

Virginia Coalition of Housing and Economic Development Researchers

# **Addressing the Impact of Housing for Virginia's Economy**

A REPORT FOR VIRGINIA'S HOUSING POLICY ADVISORY COUNCIL |  
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Appendix Report 3: Housing Affordability, MSA Gap Analyses

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The Virginia Center for Housing Research at Virginia Tech (VCHR) compared the number of households that need more affordable housing to the number of available (vacant, for-sale or for-rent) housing units that are affordable to those households in order to determine the size of the affordable housing gap in each Virginia metropolitan statistical area (MSA). In addition, VCHR compared the number of extremely low-income renters, very low-income owners and renters, low-income owners and renters, and moderate-income owners to the number of physical units that are affordable to households in each category, in order to provide more detail about the nature of the affordable housing gap.

Each of the graphs below shows this comparison by MSA for renters and owners. The left column within each income group displays the total number of owner households with incomes in the range indicated below the column. The right column represents the number of owner occupied or vacant, for-sale housing units affordable to that income range. In order to highlight households that may be economically distressed in their current housing situation, households (left columns) are categorized by color to identify the number of households that are cost burdened (in light blue), spending more than 30% of their income on housing costs, and those that are not cost burdened (in green). The housing stock (total housing units), shown in the right columns, is split into four categories:

1. those units that are occupied by owners with a household income within the income affordability range of the unit (living in an appropriately priced housing unit for the household income level) in grey,
2. those units that are occupied by owners with a household income greater than the income affordability range of the unit (living in a housing unit that priced below what the household can afford) in yellow,
3. those units that are occupied by owners with a household income less than the income affordability range of the unit (living in a housing unit priced above what the household can afford) in orange, and;
4. the final category is comprised of the housing units that are vacant, for-sale units in dark blue.

Each set of graphs are accompanied by analysis for that MSA, but there are some general themes statewide. Every Virginia MSA has a shortage of rental units affordable to extremely low-income households, which are defined as households with incomes less than 30 percent of the regional area median income (AMI<sup>1</sup>). There are not enough physical units to accommodate these households overall, and higher-income households occupy many of the existing market-rate units that are affordable to households with incomes less than 30 percent of AMI. This comparison is exhibited in the left most set of columns in each graph showing renters vs. renter occupied or for-rent units—the left-hand column includes more households than the right-hand column that

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<sup>1</sup> Area Median Income and percentages thereof are defined using regional income limits defined by the U.S. Department of Housing and Urban Developments.

represents the number of units that are affordable to this group. This shortage leaves many households with extremely low incomes unable to find an affordable unit. Instead, nearly 140,000 households with extremely low incomes in Virginia's metro areas are cost-burdened, living in units that require them to spend large portions of their income on housing.

The housing market does not match the affordable units with households that need them, and many households prefer to spend much less than 30% of their income on housing. The resulting housing "mismatch" is explained in part by households choosing to live below their means, or purchasing an appropriate home when they earned a lower income level and not moving to a higher-value home as their income has increases. Generally, households are unable to adjust their housing choices quickly, and often the housing they might prefer is unavailable at the time and price required, which may perpetuate this housing market mismatch.

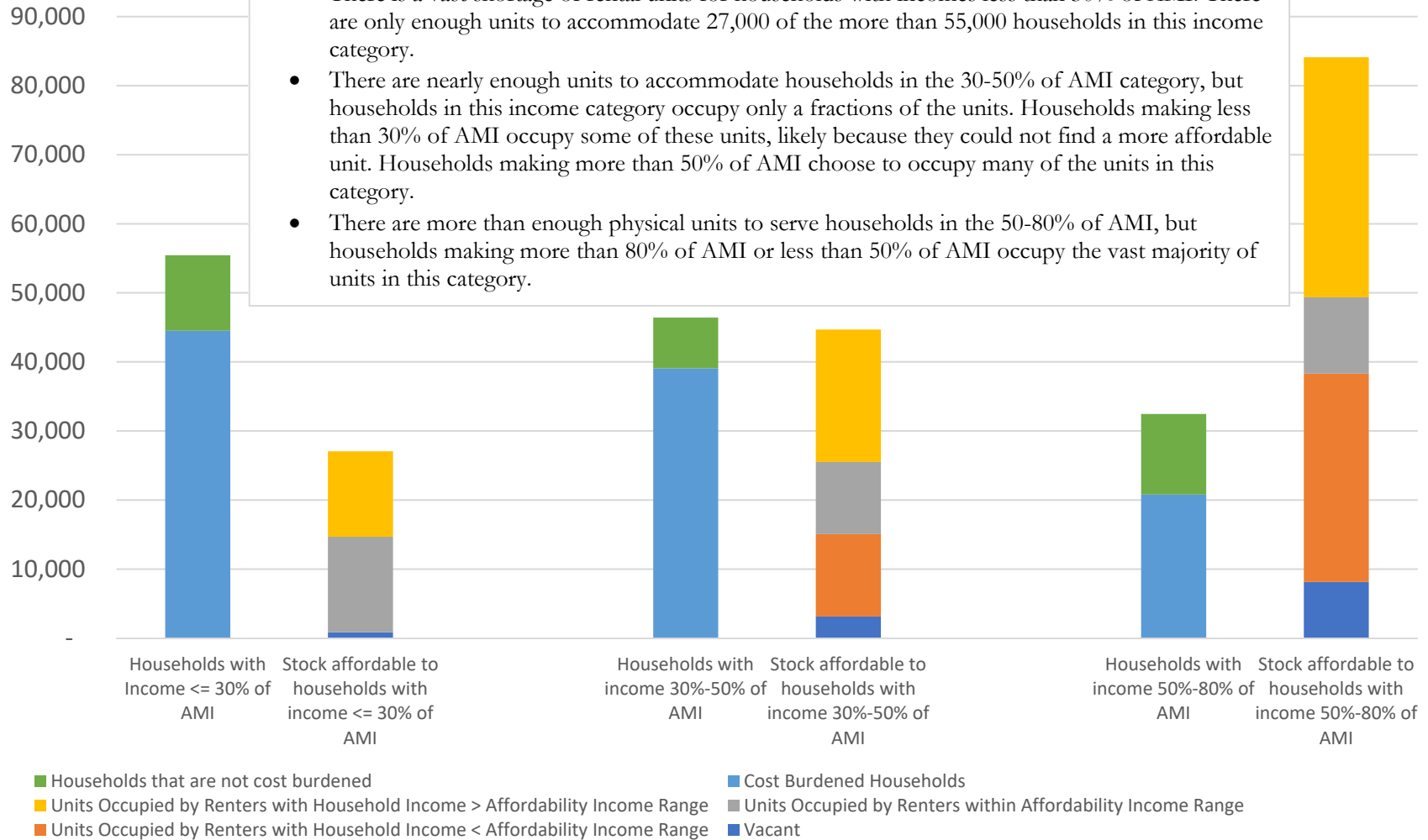
In general, higher income households are more attractive to lenders, and therefore have better access to financing that allow them to compete more effectively for housing. The occupancy of lower-valued homes by households with higher incomes tends to "crowd out" lower-income households, and indirectly prevents some households from becoming homeowners and at least some of the cost-burdened homeowners with incomes at or below the median from buying a home they can afford comfortably. Choosing to rent instead of own does not always offer an advantage to cost-burdened owners, since there is often a shortage of rental units that are affordable to households making low and moderate incomes. As more households compete for these units, renting households are more likely to face variability in housing costs (rising rental rates) compared to homeowners with stable mortgage amounts.

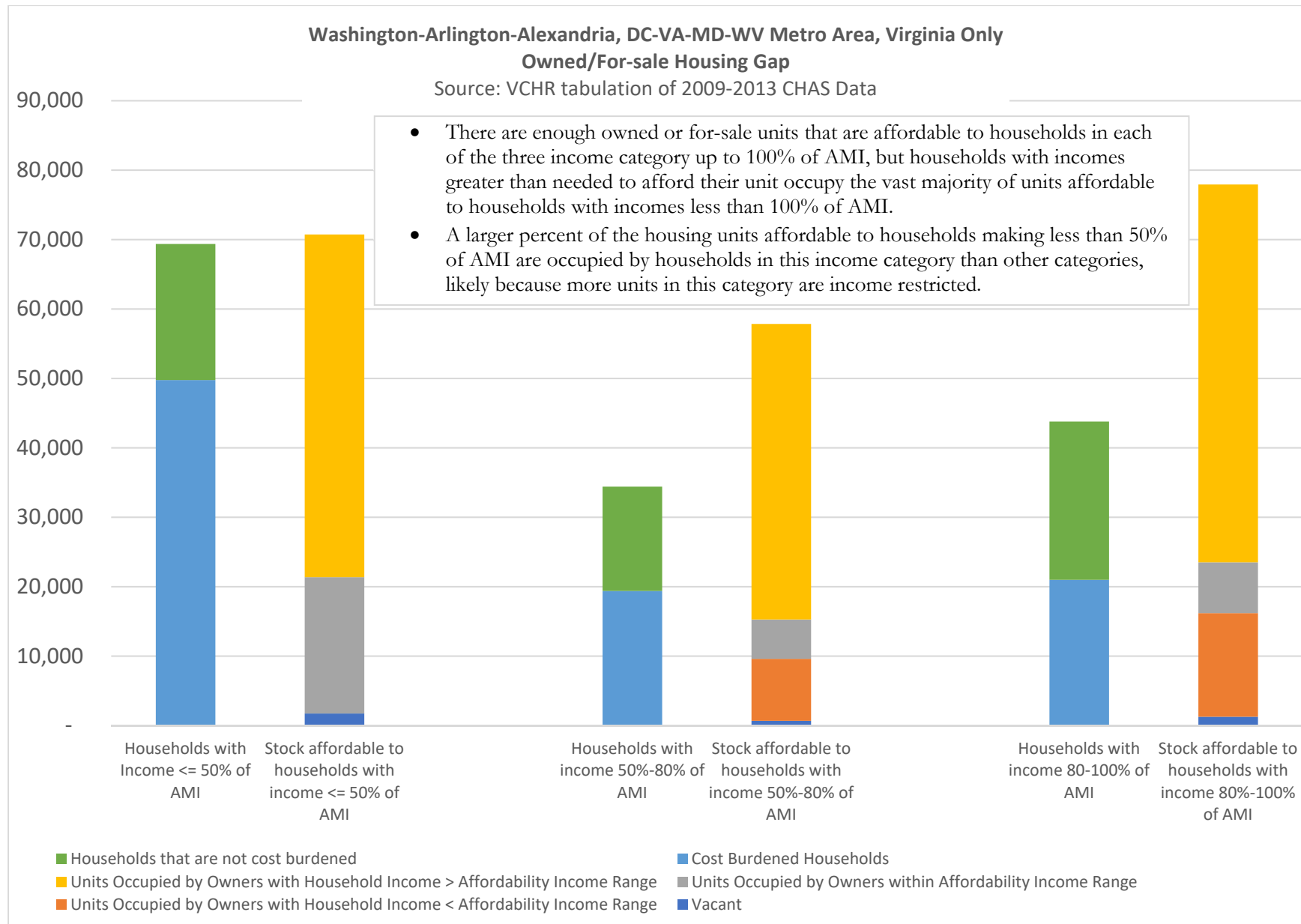
Households with higher incomes typically have better access to their choice of rental units also, due to a combination of factors including higher incomes, better credit ratings, and better or longer rental history. Since higher income tenants are usually more attractive to landlords, they "crowd out" lower income households, leaving the lowest income households to choose more burdensome housing options: those that are too expensive, far away from jobs or amenities, or are overcrowded or otherwise substandard.

**Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area, Virginia Only**  
**Rented/For-Rent Housing Gap**

Source: VCHR tabulation of 2009-2013 CHAS Data

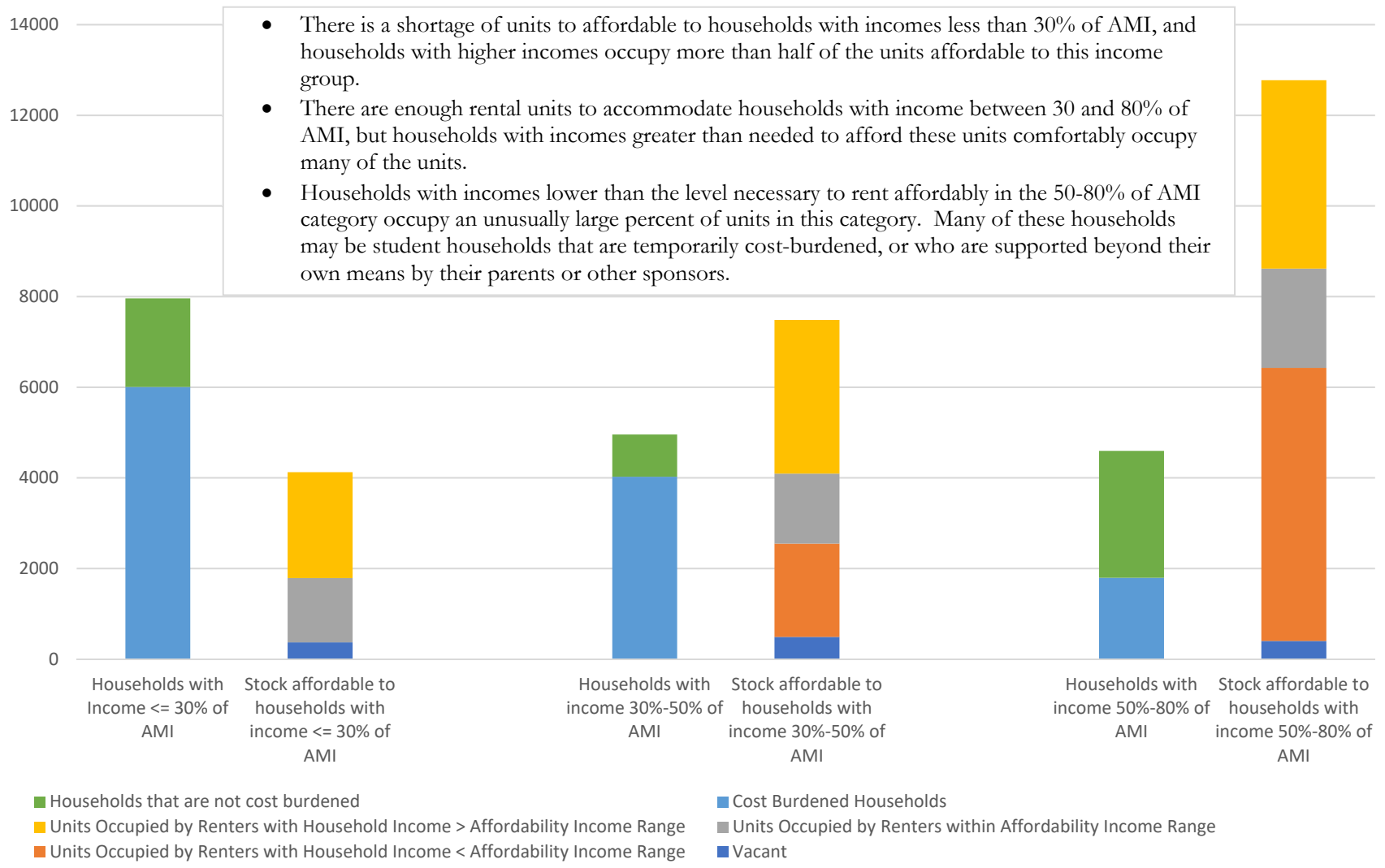
- There is a vast shortage of rental units for households with incomes less than 30% of AMI. There are only enough units to accommodate 27,000 of the more than 55,000 households in this income category.
- There are nearly enough units to accommodate households in the 30-50% of AMI category, but households in this income category occupy only a fractions of the units. Households making less than 30% of AMI occupy some of these units, likely because they could not find a more affordable unit. Households making more than 50% of AMI choose to occupy many of the units in this category.
- There are more than enough physical units to serve households in the 50-80% of AMI, but households making more than 80% of AMI or less than 50% of AMI occupy the vast majority of units in this category.





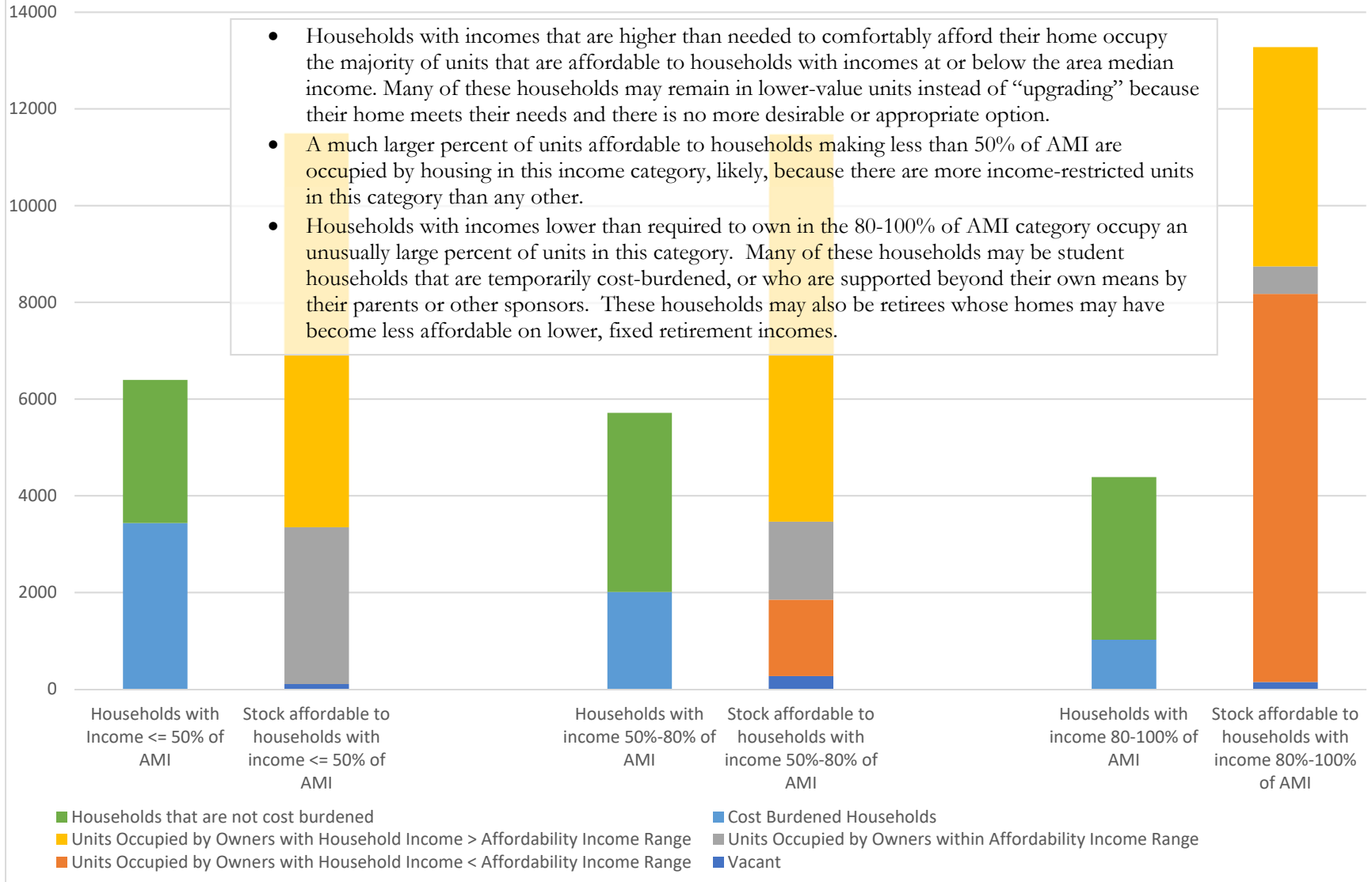
**Blacksburg-Christiansburg-Radford, VA Metro Area  
Rented/For-Rent Housing Gap**

Source: VCHR tabulation of 2009-2013 CHAS Data



**Blacksburg-Christiansburg-Radford, VA Metro Area  
Owned/For-sale Housing Gap**

Source: VCHR tabulation of 2009-2013 CHAS Data

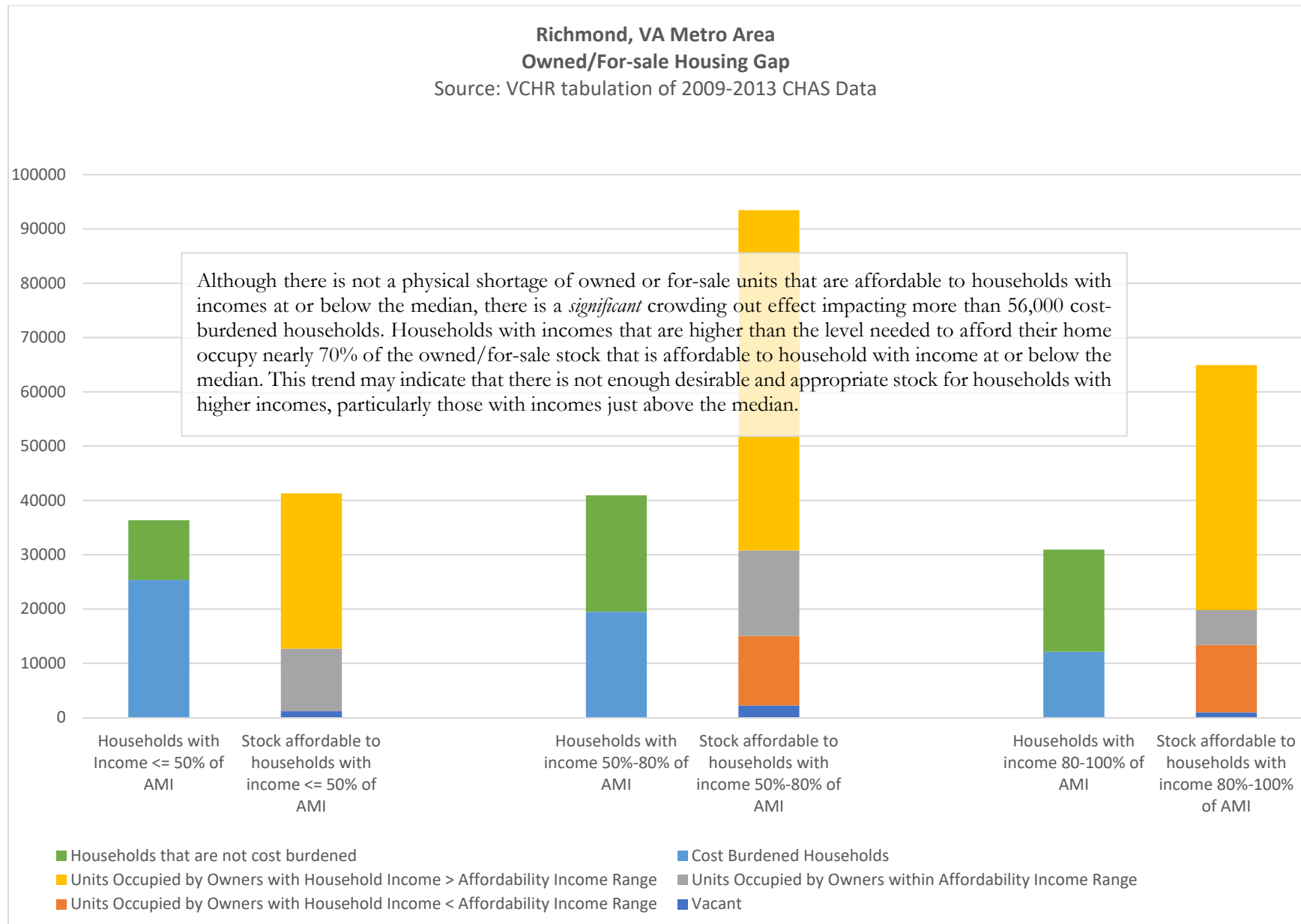


- Households with incomes that are higher than needed to comfortably afford their home occupy the majority of units that are affordable to households with incomes at or below the area median income. Many of these households may remain in lower-value units instead of “upgrading” because their home meets their needs and there is no more desirable or appropriate option.
- A much larger percent of units affordable to households making less than 50% of AMI are occupied by housing in this income category, likely, because there are more income-restricted units in this category than any other.
- Households with incomes lower than required to own in the 80-100% of AMI category occupy an unusually large percent of units in this category. Many of these households may be student households that are temporarily cost-burdened, or who are supported beyond their own means by their parents or other sponsors. These households may also be retirees whose homes may have become less affordable on lower, fixed retirement incomes.

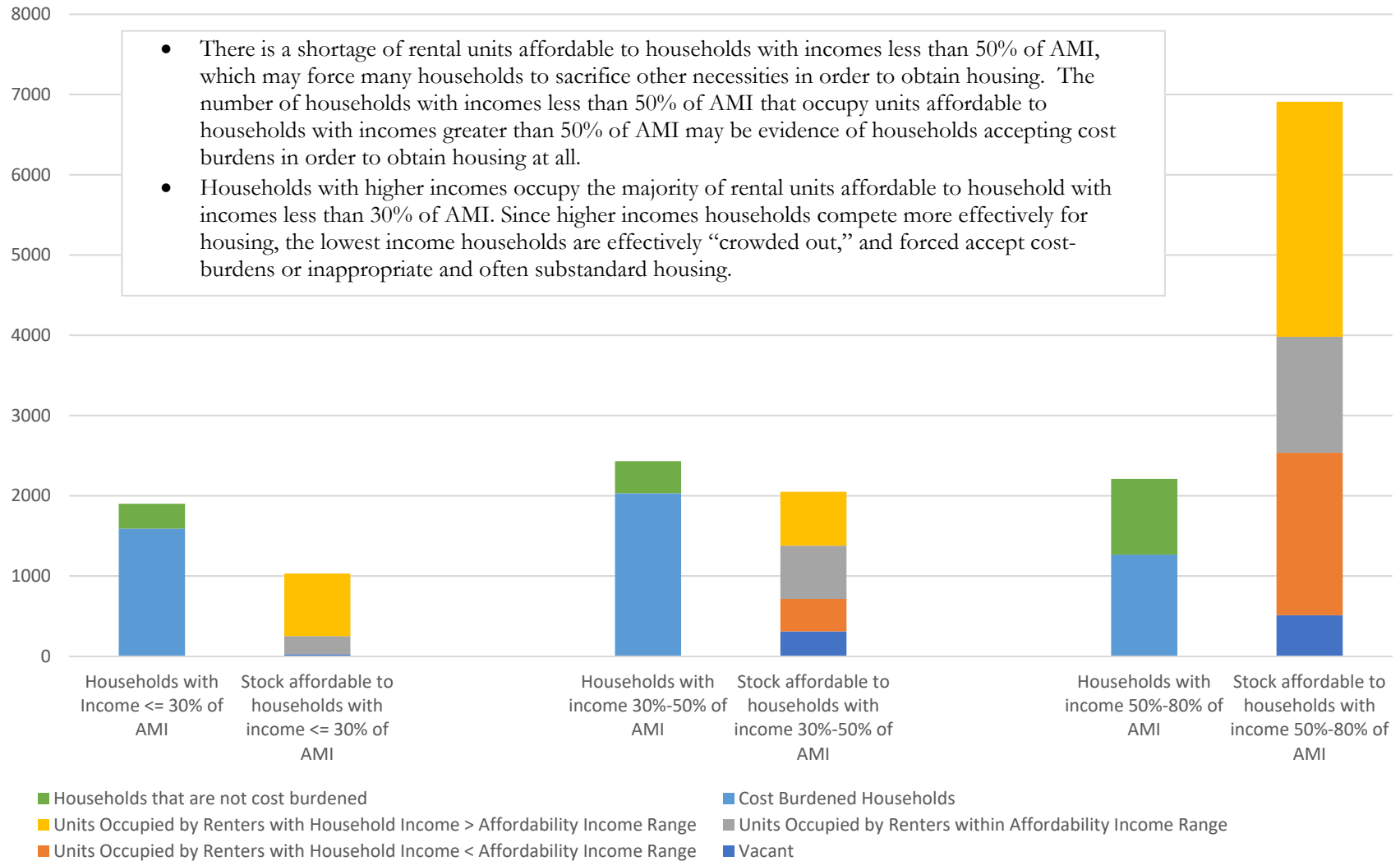
**Richmond, VA Metro Area**  
**Rented/For-Rent Housing Gap**  
 Virginia Center for Housing Research Tabulation of 2009-2013 CHAS Data







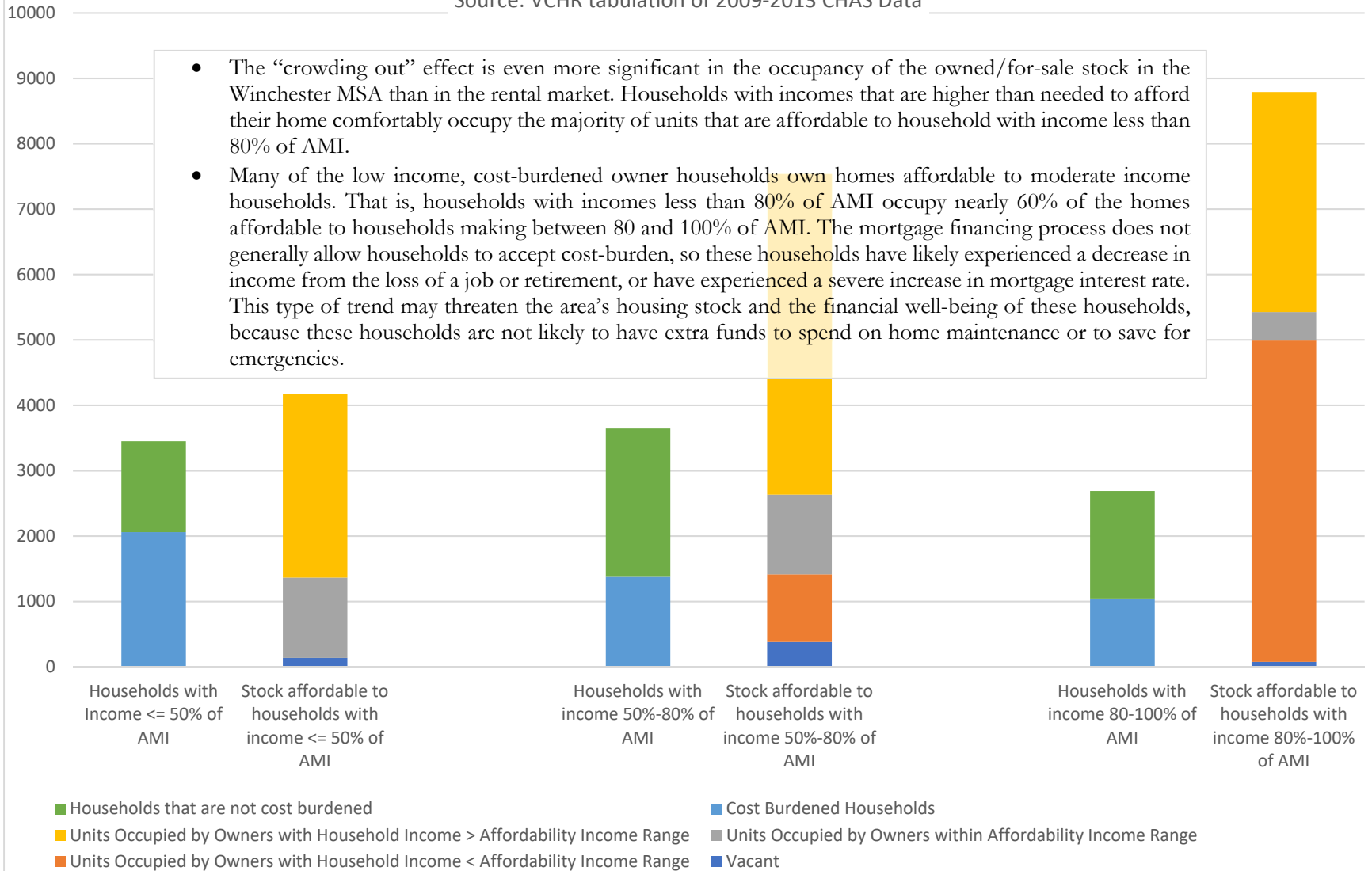
**Winchester, VA-WV Metro Area, Virginia Only**  
**Rented/For-Rent Housing Gap**  
 Source: VCHR tabulation of 2009-2013 CHAS Data



**Winchester, VA-WV Metro Area, Virginia Only  
Owned/For-sale Housing Gap**

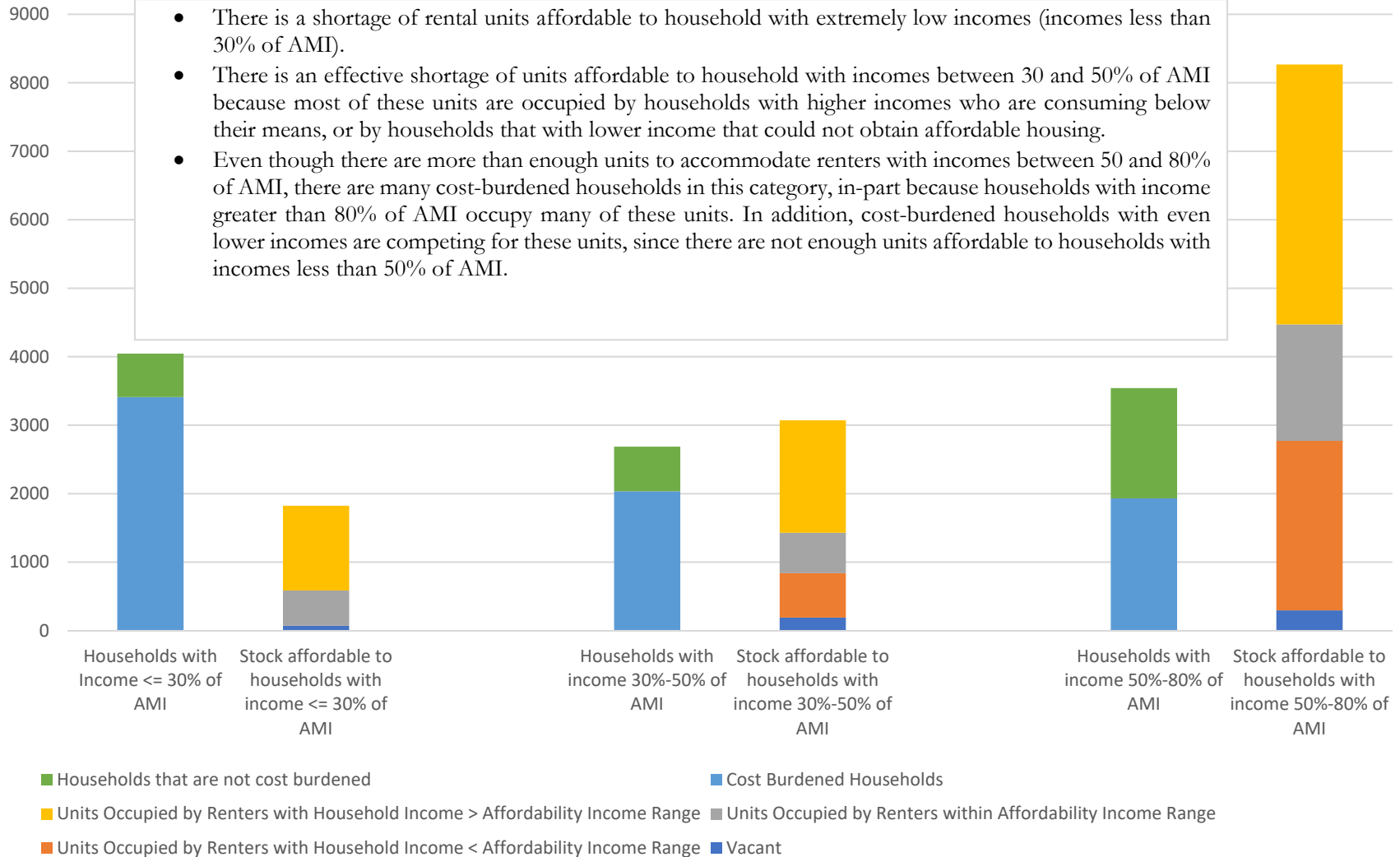
Source: VCHR tabulation of 2009-2013 CHAS Data

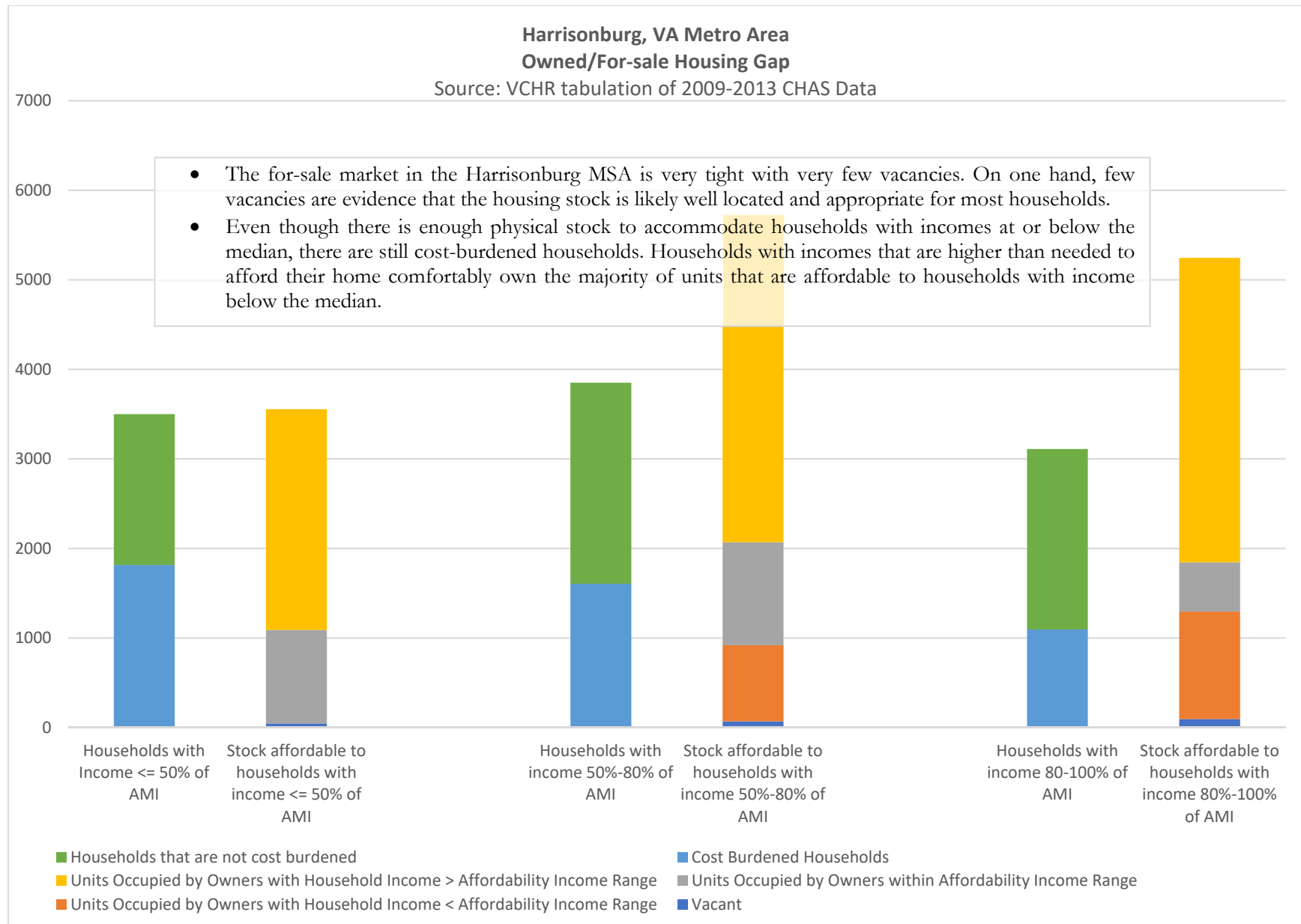
- The “crowding out” effect is even more significant in the occupancy of the owned/for-sale stock in the Winchester MSA than in the rental market. Households with incomes that are higher than needed to afford their home comfortably occupy the majority of units that are affordable to household with income less than 80% of AMI.
- Many of the low income, cost-burdened owner households own homes affordable to moderate income households. That is, households with incomes less than 80% of AMI occupy nearly 60% of the homes affordable to households making between 80 and 100% of AMI. The mortgage financing process does not generally allow households to accept cost-burden, so these households have likely experienced a decrease in income from the loss of a job or retirement, or have experienced a severe increase in mortgage interest rate. This type of trend may threaten the area’s housing stock and the financial well-being of these households, because these households are not likely to have extra funds to spend on home maintenance or to save for emergencies.



**Harrisonburg, VA Metro Area  
Rented/For-Rent Housing Gap**

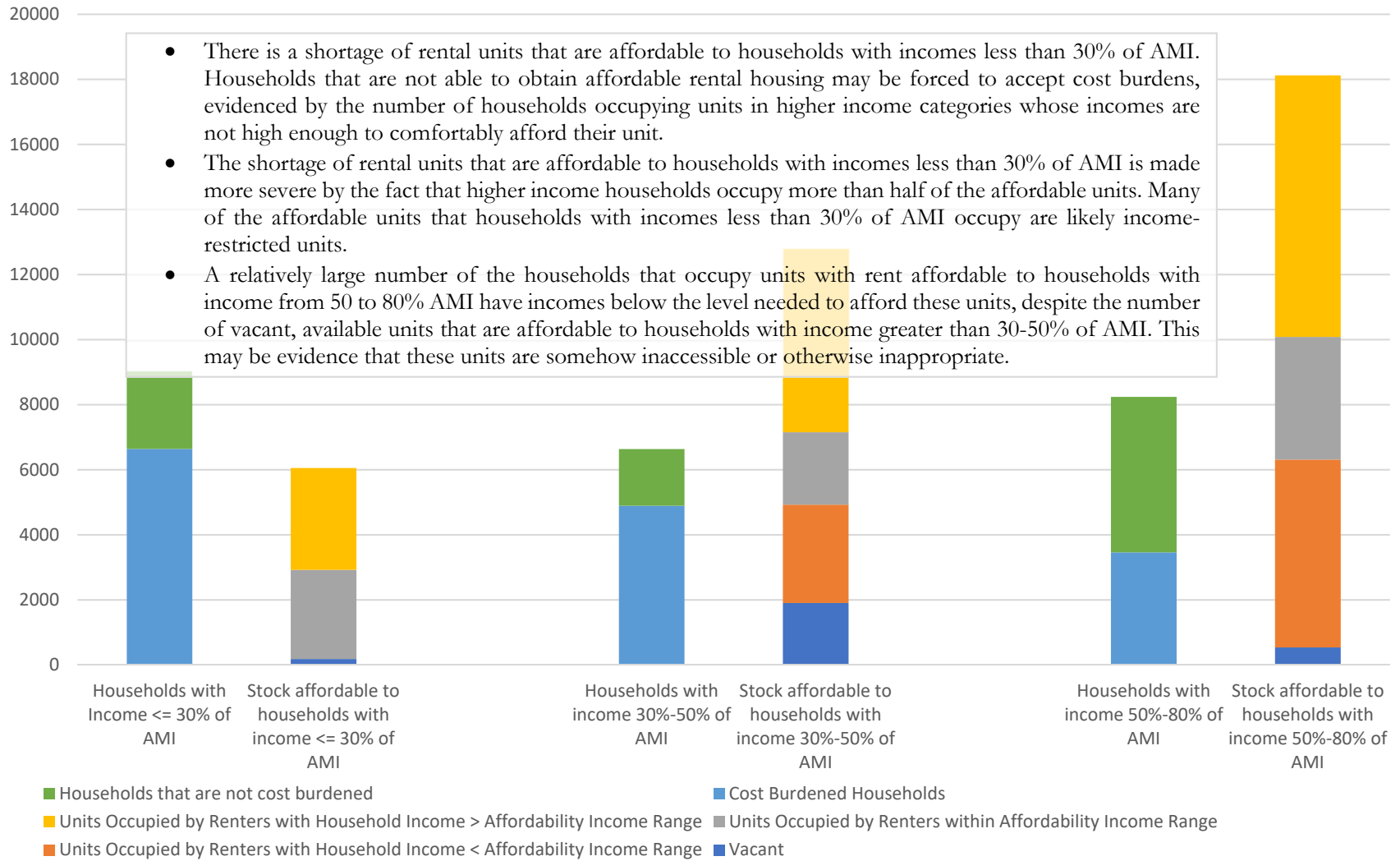
Source: VCHR tabulation of 2009-2013 CHAS Data

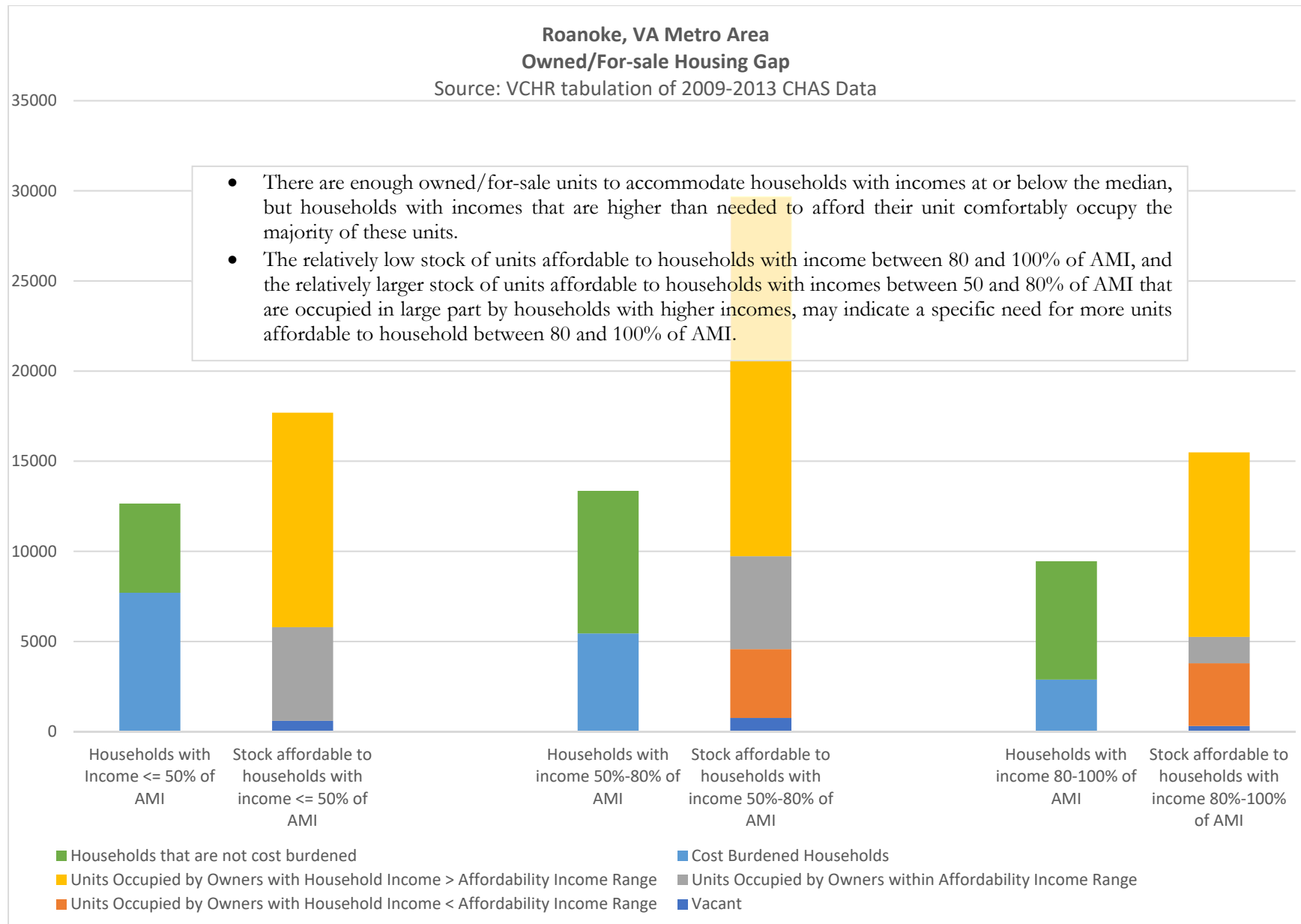


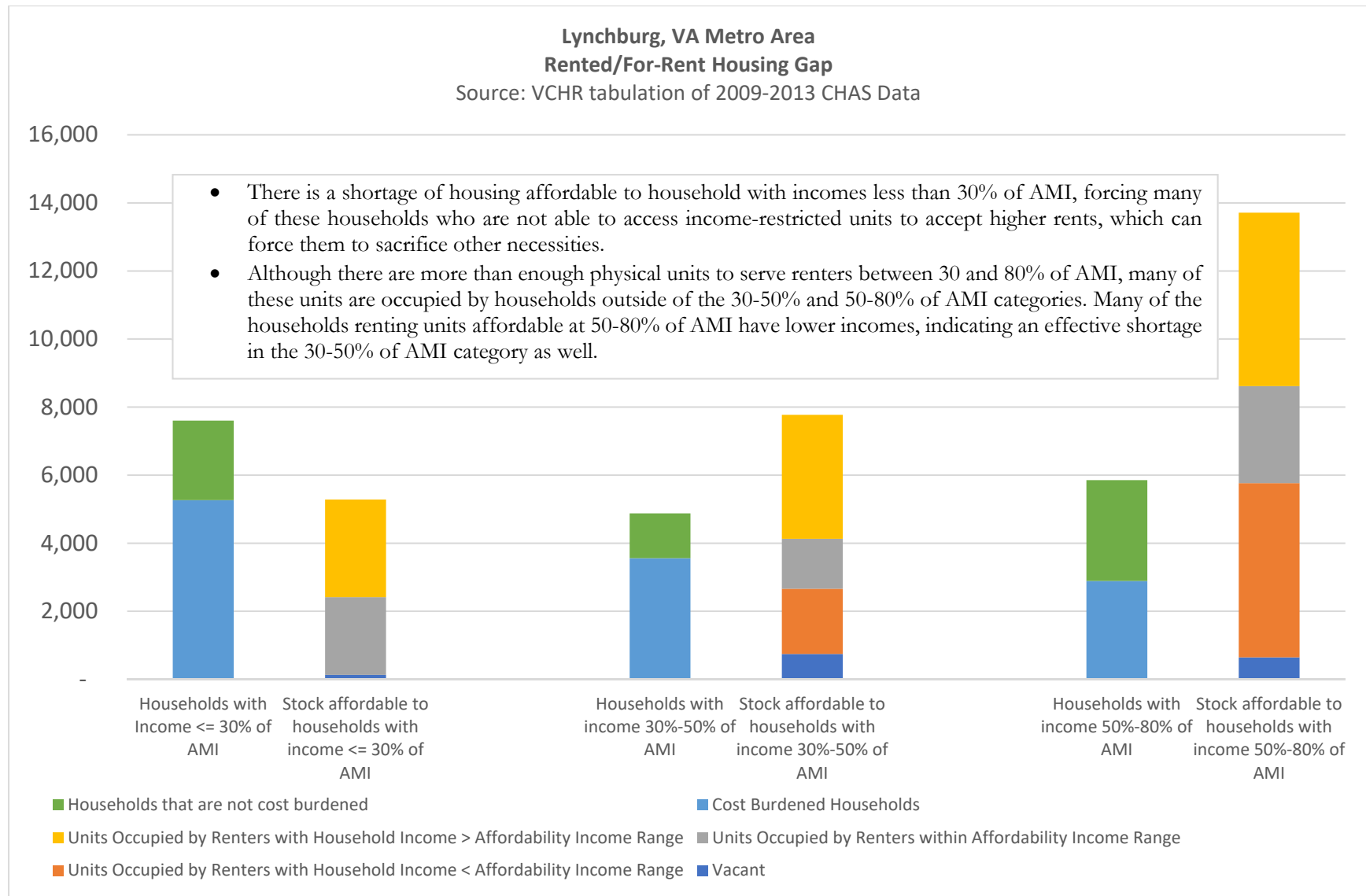


**Roanoke, VA Metro Area  
Rented/For-Rent Housing Gap**

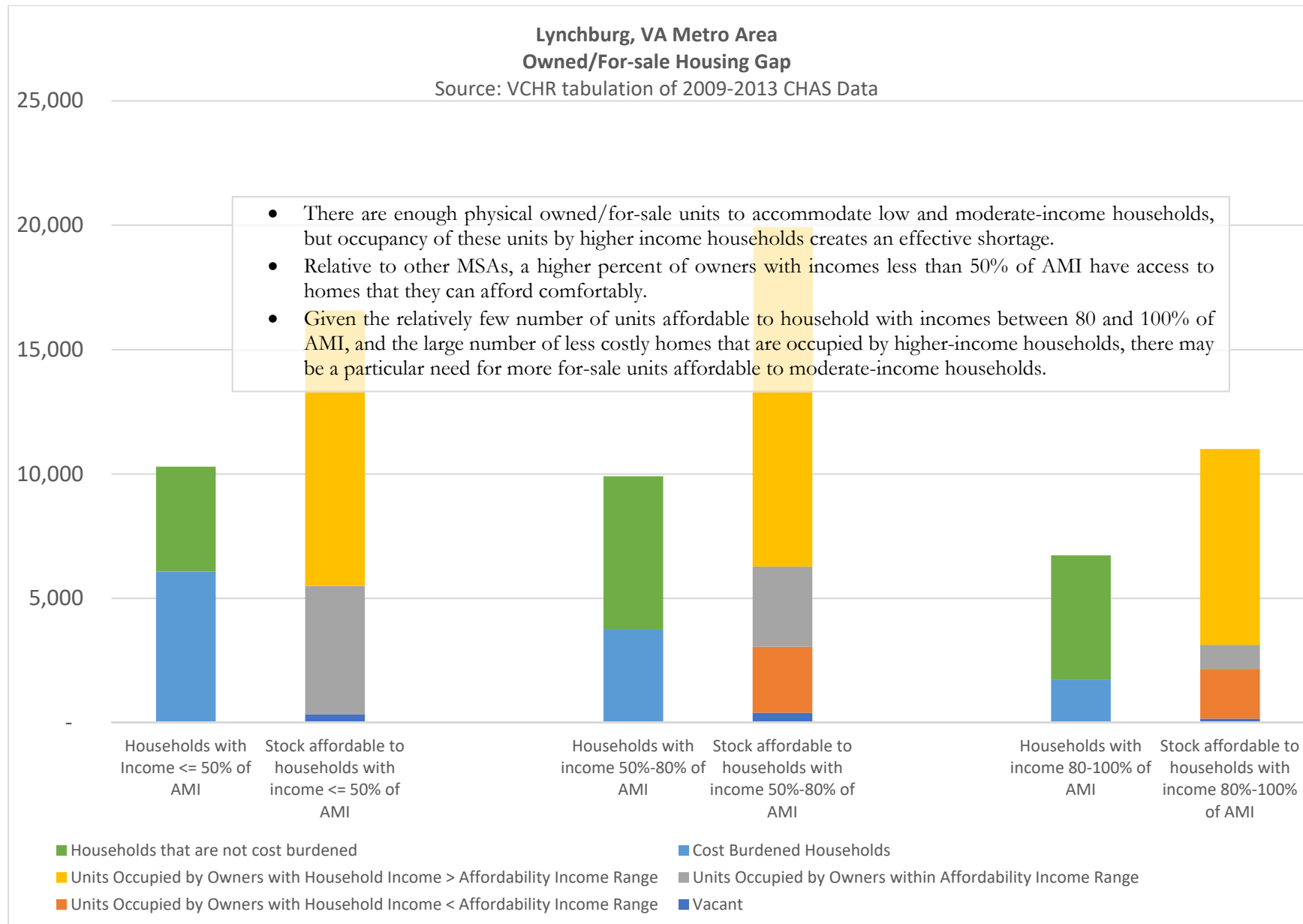
Source: VCHR tabulation of 2009-2013 CHAS Data











**Virginia Beach-Norfolk-Newport News, VA-NC Metro Area, Virginia Only  
Rented/For-Rent Housing Gap**

Source: VCHR tabulation of 2009-2013 CHAS Data

140,000

120,000

100,000

80,000

60,000

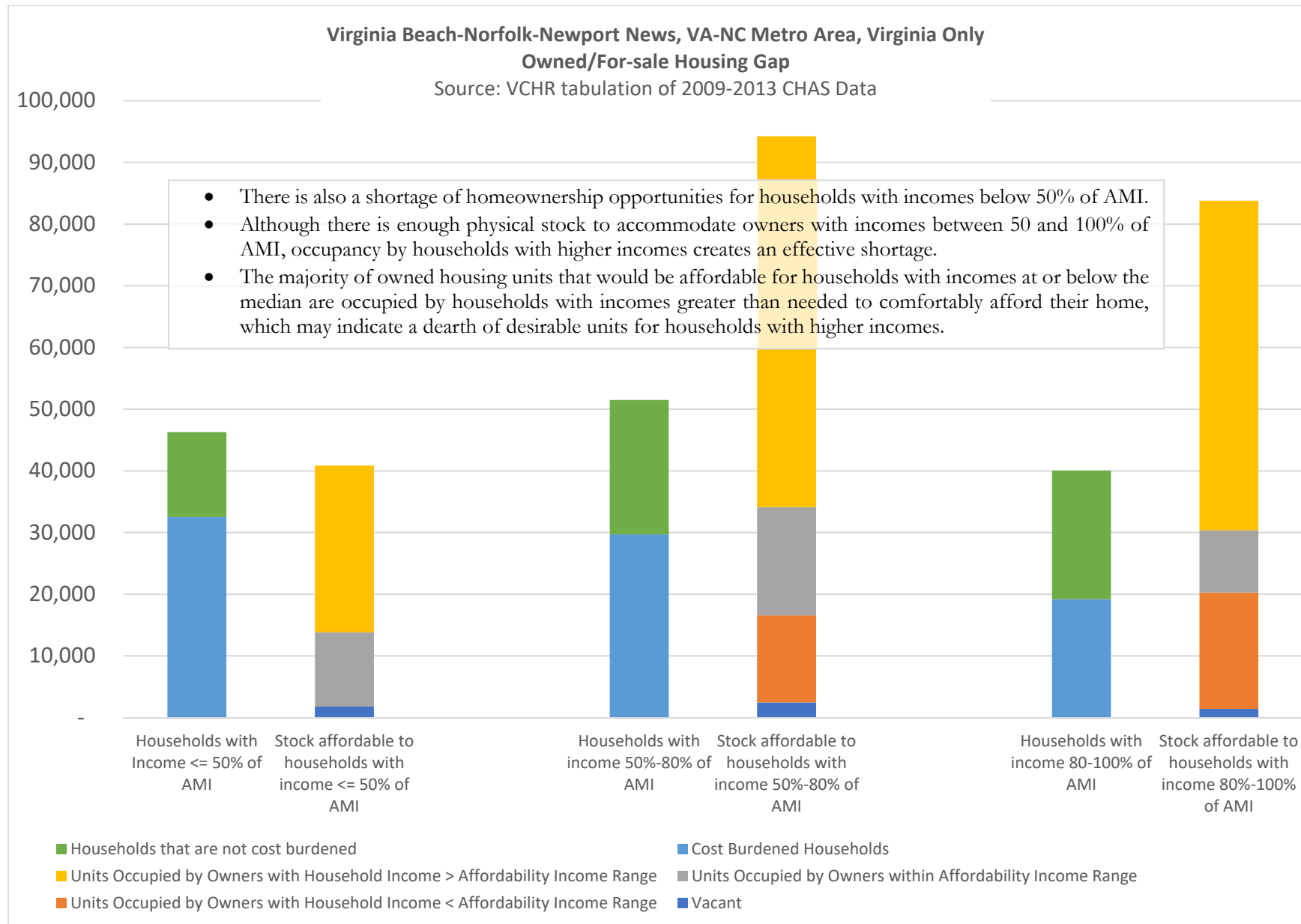
40,000

20,000

- There is a shortage of rental units affordable to households with income less than 50% of AMI. Many households that have incomes below 30% of AMI that do have access to an affordable unit, likely benefit from an income restricted or otherwise subsidized unit.
- This shortage likely contributes to high levels of cost burden. Further, households with incomes less than 50% of AMI occupy much of the stock affordable for households with incomes from 50 to 80% of AMI, likely sacrificing other necessities to obtain housing. Therefore, there is a clear need for more units to serve extremely-low and very-low income renters in the Virginia Beach MSA.

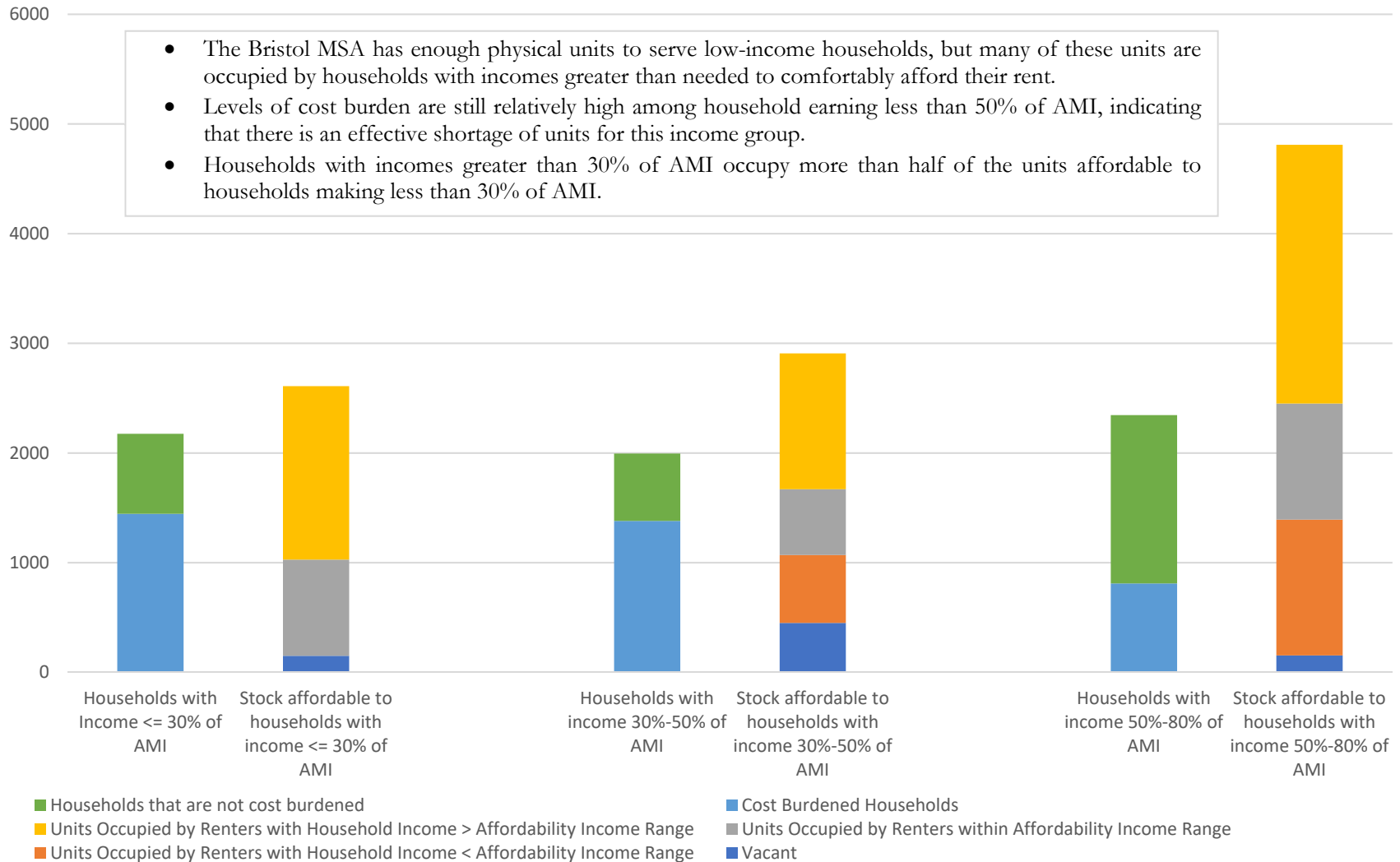
Households with Income <= 30% of AMI	Stock affordable to households with income <= 30% of AMI	Households with income 30%-50% of AMI	Stock affordable to households with income 30%-50% of AMI	Households with income 50%-80% of AMI	Stock affordable to households with income 50%-80% of AMI
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- |  |   |
|--|---|
| ■ Households that are not cost burdened  | ■ Cost Burdened Households                                    |
| ■ Units Occupied by Renters with Household Income > Affordability Income Range | ■ Units Occupied by Renters within Affordability Income Range |
| ■ Units Occupied by Renters with Household Income < Affordability Income Range | ■ Vacant  |



**Kingsport-Bristol-Bristol, TN-VA Metro Area, Virginia part only**  
**Rented/For-Rent Housing Gap**

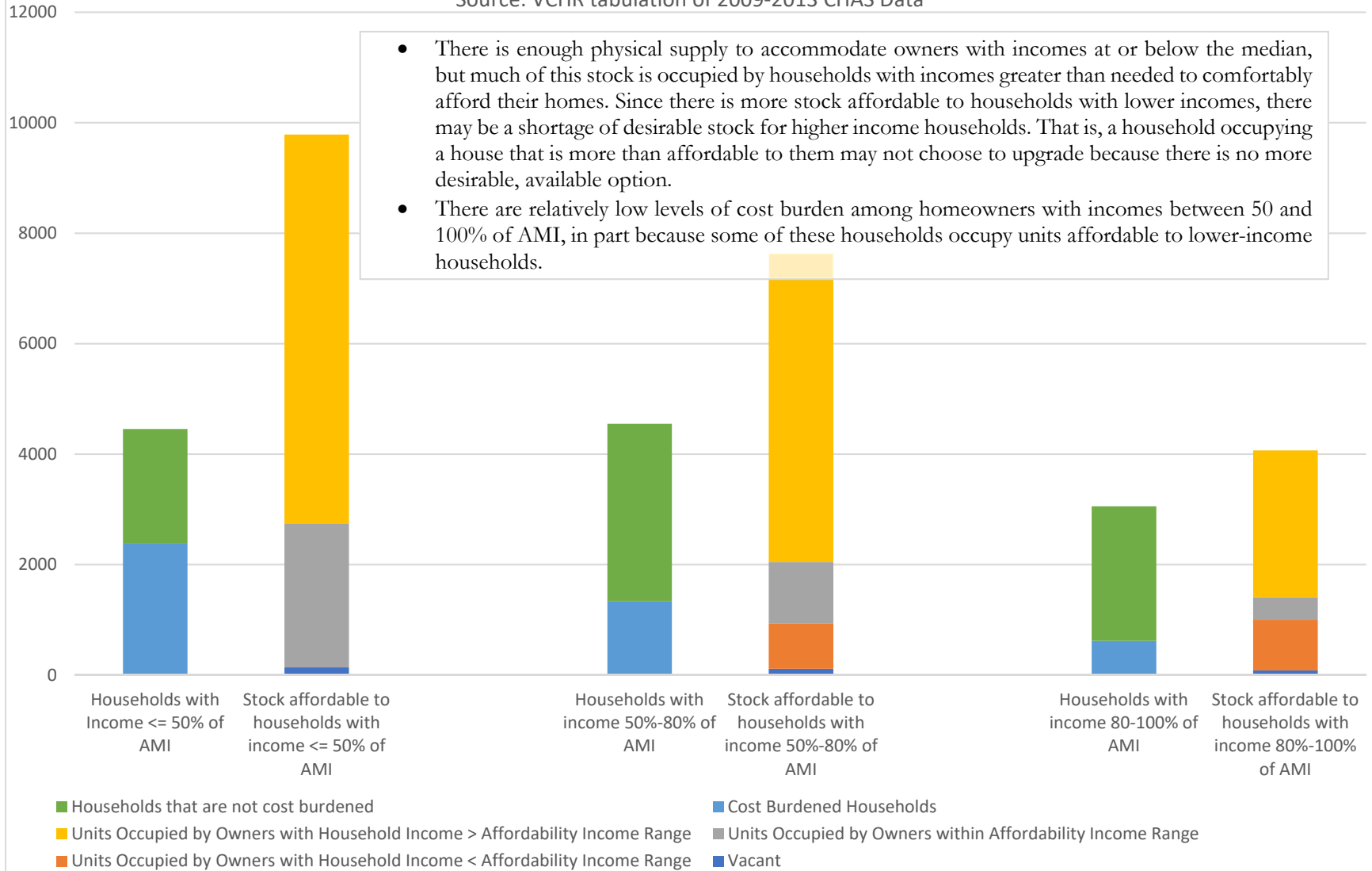
Source: VCHR tabulation of 2009-2013 CHAS Data



- The Bristol MSA has enough physical units to serve low-income households, but many of these units are occupied by households with incomes greater than needed to comfortably afford their rent.
- Levels of cost burden are still relatively high among household earning less than 50% of AMI, indicating that there is an effective shortage of units for this income group.
- Households with incomes greater than 30% of AMI occupy more than half of the units affordable to households making less than 30% of AMI.

**Kingsport-Bristol-Bristol, TN-VA Metro Area, Virginia part only**  
**Owned/For-sale Housing Gap**

Source: VCHR tabulation of 2009-2013 CHAS Data



- There is enough physical supply to accommodate owners with incomes at or below the median, but much of this stock is occupied by households with incomes greater than needed to comfortably afford their homes. Since there is more stock affordable to households with lower incomes, there may be a shortage of desirable stock for higher income households. That is, a household occupying a house that is more than affordable to them may not choose to upgrade because there is no more desirable, available option.
- There are relatively low levels of cost burden among homeowners with incomes between 50 and 100% of AMI, in part because some of these households occupy units affordable to lower-income households.

**Staunton-Waynesboro, VA Metro Area  
Rented/For-Rent Housing Gap**  
Source: VCHR tabulation of 2009-2013 CHAS Data





**Charlottesville, VA Metro Area  
Rented/For-Rent Housing Gap**

Source: VCHR tabulation of 2009-2013 CHAS Data

