Virginia Housing Commission

# SUMMER NEWSLETTER II

Issue Eight

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## TABLE OF CONTENTS


| | |
|---|---|
| Workforce Housing Article | Page 1 |
| U.S. Housing Starts | Page 2 |
| Mortgage Rates Fall | Page 2 |
| Featured Articles | Page 3 |


## DELEGATE DANNY MARSHALL : WORKFORCE HOUSING: NEW SOLUTIONS FOR THE 'MISSING MIDDLE'

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CARDINAL NEWS
SERVING SOUTHWEST AND SOUTHSIDE VIRGINIA

Even in the face of rising inflation and uncertainty, the comeback story of the Southern Virginia economy continues to be written. Unemployment is at its lowest in twenty years. Major economic development project announcements keep coming. In many ways, our region's economy is as strong as it has been in a long, long time. However, a new challenge is rising that threatens to stunt this growth and end the relatively low cost of living that residents of Southern Virginia enjoy. This challenge is housing, or rather, a lack of it.

A recent report by Chmura Economics titled "Housing as an Economic Development Strategy for Virginia," commissioned by Virginia Housing, documents the challenge well. The Commonwealth is projected to add 140,000 net new jobs by 2033, and in many places, especially Southern and Southwest Virginia, there's currently no good answer regarding the question of where all these people are going to live. Until we find these answers, we will increasingly face missed opportunities and higher housing costs.

Housing availability and affordability have traditionally been seen as outside the scope of economic development. As a result, our region's business recruitment efforts focused on meeting the needs of businesses by providing adequate industrial sites, buildings, utilities and a trained workforce. That focus has paid off, and the jobs are now coming, but as they say, housing is where jobs go to sleep at night. The report from Virginia Housing makes it clear that in today's hyper-competitive environment, economic development and housing are fundamentally linked.

All of this raises the question: What can we do about our housing shortage? The first step is to identify where we see the greatest need. It appears to me that, in order to provide the type of housing that our new workers will need, as well as our teachers, fire fighters and other public servants, we must focus on the "missing middle."

Affordable housing programs for those most in need abound, and plenty of developers seem more than willing to build the next McMansion; however, few seem interested in building affordable homes for working people. There are many reasons for this, from lower profits to higher costs of infrastructure, but there are also many solutions to this challenge.

I believe any meaningful fix to our current shortage of workforce housing will take a mix of public policy, targeted funding and private sector innovation. I also believe we need everyone at the table to solve this crisis; this includes not just the state's housing community and developers, but also state and local governments, and especially those employers whose new workers we are all trying to house.

This is why I am proud to share that the Tobacco Region Revitalization Commission has launched the Economic Development Workforce Housing Incentive Pilot Program.

In short, this program seeks to utilize the energy around a major economic development announcement to engage state, local and private sector partners to work together to offer affordable workforce housing options that meet the needs of the community, employees and employers. The Commission has committed $2M for the first phase of this pilot with the hope that, by incentivizing new players to join the conversation on filling up that missing middle, we will make Southern and Southwest Virginia more compelling places for new businesses to locate or for existing ones to expand.

The basics of the program include a loan or grant for each new housing unit, provided that it will be affordable to a household with an income between 80-120% of the Area Median Income, that "missing middle." However, what really makes this program unique is the requirement that any award must be tied to an economic development project within the Commission footprint. We want to harness the energy and excitement around a major economic development project to spur an innovative and meaningful solution aimed at addressing the new housing demand that the project itself will create.

This could also include the employer directly participating in a housing solution, such as through a housing-payment match program for its workers, providing transportation to the development, or even directly investing in the project. My hope is that, over time, a new model for workforce housing will develop that allows us to better integrate workforce housing solutions into our economic development efforts, so that a lack of housing is never again an obstacle to growth.

I look forward to working with organizations already doing great work in the housing sector, like Virginia Housing, Virginia Department of Housing and Community Development, Housing Forward Virginia, and others, to solve our workforce housing problem and ensure that, when it comes to creating jobs, building communities, and making Southern and Southwest Virginia even better places to live and work, we have solutions that make the availability of high quality affordable housing an asset to our region.

# U.S. Housing Starts

## Overall Starts Rise, Single-Family Starts Fall In June

New U.S. home construction rates grew in June, but single-family housing starts dropped to an eight-month low.

U.S. Single-family housing starts fell to an eight-month low in June, the lowest since October 2023, but are 5.4% above last year's pace. Overall housing starts, which includes both single and multifamily construction, rose 3% compared to May 2024 but remained 4.4% below June 2023. Homebuilding for single-family homes increased in the densely populated South and the Midwest.

Housing permits are 3.4% higher than they were in May 2024 but are below the June 2023 estimates.

The completions rate jumped 10.1% overall to a rate of 1.710 million units, making it the highest completions rate since January 2007. Experts estimate that completion rates need to be in the range of 1.5 to 1.6 million units per month to help bridge the inventory gap.

While housing starts are up, the slowdown in single-family starts most likely represents a cautious outlook from homebuilders due to high mortgage rates.

# Mortgage Rates

## Mortgage Rates Drop To Lowest Level in Over a Year

Mortgage rates fell to a 15-month low during the second week of August. The decline in rates led to a 16% increase in refinancing applications, according to the Mortgage Bankers Association. However, the housing market is expected to remain competitive for a while.

The average interest rate on a 30-year, fixed-rate mortgage **dropped to 6.47%**, from 6.73% at the start of August and 6.96% this time last year, according to Freddie Mac. Rates for 15-year mortgages dropped to 5.63% from 5.99%.

While the drop in rates led to an increase in refinancing applications, there has been no significant increase in new mortgage applications. Interest rates remain higher than rates in 2020 and 2021, when many buyers secured mortgage rates below 4%. As mortgage rates fall, the lock-in effect caused by those low rates will be slightly reduced. However, rates will have to fall significantly more before making a larger impact on the market.

Lower financing costs could eventually lead to more affordable housing, but a lack of housing stock and other factors continue to constrain the housing market.

## Upcoming Meetings

**August 20th, 10:00 a.m. - Local Land Use and Community Living Work Group**

**September 4th, 10:00 a.m. - Affordable Housing and Landlord/Tenant Law Work Group**

**November 25th, 10:00 a.m. - Affordable Housing and Landlord/Tenant Law Work Group**

**November 25th, 1:00 p.m. - Affordable Housing and Landlord/Tenant Law Work Group**

**December 3, 10:00 a.m. - Full Commission Meeting**

***All meetings will be held in Senate Room C, Room 311, General Assembly Building**

**Continued on next page**

## FEATURED ARTICLES

**Habitat for Humanity will Buy Carlton Mobile Home Park** (Charlottesville Tomorrow)

Habitat for Humanity of Greater Charlottesville will buy Carlton Mobile Park after presenting a successful counteroffer. An unnamed buyer offered to purchase the park in May, prompting concern from residents. The Virginia Manufactured Home Lot Rental Act required the park owners to give residents, or an organization representing the residents, 60 days to counteroffer. In partnership with the Piedmont Housing Alliance, Habitat for Humanity successfully offered to purchase the park.

**Virginia REALTORS® Are Single Family Homes Getting Smaller?** (Virginia Realtors)

Following a demand for larger homes after the Great Recession, with new home sizes reaching median of 2,467 sq. ft in 2015, the median home size fell to 2,145 sq. ft. in the final quarter of 2023.

The buyer and builder interest in smaller homes might be attributable to the affordability challenges that have persisted the last few years.

**Northern Virginia Housing Costs Drive Exodus To Richmond Area, Out of State** (Richmond Times Dispatch)

The cost of housing is causing people to leave the Northern Virginia area for other southeastern states and other parts of Virginia, primarily the Richmond area. The Richmond area is experiencing the most growth in its history and Virginia has lost more residents to migration than it has gained since 2013.

**Overcharged, then Evicted: How Errors Push Out Public Housing Residents** (Washington Post)

Some public housing tenants are facing incorrect rent calculations and threats of eviction due to errors. An audit by the U.S. Department of Housing and Urban Development (HUD) last year revealed that about two-thirds of tenant files at the Richmond Redevelopment and Housing Authority (RRHA) contained mistakes in income and rent calculations, leading to significant financial burdens and evictions for many residents. A year later, some Richmond public housing residents are reporting the same problems.

HUD has also put pressure on many local housing authorities to improve rent collection methods to address the persistent issue of unpaid rent. HUD estimates public housing requires nearly $60 billion for capital improvements alone and federal funding hasn't kept up with maintenance and operational demands. In the audit last year, HUD found that 27% of RRHA rent went unpaid.

As these authorities struggle with staffing and funding issues, lawsuits and tenant advocates highlight the ongoing challenges in ensuring fair housing practices.

**Decline in Veterans' Homelessness Spurs Hopes for a Broader Solution** (New York Times)

While homelessness rose among all groups last year, the increase in veteran homelessness was smaller than in other groups. Experts attribute this to the federal initiative to reduce homelessness and suggest it offers a blueprint to helping others affected by homelessness. The effort to reduce homelessness among veterans stands out among other programs because it is not constrained by lack of funding.

Congress has expanded this voucher program every year, meaning veterans have much shorter waiting periods for rental aid than other homeless groups. Additionally, the rental aid comes with no requirements or conditions like drug treatment or mental health services, taking what is known as a "housing first," approach.

**Starter Homes are Being Torn Down in Richmond and Replaced with McMansions** (Axios Richmond)

The trend of tearing down single-family homes to build new, often bigger and more expensive homes is impacting Richmond's housing affordability. This practice is raising property taxes for neighboring homes and reducing the city's affordable housing stock.

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