



City of Harrisonburg Comprehensive Housing Assessment & Market Study

EXECUTIVE SUMMARY

Report by Mullin & Lonergan Associates, Fourth Economy, and EPR PC

INTRODUCTION

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

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

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

HARRISONBURG VISION



A CITY FOR ALL



AVAILABLE HOUSING FOR ALL



ECONOMIC DEVELOPMENT: GOALS, GAINS & GROWTH



RELIABLE DELIVERY OF HIGH QUALITY CITY SERVICES



A THRIVING EDUCATIONAL EPICENTER



FISCAL SUSTAINABILITY & PLANNING

based resources in support of community living; and, opportunities for recreational and leisure-time activities, transportation options, and socioeconomic conditions.”

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

This study was initiated in July 2020, less than four months after Virginia Governor Ralph Northam declared a state of emergency due to COVID-19 and issued a stay-at-home order for the state. With thousands of non-essential businesses closed or experiencing modified operations, hundreds of thousands of Virginians were without jobs or had reduced working hours seemingly overnight. Although there are predictions of an enormous wave of rental evictions anticipated once the CDC moratorium is lifted and impacts of the pandemic will be felt across the economy and more acutely among some demographics, there is no reliable data available to reflect in this study.

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



KEY FINDINGS

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

There is a “housing mismatch” in which thousands of households live in units that do not align with their income.

In other words, many higher income households live in housing “beneath their means” while many lower income households live in units where they must pay 30-50%, or more, of their monthly income for housing costs. While there are numerous reasons why people choose to live where they live, this housing mismatch has a disproportionately greater impact on lower income households. Higher income households have greater choice in the housing market as a result of having more income available for housing. However, when higher income households reside in lower cost housing, they are effectively “squeezing out” lower income households—who, because they are lower income, have the fewest housing options.

The lowest income group (up to \$19,410 for a family of four in 2017) has the smallest housing inventory available and affordable to them.

The lack of available and affordable units is because there is both a shortage of units affordable to this income tier relative to the number of households and many of the units that do exist are occupied by households with higher incomes.

The Harrisonburg sales market is a very strong one with limited inventory on the market and a median days on market of two weeks.

This translates to a seller’s market, where buyers make competing offers and the median home sells for 99% of the list price. Twenty-one percent of home sales listed with a real estate agent sold for above the list price. Exacerbating this trend is Harrisonburg’s “missing middle housing” problem. Fully 94% of all owner-occupied units are traditional single-family dwellings.



The City’s rental market is comparably tight

2-3.5%
vacancy rate

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



College students drive population growth and the housing market.

37%
population growth

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



The poverty rate skews higher in the City with its large college student population.

28%
poverty rate

Overall, the rate is 28%; however, removing the college-age households of 19-24 years old from the equation lowers the poverty rate to 14%, which is higher than Virginia’s rate (10.7%) but comparable to the national rate of 13%.



Net employment growth occurred in jobs paying less than \$40,000.

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



More than 7,800 households fall below the ALICE threshold of being Asset-Limited, Income-Constrained and Employed.

The United Way of Harrisonburg and Rockingham County's 2018 ALICE report estimates that the income threshold to meet basic expenses for a family of two adults and two children in Harrisonburg is \$60,000. The United Way estimates that 55% of Harrisonburg households headed by a householder aged 25 and older, totaling 7,834 households, do not meet the \$60,000 earnings threshold of a survival budget for a family of four.



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

3,600

cost burdened

More than 3,600 lower income renter households are cost-burdened and pay more than 30% of their income on housing costs.

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

84+

elderly households

445+

non-elderly persons have needs consistent with supportive housing

The demand for supportive housing units, a subset of the rental market, is estimated to be between 84-94 elderly households and between 445-509 non-elderly persons.

The majority of these units are required to meet the needs of persons with serious mental illness and intellectual/developmental disabilities.

126

permanent supportive housing beds

Over the next five years, there is also a need for 126 Permanent Supportive Housing beds for persons exiting homelessness in the Western Virginia Continuum of Care.

This covers the six-county region that includes Harrisonburg.

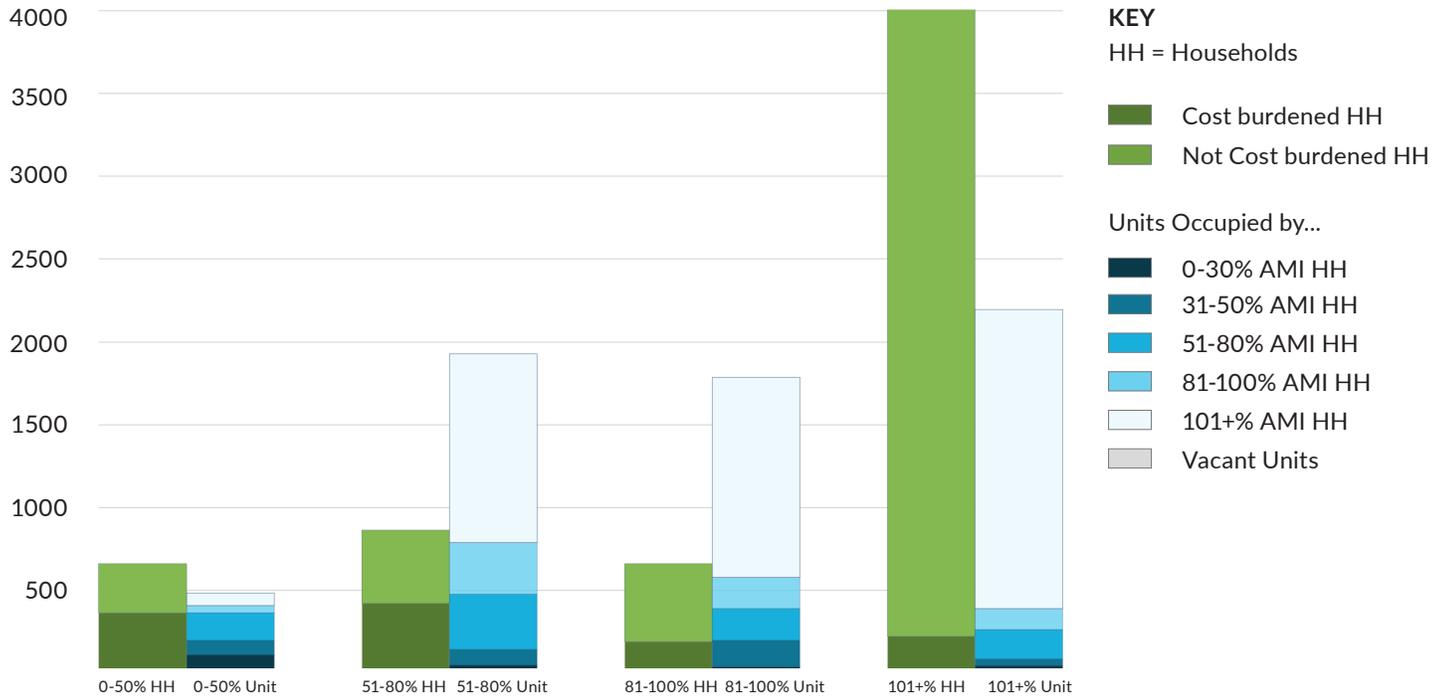


There is strong demand for expanding the rental housing inventory at both ends of the income spectrum.

Among renters, the number of households in the lowest income group (0-30% of area median income) and the highest income group (81% of the area median income and above) significantly exceed the number of housing units available for and affordable to them.

CITYWIDE RESIDENCY PATTERNS AMONG OWNERS

2013-2017

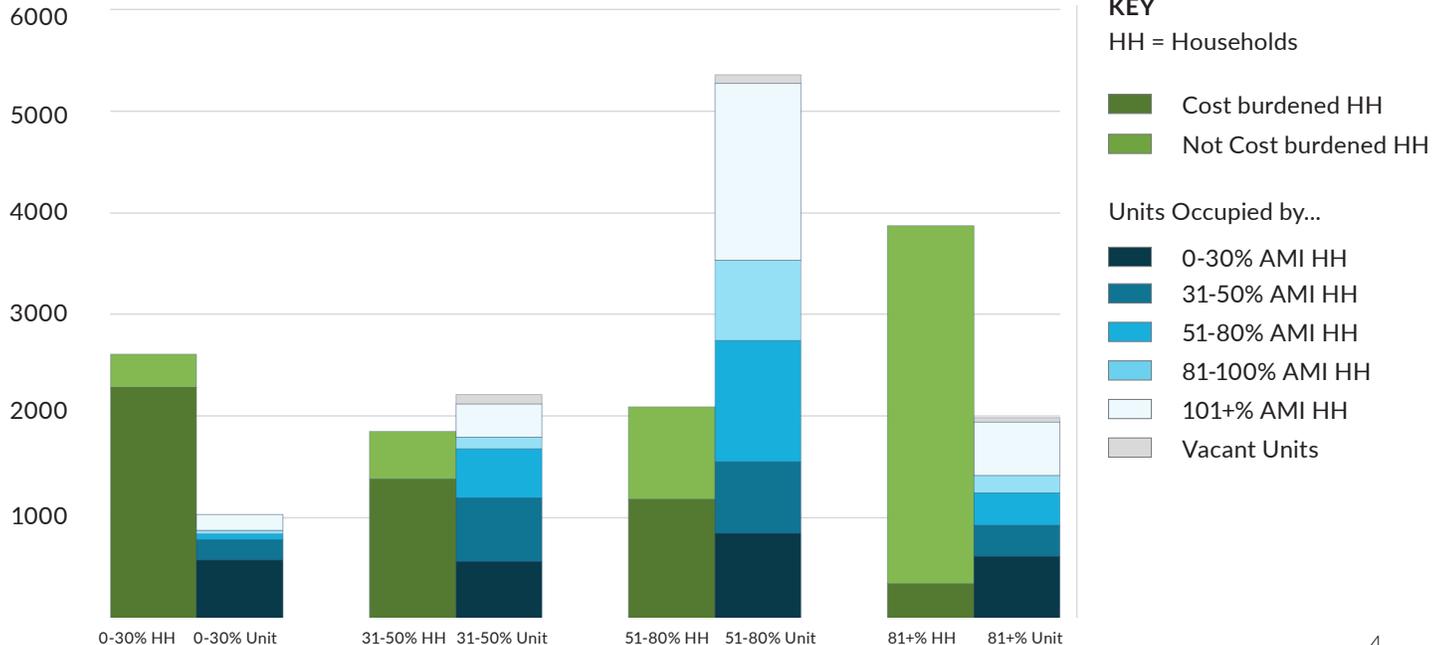


Similar to the rental market, there is strong demand for expanding the sales housing inventory at both ends of the income spectrum.

Among homeowners, the number of households in the lowest income group (0-50% of AMI) and the highest income group (101% and above) exceed the number of housing units available for and affordable to them. For example, there are nearly twice as many owner households with incomes above 100% of the area median income than there are units that align with their incomes.

CITYWIDE RESIDENCY PATTERNS AMONG RENTERS

2013-2017





Google Street View: Green Street

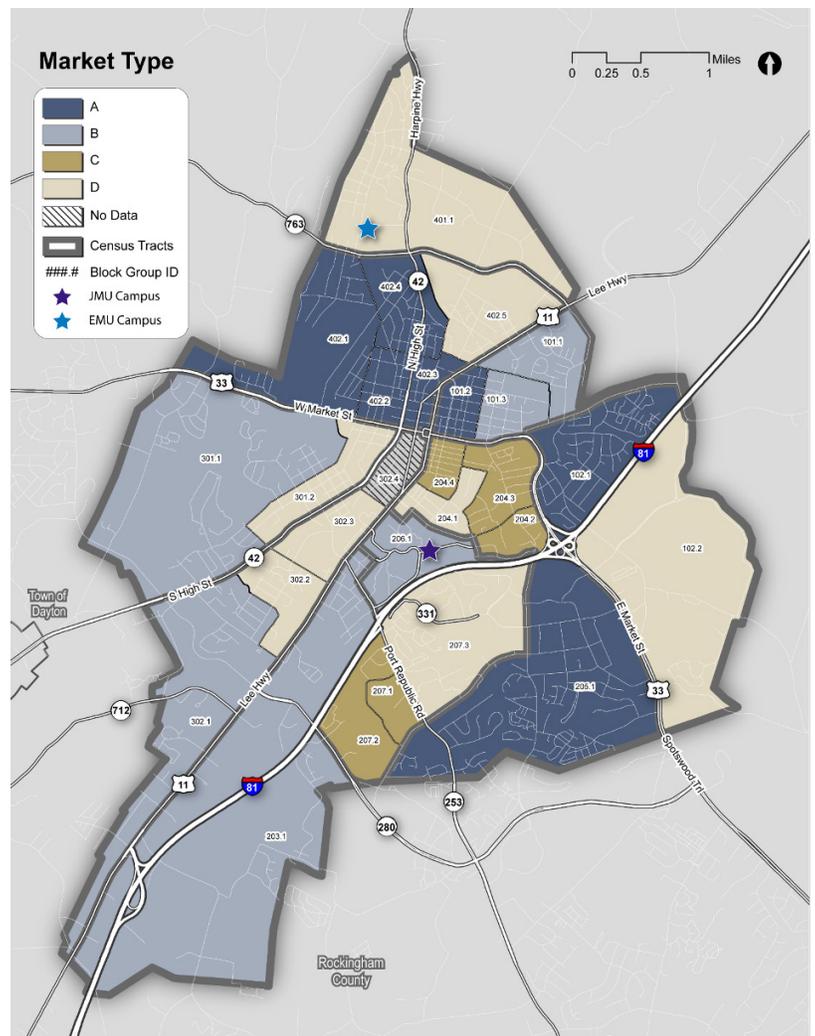
MARKET TYPES IN HARRISONBURG

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

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

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

Describing housing submarkets across Harrisonburg by the level of housing activity and amenity access and the characterization of common demographic trends provides a tool for strategically matching public resources and policies where they can have the greatest impact. For example, a market type consisting of stable neighborhoods with older housing stock might benefit from housing rehabilitation to preserve existing units that are affordable to low- and moderate-income households. By comparison, a market type with a higher level of activity (i.e., a higher level of buying and selling of housing units) located on a major corridor with public transit access might benefit from increasing density



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

through zoning to expand the City's housing inventory. Market typology is also useful as a local planning tool to assist City residents in understanding the housing market forces impacting their neighborhoods.

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



Google Street View: Sunrise Ave

A MARKET TYPE A

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

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

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

B MARKET TYPE B

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

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

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



Google Street View: Newman Ave

C MARKET TYPE C

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

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

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

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

D MARKET TYPE D

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

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

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

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



RECOMMENDATIONS

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

1 Hire a Housing Coordinator.

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

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

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

3 Conduct a coordinated affordable housing public campaign.

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

4 Prioritize City resources to finance affordable housing initiatives.

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

5 Enact waiver of certain fees for affordable housing.

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

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

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

7 Adopt an Affordable Housing Location Policy.

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

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

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

9

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

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

DEFINITIONS

Modernize and clarify zoning definitions to be consistent with stated housing goals and the Code of Virginia.

ACCESSORY DWELLING UNITS (ADUs)

Design an ADU ordinance that is appropriate for the City’s needs to foster the development of affordable units.

HOUSING SUPPLY AND CHOICE

Conduct zoning map and/or zoning text amendments to increase housing stock, housing type and housing density.

DEFINITION OF FAMILY

Expand the definition of “family” beyond the limit of three unrelated individuals living together to “a group of individuals living together as a single housekeeping unit”.

REGULATIONS OF GROUP HOMES FOR PERSONS WITH DISABILITIES

Ensure that the zoning code is consistent with fair housing laws regarding persons with disabilities residing together having the same housing choice as a single housekeeping unit consisting of persons without disabilities living together.

AFFORDABILITY INCENTIVES

Explore obtaining special permissions from the Virginia General Assembly to establish density bonuses and other regulatory tools for incentivizing construction of affordable units.

10

Amend the Comprehensive Plan and Zoning Ordinance to include “Missing Middle Housing” strategies.

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

11

Adopt an Accessory Dwelling Unit (ADU) Ordinance.

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

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

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

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

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

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

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



15 Create and establish a Harrisonburg Housing Trust Fund.

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

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



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

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

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

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



CONTINUUM OF CARE

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

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

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

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

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

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

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

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

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

4 Build capacity among nonprofit organizations and homeless service providers.

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

REPORT BY



M&L is a national housing and community development firm. Our expertise is found in the intersection of research, analysis, planning, finance packaging and physical housing development. Our focus is on your community and how we can partner to address challenging issues. Our research is comprehensive and relies equally on hard data and public engagement to identify opportunities to improve quality of life. From small, rural communities to large metro areas, within multiple states, we bring a range of experiences and best practices to our assignments. No matter the obstacles, we work to tailor a strategy that is as unique as your community.



Fourth Economy is a national community and economic development consulting firm. Powered by a vision for an economy that serves the people, our approach is centered on principles of competitiveness, equity, and resilience. We partner with communities and organizations, public and private, who are ready for change to equip them with tools and innovative solutions to build better communities and stronger economies.

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