



# HOUSING REPORT

## AFFORDABLE HOUSING INITIATIVES FOR ALBEMARLE COUNTY

Rev.: December 3, 2003

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## ***I EXECUTIVE SUMMARY***

The Albemarle County Housing Committee is pleased to present this report on the status of affordable housing to the Board of Supervisors and residents of the County. The report highlights activities undertaken over the past decade to address issues and implement recommendations that were a part of the 1992 Housing Report by the Albemarle County Housing Advisory Committee. In addition to this report card on activities, this report provides current demographic data and housing statistics compiled from a number of sources. Finally, the report describes current issues that effect affordable housing and recommendations that may be undertaken to address some of the issues.

Some of the notable activities have been

- Creation of the Albemarle County Housing Committee consisting of representatives from the lending, development, finance, realty, and legal communities, housing advocates, and private citizens;
- Hiring a housing coordinator (now the Chief of Housing) and establishment of an Office of Housing to implement programs and research housing policy;
- Establishing Homebuyer's Clubs to prepare participants for homeownership;
- Supporting housing initiatives through direct public funding of the Albemarle Housing Initiative Fund, Woods Edge Apartments, and annual support for Albemarle Housing Improvement Program and Piedmont Housing Alliance.
- Drafting of an Affordable Housing Policy and recommending its inclusion in the County's Comprehensive Plan.

While much has been accomplished in the past decade, there continues to be gaps in affordable housing opportunities for certain segments of the population. For the very low-income, affordable rental housing is more difficult to find. Although the County offers over 450 housing vouchers to assist with rents with all of these vouchers issued and under lease, over 300 applicants are currently on the County's waiting list. The lack of affordable rental housing has been created by rising rents, little new construction, and, many landlords not accepting existing rental vouchers. Prior to 1998, several new developments were constructed using Low Income Housing Tax Credits (LIHTC) bringing over 500 affordable units to the market. Since 1998, only ninety-six units of elderly housing have been developed using LIHTC.

For those individuals seeking affordable homeownership, current data would indicate potential gaps for much of the workforce with household incomes below \$50,000 annually. Although median incomes have grown at a slightly greater pace than median home prices, the number of affordable homes sold has been declining in recent years. A positive notable is that based on assessment records forty-eight percent of the owner-occupied houses are considered affordable, defined as under \$175,000 in 2003. However, fewer of these houses are on the

market and evidence indicates that when they do come on the market, speculators often purchase them sometimes bidding up the price beyond the asking price.

This report contains a number of strategic recommendations to address various issues related to affordable housing and to assist in implementing one of the Board of Supervisor's strategies of increasing affordable homeownership opportunities. Some recommendations may require additional resources, but the goal is to utilize public funding in a manner to maximize the leveraging of private resources. Of the recommendations, three are considered critical in advancing future initiatives to create affordable housing opportunities. These three are:

- Implementing an awareness campaign on housing issues/gaps;
- Creating true public-private partnerships that increase affordable housing opportunities; and
- Developing mechanisms to ensure the affordable housing is initially made available to the intended population and subsequent purchasers.

We trust this information will be informative and useful in developing future strategic initiatives for the County. If you have questions and/or need additional information, you may contact Ron White, Chief of Housing at [rwhite2@albemarle.org](mailto:rwhite2@albemarle.org).

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## **II INTRODUCTION**

More than a decade later, a statement from the introduction to *A Housing Strategy for Albemarle County (1992)* remains relevant – “The availability of affordable housing has become a nationally recognized problem in the United States”. While some of the issues addressed in the 1992 report led to recommendations that were successfully implemented, the market forces associated with real estate supply and demand continue to put affordable housing beyond the reach of many low- and moderate-income households. These households find that little new affordable housing is being developed and the value of existing housing is increasing at a significant rate. In addition, Census data indicates that many middle- and upper-income households are choosing to reside in more modest, affordable housing rather than maximizing their home buying potential. These trends not only impact the supply of affordable housing lower-income homebuyers but also increase the number of households for which rental housing is required. With a tight supply of affordable housing in Albemarle County the option for many households is to seek affordable housing in other jurisdictions.

In 1991, the newly created Albemarle County Housing Advisory Committee, comprised of citizens and housing experts, began a study of affordable housing in Albemarle County. This Advisory Committee outlined nine findings and put forth eight recommendations to address the affordable housing issues. This report, prepared by the Albemarle County Housing Committee (created in 1994) and Albemarle County Office of Housing staff, is designed to provide an update on those recommendations, describe current housing conditions and issues along with trends, and recommend actions to address current issues and gaps in affordable housing.

Although not detailed in this report, one important factor in affordability is the economic capacity and current economy of the County, particularly as it relates to employment. Albemarle County has evolved from a primarily rural county with a largely agrarian economy into a rural county surrounding a large urban ring. With the growth of the urban ring around the City of Charlottesville and the influences of the University of Virginia, the County’s economic characteristics have changed to a more professional and service oriented environment. According to the 2000 U. S. Census, only 2.2% of workers reported employment related to agriculture and forestry, while almost 52% reported employment as management and professional. Another 33.6% identified their jobs in service, sales, and office occupations. Almost two-thirds of workers classified themselves as private wage/salary workers while 27.6% identified themselves as government workers. The diversification of the economy has created employment opportunities for a varying socioeconomic population. However, for those lower-income households, wages have not kept pace with increasing housing costs especially cost of rental housing.

### **III 1992 RECOMMENDATION REPORT CARD**

#### **RECOMMENDATION 1: Adopt the provision of decent, affordable housing as a key component of the Comprehensive Plan**

The 1989-2010 Albemarle County Comprehensive Plan set the goal of promoting “a variety of safe, sanitary and affordable housing types for county resident of all income groups.” County staff and the Planning Commission were identified as the responsible parties to review and amend the language of this goal. In addition, the Advisory Committee recommended hiring a full-time housing coordinator and establishing a citizen’s committee to review and evaluate the process of achieving affordable housing in the County.

The County hired a housing coordinator in the mid-1990s primarily in a research and policy-making role. Later the position was changed to the Chief of Housing and the role included implementation of various housing initiatives. Today, the Chief of Housing oversees the rental assistance program, the Homebuyer’s Club, and state- and federally-funded housing activities. The position also is responsible for developing recommendations on housing policy both at the local and regional levels. The Chief also staffs the Housing Committee. Oversight of programs involves coordinating with and monitoring activities of various nonprofit housing partners.

The Housing Strategy also proposed the establishment of a citizen’s committee to evaluate and review the process of achieving affordable housing in the County. In 1994, the Albemarle County Housing Committee convened its first meeting adopting the following mission:

*It shall be the mission of the Albemarle County Housing Committee to actively investigate, develop, recommend, and support housing policies and programs, public and private, that will implement the County’s goal of safe, sanitary, and affordable housing for residents of all income groups. Special emphasis shall be placed on the needs of those County residents least able to obtain adequate and affordable housing without assistance.*

The Housing Committee initially consisted of eleven members representing the real estate, property management, legal, and financial communities as well as citizen representatives. The Housing Committee produced its initial Housing Action Plan in early 1995. The Action Plan outlined the following objectives, which are generally consistent with the Housing Advisory Committee’s Housing Strategy:

- Identify and rehabilitate the County’s substandard housing stock
- Provide or encourage development of a variety of affordable housing types
- Stress compliance with state and federal fair housing laws
- Increase financial resources for affordable housing
- Establish housing education program
- Support regional housing initiatives
- Ensure that development regulations and the development process support affordable housing development

**RECOMMENDATION 2: Improve the condition and supply of affordable housing**

This recommendation was followed utilizing a variety of strategies including funding, setting annual expectations for units rehabilitated, creation of land trusts, encouraging partnerships, pursuing enabling legislation to assure production of new affordable units, increasing zoning density, and allowing accessory apartments.

A number of initiatives were undertaken to implement portions of this recommendation.

- The Albemarle Housing Initiative Fund (AHIF) was created by the County and funded at \$50,000 annually to support affordable housing projects. A detailed report on the use of these funds is included in **ATTACHMENT A**.
  - The Albemarle Housing Improvement Program completed 314 rehabilitation projects and 575 emergency repair projects between 1992 and 2003. Funding sources included AHIF, CDBG, HOME, Rural Development Loans, and private loans. The major project undertaken during this period was a multi-year CDBG Neighborhood Improvement Project for the Porters Road/Yancey School neighborhood, which received the Governor’s Housing Achievement Award as Best Housing Project for 2003. AHIP’s annual production is shown in the following table:

<b>Fiscal Year</b>	<b>Rehab Program</b>	<b>Emergency Rehab</b>
91/92	17	47
92/93	42	38
93/94	32	44
94/95	15	47
95/96	32	50
96/97	38	48
97/98	26	46
98/99	17	50
99/00	26	56
00/01	23	44
01/02	21	50
02/03	25	55

**2003 Waiting List**

**125**

**115**

- The Housing Committee and Office of Housing staff recommended a revision to the enabling legislation that would allow more flexibility in creating an affordable dwelling unit ordinance. This legislation was passed by the 2002 General Assembly and signed by the Governor. The initial action taken by the Housing Committee after approval of the enabling legislation was to recommend an Affordable Housing Policy (**ATTACHMENT B**) as an amendment to the Comprehensive Plan. The proposed policy was presented to the Planning Commission for action for a public hearing in late October 2003 and was approved by the Commission and recommended for adoption by the Board of Supervisors. Action by the Board is expected in January 2004.

One measure of success in improving housing conditions is comparing information from the 1992 report, which indicated approximately three thousand poor or substandard homes in Albemarle to current conditions. Using information from the County Assessors Office, of 26,361 housing units having a housing condition listed from the assessment, only 283 (1%) are listed as poor or substandard.

### **RECOMMENDATION 3: Establish Housing Counseling and Education**

This recommendation outlined a number of areas where housing counseling was important. In fact, the counseling proposed to not only focus on credit and budgeting but also on life skills and employment training opportunities.

- In 1996, the Office of Housing instituted housing counseling through the creation of the Homebuyers Club. In 1998, the Office promoted a staff member to operate the Clubs with this individual becoming certified as a Comprehensive Housing Counselor. The curriculum and format created in late 1998 into 1999 continues to be used today. The Homebuyers Clubs utilize both group session and individual counseling sessions to prepare participants for home purchases. A sample curriculum for the 18-month program is included in **Attachment C** along with detailed information on activity of the clubs through June 30, 2003.
- Since 1999, eighty-eight (88) Homebuyer Club participants have purchased homes representing almost 58% of the 150 participants, some of whom remain Club members.
- Albemarle County's Homebuyer Club has been recommended by the Virginia Housing Development Authority (VHDA) as a model for other jurisdictions. The County's Housing Counselor was instrumental, working with VHDA in creating a statewide association of housing counselors to provide education and certifications to those desiring to become counselors.

#### **RECOMMENDATION 4: Implement the Growth Management Policy**

This recommendation, while put forth by the Housing Advisory Committee, did not include the Office of Housing in implementation. However, input from and participation by housing staff was essential to insure the discussion of affordable housing in preserving the rural character of the County while maximizing residential opportunities in designated growth areas.

- The major activity related to growth management was the convening of the Development-area Initiative Steering Committee (DISC). DISC final recommendations were outlined in *The Neighborhood Model*, which set out principles for development in the designated growth areas. One principle identified the desire to have a mix of housing types and housing values to include affordable houses.
- The Housing Committee and Office of Housing, as previously mentioned, prepared a recommendation for changes in state enabling legislation, which was approved and signed into law in 2002.
- The Housing Committee drafted and recommended an Amendment to the Comprehensive Plan that outlines an affordable housing policy to guide future development. The amendment, once adopted, will be the basis for developing an Affordable Dwelling Unit Ordinance.

#### **RECOMMENDATION 5: Increase the Supply of Assisted Rental Housing**

The 1992 report cited a number of issues related to affordability in rental housing particularly for the lowest income families residing in the County. With over 1600 families experiencing rent burden (median rent of \$450 was more than 30% of gross income), it was projected that within forty years over 2200 households would require rental assistance without an increase in supply. Strategies to address this included

- Establishing a policy of building scattered site assisted rental housing in each magisterial district (maximum of 25 units per site; 160 units annually)
- Establishing a committee of citizens to study ways Section 8 could be made more attractive to area landlords
- Working with nonprofits that could acquire properties and serve as Section 8 landlords
- Establishing a citizen committee to study options for increasing affordable housing (i.e. establishing local or regional housing authority; creating incentives for residents to move out of assisted housing)
- Providing public housing through local government to address 10% of the identified need annually

Some of the significant actions taken since 1992 include:

- Including the goal of different housing types/uses in the Neighborhood Model
- Working with the private sector to create new affordable rental opportunities (units that were available within the established Fair Market Rents (FMRs). HUD sets FMR at the 40<sup>th</sup> percentile rents for the area.
- Applying for additional housing vouchers to provide rental assistance to more families annually. In 1991, the County managed 164 rental certificates through VHDA and 178 mod-rehab vouchers designated for specific projects for a total of 342. In 1993, Albemarle County received its first vouchers directly from HUD and subsequently applied for additional vouchers under the Family Unification Program. Although most of the mod-rehab vouchers have expired, these units have been replaced with Housing Choice Vouchers that can be used for any eligible property. The County currently has authority for 427 Housing Choice Vouchers and 34 mod rehab vouchers.
- The County has supported tax credit projects to create and preserve rental housing. A total of five hundred and forty (540) units of new affordable rental housing were developed in Mallside Apartments, Rio Hill Apartments, Wilton Farms Apartments, and Woods Edge Senior Housing.
- The County supported the acquisition and rehabilitation of Whitewood Village Apartments (96 units) by the Albemarle Housing Improvement Program and the Mountainside Senior Assisted Living project (117 beds) by Jefferson Area Board of Aging.
- No specific citizen committees were formed to study options for providing affordable rental housing. However, the Housing Committee has and continues to keep that need in mind in its recommendations for policy development.
- The County has indicated that use of nonprofit housing organizations is necessary to preserve existing and develop new affordable rental opportunities. The two major nonprofit organizations working with the County are AHIP and the Piedmont Housing Alliance (PHA). Generally, AHIP has been considered the organization that may develop and own affordable rental housing and PHA, a Community Development Financial Institution (CDFI), would provide financial resources for the creation of affordable rental housing.

#### **RECOMMENDATION 6: Assist in Financing Affordable Housing**

The Housing Advisory Committee in its 1992 report and the Housing Committee's 1995 Housing Action Plan both included strategies for public investment in affordable housing through the creation of a revolving loan fund or housing trust fund. The local investment would also be used to attract other public and private funds. Two strategies were included that focussed on development of an employer-assisted housing program and creation of a

committee that would draft a report on how local businesses could assist their employees in finding housing within the County.

- Albemarle County did establish the Albemarle Housing Initiative Fund with annual contributions of \$50,000 (\$200,000) to date. The contribution was intended to create a revolving loan fund with matching leverage, dollar-for-dollar, from PHA. To date, \$30,000 has been used for direct grants for emergency repairs and the majority of the balance has been used for deferred loans with repayment at the sale or transfer of the property. Sixty-thousand dollars, invested in the acquisition of Whitewood Village Apartments, are deferred for 10 years.
- The County also established the Crozet Crossings Trust Fund to hold junior deeds of trust on houses sold in Crozet Crossings. The notes secured by the houses allows for the County to be repaid the initial subsidy provided to make the houses affordable and to share in the equity gain on the property at the time of sale.

#### **RECOMMENDATION 7: Streamline the Development Approval Process**

This recommendation addressed the issue of cost related to the development approval process and strategies were developed to insure that government action was not contributing higher costs or restricting the supply of affordable housing.

- Most of the strategies suggested involve the various development offices and other entities required in the approval process. Internally, Albemarle County consolidated the development offices into one department effective July 1, 2003. Transition will take place over time. As affordable housing policies and ordinances are adopted, it is intended that the Office of Housing will participate in review processes for residential development particularly related to affordable housing. As appropriate, the new department may want to consider one or more of the recommendations outlined in the 1992 report.
  - The Office of Housing has begun to work with the Assessor's Office for identifying properties with a listed condition of poor or substandard. Such conditions would include unsafe or inadequate systems such as water, wastewater, electrical, heating, and structural. The conditions may warrant immediate attention to prevent injury to the occupants and/or further deterioration of the structure. While each assessor will make some judgements, there is a general understanding of poor and substandard conditions that effect safety and structural integrity between the Assessor's Office and Office of Housing.
  - The Assessor's Office working with Planning staff have the ability to identify and map structures through GIS that are considered poor/substandard to allow Housing Office staff to locate potential target areas for future use of Community Development Block Grants and/or HOME funds.

## **RECOMMENDATION 8: Obtain Inter-Governmental Coordination of Housing**

Recognizing that Albemarle County is only a part of the larger socioeconomic community, the 1992 report recommended strategies that would seek regional representation, cooperation, and coordination on housing issues including developing fair share agreements, seeking resources regionally, and standardizing regulations and ordinances within the region.

- Albemarle County continues to participate in the Regional HOME Consortium that has brought over \$8 million to the region for housing activity. Annually, Albemarle County receives approximately \$110,000 that has been made available to AHIP and used primarily for housing rehabilitation projects. The Office of Housing and the Housing Committee continue to consider ways to better leverage AHIF funds and any other housing funds through regional efforts proposed by PHA.
- The Chief of Housing represents the County on the Housing Director's Council in its monthly meetings convened by the Thomas Jefferson Planning District Commission. In addition to providing assistance to housing agencies in other jurisdictions, the Council makes recommendations on use of regional HOME funds. The Chief of Housing is also participating in the City's Housing Task Force and is a member of the PHA Board of Directors.

## **SUMMARY**

All eight recommendations outlined in the 1992 report were addressed with varying degrees of success. Much of the success related to those strategies that could be implemented administratively and include:

- Supporting the creation/preservation of affordable rental units
- Securing additional housing vouchers
- Opting out of VHDA housing voucher program for a direct HUD contract
- Assisting new homebuyers through the HOMEBUYERS' Clubs
- Supporting AHIP maintain an output of approximately 25 rehabilitations and 55 emergency repairs annually
- Direct funding for the Albemarle Housing Initiative Fund
- Adopting affordable housing as a principle in the Neighborhood Model
- Intent to amend the Comprehensive Plan to include an Affordable Housing Policy

- Combining the development departments in an effort to streamline approval processes
- Including the Office of Housing in discussions with developers during plans approval
- Recognizing the need to develop programs that can maximize the use of public funds through leveraging private funds
- Working and communicating with representatives of other jurisdictions in creating and implementing the Regional HOME Consortium
- Streamlining portability within the Planning District by recognizing all five counties and the City of Charlottesville as local area for use of Housing Choice Vouchers

Initiatives currently underway include the adoption of the Comprehensive Plan Amendment by the Planning Commission and Board of Supervisors, partnering with the Piedmont Housing Alliance and Fannie Mae to leverage AHIF and Crozet Crossings Trust Fund for a line of credit from Fannie Mae, and a study on the creation of a local or regional housing trust fund.

## **IV CURRENT DEMOGRAPHIC AND HOUSING STATISTICS**

The County of Albemarle recently released its first comprehensive Community Profile (2003) developed to assist the staff and Board of Supervisors in implementing initiatives in the County's Strategic Plan. Affordable housing is one element of the Strategic Plan under the goal of *Quality of Life*. Understanding the County's population is critical in identifying issues and developing policies related to expanding affordable housing opportunities. The following data summarizes information collected from various sources including County departments, the U.S. Census Bureau, Weldon Cooper Center, and the Charlottesville Area Association of Realtors (CAAR). Supporting documentation and more detailed information can be found in a number of items located in **ATTACHMENT D**.

- Population
- Income
- Employment
- Housing

### **INTRODUCTION TO HOUSING ANALYSIS**

In spring 2003 the Office of Housing, in coordination with the Albemarle County Executive's Office, began to collect data to develop a factual and statistical picture of the housing needs for the county. While a more comprehensive summary of population, income and employment figures may be found in the Albemarle County Profile, the analysis of the housing profile must also include an introduction regarding the tremendous population growth between 1990-2000; the growth in the elderly population and their specialized housing needs; and any effects the job market has had on income, employment and ultimately the housing market. The following information is a sampling of demographic data to be found in the County Profile.

**NOTE:** All Census data used was reported for the annual census conducted in 1980, 1990, and 2000. However, data related to incomes used the preceding year as the basis for reporting (ex. The 2000 U.S. Census reports using 1999 income data).

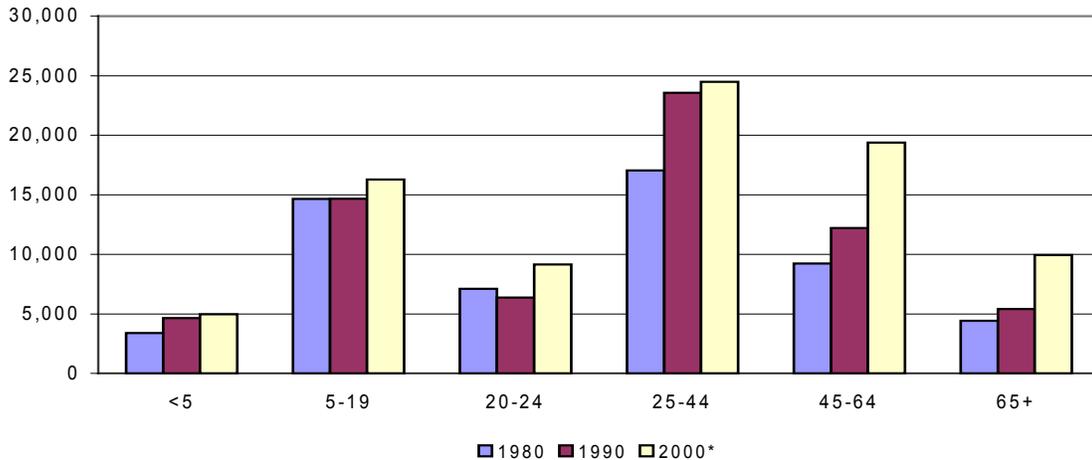
### **POPULATION**

Albemarle County's population has grown twenty-six percent (26%) from 1990 (66,845) to 2000 (84,186). This growth exceeds the national and state rates of growth, 10% and 17% respectively. While population growth alone impacts demand for housing in general, specific patterns of growth should provide some insight in planning for future housing needs. The following chart illustrates some important growth trends related to the aging of the population. These show that

- The largest population band is between the ages of 25 and 44
- The greatest increase in population is occurring in the groups 45 to 64 and over 65.

- In 2000, the population of those 45 and older exceeds the 25 to 44 group for the first time.

### The population is Aging



The following table illustrates the growing diversity in the County’s population. Housing demand may require developers and housing policy makers to consider the economic and cultural characteristics related to the diverse population when providing for the shelter needs for these populations. For example, in many cultures, it is the norm to have large extended families living within the same household.

### POPULATION BY RACE/ETHNICITY

	Percent of Population		Population Numbers		Percent Change
	1990	2000	1990	2000	1990-00
<b>White</b>	86%	85%	59,224	67,474	14%
<b>Black</b>	10%	10%	6,855	7,650	12%
<b>Asian</b>	2%	3%	1,656	2,268	37%
<b>Hispanic</b>	1%	3%	867	2,061	138%

### INCOME

Albemarle County has outpaced other high-growth jurisdictions in Virginia in terms of increases in median income. Albemarle’s area median family income has increased to \$63,407 in 1999, a 72% increase from 1989 compared to 22% increase statewide and 19% for the nation. When adjusted for inflation, this represents a 9% increase. The per capita income has risen 21% from \$28,207 in 1989 to \$34,143 in 1999.

Although the County’s population in general has benefited from the overall increase in incomes, seven percent (7%) of Albemarle’s population is living in poverty. In addition, twenty percent (20%) of Albemarle’s population is considered the working poor with incomes

not exceeding two times the poverty level. In comparison, these percentages are below the state average and have decreased slightly since 1990.

## **EMPLOYMENT**

- There has been a 9% growth in weekly wages since 1989 in inflation adjusted dollars.
- The educational attainment level of the workforce (53% with associate degrees or above) is higher than the overall state's rate of 35%.
- Albemarle County has experienced steady net job growth during the years 1993 through 1997, and witnessed a jump in net job growth in 1998 and 1999. After 2000, the net growth tapers off. The total number of net jobs declined slightly in 2001 and recovered somewhat in 2002 (with a net increase of 761 jobs).
- Between 1998 and 2002, Albemarle County lost 1,699 manufacturing jobs but had an overall net gain of 3,791 jobs during the same period from other sectors of the job market.
- Non-residents fill 51% of jobs in Albemarle County.
- Seven percent (7%) more of the population is commuting twenty-five (25) minutes or more to work in 2000 than in 1990.
- Albemarle County has consistently had a lower unemployment rate than the state or national averages. The County's unemployment rate in 2002 was 2.3% compared to the state average of 5.8%.

### **UNEMPLOYMENT RATE COMPARISON**

<b>Year</b>	<b><u>Albemarle County</u></b>	<b><u>Virginia</u></b>	<b><u>U.S.</u></b>
<b>1993</b>	<b>2.7</b>	<b>5.1</b>	<b>6.8</b>
<b>1994</b>	<b>2.4</b>	<b>4.9</b>	<b>6.1</b>
<b>1995</b>	<b>2.0</b>	<b>4.5</b>	<b>5.6</b>
<b>1996</b>	<b>2.1</b>	<b>4.4</b>	<b>5.4</b>
<b>1997</b>	<b>1.7</b>	<b>4.0</b>	<b>4.9</b>
<b>1998</b>	<b>1.2</b>	<b>2.9</b>	<b>4.5</b>
<b>1999</b>	<b>1.1</b>	<b>2.8</b>	<b>4.2</b>
<b>2000</b>	<b>1.3</b>	<b>2.2</b>	<b>4.0</b>
<b>2001</b>	<b>1.8</b>	<b>3.5</b>	<b>4.8</b>
<b>2002</b>	<b>2.3</b>	<b>4.1</b>	<b>5.8</b>

## HOUSING AFFORDABILITY

The Housing Committee has defined affordable housing within the proposed Affordable Housing Policy (**ATTACHMENT B**), as *in general terms means safe, decent housing where housing costs do not exceed 30% of the gross household income. Housing costs for homeowners shall include principal, interest, real estate taxes, and homeowner's insurance (PITI). Housing costs for tenants shall be tenant-paid rent and tenant-paid utilities with maximum allowances for utilities to be those adopted by the Housing Office for the Housing Choice Voucher Program.*

Although the definition is inclusive of all affordable ranges based on income, the policy further defines the population targets for affordable housing as *those houses affordable to the forty percent of the County population that have household incomes at or below 80% of the area median income. For 2003, the maximum affordable home for purchase (80% median income) would be \$172,000 and maximum housing costs (rent and utilities) for tenants would be \$787 (50% median income).*

U.S. Census data for 2000 indicates that 19% of all homeowners in the County paid more than 30% of their income for housing compared to 7% of homeowners in 1990. In 2000, 38% of all renters paid more than 30% of their income for rent.

## HOMEOWNERSHIP

- In 2000, 66% of the housing in Albemarle County was owner occupied, only slightly below the statewide rate of 68%. Owner occupied housing has increased slightly from 60% in 1980.

<b>Tenure for Occupied Housing Units for Albemarle County</b>			
	<b>1980</b>	<b>1990</b>	<b>2000</b>
<b>Total Housing Units</b>	<b>20,363</b>	<b>25,958</b>	<b>33,720</b>
<b>% Owner</b>	<b>60%</b>	<b>64%</b>	<b>66%</b>
<b>% Renter</b>	<b>40%</b>	<b>36%</b>	<b>34%</b>

- In 2002, using current average interest rate and 30-year fixed mortgage, the maximum affordable mortgage for a household at 80% of the area median income was \$176,492. The following chart compares the past five years in terms of affordability based on median income for a family of four.

## ANNUAL MAXIMUM AFFORDABLE MORTGAGE

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Area Median Income</b>	51,100	55,600	57,000	60,800	63,600
<b>80% AMI</b>	40,900	44,500	45,600	48,650	50,900
<b>Avg Interest Rate*</b>	6.94%	7.44%	8.05%	6.97%	6.54%
<b>Max. Mortgage**</b>	135,570	140,933	132,712	160,815	176,492

- In 2002, fifty-six percent (56%) of the homes in Albemarle County were assessed over \$175,000.

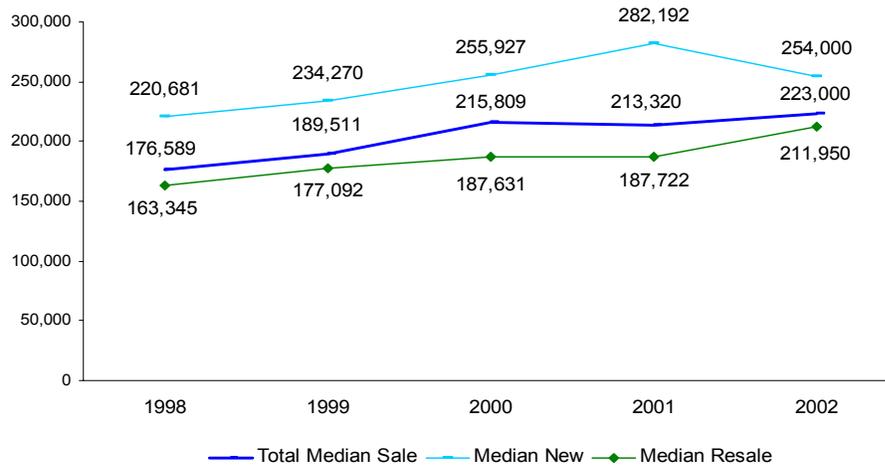
The following table shows total annual house sales and the number and percentage of those considered affordable. The rate of affordable home sales rate, adjusted each year based on the maximum a family of four, earning 80% AMI could afford, has been slowly declining overall from 520 affordable homes sold in 1998 to 399 affordable homes sold in 2002. On closer inspection, the actual rate of all affordable home sales has been rebounding somewhat along with the rate of all home sales. The most precipitous drop in sales has occurred in affordable new home sales. Since 1998, the affordable new home sales have dropped from 71 to only 27.

### Adjusted Affordability Of Home Sales

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Affordable Value</b>	135,570	140,933	132,712	160,815	176,492
<b>Total Sales</b>	1,469	1,374	1,374	1,349	1,404
<b>Total Affordable</b>	520	430	331	413	399
<b>% Of All Annual Sales</b>	35%	31%	24%	31%	28%
<b>New Total</b>	338	330	348	304	318
<b>New Affordable</b>	71	60	36	28	27
<b>% Of Total</b>	5%	4%	3%	2%	2%
<b>Resale Total</b>	1,113	1,044	1,026	1,045	1,086
<b>Resale Affordable</b>	449	370	295	385	372
<b>% Of Total</b>	31%	21%	28%	31%	28%

While the median income increased by 72% in the past decade, the median home sales price increased by 61% from \$127,950 in 1990 to \$215,809 in 2000. This trend continues with a median sales price of all homes in 2002 of \$223,000. An analysis of new homes indicates a steady increase in the median price with a spike in 2001 of \$282,192 dropping to \$254,000 in 2002, just below the 2000 median price of new homes of \$255,927.

The following chart shows the median sales price growth from 1998 to 2002 on all annual home sales, the median sales price on new homes and resales for the same period. There was a sharp spike in the median new home sale price in 2001 that dropped down to slightly less than the 2000 median sales price.



## RENTAL HOUSING

The Albemarle County Office of Housing operates the Housing Choice Voucher Program to help those earning 50% or less AMI secure affordable rental housing. The program pays the difference, directly to landlords, between what a low income household can afford (30% of monthly income) and actual cost of an affordable rental unit. The Office of Housing originally administered rental certificates and Mod-Rehab vouchers for the Virginia Housing Development Authority. In 1993, the County received 34 vouchers directly from HUD. Additional vouchers were subsequently received and the County requested a transfer of its VHDA-issued vouchers to HUD. As of July 2003, the Office of Housing was administering 461 vouchers.

As of October 2003, there are approximately 300 people awaiting assistance and the office is not accepting new names for the waiting list.

Less than 50% of those receiving vouchers are successful in leasing a unit due to poor credit, negative rental references, insufficient income, and availability of units. The limitations on availability are due, in part, to the maximum rents that can be approved. These rents, called fair market rents (FMRs) are established by HUD based on 40<sup>th</sup> percentile of area rents. The FMRs, listed in the following chart, are not keeping pace with rising area rents.

### 2002 HUD Fair Market Rents (FMR)\*

	1998	1999	2000	2001	2002	2003
0 bedroom (Single Room occupancy (SRO))	N/A	\$430	\$434	\$448	\$459	\$462
1 bedroom	N/A	\$508	\$513	\$583	\$597	\$602
2 bedroom	N/A	\$650	\$656	\$705	\$762	\$767
3 bedroom	N/A	\$864	\$872	\$900	\$922	\$928
4 bedroom	N/A	\$968	\$977	\$1,009	\$1,033	\$1,040

- According to the 2000 Census, Albemarle County has a median gross rent cost of \$712 per month well above the state median gross rent of \$650. However, when rent is viewed as a percentage of a household's income, the rent burden is 26%, similar to Virginia's rent burden of 25%.
- Most rental housing is five-years old or older. Since 1998, only 20 affordable rental units for families have been built.
- Median rents grew 82% from \$391 in 1990 to \$712 in 2000 while median income increased 72% in that time period.
- While the percentage of rental-occupied properties compared to owner-occupied properties has decreased slightly since 1990, the number of units has increased by 24% from 8,772 in 1990 to 10,885 in 2000.

The following chart shows the maximum allowable housing costs (rent plus utilities) for families earning 30%, 50% or 80% of the area median income adjusted for family size. The chart indicates the monthly and hourly wages that correspond to each income category and the maximum affordable housing costs. For example, a household of one earning 30% AMI (\$12,750 per year) could spend no more than \$319 a month for housing costs according to the definition of affordable housing. These same calculations could also be used to determine the maximum mortgage considered affordable to homebuyers. It should be noted that the median rent of \$712 in 2000 would not be affordable to any family in the 30% AMI category or one- or two-person families in the 50% AMI category.

**MAXIMUM RENTS\***

<b>Family Size</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>30% AMI (Annual Gross)</b>	<b>\$12,750</b>	<b>\$15,250</b>	<b>\$17,150</b>	<b>\$19,100</b>	<b>\$20,600</b>	<b>\$22,150</b>	<b>\$23,650</b>	<b>\$25,200</b>
<b>Gross Monthly Wage</b>	<b>\$1,063</b>	<b>\$1,271</b>	<b>\$1,429</b>	<b>\$1,592</b>	<b>\$1,717</b>	<b>\$1,846</b>	<b>\$1,971</b>	<b>\$2,100</b>
<b>Hourly Wage</b>	<b>\$6.13</b>	<b>\$7.33</b>	<b>\$8.25</b>	<b>\$9.18</b>	<b>\$9.90</b>	<b>\$10.65</b>	<b>\$11.37</b>	<b>\$12.12</b>
<b>Max Rent (30% Monthly Inc.)</b>	<b>\$319</b>	<b>\$381</b>	<b>\$429</b>	<b>\$478</b>	<b>\$515</b>	<b>\$554</b>	<b>\$591</b>	<b>\$630</b>
<b>50% AMI (Annual Gross)</b>	<b>\$21,250</b>	<b>\$25,417</b>	<b>\$28,584</b>	<b>\$31,800</b>	<b>\$34,334</b>	<b>\$36,916</b>	<b>\$39,417</b>	<b>\$42,000</b>
<b>Gross Monthly Wage</b>	<b>\$1,771</b>	<b>\$2,118</b>	<b>\$2,382</b>	<b>\$2,650</b>	<b>\$2,861</b>	<b>\$3,076</b>	<b>\$3,285</b>	<b>\$3,500</b>
<b>Hourly Wage</b>	<b>\$10.22</b>	<b>\$12.22</b>	<b>\$13.74</b>	<b>\$15.29</b>	<b>\$16.51</b>	<b>\$17.75</b>	<b>\$18.95</b>	<b>\$20.19</b>
<b>Max Rent (30% Monthly Inc.)</b>	<b>\$531</b>	<b>\$635</b>	<b>\$715</b>	<b>\$795</b>	<b>\$858</b>	<b>\$923</b>	<b>\$985</b>	<b>\$1,050</b>
<b>80% AMI (Annual Gross)</b>	<b>\$34,000</b>	<b>\$40,666</b>	<b>\$45,734</b>	<b>\$50,934</b>	<b>\$54,934</b>	<b>\$59,066</b>	<b>\$63,066</b>	<b>\$67,200</b>
<b>Gross Monthly Wage</b>	<b>\$2,833</b>	<b>\$3,389</b>	<b>\$3,811</b>	<b>\$4,245</b>	<b>\$4,578</b>	<b>\$4,922</b>	<b>\$5,256</b>	<b>\$5,600</b>
<b>Hourly Wage</b>	<b>\$16.35</b>	<b>\$19.55</b>	<b>\$21.99</b>	<b>\$24.49</b>	<b>\$26.41</b>	<b>\$28.40</b>	<b>\$30.32</b>	<b>\$32.31</b>
<b>Max Rent (30% Monthly Inc.)</b>	<b>\$850</b>	<b>\$1,017</b>	<b>\$1,143</b>	<b>\$1,273</b>	<b>\$1,373</b>	<b>\$1,477</b>	<b>\$1,577</b>	<b>\$1,680</b>

**V ISSUE IDENTIFICATION**

- Fewer affordable housing units are available due to increased valuations and decreased development of affordable units. While this report does not quantify demand, nor is there specific data to do so, anecdotal evidence indicates that many prospective homebuyers do not even look in Albemarle County. Sales data indicates a decrease in affordable sales of both existing and new homes. Without an increase in supply, this situation will only become worse.

- Houses of similar size and with similar amenities can generally be developed in neighboring localities and sold for several thousands less than in Albemarle County. While land costs can attribute to some of the higher costs, other elements related to cost should be reviewed. Some developers point to the lengthy approval process as adding significant cost related to holding the land and meeting conditions and requirements placed on the development.
- Annual support for the County's nonprofit partners, AHIP and PHA, has resulted in mixed success in developing affordable housing. While AHIP has and continues to preserve affordable housing through rehabilitation and emergency repairs, little new housing has been developed. The main resource available to the County is HOME funds, approximately \$125,000 annually. These funds have historically been invested primarily in the rehabilitation of existing owner-occupied.
- Although the County has legislative authority to create a flexible Affordable Dwelling Unit Ordinance and the County is currently considering amending its Comprehensive Plan by adding an Affordable Housing Policy, the County cannot mandate the development of affordable housing as a part of the approval process. Successful implementation of the housing policy will most likely require a combination of incentives to developers and affordable mortgages with subsidy for the homebuyers.
- Housing subsidy costs are extremely high and growing with increased median sales prices. A family of four at 80% of the area median income would require approximately \$60,000 to buy a home at the median sales price of \$223,000. For a family at 60%AMI, the required subsidy would be closer to \$90,000.
- Increasing rental costs combined with minimal increases in fair market rents by HUD are beginning to limit housing choices for families with rental vouchers. With all vouchers issued, the Office of Housing still maintains a waiting list of over 300 applicants for assistance. Changes at HUD in the annual budget authorization limits the amount of reserve previously available. This will discourage housing agencies from over issuing vouchers which has helped increase usage in the past.
- The more recent successes in creating affordable rental units are a result of developers making use of the Low-Income Housing Tax Credit Program. To be successful in receiving an allocation and maximizing the tax credits, a project has to be one hundred percent very-low income (under 50% of the area median income. This requirement is not consistent with the County's goal of having mixed-income housing and disbursing affordable units within a development.
- Changes in the population may affect demand for type and price range of houses. The population changes include increased in-migration and growing Hispanic and Asian populations. Cultural and economic characteristics of this sector of growth may differ from housing needs and demands associated with local, natural growth.
- An underlying issue in all discussions on affordable housing is why should the government get involved and to what extent should public funding be invested. A follow-

up to this is if public funds are invested what is the most cost-effective way to achieve beneficial results. The real estate market is driven by a number of factors including location, amenities, desires, demand, and, to some extent, financing options. Public involvement in this market may result in delivering some of the intended results but this involvement could also lead to unintended consequences – the most likely is shifting of costs making some units sell for more than originally intended to subsidize the affordable units. The sale of the units at a higher price will potentially effect valuations of existing homes resulting in increases in taxes.

## **RECOMMENDATIONS**

- Review a third-party consultant report on how the nonprofit housing agencies are used and funded. Recommend revisions to current funding and performance expectations to more effectively use the nonprofit partners.
- Seek opportunities to work with other nonprofit housing providers including Habitat for Humanity, JABA, and Region 10 CSB.
- Develop an incentive package including both monetary and non-monetary elements to offer developers in exchange for including affordable housing in new developments upon approval of the proposed Comprehensive Plan Amendment. Efforts should be made to develop true public/private partnerships rather than developing ordinances that regulate the private sector.
- Seek opportunities to leverage public funds to secure a larger pool of private funds available to support developers of affordable housing and purchasers of affordable units.
- Expand housing counseling programs by implementing a counseling program for future tenants and implementing a mini-Homebuyers Club for those who do not need long-term counseling. This would require additional staffing, realignment of existing staff, and/or partnering with other counseling programs.
- Develop programs to ensure that the intended population has initial access to affordable housing units created through public-private partnerships.
- Develop mechanisms to ensure future affordability of housing units receiving publicly funded subsidies.
- Promote awareness of affordable housing by implementing a local awareness campaign in conjunction with similar efforts by the Charlottesville/Albemarle Association of Realtors and Housing Virginia, a statewide nonprofit created by the Virginia Housing Development Authority and others to promote awareness of affordable housing.
- Support changes in the Low-Income Housing Tax Credit Program and other financing programs available through the Virginia Housing Development Authority that promote the viability of mixed-use, mixed-income projects.

## ***ATTACHMENTS***