partnership

VEDP offers the Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund to help local governments prepare brownfield sites for productive economic development projects. Two types of grants are available.

- Site Assessment and Planning Grants: Up to $50,000 for environmental and cultural assessments, remediation/reuse plans, structure demolition, and other similar prerequisite activities.
- Site Remediation Grants: Up to $500,000 for remediation of materials contaminated with hazardous substances and demolition/removal of structures.

Virginia Housing

Community Impact Planning Grant

Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Community Impact Stabilization and Deconstruction Grant

Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*"

Deconstruction Grant available "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*"

For either, the City may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, and Rehabilitation Area (per Va. Code Ann. § 36).

EXAMPLES AND RELATED INFORMATION

Statewide study on EDAs and housing
Housing as an Economic Development Strategy for Virginia (November 2023)
Completed by Chmura Analytics for Virginia Housing

Page County
The Page County EDA recently secured a Virginia Housing grant to assess the potential for residential development on land it owns.

Loudoun County
The Loudoun County EDA is partnering with nonprofit and for-profit developers to provide low-interest financing, including tax-exempt revenue bonds, to build hundreds of below market rate housing for Loudoun's workforce earning below the county's average wage.

Henrico County
The Henrico County EDA is pursuing a $50,000 brownfields grant from VEDP to help a property owner determine remediation needs on a parcel formerly used as an unregulated landfill but potentially suitable for mixed-use development, including residential. If successful, the EDA will assist the owner with applying for funds to cover actual remediation.

City of Richmond
The City of Richmond approved the second and third examples of a tax rebate arrangement for affordable rental projects. These "performance grants" are structured contracts between the City, its EDA, and the developers. The annual grant payments will run for 30 years and total the incremental real estate tax revenues generated by the developments. The projects must provide units affordable at 60% AMI in accordance with the Low-Income Housing Tax Credits they are also receiving.

SECONDARY SOLUTION 2: Address vacant and blighted properties with evidence-based revitalization strategies

ISSUE: *The scope of vacant or underutilized properties in the city is not well-understood, preventing revitalization efforts.*

As in other parts of the region, changes in population and migration patterns have resulted in property vacancy or abandonment over time. These properties contribute to blight and prevent community goals by stifling growth and development. Addressing these properties will likely require a variety of solutions, but more information is needed about the scope of the issue before planned interventions can take place.

SOLUTION: *Inventory underutilized properties and explore ways to convert them back into more productive uses such as housing.*

Identifying the scope of the vacancy problem and priorities for redevelopment can assist the city in setting benchmarks for addressing this issue. Depending on location, the scale of disrepair, and missing community assets, these empty properties can be repurposed to either bring a variety of new housing to the area. Some solutions may benefit from county partnership, particularly in regards to mobile home park improvements. Designating one or a few nonprofit developers to coordinate revitalization efforts will help the city target funding and incentive assistance.

HOW IT WORKS

Survey and inventory the city

Using a Virginia Housing Community Impact Grant, the City can fund a study to examine and inventory vacant and blighted properties in detail. After inventorying properties, the city can assign “categories” or “typologies" based on level of need or desired end goal. This will help narrow down possible intervention options, including tax sale, receivership, or owner-incentive driven redevelopment.

Options for addressing “condemned” or blighted homes typically depend on whether the property meets any of the eligibility criteria set by various state statutes that enable local governments to induce a non-market sale/acquisition:

- § 15.2-907.1 allows localities to adopt a derelict buildings ordinance that can help spur property owners into compliance. But it does not grant any special acquisition powers, beyond creating a separate penalty that, if left unpaid, contribute to significantly large liens, which localities can leverage into the tax foreclosure actions described below.

- § 58.1-3965 outlines the process for localities to foreclose on tax delinquent properties and sell them at public auction.

- § 58.1-3970.1 gives localities an alternate path for certain tax delinquent properties. In lieu of public auction, properties can be transferred directly to a land bank and be used for affordable housing.

Utilizing Staunton Redevelopment and Housing Authority

The City can leverage SRHA for these objectives. While SRHA would have no special standing and would have to bid alongside any other private buyers at property auctions, there are two ways it could help:

1. Serve as land bank: In Virginia, an existing housing authority can be designated as a land bank. Land banks can receive property by donation, buy it on the open market, or have it transferred directly from a local government, and can be excellent tools in areas where growth is less rapid and an excess of foreclosed properties exist. This takes advantage of § 58.1-3970.1.
2. Spot blight: One special power housing authorities have is the "spot blight" procedure enabled by § 36-49.1:1 and § 36-19.5. The Lynchburg RHA uses CDBG funds for this and has intervened for 300+ homes since 1999. SRHA could follow this pattern by using its nonprofit development arm to pursue single-family and multifamily rehabilitation of vacant properties.

Thinking ahead for repair, rehabilitation, or redevelopment

This inventory can provide needed data for the town to pursue more in-depth policy interventions and apply for further funding that can sustain efforts over time. Future inventions can be orchestrated as programs to incentivize property owners to make necessary improvements to their property or allow localities to require the removal and/or repair of buildings that are declared derelict. Examples exist that outline future pathways the city can pursue, including collaborations between the public and private sector.

One example of this is the Acquire, Renovate, Sell (ARS) Program, administered by the Virginia Department of Housing and Community Development (DHCD). Distributed to eligible providers, including local governments, nonprofits, housing authorities, and planning district commissions, this program aims to create affordable homeownership opportunities for low-to moderate income, first-time homebuyers while allowing providers discretion over acquisition type, region and resale. Providers acquire existing undervalued homes using their own lines of credit, renovate using ARS funding and other leveraged sources if necessary, and resell the property at fair market value to a first-time homebuyer. This could be utilized in Staunton to help redevelop properties while also generating income that can continue to be leveraged for capacity building or future projects.

HOW TO DO IT

Within 6 months:

- Apply for a Virginia Housing Community Impact Grant to fund a study on vacant and blighted properties.
- Conduct a detailed survey and inventory of vacant and underutilized properties in the city.
- Categorize and assign “typologies” to inventoried properties based on level of need or desired end goal.
- Research existing state statutes that enable local governments to address vacant and blighted properties.

Within 1 year:

- Evaluate options for addressing “condemned” or blighted homes based on eligibility criteria set by state statutes.
- Explore the process for localities to foreclose on tax delinquent properties and sell them at public auction as outlined in § 58.1-3965.
- Investigate the potential to transfer certain tax delinquent properties directly to a land bank for affordable housing as per § 58.1-3970.1.
- Assess the feasibility of designating the Staunton Redevelopment and Housing Authority (SRHA) as a land bank.

Within 2 years:

- Develop a plan for SRHA to utilize the "spot blight" procedure enabled by § 36-49.1:1 and § 36-19.5.
- Formulate a strategy for SRHA to pursue single-family and multifamily rehabilitation of vacant properties.
- Design programs to incentivize property owners to make necessary improvements to their properties.
- Create policies that allow localities to require the removal and/or repair of buildings declared derelict.
- Engage with nonprofit developers to coordinate revitalization efforts and target funding and incentive assistance.
- Establish partnerships between public and private sectors to support long-term property rehabilitation and redevelopment.

WHO DOES WHAT

City Staff: Conduct surveys, inventory properties, categorize needs, and research state statutes to address vacant and blighted properties.

SRHA: Serve as a land bank, utilize the "spot blight" procedure, and lead rehabilitation efforts for single-family and multifamily vacant properties.

City Council: Approve funding applications, adopt relevant ordinances, and support policy initiatives for the inventory and revitalization of underutilized properties.

HOW TO FUND IT

Community Development Block Grant:

Recently becoming an entitlement community, the City now receives approximately $330,000 in CDBG funds directly from HUD each year. These funds can be used for a variety of community development initiatives, including the acquisition and rehabilitation of vacant and blighted properties. For example, CDBG funds could be allocated to purchase abandoned buildings, demolish unsafe structures, and redevelop the sites into affordable housing or community spaces, thereby improving neighborhood conditions and promoting economic revitalization

DHCD Acquire, Renovate, Sell (ARS):

The Acquire, Renovate, Sell (ARS) program by the Virginia Department of Housing and Community Development provides up to $60,000 per project for property renovation, including performance incentives and specialist fees. Providers must have substantial credit lines (at least $200,000 or the ability to acquire two homes) to participate. Funding is awarded on a first-come, first-served basis without administrative fees. Properties renovated through ARS must be marketed first to low-to-moderate income (LMI) first-time homebuyers at fair market value. Net proceeds from the sale can be retained by providers, with up to 10% allowable for administrative costs, but the renovation funds must be returned to the DHCD.

Providers need to identify properties before requesting earmarked funds, and having multiple potential acquisitions strengthens the application. The $60,000 funding per project includes allocations for performance deliverables, rehab specialist fees, and renovation costs. Properties unsold after 60 days can be offered to any LMI applicant who will use the home as a primary residence. The program does not cover administrative or developer fees beyond the 10% from net proceeds.

DHCD housing repair and energy efficiency programs:

Essential Home and Accessibility Repair Program (EHARP): Provides funds to remove urgent, emergency health and safety hazards. It also addresses physical accessibility barriers for low-income Virginians.

Indoor Plumbing Rehabilitation (IPR): Provides zero percent interest, subsidized loans in eligible localities for the installation of indoor plumbing to owners of substandard housing where indoor plumbing does not exist or where the existing waste water disposal systems have failed.

Weatherization Assistance Program (WAP): Provides funds to install measures that reduce residential heating and cooling costs for low-income families and enhance the health and safety of residents. The program provides repairs and improvements to home heating and cooling systems and provides for the installation of energy-saving measures in the house, such as insulation and air sealing.

Weatherization Deferral Repair (WDR): Funds repairs that have caused homes (or units in multifamily buildings) to be deferred from the Weatherization Assistance Program. Once the needed repairs are made, clients receive energy efficiency and health and safety measures available through WAP. In order to qualify for WDR, clients must meet WAP eligibility requirements.

Virginia Housing Community Impact Planning Grant:

Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Virginia Housing Community Impact Stabilization and Deconstruction Grant:

Stabilization Grant available for "*redevelopment of foreclosed, abandoned, and vacant blighted residential properties or properties to be converted for residential use.*" Deconstruction Grant available to "*to dismantle buildings in a revitalization area in order to develop affordable housing with the goal of maximizing the reuse potential of the building's components.*" For either, the County may have to designate the applicable properties as being located in a Redevelopment Area, Conservation District, and Rehabilitation Area (per Va. Code Ann. § 36).

CITY OF WAYNESBORO SOLUTIONS

PRIORITY SOLUTION 1: Assemble a comprehensive incentive package for new housing that serves lower-income and housing-insecure residents

ISSUE: *Limited incentives exist for developers to engage with affordable housing, resulting in a low inventory of attainable and diverse housing.*

New housing is expensive to build. In the wake of COVID-19, developers face rising labor and material costs, limited land inventory, more difficult financing options, and burdensome zoning rules and approval processes. At best, these expenses get factored into higher home prices. At worst, developers choose another locality to build or give up entirely. In either case, city residents with the least ability to afford a quality home come up short.

SOLUTION: *Encourage nonprofit and for-profit developers to increase the supply of lower-cost housing by reducing regulatory barriers and providing a range of financial incentives.*

A comprehensive incentive package for new housing can address these challenges in two ways. First, the City can offer financial incentives that help fill funding gaps and get projects to pencil out. Second, reforms to reduce zoning barriers and streamline the review process can expedite construction, saving additional costs and leading to more housing faster.

HOW IT WORKS

It takes a combination of financial, regulatory, and technical support to draw in and reward developers who can provide lower-cost options. Waynesboro can explore adopting and standardizing new mechanisms to spur future growth.

Incentive eligibility and criteria

The first step should involve determining what types of residential development should be eligible for any special incentives. These could include:

- Minimum number and/or percentage of affordable units
- Income levels served by affordable units
- Length of affordability terms
- Identical design and quality for market-rate and affordable units
- Proximity to transit and/or other amenities and services
- Location in designated growth area
- Current site control

Waynesboro should consider other minimum criteria but should avoid artificially restricting eligibility with unworkable requirements.

Partial real estate tax exemptions

Localities in Virginia are permitted to offer partial exemptions on real estate taxes for certain types of properties that are rehabilitated, renovated, or replaced under certain conditions. These programs can help spur investments in older neighborhoods and contribute to productive infill or reuse of underused properties. Owners can have the value of their improvements exempted from the calculation of their property taxes for a definite period after work is completed, usually for no more than 20 years.

Waynesboro's current City Code only offers partial exemption for rehabilitation projects under Va. Code Ann. § 58.1-3221, which covers commercial and industrial properties. This however would not be applicable to residential-only developments, and it is unclear whether it would apply to mixed-use developments.

Therefore, the City can consider designing new exemptions using other similar state statutes.

§ 58.1-3220. Partial exemption for certain rehabilitated, renovated or replacement residential structures sets specific guidelines for the design of residential tax abatement programs. Many localities across the state have programs using this statute. It can be used for both single-family and multifamily properties.

- The partial exemption can either be a stated amount or percentage of the increase in assessed value of the property, or an amount up to 50% of the cost of rehabilitation, renovation, or replacement.
- The partial exemption can begin on the date of completion or on Jan. 1 of the following year.
- The period of exemption cannot last more than 15 years.
- Localities can shorten the length of the exemption period, or reduce the amount of the exemption in stepped increments.

§ 58.1-3219.4. Partial exemption for structures in redevelopment or conservation areas or rehabilitation districts can grant exemptions up to 30 years, but properties must be located in a "Redevelopment or conservation area or rehabilitation district" designated by ordinance. These exemptions can be approved on a project-by-project basis, and are often used to strengthen Low-Income Housing Tax Credit (LIHTC) applications.

Financial incentives

Together with its Economic Development Authority (EDA), the City can use a variety of tools to increase the financial viability of affordable housing projects. These investments can be made in conjunction with significant mixed-use development projects, or they can be made available for "one-off" projects that have the potential to strategically advance the City's broader economic and community development objectives.

Tax abatements

EDAs can facilitate tax abatements to affordable housing projects in the form of rebates granted by the locality. These require a city ordinance to authorize, for example, annual rebates equal to the incremental increase in property taxes following project completion. In exchange for providing affordable housing, the developer/owner will pay taxes only on the original value of the property, which helps reduce long-term operating costs—which in turn can secure better financing.

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As one potential strategy, the EDA could consider performance grants for firms involved in the production of lower-cost housing, or who can strengthen the construction workforce, especially through innovative methods.

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Neither the EDA nor the City formally loans money; the arrangement simply provides developers with access to capital markets at attractive rates. In fact, EDAs use this arrangement as an income-generating activity by earning fees collected from the bond recipient.

Land support

EDAs can purchase and hold onto land until suitable development partners are selected, utilities are planned, and financing terms are established. Along with market acquisitions, EDAs can also organize and execute property swaps to strategically trade land with private owners or other public entities.

When selling off land for mixed-use development, EDAs can discount acquisition costs in exchange for certain terms, such as the inclusion of below-market rate residential units, or donation of a section of the property to a separate affordable housing developer.

EDAs have the option to retain ownership of the land and create a ground lease agreement with the developer for the improvements. The property is leased at a nominal cost, and the developer is exempt from paying real estate taxes on the value of the land. This arrangement gives the public a formal stake in the development and provides an EDA with more permanent oversight to ensure compliance with any performance incentives.

Fee reductions and waivers

While the City's development fees—for zoning applications, building permits, and utility hookups—are not exorbitant, they nevertheless contribute to the overall costs for a project. These fees are one opportunity for the City to make it slightly easier for new affordable housing to get built.

To accomplish this, the Community Development and Public Works departments can explore:

1. <u>Waived or reimbursed fees for certain projects</u>: To encourage specific types of residential development, such as smaller starter homes or dedicated affordable units, the City could offer to waive or reimburse a full or partial amount of the applicable availability and hookup fees. To be sustainable and successful, such a policy would need to have clear guidelines on project eligibility and incentive amounts.

2. <u>Installment payment plans for residential projects</u>: To reduce the upfront financial burden of these initial fees, the City could offer residential developers the opportunity to use installment plans. For example, the Rockbridge County Public Service Authority allows new and existing businesses the ability to pay these water and wastewater hookup fees in installments for a period up to 60 months.

Streamlined approvals

The City can apply lessons and successful strategies from similar markets that have effectively streamlined their land development processes. This could involve adopting proven regulatory frameworks or technology-based solutions to improve efficiency. This could include expedited review timelines, simplified application procedures, and clear public guidelines for developers and homeowners.

For example, a "fast track" for certain small-scale apartment buildings might include:

- A fully administrative approval process with no public hearings required ("by-right")
- Pre-defined review steps across departments with simple checklists
- Simplified application forms that are legible and accessible
- Reviews completed within five business days
- A series of pre-approved designs and floor plans

Zoning incentives

Waynesboro's current zoning code is relatively relaxed with respect to townhomes, duplexes, and other smaller-scale multifamily housing types. However, there are still several opportunities for the City to leverage its zoning code to make developing affordable housing easier and less costly to develop at scale. These include:

1. Density bonuses: Adopt an "affordable dwelling unit" ordinance in accordance with the statutory allowances in Va. Code Ann. § 15.2-2305 or Va. Code Ann. § 15.2-2305.1. Density bonuses (beyond the maximum allowable amounts under current zoning and future land use designations) can be granted in exchange for the developer agreeing to offer a certain percentage of units at below-market rates for low-income renters.

2. Reduced parking requirements: Waive or lower the number of parking spaces per residential unit. Current regulations require at least 2 spaces per unit, except for 1.5 spaces in the case of efficiency and one-bedroom units.

3. Expanded by-right multifamily: Allow multifamily development without a conditional use permit (or similar special exemption) in more areas of the city. Because affordable rental housing development becomes easier at scale, developers who leverage LIHTC and other state/federal programs seek sites that allow a meaningful number of units without uncertainty of approval.

However, the City should strongly consider evaluating these zoning strategies as part of its comprehensive plan update first (see **PRIORITY SOLUTION 2**).

HOW TO DO IT

The following timeline of tasks is conceptual and nonbinding. The City will determine an appropriate timeline that takes into consideration ongoing plan reviews, the comprehensive plan update, annual budget cycles, and other important policy processes.

Within 6 months:

- Form a dedicated task force consisting of members from the Community Development Department, EDA, City Council, Planning Commission, and Public Works Department to set objectives and evaluate specific strategies.
- Begin identifying potential funding sources such as Virginia Housing Community Impact Planning Grants and private funds from philanthropic foundations.
- Conduct a thorough review of existing financial and regulatory incentives to identify gaps and opportunities for enhancement.
- Engage with key stakeholders, including developers, community members, and housing advocates, to gather input and support for the proposed incentives and regulatory changes.
- Develop and promote simplified application forms and processes for developers interested in affordable housing projects to reduce administrative burden.

Within 1 year:

- Roll out financial incentives such as grants, revenue bonds, and land support mechanisms to make affordable housing projects financially viable for developers.
- Establish a fast-track approval process for certain affordable housing projects, including predefined review steps and pre-approved designs.
- Design and implement new real estate tax partial exemptions for rehabilitated, renovated, or replacement residential structures to encourage investments in affordable housing.
- Initiate pilot projects for developments that include affordable housing units, leveraging financial tools such as multifamily revenue bonds.

Within 2 years:

- Adopt proven regulatory frameworks and technology-based solutions to further streamline residential development processes across the city.
- Continuously monitor the effectiveness of financial and regulatory incentives and make adjustments as needed to ensure they are achieving desired outcomes.
- Secure long-term funding commitments from state and federal sources, as well as private grants, to sustain affordable housing development efforts.
- Conduct a comprehensive evaluation of progress made in increasing affordable housing inventory and addressing regulatory barriers, using this evaluation to refine strategies and set new goals.
- Publicize successful affordable housing projects and the benefits of incentives and regulatory changes to encourage further participation.

WHO DOES WHAT

Community Development Department: Lead efforts to design and implement new incentive strategies. Provide analysis and recommendations to the Planning Commission and City Council.

Economic Development Authority: Learn about best practices from other EDAs in Virginia, collaborate with the City to evaluate and develop incentives, and partner with developers to provide support on specific projects.

City Council and Planning Commission: Evaluate policy options presented by staff, hold public hearings and gather community input, adopt new ordinances to update codes, and allocate funding for new incentives as necessary.

Public Works Department: Coordinate with Community Development staff to determine potential fee exemptions for affordable housing development.

FUNDING SCOPE

Administrative costs: Meaningful progress may likely require increased staff capacity by one full-time or part-time position. Salary for this hire can be estimated using comparable wages for similar positions in City administration.

Revenue bonds: Revenue bonds issued by the EDA for any mixed-use or residential project would be backed by the development's future income. The City does not guarantee any debt and has no expenses other than staff time dedicated to preparing and executing the issuance. Fees received by the applicant may cover that cost.

Real estate tax abatement: Grants that rely on reimbursement of future real estate tax income are revenue neutral. However, the City may want to consider certain payment-in-lieu fees to at least cover the projected need for additional public services.

HOW TO FUND IT

Virginia Housing Community Impact Planning Grant: Up to $20,000 for Area Planning, Project Planning, Market Assessment, or Policy Study project. Up to $50,000 for Community Input Sessions or Neighborhood Community Planning projects.

Virginia Resources Authority: VRA offers low-cost loan financing for local governments via the public debt market. The City could collaborate with VRA to explore supplemental financing options for new affordable housing development.

Private funds: Grants from philanthropic foundations that support community development and civic innovation could also be explored.

HOW TO MEASURE SUCCESS

- Number of new affordable housing units produced
- Number of persons experiencing homelessness or housing insecurity
- Amount of state, federal, and private investment leveraged for new developments

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PRIORITY SOLUTION 2: Use upcoming comprehensive plan update to prioritize long-term housing affordability in City's approach to land use

ISSUE: *Waynesboro's current comprehensive plan lacks sufficient strategies to address contemporary and future housing affordability challenges.*

Waynesboro's current comprehensive plan was adopted in March 2018. While the plan does have a meaningful level of data, findings, and recommendations related to housing, it does not fully meet contemporary and future needs. As the City begins to undertake a process to update this plan, staff and partners can take certain steps to ensure it charts a fully strategic course for the City's approach to housing affordability.

SOLUTION: *Supplement the comprehensive plan update with a housing education campaign to strengthen public knowledge and support for more housing opportunities.*

As the City begins a process to update its comprehensive plan, staff and partners can use it as an important opportunity to increase public understanding and support for creating more housing options. This process can help identify ways to reduce barriers and create meaningful incentives, as well as laying the groundwork for subsequent changes to zoning ordinance and other policies.

HOW IT WORKS

Leverage engagement process to proactively educate citizens about housing

To ensure housing opportunities are successfully and productively addressed in the comprehensive plan process, the City can pursue a complementary engagement and education campaign.

1. Before comprehensive plan update starts:

Campaign planning

A successful campaign requires significant, intentional planning. To start, the City can define the primary goals and objectives related to resident engagement and education on housing affordability as part of the comprehensive planning process. This will allow for the campaign's success to be measured later.

At this time, the City can also define the core stakeholders that should be included to provide input throughout the process. In addition to community representatives, roles should be assigned to City staff, Planning Commission, City Council, and other boards as needed.

Administration

Using this outline, the City can determine whether this work should be incorporated into the request for proposal for the primary comprehensive plan consultant, or might be better served as a separate solicitation and scope of work that is supplemental to the main comprehensive plan update. This will depend on timing, funding availability, and other factors.

2. At the beginning of comprehensive plan update (before engagement):

Existing conditions

One of the most important foundational steps for a successful comprehensive plan update—and engagement campaign—is a detailed analysis of the city's present and future housing requirements. The City can use the data and findings from this regional study as a starting point, and supplement it with more detailed analysis of home values, specific development trends, and other items.

The City can also establish an early foundation for comprehensive plan updates by conducting a preliminary review of current regulations and housing conditions. The takeaways from this preliminary work would be used to provide a factual foundation to community conversations on housing.

Content development

To make complex issues more understandable, the City should expect to build different types of content catering to various learning preferences. Additional partners—especially affordable housing practitioners and other housing market experts—should be consulted to provide data, stories, and other helpful information to make materials for engagement.

3. <u>During/after comprehensive plan update</u>:

Community engagement

Community leaders and stakeholders can help the City organize different types of events and engagement opportunities, both in person and online. To begin, the City should prioritize participation in existing events (e.g., comprehensive plan meetings, neighborhood fairs) to meet community members where they are already. Based on immediate impressions and feedback from these engagements, the City and the consultant(s) should retool and/or generate new content where possible.

Evaluation

To determine the campaign's effectiveness, the City should consider brief and low-barrier methods for collecting feedback, such as short surveys with only one or two questions. The City also must determine what outcomes are most important to assess: for example, increased understanding of housing issues and programs versus increased support for the creation of new affordable housing. As able, the City should revise and adapt content and outreach strategies for future engagement.

Throughout the process, the City should leverage the engagement process to proactively educate citizens about housing issues. This approach ensures that housing opportunities are successfully and productively addressed in the comprehensive plan update while simultaneously increasing public understanding and support for housing initiatives.

Pursue innovative land use approaches

A locality's comprehensive plan provides an important opportunity to establish policies and strategies that enable more innovative and affordable housing types. During the plan update process, the housing chapter should evaluate the current residential land use patterns and housing stock, identify current and future housing needs across all income levels, and set goals for increasing housing options and affordability.

One key strategy is to incorporate policies that explicitly enable and encourage accessory dwelling units (ADUs) in residential areas. The plan can define ADU standards, identify appropriate zoning districts, and streamline any permitting processes. This gentle density can provide affordable rental units while maintaining the scale of single-family neighborhoods.

The plan can also embrace manufactured housing as an affordable homeownership option. This may involve designating areas for manufactured home parks, but also allowing manufactured homes to be placed on single lots in certain residential districts with design standards compatible with site-built housing.

For example, a recent Conditional Use Permit (*23-015*) allowed the placement of a single-wide manufactured home on a narrow lot. Scenarios like this could be made by-right under certain conditions, with administrative approval.

Additionally, the plan can call for developing form-based codes that move beyond conventional use-based zoning. Form-based codes regulate the form, scale, and design of buildings and neighborhoods rather than separating uses. This allows more flexibility to integrate diverse housing types and compatible mixed-use development.

HOW TO DO IT

The following timeline of tasks is conceptual and nonbinding. The City will determine an appropriate timeline that takes into consideration ongoing plan reviews, the comprehensive plan update, annual budget cycles, and other important policy processes.

Within 6 months:

- Begin drafting a public engagement plan for the comprehensive plan update specifically centered on housing discussions. Consider online platforms such as Granicus and MetroQuest to enhance outreach efforts.
- Create a plain-language summary of prior plans and studies, including this regional study, to outline key issues and objectives that could be addressed in the comprehensive plan.
- Seek technical assistance by starting in-depth conversations with HousingForward Virginia staff and other experts on best practices for messaging and reframing.
- Evaluate existing regulations on how lower-cost housing types can currently be developed.

Within 1 year:

- Set dates and specific agendas for public engagement meetings and activities. Craft non-traditional engagement processes, including online surveys and scheduled "open office" hours where City staff can answer questions and hear input from residents.
- Review the data findings within this report and update current city housing trends, needs, and challenges as required to guide discussions.
- Set broad goals for housing based on public and stakeholder feedback.

Within 2 years:

- Collect public engagement and education responses and publish them for full transparency.
- Establish a cross-departmental team to monitor the comprehensive plan's implementation and maintain alignment of goals.

WHO DOES WHAT

Community Development Department: Establish timeline for education campaign and comprehensive plan update process, integrate findings from this study and other analysis, coordinate with other departments and stakeholders, and oversee community engagement strategies.

City Manager's Office: Review and help disseminate educational materials, support engagement efforts of the Community Development Department, assist with promoting and organizing any public meetings.

Planning Commission and City Council: Guide and advise staff on engagement campaign and comprehensive plan process, participate in public engagement efforts, serve as liaison with constituents, and evaluate and adopt new policies as needed.

HousingForward Virginia: Provide best practices, preliminary guidance, and potential implementation scenarios to ensure that housing components of comprehensive plan update are successful and constructive.

HOW TO FUND IT

Public sources: Education campaigns for housing might be funded through local operating funds. Funding may also be available via grant opportunities from Virginia Housing.

Virginia Housing Community Impact Grant: Planning Grants up to $20,000 are available for studies that address "development code analysis" and "policy analysis." This funding could be used by the City to support this strategy.

Private sources: Philanthropic and corporate partners may also be interested in funding educational efforts. The City should approach known funders who have an existing interest in housing and community development.

HOW TO MEASURE SUCCESS

- Number of people exposed to the campaign across all platforms, including social media
- Number of attendees at campaign-related events, webinars, or workshops
- Pre- and post-campaign surveys to measure changes in knowledge, attitudes, or behaviors related to housing issues
- Changes in housing policy that can be linked to increased awareness or advocacy related to the campaign
- Stories or testimonials from people who have been positively impacted by the campaign

EXAMPLES

Cville Plans Together

Charlottesville's 2021 comprehensive plan update, known as "Cville Plans Together," focused heavily on addressing housing affordability and equity issues. The City followed this with a complete overhaul of its zoning ordinance in 2023, which included allowing more housing types in traditionally single-family neighborhoods and reducing parking requirements to encourage denser development.

Roanoke City Plan 2040

Roanoke similarly updated its comprehensive plan in 2020 with a strong emphasis on creating more diverse and affordable housing options. In 2021, the City adopted major zoning reforms that included allowing ADUs by right in all residential zones, reducing minimum lot sizes, and creating new mixed-use districts to promote walkable, transit-oriented development.

SECONDARY SOLUTION 1: Evaluate and prioritize strategies for expanding supply of high-quality rental homes

ISSUE: *Lack of rental inventory allows landlords to more easily neglect maintenance and repairs in units.*

When there is a limited supply of rental homes, many renters compete for the same units. This constant demand often lets property owners get away with keeping apartments in poor quality because they have no incentive to make improvements. There will always be another tenant to move in. As a result of this dynamic in Waynesboro, many renters are expressing concern and frustration about substandard living conditions.

SOLUTION: *Explore options to improve housing quality for existing renters alongside simultaneous efforts to increase the supply of affordable apartments.*

The only way to fully address this challenge is by expanding the number of rental units affordable to lower-income residents (as supported by **PRIORITY SOLUTIONS 1** and **2**). By giving these tenants more options, landlords will have greater incentive to make improvements and ensure their units are in acceptable condition. Still, the City can evaluate opportunities to make more immediate steps to intervene and offer constructive solutions for improving conditions for renters in difficult situations.

New affordable rentals coming to Waynesboro

Two recent proposals for affordable rental units within the city limits will receive Low-Income Housing Tax Credit (LIHTC) awards from Virginia Housing. These are important examples of the types of housing Waynesboro should continue to encourage, as they will provide high-quality apartments at prices affordable to renters who currently face the biggest challenges in the market today.

1030 Alston Court (48 units)
Developer: Enterprise
Type: Supportive housing for persons with disabilities / New construction

Rosenwald Pointe (88 units)
Developer: Woda Cooper
Type: General / New construction

Source: 2024 Final Rankings - 7/10/2024 (Virginia Housing)

HOW IT WORKS

Determine scale and scope of problem

Use and develop data to investigate patterns.

The City can leverage a variety of data sources to identify housing quality issues and target areas for intervention. This data-driven approach can help prioritize resources and inform policy decisions. Here are some key data types and processes to consider:

- **Code violations**: Analyze historical and current code violation data, including the type of violation, frequency, and geographical distribution. This can help identify recurring issues and problematic areas.
- **Resident complaints:** Systematically track and categorize complaints submitted by residents. This could include issues related to maintenance, safety hazards, or landlord-tenant disputes.
- **Property ownership records:** Cross-reference violation and complaint data with property ownership information to identify if certain landlords or property management companies are associated with a disproportionate number of issues.
- **Age and condition of housing stock**: Utilize assessor's data or conduct surveys to map the age and condition of rental properties across the city.
- **Utility data**: Analyze utility consumption patterns or service interruptions, which may indicate occupancy issues or substandard living conditions.
- **Emergency service calls:** Collaborate with fire and police departments to analyze call data related to rental properties.
- **Health department records**: Partner with the local health department to access data on housing-related health issues or inspections.

Securing this additional context would help City staff and City Council develop a fuller understanding of the scope and scale of this challenge. By systematically collecting, analyzing, and acting upon this data, the City can more effectively target its efforts, whether through increased code enforcement, community outreach, or the evaluation of a potential rental inspection program. This data-driven approach ensures that resources are directed where they're most needed and can provide a solid foundation for policy decisions and program evaluations.

Conduct outreach to gather perspectives and context on data.

To gain a comprehensive understanding of the rental housing landscape, Waynesboro should engage in extensive outreach efforts involving all stakeholders. This approach would include interviewing a representative sample of landlords to identify barriers to property investment, while also establishing regular channels for renters to share their concerns, such as an online portal or town hall meetings. Collaborating with advocacy groups and local social service providers can offer insights into systemic issues affecting renters, particularly vulnerable populations.

The City should also reach out to neighboring localities to learn about their rental quality issues and successful strategies. Engaging with property management companies, real estate professionals, and health and safety officials can provide additional perspectives on market trends, property maintenance challenges, and public health concerns related to housing quality. This multifaceted approach to gathering qualitative data will complement quantitative analysis, providing crucial context and helping to inform targeted, effective solutions for improving rental housing quality in Waynesboro.

Strategically align resources

Explore financial incentives for property owners.

As labor and material costs have risen, some landlords may actually not have the capital to make necessary improvements. The City could develop financial incentives to reduce this burden, in exchange for certain conditions imposed on the property.

1. Partial tax exemption for rehabilitation: § 58.1-3220 allows localities to provide partial tax exemptions on rehabilitated residential properties. Cities and counties most commonly use this statute to create a financial incentive for single-family home owners to make improvements that meaningfully increase property values. However, state code does not limit such programs to owner-occupied units.
2. Revolving rental improvement fund: To provide landlords with funding for repairs and deferred maintenance, the City could establish a fund that offers small loans that are repaid with limited or no interest, which are then revolved back into the fund upon repayment. Loan terms would make this incentive more attractive and affordable than a loan provided by a bank at market rates.

Evaluate options for a pilot rental inspection program.

Like many other comparably sized localities, Waynesboro enforces its property maintenance code on a complaint basis. Staff do not have the capacity or resources currently to undertake any substantial proactive efforts to regularly inspect properties to ensure they are habitable.

Therefore, it would be difficult for the City to quickly establish a robust rental inspection program, per its statutory authority under § 36-105.1:1. Furthermore, such programs have the potential to *decrease* the supply of low-cost rental units if property owners are not willing or able to bring their units into compliance.

However, there are a number of comparable cities in Virginia that have adopted a rental inspection program, including:

- Bristol
- Buena Vista
- Colonial Heights
- Danville
- Hopewell
- Lynchburg
- Williamsburg

Waynesboro may find itself exploring options for a rental inspection program if other efforts to improve housing quality prove insufficient. However, the decision to implement such a program should not be taken lightly and requires a careful, multifaceted approach.

The process should begin with a comprehensive data analysis, reviewing existing housing condition information, complaint records, and code enforcement data to assess the prevalence and severity of substandard rental housing.

Simultaneously, the City should gather input from key stakeholders, including tenants, landlords, property managers, and community organizations. This could involve surveys or focus groups to understand concerns and potential impacts of an inspection program.

Equally important is an evaluation of available resources. The City must consider its current staff capacity and expertise, budget constraints, potential funding sources, and any technological needs for program implementation. A thorough legal and regulatory review is also crucial, examining state and local laws regarding rental inspections and studying successful programs in other municipalities for best practices.

Before proceeding, a cost-benefit analysis should be conducted, estimating the potential costs of program implementation against projected benefits in terms of improved housing quality and safety. If, after this comprehensive assessment, the decision is made to move forward with a pilot program, Waynesboro could identify a specific neighborhood or area for initial implementation to keep the scope limited.

To implement the pilot, the City could find the most appropriate way for existing personnel to handle inspections in the designated area at first. Beginning with a phase-in of inspections over 6-12 months on the most problematic properties identified in the housing survey, the City can track data like violation rates, remediation levels, and costs.

This data, along with community feedback from landlords, tenants, and inspectors, would allow the City to evaluate the pilot's effectiveness. If successful, the rental inspection program could then be gradually expanded citywide by increasing staffing and budgets incrementally over time.

The effectiveness of the program should be continually evaluated by collecting feedback from landlords, tenants, and inspectors; analyzing data on housing improvements and program costs; and assessing the overall impact on housing quality in the target area.

Based on the results of this pilot, Waynesboro can make an informed decision about whether to expand the program. If deemed successful, a plan for gradual citywide implementation could be developed, including necessary increases in staffing and budget.

By following this comprehensive process, Waynesboro can ensure that any decision to implement a rental inspection program is based on solid evidence, addresses genuine needs, and is designed to produce tangible benefits for the community. This thoughtful approach allows the City to balance the interests of all stakeholders while working toward the goal of improved housing quality for all residents.

Improve conditions in manufactured-home communities.

To specifically improve conditions in mobile home parks, the City can work with CSPDC, Virginia Housing, and DHCD to identify and jointly apply for funding that:

- Covers some or all expenses associated with demolition and disposal of pre-1976 mobile homes
- Provides extremely low-income residents (in those homes) with relocation assistance to find new permanent housing

Additionally, the City can conduct proactive outreach to residents in poorest-quality homes and connect with service providers to begin evaluating alternative housing arrangements. Criteria to prioritize mobile home replacements will help triage properties/residents with greatest needs. The City should consider:

- Number of and severity of housing problems (e.g., no heat, water leaks, missing windows)
- Resident income and assets
- Resident physical and/or mental disabilities
- Presence of seniors and/or children
- Other attributes as needed

To facilitate this effort, the City can develop a streamlined process for demolition/disposal pre-approval. It can also consider reducing, waiving, or refunding permit fees, as well as identifying qualified contractors to complete work.

HOW TO DO IT

The following timeline of tasks is conceptual and nonbinding. The City will determine an appropriate timeline that takes into consideration ongoing plan reviews, the comprehensive plan update, annual budget cycles, and other important policy processes.

Within 6 months:

- Analyze code violations, complaints, utility data, emergency service calls, and health department records to identify problem areas.
- Cross-reference violation and complaint data with property ownership records.
- Map the age and condition of rental properties using assessor's data or surveys.
- Interview landlords to understand barriers to necessary repairs.
- Establish channels for renters to share concerns (e.g., online portal, town hall meetings).
- Collaborate with advocacy groups and social service providers.
- Learn from neighboring localities about their rental quality issues and strategies.
- Consider partial tax exemptions for rehabilitation under § 58.1-3220.
- Develop a revolving rental improvement fund offering small, low-interest loans.
- Begin evaluating options for a pilot rental inspection program.

Within 1 year:

- Draft an ordinance for a pilot rental inspection program, defining standards, fees, and enforcement procedures.
- Identify a specific neighborhood for initial implementation of the pilot program.
- Begin phased implementation over 6-12 months, starting with the most problematic properties.
- Work with CSPDC, Virginia Housing, and DHCD to identify funding for demolition of pre-1976 mobile homes.

- Develop criteria to prioritize mobile home replacements based on housing problems and resident factors.
- Begin providing relocation assistance to extremely low-income residents in these homes.

Within 2 years:
- Track data such as violation rates, remediation levels, and costs for the pilot rental inspection program.
- Gather feedback from landlords, tenants, and inspectors on program effectiveness.
- Conduct a cost-benefit analysis of the program.
- Make an informed decision about expanding the program based on results.
- If successful, develop a plan for gradual citywide implementation, including necessary staffing and budget increases.
- Continue efforts to improve manufactured home communities and provide relocation assistance as needed.

WHO DOES WHAT

Community Development Department: The Property Maintenance & Minimum Housing Division would have its capacity increased to expand its inspection and enforcement activities. The Building Division would support this work as needed by processing any required permits and inspections for property maintenance.

City Council: Evaluate policy and funding options presented by staff, and revise/adopt ordinances as necessary.

HOW TO FUND IT

Virginia Housing Community Impact Planning Grant: Up to $20,000 available for multiple uses, with Policy Study being the most appropriate category for this strategy. Funds could be used to hire outside consultants to conduct analysis and surveys, and to prepare reports for staff and the City Council.

General funds: May be required to support additional staffing and administrative costs, as well as funding for a potential revolving loan fund.

HOW TO MEASURE SUCCESS

- Reduction in number of code violation complaints
- Improvement in renter satisfaction survey results
- Increase in number of properties brought up to habitable standards
- Higher pass rates in rental inspection pilot program
- Number of low-income households transitioned from substandard mobile homes

ROCKINGHAM COUNTY SOLUTIONS

PRIORITY SOLUTION 1: Prioritize implementation of strategies that expand housing options for essential workers

ISSUE: *As housing costs outpace wage growth, a lack of affordable housing for essential workers may impact workforce stability and overall economic health in the county.*

Public engagement has highlighted "affordable housing, childcare, healthcare, and family-friendly amenities" as greatly needed to attract and retain workers. The market analysis reveals that single earners in only 3 of the top 10 occupations can afford median rents without being cost-burdened. This mismatch between wages and housing costs threatens economic stability and growth in the county.

SOLUTION: *Implement a coordinated set of zoning changes and partnerships to increase the supply of housing affordable to essential workers.*

By leveraging multiple policy tools and collaborating with employers and developers, the county can strategically expand housing options that meet the needs of its core workforce. This multi-pronged approach will help ensure that essential workers can live in the communities they serve.

HOW IT WORKS

Zoning and land use updates

Pursue more flexible zoning options

Adopting more flexible zoning approaches in targeted growth areas can promote diverse housing options that cater to various income levels. Increasing flexibility in zoning ordinances to allow for a wider variety of lot sizes, floor areas, and setback requirements can be effective in fostering housing diversity. Additionally, this approach opens up opportunities to explore different housing types, density levels, and parking requirements. The County could also consider targeting zoning flexibility near major employers and industrial land to benefit both workers and local economies.

Expand by-right development of diverse housing types

Modify zoning ordinances to allow a wider range of housing types by-right in more areas where appropriate. This could include:

- Duplexes, triplexes, and fourplexes
- Townhomes and small lot single-family homes
- Small-scale multifamily (5-20 units)
- Mixed-use developments with residential components

Employer and developer partnerships

Encourage employer-assisted housing programs

Work with major employers to create housing assistance programs for their workers. The county's role could include facilitating partnerships between employers and housing developers.

Create a workforce housing consortium

Establish a collaborative group of employers, developers, lenders, and county officials to address workforce housing needs. The consortium could:

- Identify specific housing needs for different employment sectors
- Coordinate land acquisition and development opportunities
- Leverage combined resources for larger-scale projects
- Advocate for state and federal funding opportunities

HOW TO DO IT

Within 6 months:

- Form an interdepartmental working group to coordinate workforce housing efforts
- Conduct a detailed analysis of workforce housing needs by occupation and wage levels
- Begin outreach to major employers about housing challenges and potential partnerships

Within 1 year:

- Identify priority zones for workforce housing development based on proximity to jobs and transit
- Draft zoning amendments to expand by-right development of diverse housing types in more zoning districts.

Within 2 years:

- Implement zoning changes
- Form and convene the workforce housing consortium

WHO DOES WHAT

Community Development Department: Lead the effort to draft and implement zoning changes, coordinate interdepartmental working group, and manage the streamlined permitting process.

Economic Development Department: Spearhead employer outreach and partnerships, including the workforce housing consortium.

County Administrator's Office: Provide overall strategic direction, coordinate with the Board of Supervisors, and facilitate cross-department collaboration.

Planning Commission and Board of Supervisors: Review and approve zoning changes and new programs, provide policy guidance throughout the process.

HOW TO FUND IT

State and federal sources:

- Virginia Housing Community Impact Grant: Range of funding opportunities to support policy development, market analysis, and other relevant activities
- DHCD Affordable and Special Needs Housing Program: Competitive funding for affordable housing development
- HUD HOME Investment Partnerships Program: Formula grants for affordable housing initiatives

METRICS TO EVALUATE SUCCESS

- Number of workforce housing units created (by type and affordability level)
- Percentage of essential workers able to afford housing within the county
- Employer participation rates in housing assistance programs
- Reduction in cost burden rates for target occupations

SECONDARY SOLUTION 1: Evaluate manufactured housing options as part of comprehensive workforce housing strategy

ISSUE: *There is not a clear picture of the current and future role manufactured housing could play in a broader workforce housing strategy, particularly in relation to employment centers and growth areas.*

Rockingham County has 3,019 manufactured homes, representing 9% of the housing stock. While these units — many of which are in mobile home communities — have historically provided affordable housing options, current market conditions suggest stick-built construction may be more cost-effective. A data-driven approach is needed to determine the optimal role for manufactured housing in meeting workforce needs.

SOLUTION: *Conduct targeted research and analysis to understand manufactured housing's current market position and potential role in expanding workforce housing options.*

By evaluating both existing manufactured homes (including mobile home communities) and comparative development costs, the county can make informed decisions about how manufactured housing should fit into its comprehensive workforce housing strategy.

HOW IT WORKS

Assess current manufactured housing landscape

The county can first create a comprehensive inventory of all manufactured home communities. This dataset will capture key metrics including the current number of units, occupancy rates, quality of existing homes, and demographic data for residents (where reliable Census figures are available). The inventory will also document infrastructure conditions and needs for each community, providing a foundation for future investment decisions.

Analyze development economics

Understanding current market dynamics requires direct engagement with local developers and industry professionals. Through interviews and data collection, the county can compare costs between manufactured and stick-built construction methods. This analysis will also examine land requirements, infrastructure needs, and market absorption rates to identify the most cost-effective approaches for workforce housing.

Develop targeted policy responses

Based on the collected data and analysis, the county can consider whether specific policy changes are necessary to support its workforce housing goals. These could include zoning changes in growth areas, strategic infrastructure investments, and preservation approaches for well-located manufactured home communities. The recommendations can also identify opportunities for new housing types — of all construction methods — that could fill gaps in the current market.

HOW TO DO IT

Within 6 months:
- Complete inventory and mapping of manufactured home communities
- Conduct developer interviews about construction costs and market conditions
- Begin analysis of zoning barriers to diverse housing types
- Map transportation access and employment center proximity

Within 1 year:
- Finalize comparative cost analysis for different housing types
- Complete assessment of infrastructure needs in key areas
- Develop initial policy recommendations
- Begin stakeholder engagement on proposed changes

Within 2 years:
- Implement recommended zoning updates
- Create preservation program for priority communities
- Establish ongoing monitoring program

WHO DOES WHAT

Community Development Department: Lead data collection and analysis, develop policy recommendations, coordinate with other departments.

Economic Development Department: Provide input on workforce needs, facilitate developer engagement, identify priority areas near employment centers.

Planning Commission: Review findings, provide feedback on policy recommendations, consider zoning changes.

Board of Supervisors: Review and approve policy changes, allocate resources for implementation.

HOW TO FUND IT

Virginia Housing Community Impact Grant: Apply for planning grant funds to support the assessment and policy development process.

DHCD Community Development Block Grants: Explore planning grant options to support the assessment and potential implementation funds for any future reinvestment efforts.

Local or regional philanthropic organizations: Seek support for research into the current status of manufactured home communities and their residents.

METRICS TO EVALUATE SUCCESS

- Completion of comprehensive manufactured housing stock analysis
- Development of specific policy recommendations based on findings
- Number of new housing units created in growth areas affordable to core workforce
- Preservation outcomes for priority manufactured communities

CITY OF HARRISONBURG SOLUTIONS

PRIORITY SOLUTION 1: Evaluate the feasibility of adopting density bonuses and an affordable housing dwelling unit ordinance to incentivize new affordable housing

ISSUE: *The City of Harrisonburg needs to evaluate potential density bonuses and related tools to incentivize affordable housing production, but it lacks the technical expertise to conduct its own thorough analysis.*

Harrisonburg's 2021 Comprehensive Housing Assessment and Market Study identified a significant shortage of affordable housing units, particularly for households earning less than 50% of the Area Median Income. Recent changes to state enabling legislation under § 15.2-2305.1 provide Harrisonburg with new options to implement density bonuses for affordable housing production.

SOLUTION: *Apply for a Virginia Housing Community Impact Grant to fund a market feasibility analysis and policy study related to density bonuses, with the goal of developing a specific proposal for City Council consideration.*

A Virginia Housing Community Impact Grant would allow Harrisonburg to hire an experienced consultant to analyze the City's current zoning ordinance, evaluate potential incentive-based tools authorized by state code, and recommend a tailored approach that aligns with local housing needs and development patterns. This preparatory work is critical to ensure any future zoning changes effectively increase affordable housing production while maintaining consistency with the City's overall planning goals.

HOW IT WORKS

Securing grant funding

The City will apply for a Policy Study grant under Virginia Housing's Community Impact Grant program. These grants provide up to $20,000 to support analysis of housing policies, including zoning-based tools to incentivize affordable housing. The grant application will outline the City's intent to hire a qualified consultant to conduct a focused evaluation of density bonus feasibility under § 15.2-2305.1.

Interpreting §15.2-2305.1

In 2020, the General Assembly adopted legislation adding § 15.2-2305.1 to the Code of Virginia. This statute is the newest enabling authority provided to local governments to create affordable dwelling unit programs. It is applicable to all localities in the state, including Harrisonburg.

Under this authority, local governments can implement programs that provide developers with *optional incentives* for the delivery of below-market rate units as part of any project seeking a rezoning, special exemption, or other similar approval requirements beyond a simple building permit. Unlike the seven specific jurisdictions given expanded powers to enforce affordable dwelling unit requirements in § 15.2-2304, localities with programs created under § 15.2-2305.1 *cannot* condition the approval of any development on the inclusion of affordable units. They can, however, proactively ensure that the incentives offered are meaningful and worth pursuing for developers.

Density bonus

The most significant incentive Harrisonburg could offer to offset the costs incurred from additional affordable units is the density bonus. These bonuses, generally expressed as a percent increase in allowable units relative to the base zoning, are awarded commensurately with the share of below-market units set aside by the developer. In theory, the added economic value of more units would offset the rental income “forgiven” by the provision of units leased at below-market prices.

Ordinances establishing affordable dwelling unit programs will enumerate the ratios used to calculate the density bonus. Under § 15.2-2305.1, the full range of allowable ratios is enumerated in the code. Allowable values are provided in two categories, depending on the target affordability for the below-market units.

1. Low-income units: For units priced at 80% AMI or less, density bonuses range from 20% to 57.5%, and the required affordable unit set-asides from 10% and 35%.
2. Very low-income units: For units priced at 50% AMI or less, density bonuses range from 20% to 95%, and the required affordable unit set-asides from 10% and 35%.

The greatly increased density allowances for very low-income units reflect the need to offset the reduction in rental revenue from the more deeply-targeted affordability range.

Other required program elements

Section E of § 15.2-2305.1 lists “regulations and provisions” localities shall include in any zoning ordinance establishing an affordable dwelling unit program. Along with the core density bonus element, these include:

- “[P]rocedures for processing” project applications such that the zoning administrator shall provide an “official determination in writing within 30 days” that includes the calculated density bonus and results of any other requested incentives,
- Waivers for any “local development standards” that may introduce financial or construction challenges which threaten ability of development to achieve the applicable density bonus and affordable units, as long as such waivers do not introduce a “specific, adverse impact upon health, safety, or the physical environment” of the community, and
- Waivers for minimum parking requirements, unless the locality can prove negative impacts as described above.

Sections F and G of § 15.2-2305.1 list two other requirements:

- Localities shall include in its general ordinances, in conjunction with the zoning ordinance elements described above, “reasonable regulations and provisions” to ensure affordable dwelling unit sales or rental prices are set so that the developer/owner will not suffer “economic loss” by not recouping costs, and
- Localities shall not condition the approval of any development on an “applicant's decision to incorporate [affordable] units” in their proposal.

Connecting the density bonus to land use regulations

According to § 15.2-2305.1, should the calculated final density (with added bonus) be “inconsistent” with the density allowed in the current comprehensive plan, the latter must be used. This demonstrates the need for affordable dwelling unit programs to be designed in full context of the City’s existing and ongoing planning efforts.

Application of affordability requirements

The first sentence in subsection E(2) of § 15.2-2305.1 states that density bonuses shall be calculated pursuant to the ratio tables included in the code. To ensure compliance, the City should consider adhering to this prescriptive requirement by including the full range of options in any ordinance adopted under this statute. However, that would not preclude the City from determining the most economically advantageous ratios for given market conditions, and proactively engaging developers about those options.

Subsection E(2) also states that the affordable dwelling unit set-aside percentage “[excludes] any units permitted by the density bonus” awarded to the project. Conceptually, the percent of total units reserved as affordable dwelling units is a necessary prerequisite for a respective density bonus—not the other way around.

While it is fairly common for new affordable residential developments to include units for multiple AMI levels, § 15.2-2305.1 does not explicitly account for projects that may want to include units affordable at both 80% AMI and 50% AMI. However, since subsection E(2)(a) ends with "or", the most reasonable interpretation is that a project can take advantage of one or the other, but not both.

Scope of proposed study

If awarded, the grant will fund a consultant-led study with the following key components:

Market feasibility analysis

The primary work within the study will seek to determine whether and how density bonuses could be a feasible and effective strategy for the City. To accomplish this, the study will focus on the “development math” needed to determine the most appropriate density bonus framework for the City:

- Baseline per-unit development cost estimates for range of different residential project types (e.g. townhomes, small-scale multifamily, large-scale multifamily)
- Projected market rents by unit type and size
- Potential density bonus scenarios and their impact on project economics for both 50% AMI and 80% AMI units
- Assessment of developer interest and capacity to utilize density bonuses
- Evaluation of appropriate bonus levels needed to incentivize affordable units
- Potential impacts from parking minimums and other development standards explicitly named in § 15.2-2305.1

Best practices review

The consultant will research successful affordable housing incentive programs in peer cities, with a focus on localities in Virginia operating under the same state enabling legislation as Harrisonburg. Although no jurisdiction has adopted a program under § 15.2-2305.1 as of December 2024, several are evaluating options, including Prince William County and the City of Winchester.

Stakeholder engagement

The study will incorporate input from key stakeholders, including:

- Local developers and homebuilders
- Affordable housing providers and advocates
- Neighborhood associations
- Planning Commission and City Council members
- Practitioners in peer localities concurrently pursuing options under § 15.2-2305.1

Policy structure recommendations

Based on the market analysis, the consultant can provide specific recommendations for:

- Appropriate density bonus levels by development type and location
- Applicability of 50% AMI and/or 80% AMI affordability requirements
- Establishment of a local housing fund and acceptance of cash in lieu of on-site affordability requirements
- Any potential specific amendments for the comprehensive plan or zoning ordinance
- Ongoing and long-term engagement with the development community
- Any waiver options for parking requirements and other development standards as prescribed by § 15.2-2305.1

Leveraging study results

The completed analysis will provide City staff and elected officials with a comprehensive understanding of Harrisonburg's best options under § 15.2-2305.1. This information will be crucial for making informed decisions about potential zoning changes and designing an effective incentive program tailored to meet the City's housing needs.

Following the study, other important affordable dwelling unit program design elements to evaluate include, but are not limited to:

- Program compliance standards and enforcement mechanisms
- Affordability periods (between 15 and 30 years)
- Delegation of affordable dwelling unit sales and rentals to the local housing authority or another designee
- Requirements for affordable units to be "built and offered … concurrently" with market-rate units

These regulations are listed in § 15.2-2305.1 as discretionary provisions. However, they are important parts of a sustainable and successful affordable dwelling unit program.

HOW TO DO IT

Within 6 months:

- Form working group with Community Development staff (and representatives from other City departments/agencies as desired) to oversee grant application
- Draft and submit Virginia Housing Community Impact Grant application
- If awarded, develop and issue focused Request for Proposal for market analysis consultant

Within 1 year:

- Select consultant and finalize project scope and timeline
- Support consultant in market analysis and stakeholder outreach
- Review and provide feedback on interim deliverables from the consultant

Within 2 years:

- Receive final feasibility analysis and recommendations
- Present findings to Planning Commission and City Council
- If feasible, develop specific density bonus provisions for integration into ongoing zoning rewrite

WHO DOES WHAT

Housing Coordinator: Lead the grant application process and serve as primary point of contact for the consultant. Coordinate with other staff to provide data and technical assistance related to current zoning and development patterns.

Community Development Department: Advise consultant on interpretation of comprehensive plan and relevant aspects of ongoing zoning ordinance update project.

Economic Development Department: Assist with market analysis components and outreach to the development community.

City Attorney's Office: Review legal framework under §15.2-2305.1 and ensure policy recommendations align with state code.

Planning Commission: Provide input during the study process and review final recommendations.

City Council: Review study findings and provide direction on preferred policy approaches to pursue.

HOW TO FUND IT

Virginia Housing Community Impact Grant: The primary funding source for this initiative will be a Policy Study grant of up to $20,000 from Virginia Housing's Community Impact Grant program. This will cover the bulk of consultant costs for the zoning incentives study.

City general funds: The City may need to allocate some supplemental funding (no more than $10,000) from its operating budget to support grant management, stakeholder engagement, and any project costs exceeding the grant amount.

In-kind support: City staff time dedicated to supporting the consultant's work and reviewing deliverables can be considered an in-kind match to strengthen the grant application.

METRICS TO EVALUATE SUCCESS

- Successful award of Virginia Housing Community Impact Grant
- Completion of market feasibility analysis within grant timeframe
- Clear determination of density bonus viability in local market
- If viable, development of specific policy recommendations aligned with §15.2-2305.1
- Integration of recommendations into ongoing zoning rewrite process

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PRIORITY SOLUTION 2: Lay groundwork for a comprehensive evaluation of financing tools for affordable housing

ISSUE: *The Department of Housing and Community Development classifies Harrisonburg as a locality in high fiscal stress, highlighting the challenge the City faces in generating additional local revenues from its current tax base to expand services.*

Given this condition, the City of Harrisonburg needs to carefully evaluate possible financial approaches to fund affordable housing that can be realistically adopted within the context of the City's revenue-generating capacity and current debt capacity. The City lacks the internal capacity to conduct its own thorough analysis to comprehensively assess these resources.

SOLUTION: *Apply for a Virginia Housing Community Impact Grant to fund a comprehensive policy study completed by consultants with expertise in municipal finance.*

This study would be focused on evaluating financing strategies that support affordable housing as one of many local budgetary priorities, within the context of the City's revenue-generating capacity, current debt capacity, and other priority budgetary needs, such as funding for education.

HOW IT WORKS

Securing grant funding

The City will apply for a Policy Study grant under Virginia Housing's Community Impact Grant program. These grants provide up to $20,000 to support analysis of housing policies. The grant application will outline the City's intent to hire qualified consultants with municipal finance expertise to evaluate potential financing tools for affordable housing within Harrisonburg's fiscal context.

Scope of policy study

If awarded, the grant will fund a consultant-led study with the following key components:

1. Municipal finance evaluation

The study would conduct a comprehensive analysis of Harrisonburg's current fiscal capacity. This should include:

- Examination of the City's revenue-generating capacity and its associated constraints, along with current debt levels and remaining debt capacity.
- Accounting of all existing obligations and priority needs across all City services.
- Assessment of multi-year budget trends and projections, with particular focus on outlays for housing, community development, and related investments.
- Review of resources and fiscal positions for the Economic Development Authority (EDA) and Harrisonburg Redevelopment and Housing Authority (HRHA) to understand the full scope of potential financing capabilities.

2. Assessment of financing tools

Building on the municipal finance evaluation, the study would next:

- Conduct a thorough review of potential financing mechanisms that could be suitable for Harrisonburg's specific context. This will include analyzing the implementation requirements and necessary administrative capacity for each tool under consideration.
- Evaluate potential fiscal impacts and trade-offs, while considering appropriate timing and phasing of various tools.
- Examine the coordination needs between the City, EDA, and HRHA to ensure effective implementation of any recommended financing strategies.

3. Stakeholder engagement

To gather and incorporate meaningful input from key stakeholders across the community, the study should:

- Include in-depth consultation with City financial staff who understand current operations and constraints, as well as leadership from the EDA and HRHA who can speak to their organizations' capacities and needs.
- Interview City Council members to obtain crucial policy perspectives.
- Engage local financial institutions to gain insight into market conditions and potential partnerships.
- Conduct outreach to housing developers and providers with practical knowledge about financing needs and challenges in Harrisonburg's housing market.

4. Policy recommendations

The consultants will deliver comprehensive policy recommendations based on their analysis and stakeholder engagement. These recommendations should:

- Identify the most feasible financing tools for Harrisonburg's context and suggest appropriate funding levels that align with the City's fiscal capacity.
- Detail specific implementation considerations and requirements, including a suggested phasing and prioritization approach for different tools.
- Include a thorough assessment of potential risks and specific strategies for mitigating them, ensuring the City can make informed decisions about future housing finance initiatives.

HOW TO DO IT

Within 6 months:
- Form a working group with representatives from relevant City departments to set an initial scope, timeline, and objectives for the study
- Draft and submit Virginia Housing Community Impact Grant application
- If awarded, develop and issue RFP for qualified consultants

Within 1 year:
- Select consultant team and finalize project scope and timeline
- Support consultants in financial analysis and stakeholder engagement
- Review and provide feedback on interim deliverables

Within 2 years:

- Receive final analysis and recommendations
- Present findings to City Council, EDA, and HRHA
- As appropriate, develop implementation strategy for recommended tools

WHO DOES WHAT

Housing Coordinator: Lead the grant application process and serve as primary point of contact for the consultant. Coordinate with other departments to provide consultants with necessary data and documents.

Finance Department: Share information on City budget and finances, respond to consultant inquiries, and assist with development of study recommendations.

Community Development Department: Advise consultant on past/ongoing deployment of City investments in housing, including considerations for federal and state pass-through grants.

Economic Development Department: Provide details on fiscal posture of the EDA and its short/long-term potential to financially support affordable housing.

Harrisonburg Redevelopment and Housing Authority: Provide information on HRHA's current and projected bonding capacity and overall capacity to sponsor new affordable housing development.

City Manager's Office: Ensure alignment with broader City priorities and financial planning.

City Council: Review study findings and determine future direction for housing finance tools.

HOW TO FUND IT

Virginia Housing Community Impact Grant: The primary funding source for this initiative will be a Policy Study grant of up to $20,000 from Virginia Housing's Community Impact Grant program. This will cover the bulk of consultant costs for the finance policy study.

City general funds: The City may need to allocate some supplemental funding (no more than $10,000) from its operating budget to support grant management, stakeholder engagement, and any project costs exceeding the grant amount.

In-kind support: City staff time dedicated to supporting the consultant's work and reviewing deliverables can be considered an in-kind match to strengthen the grant application.

METRICS TO EVALUATE SUCCESS

- Successful award of Virginia Housing Community Impact Grant
- Completion of comprehensive financial analysis within grant timeframe
- Clear assessment of feasible financing tools given fiscal constraints
- Specific recommendations that align with City's financial capacity
- Integration with City's broader financial planning processes

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SECONDARY SOLUTION 1: Develop a paired approach for regulating short-term rentals and accessory dwelling units

ISSUE: *Current regulations limit housing options and potential income for property owners, and may not fully address concerns about neighborhood impacts from short-term rentals (STRs).*

Harrisonburg's zoning code currently prohibits accessory dwelling units (ADUs) in all districts and has limited provisions for STRs. This restricts housing choices and affordability options. Meanwhile, unregulated STRs may negatively impact neighborhoods and reduce long-term housing availability.

SOLUTION: *Update the zoning ordinance to permit ADUs in residential districts while implementing balanced regulations for STRs that preserve housing for long-term residents.*

By adopting a paired approach to ADUs and STRs, Harrisonburg can increase housing options and affordability while mitigating potential negative impacts of STRs on neighborhoods and the long-term housing supply.

As a potential best practice, Harrisonburg can look to the City of Richmond's initiative to pair its STR and ADU zoning reforms in 2023. These changes were evaluated and approved together to ensure consistency and avoid any unintended negative impacts.

HOW IT WORKS

NOTE: Given Harrisonburg's ongoing comprehensive zoning rewrite process, the specific implementation approach for ADUs and STRs will need to align with and complement those broader efforts. The recommendations below outline general policy considerations, with the understanding that final details will be determined through the zoning rewrite process. This may include exploring various approaches to unit types and density requirements, such as Charlottesville's model that does not differentiate between primary and accessory units.

Permit ADUs in residential districts

Amend the zoning ordinance to allow ADUs in residential districts. This approach aligns with recent reforms in Richmond, which greatly expanded ADU permissions to increase housing options and affordability. Key considerations should include:

- Size limitations relative to the primary dwelling
- Setback, lot coverage, and height requirements
- Approval process (by-right vs. special use permit)
- Design standards to ensure neighborhood compatibility
- Occupancy limits
- Parking requirements

Richmond's approach offers a model of permissive ADU regulations that Harrisonburg could consider. Their ordinance allows ADUs by-right in all residential districts, with form-based requirements to ensure compatibility. This approach can help increase housing supply while maintaining neighborhood character.

Implement balanced STR regulations

Adopt new STR regulations that distinguish between accessory STRs (homestays) and principal STRs. Richmond's recent reforms offer a best practice example of balancing property rights with community interests. Key elements to consider include:

Accessory STRs (homestays):

- Permissible zoning districts
- Primary residence requirement
- Annual night limits for unhosted stays
- Guest limits
- Safety requirements

Principal STRs:

- Permissible zoning districts
- Concentration limits in residential areas (if allowed)
- Distinction between owner-occupied and non-owner-occupied properties

Richmond's approach focuses on preserving long-term housing by limiting principal STRs in residential districts. The City allows accessory STRs (homestays) in residential areas but requires them to be the operator's primary residence. This strategy aims to prevent the conversion of long-term housing to full-time vacation rentals while still allowing residents to benefit from home-sharing.

When developing regulations, Harrisonburg should consider:

1. Impact on long-term housing supply
2. Neighborhood character preservation
3. Economic opportunities for residents
4. Enforcement capacity
5. Tax revenue potential
6. Fairness to existing lodging businesses

By studying Richmond's approach and adapting it to Harrisonburg's specific context, the City can develop regulations that balance various stakeholder interests while addressing housing affordability concerns.

HOW TO DO IT

Within 6 months:
- Review ADU and STR regulations from Richmond and other comparable Virginia cities
- Analyze Harrisonburg's current housing market and STR landscape
- Draft initial amendments to zoning ordinance for ADUs and STRs
- Develop a comprehensive public engagement strategy

Within 1 year:
- Conduct public meetings and gather feedback on proposed changes
- Engage with neighborhood associations, property owners, and other stakeholders
- Refine draft ordinance based on public input and local context
- Present final draft to Planning Commission and City Council for approval

Within 2 years:
- Implement new ADU and STR regulations
- Develop educational materials for property owners on new regulations
- Monitor and evaluate impacts of new regulations on housing supply and affordability
- Consider adjustments based on initial outcomes and community feedback

WHO DOES WHAT

Community Development Department: Lead the drafting of ordinance changes, coordinate public engagement, and oversee implementation of new regulations.

Housing Coordinator: Assist Community Development staff with broader policy and engagement efforts.

City Attorney's Office: Review proposed ordinance changes to ensure compliance with state law and city charter.

Commissioner of Revenue: Assist in reviewing and potentially updating procedures for STR tax collection and remittance.

Planning Commission: Review draft ordinance changes, provide recommendations, and assist with public engagement efforts.

City Council: Review and approve final ordinance changes, considering input from staff, the Planning Commission, and the public.

HOW TO FUND IT

General Fund: Initial costs for ordinance development, public engagement, and implementation can be covered by existing departmental budgets.

Virginia Housing Community Impact Grant: Consider applying for this grant to support the development of new housing policies and regulations.

Permit Fees: Any new permit fees for ADUs could help offset administrative costs associated with reviewing and approving applications.

Lodging Tax Revenue: Any increase in lodging tax revenue from newly regulated STRs can help fund enforcement efforts and housing programs.

METRICS TO EVALUATE SUCCESS

- Number of ADU permit applications and approvals
- Change in overall housing units, particularly in single-family neighborhoods
- Number of registered STRs and their distribution across the city
- Reduced complaints related to STRs and ADUs
- Impact on long-term rental housing supply and affordability
- Changes in lodging tax revenue
- Public perception of new regulations (through surveys or public feedback)

SECONDARY SOLUTION 2: Pursue strategies to preserve both subsidized and market-affordable rental housing

ISSUE: *Harrisonburg's existing stock of affordable rental housing, both subsidized and naturally occurring, is at risk of loss due to expiring affordability restrictions, market pressures, and potential redevelopment.*

The City's 2021 housing study identified preservation of existing affordable units as a key priority. That is reinforced by the findings from the *Harrisonburg-Rockingham Naturally Occurring Affordable Housing Analysis* included in this regional study, which shows nearly 40% of the market-rate multifamily supply being affordable at 80% AMI or below. However, less than 5% are affordable at 50% AMI, and none for renters earning less than 30% AMI. Both subsidized properties with expiring affordability restrictions and naturally occurring affordable housing (NOAH) are vulnerable to rent increases or redevelopment that could displace low-income residents.

SOLUTION: *Implement a data-driven, geographically targeted approach to preserve existing affordable rental housing through proactive monitoring, engagement with property owners, and strategic deployment of preservation tools in priority areas.*

This solution aims to prevent the loss of affordable units by identifying specific at-risk properties and areas, working with owners to maintain affordability, and developing targeted preservation strategies for high-priority locations.

HOW IT WORKS

Target high-priority areas

Building on this study's methods and findings, the City can partner with CSPDC on comprehensive data analysis to identify and prioritize specific geographic areas for preservation efforts. This analysis considers multiple factors to determine where preservation tools will have the greatest impact, including:

1. Market analysis: Evaluation of current market conditions, including recent sales data, rent trends, and development patterns that may signal increased pressure on affordable housing.
2. Property evaluation: Detailed inventory of existing affordable housing, including both subsidized properties with expiring restrictions and naturally occurring affordable housing.
3. Demographic patterns: Analysis of household characteristics, including concentration of cost-burdened households and vulnerable populations.
4. Infrastructure and access: Assessment of transportation access, proximity to services, and infrastructure capacity that make certain areas particularly valuable for preservation.

The resulting analysis would help provide clear criteria for evaluating preservation opportunities and deploying resources effectively within these priority areas.

Inventory and monitor priority properties

Using the geographic analysis as a framework, the City could maintain a detailed inventory of at-risk properties within priority areas. This monitoring system might track:

- Properties with expiring affordability restrictions, including detailed subsidy information and expiration timelines.
- Market-rate properties providing naturally occurring affordable housing, with particular attention to those showing signs of potential redevelopment or significant rent increases.
- Physical conditions and rehabilitation needs that could impact long-term affordability.
- Ownership patterns and property management practices that might signal preservation opportunities.

Engage property owners in target areas

The City could conduct proactive outreach to owners of at-risk properties in priority areas. This engagement should include regular communication with owners of subsidized properties approaching expiration dates to discuss preservation options.

This effort can also help build relationships with owners of naturally occurring affordable housing to understand their needs and plans, and connect property owners with resources and partners that can help maintain affordability into the future.

Coordinate with HRHA on existing right of first refusal opportunities

Among a portion of affordable housing properties in Harrisonburg with active assistance contracts, the Harrisonburg Redevelopment and Housing Authority (HRHA) may have existing right of first refusal (ROFR) conditions that provide strategic opportunities to acquire and preserve critical components of the City's housing supply.

The City can work closely with HRHA to identify and strengthen preservation efforts for these properties. This collaboration could begin with:

- Maintaining an updated inventory of all properties that have existing ROFR provisions.
- Developing clear joint protocols to enable quick response times when ROFR opportunities arise, while also identifying potential funding sources and acquisition partners in advance of any sale notifications.

- Establishing proper notification systems with current property owners to ensure no opportunities are missed.
- Creating preservation "response plans" specifically tailored to each property's unique characteristics, market conditions, and existing affordability requirements.

Support strategic acquisitions

In priority areas, the City can support preservation through acquisition by mission-driven owners by:

- Identifying qualified nonprofit and mission-driven developers interested in preservation opportunities.
- Coordinating with HRHA on potential acquisition opportunities.
- Exploring partnerships that can facilitate quick response to preservation opportunities.

HOW TO DO IT

Within 6 months:

- Complete detailed analysis to identify priority preservation areas based on market conditions, demographic patterns, and existing affordable housing inventory.
- Begin systematic outreach to owners of at-risk properties in priority areas.
- Update inventory of properties with existing HRHA ROFR provisions.

Within 1 year:

- Begin designing a monitoring system for at-risk properties in priority areas.
- Develop specific preservation strategies for each priority area based on local conditions and opportunities.
- Create protocols with HRHA for coordinated response to preservation opportunities.

Within 2 years:

- Complete initial engagement with all owners of at-risk properties in priority areas.
- Activate the monitoring system and begin implementing area-specific preservation strategies.
- Evaluate effectiveness of targeting approach and adjust as needed.

WHO DOES WHAT

Housing Coordinator: Coordinate overall efforts, ensure preservation funding sources are included in finance study (Priority Solution 2), and serve as liaison between City, HRHA, nonprofits, and property owners.

Community Development Department: Ensure preservation strategies align with other City initiatives in priority areas, and provide implementation support for property inventory, owner outreach, and policy development.

City Attorney's Office: Provide legal guidance, especially related to potential future ROFR implementation.

Harrisonburg Redevelopment and Housing Authority: Identify and share details on any existing ROFR rights, and coordinate on preservation opportunities.

Local housing nonprofits: Serve as potential partners for property acquisition and preservation efforts.

HOW TO FUND IT

Specific funding approaches should be evaluated through the comprehensive analysis being conducted under Priority Solution 2.

METRICS TO EVALUATE SUCCESS

- Number of affordable units preserved in priority areas.
- Regular engagement with owners of at-risk properties in target locations.
- Successful coordination with HRHA on properties with existing ROFR provisions.
- Implementation of area-specific preservation strategies.
- No net loss of affordable housing inventory within priority areas.

TOWNS IN ROCKINGHAM SOLUTIONS

Dayton and Bridgewater

Create flexible zoning tools to encourage diverse housing options while maintaining town character

ISSUE: *Both Dayton and Bridgewater face challenges in accommodating growth and diverse housing needs while preserving their small-town character.*

Dayton and Bridgewater are experiencing development pressure and need to expand housing options. However, current zoning may limit the towns' ability to approve diverse housing types that meet community needs while maintaining local character.

SOLUTION: *Implement flexible zoning tools that allow for a variety of housing types and mixed-use developments while ensuring compatibility with existing neighborhoods.*

By adopting more flexible zoning approaches, Dayton and Bridgewater can encourage diverse housing options that cater to different demographics and income levels, while still preserving the towns' unique characters and addressing infrastructure constraints.

HOW IT WORKS

Adopt a Traditional Neighborhood Development (TND) ordinance

Both towns have expressed interest in TND principles. A TND ordinance would:

- Allow for a mix of housing types within the same development
- Promote walkable neighborhoods with interconnected streets
- Encourage community-centered design with public spaces and amenities
- Ensure new developments complement existing town character

Explore form-based code for specific areas

Form-based code could be particularly useful for:

- Dayton's downtown business district
- Bridgewater's potential growth areas within the annexation perimeter

Form-based code would:

- Focus on physical form rather than specific uses
- Provide clear and predictable guidelines for developers
- Ensure new buildings complement existing architectural styles
- Allow for mixed-use developments that blend residential and commercial uses

Create overlay districts for special purposes

Overlay districts can provide flexibility in specific areas without changing underlying zoning. Consider:

- Age-restricted overlay for "55 & Over" communities
- Mixed-use overlay for downtown areas or near major employers
- Accessory dwelling unit (ADU) overlay to allow for in-law quarters or tiny houses in certain neighborhoods

Implement a planned unit development (PUD) zoning classification

A PUD classification would:

- Allow for creative, mixed-use developments
- Provide flexibility in lot sizes, setbacks, and housing types
- Require a comprehensive plan for larger developments
- Enable negotiation between towns and developers to ensure community benefits

HOW TO DO IT

Within 6 months:
- Conduct community surveys to gauge interest in diverse housing types and mixed-use developments.
- Identify priority areas for implementing new zoning tools (e.g., downtown districts, growth areas).

Within 1 year:
- Draft a TND ordinance for both towns.
- Develop criteria for PUD applications.
- Create a form-based code pilot program for one specific area in each town.

Within 2 years:
- Adopt and implement the TND ordinance.
- Establish overlay districts for special purposes.
- Fully implement the PUD zoning classification.
- Evaluate the form-based code pilot and consider broader application.

WHO DOES WHAT

Town Staff: Lead the research and drafting of new zoning tools. Coordinate with other communities and stakeholders.

Town Councils: Review and approve new zoning ordinances. Provide guidance on community priorities.

Planning Commissions / Board of Zoning Appeal: Assist in developing criteria for flexible zoning applications. Provide input on potential impacts.

HOW TO FUND IT

Virginia Housing Community Impact Grant: Apply for planning grant funds to support policy evaluation and development.

DHCD Community Development Block Grants: Explore planning grant options to support policy evaluation and development.

METRICS TO EVALUATE SUCCESS

- Number of diverse housing units approved under new zoning tools
- Increase in mixed-use developments in targeted areas
- Community satisfaction with new developments (measured through surveys)
- Reduction in zoning variance requests
- Increase in housing options for different age groups and income levels

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Broadway and Mount Crawford

Create flexible zoning tools to encourage diverse housing options while maintaining town character

ISSUE: *Aging housing stock in Broadway and Mount Crawford is contributing to maintenance challenges and potential loss of housing supply.*

Both Broadway and Mount Crawford have a significant portion of their housing stock that was built before 1980, with many homes dating back to before 1939. These older structures often face unique maintenance challenges that can lead to declining property values and negatively impact neighborhood aesthetics. Without intervention, these homes will eventually become uninhabitable, leaving the towns with fewer units to meet demand.

SOLUTION: *Implement a multifaceted housing rehabilitation program to assist homeowners in maintaining and improving older properties.*

The towns can establish a program that combines financial assistance, code enforcement, and education to help homeowners address maintenance issues and improve the overall quality of the existing housing stock.

HOW IT WORKS

Financial Assistance

Create a revolving loan fund to offer low-interest home repair and rehabilitation loans to low- and moderate-income homeowners. Additionally, establish a façade improvement grant program to help homeowners enhance the exterior appearance of older homes.

Proactive Code Enforcement

Implement a proactive code enforcement program that identifies maintenance issues early and works collaboratively with homeowners to address problems. This approach should focus on education and assistance rather than punitive measures.

Education and Outreach

Develop educational materials and workshops to inform homeowners about proper home maintenance, available assistance programs, and the importance of preserving historic character where applicable.

HOW TO DO IT

Within 6 months:

- Research similar programs in other localities and develop program guidelines.
- Identify potential funding sources for the revolving loan fund and grant program.
- Begin developing educational materials on home maintenance and historic preservation.

Within 1 year:

- Establish the revolving loan fund and façade improvement grant program.
- Implement the proactive code enforcement program.
- Host initial educational workshops for homeowners.

Within 2 years:

- Evaluate the program's effectiveness and make necessary adjustments.
- Explore partnerships with local contractors and hardware stores for discounted services and materials.
- Consider expanding the program based on community feedback and available resources.

WHO DOES WHAT

Town Staff: The appropriate departments and staff persons within the towns would:

- Oversee program development and implementation, coordinate with other departments, and manage the application process for financial assistance.
- Lead the proactive code enforcement efforts and provide technical expertise for the educational component.
- Manage the revolving loan fund and grant program finances.

Town Councils: Approve program guidelines and funding allocations.

CSPDC: Provide additional staff support and technical assistance to town staff as needed.

HOW TO FUND IT

Community Development Block Grant (CDBG): Apply for CDBG funds to establish the revolving loan fund and provide initial capital for the façade improvement grants.

Local Budget Allocations: Dedicate a portion of the towns' annual budgets to support program administration and educational efforts.

Private Foundations: Research and apply for grants from foundations focused on community development and historic preservation.

METRICS TO EVALUATE SUCCESS

- Number of loans and grants issued annually
- Total dollar amount of home improvements facilitated by the program
- Reduction in code violations related to property maintenance
- Improvement in overall housing condition assessments
- Participant satisfaction rates
- Changes in property values in targeted neighborhoods

Timberville and Grottoes

Guide smart growth to balance development and preservation

ISSUE: *Timberville and Grottoes face pressure to grow but need to balance expansion with preservation of their small-town character and natural resources.*

Both towns are experiencing development pressure due to their relative proximity to Harrisonburg and surrounding job opportunities. They need to manage growth to maintain their small-town feel, preserve open spaces, and ensure that expansion doesn't outpace infrastructure capacity or strain town resources.

SOLUTION: *Develop and implement a comprehensive growth management plan that directs new development to areas with existing infrastructure while protecting open spaces and controlling the pace of growth.*

By creating a targeted growth management plan, Timberville and Grottoes can accommodate necessary development while preserving their character and natural assets. This approach would help ensure efficient use of existing resources and maintain the towns' quality of life.

HOW IT WORKS

Identify priority development areas

The towns can conduct an inventory of existing infrastructure capacity, including water, sewer, and roads. Using this information, they can map areas with adequate infrastructure to support new development. These areas could then be designated as priority development zones in the comprehensive plan, guiding future growth to locations where it can be most efficiently supported.

Implement conservation measures

Key open spaces, agricultural lands, and environmentally sensitive areas can be identified through a collaborative process involving town staff, the planning commission, and community input. The towns can create conservation overlay districts to protect these areas. They may also explore partnerships with regional land trusts to help preserve critical areas that contribute to the towns' character and environmental health.

Develop phased growth policies

Based on infrastructure capacity and community goals, the towns can establish annual growth targets. A point system for development proposals can be created, favoring projects in priority areas. This can be coupled with adequate public facilities ordinances to ensure new development doesn't outpace infrastructure capacity, allowing for managed, sustainable growth.

Encourage infill and redevelopment

To maximize existing infrastructure and preserve open spaces, the towns can create incentives for developers to build on vacant or underutilized lots within town limits. Approval processes for infill projects meeting specific criteria can be streamlined. Design guidelines can be developed to ensure new infill development is compatible with existing neighborhoods, maintaining the towns' aesthetic character.

HOW TO DO IT

Within 1 year:
- Form a growth management task force.
- Begin inventory of existing infrastructure capacity and open spaces.
- Research growth management strategies used by similar communities.

Within 2 years:
- Complete infrastructure and open space inventories.
- Draft initial growth management plan with priority development areas and conservation zones.
- Develop proposed changes to zoning ordinances and subdivision regulations.

Within 4 years:
- Adopt growth management plan and associated ordinance changes.
- Implement new development review processes that align with the plan.
- Establish partnerships with regional land trusts for conservation efforts.

WHO DOES WHAT

Town Staff: Oversee the development of the growth management plan. Coordinate with other staff and stakeholders.

Town Councils: Review and approve the growth management plan and associated ordinance changes.

Planning Commissions: Provide input on the growth management plan. Assist in identifying priority development areas and conservation zones.

Public Works Staff: Provide data on existing infrastructure capacity and future needs.

Central Shenandoah Planning District Commission: Provide technical assistance and support throughout the planning process.

HOW TO FUND IT

USDA Rural Development Community Facilities Technical Assistance and Training Grant: Funds to assist communities in developing essential community facilities.

Local funds: Allocate a portion of town budgets to support plan development and implementation.

METRICS TO EVALUATE SUCCESS

- Percentage of new development occurring within designated priority areas
- Acres of open space preserved through conservation measures
- Infrastructure capacity utilization rates
- Number of infill and redevelopment projects completed
- Annual growth rate compared to established targets

APPENDIX A: VULNERABLE POPULATIONS

The following sections contain demographic and housing market data for the Central Shenandoah region and subregions from HUD CHAS estimates and US Census Published Tables.

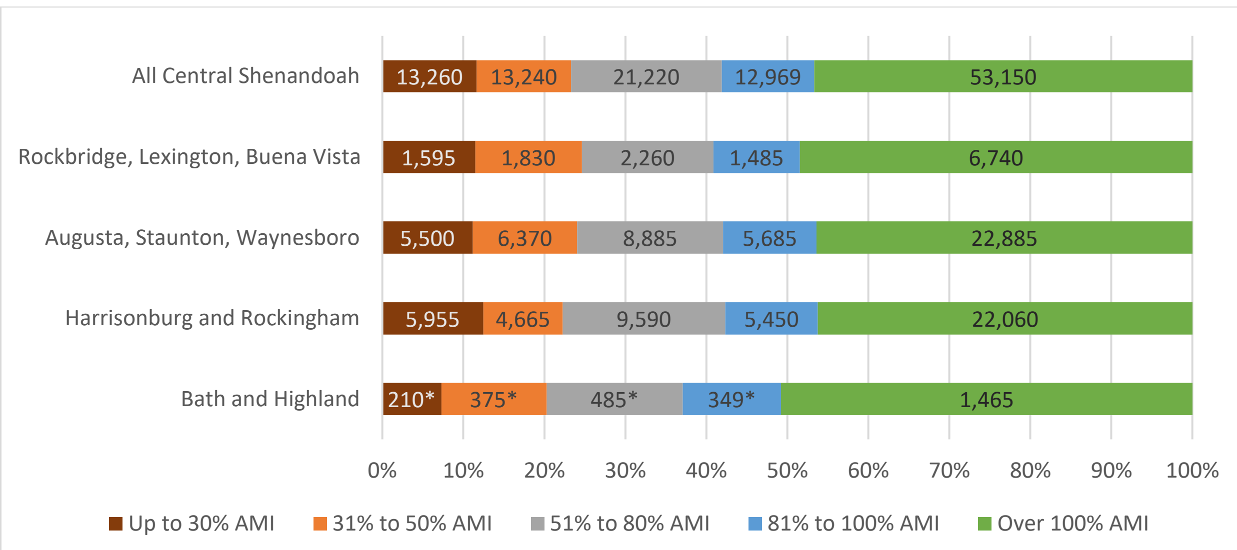
It is important to note that when measuring subpopulations, sample sizes can become too small to produce high-confidence estimates. If the margin of error is too high relative to the estimate, it is considered low confidence. In the following charts, low-confidence estimates are denoted with a ***star*** character.

Income and Cost Burden

Area Median Income (AMI) is determined by HUD for local areas, and controls for household size. Across the entire Central Shenandoah region, over half of all households earn 100% of AMI. Among subregions, only in Bath and Highland Counties do a majority of households earn over 100% of AMI.

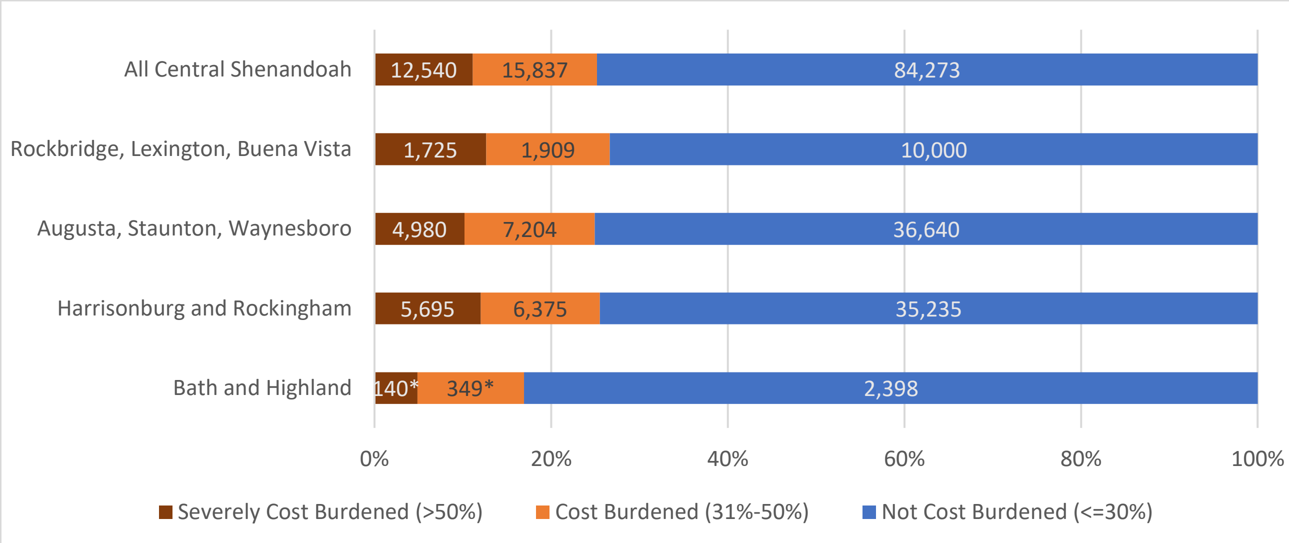
Number of Households by AMI Level

Source: Source: CHAS, 2015-2019 Estimates



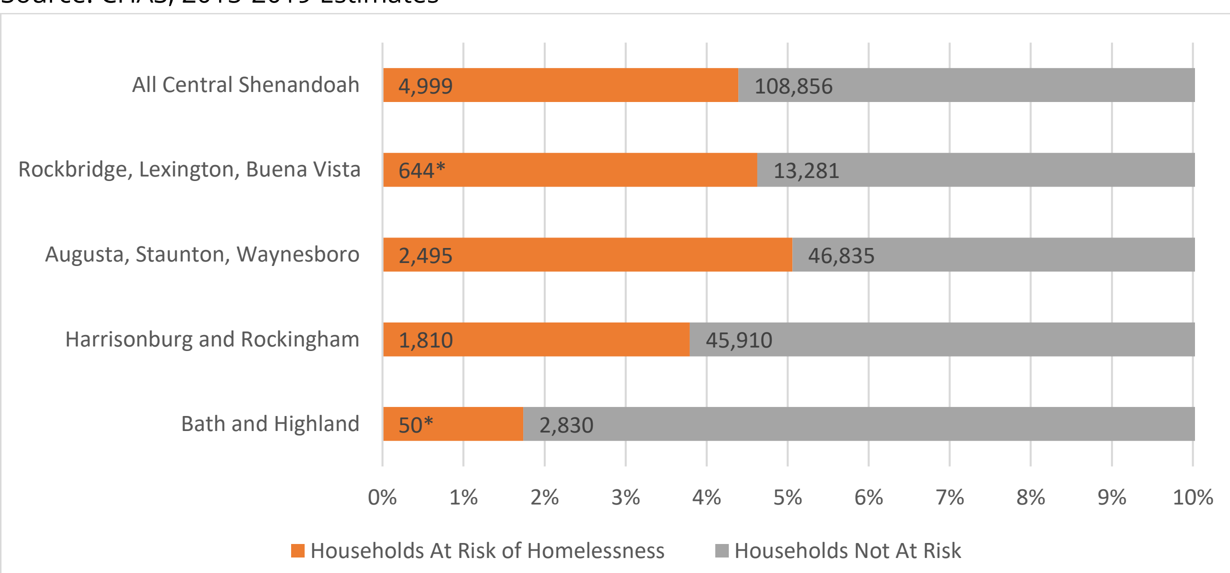
Households are considered cost-burdened if housing costs exceed 30% of total household income. Around one quarter of households in the Central Shenandoah Region are cost-burdened, and just under half of these are severely cost-burdened, paying over 50% of household income toward housing costs.

Number of Cost-Burdened and Severely Cost-Burdened Households
Source: CHAS, 2015-2019 Estimates



Households At-Risk of Homelessness
Households at risk of homelessness include cost-burdened households with incomes at or below 30% AMI, and severely cost-burdened households with incomes greater than 30% but below 50% of AMI. There are approximately 4,999 households at risk of homelessness in Central Shenandoah, around 4.4% of total households.

Households At-Risk of Homelessness
Source: CHAS, 2015-2019 Estimates

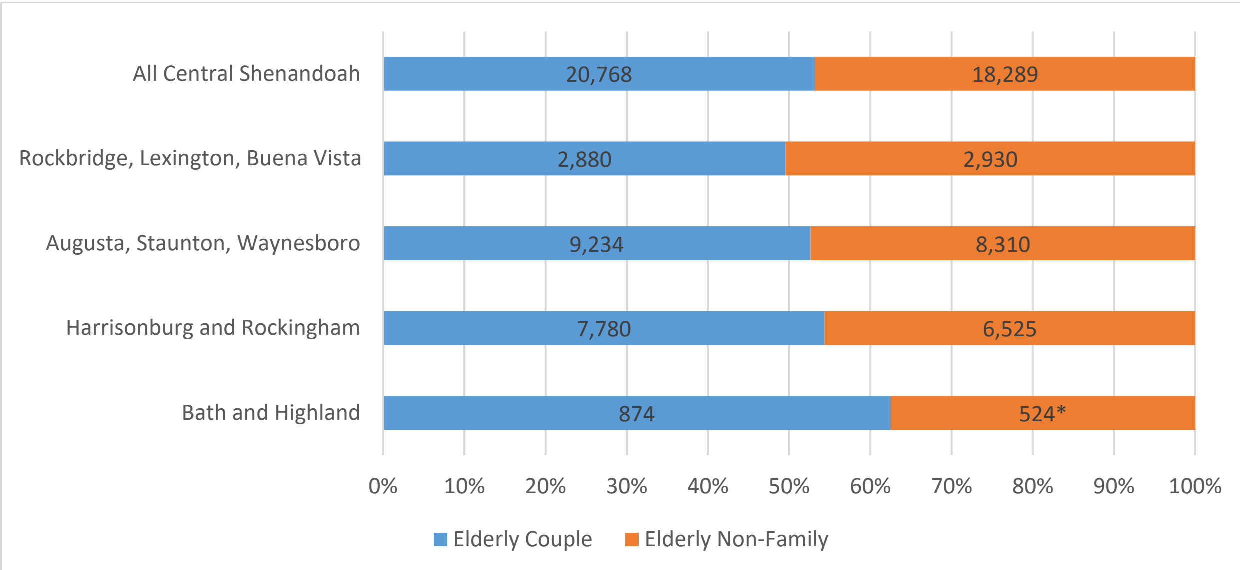


Senior-Headed Households

There are approximately 39,057 senior-headed households (aged 62+) in the Central Shenandoah region. Approximately 18,289 elderly-headed households – nearly half – are non-family households, and most elderly-headed non-family households are seniors living alone.

Senior-Headed Households by Family Type

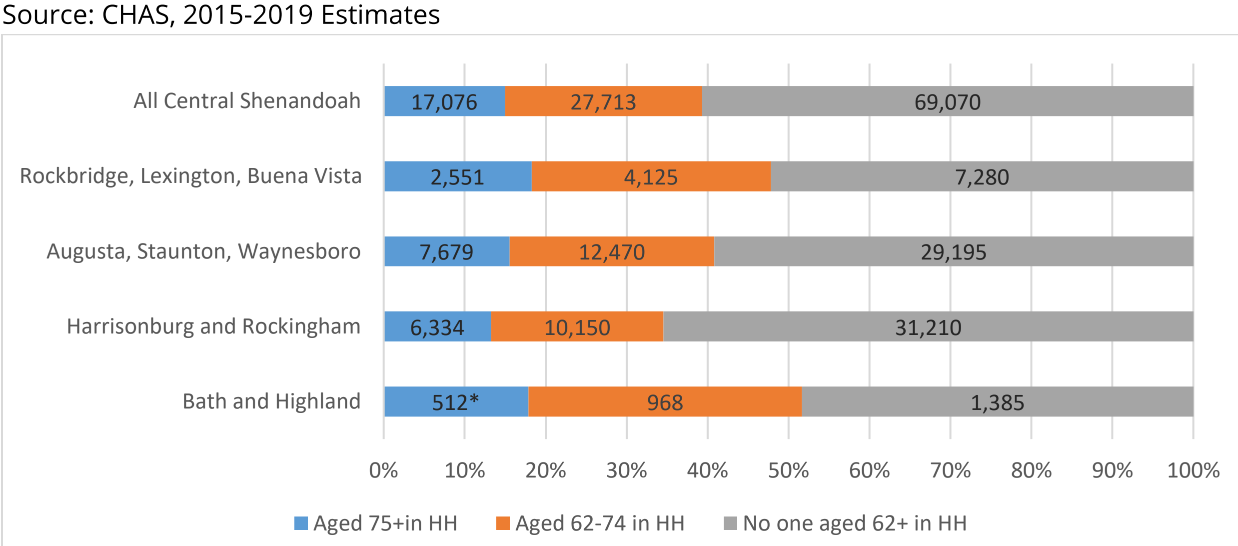
Source: CHAS, 2015-2019 Estimates



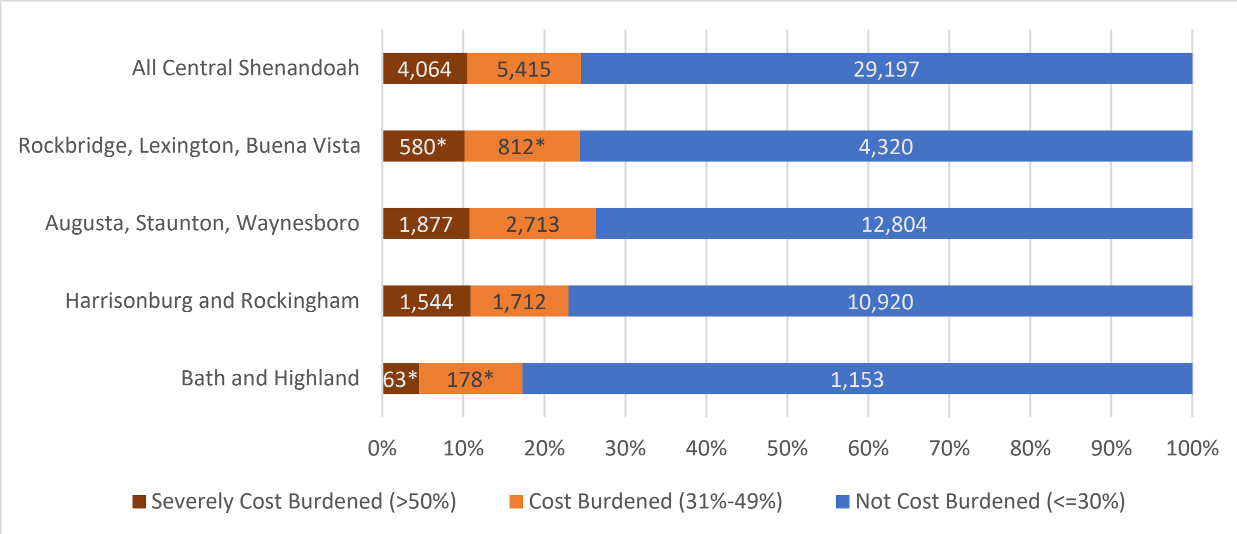
Approximately 44,789 households in Central Shenandoah contain at least one senior aged 62+ years, under 40% of all Central Shenandoah households. This percentage is higher in parts of the region, however. In Bath and Highland Counties, over half of all households contain at least one senior citizen.

Households by Presence of Seniors

Source: CHAS, 2015-2019 Estimates

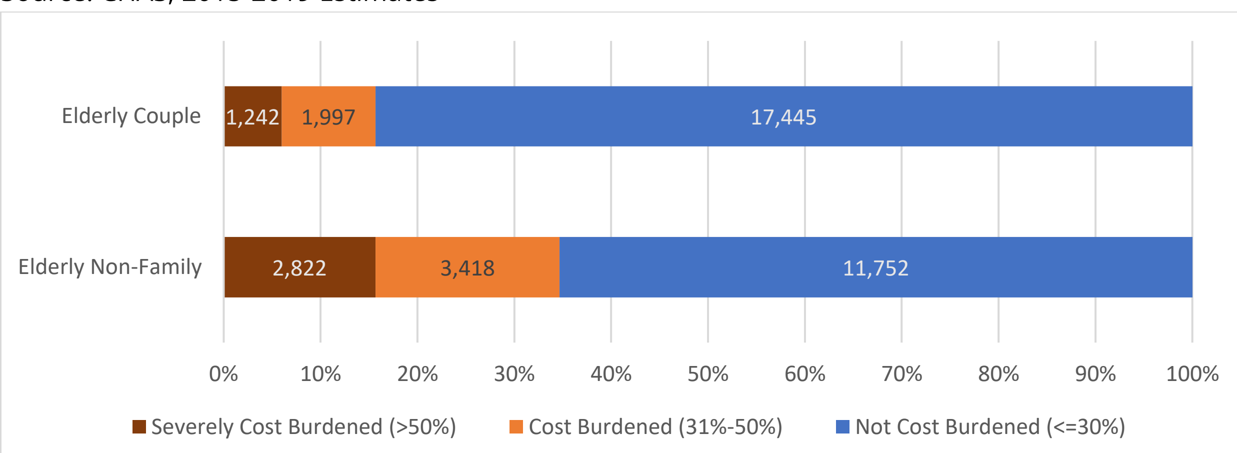


Cost-Burdened Senior-Headed Households by Subregion
Source: CHAS, 2015-2019 Estimates



Among senior-headed households, non-family households (most of which are living-alone households) are cost burdened or severely cost burdened at twice the rate of married couple households, as shown in the table below.

Cost-Burdened Senior-Headed Households by Family Type, All Central Shenandoah
Source: CHAS, 2015-2019 Estimates



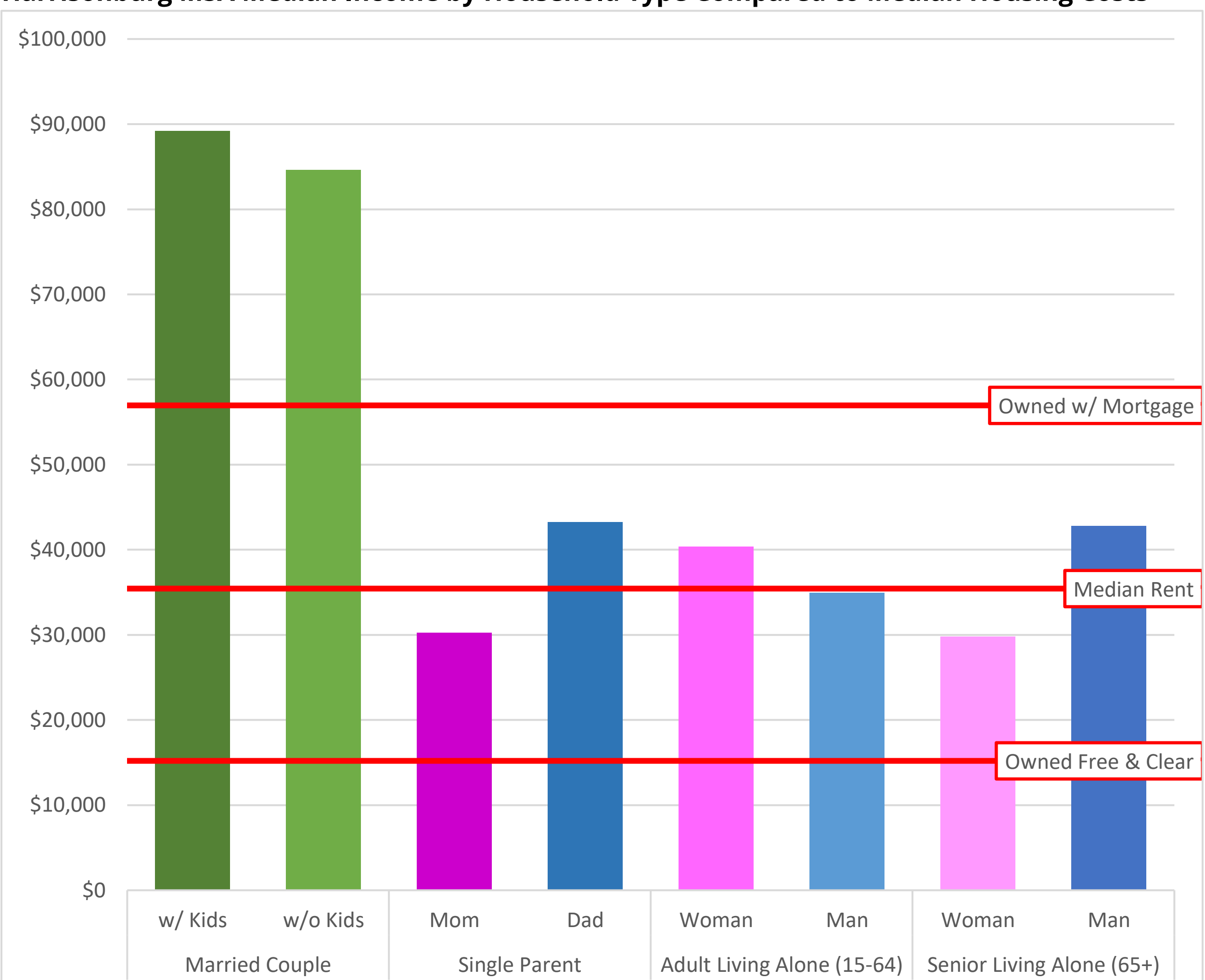
Housing Affordability by Household Type

The following section presents a series of charts showing housing affordability for selected household types. Data at the MSA level was used for the Harrisonburg MSA, encompassing Harrisonburg City and Rockingham County, and the Staunton MSA, encompassing Staunton City, Waynesboro City, and Augusta County. Locality-level data was used for Bath and Highland Counties, and Rockbridge County, Buena Vista City, and Lexington City.

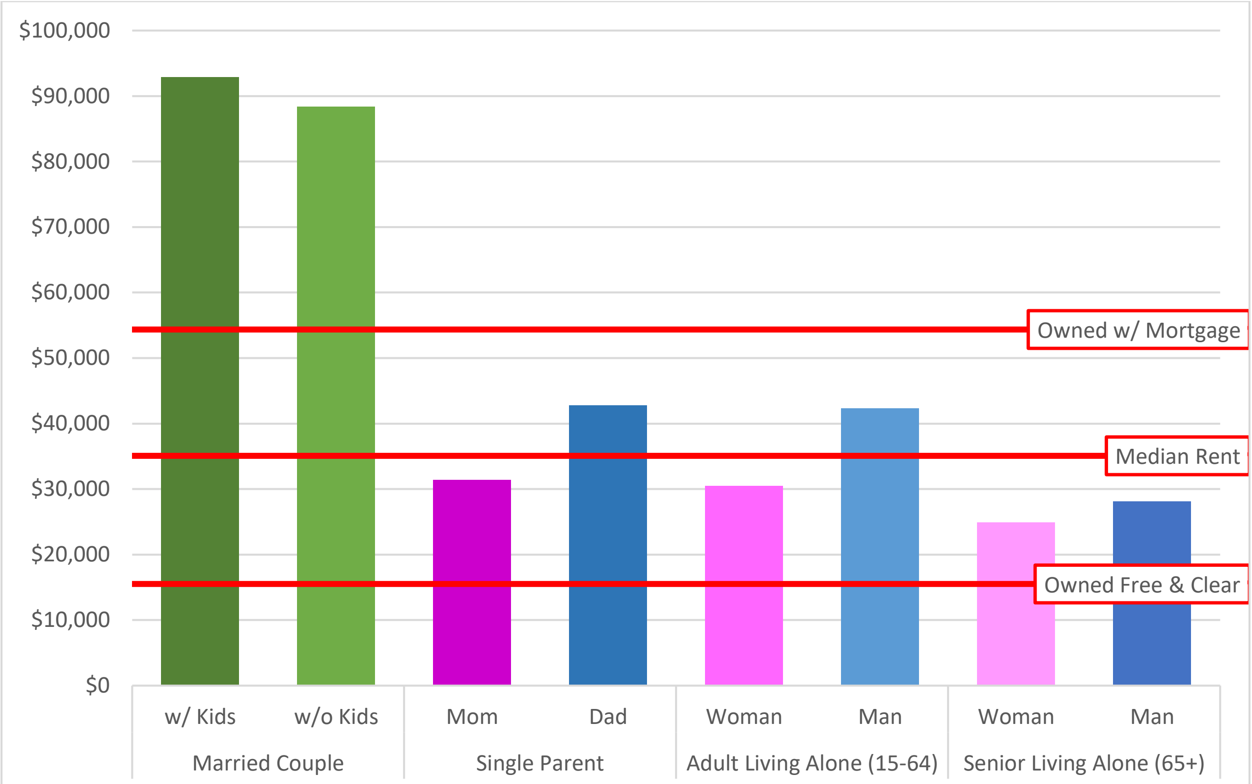
Median incomes of married couple households with and without children are depicted in **GREEN**. Median incomes of single parent households, single adult households, and single senior households are depicted in **PINK** when female-led and depicted in **BLUE** when male-led. Horizontal lines, depicted in **RED**, denote the annual income needed to afford housing costs of the three primary tenure types: owned with a mortgage, owned free and clear, and rented housing.

The data source of all charts is US Census Published Tables, ACS 2021 5-year estimates. **Missing columns means data was unavailable.**

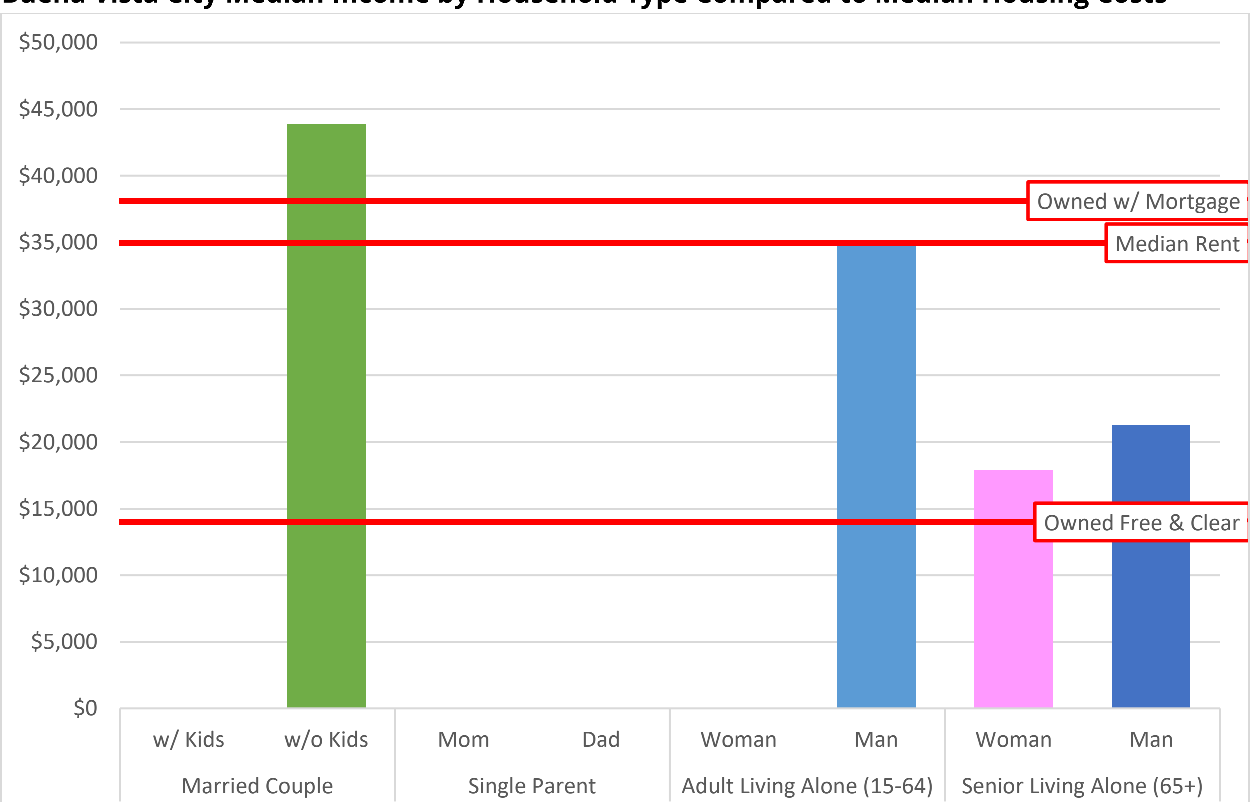
Harrisonburg MSA Median Income by Household Type Compared to Median Housing Costs



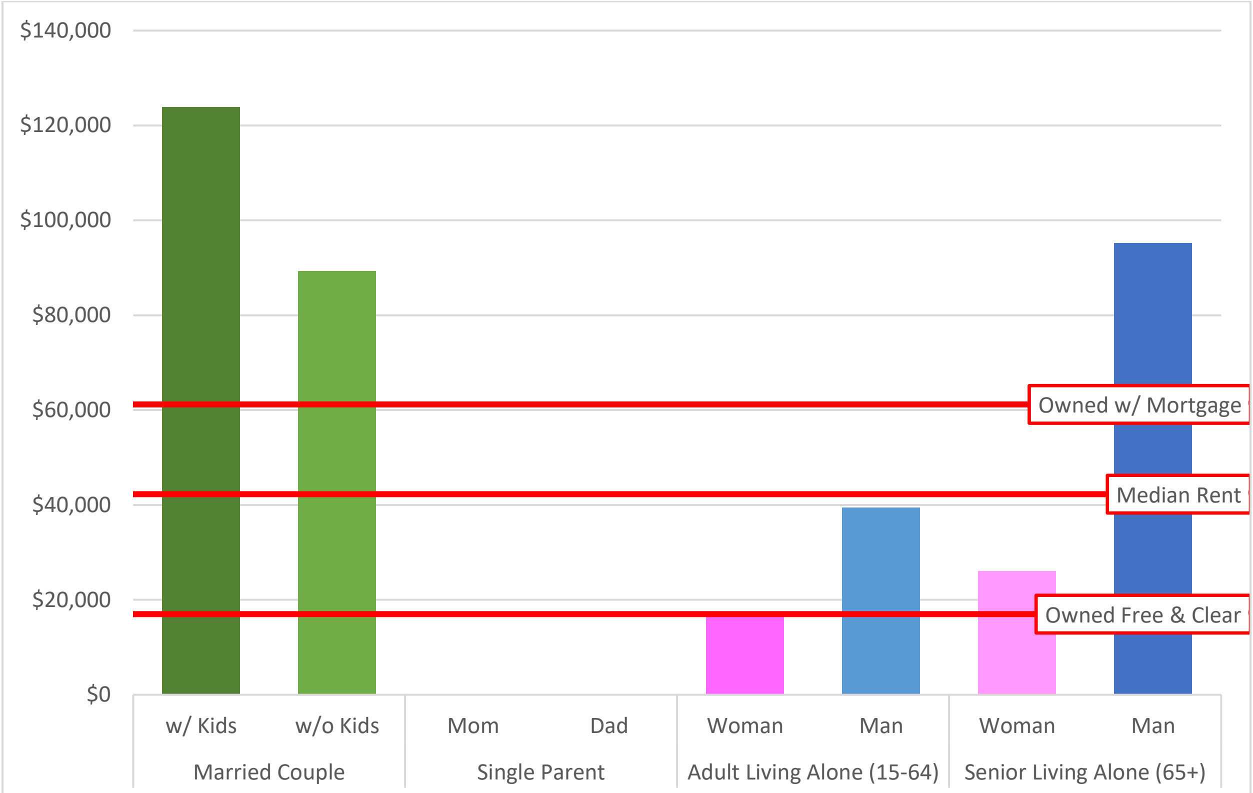
Staunton MSA Median Income by Household Type Compared to Median Housing Costs



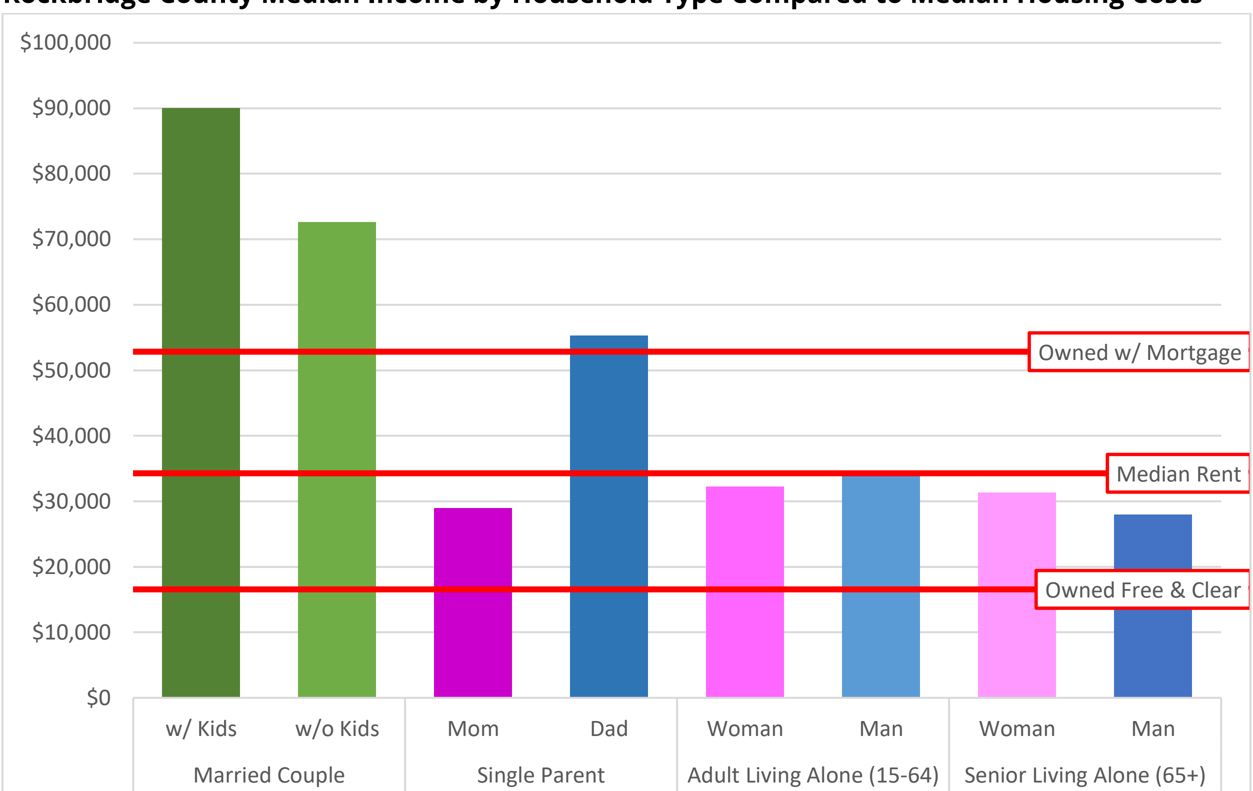
Buena Vista City Median Income by Household Type Compared to Median Housing Costs



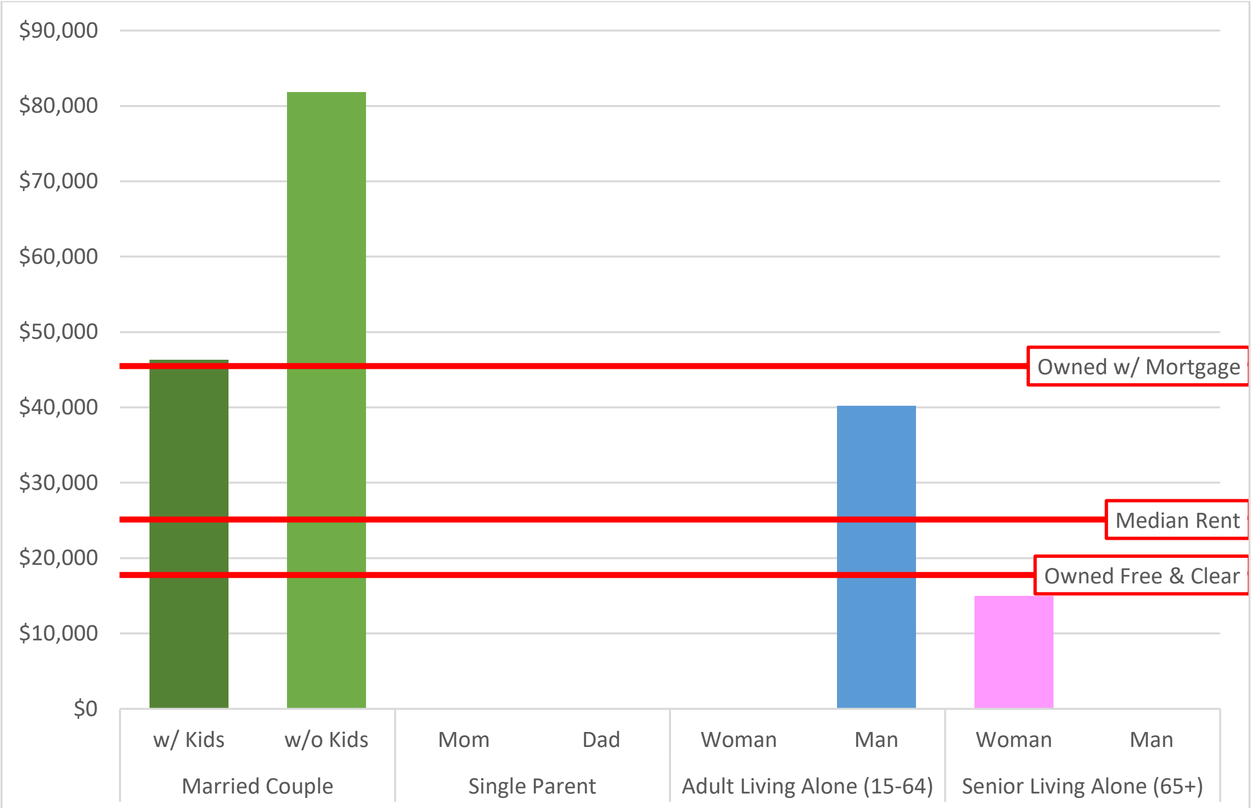
Lexington City Median Income by Household Type Compared to Median Housing Costs



Rockbridge County Median Income by Household Type Compared to Median Housing Costs



Bath County Median Income by Household Type Compared to Median Housing Costs



Highland County Median Income by Household Type Compared to Median Housing Costs

Supportive Housing Need
VCHR applied Corporation for Supportive Housing methods to create rough estimates of need for supportive housing in the Central Shenandoah region.

Unhoused Population Estimate/Method
The unhoused population is determined by HUD via annual point in time (PIT) counts, aggregated at the continuum of care (COC) level. Central Shenandoah's ten localities are located within two COC areas: the Western Virginia (WVA) COC and the Balance of State (BOS) COC. This report weights PIT counts by total population. Rockingham County and Harrisonburg city contain approximately 36% of the population of all localities in the Western Virginia COC, and the eight remaining PDC 6 localities contain approximately 10% of the population of all localities in the Balance of State COC. The respective share of each COC's PIT count is summed to generate a combined estimate of the unhoused population for the Central Shenandoah region. The table below shows unhoused population and highlighted subpopulation figures for The Western Virginia and Balance of State COCs, Central Shenandoah's share of each COC count, and totals for the Central Shenandoah region.

Unhoused Population and Highlighted Subpopulation Counts
Source: HUD Point in Time Counts, 2022 [1] [2]

Population Totals	**Totals by COC**		**Region Share of COC Total, by COC**		**Region Total, Central Shenandoah**
	BOS COC	WVA COC	BOS COC	WVA COC	
Total Persons	1125	426	112	153	**265**
Sheltered	*978*	*399*	*97*	*143*	*241*
Unsheltered	*147*	*27*	*15*	*10*	*24*
Total Households	708	323	71	116	**186**
Sheltered	*588*	*302*	*59*	*108*	*167*
Unsheltered	*120*	*21*	*12*	*8*	*19*
Households with Children	115	43	11	15	**27**
Sheltered	*108*	*40*	*11*	*14*	*25*
Unsheltered	*7*	*3*	*1*	*1*	*2*
Households without Children	592	280	59	100	**159**
Sheltered	*479*	*262*	*48*	*94*	*142*
Unsheltered	*113*	*18*	*11*	*6*	*18*

[1] HUD Point in Time Count, 2022, Virginia Balance of State CoC
https://files.hudexchange.info/reports/published/CoC_PopSub_CoC_VA-521-2022_VA_2022.pdf
[2] HUD Point in Time Count, 2022, Western Virginia CoC
https://files.hudexchange.info/reports/published/CoC_PopSub_CoC_VA-513-2022_VA_2022.pdf

Highlighted Subpopulations	Totals by COC		Region Share of COC Total, by COC		Region Total, Central Shenandoah
	BOS COC	WVA COC	BOS COC	WVA COC	
Chronically Homeless Persons	95	65	9	23	**33**
Unhoused Veterans	49	9	5	3	**8**
Chronic Substance Abuse	172	73	17	26	**43**
Sheltered	*139*	*55*	*14*	*20*	*34*
Unsheltered	*33*	*18*	*3*	*6*	*10*
Unaccompanied Youth	61	15	6	5	**11**
Under 18 years old	*1*	*0*	*0*	*0*	*0*
Aged 18-24	*60*	*15*	*6*	*5*	*11*

CSH estimates that 90% of chronically unhoused people and 10% of non-chronically unhoused people have needs consistent with permanent supportive housing.[3] According to HUD PIT counts, there are 33 chronically unhoused individuals in the Central Shenandoah region, and providing supportive housing for 90% of this group would require 30 supportive housing beds. Furthermore, there are 232 chronically unhoused individuals in the region, and providing supportive housing for this group would require 23 supportive housing beds. In total, providing supportive housing for unhoused individuals in the region would require **53 supportive housing beds.**

Type of Unhoused Individual	Total Persons	Supportive Housing Beds Needed
Chronically Homeless	33	30
Non-Chronically Homeless	232	23
Total	*265*	***53***

CSH estimates that 55% of unhoused veterans have needs consistent with supportive housing. According to HUD PIT counts, there are approximately 8 unhoused veterans in the Central Shenandoah region. Providing supportive housing for 55% of this group would require *4 supportive housing beds*. Because individuals with veteran status are included in the HUD PIT counts' individual unhoused population totals, this category is excluded from estimated total supportive housing need, and is included in this report as a highlighted subpopulation.

[3] CSH, Individual Homeless Systems, 2019. https://www.csh.org/wp-content/uploads/2019/05/INDIVIDUALHOMELESS_web.pdf

CSH estimates that 16% of unhoused families with children under 18 have needs consistent with supportive housing.[4] According to 2022 HUD PIT counts, there are approximately 27 unhoused families with children in the Central Shenandoah region. Providing supportive housing for 16% of these families would require **4 supportive housing units** suitable for family habitation.

CSH estimates that 80% unaccompanied unhoused youth and 25% of youth aging out of foster care have needs consistent with supportive housing.[5] According to HUD PIT counts, there are approximately 0 unaccompanied unhoused youth in the Central Shenandoah region, meaning there is currently no supportive housing need for this group.

Families with Children in Foster Care

CSH estimates that 18% of families with children placed in foster care have needs consistent with supportive housing.[6]

According to Virginia DSS, there are 285 children under the age of 18 in foster care in Central Shenandoah localities as of September 2023.[7] Dividing the number of children in foster care by the 2022 US average of 1.94 children per family, there are an estimated 147 families with children in foster care in Central Shenandoah. Providing supportive housing for 18% of these families would require **26 supportive housing units** suitable for family habitation. The table below shows estimated supportive housing units needed for families with children under 18 in foster care by locality for the Central Shenandoah region.

Supportive Housing Units Needed for Families with Children in Foster Care

Locality	Children Under Age 18 in Foster Care	Estimated Number of Families	Supportive Housing Units Needed
Augusta County	49	25	**5**
Bath County	0	0	**0**
Highland County	1	1	**0**
Rockbridge County	11	6	**1**
Rockingham County	123	63	**11**
Buena Vista City	14	7	**1**
Harrisonburg City	2	1	**0**
Lexington City	2	1	**0**
Staunton City	57	29	**5**
Waynesboro City	26	13	**2**
All Central Shenandoah	*285*	*147*	***26***

[4] CSH, Family Systems, 2019, https://www.csh.org/wp-content/uploads/2019/05/FAMILY_web.pdf
[5] https://www.csh.org/wp-content/uploads/2019/05/YOUTH_web.pdf
[6] CSH, Family Systems, 2019, https://www.csh.org/wp-content/uploads/2019/05/FAMILY_web.pdf
[7] Virginia DDS, https://www.dss.virginia.gov/geninfo/reports/children/fc.cgi

Youth Aging Out of Foster Care
CSH estimates 25% of youth aging out of foster care have needs consistent with supportive housing.[8]

According to Virginia DDS, as of September 2023 there are approximately 57 youth in foster care aged 18 or older in the Central Shenandoah region. Providing supportive housing for 25% of this group would require **14 supportive housing beds**. The table below shows the number of youth aged 18 or older in foster care and supportive housing beds needed by county for the Central Shenandoah region.

Supportive Housing Need for Youth Aging out of Foster Care
Source: Virginia DSS

Locality	Youth Aged 18 & Over in Foster Care	Supportive Housing Beds Needed
Augusta County	14	**4**
Bath County	0	**0**
Highland County	0	**0**
Rockbridge County	1	**0**
Rockingham County	28	**7**
Buena Vista City	3	**1**
Harrisonburg City	0	**0**
Lexington City	0	**0**
Staunton City	7	**2**
Waynesboro City	4	**1**
All Central Shenandoah	*57*	***14***

Aging Adults
CSH estimates that 19% of people in Medicaid-supported nursing home beds have needs consistent with supportive housing.[9]

According to the Kaiser Family Foundation, there are 25,650 nursing home residents in Virginia.[10] Because nursing home resident population is not available at the county or region level, weighting by population is used to estimate. The number of people aged 65+ in Central Shenandoah is 55,329, which is 4.2% of all Virginia residents over 65 years old.[11] To estimate the number of nursing home residents in Central Shenandoah, the total Virginia nursing home population is multiplied by 4.2%, generating an estimate of 1,080 nursing home residents in Central Shenandoah.

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[8] https://www.csh.org/wp-content/uploads/2019/05/YOUTH_web.pdf
[9] CSH, Adult Aging Systems, 2019, https://www.csh.org/wp-content/uploads/2019/05/AGING_web.pdf
[10] Kaiser Family Foundation https://www.kff.org/other/state-indicator/number-of-nursing-facility-residents/
[11] Cooper Center of UVA. https://demographics.coopercenter.org/data-dashboard-aging-virginia

The total number of nursing home beds supported by Medicaid in Virginia is 17,066, approximately 66.5% of total nursing home residents.[12] Therefore, approximately 719 Central Shenandoah nursing home residents are Medicaid members. Providing supportive housing for 19% of this population would require **137 supportive housing beds**.

Individuals Experiencing Substance Use Disorder

CSH estimates that 2% of persons receiving treatment for a SUD have needs consistent with supportive housing.[13] According to SAMHSA preliminary 2021 estimates, 17.32%[14] of people aged 18 or older in Virginia received treatment for a SUD within the past year.[15] If 42,251 adults in the Central Shenandoah have received treatment for a SUD in the past year, providing supportive housing for 2% of this group would require **845 supportive housing beds**.

Supportive Housing Need for Individuals Experiencing Addiction

Subregion	Adult (18+) Population	Treatment for SUD within past year	Supportive Housing Beds Needed
Bath and Highland	5,572	965	19
Harrisonburg and Rockingham	108,022	18,709	374
Augusta, Staunton, Waynesboro	99,767	17,280	346
Rockbridge, Lexington, Buena Vista	30,583	5,297	106
All Central Shenandoah	*243,944*	*42,251*	***845***

[12] Virginia DMAS. https://www.dmas.virginia.gov/media/6120/ccc-plus-august-2023.pdf

[13] CSH, Addiction Systems, 2019. https://www.csh.org/wp-content/uploads/2019/05/ADDICTION_web.pdf

[14] This rate is 10 percentage points higher than the 2018-2019 statewide estimate (7.33%) and the 2016-2018 regional estimate (7.11%). There is no estimate between 2021 statewide estimates and these, due to 2020 methodology issues

[15] SAMHSA, https://www.samhsa.gov/data/sites/default/files/reports/rpt39465/2021NSDUHPercents_ExcelTabsCSVs110322/2021NSDUHsaePercentsTabs110322.pdf

Justice-Involved Individuals

CSH estimates that 19% of people are incarcerated in local jails and 10% of people incarcerated in state prisons have needs consistent with supportive housing.[16] Using 2020 Census redistricting data, the Prison Policy Initiative tabulated the number of people incarcerated in Virginia local jails and state prisons by the incarcerated individual's locality of origin.[17] The table below shows the number of incarcerated adult residents by facility type, and estimated supportive housing beds needed, for the Central Shenandoah region and each locality.

Supportive Housing Need for Justice-Involved Individuals

Source: Prison Policy Initiative

Locality of Origin	Number of Incarcerated Adults	By Facility Type Estimate		Estimated Supportive Housing Beds Needed
		Prison	Jail	
Augusta County	514	288	226	72
Bath County	16	9	7	2
Highland County	3	2	1	0
Rockbridge County	188	105	83	26
Rockingham County	425	238	187	59
Buena Vista city	56	31	25	8
Harrisonburg city	332	186	146	46
Lexington city	15	8	7	2
Staunton city	246	138	108	34
Waynesboro city	242	136	106	34
All Central Shenandoah	*2,037*	*1141*	*896*	***284***

Among Virginians incarcerated in state and local facilities, approximately 56% are held in state prisons and 44% in local jails.[18] Therefore, of the 2,037 people from Central Shenandoah, incarcerated in Virginia, an estimated 1,141 are held in state prisons and 896 are held in local jails. Applying CSH estimates, approximately 114 people incarcerated in state prisons and 170 people incarcerated in local jails have needs consistent with supportive housing. Providing supportive housing for these populations would require **284 supportive housing beds**.

Intellectual and Developmental Disability

CSH estimates rates of supportive housing need for the following subpopulations of people with an intellectual and developmental disability (IDD).

- 33% of people living in Intermediate Care Facilities
- 33% of people living in other Medicaid funded group homes
- 33% of people on state waiting lists for services and residential programs

[16] CSH, Justice Systems. https://www.csh.org/wp-content/uploads/2019/05/JUSTICE_web.pdf
[17] Prison Policy Initiative. https://www.prisonpolicy.org/origin/va/2020/county.html
[18] Prison Policy Initiative, VA State Profile. https://www.prisonpolicy.org/profiles/VA.html

CSH's estimate uses data from organizations providing services to individuals with an IDD. Because such data was unavailable, this report estimates the population of those in need of IDD services using ACS Public Use Microsample (PUMS) data. The PUMS was used to estimate the number of adults with both a cognitive difficulty and a self-care difficulty, and either public health insurance or no health insurance. To avoid double-counting individuals involved with aging adult care systems, only adults aged 18-64 were counted.

There are approximately 1,352 people in the Central Shenandoah region with both a cognitive difficulty and a self-care difficulty, and public health insurance or no health insurance. Providing supportive housing for 33% of this group would require **446 supportive housing beds**.

Mental Health Difficulties
CSH estimates the following subpopulations have needs consistent with supportive housing:[19]

- 24% of people receiving mental health services in institutional care settings
- 24% of people receiving mental health services in residential care settings

According to the 2020 SAMHSA Mental Health Services Survey, approximately 4,344 people in Virginia received inpatient or residential mental health services.[20] This is approximately 0.065% of the adult population of Virginia. In the table below, this percentage is applied to the Central Shenandoah region and each locality. The estimated number of adults in institutional or residential mental health treatment is then multiplied by the CSH estimate of 24%. Providing supportive housing for this group in Central Shenandoah would require **38 supportive housing beds**.

Adults in Mental Health Treatment Settings
Source: SAMHSA

	Adult Population, 2021	Adults in Mental Health Treatment	Supportive Housing Beds Needed
Augusta County	62175	40	10
Bath County	3645	2	1
Highland County	1927	1	0
Rockbridge County	18608	12	3
Rockingham County	64552	42	10
Buena Vista city	5287	3	1
Harrisonburg city	43470	28	7
Lexington city	6688	4	1
Staunton city	20478	13	3
Waynesboro city	17114	11	3
All Central Shenandoah	***243944***	***158***	***38***

[19] CSH, Mental Health Systems. https://www.csh.org/wp-content/uploads/2018/07/Mental-Health-10-7-16.pdf
[20] SAMHSA, 2020, https://www.samhsa.gov/data/sites/default/files/reports/rpt35984/2020%20N-MHSS%20State%20Profiles_FINAL.pdf

Total Supportive Housing Need, CSH Estimate Methods

Using CSH estimate methods, this report estimates a need for **1,817 supportive housing beds** and **30 supportive housing units** suitable for family habitation in the Central Shenandoah region.

Total Supportive Housing Need Summary Table

Subpopulation	Supportive Housing Needs	
	Beds	Family Units
Unhoused Individuals	53	-
Unhoused Families	-	4
Families with Children in Foster Care	-	26
Youth Aging out of Foster Care	14	-
Aging Adults	137	-
Individuals Experiencing Addiction	845	-
Justice-Involved Individuals	284	-
Intellectual and Developmental Disability	446	-
Mental Health Difficulties	38	-
Total Supportive Housing Need	***1,817***	***30***

References

Ghertner, R. (2023). U.S. *National and State Estimates of Children Living with Parents Using Substances, 2015–2019*. Office of the Assistant Secretary for Planning and Evaluation, HHS. https://aspe.hhs.gov/sites/default/files/documents/faa1b19e66053008e89782914f0aa693/children-at-risk-of-sud.pdf

Virginia Commonwealth University (VCU). (2023). Addiction and Recovery Treatment Services: Evaluation Report for State Fiscal Years 2020, 2021, and the first half of 2022. https://hbp.vcu.edu/media/hbp/about-us/pictures/FinalARTSComprehensiveReport.4.27.23.docx.pdf

APPENDIX B: SHORT TERM RENTALS

Introduction

Short-term rentals (STR) are rapidly emerging as a significant segment within the housing industry, fueled by the rise of platforms such as Airbnb and Vrbo. Traditional analyses of the housing market often concentrate on long-term rentals (LTR) and ownership markets, overlooking an increasingly prominent component which is STR. This report aims to provide an in-depth analysis of STR and its potential impact on the broader housing market.

The rise of STR has redefined housing utilization, transforming properties typically designated for LTR or ownership into accessible temporary accommodations. This shift has led to increased interest in STR as a potential revenue source for property owners and a preferred accommodation option for travelers and temporary residents.

The STR and LTR sectors are not independent entities but interlinked parts of the housing market. The influx of properties into the STR market has potential repercussions on LTR. There is a possibility that the diversion of housing units from the LTR market could decrease supply, leading to increased housing price and rents. Furthermore, STR often offers higher returns on investment than LTR, potentially driving landlords to convert LTR units to STR. However, this relationship is complex and may vary based on local regulations, housing market conditions, and other socioeconomic factors.

The growth of STR can exacerbate housing shortages and affordability issues, especially in popular tourist destinations or urban areas with limited housing stock. Additionally, STR can change neighborhood dynamics, impacting long-term residents through increased noise, overcrowding, and reduced community cohesion. These effects have led to legislative efforts to regulate or limit STR in some regions.

Analyzing STR within the housing market context is important due to its growing significance and potential impact on LTR. The interplay between STR and LTR can affect housing supply, prices, neighborhood dynamics, and housing policy. Therefore, it is crucial to continually assess and understand the implications of these emerging trends to formulate effective strategies and policies.

Data Source

Our data for the analysis of short-term rentals (STR) in the housing market has been sourced from AirDNA, a leading global provider of short-term rental data and analytics. AirDNA's platform accumulates publicly available information from websites like Airbnb and Vrbo, providing in-depth insight into the performance of millions of individual vacation rental properties worldwide. AirDNA employs sophisticated web scraping techniques to gather its data. The data is collected by automated bots, which are programmed to extract specific types of information from websites. The company uses these web scraping tools to pull data daily, capturing a snapshot of all short-term rental listings available on these platforms. This data includes both current and historic listings, giving a comprehensive view of the STR market. For our analysis, we obtained the 2014-2022 dataset from AirDNA.

Understanding Active versus Listed Properties

In the analysis of short-term rentals (STRs), it is crucial to distinguish between the count of 'listed' properties and 'active' properties. While a property might be listed on an STR platform, it does not always being available or in operation. Therefore, solely counting listed properties can lead to a skewed perspective of the actual number of operating STRs.

In our analysis, we consider the 'Active' variable from the AirDNA dataset to account for this distinction. The 'Active' variable indicates whether a listed property was in operation during the reporting period. A property with "Active=True" is considered in service and available for guests to book, while "Active=False" indicates that a property, although listed, was not in operation. Essentially, this status signifies that the listing is not available on the platform at all - it is not merely that the calendar is blocked.

Classification of Short-Term Rentals (STRs)

Some listed units function as STRs throughout the year, while others, such as primary residences, accessory dwelling units, or spare rooms, can also serve as STRs. The latter category can occasionally cause inconveniences to neighbors, such as noise disturbances. However, they don't notably impact housing affordability. On the other hand, when an entire house is dedicated to STR use, it can reduce the stock of available housing for long-term rentals (LTRs), potentially driving up house prices and rents, negatively affecting housing affordability. Therefore, the count of STRs can vary depending on the perspective. To differentiate the impacts of STRs on the housing market, we classify STRs based on the following definitions:

(1) Full-Time STRs: These are properties entirely used as STRs, with the listing remaining active and available for reservations throughout the entire year. The listing type for these properties is "Entire home/apt". These units are consistently rented out on a short-term basis, meaning they are not available for the long-term rental (LTR) market. Consequently, they may contribute to a decrease in the LTR housing stock and can exert upward pressure on housing prices and rents, potentially impacting housing affordability.

(2) Occasional STRs: These are entire properties that are used as STRs only part of the time, being active for at least one month in a year. The listing type for these properties is also "Entire home/apt". The 'occasional' use refers to situations where owners might use their property as an STR when it's not in personal use. Though they are not fully dedicated to the STR market, they are still not available for the LTR market during their active periods.

(3) Partial STRs: These are properties where only a part of the home is listed as an STR, being active for at least one month in a year. The listing type for these properties is "Private Room" or "Shared Room". These types of STRs might cause minor inconveniences to neighbors but generally do not have a significant impact on housing affordability.

(4) Inactive Listings: These are properties listed as STRs but do not fit into the above categories of Full-Time, Occasional, or Partial STRs. These could include properties that are listed but are not actively rented, either as a whole or in part. This category represents the potential number of STRs that could be operated in the area.

STR in the Harrisonburg Region

As of December 2022, 1,306 properties in the Harrisonburg Region are listed as potential short-term rentals (STRs) on platforms like Airbnb or Vrbo. However, only 857 of these listings, approximately 66%, were active. This discrepancy indicates that not all listed properties are available for rent. The active STRs represent 1.77% of all housing units, highlighting that a minor portion of the total housing stock is being used for short-term rentals. Listed STRs, even when including those not active, constitute a slightly larger portion, at 2.70% of all housing units.

Rockingham County exhibits a higher percentage of both listed and active properties relative to its total housing units, accounting for 3.38% and 2.22% respectively. This suggests a more active STR market in Rockingham, potentially reflecting greater demand or more favorable conditions for STRs. In contrast, Harrisonburg city shows a lower percentage of active properties relative to its total housing units, at only 0.96%. This lower rate could indicate stricter regulations or less demand.

The number of STR in the Harrisonburg Region
Source: VCHR tabulation of AirDNA data in Dec.2022 and 2021 ACS 5-year Estimates

	Listing	Listing/Housing Units	Active	Active/Housing Units
Rockingham County	1,054	3.38%	693	2.22%
Harrisonburg city	252	1.47%	164	0.96%
Total	1,306	2.70%	857	1.77%

Rockingham County has seventeen Census-Designated Places (CDPs) , including seven towns. As of December 2022, the county hosts a total of 1,054 Short-Term Rentals (STRs), with a significant concentration of 866 STRs situated within the unincorporated areas, outside of the designated towns.

The CDP of McGaheysville stands out as the center of STR activity within Rockingham County, primarily due to the presence of the Massanutten Resort. This resort is a cornerstone of the local economy, attracting visitors year-round with its comprehensive array of amenities, including ski slopes, golf courses, and water parks. The concentration of STRs in this area accounts for approximately 74% of all STRs in Rockingham County.

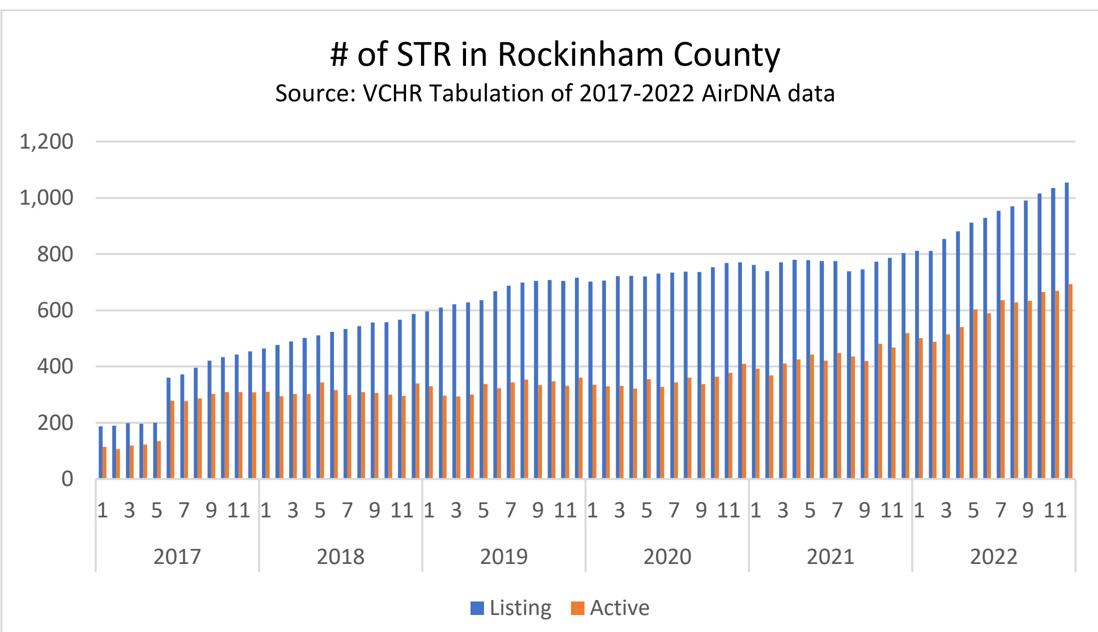
The number of STR in the Rockingham County by Census-Designated Places
Source: VCHR tabulation of AirDNA data in Dec.2022

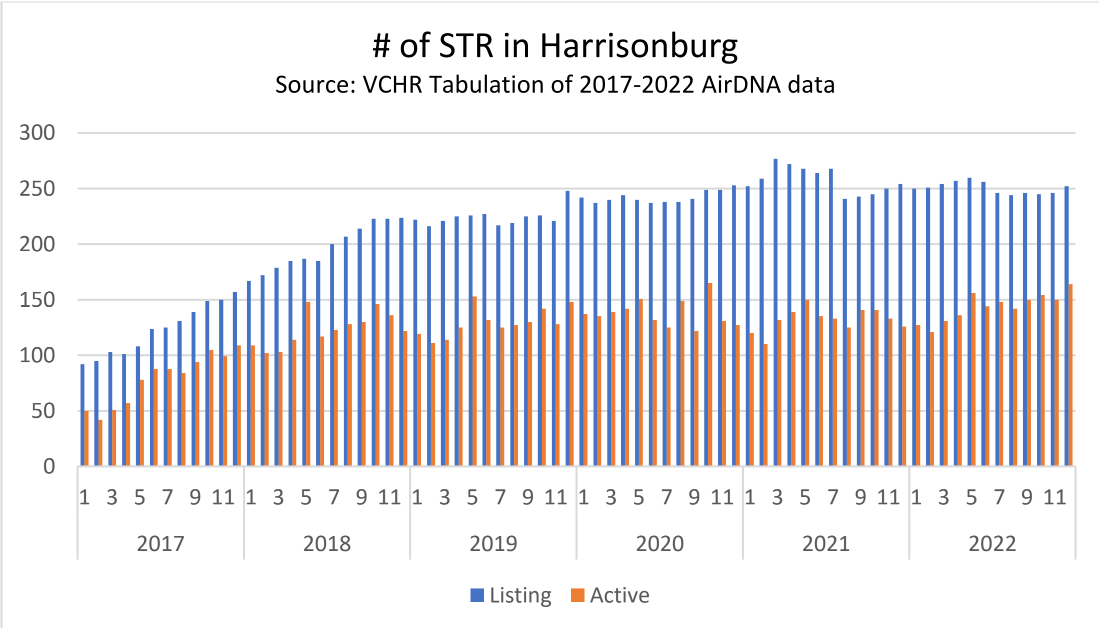
	Listing	% CDP/County	Active	% CDP/County
Rockingham County	1,054		693	
Bergton	3	0.28%	2	0.29%
Bridgewater*	17	1.61%	16	2.31%
Broadway*	44	4.17%	39	5.63%
Criders	1	0.09%	1	0.14%
Dayton*	40	3.80%	35	5.05%
Elkton*	66	6.26%	53	7.65%
Fulks Run	3	0.28%	1	0.14%

Grottoes*	5	0.47%	4	0.58%
Hinton	20	1.90%	17	2.45%
Keezletown	16	1.52%	11	1.59%
Linville	11	1.04%	9	1.30%
Mc Gaheysville	778	73.81%	464	66.96%
Mount Crawford*	16	1.52%	13	1.88%
Penn Laird	9	0.85%	8	1.15%
Port Republic	4	0.38%	4	0.58%
Singers Glen	8	0.76%	7	1.01%
Timberville*	13	1.23%	9	1.30%
Unincorporated Area in Rockingham	866	82.16%	533	76.91%

A histogram illustrating the monthly counts of STRs in each region from 2014 to 2022 confirms the growth of STRs, the seasonal fluctuations, and the effects of the COVID-19 pandemic. In Rockingham County, there has been a consistent increase in the number of STRs from 2014 to 2022. Even during the COVID-19 pandemic, this region showed a continuous upward trend in the STR market.

Contrastingly, in Harrisonburg, the number of STR listings peaked towards the end of 2018, followed by a slight decline and then stabilization at a similar level. This pattern suggests the likely introduction of new regulations in the Harrisonburg area around that time. Interestingly, despite the overall increase in STR numbers across nearly all localities in Virginia, Harrisonburg did not exhibit this trend. This reflects the unique regulatory environment of Harrisonburg.





STR Regulation

The growth of the Short-Term Rental (STR) market worldwide has prompted many cities and regions to adopt various regulations to manage its impact on the housing market and community. These regulations generally include:

- Permit Requirement: This mandates owners to obtain a permit or license to operate an STR. This regulation helps track and control the number of STRs in a region, facilitating taxation, safety checks, and other regulatory procedures. It also allows for the collection of taxes that help in community and infrastructure development.
- Owner-Occupancy Rule: Some regions require that the STR property should be the host's primary residence. This aims to prevent the conversion of multiple long-term rental (LTR) properties into STRs by the same owner, thus safeguarding the availability and affordability of LTR housing.
- Cap on Rental Days: This places a limit on the number of days per year a property can be rented out as an STR. This measure prevents properties from being used solely as STRs, ensuring they are available for LTR or owner occupancy for a significant part of the year.
- Zoning Regulations: These limit STRs to certain zones or districts within a city or region, often to maintain the residential nature of specific neighborhoods or control the influx of tourists to sensitive areas.

In Harrisonburg city, several regulations govern the operation of STRs. Firstly, there is a permit requirement, which ensures that all STRs operate within a recognized and regulated framework. Additionally, the city enforces an owner-occupancy rule. This rule mandates that STRs must be the primary residence of the owner, limiting rentals to periods of 30 days or less. This regulation is particularly effective in protecting the residential rental market for local residents. It ensures that housing remains available for long-term residents, preventing a potential shortage caused by properties being converted exclusively for short-term tourist accommodation. In contrast, Rockingham County is identified as having no specific regulations for STRs. This lack of regulation might suggest a more open market for short-term rentals in the county area.

The operation of short-term rentals (STRs) in certain situations can be beneficial to the tourism industry without compromising the housing market. For instance, when a property remains vacant while waiting for new long-term tenants, or when homeowners temporarily vacate their primary residence, utilizing these homes as STRs can be advantageous. This is also true for properties that are primarily used for recreational purposes or as secondary homes. These scenarios allow for the flexible use of housing stock, contributing positively to the tourism sector without negatively impacting the availability of long-term rental properties for residents.

However, it's important to consider various local factors when regulating STRs. Key considerations include assessing whether the existing lodging options are sufficient to meet the demands of tourists, and determining if there is a shortage of long-term rental housing for local residents. A balanced approach to regulation, taking into account these diverse aspects, is necessary to ensure that the introduction and management of STRs benefit the tourism industry while preserving the housing needs and community welfare of the region.

STR Counts

Using the classification of STRs, we recalculated the STR numbers for the Harrisonburg region as of 2022.

The number of STR and ratio to the housing stock in the Harrisonburg Region
Source: VCHR tabulation of AirDNA data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Rockingham County	341	1.09%	560	1.80%	47	0.15%	216	0.69%	1,164	3.73%
Harrisonburg city	63	0.37%	95	0.56%	50	0.29%	103	0.60%	311	1.82%
Total	404	0.84%	655	1.36%	97	0.20%	319	0.66%	1,475	3.05%

In 2022, a total of 1,475 properties were listed at least once as STRs in the Harrisonburg region. These listings are then segmented into our four STR categories: Full-Time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

Among the total, 404 (approximately 27% of total listed properties) are classified as Full-Time STRs. This category is the most impactful on housing affordability, as these units are consistently unavailable for the long-term rental (LTR) market. Rockingham County has the majority of these Full-Time STRs with 341 listings. The Occasional STRs comprise the largest category in the Harrisonburg region, accounting for 655 listings or roughly 44% of total listings. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals 97 properties or about 7% of the total listings. The Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 319 listings or around 21% of total listings. These listings represent a potential expansion of the STR market should demand increase.

Occupancy Rate

In Rockingham County, Virginia, full-time STRs experienced a spike in occupancy in 2020 at 52.68%, which further rose in 2021 to 62.06%, before settling back to 54.04% in 2022. This suggests that during the height of the pandemic, there may have been an increased demand for such rentals, possibly as travelers sought out less dense and more controlled environments. However, the decrease in 2022 might indicate a return to pre-pandemic travel patterns or a response to increased competition as more properties re-enter the market.

For Harrisonburg city, the occupancy rate for full-time STRs rose to 67.07% in 2021. In 2022, the rate decreased to 55.70%, which is still higher than the pre-pandemic figures, suggesting a sustained demand potentially linked to the city's effective regulatory environment.

Median Occupancy Rate

2022	(1) Full-time	(2) Occasional	(3) Partial
Rockingham County	54.04%	14.76%	29.54%
Harrisonburg city	55.70%	28.60%	26.65%

Median Occupancy Rate by STR Type – Full-Time STR

	2017	2018	2019	2020	2021	2022
Rockingham County	39.21%	34.83%	40.39%	52.68%	62.06%	54.04%
Harrisonburg city	63.04%	59.80%	53.11%	61.01%	67.07%	55.70%

Median Occupancy Rate by STR Type – Occasional STR

	2017	2018	2019	2020	2021	2022
Rockingham County	9.48%	8.06%	8.33%	11.90%	14.07%	14.76%
Harrisonburg city	14.34%	13.86%	12.26%	18.49%	17.51%	28.60%

Median Occupancy Rate by STR Type – Partial STR

	2017	2018	2019	2020	2021	2022
Rockingham County	11.99%	13.74%	12.39%	10.45%	9.52%	29.54%
Harrisonburg city	10.92%	25.46%	27.32%	20.44%	31.96%	26.65%

Revenue

Revenue trends parallel these occupancy rates. The revenue analysis of full-time short-term rentals (STRs) in the Harrisonburg region provides a picture of the market's profitability, particularly when compared to long-term rentals (LTRs). In 2022, full-time STRs in Rockingham County generated a median revenue of $4,087, while in Harrisonburg city, the figure was $2,732. These amounts are higher than the typical earnings from LTRs, which could incentivize homeowners to pivot towards the STR market. This trend is crucial considering that the 2022 revenues represent nearly or more than double what could typically be earned from LTRs. This gap could potentially lead to a shift where homeowners increasingly favor short-term over long-term rentals, drawn by the promise of higher returns.

This shift could have several implications for the housing market. Firstly, it could exacerbate the shortage of affordable LTRs as more properties are converted to STRs. Secondly, the increased profitability of STRs could drive up property values, as investors and homeowners alike seek to capitalize on the booming STR market. This could put upward pressure on both rents and house prices, potentially affecting housing affordability for long-term residents.
Furthermore, as the revenue from STRs continues to outpace that of LTRs, the attractiveness of entering the STR market may lead to a proliferation of STRs in areas not previously impacted. This could result in regulatory challenges, as local authorities strive to balance the economic benefits of a thriving STR market with the need to maintain sufficient housing stock for long-term residents.

Median Revenue in 2022

2022	(1) Full-time	(2) Occasional	(3) Partial
Rockingham County	$4,087	$490	$669
Harrisonburg city	$2,732	$819	$816

Median Revenue by STR Type – Full-Time STR

	2017	2018	2019	2020	2021	2022
Rockingham County	$2,074	$2,352	$3,062	$3,894	$4,554	$4,087
Harrisonburg city	$1,795	$2,048	$2,147	$2,030	$2,548	$2,732

Median Revenue by STR Type – Occasional STR

	2017	2018	2019	2020	2021	2022
Rockingham County	$309	$205	$231	$326	$522	$490
Harrisonburg city	$353	$385	$314	$639	$616	$819

Median Revenue by STR Type – Partial STR

	2017	2018	2019	2020	2021	2022
Rockingham County	$159	$185	$236	$215	$250	$669
Harrisonburg city	$131	$377	$295	$514	$654	$816

STR in the SAW Region

As of December 2022, there are 562 properties in the Staunton-Augusta-Waynesboro (SAW) Region listed as potential short-term rentals (STRs) on platforms like Airbnb or Vrbo. However, only 365 of these listings, approximately 65%, were active. This discrepancy indicates that not all listed properties are available for rent. The active STRs represent 0.66% of all housing units, highlighting that a minor portion of the total housing stock is being used for short-term rentals. Listed STRs, even when including those not active, constitute a slightly larger portion, at 1.02% of all housing units.

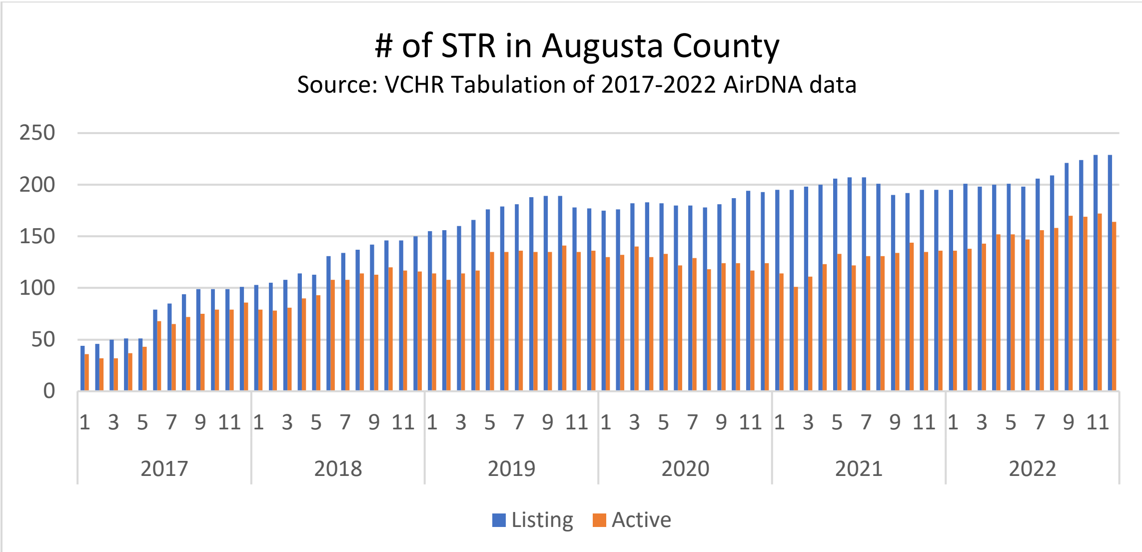
Staunton city exhibits the highest percentage of both listed and active properties relative to its total housing units, accounting for 1.80% and 1.18% respectively. This suggests a more active STR market in Staunton city, potentially reflecting greater demand or more favorable conditions for STRs. In contrast, Augusta County shows the lowest percentage of active properties relative to its total housing units, at only 0.50%. This lower rate could indicate stricter regulations or less demand.

The number of STR in the SAW Region

Source: VCHR tabulation of AirDNA data in Dec.2022 and 2021 ACS 5-year Estimates

	Listing	Listing/Housing Units	Active	Active/Housing Units
Augusta County	229	0.70%	164	0.50%
Staunton city	221	1.80%	145	1.18%
Waynesboro city	112	1.10%	56	0.55%
Total	562	1.02%	365	0.66%

A histogram illustrating the monthly counts of STRs in each region from 2014 to 2022 confirms the growth of STRs, the seasonal fluctuations, and the effects of the COVID-19 pandemic. During the COVID-19 period starting approximately in March 2020, the count of listed properties remained stagnant, and the count of active properties even saw a decrease. Following this period, the number of active STRs in the SAW region experienced a resurgence, and currently, the market is at its peak. The rebound of active listings post-pandemic signals the resilience and increasing significance of STRs in the SAW region's housing market.


# of STR in Augusta County
Source: VCHR Tabulation of 2017-2022 AirDNA data
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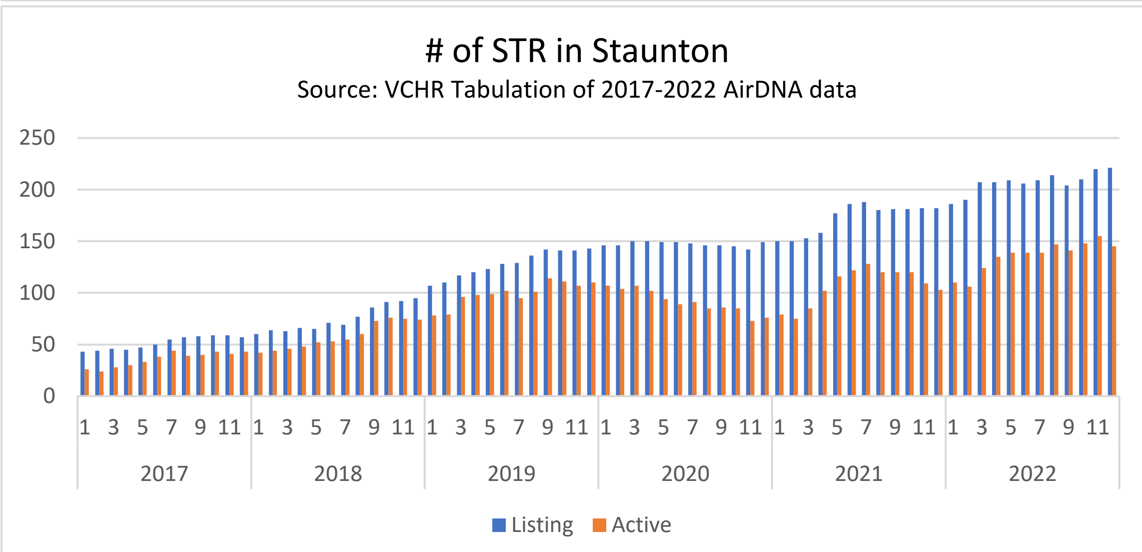
200
150
100
50
0
1 3 5 7 9 11
2017
2018
2019
2020
2021
2022
Listing
Active


# of STR in Staunton
Source: VCHR Tabulation of 2017-2022 AirDNA data
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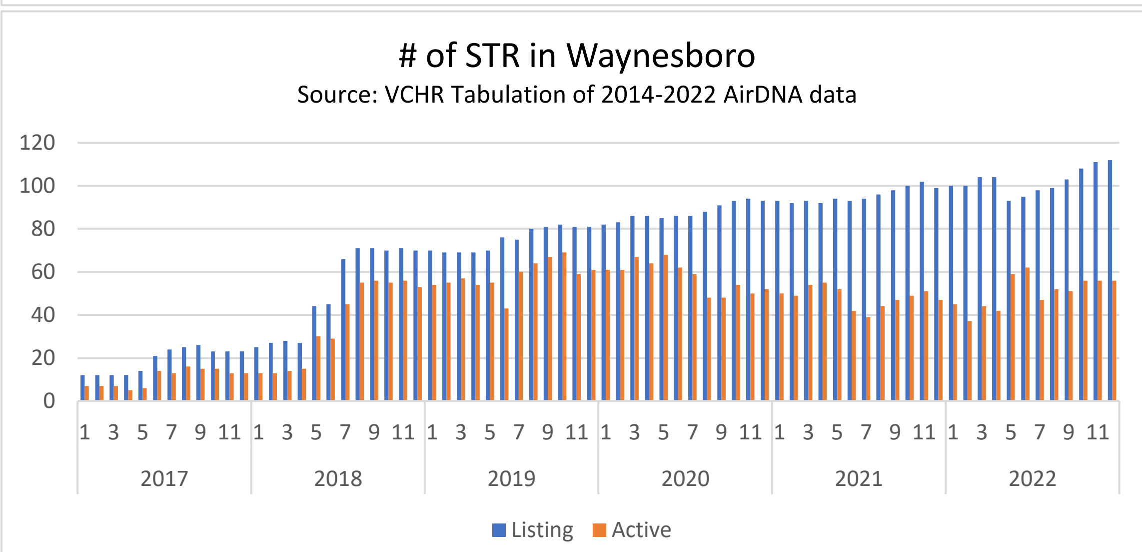
200
150
100
50
0
1 3 5 7 9 11
2017
2018
2019
2020
2021
2022
Listing
Active


# of STR in Waynesboro
Source: VCHR Tabulation of 2014-2022 AirDNA data
120
100
80
60
40
20
0
1 3 5 7 9 11
2017
2018
2019
2020
2021
2022
Listing
Active

STR Regulation

The growth of the Short-Term Rental (STR) market worldwide has prompted many cities and regions to adopt various regulations to manage its impact on the housing market and community. These regulations generally include:

- Permit Requirement: This mandates owners to obtain a permit or license to operate an STR. This regulation helps track and control the number of STRs in a region, facilitating taxation, safety checks, and other regulatory procedures. It also allows for the collection of taxes that help in community and infrastructure development.
- Owner-Occupancy Rule: Some regions require that the STR property should be the host's primary residence. This aims to prevent the conversion of multiple long-term rental (LTR) properties into STRs by the same owner, thus safeguarding the availability and affordability of LTR housing.
- Cap on Rental Days: This places a limit on the number of days per year a property can be rented out as an STR. This measure prevents properties from being used solely as STRs, ensuring they are available for LTR or owner occupancy for a significant part of the year.
- Zoning Regulations: These limit STRs to certain zones or districts within a city or region, often to maintain the residential nature of specific neighborhoods or control the influx of tourists to sensitive areas.

Compared to other tourist destinations, the STR regulations in the SAW region are relatively lenient. Each of the three regions - Augusta County, Staunton City, and Waynesboro City - has its own regulations. A common regulation across all three regions is the permit requirement, ensuring all STRs are officially recognized and regulated. Augusta County additionally imposes an owner-occupancy rule for STRs. However, this rule does not apply to the other two cities. There are currently no regulations in the SAW region that restrict the number of accommodation days per year for STR properties, nor are there specific zoning regulations pertaining to STRs.

STR Counts

Using the classification of STRs, we recalculated the STR numbers for the SAW region (comprising Augusta County, Staunton City, and Waynesboro City) as of 2022.

The number of STR and ratio to the housing stock in the SAW Region

Source: VCHR tabulation of AirDNA data in 2022 and 2021 ACS 5-year Estimates

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Augusta County	74	0.23%	99	0.30%	43	0.13%	39	0.12%	255	0.78%
Staunton city	49	0.40%	94	0.77%	61	0.50%	49	0.40%	253	2.06%
Waynesboro city	11	0.11%	43	0.42%	46	0.45%	30	0.29%	130	1.27%
Total	134	0.24%	236	0.43%	150	0.27%	118	0.21%	638	4.12%

In 2022, a total of 638 properties were listed at least once as STRs in the SAW region. These listings are then segmented into our four STR categories: Full-Time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

Among the total, 134 (approximately 21% of total listed properties) are classified as Full-Time STRs. This category is the most impactful on housing affordability, as these units are consistently unavailable for the long-term rental (LTR) market. Augusta County has the majority of these Full-Time STRs with 74 listings. The Occasional STRs comprise the largest category in the SAW region, accounting for 236 listings or roughly 37% of total listings. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals 150 properties or about 24% of the total listings. Staunton city has the highest count in this category with 61 listings. The Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 118 listings or around 18% of total listings. These listings represent a potential expansion of the STR market should demand increase. The highest count of inactive listings is found in Augusta County with 39 listings.

Regulation References

- Augusta County: https://legistarweb-production.s3.amazonaws.com/uploads/attachment/pdf/825474/Ordinance_Revisions.pdf

- Staunton City:
  https://www.codepublishing.com/VA/Staunton/#!/Staunton18/Staunton18152.html#18.152
  https://www.codepublishing.com/VA/Staunton/#!/Staunton03/Staunton0337.html#3.37

- Waynesboro: https://www.waynesboro.va.us/Archive/ViewFile/Item/466

STR in the Rockbridge Region

As of December 2022, there are 269 properties in Rockbridge region listed as potential short-term rentals (STRs) on platforms like Airbnb or Vrbo. However, only 207 of these listings, approximately 77%, were active. This discrepancy indicates that not all listed properties are available for rent. The active STRs represent 1.62% of all housing units, highlighting that a minor portion of the total housing stock is being used for short-term rentals. Listed STRs, even when including those not active, constitute a slightly larger portion, at 2.44% of all housing units.

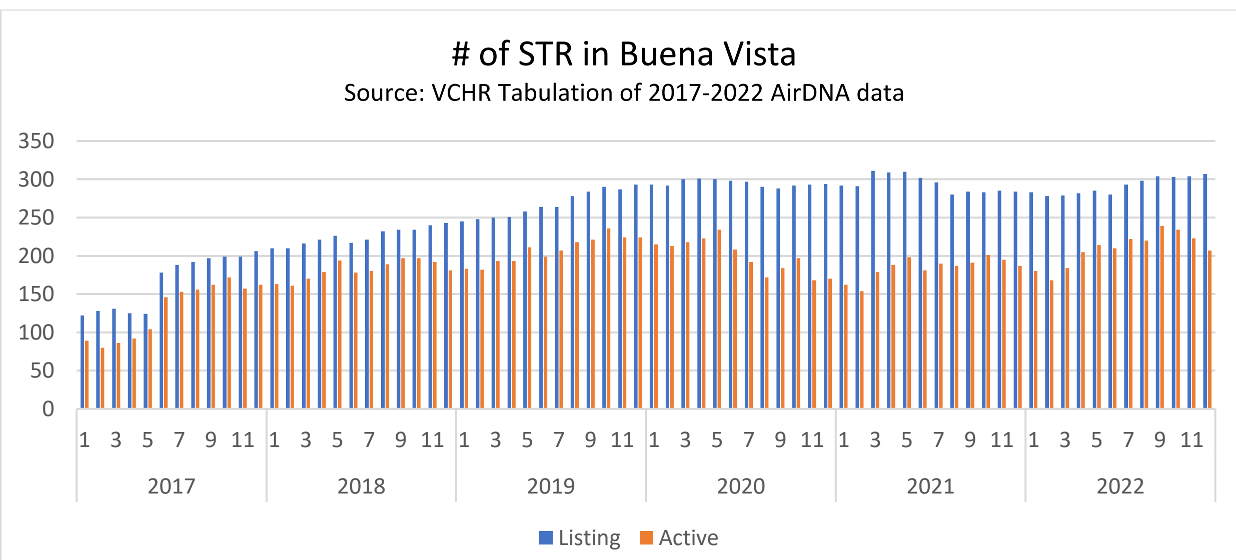
Rockbridge exhibits the highest percentage of listed properties relative to its total housing units, while Rockbridge and Lexington have similar percentages of active listings.

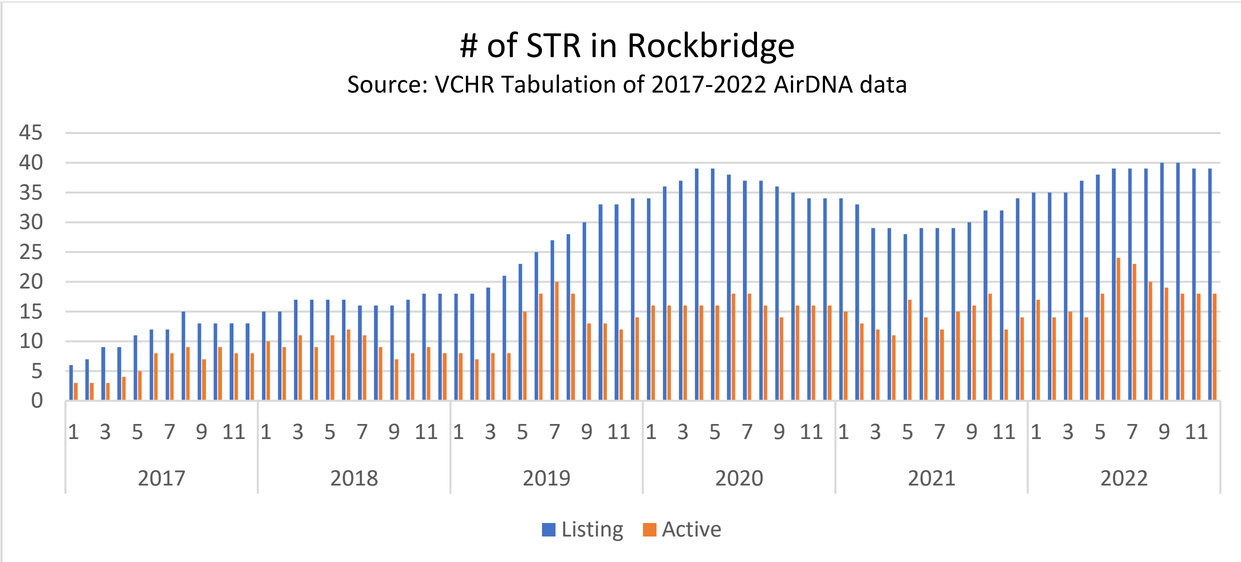
The number of STR in the Rockbridge Region

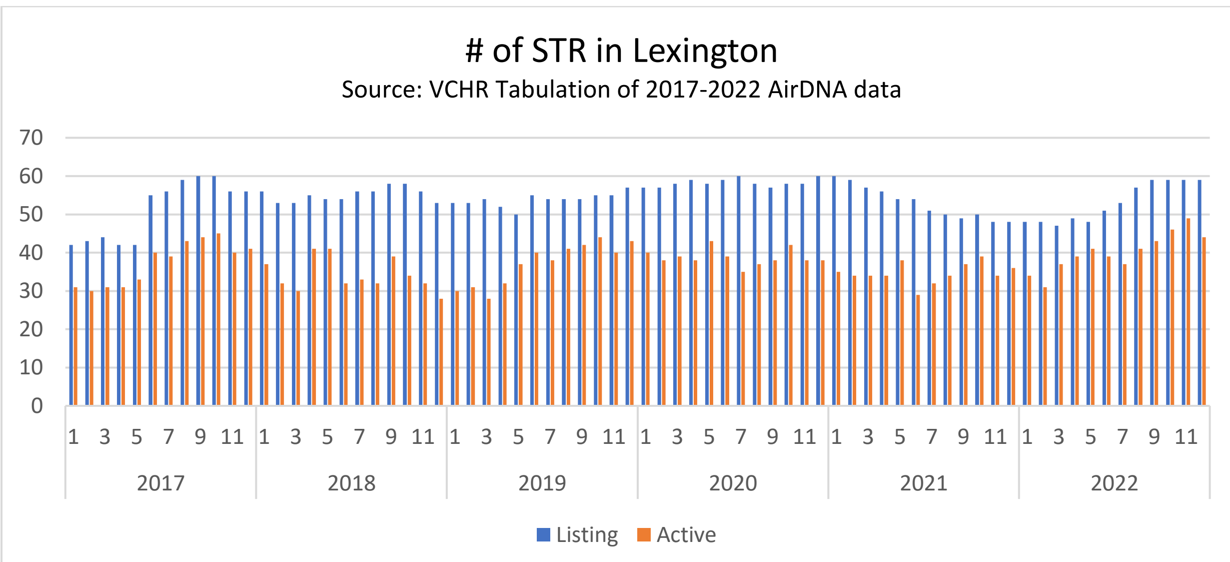
Source: VCHR tabulation of AirDNA data in Dec.2022 and 2021 ACS 5-year Estimates

	Listing	Listing/Housing Units	Active	Active/Housing Units
Rockbridge County	307	2.72%	207	1.83%
Buena Vista city	39	1.32%	18	0.61%
Lexington city	59	2.48%	44	1.85%
Total	405	2.44%	269	1.62%

A histogram illustrating the monthly counts of STRs in each region from 2014 to 2022 shows the seasonal fluctuations and the effects of the COVID-19 pandemic. During the COVID-19 period starting approximately in March 2020, the count of listed properties remained stagnant, and the count of active properties even saw a decrease. Following this period, the number of active STRs in the Rockbridge region experienced a resurgence, and currently, the market is at its peak. The rebound of active listings post-pandemic signals the resilience and increasing significance of STRs.







Using the classifcation of STRs, we calculated the STR numbers for the Rockbridge region (comprising Rockbridge County, Lexington City, and Buena Vista City) as of 2022.

The Number of STRs and Ratio to the Housing Stock in the Rockbridge Region

Source: VCHR Tabulation of AirDNA Data in 2022 and 2021 ACS 5-year Estimates

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Rockbridge	105	0.93%	122	1.08%	51	0.45%	66	0.59%	344	3.05%
Lexington	17	0.72%	32	1.35%	10	0.42%	5	0.21%	64	2.69%
Buena Vista	3	0.10%	17	0.58%	10	0.34%	17	0.58%	47	1.60%
Total	125	0.75%	171	1%	71	0.43%	88	0.53%	455	2.74%

STR in Highland County

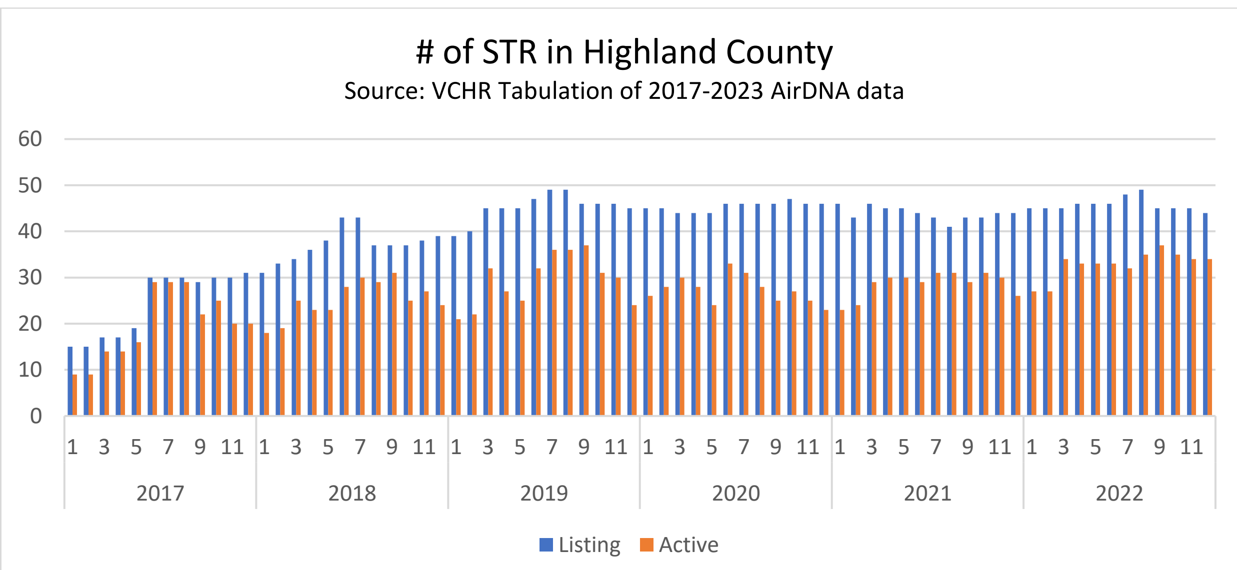
In December 2022, 44 housing units were listed at least once as STRs in Highland County, accounting for approximately 2.44% of the county's total housing units. These listings were then segmented into our four STR categories: Full-Time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

Number of STR in Highland

Source: VCHR tabulation of AirDNA data in Dec.2022

	Listing	Listing/Housing Units	Active	Active/Housing Units
Highland County	44	2.44%	34	1.89%

A histogram illustrating the monthly counts of STRs in the County from 2014 to 2022 shows the seasonal fluctuations and the effects of the COVID-19 pandemic. During the COVID-19 period starting approximately in March 2020, the count of listed properties remained stagnant in much of the Central Shenandoah region, and the count of active properties even saw a decrease. Highland shows a similar decrease in active listings, but total listings increased, possibly a speculative response. Following this period, the number of active STRs in Highland retuned to pre-pandemic levels. The rebound of active listings post-pandemic signals the resilience of STRs.



Among the total, 20 listings (approximately 1.11% of total housing units) are classified as Full-Time STRs. This category is the most impactful on housing affordability, as these units are consistently unavailable for the long-term rental (LTR) market. The Occasional STRs and Full-Time STRs categories are equal in Highland County, each accounting for 20 listings or roughly 1.11% of total housing units. The Occasional STRs may be less impactful on housing affordability, but they represent a significant portion of the STR market. The third category, Partial STRs, which usually do not significantly impact housing affordability, totals 3 properties or about 0.17% of the total housing units. Lastly, the Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 10 listings or around 0.56% of total housing units. These listings represent a potential expansion of the STR market should demand increase.

Number of STR and ratio to the housing stock in Highland

Source: VCHR tabulation of AirDNA data in 2022 and 2021 ACS 5-year Estimates

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Highland County	20	1.11%	20	1.11%	3	0.17%	10	0.56%	53	2.94%

Full-time STRs and Occasional STRs, which account for approximately 2.22% of the housing stock, seem relatively high when compared to Virginia's 1% and other areas (e.g. Staunton-Augusta-Waynesboro (SAW) Region-0.67%).

The high proportion of STRs could be linked to the rise in gross rent over recent years. According to several studies over the past few years, the increase in STRs is associated with the increase in rent and home values in nearby areas. The effect could be more pronounced in rural areas, where the rental market is small. However, the impact on the housing market can be minimal depending on the location of the STR and its original usage. For example, accommodation located on farms with low accessibility or second homes being operated as STRs during part of the year are not likely to exacerbate shortages in the rental market.

STR in Bath County

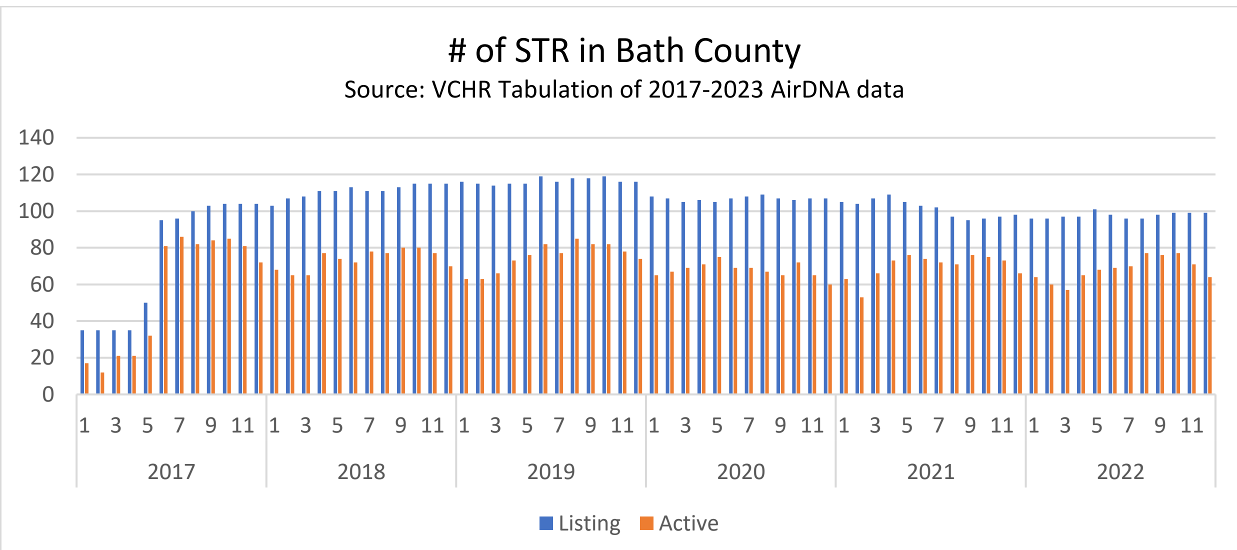
In December 2022, 99 housing units were listed at least once as STRs in Bath County, accounting for approximately 2.95% of the county's total housing units. These listings are segmented into our four STR categories: Full-Time STRs, Occasional STRs, Partial STRs, and Inactive Listings below.

The number of STR in Bath County

Source: VCHR tabulation of AirDNA data in Dec.2022 and 2021 ACS 5-year Estimates

	Listing	Listing/Housing Units	Active	Active/Housing Units
Bath County	99	2.95%	64	1.91%

A histogram illustrating the monthly counts of STRs in the County from 2014 to 2022 shows the seasonal fluctuations and the effects of the COVID-19 pandemic. During the COVID-19 period starting approximately in March 2020, the count of listed properties and active properties saw a decrease. Following this period, the number of active STRs increased some, but has not returned to pre-pandemic levels.



Using the classifications of STRs, we calculated the STR numbers for Bath County as of 2022.

The Number of STRs and Ratio to the Housing Stock in Bath County

Source: VCHR Tabulation of AirDNA Data in 2022

2022	(1) Full-time		(2) Occasional		(3) Partial		(4) Inactive		Total List	
Bath County	37	1.10%	52	1.55%	1	0.03%	19	0.57%	109	3.25%

In 2022, a total of 109 properties were listed at least once as STRs in the county. These listings are segmented into the four STR categories: Full-time STRs, Occasional STRs, Partial STRs, and Inactive Listings.

Among the total, 37 (approximately 34% of total listed properties) are classified as Full-time STRs, representing just over one percent of the housing stock in the county. This category is the most impactful on housing affordability, as these units are consistently unavailable for the LTR market. There are more Occasional STRs than Full-Time STRs in the county. The Occasional STRs may be less impactful on housing affordability, but they represent a significant portion of the STR market. The third category, Partial STRs, which usually do not significantly impact housing affordability, only includes one property. Lastly, the Inactive Listings, properties listed as STRs but not actively rented, either as a whole or in part, make up the remaining 19 listings or around 0.57% of total housing units. These listings represent a potential expansion of the STR market should demand increase.

Full-time STRs and Occasional STRs, which account for approximately 2.65% of the housing stock, seem relatively high when compared to Virginia's 1% and other areas (e.g. Staunton-Augusta-Waynesboro (SAW) Region-0.67%). The high proportion of STRs could be linked to the rise in gross rent over recent years. According to several studies over the past few years, the increase in STRs is associated with the increase in rent and home values in nearby areas. The effect could be more pronounced in rural areas, where the rental market is small. However, the impact on the housing market can be minimal depending on the location of the STR and its original usage. For example, accommodation located on farms with low accessibility or second homes being operated as STRs during part of the year are not likely to exacerbate shortages in the rental market.

APPENDIX C: HARRISONBURG-ROCKINGHAM NATURALLY OCCURRING AFFORDABLE HOUSING ANALYSIS

Homeownership: Single-family Units

The Virginia Center for Housing Research (VCHR) applied HUD FY 2022 Income Limits to assign an affordability level to each unit from the Assessment Data. Tables 1 and 2 provide the income limits and associated maximum affordable housing cost by number of bedrooms in the unit. These are the same limits applied in the HUD Consolidated Housing Affordability Strategy (CHAS) data to estimate the availability of units by income level. HUD uses multiples of the 1 and 4-person limits (1.5 and 4.5) to set affordable costs for 1-, 3- and 4-bedroom units based on occupancy assumptions. VCHR assigned affordability levels to units using both the 1.5-person limits and the 4.5-person limits. The 1.5-person limits are more likely to reflect the capacity of first-time homebuyers while the 4.5-person limit may more readily correspond to more established, family income.

Table 1: 2022 Income Limits by Household Size

Sources: 2022 HUD Income Limits for Harrisonburg MSA

Income Limits				
	1-person	**1.5 person**	**3-person**	**4.5-person**
30	$19,450	$20,850	$25,000	$28,900
50	$26,800	$28,700	$34,450	$39,800
80	$42,850	$45,900	$55,100	$63,650
100	$56,350	$60,400	$72,450	$83,750
120	$67,650	$72,450	$86,950	$100,500

Table 2: Maximum Affordable Housing Cost by Unit Size

Sources: VCHR Tabulation from 2022 HUD Income Limits

Affordable Housing Costs					
	0BDRM	**1BDRM**	**2BRM**	**3BDRM**	**4BDRM**
30	$486.25	$521.25	$625.00	$722.50	$722.50
50	$670.00	$717.50	$861.25	$995.00	$995.00
80	$1,071.25	$1,147.50	$1,377.50	$1,591.25	$1,591.25
100	$1,408.75	$1,510.00	$1,811.25	$2,093.75	$2,093.75
120	$1,691.25	$1,811.25	$2,173.75	$2,512.50	$2,512.50

VCHR used the MLS data to calculate the percent difference between the close price and tax assessed values for homes sold in 2022 and applied the median percent difference for all units included in the recent MLS sales to the total taxable value of each home to adjust assessed value to an estimated value that homebuyers would be more likely to pay in the market.

We estimated a mortgage payment for each unit using two down payment scenarios: 5% down and 10% down. In order to determine a monthly payment, we used the standard mortgage payment formula:

$$M = P [(i(1+i)^n)/(((1+i)^n)-1)].$$

Where M is the monthly payment, P is the principal amount (difference between the adjusted value and the down payment), i is the monthly interest rate, and n is the number of months (in this case, 360 for a 30-year mortgage). We used the mortgage interest rate (0.0642) for Freddie Mac's 30-year fixed rate as of December 2022. It's important to note that in recent years, the interest rate has increased significantly, so depending on the timing of the contract, the mortgage payment may have some volatility.

VCHR combined the mortgage payment with estimated monthly insurance payment, utility costs, and real estate taxes, to estimate the total monthly housing expenses. The average utility cost ($207.23) was calculated based on the 2021 Central Shenandoah Planning District Commission (Northeast) PUMS data, encompassing monthly payments for fuel, water, electricity, and gas. We applied the annual average insurance premiums in Virginia from the 2020 National Association of Insurance Commissioners (NAIC) report. The annual real estate tax was calculated by applying Rockingham's real estate tax rate of 0.68% and Harrisonburg's rate of 0.96%.

VCHR evaluated the affordability of 34,911 units in Rockingham and 10,089 units in Harrisonburg for identified single-family units from assessment data based on down payment percentages (5%/10%) and household sizes (1.5 persons/4.5 persons). These are presented in Tables 3 and 4. For example, when a 5% down payment is made in Rockingham County, approximately 735 properties are considered affordable for households with 1.5 persons and an income in the range of 80-100%

For 1.5-person households, approximately 3,262 units (Rockingham) and 2,531 units (Harrisonburg) with a 5 % downpayment are affordable to households with incomes $60,400 or less. For 4.5-person households, approximately 5,795 units (Rockingham) and 7,413 units (Harrisonburg) with a 10 % downpayment are affordable to households with incomes $83,750 or less. Though the units identified in this analysis may be affordable to low- and moderate-income households, they are not necessarily available to low and moderate-income households. Many of those units are not reserved for low- and moderate-income households via income-restrictions and are occupied by households with higher incomes.

Table 3: Number of Units by Down Payment Percentage (1.5 persons / 1 bedrooms)
Sources: VCHR Tabulation from Rockingham and Harrisonburg Assessment Data (1.5-person)

Down Payment				
	Rockingham		**Harrisonburg**	
	5%	**10%**	**5%**	**10%**
<30%	1,191	1,257	1	1
30-50	593	584	5	5
50-80	743	774	476	617
80-100	735	799	2,049	2,585
100-120	818	982	2,466	2,243
>120%	30,831	30,515	5,092	4,638
TOTAL	34,911	34,911	10,089	10,089

Table 4: Number of Units by Down Payment Percentage (4.5 persons / 3 bedrooms)
Sources: VCHR Tabulation from Rockingham and Harrisonburg Assessment Data (4.5-person)

Down Payment				
	Rockingham		**Harrisonburg**	
	5%	**10%**	**5%**	**10%**
<30%	1,191	1,848	6	7
30-50	593	484	259	340
50-80	743	1,301	3,095	3,498
80-100	735	2,162	3,527	3,568
100-120	818	2,972	1,555	1,244
>120%	30,831	26,144	1,647	1,432
TOTAL	34,911	34,911	10,089	10,089

Considering that 15% of homes are affordable to households with moderate income or less in the region's housing market, when a 10% down payment is made, the scarcity of affordable housing options for households with moderate incomes or below (4.5 persons-households) is evident. Furthermore, according to our analysis, at least 59% of these units were constructed prior to the year 2000. This raises concerns about potential additional costs for renovations and maintenance due to age-related issues and overall condition. In the end, the majority of residents in this region inevitably face the cost burden problems when it comes to homeownership. Affordable housing remains a scarce resource, making it difficult for many individuals and families to find suitable and affordable housing options.

Rental: Multi-family Units

The Virginia Center for Housing Research at Virginia Tech (VCHR) applied HUD Income Limits as well as rules for housing affordability by household size and unit size to categorize multifamily rental units by affordability level. VCHR completed this analysis for 96 properties included in Costar data extracted in April 2022. These properties represent 5,714 units, approximately 61% of the American Community Survey estimated 9,387 multi-family rental units.

Of the 96 properties, 80 properties with 4,620 units are fully “market rate” and do not include subsidy or affordability restrictions. These units span various sizes, ranging from studios to 1-bedroom, 2-bedroom, 3-bedroom, and even 4-bedroom units. Among these units with available rent data, 58% are affordable to households with incomes less than or equal to 100 percent of Area Median Income (AMI).

VCHR used the income limits shown in Table 1 and the associated maximum affordable rent shown in Table 2, 30 percent of the income limit divided into 12 monthly rent payments, to categorize units by affordability level. Income limits in table X correspond to maximum affordable monthly rent by unit size. The maximum affordable rent for a 1-person household is applied to studio apartments, the affordable rent for 1.5-person households is applied to 1-bedroom units, affordable rent for a 3-person household is applied to 2-bedroom units, and the affordable rent for a 4.5 person household is applied to 3- and 4-bedroom units. VCHR adopted this convention from the rules applied by HUD to classify units for the Consolidated Housing Affordability Strategy (CHAS) data tabulations. VCHR used the maximum affordable rents in Table 2 to set ranges for property-wide average rents by unit type reported to CoStar.

Table 5: Total Market Affordable Housing Units by Unit Size and Affordability Category
Source: VCHR tabulations of Rockingham CoStar data accessed April 2022

AMI Level	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	Total
30% or less	-	-	-	-	-	-
30-50%	-	8	-	-	-	8
50-80%	-	106	76	16	-	198
80-100%	-	53	-	-	-	53
100-120%	-	189	77	-	-	266
Over 120%	-	-	100	133	-	233
No Rent Data	360	176	233	3	-	772
Total	360	532	486	152	-	1,530

Table 6: Total Market Affordable Housing Units by Unit Size and Affordability Category
Source: VCHR tabulations of Harrisonburg CoStar data accessed April 2022

AMI Level	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	Total
30% or less	-	-	-	-	-	-
30-50%	-	103	42	-	-	145
50-80%	33	597	325	59	15	1,029
80-100%	-	38	195	78	-	311
100-120%	-	189	262	71	-	522
Over 120%	-	-	100	119	-	219
No Rent Data	8	657	95	10	13	783
Total	41	1,584	1,019	337	28	3,009

Tables 5 and 6 show the number of market-rate units that are affordable to households by income categories.

In Rockingham County, the majority of affordable units fall within the 50-120% AMI range, with no units available for those under 30% AMI. This suggests that while there is a modest supply of affordable housing for middle-income earners, there is a severe shortage for those with the lowest incomes. Harrisonburg shows a similar pattern, with a substantial proportion of units available to those earning 50-120% of the AMI. However, it offers a slightly better situation for lower-income individuals compared to Rockingham, with 145 units available for those earning 30-50% of the AMI. Across both regions, two-bedroom units represent the majority of affordable housing, followed by one-bedroom units. Three-bedroom and studio options are significantly limited, which can pose challenges for larger families or those seeking smaller, more affordable spaces.

The data suggests a need for policy interventions to increase the stock of affordable housing, especially for very-low and extremely-low-income households. This could include incentives for developers, subsidies for low-income renters, or direct investment in affordable housing projects.