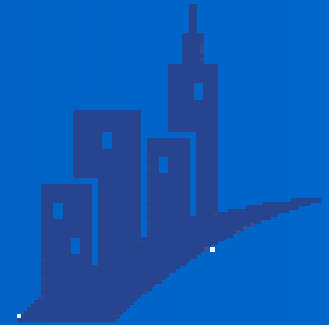


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Metropolitan Policy Program  
Robert Puentes, Fellow

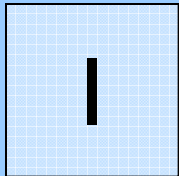


## Reframing Housing Policy for Virginia's Future

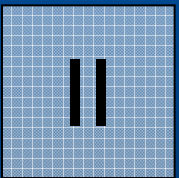
Governor's Housing Conference 2006  
Norfolk, Virginia  
November 30, 2006



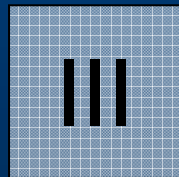
# Reframing Housing Policy for Virginia's Future



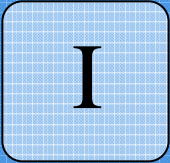
What are Virginia's critical housing issues?



How are these housing issues linked to other statewide priorities?



How can Virginia affect these other priorities by addressing its housing challenges?



What are Virginia's critical housing issues?



Price problem



Production problem



Location problem

Virginia ranks in the top 3<sup>rd</sup> nationally in terms of housing prices.

Average rent for a 2 bedroom apartment, 2005

| Rank 2005 (2004) | State         | Average rent |
|------------------|---------------|--------------|
| 7 (7)            | Connecticut   | \$1,004      |
| 8 (23)           | Rhode Island  | \$958        |
| 9 (10)           | New Hampshire | \$914        |
| 10 (9)           | Alaska        | \$905        |
| 11 (19)          | Delaware      | \$856        |
| 12 (14)          | Virginia      | \$852        |
| 12 (12)          | Nevada        | \$852        |
| 14 (11)          | Colorado      | \$832        |
| 15 (18)          | Florida       | \$816        |
| United States    |               | \$682        |

Ratio of median home value to median household income, 2005

| Rank          | State         | Housing price/ income ratio |
|---------------|---------------|-----------------------------|
| 13            | Florida       | 4.47                        |
| 14            | Connecticut   | 4.46                        |
| 15            | Colorado      | 4.41                        |
| 16            | New Hampshire | 4.23                        |
| 16            | Arizona       | 4.19                        |
| 18            | Virginia      | 3.91                        |
| 19            | Delaware      | 3.88                        |
| 20            | Minnesota     | 3.82                        |
| 21            | Vermont       | 3.80                        |
| United States |               | 3.62                        |

And despite recent slowdowns, prices continue to rise faster than the national average in every metro area except Danville.

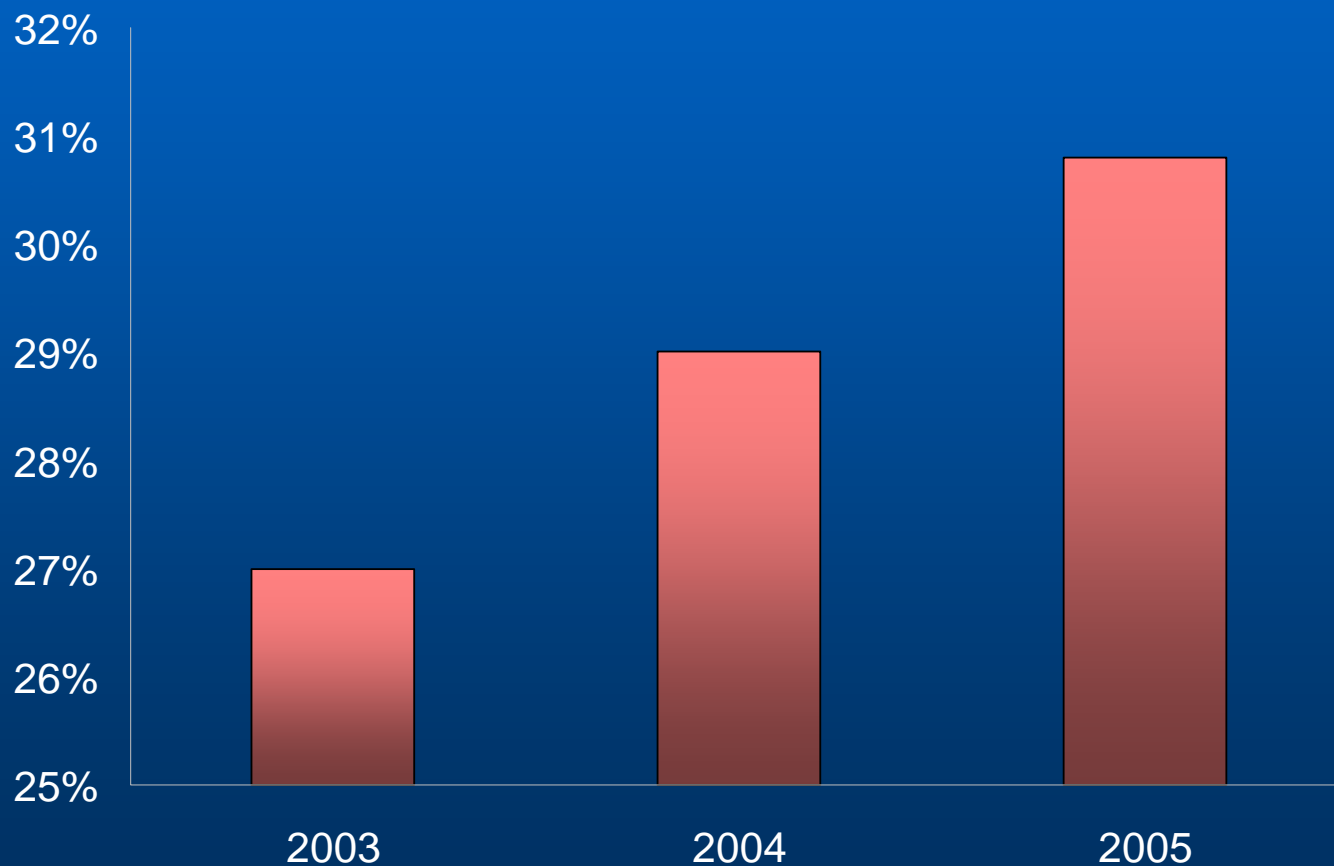


| Metro Area                      | Change |
|---------------------------------|--------|
| Virginia Beach/Norfolk          | 17.4%  |
| Winchester                      | 17.0%  |
| Harrisonburg                    | 16.5%  |
| Washington-Arlington-Alexandria | 15.7%  |
| Richmond                        | 15.2%  |
| Charlottesville                 | 14.5%  |
| Roanoke                         | 12.5%  |
| Lynchburg                       | 12.1%  |
| Blacksburg                      | 8.4%   |
| US median                       | 8.0%   |
| Danville                        | 2.4%   |

Change in housing price index June 2005-June 2006

Source: Office of Federal Housing Enterprise Oversight (OFHEO)

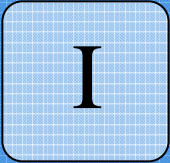
The percent of Virginia homeowners spending more than 30% of their income on housing costs continues to rise.



Percent of mortgaged owners spending 30 percent or more of household income on selected monthly owner costs: 2005

Source: Brookings analysis of American Community Survey data

*The federal government recommends that families spend no more than 30 percent of their income on housing*



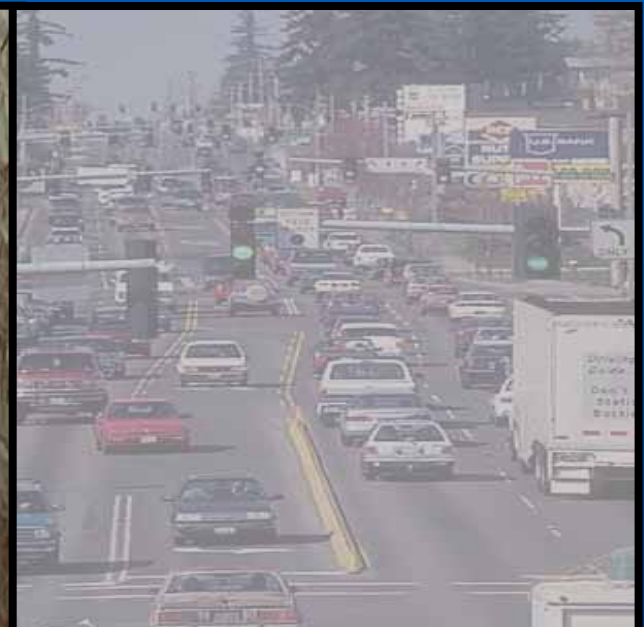
What are Virginia's critical housing issues?



Price problem



Production problem

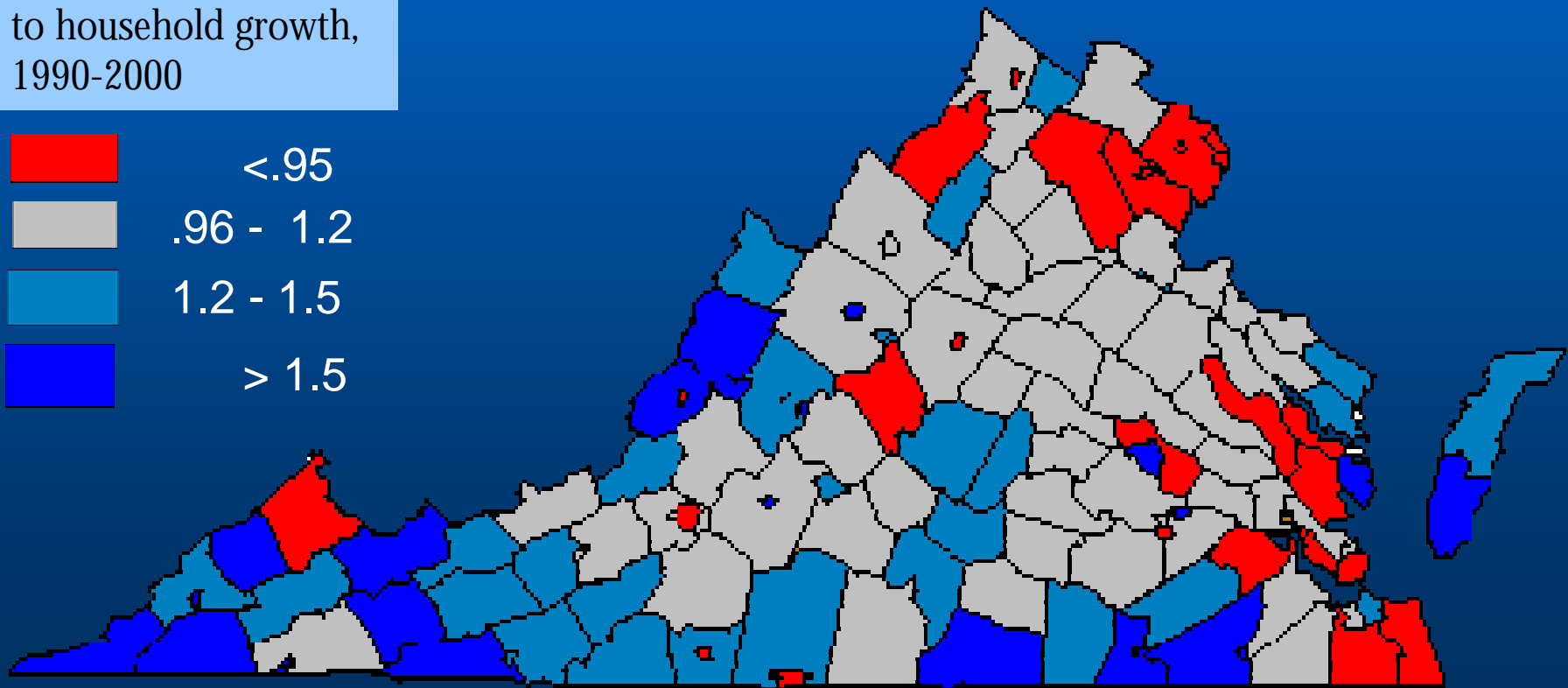
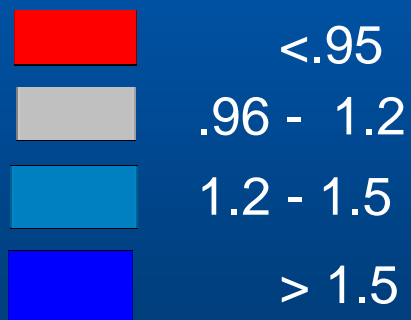


Location problem

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

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

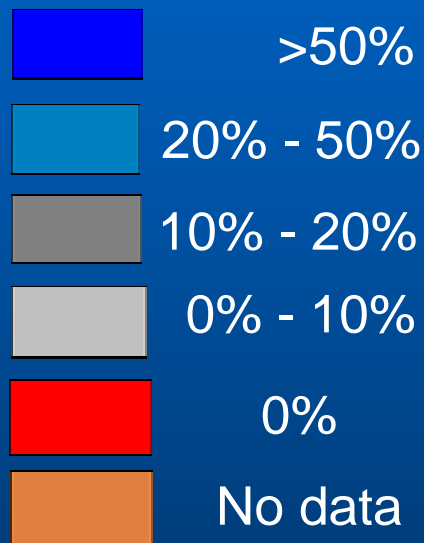
Ratio of housing units to household growth, 1990-2000



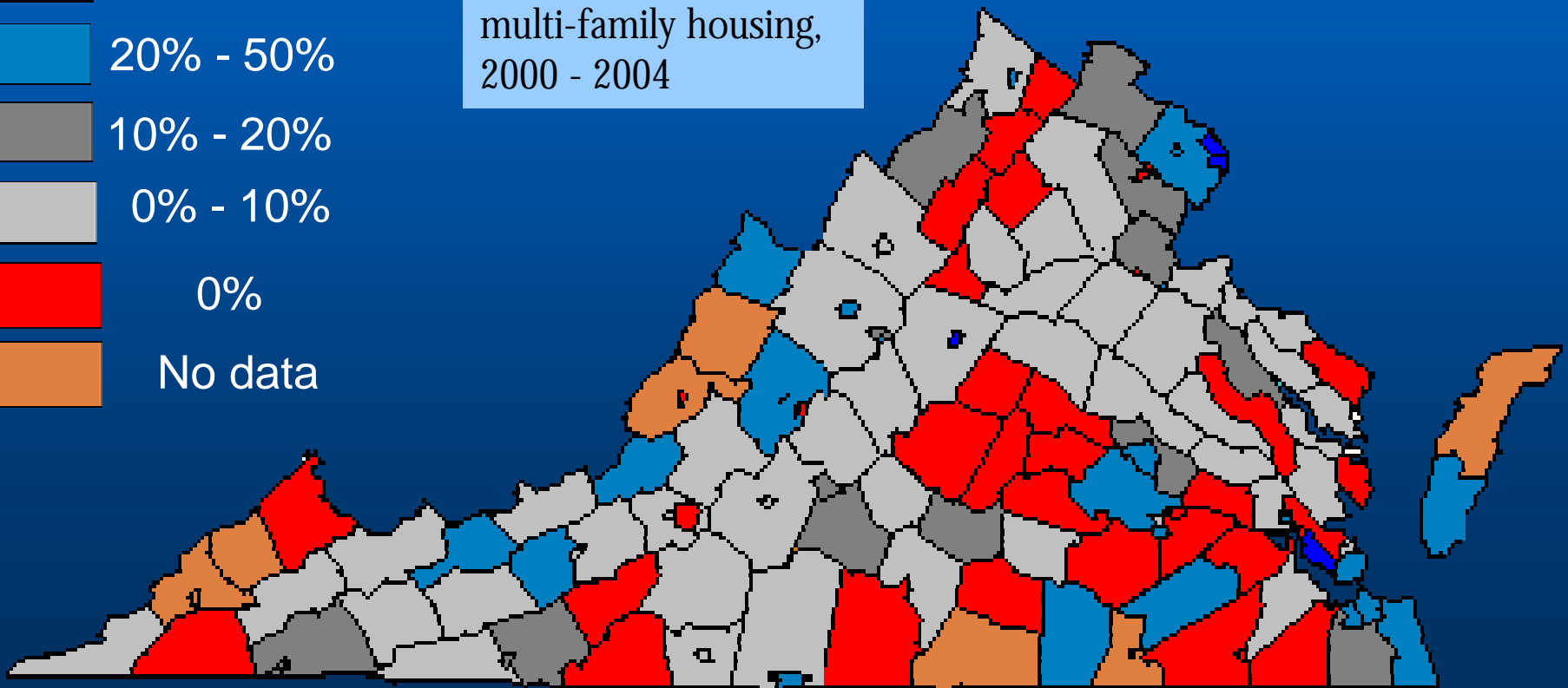


Most of Virginia built only single family homes from 2000 to 2004.

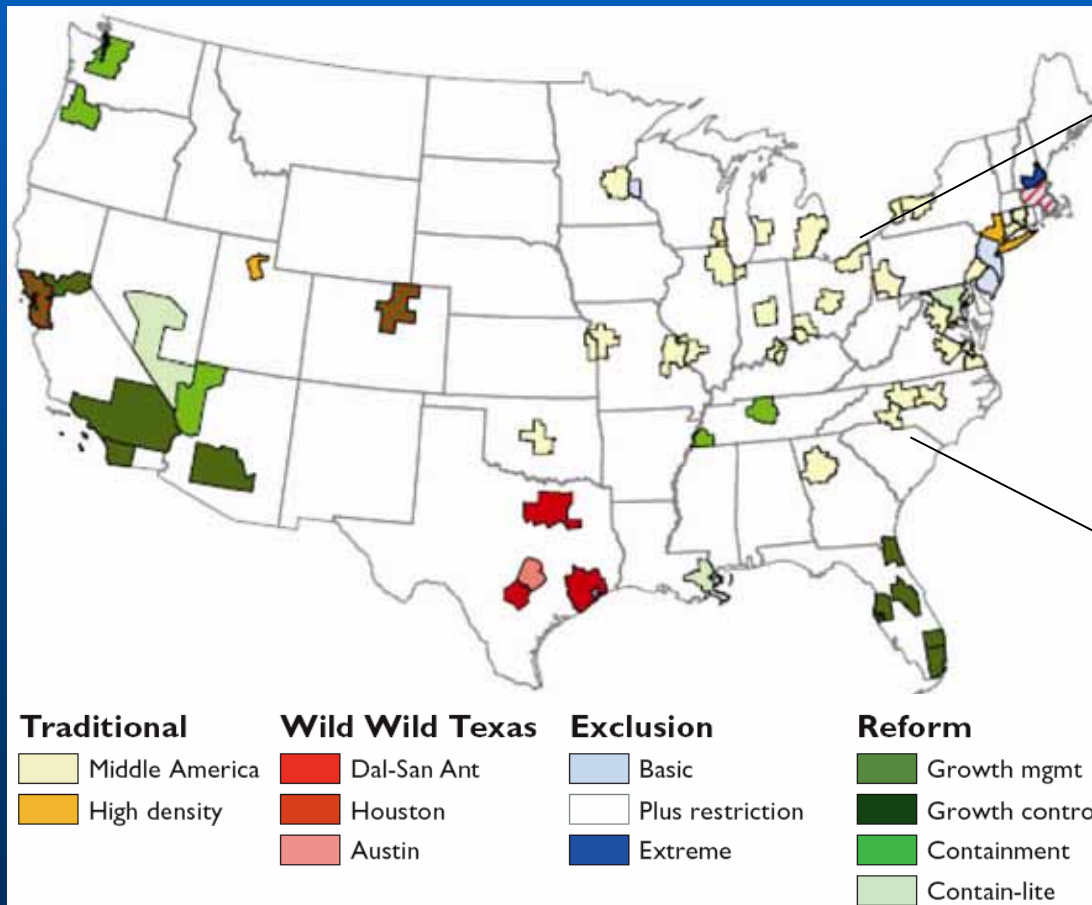
Source: Brookings analysis of U.S. Census Bureau data on new residential construction



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

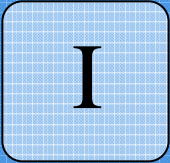


This is due, in part, to the fact that taken as a whole, Virginia's jurisdictions take a “traditional” approach to zoning and land use.



Typology of land use regulations, by metropolitan area

Source: Pendall, et al., Brookings, 2006



# What are Virginia's critical housing issues?



Price problem



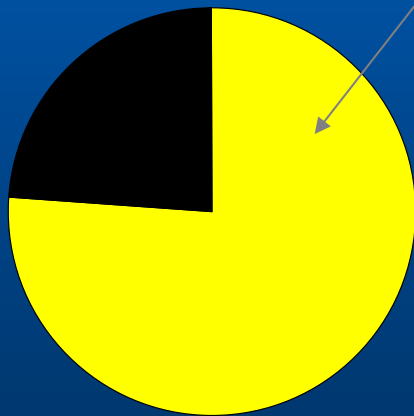
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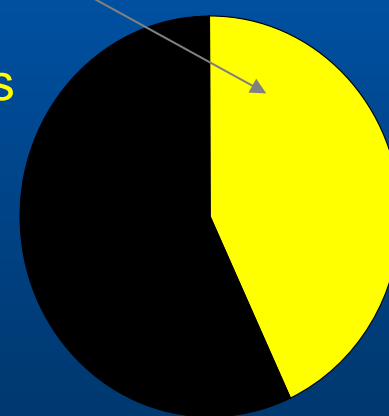
Location problem

Since 2000, just 11 municipalities built three-quarters of the multi-family housing units in the state. But they make up only 43 percent of the households.

Fairfax, Loudoun, Arlington, Prince William, Chesterfield, Albemarle, Henrico counties & Alexandria, Virginia Beach, Newport News, Norfolk cities



State share of multi-family units



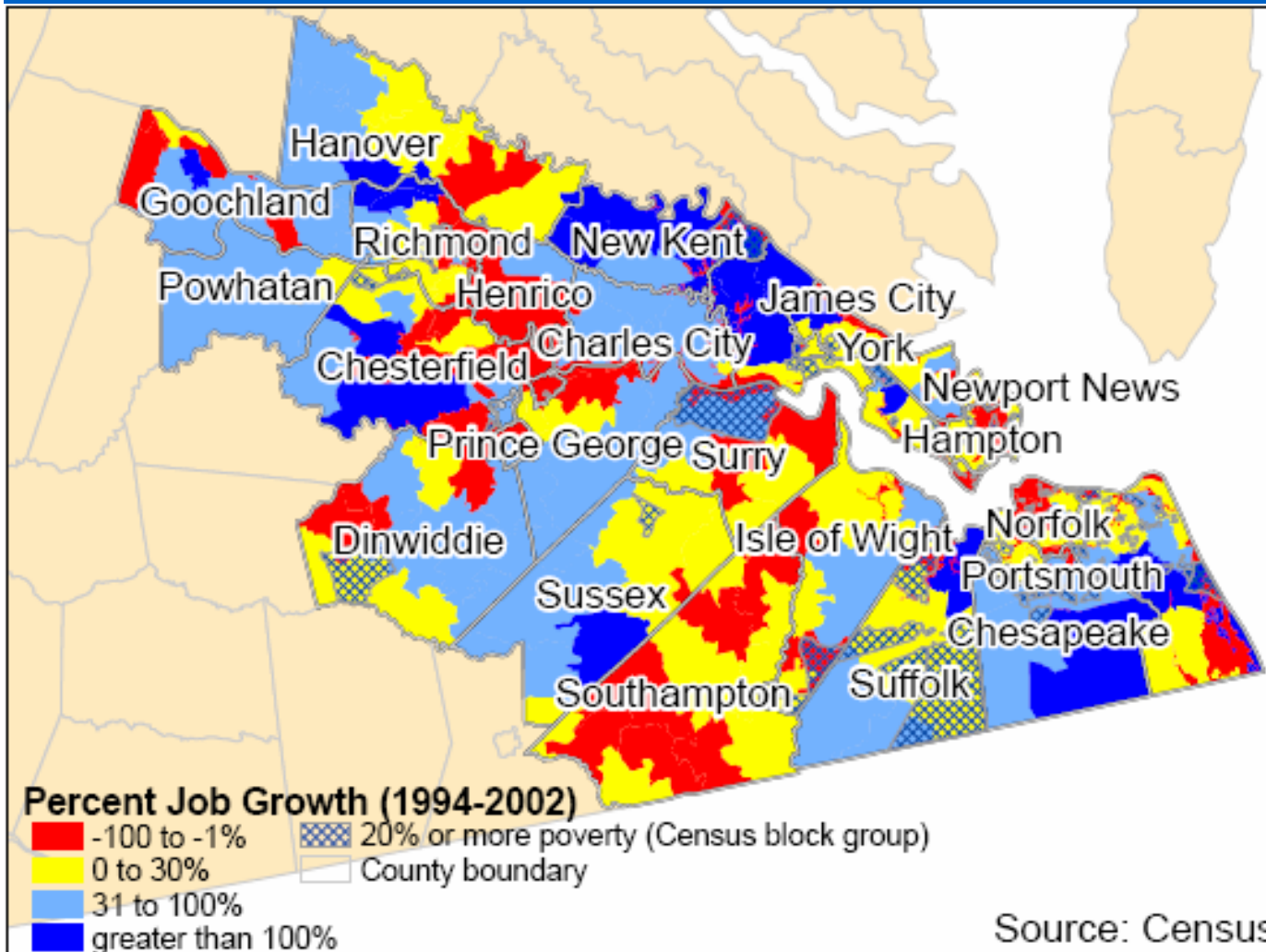
Households

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

- Since 2000, 30 percent of Virginia's jurisdictions built ZERO multi-family housing units.
- As a result, affordable housing—both assisted and unassisted—continues to be heavily concentrated in the older core localities of metropolitan areas

Source: Analysis of Housing Needs in the Commonwealth, Virginia Department of Housing and Community Development, 2001



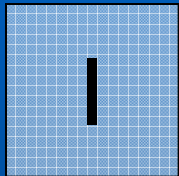


In southeast Virginia, jobs are growing on the suburban fringe, often far away from where poor families live.

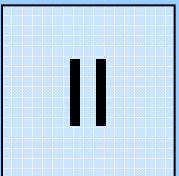




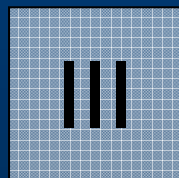
# Reframing Housing Policy for Virginia's Future



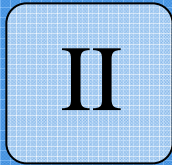
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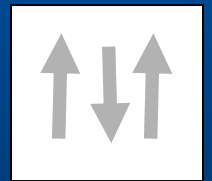
These challenges have larger effects and are threatening the state's competitiveness, exacerbating disparities, and facilitating sprawl.

Virginia's housing challenges are .....

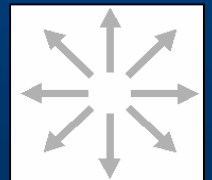
Threatening overall competitiveness



Exacerbating race, class and place disparities



Facilitating sprawl and burdening the transportation network





Business leaders in other areas of the country recognize the clear connections between the quality, affordability, and location of housing, and economic competitiveness.

**“The cost of housing plays a significant role in a region's competitiveness, affecting its ability to attract and retain skilled workers.”**

James T. Brett, president and CEO of  
The New England Council

**“[E]mployees are leaving .... for other areas like Austin, Colorado, and Seattle where housing costs are lower and the quality of life is better.”**

Keith Kennedy, chief executive officer of Watkins-Johnson, San Jose

**"If you think you can build a healthy and attractive region without paying attention to what kind of housing the region is adding, and where it is being built, then you are completely missing the boat,"**

George A. Ranney Jr., president and CEO of Chicago Metropolis 2020.

Research literature is also beginning to clearly assert the link between housing and economic competitiveness.

- The economic health of a region is dependent on the presence of a competitive workforce, which in turn is strongly related to the availability of suitable and affordable housing.

“Employer-Assisted Housing: Competitiveness Through Partnership,” Harvard University Joint Center for Housing Studies (2001)

- Housing costs are a primary factor in determining whether a state can effectively attract and retain employees and businesses.

“Integrating Affordable Housing with State Development Policy,” National Governor’s Association (2004)

- The primary factor hindering the business climate of a region is high housing costs.

Gerston, “Assessing the Competitiveness of California’s Business Climate,” San Jose State University (2005)

## II

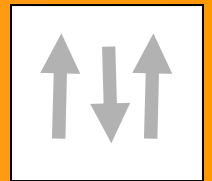
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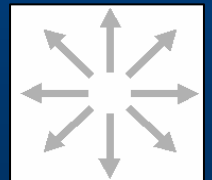
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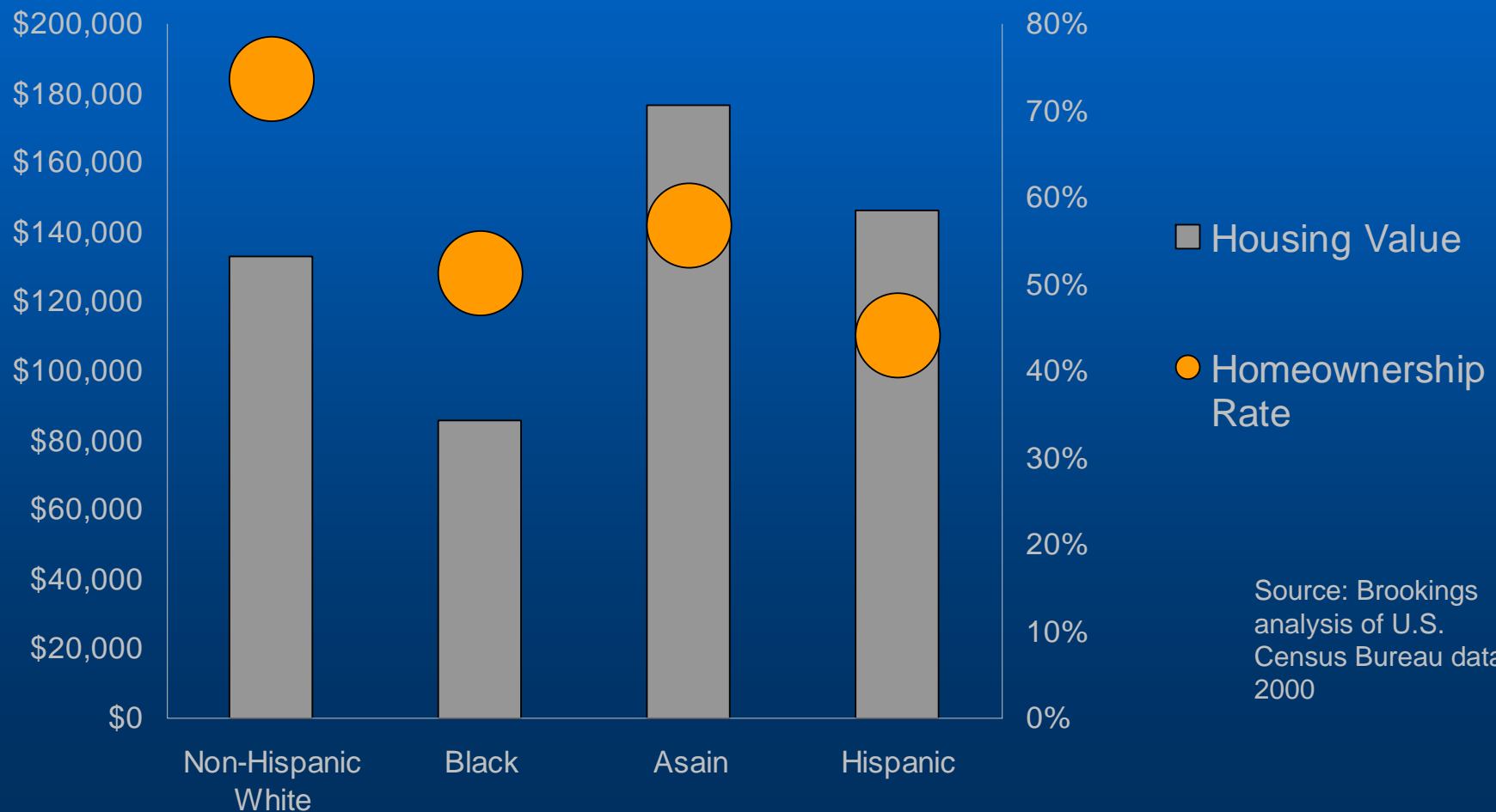
Exacerbating race, class and place disparities



Facilitating sprawl and burdening the transportation network

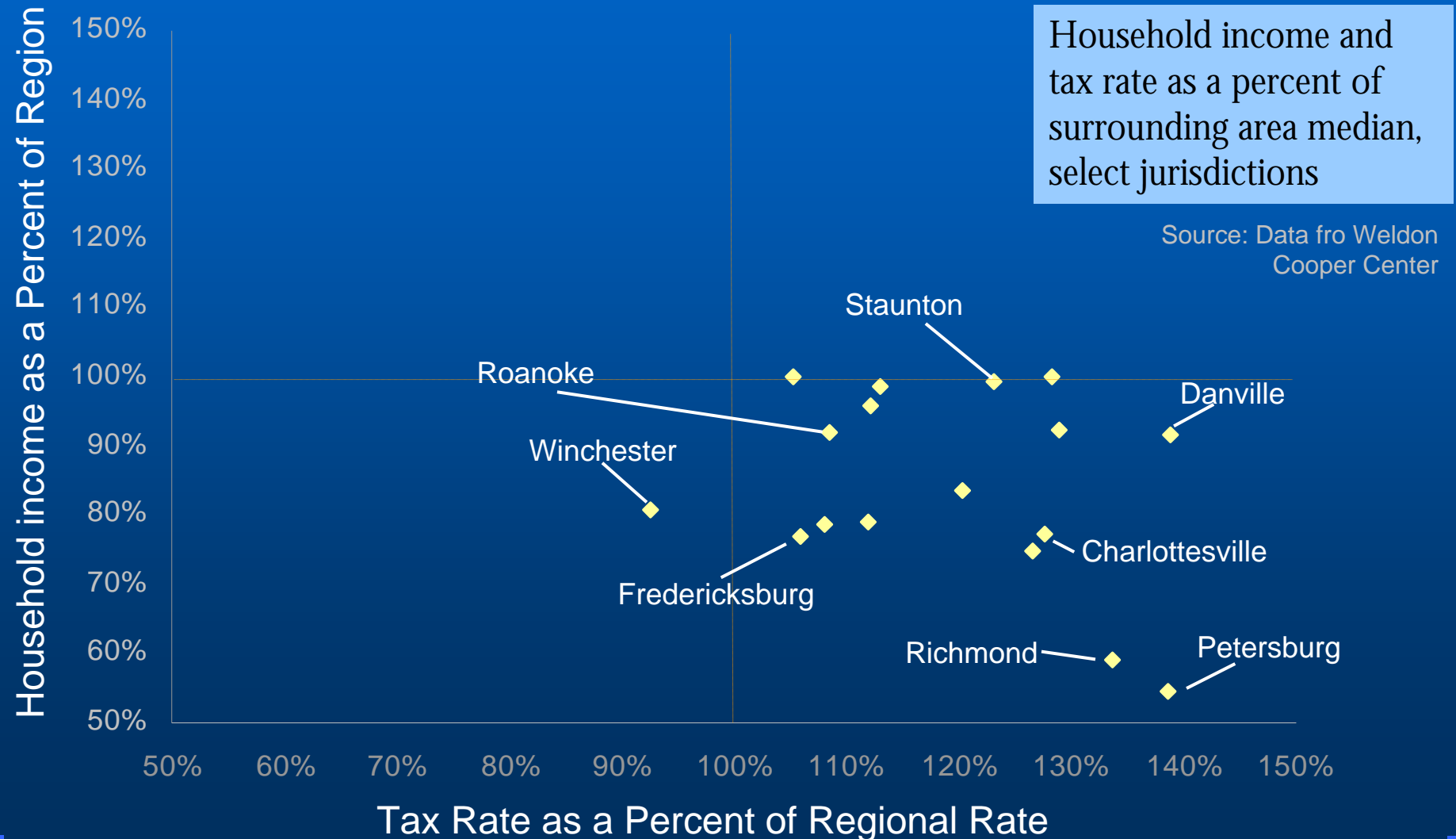


Overall rates and values for racial and ethnic minorities in Virginia still trail that of whites considerably.



Source: Brookings analysis of U.S. Census Bureau data, 2000

And in Virginia's "first" cities, high property taxes impact those least able to afford it.



## II

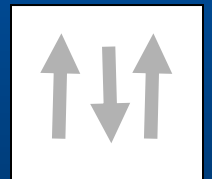
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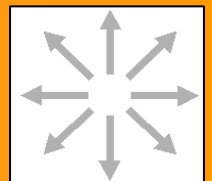
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





Facilitating sprawl and burdening the transportation network

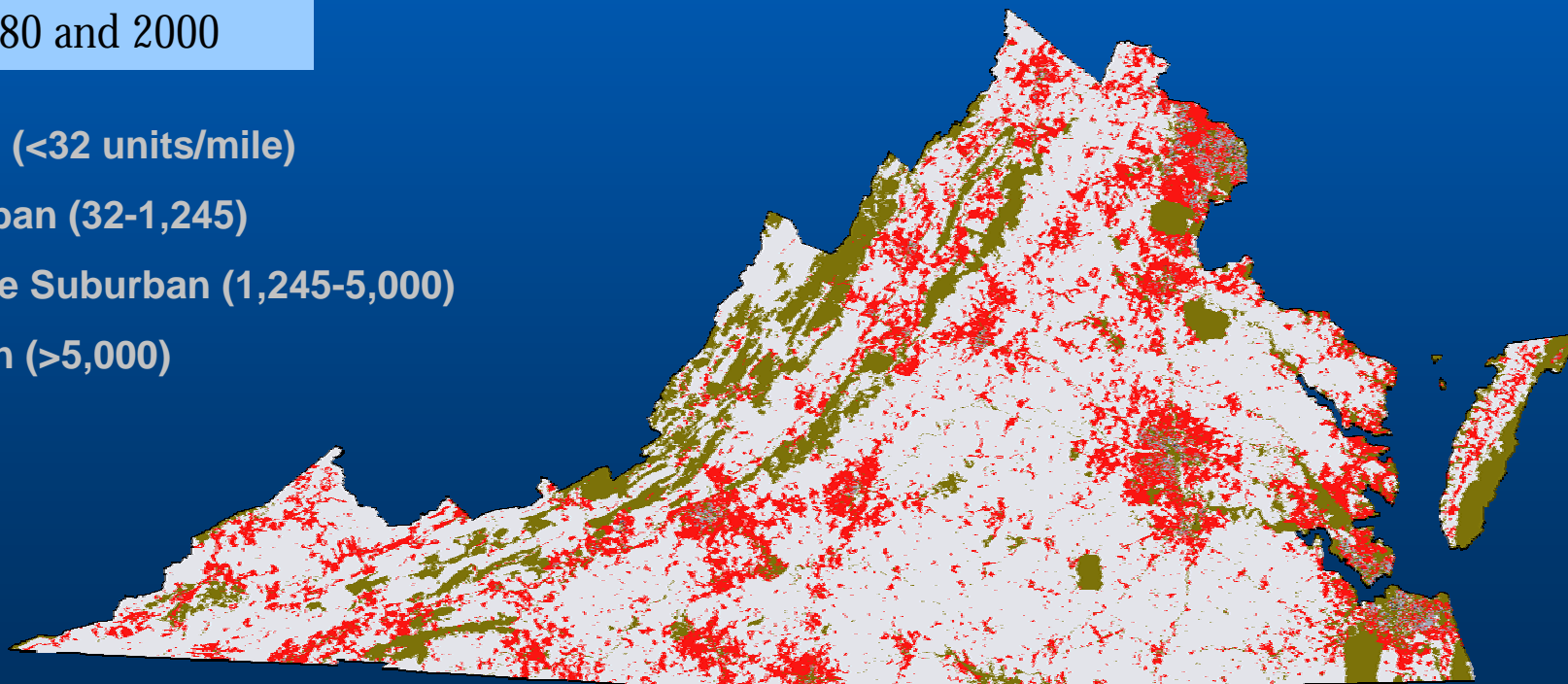


Housing and population growth in Virginia is not occurring at urban (or even suburban) densities but, rather, at very low densities on the exurban fringe.

Housing unit densities in Virginia, 1980 and 2000

-  Rural (<32 units/mile)
-  Exurban (32-1,245)
-  Dense Suburban (1,245-5,000)
-  Urban (>5,000)

2000



From 1980-2000, only three states (Texas, North Carolina, Michigan) developed more rural land than Virginia. Virginia now ranks 7<sup>th</sup> in terms of its “exurban” population.

|                | Square Miles |          |          | Percent Land Area |       |       |
|----------------|--------------|----------|----------|-------------------|-------|-------|
|                | 1980         | 1990     | 2000     | 1980              | 1990  | 2000  |
| Urban          | 14.1         | 18.9     | 28.3     | 0.0%              | 0.1%  | 0.1%  |
| Dense Suburban | 221.5        | 277.7    | 378.8    | 0.6%              | 0.8%  | 1.1%  |
| Exurban        | 5,025.6      | 5,936.1  | 7,589.4  | 14.3%             | 16.9% | 21.7% |
| Rural          | 29,769.2     | 28,797.7 | 27,033.9 | 85.0%             | 82.2% | 77.2% |

Area and percent of area by housing density type, 1980-2000

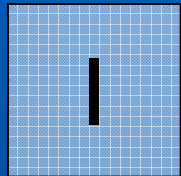
Source: Brookings analysis of data from Theobald, Colorado State University, and Source: Berube, et al, “Finding Exurbia”



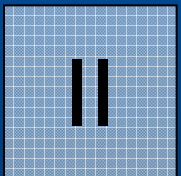




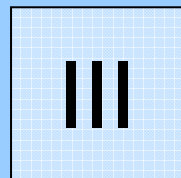
# Reframing Housing Policy for Virginia's Future



What are Virginia's critical housing issues?



How are these housing issues linked to other statewide priorities?



How can Virginia affect these other priorities by addressing its housing challenges?

## Virginia needs to address its housing and land use challenges in order to affect a range of other issues

- 1. Make housing a competitive priority**
- 2. Reinvest in cities and older places**
- 3. Link housing and development policy**

Like with transportation, Virginia's business community must fundamentally understand the relationship between housing and competitiveness and fully engage in the issue.

- 1. Make housing a competitive priority**

2. Reinvest in cities and older places

3. Link housing and development policy

Virginia should convene civic, corporate, and elected leaders in a statewide summit on housing challenges.

In several states (Pennsylvania, Maine, Arizona, New Jersey) governors are taking lead roles in elevating housing as a priority issue.



Virginia's urban agenda should focus on increasing production of a range of housing in the right places to meet the demands of all households.

1. Make housing a competitive priority
2. **Reinvest in cities and older places**
3. Link housing and development policy

Virginia could become the first state to offer homeownership tax credits competitively to for-profit and non-profit developers to produce new/rehabilitated homes for low-and moderate income buyers in the right places,

Massachusetts targets certain grants and helps cover school costs to those communities that accommodate a range of housing choices.



The policy reforms necessary to address development challenges are cross-cutting and require cross-functional collaboration in order to ensure that the state's activities are coordinated and rationalized.

1. Make housing a competitive priority
2. Reinvest in the first cities
3. **Link housing and development policy**

Virginia should consider aligning land use agencies: e.g., DEQ, DHCD, DOT, DOA in order to truly govern for change.

Other states (Washington, California, Massachusetts) have realigned themselves to explicitly link these issues.





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**METROPOLITAN POLICY PROGRAM**