

# The Brookings Institution

Metropolitan Policy Program  
Robert Puentes, Fellow



## Housing: the Critical Issue for Virginia's Future

Virginia Housing Commission Information Session  
General Assembly Building, Richmond, VA  
December 5, 2005

# What is the critical framework for a successful state housing policy?

- Housing **MUST NOT** be considered an isolated issue.
- All options should be weighed against shared values.
- Housing policy should address *all* geographic areas, income group, and housing types.
- Housing practice must not be only public-sector based. The private and non-profit sectors are critical.
- Housing by its nature is a bi-partisan issue. Rhetoric makes it controversial.
- Understand the major trends affecting housing demand.
- The state, especially in Virginia, has the power to influence housing through its incentives and disincentives that promote the Commonwealth's agenda and values.



# Housing: the Critical Issue for Virginia's Future

I

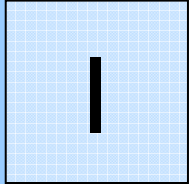
Housing in Virginia: 2005

II

What should a statewide housing policy consider?

III

Where does Virginia go from here?



## Housing in Virginia: 2005

Housing costs are high and continue to rise

Sufficient housing is not getting built in the right places

Housing opportunities vary throughout the state

# Virginia's ranks in the top third in terms of housing prices nationally

Average rent for a 2 bedroom apartment, 2004

Rank	State	Average Rent
11	Colorado	\$847
12	Nevada	\$836
13	Illinois	\$823
14	Virginia	\$821
15	Minnesota	\$788
16	Washington	\$788
17	Arizona	\$780
18	Florida	\$742
19	Delaware	\$731
20	Georgia	\$728
21	Vermont	\$717

Ratio of median home value to median household income, 2004.

Rank	State	Housing price/ income ratio
13	Maryland	3.77
14	Florida	3.62
15	Minnesota	3.56
16	Virginia	3.47
16	Arizona	3.47
18	Illinois	3.43
19	Delaware	3.41
20	Maine	3.40
21	Montana	3.39
United States		3.37

Source: Brookings analysis of U.S. Census Bureau data, and the National Low Income Housing Coalition

## And in every Virginia metro area except Danville, housing prices continue to rise faster than the national average

Metro Area	Change
Winchester, VA-WV	27.2%
Washington-Arl-Alex, DC-VA-MD-WV	26.0%
Va Beach-Norfolk-Newpt News, VA-NC	24.6%
Harrisonburg, VA	17.6%
Richmond, VA	15.9%
Blacksburg-Christiansbg-Radford, VA	11.4%
Kingsport-Bristol-Bristol, TN-VA	9.9%
Lynchburg, VA	9.1%
Roanoke, VA	8.8%
US median	8.0%
Danville, VA	6.8%

Change in Housing  
Price Index June  
2004-June 2005

Source: Office of Federal  
Housing Enterprise Oversight  
(OFHEO)

## Several Virginia “counties” have the highest housing prices in the nation.

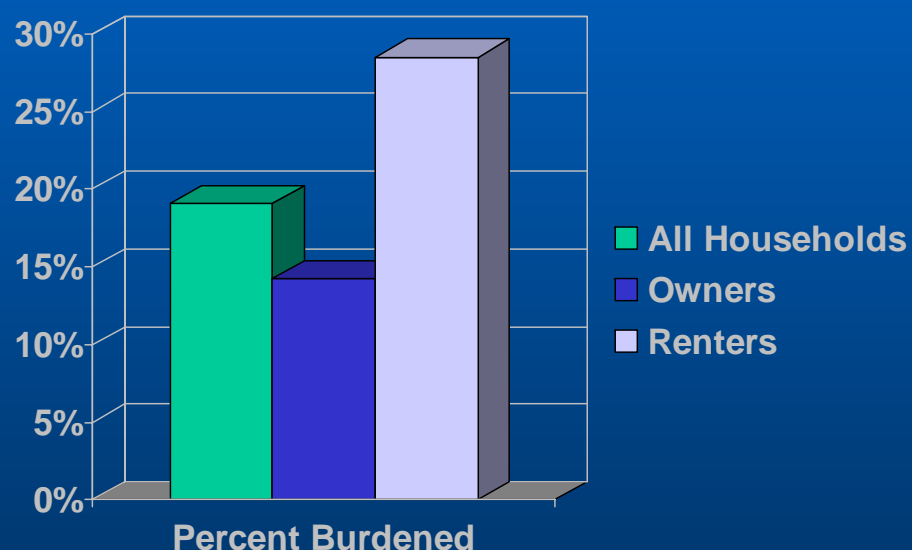
Rank	County	Change
23	Falls Church, VA	\$277,100
24	Sonoma County, CA	\$273,200
25	Orange County, CA	\$270,000
26	Routt County, CO	\$268,500
27	Contra Costa County, CA	\$267,800
28	Monterey County, CA	\$265,800
29	Arlington County, VA	\$262,400
30	Morris County, NJ	\$257,400
31	Alexandria, VA	\$252,800
47	Fairfax County, VA	\$233,300
61	Williamsburg, VA	\$212,000
72	Loudoun County, VA	\$200,500

Median value for  
specified owner-  
occupied housing  
units (\$) (2000)

Source: Fannie Mae  
Foundation, [www.dataplace.org](http://www.dataplace.org)

Despite high incomes, nearly one-fifth of households spend more than 35% of their income on housing costs and many new mortgages are interest-only.

Percent of households spending at least 35% of income on housing costs



Source: Brookings analysis of U.S. Census data

Percentage of new single-family home mortgages that were interest-only in 2004

Rank	Metro Area	Percent
1	Georgia	50.4%
2	California	47.1%
3	Colorado	45.5%
4	Nevada	44.7%
6	Arizona	40.3%
7	Virginia	40.2%
8	Washington	34.6%
9	Maryland	31.9%
10	Oregon	31.2%



# Virginia's desirability boosts housing prices

Place rankings,  
various sources

**Charlottesville** ranks #1 and **Blacksburg** (8), **Roanoke** (11), **Lynchburg** (15), **Va Beach/Norfolk** (17) all rank high on the metropolitan level in terms of the best places to live.<sup>1</sup>

**Vienna** (4), **Yorktown** (33), and **Midlothian** (37) all rank high on the local level.<sup>2</sup>

**Fauquier** ranks #1. **Hanover** (15) and **Gloucester** (17) rank high in terms of livability by the Progressive Farmer.<sup>3</sup>

**Washington/Northern Virginia** (4) and **Richmond** (10) score well as best places for business and careers.<sup>4</sup>

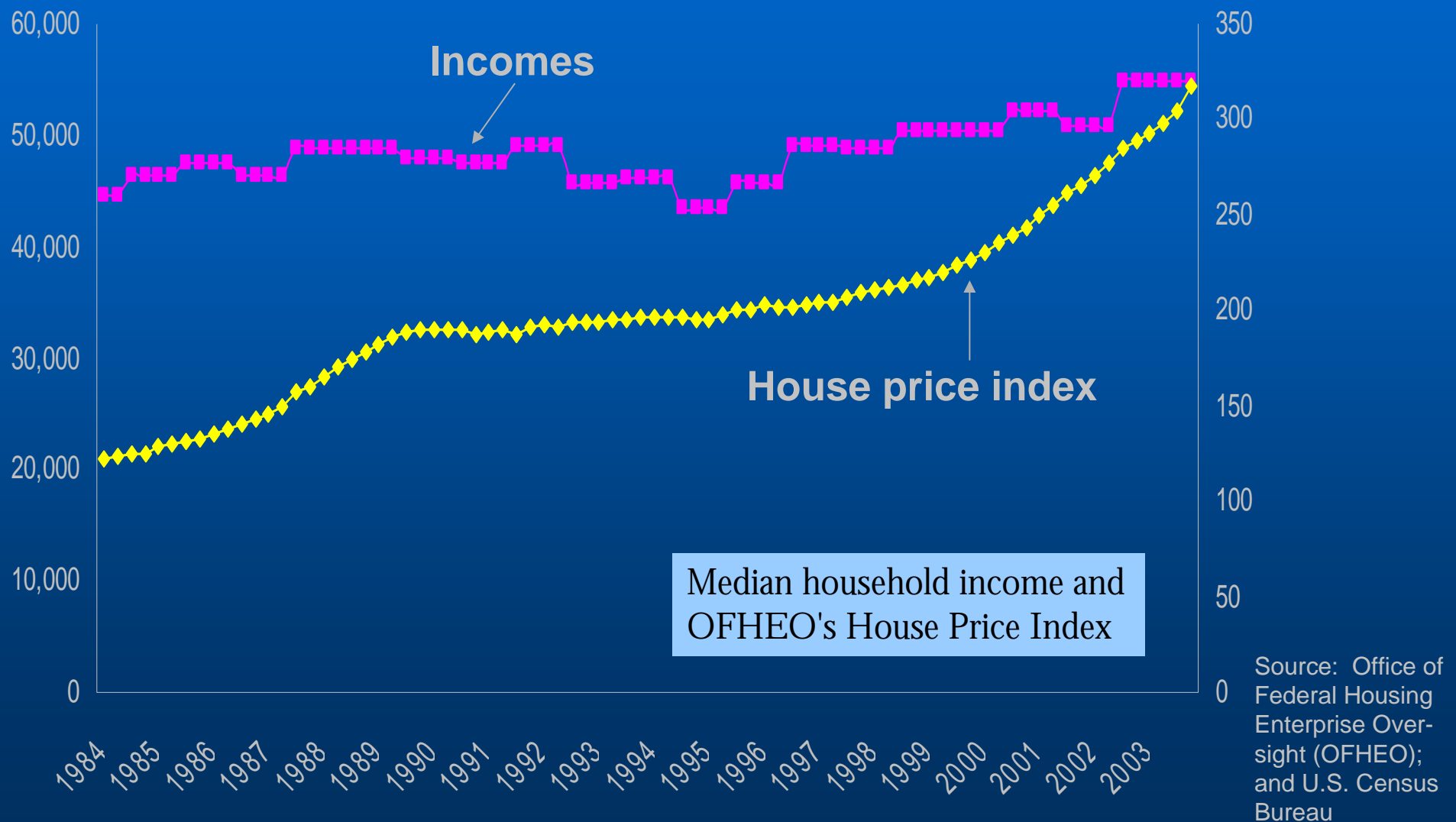
1) Sperling's Best Places, 2005

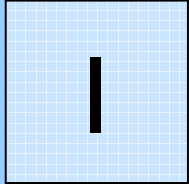
2) CNN/Money, 2005

3) Progressive Farmer, 2005

4) Economy.com, 200

This hits some families hard because incomes have failed to keep up with rising housing prices in recent years.





## Housing in Virginia: 2005

Housing costs are high and continue to rise

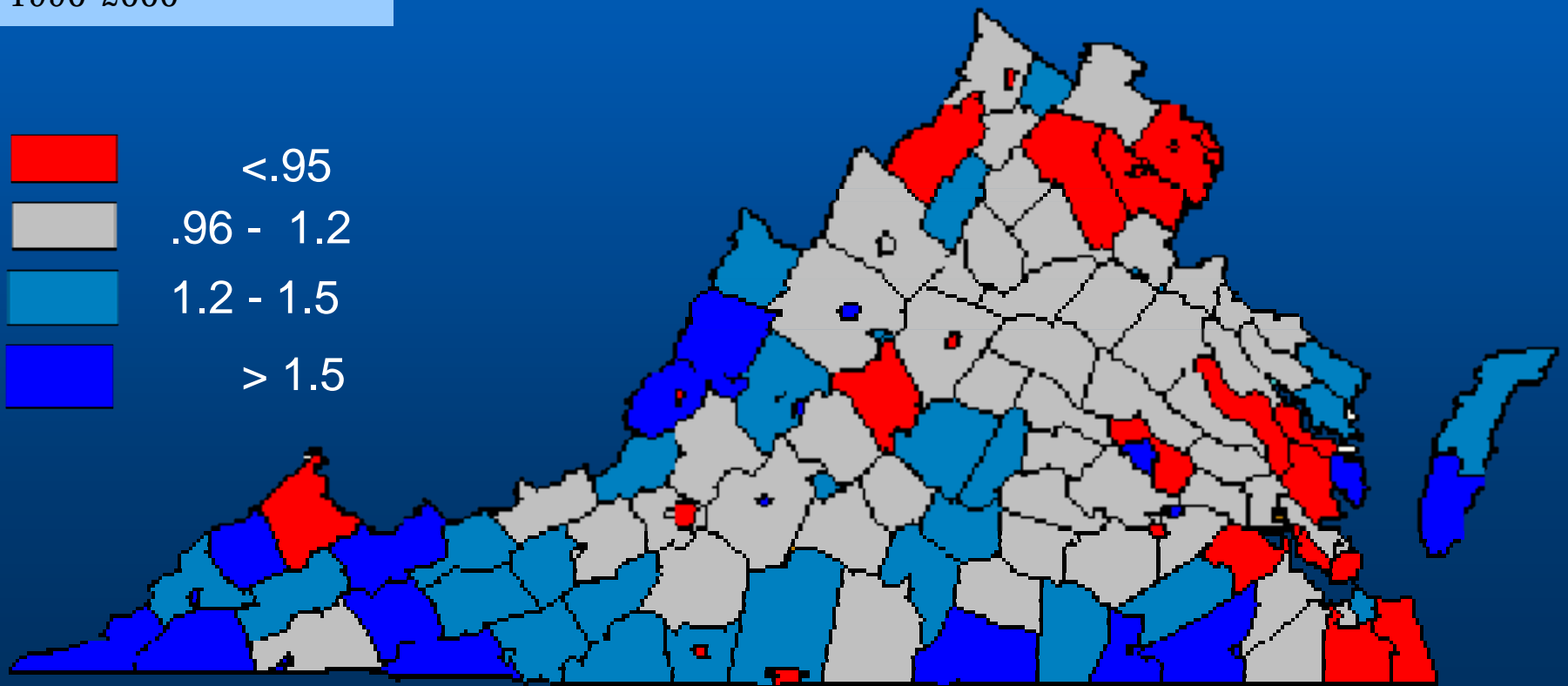
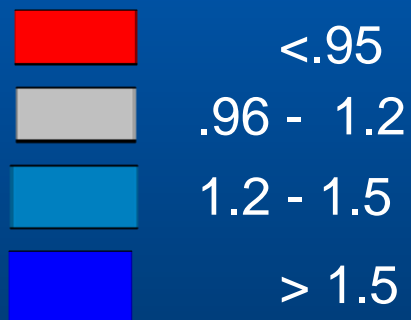
Sufficient housing is not getting built in the right places

Housing opportunities vary throughout the state

In the 1990's household growth outpaced housing growth in many close-in suburbs. This trend continues today.

Ratio of housing units  
to household growth,  
1990-2000

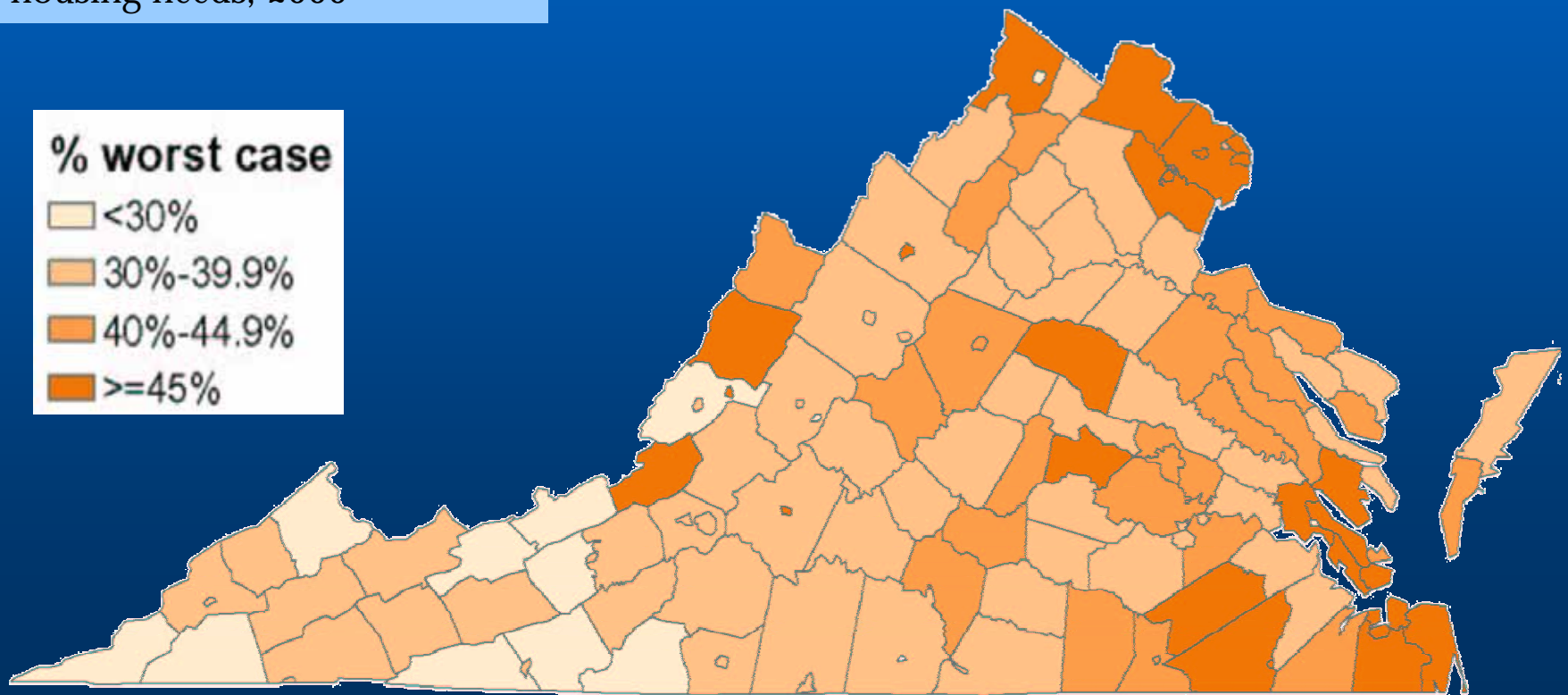
Source: Brookings  
analysis of U.S.  
Census Bureau data



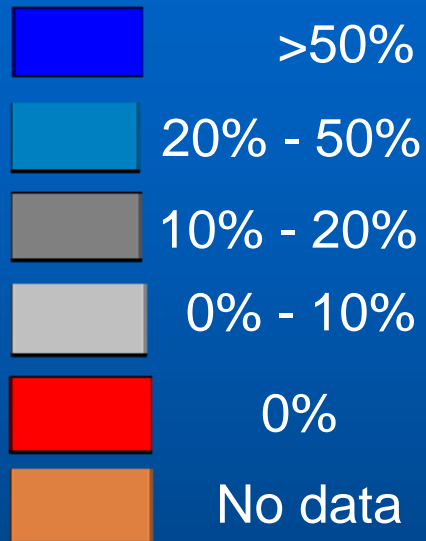
But those with the worst case housing needs are clustered in these places.

Percent of very low income households with worst case housing needs, 2000

Source: Virginia Tech Center for Housing Research

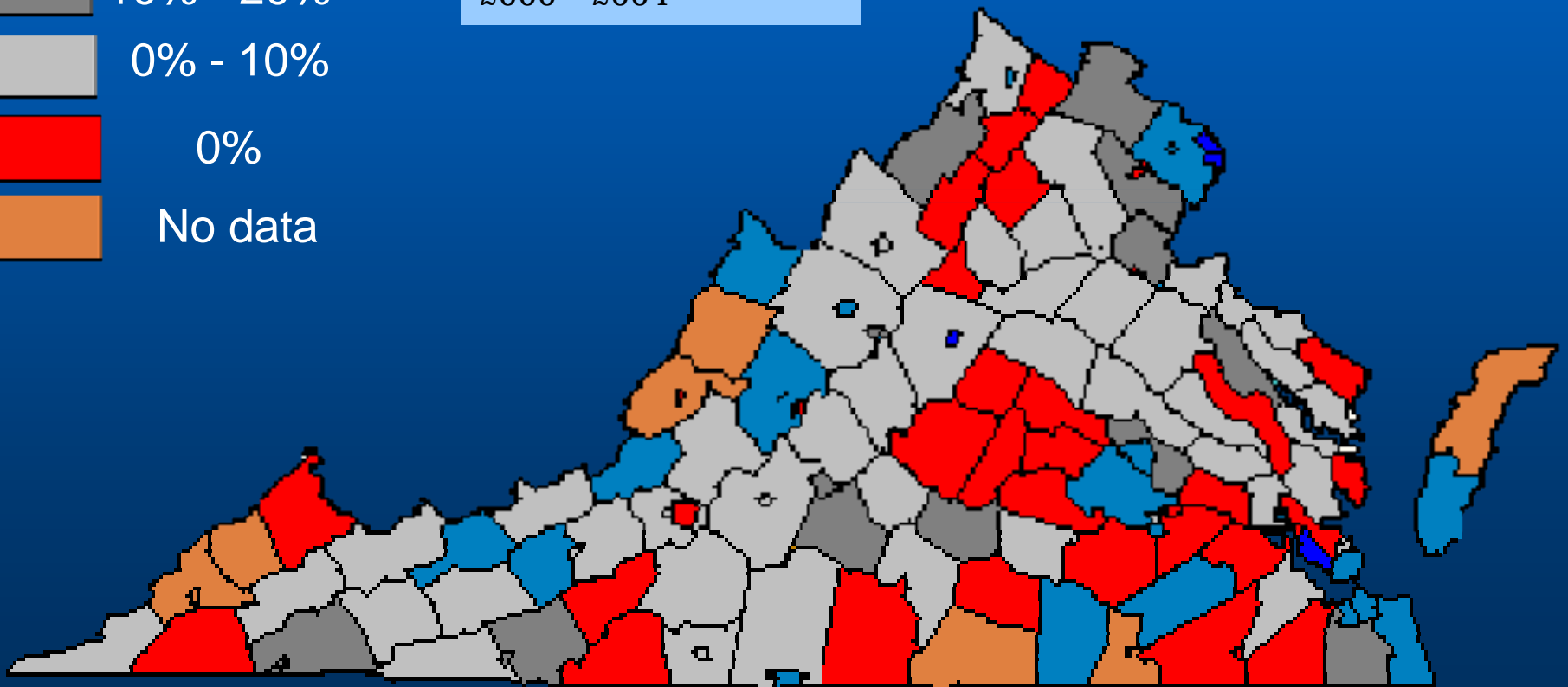


# Most of Virginia built only single family homes from 2000 to 2004.

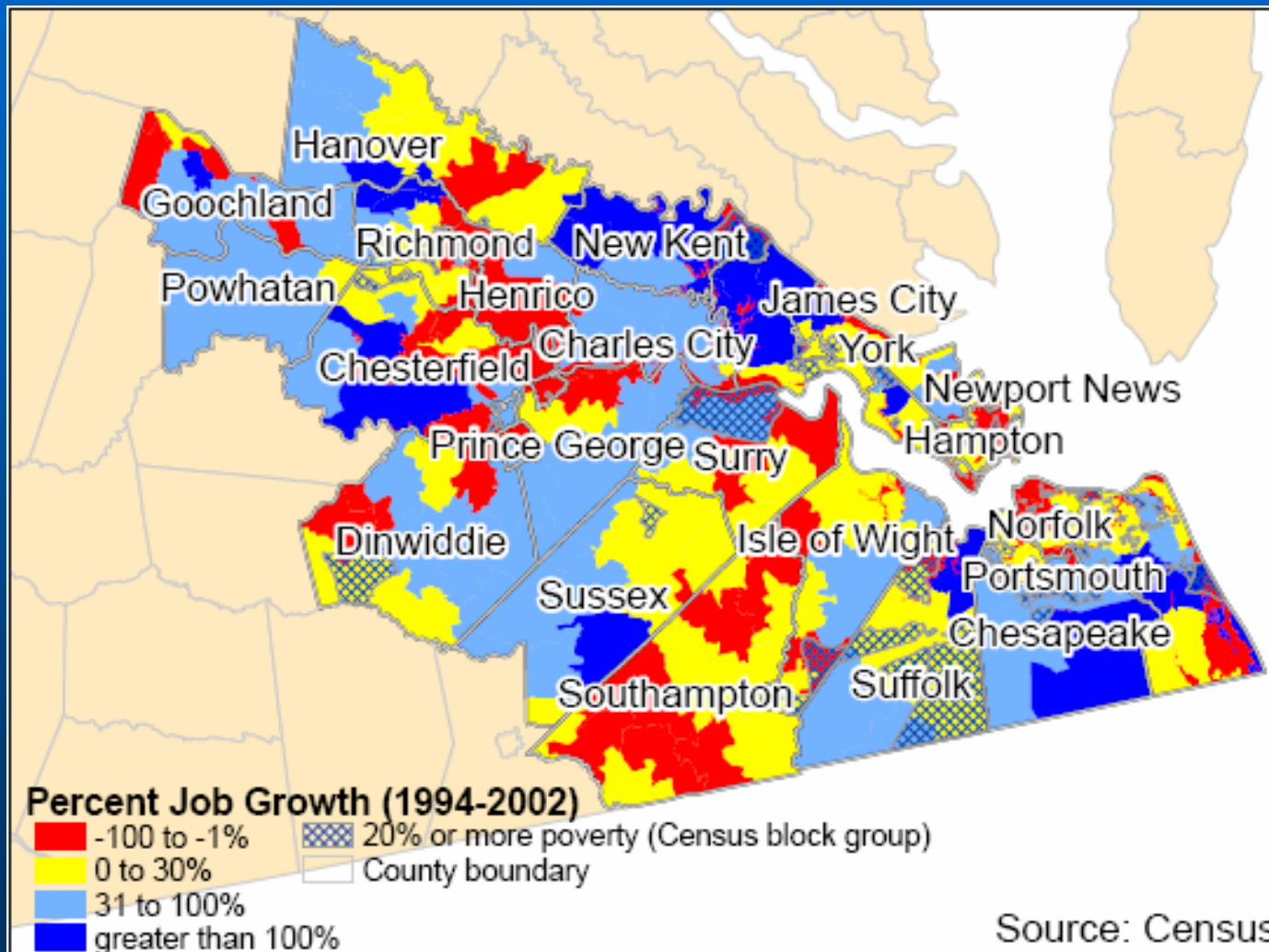


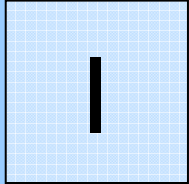
Percent of housing  
unit permits issued for  
multi-family housing,  
2000 - 2004

Source: Brookings  
analysis of U.S.  
Census Bureau data



In southeast Virginia, jobs are growing on the suburban fringe, often far away from where poor families live.





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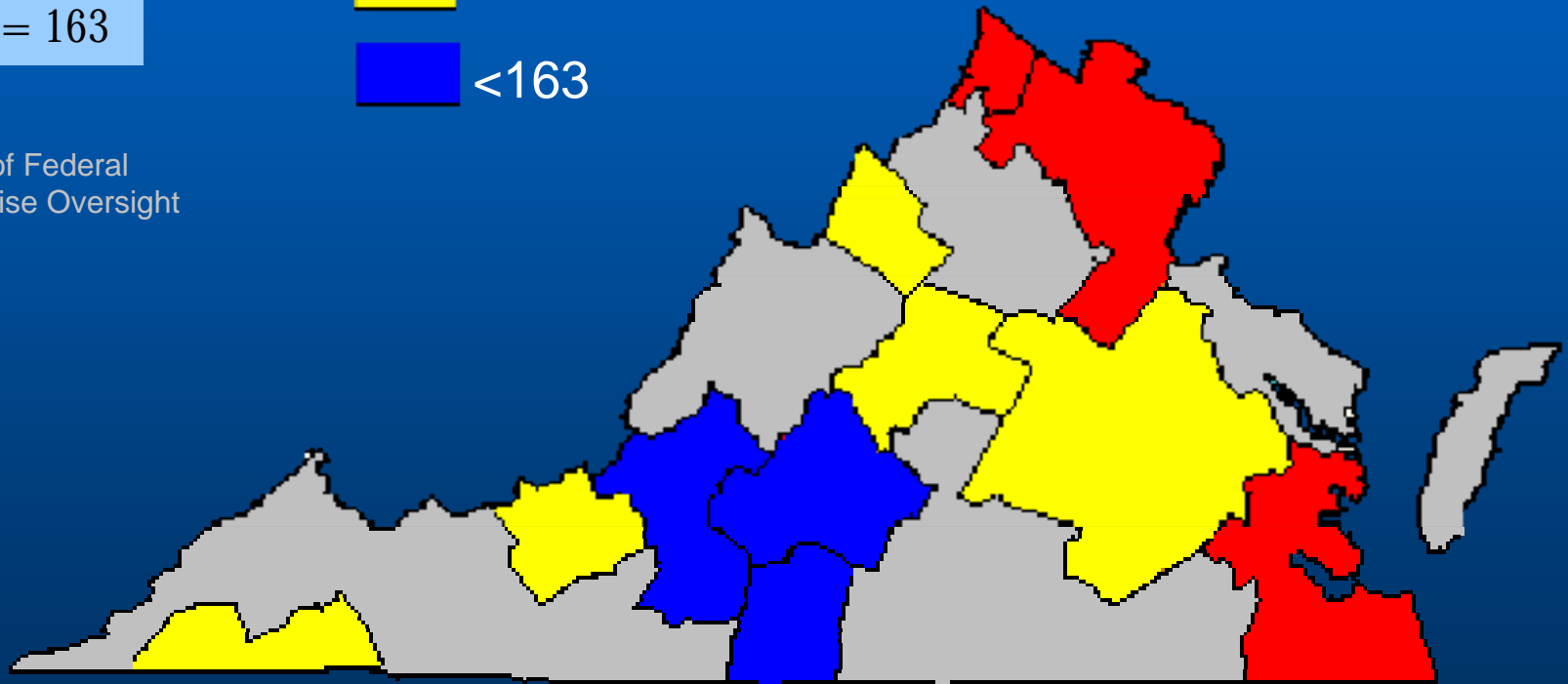
# Differences in income levels, poverty rates, and housing costs mean that the nature and extent of the housing challenge differs across the state

House Price Index,  
June 2005

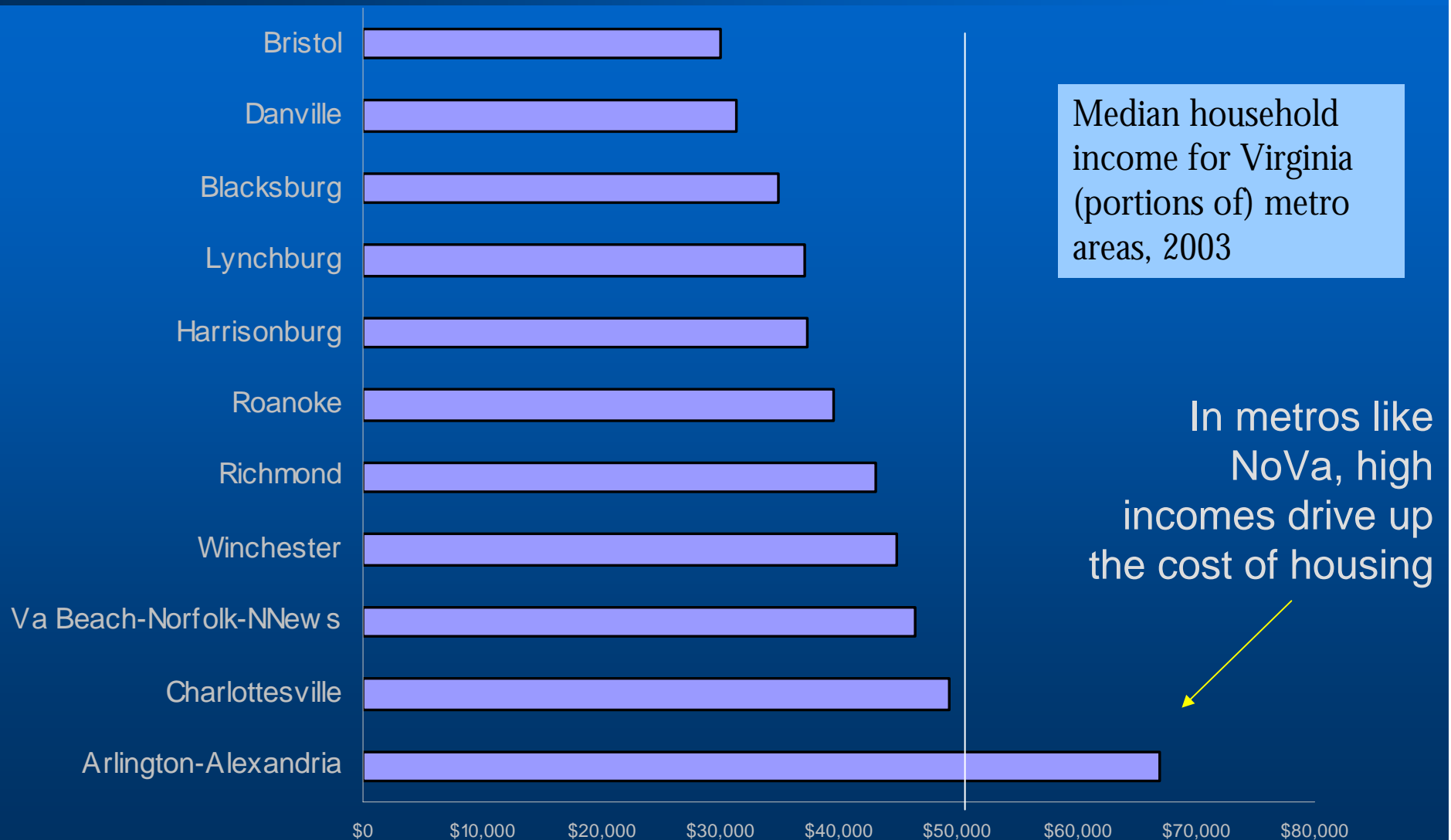
U.S. median = 163



Source: Office of Federal  
Housing Enterprise Oversight  
(OFHEO)



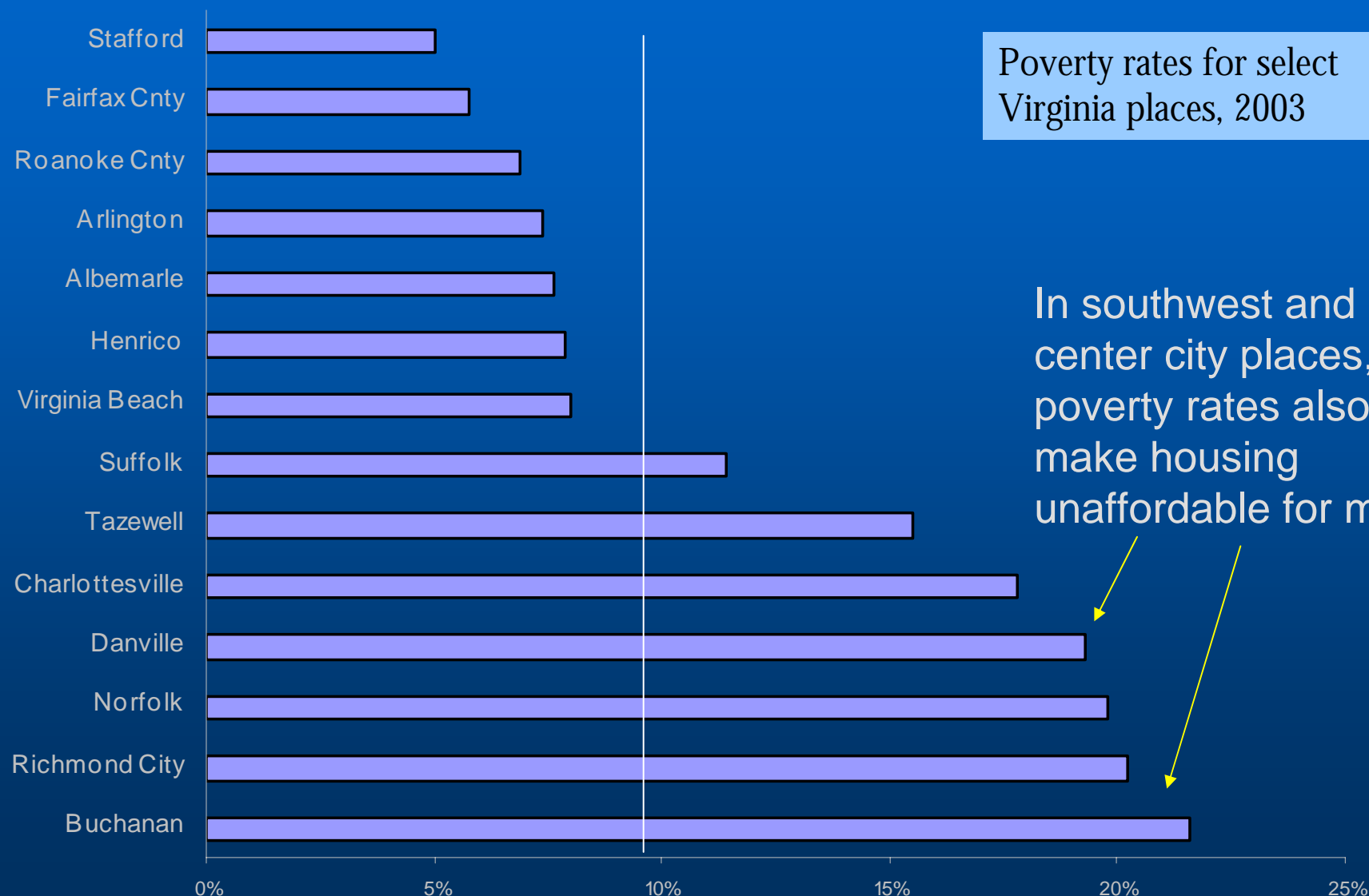
# Household incomes in Virginia metro areas vary across the state



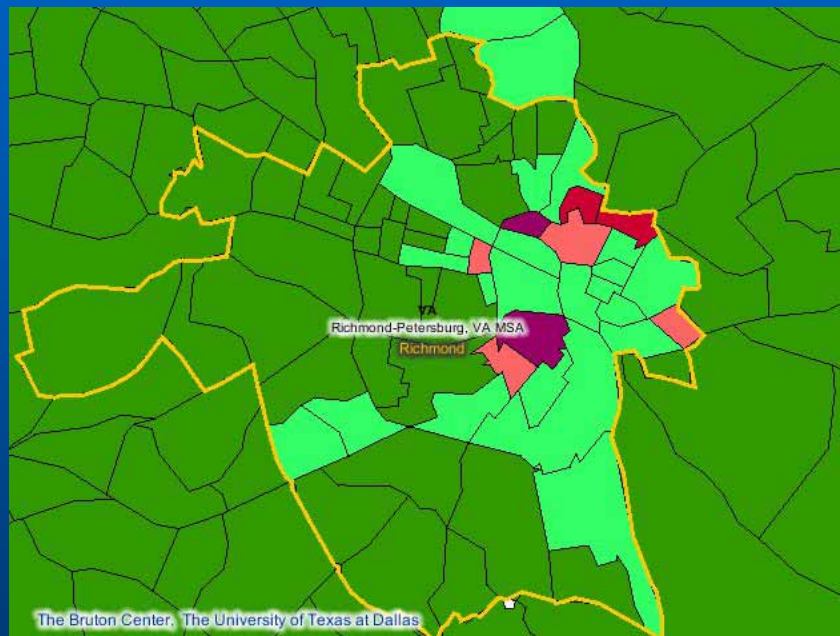
While poverty rates for the Commonwealth are relatively low, some places – especially cities - fall far behind

Poverty rates for select Virginia places, 2003

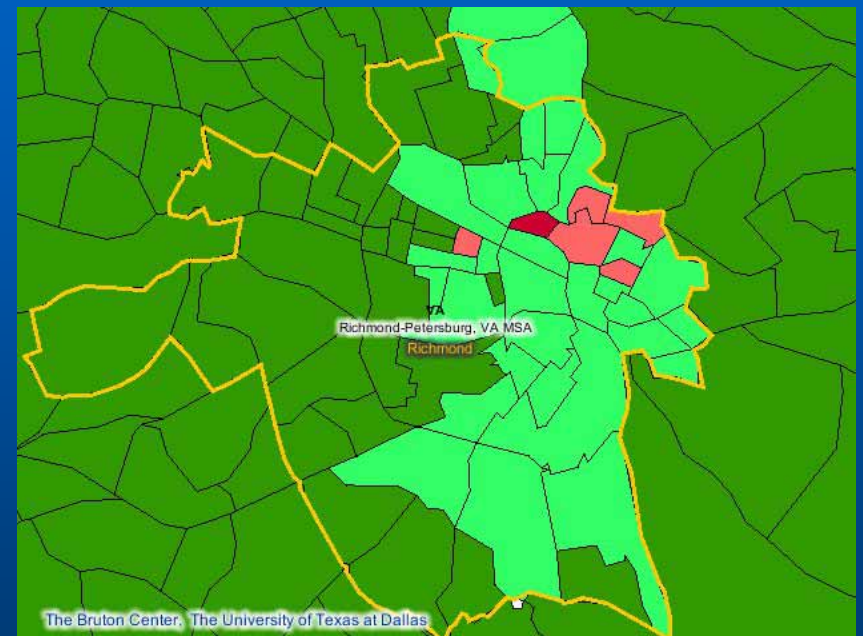
In southwest and center city places, high poverty rates also make housing unaffordable for many



In Richmond, although the number of extremely poor neighborhoods dropped from 1990-2000, the overall poverty rate remained steady – and increased in suburbs.



1990

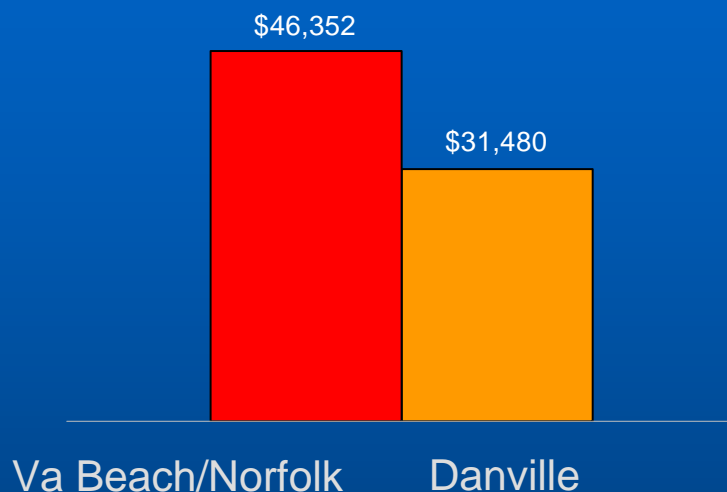


2000

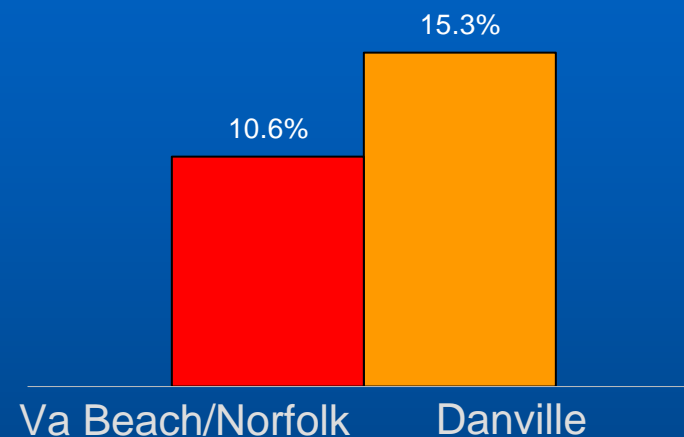
Poverty rate    0 to 20%    20 to 40%    40 to 60%    60 to 80%    80 to 100%

# Strong markets versus weak markets: Virginia Beach/Norfolk versus Danville

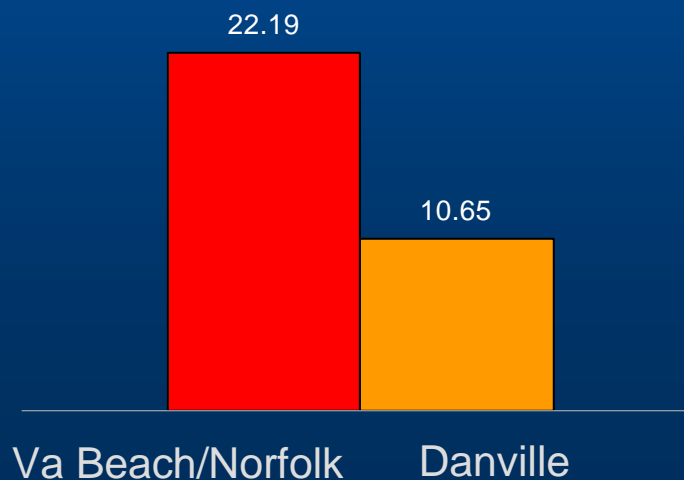
## Median household income



## Poverty rates



## Housing Price Index



# Different markets, same problem

High incomes in the one metro area are not enough to make homes affordable for many families



And low home prices in are not enough to compensate for low incomes and high poverty rates in others

**Result: Both places struggle with housing**



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# Eight principles for success

1. Policy Goals Should be Made Explicit
2. Strategies Should be Tailored to Local Markets
3. Housing Markets are Regional
4. Housing Policy is Income & Education Policy
5. Regulatory Policy Makes a Difference
6. Race Matters
7. Private Sector Matters
8. Implementation Matters





## Principle One: Policy Goals Should be Made Explicit

***The main goal should be housing that supports healthy families and communities AND is treated as integral part of overall community and economic development strategies, not isolated issue.***



# Principle One: Policy Goals Should be Made Explicit

## *An effective housing policy should:*

1. Preserve & expand housing stock
2. Make housing affordable and available
3. Promote racial/economic diversity and choice
4. Help households build wealth
5. Strengthen families
6. Link housing with supportive services
7. Promote balanced economic growth and development



## Principle Two: Strategies Should be Tailored to Local Markets

Goal	Strong Market (Va Beach)	Weak Market (Danville)
Preserve and Expand Stock	1	6
Make Housing Affordable	2	7
Promote Diversity	3	5
Help Build Wealth	6	1
Strengthen Families	5	4
Link Supportive Services	4	3
Promote Balanced Growth	7	2

*Priorities vary depending upon the type of market*

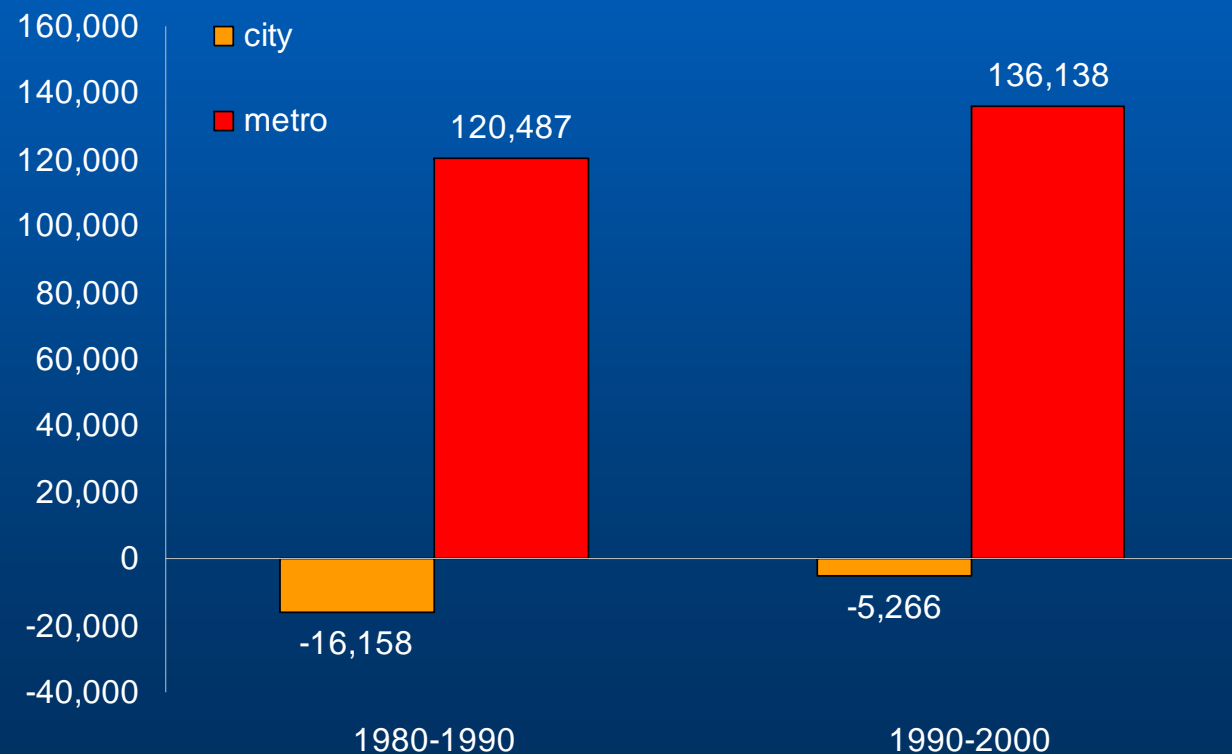


# Principle Three: Housing Markets are Regional

## Example: The Richmond metro area

The suburbs have increased by over 130,000 more people than the city

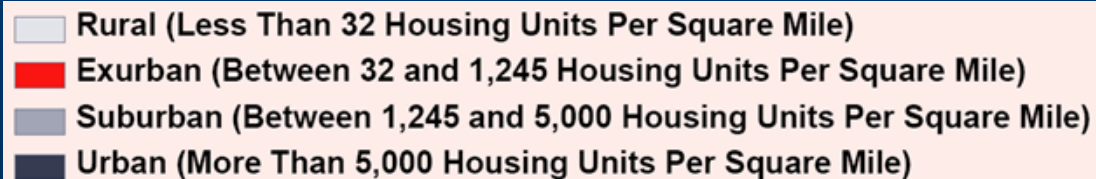
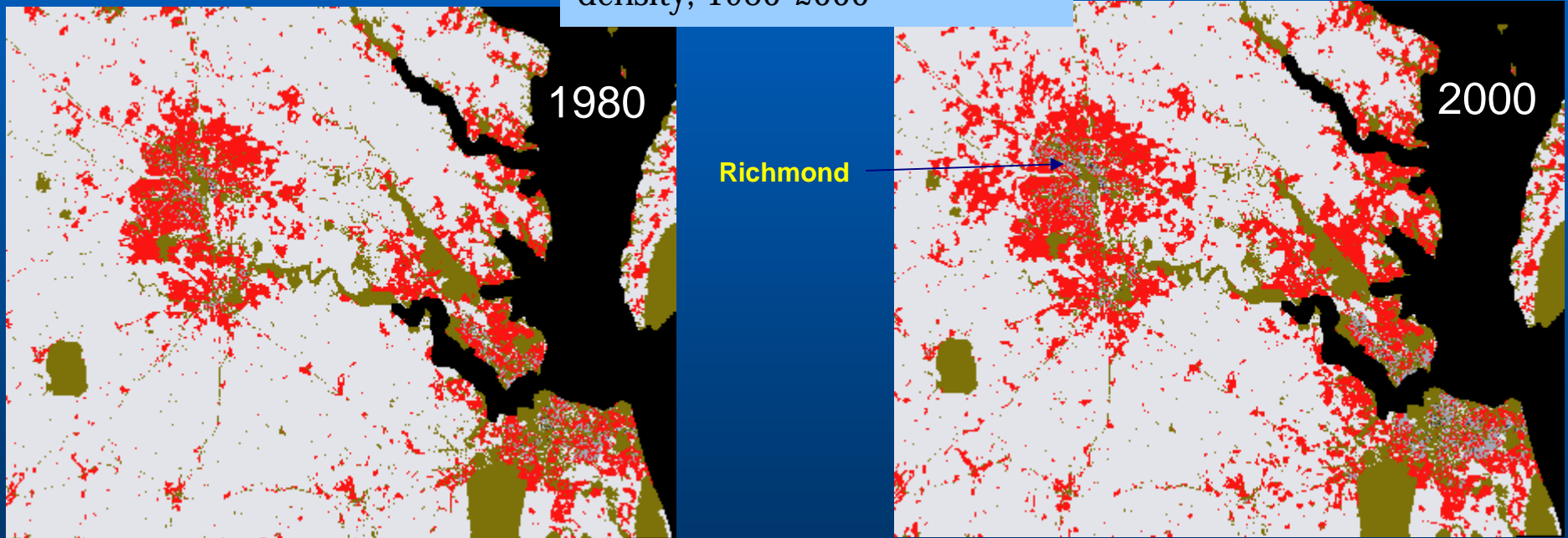
Population increase,  
city and metro area  
1980-2000





# The resulting growth looks like this:

Southeast Virginia housing density, 1980-2000

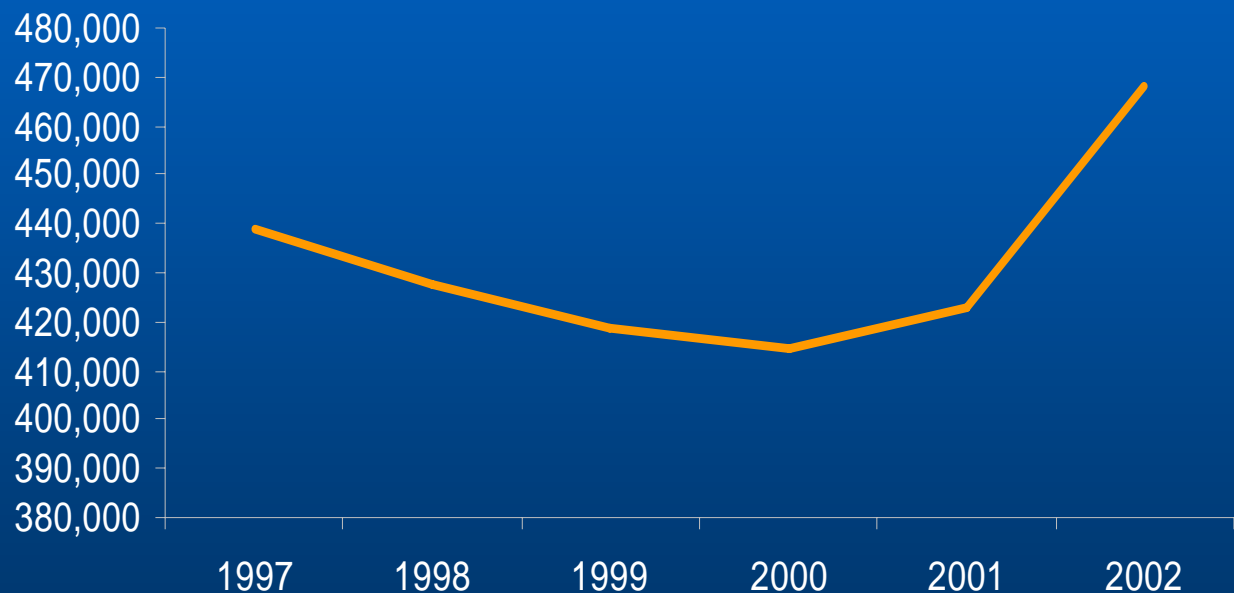


Source: David Theobald,  
Colorado State University



## Principle Four: Housing Policy is Income & Education Policy

Those claiming the earned income tax credit in Virginia have increased markedly in recent years

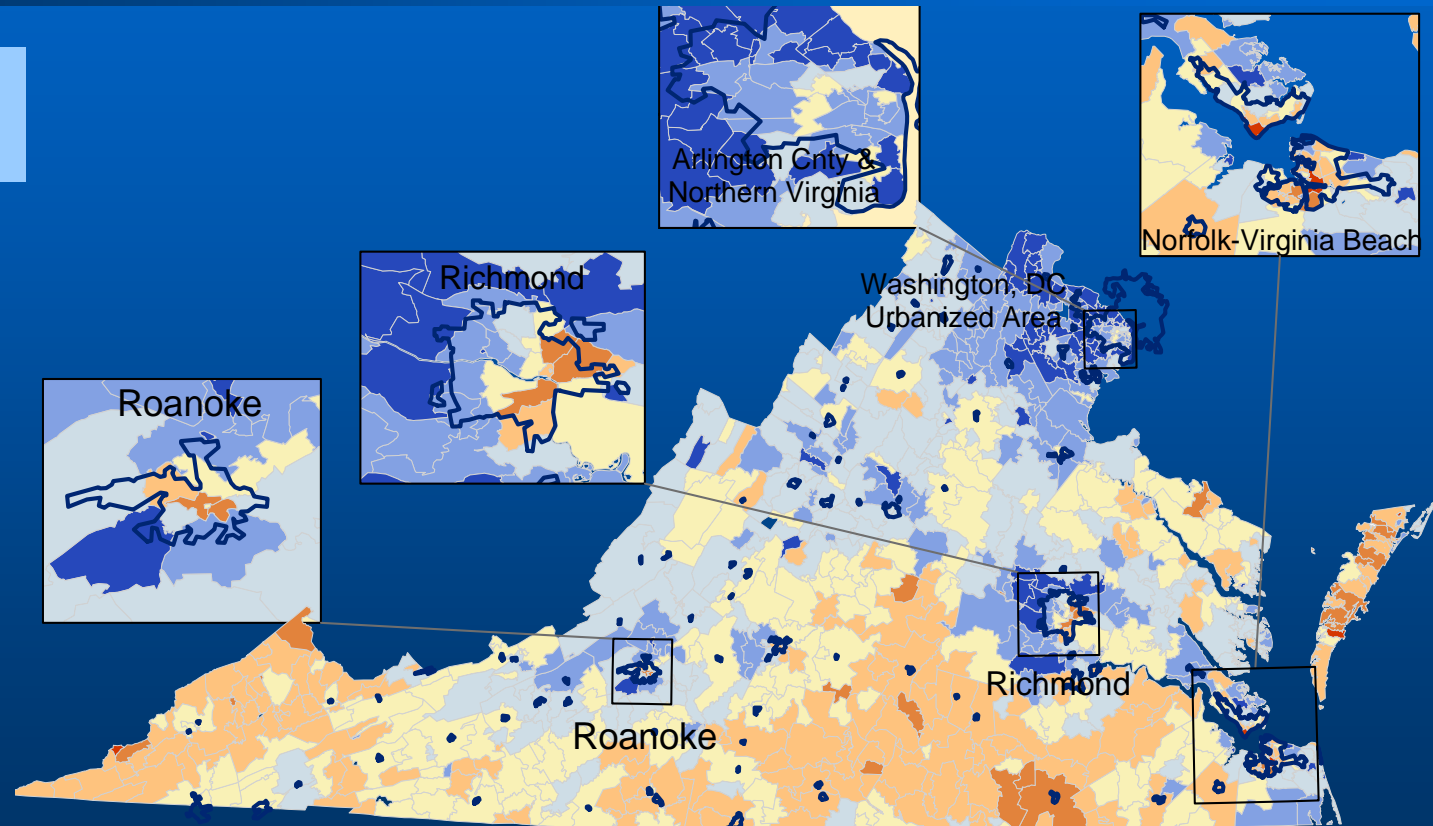
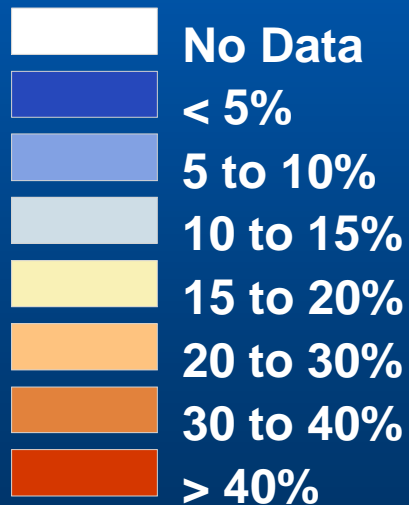


Source: EITC Interactive Site, The Brookings Institution's Metropolitan Policy Program



# Principle Four: Housing Policy is Income & Education Policy

Share of tax-filers using EITC, 2001



Large Cities	Large Suburbs	Small Metro	Rural
17.50%	9.70%	14.50%	17.20%

Source: Berube and Forman, "Rewarding Work: The Impact of the EITC" Brookings, 2001



## Principle Four: Housing Policy is Income & Education Policy

- School and education policy plays a critical role in housing and neighborhood location decisions
- School / housing nexus is especially strong for low-income families
  - Children who live in poor neighborhoods are at greater risk of school failure
  - When low income families are given the chance to move to better neighborhoods, school performance improves





# Principle Five: Regulatory Policy Makes a Difference

- Building Codes
- Zoning Ordinances
- Development Fees
- Land Use Regulations
- Design Requirements
- Subdivision Requirements
- Parking Requirements



## Principle Six: Race Matters

- Implement policies that do not reinforce patterns of segregation and discrimination
- Be aware that “color blind” policies may not work as intended if segregation and ethnic inequalities are ignored





# Principle Six: Race Matters



Virginia housing value and homeownership rate, by race, 2000

Source: Brookings analysis of U.S. Census data



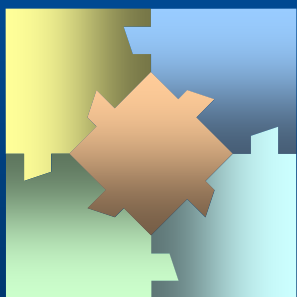
## Principle Seven: Engage with the Private Sector

- In many cases, the private sector will still be responsible for creating a substantial share of new affordable units.
- Incentives should be provided for private and not-for profit developers to produce more affordable housing
- Business leaders throughout the country recognize the clear connections between housing affordability and economic competitiveness.



## Principle Eight: Implementation Matters

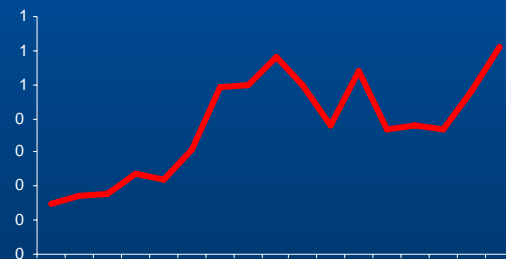
***Housing policy needs to be implemented in an integrated, accountable and sustainable fashion***



Integrated



Accountable



Sustainable



## Principle Eight: Implementation Matters

- Housing programs should connect directly with other state interventions (e.g., economic development, transportation)
- Hold implementing agencies accountable through performance measures
- Economic integration is the principle vehicle for sustainability



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# Important considerations for effective statewide housing policy

## **1. Link housing with development policy**

- Massachusetts' Office of Commonwealth Development oversees environmental, housing, transportation agencies and coordinates state development policies.

## **2. Take advantage of transit access**

- New Jersey's transit villages initiative provides state incentives for developing housing near transit.

## **3. Expedite the re-use of vacant and underused properties**

- Several states (Florida, Georgia) have expedited procedures to foreclose on abandoned properties.

## **4. Pursue rehabilitation subcodes**

- Places like Rhode Island and Maryland have revamped their codes to renovate existing buildings.

## **5. Consider a statewide approach to reduce local barriers**

- Massachusetts allows for appeals regarding local decisions by developers of mixed-income housing.



# Important considerations for effective statewide housing policy

## **6. Take advantage of neglected assets**

- Pennsylvania is working to revitalize economically struggling urban and rural places through major transformative investments.

## **7. Boost the statewide role in land use planning**

- Statewide planning offices exist in several states (Oregon, Delaware, Maryland) to improve coordination and effectiveness of land use decisions made by state, county, and local governments.

## **8. Coordinate and enhance interagency cooperation**

- A number of states address administrative complexities by creating a one-stop-shop for multiple programs.

## **9. Provide core, dedicated funding for housing production, preservation, and service.**

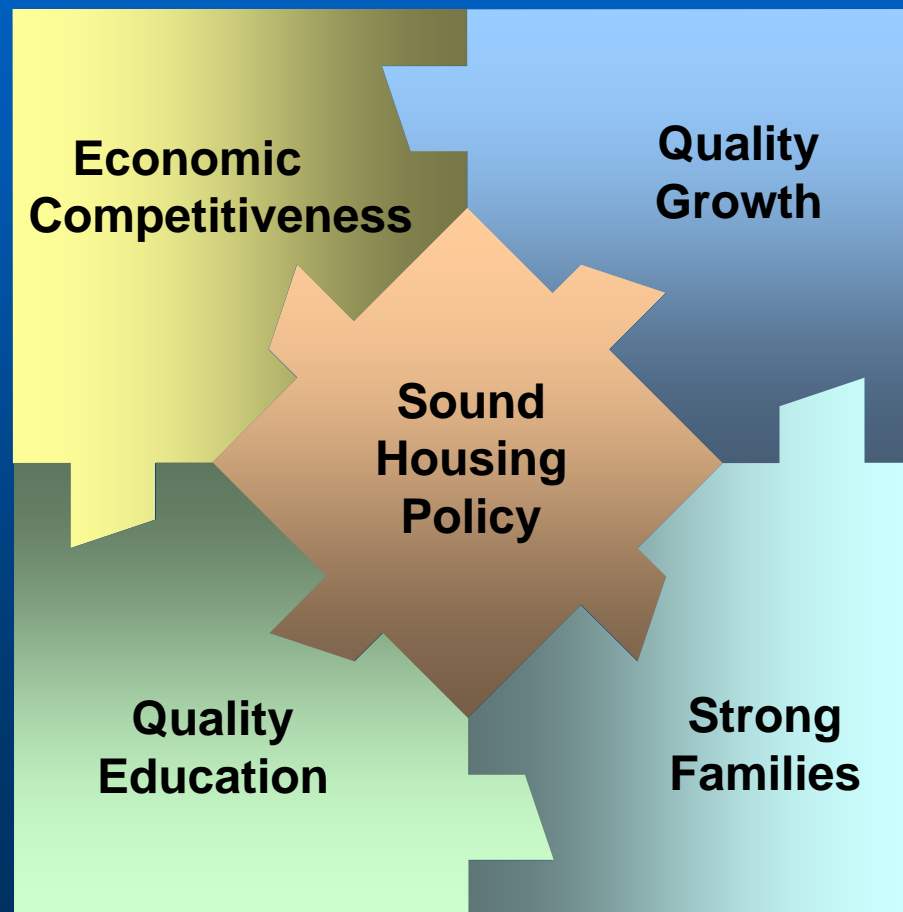
- Thirty-seven states have dedicated housing trust funds.

## **10. Make housing policy regional**

- California's housing element law mandates a regional housing needs determination by councils of government..



# Virginia needs to connect housing policy to core state priorities



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#### Losing Ground: Income and Poverty in Upstate New York

In recent decades Upstate New York has transitioned from a stable middle-income region to one with serious income and economic problems. This paper, the fourth in a Metropolitan Policy Program series on the region, examines these trends in detail and proposes a number of policy responses.

- read the paper
- Special Series on the Health of Upstate New York

### ANALYSIS & COMMENTARY

#### West Michigan: Building a Competitive Future

This powerpoint by Robert Puentes was presented at a summit in Grand Rapids, MI focusing on how that region can meet the economic development goals of West Michigan by fostering regional cooperation, collaboration, and communication.

### COMMUNITY AND NEIGHBORHOOD DEVELOPMENT

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